

# Environmental, Social and Governance Report

To comply with the requirements set out in the Environmental, Social and Governance Report Guide issued by the Stock Exchange of Hong Kong Limited in December 2015, Sinopharm Group Co. Ltd. (the “**Company**” or “**Sinopharm Group**”, together with its subsidiaries referred to as the “**Group**”) hereby submits its Annual Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) from 1 January 2017 to 31 December 2017. The reporting scope of the ESG Report covers the Company and its subsidiaries.

The Company’s Board of Directors is responsible for its ESG strategies and reporting, including the assessment and identification of ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We have appointed our business functions to review the Group’s operation and have internal discussions to identify relevant ESG matters and assess the importance of such matters to our business and stakeholders. The management has confirmed the effectiveness of ESG risk management and internal control systems to the Board of Directors. The identified major ESG matters have been included in this ESG Report according to the general disclosure requirements of the ESG Report Guide, in order to disclose the Group’s ESG performance during operation on a balanced basis.

## 1. Communication with Stakeholders

The Company has a wide range of stakeholders, including shareholders/investors, government/regulators, employees, customers, suppliers/partners, the environment, communities/the public. By collecting opinions and fully understanding shareholders’ expectations, it carries out social responsibility practices and balances the interests of the Group and shareholders.

### Communication with and Participation of Stakeholders

Stakeholders	Method of Communication	Expectations and Demands
Shareholders/investors	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• News release and announcement</li> <li>• Company report</li> <li>• Website publishing</li> <li>• Meetings of the investors and road show</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring shareholders’ rights and interests</li> <li>• Information disclosure</li> <li>• Compliance operation and management</li> <li>• Anti-corruption</li> </ul>
Government/regulators	<ul style="list-style-type: none"> <li>• Conferences</li> <li>• Compliance report</li> <li>• Field inspection</li> <li>• Participation in meetings/seminars</li> <li>• Special inquiry/inspection</li> <li>• Proper submission of documents</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and compliance regulation</li> <li>• Quality management system</li> <li>• Drug quality safety</li> <li>• Employee health</li> <li>• Safety management</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Labor contract</li> <li>• Trade union</li> <li>• Employee forum and assembly</li> <li>• Employee party</li> <li>• Manger’s mailbox</li> <li>• Voluntary activities</li> <li>• Daily communication</li> </ul>	<ul style="list-style-type: none"> <li>• Equal employment</li> <li>• Employee benefits</li> <li>• ICBC construction</li> <li>• Employee health</li> <li>• Safety management</li> <li>• Employee training</li> <li>• Assessment and promotion</li> </ul>

Stakeholders	Method of Communication	Expectations and Demands
Customers	<ul style="list-style-type: none"> <li>• Daily operation/interaction</li> <li>• Customer satisfaction survey</li> <li>• Regular visits</li> <li>• Industry exhibitions and forums</li> <li>• Customers service center/hotline</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics quality management</li> <li>• Drug quality and safety</li> <li>• Product recovery</li> <li>• Customer satisfaction and compliant handling</li> <li>• Consumer privacy protection</li> </ul>
Suppliers/partners	<ul style="list-style-type: none"> <li>• High-level meetings</li> <li>• Seminars and meetings</li> <li>• Marketing summits</li> <li>• Supplier evaluation</li> <li>• Field visit</li> <li>• Daily communication</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier code of conduct</li> <li>• Supplier management</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Environmental inspection</li> <li>• Environmental disclosure report</li> <li>• Implementation of green operation and management</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental protection system</li> <li>• Publicity of environmental protection</li> <li>• Energy saving and emission reduction</li> <li>• Green office</li> </ul>
Communities/the public	<ul style="list-style-type: none"> <li>• Voluntary activities</li> <li>• Charity activities</li> <li>• Sponsorship of public service activities</li> </ul>	<ul style="list-style-type: none"> <li>• Charitable health care</li> <li>• Concerned about disaster areas</li> <li>• Poverty alleviation</li> </ul>

## 2. Product Liability

As China's largest distributor of pharmaceutical and healthcare products and a leading provider of supply chain service, the Company takes a lead in pursuit of product quality, upgrading of industry standards, purification of industry market and sound development of the industry.

### Quality Management System

The Company has established the sound ISO9001&GSP integrated quality management system since 2006 and prepared the Quality Management Manual as the code of conduct in the quality management system, which help to the transparency and systematic character of the process and lay a solid foundation for its rapid development. The Company has signed the Responsibility Letter for Quality Management with every general manager of its second-tier subsidiaries who is responsible for their company's operation of the quality management system and for reporting the matters concerning the operation of the quality management system to the quality management representatives and the President of the Company.

Qualification Certificates



**GSP** .....  
 Implementation of the GSP system is a scientific and advanced management tool to ensure the drug quality and generally adapted to the international trend for drug quality management at the same time. As China's largest distributor of pharmaceutical and healthcare products and a leading provider of supply chain service, the quality management department of the Company's headquarters provides high-quality drugs for the market by GPS management and promotes the quality management of China's pharmaceutical business to be modern and international.



**ISO9001**.....  
 On 1 April 2007, the Company obtained the ISO 9001 Quality Management System Certification from DEKRA company in German which ranks the third in the world in the field of certification, safety and quality inspection. In recent years, it has successively included its second-tier subsidiaries into ISO 9001:2008 integrated certification system for integrated quality management. In April 2016, the Company passed through DEKRA's certification for ISO9001 certificate renewal.



**SA8000**.....  
 At present, companies have to pass through SA8000 certification or the social responsibility audit conducted according to SA8000 to join the global industrial chain of multinational companies. The Company has passed through the certification of an external third-party certification authority at the end of 2009.



**ISO27001**.....  
 The Company has established the Information Security Management System (ISMS) according to ISO27000:2005 standard system. After more than one year of continuous and steady operation, Sinopharm Logistics Co., Ltd. subordinate to the Company passed through the formal audit of the international certification authority in 2011 and obtained certificates issued by UKAS (United Kingdom Accreditation Service) and CNAS (China National Accreditation Service for Conformity Assessment), becoming the first pharmaceutical enterprise in China passing through ISO27001 international information security certification.

The Company has set the overall quality target at the beginning of each year and issued to its subsidiaries. Subsidiaries are required to prepare rules for the implementation according to the "decomposition index and implementation plan of policy targets", conduct regular self-examination and assessment of the implementation plan and timely correct problems once found to ensure the effective operation of the quality management system of subsidiaries and the comprehensive implementation of the quality target of the Company's headquarters. The quality management department of the Company's headquarters strictly follows the audit plan developed at the beginning of the year and combines with key management points to complete the audit of second-tier subsidiaries and issue audit reports at 100%, and requires subsidiaries to submit a rectification report against defects, clarify rectification measures and estimated time of completion, and track the implementation details of rectification.

In 2017 33 management rules were added and amended in accordance with new regulations and new version requirements of ISO9001:2015, the Company's product management system was timely improved, so as to guarantee the conformity of quality system from the perspective of system. In order to guarantee the implementation potency, the Company organized five relevant trainings on system, law and regulation with 767 people being trained, and completed two large-scale trainings for subsidiaries with 300 people being trained. The training focused on medical device regulation, quality risk management, process method and scenario analysis of internal and external organization and change management etc, the subsidiary's quality awareness and capability to analyze and review risk and take measures against risk were improved.

### **Logistics Quality Management**

As a leading enterprise in the medical logistics industry, it regards logistics quality as the top priority. For management of various facilities, equipment, vehicles and information system, the Company has developed the Regulations on Management of Facilities and Equipment, Regulations on Safety Management of Transport Vehicles, Regulations on Management of Information System and Regulations on Management of Evaluation and Control of Third-party Logistics to clearly define the purchase of shelf, temperature control system, cooling system, water and electricity supply, fire system and vehicle, quality supervision of third-party logistics and daily management.

The Company ensures that personnel related to storage and distribution management are qualified and experienced to make sure that goods can be properly handled and stored, and has developed the Regulations on Management of Drug Receiving, Regulations on Management of Drug Storage, Regulations on Management of Drug Maintenance, Regulations on Management of Drug Ex-warehouse Recheck, Regulations on Management of Drug Shipment and Handover and Regulations on Management of Drug Transportation and Delivery for major business sections including goods receiving, acceptance, storage, delivery, distribution and outsourcing.

Traceability of drugs is an important management issue in the medical industry. To trace the quality status in case of a quality problem or customer feedback and achieve the purpose of source management, the Company has developed the Regulations on Management of Identification and Traceability, from which it is required to distinguish consignors, batch numbers, specifications and dosage forms of drugs by identification and to identify, maintain and recheck the qualification status of drugs of all stages by using various types of warehouses, regions and color labels. In 2017, in accordance with the requirements of relevant documents such as "The Notice of Vaccine Storage and Transportation Management Regulation (2017 version)", "Drug Sales Quality Management Regulation" (Amended) and "Medical Device Supervision & Management Regulation", the Company continued to amend and improve the relevant rules of quality system, and conducted an audit on subordinate logistics companies and tracked the implementation details in order to provide the basis for the Company's continuous improvement. No significant nonconformity was found in this audit.

### Drug Quality Safety

With strict control of the first-purchasing and quality of drugs, the Company has prepared relevant system documents, such as the Regulations on Management of Introduction, Selection and Assessment of New Drugs, Regulations on Management of First-purchasing Drugs, Regulations on Management of Narcotic Drugs and Psychotropic Drugs of Category I, Regulations on Management of Psychotropic Drugs of Category II and Regulations on Management of Toxic Drug for stringent approval and control the introduction of newly added drugs.

The Company keeps focus on the industry trend, maintains consistent with Chinese laws and regulations, and always releases notices or announcements timely, to ensure its operation meets the latest Chinese laws and regulations.

In 2017, the Company's headquarters has successively passed the special examination on the narcotic and psychotropic drugs and the vaccine by the Shanghai Municipal Food and Drug Administration for 14 times with the passing rate of the special examination up to 100%. In 2017, the Company's headquarters received an unannounced inspection from the Shanghai Municipal Food and Drug Administration, only one general defect was found and no major and severe defects were found, and the rectification has been completed. In 2017, the Company's subsidiaries have got examinations by outside inspectors for totally 1457 times (1440 times in operation and 17 times in production), and they all met the requirements.

### Customer Satisfaction and Complaint Handling

With the philosophy of "Customer is the foundation of the enterprise", the Company has committed itself to providing customers with efficient and high-quality services to meet their needs and gain their satisfaction and loyalty to create a super brand. The Company has developed the Regulations on Management of Customer Satisfaction. It gained the customer perception through home visits, written questionnaires and other ways, and indirectly confirmed the customer satisfaction through comparison with other competitors in the industry. In addition, it periodically prepared the Analysis Report of Customer Satisfaction, and included the customer satisfaction and customer satisfaction trends into the performance management as important assessment indicators of relevant departments.

The Company developed a series of management systems related to customer inquiry and complaint, such as Regulations on Management of Quality Inquiry and Regulations on Management of Customer Complaint Handling. When customers have questions or demands on the Company demands on drugs or medical devices, they can submit a query to the Company by visits, letters, fax, telephone, mail and other ways, and the Company shall upon the receipt of the query, make an investigation and provide feedback. In the event that any customer is unsatisfied for the quality of products and services does not confirm to the standards, the quality management department shall timely take containment measures such as product recall/recovery after verification through investigation to prevent further loss to the customers. Relevant departments shall determine jointly the cause of the complaint and make correct measures to better satisfy customers.

### Product Recovery

The Company has made active response to the reasonable return request put forward by customers to improve both customer satisfaction and corporate reputation, and has formulated the Regulations on Management of Sales Return which puts clear rules on return requirement, return way, returned material acceptance inspection, system operation process and approval authority etc. The Company has prepared the Regulations on Management of Recall/Recovery. For products recalled actively by suppliers, after receiving notices from suppliers, the quality management department will issue recall notices (except for the drugs that cannot be recalled as stipulated by Chinese laws and regulations) to recall relevant varieties. For recall or unqualified products after spot check noticed by CFDA, the quality management department will implement recall at the earliest time and inform immediately relevant suppliers and manufacturers, requesting them to actively cooperate to tackle with matters related to products with quality problems in positively cooperative manner.

### Intellectual Property Rights Protection

In order to strengthen the trademark management, standardize the exclusive right to use trademark and give full play to the efficiency of trademark assets, the Company has prepared the Measures on the Management of Trademark in which the trademark application, renewal, authorization management and rights protection and other work are clearly defined. The Office of General Manager of the Company is responsible for establishing and perfecting trademark files and database and implementing dynamic management of trademark. In addition, it takes charge of organizing publicity and learning of legal knowledge related to the trademark, collecting actively evidences against the infringement of trademark rights and timely submitting to the industry and commerce administration authorities for handling or bringing a lawsuit to the people's court.

### Consumer Privacy Protection

In order to further strengthen the Company's confidentiality management, standardize the construction of the Company's confidentiality system, and better safeguard the security interests of enterprises and consumers, the Company prepared the Interim Provisions of Sinopharm Group Co., Ltd on the Confidentiality Work. The departments and the subsidiaries at all levels of the Company are responsible for implementing the comprehensive management requirements of the Company's confidentiality work, detailing and establishing measures of confidentiality work management of related functions, and clarifying confidentiality requirements according to the actuality as well as conducting the assessment, inspection, verification and improvement of the implementation process within the scope of duties. Besides, the labor contract signed by subsidiaries and employees includes confidentiality provisions.

GuoDa Drug Store subordinated to the Company has prepared the Administrational Measures for Membership which stipulates specifically that to protect the security of membership data, subsidiaries shall conduct authorization management and approval process management of data export for membership information and subordinate stores shall not modify membership information. At the same time, subsidiaries are required to conduct membership data sorting and analysis at least once a month. In case of abnormal number of transactions, amount and discount information, track management needs to be performed in order to better protect the privacy and interests of members.

### 3. Environmental Protection

Following the enterprise philosophy of “Caring for Life and Attending to Health”, the Company includes the environmental protection and sustainable development into the enterprise development strategy, guarantees the compliance with environmental protection laws and rules, energy conservation, emission reduction, consumption reduction and efficiency enhancement in the production and operation process, strives to reduce the impact of the production activities on the environment and human health and safety, realizes the coordinated development between production management and environmental protection, and achieves the harmony between the enterprise and the nature.

#### Environmental protection system

Since its establishment, the Company has established the environmental protection management system according to the Chinese laws, regulations, technical specifications, technical standards and systems relating to the environmental protection. It provides guidance and assistance in the environment protection work assigned in the budget objective and work scheme for all the companies affiliated to the subsidiaries, and then conducts supervision, management and appraisal. Each affiliated company has included the environmental protection, energy conservation and emission reduction into their medium and long-term development planning and annual plan, established and improved the management system and various rules and regulations in relation to the environmental protection, energy conservation and emission reduction, abided by relevant local and national laws, regulations and emission standards, and fulfilled the measures and responsibilities for the environmental protection, energy conservation and emission reduction. The industrial enterprise subordinate to the Company has established and implemented the ISO 14001 Environmental Management System Certification.

The Company has formulated a series of management systems including the Administrative Measures for Environmental Protection, the Administrative Measures for Clean Production, the Administrative Measures for Hazardous Waste, and the Emergency Plan for Environmental Accidents, specifying responsibilities of employees at various levels in terms of the environmental protection, energy conservation and emission reduction, and strengthening the environmental protection consciousness of all the companies. The superintendent of the subsidiary shall be primarily responsible for the environmental protection of all the subsidiaries, and the performance shall be included into the annual appraisal index of the superintendent of the subsidiaries, in order to enhance the environmental protection responsibility and consciousness of the leaders of all the subsidiaries. The target-oriented responsibility system shall be adopted in the management with the superintendent of the subsidiary primarily responsible for the environmental protection. At the beginning of 2017, the Company entered into the Target Responsibility Statement for Quality Management, Safe Production, Energy Conservation and Environmental Protection with all its subsidiaries with signing rate of 100%.

#### Publicity of environmental protection

In order to enhance the environmental protection consciousness and capability of the subsidiaries and employees, the Company includes the environmental protection training into its overall training system, actively organizes employees to participate in the training related to environmental protection organized by the external environmental protection organizations, issues the Brief News on Environmental Protection on a regular basis, and conducts the activities themed at “Running for Energy Conservation and Green Development”, etc.

### Energy conservation and emission reduction

With the aim of strengthening the environmental protection, energy conservation and emission reduction, effectively controlling the key pollutant discharge, promote the sustainable and efficient development, and preventing the adverse impact of the planning and construction projects upon implementation on the environment, the Company formulates the Detailed Rules for the Implementation of the Environmental Protection, Energy Conservation and Emission Reduction in accordance with relevant laws, regulations, emission standards and industrial policies such as the revised Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Conserving Energy, and the Interim Measures for the Supervision and Management of Energy Conservation and Emission Reduction by Central Enterprises.

All the industrial enterprises subordinate to the Company have signed the monitoring contract with the local environmental monitoring authority, entrusting the local environmental monitoring station with the regular monitoring of the waste gas, waste water and noise at boundary of industrial enterprises. In order to further standardize the environmental protection management and strengthen the pollution prevention and control, in addition to accepting the supervision by external organizations such as the local environmental protection authority, all the subordinate industrial enterprises have established and improved the statistical monitoring system for the environmental protection, energy conservation and emission reduction, strengthened the statistical monitoring of the energy consumption and pollutant emission in the production and operation, eliminated the possible environmental risks and hidden hazards in the production and operation, and improved the appraisal system and reward & punishment measures in accordance with the Administrative Measures for the Supervision and Appraisal of the Environmental Protection, Energy Conservation and Emission Reduction by Sinopharm Holding. In 2017, all the major emissions from the subordinate industrial enterprises including COD and SO<sub>2</sub> were disposed of, and all the sewage and waste gas were discharged in consistency with relevant standards.

The subordinate industrial enterprises have also formulated the Analysis System for Energy Utilization Situations, stipulating that the technical and economic analysis shall be made on the main energy-consuming equipment, process system and energy utilization conditions on a regular basis. Necessary tests and statistical analysis of energy consumption are combined to determine the level of energy consumption, explore the potential of energy conservation, fix the direction of energy conservation, and provide the scientific basis for the improvement of energy management, transformation of energy-saving technology and enhancement of energy utilization ratio.

The Company encourages its subsidiaries to apply new technology, new material, new process and new equipment in the energy conservation and emission reduction, and obvious energy-saving effect has been achieved through the energy-saving modification works such as boiler retrofitting, energy conservation of motor system, optimization of energy system and utilization of residual heat and pressure.



In 2017, the amount of pollutants emitted by the Group was listed below:

	<b>2017</b>
<b>Exhaust emission (ton)</b>	
total emission amount of NO <sub>x</sub>	54.79
total emission amount of SO <sub>x</sub>	0.16
total emission amount of PM	5.03
<b>Greenhouse gas emission (ton)</b>	
total greenhouse gas emission amount of range 1	26,641.98
total greenhouse gas emission amount of range 2	78,460.51
<b>Total amount of direct/indirect energy consumption by type (MWh)</b>	
electricity	101,342.54
heat	23,913.87
diesel	52,044.82
gasoline	45,029.14
<b>Unit amount of direct/indirect energy consumption (MWh per person)</b>	
electricity	1.64
heat	0.39
diesel	0.84
gasoline	0.73
<b>Total water consumption amount (cubic meter)</b>	
Unit water consumption amount (cubic meter per person)	17.52
<b>Total amount of non-hazardous waste (ton)</b>	
office waste	2,392.57
<b>Total amount of hazardous waste (ton)</b>	
Chemical Oxygen Demand (COD)	6.88
Biochemical Oxygen Demand (BOD)	0.34
NH <sub>3</sub> -N	0.45
<b>Total amount of packaging material used by finished products (ton)</b>	
carton	9,794.66
packing bottle	2,539.60

Notes: range 1 includes direct greenhouse gas emission generated by businesses owned or controlled by the Group;  
range 2 includes indirect greenhouse gas emission generated by the Group's internal consumption.

## Green office

The green office can not only promote energy conservation but also mitigate environmental pollution. It can not only protect the environmental but also bring low cost to the company. The Company takes several measures to realize the green office with saved energy and reduced emission as follows: strengthening the management of power conservation in lighting, reducing the power consumption of lighting equipment by making full use of natural lighting, turning off lights before leaving the office to prevent the lighting in the daytime and always-on lighting, and reducing the lighting in the public area in the night; strengthening the daily maintenance and management of the water-consuming equipment, and preventing the running, spillage, dripping and leakage of water to save water; making the general notification and data transmission via the Internet to reduce the data printing (copying) in paper, and making repeated use of the low-value consumables such as document envelopes and clips.

## 4. Protection of Rights and Interests

Regarding employees as the core resources and most precious treasure, following the principle of respect for employees, cultivation of employees and service for employees, the Company conducts the people-oriented management and strives to provide a safe and healthy working environment and a harmonious cultural environment for all the employees, in order to promote the Company's development and social progress.

The Company has formulated a set of HR management systems such as the Administrative Measures for the Employee Remuneration of the Functional Departments of Sinopharm Holding and the Administrative Measures for the Annual Income of the Operators of the Secondary Subsidiaries of Sinopharm Holding in strict accordance with relevant policies, laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and established a fair, reasonable and competitive remuneration system that can attract and retain core employees of the Company based on the principle of fairness and incentive.



### Honors in 2017

"China HR Pioneer Employer Award"	—	First Resource
"2017 China Role Model Employer"	—	51job.com
"2017 Employer with Outstanding Reform"	—	Liepin.com

## Equal employment

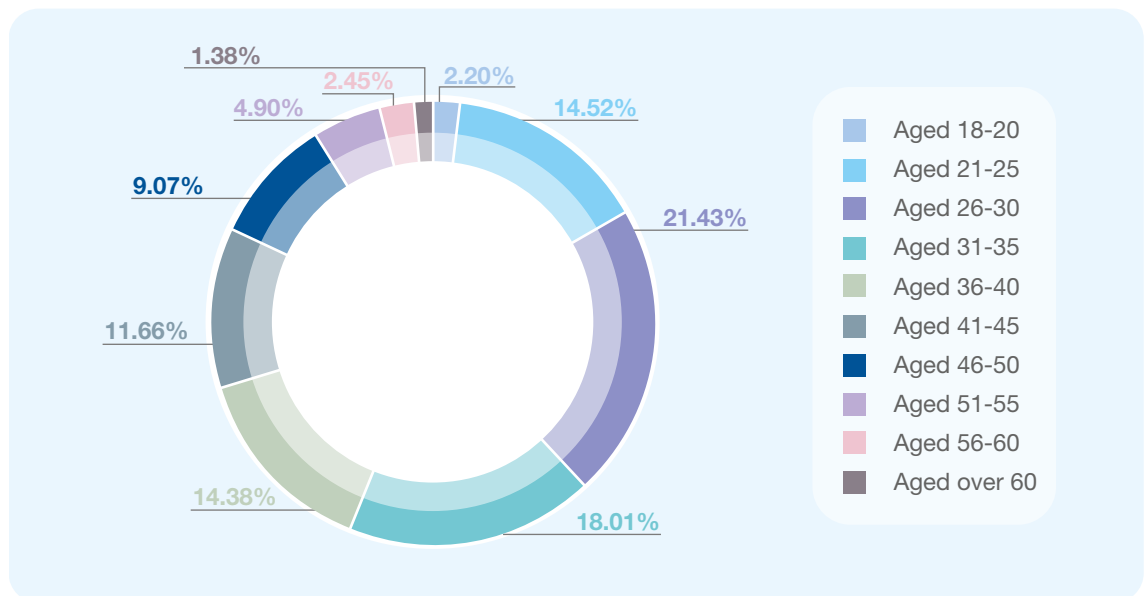
The Company recruits employees on an equal and selective basis following the principle of openness and fairness, opposes the employment discrimination in various forms, enters into labor contracts with employees, and protects employees from any discrimination due to the race, religion, physical disability, gender, sexual orientation, association member, marital status, etc. Meanwhile, the Company prohibits the employment of child laborers, compulsory work and arrangement of the underage employees with the prohibited work. All the employees comply with the statutory working age.

The Company has established the information management platform based on the HR information system, covering 542 subsidiaries at all levels. As an effective HR management tool, the HR information system has realized the basic HR management in the electronic form, strengthened the supervision on the organization setting, staffing management and employee recruitment and dismissal, and exported five statements of organization and personnel module and analysis of 25 HR indexes on a regular basis, which prevents any employment in violation of the Labor Law of the People’s Republic of China such as employment of child laborers.

The Company explicitly stipulates that employees may rescind the labor contract at any time where the Company forces the work by means of violence, threat or illegal restriction of personal freedom, fails to pay the labor remuneration in full amount or provide working conditions, or has other circumstances that violate the provisions of the Labor Contract Law of the People’s Republic of China.

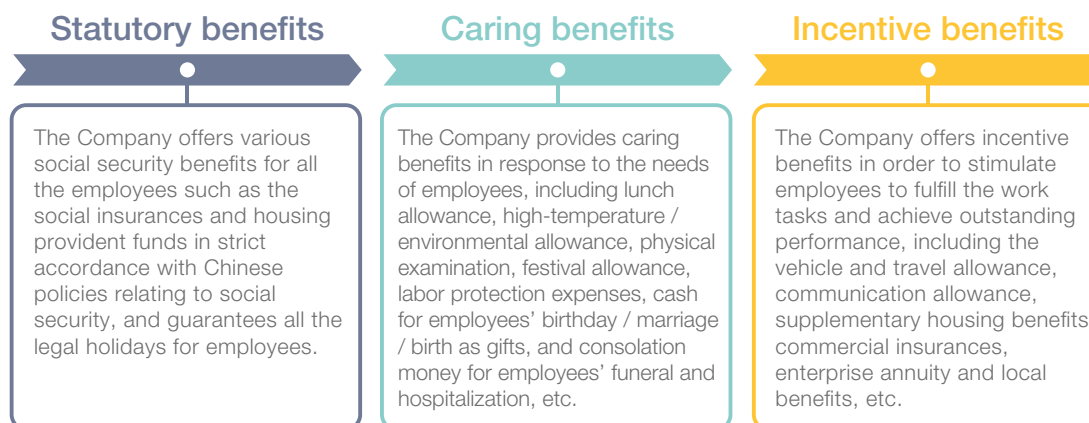
Meanwhile, the Company chooses outstanding talents suitable to the Company’s development through multi-channel social recruitment and internal selection, and notifies the newly recruited employees of the recruitment conditions and working situations such as the working contents, qualification, working environment, workplace, occupational hazard, safe production conditions and labor remuneration in the form of recruitment ads, job specification and interview before the recruitment procedures. Employees may directly inquire the HR Department in case of any questions.

As of December 31 2017, the Group had 61,694 employees in total, among whom female employees accounted for 58.67%, and male employees accounted for 41.33%. The proportion of employees at various ages is as follows:



## Employee benefits

The Company strictly standardizes the setting and standards for the employee benefits, and establishes the secure and competitive benefit system. The benefit system of the Company includes three parts, namely, statutory benefits, caring benefits and incentive benefits.



In order to provide a healthy and comfortable working and living environment, the Company conducts various activities for employees to balance their work and life. It organizes the badminton activities on a regular basis, holds basketball, table tennis and swimming contests from time to time, and carries out sports activities such as long running and healthy walking, in order to improve the health of employees, relieve their working pressure, enhance the sense of belonging, and build a happy, open, healthy, friendly and harmonious working and living atmosphere for employees.

## Development of trade union

Under the leadership of the Party Committee of the Company, the trade union strengthens the standardized development of the grassroots trade union, promotes the establishment of the trade union organization according to the law, gradually improves the quality of leaders in the grassroots trade unions, and strives to improve the trade union of enterprises at all levels to a new standard.

## 5. Health and Safety

### Employees' health

The Company strives to build a comfortable and healthy working and living environment for employees. It has continuously perfected the health management strictly in accordance with the Labor Law of the People's Republic of China, the Law on the Prevention and Control of Occupational Diseases and local regulations related to prevention and control of occupational diseases. Since 2009, it has gradually established and implemented the international SA8000 Social Accountability System, and set up the social accountability leading team led by the Party Committee Secretary and President according to requirements in the Guiding Opinions on the Fulfillment of Social Accountability by Central Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council, in order to protect the legitimate rights and interests of the employees through the continuous and effective operation and improvement of the system. The Company comprehensively classifies the existing rules, regulations and management archives according to the requirements of the SA8000 Social Accountability System, distinguishes the health and safety hazards, and establishes the occupation health and safety management system giving top priority to the physical and mental health of employees. There were not any employees suffering from occupational diseases in the Company and its subsidiaries in 2017.

#### Occupational health management

- ✓ Detect the occupational hazards at the workplace on a regular basis, erect signboards at the detection station, and record the detection result into the employees' occupational health archives.
- ✓ Install alarming devices at the poisonous and hazardous workplace susceptible to acute occupational hazards, and formulate emergency plans.
- ✓ Special persons shall be designated for the custody, regular inspection and maintenance of all the safety protection devices.
- ✓ On-site first-aid articles, equipment and protective articles shall be inspected and maintained on a regular basis to guarantee they are in normal conditions.

### Notification and warning of occupational hazards

- ✓ Notify the workers of the possible occupational hazards, consequences and protective measures in work, and specify them in the labour contract.
- ✓ Publicize the occupational hazards, preventive and emergency measures among workers and related parties.
- ✓ Erect warning signboards and instructions for the posts with occupational hazards.

### Report of occupational hazards

- ✓ The Company and its subsidiaries shall report the existing occupational hazards in the production promptly and faithfully to the local competent authority according to relevant Chinese regulations, and accept the supervision according to the law.

### Management of protective articles for occupational hazards

- ✓ Provide protective articles for occupational hazards of employees in accordance with the Rules for Selection of Labour Protective Articles, Chinese standards for allocation of labour protective articles and relevant regulations.
- ✓ Conduct proper management of the purchase, inspection, custody, distribution, usage, replacement and scrapping of labour protective articles according to relevant Chinese regulations.
- ✓ Educate, urge and guide employees to wear and use the labour protective articles in a correct manner according to the usage instructions.

### “Three simultaneouses” in the development of occupational health

- ✓ Entrust the qualified technical service organization for occupational health with the pre-assessment of the new engineering construction projects with possible occupational hazards in the phase of feasibility demonstration.
- ✓ The construction unit shall entrust the qualified technical service organization for occupational health with the assessment of the occupational hazard control effect before the completion inspection of the construction project according to relevant regulations.
- ✓ The protective facilities for occupational hazards shall be put into production and operation after they pass the inspection and obtain the approval document in the completion inspection of the construction project.

### Safety management

The Company has formulated the Sinopharm Holding Safety Management Standard Manual, specifying the contents, requirements, specifications, processes and measures of the production safety management of the Company and its subsidiaries in accordance with relevant laws and regulations such as the Production Safety Law of the People's Republic of China and the Interim Measures for the Supervision and Management of Production Safety of Central Enterprises, with the purpose of further strengthening the supervision and management of the production safety of the Company, fulfilling the safe production responsibilities of the enterprise, establishing the long-term mechanism for production safety, preventing and reducing safety accidents in the production, and guaranteeing the personal health and safety of employees and the masses. In response to the needs of production safety, the Company establishes the Production Safety Committee with a subordinate office as the daily agency.

The Company and its subsidiaries have established the production safety emergency management system, emergency management organization and team, formulated and continuously perfected the emergency plans, made on-site emergency proposals or measures for key posts and major hazard sources, set up the production safety emergency plan system, and carried out training and drilling on the emergency plans on a regular basis based on their actual situations according to the requirements in the Production Safety Law of the People's Republic of China, in order to strengthen the emergency management of the production safety.

Safety agreements were signed with all subsidiaries with signing rate of 100%. Professional safety personnel were assigned to industrial and high-risk enterprises in accordance with CNPGC's requirement, safety administration department was established with completion rate of 100%. The Company continued to increase spending on safe production, the total spending on safe production reached RMB31.84 million in 2017, representing an increase of RMB1.6 million compared with previous year.

Meanwhile, the Company also strengthens the safety publicity and education, enhances the safety consciousness of all the employees and improves the safety management level of the Company, in order to prevent the occurrence of accidents.

## 6. Development and Training

### Employee training

The Company always regards human resources as the core resources, and gives top priority to the cultivation and development of employees. Relevant training is offered in response to actual demands of different employees and various posts, following the strategy of the Company. It has formulated the Administrative Measures for Employee Training of Sinopharm Holding Co., Ltd., the Administrative Measures for the Credit System of Employee Training of Sinopharm Holding Co., Ltd., etc., and initially established a set of standardized training management system.

The Company provides training for employees in diversified forms such as on-site teaching, case sharing, on-line study and real-time interaction, and conducts multi-level training activities for the development of general ability, professional ability and management ability. Each year it organizes over 100 training programs for employees, which broadens the insight, enriches the knowledge of the employees, and fully enhances the competitiveness of the enterprise.

Under the great support of the Company's leaders, the Company founded Sinopharm University in 2011, in order to provide large-scale standard and systematic training for employees, and cultivate pharmaceutical elites with international insight. The university cultivates internal part-time lecturers by making full use of the wisdom and strength of the team, develops a series of Sinopharm-featured courses through the study of employee competency model, and creates systematic training service products. After several years of exploration and practice, the Company has cultivated a professional and powerful internal and external faculty, continuously and efficiently providing training service for employees in the companies at all levels. It also cooperates with key Chinese universities to jointly cultivate pharmaceutical students of the bachelor program.

### Appraisal and promotion

The Company adopts the performance appraisal for all the employees ranging from grassroots employees to superintendents of departments of the Company and its subsidiaries. It strives to establish a perfect performance appraisal mechanism with the annual operation and management objective decomposed level by level from top to bottom and realizes the full coverage of the appraisal by enhancing the width and depth of the performance appraisal. It formulates and perfects performance appraisal methods and scientifically and reasonably determines relevant indexes for employees at different posts with different responsibilities according to the type of business and characteristics of different development phases, following the overall operation objective and development strategy of the Company. Employees' opinions will be solicited for the appraisal of senior managers of subsidiaries at all levels, and the appraisal method, process and result will be made public within a certain scope for the supervision by employees.

The Company has established a clear rank system to build career development path for employees and encourage employees to realize career development. With performance appraisal and in accordance with the Company's relevant rules, through cadre selection and appointment and rank promotion review, the Company conducts employee promotion each year, so as to achieve the Company's development goals and employee's personal development goals. To further optimize human resource management system and integration construction and to provide strong human resource supply for the Company's continuous and stable development, the Company strives to build professional manager team and various level talent portfolio.

## 7. Supply Chain Management

Adhering to the win-win cooperation concept, the Company makes concerted efforts with suppliers to build a collaborative development mechanism for mutual growth, mutual trust and mutual benefits, and create a safe and reliable green supply chain. It commits itself to establishing strategic partnership with suppliers to realize mutual progress and development, and powerful competitive advantages in the industry.

### Code of conduct of suppliers

The Company not only abides by the laws and regulations, and bears relevant social responsibilities, but also plays an active role in promoting its partners to establish the social accountability management system and enhance the social accountability consciousness. It has entered into the Quality Assurance Agreement respectively with suppliers for medicines, other goods and services, stipulating that suppliers shall promise to fulfill the social responsibilities within the scope of contract, which promotes the fulfillment of social responsibilities by suppliers, and gives play to the leading role of the Company in the industry.



### Supplier management

The Company implements the strict and fair supplier admission procedures and assessment mechanism, and formulates the Management Regulations of New Enterprises, in order to review the legal compliance of manufacturers or operators firstly engaged in medicine and medical instruments, as well as the intactness, authenticity and validity of relevant data. ERP system is adopted to maintain the information of suppliers, and strictly review any changes in the aforesaid information.

In order to improve the purchase business process, guarantee the purchased medicines or medical instruments are produced or operated by legitimate enterprises, provide better service for suppliers, and build a good reputation, the Company formulates the Purchase Management Regulations, explicitly stipulating on the purchase plan, purchase order, purchase contract, supplier performance monitoring, confirmation of goods arrival, import commodity inspection, import custom clearance, etc.

The Company formulates the supplier assessment standard, the Management Regulations on the Re-appraisal of Qualified Suppliers, and conducts supplier assessment on a regular or irregular basis, in order to supervise suppliers to comply with quality, environmental protection and technology requirements, and continuously enhance the supply chain management level. All the subsidiaries of the Company conduct annual review of suppliers according to their actual situations on an annual basis, and list the suppliers that pass the review as qualified suppliers upon completion of review.

## 8. Anti-corruption

### Perfect anti-corruption mechanism

The Company establishes a perfect anti-corruption mechanism with combat on corruption and advocacy of integrity in order to build an incorrupt, efficient and harmonious business environment, and prevent the possible bad practice in various operation and management activities.

#### Sign the Responsibility Statement of Improvement of Party Conduct and Government Integrity with superintendents of subsidiaries

Sinopharm Holding formulates the Detailed Rules for Implementation of Incorruption of Enterprise Leaders, in order to enhance the incorruption of leaders at all levels, prevent the corruptive behavior and protect the interest of contributors. It also signs the Responsibility Statement of Improvement of Party Conduct and Government Integrity with superintendents of subsidiaries.

#### Sign the Letter of Commitment of Operation Compliance with subsidiaries

Sinopharm Holding enters into the Letter of Commitment of Operation Compliance with its subsidiaries, and establishes the compliance management working team, in order to inspect the corruption and operation compliance of the subsidiaries, include the compliance inspection in the audit work, further lift the minimum requirements on compliance, and promote the establishment of long-term mechanism of operation compliance.

#### Formulate the Punishment Regulations on Employees' Violation of Discipline

In order to rigorously enforce economic discipline, standardize the employees' behavior, and guarantee the implementation of various systems of the Company, Sinopharm Holding formulates the Punishment Regulations on Employees' Violation of Discipline, clearly stipulating the behavior violating the financial system, human resource system, quality management system, safety and environmental protection management, and the punishment procedures and modes for such behaviors.

## Transparent reporting platform

The Company establishes and perfects the supervision and restriction mechanism in accordance with the Several Regulations on the Incorruption of Leaders of State-owned Enterprises of SASAC of the State Council and the Implementation Outline for the Establishment and Perfection of Corruption Punishment and Prevention System of CPC Central Commission for Discipline Inspection, and the Discipline Inspection Office, Audit Department, etc. fully crack down upon the corruption through the acceptance of complaint letters, visits and reports, internal audit, supervision and inspection. The Company and its subsidiaries also actively deal with the feedback from its employees, social citizens, legal person and other organizations received via the reporting hotline and email.

## “Eight regulations” of incorruption

The Party Committee of the Company formulates the Detailed Rules of Sinopharm Holding for the Implementation of Eight Regulations of the Central Committee concerning the Improvement of Working Style for Closer Ties with the Masses according to actual situation of the Company, in order to further perfect and implement the requirements of the “Eight Regulations” of the Political Bureau of the Central Committee on the improvement of the working style for closer ties with the masses, improve the working style, keep close ties with the masses, serve the employees, establish a good team image, and promote the development of the Company.

Improvement in research work	Simplify the meeting	Simplify the document and bulletin
<ul style="list-style-type: none"> <li>• Understand actual situations among the grassroots</li> <li>• Sufficient preparations and full implementation</li> <li>• Simplify the reception</li> <li>• Reduce the accompanying persons</li> </ul>	<ul style="list-style-type: none"> <li>• Control the number of meetings</li> <li>• Establish the meeting approval system</li> <li>• Control the meeting scale and duration</li> <li>• Control the meeting expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce various documents and bulletins</li> <li>• Improve the quality of high-grade bulletins</li> <li>• Enhance the timeliness</li> </ul>

Improvement in news propaganda	Be diligent and thrifty	Supervise and urge the implementation
<ul style="list-style-type: none"> <li>• Standardize and improve the news propaganda</li> <li>• Strengthen the communication with the public</li> <li>• Make public the information</li> </ul>	<ul style="list-style-type: none"> <li>• Strictly implement benefit standards</li> <li>• Strengthen the management of business trips abroad</li> <li>• Strictly control entertainment expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Take the lead in the implementation</li> <li>• Make rigid restraints with regulations</li> <li>• Strengthen the inspection</li> </ul>

## 9. Returning the Society

The Company not only grasps the production, operation and economic benefits, but also focuses on public welfare activities to return the society. It has released and continuously improved relevant policies in support for the public welfare activities conducted by all the subsidiaries such as the donation to the disaster area, voluntary diagnosis and treatment, education support, and poverty relief, and actively supervised and urged internal departments and subsidiaries of the Company to fulfill the due social responsibilities.

### Voluntary medical treatment

The Company not only engages in the donation to public welfare career, but also carries out voluntary diagnosis, donation of medical supplies and blood donation without payment by making use of its own advantages, in order to make contributions to the improvement of medical treatment and health conditions of the masses.

### Concern for the disaster area

Following the cultural tent of “caring for life and attending to health”, the Company actively fulfills the social responsibilities as a central enterprise. Over years it returns to the society and bring benefits to the people in various forms. Especially when severe natural disasters occur, the Company initiated all the employees to actively participate in the first aid and make contributions to the people in the disaster area. During the Sichuan Jiuzhaigou earthquake disaster occurred in 2017, the Company delivered more than 20 drug varieties in total and disinfecting drugs and protection materials with value of RMB89,300.

### Poverty relief

The Company not only strives to realize further development expansion and improvement, but also actively returns the society. It actively participates in the construction of local residential areas, fulfills its social responsibilities, cares about the hardship of employees in difficulty, and eliminates the difficulty and trouble for them by making use of its own fund, manpower and technology. Over the past decade, the Party Committee of the Company has integrated the assistance in pairs in Fujun Village with the in-depth development of grassroots Party organization and the enhancement of the fulfillment of social responsibilities by enterprises, fully implemented the contents of assistance, given full play to the role of the Party organizations in the Company and all the subsidiaries in Shanghai, fully mobilized the Party members and leaders to actively participate in the assistance in pairs according to the unified deployment of the Municipal Commission of Social Workers in active response to the appeal of the Municipal Party Committee, which has realized outstanding achievements, and won the unanimous recognition and praise among the villagers. The Company also encourages its subsidiaries to actively fulfill social responsibilities. In 2017 the Company’s 16 subsidiaries in Shanghai donated more than RMB162,900 as kindness contribution. In 2017 the Company made specific precision donation of RMB3.5 million, donation of RMB479,500 to help poor students and other philanthropic donation of RMB1,281,300.