



China Shineway Pharmaceutical Group Limited
中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2877

← **LEADING** MODERN
CHINESE MEDICINE
PROMOTING →
HEALTH INDUSTRY ↓

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT **2019**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

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

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

The Group publishes an ESG report each year. This Report is the fourth ESG report published by the Group. The previous ESG report for the year ended 31 December 2018 (“2018”) was published in April 2019.

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

REPORTING PERIOD

This Report details the activities, challenges and measures taken by the Group with respect to ESG aspects for the year ended 31 December 2019 (the “Reporting Period”, “Year” or “2019”).

REPORTING SCOPE

Unless otherwise stated, the environmental key performance indicators (“KPIs”) of the ESG Report mainly covers the Group’s main subsidiary focusing on the R&D, manufacturing and sale of Chinese medicine, namely the Shineway Pharmaceutical Group Limited, located in Luancheng, Shijiazhuang, Hebei Province, the People’s Republic of China (the “PRC”), which contributed approximately 74.7% to the Group’s non-current assets as at the year ended 31 December 2019. General disclosure and compliance issues presented in the ESG Report cover all subsidiaries of the Group. For other entities outside the scope of the environmental KPIs reported and covered by the consolidated financial statements, please refer to the section of “Financial Statements-Notes to the Consolidated Financial Statements-Major Subsidiaries” of the 2019 Annual Report. Unless otherwise specified, the Group obtained information on KPIs of ESG matters through its operation control mechanism. The Group will continue to assess the major ESG areas of its different businesses or major subsidiaries to determine the reporting scope of the ESG report.

REPORTING FRAMEWORK

This Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide” or the “Reporting Guide”) of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited. This Report has also been prepared in accordance with the GRI Standards: Core option. The Group’s governance structure and practices has been set out in the Annual Report 2019. This Report has undergone the internal audit process of the Group, and was reviewed by the Corporate Social Responsibility and Sustainability Committee (“Committee”) and the Board of Directors (the “Board”).

CONTACT US

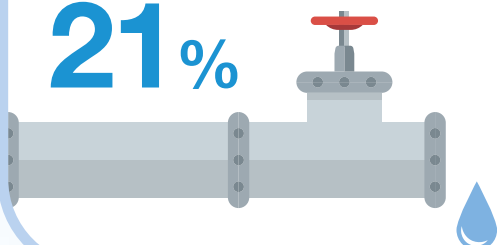
We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to info@shineway.com.

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ACHIEVEMENTS IN CORPORATE SUSTAINABILITY

Sewage discharge reduced by approximately

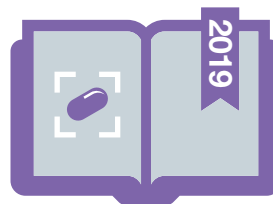
21%



Qihuangtongmi soft capsule

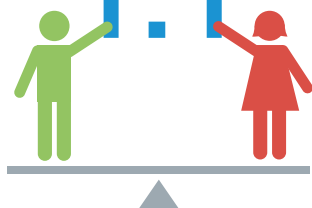
entered into the "The Negotiation Catalog of Medicines Covered by National Medical Insurance System (2019 version)"

(《國家醫保藥品談判目錄(2019版)》)



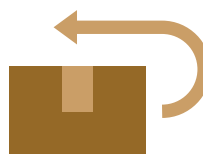
Male to female ratio is approximately

1:1



Cases of product recall in 2019:

0



Percentage of local suppliers in 2019:

Over 99%



Devoted a total of

620 hours,

RMB 1.66 million and

donated **3,500** related drug

products in charity activities



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CHAIRMAN'S STATEMENT

On behalf of the Group, I am pleased to present the fourth ESG report of the Group for the year ended 31 December 2019, which reviewed the Group's sustainable development performance in respect of corporate governance, environmental protection, employee care, service quality, and community engagement during the Year.

Our Brand and Sustainable Development

To fulfil our vision as a trendsetter to create value in Chinese medicine industry and our goal to raise core competence, we are further optimising the Group's future development strategies. The Group recognises the importance of sustainable development for our long-term development, and therefore incorporates it into the Group's development strategy. The Group has established the Corporate Social Responsibility and Sustainable Development Committee to take overall responsibility for and monitor the corporate social responsibility of the Group in order to demonstrate its emphasis on sustainable development. In addition, in order to minimise the environmental impacts during operation, we have taken emissions, resource utilisation and other environmental factors into consideration, and green production is implemented. While developing the Group's business, we have also focused on international sustainability issues, such as climate change and the United Nations Sustainable Development Goals ("UN SDGs"), and incorporated them into consideration factors in policy development.

Our Achievements in 2019

As a pharmaceutical company, the Group believes that we are obliged to maintain public health and promote the development of the Chinese medicine industry while developing the economy. The Group has actively invested resources in R&D and innovation, has cumulatively applied for 236 invention patents and has 94 authorised invention patents. During the Reporting Period, the Group applied for 32 invention patents, of which 16 were authorised. In addition, the Group's Qingkailing Soft Capsule was included in the "Influenza Diagnosis and Treatment Program (2019 Edition)" (《流行性感感冒診療方案(2019年版)》) of the General Office of the National Health and Health Commission; Qihuangtongmi soft capsule, Shujintongluo granule, Huamoyan capsule, Xuesaitong drip pill and Xiao'er Tuire Koufuye are included in the 2019 edition of the "National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance Drug Catalogue" (《國家基本醫療保險、工傷保險和生育保險藥品目錄》); and the exclusive product Qihuangtongmi soft capsule has entered into the "The Negotiation Catalogue of Medicines Covered by National Medical Insurance System (2019 version)" (《國家醫保藥品談判目錄(2019版)》) prompting medical institutions and the general public keener to use our products. We believe that publication of the new edition of the National Essential Drugs List, the deepened implementation of the "Traditional Chinese Medicine Law" (《中醫藥法》), support on the development of traditional Chinese medicine, the gradual opening of the TCM formula granule market, and the policies on hierarchical diagnosis and treatment would provide the Chinese medicine industry with more favourable opportunities on its development.

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

The Group has not forgotten to care for employees’ needs and contributing to society while developing its business. We have always adhered to the “people-oriented” concept of human resource management, and continue to provide employees with different benefits and trainings to meet their needs and increase their sense of belonging. In addition, the Group actively participates in and organises charitable projects and charitable activities, and does our best to promote the development of charities, provide manpower, material and financial support for public services such as medical, education and culture, and enhance the awareness of medical knowledge in society and the health of the public. During the Reporting Period, the Group devoted a total of 620 hours, RMB1.66 million and donated 3,500 related drug products in charity activities. We also provide volunteer trainings for employees from time to time, strengthen corporate culture, and comprehensively improve employees’ sense of social responsibility.

Looking Forward to the Future

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

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

China Shineway Pharmaceutical Group Limited

Chairman of the Board

Li Zhenjiang

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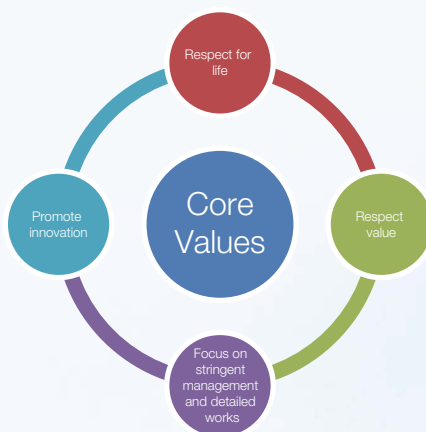
ABOUT SHINEWAY

The Group is headquartered in Luancheng, Shijiazhuang, Hebei Province, China. China is the country in which we operate and covered in this Report. As at 31 December 2019, the Group had a total of 3,692 employees.

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

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

CORE VALUES



Respect for life

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

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

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Respect value

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

Focus on stringent management and detailed works

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

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

Promote innovation

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

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

MISSIONS

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

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

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

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

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ESG MANAGEMENT

Corporate Governance

The Board has the overall responsibility to lead and govern the Group and is responsible for managing and supervising the Group's affairs. The corporate governance practices of the Group and the attendance rate of directors are set out in the Corporate Governance Report in the Annual Report 2019.

Corporate Social Responsibility and Sustainability Committee Management Structure

The Group has established the Committee, which comprises of one Executive Director and three Independent Non-Executive Directors, who are fully responsible for the Group's corporate social responsibility and its monitoring. Their duties include but not limited to:

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

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



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SUSTAINABLE DEVELOPMENT GOALS POLICIES

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

- Goal 3: Good Health and Well-being

The Group actively promotes social health protection and health services to ensure that everyone has access to safe, effective, high-quality and affordable medicines. Related disclosure, please refer to the following sections:

B6 Product Responsibility — Product Quality and Safety

B6 Product Responsibility — R&D and Innovation

B8 Community Investment — Community Contribution



- Goal 12: Responsible Consumption and Production

The Group actively promotes sustainable management and adopts relevant measures in the production process, aiming to reduce waste production through prevention, emission reduction, recycling and reuse; in addition, the Group will also include sustainability information in reporting cycles. Related disclosure, please refer to the following sections:

A1 Emissions — Hazardous and Non-hazardous Waste Disposal

B5 Supply Chain Management — Supply Chain Environmental and Social Risk Management

B5 Supply Chain Management — Sustainable Supply Chain Management



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STAKEHOLDER ENGAGEMENT

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

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

Key stakeholders	Material topics and issues being raised	Communication channels	Communication frequency
Senior management and the Board	<ul style="list-style-type: none"> • Operation compliance • Economic performance 	Trainings and seminar Meetings Intranet	Regular Regular Full year
Employees	<ul style="list-style-type: none"> • Working environment • Employees' benefits • Work performance • Industrial knowledge 	Management newsletter and performance evaluations Employee newsletter and broadcasting Intranet	Regular Full year Full year
Investors and shareholders	<ul style="list-style-type: none"> • Performance • Development strategy • Operational prospects • Information and activities updates 	Annual general meeting Financial Report Announcements and circulars Investor conferences Roadshow Monthly newsletter Investor relation officer Hotline Site visit Customer meetings	Regular Regular Regular Regular Regular Every month Full year Full year Full year Full year
Customers	<ul style="list-style-type: none"> • Product quality • Health and safety • Service quality • Personal information protection 	Customer satisfaction survey and feedback form Customer service center Customer service manager Customer meetings and company visits	Full year Full year Full year Full year

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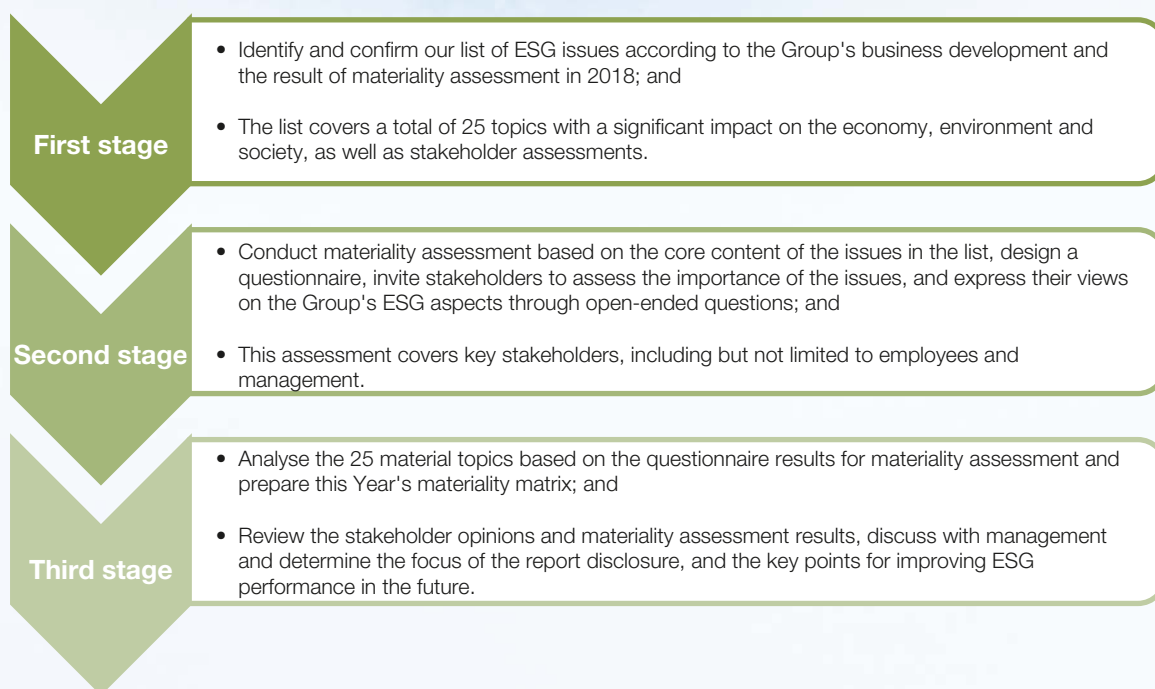
Key stakeholders	Material topics and issues being raised	Communication channels	Communication frequency
Suppliers	<ul style="list-style-type: none"> • Quality of raw materials • Supplier's environmental and social risks • Fair and open procurement 	Supplier management conferences and events Supplier on-site audit management system	Regular Regular
Government and regulatory bodies	<ul style="list-style-type: none"> • Operation compliance 	Work conference Performance report Written response to public consultation	Regular Regular Full year
Communities, NGOs and the Media	<ul style="list-style-type: none"> • Green operation • Public health • Corporate social responsibility 	Seminars, lectures and workshops Public and community events and partnership projects on different issues Community investment projects Company visits	Regular Regular Full year Full year

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

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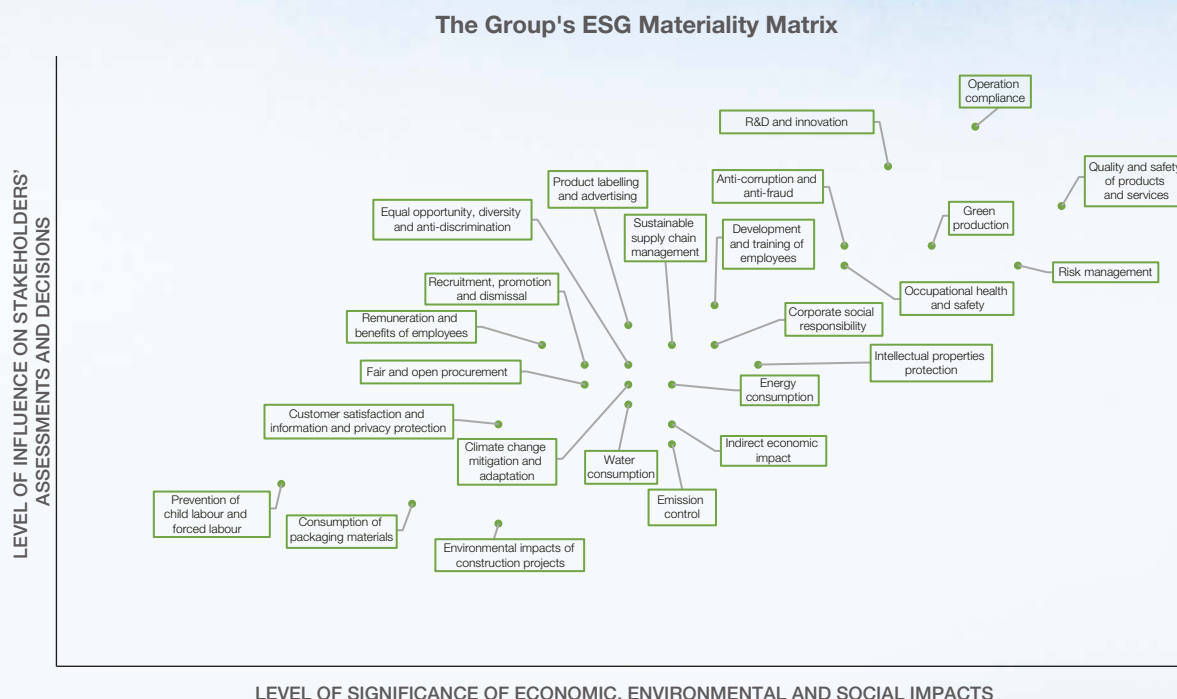
MATERIALITY ASSESSMENT

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



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



According to the results of the materiality assessment during the Reporting Period, the Group is aware that the most concerned topics to stakeholders are about the quality and safety of products and services, operation compliance, R&D and innovation, green production and risk management. The Group responded to the opinion from relevant stakeholders in this Report, enhanced the disclosures of the Group's work and performance in the above related areas accordingly, and used the result as an important reference for future ESG planning and policy development.

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

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A. ENVIRONMENTAL

Environmental Data Summary

Exhaust Gas Emissions

Type of exhaust gas	Unit	2019	2018	2017
Nitrogen oxides (NOx)	tonnes	13.63	13.91	11.95
Sulphur dioxide (SO ₂)	tonnes	3.78	5.83	4.89
Dust	tonnes	1.68	5.30	5.98

Greenhouse Gas ("GHG") Emissions

Indicator ¹	Unit	2019	2018	2017
Direct GHG emissions (Scope 1)	tCO ₂ e	111,082	108,236	117,620
Indirect GHG emissions (Scope 2)	tCO ₂ e	9,492	13,184	8,186
Indirect GHG emissions (Scope 3)	tCO ₂ e	24,561	24,045	27,604
Total GHG emissions (Scope 1, 2 and 3)	tCO ₂ e	145,135	145,465	153,410
Intensity	tCO ₂ e/employee	39.31²	39.86	44.57
	tCO ₂ e/sales (in RMB'000,000)	53.63³	N.A.	N.A.
	tCO ₂ e/EBITDA (in RMB'000,000)	170.66⁴	N.A.	N.A.

Note:

1. Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (Scope 2) and anaerobic treatment of industrial wastewater (Scope 3). GHG emissions data are presented in terms of carbon dioxide equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Greenhouse Gas Emissions Accounting Methods and Reporting Guide for Other Industries in Hebei Province" issued by Hebei Development and Reform Commission and the latest published Baseline Emission Factors for Regional Power Grids in China.
2. As at 31 December 2019, the Group's total employee number was 3,692. This figure is also used to calculate other intensity data.
3. As at 31 December 2019, the Group's sales amount was approximately RMB2,705.996 million. This figure is also used to calculate other intensity data.
4. As at 31 December 2019, the Group's EBITDA was approximately RMB850.41 million. This figure is also used to calculate other intensity data.

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Sewage Discharge

Type of sewage	Unit	2019	2018	2017
Wastewater	tonnes	305,112	385,750	410,941
Intensity	tonnes/employee	82.64	106	119
	tonnes/sales	112.75	N.A.	N.A.
	(in RMB'000,000)			
	tonnes/EBITDA	358.78	N.A.	N.A.
	(in RMB'000,000)			

Waste Disposal

Type of non-hazardous waste	Unit	2019	2018	2017
Chinese medicine waste residue	tonnes	13,473	7,500	2,000
Boiler slag	tonnes	2,164	4,100	2,800
Total (comprehensive utilisation)	tonnes	15,637	11,600	4,800
Intensity	tonnes/employee	4.24	3.18	1.39
	tonnes/sales	5.78	N.A.	N.A.
	(in RMB'000,000)			
	tonnes/EBITDA	18.39	N.A.	N.A.
	(in RMB'000,000)			
Type of hazardous waste				
Waste liquid	tonnes	0.88	0.60	N.A.
Total	tonnes	0.88	0.60	N.A.
Intensity	tonnes/employee	0.0002	0.0002	N.A.
	tonnes sales	0.0003	N.A.	N.A.
	(in RMB'000,000)			
	tonnes/EBITDA	0.001	N.A.	N.A.
	(in RMB'000,000)			

Energy Consumption

Type of energy	Unit	2019	2018	2017
Electricity	kWh	10,591,800	15,973,200	9,257,100
Intensity	kWh/employee	2,868.85	4,377.42	2,689.45
	kWh/sales	3,914.20	N.A.	N.A.
	(in RMB'000,000)			
	kWh/EBITDA	12,454.93	N.A.	N.A.
	(in RMB'000,000)			
Steam	tonnes	273,260	258,272	245,885
Intensity	tonnes/employee	74.01	70.79	74.05
	tonnes/sales	100.98	N.A.	N.A.
	(in RMB'000,000)			
	tonnes/EBITDA	321.33	N.A.	N.A.
	(in RMB'000,000)			

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Water Consumption

Indicator	Unit	2019	2018	2017
Water consumption	tonnes	350,555	530,000	735,000
Intensity	tonnes/employee	94.95	145.25	213.54
	tonnes/sales			
	(in RMB'000,000)	129.55	N.A.	N.A.
	tonnes/EBITDA			
	(in RMB'000,000)	412.22	N.A.	N.A.

Use of Packaging Materials

Type of packaging materials	Unit	2019	2018	2017
Carton	boxes	1,490,211	1,603,861	1,553,187
Packing box	boxes	172,646,006	195,801,489	184,577,852
Instructions	pieces	179,131,232	203,026,433	189,554,951

Environmental Compliance

Indicator	Unit	2019	2018	2017
Environmental non-compliance cases	number	–	–	–
Environmental fine	RMB	–	–	–

Significant Spill

Indicator	Unit	2019	2018	2017
Number of significant spill	number	–	N.A.	N.A.
Amount of significant spill	tonnes	–	N.A.	N.A.

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A1. Emissions

As a leading Chinese pharmaceutical manufacturer, the Group has been committed to environmental protection and strictly complies with the environmental laws and regulations formulated by the national and local environmental authorities. Such laws and regulations related to the prevention and treatment of wastewater, exhaust gas and industrial pollution include, but are not limited to, the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), “Law of the People’s Republic of China on the Prevention and Control of Water Pollution” (《中華人民共和國水污染防治法》), “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution” (《中華人民共和國大氣污染防治法》), “Law of the People’s Republic of China on Promoting Clean Production” (《中華人民共和國清潔生產促進法》), “Emission Standards for Water Pollutants from Chinese Pharmaceutical Industries (GB 21906-2008)” (《中藥類製藥工業水污染物排放標準(GB 21906-2008)》), and “Atmospheric Pollutant Emission Standard of the Thermal Power Plants” (《火電廠大氣污染物排放標準》), etc. Besides, the Group paid the environmental protection tax according to the “Environmental Protection Tax Law of the People’s Republic of China” (《中華人民共和國環境保護稅法》).

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

In addition, according to the requirements of the “Measures for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (for Trial Implementation)” (No. 81 [2013] of the Ministry of Environmental Protection) (《國家重點監控企業自行監測及資訊公開辦法(試行)》(環發[2013]81號)) issued by Ministry of Environmental Protection of the PRC, national and local environmental protection laws and regulations, requirements of technical specifications for environmental monitoring and actual conditions of the Group, the Group has prepared its corporate internal-monitoring plans for pollution generated, standardised and carried out internal-monitoring activities, understood the emission status of pollutants and their impacts on the quality of the surrounding environment, and ensured that its responsibilities on environmental protection have been fulfilled. In addition, according to China’s environmental laws and regulations, the Group has formulated the “Construction Project Environmental Impact Assessment and ‘Three Simultaneous’ Management Procedures”. According to that procedure, environmental impact assessment has to be carried out and passed before the commencement of a new construction project to ensure that the production process satisfies the required environmental standards.

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

The Group has also formulated a "Contingency Plan for Emergent Environmental Incidents", standardising and strengthening the emergency handling of emergent environmental incidents, focusing on prevention, gradually improves the warning, disposal and aftercare mechanisms for handling emergent environmental incidents. The mechanism also mitigates the negative impacts on the environment and the Group's business operations caused by environmental emergent incidents, including environmental pollution accidents, spills, explosions, transportation accidents, abnormal emissions and natural disasters, etc.

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

Exhaust Gas and GHG Emissions

Over the years, the Group is committed to protecting the environment, and adopted a number of appropriate measures and governing methods to ensure its responsibility for environmental protection has been fulfilled. The Group is committed to maintaining environmental quality and using clean energy to reduce pollution and waste in production process; mitigating and even eliminating the adverse impacts of the corporate's production and operational activities on the ecological environment through emission reduction.

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

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During the Year, the Group's total emission of exhaust gases was approximately 19.09 tonnes (2018: approximately 25.04 tonnes), including NO_x, SO₂ and dust; total GHG emissions was approximately 145,135 tCO₂e (2018: approximately 145,465 tCO₂e) and total GHG emissions per employee was approximately 39.31 tCO₂e (2018: approximately 39.86 tCO₂e/employee). The Group's total GHG emissions and its intensity in 2019 were reduced, mainly due to the reasons presented in different environmental disclosure sections of this Report.

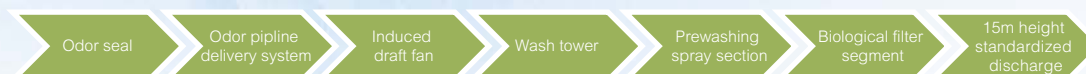
In the course of production and operation, the Group actively promotes clean production, energy conservation and emission reduction, and has continuously invested in environmental protection to mitigate emissions. The Group uses clean energy sources such as natural gas and other measures to mitigate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

In terms of dust control, on top of the three sets of electric bag dust removal facilities, three sets of double alkali desulphurization facilities, three sets of SNCR method denitrification facilities and two sets of SCR denitrification facilities owned by the Group, we have invested more than RMB5 million in total for the development of "3# Biomass Boiler Upgrade Project". This project renovates the 3# boiler flue gas treatment. The boiler dust, SO₂, and NO_x fulfil the requirements of Table 1 of the "Emission Standards for Air Pollutants for Coal-Fired Power Plants" (DB13/2209-2015) (《燃煤電廠大氣污染物排放標準》(DB13/2209-2015)) after the completion of technical renovation project. The technical renovation project only involves boiler flue gas treatment measures, and other contents remain unchanged. The technical renovation project plans to transform 3# Biomass Circulating Fluidised Bed Boiler flue gas treatment system, which includes the reconstruction of the 3# Biomass Circulating Fluidised Bed Boiler desulphurisation tower with a set of cyclone high-efficiency dust removal and demister, and adding an SCR denitrification system to SNCR denitrification facility to meet the ultra-low emission target of the environmental protection requirements, emission concentration has reached: dust≤10mg/m³, SO₂≤30mg/m³, NO_x≤50mg/m³. 1#, 2# Boiler has completed their standard upgrade in 2018, and the exhaust gas emissions meet the ultra-low emission targets, emission concentrations have reached: dust ≤10mg/m³, SO₂ ≤35mg/m³, NO_x ≤50mg/m³. After the treatment of the three boilers, the flue gas that has passed the standard is discharged through a 120-meter chimney. In addition, we have also invested more than RMB20 million in building dust and Chinese medicines odour control facilities in the workshops in order to ensure the various exhaust gases emissions of workshops meet the standards. The Group also pays attention to the monitoring of the concentration of pollutants, ensuring the emissions meet national and local environmental regulations, in order to fulfil the commitment to protect the environment of the corporate and its nearby neighbourhood.

The Group also invested a total of approximately RMB15 million in "Sewage Station Exhaust Gas Treatment Technical Renovation Project", the treatment processing capacity reaches 20,000m³/h. The construction mainly includes: collecting exhaust gas from each generation point at sewage station, introducing exhaust gas

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treatment facilities for treatment, and finally meeting the discharge standards, process flow is as follow:



The final exhaust gas emissions are complied with the emission limit regulated by “Emission Standards for Odour Pollutants” (GB14554-93) (《惡臭污染物排放標準》(GB14554-93)) and “Emission Standard of Volatile Organic Compounds for Industrial Enterprises” (DB13/2322-2016) (《工業企業揮發性有機物排放控制標準》(DB13/2322-2016)). The project has completed acceptance, and put into use, the treated odorous gas has reached the standard of discharge and in line with environmental protection requirements.

Sewage Discharge

During the Year, the Group’s total sewage discharge was approximately 305,112 tonnes (2018: approximately 385,750 tonnes), while total wastewater discharge per employee was approximately 82.64 tonnes (2018: approximately 106 tonnes/employee).

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

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

Hazardous and Non-hazardous Waste Disposal

The Group’s non-hazardous waste disposal mainly includes solid wastes generated in the production process of Chinese medicine, which are mainly Chinese herbal medicine waste residue and boiler slag, etc. In addition, the Group does not generate hazardous waste except for a very small amount of waste liquid generated by our research centres (approximately 0.88 tonnes). For the waste liquid generated by the scientific research centre, we will entrust qualified hazardous waste treatment service provider for harmless disposal.

During the Year, the total amount of non-hazardous waste generated by the Group was approximately 15,637 tonnes (2018: approximately 11,600 tonnes) and the total amount of non-hazardous generated per employee was approximately 4.24 tonnes (2018: approximately 3.18 tonnes/employee).

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Compared to 2018, the non-hazardous waste generated in the production process has been increased due to the increase in production. In light of that, the Group will be more active in developing green production in order to reduce future waste disposal.

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

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

Besides, the Group recycles about 2,000 tonnes of ethanol per year, and reduces 3,000 tonnes of ethanol purchase per year by collecting disposed ethanol through the "Integrated Ethanol Recycle Project" we implemented.

During the operating processes, the Group inevitably generates wastes, but through effective waste disposal strategies and policies, the Group has minimised the environmental risks and impacts brought by waste disposal.

A2. Use of Resources

Energy Consumption

The Group strictly adheres to the development concept of "Energy Efficiency and Recycling Production", and has obtained ISO14001 "Environmental Management System" certified by the BSI, and has been awarded the title of "Advanced Enterprise of Environmental Protection in Hebei Province" by the Hebei Provincial Department of Environmental Protection.

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

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Under the norms of relevant regulations, the Group has actively carried out energy efficiency measures to reduce the amount of energy consumption in production processes and implemented energy efficiency principle in each production process. The Group incorporated the principals of energy conservation, emission reduction, low carbon and recycling into corporate management, guaranteed from the process system, and organised various systems from production to explore energy saving potentials. For example, different types of energy control methods are used in the energy management at workshops, such as energy consumption index control, daily inspection, etc.

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

During the Reporting Period, the Group's energy consumption was approximately 10,591,800 kWh of purchased electricity (2018: approximately 15,973,200 kWh), which was approximately 2,868.85 kWh per employee (2018: approximately 4,377.42 kWh/employee); and approximately 273,260 tonnes of steam (2018: approximately 258,272 tonnes), which is approximately 74.01 tonnes per employee (2018: approximately 70.79 tonnes/employee).

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

1. As the condensate drainage of the soft capsule workshop is not connected to the Group's condensate main pipeline, the newly constructed condensate drainage pipe was laid to the integrated workshop, and a hot water pump was added as a power source. The use of chilled water for heat exchange and cooling was no longer required, the load for refrigerator was reduced, steam condensate was all recovered, and thereby achieving an annual saving of 260 tonnes of standard coal;
2. Inverter control for cooling water pump installation: Three workshops for injector production has installed inverters in the chilled water pump to control the pumping frequency, saving 10 tonnes of standard coal annually; and
3. By adding a new spray propelling ventilation tower to cool down the condensate water once, and using the old tower for second-time cooling (to 20°C – 25°C), meeting the standards for circulating water and original pool water temperature, and steam condensate is fully recovered. The water temperature is increased by approximately 15°C after the condensate water pass by the heat exchanger, reducing the additional water supply of the circulating water system by 100,000 tonnes, and saving 360 tonnes of standard coal annually.

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The Group also makes good use of the Energy Management System to monitor the water, steam, electricity and other energy mediums consumed in our operation by the usage of the automatic, monitoring and decentralised control system, so as to realise the efficient utilisation of energy. The Group set a target of 5% reduction in energy consumption per RMB10,000 in output value in 2020, and ultimately reduced energy consumption by 6.4% per RMB10,000 in output value.

In daily operations, the Group also encourages employees to respond to environmental initiatives and implement different environmental protection measures to mitigate the impacts on the environment, summary is as follow:

Electricity consumption

- Turn off all unnecessary power-consuming equipment (lights, air conditioners, computers, displays) before leaving;
- Turn off water supply machine before long holidays;
- During the summer, office air conditioning temperature should be set to not lower than 26°C; during the winter, the maximum set temperature should be at 23°C;
- Halve the amount of light equipment used in the office according to situation; and
- Reform of workshop frequency conversion power saving system.

Use of paper

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

Others

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

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Water Consumption

During the Reporting Period, the Group's water consumption was approximately 350,555 tonnes (2018: approximately 530,000 tonnes), which was approximately 94.95 tonnes per employee (2018: approximately 145.25 tonnes/employee).

In order to reduce the use of water resources, the Group has adopted circulating water comprehensive utilisation project in its production processes. The circulating water comprehensive utilisation project effectively recycles and reuses the cooling water, thus saving water and improving the resource utilisation rate. The Group's cooling tower circulating pool has a total storage capacity of 2,400 tonnes, a daily replenishment capacity of 310 tonnes, and a circulating water utilisation rate of about 85%. In addition, the Group has also taken different measures to improve the quality of utilised circulating water: adding slow-release scale inhibitor, bactericidal algicide and water for bottle washing into the circulated water to improve its quality, increasing the concentration multiple from 2.5 to 3.5, etc. Besides, we actively implement the transformation for the condensate water recovery system in the boiler room, in order to recycle water during the production process as much as possible and reduce water consumption. The efficiency of the Group's circulating water comprehensive utilisation project is above 80%, saving 600,000 tonnes of water annually.

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

The Group's gardening water system is utilising the condensed water from the production workshops, we use these condensed water for greeneries. We have also changed the cleaning methods to conserve water, such as changing from rinsing under water pipes to spray gun or using cleaning ball, etc. The Group also regularly repairs and maintains the valves and pipelines, leaking pipelines must be replaced and repaired on a timely basis.

In addition, through the renovation of the mezzanine pipeline of the third injection workshops, water is collected and discharged to the groundwater pond in the southeast corner of the workshop, and then transported to two Chinese medicine workshops and power plant by the submersible pumps for reuse. This can reduce sewage treatment capacity by 300 tonnes, saving 300 tonnes of water, and having an annual saving of 100,000 tonnes of water. We will also replace the original medicinal herbs washing equipment by purchasing medicinal herbs dry cleaning machines, saving 2,000 tonnes of water per year. Through the above water-saving measures, the Group passed the provincial municipal water conservancy system assessment as a water-saving enterprise.

As a result of the Group's active water conservation measures, the Group's total water consumption decreased by approximately 33.9% during the Reporting Period compared with the total water consumption in 2018.

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Use of Packaging Materials

During our operations, we inevitably consume packaging materials. As the Group realises that packaging waste is receiving increasing attention, it establishes the “Sustainable Packaging Policy”, in order to adopt sustainable packaging methods in operations. Besides, we try to use decomposable packaging materials to reduce the use of plastic packaging. During the Reporting Period, the total packaging materials used by the Group was approximately 1,490,211 boxes of carton (2018: approximately 1,603,861 boxes), approximately 172,646,006 boxes of packaging box (2018: approximately 195,801,489 boxes), and approximately 179,131,232 pieces of instructions (2018: approximately 203,026,433 pieces).

A3. The Environment and Natural Resources

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

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

Green Production

In order to reduce the significant impacts on the environment and natural resources, the Group prepares a corporate pollution internal-monitoring plan to standardise the supervisory activities, and understand the corporate's emission status of pollutants and the potential impacts of business operations on environmental quality. The Group also promotes green office and environmentally friendly production by the 4R principles, reduce, reuse, recycle and replace, to minimise the impact of our operations on the environment.

Green Building and Construction Project's Feasibility

From the feasibility study, preliminary design, construction processes and commissioning of the construction project, the Group strictly implements the relevant regulations and procedures for the “Regulations on Environmental Protection Management of Construction Projects” (《建設專案環境保護管理條例》) promulgated by the national and local governments, and at the same time follows relevant internal systems. All of our construction projects have been approved by the environmental impact assessment. On the other hand, the Group has formulated the “Environmental Impact Assessment for Construction Projects and the ‘Three Simultaneous’ Management Regulations” to standardise and strengthen the environmental protection management of the Company's new, modified and expanded construction projects to prevent environmental pollution and ecological damage caused by construction projects.

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Environmental Safety Emergency Response Mechanism

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

Climate Change

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

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

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

Biodiversity

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

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B. SOCIAL

Social Data Summary

Employee Data

Total employee

Ethnic minorities

By gender

Male

Female

By age group

Below 30 years old

30-39 years old

40-49 years old

50-59 years old

60 years old or above

By geographical region

Hebei

Beijing

Shandong

Sichuan

Yunnan

Guangdong

Others

By employee category

Company representative

Department head

Office employees

Frontline employees (technical)

Frontline employees (non-technical)

2019		
	Number of employees	Percentage
Total employee	3,692	
Ethnic minorities	114	3.1%
By gender		
Male	1,860	50.4%
Female	1,832	49.6%
By age group		
Below 30 years old	1,434	38.8%
30-39 years old	1,782	48.3%
40-49 years old	379	10.3%
50-59 years old	94	2.5%
60 years old or above	3	0.1%
By geographical region		
Hebei	2,715	73.6%
Beijing	5	0.1%
Shandong	78	2.1%
Sichuan	144	3.9%
Yunnan	213	5.8%
Guangdong	4	0.1%
Others	533	14.4%
By employee category		
Company representative	9	0.2%
Department head	179	4.8%
Office employees	681	18.4%
Frontline employees (technical)	1,599	43.4%
Frontline employees (non-technical)	1,224	33.2%

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Turnover and New Employees

	2019			
	Number of employee turnover	Percentage	Number of new employees	Percentage
Total	937	26%	1,007	27%
By gender				
Male	529	29%	552	30%
Female	408	22%	455	25%
By age group				
Below 30 years old	434	32%	596	43%
30-39 years old	421	23%	381	21%
40-49 years old	63	17%	27	7%
50-59 years old	18	20%	3	3%
60 years old or above	1	25%	–	0%
By geographical region				
Hebei	452	5%	405	4%
Beijing	8	30%	5	19%
Shandong	7	7%	5	5%
Sichuan	29	22%	37	28%
Yunnan	48	24%	79	40%
Guangdong	4	20%	8	39%
Others	389	55%	468	66%

Health and Safety

	2019	2018	2017
Number of work-related fatality	–	–	N.A.
Work-related fatality rate	–	–	N.A.
Number of work injuries	4	2	N.A.
Lost days due to work injuries	198	268	N.A.
Lost time from accidents	1,584	N.A.	N.A.

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Development and Training

Total

Total

Male

Female

Company representative

Department head

Office employees

Frontline employees (technical)

Frontline employees (non-technical)

2019

Training cost (RMB)

1,102,870

Training hours (hours)

Percentage

4,347.0

98%

Average training hours (hours)

Percentage

1.2

97%

1.2

98%

26.2

100%

5.2

99%

1.5

99%

0.8

97%

0.7

98%

Suppliers

Total number of qualified suppliers

2019

239

Product Responsibilities

Percentage of total products sold or shipped subject to recalls for safety and health reasons

Number of products and service related complaints received

Total invention patents applied

Total authorized invention patents

Total foreign invention patents

2019

—

—

236

94

11

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Anti-corruption

The Board (Governance body members)
 Senior management
 Middle management
 Purchasing Department
 Sales Department
 Other Department

2019	
Total number of employees received anti-corruption trainings	Percentage
9	100%
36	100%
170	100%
18	100%
1,298	100%
2,170	100%

Community Investment

Total

2019		
Amount invested in community activities (RMB)	Time spent on community activities (hours)	Medicines donated in community activities (number)
1,660,000	620	3,500

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B1. Employment

Employee Benefits and Equal Opportunity Policies

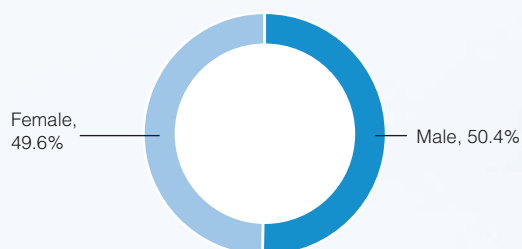
Equal Opportunity, Diversity and Anti-discrimination

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

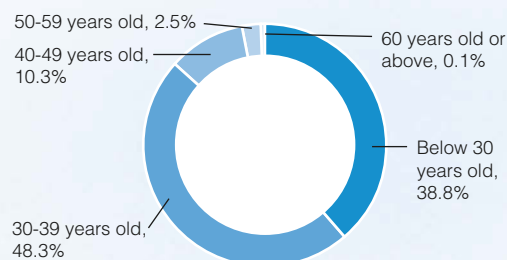
During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in respect to human resources. The Group strictly complied with laws and regulations, such as the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國合同法》) and “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), etc.

As of 31 December 2019, the Group had a total of 3,692 employees, all of whom were full-time fixed contract workers. There were 1,860 male and 1,832 female, with a male-to-female ratio of approximately 1: 1, while female contributed to 36.7% of the Group’s middle and senior management (i.e. company representative and department head). For detailed human resources related information, please refer to the charts below and “Social Data Summary”.

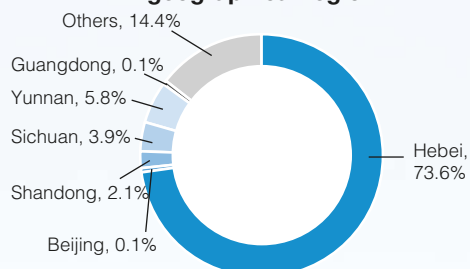
Employees male to female ratio



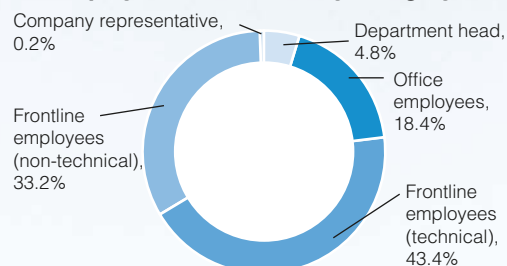
Employees distribution by age group



Employees distribution by geographical region



Employees distribution by category



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Recruitment and Promotion

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

Remuneration and Benefits

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

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

The Group values gender equality, and the gender pay gap between the employee categories (company representative, department head, office employees, frontline employees (technical) and frontline employees (non-technical)) are 20.5%, 27.8%, 21.2%, 14.6% and 22.8%.

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B2. Health and Safety

Safety Production

Human resources are the valuable asset of the Group. We adhere to the production philosophy of “safety first, focusing on prevention and comprehensive management” and put employees’ health and safety in the first place. The Group has established and improved the occupational safety and health management system, audited by the BSI Management Systems Limited annually, and has performed well for over decades. The new version of the “ISO 45001 Occupational Health and Safety Management Systems” has passed through audit in 2019, guaranteeing the safety and health of employees in the workplace.

The Group strictly complies with the requirements of national production safety laws, regulations and standards, incorporating its actual situation, the Group has set up a Safety Production Committee, nominated the Safety and Security Department as the Chief Management Department for Safety Production and appointed Safety Manager as required to establish an all-rounded safety production management network, complete safety production responsibility policies, and specify the duties of each department in safety production. All the members of the Company, from the management to general employees, have signed the production safety responsibility acknowledgement, ensuring the stringent implementation of safety responsibility and the Group’s safety production management. Based on the Company’s situation, the Company has formulated and improved the “Safety Rules and Regulations”, established safe operating procedures for posts and equipment, standardised employees’ safe operations, and regularly trained and educated employees on the rules and regulations to achieve legalisation, institutionalisation, standardisation and normalisation.

According to the requirements of the “Safety Production Law of the People’s Republic of China” (《中華人民共和國安全生產法》) and actual situation, we conduct a company-department-team three-grade safety training to new employees in strengthening their safety awareness. The Group implements a “three-grade” safety inspection system, namely the monthly company inspection, weekly workshop inspection and daily team inspection. A monthly comprehensive inspection on the whole company is conducted by the Security Department and relevant departments, the identified problems are rectified promptly, and the rectification process is monitored by on-site visit, inspection records, ratification notices and review records are kept in records, forming a close-looped management. The person in charge of the workshop organises weekly departmental safety inspection with related department personnel, identifies problems and carries out remediation plans at once. The team carries out pre-, on- and post-shift safety inspection, at the same time strengthening the vacation and seasonal inspections, detailing the inspection from each department, position and production process, timely eliminates potential safety hazards and ensures production safety. We also formulate an annual training plan, strengthen general safety trainings and organise safety trainings for all employees periodically. Employee’s understanding on safety knowledge and safe operation has been enhanced through safety trainings and examination, and we have established and enhanced the employee training records.

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The Group proactively carries out safety activities, organises special activities such as “Safety Month”, “Fire Accident Prevention Day”, and “Hundred Days of Safety and No Accidents” every year, compiles activity plans and organises diverse activities for specific theme. Meanwhile strengthening routine safety training, actively carrying out routine team safety education, conducting safety behaviours observation and communication trainings, so as to help employees to rectify unsafe behaviours, raise safety awareness and cultivate safety habits. In addition, the Group implements the before-shift meeting mechanism, a pre-job meeting is compulsory, safety tips and education are given to employees during the pre-job meeting according to the characteristics of the post and working environment. Everyone in the team is a security officer, the position is rotated among employees on a daily basis, conducting safety education and inspection to operators. The inspection focuses on working environment, equipment safety, compliance operation, proper wearing of personal protective equipment, etc. in building a safe working environment that everyone cares and engaged.

The Group organises a group-level safety meeting monthly to summarise the recent circumstance and arrange the work of next stage. The Group pays close attention to all types of accidents happened in the industry and nearby regions, reports related accidents of that month at the monthly regular safety meeting, analyses and learns from those incidents as we “analyse others’ accidents as ours, and treat past accidents as present”. Through accidents, lower level of management is urged to bare responsibilities and improve precaution measures, in preventing related incidents. For the material or typical accident, we will hold a security alert meeting promptly, make profound acknowledgement from the accident and carry out analogical inspections so as to learn from the similar events, prevent potential risk from intensify, completely eliminate hidden dangers and ensure safe production.

The Group organises employees to identify risk factors on each post and each production process on a regular basis. The risk level of the identified risk factors was evaluated to form the Group’s Risk Factor Identification Control Table, defining unacceptable risks and strengthening management control. Through this measure, employees can clearly understand the dangers that may occur in their work, so as to better protect themselves, protect others, and ensure safe production.

The Group’s safety facilities, lightning protection facilities, fire control facilities and special equipment have undergone annual inspections in accordance with national regulations, and all have obtained inspection certificates. The Group persists to conduct inspections and maintenance on its equipment, facilities, and processes to ensure the provision of a safe working environment for employees. The exits of each workshop and the corners of staircases are marked with safety passage signs and are equipped with emergency lights, while obvious warning signs are affixed to key areas and equipment to remind employees to always pay attention to safety. Each workshop regularly conducts a comprehensive inspection of its production equipment to ensure that the existing safety interlocking device is intact and effective, so to guarantee automatic shutdown on abnormal conditions and improve equipment safety performance.

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All constructions of the Group have installed automatic fire alarm systems and flammable gas alarm equipment according to zoning, and have adopted centralised network monitoring by specific workers for 24 hours, this is to detect, control and deal with related incidents as soon as possible. All areas are equipped with fire extinguishers and hydrants, and two groups of fire water cannons are set up in key areas to further enhance the Group's fire emergency responses so that it can be well prepared for every potential risk.

The Group attaches great importance to the management of hazardous chemicals and special drugs. We have formulated the "Policy on the Safety Management of Hazardous Chemicals" that requires stringent compliance on the relevant national regulations from procurement to application, and evaluates suppliers as well as logistics providers under the national certified qualification, so as to ensure legal compliance at source. The Group has designated hazardous goods warehouses and assigned personnel to manage it, which is specified for storing hazardous chemicals and special items used by the Group. The major hazardous chemicals used in the Group's production, such as ethanol and sulfuric acid, are stored in the dedicated warehouses and emergency facilities are set up according to national requirements in the workplace and storage room; flammable and explosive storage areas are explosion-proofs and monitoring system and alarm, explosion-proof, ventilation, moisture-proof, lightning protection, anti-static and other safety facilities as are in place. Chemicals used for testing and quality control are also classified and stored according to their types and hazardous characteristics, and are managed by specific personnel; highly-toxic and special drugs adopts "Five Double Management", which is stored and managed by specific personnel, having access control system, video surveillance and alarm system for real-time monitoring by the Group's security, and highly toxic chemicals are connected to the Public Security Bureau to ensure safety.

In accordance with relevant national regulations, the Group has formulated the "Policy on the Management of Labor Protection Equipment", providing employees with labor protection equipment that meets national and industrial standards according to different positions and job requirements, and educating them the proper way of using such equipment. The Group arranges employees to conduct body check every year, conduct risk assessment for workplace safety periodically, and conducts occupational health examinations for those employees exposed to occupational risk and establishes occupational health monitoring records to ensure the health of employees. The Group has also established a sound emergency rescue system and enhanced the emergency rescue team, equipping them with emergency rescue facilities and equipment. In response to possible emergency circumstances, we have formulated emergency plans, organised emergency drills regularly, and strengthened the trainings on the use of emergency facilities, equipment and emergency handling capabilities, focusing on prevention and personnel rescue, and improving employees' emergency response, so to prevent accidents at the early stage.

The Group strictly complies with "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》), "Fire Protection Law of the People's Republic of China" (《中華人民共和國消防法》) and other relevant laws and regulations. The Group was not aware of any material non-compliance with laws and regulations relating to workplace health and safety during the Reporting Period. During the Reporting Period, there are a total of four work injuries occurred in the Group; work-related fatalities is 0; lost working days due to work injury are one hundred and ninety-eight days. For detailed health and safety related information, please refer to "Social Data Summary".

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B3. Development and Training

Development and Training for Employees

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

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

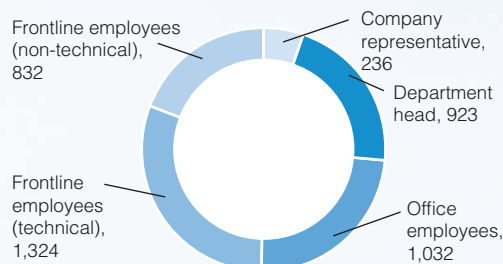
The Group has already introduced the Amoeba Management Project as a training platform to make employees a part of the Group's management with the attempt to achieve a win-win situation among employees and the Group. Training courses include role positioning, team management techniques and so on. Besides,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

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

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During the Reporting Period, the Group has invested approximately RMB1,100,000 in employee training, totalling approximately 4,347 training hours, and the percentage of employees trained was approximately 98%. For detailed development and training related information, please refer to the chart below and “Social Data Summary”.

Total training hours by employee category



B4. Labour Standards

Prevention of Child Labour and Forced Labour

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

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

At the same time, the Group will not engage those suppliers who are known to employ child labour or forced labour in their operations to provide products and services. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to preventing child labour and forced labour. The Group complied with laws and regulations including “Labour Law of the People’s Republic of China”, “Provisions on Special Protection for Minor Workers”, “Provisions on the Prohibition of Using Child Labour”, etc. During the Reporting Period, the Group was not aware of any operation points or suppliers that have significant risks with laws and regulations relating to preventing child labour and forced labour. The Group conducts internal audit to the recruitment procedures regularly in order to prevent child labour and forced labour.

Human Rights Policy

As a responsible corporate that values social responsibility, we have developed “Human Rights Policy” that sets out human rights policy guidelines and strategies that are consistent with global best practices. This policy not only regulates the Group’s matters concerning its operation and human rights, but also provides us with reference benchmark and guidelines for evaluating suppliers and supply chain management. We respect the rights of local residents, will strive to identify human rights related impacts, adopt related measures to prevent and reduce the potential negative impacts.

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B5. Supply Chain Management

Environmental and Social Risk Management of Supply Chain

The Group prioritises quality, trust, mutual benefit, selects and manages suppliers according to the requirements of GMP and relevant regulations, and upholds the principles of being open, fair, efficient and timely. Supply chain management has always been one of the key aspects of the Group's quality control system. In order to safeguard the quality of raw materials, auxiliary materials and packaging materials used, the Group has formulated the "Policy on the Supplier Management", "Policy on the Supplier On-Site Audit Management" and "Supplier Quality Evaluation Management Procedures", etc., in strict accordance with the requirements of the "Pharmaceutical Administration Law of the People's Republic of China" (《中華人民共和國藥品管理法》), "Policy for the Control of Drug Manufacturing Quality" (《藥品生產品質管制規範》), GMP and other related laws and regulations, specifying all requirements for suppliers, selecting objective and fair quality audit evaluation standards, establishing a gradually improving supplier management system.

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

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

The Group has established the "Quality Management Evaluation Regulation for Suppliers", which evaluates suppliers in terms of their quality, delivery, pricing, services and other aspects, by which inferior suppliers that are incompatible with the requirements of corporate development would be eliminated. We also continuously strengthen supplier database management, enhancing the operation supplier evaluation mechanism and optimising the supply chain management.

During the Reporting Period, a total of two suppliers were forced to suspend production due to failure to meet environmental protection requirements, and the Group determined them as suppliers with actual and potential significant environmental impacts, so we ceased the cooperation relation or temporarily suspended supply from them. In addition, two suppliers' production and operation were affected due to their products involved in raw material market monopoly and influenced by the industry, they were regarded as suppliers with actual and potential significant social impacts by the Group, and thus suspended such material's market operation and cancelled their supplier qualifications.

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Local Procurement

In the procurement process, the Group has always adhered to the principle of local procurement. We hope to boost local economy through the promotion of procurement from mainland China as much as possible for the benefit of both society and the country. During the Reporting Period, the Group had 239 qualified suppliers, in which most are from mainland China, accounting for 99.6%. In addition, during the Reporting Period, the Group's procurement budget for its suppliers in mainland China for the production of Shijiazhuang headquarters was approximately RMB464.23 million accounted for approximately 91% of its total procurement budget.

Sustainable Supply Chain Management

The Group believes that a sustainable supply chain management strategy is the key to our long-term and rapid development, so we have been strictly adhering to the supply chain management principles of "Source at the place of origin, direct purchase without agents and local sourcing come first". For example, we purchase red ginseng directly from Jilin and purchase *Ophiopogon japonicus* directly from Zhejiang. Moreover, we have launched "company + farmers", and established a numbers of standardised Chinese medicine sourcing bases in Hebei, Jilin, Xinjiang, Shandong and other places, by which we are able to implement Chinese medicine traceability management. The Group ensures the Chinese medicines are green, natural, non-polluted and authentic by securing the traceability of the sources of the Chinese medicines, monitoring the ecological environment, cultivation processes, collection and transportation process and packaging stage, and controlling the quality and cost at source.

B6. Product Responsibility

Quality and Safety of Products

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

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

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The Group has deliberately set up the “Policy on the Special Item Safety Management” according to “Pharmaceutical Administration Law of the People’s Republic of China” (《中華人民共和國藥品管理法》), “Regulation on the Control of Narcotic Drugs and Psychotropic Drugs” (《麻醉藥品和精神藥品管理條例》), “Measures for the Transport of Narcotic Drugs and Psychotropic Drugs” (《麻醉藥品和精神藥品運輸管理辦法》), “Regulation on the Administration of Precursor Chemicals” (《易制毒化學品管理條例》), “Measures for the Administration of Precursor Chemicals for Drugs” (《藥品類易制毒化學品管理辦法》), “Regulation on the Safety Administration of Dangerous Chemicals” (《危險化學品管理條例》), “Measures for Authorization on the Purchase and Road Transport of Highly Toxic Chemicals” (《劇毒化學品購買和公路運輸授權管理辦法》) and other regional laws and regulations. This policy is to strengthen the safety management, use, and supervision of the Group’s special items (such as materials containing psychotropic substances) to prevent the occurrence of accidents and leakage of any special items.

At the same time, according to the national laws and related regulations, the Group has established the “Policy on the Management of Drug Recalls”, which can be launched at any time and implemented promptly to ensure the effectiveness of product recall for confirmed or suspected products with quality problems in the market, and minimising the impacts on patients. If there is no product recalled, the Group regularly conducts drug recall drills in accordance with the “Drug Simulation Recall Emergency Plan”.

In addition, the Group has formulated the Pharmacovigilance Department, which is responsible for the monitoring and reporting of adverse drug reactions. In order to ensure the safety of patients’ medication, the Group implements an adverse drug reaction reporting system, regulating the management of reporting and monitoring of adverse drug reactions, and timely reports the adverse drug reactions collected.

A satisfactory result was achieved with the strict product quality policies, the Group did not experience any cases of product quality problems that resulted in drug recall (the percentage of the total number of products sold or shipped throughout the year that are required to be recalled for safety and health reasons is 0%) during the Reporting Period. During the Reporting Period, the Group received 0 significant customer complaints.

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

- Shineway Pharmaceutical Group won three outstanding awards in 2018: Luancheng District of Shijiazhuang City, Outstanding Contribution Award, Innovation Ability Enhancement Award, and Enterprise Development Contribution Award;;
- Li Zhenjiang, Chairman of Shineway Pharmaceutical Group, was awarded the 2019 West Lake Forum Great Health Industry Character Award;

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- Shinway Pharmaceutical Group won the "Top 100 Chinese Pharmaceutical Industry in 2018", "2018 Chinese Pharmaceutical Industry Law-abiding and Honest Enterprise", "2018 Top 100 Chinese Pharmaceutical Business", "2018 Top 100 Chinese Drugstores" and "2018 Integrity and Integrity Enterprise in the Chinese Pharmaceutical Industry";
- Shineway Pharmaceutical Group was selected as the 2019 National Technology Innovation Demonstration Enterprise;
- Shineway Pharmaceutical Group was honoured as "Benchmarking Enterprise of 70th Anniversary of New China";
- Shineway Pharmaceutical Group won the 2019 Pharmaceutical and Health Internet and Innovative Enterprise;
- Shineway Pharmaceutical Group was awarded the title of "Outstanding Enterprise in the Great Health Industry in the 70th Year of the Founding of New China" and Chairman Li Zhenjiang was awarded the title of "Outstanding Entrepreneur in the Great Health Industry in the 70th Anniversary of the Founding of New China";
- Shineway Pharmaceutical Group was selected as "70th Anniversary of the Founding of New China • A Model for Citizenship of Chinese Pharmaceutical Enterprises";
- Li Zhenjiang, Chairman of Shineway Pharmaceutical Group, was re-elected as the Vice President of China Association of Chinese Medicine; and
- The patent "A Xinnaoqing Huanshi Soft Capsule and its preparation method (ZL200910263909.5)" won the Chinese Patent Award for Excellence.

Customer After-sales Service and Privacy Policy

The Group values customers' inquiries and complaints. We use the "Policy on the Customer Complaints Management" as a standard to handle complaints from customers and consumers in order to maintain the Group's reputation and improve customer satisfaction. We have set up a specialised agency which is composed of specific personnel for managing, analysing and processing consumer complaints. We provide reasonable explanations for general complaints, and consumers can fill out the "Customer Complaint Form" to lodge their complaints that will be reported to relevant departments. After that, the professional technicians from the Group's Quality Assurance Department and other related departments will be organised to quickly form an investigation team to handle and study the complaints, conduct investigation of the incidents, and conduct necessary inspections, and the final investigation report will be reported to the department head of the Quality Assurance Department.

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

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

Intellectual Property Management

The Group continues to strengthen the protection of intellectual property rights. According to laws and regulations including but not limit to the “Patent Law of the People’s Republic of China” (《中華人民共和國專利法》) and “Trademark Law of the People’s Republic of China” (《中華人民共和國商標法》), the Group has established and improved our patent management mechanism, formulated a multi-layered intellectual property rights management mechanism including the “General Principles of Intellectual Property Rights Management”, “Policy on the Trademark Management”, “Policy on the Patent Management”, “Policy on the Confidentiality”, “Policy on the Contract Management”, and “Reward and Punishment Measures for R&D Projects”, with an attempt to clearly regulate the application and management of patent rights and the planning, use and protection of trademarks. This management mechanism enhances the awareness of all members of the Group regarding intellectual property rights and trademarks, utilising intellectual property rights in our business operations and protecting corporate interests. We conduct background investigation on employees’ integrity before employees report to duty, non-competition provisions have been added in labour contract, and employees need to sign a statement on the protection of intellectual property rights when they leave the Group. In the process of R&D, we apply for patent to protect valuable inventions on a timely basis. The Group conducts real-time monitoring on trademark infringement of products in the market and combats on infringing goods and counterfeit trademarks immediately.

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

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R&D and Innovation

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

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

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

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

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During the Year, the Group has cumulatively applied for 236 invention patents and possessed 94 authorised invention patents, including 11 foreign invention patents. During the Reporting Period, the Group applied for 32 invention patents and 16 of them were authorised. These patent results have become the driving force for the Group's future development, further enhancing the technological advancement and market competitiveness of the Group's products, and providing strong technical support for the Group's sustainable development.

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

- Shineway Pharmaceutical's Qingkailing Soft Capsule was included in the "Influenza Diagnosis and Treatment Program (2019 Edition)" (《流行性感冒診療方案(2019年版)》) of the General Office of the National Health and Health Commission;
- Shineway Pharmaceutical's products Qihuangtongmi soft capsule, Shujingtongluo granule, Huamoyan capsule, Xuesaitong drip pill and Xiao'er Tuire Koufuye are included in the 2019 edition of the "National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance Drug Catalogue" (《國家基本醫療保險、工傷保險和生育保險藥品目錄》); and
- Shineway Pharmaceutical's exclusive product Qihuangtongmi soft capsule entered into the "The Negotiation Catalog of Medicines Covered by National Medical Insurance System (2019 version)" (《國家醫保藥品談判目錄(2019版)》).

Advertising and Labelling

All product labels and specifications of the Group are designed according to the product specifications approved by the State Food and Drug Administration and the "Regulations on the Management of Drug specifications and Labels" (《藥品說明書和標籤管理規定》). The product advertisements are published in the relevant media after the filing of the Competent Drug Supervision and Management Department according to the requirements of the "Drug Administration Law of the People's Republic of China" (《中華人民共和國藥品管理法》) in order to ensure that the content is true and accurate, and there is no misleading or fraudulent content.

During the Reporting Period, the Group strictly abided by relevant laws and regulations, including but not limited to the "Drug Administration Law of the People's Republic of China" (《中華人民共和國藥品管理法》); the "Regulations for the Implementation of the Drug Administration Law of the People's Republic of China" (《中華人民共和國藥品管理法實施條例》); the "Product Quality Law of the People's Republic of China" (《中華人民共和國產品品質法》); "Law on the Protection of Consumer Rights and Interests of the People's Republic of China" (《中華人民共和國消費者權益保護法》); "Regulations on Quality Control of Pharmaceutical Production" (《藥品生產品質管制規範》) (National Medical Products Administration); "Measures for the Management of Adverse Drug Reaction Reports and Monitoring" (Order No. 81 of the Ministry of Health) (藥品不良反應報告和監測管理辦法》(衛生部令第81號)); and the "Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders" (Announcement No. 66 of 2018) (《國家藥品監督管理局關於藥品上市許可持有人直接報告不良反應事宜的公告》(2018年第66號)). During the Reporting Period, the Group has not found any cases of violations of laws and regulations relating to the quality of products and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

Anti-corruption and Fraud Prevention

The Group actively promotes and educates all levels of employees and the management to consciously maintain their integrity in legal compliance, honesty, self-discipline, and dedication at work. The Group complied with related laws and regulations such as “the Criminal Law of the People’s Republic of China” (《中華人民共和國刑法》) and the “Anti-Corruption and Bribery Law of the People’s Republic of China” (《中華人民共和國反腐敗賄賂法》). The Group has established the “Policy on the Corporate Integrity and Self-discipline” to regulate employees working behaviours, encourage employees to be honest, self-disciplined, and diligent for the purpose of reducing the Group’s business and operational risk, and protecting the interest of the Group and employees. In addition, the Group provides discipline awareness and anti-corruption trainings regularly for all levels of managers, external-related staff and sales staff.

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

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

Whistle-blowing and Internal Audit Mechanism

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

The Group also has set up relevant external whistle-blowing procedures and regularly reviewed the effectiveness of the Group’s internal management mechanism. The Group’s Audit Department is responsible for monitoring the effectiveness of the whistle-blowing mechanism, regulating the management procedure, standardising the internal and external whistle-blowing channels so as to strengthen the supervision mechanism to effectively prevent employees at different levels from misconduct at their duties.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

B8. Community Investment

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

Community Contribution

The Group endeavours to perform its corporate responsibilities, always adheres to the supremacy of national, ethnic-oriented and people-oriented concepts of social responsibility, upholds integrity, serves the country and the people, and does its best to promote the development of philanthropy. We cooperate with the government in making contributions to disaster relief, alleviating poverty, helping the elderly, supporting education for the needy, protecting the environment, etc. At the same time, providing intellectual, material, and financial support for the public service areas including health care, education, culture, environmental protection, poverty alleviation, etc. From time to time, the Group provides volunteer trainings for employees, strengthens corporate culture construction and comprehensively enhances employees' awareness on social responsibility, encouraging employees to make charitable donations, free medical services, and to actively participate in charitable activities to care for left-behind elderly, cleaners and taxi drivers. By providing free medical services and medical knowledge to local residents, we can improve the health of the public and bring positive impacts to the economy.

The Group adheres to be people-oriented, puts the benefits of employees in the first place, and improves their working as well as living condition. The Group has also set up the "Guidance for the Employee Caring Fund", promoting the traditional virtues of mutual help and assistance among employees, helping employees who are in difficulties as much as possible and solving their immediate needs. It fully embodies the caring spirit of taken from the employees and used by the employees, full participation, focusing on assistance, and mutual help.

During the Reporting Period, the Group has devoted approximately 620 hours, donated RMB1.66 million and 3,500 related medical products to charitable activities. The Group has participated in many charitable donations over the years and has repeatedly received government's recognition of the Group's contribution to the industry and society as a whole. The Group has been awarded "China Charity Award" by the Ministry of Civil Affairs, the "China Red Cross Fraternity Medal", the "Outstanding Corporate Social Responsibility Award" in Chinese pharmaceutical industry, National Model Labour Relations Harmonious Enterprise, the Advanced Private Enterprise in Employment and Social Security in China, "The Best Enterprise in Social Responsibility" in Hebei Province, Outstanding Enterprise in Compliance and Integrity in Chinese pharmaceutical industry and the Best Employer Award in China and other honours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The charitable activities the Group has joined or organised in Year 2019

Shineway Pharmaceutical donated RMB1 million to reframe hope for families of the deceased employee

On January 26, Shineway Pharmaceutical donated RMB1 million caring fund to the family of Tan Shuangli, our deceased employee, comforting and helping them to recover from the sorrow as soon as possible and regaining their confidence to life. The Group will be their strong backing force, providing help to their difficulties in time.

“Caring for Women and Protecting your Health” – Shineway Pharmaceutical held seminar to equip female employees with health knowledge

On March 7, the upcoming of International Women's Day, Shineway Pharmaceutical invited well-known lecturers to conduct targeted health knowledge lectures for the Group's female employees, aiming to spread the health concepts, enhance the self-care awareness of female employees, provide various channels for their improvement and guarantee their health.

Shineway Pharmaceutical launched volunteer green tree planting campaign

On March 12, Shineway Pharmaceutical gathered 30 employees to go to West Buluo Camp nearby, Luancheng, Shijiazhuang, Hebei Province, and participated in a volunteer green tree planting event sponsored by the Agriculture and Forestry Bureau of Luancheng District, Shijiazhuang, Hebei Province, in building a green home and contributing to the promotion of ecological civilisation.



Shineway Pharmaceutical signed strategic cooperation agreement with the Jingxing County of Shijiazhuang, developing a “good formula” for pharmaceutical industry to participate in poverty alleviation

On March 26, Shineway Pharmaceutical signed a strategic cooperation agreement with the Jingxing County, Shijiazhuang. Shineway Pharmaceutical will grow the raw material of Chinese medicine in the Jingxing County, linking the development of the Chinese herbal medicine industry with precision poverty alleviation and guiding the poor people in the Jingxing County towards “Poverty Reduction” as expected.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shineway Pharmaceutical carried out an anti-drug publicity and education activities

Wang Liming, Deputy Director of Sanhe Market Supervision and Administration Bureau, came to the Hebei Shineway to carry out anti-drug promotion and education, and Li Zhanhai, general manager of Hebei Shineway, solemnly promised to actively assist the government in anti-drug activities on behalf of all staff. This event was carried out by means of banner promotion, all employees learning anti-drug knowledge before shifts and watching anti-drug videos. We actively respond to the call of the Sanhe City Government, promoting the concept of cherishing life and staying away from drugs.

Shineway Pharmaceutical invested RMB1 million to support the implement of precision poverty alleviation action “100 Enterprises with 100 Villages” in Longxi County

Shineway Pharmaceutical actively participated in the “100 Enterprises with 100 Villages” promotion conference organised by the Longxi County Government of Dingxi City, Gansu Province, and invested RMB1 million targeting to help farmers in Caizi Town of Longxi County to cultivate high-quality Astragalus and Codonopsis pilosula seedlings. This precise assistant not only contributed to the construction of high-quality seedling base covering over ten thousand acres in Longxi County, but also is an effective measure for Shineway Pharmaceutical to help the region to remove label of poverty as soon as possible with its industrial advantage.

Shineway Pharmaceutical participated in the third “The Constitution and I” micro-video solicitation

Through the story of a pregnant woman writing letter to her coming baby, the public service advertisement of Shineway Pharmaceutical, namely “We”, delivered the happiness of the people in society under the rule of law, promoting the spirit of constitution, reflecting a harmonious and wellness situation in all aspect of life developed by rule of law.

Shineway Pharmaceutical participated in the hosting of the Third Branded Chinese Medicine Culture across the national universities

“Responsibility and Glory” – The Third Branded Chinese Medicine Culture across national universities was launched nationwide, and Shineway Pharmaceutical actively participated in the promotion and inheritance of traditional Chinese medicine. Shineway Pharmaceutical, as a new Chinese medicine corporation, remains true to its original aspiration to inherit and develop the traditional Chinese medicine, and to keep pressing ahead. Meanwhile, it strengthened understanding of Shineway Pharmaceutical within college students, and showed an expectable prospect for the development of branded Chinese medicine. During the Reporting Period, Shineway Pharmaceutical have entered Yunnan University of Traditional Chinese Medicine, Henan University of Chinese Medicine, Tianjin University of Traditional Chinese Medicine, etc, participated in a total of 20 events, joined to shoulder the responsibility of revitalising Chinese medicine, and accelerated the development of Chinese medicine.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shineway Pharmaceutical joined hands with Shandong Yishengtang and donated necessities to enlightenment special school

Shineway Pharmaceutical joined hands with Shandong Yishengtang Pharmaceutical Chain Co., Limited, entered the Enlightenment Children's Rehabilitation Centre in Dongying City, Shandong Province, donated 10 African drums to children who are learning that instrument, and brought Huoxiangzhengqi Capsules to teachers and students for preventing heatstroke and dampness, treating gastrointestinal upset, headache and faintness, and other daily necessities such as cleaning kits, toothpaste and towels.



Shineway Pharmaceutical launched Wufu Health Talks

As a well-known corporation of modern Chinese medicine in the world, Shineway Pharmaceutical has long been observing the trend of development of chronic diseases, caring the physical and mental health of the elderly, developing and manufacturing a number of medicines for cardiovascular and cerebrovascular diseases with curative effect. We have conducted Wu Fu health lectures nationwide to promote health knowledge, on-site charitable donations, donating free cardiovascular and cerebrovascular medicines for nearly 300 underprivileged families. During the Reporting Period, Shineway Pharmaceutical held 50 Wufu health talks in Hebei, Henan, Shandong, Hunan, Gansu and other provinces to care for the elderly and protect their health.

Shineway Pharmaceutical worked with pharmaceutical franchise stores to launch the second Shineway Huo Xiang cooling season event

In order to pay tribute to workers who have worked hard outdoor under the scorching sun and high temperature, Shineway Pharmaceutical joined hands with Hengshui Longma Medicine Franchise and Deyitang Pharmacy to comfort and send cooling gift packs to cleaning workers and garden workers at the leisure plaza in Hengshui City, Hebei and Shangfeng Square in Qiaoxi District of Zhangjiakou. During the Reporting Period, Shineway Pharmaceuticals have carried out a total of 10 Shineway Pharmaceutical Huo Xiang cooling season events in Shandong, Hebei, Henan and other places, caring for workers who are committed to their posts and working outdoor at high temperature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shineway Pharmaceutical worked together with pharmaceutical franchise stores to launch the 2019 Shenmiao Baby Run campaign

In order to provide a platform for children that allows all-rounded exercise, and creating time for parent-child interaction, Shineway Pharmaceutical's Shenmiao series of children's medicines have started the charitable activities of Shenmiao Baby Run campaign in Hebei and Shandong since April. The campaign provided a stage for kids to show their talents, allowing the families participated to fully enjoy the happiness brought by parental time while the participating children received the Shenmiao child medicine's healthy-growth related gifts. During the Reporting Period, Shineway Pharmaceutical cooperated with Shuyu Pingmin Pharmacy, Weihai Yanxitang Medical Franchise, Longma Pharmacy, Derentang Pharmacy, Jianshengtang Pharmaceutical Franchise and other pharmaceutical franchises to carry out 32 charitable activities and program recordings, which increase interaction between parents and children, and care for children's physical and psychological health and growth.

Teachers and students from Hebei Chemical & Pharmaceutical College and Hebei College of Industry and Technology visited Shineway Pharmaceutical

To foster the cooperation between schools and enterprises, Shineway Pharmaceutical communicated closely with Hebei Chemical and Pharmaceutical College to organise a field trip with the theme of "teaching management practice" for 35 students and teachers from the School of Pharmaceutical Management and Administration to Shineway Pharmaceutical on Jun 15. On Jun 21, a group of 145 teachers and students from Hebei College of Industry and Technology visited Shineway Pharmaceutical to carry out a research activity of "Famous Enterprise Walk" that put teaching into practice so as to enhance the understanding of enterprises of the students.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shineway Pharmaceutical assisted sick employees for the second time

During the Reporting Period, following the first funding of RMB100 thousand Caring Fund in 2014, Shineway Pharmaceutical sent RMB100 thousand of caring money to the manager of the Business Division of Yunnan Province, who had just completed his second kidney transplantation, helping him get through the hardship. In addition, Shineway Pharmaceutical passed the caring and blessings of all employees and granted RMB130 thousand to families of four employees who work in soft capsule production workshops, Shineway Drugstore, Sichuan company, and Zhangjiakou company, helping employees or their family members to deal with difficulties in life due to illnesses, so as to relieve the employees' stress and anxiety.



Shineway Pharmaceutical held Sports Fun Day in 2019

In the afternoon of May 18, Shineway Pharmaceutical's 2019 Sports Fun Day was held at the headquarters, more than 200 employees from various departments and manufacturing plants formed 10 teams to participate in the Sports Fun Day, enhancing communication and strengthening interaction between employees.



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Shineway Pharmaceutical held a series of Health Walk Activities regarding cardiovascular and cerebrovascular diseases

On July 27, the “Shineway Health Walk – Luoyang Forum” was hosted by Shineway Pharmaceutical in Luo Yang Peony Plaza Hotel in Henan Province, where more than 60 experts and scholars in the field of cardiovascular and cerebrovascular diseases from Henan Province attended the conference. The conference aimed to establish an academic communication platform to promote the improvement of the diagnosis and treatment of cardiovascular and cerebrovascular diseases. During the Reporting Period, Shineway Pharmaceutical held a total of 20 Shineway Health Walk Activities in Jiangsu, Xuzhou and other places.

Shijiazhuang 2019 Quality Month “Quality Open Day” into Shineway

On Sep 20, the “Quality Open Day” was hosted by the Market Supervision Administration of Shijiazhuang and co-organised by the Market Supervision Administration of Luancheng which entered Shineway Pharmaceutical Limited. The activity is based on the theme of “Promoting the culture of Chinese medicine and building a quality strong nation together”, spreading the quality culture of Chinese medicine, promoting the quality spirit of Chinese medicine, and cultivating the confidence of Chinese medicine students in the Chinese medicine industry in the motherland. More than 150 teachers and students from Hebei University of Chinese Medicine were invited to visit Shineway Pharmaceutical.

Shineway Pharmaceutical filmed “My Motherland and I” music video (“MV”) as a gift to the country

To celebrate the 70th anniversary of the establishment of the People's Republic of China, with the advent of National Day, Shineway Pharmaceutical made use of various ways to celebrate the National Day, from waving the Flag of China to singing “My Motherland and I”, and from filming patriotic MV to posting National Day banners. With the excited Shinewayers, scenes of great passion were composed and people confessed to the motherland. The joyous and enthusiastic atmosphere, the affectionate blessings made Shinewayers exuberant, ignited their patriotism, and they expressed their deep love for the motherland.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Guardians, Shineway in Action – Mountain climbing, team building and cleaning along the way in Yunnan

In order to actively respond to the call of Chuxiong to create a civilised city, we proactively strive to be the protectors of the urban environment. To further enhance the awareness of environmental protection and fitness of all employees, enrich the cultural and physical life of employees, and strengthen the cohesion and team spirit, the Yunnan branch organised the “Environmental Guardians, Shineway in Action” on Nov 9, during which all employees engaged in team building and mountain climbing to clean up garbage along the way and maintain the public hygiene of Xishan Park.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources - Energy Consumption, Water Consumption, Use of Packaging Materials
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources - Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources - Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources - Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources - Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources - Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources - Green Production, Green Building and Construction Project's Feasibility, Environmental Safety Emergency Response Mechanism, Climate Change, Biodiversity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on:	Employment
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2 (Recommended Disclosures)	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on:	Health and Safety
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
KPI B2.1 (Recommended Disclosure)	Number and rate of work-related fatalities	Health and Safety
KPI B2.2 (Recommended Disclosure)	Lost days due to work injury.	Health and Safety
KPI B2.3 (Recommended Disclosure)	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1 (Recommended Disclosure)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2 (Recommended Disclosure)	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Labour Standards
KPI B4.1 (Recommended Disclosure)	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2 (Recommended Disclosure)	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1 (Recommended Disclosure)	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2 (Recommended Disclosure)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description Section/Declaration

Aspect B6: Product Responsibility

General Disclosure	Information on:	Product Responsibility
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1 (Recommended Disclosure)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2 (Recommended Disclosure)	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3 (Recommended Disclosure)	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4 (Recommended Disclosure)	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5 (Recommended Disclosure)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on:	Anti-corruption
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1 (Recommended Disclosure)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2 (Recommended Disclosure)	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1 (Recommended Disclosure)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2 (Recommended Disclosure)	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 102: Organizational Profile		
102-1	Name of the organization	Cover
102-2	Activities, brands, products, and services	Introduction
102-3	Location of headquarters	About Shineway
102-4	Location of operations	About Shineway
102-5	Ownership and legal form	Cover, Introduction
102-6	Markets served	Introduction
102-7	Scale of the organization	About Shineway, (Annual Report 2019) Financial Statements
102-8	Information on employees and other workers	Employment
102-9	Supply chain	Supply Chain Management
102-10	Significant changes to the organization and its supply chain	About Shineway
102-11	Precautionary Principle or approach	Product Responsibility
102-12	External initiatives	Sustainable Development Goals Policies
102-13	Membership of associations	About Shineway
102-14	Statement from senior decision-maker	Chairman's Statement
102-16	Values, principles, standards, and norms of behavior	Core Values, Missions
102-18	Governance structure	Environmental, Social and Governance Management, Corporate Social Responsibility and Sustainability Committee Management Structure
102-40	List of stakeholder groups	Stakeholder Engagement

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GRI Indicator	Description	Report chapter/Website reference and notes
102-41	Collective bargaining agreements	As the Group's operation is in China, collective bargaining agreements are not applicable.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	(Annual Report 2019) Financial Statements
102-46	Defining report content and topic Boundaries	Reporting Scope
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	Not applicable, as the Group does not have any reasons that required to have any restatements of information
102-49	Changes in reporting	Reporting Scope
102-50	Reporting period	Introduction
102-51	Date of most recent report	Introduction
102-52	Reporting cycle	Introduction
102-53	Contact point for questions regarding the report	Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Framework
102-55	GRI content index	Global Reporting Initiative Content Index

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GRI Indicator	Description	Report chapter/Website reference and notes
102-56	External assurance	We rely on the internal information monitoring and checking information samples to ensure its accuracy.
GRI 203: Indirect Economic Impacts		
103-1	Explanation of the material topic and its Boundary	Community Investment
103-2	The management approach and its components	Community Investment
103-3	Evaluation of the management approach	Community Investment
203-1	Infrastructure investments and services supported	Community Investment
GRI 204: Procurement Practices		
103-1	Explanation of the material topic and its Boundary	Supply Chain Management
103-2	The management approach and its components	Supply Chain Management
103-3	Evaluation of the management approach	Supply Chain Management
204-1	Proportion of spending on local suppliers	Supply Chain Management
GRI 205: Anti-corruption		
103-1	Explanation of the material topic and its Boundary	Anti-corruption
103-2	The management approach and its components	Anti-corruption
103-3	Evaluation of the management approach	Anti-corruption
205-1	Operations assessed for risks related to corruption	Anti-corruption

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GRI Indicator	Description	Report chapter/Website reference and notes
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
GRI 302: Energy		
103-1	Explanation of the material topic and its Boundary	Energy Consumption
103-2	The management approach and its components	Energy Consumption
103-3	Evaluation of the management approach	Energy Consumption
302-1	Energy consumption within the organization	Energy Consumption
302-3	Energy consumption intensity	Energy Consumption
302-4	Reduction of energy consumption	Energy Consumption
GRI 303: Water		
103-1	Explanation of the material topic and its Boundary	Water Consumption
103-2	The management approach and its components	Water Consumption
103-3	Evaluation of the management approach	Water Consumption
303-3	Water recycled and reused	Water Consumption
GRI 305: Emissions		
103-1	Explanation of the material topic and its Boundary	Emissions, Exhaust Gas and GHG Emissions
103-2	The management approach and its components	Emissions, Exhaust Gas and GHG Emissions
103-3	Evaluation of the management approach	Emissions, Exhaust Gas and GHG Emissions

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GRI Indicator	Description	Report chapter/Website reference and notes
305-1	Direct (Scope 1) GHG emissions	Exhaust Gas and GHG Emissions
305-2	Energy indirect (Scope 2) GHG emissions	Exhaust Gas and GHG Emissions
305-3	Other indirect (Scope 3) GHG emissions	Exhaust Gas and GHG Emissions
305-4	GHG emissions intensity	Exhaust Gas and GHG Emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Exhaust Gas and GHG Emissions
GRI 306: Effluents and Waste		
103-1	Explanation of the material topic and its Boundary	Emissions, Sewage Discharge
103-2	The management approach and its components	Emissions, Sewage Discharge
103-3	Evaluation of the management approach	Emissions, Sewage Discharge
306-1	Water discharge by quality and destination	Sewage Discharge
306-2	Waste by type and disposal method	Hazardous and Non-hazardous Waste Disposal
GRI 307: Environmental Compliance		
103-1	Explanation of the material topic and its Boundary	Emissions
103-2	The management approach and its components	Emissions
103-3	Evaluation of the management approach	Emissions
307-1	Non-compliance with environmental laws and regulations	Emissions

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

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

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GRI Indicator	Description	Report chapter/Website reference and notes
GRI 409: Forced or Compulsory Labour		
103-1	Explanation of the material topic and its Boundary	Prevention of Child Labour And Forced Labour
103-2	The management approach and its components	Prevention of Child Labour And Forced Labour
103-3	Evaluation of the management approach	Prevention of Child Labour And Forced Labour
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Prevention of Child Labour And Forced Labour
GRI 414: Supplier Social Assessment		
103-1	Explanation of the material topic and its Boundary	Environmental and Social Risk Management of Supply Chain
103-2	The management approach and its components	Environmental and Social Risk Management of Supply Chain
103-3	Evaluation of the management approach	Environmental and Social Risk Management of Supply Chain
414-1	New suppliers that were screened using social criteria	Environmental and Social Risk Management of Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone social impact assessment: 100%
GRI 416: Customer Health and Safety		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Quality and Safety of Products and Services
103-2	The management approach and its components	Product Responsibility, Quality and Safety of Products and Services
103-3	Evaluation of the management approach	Product Responsibility, Quality and Safety of Products and Services

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GRI Indicator	Description	Report chapter/Website reference and notes
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality and Safety of Products and Services
GRI 417: Marketing and Labelling		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Advertising and Labelling
103-2	The management approach and its components	Product Responsibility, Advertising and Labelling
103-3	Evaluation of the management approach	Product Responsibility, Advertising and Labelling
417-2	Incidents of non-compliance concerning product and service information and labeling	Advertising and Labelling
417-3	Incidents of non-compliance concerning marketing communications	Advertising and Labelling
GRI 418: Customer Privacy		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Customer After-sales Service and Privacy Policy
103-2	The management approach and its components	Product Responsibility, Customer After-sales Service and Privacy Policy
103-3	Evaluation of the management approach	Product Responsibility, Customer After-sales Service and Privacy Policy
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer After-sales Service and Privacy Policy

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GRI Indicator	Description	Report chapter/Website reference and notes
GRI 419: Socioeconomic Compliance		
103-1	Explanation of the material topic and its Boundary	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
103-2	The management approach and its components	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
103-3	Evaluation of the management approach	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption
419-1	Non-compliance with laws and regulations in the social and economic area	Employment, Health and Safety, Labour Standards, Product Responsibility, Anti-corruption