基石药业
CSTONE
PHARMACEUTICALS

CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : **2616**

2018
Environmental, Social and Governance Report
環境、社會及管治報告

Contents

1. About the Report

CStone Pharmaceuticals and its subsidiaries ("CStone", "The Group" or "We") are pleased to present our first Environmental, Social and Governance ("ESG") Report (the "ESG Report"), with an aim of disclosing the environmental, social and governance performance in relation to corporate social responsibilities and sustainable development during our operation.

BASIS FOR PREPARATION

The ESG Report has been prepared in accordance with the ESG Reporting Guide ("the Guide") as set out in Appendix 27 from the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the covered scope of which is in compliance with the "Comply or Explain" disclosure obligations of the Guide. Readers can review the final chapter of the ESG Report "Appendix 2: Content Index of Stock Exchange ESG Reporting Guide" for quick referencing.

REPORTING PERIOD AND REPORTING BOUNDARY

The scope of the ESG Report covers the core business of the Group from January 1, to December 31, 2018 ("the Reporting Period" or "Year") while headquarters and Translational Medicine Research Center ("TMRC") of CStone Pharmaceuticals (Suzhou) Co., Ltd. ("Suzhou office"), Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. ("Shanghai office") and Chuang Shi (Beijing) Medical Technology Co., Ltd ("Beijing office") are selected as environmental key performance indicators ("KPIs"), where we collect the data for the quantitative analysis.

LANGUAGE OF THIS REPORT

This ESG Report is available in two languages, being the Traditional Chinese and English versions. Should there be any inconsistency between them, the English version shall prevail.

CONTACT INFORMATION

For more details of the Group's corporate governance, please refer to the section of "Corporate Governance Report" set out in the annual report of the Company for the year ended 2018 on the website of the Stock Exchange and the official website of the Group. Your opinions on this ESG Report are treasured by us. For any enquiries or recommendations, please feel free to contact us via e-mail at ir@cstonepharma.com.

2. Chairman's Message

On behalf of our Board, I am pleased to present the first ESG Report of the Group for the year ended December 31, 2018. 2018 was a milestone year for CStone, which led to our successful listing on the Hong Kong Stock Exchange on February 26, 2019.

We are committed to integrating sustainable practices into our operations and strategies. The Group has developed "Corporate Social Responsibility Policy" (《企業社會責任制度》) and fully utilized this ESG Report to make transparent and compliance disclosure on our non-financial performance. We hope that the public will gain a deeper understanding of our business philosophy and social responsibility practices. We also consider this ESG Report as an important opportunity for us to review our ESG performance and communicate with stakeholders.

We endeavor to maintain a harmonious employment relationship and value the contribution of our employees to the Group. Furthermore, we also realize that climate change is a serious social issue and mitigation measures should be adopted. We embed environmental protection initiatives in our operation and raise the awareness of environmental protection of our employees.

Looking forward, we hope to deliver innovative anti-cancer medication to patients as soon as possible. Meanwhile, we continue to embrace our sustainable operation and hope to make improvements on ESG performance in the future years.

Dr. Frank Ningjun Jiang
Chairman and Chief Executive Officer

3. About CStone

CStone is a biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and precision medicine to address the unmet medical needs of cancer patients in the People's Republic of China ("China" or "PRC") and worldwide. Established in 2015, CStone has assembled a world-class management team with extensive experience in innovative drug development, clinical research and commercialization. The Company has built an oncology-focused pipeline of 15 drug candidates with a strategic emphasis on immuno-oncology combination therapies. Currently, five late-stage candidates are at or near pivotal trials. With an experienced team, a rich pipeline, a robust clinical development-driven business model and substantial funding, CStone's vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative oncology therapies to cancer patients worldwide.

	Drug Candidate	Molecular Target/Signaling Pathway	Lead Indication(s) and Line(s) of Therapies	Drug Candidate Category	Commercial Rights	Partner	Pre-clinical / IND Filing / Dose Escalation / POC / Pivotal / NDA
Clinical/ IND	ivosidenib (CS3010, AG-120)	IDH1	R/R AML, 1L AML, Cholangiocarcinoma	Chemicals, 1 (MRCT for AGILE); Chemicals, 5.1 (IND for R/R AML)	Greater China	agios	China Status; NDA submission in Taiwan; ★ US FDA Approved (Agios)
	CS1001 (Core Product)	PD-L1	R/R cHL, R/R NKTL, NSCLC, Solid tumors[3]	Biologics, 1	Worldwide		China Status; Rest of the World Status
	avapritinib (CS3007, BLU-285)	KIT & PDGFRα	PDGFRα / 2L / 3L GIST, AdvSM, ISM	Chemicals, 1	Greater China	blueprint	China Status; NDA submission in the US (Blueprint)
	CS3009 (BLU-667)	RET	1L / 2L NSCLC,1L MTC[5]	Chemicals, 1	Greater China	blueprint	China Status; Phase Ib trial in the US ongoing (Blueprint)
	CS3008 (BLU-554)	FGFR4	1L / 2L HCC	Chemicals, 1	Greater China	blueprint	China Status; Phase Ib trial in the US ongoing (Blueprint)
	CS1002[2]	CTLA-4	Solid tumors[3]	Biologics, 2	Worldwide		China Status; Rest of the World Status
	CS1003[2]	PD-1	Solid tumors[3]	Biologics, 1	Worldwide		China Status; Rest of the World Status
	CS3006[2]	MEK	Solid tumors[3]	Chemicals, 1	Worldwide		China Status; Rest of the World Status
	CS3003	HDAC6	Solid tumors[3], R/R MM[4]	Chemicals, 1	Worldwide		China Status; Rest of the World Status
	CS3002	CDK4/6	Solid tumors[3]	Chemicals, 1	Worldwide		
Pre-clinical	ND021	PD-L1/4-1BB/HSA	Solid tumors[3]	Biologics, 1	Greater China, South Korea, Singapore	NUMAB	
	CS3004	Undisclosed			Worldwide		
	CS1009				Worldwide		
	CS3005				Worldwide		
	CS2004				Worldwide		

Source: The Group

Notes

1. Some indication(s) may not require a non-pivotal Phase II clinical trial prior to beginning pivotal Phase II or III clinical trials;

2. Denotes we currently have clinical trials ongoing in Australia for the product candidate;

3. Because there are no clinical efficacy data on the drug candidate, no specific types of solid tumors are established as lead indications at this stage;

4. Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we plan to assess the clinical efficacy of CS3003 in MM and various types of solid tumor patients in the Phase Ib dose expansion trial;

5. The clinical data published so far by Blueprint Medicines Corporation demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients; and

6. AML= Acute Myeloid Leukemia, AdvSM = Advanced Systemic Mastocytosis, cHL= Classical Hodgkin's Lymphoma, GIST = Gastrointestinal Stromal Tumor, HCC = Hepatocellular Carcinoma, IND = Investigational New Drug Application, ISM = Indolent Systemic Mastocytosis, NKTL = Natural KILLER/T Cell Lymphoma, NSCLC = Non-small Cell Lung Cancer, MTC = Medullary Thyroid Cancer, R/R = Relapsed or Refractory, SM = Systemic Mastocytosis, MM = Multiple Myeloma, US FDA = U.S. Food and Drug Administration and NDA = new drug application.

4. Corporate Social Responsibility Strategy

The Group can create a better prospect as long as the concepts of corporate social responsibility can be integrated into all business decisions.

CORPORATE SOCIAL RESPONSIBILITY POLICY

We have published the "Corporate Social Responsibility Policy" (《企業社會責任制度》) to achieve sustainable operation of pharmaceuticals. The policy provides guidance to run our business in a responsible manner and creates long-term values for its stakeholders. We aim to achieve improvement and enrichment from the existing daily management through regular evaluation, and more importantly, to involve the Board of Directors, top management and employees.

STAKEHOLDER ENGAGEMENT

This ESG Report is a useful platform for the Group to communicate with key stakeholders. Material topics with respect to the related aspects stated in the Guide can be summarized afterwards. Both internal and external stakeholders in different sectors are identified, including shareholders and investors, employees, business partner (doctors), regulatory authorities, media, peers (pharmaceuticals), supplier and government. The major communication channels that we engage with our key stakeholders through open and proactive approaches are as follows:

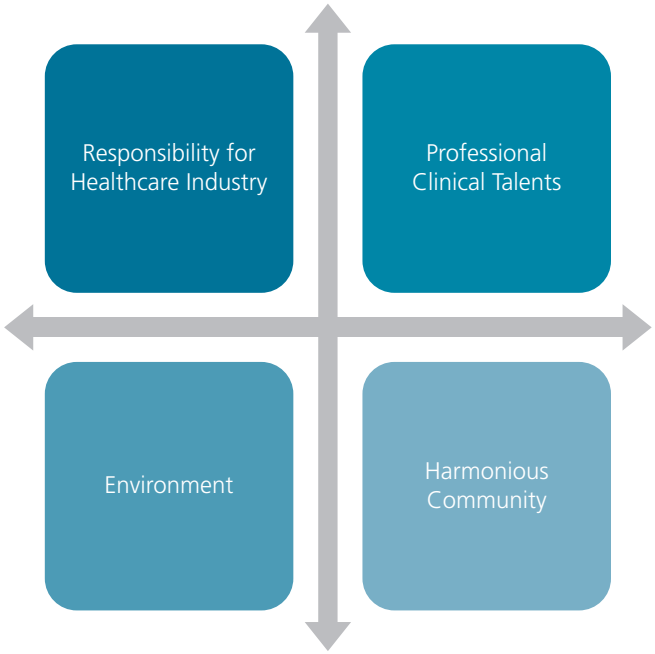
Stakeholders	Communication channels	Related aspects
Shareholders and investors	Annual Report Corporate communications such as letters/circulars to shareholders and notices of meetings Results announcement Shareholders' visits Investors' meeting	• Product Responsibility • Anti-corruption
Employees	Performance appraisals Group discussion Meetings and interviews Performance reviews Introduction of the Group Special advisory committee/discussion working group Seminars/workshops/lectures Publication Employee communication conferences Corporate WeChat	• Employment • Health and Safety • Development and Training • Labour Standards • Anti-corruption

4. Corporate Social Responsibility Strategy

Stakeholders	Communication channels	Related aspects
Business partners (doctors)	Reports Meetings Site visits	• Product Responsibility • Emissions • Use of Resources
Regulatory authorities	Meetings	• Product Responsibility • Anti-corruption • Labour Standards
Media	Press releases Interviews with senior management	• Product Responsibility • Community Investment
Peers (pharmaceuticals)	Strategic cooperation project Industry forums and communication activities	• Product Responsibility
Suppliers	Supplier management procedures Regular meetings Supplier evaluation system Site visits	• Supply Chain Management
Government	Forums and communication activities Communication with medical teams Site visits	• Emissions • Use of Resources • Employment • Health and Safety • Labour Standards • Product Responsibility • Anti-corruption • Community Investment

4. Corporate Social Responsibility Strategy

Through the interactive stakeholder engagement, the Group formulates its corporate social responsibility strategies which are built around four strategic pillars: "Responsibility for Healthcare Industry", "Professional Clinical Talents", "Environment" and "Harmonious Community".



Corporate social responsibility strategies

5. Responsibility for the Healthcare Industry

We adhere to the mission of "To focus on patients, to drive innovation and to build a healthy tomorrow." We adopt responsible business practices, including securing the quality and control of drug development in clinical research, protecting intellectual property rights, ensuring the safety of the information system, maintaining the compliance of our operations and implementing the supply chain management.

5.1 QUALITY MANAGEMENT AND CONTROL MECHANISM

To secure the quality and safety of clinical trials for biological products, a sufficient number of patient enrolments are required for Phase I trial, Phase II trial and Phase III trial respectively. Moreover, the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocols, duties of the sponsor and investigators and protection of the trial subjects are based on the regulation of the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》).

We have no sold or shipped product subject to recalls due to safety and health reasons since the Group has not launched any product in the market. CStone strives to strengthen the quality management and control mechanism and to formulate more internal policies to guarantee the delivery of quality and safe products to the public.

Regulation in relation to medical examination laboratories

The regional health administrative departments of the People's Governments at or above the county level are responsible for the supervision and administration of the medical institutions within their respective administrative regions and to make sure the compliance of the Administrative Regulations on Medical Institutions (Revised in 2016) (《醫療機構管理條例2016修訂》) and the Implementation Rules to the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》). The medical institutions shall conduct registration and obtain a Practicing License for a Medical Institution (《醫療機構執業許可證》)("License"). If the institution does not obtain the License, the regional health administrative department of the People's Government at or above the county level shall order it to cease its practicing activities and confiscate the illegal incomes, medicines and medical devices in accordance with the law, and fines will be imposed. Medical institutions must conduct medical diagnosis and treatment activities in accordance with the registered and approved subjects and shall not employ non-medical technical personnel in medical and health technology work.

Insert Sheet, Labels and Packaging of Pharmaceutical Products

The insert sheets and labels of drugs should be reviewed and approved by the National Medical Products Administration according to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品説明書和標籤管理規定》). A drug insert sheet should contain the scientific data, conclusions and information concerning drug safety and efficacy in order to direct the safe and rational use of drugs. The inner label of a drug should bear information such as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate the drug's name, ingredients, description, indication or function, strength, dose and usage, adverse reaction, contraindications, precautions, storage, production date, batch number, expiring date, approval number and manufacturer, etc.

The pharmaceutical packaging must comply with the national and professional standards including the Measures for The Administration of Pharmaceutical Packaging Material and Container (《藥品包裝用材料、容器管理辦法》). If no national or professional standards are available, the enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration or bureau of standards at the provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its own packaging standard. Drugs that have not developed and received approval for packing standards must not be sold or traded in China (except for drugs for military use).

Drug Advertisements and Promotion

The Group will strictly comply with the Provisions for Drug Advertisement Examination (《藥品廣告審查辦法》) when we launch drug advertisements in the future. An one-year valid advertising approval code is required to be granted by the relevant authority before launching the advertisements. The content of an approved advertisement cannot be changed without prior approval. In case of any alteration of the advertisement, a new advertising approval code shall be obtained by re-submitting an application.

Furthermore, we will ensure that the promotional material and information of the Group are complete, truthful and accurate and there will be zero tolerance for the use of false and misleading description that may create a serious consequence to the public.

5.2 PROTECTING INTELLECTUAL PROPERTY RIGHTS

Our business model is designed to accelerate the development of, and to protect the intellectual property rights of, innovative drugs. Therefore, patent, copyright and trademark are of great significance to the business. We comply with the Copyright Law of the PRC (《中華人民共和國著作權法》), the Intellectual Property Law of the PRC (《中華人民共和國知識產權法》), the Patent Law of the PRC (《中華人民共和國專利法》) and the Trademark Law of the PRC (《中華人民共和國商標法》). As an ethical corporation, we strictly prohibit our employees from copying proprietary information from other competitors and at the same time, we require them to protect the Group's asset. Publishing or disclosing any confidential information and/or trial results in any way is strictly prohibited without our prior written consent. In addition, signing legally-binding confidentiality agreements with terms such as ownership, rights of publication, invention transfer and validity with third parties or collaborating organizations can act as a mean of protecting intellectual property rights.

5.3 SAFEGUARDING THE INFORMATION SYSTEM

The Group places emphasis on patients' privacy. We strictly monitor the collection, usage, disclosure and recording of information. Patients' rights related to clinical trials can be protected by signing the Informed Consent Form. All the identity information cannot be copied without the patients' authorization while the research team needs to record all the information safely.

Moreover, the Group has formulated the "Records and Information Management Policy and Procedure" that applies to the creation, management, retention and disposal of Group's records and information. Based on the risk evaluation, records can be classified into three levels with limited access to avoid information leakage. The records with high and medium risk level are retained permanently, electronic study data of which are kept indefinitely, and may be accessed by authorized personnel only; records with general risk level are maintained for a minimum of 10 years.

5. Responsibility for the Healthcare Industry

5.4 ADVOCATING COMPLIANCE OPERATION

CStone acts as one of the members of China Pharmaceutical Innovation and Research Development Association (PhIRDA) and is committed to create sustainable business activities and to apply and abide by the high ethical and social standards including the "PhIRDA Code of Conduct" (《中國醫藥創新促進會醫藥企業倫理準則》). We have developed the "Code of Conduct" (《行為準則》) for both employees and business partners. We strongly believe that each employee should maintain and promote the good reputation of CStone by making reference to and by acting pursuant to such codes of conduct. In accordance with the Law Against Unfair Competition of the PRC (《中華人民共和國反不當競爭法》), we compete fairly for orders with quality and price of our innovative products and services, but not by offering improper benefits to others. Furthermore, no employee may directly or indirectly offer, promise, grant or authorize the provision of money or anything else of value to a government official to influence official action or obtain any improper advantage, and all employees must comply with Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). Moreover, employees are not permitted to use their jobs to solicit, demand, accept and/or obtain improper advantages.

Preventive measures and whistle-blowing procedures

All employees may lodge a complaint with their supervisor, their compliance officer and human resources manager. The legal and compliance department has developed phone and email channels to receive the cases of possible misconduct confidentially and anonymously. All complaints are investigated, and if necessary, corrective measures are implemented. All documentation will be kept confidential to the extent permitted by law. We have zero tolerance to any form of reprisal against complainants. During the Year, no litigation regarding corruption in the Group was filed.

In addition, the legal and compliance department organizes regular trainings (including but not limited to anti-corruption training) for every employee to refresh their concepts and further raise their awareness regarding bribery, extortion, fraud and money laundering.

5.5 SUSTAINABLE SUPPLY CHAIN MANAGEMENT

The following table sets forth our major suppliers during the Reporting Period by category and geographical location.

Category	Geographical location	Number of suppliers
Laboratory service (equipment/material/reagent)	Jiangsu	20
	Shanghai	15
	Beijing	1
	Guangxi	1
Testing service/Clinical Research Organization	Jiangsu	4
	Shanghai	3
	Beijing	2
	Hubei	1
Administrative goods	Jiangsu	4
	Anhui	1
Construction and environmental services	Jiangsu	8
Logistics	Zhejiang	1
	Total	**61**

We strictly follow the "Vendor Engagement" standard operating procedure for the categories that are identified as high significance to our business. Vendor Selection and Management Team ("VSMT") is formed and is responsible for vendor selection, contracting, oversight and management. At least two to three applicable candidates are included in the selection process to maintain the fairness. In selecting suppliers, we refer to the following vendor selection criteria, including but not limited to the vendor's: 1) location and corporate potential evaluation, 2) Standard Operating Procedures infrastructure related to the requested service area, 3) operational capability and professionality, 4) operational compliance, 5) operational qualifications and certifications, 6) training records and 7) business strategy development.

The selection requires appropriate approval and the entire process shall be documented. Furthermore, VSMT provides the governance and oversight management on vendor performance to ensure the vendors are qualified to execute the contract.

5. Responsibility for the Healthcare Industry

5.6 COMMUNICATING WITH CLINICAL TRIAL PARTICIPANTS

Drug development can be improved through effective clinical trials and feedback from participants. Although the Group has not launched any product to the market, the importance of clinical stage cannot be ignored. The law of "Issuing the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices" (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) can protect the rights and interest of patients who act as volunteers and participate in the clinical trials. CStone signs the Clinical Trial Agreement (《臨床試驗協議》) with site and principal investigator before executing the trials. The terms covered in the agreement comprised reports' recording, auditing, confidentiality, privacy, validity period and legal responsibilities etc.. Meanwhile, the "Informed Consent Form" (《知情同意書》) is provided to the parties involved in the clinical trials to describe the trial in detail and treatment schedule. Patients can raise out their concerns at any time, and researchers must handle or provide suggestions as soon as possible. Patients have their rights to withdraw at any stage of the study at any time.

During the Reporting Period, we have not involved in any dispute related to clinical trials or complaints. Through the continuous effort in the research and development, our reputation can be built up and we can achieve the target of launching the products to the market.

6. Professional Clinical Talents

Our professional clinical talents are the key pillar for the Group's development. We endeavor to protect the rights and interests of each employee by following the fair employment guidelines, providing competitive benefits and welfare, developing the training and development system and creating a healthy and safety workplace.

6.1 EMPLOYMENT GUIDELINES

The Group strictly abides by "Human Resources Policies and Recruitment Management Policy" (《招聘管理制度》) and "Employee Handbook" (《員工手冊》) to ensure the recruitment processes are conducted in a standardized, orderly and effective manner. All employees will not be discriminated on the basis of gender, religion, age, nationality or disability. The equal opportunity and anti-discrimination policy also extends to other aspects, such as recruitment, promotion, transfer, salary, training and termination of labor contract.

The recruitment information is published via open channels (including internal publishing platform, online advertising, campus recruitment and headhunting recommendation) after obtaining the approval from the Chief Executive Officer. Different channels will be adopted based on the relevant position. The human resources manager from operation department is responsible for arranging the follow-up selection procedures, and inviting the suitable candidates for interviews. The qualified person who meets the requirements for a position will be recruited based on considerations including the interview performance, qualification and work experiences without any discriminative factors. The human resources department will notify the hired person to sign the "Offer Letter" (《聘任書》) so as to comply with the "Labor Contract Law" of the People's Republic of China (《勞動合同法》).

Under the protection of "Law on the Protection of Minors" (《未成年人保護法》) and the "Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), the Group has its responsibility to check the age of the candidates. Both qualification and identity documents are needed during the interview so as to avoid employing child labour. During the Reporting Period, the Group had not employed any child or forced labour.

Internal Recruitment and Re-recruiting

Internal and external candidates have equal opportunities. The Group also encourages and supports internal employees, who have served for their current positions for at least one year and have good performance, to apply for the vacancies on account of their career development.

Furthermore, our former employees can be considered for re-recruiting if they meet the requirements for the position and had good performance with no record of violation of rules and policies of the Group during their employment with us.

6. Professional Clinical Talents

6.2 BENEFITS AND WELFARE

The compensation and benefits system shall match the long-term business objectives of the Company, be relatively competitive, performance management oriented, fair and impartial, and be able to attract, maintain and motivate employees.

Compensation

The Company follows the principles of "Performance-focus", "Position-value" and "Divisional Compensation" to formulate the compensation policies. We conduct yearly salary review based on the business conditions, average salary level of the market and employees' performance. The performance bonus plan is also implemented in order to reward the employees who make contributions to the business development of CStone.

Performance Management

Managers clearly set out the Group's and management team's expectations of performance during the year when setting individual work performance goals. Performance review according to the recognized individual performance goals set by the employees is arranged twice a year. The results of the review are directly related to the bonus of the year and the salary review for the second year.

Welfare Management System

CStone has issued the "Welfare Management System" guideline (《福利管理制度》) to list out all the welfare details that all our employees are entitled. In accordance with the national regulations, employees are eligible for 11 days of statutory holidays each year including but not limited to a half-day off on International Working Women's day and employees under 28 years old have a half-day off on Youth Day. Furthermore, as to the compliance with "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》), "Provisional Regulations on Collection and Payment of Social Insurance Premiums" (《社會保險費徵繳暫行條例》) and "Regulation on the Administration of Housing Accumulation Funds" (《住房公積金管理條例》), the Group provides "Five Social Insurance and One Housing Fund" (《五險一金》) with endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund to all eligible employees. In addition, the Group provides extra welfare such as annual health checkup, gift for newly married/newborn babies, birthday and festival gift to maintain its competitiveness and to motivate and strengthen our employees' sense of belonging to CStone.

CStone encourages maintenance of work-life balance and also provides leave for main holidays, annual leave, sick leave, work-related injury leave, marriage leave, maternity leave, miscarriage leave, paternity leave, breastfeeding leave and funeral leave. Moreover, female employees who are pregnant can enjoy special arrangement for commuting to and from pregnancy checks, while female employees who are breastfeeding or pregnant for one or more month(s) shall not be requested to work overtime.

6.3 CONTINUOUS TALENTS' CULTIVATION

We regard the employees who recognize corporate values and have excellent performance as CStone's most valuable assets, and we are willing to provide employees with good career development prospects and a stage to display their talents. Therefore, we have established a career development path for promotion: including promotion at the same level and promotion at different levels.

By providing sufficient and targeted training opportunities to employees, the Group can maintain the competitiveness in the pharmaceuticals industry. Employees are encouraged to attend external seminars and talks to enrich their technical knowledge. New staff training is conducted regularly to guide new employees and help them adapt to the new working environment. The Group develops yearly training plan to equip target employees with the strategic, leadership, technical and value enhancement skills. During the Reporting Period, 19 internal training courses were organized. In the future, the Group plans to organize more training courses to benefit more employees.

6.4 HEALTH AND SAFETY WORKPLACE

Protecting the health and safety of employees in the workplace is a high priority for CStone. We fully comply with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), and formulate safety management and mitigation measures that are the keys to preventing accidents.

For example, evacuation plan of every floor is posted at the prominent positions within the working area, providing detailed evacuation route and the location of the fire hydrant and fire extinguisher. We also pay special attention to the employees who are working in the laboratory. They are required to attend the safety training after admission. We follow the "TMRC Safety Investigation and Management SOP" (《TMRC安全隱患排查與治理SOP》) to arrange regular check within the TMRC in order to minimize the risk. The EHS staff conduct the checking through the checklist and record the observations accurately. In case hidden dangers are identified during any check, we also need to construct a rectification plan in a timely manner under supervision to prevent accidents. Moreover, the Group shall provide enough and qualified protective equipment like shower and eye wash apparatus to protect employees during work. Both hazardous and non-hazardous chemicals are commonly found within the laboratory area and employees need to strictly implement labellings and the correct handling of chemicals. If any accident occurs, our employees need to report to the senior immediately and make sure the case is handled and recorded appropriately in the relevant circumstances.

During the Reporting Period, there was no case of workplace injuries or fatalities within the Group.

7. Environment

As a responsible corporate, we put our emphasis on caring for the environment. The Group has formulated the "Corporate Social Responsibility Policy" (《企業社會責任制度》) and the environmental policies. All our employees are responsible for establishing, implementing, maintaining and improving the Group's performance and our initiatives relating to the environmental protection.

7.1 GREENHOUSE GAS EMISSIONS MANAGEMENT

The Global Carbon Project launched the Global Carbon Budget during the Conference of the Parties (COP24) organized in Poland on December 5, 2018. The relevant report shows that the greenhouse gas ("GHG") emissions in 2018 have experienced a 2.7% increase compared with 2017. More effort is needed to achieve the target of "2°C temperature rise limit" set by the Paris Agreement.

China still acts as a country with the highest global emissions. Its carbon emissions rise to nearly 500 million tonnes in view of the economic slowdown and the relaxation of air pollution and carbon emissions by some local governments. As one of the enterprises in China, we move forward to the direction of reducing emissions and mitigating climate hazards. We continue to strictly comply with important policies such as the National Climate Change Plan (2014-2020) (《國家應對氣候變化規劃(2014-2020年)》) and the National Climate Change Adaptation Strategy (《國家適應氣候變化戰略》). We have reviewed the GHG emissions generated from the Group's operation during the data collection stage for the ESG Report.

As to advocate corporate social responsibility and green initiatives, we conducted the first carbon audit for the Suzhou office, Shanghai office and Beijing office. The audit is based on the "Greenhouse Gas Protocol" (《溫室氣候盤查議定書》) developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Standards Organization. The emissions generated during the Reporting Period are summarized as follows:

Summary of GHG Emissions		Unit	2018
Scope 1	**Direct GHG emissions**	tonnes of CO_2 equivalent (CO_2e)	0
Scope 2	**Indirect GHG Emissions**	tonnes of CO_2e	755.5
Scope 3	**Other Indirect GHG Emissions**	tonnes of CO_2e	161.4
Total GHG Emissions		tonnes of CO_2e	916.9
Total GHG emissions intensity (per staff)		tonnes of CO_2e/staff	6.3
Total GHG emissions intensity (per square meter of floor area)		tonnes of CO_2e/m^2	0.2

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Group but are related to the Group's business activities.

The emissions cover with six types of GHGs, including carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6) with three scopes. Since we did not have any stationary and mobile combustion sources, we had no direct GHG emissions (Scope 1). GHG emissions from the consumption of electricity are defined as indirect GHG emissions (Scope 2), which accounted for 755.5 tonnes of CO_2e. Other indirect emissions due to water consumption, flight emissions during employees' overseas business trips, waste disposal and paper consumption are defined as Scope 3, which accounted for 161.4 tonnes of CO_2e. During the Reporting Period, the total GHG emissions were 916.9 tonnes CO_2e, with emissions intensities of 6.3 tonnes of CO_2e per staff and 0.2 tonnes of CO_2e per square meter of floor area.

As this is the first Year of the Group to conduct a carbon audit, it takes time for all employees and management to understand the sources of emissions. We aim to observe continuous improvements through formulating targeted initiatives to strengthen the commitments to the environment. As this Year is the base year for KPI calculation, we will compare the data and analyse the performance with those of next financial year to evaluate the effectiveness of our environmental initiatives.

7.2 GREEN OPERATIONS AND MANUFACTURING

The following environmental initiatives are effectively adopted within the laboratory and office areas with joint efforts of the employees. We strive to operate in an environmental-friendly mode and fully comply with the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and Energy Conservation Law of the PRC (《中華人民共和國節約能源法》). We also pay close attention to the consumption and monitor the usage behavior on an on-going basis as the data of this Year will be compared to the next financial year.

Energy and Water Management

Lighting

- Fully utilize the natural lighting during daytime and minimize the use of lighting equipment
- Conduct frequent cleaning of the lighting equipment to maintain cleanliness and enhance its energy efficiency
- Divide into different light zones, set up with separate switches
- Build up the good habit to ensure that all apparatus are switched off before leaving the office

Air conditioning

- Conduct frequent cleaning of air-conditioner filters and fan coils
- Turn off the air conditioners when rooms are not in use
- Allow not to wear a tie and full formal suit under hot weather

Water Resources

- Not to provide bottled water to internal staff to prevent wastage
- Close faucets tight after use
- Fix the dripping tap immediately to prevent further leakage

7. Environment

During the Reporting Period, we recorded the consumption of 1,071,327 kWh of electricity and the total electricity consumption intensities were 255.69 kWh per square meter of floor area and 7,337.86 kWh per staff. Furthermore, 1787.02 tonnes of water had been consumed and its intensities were 0.43 tonnes per square meter of floor area and 12.24 tonnes per staff. The Group does not have any issue in sourcing water that is fit for purpose.

Waste Management

We identified that our operation produced a significant amount of medical hazardous waste. In order not to violate Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste《中華人民共和國固體廢物污染防治法》, the Group has signed the "2018 Dangerous Waste Treatment Agreement"《2018年和順環保-基石藥業危廢處置協議》with He Shun Environmental. We need to provide accurate and valid information of "Waste Production Unit Investigation" (《廢物產生單位調查表》) and Material Safety Data Sheet Report as well as to conduct the waste separation to ensure its safety, completeness and non-leakage. The dangerous waste is then transported and handled by He Shun Environmental. Their professional technologies enable responsible waste treatment and minimize the negative impacts towards the environment. During the Reporting Period, TMRC of CStone has produced 221 kg of medical hazardous waste like waste culture medium, packaging, and PPE consumable, with its intensity of 1.5 kg of medical hazardous waste per staff. Across the offices' operation, we had produced 7 pieces of batteries and 42 pieces of wasted ink cartridges of hazardous waste, with its intensity of 0.35 piece per staff. The electronic waste is also handled by a professional recycling company for further treatment.

We aim to reduce our production of non-hazardous waste during the offices' operation. We make use of yearly non-hazardous waste statistics to monitor the behavior. During the Reporting Period, the Group has produced 1.56 tonnes of non-hazardous waste with its intensity of 10.66 kg per staff. We also hope that the Group can gain continuous improvement as to show commitment to the environment.

Use of Resource

We launched the Office Automation System to advocate a paperless office. It is an important tool to reduce the complexity of the routine works, but more importantly, to reduce the paper consumption. As for the unavoidable printing or paper usage, the Group encourages the use of double-sided printing as much as possible. CStone also sends out the festival cards to clients electronically so as to reduce the usage of high-quality paper.

During the Reporting Period, the Group had consumed 4,000 pieces of A3 and 414,000 pieces of A4 paper with the intensity of 2,863.0 pieces of paper per staff.

8. Harmonious Community

Society contribution will be one of the focus areas of the Group for next year. CStone is committed to leveraging our expertise and talents and strongly cultivating employees' awareness to care for the society. Our innovative and differentiated therapies aim to serve the cancer patients worldwide and to resolve the issues on public health such that the society can benefit. We also hope that through our active involvement in community activities we can contribute to the harmonious community.

Appendix 1: Sustainability Data Statements

Indicator	Unit	2018
Environmental Subject Area*		
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2e	0
Indirect GHG emissions (Scope 2)	tonnes CO_2e	755.5
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	161.4
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	916.9
GHG Intensity		
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.2
Per staff (Scope 1, 2 & 3)	tonnes CO_2e/staff	6.3
Energy Consumption		
Total electricity consumption	kWh	1,071,327.0
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	255.7
Total electricity consumption intensity (per staff)	kWh/staff	7,337.9
Water Consumption		
Total water consumption	tonnes	1787.0
Total water consumption intensity (per square meter of floor area)	tonnes/m^2	0.4
Total water consumption intensity (per staff)	tonnes/staff	12.2
Non-hazardous Waste		
Production of non-hazardous waste	tonnes	1.6
Total disposed non-hazardous waste intensity (per staff)	kg/staff	10.7
Paper consumption	pieces	418,000.0
Paper consumption intensity	pieces/staff	2,863.0
Hazardous Waste		
Production of medical hazardous waste	kg	221.0
Total production of medical hazardous waste intensity (per staff)	kg/staff	1.5
Production of hazardous waste	battery (piece)	7.0
Production of hazardous waste	ink cartridge (piece)	42.0
Total production of hazardous waste intensity (per staff)	Pieces of battery and ink cartridge/staff	0.4

* The data collection boundaries of Environmental KPIs only include Suzhou office, Shanghai office and Beijing office.

Indicator	Unit	2018
Social Subject Area		
Total Workforce	no. of people	150
Total Workforce by Gender		
Female	no. of people	100
Male	no. of people	50
Total Workforce by Employment Type		
Part-time staff	no. of people	12
Junior staff	no. of people	62
Intermediate management	no. of people	68
Senior management	no. of people	8
Total Workforce by Age Group		
Below 30	no. of people	25
30-50	no. of people	116
Above 50	no. of people	9
Total Workforce by Geographical Location		
Employees from Suzhou & Shanghai	no. of people	126
Employees from Beijing	no. of people	22
Employees from the USA & Australia	no. of people	2
Employee Turnover Rate by Gender		
Female staff turnover	%	14.0
Male staff turnover	%	14.0
Employee Turnover Rate by Age Group		
Below 30	%	8.0
30-50	%	16.4
Above 50	%	0.0
Employee Turnover Rate by Geographical Location		
Employees from Suzhou & Shanghai	%	15.1
Employees from Beijing	%	9.1
Employees from the USA & Australia	%	0.0

Appendix 1: Sustainability Data Statements

Indicator	Unit	2018
Occupational Health and Safety		
Work-related Injuries and Fatalities		
Lost days due to work injury	days	0
Number of work-related fatalities	no. of people	0
Development and Training		
Percentage of Employees Trained by Gender		
Female	%	100.0
Male	%	100.0
Percentage of Employees Trained by Employee Category		
Part-time staff	%	100.0
Junior staff	%	100.0
Intermediate management	%	100.0
Senior management	%	100.0
Average Training Hours Completed per Employee by Gender		
Female	hours	7.0
Male	hours	7.0
Average Training Hours Completed per Employee by Employee Category		
Part-time staff	hours	8.0
Junior staff	hours	14.3
Intermediate management	hours	2.0
Senior management	hours	2.0

Appendix 2: Content Index of Hong Kong Stock Exchange ESG Reporting Guide

Indicator				Related Chapter
A.	**Environmental**			
A1	**Emissions**	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7. Environment
		A1.1	The types of emissions and respective emissions data.	7.1 Greenhouse Gas Emissions Management
		A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	7.1 Greenhouse Gas Emissions Management Appendix 1: Sustainability Data Statements
		A1.3	Total hazardous waste produced and, where appropriate, intensity.	7.2 Green Operations and Manufacturing Appendix 1: Sustainability Data Statements
		A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	7.2 Green Operations and Manufacturing Appendix 1: Sustainability Data Statements
		A1.5	Description of measures to mitigate emissions and results achieved.	7.1 Greenhouse Gas Emissions Management
		A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.2 Green Operations and Manufacturing

Appendix 2: Content Index of Hong Kong Stock Exchange ESG Reporting Guide

Indicator				Related Chapter
A2	**Use of Resources**	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Green Operations and Manufacturing
		A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	7.2 Green Operations and Manufacturing Appendix 1: Sustainability Data Statements
		A2.2	Water consumption in total and intensity.	7.2 Green Operations and Manufacturing Appendix 1: Sustainability Data Statements
		A2.3	Description of energy use efficiency initiatives and results achieved.	7.2 Green Operations and Manufacturing
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.2 Green Operations and Manufacturing
		A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, since our Group's business does not involve packaging materials
A3	**The Environment and Natural Resources**	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	7. Environment
		A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Environment

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Indicator				Related Chapter
B.	**Social**			
B1	**Employment**	General Disclosure	Information on the (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employment Guidelines 6.2 Benefits and Welfare
		B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix 1: Sustainability Data Statements
		B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statements
B2	**Health and Safety**	General Disclosure	Information on the (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.4 Health and Safety Workplace
		B2.1	Number and rate of work-related fatalities.	6.4 Health and Safety Workplace Appendix 1: Sustainability Data Statements
		B2.2	Lost days due to work injury.	6.4 Health and Safety Workplace Appendix 1: Sustainability Data Statements
		B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.4 Health and Safety Workplace

Appendix 2: Content Index of Hong Kong Stock Exchange ESG Reporting Guide

Indicator				Related Chapter
B3	**Development and Training**	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Continuous Talents' Cultivation
		B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Appendix 1: Sustainability Data Statements
		B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statements
B4	**Labour Standards**	General Disclosure	Information on the (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Employment Guidelines
		B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Employment Guidelines
		B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Employment Guidelines
B5	**Supply Chain Management**	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.5 Sustainable Supply Chain Management
		B5.1	Number of suppliers by geographical region.	5.5 Sustainable Supply Chain Management
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.5 Sustainable Supply Chain Management

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Indicator				Related Chapter
B6	**Product Responsibility**	General Disclosure	Information on the (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	5. Responsibility for the Healthcare Industry 5.1 Quality Management and Control Mechanism 5.2 Protecting Intellectual Property Rights 5.3 Safeguarding the Information System 5.6 Communicating with Clinical Trial Participants
		B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable, since the Group has not launched any product to the market
		B6.2	Number of products and service related complaints received and how they are dealt with.	5.6 Communicating with Clinical Trial Participants
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2 Protecting Intellectual Property Rights
		B6.4	Description of quality assurance process and recall procedures.	Not applicable, since the Group has not launched any product to the market
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.3 Safeguarding the Information System

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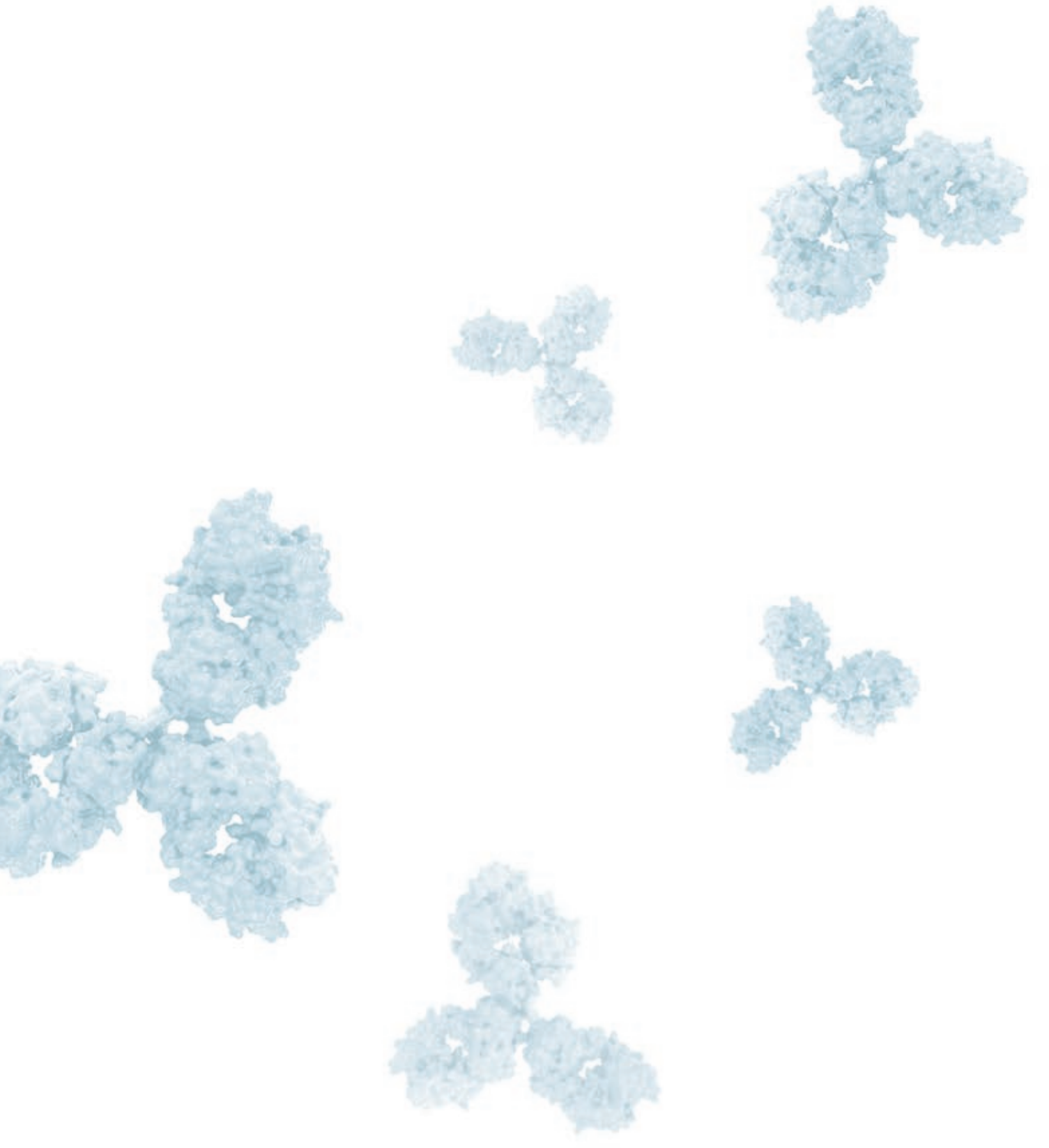
Indicator				Related Chapter
B7	**Anti-corruption**	General Disclosure	Information on the (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.4 Advocating Compliance Operation
		B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.4 Advocating Compliance Operation
		B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.4 Advocating Compliance Operation
B8	**Community Investment**	General Disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Harmonious Community
		B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Will disclose in the future
		B8.2	Resources contributed (e.g. money or time) to the focus area.	Will disclose in the future



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