YiChang HEC ChangJiang Pharmaceutical Co., Ltd.
宜昌東陽光長江藥業股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)
Stock Code : 1558

Our Mission:
For Everyone's Health

2020
Environmental, Social And Governance Report

CONTENTS

ABOUT THIS REPORT

This is the sixth Environmental, Social and Governance (the "ESG") Report released to the public by YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "Pharm HEC"). This report is an annual independent report for the period from 1 January 2020 to 31 December 2020 (the "Reporting Period") and aims at truly reflecting the development and practice in respect of environment, social and corporate governance in the year of 2020 of Pharm HEC, reporting to stakeholders such as the shareholders, employees, the government, customers and consumers, partners and the community about the corporate operation, and the performance of social responsibilities and environmental missions.

BASIS OF PREPARATION

This report has been prepared in strict compliance with the requirements of the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with reference to the requirements in the Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China and the United Nations Sustainable Development Goals Corporate Action Guidelines ("SDGs").

REPORTING PERIOD

Unless otherwise specified, the information contained in this report covers the period from 1 January 2020 to 31 December 2020.

PUBLICATION SCHEDULE

This report is published annually.

REPORTING SCOPE

The scope of disclosure of the report is consistent with that of the 2020 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd..

DATA SOURCE AND RELIABILITY STATEMENT

The financial data involved in this report is in line with the 2020 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.. Other information is sourced from official documents, statistical reports and relevant public information.

As confirmed by the management, this report was approved by the Board on 19 March 2021.

REFERENCE DESCRIPTION

For the convenience of presentation and reading, YiChang HEC ChangJiang Pharmaceutical Co., Ltd. in this report is referred to, according to the context, as "Pharm HEC", "the Company", and YiChang HEC ChangJiang Pharmaceutical Co., Ltd. and its members included in the consolidated financial statements are together referred to as "the Group", "our Group" or "we". Of which, Sunshine Lake Pharma Co., Ltd. is referred to as "Sunshine Lake Pharma".

ACCESS TO THE REPORT

This report is prepared in both traditional Chinese and English, and is published in electronic version, of which electronic version can be downloaded from the Company's website (http://cj.hec.cn) and the website of the Stock Exchange (http://www.hkexnews.hk). In case of any discrepancy between each version, the traditional Chinese version shall prevail.

MESSAGE FROM SENIOR MANAGEMENT

Message from Chairman

It has become a long-term vision for national development to realize the convergence and unification of carbon-in-use and promoting high-quality economic development and continuous improvement of ecological and environmental quality. As a leading pharmaceutical enterprise in the industry, while focusing on performance improvement, we must unswervingly implement the development concept of carbon neutrality, and make contributions to social development and public health.

Tang Xinfa

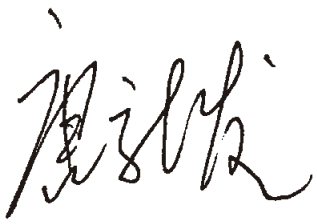
Chairman of Pharm HEC

MESSAGE FROM SENIOR MANAGEMENT

2020 is a challenging year for the pharmaceutical industry. Due to the influence of COVID-19 pandemic, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. Our core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic.

Facing the challenges of the pandemic, our Group has made remarkable achievements by actively adjusting its development strategies and continuously expanding into new business fields. In the past year, the Group responded to the national policy and actively participated in the centralized drug-procurement, and won the bid for several products. In terms of product under development, Emitasvir Phosphate Capsules with independent intellectual property rights of the Company was approved to launch, which will continue to consolidate the dominant position of the Group in the field of anti-viral drugs. In the field of diabetes treatment, the Group's self-developed Recombinant Human Insulin Injection was approved to launch, which was the first biologic drug of the Group approved to launch. In terms of oral hypoglycemic agents, products such as Linagliptin tablets (利格列汀片), Linagliptin and Metformin Hydrochloride Tablets (利格列汀二甲雙胍片) and Sitagliptin Tablets (西格列汀片) have been approved to launch. The continuously enriched product portfolio provides long-term development momentum for the Company in the future, and provides patients with medication options for good quality and reasonable price. At the same time, the Company established an internal ESG monitoring mechanism through the Board to strengthen environmental infrastructure, deepen environmental pollution prevention and control, and improve the efficient use of energy to ensure appropriate and effective ESG risk management and internal control systems.

In the future, the Company will continue to take the path of production development and low-carbon environmental protection. While maintaining the competitiveness of existing products, the Company will continue to enrich and innovate product lines, improve and enhance product quality and service, vigorously improve the construction of low-carbon and energy-saving systems, and adhere to the concept of fulfilling the life and health of the public as our own responsibility, striving to make Pharm HEC become a domestic top pharmaceutical enterprise with core competitiveness and social responsibility and sustainable development concept.



Tang Xinfa
Chairman of Pharm HEC

Message from General Manager

The pharmaceutical industry is closely related to the national economy and people's livelihood. In the era where carbon neutrality is widely promoted, the Company will seek technology advancement and system construction in respect of low-carbon, in order to achieve sustainable development of the Company while ensuring that the environmental protection level meets the standards.

Jiang Juncai

General Manager of Pharm HEC

MESSAGE FROM SENIOR MANAGEMENT

Dear investors,

On behalf of the Board, I would like to report on the Company's strategies and performance in environment, society and governance.

In terms of environment protection, the Company implements the development concept of carbon neutrality, takes green production as the goal for future development of the Company, takes into account pollution prevention and control in production, and reduces the emission of wastewater, exhaust gas and solid waste from the source by improving the pollution source monitoring system; and maximizes the efficiency of resource use by adjusting and optimizing the energy structure, improving clean energy production facilities, and strengthening the publicity and breadth of energy conservation awareness. In addition, the Company will also strengthen the waste management system, implements classified management of production, domestic waste and hazardous waste, and promote the effective treatment and recycling of various wastes.

In terms of society, the Company attaches great importance to and fulfills its social responsibilities, and integrates the social responsibility system and operation mechanism into all aspects of its production and operation. Since its establishment, the Group has been continuously strengthening the concept of compliance culture as well as improving the construction of internal control, risk management system and anti-corruption system. The Group continues to enhance the quality control of the production and sales of products, improve the after-sales service of products, and commit to providing consumers with safe and healthy products and services. The Group has also established a fair and reasonable human resources system, providing employees with due benefits and welfare in accordance with national regulations and standards, while increasing the motivation and effectiveness of employees through various incentive policies. In addition, the Group established a standardized supplier management system to enhance the selection, evaluation and daily management of suppliers, and regularly inspects and evaluates the supply capacity of suppliers in order to ensure that all aspects of product production meet the highest standards.

In terms of governance, the Company always maintains a sound governance system. Such as the Board meetings, the Board of Supervisors meetings and the shareholders' general meeting are convened as scheduled in accordance with the relevant regulations including the articles of association of the Company. Material information is disclosed in a timely manner, while the audit work also promotes the improvement of the internal control and financial management level. Under the leadership of the Board of the Company, the management has stepped up efforts in standardized management, establishment of rules and regulations, internal control and governance, and adhered to the business philosophy of consistent production of high-quality drugs that meet the top standards in the PRC in daily management, striving to gain reputation and win competitions in the market.

In the future, the Company will take the path of green and low-carbon transformation and development in the new era, facilitate product quality improvement through innovation and system reform, strive to achieve reasonable and efficient use of resources, and create a greener and healthier environment for production. We are committed to delivering safe and effective pharmaceutical products to patients in need and contributing for the health of the public.

Jiang Juncai

General Manager of Pharm HEC

SIGNIFICANT EVENTS IN 2020

Strategic Cooperation Framework Agreement

Entered into a strategic cooperation framework agreement with China Resources Pharmaceutical Commercial Group Co., Ltd. ("CR Pharmaceutical Commercial") to jointly develop an internet E-commerce platform dedicated to enhancing response to unexpected demand for the Company's core product, Kewei (Oseltamivir Phosphate) series, across China as well as improving terminal coverage of the products.

Entecavir Tablets Approved to Launch

Emitasvir Tablets (0.5mg and 1mg) (the "Product") acquired by the Company has been approved by the China National Medical Products Administration to launch. The Product has an inhibitory effect on hepatitis B virus reverse transcriptase and has the advantages of promising safety and tolerance profile. It is recommended as a first-line antiviral drug by many authoritative hepatitis B diagnosis and treatment guidelines worldwide. The approval for launch of the Product has further enriched the Group's product portfolio in the antivirus field.

Recombinant Human Insulin Injection approved to launch

Recombinant Human Insulin Injection, of which research and development was carried out by the Company, has been approved by the China National Medical Products Administration to launch. It is the first biologic drug of the Group approved to launch. It being successfully approved would be beneficial for the expansion of the Group's business of treating endocrine and metabolic diseases and the Group's product portfolio will be further enriched.

Joint Establishment of National Antiviral Drug Centre

A letter of intent was entered into among the Company, Wuhan Institute of Virology, Chinese Academy of Sciences, National Engineering Technology Research Center for Drugs of Emergency Prevention and Control and Sunshine Lake Pharma pursuant to which, these parties jointly establish a national military-civilian integrated collaborative industrialization platform for drugs of emergency prevention and control cum national antiviral drug centre. The objective of which is to provide the nation with various drug types, capabilities and technical reserve systems for drugs of emergency prevention and control, especially the establishment of the national collaborative innovation industrialization system for drugs of emergency prevention and control capable of providing rapid feedback.

Emitasvir Phosphate Capsules Approved to Launch

Emitasvir Phosphate Capsules (0.1g), of which research and development was carried out by the Company, has been approved by the China National Medical Products Administration to launch. It has become one of the major products of the Company in the field of anti-hepatitis C treatment. It has high clinical value and favourable market prospects, which provides patients with a wider choice of medication with high quality and fair price.

HONORS

PHARM HEC'S HONORS IN 2020

Won the 2020 High Quality Development Listed Company Award
(2020年高質量發展上市公司獎)

Be awarded the honorary title of "Advanced Unit in Yichang City to Fight against COVID-19 Pandemic"
(宜昌市抗擊新冠肺炎疫情先進集體)

Be awarded the title of "2020 Top 20 Most Competitive Pharmaceutical Companies in China"
(2020年中國醫藥上市公司競爭力20強)

ABOUT US

(I) CORPORATE PROFILE

The Company is a domestic pharmaceutical platform under Pharm HEC Group with a history of 20 years of operation since its establishment and is a pharmaceutical enterprise with strong research and development and innovation capabilities and great development potential in China. The Company has always believed in "serving the Chinese with a higher standard" since establishment, and attaches great importance to research and development, innovation and quality improvement of products.

The Company is a pharmaceutical manufacturing company focusing on the research and development, manufacturing and sale of pharmaceutical products in the therapeutic areas of antiviral, endocrine and metabolic diseases, as well as cardiovascular diseases. In 2015, the Company was converted into a joint stock company with limited liability and was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 29 December 2015 (Stock Code: 01558.HK). At present, the Company is the only manufacturer of oseltamivir phosphate granules in the PRC, and its core product, Kewei (Oseltamivir Phosphate), is a first-line product in China's anti-influenza market with the highest sales volume in China from 2013 to 2020, which successfully passed the consistency evaluation in respect of quality and efficacy of generic drugs in 2019. The successful passing of the Consistency Evaluation of the Drug is an authoritative reaffirmation of the Company's research and development capabilities, production and drug quality and drug efficacy.

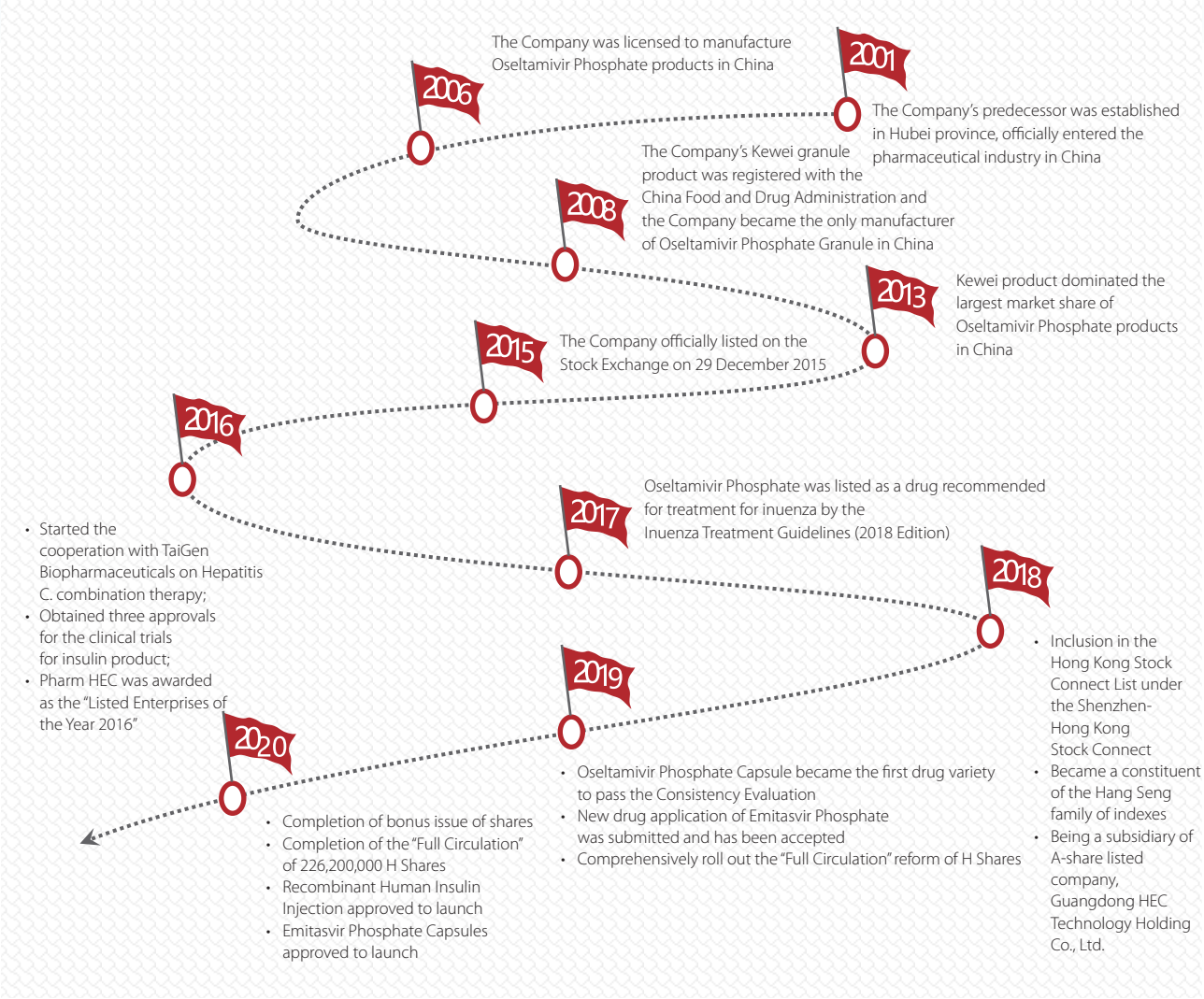
Due to the influence of COVID-19 pandemic in the 2020, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. Our core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic.

1. SALES OF MAJOR PRODUCTS OF THE COMPANY

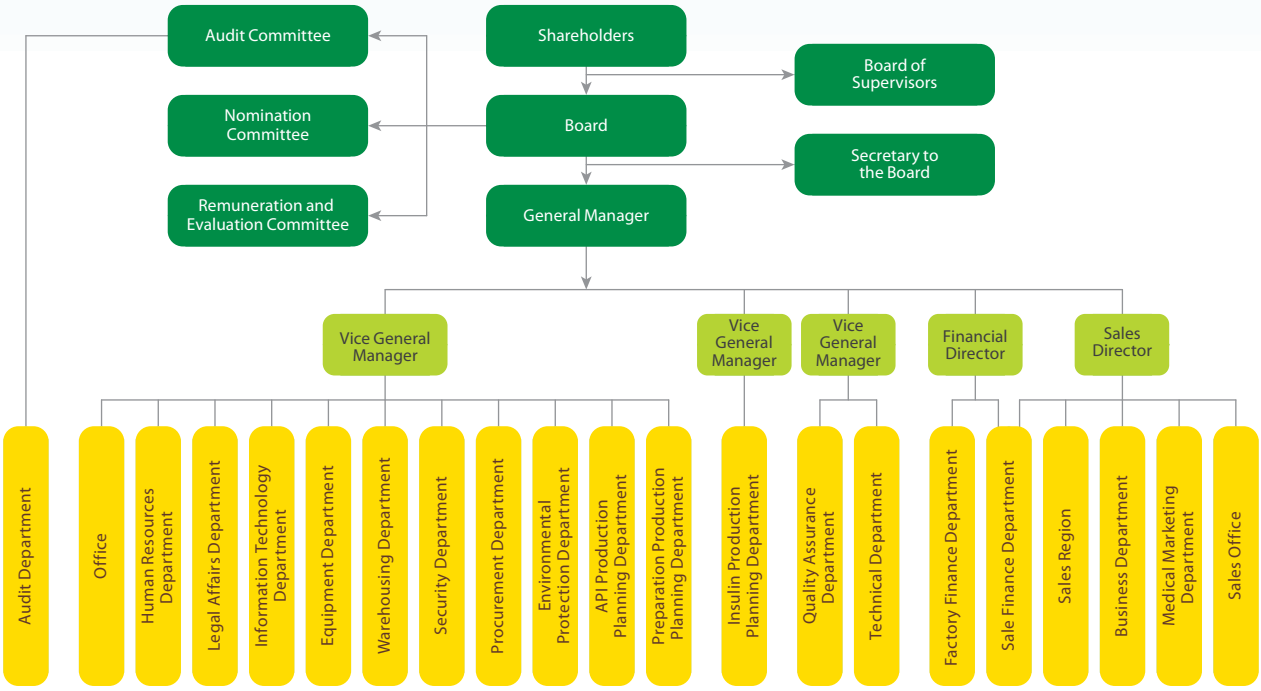
Sales of our core products during the Reporting Period were as follows:

Well-known Product Name	Common Name	Treatment	Sales income (RMB'000)	Percentage of total turnover (%)
Kewei (Granules)	Oseltamivir Phosphate	Anti-influenza drugs	1,147,837	48.88
Kewei (Capsules)	Oseltamivir Phosphate	Anti-influenza drugs	920,890	39.22
Ertongshu	Benzbromarone	Treatment of hyperuricemia	94,498	4.02
Oumeining	Telmisartan	Prevention and treatment of hypertension	27,515	1.17
Linluoxing	Moxifloxacin	Respiratory medicine	15,161	0.65

2. DEVELOPMENT HISTORY OF THE COMPANY



3. ORGANISATION STRUCTURE



4. PARTNERSHIP NETWORK

(II) STRATEGY AND VISION

CULTURAL VISION

Pharm HEC strives to become a modern enterprise with a comprehensive research and development system, excellent product quality and perseverance. The Group has taken "For Everyone's Health" as its mission. The Group determines to improve the people's living standard and health with the support of scientific research. We fully understand our social responsibilities and regard caring for the earth and environment with heart and active participation in charitable services as our own duties.

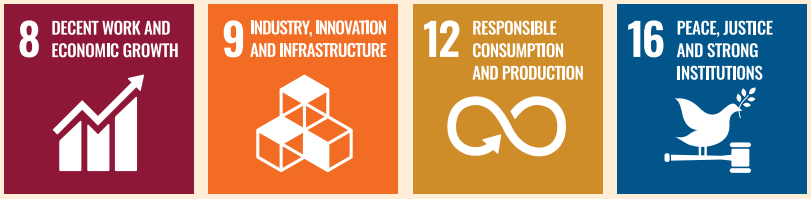
As a leading pharmaceutical enterprise in China with the mission of shouldering health responsibility, our long-term development is inseparable from social support, and we have the courage to take up social responsibility and actively give back to the society in order to better advance. The Company has established a comprehensive platform for drug research and development, manufacturing and sales, and will continue to deepen innovation in the fields of anti-virus, endocrine and metabolic diseases, cardiovascular diseases, etc. Looking forward, the Company will continue to increase investment in research and development, accelerate the transformation of drug research and development to clinical application in the above-mentioned disease areas. In addition, the Company will closely follow the clinical needs, strengthen the research and development layout of anti-tumor and anti-fibrosis drugs, and continuously launch new products to enrich the existing product portfolio, so as to better meet the health needs of the general public. Meanwhile, the Group will adhere to the principle of "contributing to the community, expressing gratitude to the community", increase investment in public welfare, vigorously support public welfare, and endeavor to promote the development of health undertakings and social welfare.

CHAPTER I RESPONSIBLE GOVERNANCE

Pharm HEC adheres to the principle of "making more good drugs and giving back to the community". Internally, it has established the responsibility strategy and ESG management structure, and strengthened the construction of clean governance and risk control management. Externally, it actively maintains communication with all stakeholders and promptly responds to the concerns of stakeholders. Pharm HEC implements its responsibility of "compliance management, honest operation, healthy operation and environmental protection construction", continuously promotes technological innovation and industrial upgrading, and makes unremitting efforts to boost local economy and to drive the industry as well as to build up a pharmaceutical enterprise with strong practical strength, good environment and strong sense of social responsibility!

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER



HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B7.1/B7.2

(I) RESPONSIBLE STRATEGY

With the goal of "becoming a leading pharmaceutical enterprise in China", Pharm HEC has always regarded corporate social responsibility as its primary responsibility. It is committed to the development, production and sales of products in the therapeutic areas of antiviral, endocrine and metabolic diseases, as well as cardiovascular diseases. Many of its drug products have taken the leading position in the market in the sub-therapeutic areas, and rank high in terms of sales of single-product drugs in China, bringing the Chinese people with a reliable "Pharm HEC".

To strengthen the training of the concept of compliance culture for all employees, establish and improve compliance management system, and achieve compliance management and construction of compliance culture

To strengthen the sense of integrity service, credit management system and credit archives, and enhance corporate professional ethics and integrity

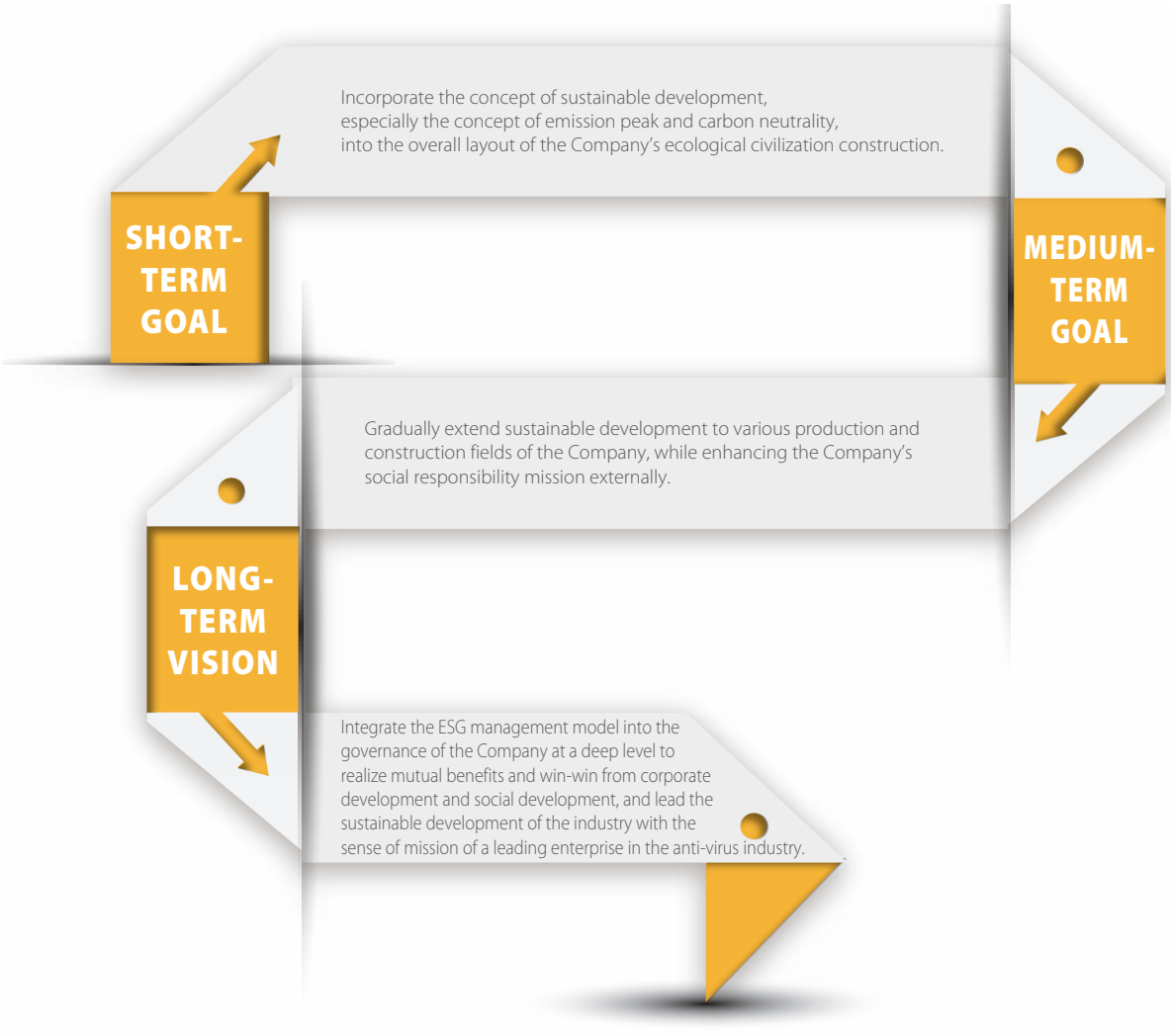
To create a healthy working environment, protect the physical and mental health of employees, ensure the healthy production of products, and improve the Company's overall healthy development level

To abide by environmental laws and regulations, improve the production environment of employees, and establish a good environmental image of the Company

(II) CORPORATE GOVERNANCE

The sustainable development strategy of the Company is inseparable with its overall strategy. According to the its strategic plan, the Company formulates the short-term goal, medium-term goal and long-term vision of the sustainable development strategy, and formulates the sustainable development strategy steps and approaches each year to continuously improve sustainable development management.

Strategic objectives of the Company:



In order to ensure the realization of the strategic objectives, the Group has established a complete ESG management structure (as shown below). The division of responsibilities among the levels is clear, which provides a strong guarantee for further improvement and implementation of the Company's management.

LEVEL 1

The ESG leading group composed of the Company's relevant directors and senior management is responsible for the overall control of the ESG management of Pharm HEC. It is mainly responsible for: setting ESG management objectives, strategic deployment of ESG medium and long-term planning, top-level design and regulations signing of ESG management system, ESG report approval, etc.

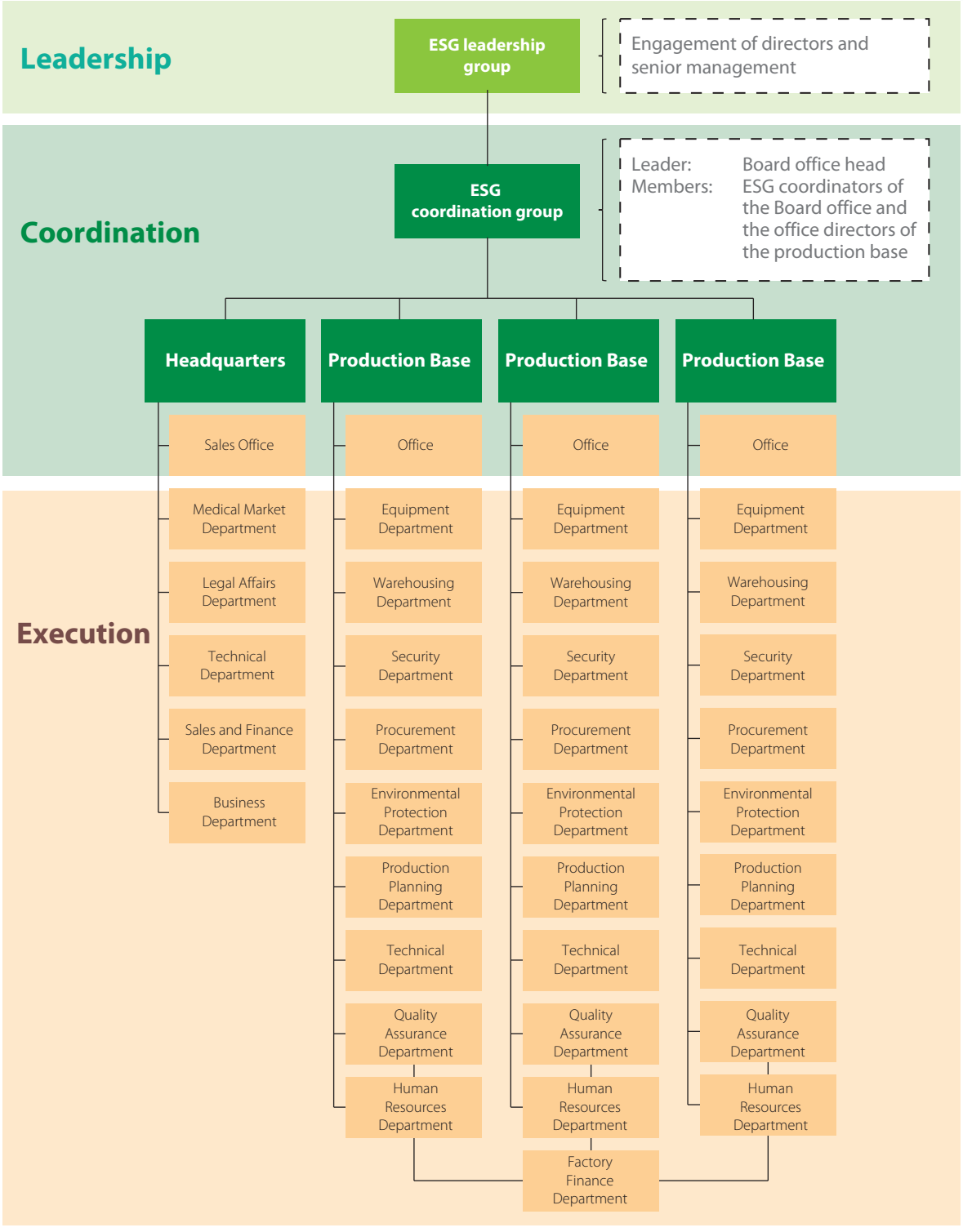
LEVEL 2

The ESG coordination group, led by the secretary of the Board office, is composed of the ESG coordinators of the Board office and the office directors of the production base in Yidu (Area No. 1, No. 2 and No. 3). It is mainly responsible for overall plan of ESG work arrangements and promoting and implementing the following matters: publicity on the ESG strategy of Pharm HEC, conveying the Board's major resolutions on ESG work, planning annual ESG work plan, drafting ESG related policies, improving ESG indicator system, ESG related training and communication, and preparing annual ESG report, regular feedback to the ESG leading group on work progress and results, proposing recommendations on improvement of ESG work, etc.

LEVEL 3

The ESG execution group includes the heads of relevant departments within the headquarters and the production base in Yidu and the ESG related functional departments. Each department sets up special personnel to be responsible for the practice of ESG management, the collection and submission of ESG information and data, and reporting the results of ESG practices, etc.

ESG MANAGEMENT STRUCTURE



1.2.1 REGULATORY GOVERNANCE

Internal Control System

The Group has established a thorough internal governance system. By standardizing and improving our corporate governance structure, among others, the Board, general meetings, board of supervisors and the managers supervise and restrict each other to maintain the quality of the Company's operation and development.

The Company has formulated the Internal Control System Manual and the Internal Control Evaluation Manual to guide the organization to commence the construction, operation and maintenance of the internal control system so as to ensure the standardized, orderly and efficient operation of the Company, help the Company understand and master the key points of internal control, discover problems and risks in a timely manner, and regard the same as important tasks to strengthen the internal control construction. At the same time, the Company actively nurtures an internal control culture that is in line with the actual situation of the Company, so that the awareness of internal control and the culture of internal control are deeply rooted in the thinking of each employee, making internal control a voluntary behavior of each employee. During the year, the Company conducted five audits to improve and revise the internal control system, so as to strengthen the business practice and the continuous supervision and inspection efforts.

SPECIAL AUDIT

In order to ensure that our operation is in compliance with laws and regulations, the Company has established the "Internal Audit System" and the "Internal Supervision Management System", and established formal and transparent policies and procedures to clearly define the supervisory authority, put forward management and control requirements and standardize the risk internal control procedures. Through identifying management loopholes and combining the actual situation, the Company has formulated detailed rectification plans to specify the time of rectification, responsible departments and responsible personnel, refine the rectification standards, clarify the implementation measures and actively track the situation of rectification. The Company's management pays attention to the reports and suggestions of internal control departments and regulatory authorities, and promptly takes various measures to correct the bias arising in internal control process, continuously improves corporate governance and improves the performance of management.rectification plan, clarified the rectification time, responsible departments and responsible personnel, refined the rectification standards, clarified the implementation measures, and actively tracked the rectification. The management of the Company attached great importance to the reports and suggestions from various functional departments and regulatory authorities of internal control, and took various measures to rectify the deviations in control and operation in a timely manner, continuously improved corporate governance and improved management performance.

In 2020, the audit department of the Company conducted five special audits, mainly focusing on assets, procurement, fixed assets and human resources. There were 0 complaints or cases of corruption.

1.2.2 RISK MANAGEMENT

The changes in the market environment and the operation of the capital market have made the various risks faced by Listing to become increasingly complicated and diversified, and whether it can effectively manage and control the risks of the Company, which is closely related to the survival and development of the Company. In order to strengthen risk management, the Company has established a sound risk assessment, information disclosure system and internal audit system.

In terms of risk assessment	The Company continues to conduct risk analysis and clarify the risk assessment process. The internal control management department classifies risks and risk events. Under the guidance of the competent management, the relevant business departments analyze the causes of risks and formulate appropriate countermeasures and solutions to identify and respond to the changes that may be encountered by the Company, including operational risks, environmental risks and financial risks, which may have significant and full impact, and track the changing business environment and operating activities and conduct dynamic assessment. The Company divides risk analysis into irregular risk analysis and regular risk analysis. While pursuing profitability, the Company attaches importance to safety and liquidity, and attaches more importance to risk prevention and internal control construction while keeping pace with rapid business development. In order to improve the internal risk identification and assessment system, we also carefully learn from the past experience of the industry and actively use modern technology to gradually establish a monitoring, evaluation and warning system covering all business risks.
In terms of information disclosure	The Company has established an information and communication system consisting of a series of management regulations such as the Information Disclosure Management System, the Investor Relationships Management System and the Information System Management Mechanism, which specifies the procedures for the collection, processing and transmission of internal control information, especially the reporting and handling of special, significant and important matters. Also, through the review by professional institutions and the strict review by the legal department, it is ensured that the information disclosed meets the regulatory requirements. At the same time, the Company has been in strict compliance with the Company Law of the People' s Republic of China, the Securities Law of the People' s Republic of China and the Administrative Measures for Information Disclosure of Listed Companies on capital operation and has formulated strict internal approval procedures to regulate information disclosed to the public, and ensured that the information disclosed meets the regulatory requirements through review by professional institutions and strict review by legal department and the Rules Governing the Listing of Securities of the Stock Exchange.
In terms of internal audit	The Company has established an audit committee under the board of directors with specific work carried out by the Company' s audit department. The audit department organizes irregular audits of the Company' s related processes in accordance with the relevant systems of the Internal Control Manual. Audits are mainly divided into planned audits and special audits. The audit department conducts comprehensive risk assessments of the Company, conducts analysis of the risks and proposes rectification suggestions. At the same time, since the Company is in the pharmaceutical industry, guidance can be done in conjunction with GMP related documents. The company conducts self-inspection on GMP every year. Except for the quality department, the risk self-assessment work on risks of other departments also continues to optimize.

1.2.3 ANTI-CORRUPTION

The promotion of anti-corruption and compliance is not only a critical factor to maximize the economic benefits of enterprises, but also a fundamental guarantee to prevent enterprises from suffering from disruptive impacts due to corruption.

The Company has always taken the anti-corruption as the focus of system establishment and has strictly complied with relevant national laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China, Anti-unfair Competition Law of the People's Republic of China and Provisional Regulations on the Prohibition of Commercial Bribery, to standardize the discharge of duties by the Board and strengthen the integrity and compliance construction. The Company has also formulated anti-commercial bribery documents, such as Internal Control System Manual, Integrity and Self-discipline Commitment and Anti-commercial Bribery Agreement, including relevant chapters on anti-fraud, anti-commercial bribery, anti-monopoly and anti-money laundering, to regulate the business activities on all levels of employees of the Company and reduce the occurrence of violations of fraud. At the same time, the Company has established a leading group for the governance of commercial bribery, set up an audit department as the regulatory department, strengthened the inspection of anti-commercial bribery, protected the legitimate rights and interests of the Company and its shareholders to the greatest extent, and ensured the sustainable, healthy and stable development of the Company.

In the implementation of anti-bribery work, the Company requires all key personnel to sign the Integrity and Self-discipline Commitment, and all business parties of the Company to sign the Anti-commercial Bribery Agreement, and publishes the reporting hotline and the reporting mailbox in the Internal Control System Manual, Integrity and Self-discipline Commitment and Anti-commercial Bribery Agreement. During the audit process, the Company pays visit to suppliers and actively communicates with suppliers on related issues, including anti-fraud, anti-commercial bribery and anti-monopoly, and gathers feedback from the suppliers. In addition, the sales department of the Company has set up a compliance supervision department to provide anti-commercial bribery training and supervision on business personnel, and facilitate the execution of Anti-commercial Bribery Agreement by business parties.

During the reporting period, the Group did not incur any litigation cases involving corruption, bribery, extortion, fraud and money laundering.

CASE

Duty Crime Risk Seminar Training for the Staff in Private Enterprise

On 20 October 2020, the Yidu Court held a duty crime risk seminar training for all staff members and auditors of the Company's procurement department. The training for risk departments, such as the procurement department for suppliers, especially strengthening the construction of anti-corruption system was emphasized. Procurement personnel are required to clarify the bottom line of integrity, establish a strong sense of law, crisis, frugality and supervision, consciously resist the temptation of corruption, strengthen legal education and training, improve the concept of rule of law and legal administrative capability, perform duties under supervision and constraints, and practice sunshine procurement.

(III) RESPONSIBLE COMMUNICATION

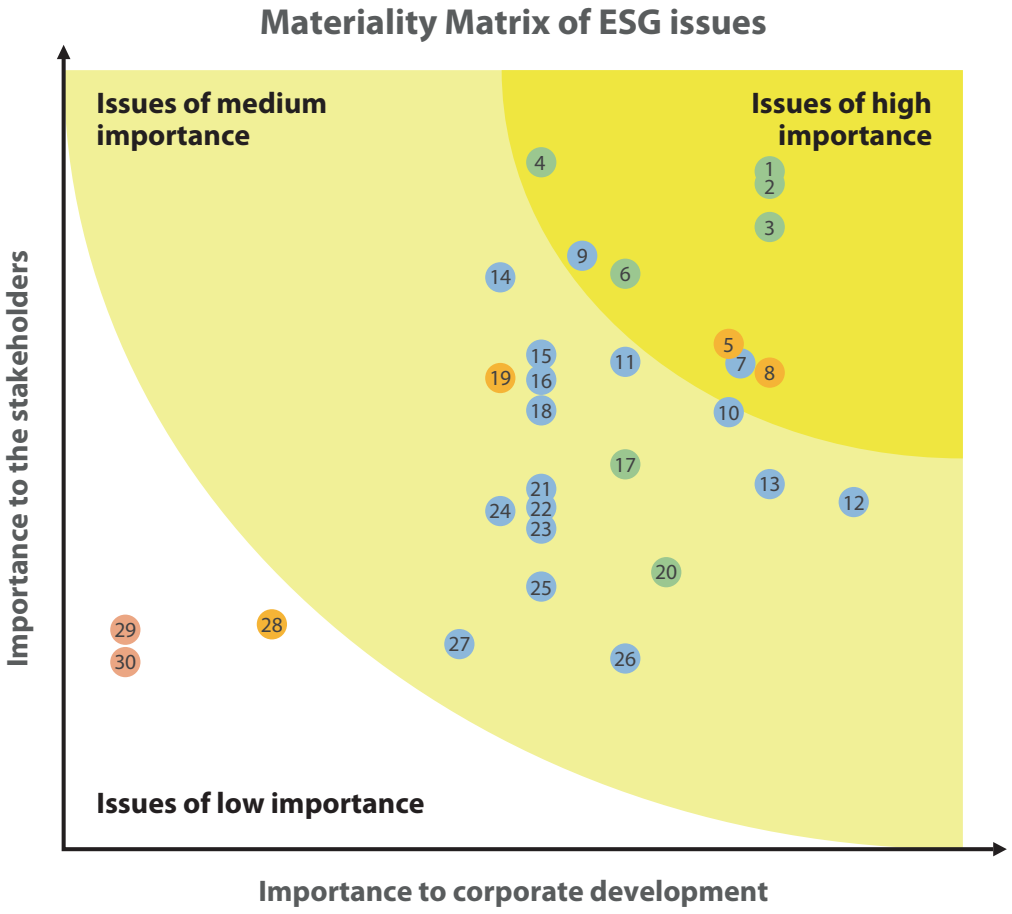
1.3.1 COMMUNICATION WITH STAKEHOLDERS

Profile of the Group's Stakeholder Engagement in 2020			
Stakeholders	**Concerns of stakeholders**	**Participation channels**	**Measures taken by the Company**
Shareholders and investors	The Company's product pipeline and future development potential/ protection of interests of shareholders and returns/ truthfulness, accuracy and timeliness of information disclosure	Investor information sessions and site visit/general meetings of shareholders and results briefing/information disclosure	Having a better understanding of the Company for the investors through telephone conference and site visit; holding regular results briefings to disclose the operation of the Company through the publication of notice of general meeting of shareholders and resolutions; disclosing the Company's contact information on the Company's website and reports to ensure smooth communication channels
Management	The Company's operating strategies	Interviews and survey conducted by third party institution	Assessing the major scopes of ESG which may have impact on the Company, and implementing the relevant measures in the daily operation
Employees	Protection of fundamental interests/benefits and remuneration package/ working environment/room for career development/ occupational health and safety/realization of self-value	Labour union/employees communication with the management/the Group's OA platform/the Company's internal mailbox/employee representative meeting/ suggestion box	Ensuring the rights to have equal opportunities of employment, to choose occupations, to be provided with a safe workplace and health protection, to be paid with remuneration and to rest in vacations; providing training and development opportunities for employees
Customers and consumers	Assurance of product quality and quantity/data confidentiality	Regular visits for communication/consumer satisfaction survey/consumer complaints and comments handling	Signing confidentiality agreement and enhancing quality management; ensuring stable production and delivery; signing long-term product sales agreement with customers

Profile of the Group's Stakeholder Engagement in 2020			
Stakeholders	**Concerns of stakeholders**	**Participation channels**	**Measures taken by the Company**
Suppliers	Public tender/long-term stable cooperation/on-time payment	Tender meeting/negotiation meeting/daily communication	Organizing public tender to select suppliers based on merit and fulfilling the obligations under the contract; strengthening daily communication and maintaining long-term relationship with high quality suppliers without default payment
Community and the public	Employment opportunities/ ecosystem/compensation and assistance	Jointly held community activities	Giving priority to local candidates in the recruitment to maintain the ecosystem in the district
Banks	On-time repayment/business conditions/operating risks/ credit risk	Post-loan follow-up, daily communication	Making principal and interest payment as scheduled and cooperating in the process of loan review, approval and supervision
Industry peers	Fair competition/cooperative development/sharing of technology and experience/ industry development	Seminars/exchange visits/ industry conferences	Facilitating fair competition, cooperating to achieve mutual benefits, sharing experience and promoting sustainable development of the industry
Market supervisory body	Compliance with governing regulations/compliant operation/information disclosure and reporting	Consultation/information disclosure	Strictly complying with governing regulations and disclosing and reporting information in a truthful, accurate and timely manner

1.3.2 IDENTIFICATION OF MATERIAL ISSUES

In the preparation of Group's 2020 ESG report, we collected feedbacks from all stakeholders through various channels to understand their views on the Group's ESG report. During the year, there was no material change in the Company's business operation. During the preparation of ESG report for the year, the Company invited professional consultants to review and assess the sustainable development issues of the Group for the year. Combining on the feedback from stakeholders on the current issues, and through comparing the list of ESG key issues between industry peers, and based on the analysis results of the previous year's ESG key issues, the Company finally summarized, updated and summarized the important sustainable development issues to the Company for the year as an important reference for the information disclosure and future strategic decisions in this report.

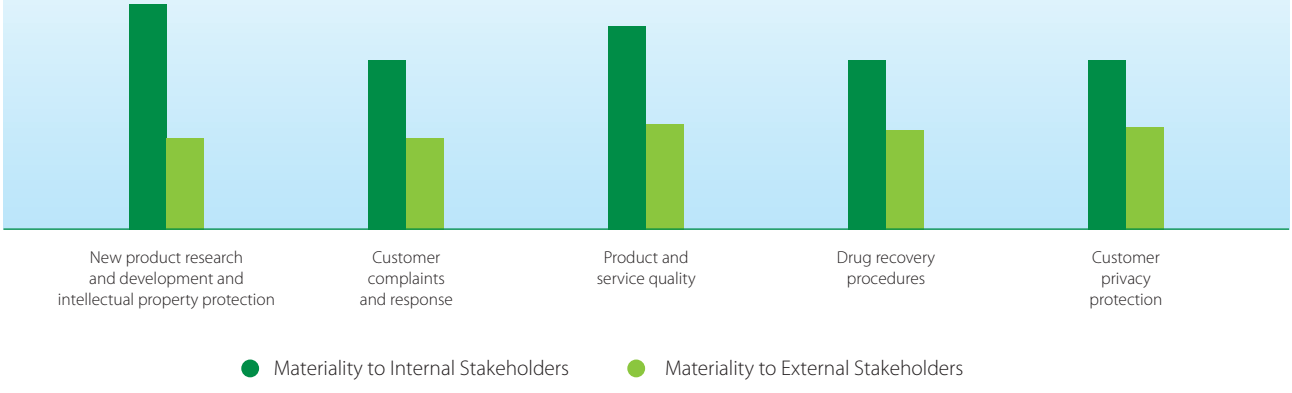


List of ESG key issues		
Issues of high importance	1	Up-to-standard discharge of pollutants
	2	Treatment of solid waste
	3	Investment of resources to reduce pollutant emissions
	4	Impact of business activities on the environment and natural resources and actions taken
	5	Environmental tax payment
	6	Energy saving
	7	Product and service quality
	8	Environmental strategy and goal setting
	9	Focus on employees' safety and health
Issues of medium importance	10	Compliance with laws and regulations
	11	Staff training and promotion
	12	New product research and development and intellectual property protection
	13	Legal compliance of labour employment
	14	Transparency in information disclosure
	15	Information security
	16	Customer privacy protection
	17	Water conservation
	18	Drug recall procedures
	19	Accountability mechanism
	20	Data on resource consumption
	21	Customer complaints and responses
	22	Green supply chain
	23	Anti-corruption measures and whistle-blowing procedures
	24	Employment
	25	Access review of suppliers
	26	Remuneration and benefits and care for employees
	27	Relationship with the government
Issues of low importance	28	Party building
	29	Investment of more resources to support the development of surrounding communities
	30	Participation in charitable donations, disaster relief and other activities

CHAPTER II EXCELLENT QUALITY

Pharm HEC adheres to the path upholding quality, high technology and innovation on research and development, and has been the leader in the industry in terms of industrial scale, technology, quality and service by means of insisting on responsible and sustainable production and consumption so as to enhance the satisfaction of customers and achieve its commitment to the society and related parties.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B6.2/B6.3/B6.4/B6.5

(I) CREATING EXCELLENT QUALITY

Pharm HEC always strictly controls product quality, and pursues the quality improvement to be deep inside the heart of each of our employees to form a solid awareness on quality. The Company always attaches great importance to quality management, focuses on research and development as well as innovation, and regards high standards and strict requirements as the basic principles, striving to provide excellent products and services to customers.

2.1.1 PRODUCT RESPONSIBILITY PHILOSOPHY

The concept of product responsibility plays an important role in the development of an enterprise and the formation of a brand image as well as the accumulation of reputation, and is also the responsibility of an enterprise to consumers. As a quality enterprise in the pharmaceutical industry, Pharm HEC insists on product responsibility and has always adhered to the principle of being responsible to the Company and patients, sparing no effect to ensure zero defects regarding product quality and providing comprehensive after-sales services to protect the interests of customers and patients.

2.1.2 PRODUCT QUALITY CONTROL

Pharm HEC strictly abides by the laws and regulations such as the Drug Administration Law of the People's Republic of China, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China, the Provisions on the Administration of Pharmaceutical Directions and Labels and the Good Manufacture Practice of Medical Products and the Measures for Administration of Drug Recalls published by the authorities in the PRC. Besides, we have established a quality management system in accordance with regulations such as the Pharmaceutical Industry Quality System and the Good Manufacture Practice of Drugs. The newly revised Drug Administration Law of the People's Republic of China in 2019 puts forward higher requirements for the Good Manufacturing Practices and operation. Pharm HEC based on the existing Quality Manual under the new Drug Administration Law, which focuses on the newly revised and effective Drug Administration Law, Measures for Production Supervision and Management of Drugs, Measures for Administration of Drug Registration and Pharmacopoeia of the PRC and other laws and regulations, carried out the optimization of production procedures, workshop equipment and management, continuous improvement including inspection of raw and auxiliary materials, product research and development, technology transfer, production and manufacturing, product shipment and sales, monitoring and research of adverse reactions after launch. Specific quality control procedures has been clearly defined to ensure that the quality of drugs is controllable throughout the whole process of research and development, production, sales and recall, etc.

The basic procedures of quality control are as follows:

- **Raw Materials Purchase**

  Based on the needs of product production and the improvement of product quality, the Company has formulated procurement quality standards for materials used in product production (including raw materials, pharmaceutical materials and pharmaceutical packaging materials) which is more stringent than the national legal standards, and signed quality agreements, under which procurement quality standards are provided, with material suppliers, requesting inspection and delivery of materials according to the procurement quality standards after their arrivals. The Company has completed the determination of the procurement quality standards for 76 kinds of materials sourced, and will continue to promote the optimization process of procurement quality standards.

  At the same time, the Company continued to carry out review of suppliers. During the Reporting Period, the Company completed on-site quality audit on 18 suppliers to ensure that the quality management system and production system of the suppliers are under control to ensure the stable and sustainable supply of high-quality materials.

- **Products Production**

  Pharm HEC fully guaranteed the investment in human resources and material resources to ensure the comprehensiveness and effectiveness of product quality management.

  In terms of human resources, the Group shall continue to enhance the introduction of talents to monitor the technical transfer of projects and ensure strict production quality supervision. During the Year, the Company increased 63 personnel in Quality Assurance Department to ensure the compliance of production quality management.

  In terms of material resources, the Group shall continue to upgrade its facilities and increase its investment in equipment. During the Year, a total of 101 new equipment were added, with an investment of approximately RMB80,600,000, which further improved the laboratory testing capability and testing efficiency.

  Meanwhile, Pharm HEC continued to improve the automation and refined management of workshops, introduced automatic equipment such as temperature and humidity measurer and differential pressure measurer, and transformed the passage for workshops, passengers and cargos to prevent cross using, and used dermal materials to ensure the accuracy of raw and auxiliary materials in the product flow.

- **Quality Audit**

Pharm HEC attaches great importance to the standardized operation of production quality and management of drugs and actively improves its own quality review system. During the project registration and declaration, the technical department, quality department and production department of the Company, together with the research and development department of the research institute of the Group, conduct inspection drills on the research and development site and production site. Meanwhile, the Company covers the comprehensive production of products through quarterly self-inspection and cross-inspection from enterprises, and discovers and solves the actual problems of the project in a timely manner. At the same time, the Company also actively cooperates with the production inspection organized by the Food and Drug Inspection Center (食品藥品審核查驗中心) of the National Medical Products Administration ("NMPA") and issues inspection and rectification reports based on the inspection results of each internal and external review, and eliminate the problems mentioned in the reports.

In 2020, different factories of the Company conducted multiple product audits, including nine domestic inspections at all levels, one foreign official inspection, three self-inspections and two GMP quality inspections, which involve more than 14 varieties. No key deficiencies were identified during each inspection. According to the follow-up inspection results, all factories carried out specific rectification of deficiencies, and submitted the defect response report and rectification evidence to the official authorities.

In 2020, a total of one insulin product passed the GMP compliance inspection and was approved after reviewed by the Center for Drug Evaluation of China. Details are as follows:

Inspection date	Inspection content	Inspection department	Inspection results
7 January 2020–10 January 2020	Recombinant Human Insulin Injection (with Recombinant Human Insulin) GMP Compliance Inspection	Technical Review and Inspection Center (技術審評核查中心) of the Food and Drug Administration of Hubei Province	The notice of GMP Compliance Inspection Results was issued on 14 April 2020

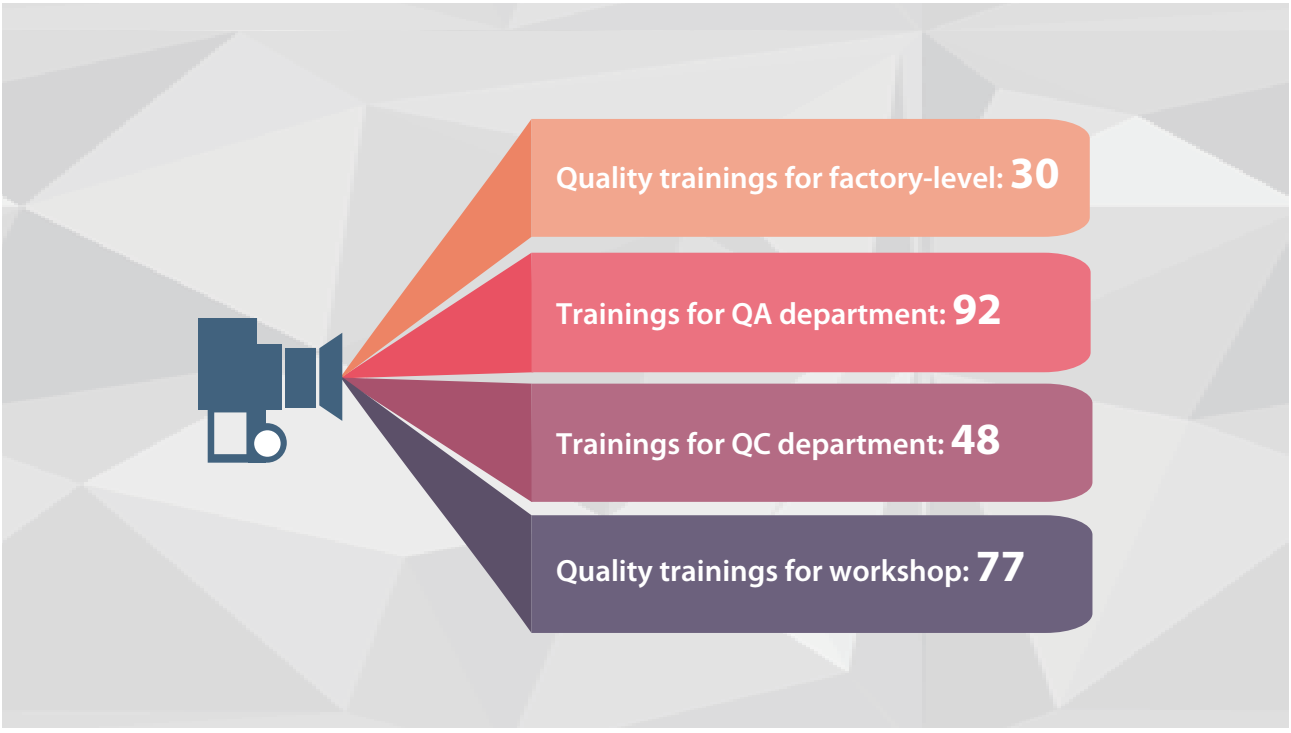
Approval date	Product name	Inspection department	Registration number
2 June 2020	Recombinant Human Insulin Injection	Center for Drug Evaluation of National Medical Products Administration	2020S00297

- **Product Recall**

The Group attaches great importance to drug quality management, and has specially formulated the "Drug Recall" management procedure through the factories, which is used to guide the recall procedure when the marketed drugs have potential safety hazards to ensure the safety of patients. At the same time, the management procedure also expressly requires that if there is no recall case for the marketed drugs, the enterprise shall carry out a recall drill every three years. In addition to the actual recall excluding marketed drugs, other procedures and requirements are consistent with the actual drug recall to verify the actual effectiveness of the enterprise drug recall system.

2.1.3 QUALITY TRAINING FOR STAFF

In 2020, the Company carried out various types of training for different departments and employees. During the year, a total of 30 quality trainings for factory-level, 92 trainings for QA department, 48 trainings for QC department, 77 quality trainings for workshop, and 502 onboard trainings for new employees or transferred employees, including temporary training on the revised version of SOP (standard operation procedures). The Company keeps a record of all training to ensure the effectiveness of the trainings. The targeted trainings enable the junior staff to master the basic knowledge of GMP and the management to master more in-depth and appropriate management skills.



(II) FOCUSING ON RESEARCH AND DEVELOPMENT AND INNOVATION

2.2.1 RESEARCH AND DEVELOPMENT AND INNOVATION

Research and Development Pipeline

In 2020, the Group made substantial progress in the research and development of anti-virus, endocrine and metabolic diseases.

1. Anti-viral field

The Company has completed an application to launch a new drug, Emitasvir Phosphate capsule, a Class 1 innovative drug in the PRC, and the application is approved. Emitasvir phosphate is an anti-hepatitis C oral antiviral drug, non-structural protein ("NS") 5A inhibitor. The drug is effective in treating liver cirrhosis-free genotype 1 Hepatitis C patients with SVR12 (sustained virological response in 12 weeks) at 99.8%, while maintaining favourable safety and tolerance properties. Emitasvir Phosphate is one of the first batch of new anti-hepatitis C oral direct-acting antiviral drugs which is researched and developed by domestic enterprise in the PRC and launched into market successfully. The Phase III clinical trial for NS3/4A protease inhibitor Furaprevir jointly developed with TaiGen Biopharmaceuticals Co. (Beijing), Ltd. ("TaiGen Biopharmaceuticals") in combination with Emitasvir phosphate has commenced and such new drug application is expected to be submitted in 2023.

Drugs (Products)	Current stage	Planned launch time	R&D investment amount (RMB'000)	Expensed R&D investment amount (RMB'000)	Capitalised R&D investment amount (RMB'000)	Percentage of R&D investment in operating income (%)	Percentage of R&D investment in operating costs (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Furaprevir	Phase III clinical trial	2023	42,714.71	29,293.29	13,421.42	1.82%	12.15%	–58.47%	Plan to complete in launching the drugs in 2023. Gradual decrease in R&D investment
Emitasvir Phosphate Capsules	Approved to launch	–	–	–	–	N/A	N/A	N/A	N/A

2. Endocrine and metabolic diseases area

In the area of endocrine and metabolic diseases, the Group is dedicated to the research and development of insulin products with a complete product line planning covering the second and third generation insulin. During the Reporting Period, the latest progress of the insulin series is as follows:

The key endocrine and metabolic types	Current stage	Planned launch time	R&D investment amount (RMB'000)	Expensed R&D investment amount (RMB'000)	Capitalised R&D investment amount (RMB'000)	Percentage of R&D investment in operating income (%)	Percentage of R&D investment in operating costs (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Recombinant Human Insulin Injection	Launched	–	2,254.22	–	2,254.22	0.10%	0.64%	–82.22%	Completed in launching the drugs in 2020. Decrease in R&D investment
Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R)	In phase I clinical trial. Phase III clinical trial completed	2022	27,368.35	–	27,368.35	1.17%	7.79%	8.38%	Drugs are undergoing clinical trials. Increase in R&D investment
Insulin Glargine Injection	Registration of domestic production accepted	2021	17,790.31	1,049.84	16,740.47	0.76%	5.06%	–41.45%	Registration of domestic production accepted. Gradual decrease in R&D investment
Insulin Aspart Injection	Registration of domestic production accepted	2022							Registration of domestic production accepted. Gradual decrease in R&D investment
Insulin Aspart 30 Injection	Registration of domestic production accepted	2022	29,795.58	–	29,795.58	1.27%	8.48%	–18.65%	Registration of domestic production accepted. Gradual decrease in R&D investment

The Company's Recombinant Human Insulin Injection, which is under in-house research and development, has been approved by the State Food and Drug Administration and obtained the approval to launch. It is the Group's first biologic drug approved to be launched, which further enriched the product portfolio of the Group and filled the gap of the biologic drug product of the Group, representing a landmark for the Group.

The Company has received approval notice from the NMPA relating to registration for domestic production of Insulin Glargine Injection, Insulin Aspart 30 Injection and Insulin Aspart Injection, the Company's self-developed products.

The Group has established a complete research and development system for the series of insulin products, which is developed in accordance with standards on biosimilar drugs adopted in Europe and the United States with the quality equivalent to originator drugs. The results of clinical trials show that the statistics of recombinant human insulin injection developed by the Group compared with the originator biologics are highly consistent in terms of efficacy, safety and stability. The Group also has a comprehensive product line, which covers both the second and the third generations of insulin, and meets the clinical medication needs of doctors and patients. Moreover, the product line adopts a yeast expression system which is advanced in technology and easy for large scale production.

In addition, in order to further enrich the product line of diabetes of the Group, the Group acquired a number of drugs from Sunshine Lake Pharma, among which, Sitagliptin Phosphate Tablets, Sitagliptin Phosphate and Metformin Hydrochloride Tablets, Linagliptin Tablets, Linagliptin and Metformin Hydrochloride Tablets and Alogliptin Benzoate Tablets were successfully approved to launch, which will create synergy with the existing product line of the Group and it is expected to enter the market quickly and generate considerable sales volume. The products above will further enhance the overall strength of the Group and improve its income structure of the Group.

Projects	Acquired/ R&D investment amount RMB'000	Expensed R&D investment amount RMB'000	Capitalised R&D investment amount RMB'000	Percentage of R&D investment in operating income (%)	Percentage of R&D investment in operating costs (%)	Last year investment RMB'000	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Alogliptin Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Rongliflozin L-Pyroglutamic Acid	536,366.50	2,500.01	533,866.49	22.84%	152.57%	–	N/A	Increase in clinical trial fees at the clinical stage
Liraglutide	57,333.76	6,101.55	51,232.21	2.44%	16.31%	–	N/A	Increase in clinical trial fees at the clinical stage
Sitagliptin Phosphate Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Sitagliptin Phosphate and Metformin Hydrochloride Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Linagliptin Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Linagliptin and Metformin Hydrochloride Tablets	–	–	–	N/A	N/A	–	N/A	N/A

3. Progress of generic drug portfolio acquired from Sunshine Lake Pharma

On 10 July 2018, the Company entered into an acquisition agreement with Sunshine Lake Pharma. Pursuant to the agreement, the Company acquired the know-how, the ownership of approvals for manufacturing and marketing and the right to sale of 6 generic drugs.

On 25 February 2019, the Company entered into an acquisition agreement with Sunshine Lake Pharma. Pursuant to the agreement, the Company acquired all intellectual property rights, industrial property rights and ownership rights of 27 pharmaceutical products within the PRC.

During the Reporting Period, Entecavir Tablets, Esomeprazole Magnesium Enteric-coated Capsules, Olanzapine Orally-Disintegrating Tablets, Linagliptin Tablets, Sitagliptin Phosphate Tablets, Sitagliptin Phosphate and Metformin Hydrochloride Tablets, Linagliptin and Metformin Hydrochloride Tablets, Olanzapine Tablets, Ticagrelor Tablets, Dalafil Tablets, Rosuvastatin Calcium Tablets, Alogliptin Benzoate Tablets and Duloxetine Hydrochloride Enteric Capsules have obtained the approval for launch.

The approval for launch further enriches the Group's product line and will provide patients with more medication options of both quality and price. At the same time, Group, the Group will also continue to promote the progress of new product R & D pipeline, and is committed to supplementing the unmet clinical needs. Progress of all products acquired by The Group from Sunshine Lake Pharma is as follows:

Progress of drug portfolio acquired in 2018

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
Anti-infection	Clarithromycin Tablet	Anti-infection	Class 6 chemical drug	Approved	Over 30	6
Anti-infection	Clarithromycin Sustained Release Tablets	Anti-infection	Class 6 chemical drug	Approved	14	1
Anti-infection	Levofloxacin Tablet	Anti-infection	Class 6 chemical drug	Approved	Over 30	8
Anti-infection	Moxifloxacin Tablets	Anti-infection	Class 4 chemical drug	Approved	Over 30	9
Cardiovascular	Olmesartan Tablets	Hypertension	Class 4 chemical drug	Approved	Over 30	6
Digestive system	Esomeprazole Magnesium Enteric-Coated Capsules	Gastric acid related diseases	Class 3 chemical drug	Approved	Over 30	2

Progress of drug portfolio acquired in 2019

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Estimated approval date	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
Cardiovascular	Ticagrelor Tablet	Antithrombus	Class 4 chemical drug	Approved	–	Over 30	12
Cardiovascular	Apixaban Tablets	Antithrombus	Class 4 chemical drug	Approved	–	Over 30	8
Cardiovascular	Atorvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Filed	2021	Over 30	11
Cardiovascular	Rosuvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	–	Over 30	18
Cardiovascular	Amlodipine Tablets	Hypertension	Class 6 chemical drug	Filed	2021	Over 30	Over 30
Cardiovascular	Metoprolol Succinate Sustained — release Tablets	Hypertension	Class 3 chemical drug	Filed	2021	13	0
Cardiovascular	Clopidogrel Tablets	Antithrombus	Class 4 chemical drug	Filed	2021	Over 30	8
Cardiovascular	Rivaroxaban Tablets	Antithrombus	Class 4 chemical drug	Filed	2021	Over 30	9
Anti-virus/ anti-infection	Entecavir Tablets	HBV	Class 4 chemical drug	Approved	–	Over 30	10
Anti-virus/ anti-infection	Tenofovir Alafenemide Tablets	HBV/HIV	Class 4 chemical drug	Filed	2021	3	0
Anti-virus/ anti-infection	Azithromycin Tablets	Anti-infection	Class 4 chemical drug	Filed	2021	Over 30	7
Nervous system	Olanzapine Tablets	Schizophrenia	Class 4 chemical drug	Approved	–	Over 30	11
Nervous system	Olanzapine Orally Disintegrating Tablets	Schizophrenia	Class 4 chemical drug	Approved	–	17	5
Nervous system	Entacapone Tablets	Parkinson's Disease	Class 4 chemical drug	Filed	2021	6	0
Nervous system	Aripiprazole Tablets	Schizophrenia	Class 4 chemical drug	Approved	–	25	1
Nervous system	Aripiprazole Orally Disintegrating Tablets	Schizophrenia	Class 3 chemical drug	Filed	2021	7	2
Nervous system	Duloxetine Hydrochloride Enteric Capsules	Depression	Class 4 chemical drug	Approved	–	Over 30	6
Nervous system	Escitalopram Tablets	Depression	Class 4 chemical drug	Filed	2021	Over 30	5
Endocrine/ metabolism	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	–	5	2
Endocrine/ metabolism	Linagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	–	13	1
Endocrine/ metabolism	Sitagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	–	14	2
Endocrine/ metabolism	Linagliptin and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	–	2	1
Endocrine/ metabolism	Alogliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	–	Over 30	7
Endocrine/ metabolism	Febuxostat Tablets	Hyperuricemia	Class 3 chemical drug	Filed	2021	Over 30	3
Urinary system	Sildenafil Tablets	ED, PAH	Class 4 chemical drug	Filed	2021	Over 30	4
Urinary system	Tadalafil Tablets	ED, PAH	Class 4 chemical drug	Approved	–	Over 30	13
Urinary system	Solifenacin Tablets	Bladder Hyperactivity Disorder	Class 4 chemical drug	Filed	2022	14	4

Pharm HEC was awarded the title of key laboratory in Yichang City by the Science and Technology Bureau of Yichang City

The Company firmly implements the concept and research direction of independent innovation, improves the scientific research management system, continuously improves the investment in scientific research, builds first-class scientific research test conditions, cultivates a group of high-level research teams, continuously promotes scientific and technological innovation in the biological field, and accelerates the application of basic research. In October 2020, the key laboratory for drug preparation research and development of Pharm HEC was recognized as the "Key Laboratory of Yichang City" by the Science and Technology Bureau of Yichang City due to the Company's achievements in supporting local industrial structure adjustment and economic and social development in the field of scientific research.

2.2.2 INTELLECTUAL PROPERTY PROTECTION

Intellectual property rights is an important symbol of innovation capability and core competitiveness of an enterprise, and the number and quality of patents reflect the capability and scientific research level of an enterprise. The Group has always attached great importance to the application and protection of intellectual property rights by setting up specific functional departments for management, and continuously and increasing investment in scientific research to focus on patent innovation. In 2020, we awarded six national invention patents, including the Complex, Preparation Method and Application of glucopyranose derivatives, the glucopyranose derivative and its medical application, the Crystallisation form of glucopyranose derivatives, the Vaccination Device for a Enzyme, the Testing Method for Bioactivities of GLP1-Similar, and the Purified Method for Reorganization Human Pancreatine-1 Similar.


国家知识产权局

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2020年09月18日

手续合格通知书


国家知识产权局

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2020年09月15日

手续合格通知书


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手续合格通知书

(III) SATISFYING CUSTOMERS

2.3.1 SAFEGUARDING THE RIGHTS AND INTERESTS OF CUSTOMERS

The Group adheres to the philosophy of dedicated service, strictly abides by the Law of the People's Republic of China on Protection of Consumer Rights and Interests and other laws and regulations, and has formulated relevant internal policies to comprehensively safeguard customers' rights and interests and promote sustainable consumption.

- For customer information, the Group has set up dedicated full-time personnel to manage customer information, and the personal information shall be collected and disclosed only when necessary or with the informed consent of consumers. In 2020, the Group did not receive any complaints on infringement of customers' privacy or loss of customer information, complaints from the regulatory authorities, or verified complaints from external individuals or organizations regarding customers' privacy;

- In respect of product marketing, the Group undertakes not to provide any false, misleading, unclear or ambiguous marketing information, or omit key information, such as product ingredients and product side effects, etc.;

- In respect of product education, the Group has set up an enquiry hotline to timely respond to consumers' questions on products, so that consumers can make rational purchase decisions based on their needs.

2.3.2 ACTIVE RESPONSE TO CUSTOMERS' COMPLAINTS

In order to improve the health and safety of products and services and provide better services for customers, the Group has established systems and procedures such as the User Service, Handling of User Complaints , Management of Product Returns, Drug Recalls, and Regular GMP Self Inspection. The sales department is responsible for after-sales services, collecting information about customers' satisfaction and relevant information and notifying the quality department. The quality department is responsible for handling relevant issues (including user complaints, user service information, etc.) and product returns or recalls. The Company has also hired professional doctors to understand patients' feedback on adverse drug reactions and clinical trials in a timely manner and make timely feedback to us. Consumers can make complaints or enquiries through online and offline channels such as the 24-hour hotline on the big health platform and store visits.

During the reporting period, the Company received 1 product quality related complaints and 3 complaints for other matters, with a settlement rate of 100%.

2.3.3 PROMOTION OF ACCESSIBLE PHARMACEUTICAL PRODUCTS

Promotion of the accessible pharmaceutical products is also an important measure to improve public health and secure social stability. We focus on the research and development, supply, and reasonable pricing of pharmaceutical products to provide the public with necessary, sufficient, reasonable, transparent and feasible pharmaceutical products.

CASE

Pharm HEC's self-developed Category 1 anti-hepatitis C new drug Emitasvir Phosphate Capsules was approved for launch

Liver disease is common in the PRC. According to the statistics of the Chinese Center for Disease Control and Prevention, there are currently 10,000,000 chronic hepatitis C infections in China. Focusing on the liver disease area, the Company independently developed the Category 1 innovative drug Emitasvir Phosphate Capsules, and completed the Phase II and Phase III clinical trials in Mainland China. The clinical study results showed that the combination of Emitasvir Phosphate Capsules and Sofosbuvir Tablets in the treatment of non-cirrhosis Chinese genotype 1 HCV achieved remarkable results, and the patient's SVR12 (sustained virological response rate for 12 weeks) reached 99.8%, and the drug was generally safe and well-tolerated.

In November 2019, Emitasvir Phosphate was included in the priority review and approval process as an "innovative drug with obvious treatment advantages". In December 2020, the drug was approved for launch by the National Medical Products Administration, which became the first domestic self-developed DAA drug to be commercialized in China. The approved Emitasvir Phosphate product has a very high clinical application value, which will provide HCV patients in China with a higher quality and affordable medication option, meet the domestic demand for HCV drugs, provide more HCV patients with new medication options and improve the accessibility of drugs.

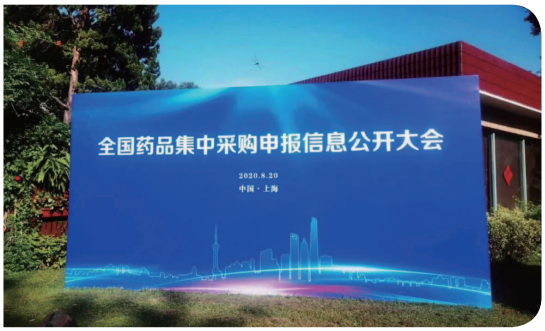
CASE

Successful tender for centralized procurement by the Group

On the basis of promoting research and development as well as supply, the Company promotes reasonable pricing.

On 17 January 2020, the Company participated in the tender process in respect of the Second National Centralized Procurement of Pharmaceuticals (第二批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Fudosteine Tablets, Moxifloxacin Hydrochloride Tablets and Olmesartan Tablets of the Company have won the bid for the centralized procurement.

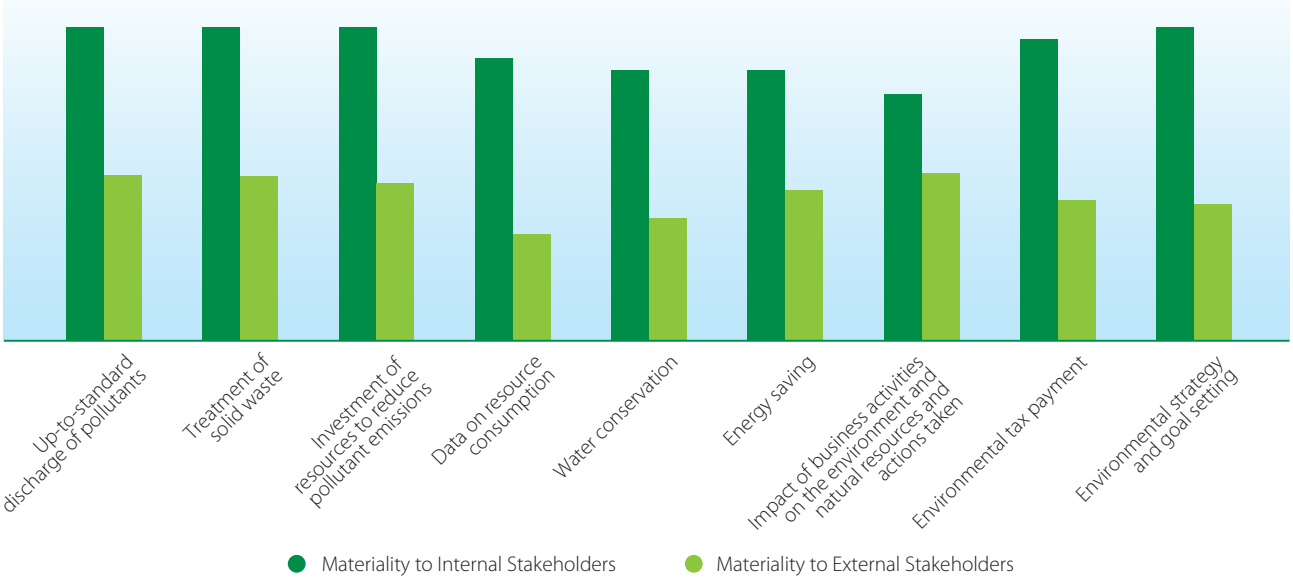
On 20 August 2020, the Company participated in the tender process in respect of the Third National Centralized Procurement of Pharmaceuticals (第三批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Clarithromycin Tablets and Olanzapine Orally Disintegrating Tablets of the Company have won the bid for the centralized procurement.



CHAPTER III GREEN DEVELOPMENT

The Group attaches great importance to environmental protection and earnestly implements advanced environmental protection concept, "Environmental protection originates from design. Production processes must help reduce pollution sources, cleanup and recycling of three kinds of waste as well as clean and green production". The Group constantly applies new technologies, new processes and new methods to comprehensively improve its governance capabilities and standards, and has achieved energy conservation and consumption reduction of ultra-low emissions and circular economy that perform better than national standards.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

A1.1/A1.2/A1.3/A1.4/A1.5/A1.6/
A2.1/A2.2/A2.4/A2.5/A3.1

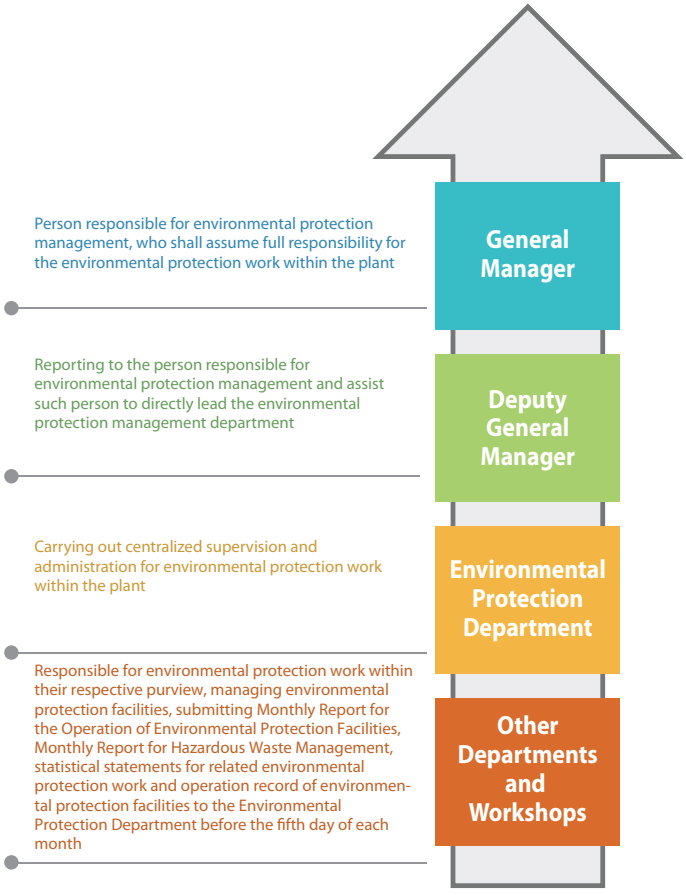
(I) ENVIRONMENT MANAGEMENT STRATEGY

3.1.1 ENVIRONMENT MANAGEMENT

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and other rules and regulations, and has formulated internal policies such as the Environmental Protection Management System and the Responsibility System for the Prevention and Control of Environmental Pollution by Hazardous Wastes to clarify the division of responsibilities for environmental protection, and set up a target, control, evaluation and assessment mechanism to prevent and reduce the adverse impact of production and operation activities on the environment.

For construction projects, the Company strictly implements the Regulations on the Administration of Construction Project Environmental Protection, implements the environmental impact assessment of construction projects, strictly abides by the "Three Simultaneities" system in the design, construction and use of projects, strictly controls the construction process of projects and strengthens the pollution prevention and control of new projects.

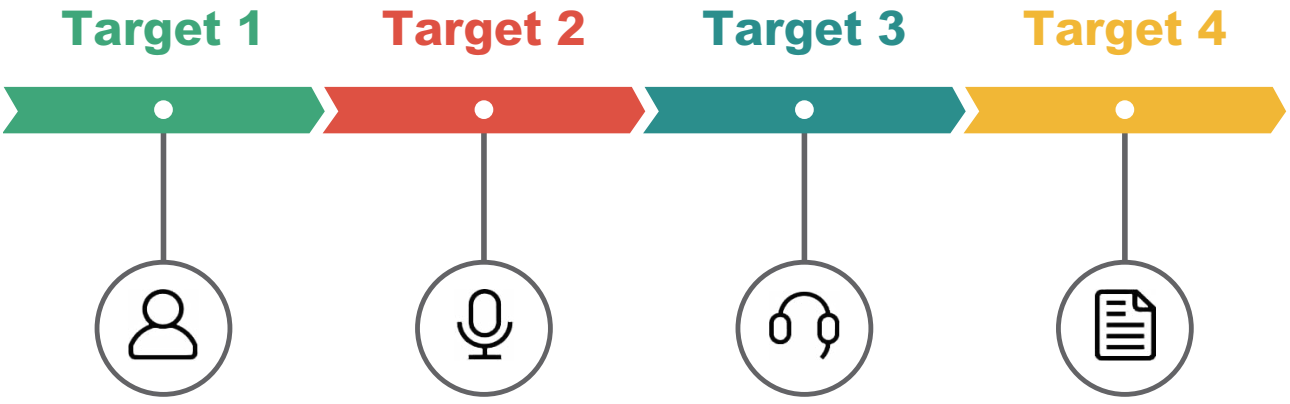
Environment Management Duties and Responsibilities



Environmental Protection Objectives

The Company has formulated system documents, such as Management Regulations for Environmental Objectives, Indicators and Management Plan, Management Regulations for Environmental Monitoring and Measurement and Management Regulations for Environmental Protection Operation. The Company conducts environmental risk analysis on important environmental factors and important risk sources according to actual conditions every year and formulates corresponding risk control measures. Led and organized by the Environmental Protection Department, comprehensive environmental protection inspection is carried out for the whole plant at least once a month and each production workshop carries out environment inspection at least once a week. Based on the results of daily inspection and evaluation, the general manager is responsible for the assessment of environmental protection work, and the assessment results are linked with the performance of environmental protection personnel and incentives. The environmental protection management assessment mainly includes daily environmental monitoring results, daily environmental protection inspection and the implementation of the "Three Simultaneities" system.

As of the end of 2020, the Group had no environmental pollution accidents; the collection, standardized storage and disposal rate of industrial waste reached 100%; the legal and standardized disposal rate of hazardous waste reached 100%; 100% rate in the pollutant emission compliance in respect of wastewater, waste gas, powder and noise was achieved; the total amount of pollutants discharged and the extent of pollutants discharged met the requirements; six departments including the oral solid dosage workshop completed environmental protection knowledge training according to the training plan with a completion rate of 100%.



Pollutant emission indicators (permitted maximum concentration level and emission intensity rate) meet the relevant requirements of national laws and regulations and local regulations

Both industrial wastewater and domestic wastewater meet the discharge standards

Safe disposal rate of solid waste reached 100%

Noise generated in working environment and plant meets national standard

Investment in Environment Management

In order to promote the implementation of environmental protection objectives and ensure the effective implementation of environmental protection management and measures, the Company, according to the actual business situation, started with the investment in environmental protection funds, manpower and equipment, and improved the Company's environmental protection performance in all aspects.

In 2020, the Group's total investment in environmental governance and protection reached RMB7,140,000. Some details are as follows:

- Sewage treatment fee: RMB5,419,100

- Hazardous waste treatment fee: RMB164,800

- Environmental protection equipment: over RMB652,000

  Note: It is used for the update and maintenance of insulin environmental protection equipment, etc.

- Environmental protection personnel: RMB818,100

  Note: It is used to pay salaries and responsibility bonuses of environmental protection-related personnel

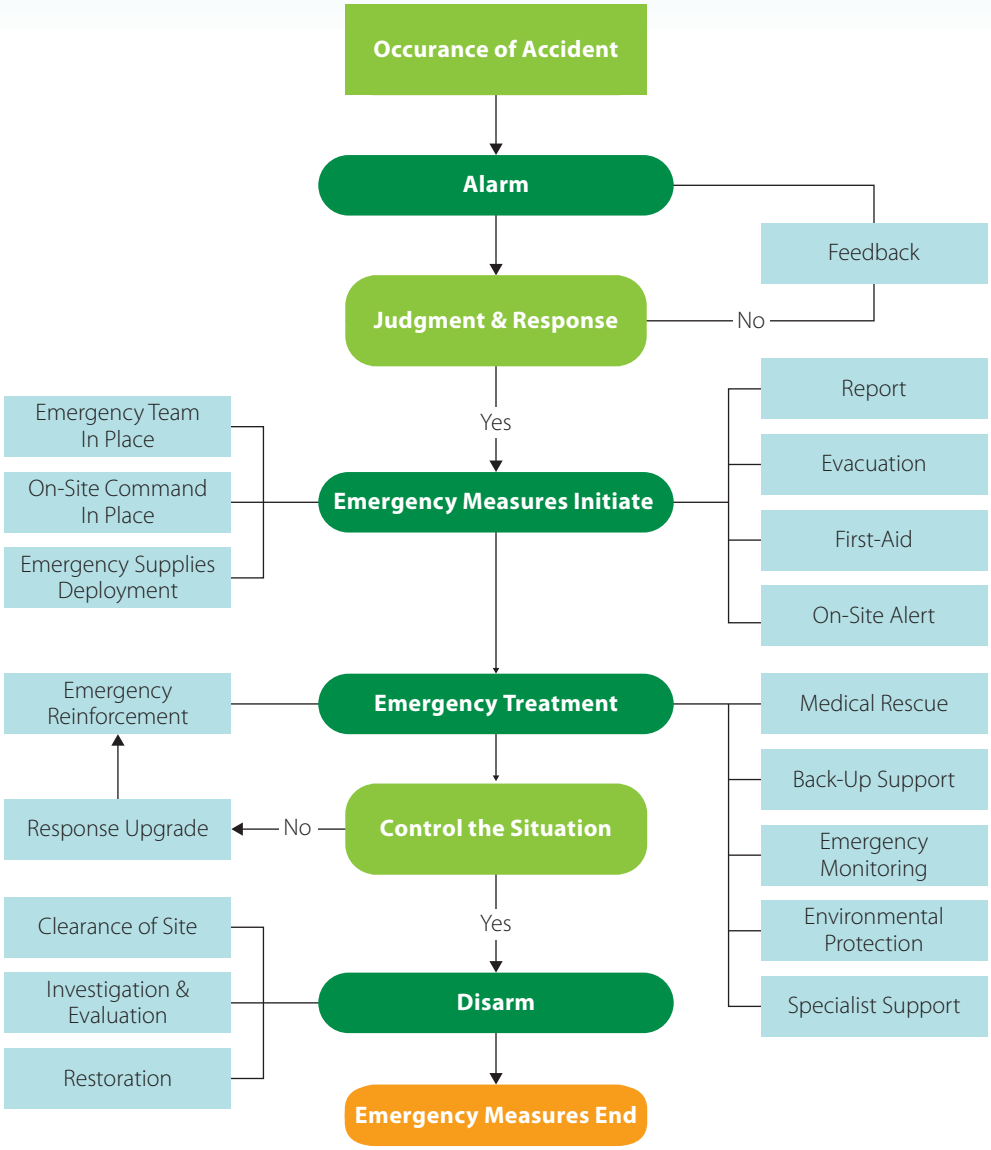
3.1.2 RISK PREVENTION AND CONTROL

The Company conducts environmental risk identification, analysis and formulates corresponding risk control measures for important environmental factors and important sources of danger every year in accordance with external supervision, internal cross-inspection and study of laws and regulations. The Company has established an emergency headquarters, under which the general manager acts as the team leader to assess the environmental protection work. The environmental protection department takes the lead in organizing comprehensive environmental protection inspection for the whole plant at least once a month and each production workshop carries out environment inspection at least once a week. The inspection dimensions include daily environmental monitoring results, daily environmental protection inspection and the implementation of the "Three Simultaneities" system. The assessment results are linked to the assessment performance of the environmental protection staff and incentives, so as to ensure that the Company can carry out emergency treatment in an efficient and orderly manner under special circumstances.

Emergency Plan for Environmental Emergencies

In accordance with the national laws and regulations and taking into account the actual situation of the Company, the Company updates the Emergency Plan for Environmental Emergencies and organizes trainings and drills regularly in accordance with the Emergency Plan for Environmental Emergencies. In case of environmental pollution accidents, it shall be dealt with in a timely and standardized manner in accordance with the relevant provisions of the Emergency Plan for Environmental Accidents and the principle of "Four Must" ("Must find the reason for the accident", "Must punish the person responsible", "Must implement measures", "Must provide training to relevant staff").

YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.
EMERGENCY PLAN FOR ENVIRONMENTAL EMERGENCIES



PROCEDURES OF ENVIRONMENTAL EMERGENCY PLAN

Emergency Plan for Extreme Weather

Pharm HEC is aware that climate change has gradually become an important risk affecting the operation of the Company. In response to the operational and environmental hazards brought by bad weather such as rainstorms, the Company has incorporated it into the daily risk management and control mechanism of the Company. In accordance with the Emergency Plan for Environmental Emergencies, in case of emergency rainstorms, the Emergency Command Department of the Company shall notify professionals from relevant departments such as environmental protection, safety, production, technology and equipment to the site after receiving the emergency report of possible environmental accidents on the site, or before the severe storm arises, and make judgment on the level of environmental emergencies according to the level of hazards, urgency, development and urgency to be caused by the environmental emergencies. The warning of environmental emergencies is divided from high to bottom into four levels: red warning, orange warning, yellow warning and blue warning. Based on the development of the situation and the effect of the measures taken, the warning can be upgraded, downgraded or released.

Training on Environmental Protection

The Company also actively carries out environmental protection training for employees to enhance their knowledge of safety and environmental protection, improve their ability in safe and environmental-friendly production and respond to environmental emergencies. Pharm HEC has required employees' induction training and daily training to include environmental protection related contents. The environmental protection trainings in 2020 are as follows:

Month of training	Training topics	Training Department	Training Hours
3	Safety and environmental protection related knowledge	Solid preparation	2
4	Safety and environmental protection knowledge training	Warehousing Department	2
4	Basic knowledge of production safety and environmental protection	Freeze Drying Workshop	2
6	Safety and environmental protection knowledge training	Equipment Department	1.5
6	Safety, Environment and Health Management	Department heads and management cadres	2
6	Safety, Environment and Health Management	Quality Assurance Department	2
6	Safety, Environment and Health Management	Procurement Department	2
6	Safety, Environment and Health Management	Technical Department	2
9	Safety, Environment and Health Management	201 Workshop	2
9	Safety, Environment and Health Management	202 Workshop	2
9	Safety, Environment and Health Management	203 Workshop	2

(II) EMISSION MANAGEMENT

3.2.1 MANAGEMENT OF WASTEWATER

Located at the Yangtze River and Qingjiang riverside, Pharm HEC takes active actions in protecting the ecological environment in the Yangtze River Basin, and implements the Outline of the Development Plan for the Yangtze River Economic Belt, strictly implements the standards such as the Emission Standard of Water Pollutants for Chemical Synthetic Pharmaceutical Industry, the Emission Standard of Water Pollutants for Hybrid Pharmaceutical Industry and the Emission Standard of Water Pollutants for Biological Engineering Pharmaceutical Industry, and formulates the Wastewater Management Regulations, which clarifies that the Environmental Protection Department is responsible for the wastewater management and the operation of sewage treatment stations throughout the plant. The Equipment Department is responsible for the maintenance of the sewage pipe network, pumps and sewage treatment equipment. Each department is responsible for the management of sewage within the jurisdiction, and carries out wastewater discharge management according to the requirements of rainwater and sewage diversion, clean and sewage diversion and sewage diversion. All departments and workshops are required to strictly control the leakage and pollution sources, to prevent the leakage, emission, dripping and leakage, and to strictly prohibit the leakage or direct discharge of sewage. In 2020, the Company strictly complied with the national requirements and applied for additional pollutant discharge license in a timely manner, which is valid from 27 December 2020 to 26 December 2025.


排污许可证

证书编号：91420000730842584F001P

单位名称：宜昌东阳光长江药业股份有限公司

注册地址：湖北省宜昌宜都市滨江路 38 号

法定代表人：唐新发

生产经营场所地址：宜都市滨江路 38 号、滨江路 62 号

行业类别：化学药品原料药制造，化学药品制剂制造

统一社会信用代码：91420000730842584F

有效期限：自 2020 年 12 月 27 日至 2025 年 12 月 26 日止

发证机关：（盖章）宜昌市生态环境局

发证日期：2020 年 12 月 27 日

中华人民共和国生态环境部监制

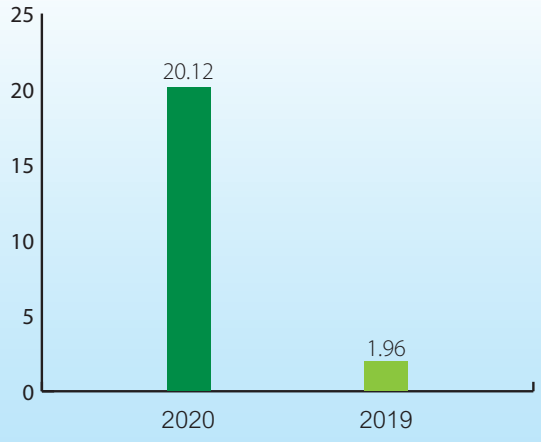
宜昌市生态环境局印制

The Company has also formulated targeted treatment measures for various types of wastewater such as industrial, living and rainwater. Process wastewater, steam condensate water, equipment and ground cleaning wastewater are collected on site before entering the sewage pipe network. The fire-fighting water in the event of an accident is discharged into the emergency water basin and pumped into the sewage treatment system, and can only be discharged after treatment which makes it up to standard. For rainwater, in order to ensure that the rainwater pipe network is used separately from the sewage pipe network, we strictly prohibit the discharge of other wastewater of non-rainwater into the rainwater pipe network, and ensure that the rainwater can be discharged directly without chemical pollution, oil pollution and solid waste. At the end of the Company's sewage pipe network is a sewage regulating basin. All sewage is collected in the regulating basin, and part of the sewage is treated in sewage treatment station while part of the sewage is pumped to the sewage treatment plant of HEC Pharm Co., Ltd. All the sewage is treated up to the standards before discharge. On this basis, some of the Company's factories have added tests on the content of sewage antibiotics, strictly controlled the COD standards, and continuously improved the in-depth treatment effect of wastewater.

Wastewater discharge data in 2020

Wastewater discharge of Pharm HEC			
		2020	2019
Industrial wastewater	Tonnes	**1,064,987.23**	103,373.00
Chemical oxygen demand CODcr	Tonnes	**20.12**	1.96
Ammonia nitrogen	Tonnes	**1.20**	0.09

Wastewater discharge of Pharm HEC (Unit: Tonnes)



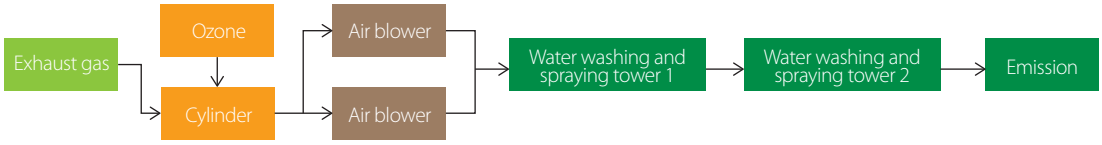
Chemical Oxygen Demand CODcr

3.2.2 MANAGEMENT OF EXHAUST GAS

In strict compliance with the Integrated Emission Standard of Air Pollutants and other relevant standards, Pharm HEC has formulated the Exhaust Gas Management Rules to clarify the operation and management mechanism of the exhaust gas treatment system, and set up a standard process of exhaust gas management, which requires the collection of exhaust gas generated during the production process. The collected exhaust gas is treated with oxidation, absorption, neutralization, washing, incineration and other processes, and meets the emission standards, so as to reduce the impact of uncontrolled emission on the environment.

- Exhaust gas treatment system operation and management mechanism: During normal production, the personnel on duty of the environmental protection department regularly inspects the exhaust gas treatment system on a daily basis to ensure the uninterrupted operation of the ozone generator for 24 hours, and to keep the production of fermentation workshop synchronously with the exhaust gas treatment system. Upon completion of the inspection, we will fill in the Operation Record of the Exhaust Gas Treatment System truthfully, and report any abnormality in a timely manner and contact the equipment department for maintenance; if deterioration of water quality of the spray is identified during the inspection process, the wastewater will be discharged in a timely manner and replenished with clean water.

- Exhaust gas treatment process: We collect the fermented exhaust gas and bacteria residue exhaust gas through the pipelines before such gases enter the exhaust gas treatment system. The system adopts the ozone oxidation +2 level water washing and spraying process. The process flow is as follows:



CASE

REGENERATIVE THERMAL OXIDIZER (RTO) EQUIPMENT OF THE COMPANY

In 2020, YiChang HEC ChangJiang Pharmaceutical Co Ltd. built new RTO equipment on the basis of the original Volatile Organic Compounds (Hereinafter referred to as VOCs) treatment equipment. The VOCs treatment process currently adopted is: multi-level in-depth condensation, classified washing, activated carbon adsorption, RTO treatment process, which further strengthens the treatment level of various pollution factors in the VOCs gas emitted by VOCs, and achieves the environmental benefits such as high purification rate and saving fuel consumption for the heating up of exhaust gas.

GREENHOUSE GAS EMISSION DATA IN 2020

Total greenhouse gas emissions and intensity		
Greenhouse Gas Emissions	Tonnes CO_2e	42,527.43
Scope 1 Total Greenhouse Gas Emissions	Tonnes	46.67
Scope 2 Total Greenhouse Gas Emissions	Tonnes	42,480.75
Greenhouse Gas Emission Intensity	Tonnes CO_2e/RMB million	18.11

3.2.3 MANAGEMENT OF SOLID WASTE

Pharm HEC strictly abides by the Law on the Prevention and Control of Solid Waste Pollution, Regulation on the Safety Administration of Hazardous Chemicals and other regulations on solid waste management, identifies and separates general solid waste and hazardous waste, and formulates internal systems such as the Responsibility System for the Prevention and Control of Environmental Pollution by Hazardous Wastes, the Hazardous Waste Management System and the Solid Waste Management Regulations. The Environmental Protection Department is responsible for supervising and managing the disposal of solid waste on site. The Procurement Department is responsible for signing disposal agreements with solid waste disposal entities, and the workshops of each department are responsible for the collection, storage and disposal of fixed waste within their respective purview. The Company also separates the disposal and entry areas for general solid waste within the plant, and requires the Environmental Protection Department to supervise strict registration by security guards of the plant, so as to ensure that the Company can effectively control and properly dispose of all kinds of waste generated during the production, activities and service process, and prevent and reduce environmental pollution and work injuries.

- For hazardous chemicals: the Company has set strict storage and usage management standards to ensure that the stored raw materials and products would not pollute the environment, and requires centralized collection and disposal of the leaked raw materials and products in transit to prevent pollution to the production area and surrounding environment.

- For general solid waste: the relevant record is made by the Generating Department and supervised by the Environmental Protection Department. Paper, metal and plastic are collected by the environmental hygiene organization of the headquarter for recycling; the Operation Procedure for Transfer of Bacteria Residue is implemented; the domestic garbage and general chemical reagent packages are cleaned and stored in garbage bins, which are collected and disposed of by the Environmental Hygiene Department.

The Company is committed to realizing the harmless, reduced and resourceful management of waste disposal and strictly controls the use of chemicals in the pharmaceutical process. Hazardous waste and waste drugs is collected and delivered to hazardous waste management companies for proper disposal. General solid waste such as metal wastes is reused, and packaging materials of raw materials in bulk are collected by the warehouse personnels and the Procurement Department will contact the suppliers for recycling.

In 2020, the Group generated a total of 78.69 tonnes of dangerous and hazardous waste. The non-hazardous wastes generated were mainly general industrial wastes and domestic wastes, totaling 1,737.51 tonnes.

(III) MAKING THE BEST USE OF RESOURCES

In strict compliance with national and local environmental protection policies, regulations and standards, Pharm HEC has established a top-down environmental management system and set up a leading group for energy conservation and emission reduction. The Production Planning Department, Environmental Protection Department, Safety Department and other departments have jointly participated in the formulation of annual environmental targets for water, electricity and gas, carried out environmental management system certification, clean production review and green factory certification, strengthened the target management, process control and performance assessment of environmental protection work, supplemented with sufficient manpower, materials and financial support, to ensure the effective operation and continuous improvement of the system, and strive to achieve standardization, formalization and refinement of environmental protection management.

In the manufacturing process, the Company continues to improve water-consuming and electricity-consuming equipment and production processes. The measures implemented include:

- Water resources consumption:
  - Reduce the demand for water from industrial production by shortening the hot water pipes, minimizing water pressure, reasonably making industrial or production layout;
  - Change the way of production water consumption (e.g. turning direct current water to recycled water), promote water-saving technologies such as reuse of condensed steam, recycling of indirect condensed water, and reuse of treated sewage, and improve the water recycling rate and reuse rate;
  - Conduct water balance tests to calculate the amount of water required by each production unit and set up inspection measures.
  - In 2020, the Company did not have any problem in obtaining suitable water sources.
- Energy consumption: Energy-saving renovation of existing equipment, replacement of LED light tubes in workshops and other energy-saving facilities.
- Material use: Reduce the use of single-use plastic packaging materials and recycle metal packaging materials.

In 2020, the Group consumed a total of 1,273,174.30 tonnes of water, 12,991.35 tonnes of standard coal and 2,090.93 tonnes of packaging materials for finished products.

In daily office work, Pharm HEC arranges security personnel to inspect the use of office lighting and temperature control equipment. The Company regularly checks hidden water pipes and dripping and leaking phenomena, and promotes water-saving sanitary wares. It advocates double-sided printing and paperless office, actively promotes green office, and reduces energy and resource waste.

CHAPTER IV SAFE PRODUCTION

Safe production and safeguarding employees' occupational health are the basic requirements for an enterprise, and also the standards of conduct which an enterprise must comply with. Pharm HEC always regards safe production as the core of production management, attaches great importance to labour protection and production safety management, pays attention to the health and safety of employees, advocates safety culture, and forms a good situation in which all staff in the factory concern about safety and pay attention to safety in everything.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

B2.1/B2.2/B2.3

(I) ENHANCING SAFETY MANAGEMENT AND CONTROL

Pharm HEC strictly complies with the relevant requirements of the laws and regulations, including the Production Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China, has formulated the Safe Production Responsibility System, the Regulations on Reporting, Investigation and Handling of Production Safety Accidents and the Basic Norms of Enterprise Safety Production Standardization, and has signed the Safety Responsibility Statement at all levels. The Group has implemented the safety management structure led by the Safety Department, strengthened safety risk management and control, emergency management and the investigation and governance of various potential hazards. The Group organises safety drills and education trainings every year and carries out safety inspections, in which the safety inspection results are directly linked to the management's remuneration. The Company has also implemented safety standardisation within the Company. In 2020, there were no work-related fatalities, extraordinary, material and ordinary accidents in Pharm HEC.

(II) SAFEGUARDING THE HEALTH AND SAFETY OF EMPLOYEES

The Company is committed to regularly identifying, inspecting and rectifying works and safety hazards and risks related to employees' health and safety in daily life for the healthy and safe working and living environment of our employees. The specific operations include:

- Automatic meters in workshops are transformed to achieve automatic control in key positions;
- Methanol and confined space undergoes special cleaning and disinfection twice during spring and autumn;
- New safety risk labels are introduced to meet the chemical engineering standard requirements;
- Production and operation training is enhanced and the Employee Safety Behaviour Manual is issued, requiring workers to comply with proper production procedures at all times, reasonably allocate and standardise the wearing of labour protection equipment;
- Regular occupational disease examination is organised and occupational disease examination is arranged for key positions (involving employees exposed to hazardous chemicals), and additional body examination is arranged for female employees.

The Company engages a professional third-party institution every two years to conduct occupational health testing on sites, in order to examine the factor points and positions which may trigger occupational disease and hazards, identifying the factor points and positions of occupational disease and hazards. The Group also formulates targeted rectification action plans to continuously improve the Company's safety risk protection level.

In order to ensure the health and safety of employees during the pandemic, on the basis of securing the supply of prevention and control materials, Pharm HEC arranged all employees who resumed working to undergo testing through home observation or setting up isolation areas for observation, and required employees to submit travel and health data in a timely manner according to the prevention and control and quarantine requirements of the community. During the pandemic, the Company stipulated the routes and time slots for employees to commute and transport by specially arranged vehicles, in order to prevent and control the risk of pandemic transmission caused by personnel movement.

Pharm HEC also pays attention to the safety production of related parties. In order to strengthen the safety management of related parties, the Group controls relevant environmental factors, risk sources and occupational health and safety risks in the course of business activities to prevent the occurrence of various accidents and ensure the safety of life and property of the Company and related parties. In 2020, the Company introduced the Related Party Management System, which is applicable to the Company's safety management process for all activities of the construction parties, partners, visitors and other related personnel in the Company's area. The safety department of the Company is responsible for optimising the system, organising and implementing the supervision and inspection of safety management in respect of procurement and subcontracting activities, as well as supervising and inspecting the implementation of the Production Safety Agreement. Relevant project departments are responsible for the management and control of the safety and occupational health behaviours of the construction parties entering the construction site, the safety education and safety notification to related parties, and the supervision, inspection and examination of the implementation of the safety production management agreement. Other functional departments perform supervision, guidance and support on the activities of related parties according to the allocation of duties.

(III) ADHERING TO SAFE PRODUCTION CULTURE

Pharm HEC attaches great importance to safety emergency management and has formulated the Relevant Provisions on the Preparation of Emergency Response Plan, Training, Drills and Assessment, the Emergency Rescue Plan for Insulin Plant Accident and other documents. In addition, the Group has established annual drills and training plans for all employees, and has carried out integrated drills, special drills and action drills; safety learning on documents and systems, emergency medical rescue, equipment operation, evacuation, material leakage and emergency repair, in order to continuously improve the safety awareness of employees and their ability to respond to emergencies as well as escape and self-rescue. In 2020, the staff training was completed on schedule, with a pass rate of 100%. Eight of our employees obtained the Safety Production Knowledge and Management Capability Qualification Certificate (安全生產知識和管理能力考核合格證) of the hazardous chemicals industry, and 40 employees obtained the Training Certificate for safety production management personnel of the industry and trade sector.

CASE

Integrated Fire Emergency Evacuation Drill

In order to improve the emergency response capacity of all employees, ensure the safety of personnel and reduce casualties and losses in the event of fire accidents, the Company simulated the situation of fire in the high temperature room of technical department and conducted a integrated fire emergency evacuation drill at the technical department of the Company on 30 October 2020. A total of 72 employees participated in the fire emergency drill, of which 49 employees from the technical department participated in the drill and evacuated immediately when the fire alarm was activated, and 23 employees from other departments participated in the emergency drill according to the division of labour in the emergency response. Through reviewing the drill process, the Company adhered to the corporate safety production culture by actively identifying the inadequacies in emergency response, proposing rectification suggestions and performing a presentation of the drill.

CASE

Safety Supervision Platform

In order to identify and eliminate potential risks of production safety accidents in a timely manner and leverage the role of supervision and reporting by all employees, in accordance with the Production Safety Law, the Measures for Reporting and Rewarding in the Safety Production Field in Hubei Province and other laws and regulations, Pharm HEC launched the HEC Safety Supervision Platform on 30 June 2020. Daily Circuit Breaker and Forging Special Operation Safety Graph, Safety Standard Graph and Special Operation Safety Graph were published on the platform, encouraging employees to take photos to report various potential risks of production safety accidents according to the graphs. Through verifying the potential risks with the reports, the supervisors and on-site inspectors are rewarded with a bonus. In 2020, a total of 33 reports were received from employees.

CHAPTER V PEOPLE-ORIENTED

Employees are an important driving force for the development of enterprises, and have irreplaceable significance to the improvement of comprehensive strength of enterprises. The Group has always adhered to the people-oriented management concept. After years of development, the Group has established a sound and diversified employment system. The Group respects and protects the fundamental of each employee, provides employees with rich training resources, actively organizes various employee care activities, continuously improves the competitiveness and cohesion of the Company's talents, and promotes the joint development of the Company and its employees.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

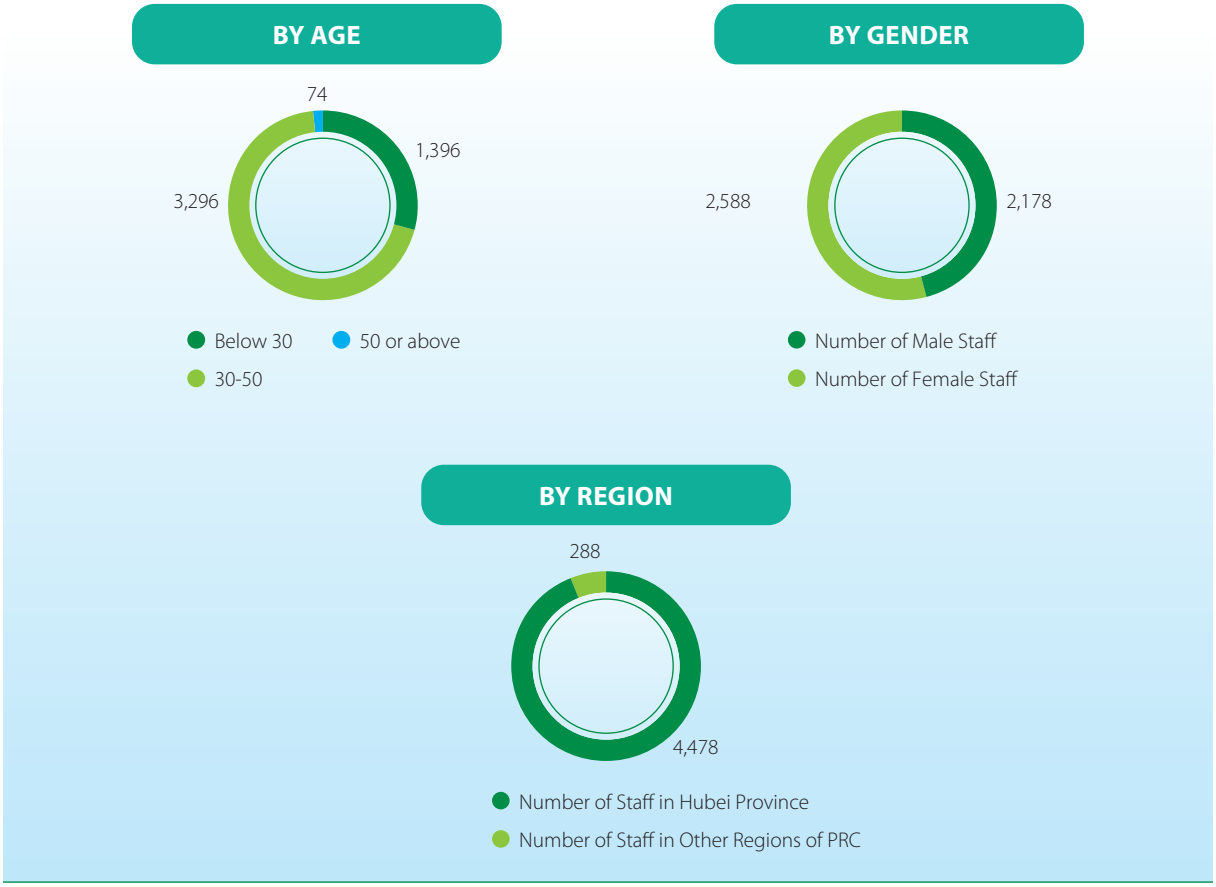
B1.1/B1.2/B3.1/B3.2/B4.1/B4.2

(I) EQUAL EMPLOYMENT

The Company strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on Prohibition of the Use of Child Labour and other laws and regulations. The Company has formulated the Human Resources System to carefully review job seekers' information during the recruitment process to avoid employment of underage applicants due to the use of false certificates. In case of child labour or forced labour, we will strictly follow the relevant procedures and deal with the personnel in charge seriously. During the Reporting Period, the Group did not use child labour or forced labour.

The Group has in place internal policies in relation to working hours, rest period, equal opportunity, diversity and anti-discrimination and ensures that such policies are adopted and in force at all times. All employees are entitled to annual leaves and statutory holidays.

For recruitment channel management, we adopt a combination of internal and external recruitment. For internal recruitment, we select appropriate employees from our own human resources pool to fill any vacancies or new positions through promotions and the re-hire of former employees; while for external recruitment, we hire outstanding candidates from the society through a comprehensive evaluation system in an open, fair and equal manner through recruitment advertisements, employment agencies, internet recruitment and campus recruitment.



(II) PROTECTION OF RIGHTS AND INTERESTS

The Company standardizes labour contract management, understands, respects and protects employees' traditions, religions and privacy, and resists any form of unfair treatment in the workplace. We have also established the Lactation Period System to protect the rights and interests of female employees. At the same time, the Company has provided online anonymous complaint channels in the Employee Handbook, which is managed by dedicated personnel to strictly protect the information of the complainants, so that employees are not concerned about the retaliation. The Company also requires the complaint manager to respond in a timely manner, properly investigate the complaint, promptly respond to the investigation results and reach a mutually agreed solution through negotiations. In 2020, the Company did not violate any laws in respect of diversity and equal opportunities, dismissal, recruitment and promotion, compensation, working hours and anti-discrimination.

In order to inspire the potential of our staff and attract excellent administrative and technical personnel, the Company, in compliance with the Social Insurance Law and other relevant laws and regulations, pays premium for various social insurance and housing provident fund for employees in accordance with the law. Based on the Articles of Association and the internal control system, combined with the overall remuneration level of the industry and the actual cost of living in the place of work, the Company has adjusted the basic salary and formulated the remuneration policy and incentive system for scientific and technological progress, such as the Pension System, Housing Benefits and Children's Benefits, which aim to retain outstanding talents and motivate employees by means of performance, and provides multi-level welfare system in addition to basic income, five statutory social insurances and one statutory fund, with particulars as follows:

- Incentive bonus: Performance-based production awards, year-end awards (based on different levels and performance of employees), subsidies for children of employees
- Insurance: collective accident commercial insurance
- Public welfare facilities: kindergarten, medical room, staff dormitory, shuttle bus
- Others: Assisting in arranging employees' children education

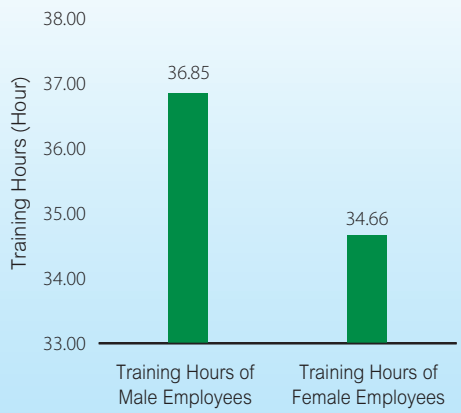
Pharm HEC has established a labour union as an important organization for the protection of employees' rights and interests, as well as care and services for employees. The Company encourages employees to actively participate in labour unions, safeguards the freedom of association of workers, and effectively recognizes the right to collective bargaining. In 2020, the Company did not receive any complaints regarding forced labour and discrimination.

(III) TRAINING AND DEVELOPMENT

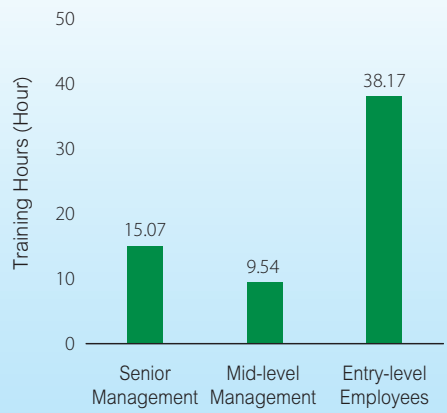
Human resources are an important resource that affects and contributes to the development of an enterprise. Staff training is a vital component of human resources management and has been increasingly highly valued by enterprises. Employee training is not only an effective way to enhance corporate competitiveness, but also a significant measure to motivate employees. Pharm HEC always emphasizes on employee training and capability development, and has established and implemented an effective training and management system and formulated annual training plans according to the job nature and requirements of each employee (with ad-hoc training as and when necessary). This helps to give full play to the positive effect of training for the Company, promotes the personal development of the employees to achieve advancement and growth and deeply integrates the personal growth of employees with the development goals of the enterprise.

Pharm HEC provides three major types of training, which consist of factory training, onboard training, continuous education and training (comprising planned training and ad-hoc training), and outsourced training. Our training methods include intensive classes, discussions, audio-visual and practical training. Evaluation of the effectiveness of our training comprises of written examinations (open-book and closed-book), practical tests and instant tests. In 2020, 4,766 employees of the Group were trained with an average of 35.66 training hours.

Training Hours by Gender



Average Training Hours by Type of Employees



The Company has also implemented a mentoring system to actively coordinate senior employees to assist and cultivate new employees, and provide suggestions on work and life to them. In addition, the Company provides "apprenticeship rewards" for senior employees to facilitate the internal promotion and solid implementation of the mentoring system within the Company.

The Company adheres to the principles of openness, fairness and impartiality in talent promotion. The assessment content is rated according to unified standards. The Company also encourages entry-level employees to submit applications voluntarily. The Company examines the leadership ability and EHS management knowledge of employees through different forms including lectures and PPT displays, which provide more open self-development opportunities and improve the enthusiasm of employees.

CASE

OPEN COMPETITION FOR ENTRY-LEVEL TEAM LEADERS

In April 2020, an open competition for entry-level team leaders was launched across the plant. A total of 68 employees participated in the event, covering production workshops and quality departments. The competition aims to provide a platform for employees to showcase and temper themselves, as well as to explore certain outstanding employees and relocate them to entry-level management positions at the same time. A total of 35 employees were appointed as entry-level team leaders through work reporting and Q&A sessions.

(IV) CARE FOR EMPLOYEES

The Company has set up a charitable foundation, formulated the Articles of Association of the Charitable Foundation. There are members of the charity foundation in each production base to better understand the needs of employees, assist employees in need to submit a subsidy application for review, and report to the office as well as collaborating with organizations in order to continuously support employees in need.

CASE

EMPLOYEE CONDOLENCE

On the eve of the Chinese New Year, the Party branch of the plant visited certain party member employees in need. The Party Committee leaders of the base and the Party branch leaders of the plant visited the positions and homes of the employees in need to understand the current living and working conditions of each employee, and sent consolation money and basic living materials to them. Each employee expressed their gratitude to the Party Committees of all levels for their care over the years, and implied that they would be more proactive in completing their work in the future to contribute to the development of the Company.

We also organize diversified cultural and sports activities to enrich the lives of employees, consolidate their strength, improve their quality, with an aim to establish stable and harmonious labor relations as well as to promote the healthy, positive, and effective development of the entire enterprise.

CASE

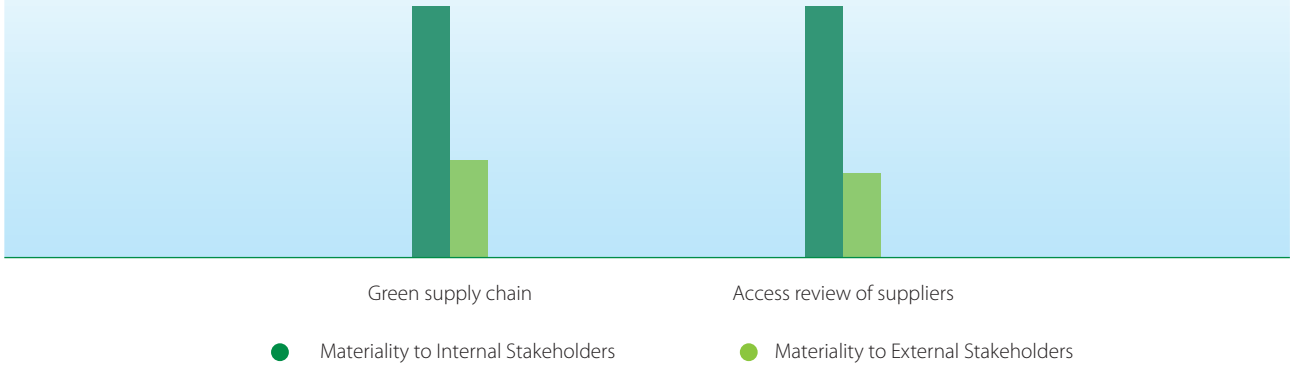
THE 18TH BASKETBALL COMPETITION

The labor union and the Youth League Committee of the Company will take basketball competition as the starting point, organise various types of healthy and positive cultural and sports entertainment activities in which employees can enjoy and participate in actively, so as to create a good atmosphere of scientific pandemic prevention and fitness for all, conveying a scientific and healthy life and work style, and encouraging employees to devote themselves to life and work with the belief of hard work and positive enthusiasm.

CHAPTER VI WIN-WIN COOPERATION

Pharm HEC's success depends on the support of a wide range of products and services provided by an extensive supply chain network. While maintaining long-term mutual trust and mutually beneficial cooperation with suppliers, we are also committed to working with them to promote the sustainable development of the Group and suppliers with our own practical actions, and striving to build a better social and business environment.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

B5.1/B5.2

(I) BUILDING A RESPONSIBLE SUPPLY CHAIN

6.1.1 RESPONSIBLE PROCUREMENT

Pharm HEC has established a comprehensive and effective procurement system to specify the duties and obligations of relevant departments such as procurement and quality departments in the procurement process. We have also entered into the Anti-commercial Bribery Agreement between the Suppliers and Purchasers and Integrity Commitment Letter to strictly control corruption. At the same time, through establishing a file for each supplier and signing a quality assurance agreement with key suppliers, Pharm HEC strictly monitors the performance of suppliers in all aspects, including product quality and service quality, business ethics and social evaluation. The Company also assesses the performance of suppliers through dynamic information management, periodic assessment and annual review to safeguard the interests of the Group and customers. Currently, the Company has established cooperation relationship with 718 suppliers.

Supplier Selection and Management Process:

1 INITIAL INVESTIGATION OF SUPPLIERS

Understand the basic information of the suppliers and the distribution in the market, and carry out on-site inspection and online credit investigation to understand the suppliers quality, credit, market ranking and whether the product is a monopolistic product; whether the varieties, specifications and quality of suppliers' products meet the needs; and whether the suppliers capabilities, standard, production process as well as production management and control meet the standards; whether the suppliers have obtained safety system certifications such as ISO 90001;

2 PRICE VERIFICATION AND COMPARISON

By understanding the cost components of products, the Group conducts more accurate price analysis and price comparison, in order to accurately determine the quality of the supplier's products;

3 SELECTION AND DETERMINATION OF SUPPLIERS

A hierarchical approval procedure is established according to the purchase amount. The suppliers with poor reliability and high price shall be replaced in time. Meanwhile, the Group proactively introduces new suppliers to reduce the risk of exclusive and long-term supply; in November 2020, the Company launched the SRM supplier quotation platform, requiring all quotations to be open and transparent in order to control the risk of information transparency from the source;

4 MANAGEMENT OF SELECTED SUPPLIERS

The Group has set up a supplier grading inspection mechanism which focuses on major suppliers, under which the Group conducts two to three on-site inspections per year with several departments and external experts, with inspection dimension including the EHS management level of suppliers; established supplier quality management related policies and complaint handling procedures to disqualify non-compliant suppliers and claim for compensation when necessary. Subsequently, if the supplier's qualification is resumed, the supplier's qualification will be re-assessed specifically on the spot.

6.1.2 GREEN PROCUREMENT

The Group has always attached great importance to environmental protection and social responsibility of suppliers. In the selection and management of suppliers, the Group not only judges the quality and qualification of suppliers, but also carries out evaluations in respect of environmental protection and social responsibility, so that all aspects of suppliers meet our environmental protection standards and social responsibility requirements. Pharm HEC continuously optimises product packaging design, advocates the use of green and environmental-friendly materials, and reduces the use of packaging materials while meeting market and production needs. Our requirements for raw material suppliers are among the top three in the industry. For the procurement of product packaging materials, the Group has formulated a group-level procurement management plan. At the same time, the Group has also established a supplier evaluation control procedure, which is applicable to regulating and controlling the supplier evaluation process and the implementation of procurement. All paper packaging materials of the Group are procured from FSC certified manufacturers.

The total packaging material used for finished products of the Group in 2020 amounted to 2,090.93 tonnes.

For the equipment procurement management regulations, the Company follows the following principles to ensure production efficiency.

- Production: It refers to the production efficiency of equipment. When selecting equipment, the Group shall select those equipment with the minimum input for the maximum output, i.e. high efficiency equipment.

- Technology: It refers to the ability of the equipment to meet the technical requirements of the production. In addition to meeting the technical requirements of the product, the equipment shall meet the GMP requirements.

- Energy saving: It refers to saving in raw material consumption and energy consumption. For example, environmental facilities must be operated and maintained synchronously with the main production facilities, and the Group shall ensure that the synchronous operation rate of environmental facilities and production facilities to be above 95%.

CASE

Assessment of Third-party Energy-saving Equipment

In order to meet the needs for the production of Insulin preparations, Pharm HEC will speed up the construction of production lines and supporting facilities during this year. To implement "the Decisions of the State Council on Strengthening Energy Conversation" (《國務院關於加強節能工作的決定》) and "the Measures for Energy Conservation Review of Fixed Asset Investment Projects" (《固定資產投資項目節能審查辦法》) issued by the National Development and Reform Commission, Pharm HEC engaged a professional third party to analyze and evaluate the project construction plan, energy-saving measures and energy utilization. In the energy-saving analysis and mandatory selection of the construction plan, according to the third-party evaluation report, the auxiliary production facilities such as motors and transformers acquired by Pharm HEC are all energy-saving equipment, and the selected equipment meets the relevant energy-saving evaluation value standards.

(II) PROMOTION OF INDUSTRY DEVELOPMENT

Pharm HEC actively participates in communications within the industry to learn the industry trend and gain excellent practices from peers, while sharing the Group's leading technologies and products with all sectors of society.

CASE

PHARM HEC ENTERED INTO A LETTER OF INTENT WITH WUHAN INSTITUTE OF VIROLOGY TO JOINTLY ESTABLISH AN ANTIVIRAL DRUG CENTRE

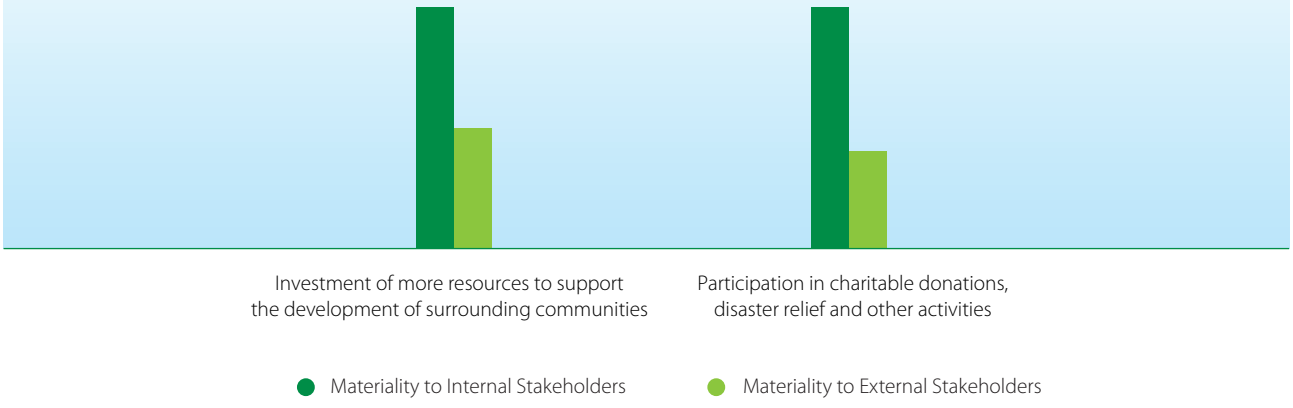
On 21 August 2020, the Company entered into a letter of intent with Wuhan Institute of Virology, Chinese Academy of Sciences, National Engineering Technology Research Center for Drugs of Emergency Prevention and Control and Sunshine Lake Pharma Co., Ltd. (Sunshine Lake Pharma), pursuant to which, these parties will jointly establish a national military-civilian integrated collaborative industrialization platform for drugs of emergency prevention and control cum national antiviral drug centre.

The signing of the letter of intent aims to provide various drug varieties, capabilities and technical reserves in terms of emergency prevention and control drugs to the PRC, especially the establishment of the national collaborative innovation industrialisation system of emergency prevention and control drugs that can provide rapid feedback. The parties will work together and fully leverage on their respective expertise to establish a national innovation chain and industrial chain for emergency prevention and control drugs, in order to complement each other and assist in the protection of national public health and strategic security.

CHAPTER VII CONTRIBUTING TO THE SOCIETY

Pharm HEC always adheres to the service tenet of "benefiting the country, the people and the society". In addition to providing quality products and services to the society, the Group actively solves social health problems, actively participates in social welfare and takes various initiatives to contribute to national public welfare.

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

B8.1/B8.2

(I) CARING THE COMMUNITY

CASE

Blood donation campaign for Love

The Company actively maintains good two-way communication with the community, listens to the needs of the community, carries out community care activities, and encourages employees to actively participate in voluntary service activities to achieve a relationship of mutual trust and mutual benefit with the community.

"The power of love is gathered with every drop of blood so that the tree of life is evergreen in mind." From 3 to 7 August 2020, the Company organised a voluntary blood donation event, namely "Combating the pandemic, fighting with love". A total of 189 people donated blood and a total of 62,350 ml of blood was collected in the event. Familiar faces who have multiple blood donation experiences and newcomers who participated in blood donation for the first time were seen. Pharm HEC staff who actively participated in the voluntary blood donation with their sleeves rolled up despite the high temperature of 37°C are all passionate heroes!

(II) COMBATING THE PANDEMIC

CASE

Pharm HEC was awarded the honorary title of "Advanced Unit in Yichang City to Fight against COVID-19 Pandemic"

At the beginning of 2020, the COVID-19 pandemic spread across the country. In the face of the pandemic, Pharm HEC adhered to its constant corporate social responsibility spirit and adopted various ways to help combat the pandemic. During the outbreak of the pandemic, as the sole production base of Oseltamivir Phosphate (Kewei), an anti-influenza drug in China, Pharm HEC fully organised its employees to manufacture the Oseltamivir Phosphate series of drugs to ensure drug production capacity, in assistance to contain the pandemic of influenza plus COVID-19 and guarantee the market demand for drugs for prevention and control of influenza. Besides the above efforts, Pharm HEC donated RMB1 million to Wuhan Charity Federation. The donation was used to procure materials urgently needed for pandemic prevention and control. At the same time, the Company actively cooperated with non-profit organizations to donate medical supplies such as N95 medical masks and disinfectants to Yichang People's Government, designated hospitals and medical institutions for new coronavirus treatment in order to contribute to the fight against the pandemic.

OUTLOOK FOR 2021

The Company has established a mature platform for drug R&D, manufacturing and sales, and will continue to develop and innovate in the fields of anti-virus, endocrine and metabolic diseases and cardiovascular diseases. Looking forward, the Company will continue to increase its investment in R&D and accelerate the transformation of drug R&D to clinical application in the abovementioned disease areas. In addition, the Company will closely catch up with clinical needs, strengthen the R&D layout of drugs in the fields of anti-tumor and anti-fibrosis, and continuously launch new products to enrich the existing product portfolio.

The Company will also continue to enhance the development of the sales team and further expand the primary healthcare market while continuing to consolidate the academic promotion path. Looking forward, with the established scientific and sustainable marketing strategy, we are committed to build up quality business image and brand reputation in the domestic market, laying a solid foundation of enabling more new products to enter the market in the future.

We believe that under the leadership of the Board and the efforts of all employees, through formulating comprehensive development strategies, implementing strict management systems and actively enhancing innovation and R&D, Pharm HEC will become a first-class benchmark pharmaceutical enterprise and an influential national pharmaceutical brand in the PRC.

LIST OF POLICIES

Topics	Internal policies	Laws and regulations complied with
Aspect A1: Emissions	Environmental Protection Management System Responsibility System on the Prevention and Control of Environmental Pollution by Hazardous Wastes Hazardous Waste Management System Solid Waste Management Regulations Wastewater Management Regulations Exhaust Gas Management Regulations Regulations on the Administration of Construction Project Environmental Protection	Environmental Protection Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Integrated Emission Standard of Air Pollutants Emission Standard of Air Pollutants from Boilers Emission Standard for Industrial Enterprise Noise at Boundary Discharge Standards of Water Pollutants for Chemosynthesis Pharmaceutical Industry Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category Emission Standard for Pharmaceutical Industrial Water Pollutants from Biological Engineering Category
Aspect A2: Use of Resources	Environmental Objectives, Guidelines and Management Program Management Regulations Environmental Monitoring and Measurement Management Regulations Environmental Protection Operation Management Regulations	Energy Conservation Law of the People's Republic of China Recycling Economy Promotion Law of the People's Republic of China
Aspect A3: Environment and Natural Resources	Environmental Protection Management System Responsibility System for the Prevention and Control of Environmental Pollution by Hazardous Wastes Hazardous Waste Management System Regulations on the Administration of Construction Project Environmental Protection	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Water Quality Standards on Sewage Discharged to Urban Sewers Integrated Emission Standard of Sewage

Topics	Internal policies	Laws and regulations complied with
Aspect B1: Employment	Human Resources System Employee Handbook Articles of Association of the Charitable Foundation	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Employment Promotion Law of the People's Republic of China Social Insurance Law of the People's Republic of China
Aspect B2: Health and Safety	Safe Production Responsibility System Regulations on Determination, Training, Drill and Assessment of Emergency Rescue Plan Emergency Rescue Plan for Insulin Plant Accident Emergency Plan for Sudden Environmental Accidents Production Safety Accidents and Investigation and Handling Regulations Basic Norms of Enterprise Safety Production Standardization Employee Safety Conduct Manual Relevant Party Management System Safety Production Agreement	Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China Safe Production Law of the People's Republic of China Industrial Injury Insurance Regulations of the People's Republic of China Regulations on the Labour Protection of Female Staff and Workers of the People's Republic of China Production Safety Accident Report and Investigation
Aspect B4: Labour Standards	Prevention and Handling of Labour Disputes	Labour Law of the People's Republic of China Provision on Prohibition of Child Labour of the People's Republic of China Law of the People's Republic of China on Protection of Minors
Aspect B5: Supply Chain Management	Material Supplier Management Incoming Material Procurement Management Material Procurement Quality Standard Qualified Supplier List	Company Law of the People's Republic of China Contract Law of the People's Republic of China

Topics	Internal policies	Laws and regulations complied with
Aspect B6: Product Responsibility	Services for Customers Customers Complaints Handling Product Return Management Drug Recall Regular GMP Self-inspection	Drug Administration Law of the People's Republic of China Regulations for the Implementation of the Drug Administration Law of the People's Republic of China Measures for the Reporting and Monitoring of Adverse Drug Reactions Measures for Administration of Drug Registration Provisions on the Administration of Pharmaceutical Directions and Labels Measures for Production Supervision and Management of Drugs Good Manufacture Practice of Medical Products (GMP) Good Supply Practice for Pharmaceutical Products (GSP) Measures for Administration of Pharmaceutical Distribution Certificates Measures for Administration of Drug Import Measures for Administration of Drug Recall Regulations on Protection of Traditional Chinese Medicines Measures for Administration of Drug Information Service over the Internet Interim Measures for Administration of Internet Advertising Advertising Law of the People's Republic of China Law of the People's Republic of China on Protection of the Rights and Interests of Consumers Trademark Law of the People's Republic of China Copyright Law of the People's Republic of China Patent Law of the People's Republic of China Intellectual Property Law of the People's Republic of China Pharmacopoeia of the People's Republic of China

Topics	Internal policies	Laws and regulations complied with
Aspect B7: Anti-corruption	Integrity and Self-discipline Commitment Internal Control System Manual Anti-commercial Bribery Agreement Anti-commercial Bribery Agreement between the Suppliers and Purchasers Anti-commercial Bribery Agreement of Sales Cooperation Parties	Criminal Law of the People's Republic of China Anti-Money Laundering Law of the People's Republic of China Drug Administration Law of the People's Republic of China Regulations for the Implementation of the Drug Administration Law of the People's Republic of China Anti-unfair Competition Law of the People's Republic of China Provisional Regulations on the Prohibition of Commercial Bribery
Aspect B8: Community Investment		

KEY PERFORMANCE TABLE

List of environmental data				
Aspect A1: Emissions				
Indicator number	**Indicator required**	**Unit**	**2020**	2019
A1.1	**Types of emissions and respective emissions data**			
	Industrial wastewater	Tonnes	**1,064,987.23**	103,373.00
	Chemical oxygen demand CODcr	Tonnes	**20.12**	1.96
	Ammonia nitrogen	Tonnes	**1.20**	0.09
A1.2	**Total greenhouse gas emissions and intensity**			
	Greenhouse gas emissions	tonnes CO_2e	**42,527.43**	34,606.96
	Scope 1 Total greenhouse gas emissions	Tonnes	**46.67**	49.76
	Scope 2 Total greenhouse gas emissions	Tonnes	**42,480.75**	34,557.20
	Intensity of greenhouse gas emissions	Tonnes CO_2e/ revenue (RMB million)	**18.11**	5.56
A1.3	**Total hazardous waste generated**			
	Pharmaceutical waste	Tonnes	**28.70**	47.95
	Other hazardous wastes	Tonnes	**49.99**	53.37
	Intensity of hazardous wastes	Tonnes/revenue (RMB million)	**0.03**	0.02
A1.4	**Total non-hazardous waste generated**			
	General industrial waste and domestic waste	Tonnes	**1,737.51**	2,965.77
	Intensity of non-hazardous wastes	Tonnes/revenue (RMB million)	**0.74**	0.48

List of environmental data				
Aspect A2: Use of Resources				
Indicator number	**Indicator required**	**Unit**	**2020**	2019
A2.1	**Total energy consumption and intensity**			
	Externally purchased power: Central China Grid	kWh	**52,267,284.00**	33,231,342.00
	Externally purchased steam	Tonnes	**50,902.60**	58,294.48
	Diesel	Litres	**17,880.00**	19,060.00
	Total energy consumption	Tonnes of standard coal	**12,991.35**	11,630.85
	Total energy consumption intensity	Tonnes of standard coal/ revenue (RMB million)	**5.53**	1.86
A2.2	**Total water consumption and intensity**			
	Freshwater consumption	Tonnes	**1,273,174.30**	529,377.00
A2.5	**Total packaging material used for finished goods**			
	Packaging materials used	Tonnes	**2,090.93**	3116.70

List of environmental data				
Guidelines on Environmental Information Disclosure by Companies Listed on Shanghai Stock Exchange				
Indicator number	**Indicator required**	**Unit**	**2020**	2019
Other 1	**Main raw material consumption**			
	Dichloromethane	Tonnes	**353.35**	429.86
	Methanol	Tonnes	**70.16**	90.60
	Ethanol	Tonnes	**438.93**	525.88
Other 2	**Resources investment in environmental governance**			
	Investment in environmental governance and protection	RMB	**7,143,078.00**	5,295,373.00
Other 3	**Administrative penalties against pollutants**			
	Number of administrative penalty	Times	**0**	0
	Amount of penalty	RMB	**0**	0

List of social data				
Aspect B1: Employment				
Indicator number	**Required**	**Unit**	**2020**	2019
B1.1	**Total workforce by gender, age group, geographical region and education**			
	Total number of employees	Person	**4,766**	6,212
	By gender			
	Male employees	Person	**2,178**	3,745
	Female employees	Person	**2,588**	2,467
	By age group			
	Below 30	Person	**1,396**	2,354
	30-50	Person	**3,296**	3,796
	50 or above	Person	**74**	62
	By region			
	Hubei province	Person	**4,478**	1,997
	Other regions in the PRC	Person	**288**	4,213
	Overseas	Person	**0**	2
	By education			
	Master or above	Person	**117**	108
	Bachelor	Person	**1,485**	1,938
	Associate	Person	**1,702**	2,954
	Vocational or below	Person	**1,462**	1,212

List of social data				
Aspect B1: Employment				
Indicator number	**Required**	**Unit**	**2020**	2019
B1.2	**Number of employee turnover and employee turnover rate by gender, age group and geographical region**			
	Total number of employee turnover	Person	**1,446**	225
	Employee turnover rate	%	**23.28**	3.60
	By gender			
	Number of male employees turnover	Person	**704**	124
	Number of female employees turnover	Person	**742**	101
	By age group			
	Turnover number of employees aged below 30	Person	**809**	140
	Turnover number of employees aged 30–50	Person	**636**	83
	Turnover number of employees aged 50 or above	Person	**1**	2
	By geographical region			
	Number of employee turnover in Central China	Person	**1,347**	217
	Number of employees turnover in other regions in the PRC	Person	**99**	8
	Overseas turnover	Person	**0**	0
Aspect B2: Health and Safety				
Indicator number	**Required**	**Unit**	**2020**	2019
B2.1	**Number of work-related fatalities**			
	Number of work related fatalities	Person	**0**	0
	Rate of work-related fatalities	%	**0**	0
B2.2	**Lost days due to work injury**			
	Number of work injuries	Times	**0**	2
	Lost days due to work injury	Days	**0**	126

List of social data				
Aspect B3: Development and Training				
Indicator number	**Required**	**Unit**	**2020**	2019
B3.1	**Trained employees by gender and type of employees**			
	Total number of employees trained	Person	**4,766**	6,212
	Percentage to total number of employees trained	%	**100.00**	100.00
	By gender of employees			
	Number and percentage of male employees trained	Person	**2,178**	3,062
		%	**45.70**	49.29
	Number and percentage of female employees trained	Person	**2,588**	3,150
		%	**54.30**	50.71
	By type of employees			
	Number and percentage of senior management trained	Person	**56**	56
		%	**1.17**	0.90
	Number and percentage of mid-level management trained	Person	**372**	372
		%	**7.81**	5.99
	Number and percentage of entry-level employees trained	Person	**4,338**	5,784
		%	**91.02**	93.11

List of social data				
Aspect B3: Development and Training				
Indicator number	**Required**	**Unit**	**2020**	2019
B3.2	**Training hours for employees by gender and type of employees**			
	Total training hours for all employees	Hours	**169,971**	260,529
	Average training hours for all employees	Hours	**36.00**	41.90
	Total training hours by gender of employees			
	Total training hours for male employees	Hours	**80,273**	–
	Total training hours for female employees	Hours	**89,698**	–
	Average training hours for employees by gender of employees			
	Average training hours for male employees	Hours	**36.85**	–
	Average training hours for female employees	Hours	**34.66**	–
	Total training hours by type of employees			
	Total training hours for senior management	Hours	**844**	1,100
	Total training hours for mid-level management	Hours	**3,549**	4,926
	Total training hours for entry-level employees	Hours	**165,578**	254,503
	Average training hours by type of employees			
	Average training hours for senior management	Hours	**15.07**	–
	Average training hours for mid-level management	Hours	**9.54**	–
	Average training hours for entry-level employees	Hours	**38.17**	–
Aspect B5: Supply Chain Management				
Indicator number	**Required**	**Unit**	**2020**	2019
B5.1	**Number of suppliers by geographical region**			
	Number of major suppliers	Suppliers	**718**	607
	Geographical distribution of major suppliers			
	Hubei province	Suppliers	**256**	205
	Other regions in the PRC	Suppliers	**456**	402
	Overseas	Suppliers	**6**	0

List of social data				
Aspect B6: Product Responsibility				
Indicator number	**Required**	**Unit**	**2020**	2019
B6.1	**Percentage of total products sold or shipped subject to recalls for safety and health reasons**			
	Amount of products recalled due to health and safety reasons	Cartons	**0**	0
	Percentage of products recalled due to health and safety reasons	%	**0**	0
B6.2	**Number of products and service related complaints received**			
	Complaints related to product quality	Times	**1**	0
	Other complaints	Times	**3**	13

List of social data				
Aspect B7: Anti-corruption				
Indicator number	**Required**	**Unit**	**2020**	2019
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period**			
	Number of pending or concluded legal cases regarding corrupt practices	Cases	**0**	0
Aspect B8: Community Investment				
Indicator number	**Required**	**Unit**	**2020**	2019
B8.2	**Resources contributed to the focus area**			
	Number of participants in volunteer activities	Person	**39**	–
	Amount contributed for charity	Ten thousand (RMB)	**100**	30

Notes:

1. Unless otherwise specified, the indicators of A1 environmental category are statistical data generated or used by the production base of the Company (Yichang City, Hubei Province). In 2020, we will continue to improve the statistical boundary and environmental data collection system, covering all production units in the base. We will also retrospectively adjust the data of diesel usage and associated greenhouse gas emissions as well as total energy consumption in 2019 based on the 2020 statistical boundary;
2. Carbon emissions refer only to carbon dioxide emissions and do not include methane, nitrous oxide and other greenhouse gases emitted by other sources;
3. Indicator A1.2 Greenhouse gases (Scope 1) include direct emissions from gasoline, diesel, liquefied petroleum gas, etc.;
4. Indicator A1.2 Greenhouse gases (Scope 2) include indirect emissions from outsourced electricity;
5. Carbon dioxide is accounted according to Accounting Method and Reporting Guide for Greenhouse Gas Emissions from Industry and Other Sectors (for Trial Implementation), where the emission factor of the outsourced power refers to the Central China Regional Power Grid (based on the Baseline Emission Factors for Regional Power Grids in China issued annually;
6. As the commissioning of the Company's API plant and Insulin Plant was put into use in 2020, the industrial wastewater emissions, fresh water consumption, external purchased power and associated greenhouse gas emissions as well as total energy consumption and other data have increased to a certain extent during the year;
7. As the production volume of Kewei, the core product of the Group, decreased to a certain extent in 2020, packaging materials used and pharmaceutical waste generated decreased to a certain extent during the year.

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This index states the compliance of the Company with each of the "comply or explain" indicators of the Environmental, Social and Governance Reporting Guide and its disclosure of the "Recommended Disclosure" indicator during the Reporting Period.

Aspects	Key Performance Index	Disclosure
General Disclosure	**Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste**	Chapter III Green Development (II) Emission Management
A1.1	Types of emissions and respective emissions data	Key Performance Table
A1.2	Total greenhouse gas emissions and intensity	Key Performance Table
A1.3	Total hazardous wastes generated and intensity	Key Performance Table
A1.4	Total non-hazardous wastes generated and intensity	Key Performance Table
A1.5	Description of measures to mitigate emissions and results achieved.	Chapter III Green Development (II) Emission Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Chapter III Green Development (II) Emission Management
General Disclosure	**Policies on the efficient use of resources, including energy, water and other raw materials**	Chapter III Green Development (III) Making the Best Use of Resources
A2.1	Total energy consumption and intensity	Key Performance Table
A2.2	Total water consumption and intensity	Key Performance Table
A2.3	Description of energy use efficiency initiatives and results achieved	Chapter III Green Development (III) Making the Best Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Chapter III Green Development (III) Making the Best Use of Resources
A2.5	The total amount of packaging materials used for finished products and the amount per unit of production	Key Performance Table
General Disclosure	**Policies on minimising the issuer's significant impact on the environment and natural resources**	Chapter III Green Development (I) Environment Management Strategy
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Chapter III Green Development (I) Environment Management Strategy (III) Making the Best Use of Resources

Aspects	Key Performance Index	Disclosure
General Disclosure	**Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare**	Chapter V People-oriented (I) Equal Employment
B1.1	Total workforce by gender, employment type, age group and geographical region	Key Performance Table
B1.2	Employment turnover rate by gender, age group and geographical region	Key Performance Table
General Disclosure	**Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards**	Chapter IV Safe Production (I) Enhancing Safety Management and Control
B2.1	Number and rate of work-related fatalities	Key Performance Table
B2.2	Lost days due to work injury	Key Performance Table
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Chapter IV Safe Production (III) Safeguarding the Health and Safety of Employees (III) Adhering to Safe Production Culture
General Disclosure	**Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities**	Chapter V People-oriented (III) Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, mid-level management etc.).	Key Performance Table
B3.2	Average training hours completed per employee by gender and employee category.	Key Performance Table
General Disclosure	**Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour**	Chapter V People-oriented (I) Equal Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour	Chapter V People-oriented (I) Equal Employment
B4.2	Description of steps taken to eliminate such practices when discovered	Chapter V People-oriented (I) Equal Employment

Aspects	Key Performance Index	Disclosure
General Disclosure	**Policies on managing environmental and social risks of the supply chain**	Chapter VI Win-win Cooperation (I) Building a Responsible Supply Chain
B5.1	Number of suppliers by geographical region	Key Performance Table
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Chapter VI Win-win Cooperation (I) Building a Responsible Supply Chain
General Disclosure	**Information on the policies and 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**	Chapter II Excellent Quality (I) Creating Excellent Quality
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Key Performance Table
B6.2	Number of products and service related complaints received and how they are dealt with	Key Performance Table
B6.3	Description of practices relating to observing and protecting intellectual property rights	Chapter II Excellent Quality (II) Focusing on Research and Development and Innovation
B6.4	Description of quality assurance process and recall procedures	Chapter II Excellent Quality (I) Creating Excellent Quality
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Chapter II Excellent Quality (III) Satisfying Customers
General Disclosure	**Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering**	Chapter I Responsible Governance (II) Corporate Governance
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	Key Performance Table
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Chapter I Responsible Governance (II) Corporate Governance
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**	Chapter VII Contributing to the Society (I) Caring the Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Chapter VII Contributing the Society (II) Combating the Pandemic
B8.2	Resources contributed (e.g. money or time) to the focus area	Key Performance Table

READERS' FEEDBACK

Dear Readers,

Thank you for reading this report! It would be very much appreciated if you could appraise the report and give us your sincere comments to help us to continuously improve the report.

Environmental, Social and Governance Report 2020 of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

Feedback Form

Name:

Work unit:

Position:

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Questionnaire for feedback:

1. Have you obtained any information that you need to know from this report?

2. Do you think the report has fully reflected the economic responsibilities of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.?

3. Do you think the report has fully reflected the environmental, health and safety responsibilities of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.?

4. Do you think the report has fully reflected the social responsibilities of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.?

5. Do you think the report has fully reflected the products and services responsibilities of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.?

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