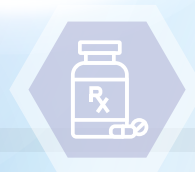




China Shineway Pharmaceutical Group Limited
中國神威藥業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2877

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

LEADING MODERN
CHINESE MEDICINE
PROMOTING
HEALTH INDUSTRY



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the “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 publishes an ESG report each year. This ESG Report is the fifth ESG report released by the Group, and the fourth ESG report for the year ended 31 December 2019 (“2019”) was published in April 2020. This ESG Report has undergone the internal audit process of the Group and has been reviewed by the Corporate Social Responsibility and Sustainability Committee (the “Committee”) and the Board of Directors (the “Board”).

REPORTING PERIOD

This ESG Report details the activities, information, challenges and measures taken by the Group with respect to ESG aspects for the year ended 31 December 2020 (the “Reporting Period” or “2020”).

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 Shineway Pharmaceutical Group Co., Ltd. (“Shineway Company”) which is 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, whereas the 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 2020 Annual Report. 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 2020.

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.

CHAIRMAN’S STATEMENT

On behalf of the Group, I am pleased to present the fifth ESG Report of the Group for the year ended 31 December 2020, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BRANDING 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 ("UNSDGs"), and incorporated them into consideration factors in policy development.

OUR ACHIEVEMENTS IN 2020

As a pharmaceutical company, we believe 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 253 invention patents and has 119 authorised invention patents, including 13 foreign invention patents. During the Reporting Period, the Group applied for 14 invention patents, of which 13 were authorised. In addition, a total of eight products of the Group have been included in the recommended drug catalogs for the diagnosis and treatment of new coronavirus ("COVID-19") in various provinces. The four types of Chinese medicine injections include Qingkailing Injection, Shuxuening Injection, Shenmai Injection and Huangqi injection were listed in the "International Clinical Practice Guidelines for Traditional Chinese Medicine-Viral Myocarditis", prompting medical institutions and the general public keener to use our products. We believe that the publication of the new edition of the National Essential Drugs List, the implementation of the "Traditional Chinese Medicine Law", the support on the development of traditional Chinese medicine, the gradual opening of the TCM formula granule market and the favourable policies on hierarchical diagnosis and treatment would provide the Chinese medicine industry with more favourable opportunities on its development.

To let more people understand Shineway, the Group has established the Museum of Chinese Medicine Culture (the "Museum") in Shijiazhuang. 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 establishing a full experts' mechanism to strengthen the academic brand and reputation of our strategic products.

The Group has always adhered to the "people-oriented" concept of human resource management and has not forgotten to cater to employees' needs and contribute to society while developing its business. The Group continues to provide employees with different benefits and training to meet their needs and increase their sense of belonging. Besides, the Group actively participates in and organises charitable projects and charitable activities, and does its best to promote the development of charities, provide manpower, material and financial support for medical, educational and cultural public services, 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 560 hours, RMB3.45 million, and donated 79,898 related drug products in charity activities. We also provide volunteer training for employees from time to time in order to strengthen our corporate culture and improve employees' sense of social responsibility comprehensively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LOOKING FORWARD TO THE FUTURE

We will continuously adjust our sustainability strategies in the coming year and convey our sustainability goals to our employees. We will work closely with different stakeholders to figure out the best operation mode to promote public health, culture of Chinese medicine as well as 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 previous years. 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BLOOMBERG ESG DISCLOSURE

Environment

| | Unit | 2020 |
|--|--------------------|--------------|
| Disclosure | | |
| Scope of Disclosure | | Yes |
| Reporting Basis Consistent? | | Yes |
| GRI Criteria Compliance | | Yes |
| Global Reporting Initiatives Checked | | No |
| Verification Type | | No |
| Emissions | | |
| GHG (Scope 1) ¹ | tCO ₂ e | 100,252.46 |
| GHG (Scope 2) ¹ | tCO ₂ e | 7,390.89 |
| Total GHG Emissions (Scope 1 and 2) | tCO ₂ e | 107,643.35 |
| GHG (Scope 3) ¹ | tCO ₂ e | 23,345.44 |
| Total GHG Emissions (Scope 1, 2 and 3) | tCO ₂ e | 130,988.79 |
| Carbon Offsets | | N/A |
| NOx Emissions | tonnes | 3.67 |
| SO ₂ Emissions | tonnes | 0.80 |
| Particulate Emissions | tonnes | 0.69 |
| Energy | | |
| Electricity Used | kWh | 8,279,900.00 |
| Fuel Used – Coal/Lignite | kWh | – |
| Fuel Used – Natural Gas | kWh | – |
| Fuel Used – Oil/Diesel | kWh | – |
| Biomass Fuel Use % | kWh | – |
| Steam | Steam | 270,565.91 |
| Water | | |
| Total Water Use | tonnes | 374,117 |
| Water Withdrawal | tonnes | 374,117 |
| Water Discharged | tonnes | 353,478 |
| Water Consumption Derived | tonnes | 20,639 |
| Total Water Recycled | tonnes | 14,120.00 |
| Reclaimed Water | tonnes | – |
| Freshwater withdrawals | tonnes | – |
| Chemical Oxygen Demand of Discharges | tonnes | 19.22 |
| Waste Management | | |
| Total Waste | tonnes | 12,601.26 |
| Hazardous Waste | tonnes | 1.26 |
| Waste Recycled | tonnes | N/A |
| Waste Sent to Landfills | tonnes | 12,600 |
| Material | | |
| Raw Material Used | tonnes | 7,678.00 |
| Paper Consumption | kg | 0.42 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| | Unit | 2020 |
|---|------------|------------|
| Spills | | |
| Number of Significant Spills | number | – |
| Amount of Significant Spills | tonnes | – |
| Environmental Fines | | |
| Environmental Fines (Number) | number | – |
| Environmental Fines (Amount) | RMB | – |
| Investments/Costs | | |
| Investments in Operational Sustainability | RMB | 15,000,000 |
| Certified Sites | | |
| ISO 14001 Certified Sites | | Yes |
| % Sites Certified | percentage | 100 |
| Operational Policy | | |
| Renewable Electricity Target Policy | | No |
| Energy Efficiency Policy | | Yes |
| Emissions Reduction Initiatives | | Yes |
| Environmental Supply Chain Management | | Yes |
| Environmental Quality Management Policy | | Yes |
| Green Building Policy | | Yes |
| Sustainable Packaging | | Yes |
| Waste Reduction Policy | | Yes |
| Water Policy | | Yes |
| Biodiversity Policy | | Yes |
| Climate Change Policy | | Yes |
| New Products - Climate Change | | No |
| Climate Change Opportunities Discussed | | Yes |
| Risks of Climate Change Discussed | | Yes |

Note:

- Greenhouse gas emissions data are presented in terms of carbon dioxide equivalent, with reference to including but not limited to the "Greenhouse Gas Inventory Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, Hebei Province Development The "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Other Industries in Hebei Province" published by the Reform Commission and the latest release factors of China's regional power grid baseline emission factors. Direct greenhouse gas emissions (Scope 1) mainly include boiler combustion emissions, while indirect greenhouse gas emissions mainly include electricity consumption (Scope 2) and industrial wastewater anaerobic treatment (Scope 3).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

| | Unit | 2020 |
|---|------------|--------------|
| Employees | | |
| Number of Employees | number | 3,441.00 |
| Employee Turnover % | percentage | 25.18% |
| Number of Temporary Employees | number | – |
| % Employees Unionized | percentage | 46.12% |
| Employee Diversity | | |
| % Women in Workforce | percentage | 51.18% |
| % Women in Middle and or Other Management | percentage | 24.29% |
| % Minorities in Workforce | percentage | 3.05% |
| Gender Pay Gap | | |
| Gender Pay Gap Breakout | | Yes |
| Employee Training | | |
| Employee Training Cost | RMB | 498,876.00 |
| Total Hours Spent by Firm - Employee Training | hours | 3,513.00 |
| Safety | | |
| Workforce Accidents | number | 2.00 |
| Lost Time from Accidents | hours | 608.00 |
| Total recordable Accident Rate | percentage | 0.06 |
| Fatalities - Total | number | – |
| Fatalities - Employees | number | – |
| Fatalities - Contractors | number | – |
| Supply Chain | | |
| Social Supply Chain Management | | Yes |
| Sustainable Supplier Guidelines Encompass ESG Area Publicly Disclosed | | Yes |
| Community & Customers | | |
| Community Spending | RMB | 3,445,272.00 |
| Number of Customer Complaints | number | – |
| Policy | | |
| Anti-Bribery Ethics Policy | | Yes |
| Business Ethics Policy | | Yes |
| Employee CSR Training | | No |
| Employee Protection / Whistle Blower Policy | | Yes |
| Equal Opportunity Policy | | Yes |
| Fair Remuneration Policy | | Yes |
| Health and Safety Policy | | No |
| Human Rights Policy | | Yes |
| Training Policy | | Yes |
| Policy Against Child Labour | | Yes |
| Consumer Data Protection Policy | | Yes |
| UN Global Compact Signatory | | No |
| SDGs Target Policy | | Yes |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE

| | 2020 |
|--|---------|
| Board Structure | |
| Size of the Board | 8 |
| Unitary or Two Tier Board System | Unitary |
| # Employee Representatives on Board | – |
| Classified Board System | Yes |
| Board Independence | |
| # Non Exec Dir on Board | 4 |
| % Non Exec Dir on Board | 50% |
| # Independent Directors | 3 |
| % Independent Directors | 37.5% |
| CEO Duality | Yes |
| Independent Chairperson | No |
| Independent Lead Director | No |
| Presiding Director | No |
| Former CEO or its Equivalent on Board | No |
| Board & Exec Diversity | |
| # Women on Board | 2 |
| % Women on Board | 25% |
| Female Chief Executive Officer or Equivalent | No |
| Female Chairperson or Equivalent | No |
| # Executives / Company Mgrs | 9 |
| CEO or Equivalent Appointed from Within | No |
| # Female Executives | 17 |
| % Female Executives | 24.3% |
| Age of the Youngest Director | 38 |
| Age of the Oldest Director | 74 |
| Board of Directors Age Range | 38-74 |
| Board Average Age | 56 |
| Board Duration (Years) | 3 |
| Executive Director Board Duration | 3 |
| Board Meetings | |
| # Board Meetings | 4 |
| Board Meeting Attendance % | 100% |
| Independent Directors Board Meeting Attendance % | 100% |
| # Dir Attending Less than 75% of Mtgs | – |
| Audit Committee | |
| Size of Audit Committee | 3 |
| # Independent Dir on Audit Cmte | 3 |
| % Independent Dir on Audit Cmte | 100% |
| Independent Audit Committee Chairperson | Yes |
| # Non Exec Dir on Audit Cmte | 3 |
| # Audit Committee Meetings | 4 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| | 2020 |
|--|--------|
| Audit Committee Meeting Attendance Percentage | 100% |
| Remuneration Committee | |
| Size of Remuneration Committee | 3 |
| # Independent Dir on Remun Cmte | 2 |
| % Independent Dir on Remun Cmte | 66.67% |
| Independent Remun Committee Chairperson | Yes |
| # Non Exec Dir on Remun Cmte | 2 |
| # Comp Committee Meetings | 3 |
| Compensation Committee Meeting Attendance % | 100% |
| Outside Compensation Advisors Appointed | No |
| Nomination Committee | |
| Size of Nomination Committee | 3 |
| # Independent Dir on Nom Cmte | 3 |
| Pct of Ind Directors on Nomination Committee | 66.67% |
| Independent Nomination Committee Chairperson | Yes |
| # Non Exec Dir on Nom Cmte | 2 |
| # Nom Cmte Meetings | 2 |
| Nomination Committee Meeting Attendance Percentage | 100% |
| CSR/Sustainability Committee | Yes |
| Related Party Committee | No |
| Strategy Committee | Yes |
| Board & Exec Activities | |
| Non-Executive Director with Responsibility for CSR | Yes |
| Executive Director with Responsibility for CSR | Yes |
| Executive Compensation Linked to ESG | No |
| ESG Linked Compensation for Board | No |
| Shareholder Rights | |
| Pct Ownership Required for Special Meeting | 10% |
| Poison Pill Plan | No |
| Shareholder Approved Poison Pill | No |
| Dual Class Unequal Voting Rights - Common Shares | No |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG RATIO

| | Unit | 2020 |
|---|---|------------|
| Greenhouse Gases | | |
| GHG Intensity per Sales ¹ | tCO ₂ e/sales (in million RMB) | 49.32 |
| GHG Scope 1 Intensity per Sales ² | tCO ₂ e/sales (in million RMB) | 37.75 |
| GHG Scope 2 Intensity per Sales ² | tCO ₂ e/sales (in million RMB) | 2.78 |
| GHG Intensity per EBITDA ³ | tCO ₂ e/EBITDA (in million RMB) | 211.26 |
| GHG/CO ₂ Intensity / Gross Fixed Assets ⁴ | tCO ₂ e/Gross Fixed Asset (in million RMB) | 44.25 |
| GHG/CO ₂ Intensity / Net Fixed Assets ⁵ | tCO ₂ e/Net Fixed Assets (in million RMB) | 93.91 |
| GHG Intensity per Energy ⁶ | tCO ₂ e/kWh | 0.02 |
| GHG Intensity per Employee ⁷ | tCO ₂ e/employee | 38.07 |
| GHG Intensity per Assets ⁸ | tCO ₂ e/assets (in million RMB) | 18.16 |
| Scope 3 GHG per Employee | tCO ₂ e/employee | 6.78 |
| Carbon Dioxide | | |
| Travel Emissions per Sales | | N/A |
| Travel Emissions per Employee | | N/A |
| Energy | | |
| Energy Intensity per Sales | kWh/sales (in million RMB) | 3,117.78 |
| Energy Intensity per EBITDA | kWh/EBITDA (in million RMB) | 13,353.90 |
| Energy Intensity per Employee | kWh/employee | 2,406.25 |
| Energy Intensity per Assets | kWh/assets (in million RMB) | 1,147.83 |
| Water | | |
| Water Intensity per Sales | tonnes/sales (in million RMB) | 287.06 |
| Water Intensity per EBITDA | tonnes/EBITDA (in million RMB) | 1,229.53 |
| Water Intensity per Energy | tonnes/kWh | 0.09 |
| Water Intensity per Employee | tonnes/employee | 221.55 |
| Water Intensity per Assets | tonnes/assets (in million RMB) | 105.68 |
| Water Usage Efficiency Rate | | 0.06 |
| Waste | | |
| Waste Intensity per Employee | tonnes/employee | 3.66 |
| Waste Generated per Assets | tonnes/assets (in million RMB) | 1.75 |
| Waste Generated per Sales | tonnes/sales (in million RMB) | 4.74 |
| Other Environmental | | |
| NO _x Emissions per Sales | tonnes/sales (in million RMB) | 0.001 |
| SO _x Emissions per Sales | tonnes/sales (in million RMB) | 0.0003 |
| Paper Consumption per Sales | kg/sales (in million RMB) | 0.0002 |
| Paper Consumption per Employee | kg/employee | 0.0001 |
| Social | | |
| Women Management to Employees Ratio | | 0.005 |
| Lost Time per Employee | hours | 0.18 |
| Sustainable investment per capital expenditure | RMB/Capital expenditure (in million RMB) | 227,179.79 |
| Community Spend % PTP ⁹ | RMB/Pre-Tax Profit (in million RMB) | 8,721.68 |
| Community Spend % EBITDA | RMB/EBITDA (in million RMB) | 5,556.57 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| | Unit | 2020 |
|--|---|------------|
| Community Spend % Equity ¹⁰ | RMB/equity (in million RMB) | 594.61 |
| % Suppliers Audited | percentage | 100 |
| % Suppliers in Non-Compliance ¹¹ | percentage | – |
| R&D Expenditures per Cash Flow ^{12,13} | RMB/Net Cash Flow from operation activities (in million RMB) | 156,138.91 |
| Actual Net Income per Employee ¹⁴ | RMB/employee | 85,740.48 |
| Actual Cash Flow per Employee ¹³ | RMB/employee | 185,575.70 |
| Actual Personnel Expenses per Employee ¹⁵ | RMB/employee | 94,911.07 |
| Governance | | |
| % of Non-Executive Directors on Board | percentage | 50 |
| % Independent Directors | percentage | 38 |
| % Women on Board | percentage | 25 |
| % of Female Executives | percentage | 24.3 |
| Board of Directors Age Range | | 38-74 |
| Board Average Age | | 56 |
| Board Meeting Attendance % | percentage | 100 |
| Independent Directors Board Meeting Attendance % | percentage | 100 |
| % of Independent Directors on Audit Committee | percentage | 100 |
| Audit Committee Meeting Attendance % | percentage | 100 |
| % of Ind Directors on Compensation Committee | percentage | 67 |
| Compensation Committee Meeting Attendance % | percentage | 100 |
| % of Ind Directors on Nomination Committee | percentage | 67 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes:

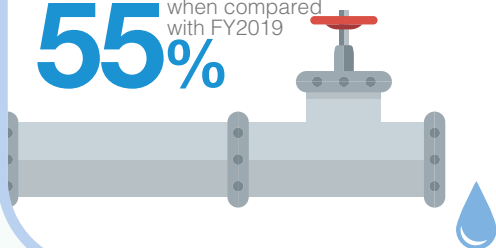
- 1: During the Reporting Period, the Group's sales amount was approximately RMB2,655.701 million. This data is also used to calculate other intensity data.
- 2: Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (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.
- 3: During the Reporting Period, the Group's EBITDA was approximately RMB620.036 million. This data is also used to calculate other intensity data.
- 4: As at 31 December 2020, the Group's gross fixed assets was approximately RMB2,960.301 million. This data is also used to calculate other intensity data.
- 5: As at 31 December 2020, the Group's net fixed assets was approximately RMB1,394.771 million. This data is also used to calculate other intensity data.
- 6: Energy is in terms of electricity consumed. This data is also used to calculate other intensity data.
- 7: As at 31 December 2020, the Group's total employee number was 3,441. This data is also used to calculate other intensity data.
- 8: As at 31 December 2020, the Group's assets was approximately RMB7,213.508 million. This data is also used to calculate other intensity data.
- 9: During the Reporting Period, the Group's pre-tax profit (i.e. profit before taxation) was approximately RMB395.024 million. This data is also used to calculate other intensity data.
- 10: As at 31 December 2020, the Group's total equity was approximately RMB5,794.182 million. This data is also used to calculate other intensity data.
- 11: Suppliers in non-compliance referring to those suppliers that the Group has terminated cooperations after supplier evaluation (i.e. suppliers audited).
- 12: During the Reporting Period, the Group's R&D expenditures was approximately RMB99.705 million. This data is also used to calculate other intensity data.
- 13: During the Reporting Period, the Group's net cash from operation activities was approximately RMB638.566 million. This data is also used to calculate other intensity data.
- 14: During the Reporting Period, the Group's net income was approximately RMB295.033 million. This data is also used to calculate other intensity data.
- 15: During the Reporting Period, the Group's personnel expenses was approximately RMB326.589 million. This data is also used to calculate other intensity data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

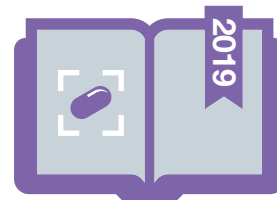
ACHIEVEMENTS IN CORPORATE SUSTAINABLE DEVELOPMENT

Water consumption reduced by approximately
when compared
with FY2019

55%

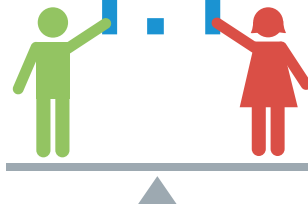


A total of eight products have been included in the recommended drug list for the diagnosis and treatment plan of "new coronavirus infection pneumonia" in multiple provinces

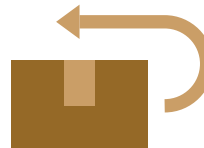


The male to female ratio of all employees
is close to

1:1



of drugs being recalled



0
cases

Local suppliers account for more than

98%
among all
suppliers



Put a total of **560** hours
RMB3.45 million and donate



79,898 boxes of related drugs to
public welfare activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT SHINEWAY

Shineway Pharmaceutical is mainly engaged in the research and development, production and sales of modern Chinese medicine injections, soft capsules, granules and Chinese medicine formula granules. The Group's products are mainly used for treatment of eight major areas including cardiovascular and cerebrovascular drugs, respiratory system drugs, digestive system drugs, pediatric drugs, gastric drugs, strengthening and tonic drugs, nervous system drugs and gynecological drugs, etc., and the products are also mainly sold in China. The headquarter of the Group is located in Luancheng, Shijiazhuang, Hebei Province, the People's Republic of China. China is also where our business is located and the relevant country for the topics covered in this report.

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.

Apart from the business development, the Group also 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORE VALUES

1. 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.

2. Respect value

The Group emphasises that employees should respect and acknowledge our core values, as well as recognise our business' 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.

3. 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 work 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.

4. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MISSIONS

Shineway is committed to:

- Providing consumers with efficient, safe and cost-effective drugs to protect their health and enhance their quality of life.
- Winning 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.
- Increasing 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.
- 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.

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 2020.

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 regards sustainable development as its business operation and development direction, and actively responds to the “2030 Agenda for Sustainable Development” and 17 sustainable development goals adopted at the United Nations Summit in 2015. The committee will identify and manage the risks and opportunities related to sustainable development goals, and formulate the general direction of relevant policies to fulfill its social responsibilities. In addition, we have formulated the “Sustainable Development Goals Policy” to identify two areas where the Group can play an important role in advancing the sustainable development goals, and will fully support these goals. The progress of the two sustainable development goals we have implemented in 2020 has been set out in the corresponding chapters of this ESG Report.

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 — Charity activities that the Group participated in or organised in 2020

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 consider a wide range of different stakeholders, including individuals and organizations that have an impact on our business or are directly or indirectly affected. We always maintain adequate communication with stakeholders to help the Group assess the impact of its ESG decisions and internal control mechanisms, truly understand and respond to the needs of different stakeholders in a timely manner, and adjust its own development direction.

The Group maintains close communication through different channels with different key stakeholders, and actively responds to the opinions and needs of stakeholders. We will continue to strengthen the participation of stakeholders through constructive dialogue so as to draw a blueprint for long-term prosperity and development. The communication channels between the Group and its key stakeholders and their corresponding expectations 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 | Regularly Regularly Annually |
| Employees | <ul style="list-style-type: none"> • Working environment • Employees' benefit • Work performance • Industrial knowledge | Management newsletter and performance evaluations Employee newsletter and broadcasting Intranet | Annually Annually Annually |
| Investors and shareholders | <ul style="list-style-type: none"> • Performance • Development strategy • Operational prospect • 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 | Regularly Regularly Regularly Regularly Regularly Monthly Annually Annually Annually Annually |
| 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 | Annually Annually Annually Annually |

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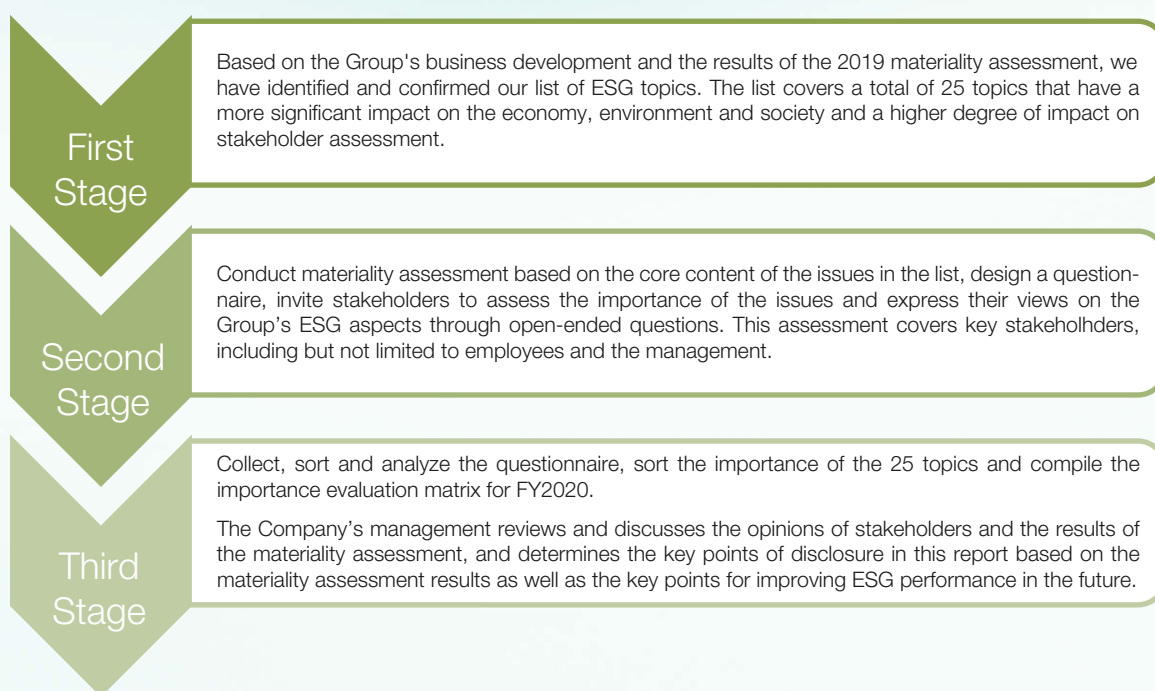
| Key stakeholders | Material topics and issues being raised | Communication channels | Communication frequency |
|----------------------------------|--|---|--|
| Suppliers | <ul style="list-style-type: none"> • Quality of raw materials • Supplier's environmental and social risks • Fair and open procurement | Supplier management conferences and events Supplier on-site audit management system | Regularly Regularly |
| Government and regulatory bodies | <ul style="list-style-type: none"> • Operation compliance | Work conference Performance report Written response to public consultation | Regularly Regularly Annually |
| 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 | Regularly Regularly Annually Annually |

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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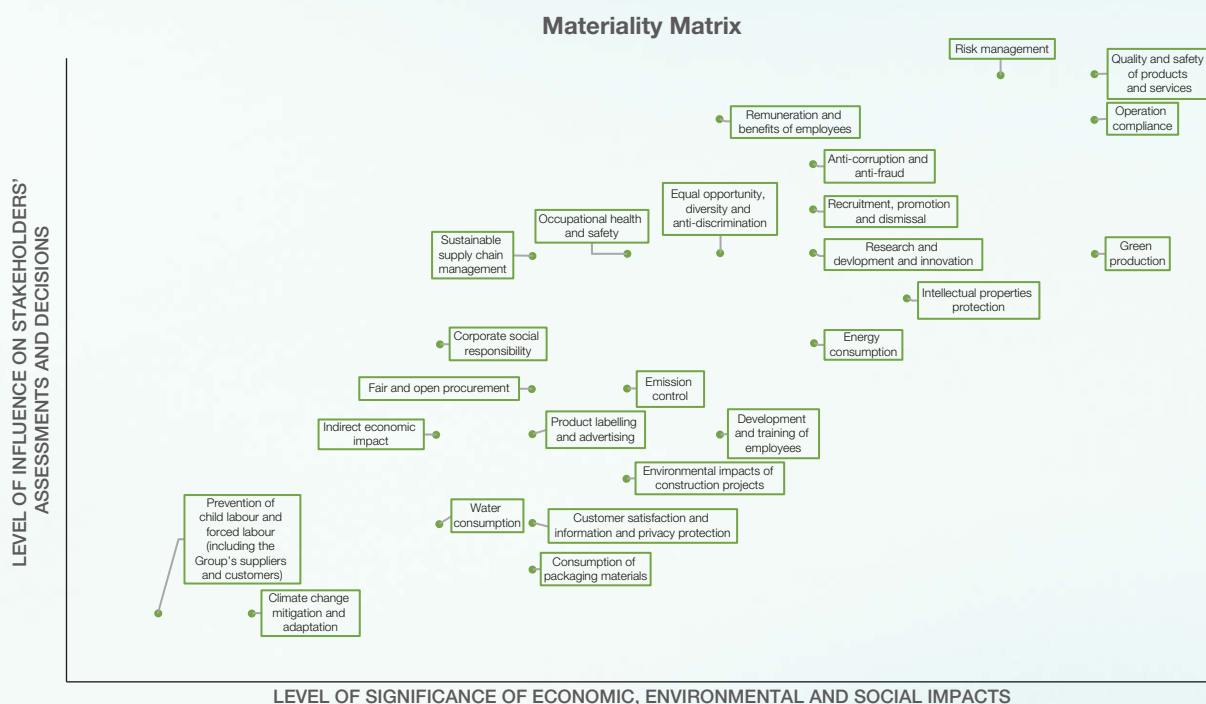
MATERIALITY ASSESSMENT

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



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The figure below is the Group's materiality matrix during the Reporting Period. The topics marked in the upper right corner of the matrix are those that have a greater impact on the development of the Group's business and are most concerned by stakeholders.



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, risk management and green production.. 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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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” (《環保自律體系管理規程》), “Policy on the Management of Environmental Protection Responsibility” (《環保責任制管理規程》), “Policy on the Management of Pollution Control Facilities” (《污染治理設施管理規程》), “Policy on the Solid Waste Management” (《固體廢物管理規程》), and “Environmental Protection Assessment Rules” (《環境保護考核細則》). 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, the Group has followed China’s environmental laws and regulations, formulated the “Construction Project Environmental Impact Assessment and ‘Three Simultaneous’ Management Procedures”. According to that procedure, environmental impact assessment is required to carry out and pass 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 includes, but not limited to the Security Department, Equipment Technology Transformation Department, Production Management Department, Technology Department, Finance Department, Human Resources Department, President Office and Quality Assurance Department has to cooperate with the Vice President of Environmental Protection and also responsible for implementing relevant environmental policies under their scope of work. The Security Department is also required to formulate self-monitoring plan annually to regularly monitor wastewater, exhaust gas, noise and other discharge outlets. 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. The departments related to the "Emergency Plan for Emergencies Environmental Incidents" are required to conduct drills annually, and keep video data and records.

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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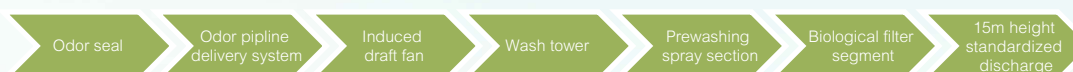
The Group's exhaust gas types include NO_x , SO_2 and dust. During the Reporting Period, the Group's total emission of exhaust gases was approximately 5.16 tonnes, it has reduced by approximately 73% when comparing with 2019. While the total GHG emissions was approximately 130,989 tCO₂e, which has reduced by approximately 10% when comparing with 2019.

In the course of production and operation, the Group actively promotes clean production, energy conservation and emission reduction, and reduces emissions by continuously increasing investment in environmental protection. The Group has standardized the settings of all exhaust gas outlets and does not allow employees to adjust, remove or idle the discharge outlets without authorization. The Group also 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 in FY2018, 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, SO_2 , 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 one set of cyclone high-efficiency dust removal and demister, and adding one SCR denitrification system to SNCR denitrification facility to meet the ultra-low emission target of the environmental protection requirements, emission concentration has reached: dust \leq 10mg/m³, $\text{SO}_2\leq$ 30mg/m³, $\text{NO}_x\leq$ 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 \leq 10mg/m³, $\text{SO}_2\leq$ 35mg/m³, $\text{NO}_x\leq$ 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 RMB3 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.

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The Group also invested a total of approximately RMB3 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 treatment facilities for processing, in order to meet 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 Reporting Period, the Group’s total sewage discharge was approximately 353,478 tonnes, which increased by approximately 16% when comparing with 2019. This is due to the increase in frequency of cleaning and disinfection by the Group during the outbreak of COVID-19. All sewage of the Group are discharged to groundwater.

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.

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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. The Group does not generate hazardous waste except for a very small amount of waste liquid generated by our research centres (approximately 1.26 tonnes). For the waste liquid generated by the scientific research centre, we will entrust qualified hazardous waste treatment service provider for harmless 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. The Group also 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 have implemented.

During the Reporting Period, the Group produced non-hazardous wastes of approximately 12,600 tonnes, which has reduced by approximately 19% when comparing with FY2019. In the course of operations, the Group inevitably generates waste. However, through effective waste disposal strategies and policies, the Group has minimised the environmental risks and impacts brought by waste disposal.

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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.

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 8,279,900 kWh of purchased electricity and approximately 270,565.91 tonnes of steam, for which the consumption has reduced by approximately 22% and approximately 1% correspondingly when comparing with FY2019. Other than the above energy sources, the Group did not consume energy such as liquefied petroleum gas, natural gas, gasoline, diesel and biofuels during its operation. In addition, the Group did not use heating and cooling energy.

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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 oral liquid workshop seldom uses compressed air on a daily basis, a 55KW air compressor in the workshop normally provides compressed air, and the loading rate is less than 10%, which wastes a lot of electric energy. We have therefore modified the pipeline connection and provided compressed air from the soft capsule workshop. After the modification, the air compressor in the oral liquid workshop was disabled, thereby saving 8.6 tonnes of standard coal per year;
2. The second workshop of traditional Chinese medicine uses a lot of steam and the condensed water flows back to the power workshop, which waste a lot of heat energy. It is now used for alcohol recovery through pipeline connection, followed by returning to the power workshop after absorbing part of the heat, which eliminates the usual steam used in alcohol recovery and saves 238.7 tonnes of standard coal annually;
3. Due to the leakage of fire-fighting water, the Group operates 30-kWh-fire-fighting pumps all year round. In order to solve the leakage problem, 7.5KW is now used instead of 30KW to maintain the pressure, and the pressure is automatically switched to 30KW when the pressure is lower than the set value, which saves a lot of electricity and achieves an annual saving of 24.6 tonnes of standard coal.

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 3% reduction in energy consumption per RMB10,000 in output value in 2020, and ultimately reduced energy consumption by 11% 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.

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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.

Water Consumption

During the Reporting Period, the Group's water consumption was approximately 374,117 tonnes, all of which was sourced from ground water. The Group's water consumption was approximately 20,639 tonnes, which has reduced by 55% when comparing with FY2019. During the Reporting Period, the Group has not consumed reclaimed water.

In order to reduce the consumption of water, we have 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.

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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.

Use of Packaging Materials

The Group realises that packaging waste has growing attention, therefore it establishes the "Sustainable Packaging Policy" in order to adopt sustainable packaging methods in our operations. The packaging of the Group's products follows the principle of reduction, easy recycling, reusable, and refillable. We try to use decomposable packaging materials as much as possible to reduce the use of plastic packaging. During the Reporting Period, the total packaging materials used by the Group was approximately 1,180,607 pieces of carton, approximately 143,692,976 packaging boxes, and approximately 143,680,366 sheets of instruction.

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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.

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.

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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A4. CLIMATE CHANGE

Climate Change

Extreme weather is getting more serious, and tackling climate change has become a global consensus. We are also aware that its physical risks may cause direct damage to the operations of the Group or indirect impact on the supply chain, thereby posing environmental risks and financial impacts on the Group. Since the raw materials involved in the Group's main production are natural Chinese medicinal materials, which are closely related to the natural environment, the acute physical risks brought by climate change (for example the changes in the growth factors of medicinal materials such as rainfall and temperature) may affect the production and procurement of raw materials. In addition, policy actions and emerging technologies on climate change will continue to develop, for example, switching to low-carbon energy sources and supporting the transition to a low-carbon economic system may bring risks to the Group's technological transformation and increase its costs. The impression of customers, the community and the media on whether the Group can commit to low-carbon transformation may also bring risks to the Group's image and reputation. In order to avoid and mitigate these risks, the Group has established the "Climate Change Policy" to formulate climate change policy guidelines and strategies consistent with global best practices, and to take sufficient measures to build climate change resilience to adapt or mitigate the impact of climate change on its business, while fulfilling its social responsibilities.

Besides, the Group has realized the impact of using fossil fuels on exacerbating climate change. We strive to explore opportunities to use alternative or renewable energy in our operations. We strive to explore opportunities to use alternative or renewable energy in our operations. At present, the Group realises that alternative energy and turning waste into energy is the most suitable environmentally friendly energy sources. It is the most suitable environmentally friendly energy source. We use traditional Chinese medicine waste residues from the production process to replace boiler coal. For details, please refer to the "Hazardous and Non-Hazardous Waste Discharge" section. In order to mitigate and adapt to climate change, the Group is also committed to improving the efficiency of resource use in daily operations. Through effective energy, water resources, packaging materials and waste management, operating costs can be reduced. Please refer to the section of "Use of Resources"

On the other hand, we have added climate change into 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental data summary

Air Emissions

| Types of air emissions | Unit | 2020 | 2019 | 2018 |
|---|--------------------------|--------------|-------|-------|
| Nitrogen oxide emissions (NO _x) | tonnes | 3.67 | 13.63 | 13.91 |
| Sulfur oxide emissions (SO ₂) | tonnes | 0.80 | 3.78 | 5.83 |
| Particulate matter emissions (PM) | tonnes | 0.69 | 1.68 | 5.30 |
| Total air pollutants | tonnes | 5.16 | 19.09 | 25.04 |
| Intensity | tonnes/employee | 0.002 | 0.01 | 0.01 |
| | tonnes/million RMB sales | 0.002 | 0.01 | 0.01 |
| | tonnes/EBITDA | 0.01 | 0.02 | 0.03 |
| | (in million RMB) | | | |

Greenhouse Gas ("GHG") Emissions

| Indicator | Unit | 2020 | 2019 | 2018 |
|---|--|----------------|---------|---------|
| Direct GHG emissions (Scope 1) | tCO ₂ e | 100,252 | 111,082 | 108,236 |
| Energy indirect GHG emissions (Scope 2) | tCO ₂ e | 7,391 | 9,492 | 13,184 |
| Total GHG emissions (Scope 1 and 2) | tCO ₂ e | 23,345 | 24,561 | 24,045 |
| Total GHG emissions intensity | tCO ₂ e/employee | 130,989 | 145,136 | 145,465 |
| | tCO ₂ e/employee | 38.07 | 39.31 | 39.86 |
| | tCO ₂ e/million RMB sales | 49.32 | 53.63 | N/A |
| | tCO ₂ e/EBITDA (in million RMB) | 211.26 | 170.66 | N/A |

Waste Emissions

| | Unit | 2020 | 2019 | 2018 |
|---------------------------------------|--------------------------|---------------|--------|--------|
| Non-hazardous waste types | | | | |
| Chinese herbal medicine waste residue | tonnes | 10,450 | 13,473 | 7,500 |
| Boiler slag | tonnes | 2,150 | 2,164 | 4,100 |
| Total (delivered to landfill) | tonnes | 12,600 | 15,637 | 11,600 |
| Intensity | tonnes/employee | 3.66 | 4.24 | 3.18 |
| | tonnes/million RMB sales | 4.74 | 5.78 | N/A |
| | tonnes/EBITDA | 20.32 | 18.39 | N/A |
| | (in million RMB) | | | |
| Hazardous waste types | | | | |
| Effluent liquor | tonnes | 1.26 | 0.88 | 0.60 |
| Total | tonnes | 1.26 | 0.88 | 0.60 |
| Intensity | tonnes/employee | 0.0004 | 0.0002 | 0.0002 |
| | tonnes/million RMB sales | 0.0005 | 0.0003 | N/A |
| | tonnes/EBITDA | 0.002 | 0.001 | N/A |
| | (in million RMB) | | | |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

| Types of energy | Unit | 2020 | 2019 | 2018 |
|-----------------|----------------------------------|------------------|------------|------------|
| Electricity | kWh | 8,279,900 | 10,591,800 | 15,973,200 |
| Intensity | kWh/employee | 2,406.25 | 2,868.85 | 4,377.42 |
| | kWh/million RMB sales | 3,117.78 | 3,914.20 | N/A |
| | kWh/EBITDA (in million RMB) | 13,353.90 | 12,454.93 | N/A |
| Steam | tonne | 270,566 | 273,260 | 258,272 |
| Intensity | tonne/employee | 78.63 | 74.01 | 70.79 |
| | tonne/million RMB sales | 101.88 | 100.98 | N/A |
| | tonne/EBITDA (in million RMB) | 436.37 | 321.33 | N/A |

Water Consumption

| Indicator | Unit | 2020 | 2019 | 2018 |
|-----------------------------|-----------------------------------|----------------|---------|---------|
| Water withdrawal | tonnes | 374,117 | 350,555 | 530,000 |
| Water discharge | tonnes | 353,478 | 305,112 | 385,750 |
| Water consumption | tonnes | 20,639 | 45,443 | 144,250 |
| Water discharge intensity | tonnes/employee | 108.72 | 94.95 | 145.25 |
| | tonnes/million RMB sales | 140.87 | 129.55 | N/A |
| | tonnes/EBITDA (in million RMB) | 603.38 | 412.22 | N/A |
| Water consumption intensity | tonnes/employee | 6.00 | 12.31 | 39.53 |
| | tonnes/million RMB sales | 7.77 | 16.79 | N/A |
| | tonnes/EBITDA (in million RMB) | 33.29 | 53.44 | N/A |

Use of Raw Material

| Indicator | Unit | 2020 | 2019 | 2018 |
|--|--------|--------------|------|------|
| Raw material (Including Chinese herbs) | tonnes | 7,678 | N/A | N/A |
| Auxiliary materials | tonnes | 1,000 | N/A | N/A |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Packaging Material

| Type of packaging material | Unit | 2020 | 2019 | 2018 |
|----------------------------|--------|-------------|-------------|-------------|
| Carton | pieces | 1,180,607 | 1,490,211 | 1,603,861 |
| Packaging boxes | boxes | 143,692,976 | 172,646,006 | 195,801,489 |
| Instruction | sheets | 143,680,366 | 179,131,232 | 203,026,433 |

Environmental Compliance

| Indicator | Unit | 2020 | 2019 | 2018 |
|-------------------------------|--------|------|------|------|
| Environmental violation cases | number | — | — | — |
| Environmental fines | RMB | — | — | — |

Significant Spill

| Indicator | Unit | 2020 | 2019 | 2018 |
|--------------------------------|--------|------|------|------|
| Total number of serious spills | number | — | — | N/A |
| Total amount of serious spills | tonnes | — | — | N/A |

B1. EMPLOYMENT

Employee Benefits and Equal Opportunity Policies

Equal Opportunity, Diversity and Anti-discrimination

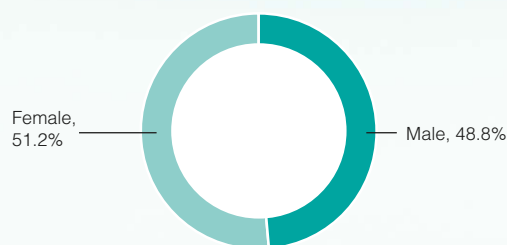
“People-oriented” is the concept of human resources management adopted by the Group and is also the cornerstone of the Group’s long-term development. The Group believes that under the corporate culture of “employing talent and team spirit”, we can achieve “ensure profit and balanced development” in the 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.

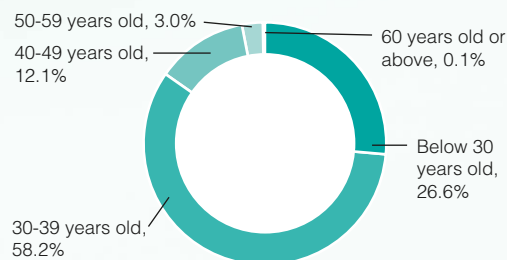
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2020, the Group had a total of 3,441 employees, all of whom were full-time fixed contract workers. With a male-to-female ratio of approximately 1: 1, while female contributed to 24.3% 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".

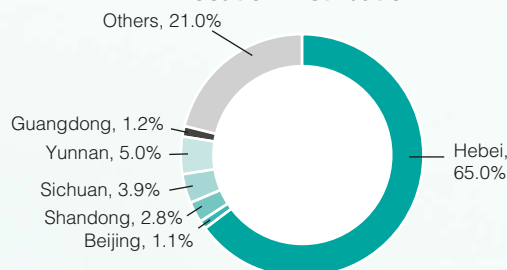
Employee's Gender Distribution



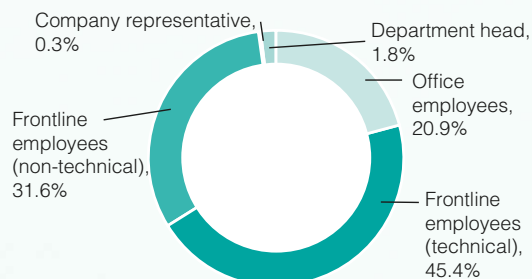
Employee Age Distribution



Employee Geographical Location Distribution



Employee Category Distribution



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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 30.3%, 23.2%, 21.2%, 18.5% and 20.7%.

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 passes 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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.

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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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COVID-19 Measures

In response to the outbreak of the COVID-19, the Group has quickly established an anti-epidemic leading group and adopted a series of measures to ensure the health and safety of its employees. The Group strictly abides by and implements the guidelines and announcements of the China Centers for Disease Control and Prevention in terms of epidemic prevention, and is committed to enhancing the Group's awareness of epidemic prevention and reducing unnecessary outings and movements to protect the health of employees and minimize operating risks.

The Group also implemented the "New Coronavirus Pneumonia Prevention Manual" in the early stages of the epidemic to provide employees with correct information about the COVID-19, including how the virus spreads and the symptoms of infection. The manual also advises employees on several preventive measures, including how to wash their hands properly, how to wear a surgical mask properly, and how to conduct self-temperature monitoring. In order to avoid the large-scale spread of the virus in the Group's office premise, each employee must wear a surgical mask and go to the designated room to record his body temperature in accordance with the requirements of the Company's security department, he will be permitted to enter the office only when he has a normal body temperature. If an employee's body temperature exceeds 37.2°C, he will immediately be advised to return home for observation and rest, or send him to the hospital right away. The Group has strengthened the disinfection of office premises as well, disinfect the supply air outlets and return air outlets regularly, and disinfect the public spaces of the Group every day. Regarding employee isolation arrangements, the Group also issued guidelines to employees to provide advice on the reporting measures for the outbreak of the COVID-19 among employees and related family members. Nevertheless, the Group distributes anti-epidemic materials daily to ensure that employees have sufficient resources to fight against the epidemic.

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 two work injuries occurred in the Group; while the lost working days due to work injury are 76 days. Apart from the above accidents, the Group was not aware of any violations of laws and regulations related to workplace health and safety, nor did it record any deaths due to work during the Reporting Period. For detailed health and safety related information, please refer to "Social Data Summary".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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, the related training content includes safety training, first aid training, management certificate courses, training on environmental knowledge and other value-added professional skills courses.

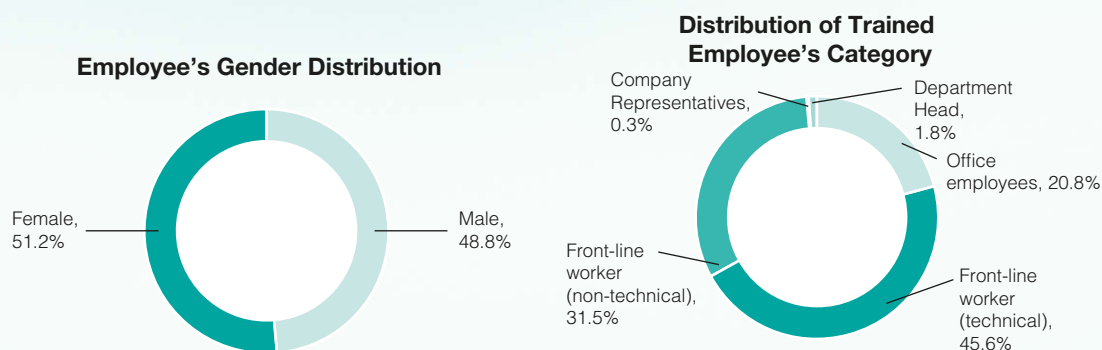
The Group also provides intensive trainings for new frontline employees on the quality control system based on "Good Manufacturing Practice of Medical Products" ("GMP") production methods, safe operating procedures and codes, and provides focused trainings based on the nature of individual work. Apart 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group has invested approximately RMB500 thousand in employee training, a total of approximately 3,513 employee training hours, and the percentage of employees being trained was approximately 99%. For detailed development and training related information, please refer to the chart below and “Social Data Summary”.



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. The Group was not aware of any material non-compliance with laws and regulations relating to preventing child labour and forced labour during the Reporting Period. 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., 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 during the Reporting Period. The Group conducts internal audit on the recruitment procedures regularly in order to prevent child labour and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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》), 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 source. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 98%. 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 RMB466.95 million accounted for approximately 99% 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 japonicas directly from Mianyang, Sichuan Province. 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"). Furthermore, 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’s Qing Kai Ling Injection and Shu Xie Ning Injection ranked top ten in Chinese Medicine Clinical Evidence Evaluation Index released by Research Alliance of Chinese Medicine;
- Shineway’s TCM formula granules received the First Class Award in the Hebei Province Science and Technology Progress Award;
- Shineway’s unique Qihuangtongmi soft capsule was included in the producement list of the “New Drug Introduction Announcement” by the West China Hospital of Sichuan University, which was the world’s largest unit hospital;

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- Shineway's exclusive product Dandeng Tongnao Soft Capsule, Dandeng Tongnao Capsule, Yiqi Tongluo Granules, Lianshen Tonglin Tablets, Qihuang Tongmi Soft Capsules, five drugs, were included in the 2020 edition of the "The Pharmacopoeia of the People's Republic of China" written by the National Pharmacopoeia Commission;
- Shineway ranked top 20 in "Top 100 Chinese Medicine Companies in 2019";
- Shineway was also shortlisted in the "Top 100 Leading Enterprises", and "Top 100 Innovating Enterprises, of Strategic Emerging Industries of Hebei Province for 2020" which were announced by The Association for High-Tech Industries of Hebei Province;
- Shineway was awarded "Tribute to Heros • 2020 National Pharmaceutical Enterprise Role Model";
- Shineway won the "2019 China Pharmaceutical Industry Top 100", "2019 China Pharmaceutical Industry Law-abiding and Integrity Enterprise", "the 2019 China Pharmaceutical Industry Most Influential List Press Conference", "Top Ten Standardized Planting Bases of High-quality Authentic Chinese Medicinal Materials in China", "Anti-epidemic Charity Enterprise Award", "2019 China's Top 100 Pharmaceutical Businesses", "2019 China's Top 100 Chain Pharmacies", and "2019 China's Pharmaceutical Industry Law-abiding and honest enterprise" at the 13th China Pharmaceutical Industry Development Summit Forum;
- Shineway was listed as one of the "China's Top 100 Pharmaceutical Companies" in All-China Federation of Industry and "Commerce Medical Pharmaceutical Chamber" once again;
- Shineway's Board of Director – Li Zhenjiang won "Pioneers of the New Economy in 2019";
- Shineway received "2019 Hebei Provincial Government Quality Award";
- Shineway was shortlisted "2019 Top 100 Chinese National Medicine Brand Enterprises"; and
- Shineway was awarded as Outstanding Enterprise of 2020 Quality Control Team Activity.

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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.

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 the 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.

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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.

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 Reporting Period, the Group has cumulatively applied for 253 invention patents and possessed 119 authorised invention patents, including 13 foreign invention patents. Besides, the Group applied for 14 invention patents and 13 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 has a total of eight products were included in the recommended drug catalogs of the "COVID-19 diagnosis and treatment plan" in multiple provinces;
- Shineway's two subsidiaries were included in the list of key material manufacturers for the prevention and control of new crown pneumonia in Hebei and Yunnan by the Ministry of Industry and Information Technology;
- Shineway's four TCM injection varieties, namely Qingkailing Injection, Shuxuening Injection, Shenmai Injection and Huangqi Injection were included in the Guideline for Viral Myocarditis by the Society of Cardiovascular Diseases of China Association of Chinese Medicine;
- Shineway's production – Qingkailing Capsule & Shenmai Injection are included in the Beijing Administration of Traditional Chinese Medicine issued the Chinese Medicinal Prevention and Treatment Scheme for Coronavirus Disease (Trial Version 5);
- Shineway's products entered the "Guidelines for Clinical Diagnosis and Treatment of Chinese Medicine";
- Shineway has seven medications entered into the 2019 Scientific and Technological Competitiveness Report of Key Chinese Medicine;
- Shineway was chosen as the first batch of Technologically Leading Enterprises of Hebei Province; and
- Shineway's exclusive product Qingkailing Soft Capsule was included in both the "National Essential Drugs List" by the National Health and Construction Commission and the State Administration of Traditional Chinese Medicine.

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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 was also not aware of any cases of violations of laws and regulations relating to the quality of products and services.

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.

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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. Besides, the Group was not aware of any confirmed incidents of corruption during the Reporting Period, nor did it record any related employees who were dismissed or subject to disciplinary actions due to corruption or confirmed incidents due to corruption-related violations and the termination or non-renewal of contracts with business partners. In order to fully assess the corruption-related risks of operating sites, the Group conducts risk assessments on all foreign-related departments. All operating sites (i.e. 100%) have conducted corruption-related risk assessments, and the Group's anti-corruption policies and procedures have also been communicated to all members of the governance body, employees of various departments and related business partners (i.e. 100%). All members and employees of the Group's governance bodies (i.e. 100%) have received anti-corruption training.

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.

B8. COMMUNITY INVESTMENT

As a conscience enterprise, the Group cares about its indirect economic impact as well. Not only did we actively participate in community investment activities, but also comply with relevant social and economic laws and regulations. During the Reporting Period, the Group was not subjected to major fines, non-monetary sanctions, and lawsuits filed through dispute resolution mechanisms for violations of laws and regulations in the social and economic fields.

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 the relief in disasters, alleviate poverty, help the elderly, support education for the needy, protect the environment, etc. At the same time, provide 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 to employees so as to strengthen corporate culture construction and comprehensively enhance employees' awareness on social responsibility, encourages employees to make charitable donations, free medical services, and actively participate in charitable activities to show care for elderly left-behind, cleaners and taxi drivers. By providing free medical services and medical knowledge to local residents, we can improve the health standard of the public and in turn bring positive impacts to the economy.

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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 560 hours, donated RMB3.45 million and 79,898 boxes of 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.

The charitable activities the Group has joined or organised in Year 2020

Shineway donated drugs that cost RMB1 million to Hubei epidemic area for the prevention and treatment of the epidemic

On 28 January 2020, the new coronavirus prevention and control drugs which worth RMB1 million donated by Shineway Pharmaceutical Group were sent to Hubei epidemic areas. This batch of drugs included Shineway brand Huoxiang Zhengqi Soft Capsules and Shineway brand Qingkailing Soft Capsules. The Group strives to provide assistance to the residents of Hubei.

Shineway’s donation activity to designated hospitals for medical treatment of new coronavirus infection pneumonia

On 9 February 2020, Shineway Pharmaceutical Group donated a total of 14,560 boxes of Huoxiang Zhengqi Soft Capsules and Qingkailing Soft Capsules to 14 designated hospitals for the treatment of new coronavirus infection and pneumonia in Hebei Province through the Hebei Red Cross Society, the donated drugs will be delivered to the hospital by Shineway Pharmaceutical Logistics Center directly.

Shineway and other institutions have set up a free online clinic platform jointly for COVID-19

Being a well-known modern Chinese medicine company within the country, Shineway always pays attention to the development of the COVID-19. The Group worked with Chunyu Yisheng, JD Health, WeDoctor, Miaoshou and other institutions to establish a free online consultation platform for new coronary pneumonia. Several tens thousands of doctors will be providing 24-hour professional free real-time consultations, so as to reduce the risk of cross-infection in patients’ offline consultations effectively. Furthermore, the public can enjoy consultation services without going out, thereby reducing the work pressure of offline medical institutions.

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Yunnan Shineway has donated 4,500 Chinese medicine formula granules to Chuxiong State Traditional Chinese Medicine Hospital for epidemic prevention

The Group has always been concerned about the safety of frontline medical staff and the shortage of medical drugs, and has donated 4,500 Chinese medicine formula granules to Chuxiong State Traditional Chinese Medicine Hospital for epidemic prevention. The Group hopes to help alleviate the shortage of medicines in the frontline of epidemic prevention and protect the frontline medical staff.

Shineway donated 5,000 anti-epidemic drugs to Wuhan Mobile Cabin Hospital

On 17 February 2020, Shineway donated 5,000 anti-epidemic drugs to the Mobile Cabin Hospital in Hongshan Stadium, Wuhan, including Shineway Huoxiang Zhengqi Soft Capsules, Shineway Qingkailing Soft Capsules, Shenmiao Xiaoe Qingfei Huatan Granules with a total of 15,280 boxes. The Group hopes to alleviate the pressure on the frontline staff as well as make a contribution in fighting against the epidemic.

Beijing Wanter Biopharmaceutical Co., Ltd. donated anti-epidemic drugs to two hospitals

On 18 February 2020, Beijing Wanter Biopharmaceutical Co., Ltd., a subsidiary of Shineway, has donated a batch of Vantepuan-Pseudomonas aeruginosa to the First Affiliated Hospital of Harbin Medical University and the Second Affiliated Hospital of Harbin Medical University. The donation was to serve for the purpose of improving immunity and preventing infection of the medical staff who were fighting against the COVID-19 in the frontline.

Shineway has donated 1,560 anti-epidemic drugs to Guantao County Hospital of Traditional Chinese Medicine, Hebei Province

On 21 February 2020, Shineway has donated 1,560 boxes of Qingkailing Soft Capsules and Huoxiang Zhengqi Soft Capsules to the Guantao County Hospital of Traditional Chinese Medicine in Hebei Province for epidemic prevention work. The Group has the responsibility and obligation to contribute to the prevention and control of the epidemic. The donated Shineway Huoxiang Zhengqi Soft Capsules and Qingkailing Soft Capsules have been listed as recommended drugs for epidemic prevention and control by relevant national ministries and commissions, and many provinces and cities. The Group hopes to assist the epidemic prevention and control work of Guantao County Hospital of Traditional Chinese Medicine effectively.

Shineway launched a grassroots “anti-epidemic and anti-coronavirus” in Hebei Province

Shineway has traveled to 11 prefecture-level cities in Hebei Province, penetrated into 100 cities and counties, directly connected to 315 primary-level medical institutions, and carried out the grassroots “epidemic and anti-crown” warm spring campaign. The Group delivered 78,750 Shineway Chinese medicine formula granules to frontline epidemic prevention personnel in grassroots communities, villages and towns in order to protect their safety and ensure the supply of grassroots epidemic prevention drugs.

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Shineway and Shijiazhuang Hospital of Traditional Chinese Medicine launched the “Traditional Chinese Medicine Convenience Service Vehicle to the Homes of the People”

In order to deal with the difficulties of people seeking medical treatment during the epidemic, Shineway and Shijiazhuang City Hospital of Traditional Chinese Medicine have jointly developed the first domestic “Shijiazhuang Traditional Chinese Medicine Health Service Mobile Cabin Vehicle.” The mobile cabin vehicle adopted 5G network and equipped with provincial and municipal medical insurance platforms. It integrates medical treatment, examination, and medicine collection to provide mobile medical services for the public, whilst reduce the pressure on medical staff, and actively fight against the epidemic with society.

Shineway donates anti-epidemic supplies to frontline health workers

On 10 March 2020, Shineway has delivered 84 anti-epidemic supplies such as disinfectant alcohol and other anti-epidemic products that worth approximately RMB10,000 to the frontline medical staff so as to show our care and love, and express our gratitude to the frontline medical staff. Hope to provide them with protection and work together against the new coronavirus.

Shineway donated a batch of Pseudomonas aeruginosa injections that can improve immunity of the frontline medical staff

In order to reduce the burden of the frontline medical staff, Beijing Wanter Biopharmaceutical Co., Ltd., a subsidiary of Shineway, has donated a total of 1,698 Wanterpuan to hospitals in Henan, Gansu, Heilongjiang, Shandong, Chongqing, Sichuan, Shanghai, Guangxi and other places. Pseudomonas aeruginosa injection can effectively enhance the immunity of medical staff and prevent viral infections.

Helping students with love, Shineway subsidises 49 impoverished students in Zanzhuang

On 21 July 2020, the caring team of Shineway drove to Zanzhuang County to visit the 49 students who are being subsidised by the team. Under the guidance of relevant personnel from Zanzhuang County Charity Association, the Shineway team was divided into three groups and went to the homes of different students respectively to send scholarships to support the children's hope in succeeding their dreams.

Shineway launched a charity activity to offer condolences to workers working under high-temperature

Shineway and Zhenghexiang Health Pharmacy jointly organized the “Thanksgiving to High Temperature Workers, Shineway Summer Charity Trip” activity, donating more than 1,000 heatstroke prevention and cooling products to workers working under high-temperature to show respect to outdoor workers such as sanitation workers and food delivery couriers, whilst raising society's concern and love on the high-temperature working group.

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Social Data Highlight

Number of employees

Total

Number of 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 location

Hebei

Beijing

Shandong

Sichuan

Yunnan

Guangdong

Others

By employee category

Company representatives

Department head

Office employees

Front-line worker (technical)

Front-line worker (non-technical)

| 2020 | | |
|-----------------------------------|---------------------|--------------|
| | Number of employees | Percentage |
| Total | 3,441 | |
| Number of ethnic minorities | 105 | 3.1% |
| By gender | | |
| Male | 1,680 | 48.8% |
| Female | 1,761 | 51.2% |
| By age group | | |
| Below 30 years old | 916 | 26.6% |
| 30 – 39 years old | 2,003 | 58.2% |
| 40 – 49 years old | 418 | 12.1% |
| 50-59 years old | 103 | 3.0% |
| 60 years old or above | 1 | 0.1% |
| By geographical location | | |
| Hebei | 2,235 | 65.0% |
| Beijing | 37 | 1.1% |
| Shandong | 95 | 2.8% |
| Sichuan | 135 | 3.9% |
| Yunnan | 172 | 5.0% |
| Guangdong | 42 | 1.2% |
| Others | 725 | 21.0% |
| By employee category | | |
| Company representatives | 9 | 0.3% |
| Department head | 61 | 1.8% |
| Office employees | 720 | 20.9% |
| Front-line worker (technical) | 1,563 | 45.4% |
| Front-line worker (non-technical) | 1,088 | 31.6% |

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Turnover and new employees

| | 2020 | | | |
|---------------------------------|-----------------------------|------------|-------------------------|------------|
| | Employee Turnover | | New employee | |
| | Number of employee turnover | Percentage | Number of new employees | Percentage |
| Total | 898 | 25% | 589 | 17% |
| By Gender | | | | |
| Male | 515 | 29% | 302 | 17% |
| Female | 383 | 21% | 287 | 16% |
| By age group | | | | |
| Below 30 years old | 338 | 29% | 294 | 25% |
| 30 – 39 years old | 464 | 25% | 279 | 15% |
| 40 – 49 years old | 70 | 18% | 13 | 3% |
| 50-59 years old | 20 | 20% | 3 | 3% |
| 60 years old or above | 6 | 300% | – | 0% |
| By geographical location | | | | |
| Hebei | 369 | 4% | 236 | 2% |
| Beijing | 7 | 33% | 6 | 29% |
| Shandong | 40 | 46% | 30 | 35% |
| Sichuan | 103 | 74% | 88 | 63% |
| Yunnan | 83 | 43% | 30 | 16% |
| Guangdong | 13 | 57% | 11 | 48% |
| Others | 283 | 45% | 188 | 30% |

Health and Safety

| | Year 2020 | Year 2019 | Year 2018 |
|---|--------------|--------------|-----------|
| Work-related fatality (%) | – (-%) | – (-%) | – (-%) |
| Work-related fatality rate (%) | – (-%) | N/A | N/A |
| Serious occupational injuries (%) | – (-%) | N/A | N/A |
| Occupational injuries that can be recorded (%) | – (-%) | N/A | N/A |
| Number of work injuries ¹ | 2 | 4 | 2 |
| Lost working days due to work-related injuries | 76 | 198 | 268 |
| Lost working hours due to work-related injuries | 608 | 1,584 | N/A |
| Total working hours | 6,909,528.00 | 6,880,592.00 | N/A |

Note:

1. The rate of occupational injuries is calculated based on 200,000 working hours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

| | 2020 | |
|-----------------------------------|---------------------------------------|-------------------------------------|
| | Training Cost (RMB) | |
| Total | 498,876 | |
| | Training hours (Hours) | Received training employee % |
| Total | 3,513.0 | 99% |
| | Average training hours (Hours) | Received training employee % |
| Male | 1.1 | 99% |
| Female | 1.0 | 99% |
| Company representatives | 40.8 | 100% |
| Department head | 11.7 | 100% |
| Office employees | 0.8 | 99% |
| Front-line worker (technical) | 0.5 | 100% |
| Front-line worker (non-technical) | 1.0 | 99% |

Suppliers

| | 2020 |
|--|------------|
| Total number of qualified suppliers | 235 |
| The number of suppliers that have assessed the social impact | 235 |
| The number of suppliers with significant actual or potential negative impacts has been identified | - |
| Number of suppliers that have conducted environmental impact assessment | 235 |
| The number of suppliers that have a significant actual or potential negative impact on the environment has been identified | - |
| Supplier location | |
| Mainland China | 235 |
| Overseas | 4 |

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Product responsibility

| | |
|---|------|
| Percentage of the total number of products sold or shipped that need to be recycled for safety and health reasons | 2020 |
| Number of complaints received about products and services | — |
| Accumulatively declared invention patents | 253 |
| Accumulative authorized invention patents | 119 |
| Accumulatively authorized foreign invention patents | 13 |

Anti-corruption

| |
|---|
| Board member (member of governing body) |
| Senior management |
| Mid-level management |
| Purchasing department |
| Sales department |
| Other department |

| 2020 | |
|---|------|
| Total number of people who have received anti-corruption training | % |
| 8 | 100% |
| 41 | 100% |
| 231 | 100% |
| 22 | 100% |
| 1,275 | 100% |
| 1,872 | 100% |

Community Investment

Total

| 2020 | | |
|---|---|---|
| Amount invested in public welfare activities (ten thousand RMB) | Time spent in public welfare activities (hours) | Drugs donated in public welfare activities (quantity) |
| 345 | 560 | 79,898 |

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Aspects, General

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

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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 | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources – Energy Consumption |
| KPI A2.2 | Water consumption in total and intensity. | Use of Resources – Water Consumption |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Use of Resources – Energy Consumption |
| KPI A2.4 | 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 | 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 | 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 A4: Climate Change | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change – Climate Change |
| Aspect B1: Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. | Employment |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment |

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Aspects, General

| Disclosures and KPIs | Description | Section/Declaration |
|--|---|--------------------------|
| Aspect B2: Health and Safety | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities | Health and Safety |
| KPI B2.2 | Lost days due to work injury. | Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored | Health and Safety |
| 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 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |

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Aspects, General

| Disclosures and KPIs | Description | Section/Declaration |
|---|--|-------------------------|
| Aspect B4: Labour Standards | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards |
| KPI B4.2 | 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 | Number of suppliers by geographical region. | Supply Chain Management |
| KPI B5.2 | 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 |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |

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Aspects, General

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

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Aspects, General

| Disclosures and KPIs | Description | Section/Declaration |
|--|--|----------------------|
| Aspect B7: Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | 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 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| KPI B8.2 | 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|---------------|--|--|
| 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 |
| 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|---|--|---|
| 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 |
| 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 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| GRI Indicator | Description | Report chapter/Website reference and notes |
|---------------------------------|--|--|
| 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 |
| 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|-------------------------------------|---|--|
| GRI 303: Water and Effluents | | |
| 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 |
| 303-1 | Interactions with water as a shared resource | Water Consumption |
| 303-3 | Water recycled and reused | Water Consumption |
| 303-4 | Water discharge | Water Consumption |
| 303-5 | Water consumption | 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 |
| 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|--|--|--|
| 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|--|---|--|
| 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 |
| 403-1 | Occupational health and safety management system | Health and Safety |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Health and Safety |
| 403-3 | Occupational health services | Health and Safety |
| 403-4 | Worker participation, consultation, and communication on health and safety | Health and Safety |
| 403-5 | Worker training on occupational health and safety | Health and Safety |
| 403-6 | Promotion of worker health | Health and Safety |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 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% |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|--|---|---|
| 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 |
| 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 |

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| GRI Indicator | Description | Report chapter/Website reference and notes |
|--|--|--|
| 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 |
| 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 |