

# 北斗嘉藥業股份有限公司 Baytacare Pharmaceutical Co., Ltd.\*

(A joint stock limited company incorporated in the People's Republic of China)

(formerly known as Northeast Tiger Pharmaceutical Co., Ltd.\*)

(Stock Code : 8197)

Environmental, Social and  
Governance Report

# 2016

\* For identification purpose only



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## ABOUT THIS REPORT

We are pleased to present this report pursuant to the disclosure requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited to disclose the Company's and its subsidiaries' (collectively, the "**Group**") performance in environmental, social and governance aspects during the period from 1 January 2016 to 31 December 2016 (the "**Year**"). Policies, statements and information set forth in this report cover the Company's headquarter and the subsidiaries under its effective control. The Board considers that a sound environment, a harmonious society and good governance are of utmost importance to the sustainable development of both the Group's business and the community in which we operate. Therefore, the Group is committed not only to enhancing its financial performance but also to implementing various policies and measures to increase its efforts in environmental protection, fulfill its social responsibilities and enhance its governance.

### A. ENVIRONMENTAL PROTECTION

The Group upholds its commitment to sustainable development and complies with relevant laws and regulations on environmental protection. We encourage our employees to focus on and enhance their awareness of environmental protection. We strive to reduce the impacts of our operation on the environment and adhere to the principles of green operation and green office. In order to implement these measures, the Group has adhered to the 4R Principles of waste reduction, i.e. Reduce, Reuse, Recycle and Replace.



## A.1 Emissions

The Group's business is classified into four main segments: (i) pharmaceutical and Beidou big data, development of health-related big data and healthcare management service; (ii) planting, cultivation and sale of Chinese herbs; (iii) trading business; and (iv) development, manufacture and sale of medicines. Due to the limited development potential of its business in the pharmaceutical industry, the directors of the Company have been continuously assessing and streamlining the said business while actively promoting and developing the first three business segments that possess immense market potential and promising profitability. As such, in 2016, the business of developing and manufacturing of medicines was basically in the stage of suspension. Based on the aforesaid, the Group's operations is not expected to have a significant impact on the environment arising from its manufacturing activities and will not generate hazardous pollutants.

In order to minimize hazardous emissions, the Group encourages its employees to:

1. Take public transport instead of driving during travels, whenever possible, to reduce vehicle exhaust emissions;
2. Use telephone or video conferencing to replace business trips as far as feasible to reduce carbon emissions;
3. Take the eco-friendly modes of transportation that have low levels of pollution, such as railway lines, trams, LPG minibuses, etc.;
4. Pay attention to recycling and reuse of waste batteries to avoid water pollution; and
5. Use environmentally-friendly cleaning agents to reduce water pollution.

The Group is not aware of any circumstances arising from its business operations leading to significant air pollution, water pollution and land pollution and generation of hazardous waste during the Year.

## A.2 Use of Resources

The resources used by the Group for its operations are mainly electricity, water and paper. In order to uphold its commitment to sustainable development, the Group's employees have kept the use of resources to a minimum through various green practices.

### *Electricity Consumption:*

1. Use of energy-efficient lights and electrical appliances in office workplace.
2. Staff are encouraged to dress in smart casual and indoor temperature is maintained at around 25.5°C in the summer time.
3. Turn off some lights and air conditioning during lunch hours and non-office hours.
4. Enable the "Standby" or "Sleep" mode of personal computers.

### *Water Consumption:*

Reminders on water conservation are posted in pantry.

### *Paper Consumption:*

1. Use of environmentally friendly paper.
2. Use of Office Automation System instead of the paper-based approval process to reduce the use of paper.
3. Practice of double-sided printing or copying.
4. Publish notice or brochure in electronic version and upload the files to the Group's intranet or made publicly available online.

In addition, the Group also reduces the use of resources through environmentally-friendly procurement (procurement of environmentally friendly furniture, eco-friendly toner, green stationery, etc.) and adopts simple decoration approach for new office premises.

During the Year, the monthly electricity consumption per capita in our rented office premises were about 30kWh, with monthly water consumption per capita of about 14 liters and monthly paper usage per capita of about 100 sheets.

### A.3 The Environment and Natural Resources

The Group has the right to operate the forest land at Jilin Province, the PRC and owned by Jilin Fu Man Shan Zhen Co., Ltd.\* (吉林福滿山珍有限公司) (the “**Forest Land**”) and will minimize the depletion of natural resources when cultivating and harvesting ginseng and herbs.

The Group adopts the following measures to conserve the Forest Land and reduce the depletion of natural resources:

1. In order to preserve the integrity of the original forest vegetation ecosystem, species diversity and ecological stability, we adopt the use of organic growth model without the application of chemical fertilizers, pesticides, and only use induced artificial intervention in a near-natural way when necessary to achieve maximum seedling rate.
2. Crop rotation on old ginseng land. In order to promote the ecological restoration and sustainable development and utilization of old ginseng land, the multi-species (arbor, shrub, grass, and economic plants) structural forest restoration model is adopted, in particular for steep-slope land. Without affecting the growth of young plantation in low-slope land, the Group would pursue the growth and production of pollution-free and standardized Chinese herbal medicines and other economic plants, so that the vegetation on old ginseng land could be restored while reasonable and optimal re-use could be achieved at the same time.

3. Hire forest management and conservation officers and provide job training, so as to improve the overall professionalism of our forest management and conservation team. In order to protect and conserve the Forest Land, the Group hired forest management and conservation officers, and in view of the need to further enhance their level of education and skills required for forest management and conservation, the Group provides targeted training and engages relevant professional and technical personnel as teaching staff and offers training to our forest management and conservation officers for them to acquire forestry knowledge, forest management and conservation expertise and knowledge of relevant laws and regulations, such as Forestry Law, Regulations for the Implementation of Forestry Law, Handbook of Natural Forest Protection Program Knowledge, Forestry Warning Signal Education Materials. Officers have to pass training examinations and obtain certificates before work. The professionalism of our forest management and conservation team is effectively enhanced through the above measures and every management and conservation officer can accurately grasp the knowledge about area under management and conservation, tree species, forest compartment under management and conservation, quality of forest stand, and their main responsibilities. This is to ensure the realization of our “five no” target, i.e. no major forest fires; no indiscriminate felling and excessive deforestation; no indiscriminate hunting and excessive and poaching of wild animals; no significant pests and diseases; and no drugs planting.

During the Year, the Group did not harvest underground ginseng and is not aware of any occurrence of major forest fires, indiscriminate felling and excessive deforestation, indiscriminate hunting and excessive and poaching of wild animals, significant pests and diseases and drugs planting.

## **B. SOCIAL RESPONSIBILITIES**

### **B.1 Employment and Labor Practices**

"The human resource – the whole man – is, of all resources entrusted to man, the most productive, the most versatile, the most resourceful," said Peter F. Drucker, revered as the father of modern management. The Group is confident that maintaining a strong relationship with our employees is one of the keys to success in business. In order to protect the rights and interests of our employees, the Group has formulated the Employee Handbook in accordance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations.

#### **1. *Remuneration, Benefits and Attendance***

##### *(1) Remuneration*

Remuneration and salaries are determined by the Group based on the qualifications, work experience, competence, roles and responsibilities of new employees, and taking into account of the market compensation level of the industry and our internal salary standard to ensure that remuneration and salaries so determined are fair internally and are competitive in the market. Our remuneration package comprises of one or more of the following components: wages, bonuses, incentives and benefits. The Company wishes to attract and retain talent, provide incentives for our employees to improve their performance and reward outstanding employees through its remuneration system. All employees are entitled to paid holidays such as national statutory holidays, company holidays, annual leave, bereavement leave, marriage leave, maternity leave and sick leave.



(2) *Benefits*

The Group has made required contributions to social insurance fund and housing provident fund for employees in the People's Republic of China and made contributions to mandatory provident fund and took out employees' compensation insurance policies and medical insurance policies for employees in Hong Kong. Employees who fulfilled normal attendance requirement on working day are entitled to lunch allowance and travel allowance. Employees would receive holiday gift packages in Lunar New Year and on National Day of the People's Republic of China (1 October) and Labor Day (1 May) and birthday gift packages in their month of birth as a token of gratitude.

(3) *Attendance*

The Group has implemented the standard working hours according to state regulations. The working hours are 9:00 to 12:00 in the morning and 13:00 to 17:30 in the afternoon with one hour lunchbreak, five working days a week, from Monday to Friday, while Saturday and Sunday are rest days. The Group has the right to re-arrange the work schedule and working days in accordance with its operation requirements, provided that staff could have rests for 48 hours a week and at least one consecutive 24-hour rest a week; employees should obtain prior approval before taking leave. The Group, in principle, does not encourage our employees to work overtime unless it is necessary and being approved by the head in charge. To ensure the health and well-being of our employees, overtime work is subject to a cap of 3 hours per day and accumulated overtime work should not exceed 36 hours per month. Employees are, in principle, entitled to compensation leave (except statutory holidays) for their overtime work. If arrangement for compensation leave could not be reached, the Group will provide overtime pay in lieu of compensation leave.

Employees are entitled to basic leave. There are nine kinds of leave, namely public holidays, statutory holidays, annual leave, casual leave, sick leave and medical leave, marriage leave, bereavement leave, maternity leave, and official leave. Employees are required to apply and obtain approval in advance before taking leave.

## **2. Recruitment, Promotion and Dismissal**

### *(1) Recruitment and Promotion*

The recruitment and hiring procedures of the Group embody the principle of “meritocracy, open recruitment and hiring solely on merit”. Employees would be rewarded with corresponding adjustment in their remuneration package according to their positions for their outstanding performance during the term of office and significant contributions made to the Group.

### *(2) Dismissal*

Resignation for personal reasons is subject to approval by department head in charge and 30 days’ prior written notice from the employees is required. Employees who are deemed to be incompetent for their positions based on relevant reasons would be dismissed by 30 days’ prior written notice from the Group.

## **3. Equal Opportunities and Anti-Discrimination**

The Group is an equal opportunity employer. Our recruitment, employment and human resources management practices, such as promotion, rewards and training opportunities, will under no circumstances be influenced or affected by an applicant’s or employee’s ethnicity, color, age, gender, sexual orientation, race, disability, pregnancy, religion, political ideology, members of the community or marital status.

Monthly remuneration and contributions to social insurance fund, provident fund and mandatory provident fund for the current year were duly paid within the prescribed period.

The Group is not aware of any serious breach of relevant laws and regulations in relation to employment and labour practices (including Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations) during the Year.

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

During the Year, the Group had complied with the Labor Law of the People's Republic of China, the Law on Protection of Labor Rights and other applicable laws and regulations. In addition to minimizing work-related incidents and diseases, we also focus on providing employees with a safe and healthy working environment. This would in turn contribute to the improvement of the quality of products and services, ensuring smooth operation, and enhancing workforce stability and employee morale. In addition, the Group believes that ongoing staff involvement and continuing education are the keys to identifying and addressing health and safety issues in workplace.

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

The Group provides a comprehensive training program with training divided into monthly units and covering topics such as management skills, professional skills, project knowledge, latest news and information about brand culture. Through a series of training covering various topics, our staff's understanding towards the Group's business, management structure and corporate culture would be gradually enhanced. Employees are encouraged to fully develop their potential and strengths.

### **(1) Induction Training**

For the new employees, the Group conducts a series of training courses on “Behavioral Mapping” on a regular basis with information on the Group’s system as the main focus in training, so as to assist the new employees to better understand the Group’s system and to help them become familiar with their new work environment and improve their work efficiency.

### **(2) Project Training**

Our Project Department publishes project progress reports on a regular basis and provides training on the fundamentals of the projects involved, such as training in respect of the Group’s current “Health Education Big Data” project.

### **(3) Brand Culture Training on Latest Trend and Development**

The Group carries out brand culture training on latest trend and development on a regular basis, including training in dressing etiquette, western food etiquette and wine culture.

The Group has established a training fund to provide selected outstanding staff with external training, learning and studying opportunities to enhance their working and management abilities.

## **B.4 Labor Standards**

During the Year, the Group had complied with the provisions of the Labor Contract Law of the People’s Republic of China. Child labor and forced labor are strictly prohibited. New employees are required to present valid identification documents to the Group for legal working age compliance checks before the commencement of their employment period. All employees of the Group comply with the standard working hour rules stipulated by the PRC government. Overtime work is not encouraged unless in special circumstances and employees are entitled to additional overtime compensation in such cases.



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

The Group adopts a prudent approach in selecting suppliers, including meeting with potential suppliers to understand their products and business operations. We would conduct background checks before appointing a supplier and ensure the supplier is duly registered and has obtained relevant license or permits with relevant authorities in accordance with applicable laws and regulations.

## **B.6 Product Responsibility**

The Group is committed to providing our customers with quality products and services. To improve quality, we have experienced sales teams, technical teams and after-sales support teams and provide regular technical training. We will review complaints on a regular basis and strive to improve our products and services to avoid similar incidents in the future. Understanding customers' need is the key to provide the best possible customer experience. We appreciate customer comments and suggestions and have various communication channels in place such as telephone, branch offices and public email.

## **B.7 Intellectual Property Rights and Customer Privacy**

The Group respects all forms of intellectual property rights and designs of advertising, commercial advertising, products, services, names and trademarks. At the same time, the Group values the importance of protecting the privacy of our customers. When entering into agreements or contracts with customers, the Company will also enter into confidentiality agreements with customers to avoid disclosing customer's information and protecting the privacy of customers. To prevent leakage of customers' data, the Group will further improve and strengthen its measures of protecting customer privacy.

During the Year, the Group did not receive any complaints arising from infringement of intellectual property rights and leakage of customers' data.

## **B.8 Anti-corruption, Bribery, Extortion, Fraud and Money Laundering**

In the course of its operation, the Group strictly abided by the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Bribery and other relevant laws and regulations in relation to anti-corruption, bribery, extortion, fraud and money laundering.

Employees can report illegal behaviors and irregularities by sending letters to:

1. members of the audit committee of the Company; or
2. the chairman of the board of directors of the Company.

The Group is not aware of any material breaches of laws and regulations in relation to bribery, extortion, fraud and money laundering that has significant impacts on the Group during the Year.

## **B.9 Community Investment**

To promote social development and harmony, the Group encourages our employees to actively participate in community events and charity campaigns and contribute to social philanthropy projects through volunteering or charitable donations.

\* for identification purpose only