



神威藥業  
SHINEWAY

China Shineway Pharmaceutical Group Limited

中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02877

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT **2018**

# Leading

Modern Chinese Medicine

## Promoting Health Industry



# 2018 Environmental, Social and Governance Report

## INTRODUCTION

This Environmental, Social and Governance Report (the “Report”, “ESG Report”) summarizes China Shineway Pharmaceutical Group Limited’s (the “Company”) and its subsidiaries’ (the “Group”, “Shineway Pharmaceutical”, “Shineway” or “we”) environmental, social and governance (“ESG”) initiatives, plans and performance, and demonstrates its commitment to sustainable development.

The Group mainly engages in the research, development, manufacturing and marketing of modern Chinese medicine businesses. Its main products include injections, soft capsules and granules and traditional Chinese medicine (“TCM”) formula granules, which are primarily sold in China.

The Group publishes an ESG report each year. This Report is the third ESG report published by the Group. The previous ESG report for the year ended 31 December 2017 (“2017”) was published in April 2018.

The Group believes that environmental protection, low-carbon principle, conservation of resources, and sustainable development are the social trends. In the pursuit of a successful and sustainable business model and to achieve continuous success, the Group recognizes the importance of incorporating ESG concepts into its risk management mechanism and the corresponding measures are going to be taken from day-to-day operations and governance perspectives.

## REPORTING PERIOD

This ESG Report details the activities, challenges and measures taken by the Group with respect to ESG aspects for the year ended 31 December 2018 (the “Reporting Period”, “Year” or “2018”).

# 2018 Environmental, Social and Governance Report

## REPORTING SCOPE

Unless otherwise stated, the environmental key performance indicators of the ESG Report mainly covers the Group's main subsidiary focusing on the research, manufacturing and sale of Chinese medicine, namely the Shineway Pharmaceutical Group Limited, located in Luancheng, Shijiazhuang, Hebei Province, People's Republic of China ("PRC"), which contributed approximately 74% to the Group's non-current assets as at the year ended 31 December 2018. General disclosure and compliance issues presented in the ESG Report cover all subsidiaries of the Group. Unless otherwise specified, the Group obtained information on key performance indicators ("KPIs") of ESG matters through its operation control mechanism. The Group will continue to assess the major ESG areas of its different businesses or major subsidiaries to determine the reporting scope of the ESG Report.

## REPORTING FRAMEWORK

This Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide" or the "Reporting Guide") of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited. This Report has also been prepared in accordance with the GRI Standards: Core option. The Group's governance structure and practices has been set out on pages 37 to 48 of the 2018 Annual Report. This Report has undergone the internal audit process of the Group, and was reviewed by the Corporate Social Responsibility and Sustainability Committee and the Board of Directors (the "Board").

## CONTACT US

We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to [info@shineway.com](mailto:info@shineway.com).

# 2018 Environmental, Social and Governance Report

## Our Achievements in Corporate Sustainability

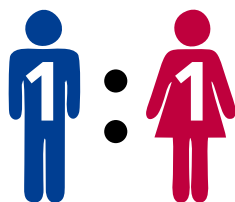
Total Water Consumption  
of the Group in 2018

Reduced by approximately

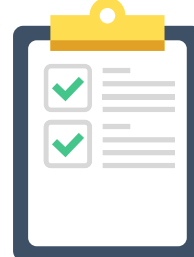
**28%**



Male to Female Ratio  
of the Group  
is Approximately



Reported Forced and Child  
Labour Cases in 2018



Huamoyan  
Granules,  
Qing Kai Ling  
Soft Capsule

Entered into the National  
Essential Drugs List



Case of Product  
Recall in 2018

**0**

Percentage of  
Local Suppliers  
in 2018



# 2018 Environmental, Social and Governance Report

## CHAIRMAN'S STATEMENT

On behalf of the Group, I am pleased to present the third ESG Report of the Group for the year ended 31 December 2018, which reviewed the Group's sustainable development performance in respect of corporate governance, environmental protection, employee care, service quality, and community engagement during the Year.

### Our Brand and Sustainable Development

To fulfil our vision as a trendsetter to create value in Chinese medicine industry and our goal to raise core competence, we are further optimizing the Group's future development strategies. The Group recognizes the importance of sustainable development for our long-term development and therefore incorporates it into the Group's development strategy. Up to the publication date of this ESG Report, the Group established the Corporate Social Responsibility and Sustainable Development Committee to take overall responsibility for and monitor the corporate social responsibility of the Group in order to demonstrate its emphasis on sustainable development. In the production process, emissions, resource utilization and other environmental factors are taken into account, and green production is implemented to minimize the environmental impacts during the operation. In addition, we have also incorporated climate change and the United Nations Sustainable Development Goals as consideration factors in policy development to meet international concerns and initiatives on sustainable development issues.

### Our Achievements in 2018

As a pharmaceutical company, the Group believes that we are obliged to maintain public health and promote the development of the Chinese medicine industry while developing the economy. The Group has actively invested resources in research and development and innovation. It has applied for 204 invention patents and has 75 authorized invention patents. During the Reporting Period, the Group applied for 19 invention patents, of which 10 were authorized. In addition, the Group's two exclusive products, Huamoyan Granule and Qing Kai Ling Soft Capsule made their monumental entries into the National Essential Drugs List. Historically, this is the first time for the Group's exclusive products to enter into the National Essential Drugs List. A number of our key products were also admitted into various provincial drugs reimbursement lists during the Year, prompting medical institutions and the general public keener to use our products. We believe that publication of the new edition of the National Essential Drugs List, the deepened implementation of the "Traditional Chinese Medicine Law", government support on the development of traditional Chinese medicine, the gradual opening of the TCM formula granule market, and the policies on hierarchical diagnosis and treatment would provide the Chinese medicine industry with more favourable opportunities on its development.

The Group also owned the Museum of Chinese Medicine Culture (the "Museum") in Shijiazhuang, hoping to let more people understand about Shineway. Also, the Group is accelerating the formation of our academic marketing system and consummating a variety of evidence-based medical researches to ensure our key products can be admitted into expert guidelines and specialists' consensus in a more rapid manner and to strengthen the application of clinical evidence and their commercialization. Furthermore, the Group is proactively building a system of experts to strengthen the academic reputation and brand of our strategic products.

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The Group has not forgotten to care for employees' needs and contributing to society while developing its business. We have always adhered to the "people-oriented" concept of human resource management, and continue to provide employees with different benefits and trainings to meet their needs and increase their sense of belonging. In addition, the Group actively participates in and organizes charitable projects and charitable activities, and does our best to promote the development of charities, provide manpower, material and financial support for public services such as medical, education and culture, and enhance the awareness of medical knowledge in society and the health of the public. We also provide volunteer trainings for employees from time to time, strengthen corporate culture, and comprehensively improve employees' sense of social responsibility.

## **Looking Forward to the Future**

The Group will continuously adjust our sustainability strategies in the coming year and communicate our sustainability goals to our employees. We will cooperate closely with different stakeholders to figure out the best operation mode to promote public health, culture of Chinese medicine and environmental protection while maintaining the Group's economic development.

On behalf of the Board and the management team of the Group, I would like to express my sincere gratitude to all employees, business partners and customers for their support in the past. The Group will continue to move forward and make greater contributions to the sustainable development of China's Chinese medicine industry.

## **China Shineway Pharmaceutical Group Limited**

*Chairman of the Board*

**Li Zhenjiang**

# 2018 Environmental, Social and Governance Report

## ABOUT SHINEWAY

The Group is headquartered in Luancheng, Shijiazhuang, Hebei Province, China. China is the country in which we operate and covered in this Report. As at 31 December 2018, the Group had a total of 3,649 employees.

The Group has also officially launched the TCM Formula Granules and TCM Healthcare Industrialization Complex in Gansu Province, and officially commenced the construction of the Production Facilities for Pilot Research of TCM Formula Granules in Yunnan Province. There has been no material change in the Group's share capital structure and other capital formation, maintenance and business; the supplier location, supply chain structure, and supplier relationship remained unchanged as compared to previous years.

The Group actively supports and recognizes international initiatives on sustainable development and climate change, including but not limited to the United Nations Sustainable Development Goals and the Paris Agreement, and integrates the ideas into our policies and operations. In addition, we have also joined the China Association of Traditional Chinese Medicine and the China Medicinal Biotechnology Association to obtain the latest industry information and strengthen communication with peers.

## CORE VALUES

### Respect for Life

Respect for life is our eternal pursuit: to treat patients with high-efficacy drugs, to improve the quality of life with high-quality products, and to cherish corporate life with a responsible attitude. All actions are taken on the above basis and we make unrelenting efforts to achieve this goal.

Integrity is our solemn oath to respect life. Shineway employees believe honesty is the best policy and regard quality as a lifetime commitment to society. The Group gained social recognition and trust from its clients, and our products are well received by customers as the Group made profits with righteousness, justified interests, integrity and modesty. We treat people with sincerity and carry out business with integrity to achieve long-term stability and sustainable development.

### Respect value

The Group emphasizes that employees should respect and acknowledge our core values, as well as recognize our business and social value. We only retain those who fulfil the requirements of our value system. Under the premise of respecting the Group's value system, we respect the self-realization of employees, and provide them the opportunities to unleash their full potential. Realizing the value of our employees can maximize our corporate value, promoting interactive growth of employees and the Group.



# 2018 Environmental, Social and Governance Report

## **Focus on stringent management and detailed works**

The Group strongly believes stringent management is the unchanging principle in the industry that we operate in, which demonstrates our accountability to consumers, society, employees, corporate and shareholders, enhances our environmental awareness and reflections on failure, and consolidates the foundation of the Group. We believe stringent management, which is the cornerstone of our culture, can retain talents and ensure product quality and production efficiency.

The Group requires employees to exercise due care in their works. Employees should improve their skills constantly and should not muddle along. Through continuous and refined processes and systems, our success depends on investigation, planning, arrangement and review with due care in every aspects of our work.

## **Promote Innovation**

Innovation is the driving force for Shineway's sustainable development, which is essential for the Group's new undertakings, laying the foundation of the Group in the new economic era. We believe that innovation is the cornerstone for success. We must constantly innovate to outperform our competitors, go beyond yesterday and achieve breakthroughs.

The Group strives to create a relaxing innovation environment, establishes and improves the innovation system, tolerates employees' mistakes in the innovation process, but does not allow the occurrence of same mistakes; and strengthens innovation incentives, increases investment in innovation; maintains close external cooperation, clears information channels and encourages various forms of innovative activities.

## **MISSIONS**

The Group is committed to providing consumers with efficient, safe and cost-effective drugs to protect their health and enhance their quality of life.

The Group wins the respect and trust of business partners with integrity and efficient management style, building a long term partnership with them under the principles of equity and mutual beneficial cooperation.

We strive to increase wealth and provide job opportunities for society, promote the country's healthcare industry through charitable activities, and promote the Chinese medicine culture as a national tradition through the pursuit of modernization of Chinese medicine.

It is necessary for us to continuously attract and cultivate employees who love the healthcare industry and are self-motivated, creative and responsible, and provide them with rewards in terms of material assurance, social status and value realization. The mutual growth with our employees will enable us to achieve a leading market position and increase profits to achieve sustainable corporate growth.



# 2018 Environmental, Social and Governance Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

### Corporate Governance

The Board has the overall responsibility to lead and govern the Group and is responsible for managing and supervising the Group's affairs. The corporate governance practices of the Group and the attendance rate of directors are set out in the Corporate Governance Report on pages 39 to 43 of 2018 Annual Report.

### Corporate Social Responsibility and Sustainability Committee Management Structure

As at the publication date of this Report, the Group has established the Corporate Social Responsibility and Sustainability Committee (the "Committee"), which comprises of one Executive Director and three Independent Non-Executive Directors, who are fully responsible for the Group's corporate social responsibility and its monitoring. Their duties include but not limited to:

- Formulate and review the Group's responsibilities, visions, strategies, frameworks, principles and policies of corporate social responsibility and sustainable development (including but not limited to environmental, social and governance issues) and implement relevant policies approved by the Board;
- Set relevant policy targets, key performance indicators and measures that align with the Group's business model and effectively monitor the progress;
- Identify issues related to corporate social responsibility and sustainable development arising from external factors;
- Review and monitor the corporate social responsibility and sustainability policies to ensure their continued effectiveness;
- Monitor staff training related to corporate social responsibility and sustainable development;
- Approve the ESG Report and report to the Board; and
- Report any new development of matters with its terms of reference to the Board when necessary.

# 2018 Environmental, Social and Governance Report

Under the monitoring of the Committee, the Corporate Social Responsibility and Sustainability Task Force (the “Task Force”) is responsible for implementing the corporate social responsibility and sustainable development policies and related initiatives, organizing staff training and assisting the Group in the preparation of its annual ESG Report, as well as submitting the ESG Report to the Committee and the Board for review and approval for disclosure. The Task Force is composed of one member from each of the General Manager Office, the Finance Department, the Audit Department, the Purchasing Department, the Quality Assurance Department, the Environment Department, the Administrative Department and the Human Resources Department. The Group’s Corporate Social Responsibility and Sustainability management structure is as follow:



# 2018 Environmental, Social and Governance Report

## SUSTAINABLE DEVELOPMENT GOALS POLICIES

The Group has considered sustainable development as our development strategy. In support of the “2030 Agenda for Sustainable Development” and the 17 Sustainable Development Goals raised in 2015 at the United Nations summit, the Committee will identify and monitor potential risks and opportunities related to the sustainable development goals, and set related directions for policies to perform its social responsibility. As a global corporate citizen, we have formulated “Sustainable Development Goals Policies” to identify the two areas in which the Group can play an important role in advancing the Sustainable Development Goals and will fully support these goals:

- Goal 3: Good Health and Well-being  
Please refer to the following sections:  
B6 Product Responsibility — Product Quality and Safety  
B6 Product Responsibility — Research and Development and Innovation  
B8 Community Investment — Community Contribution
- Goal 12: Responsible Consumption and Production  
Please refer to the following sections:  
A1 Emissions — Hazardous and Non-hazardous Waste Disposal  
B5 Supply Chain Management — Supply Chain Environmental and Social Risk Management  
B5 Supply Chain Management — Sustainable Supply Chain Management

# 2018 Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

Stakeholders, as a group directly related to sustainable development of the Group, play an essential role in the decision making process of the Group's ESG management system and policy making. We maintain full communication with our stakeholders (including individuals and organizations that have an impact on or are directly or indirectly impacted by our business) to help the Group assess its ESG decisions and the impact of internal control mechanisms, widely consider, truly understand and promptly respond to the needs of different stakeholders, while adjusting our development direction.

The Group communicates with different key stakeholders, including employees, investors and shareholders, customers, suppliers, government and regulatory bodies, the communities, non-government organizations ("NGOs") and the media through different channels, and actively responds to the opinions and requests of stakeholders in the course of action. The communication channels between the Group and its key stakeholders are as follows:

Key stakeholders	Material topics and issues being raised	Communication channel	Communication frequency
Employees	• Working environment	Employee opinion survey	Full year
	• Employees' benefits	Channels for Employees Feedback (form, suggestion box, etc.)	Full year
	• Work performance	Management newsletter and performance evaluations	Regular
	• Company activities updates	Employee newsletter and broadcasting	Full year
	• Company policies updates	Intranet	Full year
	• Industrial knowledge	Staff seminars	Regular
Investors and shareholders	• Performance	Annual general meeting	Regular
	• Development strategy	Annual report and interim report	Regular
	• Operational prospects	Announcements and circulars	Regular
	• Information and activities updates	Investor conferences	Regular
		Monthly newsletter	Every month
		Investor relation officer	Full year
		Hotline	Full year

# 2018 Environmental, Social and Governance Report

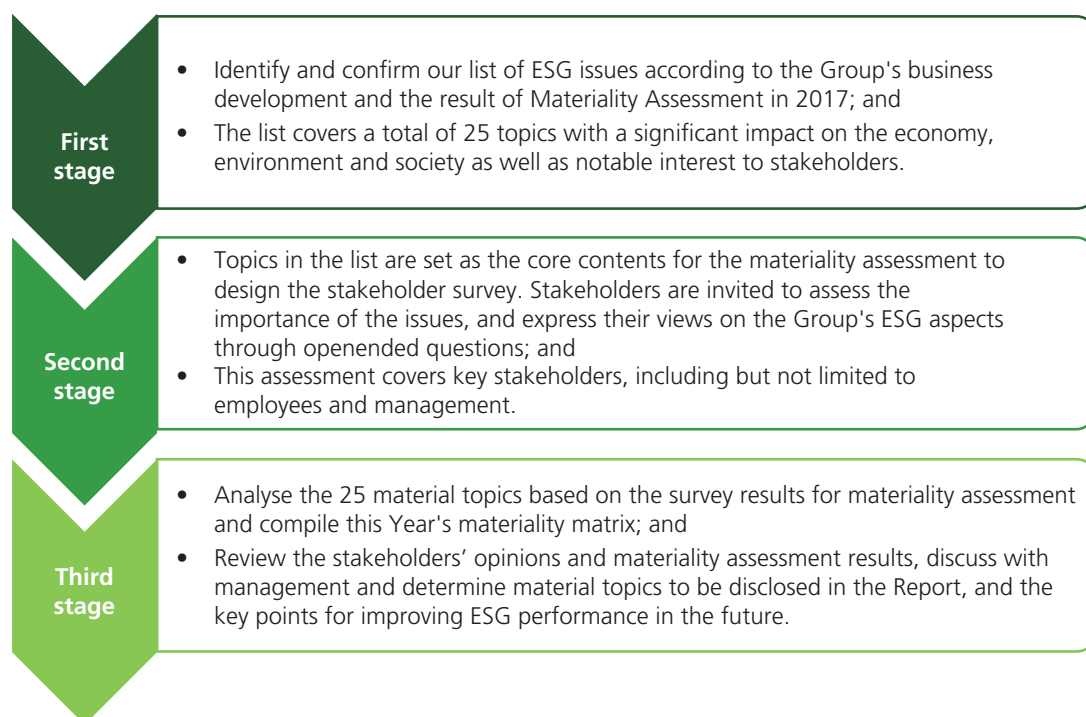
Key stakeholders	Material topics and issues being raised	Communication channel	Communication frequency
Customers	• Product quality	Customer satisfaction survey and feedback form	Full year
	• Health and safety	Customer service center	Full year
	• Service quality	Customer service manager	Full year
	• Personal information protection	Customer meetings and company visits	Full year
Suppliers	• Quality of raw materials	Supplier management conferences and events	Regular
	• Supplier's environmental and social risks	Supplier on-site audit management system	Regular
	• Fair and open procurement		
Government and regulatory bodies	• Operation compliance	Work conference	Regular
		Performance report	Regular
		Written response to public consultation	Full year
Communities, NGO and the Media	• Green operation	Seminars, lectures and workshops	Regular
	• Public health	Public and community events and partnership projects on different issues	Regular
	• Corporate social responsibility	Community investment projects Company visits	Full year Full year

The Group will take into account the expectations of our stakeholders when formulating our operational strategies and ESG measures, and work together to continuously improve our ESG performance to create greater value for the community.

# 2018 Environmental, Social and Governance Report

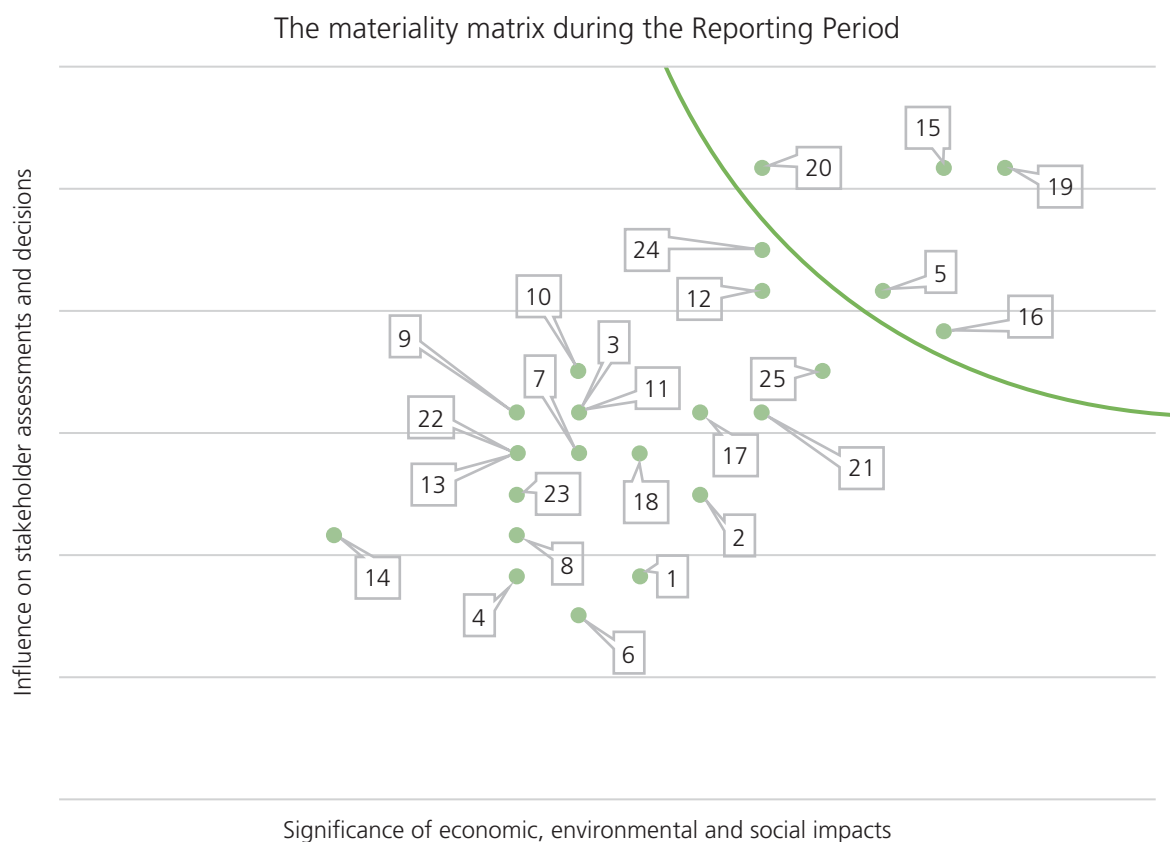
## MATERIALITY ASSESSMENT

In order to better understand the opinions and expectations of stakeholders on the ESG performance of the Group, we conducted an annual materiality assessment. The specific steps are as follows:



# 2018 Environmental, Social and Governance Report

During the Reporting Period, the Group's materiality matrix of ESG issues is as follow:





# 2018 Environmental, Social and Governance Report

## List of material ESG topics

1	Emission control	14	Prevention of child labour and forced labour (including the Group's suppliers and customers)
2	Water consumption	15	Operation compliance
3	Energy consumption	16	Risk management
4	Consumption of packaging materials	17	Sustainable supply chain management
5	Green production	18	Fair and open procurement
6	Environmental impacts of construction projects	19	Quality and safety of products and services
7	Climate change mitigation and adaptation	20	Research and development and innovation
8	Indirect economic impact	21	Product labelling and advertising
9	Recruitment, promotion and dismissal	22	Customer satisfaction and information and privacy protection
10	Remuneration and benefits of employees	23	Intellectual properties protection
11	Equal opportunity, diversity and anti-discrimination	24	Anti-corruption and anti-fraud
12	Occupational health and safety	25	Corporate social responsibility
13	Development and training of employees		

According to the results of the materiality assessment during the Reporting Period, the Group is aware that the most concerned topics to stakeholders are about the quality and safety of products and services, operation compliance, research and development and innovation, green production and risk management. Compared to the 2017 ESG Report, the Group responded to the opinion from relevant stakeholders in this ESG Report, enhanced the disclosure of the Group's work and performance in the above related areas accordingly, and incorporate additional disclosure for issues like environmental impacts of construction projects, climate change mitigation and adaptation of the Group as important references for future ESG planning and policy development.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and internal control mechanism for ESG issues are established, and confirmed that the information disclosed in the Report meets the Reporting Guide.

# 2018 Environmental, Social and Governance Report

## A. ENVIRONMENTAL

### A1. Emissions

#### ***General Disclosure and Key Performance Indicators ("KPIs")***

As a leading Chinese pharmaceutical manufacturer, the Group has been committed to environmental protection and strictly complies with the environmental laws and regulations formulated by the national and local environmental authorities. Such laws and regulations related to the prevention and treatment of wastewater, exhaust gas and industrial pollution include, but are not limited to, the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on Promoting Clean Production", "Emission Standards for Water Pollutants from Chinese Pharmaceutical Industries (GB 21906-2008)", and "Atmospheric Pollutant Emission Standard of the Thermal Power Plants", etc. Besides, the Group paid the Environmental Protection Tax according to the "Environmental Protection Tax Law of the People's Republic of China".

The Group recognizes the importance of establishing an environmental protection mechanism and has formulated relevant policies, regulations and procedures to regulate the generation of sewage and exhaust gas pollution in production operations, including but not limited to the "Policy on the Management of Environmental Self-regulatory Systems", "Policy on the Management of Environmental Protection Responsibility", "Policy on the Management of Pollution Control Facilities", and "Policy on the Solid Waste Management". The Group has continuously complied with the environmental protection laws and regulations formulated by the national and local environmental authorities, improved the mechanism and related policies, focused on and supervised the emission issues in our operation, and finally achieved the goals of energy conservation, pollution reduction and efficiency enhancement. The Group has been awarded the ISO14001 certification by the British Standards Institution, which recognizes the standards of environmental protection measures at its production facilities.

In addition, according to the requirements of the "Measures for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (for Trial Implementation)" (No. 81 [2013] of the Ministry of Environmental Protection) issued by Ministry of Environmental Protection of the PRC, environmental protection laws and regulations formulated by the State and local governments, requirements of technical specifications for environmental monitoring and actual conditions of the Group, the Group and our subsidiaries have prepared our own internal-monitoring plans for pollution generated by business activities, standardized and carried out internal-monitoring activities, understood the emission status of pollutants and their impacts on the quality of the surrounding environment, and ensured that our responsibilities on environmental protection have been fulfilled. In addition, according to China's environmental laws and regulations, the Group has formulated the "Construction Project Environmental Impact Assessment and 'Three Simultaneous' Management Procedures". According to that procedure, environmental impact assessment has to be carried out and has to be passed before the commencement of a new construction project to ensure that the production process satisfies the required environmental standards.

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In order to ensure that the measures are implemented, the Vice President of Environmental Protection oversees the Group's environmental management work, and each department in the Group has to cooperate with the Vice President of Environmental Protection and they are also responsible for implementing relevant environmental policies under their scope of work. The departments include, but are not limited to, Safety and Environmental Department, Equipment Technology Transformation Department, Production Management Department, Technology Department, Finance Department, Human Resources Department, Security Department, President Office and Quality Assurance Department. Under the leadership of the Group's person in charge of environmental protection, major environmental protection working meetings and internal control meetings shall be held for reporting the work progress of environmental protection and resolving major issues of environmental protection on timely basis, including but not limited to the issues related to emission of exhaust gas and greenhouse gas ("GHG"), discharge to water and land, generation of hazardous and non-hazardous wastes, etc.

The Group has also formulated a "Contingency Plan for Emergent Environmental Incidents" to standardize and strengthen the emergency handling of emergent environmental incidents. With a focus on prevention, we gradually improve the early warning, disposal and aftercare mechanisms for handling emergent environmental incidents. The mechanism also mitigates the negative impacts on the environment and business operations to the Group caused by environmental emergent incidents, including environmental pollution accidents, leakages, explosions, transportation incident, abnormal emissions, natural disasters, etc.

During the Reporting Period, the Group did not violate any environmental protection laws or regulations in China that have significant impacts on the Group's operation, nor did it have significant fines, non-monetary penalties and litigation relating to environmental violations. The Group's production facilities strictly comply with the standards relating to environmental protection measures in China.

## ***Exhaust Gas and GHG Emissions***

The Group is committed to maintaining environmental quality by using clean energy to reduce pollution and waste in the production process, in order to mitigate and even eliminate the adverse effects of the production and operational activities of enterprises on the ecological environment and reduce emissions. Over the years, the Group has been committed to environmental protection and adopted a number of appropriate measures and governing methods to ensure its responsibility for environmental protection has been fulfilled.

During the Reporting Period, the Group's total emission of exhaust gases was approximately 25.04 tonnes, including NO<sub>x</sub>, SO<sub>2</sub> and dust; total GHG emissions were approximately 145,465 tCO<sub>2</sub>e and GHG emissions intensity were approximately 39.86 tCO<sub>2</sub>e/employee. The Group's total GHG emissions and its intensity in 2018 was reduced, mainly due to the reasons presented in different environmental disclosure sections of this ESG Report.

# 2018 Environmental, Social and Governance Report

Summary of exhaust gas emission performance:

Exhaust gas emission category	Total emissions in 2018 (tonnes)	Total emissions in 2017 (tonnes)
NO <sub>x</sub>	13.91	11.95
SO <sub>2</sub>	5.83	4.89
Dust	5.30	5.98

Summary of GHG emission performance:

GHG scope <sup>1</sup>	Total emissions in 2018 (tCO <sub>2</sub> e)	Total emissions in 2017 (tCO <sub>2</sub> e)	Intensity <sup>2</sup> in 2018 (tCO <sub>2</sub> e/employee)	Intensity in 2017 (tCO <sub>2</sub> e/employee)
Direct GHG emissions (Scope 1)	108,236	117,620	29.66	34.17
Indirect GHG emissions (Scope 2)	13,184	8,186	3.61	2.38
Indirect GHG emissions (Scope 3)	24,045	27,604	6.59	8.02
Total GHG emissions (Scope 1, 2 and 3)	145,465	153,410	39.86	44.57

Notes:

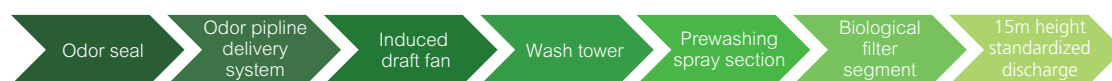
1. Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (Scope 2) and anaerobic treatment of industrial wastewater (scope 3). GHG emissions data are presented in terms of carbon dioxide equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Greenhouse Gas Emissions Accounting Methods and Reporting Guide for Other Industries in Hebei Province" issued by Hebei Development and Reform Commission and the latest published Baseline Emission Factors for Regional Power Grids in China.
2. As at 31 December 2018, the Group's total employee number was 3,649. This data is also used to calculated other intensity data.

# 2018 Environmental, Social and Governance Report

In the course of production and operation, the Group actively promotes clean production, energy conservation and emission reduction, and has continuously invested in environmental protection to mitigate emissions. The Group uses clean energy sources such as natural gas and other measures to mitigate the generation of exhaust gas from the source in order to avoid environmental pollution.

In terms of dust control, on top of the three sets of electric bag dust removal facilities, three sets of double alkali desulfurization facilities, three sets of SNCR method denitrification facilities and one set of SCR denitrification facility owned by the Group, we have invested more than RMB30 million in total, building two sets of flue gas desulphurization, denitrification, and dust removal facilities. The standardized flue gas will be emitted through a 120m stack after being treated. In addition, we also have invested more than RMB20 million in building dust and Chinese medicines odour control facilities in the workshops in order to ensure the various exhaust gases emissions of workshops meet the national and local environmental standards, and fulfil the commitment to protect the environment of the corporate and its nearby neighbourhood.

The Group also invested a total of approximately RMB10 million to the treatment of odour and volatile organic compounds ("VOCs") at sewage treatment plant, with a processing capacity of 20,000 cubic meters per hour. The construction mainly includes: installing grille in the grille part of the sewage station to seal the exhaust gas, the collecting basin and regulating pool are sealed and only collected for the exhaust port, the flocculation sedimentation tank, aerobic tank and sludge concentration tank are sealed and collected by the anti-suspended membrane. The process flow is:



The final exhaust gas emission is complied with the emission limit regulated by "Emission standards for odour pollutants" (GB14554-93) and "Emission standard of volatile organic compounds for industrial enterprises" (DB13/2322-2016). The construction of main body of the project has been completed in 2018, and will be put into service after acceptance in 2019.

On top of the basis of the existing SCR denitrification facility, to further lower the emission of nitrogen oxides in the boiler's exhaust gas, the Group has continued to invest on the improvement of the technology in denitrification and dust prevention in boiler. Adding another set of SCR facility for denitrification, lowering the emission from original's average 80mg/m<sup>3</sup> to below 35mg/m<sup>3</sup>. On the other hand, for the upgrade in technology for the boilers' dust processing, two wet type electrostatic precipitators are added to the original electric and bag dust removal facilities, lowering the original average concentration of 35mg/m<sup>3</sup> to below 10mg/m<sup>3</sup>, currently such facilities have been fully accepted and put into normal operation in 2018. Eventually, the boilers' exhaust gas emissions meet the standards in table 1 of the "Emission standard of air pollutants for thermal power plants" (GB 13223-2011), complying with the environmental standards of ultra-low emission, with emission concentration at dust ≤10mg/m<sup>3</sup>, SO<sub>2</sub>≤35mg/m<sup>3</sup>, NO<sub>x</sub>≤50 mg/m<sup>3</sup>, its social and environmental is significant.

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For the stench gas produced by the projects in the animal research center, it is disposed with compliance to relevant environmental standards after being treated with alkali absorption and activated carbon adsorption.

## ***Sewage Discharge***

The wastewater from the Group's production process is mainly the wastewater from the production workshop, the Chinese herbal medicines, and the equipment cleaning wastewater. During the Year, the Group's total sewage discharge was approximately 385,750 tonnes, while total wastewater discharge for each employee was approximately 105.71 tonnes.

Summary of sewage discharge performance:

<b>Type of sewage</b>	<b>Total discharge in 2018 (tonnes)</b>	<b>Total discharge in 2017 (tonnes)</b>	<b>Discharge intensity in 2018 (tonnes/ employee)</b>	<b>Discharge intensity in 2017 (tonnes/ employee)</b>
Wastewater	385,750	410,941	105.71	119.39

The wastewater from the Group's production process is mainly the wastewater from the production workshop, the Chinese herbal medicines, and the equipment cleaning wastewater. All wastewater is treated at the Group's sewage treatment station, where we invested more than RMB60 million to build and enhance a sewage treatment station with a treatment capacity of 5,000 tonnes/day. Anaerobic digestion, aerobic bioremediation and deep processing is adopted to ensure stable operation of the sewage treatment facilities and continuous and stable water quality which is up to standard. Sewage after treatment complies with relevant standards and is disposed into district sewage treatment plant of Luancheng. The Group has continuously upgraded the sewage treatment station as well as the exhaust gas treatment facility of the anaerobic system to further improve the sewage decolorization process.

Under the premise of mitigating sewage discharge, the Group adopts circulating water comprehensive utilization project in the production process to reduce the use of water resources. Circulating water comprehensive utilization project effectively recycles cooling water for reuse after cooling. The project makes the utilization rate of circulating water more than 80%. This helps to save water and improve the utilization rate of resources.

# 2018 Environmental, Social and Governance Report

## ***Hazardous and Non-hazardous Waste Disposal***

The Group's non-hazardous waste mainly includes solid waste generated in the production process of Chinese medicine, mainly Chinese herbal medicine waste residue and boiler slag, etc. In addition, the Group does not generate hazardous waste except for a very small amount of waste liquid generated by our research centers (approximately 0.60 tonnes). For the waste liquid generated by the scientific research center, we will entrust qualified hazardous waste treatment service provider for harmless disposal.

During the Year, the total amount of non-hazardous waste generated by the Group was approximately 11,600 tonnes (2017: approximately 4,800 tonnes) and the total amount of non-hazardous generated per employee was approximately 3.18 tonnes (2017: approximately 1.39 tonnes/employee).

Summary of non-hazardous waste discharge performance:

<b>Type of non-hazardous waste</b>	<b>Total discharge in 2018 (tonnes)</b>	<b>Total discharge in 2017 (tonnes)</b>	<b>Discharge intensity in 2018 (tonnes/employee)</b>	<b>Discharge intensity in 2017 (tonnes/employee)</b>
Chinese medicine waste residue	7,500	2,000	2.06	0.58
Boiler slag	4,100	2,800	1.12	0.81
Total	11,600	4,800	3.18	1.39

Compared to 2017, the non-hazardous waste generated in the production process has been increased due to the increase in production. In light of that, the Group will be more active in developing green production in order to reduce future waste disposal.



# 2018 Environmental, Social and Governance Report

For the treatment of solid waste, various departments and workshops classify and manage the generated solid waste, take measures for comprehensive utilization to mitigate treatment pressure. In addition, the Group has adopted advanced production processes and used environmentally friendly raw materials to carry out clean production, taken the approach of source control and comprehensive utilization, and carried out recycling to minimize the amount of solid waste generated. The Group makes good use of and processes the waste residue of Chinese medicine to replace boiler coal, which can save approximately 20 tonnes of standard coal per day. Incineration residue generated can also be used as fertilizer for farmers and boiler slag can be used as building material.

In addition, in order to strengthen the Group's solid waste management and ensure that the Group's solid waste disposal process complies with the requirements of environmental protection laws and regulations of the State, the Group has formulated the "Policy on the Solid Waste Management", that the transfer of hazardous substances in the production process are recorded, a regular recycling and disposal agreement is signed with the qualified hazardous goods recycling company. Pharmaceutical waste and products, packaging waste and raw materials are destructed under the supervision of the Quality Assurance Department.

Besides, the Group recycles about 2,000 tonnes of ethanol per year, and reduces 3,000 tonnes of ethanol purchase per year by collecting disposed ethanol through the "integrated ethanol recycle project" we implemented.

During our operations, the Group inevitably generates waste, but through effective waste disposal strategies and policies, the Group has minimized the environmental risks and impacts of the waste disposal.

# 2018 Environmental, Social and Governance Report

## **A2. Use of Resources**

### ***General Disclosure and KPIs***

#### **Energy Consumption**

The Group strictly adheres to the concept of development of “Energy Efficiency and Recycling Production”, and has obtained ISO14001 “Environmental Management System” certified by the British Standards Institution. We have also been awarded the title of “Advanced Enterprise of Environmental Protection in Hebei Province” by the Hebei Provincial Department of Environmental Protection.

The Group recognizes the importance of energy efficiency and has formulated relevant policies and regulations, including but not limited to the “Policy on the Energy Management” and the “Policy on the Energy Measurement Information System Management”, to regulate the effective use of resources in production and operation. The Group continues to comply with environmental laws and regulations formulated by the national and local environmental authorities, continuously improves the mechanism and relevant policies to achieve the goal of effective use of resources to mitigate pollution and increase efficiency.

Under the norms of relevant regulations, the Group has actively carried out energy efficiency measures to reduce the amount of energy consumption in the production process and to implement energy efficiency principle in each production process. The Group incorporated the principals of energy conservation, emission reduction, low carbon and recycling into our corporate management, ensured them from the process system, and organized each system to excavate the potential of energy conservation from the production. For example, in the energy management at workshops, different types of energy control methods are used, such as energy consumption index control, daily inspection, etc.

In order to achieve energy efficiency, the Group has established effective energy measurement, monitoring, statistics, quota assessment mechanism, and set up the corresponding energy management positions. Through the internal implementation of energy metering management information system, the utilization of online monitoring of key energy-consuming equipment, scientific analysis and management of various departments of energy use, we put an end to energy wasting. The promotion and implementation of the Group’s various energy efficiency measures, result in the effective mitigation of the environmental impacts caused by our energy usage in the operation. Thus, a win-win situation among economic efficiency and environmental protection is achieved. Therefore, the Group was included in Green Factories List issued by the Ministry of Industry and Information Technology of the PRC (“Ministry of Industry and Information Technology”).

# 2018 Environmental, Social and Governance Report

During the Reporting Period, the Group's energy consumption was:

Type of energy	Consumption in 2018 (unit)	Consumption in 2017 (unit)	Intensity in 2018 (unit/employee)	Intensity in 2017 (unit/employee)
Electricity	15,973,200 kWh	9,257,100 kWh	4,377.42 kWh/employee	2,689.45 kWh/employee
Steam	258,272 tonnes	245,885 tonnes	70.79 tonnes/employee	74.05 tonnes/employee

Compared to 2017, the reasons causing the significant increase of our electricity consumption during the Reporting Period were as follow:

- Increase in production and facilities installation;
- Increase in operation hours and number of air-conditioner to improve workshop's workplace environment in summer;
- The testing-production stage of prescription granules in late 2017 has been started its mass production officially in 2018; and
- The full operation of the Museum of Chinese Medicine Culture, and hotel.

One of the Group's objectives in environmental protection is to conserve energy. During the Reporting Period, the Group has completed a variety of improvement projects to save energy and mitigate emissions:

1. Merging the water circulating system: The cold water cooling loop water system of the two Chinese medicine workshops merges with the process loop cooling water system, allowing to stop the use of a 132kW motor, and two 132kW motors in summer, thereby achieving annual savings of 100 tonnes of standard coal;
2. Cooling water pump installation frequency converter control: Soft capsule workshop, three injection workshops installed frequency converters at the cooling water pump respectively to control the pump frequency, saving 18 tonnes of standard coal annually; and
3. Refrigeration and heating loop pump combination: Two Chinese medicine workshops shared a water distribution package for winter heating and summer air conditioning, heating water pump is 30kW, adding a valve control to the connection of the heating pump exit and the air conditioning system, utilizing the heating pump as a closed-loop cooling pump, replacing the 75kW cold water loop pump. Thereby achieving an annual saving of 12 tonnes of standard coal.

The Group also makes good use of the Energy Management System to monitor the water, steam, electricity and other energy mediums consumed in our operation by the usage of the automatic, monitoring and decentralized control system, so as to realize the efficient utilization of energy.

# 2018 Environmental, Social and Governance Report

The Group also encourages our employees to respond to environmental initiatives and implement different environmental protection measures to mitigate the impact on the environment in our daily operations, as summarized below:

## Electricity utilization

- Turn off all unnecessary power-consuming equipment (lights, air conditioners, computers, displays) before leaving;
- Turn off water supply machine before long holiday;
- During the summer, office air conditioning temperature should be adjusted to not less than 26 degrees Celsius; During the winter, the maximum set temperature should be 23 degrees Celsius;
- Halve the amount of light equipment used in the office with reference to the environment;
- Reform of compressed air system in Chinese medicine workshop; and
- Reform of workshop frequency conversion power saving system.

## Use of paper

- Reuse recycled paper;
- Use double-sided printing to reduce paper consumption by half;
- E-mail should be used instead of issuing paper files for internal communication, unless it is necessary; and
- Promote office automation system and paperless office.

# 2018 Environmental, Social and Governance Report

## Others

- Collect the used ink cartridges in each office and return them to the suppliers;
- Collect the rechargeable batteries to reduce land pollution; and
- Reduce the frequency of employee travel and encourage employees to take low-carbon means of transport for official travel.

## **Water Consumption**

During the Reporting Period, the Group's water consumption was as follows:

Type	Consumption volume in 2018 (tonnes)	Consumption volume in 2017 (tonnes)	Intensity in 2018 (tonnes/ employee)	Intensity in 2017 (tonnes/ employee)
Water consumption	530,000	735,000	145.25	213.54

In order to reduce the use of water resources, the Group has adopted circulating water comprehensive utilization project in its production processes. The circulating water comprehensive utilization project effectively recycles and reuses the cooling water, thus we are able to save water and improve the resource utilization rate. The Group's cooling tower circulating pool has a total storage capacity of 2,400 tonnes, a daily replenishment capacity of 310 tonnes, and a circulating water utilization rate of about 85%. In addition, the Group has also taken different measures to improve the quality of utilized circulating water: adding slow-release scale inhibitor, bactericidal algicide and bottle washing water for injection into the circulated water to improve the quality of it, increasing the concentration multiple from 2.5 to 3.5, etc. Besides, in order to reduce water consumption, we were actively implementing stokehold condensate callback systems rebuild, aiming to recycle water as much as possible in the process of reproduction. Credit to our integrated water recycle project, the efficiency of recycling water is now above 80%, helping the company saving 600,000 tonnes of water per year.

# 2018 Environmental, Social and Governance Report

In order to save water, we cleaned the equipment such as the spray tower in the Chinese medicine workshop from rinsing to adding high-pressure water gun cleaning. The original drinking water as dilution water in the sewage station is changed to treated greywater for the dilution process, in order to reduce the consumption of water resources. In addition, the wastewater after washing in the injection workshop is used as cooling water in the circulating pump pool of the Chinese medicine workshop to reduce the water refilled.

The Group's gardening water system is derived from condensed water from the production plant, we use these condensed water to green the environment. We have also changed the cleaning methods to save water, such as changing water pipe flushing to spray gun or using cleaning ball, etc. The Group also regularly repairs and maintains the valves and pipelines, leaking pipelines must be replaced and repaired on a timely basis.

As a result of the Group's active water conservation measures, the Group's total water consumption decreased by approximately 28% during the Reporting Period compared with the total water consumption in 2017.

## ***Use of Packaging Materials***

During our operations, the Group inevitably consumes packaging materials. During the Reporting Period, the total quantity of packaging materials used by the Group was:

Type	Total consumed quantities in 2018 (unit)	Total consumed quantities in 2017 (unit)
Carton	1,603,861 boxes	1,553,187 boxes
Packing Box	195,801,489 boxes	184,577,852 boxes
Instructions	203,026,433 pieces	189,554,951 pieces

# 2018 Environmental, Social and Governance Report

## **A3. Environment and Natural Resources**

### ***General Disclosure and KPIs***

The main raw materials used by the Group for production are all kinds of Chinese herbs, and our production and operation may have slight impacts on the environment and natural resources. Notwithstanding, the Group recognizes the importance of the impact of its operations on the environment and natural resources.

In addition to complying with environmental regulations and international standards, the Group also integrates the concepts of environmental protection and environmental management into its operational decisions, daily operational activities and internal management. It strives to develop into an enterprise which is high-tech, low resource consumption and less environmental pollution, and achieving a win-win situation among economic efficiency, environmental protection and society towards the goal of environmental sustainability.

### ***Green Production***

In order to reduce the significant impacts on the environment and natural resources, the Group prepares a corporate pollution internal-monitoring plans to standardize the supervisory activities, and master the status of corporate pollutant emissions and the potential impacts of business operations on environmental quality. The Group also promotes green office and environmental friendly production by the 4R principles, Reducing, Reusing, Recycling and Replacing, to minimize the impact of our operations on the environment.

### ***Green Building and Construction Project's Feasibility***

From the feasibility study, preliminary design, construction start-up and commissioning of the construction project, the Group strictly implements the relevant regulations and procedures for the "Regulations on Environmental Protection Management of Construction Projects" promulgated by the national and local governments, and at the same time follows the relevant internal systems. All of our construction projects have been approved by the environmental impact assessment. On the other hand, the Group has formulated the "Environmental Impact Assessment for Construction Projects and the 'Three Simultaneous' Management Regulations" to standardize and strengthen the environmental protection management of the Company's new, modified and expanded construction projects to prevent environmental pollution and ecological damage caused by construction projects.

### ***Environmental Safety Emergency Response Mechanism***

In order to implement the relevant provisions of relevant laws and regulations, the Group established an environmental safety emergency response mechanism based on the Group's actual situation, and formulated the "Emergency Plan for Emergency Environmental Incidents", so as to ensure that the emergency work can be started quickly, efficiently and orderly, and to avoid and minimize the environmental losses and hazards caused by emergency environmental incidents.



# 2018 Environmental, Social and Governance Report

## ***Climate Change***

As the extreme weather is getting worse nowadays, mitigating climate change has become a global consensus. We are also aware that the impacts will affect operating points and supply chains, which pose an environmental risk to the Group's production. In order to avoid and mitigate these risks, the Group has established "Climate Change Policy" as a guideline and strategy that consistent with the global best practice, aimed at constructing climate change resilience through sufficient measures to adapt or mitigate the impact of climate change on the business while fulfilling social responsibilities.

In addition, the Group has realized the impact of using fossil fuels in intensifying climate change. We strive to explore opportunities for using alternative or renewable energy in our operations. Currently, the Group finds alternative energy, waste to energy, is the most applicable environmentally friendly energy source. We utilized the waste residue of Chinese medicine produced in our operation to replace boiler coal. Details are mentioned in the section "Hazardous and Non-hazardous Waste Disposal".

On the other hand, we add climate change to the considerations of risk management assessment. We not only consider the potential risks of climate change to our business, but also explore the potential benefits of climate change for our operations and integrate them into our operational processes to develop new products. As we have just integrated climate change to the consideration of risk management assessment, we will disclose more details on incorporating climate change into risk management in future ESG reports.

## ***Sustainable Packaging***

As we aware that packaging waste is receiving increasing attention, the Group established "Sustainable Packaging Policy" in order to adopt sustainable packaging methods in operations. Besides, we try to use decomposable packaging materials to reduce the use of plastic packaging.

## ***Biodiversity***

As our production relies on natural herbs as a raw material for production, we consider biodiversity as a consideration factor in our operations. We established "Biodiversity Policy" to ensure that we do not utilize endangered species or their habitats during our operations and contribute to conservation.

# 2018 Environmental, Social and Governance Report

## B. SOCIAL

### B1. Employment

#### *General Disclosure*

#### *Employee Benefits and Equal Opportunity Policies*

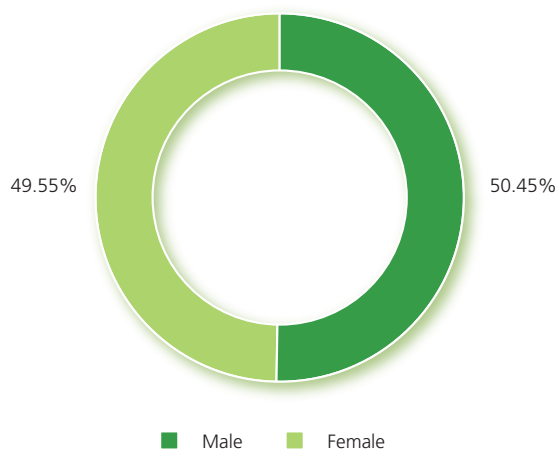
#### **Equal Opportunity, Diversity and Anti-discrimination**

"People-oriented" is the concept of human resources management adopted by the Group and is also the cornerstone of the Group's long-term development. The Group believe that under the corporate culture of "talent and team spirit", we can achieve "ensure profit and balanced development" in the process of growth. With this concept and as an equal opportunity employer, the Group is committed to provide a working environment without discrimination. This includes arrangements for all employees of the Group, such as recruitment, transfer, training, promotion, conduct, remuneration and welfare levels, hours of work, holidays, dismissal, etc. to ensure equal opportunities and fair treatment for all employees and job applicants.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in respect to human resources. The Group strictly complied with laws and regulations, such as the "Labour Contract Law of the People's Republic of China" and "Labour Law of the People's Republic of China" etc.

Ratio of male to female of the Group:

Ratio of male to female of the Group in 2018

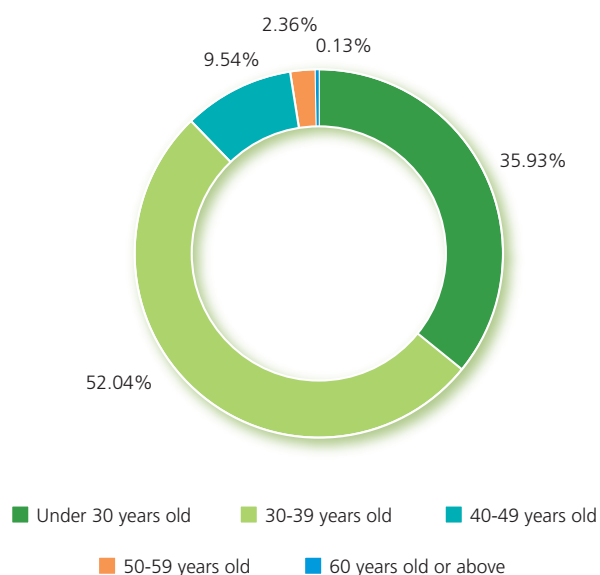


Year	Male	Percentage	Female	Percentage	Total	Percentage
2018	1,841	50.45%	1,808	49.55%	3,649	100%
2017	1,771	51.45%	1,671	48.55%	3,442	100%

# 2018 Environmental, Social and Governance Report

The age distribution among employees of the Group:

Age distribution among employees of the Group in 2018

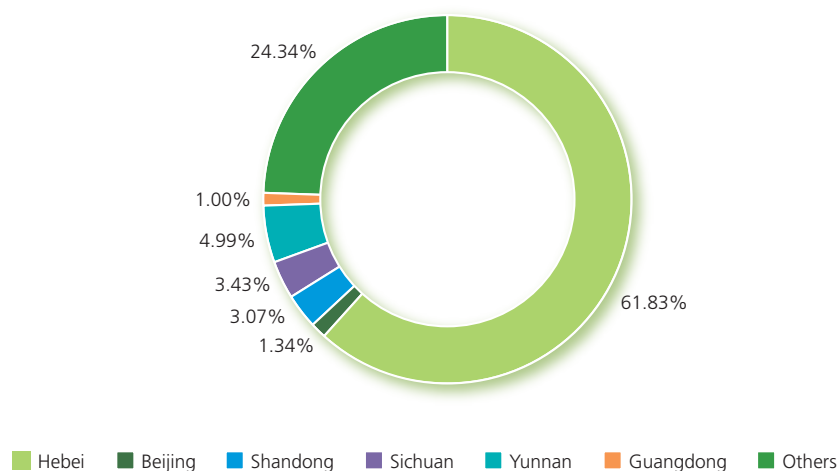


Year	Under 30 years old	30-39 years old	40-49 years old	50-59 years old	60 years old or above	Total
2018	1,311	1,899	348	86	5	3,649
Percentage	35.93%	52.04%	9.54%	2.36%	0.13%	100%
2017	1,347	1,653	343	94	5	3,442
Percentage	39.13%	48.02%	9.97%	2.73%	0.15%	100%

# 2018 Environmental, Social and Governance Report

The regional distribution among employees of the Group:

Regional distribution among employees of the Group in 2018

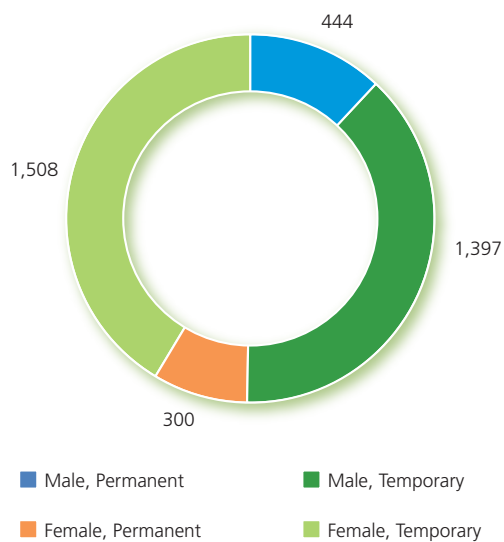


Year	Hebei	Beijing	Shandong	Sichuan	Yunnan	Guangdong	Others	Total
2018	2,256	49	112	125	182	37	888	3,649
Percentage	61.83%	1.34%	3.07%	3.43%	4.99%	1.00%	24.34%	100%
2017	2,470	42	91	125	100	34	580	3,442
Percentage	71.76%	1.22%	2.64%	3.63%	2.91%	0.99%	16.85%	100%

# 2018 Environmental, Social and Governance Report

Distribution of employees of the Group:

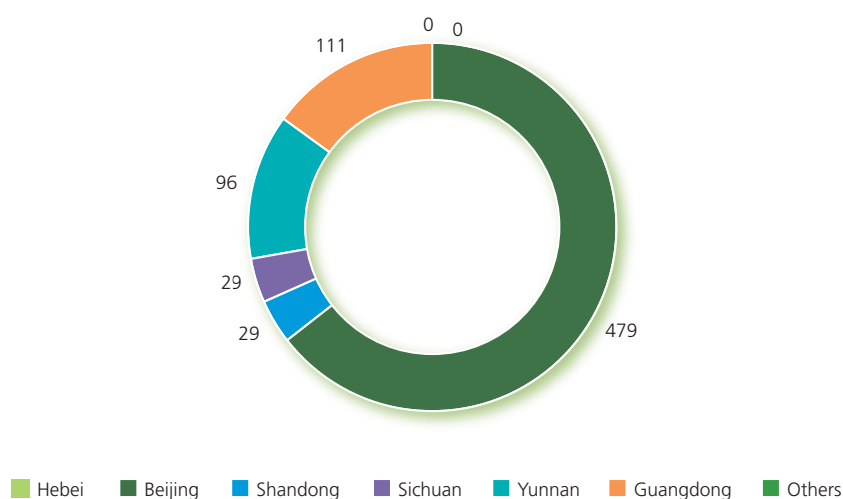
Distribution of employees of the Group in 2018



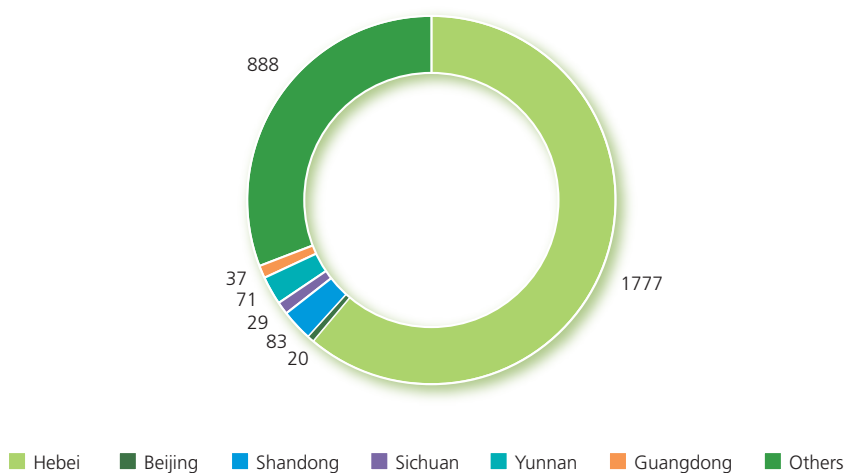
Gender	Permanent employee	Temporary employee	Full-time
Male	444	1,397	1,841
Female	300	1,508	1,808

# 2018 Environmental, Social and Governance Report

Group's permanent employees by region in 2018



Group's temporary employees by region in 2018



Employment contract	Hebei	Beijing	Shandong	Sichuan	Yunnan	Guangdong	Others
Permanent employee	479	29	29	96	111	–	–
Temporary employee	1,777	20	83	29	71	37	888

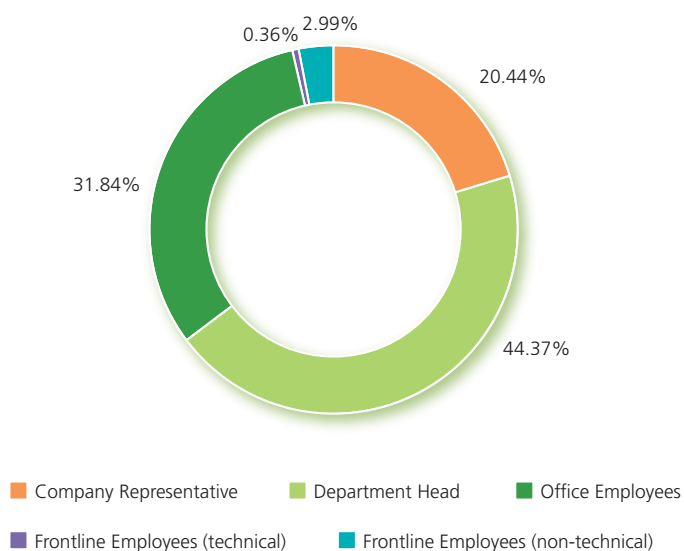
# 2018 Environmental, Social and Governance Report

## **Recruitment and Promotion**

The Group formulates the “Policy on the Group Recruitment Management” in an open, fair and just principle. The policy regulates recruitment management, defines the recruitment process and methods, regulates employee recruitment, selection, employment, and regularization procedures, and improves recruitment efficiency and quality, to timely meet the overall manpower needs of the Group. The Group has also formulated the “Policy on the Labour Contract Management” to uniformly regulate and manage labour contracts, including the discharge and termination process of labour contracts.

The number of employees by category of the Group:

Employees distribution by category in 2018



Year	Frontline Employees (non-technical)	Frontline Employees (technical)	Office Employees	Department Head	Company Representative	Total
2018	1,162	1,619	746	109	13	3,649
Percentage	31.84%	44.37%	20.44%	2.99%	0.36%	100%
2017	980	1,658	683	113	8	3,442
Percentage	28.47%	48.17%	19.84%	3.28%	0.24%	100%



# 2018 Environmental, Social and Governance Report

## ***Remuneration and Benefits***

The Group sets up “Fair Pay Policy”, establishes a salary mechanism based on the concept of remuneration by position, performance, contribution and ability, and develops a unified salary grading table according to the market price and the position. At the same time, the remuneration standard is determined on the basis of specific conditions including but not limited to the job responsibilities of the employees, personal comprehensive capabilities (including work experience, academic qualifications, professional qualifications, etc.), personal work performance, and contribution to the Group. At the end of each year, the Group evaluates the performance of its employees and promotes and raises the salary of those who are evaluated as outstanding. The Group has also issued human resources related policies in accordance with relevant national and regional regulations. Discretionary bonuses and other performance awards are based on the financial performance of the Group and the performance of individual employees. In addition, employees can enjoy public holiday, casual leave, sick leave, work injury leave, maternity leave and annual leave and other paid leave. The entire full-time employees enjoy the above benefits.

Employees are the most important asset of the Group. Employees’ sense of belonging and health are closely related to the success of the Group. In order to create a work-life balance environment and increase employee’s sense of belonging to the Group, the Group has been making every effort to improve its policies and measures, including organizing activities related to networking, sports, recreation, debate competitions, health and caring for employees.

The Group values gender equality, and the gender pay gap between the categories of the company (company representative, department head, office employees, frontline employees (technical) and frontline employees (non-technical)) is 14.17%, -2.19%, 26.70%, 15.43% and 18.32%.

# 2018 Environmental, Social and Governance Report

## **B2. Health and Safety**

### ***General Disclosure***

#### **Safety Production**

Human resources are the valuable asset of the Group. The Group prioritizes the health and safety of its employees, and adheres to the production philosophy of “safety first, focusing on prevention and comprehensive management”. Thus, the “Policy on the Safety Management” has been formulated as a standard with reference to the actual situation of the Group according to the “Safety Production Law of the People’s Republic of China”, “Fire Protection Law of the People’s Republic of China” and other relevant laws and regulations. We protect our employees by performing safety production, committing ourselves to provide health care for our employees, providing employees with a safe, healthy and protected working environment, and taking all appropriate measures to safeguard the health and safety of employees. The Group strives to minimize the damage to the health of employees by equipping dust removal, noise elimination and anti-virus equipment and beyond in its production workshops, standardizing the setting of dangerous goods identification signs, regulating the use and storage of flammable and explosive materials, and providing labor protection products such as protective equipment for frontline employees. The Group has already certified with Occupational Health and Safety Management System OHSAS18001, and upgraded to ISO45001 Occupational Health and Safety Management Systems during the Year.

The Group has already set up a safety production committee to lead the Group’s safety work and establish a safety responsibility mechanism in all levels. We educate and supervise our employees to strictly implement the Group’s safety production rules and policies and safety operational procedures, and conduct regular safety education and training to all employees.

The Group regularly arranges drills concerning first aid, fire safety, evacuation, leakage and escape to enhance employees’ safety awareness. Before the new processes, new products, new equipment, and new technologies are put into production, the production workshops and related departments are required to understand and familiarized themselves with their corresponding safety technique, formulate relevant safety operation procedures and precautions, take effective safety protection measures, and conduct special safety training and education for employees. The Group has also an employee handbook in place, which sets out occupational safety policies and procedures in detail for the reference of all departments.

In order to strengthen the management over the safety of hazardous chemicals, the Group has formulated the “Policy on the Safety Management for Hazardous Chemicals”, which stipulates the safety requirements for the storage, use, transportation, and disposal of hazardous chemicals, to safeguard the Group’s assets and employees’ lives and property and to protect the environment.

In addition, the “Policy on the Safety Management of Special Equipment” formulated by the Group regulates the management of special equipment by employees to ensure the safe operation of equipment and ensure legal, safe, reliable, economical and effective facilities and equipment for the development of the Group, and making the safety management of equipment to be systematic, standardized, institutionalized, and in a scientifically formulated manner.

The Group was not aware of any material non-compliance with laws and regulations relating to workplace health and safety during the Reporting Period.

During the Reporting Period, there are a total of two work injuries occurred in the Group; work-related fatalities is zero; lost working days due to work injury are two hundred and sixty-eight days.

# 2018 Environmental, Social and Governance Report

## B3. Development and Training

### *General Disclosure*

#### **Development and Training for Employees**

To cope with the Group's pace of growth, the Group has continued to conduct trainings for employees to familiarize employees with the Group's value while promoting good conduct among employees and educating them with professional knowledge and skills such as safety training, first aid training, management certificate courses, and other value-added professional skills courses.

The Group also provides intensive training for new frontline employees on the quality control system based on Good Manufacturing Practice of Medical Products ("GMP") production methods, safe operating procedures and codes, and provides focused training based on the nature of individual work. Apart from that, the Group appoints counselors for newly hired employees to provide tailor-made on-the-job training to ensure that new employees can work efficiently and cooperate smoothly with other employees. Employees need to be familiar with the Group's latest guidelines and regularly update the relevant qualifications, certificates or licenses. In addition to on-site training, employees also participate in different types of training, including trainings about health and safety, technical skills and information technology. We also receive feedback and suggestions from training participants to improve the quality and effectiveness of training. In addition, the Group conducts training demand research for its employees to fully understand the training requirements for the Group's development, various business aspects, and staff skills enhancement, so that our training can truly meet the needs of both employees and the Group.

The Group has already introduced the Amoeba Management Project as a training platform to make employees a part of the Group's management with the attempt to achieve a win-win situation among our employees and the Group. Training courses include role positioning, team management techniques and so on. Besides, the Group has also set up training center in order to provide a suitable training facility and venue for our employees.

On the other hand, we established "Staff's Corporate Social Responsibility Training Policy", incorporating our corporate vision of "respect for life", "operating integrity" and promoted the concept of corporate social responsibility among our employees. It encourages employees to excel their strengths, contribute to society, while enhancing employees' sense of belonging to the Group at the same time. From time to time, we provide training for our employees for the purpose of promoting corporate culture and enhancing employees' awareness to social responsibility.

Percentage of employees receiving trainings during the Year is 100% which is the same with 2017. The Group's average training hours and percentage by gender:

Year	Gender	Percentage of	
		Average training hours (hours)	employees receiving training
2018	Male	1.77	100%
	Female	1.73	100%

# 2018 Environmental, Social and Governance Report

Percentage of employees attending trainings by category during the Year is 100% which is the same with 2017. The Group's average training hours and percentage by category:

Year	Category	Average training hours (hours)	Percentage of employees receiving training
2018	Company representative	17.5	100%
	Department head	5.9	100%
	Office employees	1.1	100%
	Frontline employees (technical)	0.6	100%
	Frontline employees (non-technical)	0.5	100%

## B4. Labour Standards

### **General Disclosure**

#### **Prevention of Child Labor And Forced Labor**

The Group has promised not to employ any child labor and required new employees to provide true and accurate personal data when they report for duty. The Human Resource Department strictly reviews the induction documents including medical examination certificates, academic certificates, identity cards, and household registration information. The Group recruits workers in a fair, open, just and voluntary manner.

According to the "Policy on the Labor Contract Management" formulated by the Group, members of the Group sign legal labor contracts with its employees to ensure no compulsory use of forced labor. The Group will dismiss employee that uses false information or violates the provisions of the Group and the corresponding labor contract will be terminated immediately.

At the same time, the Group will not engage those suppliers who are known to employ child labor or forced labor in their operations to provide products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to preventing child labor and forced labor. The Group complied with laws and regulations including "Labor Law of the People's Republic of China", "Provisions on Special Protection for Minor Workers", "Provisions on the Prohibition of Using Child Labor", etc. During the Reporting Period, the Group was not aware of any operation points or suppliers that have significant risks with laws and regulations relating to preventing child labor and forced labor.

The Group conducts internal audit to the recruitment procedures regularly in order to prevent child labor and forced labor.

### **Human Rights Policy**

As a responsible corporate that values social responsibility, we have developed "Human Rights Policy" that sets out human rights policy guidelines and strategies that are consistent with global best practices. This policy not only regulates the Group's matters concerning its operation and human rights, but also provides us with reference benchmark and guidelines for evaluating suppliers and supply chain management.

# 2018 Environmental, Social and Governance Report

## **B5. Supply Chain Management**

### ***General Disclosure***

#### **Environmental and Social Risk Management of Supply Chain**

The Group prioritizes quality, trust, mutual benefit. The Group selects and manages the suppliers according to the requirements of GMP and upholds the principles of being open, fair, efficient and timely. Supply chain management has always been one of the key aspects of the Group's quality control system. In order to safeguard the quality of raw materials, auxiliary materials and packaging materials used, the Group has formulated the "Policy on the Supplier Management", "Policy on the Supplier On-Site Audit Management" and "Supplier Quality Evaluation Management Procedures", etc., in strict accordance with the requirements of the "Pharmaceutical Administration Law of the People's Republic of China," "Policy for the Control of Drug Manufacturing Quality", GMP and other related laws and regulations. The Group has established a gradually improving supplier management system that clearly defines the suppliers' quality and evaluate them under the objective, fair and open standards.

The Group exercises stringent assessment when selecting suppliers. The Quality Assurance Department of the Group is responsible for the quality assessment of the suppliers of production material, and comprehensively considers the supplier's operating qualifications, plant facilities, environmental control mechanism, and quality assurance systems and its effect on society in accordance with the "Policy on the Supplier Management". The Quality Assurance Department is also responsible for continuously developing and exploring suppliers with potentials and ensuring the materials used are procured from a legit and legal sources. Before suppliers are listed in the "List of Approved Suppliers", they must pass an audit and objective assessment. The Group will only enter into contracts and purchase with listed suppliers. In addition, they must comply with relevant environmental and social regulations.

Based on the "Policy on the Supplier Profile Management" and "Policy on the Supplier On-site Audit Management", etc., the Group implements supplier dynamic monitoring and management over its suppliers to ensure that all supplier files are legal, complete and up to date. It also implements strategic on-site audits at different levels to ensure the active control of the entire procurement activities and is committed to continuously develop and cultivate strategic partners that share the common goal of mutual benefits with the Group.

The Group has established the "Quality Management Evaluation Regulation for Suppliers", which evaluates suppliers in terms of their quality, delivery, price and service, by which inferior suppliers that are incompatible with the requirements of the development of the Company would be eliminated. It also continuously optimizes the performance of the supply chain management system including but not limited to strengthening the management of suppliers' database and enhancing the daily operation of the supplier evaluation mechanism.

# 2018 Environmental, Social and Governance Report

## **Local Purchases**

In the procurement process, the Group has always adhered to the principle of local procurement. We hope to boost the local economy through the promotion of procurement from mainland China as much as possible for the benefit of both the society and the country. During the Reporting Period, the Group had 212 qualified local suppliers from mainland China, accounting for 98.6% of the total. In addition, during the Reporting Period, the Group's procurement budget for its suppliers in mainland China for the production of Shijiazhuang headquarters accounted for 95.8% of its total procurement budget.

## **Sustainable Supply Chain Management**

The Group believes that a sustainable supply chain management strategy is the key to our long-term and rapid development, so we have been strictly adhering to the "Source at the place of origin", "Direct purchase without agents", and "Local sourcing come first" supply chain management principles. For example, we purchase red ginseng directly from Jilin and purchase *Ophiopogon japonicus* directly from Zhejiang. Moreover, we have launched "company + farmers", and thus have established a numbers of standardized Chinese medicine sourcing bases in Hebei, Jilin, Xinjiang, Shandong and other places, by which we are able to implement Chinese medicine traceability management. The quality and costs of our products can be controlled and the sources of our medicine can be traceable and the Group can identify the party accountable by supervision over every aspects of the supplying process, which begins from the ecological environment and seeding to cultivation, harvesting, delivering and packaging. Thus, the Group is able to ensure that the medicinal materials are environmentally friendly, natural, non-polluted, and possessing authenticity.

## **B6. Product Responsibility**

### ***General Disclosure***

#### **Quality and Safety of Products**

All medical products of the Group have passed GMP certification, and are strictly controlled under the GMP and ISO 9001 throughout the production process. We also inspected the quality of raw materials, packaging materials, semi-finished products and finished products to ensure compliance with relevant standards. At the same time, the Group has set up the "Policy on the Management of the Acceptance of Chinese Herbal Medicines and Chinese Herbal Pieces" to standardize the acceptance procedures and requirements for Chinese herbal medicines and Chinese herbal pieces in order to ensure product are of good quality and safe to safeguard the interest of the Group and increase employees' awareness to quality requirements. The policy also clearly states the quality control procedures for the inventory and production process of Chinese herbal medicines to ensure that the quality of raw materials meets requirements of the standard.

The Group has a complete Quality Assurance Department and a comprehensive quality assurance system. It has strict quality supervision and quality inspection procedures and has a Quality Control Center which has "Laboratory Accreditation" qualification from the "China National Accreditation Service for Conformity Assessment" ("CNAS"). In addition, we conduct at least two comprehensive inspections every year in accordance with GMP requirements and relevant laws and regulations, covering plant, facilities, equipment, materials and products, production management, quality control, product shipment and recall, etc. In order to continuously improve and safeguard product quality, the Group has set up the "Policy on the Quality Responsibility Reporting" to standardize the process of reporting quality responsibility to ensure that product quality responsibility can be handled in a timely manner and potential risks of quality responsibility accidents.

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The Group deliberately set up the “Policy on the Special Item Safety Management” according to “Pharmaceutical Administration Law of the People’s Republic of China”, “Regulation on the Control of Narcotic Drugs and Psychotropic Drugs”, “Measures for the Transport of Narcotic Drugs and Psychotropic Drugs”, “Regulation on the Administration of Precursor Chemicals”, “Measures for the Administration of Precursor Chemicals for Drugs”, “Regulation on the Safety Administration of Dangerous Chemicals”, “Measures for Authorization on the Purchase and Road Transport of Highly Toxic Chemicals” and other regional laws and regulations. This policy is to strengthen the safety management, use, and supervision of the Group’s special items (such as materials containing psychotropic substances) to prevent the happening of accidents and leakage of any special items.

At the same time, according to the national laws and other related laws and regulations, the Group establishes the “Policy on the Management of Drug Recalls”, which can be launched at any time and implemented promptly to ensure the effectiveness of the recall. Thus, we can effectively recall products known or suspected of quality problems from the market to minimize the impact on patients. If there is no product needs to be recalled, the Group regularly conducts drug recall drills in accordance with the “Drug Simulation Recall Emergency Plan”.

In addition, the Group’s Pharmacovigilance Department is responsible for the monitoring, collection, evaluation and reporting of any adverse drug reaction case of the Group. The Group implements an adverse drug reaction reporting system in order to regulate the management of adverse drug reaction case reporting and monitoring, as well as to report any adverse drug reaction case instantly to ensure patients’ safety.

Thanks to strict product quality policies, satisfied results were achieved. During the Reporting Period, the Group did not experience any cases of product quality problems that resulted in drug recall (The percentage of the total number of products sold or shipped throughout the year that are required to be recalled for safety and health reasons is 0%).

During the Reporting Period, the Group received a total of 0 significant customer complaints, which were properly handled in accordance with the standard handling process and reported to the Quality Assurance Department for corrective and preventive action.

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During the Reporting Period, the Group has been awarded the following honors:

- Li Zhenjiang, the Chairman of the Board of China Shineway Pharmaceutical Group Limited was awarded as the title of "Meritorious person in pharmaceutical industry in 40 years of Reform and Opening Up";
- China Shineway Pharmaceutical Group Limited ("Shineway") was awarded as the 2018 "Hebei Outstanding Brand";
- Li Zhenjiang, the founder of China Shineway Pharmaceutical Group Limited, and the Chairman of the Board was awarded the Li Shizhen Medical Innovation Award;
- On 4 to 6 July in 2018, the 39th National Pharmaceutical Industry Quality Control ("QC") Group result announcement conference was held in Chengdu with the theme of "Passing on the Spirit of QC, Helping to Raise Product Quality". China Shineway Pharmaceutical Group Limited has 10 QC teams joining this conference, winning 9 first prizes and 1 excellence award;
- Sanhe City "Innovative and Outstanding Enterprise" (Hebei Shineway Pharmaceutical);
- 2018 West Lake Forum and 9th China Medical Pharmaceutical Materials Association Chain Drugstore Branch Annual Meeting — Li Zhenjiang, the Group's Chairman of the Board and Chief Executive was awarded "Influential Person in the Great Health Industry";
- 2018 West Lake Forum and 9th China Medical Pharmaceutical Materials Association Chain Drugstore Branch Annual Meeting — "Second Life with Huamoyan Granules"— the charitable events of searching patients with synovitis was awarded OTC Gold Sales Cases Award;
- 2018 West Lake Forum and 9th China Medical Pharmaceutical Materials Association Chain Drugstore Branch Annual Meeting — Shineway's vaccines was awarded as the Impactful Product Brand of the Year in the Great Health Industry;
- 2018 West Lake Forum and 9th China Medical Pharmaceutical Materials Association Chain Drugstore Branch Annual Meeting — "Muxiang Zhengqi Soft Capsule" was awarded as the Most Competitive Brand of the Great Health Industry.



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Besides, during the year ended 31 December 2017, the Group has been awarded the following honors which were not mentioned in the ESG Report in 2017:

- “List of Top 100 Enterprises of Pharmaceutical Industry in China in 2017” of the 2017 China’s pharmaceutical industry’s most influential list;
- “China’s Pharmaceutical Industry Law-abiding Integrity Enterprise of 2017 China’s pharmaceutical industry’s most influential list;
- “Top Ten Best Standardized Cultivation Bases for High Quality Authentic Chinese Herbal Medicines” in 2017 China’s pharmaceutical industry’s most influential list;
- Pseudomonas Aeruginosa Preparation invention patent “Pseudomonas aeruginosa mannose-sensitive hemagglutinating strain (ZL200510059850.X)” (「綠膿桿菌甘露糖敏感血凝菌毛株 (ZL200510059850.X)」) — the 19th Chinese Patent Excellence Award; and
- Li Zhenjiang, the Chairman of the Board of China Shineway Pharmaceutical Group Limited was awarded individual prize of “2017 Hebei Provincial Government Quality Award”.

## **Customer After-sales Service and Privacy Policy**

The Group values customers’ inquiries and complaints. The Group regulates the handling of complaints by customers and consumers in accordance with the “Policy on the Customer Complaints Management” to safeguard the Group’s reputation and increase customer satisfaction. We have set up a specialized agency which is staffed by full-time staff for the purpose of managing, analyzing and processing consumer complaints. We provide reasonable explanations for general complaints, and allow consumers to fill out the “Customer Complaint Form” to lodge their complaints and complaints are reported to relevant departments. After that, the professional technicians from the Group’s Quality Assurance Department and other related departments will be organized to quickly form an investigation team to handle and study the complaints, conduct investigation of the incidents, and conduct necessary inspections. The final investigation report will be reported to the department head of the Quality Assurance Department.

We have set a time limit for the responsible departments so as to effectively resolve consumer complaints. If medicines with major quality problems are identified after the investigation, the drugs will be recalled according to the “Standards for Drug Recall Operation Procedures”. In addition, the “Management Measures for Returns and Exchange of Finished Products” formulated by the Group regulates the processing and approval procedure for returns and exchanges so as to improve the timeliness and correctness of returns and exchanges, and hence enhance customer satisfaction.

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In terms of privacy, the Group's customer information systems are accessible only to authorized staff, and staff from other departments are required to pass the procedure for data application, processing and provision before they can access such information. During the Reporting Period, the total number of confirmed complaints related to infringement of customer privacy received from external parties and confirmed by the Group and complaints from regulatory agencies was 0. The total number of confirmed leakage, theft or loss of customer data was also 0.

## **Intellectual Property Management**

The Group continues to strengthen the protection of intellectual property rights. According to laws and regulations including but not limit to the "Patent Law of the People's Republic of China" and "Trademark Law of the People's Republic of China", the Group has established and improved the Group's patent management mechanism, which formulated a multilayered intellectual property rights mechanism including the "General Principles of Intellectual Property Rights Management", "Policy on the Trademark Management", "Policy on the Patent Management", "Policy on the Confidentiality", "Policy on the Contract Management", and "Reward and Punishment Measures for R&D Projects", with an attempt to clearly regulate the application and management of patent rights and the planning, use and protection of trademarks. This management mechanism enhances all members of the Group's awareness to intellectual property rights and trademarks and gives full play to intellectual property rights in our business operations and accordingly corporate interests are protected. We conduct background investigation on employees' integrity before employees get onboard. Non-competition provisions have been added in the labor contract, and employees need to sign a statement on the protection of intellectual property rights when they leave the Group. In the process of research and development, we apply for patent to protect valuable inventions on a timely basis. The Group conducts real-time monitoring on trademark infringement of products in the market and combats on infringing goods and counterfeit trademarks immediately.

The Group has a confidential mechanism in accordance with relevant laws and regulations concerning the protection of intellectual property rights. All employees and external research partners involved in research and development projects must enter into confidentiality agreement with the Group. The agreement stipulates that the relevant personnel must keep relevant information confidential, and must bear the responsibility of preventing disclosure of secrets. In addition, we strictly distinguish the responsibilities of the members involved in the different stages of the R&D process, ensuring that each member will only gain professional knowledge related to a particular stage of the R&D project rather than the entire process.

## **Research and Development and Innovation**

The Group is committed to the combination of traditional Chinese medicine and modern technology, transforms itself from manufacturing-oriented enterprises to scientific and technological research-based enterprises, builds and perfects three-level R&D systems, while continuously building up innovation system construction, cutting-edge technology development and industrialization of results, incorporating and connecting with the latest international technology together with the production and sales, and continuously launching new products. Before the development and launch of new products, the Group will assess potential environmental and social risks of the products out of its precautionary concern.

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The research center of the Group has been approved by the Ministry of Personnel to set up post-doctoral research stations to attract advanced scientific research talents. The Group also adopts a flexible management model and distribution mechanism with an attempt to build a dynamic young technology team. We adhere to the principle of riding on traditional Chinese medicine and developing western medicine and biological medicine, creating a combination of imitation and innovation. The Group takes cooperative development as its cornerstone and is supplemented by independent research and development, making full use of various resources. In addition, the Group cooperates with famous scientific research institutions and universities such as Tsinghua University, Peking University and China Academy of Chinese Medical Sciences by which a strong research and development capability is formed and accordingly many new products could be launched to the market every year.

As a development center for new drug of the Group, the R&D Center is dedicated to the research of modernization of traditional Chinese medicine, and takes developing modern Chinese medicines with independent intellectual property rights as its long-term research goal. It targets some difficult diseases and chronic diseases that cannot be well prescribed with the help of western medicine. R&D mainly focuses on the key links and technologies of Chinese medicine production, research on traditional Chinese medicine preparation technology, quality control of Chinese medicine products, quality specification of Chinese herbal medicines and their preparations, quality analysis of Chinese medicine preparations, and development of Chinese medicine health foods, etc.

At the same time, we conduct further basic research on drug, pharmacology and drug efficacy on the products available in market to further improve their quality and efficiency. We also carry out secondary development research on famous Chinese patent medicine varieties in order to, improve the quality standards of famous Chinese patent medicine products, solve the problem related to qualitative and quantitative determination of main components, heavy metal and pesticide residues, increase the scientific and technological content of products, solving the technical process and quality problems in production, further expanding sales in the domestic market, and striving for producing products with curative effects and controllable quality to enter the international market in the form of medicines or health care products.

During the Reporting Period, the Group has applied for 204 invention patents and possessed 75 authorized invention patents, including 8 foreign invention patents. During the Reporting Period, the Group applied for 19 invention patents and 10 of them were authorized. These patent results have become the growth powerhouse for the Group's future development, further enhancing the technological advancement and market competitiveness of the Group's products, and providing strong technical support for the Group's sustainable development.

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During the Reporting Period, the products developed by the Group achieved the following achievements:

- Shineway's Huamoyan Granule and Qing Kai Ling Soft Capsule entered into the National Essential Drugs List (2018 edition);
- The three Patents of Shineway's massage ointment, namely "a massage ointment for promoting blood circulation and removing blood stasis, and relieving pain and its production method", "a thermal massage ointment for promoting blood circulation and removing blood stasis, and relieving pain and its production method" as well as "a cool massage ointment for promoting blood circulation and removing blood stasis, and relieving pain and its production method" have obtained the patent granted by the National Intellectual Property Administration, PRC;
- Shineway Pharmaceutical's product, Qing Kai Ling Soft Capsule firstly enter the "Influenza treatment plan (2018 revised version)" of National Health Commission, PRC;
- Wufu Xinnao Qing Soft Capsule invention patent "a soft capsule slowly soothing heart and brain and production method (ZL200910263909.5)" — Second Prize of Hebei Province Patent Award in 2018;
- Shinway's Huamoyan Granule — Hebei Province Small and Medium Enterprise Brand Award; and
- Shenway's Qing Kai Ling Injection was granted the "2018 Shijiazhuang Municipal Top Ten Industrial Brand Products" by the Shijiashuang Municipal People's Government.

## Advertising and Labelling

The labels and specification of all products of the Group are designed according to the product specifications approved by the State Food and Drug Administration and the "Regulations on the Management of Drug specifications and Labels". The product advertisements are published in the relevant media after the filing of the competent drug supervision and management department according to the requirements of the "Drug Administration Law of the People's Republic of China" in order to ensure that the content is true and accurate, and there is no misleading or fraudulent content.

During the Reporting Period, the Group strictly abided by relevant laws and regulations, including but not limited to the "Drug Administration Law of the People's Republic of China"; the "Regulations for the Implementation of the Drug Administration Law of the People's Republic of China"; the "Product Quality Law of the People's Republic of China"; "Law on the Protection of Consumer Rights and Interests of the People's Republic of China"; "Regulations on Quality Control of Pharmaceutical Production" (National Medical Products Administration); and "Measures for the Management of Adverse Drug Reaction Reports and Monitoring" (Order No. 81 of the Ministry of Health). During the Reporting Period, the Group has not found any cases of violations of laws and regulations relating to the quality of products and services.

# 2018 Environmental, Social and Governance Report

## **B7. Anti-corruption**

### ***General Disclosure***

#### **Anti-corruption and Fraud Prevention**

The Group actively promotes and educates all levels of employees and management to consciously maintain their integrity in legal compliance, honesty, self-discipline, and dedication of work. The Group complied with related laws and regulations such as “the Criminal Law of the People’s Republic of China”, the “Anti-Corruption and Bribery Law of the People’s Republic of China”, and the “Prevention of Bribery Ordinances” of Hong Kong. The Group has set up the “Policy on the Corporate Integrity and Self-discipline” to regulate employees working behaviors, encourage employees to be honest, self-disciplined, and diligent for the purpose of reducing the Group’s business and operational risk, and protecting the interest of the Group and the benefit of its employees. In addition, the Group provides discipline awareness and anti-corruption training regularly for all levels of managers, external-related staff and sales staff.

The Group does not tolerate any form of corruption and has set out the code of conduct in the employee handbook. When sales staff joins the Group, they have to sign the “Letter of Commitment on Integrity and Self-discipline” which prohibits employees from receiving any form of benefit from business related persons, companies or organizations. When signing a contract with a supplier or an outsourcing project contractor, an anti-commercial bribery agreement is included in the appendix of the procurement contract.

The Group has complied with the relevant laws and regulations. During the Reporting Period, the Group did not find any major issues that violated the laws and regulations on preventing bribery, extortion, fraud and money laundering, and there were also no concluded legal cases regarding corrupt practices brought against the Group or our employees.

#### **Whistle-blowing and Internal Audit Mechanism**

Apart from the anti-bribery and anti-corruption policies in the Group’s staff handbook, the Group also encourages employees and all business related parties, including customers and suppliers, to proactively report any suspected misconduct issues to the Group. Telephone hotline for the reporting is also in place.

The Group also has set up relevant external reporting procedures and regularly reviewed the effectiveness of the Group’s internal reporting mechanism. The audit department of the Group is responsible for the effectiveness of the whistleblowing mechanism, regulating the management procedure, standardizing the internal and external inspection channels so as to strengthen the supervision mechanism to effectively prevent the employees at all levels of the Company from being misconduct and non-performing of their duties.

During the Reporting Period, the number on confirmed incidents of corruption is 0. We did not have any employees being dismissed or disciplined for corruption, nor any confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.

To fully evaluate the related risks of corruption in our operations, the Group has conducted risk assessment for all external-related departments, and the Company’s anti-corruption policies and procedures are also 100% communicated to members of the governance body, employees of various departments as well as related business partners. Members of the Group’s governance bodies and employees received 100% training in anti-corruption.

# 2018 Environmental, Social and Governance Report

## **B8. Community Investment**

### ***General Disclosure***

As a conscience enterprise, the Group also cares about its indirect economic impact. We not only actively participate in social welfare activities, but also comply with relevant social and economic laws and regulations. There were no major fines for social and economic violations during the Reporting Period; the number of non-monetary penalties for social and economic violations and the lawsuits filed through the dispute resolution mechanism were 0.

### **Community Contribution**

The Group endeavors to perform its corporate responsibilities, actively supports charitable projects and public welfare activities, and does its best to promote the development of philanthropy. We cooperate with the government in making contributions to disaster relief, poverty alleviation, helping the elderly, supporting the education for the needy, etc. We also provide intellectual, material, and financial support for the public service areas including health care, education, culture, etc. From time to time, the Group provides volunteers with training, strengthens corporate culture construction and comprehensively enhances employees' awareness on social responsibility. We also encourage employees to make charitable donations, and actively participate in charitable activities. By providing free medical services and medical knowledge to local residents, we can improve the health of the public and bring positive impacts to the economy.

The Group has also set up the "Guidance for the Employee Caring Fund". By promoting the traditional virtues of mutual help and assistance among employees, we help employees who are in difficulties as much as possible and solve their immediate needs. It fully embodies the caring spirit of "taken from the employees and used by the employees, full participation, focusing on assistance, and mutual help".

During the Reporting Period, the Group has devoted 340 hours and donated RMB3,640,000 to charitable activities. The Group has participated in many charitable donations over the years and has repeatedly received government's recognition of the Group's contribution to the industry and society as a whole. The Group has been awarded "China Charity Award" by the Ministry of Civil Affairs, the "China Red Cross Fraternity Medal", the "Outstanding Corporate Social Responsibility Award" in Chinese pharmaceutical industry, National Model Labour Relations Harmonious Enterprise, the Advanced Private Enterprise in Employment and Social Security in China, "The Best Enterprise in Social Responsibility" in Hebei Province, Outstanding Enterprise in Compliance and Integrity in Chinese pharmaceutical industry and the Best Employer Award in China and other honors.

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*The charitable activities the Group has joined or organized in Year 2018*

Safe Medication and Enjoying Health Together — National Safe Medication Month with Shineway

On 15th November, “Safe Medication and Enjoying Health Together — National Safe Medication Month with Shineway”, one of a series of activities with the theme “National Safe Medication Month” in Hebei Province in 2018, was held by Shineway Pharmaceutical Group. Teachers and students from Hebei Chemical and Pharmaceutical Vocational and Technical College visited Shineway Pharmaceutical Group to learn about the production process of medicines and acquire the knowledge about safe medication. Through this activity, we have raised the scientific cognition level towards drug safety among college students, faculty members and parents, and at the same time enhanced the self-protection awareness of college students.



The 40th Anniversary Celebration of the Chinese Medicine Association of Hebei Province and the “Shineway Cup” Awards Ceremony

On 20th October, the 40th Anniversary Celebration of the Chinese Medicine Association of Hebei Province was organized by Shineway Pharmaceutical Group in Shijiazhuang. At the Ceremony, the advanced entities and individuals were awarded “Shineway Cup” by the Chinese Medicine Association of Hebei Province as recognition of their efforts. The “Shineway Cup” was established jointly by the Chinese Medicine Association of Hebei Province and Shineway Pharmaceutical, and is intended to recognize the members of the Chinese Medicine Association of Hebei Province and individuals who have made outstanding contributions to the development of Chinese medicine in Hebei Province.



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Charitable Fund warmed the hearts of the workers with difficulties — Shineway Pharmaceutical Charitable Fund helped four sick employees

During the Reporting Period, a donation of RMB70,000 from Charitable Fund filled with the love and blessings of all employees of Shineway Pharmaceutical was sent to four employees of Shineway Pharmaceutical and Shineway Pharmacy respectively to help them or their family members suffering from diseases to overcome difficulties and meet their urgent needs. According to statistics, up till now, the Shineway Charitable Fund with the full participation of all Shineway's employees, has helped 55 employees and the donation amounted to nearly RMB1,000,000.



Shineway Pharmaceutical donated RMB1.1 million for the resettlement of Zhangjiakou poor village  
On 22nd August, the "Poverty Alleviation Project Conference of Beijing-Tianjin-Hebei Social Organizations and the Communist Party" was held in Zhangbei County, Zhangjiakou City. At this conference, Shineway Pharmaceutical donated RMB1.1 million to the resettlement project of Qiaojiaying Village, Yanyoufang Township, Kangbao County, Zhangjiakou City.





## 2018 Environmental, Social and Governance Report

“Caring for the Families and Children of Shineway Employees” was successfully held

On 25th August, Shineway Pharmaceutical Group invited more than 20 employees' family members and children to visit Shineway and to have an understanding of the development and culture of Shineway at a zero distance. The event was intended to keep family members together, and promote the harmonious and win-win development of family and business.

Shineway Pharmaceutical donated RMB200,000 for helping children with cerebral palsy

On 12th July, the Hebei Red Cross, the Provincial Women's Federation, and the Provincial Hospital of Traditional Chinese Medicine jointly implemented the “Healthcare and Poverty Alleviation for Special Children” and “Helping Flying Angels • Light Up the Dream”, which is a medical and rehabilitation program for impoverished children with cerebral palsy in Hebei Province. The launch ceremony of the second program was held in Hebei Provincial Hospital of Traditional Chinese Medicine. Shineway Pharmaceutical Group Limited donated RMB200,000 to the program to support the early medical rehabilitation project for impoverished children with cerebral palsy in Hebei Province.



Shineway Pharmaceutical Group and Shijiazhuang Traditional Chinese Medicine Hospital provided volunteer medical consultation services in Xingtang County

On 22nd May, after close communication and careful planning with the village working group of Shijiazhuang National Taxation Bureau in the Xichengzai Village of Xingtang County, the Shineway Pharmaceutical Group and the Shijiazhuang Traditional Chinese Medicine Hospital provided volunteer medical consultation services to impoverished villagers in the Xichengzai Village with an aim to promote health and well-being of the general public. In the event, directors and attending physicians of divisions of cardiology, neurology, vascular surgery, orthopedics and endocrinology were designated by the Shijiazhuang Traditional Chinese Medicine Hospital to provide medical consultation services, and offered typical health check up tests such as electrocardiogram, blood sugar and blood pressure.

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Shineway Pharmaceutical donated more than RMB800,000 to improve the environment of impoverished villages and expand the sales channel of their featured agricultural product

In May, Shineway Pharmaceutical actively participated in the call for precision poverty alleviation and donated more than RMB800,000 to build an up-feed water pipeline and sewage pipeline with a total length of more than 8,000 meters for Xichengzai Village, Shangfang Town, Xingtang County, Shijiazhuang City. The underground sewage treatment facility has completely solved the sewage issues for many years and greatly enhanced the environment of the village, which has received praise from the villagers. At the same time, Shineway Pharmaceutical leveraged on its own advantages to help Xichengzai Village expand its sales channels for featured products such as "Sweet Potato Leaf Tea" and "Red Millet". More than 10,000 jin of millet was purchased from Xichengzai Village as holiday welfare for the Group's employees.

Shineway Pharmaceutical's "Second Life with Huamoyan Granules" Charity Activity was officially launched. On 9th April, Shineway Pharmaceutical's "Second Life with Huamoyan Granules" charity activity was officially launched in the 2018 Greater Healthcare Industry E-Commerce (West Lake) Forum. Shineway Pharmaceutical's "Second Life with Huamoyan Granules" charity activity was organized by Shineway and Chain pharmacies with an aim to identify patients with synovitis and cure them with the use of the Huamoyan Granules. The event helped the middle-aged or young people with synovitis and improved the public's understanding towards synovitis, allowing patients to receive effective treatment in the early detection of the disease so to relieve pain. Up till now, the event was carried out in 12 cities including Zhengzhou, Chongqing, Lanzhou and Xi'an.

## 2018 Environmental, Social and Governance Report



### 2018 "Mission and Duty, Huo Xiang College Tours"

The project was held in 20 cities across the country, covering 20 renowned higher education institutions such as Beijing University of Chinese Medicine and Nanjing University of Chinese Medicine, with an aim to boost the confidence of young people towards Chinese medicine culture and to promote Chinese medicine brands. The accumulated mileage of the event is over 40,000 kilometers, directly and indirectly benefiting over 6,000 people and over 1 million people respectively while contributing to the revitalization of Chinese medicine culture!



# 2018 Environmental, Social and Governance Report

## 2018 Huo Xiang National Summer Activity

Taking care of the health of the people and actively implementing the “Healthy China” strategy, the first “Shineway Huo Xiang Cool Summer”, a large-scale summer activity was a big hit covering 57 cities in 24 provinces across the country, directly benefiting more than 500,000 consumers.



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The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited

## Aspects, General Disclosures and KPIs

### Aspect A1: Emissions

General Disclosure	Description	Section/Declaration
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions — Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions — Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions — Exhaust Gas and GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Hazardous and Non-hazardous Waste Disposal
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Hazardous and Non-hazardous Waste Disposal
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions — Exhaust Gas and GHG Emission, Sewage Discharge
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Hazardous and Non-hazardous Waste Disposal



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## Aspects, General Disclosures and KPIs

### Aspect A2: Use of Resources

Aspects, General Disclosures and KPIs	Description	Section/Declaration
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources — Energy Consumption, Water Consumption, Use of Packaging Materials
KPI A2.1 (“comply or explain”)	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Consumption
KPI A2.2 (“comply or explain”)	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3 (“comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 (“comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
KPI A2.5 (“comply or explain”)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Materials

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## Aspects, General Disclosures and KPIs

	Description	Section/Declaration
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Green Production, Construction Project's Feasibility, Environmental Safety Emergency Response Mechanism, Climate Change, Sustainable Packaging, Biodiversity
<b>Aspect B1: Employment</b>		
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, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2 (Recommended Disclosures)	Employee turnover rate by gender, age group and geographical region.	Employment

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## Aspects, General Disclosures and KPIs

### Aspect B2: Health and Safety

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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.	Health and Safety
KPI B2.1 (Recommended Disclosure)	Number and rate of work-related fatalities	Health and Safety
KPI B2.2 (Recommended Disclosure)	Lost days due to work injury.	Health and Safety
KPI B2.3 (Recommended Disclosure)	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety

### Aspect B3: Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1 (Recommended Disclosure)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2 (Recommended Disclosure)	The average training hours completed per employee by gender and employee category.	Development and Training



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## Aspects, General Disclosures and KPIs

### Aspect B4: Labour Standards

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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.	Labour Standards
KPI B4.1 (Recommended Disclosure)	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2 (Recommended Disclosure)	Description of steps taken to eliminate such practices when discovered.	Labour Standards

### Aspect B5: Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1 (Recommended Disclosure)	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2 (Recommended Disclosure)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

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## Aspects, General Disclosures and KPIs

### Aspect B6: Product Responsibility

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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.	Product Responsibility
KPI B6.1 (Recommended Disclosure)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2 (Recommended Disclosure)	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3 (Recommended Disclosure)	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4 (Recommended Disclosure)	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5 (Recommended Disclosure)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility

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## Aspects, General Disclosures and KPIs

### Aspect B7: Anti-corruption

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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.	Anti-corruption
KPI B7.1 (Recommended Disclosure)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2 (Recommended Disclosure)	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
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.	Community Investment
KPI B8.1 (Recommended Disclosure)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2 (Recommended Disclosure)	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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Global Reporting Initiative Content Index

<b>GRI Indicator</b>	<b>Description</b>	<b>Report chapter/ Website reference and notes</b>
<b>GRI 102: Organizational Profile</b>		
102-1	Name of the organization	Cover
102-2	Activities, brands, products, and services	Introduction
102-3	Location of headquarters	About Shineway
102-4	Location of operations	About Shineway
102-5	Ownership and legal form	Cover, Introduction
102-6	Markets served	Introduction
102-7	Scale of the organization	About Shineway, (2018 Annual Report) Financial Statements
102-8	Information on employees and other workers	Employment
102-9	Supply chain	Supply Chain Management
102-10	Significant changes to the organization and its supply chain	About Shineway
102-11	Precautionary Principle or approach	Product Responsibility
102-12	External initiatives	Sustainable Development Goals Policies
102-13	Membership of associations	About Shineway
102-14	Statement from senior decision-maker	Chairman's Statement
102-16	Values, principles, standards, and norms of behavior	Core Values, Missions
102-18	Governance structure	Environmental, Social and Governance Management, Corporate Social Responsibility and Sustainability Committee Management Structure

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<b>GRI Indicator</b>	<b>Description</b>	<b>Report chapter/ Website reference and notes</b>
102-40	List of stakeholder groups	Stakeholder Engagement
102-41	Collective bargaining agreements	As the Group's operation is in China, collective bargaining agreements are not applicable.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	(2018 Annual Report) Financial Statements
102-46	Defining report content and topic Boundaries	Reporting Scope
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	Not applicable, as the Group does not have any reasons that required to have any restatements of information
102-49	Changes in reporting	Reporting Scope
102-50	Reporting period	Introduction
102-51	Date of most recent report	Introduction
102-52	Reporting cycle	Introduction
102-53	Contact point for questions regarding the report	Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Framework
102-55	GRI content index	Global Reporting Initiative Content Index
102-56	External assurance	We rely on the internal information monitoring and checking information samples to ensure its accuracy.

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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 203: Indirect Economic Impacts</b>		
103-1	Explanation of the material topic and its Boundary	Community Investment
103-2	The management approach and its components	Community Investment
103-3	Evaluation of the management approach	Community Investment
203-1	Infrastructure investments and services supported	Community Investment
<b>GRI 204: Procurement Practices</b>		
103-1	Explanation of the material topic and its Boundary	Supply Chain Management
103-2	The management approach and its components	Supply Chain Management
103-3	Evaluation of the management approach	Supply Chain Management
204-1	Proportion of spending on local suppliers	Supply Chain Management
<b>GRI 205: Anti-corruption</b>		
103-1	Explanation of the material topic and its Boundary	Anti-corruption
103-2	The management approach and its components	Anti-corruption
103-3	Evaluation of the management approach	Anti-corruption
205-1	Operations assessed for risks related to corruption	Anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption

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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 302: Energy</b>		
103-1	Explanation of the material topic and its Boundary	Energy Consumption
103-2	The management approach and its components	Energy Consumption
103-3	Evaluation of the management approach	Energy Consumption
302-1	Energy consumption within the organization	Energy Consumption
302-3	Energy consumption intensity	Energy Consumption
302-4	Reduction of energy consumption	Energy Consumption
<b>GRI 303: Water</b>		
103-1	Explanation of the material topic and its Boundary	Water Consumption
103-2	The management approach and its components	Water Consumption
103-3	Evaluation of the management approach	Water Consumption
303-3	Water recycled and reused	Water Consumption
<b>GRI 305: Emissions</b>		
103-1	Explanation of the material topic and its Boundary	Emissions, Exhaust Gas and GHG Emissions
103-2	The management approach and its components	Emissions, Exhaust Gas and GHG Emissions
103-3	Evaluation of the management approach	Emissions, Exhaust Gas and GHG Emissions

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GRI Indicator	Description	Report chapter/ Website reference and notes
305-1	Direct (Scope 1) GHG emissions	Exhaust Gas and GHG Emissions
305-2	Energy indirect (Scope 2) GHG emissions	Exhaust Gas and GHG Emissions
305-3	Other indirect (Scope 3) GHG emissions	Exhaust Gas and GHG Emissions
305-4	GHG emissions intensity	Exhaust Gas and GHG Emissions
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	Exhaust Gas and GHG Emissions
<b>GRI 306: Effluents and Waste</b>		
103-1	Explanation of the material topic and its Boundary	Emissions, Sewage Discharge
103-2	The management approach and its components	Emissions, Sewage Discharge
103-3	Evaluation of the management approach	Emissions, Sewage Discharge
306-1	Water discharge by quality and destination	Sewage Discharge
306-2	Waste by type and disposal method	Hazardous and Non-hazardous Waste Disposal
<b>GRI 307: Environmental Compliance</b>		
103-1	Explanation of the material topic and its Boundary	Emissions
103-2	The management approach and its components	Emissions
103-3	Evaluation of the management approach	Emissions
307-1	Non-compliance with environmental laws and regulations	Emissions



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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 308: Supplier Environmental Assessment</b>		
103-1	Explanation of the material topic and its Boundary	Environmental and Social Risk Management of Supply Chain
103-2	The management approach and its components	Environmental and Social Risk Management of Supply Chain
103-3	Evaluation of the management approach	Environmental and Social Risk Management of Supply Chain
308-2	Negative environmental impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone environmental assessment: 100%
<b>GRI 401: Employment</b>		
103-1	Explanation of the material topic and its Boundary	Employment
103-2	The management approach and its components	Employment
103-3	Evaluation of the management approach	Employment
401-1	New employee hires and employee turnover	Employment
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment
<b>GRI 403: Occupational Health and Safety</b>		
103-1	Explanation of the material topic and its Boundary	Health and Safety
103-2	The management approach and its components	Health and Safety
103-3	Evaluation of the management approach	Health and Safety
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health and Safety

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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 404: Training and Education</b>		
103-1	Explanation of the material topic and its Boundary	Development and Training for Employees
103-2	The management approach and its components	Development and Training for Employees
103-3	Evaluation of the management approach	Development and Training for Employees
404-1	Average hours of training per year per employee	Development and Training for Employees
404-2	Programs for upgrading employee skills and transition assistance programs	Development and Training for Employees
<b>GRI 405: Diversity and Equal Opportunity</b>		
103-1	Explanation of the material topic and its Boundary	Employment, Employee Benefits and Equal Opportunity Policies
103-2	The management approach and its components	Employment, Employee Benefits and Equal Opportunity Policies
103-3	Evaluation of the management approach	Employment, Employee Benefits and Equal Opportunity Policies
405-1	Diversity of governance bodies and employees	Employment
<b>GRI 408: Child Labour</b>		
103-1	Explanation of the material topic and its Boundary	Prevention of Child Labour And Forced Labour
103-2	The management approach and its components	Prevention of Child Labour And Forced Labour
103-3	Evaluation of the management approach	Prevention of Child Labour And Forced Labour
408-1	Operations and suppliers at significant risk for incidents of child labour	Prevention of Child Labour And Forced Labour

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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 409: Forced or Compulsory Labour</b>		
103-1	Explanation of the material topic and its Boundary	Prevention of Child Labour And Forced Labour
103-2	The management approach and its components	Prevention of Child Labour And Forced Labour
103-3	Evaluation of the management approach	Prevention of Child Labour And Forced Labour
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Prevention of Child Labour And Forced Labour
<b>GRI 414: Supplier Social Assessment</b>		
103-1	Explanation of the material topic and its Boundary	Environmental and Social Risk Management of Supply Chain
103-2	The management approach and its components	Environmental and Social Risk Management of Supply Chain
103-3	Evaluation of the management approach	Environmental and Social Risk Management of Supply Chain
414-1	New suppliers that were screened using social criteria	Environmental and Social Risk Management of Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone social impact assessment: 100%

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GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 416: Customer Health and Safety</b>		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Quality and Safety of Products and Services
103-2	The management approach and its components	Product Responsibility, Quality and Safety of Products and Services
103-3	Evaluation of the management approach	Product Responsibility, Quality and Safety of Products and Services
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality and Safety of Products and Services
<b>GRI 417: Marketing and Labelling</b>		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Advertising and Labelling
103-2	The management approach and its components	Product Responsibility, Advertising and Labelling
103-3	Evaluation of the management approach	Product Responsibility, Advertising and Labelling
417-2	Incidents of non-compliance concerning product and service information and labeling	Advertising and Labelling
417-3	Incidents of non-compliance concerning marketing communications	Advertising and Labelling

# 2018 Environmental, Social and Governance Report

GRI Indicator	Description	Report chapter/ Website reference and notes
<b>GRI 418: Customer Privacy</b>		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Customer After-sales Service and Privacy Policy
103-2	The management approach and its components	Product Responsibility, Customer After-sales Service and Privacy Policy
103-3	Evaluation of the management approach	Product Responsibility, Customer After-sales Service and Privacy Policy
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer After-sales Service and Privacy Policy
<b>GRI 419: Socioeconomic Compliance</b>		
103-1	Explanation of the material topic and its Boundary	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
103-2	The management approach and its components	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
103-3	Evaluation of the management approach	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
419-1	Non-compliance with laws and regulations in the social and economic area	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption