



創美藥業股份有限公司

CHARMACY PHARMACEUTICAL CO.,LTD.

(A joint stock limited liability company established in the People's Republic of China)
Stock Code: 2289



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT | 2017



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About the Report

Charmacy Pharmaceutical Co., Ltd. (the “**Company**” or “**Charmacy Pharmaceutical**”) (stock code: 2289.HK) is pleased to issue the Environmental, Social and Governance report (the “**Report**”) of Charmacy Pharmaceutical and its subsidiaries (collectively, the “**Group**” or “**we**”). The Report mainly discloses the Group’s performance in environmental, social and governance aspects in 2017.

Time Range

Unless otherwise specified, the information and data in the Report covers the period from 1 January 2017 to 31 December 2017 (the “**Reporting Period**”).

Scope of Reporting

Unless otherwise specified, the information and data in the Report covers Charmacy Pharmaceutical Co., Ltd. and its subsidiaries.

Basis of Preparation

The Group made the disclosure pursuant to the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Contact

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About Us

Charmacy Pharmaceutical Co., Ltd. (stock code: 2289.HK) is principally engaged in the pharmaceutical distribution business. It mainly distributes western medicine, Chinese patent medicine and healthcare products to downstream distributors and retail terminals, as well as provides consultation service on pharmaceutical products. Founded in eastern Guangdong in 2000, the Company established Guangdong Charmacy Pharmaceutical Co., Ltd.* (廣東創美藥業有限公司) in 2011, acquired Zhuhai Charmacy Hengxiang Pharmaceutical Limited* (珠海創美恒祥醫藥有限公司) and Guangzhou Charmacy Pharmaceutical Limited* (廣州創美藥業有限公司) in the first half of 2017, and set up Shenzhen Charmacy Pharmaceutical Limited* (深圳創美藥業有限公司) in early 2018, striving for intensive engagement in Guangdong and extensive coverage across surrounding areas. The Company has built logistics centers in Shantou, Foshan, Zhuhai and Guangzhou, all equipped with professional transportation teams, and has a highly efficient delivery mechanism of delivering pharmaceutical products three times per day for customers within a radius of 10 kilometers, twice per day for customers within a radius of 50 kilometers and once per day for those within a radius of 250 kilometers. In addition, the Company has a modern information system that covers the entire supply chain for pharmaceutical distribution, including procurement, sales, warehousing, transportation and delivery. Apart from that, the Company operates its own B2B e-commerce platform “Charmacy e-Medicine” (創美e藥), a platform for customers to place procurement orders online. In 2017, the Company ranked 38th among top 100 wholesalers nationally, in respect of principal business. According to the Market Research Report of the Chinese Pharmaceutical Industry (2016) (《中國醫藥行業市場研究報告》(2016)), in respect of sales scale, the Company ranked 7th among the pharmaceutical distribution businesses in Guangdong Province and second among private firms.

With its good reputation and quality services, the Company obtained the 2017 “Gold Ant” award for the Chinese logistics industry, an award conferred by the Organizing Committee of China International Logistics Equipment and Technology Exhibition (Guangzhou) (中國(廣州)國際物流裝備與技術展組委會) in May 2017; in November 2017, the Company won the title “Top-10 Business with the Highest Innovation Value” (十佳創新價值企業) under the 2016-2017 Gold Award for Pharmaceutical Supply Chain Businesses (2016-2017年度醫藥供應鏈金質獎), conferred by the Pharmaceutical Logistics Association under the China Federation of Logistics and Purchasing (中國物流與採購聯合會醫藥物流分會); and in December 2017, the Company was recognized as a “Headquarters Enterprise of Shantou City” by Shantou People’s Government.

* For identification purpose only

Stakeholder Engagement

The Group's stakeholders include staff, shareholders/investors, customers, suppliers/partners, governments/regulatory authorities and communities/citizens. The Group communicates with stakeholders actively, to fully understand the expectation of the shareholders.

Communication with and Engagement of Stakeholders

Stakeholders	Ways of Communication	Expectations and Requirements
Governments/regulatory authorities	On-site examination Active tax payment Daily communication and reporting	Law-abiding Tax payment according to law
Shareholders/investors	General meetings Result conferences Company website Reports and announcements Investor surveys	Financial results Safeguarding shareholders' rights and interests Sustainable corporate development
Staff	Labor contracts Health examination and insurance Training activities Staff parties Daily interaction	Equal Employment Health and safety Skill improvement Remuneration and benefits Career development
Suppliers/partners	On-site inspection Interaction and exchange visits Supplier assessment	Sticking to business commitments Mutual benefit and win-win situation Fair competition
Customers	Daily communication and interaction Satisfaction survey	Product quality Sticking to business commitments
Communities/citizens	Promoting community employment Community activities Charitable activities	Driving community development Community interaction and communication

Environment

The Group recognises the importance of balance between business development and environmental protection and is well aware that sustainable corporate development is closely linked to the environment. The Group adopts the environmental concept of “protecting environment and saving resources” throughout its business activities to reduce the consumption of resources such as electricity, fuel and water, and improve all staff’s environmental awareness, fulfill social responsibility, and focus on protecting the environment to minimize the adverse environmental impacts from its business. During the Reporting Period, the Group has complied with the applicable environmental regulations of the places where it operates, thereby having no incidents of major violations of environmental protection laws and regulations in China, which has significant impact on the Company. The Group strives to use its corporate resources effectively, not only for lowering its operating costs, but also for bringing environmental benefits to improve the workplace condition for employees and heighten their sense of belonging.

Emissions

Since the Group is principally engaged in the distribution and delivery of pharmaceutical products, in its process of pharmaceutical logistics, the main emissions were from the Group’s transportation vehicles. The key indicators for the Group’s vehicle gas and particulate emissions for the Reporting Period are shown in the table below:

	Unit	Amount
Nitrogen Oxides (NO _x)	kg	3,937.55
Sulphur Oxides (SO _x)	kg	5.81
Particulate Matter (PM)	kg	351.23

Currently, the diesel vehicles that the Group adopted all comply with the National-IV emissions standard as required by the Ministry of Industry and Information Technology. SCR systems are used in exhaust gas treatment and this system must use diesel exhaust fluid to treat exhaust gas oxides to meet the national standards on environmental protection. The Group also remains attentive to new energy vehicles on the market and adopts applicable new energy vehicles if necessary, based on the actual situation. At the same time, the Group requires the drivers to refuel at the petrol stations designated by the Group to ensure the oil standard and quality; and possess the best environmental-friendly driving habit, minimize vehicle idling behavior.

The Group acquired refrigerated transportation vehicles to serve as its new addition or to replace obsolete ones in 2017, making a total of 26 additional refrigerated vehicles. The utilization rate of medium- and heavy-duty vehicles has also been enhanced. Since the fuel consumption of refrigerated vehicles is higher than that of the old ones, and the medium- and heavy-duty vehicles have higher fuel consumption, the emission for 2017 was higher than that for 2016.

Note: The “Reporting Guidance on Environmental KPIs” issued by the Stock Exchange is the reference in computing the environmental data stated in “Subject Area A. Environmental” of the ESG Reporting Guide. The data we have applied in the calculation was recorded and derived during the course of operation, part of which was incomplete. The Group will require the enterprises to file relevant records in 2018, in order to measure and disclose relevant environmental data in a more comprehensive and accurate way.

Environment

Greenhouse Gas Emissions

Gasoline and diesel, office's power consumption are the Group's major sources of greenhouse gas emissions. The Group's greenhouse gas emissions for 2017 are detailed in the table below:

Greenhouse gas emission	Unit	Data for 2017
Scope 1 – Direct emissions	tonnes of CO ₂ e	138.99
Scope 2 – Indirect energy emissions	tonnes of CO ₂ e	2,418.05
Scope 3 – Other indirect emissions	tonnes of CO ₂ e	162.97
Total emission	tonnes of CO ₂ e	2,720.01
Density (greenhouse gas emission per RMB0'000 of operating income)	tonnes of CO ₂ e/ RMB million of revenue	0.66

Waste

The following table shows the major waste we produced during the Reporting Period:

Indicator	Unit	Data for 2017	Data for 2016
Total non-hazardous waste produced	tonnes	51.3	50.06
Density (non-hazardous waste per RMB0'000 of operating income)	tonnes/RMB million	0.012	0.013
Non-hazardous waste produced per capita	tonnes/person	0.068	0.076

Note: Since there was no operation of a subsidiary in Guangzhou in 2017, the data of a subsidiary in Zhuhai was incomplete, and only the data of Charmacy Pharmaceutical and a subsidiary in Guangdong is presented in the table.

Our operating activities do not directly lead to industrial pollution, therefore, there is almost no pollutants into water and land or generation of hazardous wastes. Emissions come mainly from the waste, domestic wastage of logistics and daily office operations as well as household waste. Waste papers are mainly from the consumption of printing papers, label papers, and delivery notes. The Group has made efforts to recycle and reuse packaging materials as much as possible. At the same time, to save paper, the Group encourages employees to use double-sided printing and photocopying. The Group promotes all departments to classify and dispose of daily garbage, reuse recycled and reused waste, such as envelopes, courier bags, plastic bags, papers and cartons. The Group provides customers with sterilized glasses or porcelain cups instead of paper cups to reduce waste and be more environmentally friendly.

Environment

Use of Resources

The energy consumed by the Group during the operations mainly includes gasoline and diesel for transportation vehicles as well as power consumed in office. The resources consumed are office water usage and logistics packaging materials, which mainly include cartons.

The consumption of major resources of the Group in 2017

Indicator	Unit	Data for 2017
Gasoline	litre	94,555.90
Diesel	litre	274,423.30
Coal gas	cubic meter	9,534.52
Electricity purchased	kWh	4,579.35
Electricity consumption per RMB0'000 of operating income	kWh/RMB0'000	11.18
Water consumption	tonnes	74,369.10
Water consumption per RMB0'000 of operating income	tonnes/RMB0'000	0.18
Paper materials used in outside packaging	kg	89,350.15
Density (consumption of paper packaging materials per RMB0'000 of operating income)	kg/RMB0'000	0.22

The Group is committed to its philosophy of conservation, high efficiency, prevention of wastage of resources, and focuses on reasonable use of resources in the business operation. Apart from the measures set out in the section "Emissions" above, for promoting resource saving, we adhere to the principle of recycling and reducing waste, actively promote the green office model and enhance the staff's awareness of energy conservation and environmental protection, and formulate policies relating to the environmental management, such as:

1. Implementing the scheme of recycling used cartons. Usable second-hand cartons are applied to pharmaceutical warehousing, distribution and transportation at logistics centers;
2. Encouraging paperless office and paper saving. Staff members are encouraged to choose double-sided printing, reuse envelopes and used paper, and maximize the use of email and online review system for file-reviewing, signing and communication to avoid unnecessary printing;
3. Promoting the application of telephone and video systems. The application of telephone or video conferences should be maximized to reduce the staff's business trips so as to reduce greenhouse gas emissions;

Environment

4. Controlling the opening hours of air conditioning at the office areas. Using the air conditioning reasonably depending on the actual weather conditions to avoid energy wastage;
5. Enhancing the management of electricity consumption at the office areas. Staff should minimize the electricity consumption caused by leaving electronic equipment such as computers and printers in standby mode. Staff should also turn off the electrical appliance and lights when leaving the offices. Administration personnel should inspect the office areas regularly to avoid electricity wastage. Using energy-saving LED lights as lighting facilities; and
6. Inspecting and maintaining water-consumption equipment regularly. Aging water faucets should be replaced with greater control over the water flow from water faucets to achieve higher efficiency in water consumption; putting up "water saving" posters in the toilets and washrooms of business and office premises to enhance the staff's awareness of water saving.

As for 2017, a total of 230,000 processes were involved during the review of documents via the online review system by the Group. Assuming that four pages of documents were involved in each process, a total of 460,000 pages of paper were saved. The B2B e-commerce platform of the Company had more orders in 2017 than in 2016, and each order required a medicine inspection sheet to be printed out. Hence, the paper consumption increased as compared to that of 2016. Since Charmacy Pharmaceutical and Guangdong Charmacy recorded a year-on-year increase in the number of items delivered from warehouses in 2017, the Company consumed more medicine package cartons in 2017 than in 2016.

During the Reporting Period, the Group has complied with the relevant environmental laws and regulations, including but not limited to: Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), Law of the People's Republic of China on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). During the Reporting Period, the Group is not aware of any accident involving non-compliance with the laws and regulations which would have a major impact on the Group in relation to air and greenhouse gas emissions, water and land discharges, and the generation of hazardous and non-hazardous waste.

Employment and Labor Standards

Staff members are the power source of sustainable development to a corporation. The Group upholds its philosophy of "Respect, Care, Kindness and Cultivation", which respects and cares for staff members, so that they can acquire a sense of identifying with and belonging to the Group. We create a safe and comfortable work environment for staff members, thereby they could obtain personal achievement and realize their own value as they promote corporation development, and gain a broader space to develop their career, improving the mutual growth of corporation and staff.

Staff Overview

As of 31 December 2017, the Group had a total of 842 staff members. Among them, 521 were male and 321 were female, representing 61.88% and 38.12% of all the staff members respectively. The specific compositions are as below:

Profession of staff

Composition of profession	Number of Staff	Percentage of Total Number of Staff
Procurement personnel	53	6.29%
Sales personnel	215	25.53%
Logistics and operation personnel	445	52.85%
Finance and administration personnel	129	15.32%
Total	842	100.00%

Educational background of staff

Educational structure	Number of Staff	Percentage of Total Number of Staff
Undergraduate and above	162	19.24%
Junior college	255	30.29%
Vocational secondary school/ intermediate mechanic/high school	263	31.24%
Junior high school and below	162	19.24%
Total	842	100.00%

Age distribution of staff

Age distribution	Number of Staff	Percentage of Total Number of Staff
Below 30	478	56.77%
30-40	226	26.84%
40-50	105	12.47%
Above 50	33	3.92%
Total	842	100.00%

The Group strictly complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant national laws and regulations, and upholds the principle of "Open Recruitment, Fair Competition, Merit-based Selection and Priority to Internal Recruitment". We advocate fair competition to applicants and staff recruitments, appointments and promotions. With approaches such as internal promotion, position rotation or exchange and external recruitment, the Group provides equal opportunities in employment and employment protection for applicants and the staff, ensuring that every applicant and the staff should not be subject to discriminations against sex, age, marital status, religious belief, race and physical conditions.

The Group strictly complies with the requirements of Provisions on the Prohibition of Using Child Labor of the People's Republic of China (《中華人民共和國禁止使用童工規定》) and inspects the information of the applicants, such as profile, before interview to prevent minors (under the age of 16) to participate the application and will never recruit minors (under the age of 16) to engage in any work. All business of the Group prohibits the use of child labors or forced labor in any way. The Group follows the principles of lawful, quality, volunteeriness and consensus when entering into labor contracts with staff so as to protect the legal interests of staff members.

The Group strictly complies with the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant national laws and regulations, implements local ordinances of social insurances and housing provident funds, pays social insurance, medical insurance and makes contribution to housing provident funds for all employees.

Employment and Labor Standards

Staff Welfare

To stimulate work enthusiasm among staff members, the Group provides them with remunerations and benefits that are competitive in the market. The Group selects outstanding staff members and teams on a quarterly and yearly basis to commend excellent staff members, managers and departments, ensuring the capable staff members to receive the recognition and reward from the Company for their contribution while they leveraging their own value, which will raise positiveness of staff members.

The Group applies a standard working-hour system, protecting staff's legal rights to rest and take leaves. The Group also ensures all the staff's entitlement to statutory holidays, including annual leaves, marriage leave, bereavement leave, paternity leave and others, according to national regulations.

The Group provides its staff with a comfortable work environment and living environment, to enhance the sense of belonging among the staff. Staff members are offered free breakfast, lunch, dinner and late night snacks, and non-local members are provided with staff dormitories which are equipped with bathrooms, water heaters, air conditioners, televisions, furniture and wireless networks, etc.

The Group offers its staff a variety of benefits, including birthday gifts, wedding cash gifts, high-temperature subsidies in summer, herbal tea and desserts, health examination, and travel benefit for outstanding staff members.

Health and Safety

It's the Company's responsibility to ensure the health and safety of staff members. To ensure a safe working environment, the Group strictly complies with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other applicable safety and health laws and regulations, committed to create good work environment for the staff.

The Group has formed a fire safety team responsible for the supervision, management and inspection of fire safety work. Safety and fire drills are also in place to improve the safety awareness and survival skills among the staff. The Group has a complete security system, which ensures normal operation and order of life and to maintain the safety of the Group's assets, the staff members and their assets.

The Group takes out commercial accident insurance for positions ranked and above directors and positions that are highly dangerous. The insurance premium is paid by the Company in full. According to Good Supply Practice for Pharmaceutical Products, the Group organizes a free health examination each year for staff members on the positions where regular health examination is required.

Employment and Labor Standards

In order to establish the concept of driving safety for the drivers of the Company's logistics centers and ensure their compliance with traffic safety rules, the Group has set up the "Annual Safe Driving Award" to honor the outstanding drivers who have no record of illegal driving or traffic accidents for the whole year and meet other criteria for selection.

Concerned about the health of its staff members, the Group encourages them to do more physical exercise in their spare time and helps them to balance work and life. The Group has basketball court and outdoor equipment available for staff members to relieve work pressure and improve their physique.

Development and Training

The improvement of staff quality is the foundation of corporation development. The Group promotes the management model of learning corporation, attaches great importance to the training and occupational development of its staff members and offers extensive training opportunities to support their continuous studies and improve their overall quality and skills for the positions, realizing the common development of the staff and corporation. The Group has prepared its standardized management system with high-efficiency on staff training, which includes the Management System on Training and the Management System on External Training, providing the guidance for orderly training.

The Group carries out the "Star of the Future" incubation program for management trainees to select and cultivate a group of fast-growing and highly-vestite college students through the campus recruitment, and designs targeted career development training programs for management trainees. Through 1-2 years of training, the trainees will become the young backbone and reserve force supporting the Company's strategy and business development.

In 2017, various business departments of the Group carried out relevant training in accordance with the plan, including new employees training, training on professional knowledge of Good Supply Practice for Pharmaceutical Products ("**GSP**"), training on informationization construction system, etc., covering nearly 2,000 person-times.



Supply Chain Management

The Group's product supply pipeline includes manufacturers (including their sales companies) and distributors. The Group selects the appropriate suppliers based on comprehensive factors including its own purchasing scale, the supplier's sales policies including minimum sales, price and rebates, payment method and billing period. As of 31 December 2017, the Group had a total of 1,066 suppliers, of which 687 were manufacturers and 379 were distributors.

In accordance with the requirements under GSP, the Group implements a stringent qualification inspection mechanism for the selection of suppliers. When having business cooperation with suppliers for the first time, the Group reviews the qualifications of the new cooperative enterprise and newly introduced products by asking such suppliers to provide the business license, the publication information of the corporate annual report for the previous year, and the Certificate of Pharmaceutical Production (藥品生產許可證) or the Pharmaceutical Supply License (藥品經營許可證), the Certificate of Good Manufacturing Practice for Pharmaceutical Products (藥品生產質量管理規範證書) or GSP Certificate, relevant legal qualifications of entrusted business personnel, drug production approvals, drug quality standards, manuals, labels and inspection reports of finished pharmaceutical products, etc., and signs the Pharmaceutical Commodities Quality Assurance Agreement (醫藥商品質量保證協議書) with suppliers, which requires that the suppliers should be responsible for the quality of the products they provide within the period of validity, and for all the resulting losses. At the same time, the Group verifies the validity and authenticity of the qualifications offered through relevant drug watchdog websites and, in subsequent business cooperation, will ensure whether the original qualifications remain in force by systematic control and daily supervision and inspection.

The Group actively works with its partners to fulfill its corporate responsibility, promote the sustainable development of the industry, and increases its positive impact on the environment and society. As for some of the pharmaceutical products that are damaged by pressure or broken during the transportation process, we would reject such products during our inspection and communicate with the suppliers. We would also take thorough and effective measures to destroy the damaged pharmaceutical products, so as to prevent their distribution and environmental pollution.

Product Responsibility

Pharmaceutical products are related to the medication safety and physical health of residents. Product quality is the most important factor in the evaluation of procurement. The Group has always adhered to the principle of "Quality First", committed to providing customers with quality products and strictly implemented quality control procedures to ensure that all laws, regulations and standards are fully complied with. The Group conducts strict control over all aspects of product operations, including:

Procurement: For products purchased for the first time, it is required that the purchasing manager, marketing center, product management department, quality control department and other departments (positions) shall conduct a rigorous review on the price, purchase volume, product approval supporting documents and qualifications. For products not purchased for the first time, the purchase volume shall be determined based on the recent sales volume and safety stock, and the validity period of the product approval supporting documents and product quality shall be subject to regular review.

Receipt, inspection and acceptance of goods: The Group strictly follows the Management Procedures on Receipt, Inspection and Acceptance (收貨與驗收管理程序). When receiving the goods, relevant information will be reviewed by comparing the material objects with the accompanying list and purchase record. For the quality and quantity of pharmaceutical products, sampling and inspection will be conducted on a batch-by-batch basis as required by GSP, and the appearance, packaging, labeling, instructions, and related supporting documents of the sampled pharmaceutical products shall be examined individually while pharmaceutical products with special management requirements shall be inspected by two persons. Pharmaceutical products proved to be substandard in quality inspection or inconsistent with the supporting documents will be rejected and returned to suppliers.

Storage and maintenance: The Group has established warehouses that are suitable for the classified storage of pharmaceutical products and meet the requirements for storage of pharmaceutical products, and has in place facilities and equipment for effective monitoring, regulation and control of temperature and humidity. Pharmaceutical products in store are stored in the corresponding warehouses in strict accordance with GSP provisions and the quality property of pharmaceutical products, and are regularly maintained.

Product Responsibility

Outbound delivery and transportation of products: Stringent review and quality inspection shall be conducted on pharmaceutical products for outbound delivery, and pharmaceutical products with special management requirements will be reviewed by two persons. At the same time, quality of pharmaceutical products during outbound delivery shall be tracked and recorded. Closed vehicles are used for transportation of pharmaceutical products, and other transportation facilities such as refrigerator cars, cool box or incubators for pharmaceutical products with special temperature control requirements to ensure that the delivery of pharmaceutical products meets the GSP requirements. The Group has imposed even higher requirements on the transportation conditions for its pharmaceutical products, which are built on the “Good Supply Practice for Pharmaceutical Products (藥品經營質量管理規範)”. Therefore, the Group chose refrigerated transportation vehicles to serve as its new addition or to replace obsolete ones. In 2017, the Group purchased 26 refrigerated transportation vehicles. As of 31 December 2017, the Group had a total of 86 transportation vehicles, including 52 refrigerated ones, to fully ensure the quality and safety of its pharmaceutical products during transportation.

After-sales service: The Group sells its pharmaceutical products to legally qualified units strictly in accordance with the provisions of laws. For quality issues found in quality inquiries, complaints, spot checks, and sales process, we will find out the causes, identify liabilities, take effective measures and make record. Meanwhile, if serious quality problems were found in pharmaceutical products sold, the Group would take measures in a timely manner to recover such products and make records, and report to the drug regulatory authority.

During the Reporting Period, the Group did not have any product quality disputes.

Anti-corruption

In order to ensure the realization of the Group's business objective and the continued and sound development of the Group, and to eliminate any kind of improper behaviors or corruption during the course of work or business, the Group strictly complies with relevant national laws and regulations, formulating internal control systems such as the "Management Regulations of Honest Practice" and "Administrative Measures on Internal and External Complaints", so as to curb bribery and corruption at the institutional level. In order to promote employees' self-discipline, the Group requires all employees to sign the "Letter of Commitment to Honest Practice", which aims to regulate the behavior of employees, and clarify the work responsibilities of employees in their clean practices.

The Group has established free complaint and reporting channels, including setting up hotline, complaints boxes, and emails, for employees to complain about or report the inappropriate or non-compliance behaviors they have discovered. After receiving complaints or reports, the relevant acceptance department collects information and evidence on the issue, talks with the departments concerned to have a full understanding of the entire process of the issue, strives to make the facts come to light and finally raises its suggestions of treatment based on the investigation results.

During the Reporting Period, the Group did not have any incident in relation to the bribery, extortion, fraud and money laundering by the Company and its staff.

Community Investment

The sustainable development of a corporate won't be possible without the support from communities. While being committed to its own sound development, the Group also shoulders corresponding corporate social responsibility proactively. The Group attaches great importance to its relationship with communities by actively participating in community construction and charitable undertakings, to serve for community development and make social contribution with concrete action.

Visiting the Front-line Staff of the Creation of a Civilized City Program to Pay a Tribute to Heroes of the City



In the morning of 8 August 2017, Charmacy Pharmaceutical, along with the Longxiang Street in Longhu District, Shantou (汕头市龍湖區龍祥街道) paid a visit to the janitors at the front of the Creation of a Civilized City Program (創文活動), Longxiang law enforcement team (龍祥執法中隊) and civilization advocacy team formed by some old party members in Hengshan Community (衡山社區老黨員文明勸導隊), providing them with heatstroke prevention goods such as Lian Hua Feng Cha pills (蓮花峰茶丸), Huoxiang Zhengqi Shui (霍香正氣水), medicated oil (風油精) and mineral water, so as to pay a tribute to "Heroes of the City" at the front of the Creation of a Civilized City Program who are working at high temperature.

ESG Reporting Guide Index of the Stock Exchange

Aspect	General Disclosure and KPIs	Chapter	Remarks
Environmental			
A1: Emissions	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions; Greenhouse Gas Emissions; Wastes	
KPI A1.1	The types of emissions and respective emissions data	Emissions	
KPI A1.2	Greenhouse gas emissions in total	Greenhouse Gas Emissions	
KPI A1.3	Total hazardous waste produced	Waste	
KPI A1.4	Total non-hazardous waste produced	Waste	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste	
A2: Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	
KPI A2.1	Direct and/ or indirect energy consumption by type in total and intensity		
KPI A2.2	Water consumption in total and intensity		
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved		

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Aspect	General Disclosure and KPIs	Chapter	Remarks
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced		
A3: The Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Use of Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Use of Resources	
Social			
B1: Employment	Information on the policies; and 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.	Staff Overview; Staff Welfare	
B2: Health and Safety	Information on the policies; and 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	
B3: Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
B4: Labor Standards	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	Staff Overview	
B5: Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	

ESG Reporting Guide Index of the Stock Exchange

Aspect	General Disclosure and KPIs	Chapter	Remarks
B6: Product Responsibility	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to the health and safety, advertising, labelling and privacy matters of products and services provided and methods of redress.	Product Responsibility	The advertising issue of the product is not applicable to the business scope of the Group.
B7: Anti-corruption	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
B8: Community Investment	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	