Luye Pharma Group Ltd.
绿叶制药集团有限公司
(incorporated in Bermuda with limited liability)
Stock Code: 2186

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

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1. DEFINITIONS

Unless otherwise stated in the Report, the following terms are defined as follows:

"Boan Biotech"	Shandong Boan Biological Technology Co., Ltd. (now renamed as Shandong Boan Biotechnology Co. Ltd.)
"CMO"	The CMO manufacturers commissioned by Luye Pharma
the "Company"	Luye Pharma Group Ltd.
"EHS"	Environment, health and safety
"ESG"	Environmental, social and governance
"ESG Guide"	the Environmental, Social and Governance Reporting Guide (2016 Edition) as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange
the "ESG Report" or "Report"	the Environmental, Social and Governance Report
"GMP"	Good Manufacturing Practices for Pharmaceutical Products
"GSP"	Good Supply Practices for Pharmaceutical Products
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"KPI"	Key Performance Index
"Luye Pharma" or "we" or "us"	Luye Pharma Group Ltd. and its subsidiaries
"PRC"	the People's Republic of China
"QA"	Quality Assurance Department
"QC"	Quality Control Department
"RMB"	RMB, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year"	the period from 1 January 2020 to 31 December 2020

2. ABOUT THIS REPORT

The Report is our fifth ESG Report addressed to the public and aims to present the ESG performance of Luye Pharma during the Year of 2020. Luye Pharma's management approaches and strategies at the environmental and social levels will be disclosed in the respective sections of the Report.

2.1 Basis for Preparation

The Report has been prepared by the Company in accordance with the ESG Guide issued by the Stock Exchange, and with reference to the GRI Standards issued by the Global Reporting Initiative. The Report is prepared in accordance with the four reporting principles of the ESG Guide, including materiality, quantitative, balance and consistency. Luye Pharma has determined the key disclosure contents of the Report through materiality analysis, disclosed the quantifiable environmental and social performance, and applied the disclosure and statistical methodologies which are consistent to those of the ESG Report for the previous year in the collection of information and the preparation of the Report. Moreover, the Report has complied with all "comply or explain" provisions under the ESG Guide.

Materiality

The Report aims to focus on responding to the important environmental and social issues concerned by stakeholders. We identify key ESG issues through materiality assessment, including inviting stakeholders to participate in the materiality ranking of issues. Please refer to the section headed "Materiality Assessment" for the detailed process and results of materiality assessment.

Quantitative

In order to assess our environmental and social performance, we have disclosed the quantitative KPI for the Year, as well as the information on the standards, methodologies, assumptions and/or calculation tools used to quantify the KPI and the source of the conversion factors used.

Balance

We have disclosed the positive and negative environmental and social performance in an impartial manner to objectively reflect our operation.

Consistency

We have adopted statistical methodologies and KPI which are consistent with those for the previous reporting periods, so as to improve the comparability of environmental and social performance.

2.2 Scope of Report

The content of the Report mainly focuses on Luye Pharma's core business in Mainland China, with an aim to report Luye Pharma's policies of and performance in environmental and social aspects. The scope of the Report for the Year has changed from that of 2019, with the addition of Boan Biotech which was acquired by Luye Pharma at the end of 2019. Unless otherwise stated, the Report covers the period from 1 January 2020 to 31 December 2020.

2. ABOUT THIS REPORT (CONTINUED)

2.3 The Board's Responsibilities

The board of directors of the Company is responsible for the assessment and identification of related ESG risks and opportunities which are relevant to the Company, and to ensure that the Company has appropriate and effective risk management and internal control systems in place. At the same time, the board of directors accepts full responsibility for Luye Pharma's strategies and report on ESG and through approval process, ensures the authenticity and completeness of the disclosed contents in the Report.

2.4 Reader's Feedback

You are welcome to express your opinions on our ESG Report or relevant work by contacting Luye Pharma through:

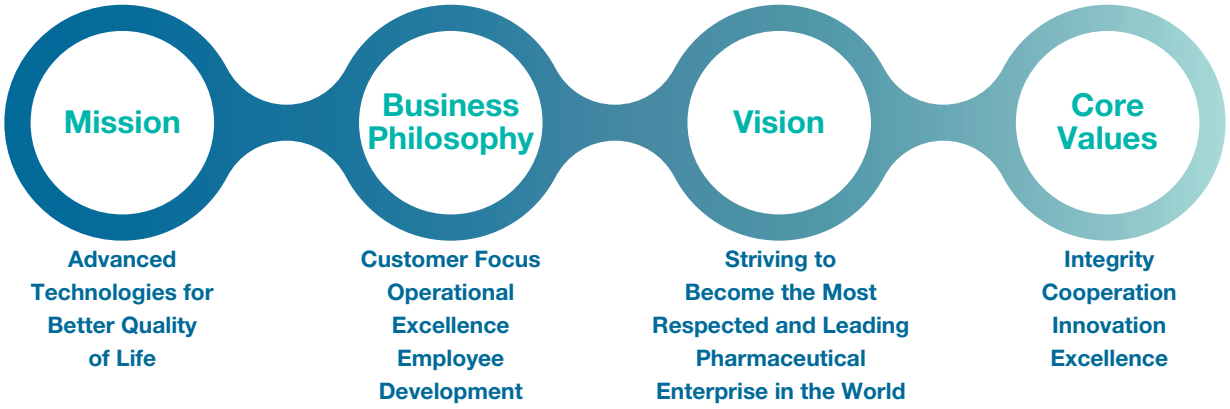
Address: Unit 3207, Champion Tower, 3 Garden Road, Hong Kong
Tel: +852-3523 0423

3. ABOUT LUYE PHARMA

Luye Pharma, a member of Luye Life Sciences Group, was established in 1994 and listed on the Main Board of the Stock Exchange in 2014. It is an international pharmaceutical company dedicated to the research and development ("R&D"), manufacturing and sales of innovative medications with a focus on central nervous system (CNS), oncology, cardiovascular system and other therapeutic areas. We are committed to providing high quality innovative medications for global patients with global R&D, global manufacturing, and the global market as our three main strategic priorities.

Luye Pharma strives to become "the most respected and leading pharmaceutical enterprise in the world". We have set up R&D centers in China, the United States and Europe, including more than 30 R&D pipelines of drug candidates in China and more than 10 R&D pipelines of drug candidates overseas. In addition, we have 7 production bases in China and 1 production base in Germany. There are over 30 products being sold in more than 80 countries and regions around the world.

3.1 Corporate Culture



Management Principles of the Group

Customer First
Always put customer interests first and be market-oriented.
Avoid detachment from customers and market needs.

Results-Oriented
Always strive for results, work with a "can-do" attitude and commit fully.
Avoid formalism, excuses or procrastination.

Rational Decision-making
Always make decisions based on a structured and inclusive process.
Avoid subjectivity and isolation.

Team Player Mentality
Always prioritize the organization and keep a cross-boundary collaborative mindset.
Avoid siloed and domain-centric thinking.

Develop and Mentor Talents
Always prepare and encourage critical talent to be in place and care about our staff.
Avoid withholding opportunities and credit for only oneself, and neglecting subordinates' needs, feelings and expectations.

Be Truthful and Fair
Always demonstrate fairness, equality, openness and transparency.
Avoid close-mindedness, subjectivity or biased judgements.

Self-Reflection
Always strive for continuous improvement through self-reflection.
Avoid conceit and reluctance to learn.

3. ABOUT LUYE PHARMA (CONTINUED)

3.2 Message from our Employees

Xue Yunli
President of the Group's Manufacturing Science

Globalization has been a strategic target since the founding of Luye Pharma

Over the years, Luye Pharma has not only globalized the layout of supply chain, but also actively met the advanced international standards in terms of the design of industrial projects. The goal of Luye Pharma's supply chain layout is to create its own value and improve its competitiveness. Luye Pharma has planned to, in a decade, build special pharmaceutical factories, and cooperate with strategic partners in major global markets to satisfy patients' demand with the shortest distance, the highest speed, and the best quality.

Yu Fei
VP, Project Management Office, R&D

Learning to grow during the process of problem identification and solving

Innovation is the essence for all researchers. Our duties are to constantly discover the problems, and then solve the problems. I have a very outstanding team. We always discuss problems together, and learn and grow through the problem-solving process. Everyone needs a platform to grow, and solidarity, motivation and pioneering spirit of this team, is the best for me.

3. ABOUT LUYE PHARMA (CONTINUED)

3.3 Awards and Recognition

In March 2020, the "4th Healthcare Investment Excellent List" was formally released. Luye Pharma was awarded the "Best Strategic Investment Institution of the Year" (年度最佳戰略投資機構), and was highly recognized for its merger and cooperation strategies.

In August 2020, the "China Pharmaceutical Industry Information Annual Conference and the Announcement of Top 100 of China Pharmaceutical Industry 2019" (中國醫藥工業信息年會暨2019年度中國醫藥工業百強榜單發佈會) hosted by China National Pharmaceutical Industry Information Center was held in Zhuhai, and Luye Pharma was awarded the "Best Industry Enterprise in China by Pharmaceutical R&D Product Line" (中國醫藥研發產品線最佳工業企業).

In December 2020, the "Smart Regulatory Innovation Conference 2020" (2020智慧監管創新大會), directed by National Medical Products Administration and hosted by China Health Media Group, was held in Boao, Hainan, and Luye Pharma was awarded the "Pharmaceutical Enterprise Social Responsibility Award 2020" (2020醫藥企業社會責任獎).

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

As an enterprise with a sense of social responsibility, Luye Pharma adheres to the concept that business objectives and social goals are equally important. While continuously promoting business development, we are also committed to integrating the concept of sustainable development into our corporate development strategies and daily operations and management. We identify the sustainable development issues that we need to manage with attention through methods such as risk management, communication with stakeholders and materiality assessment, so as to continuously improve our governance performance and maximize the commercial value and social value.

Materiality issues included in this section

- Operational compliance
- Anti-corruption policies and measures

4.1 Risk Management

Luye Pharma has established a risk management and internal control system, and incorporated it in business processes as an integral part of our overall operation. Luye Pharma has set up an internal audit department to review the risk management and internal control system. Our management is responsible for conducting risk assessment, while each department is accountable for its daily operations and is required to report to executive Directors on a regular basis. Each department has its own policies and procedures in place to ensure that our risks are properly identified and appropriate actions are taken to manage them. Luye Pharma identifies both internal and external factors that affect our operations, analyzes the potential risks and opportunities brought by such factors, and takes action in terms of management accordingly. The followings are the major ESG-related risks and uncertainties identified by Luye Pharma. Save as stated below, there may be other risks and uncertainties which are not made known to Luye Pharma or which may not be material at present but could turn out to be material in the future.

Operational Risks

Operational risks refer to the risk of loss resulting from the inadequacy or lack of internal procedures, personnel and system, or from external events. The responsibility of managing operational risks basically vests with every function at divisional and departmental levels. Key functions in Luye Pharma are guided by their standard operating procedures, authority and reporting framework. The management will identify and assess the key operational exposures regularly, so that appropriate risk management measures can be taken.

Risks of Supply and Retention of Personnel

Luye Pharma may be exposed to the risk of not being able to attract and retain key personnel and talents who possess appropriate and requisite skills, experience and competence. Such personnel and talents are necessary to meet the business objectives of our Group. We shall offer attractive remuneration package to suitable candidates and personnel.

Environmental, Health and Safety Risks

Environmental, health and safety risks refer to the potential loss resulting from inadequacy in environmental management and occupational health and safety management, or from accidents. Luye Pharma has developed an environmental, health and safety management system in these aspects. The management regularly identifies and assesses relevant risks, and implements measures in response to these risks in product life cycle.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.2 Stakeholders' Engagement

Stakeholders' engagement is an important part of promoting the sustainability of an enterprise. Luye Pharma has been committed to establishing and maintaining good relationships with various stakeholders, understanding their expectations and demands through diversified ways, and integrating their opinions into our sustainable development management work, so as to improve the performance of sustainability management in a more effective manner.

4.2.1 Materiality Assessment

During the Year, we conducted materiality assessment, under which the Board is invited to participate to understand the key ESG issues mostly concerned by key stakeholders and respond in different ways. The procedures of materiality assessment are set out below.

1. Identifying Major Stakeholders and Establishing the 2020 ESG Issues Pool

   Taking into consideration the two perspectives of "the influence of stakeholders on Luye Pharma" and "the influence of Luye Pharma on stakeholders", Luye Pharma assesses whether the major stakeholders for the Year have changed in a comprehensive manner. The results suggested that the major stakeholders of Luye Pharma during the Year were the same as those of 2019.

   - Government and regulators
   - Investors
   - Customers
   - Employees
   - Business partners/suppliers
   - Peers
   - Non-government organizations
   - Media
   - The public

   On the other hand, with reference to the basis of preparation adopted in the Report, industry trends and characteristics of our own business, we have identified a total of 39 relevant ESG issues and classified them into three aspects, namely environmental responsibility, labor responsibility and operational responsibility, forming the ESG issues pool for 2020.

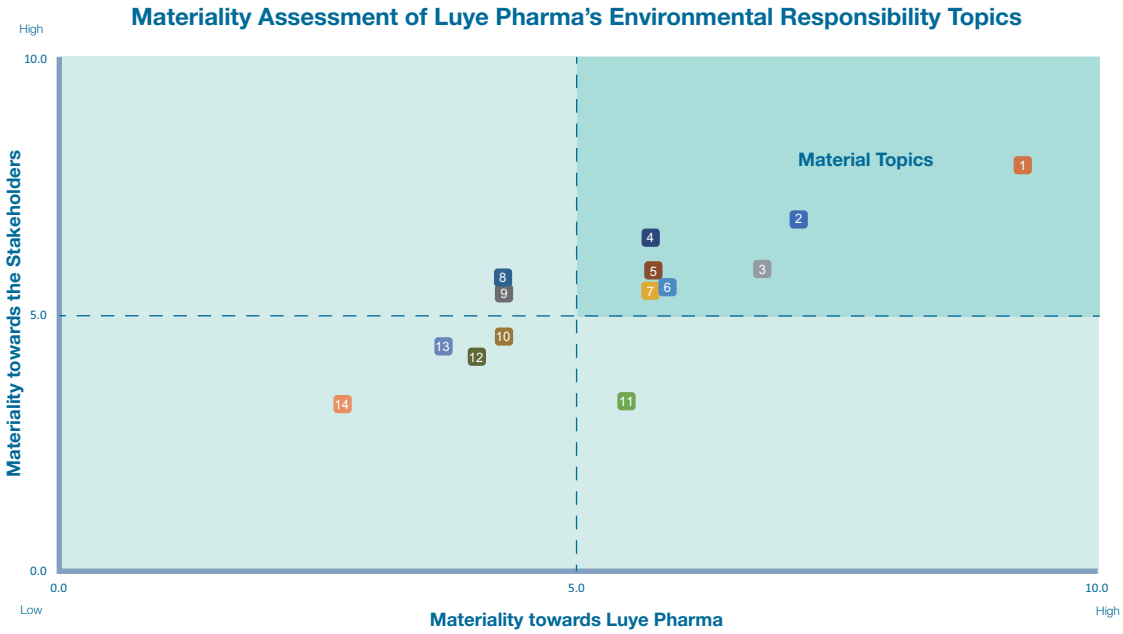
2. Conducting Online Questionnaire Survey

   In order to further identify the materiality issues, we invited internal stakeholders (including directors) and external stakeholders (including employees, customers, business partners/suppliers, investors, peers, government and regulators, non-governmental organizations, media and the public) to participate in an online questionnaire survey to assess the ESG issues under the three aspects of environmental responsibility, labor responsibility and operational responsibility, and ranked those issues in terms of materiality.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

3. Analysis of the Results of Materiality Survey

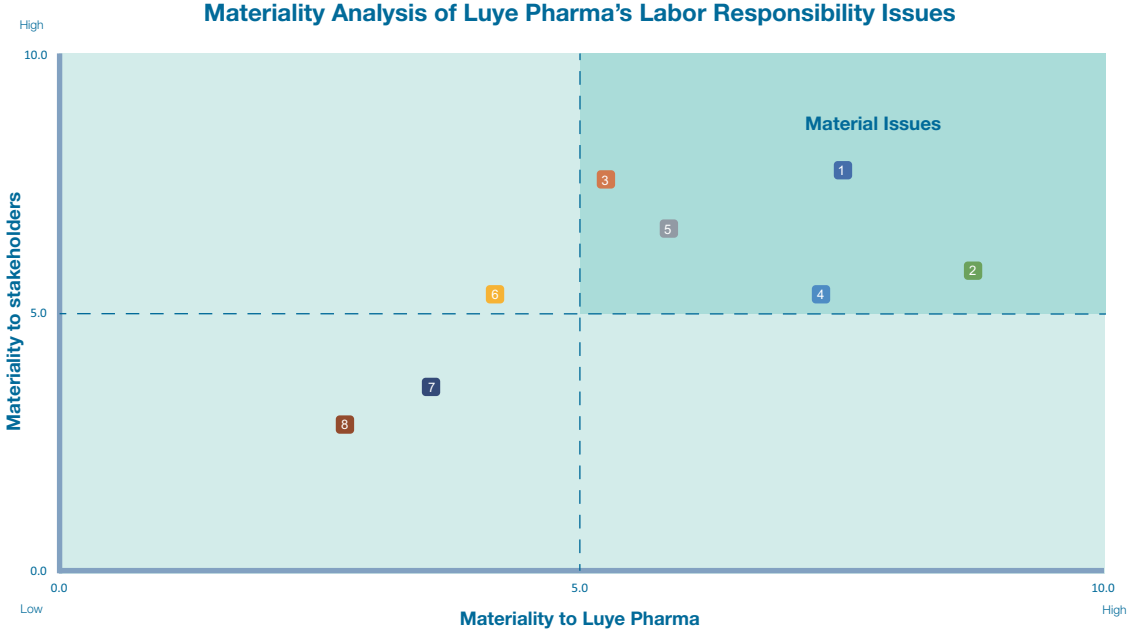
We assessed the materiality of each ESG issue towards Luye Pharma and its stakeholders by analyzing the responses from internal and external stakeholders. The results of the materiality analysis of issues under each aspect are shown in the following three materiality matrices.



1. Hazardous waste discharge and management (including medical waste and organic liquid waste)
2. Pollutant (including wastewater and exhaust gases) discharge and management
3. Non-hazardous waste discharge and management (including dregs of decoctions and domestic waste)
4. Chemicals management
5. Green manufacturing system governing product life circle
6. Measures for protection of natural ecological environmental
7. Use of water resources
8. Results of environmental monitoring
9. Greenhouse gas emission and management
10. Use and management of packaging materials
11. Green office plan and measures
12. Rights and interests of animals (alternative technologies to avoid laboratory tests on animals or reduce injuries to animals)
13. Use of energy
14. Participate in environmental welfare activities

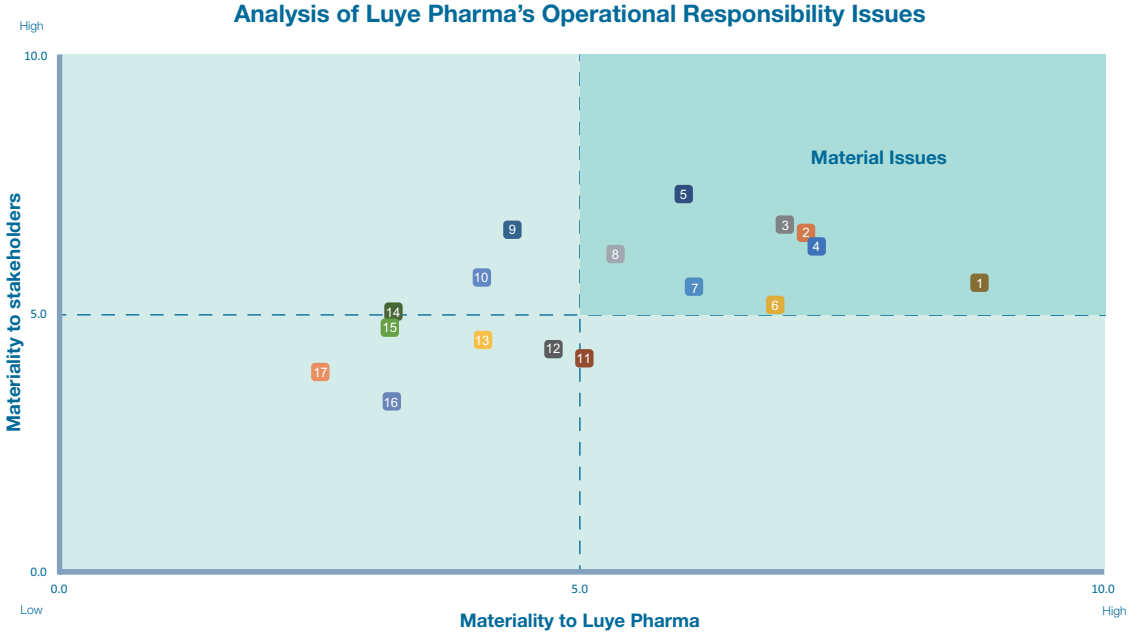
4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Materiality Analysis of Luye Pharma's Labor Responsibility Issues



1. Occupational health and safety system
2. Employees' work-related injuries and fatalities
3. Employee salary and benefits
4. Policies on prohibiting child labor and forced labor
5. Employee training and occupational development
6. Employee recruitment policy
7. Percentage of female management staff
8. Total number of employees

Analysis of Luye Pharma's Operational Responsibility Issues



1. Safety of clinical trial participants
2. Drugs manufacturing and quality management system
3. Production safety and emergency handling procedure
4. Operational compliance
5. Product R&D and innovation
6. Anti-corruption policies and measures
7. Protection of intellectual property rights
8. Accessibility of healthcare (whether patients have easy access to drugs or medical services)
9. Affordability of drug prices (whether patients can afford the pricing of drugs)
10. Management of projects as supported and encouraged by the state
11. Customer complaints handling mechanism
12. Anti-monopoly policy (fair market competition)
13. Management of key laboratories
14. Protection of customers' privacy
15. Selection and management of suppliers
16. Ethical sales and labels management
17. Community engagement and contribution (including the time, money, manpower and resources contributed to poverty alleviation)

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4. Identification of Materiality Issues

In this materiality assessment, we identified issues that scored over 50% in both dimensions of "materiality to Luye Pharma" and "materiality to stakeholders" as materiality issues. After review and confirmation by the Board, we finally determined a total of 20 materiality issues as follows.

List of Materiality Issues
(from the most material to the least material)

Environmental Responsibility	Labor Responsibility	Operational Responsibility
1. Hazardous waste discharge and management	1. Occupational health and safety system	1. Safety of participants in clinical trials
2. Pollutant discharge and management	2. Employees' work-related injuries and fatalities	2. Quality management system for pharmaceuticals manufacturing
3. Non-hazardous waste discharge and management	3. Employee salary and benefits	3. Production safety and emergency handling procedure
4. Chemicals management	4. Policies on prohibiting child labor and forced labor	4. Operational compliance
5. Green manufacturing system governing product life cycle	5. Employee training and occupational development	5. Product R&D and innovation
6. Measures for protection of natural ecological environment		6. Anti-corruption policies and measures
7. Use of water resources		7. Protection of intellectual property rights
		8. Accessibility of healthcare

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.2.2 Communication with Stakeholders

Luye Pharma attaches great importance to the opinions of stakeholders. We have established a systematic communication mechanism to continuously and effectively communicate with different sectors of society through diversified channels, to understand their opinions and expectations from various perspectives. Taking into account the analysis results of the materiality assessment, we have included the materiality issues into the sections of the Report as response and for disclosure.

Major stakeholders	Major expectations on us	Our response channels	Respective sections
Government and regulators	• Compliance with laws and regulations • Enhancement of technical R&D of pharmaceuticals	• Optimizing the legal system for risk prevention and control • Significant investment in pharmaceutical R&D	• Respective sections in the Report
Investors	• Sound corporate operation management to minimize operational risks • Good investment returns • Transparent information disclosure • R&D ethics	• Holding regular results announcement presentations and general meetings • Optimizing the legal system for risk prevention and control • Updating the Company's website on a regular basis to ensure investors have access to the latest information on the Company	• Respective sections in the Report
Customers	• Provision of safe and quality pharmaceutical products • Continuous R&D on new drugs • Protection of consumer interests	• Significant investment in pharmaceutical R&D • Optimizing the pharmaceutical manufacturing management system • Conducting customer satisfaction survey	• Innovative R&D • Quality assurance
Staff	• A pleasant working environment • Bright career prospects	• Offering good packages • Holding a variety of training programs • Organizing various employee activities • Providing a safe workplace	• Environment, health and safety • People-oriented
Business partners/ Suppliers	• Mutual benefits and win-win	• Actively seeking quality suppliers and CMO/CDMO partners	• Supply chain management
Peers/Industry associations	• Advancement of industry development	• Actively holding and participating in industry forums and exchange activities	• Responsible management
Non-governmental organization	• Continuous R&D on new drugs	• Significant investment in pharmaceutical R&D	• Innovative R&D
Media	• Transparent information disclosure	• Organizing press conferences	• Respective sections in the Report
The public	• Serving the community • Public welfare and charity	• Taking an active part in community activities • Taking an active part in charitable activities	• Giving back to society

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Case: Investor Open Day of Luye Pharma

On 16 June 2020, Luye Pharma held an Investor Open Day in Yantai to help investors better understand our overall strategic layout and the planning and progress of the R&D of new drugs. Luye Pharma conducted in-depth online and offline exchanges with more than 60 domestic and overseas investors in respect of overall strategy planning, progress on key R&D projects and global landscape of biological medicine business. The investors also conducted on-site research and visited our production bases of biological antibodies and transdermal patches in Yantai Industrial Park.

Photo: Investors visiting the antibody workshop

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Case: The 6th Jinling Oncology Symposium 2020

On 28 November 2020, the "6th Jinling Oncology Symposium 2020", jointly organized by the Chinese Society of Clinical Oncology (CSCO) and Beijing Xisike Clinical Oncology Research Foundation, with the cooperation of Luye Pharma, took place in Nanjing. More than 500 clinical experts and scholars in the field of oncology from all over the country and nearly 8,000 online participants shared the cutting-edge clinical technologies and research progress in relation to oncology, and discussed tumor diagnosis and treatment strategies, jointly promoting the development of the field of oncology.

Photo: The 6th Jinling Oncology Symposium 2020

4.3 Integrity and Compliance

Operating with integrity and compliance with laws are the important foundation for the sustainable development of enterprises. Luye Pharma maintains high ethical standards in its business activities and strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Law Against Improper Competition of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations relating to bribery, extortion, fraud and money laundering which have a significant impact on us. We implemented the Code of Conduct for Employees (《員工行為準則》), the Anti-Corruption Compliance Policy (《反腐敗合規政策》) and the (International) Third Party Due Diligence Process (《(國際)第三方盡職調查流程》) and other internal policies to enhance and regulate integrity management of employees and other business partners. In addition, an anti-fraud supervisory committee has been set up by us to strictly prohibit and monitor illegal acts such as bribery, extortion, fraud and money laundering.

Luye Pharma is committed to establishing a compliance culture through training and implementing relevant policies and process on anti-corruption, and manages the professional ethics of all directors, employees, partners and other relevant personnel acting on behalf of Luye Pharma. We explicitly prohibit Luye Pharma's employees from providing, giving, obtaining or accepting any valuable gifts or entertainment directly or indirectly to/from any personnel or organization for the purpose of obtaining or retaining business advantages improperly and from extortion or rebate by power abuse. For all third party business partners who cooperate with us for the first time, we have also clearly defined the scope of objects, division of responsibilities and specific processes for conducting anti-corruption due diligence to ensure their operational compliance.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

To effectively monitor and combat bribery and fraud, Luye Pharma has formulated the Policy on Handling Hotline, E-mail Box and Staff Whistleblowing of Luye (《綠葉熱線、電子郵箱及員工舉報處理政策》), and encourages employees to report any violation of laws and regulations or the Code of Conduct for Employees, fraud or damage to the interests of Luye Pharma by the management or other employees on a real-name basis via Luye Pharma's hotline or e-mail when they identify such non-compliance. We will take strict confidentiality measures for whistleblowers' personal data to ensure that their legal rights and interests are not violated. The hotline staff will report to the president after receiving the report, and formal investigation will be initiated after review and approval. The audit department is the competent authority for the investigation, responsible for verifying the evidence and submitting the investigation results and handling opinions to the president for review and approval. For reported cases involving possible damage to the rights and interests of Luye Pharma, we will temporarily suspend the reported person and give feedback on the investigation and handling results to the whistleblower. During the Year, Luye Pharma has not been involved in any corruption lawsuits. During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group in relation to bribery, extortion, fraud and money laundering, and has not been involved in any corruption-related litigation.

During the Year, we provided a number of online and offline compliance training sessions covering anti-corruption content to the directors and employees of different functional departments, which further strengthened the compliance awareness of the directors and employees and promoted the development of corporate compliance culture.

Three compliance training sessions for the R&D staff of the legal affairs department of Luye Pharma from June to July 2020

5. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

We have established 8 production bases and more than 30 product lines globally, to achieve in-depth layout of our global supply chain system. Under the general trend of globalization, we attach great importance to the environmental and social risk management of our supply chains, and include the environmental and social management performance of suppliers as one of the evaluation indicators for selecting suppliers. Luye Pharma has formulated a series of internal supplier management policies, including the "Management Procedures for Suppliers and Related Parties" (《供方及相關方管理程序》), the "Management Regulations on Appraisal and Assessment of Supplier's Overall Performance" (《供應商整體表現評價與評估管理規程》), the "Operating Procedures for Selection and Determination of CMO/CDMO" (《CMO/CDMO篩選與確定操作規程》), and "R&D Pharmaceutical Commissioning Production Management Procedures" (《研發藥品委託生產管理規程》), in a bid to investigate and evaluate the performance of suppliers, contractors and related parties on environmental protection, occupational safety and health and product quality, thereby building a responsible supply chain and promoting the common and sustainable development of enterprises and cooperative parties.

As an enterprise dedicated to the R&D, production and sales of innovative drugs, our major suppliers include CMO/CDMO companies commissioned by us for production, as well as equipment and raw material suppliers. The "Operating Procedures for Selection and Determination of CMO/CDMO" (《CMO/CDMO篩選與確定操作規程》) regulates the assessment and selection process of CMO/CDMO, and determines the best CMO/CDMO suitable for the project through comprehensive assessment. The Supply Chain Management Department is responsible for:

- collecting the information on CMO/CDMO and conducting preliminary assessment;
- conducting due diligence on potential partners by on-site inspection and preparing a due diligence report;
- inviting project quotation from potential suppliers and selecting cost-effective suppliers;
- establishing and updating CMO/CDMO catalogs.

In addition, we have also formulated the R&D Drug Commissioning Production Management Procedures (《研發藥品委託生產管理規程》) to regulate the management of all sections of drug commissioning production in the R&D center, including the selection of CMO/CDMO and the form and procedure of quality audit, so as to ensure that the requirements of GMP and relevant laws and regulations on pharmaceutical R&D are met and that the quality of the commissioned drugs meets the registration requirements.

Some of the supplier selection practices are as follows (including but not limited to):

- Factors to be considered when selecting suppliers include price, quality standard, availability of supply, company size, credit risk, sales and after-sales services;
- Investigate suppliers' EHS performance, such as reviewing whether they have established the environmental and occupational health and safety management system, whether they have passed the ISO14001 environmental management system certification and the OHSAS18001 occupational health and safety certification, and whether they have the pollutant emissions permits;
- Suppliers shall have the certificates required by national laws and regulations, such as pharmaceutical GMP certificate, production permit, medical device registration certificate and product agency authorization;

5. SUSTAINABLE SUPPLY CHAIN MANAGEMENT (CONTINUED)

- The production conditions of suppliers shall meet the equipment conditions and environmental conditions as required;
- Suppliers' quality management system shall pass the certification, and suppliers can provide quality certificates (such as the manufacturer's inspection report) and undertake the corresponding quality assurance; and
- The selection of suppliers shall follow the principles of open and fair competition, and reputable manufacturers are preferred to reduce the procurement cost and risk.

In addition, Luye Pharma actively promotes green procurement. The environmental-friendly procurement practices we have developed and implemented include:

- products with environmental protection certification documents and environmental protection grade labels will be preferred in the purchase of office supplies, and products that are environmentally friendly with low energy consumption will be considered when purchasing electrical products;
- E0-grade panels that meet the new international testing standards will be preferred in the bidding of office furniture;
- phosphorus-free environmentally friendly detergents shall be purchased and used, with no use of snow melting agent in winter;
- energy-saving LED lamps shall be used, with newly purchased vehicles to meet China V Emission Standard or above; and
- the procurement and use of chemicals shall follow the principle of reduction and substitution.

During the Year, Luye Pharma had a total of 2,301 domestic suppliers and 104 overseas suppliers. The engagement practices of the above-mentioned suppliers apply to all suppliers to ensure the sustainability of our supply chain.

6. PROTECTION OF HUMAN HEALTH

6.1 Promotion of Innovative R&D

Innovative R&D has always been the core business philosophy of Luye Pharma. At present, we are proactively focusing on the layout and development in the fields of biological antibodies, cells and gene therapy in order to satisfy the treatment demands of different patients. In respect of our over 40 pipeline portfolios under R&D, a number of innovative preparations and innovative drugs are going through registration and clinical research in each overseas market with significant progress made.

Material issues in this section

- Safety of clinical trial participants
- Product R&D and innovation
- Protection of intellectual property rights

The main business of Luye Pharma is the research and development, manufacturing and sales of innovative medications. We invest considerable resources to continuously optimize our own R&D systems, and continue to research and develop innovative professional technologies and medications to satisfy the needs of different patients and improve medical accessibility. We have over 30 key listed products covering the therapeutic areas including oncology, central nervous system, cardiovascular system, and alimentary tract and metabolism. We have businesses in major global pharmaceutical markets and emerging markets across the PRC, the United States (the "U.S."), Europe, Australia, Japan, and South Korea. While promoting drug R&D, we attach great importance to R&D ethics to protect the safety, rights and interests of the clinical trial participants as well as the welfare of laboratory animals. At the same time, we also strengthen the management of intellectual property rights to effectively protect the scientific research results of Luye Pharma.

6.1.1 R&D System

The R&D system of Luye Pharma mainly comprises five platforms in chemical drug sector, including long-acting and extended release technology, liposome and targeted drug delivery technology, transdermal drug delivery technology, new compounds, and antibody technology. Boan Biotech specialises in therapeutic antibody development, manufacturing and commercialization. Its antibody development activities center around three platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology platform, Bispecific T-cell Engager Technology platform and ADC Technology Platform. We have set up research centers in the PRC, the U.S. and Europe, each focusing on the research of different medical fields. In addition, we own the first national key laboratory for long-acting and targeting drug delivery system in the PRC. It focuses on the research of innovative pharmaceutical preparations, with three main research directions being long-acting injection microspheres, targeted liposome, and high-end medicinal materials.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Global R&D Centers

R&D Center in the PRC

Main R&D directions:
Long-acting and extended release technology
Liposome and targeted drug delivery technology
Biological antibody technology

R&D Center in the U.S.

Main R&D directions:
Technological exploration in advanced innovative pharmaceutical area
Innovative medical technology

R&D Center in Europe

Main R&D directions:
Transdermal drug delivery technology

During the Year, Luye Pharma had a pipeline of 32 candidate products in the PRC under various stages of development. Furthermore, we have a total of 13 international registration projects, of which 6 innovative medications are undergoing clinical research in the PRC, the U.S. and Europe simultaneously.

As of the end of the Year, the R&D team of Luye Pharma consisted of 944 employees, including 101 holding a Ph.D. degree and 468 holding a Master's degree in medical, pharmaceutical and other related disciplines. The total investment in R&D project was RMB1,258,147,000.

Case: Drugs research project in oncology area

Luye Pharma's antibody drug LY01008 (a biosimilar for Avastin®) in oncology area is used for the treatment of non-small-cell lung cancer and colorectal cancer, and is the biosimilar for Avastin®, an important cancer treatment drug in the market. From the perspective of patients' needs, lung cancer and colorectal cancer have become the most common and the third most common cancers in the PRC, respectively. Colorectal cancer is the third most common cancer in the PRC after lung cancer and gastric cancer, and its patient population is extremely large and rapidly growing, that generates huge unmet demand in this therapeutic area.

In May 2019, LY01008 has completed the Phase III clinical trial in China, which is comparable to Avastin® in terms of efficacy and safety. It enrolled a total of 648 patients, and was approved for listing in the PRC in April 2021, meeting the treatment needs of more patients.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Case: Key R&D Plan of Shandong Province (a major science and technology innovation project)

In December 2020, Luye Pharma undertook the Key R&D Plan of Shandong Province (a major science and technology innovation project) — key technologies and clinical research of the new functional mechanism of Class 1 Chemical Drug LY03005, for a term of three years, so as to contribute its efforts to the pharmaceutical development of the country.

LY03005 is an exclusive product targeting central nervous system, which is developed based on Luye Pharma's New Chemical and Therapeutic Entities (NCE/NTE) platform. We expect the research will achieve significant results and bring more benefit to patients with depression around the world.

山东省重点研发计划
（重大科技创新工程）项目任务书

项目编号：2020CXGC010504

产业名称：医疗健康

指南方向：重大新药创制 — 具有重大前景的1类创新药研发

项目名称：新作用机制1类化药LY03005的关键技术及临床研究

承担单位（盖章）：山东绿叶制药有限公司

合作单位（盖章）：烟台大学

主管部门：烟台市科技局

起止年限：2020年12月至2023年12月

山东省科学技术厅

2020年制

Photo: the Project Assignment Letter of Key R&D Plan of Shandong Province (a major science and technology innovation project)

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

6.1.2 R&D Ethics

Protection of the rights and interests of clinical trial participants

In clinical trials, Luye Pharma puts the safety, rights and interests of trial participants as the top priority. All clinical trials must be approved by the ethics committee before commencement, while we also provide insurance and medical compensation for the participants after the trial. Before participating in the clinical trials, the participants are aware of the information they need to fully understand in the form of an informed consent agreement, and each participant shall sign the informed consent agreement before participating in the trials. We are committed to ensuring the due rights of the participants when they are participating in clinical trials through the following measures:

Right to know

- Participants are given full explanations of the important matters related to the research, such as the purpose of the study, the study background, methodologies and procedures of the experiment drugs, to ensure that they have a clear understanding of the content and potential risks of the clinical trials.
- Participants will be promptly notified and be allowed to decide whether to continue the participation of the study when the latest information about the drug safety becomes available during the course of the study.
- If a participant is unclear about the study or wants to know more about it, the participant shall have the right to raise questions at any time, and study physician or staff will try to answer as much as possible.

Right to choose with freedom

- At the first visit, study physician shall explain the study in details to the participants, who are required to sign an informed consent agreement to decide whether to participate in the study.
- We let participants understand that study participation is not the only option, and study physician shall explain to participants the other clinical studies or effective treatment solutions for their diseases, as well as related risks and benefits.
- Participants may refuse to participate in or withdraw from the clinical trial at any time and without reason, and such withdrawal would not give rise to any impact on their medical rights.

Right to privacy

- All information collected from the clinical trial will be kept confidential in accordance with relevant laws and regulations. The personnel, government, national drug regulators and evaluation bodies involved in Luye Pharma's clinical trials shall have the right to view the medical records of participants to confirm the clinical trial procedures and data, provided that they shall only do so without violating the privacy of participants.
- The personal information and related information of participants shall be strictly confidential. Study records will be identified by the initials of their names in pinyin, date of birth, gender and the assigned number of participants instead of their full name or any full address.

Other rights

- Compensation will be provided to participants for the time and inconvenience incurred by participating in the study, such as the provision of nutrition subsidies and transportation subsidies.
- All trial-related medications and treatments will be provided to participants for free during the trial.
- We will take necessary medical measures and active treatments, and bear relevant medical expenses and corresponding economic compensation if participants suffer from any study-related injuries.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Animal Experiment Management

During the R&D process of drugs, Luye Pharma may need to carry out drug tests through animal experiments. All laboratories of Luye Pharma involved in animal experiment have obtained the "Laboratory Animal Use License" (實驗動物使用許可證) and relevant working staff are required to hold a certificate for animal testing practitioners before carrying out any animal experiments. As for the acquisition of testing animals, they are purchased from the suppliers holding the "Laboratory Animal Production License" (實驗動物生產許可證). Laboratory animals can only be tested after being confirmed as qualified through quarantine and observation.

In order to strengthen the regulation of animal laboratory management, we formulated the Animal Laboratory Management and Animal Ethics Welfare System (《動物實驗室管理以及動物倫理福利制度》). The system regulates all sections in relation to animal experiments, such as personnel management, laboratory animal use management, and breeding environment maintenance. In the process of carrying out animal experiments, Luye Pharma follows the principle of "gentle and stable, kindness and comfort, and reduce animal pain and stress response", and without prejudice to the experimental operation, we endeavor to minimize behavioral restriction on experimental animals. At the same time, we adopt effective measures to avoid or relieve the pain or injury caused to animals unrelated to the purpose of experiment as much as possible. Our animal experiments are carried out in accordance with the "Three R Principles" (Replacement, Reduction and Refinement) and the "Five Freedoms" (freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behavior, and freedom from fear and distress) under the Laboratory Animal — Guideline for Ethical Review of Animal Welfare (《實驗動物福利倫理審查指南》) (GB/T 35892-2018).

6.1.3 Protection of Scientific Research Results

Luye Pharma actively encourages independent innovation while attaching great importance to the protection of intellectual property rights of scientific research results. Our intellectual property department insists on taking the "Intellectual Property Strategy" as the guide, and "independent technological innovation" as the basis, and integrating the protection of intellectual property rights into the entire process of technical research and development, product manufacturing and marketing to effectively ensure that we are "advanced in technology, exclusive in the market and adequate in legal protection", with an aim to develop Luye Pharma into an international pharmaceutical enterprise with proprietary intellectual property rights and sustainable and stable development.

Luye Pharma strictly abides by the laws and regulations that have a significant impact on us, such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and has developed and improved a number of systems on the documentation and constitution systems on intellectual property rights management, including the "Technical Secret Management Standards (Trial) of Luye Pharma Group" (《绿叶制药集團技術秘密管理規範(試行)》), the "Patent Management System of Luye Pharma Group Ltd." (《绿叶制药集團有限公司專利管理制度》), the "Inventor's Recognition System of Luye Pharma Group Ltd." (《绿叶制药集團有限公司發明人署名制度》), and the "Control Procedures for Use of Intellectual Property Rights" (《知識產權運用控制程序》) to strengthen the regulations of intellectual property rights management. Among which, the "Patent Management System of Luye Pharma Group Ltd." (《绿叶制药集團有限公司專利管理制度》) regulates the requirements for the duties of Luye Pharma's patent work organization and staff, patents and intellectual property rights management system, use of patent information, and implementation of patents. The "Technical Secret Management Standards of Luye Pharma Group" (《绿叶制药集團技術秘密管理規範》) regulates our technical secret management and strengthen the protection of technical secret for the documents relating to products and technology research and development, so as to better protect the interests of Luye Pharma and the inventors.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

As of the end of the year, the number of patents granted and currently under application of Luye Pharma in the PRC and overseas is as follows.

Patent Registration

	Valid authorized patents	Valid patents under application
PRC domestic	239	77
Overseas	665	134

Trademark Registration

	Valid authorized trademarks	Valid trademarks under application
PRC domestic	449	76
Overseas	509	207

Patent for Rotigotine Behenate
(Patent No.: JP6751208)

Patent for Sodium Aescinate products
(Patent No.: ZL 202010438306.0)

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

6.2 Superior Quality Assurance

Maintaining high-quality products has always been the core factor for promoting the development of the business of Luye Pharma. We insist on improving our quality management system on the basis of observing the international and national regulations and standards relating to the pharmaceuticals quality to ensure the safe use of pharmaceuticals. At the same time, we insist on the customer-oriented business philosophy and strive to provide quality services to customers and meet their expectations.

Material issues in this section

- Drugs manufacturing and quality management system

6.2.1 Drug Quality Management

In strict compliance with the laws and regulations that have a significant impact on us, including the "Law of the PRC on the Administration of Pharmaceuticals" (《中華人民共和國藥品管理法》), the "Implementation Regulations on the Law of the PRC on the Administration of Pharmaceuticals" (《中華人民共和國藥品管理法實施條例》), the "Measures for Supervision and Administration of Pharmaceuticals Manufacturing" (《藥品生產監督管理辦法》), and the Good Manufacturing Practices for Pharmaceutical Products (GMP) (《藥品生產質量管理規範》), Luye Pharma has developed a GMP-compliant pharmaceutical quality management system which is applicable to its drugs manufacturing base. We ensure the continuous and stable production of high quality and safe medicines to meet the needs of patients by implementing a series of internal quality management policies and a systematic division of labor. We have formulated quality objectives, quality approaches and quality goals, systematically implementing the requirements on drug safety, effectiveness and quality control into the entire process of drug production, quality control and product release, storage, and transportation and shipment in order to continuously optimize our quality management system and ensure compliance with the requirement of GMP.

Quality objectives	to pursue higher quality in order to meet customers' needs.
Quality approaches	to put quality as primary, integrity as basis, innovation as priority, aiming at serving for human health, pursuing higher quality and satisfying customers' needs.
Quality goals	to ensure product quality and supply to meet market demand with 100% passing rate for market sampling of product and zero quality accident throughout the year. Other factors are determined on an annual basis.

To execute our quality management more effectively and selectively, each production site of Luye Pharma sets its own annual quality goals and targets based on its overall quality approaches, and regular review of the fulfillment of the targets is performed to propose corresponding improvements, so as to continuously improve the quality of pharmaceutical products.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Case: Quality goal indicators of Luye Pharma (Shandong Base)

During the Year, Luye Pharma (Shandong Base) has met the following quality goal indicators:

- Contract performance rate 100%
- Passing rate of final products at first-time inspection ≥98%
- Customers' satisfaction ≥87%
- The GMP system is fully established in accordance with requirements, and the product input and output processes are in compliance with GMP and the requirements under the pharmaceutical laws of export regions
- Product quality complaints ≤3 cases/year

Luye Pharma's GMP Pharmaceutical Quality Management System

Management aspect	Management system
• Quality management • Deviation management • Plant and facility management • Equipment management • Materials and product management • File management • Manufacturing management • Quality control and quality assurance • Product transportation and shipment, and recall management • Self-inspection management	• Management standards • Operation standards • Process documentation • Risk assessment report • Voucher record • Accounts record • Warehouse cleaning • Process specifications • Batch production, and batch packaging records • Technical standards

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

QA and QC are the major drug quality management departments of Luye Pharma, which are responsible for performing duties including drug quality assurance and quality control, and reviewing the documents relating to the GMP pharmaceutical quality management system to ensure that production management and quality control activities are complied with relevant laws and regulations for pharmaceutical products, while other functional departments are in charge of cooperating and participating in drug quality management. The management overview of each section in Luye Pharma's GMP quality management system is as follows:

Drug production process management	• Production management procedures and operation procedures are established under the requirements of GMP to bring the whole process of drug production into the management of the GMP system. • Production is strictly based on the approved prescription process to ensure that the drugs produced meet intended use and registration requirements.
Quality control procedures for drug products	• Establishing quality control system related management documents and standard operation procedures (SOP), including corporate internal control quality standards for materials, intermediate products, and finished goods, various inspection operation procedures, and management procedures for various inspection instruments, equipment and reagents, etc., to realize quality control of the whole process of receiving materials, producing products and inspecting finished products.
Product release, storage and shipment procedures	• Formulating relevant documents to manage the whole process of product release, storage and shipment to ensure that the whole process of product release, storage, and transportation and shipment meets the requirements of GMP.
Quality risk management	• Establishing the quality risk management system, which assesses and controls the identified quality risks, minimizes risks, thereby ensuring the safety and effectiveness of drugs and the quality of drugs conforms to legal standards and is suitable for intended use.
Quality assurance procedure	• Formulating and implementing quality management such as the "Self-inspection Management Procedures", "Quality Review Management Procedures" and "Corrective and Preventive Actions (CAPA) Management Regulations" to standardize verification management, alteration management, deviation management, CAPA, etc., and to control quality risks by corrective actions and preventive measures for ensuring product quality.
Annual product quality review analysis	• Conducting annual quality review on all registered products, assessing whether product quality is under continuous control and whether improvement or preventive actions are needed. • Including the product stability experimental results and any bad trend, all matters in relation to the returns, complaints and recalls resulting from product quality in the key contents of the annual product quality review report.

During the Year, Luye Pharma's various products and production lines have passed the GMP inspection and certification. It also passed the ISO 9001 quality system certification in respect of its R&D and production of drugs, offering comprehensive guarantee to our product quality.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Luye Pharma's Production Lines have passed the Quality Inspection and Certification

Production lines in China	Production lines in Europe
• China (2010 version) GMP inspection • EU cGMP inspection • America FDA cGMP inspection • Australia TGA GMP inspection • ISO9001:2015 quality management system certification • CNAS Laboratory Accreditation	• EU cGMP inspection • America FDA cGMP inspection • Japan GMP inspection • Brazil ANVISA inspection

During the Year, there were a total of 17 products of Luye Pharma which had been granted GMP certification in China.

ISO9001: 2015 certification for Luye Pharma (Shandong Base)

CNAS Laboratory Accreditation for Luye Pharma (Sichuan Base)

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

Drugs Manufacturing Management

QC personnel are mainly responsible for the inspection and approval of all incoming materials, intermediate products, products pending for packaging, and finished products, while the QA personnel are responsible for monitoring of the environment surrounding the plants, supervision of water quality, sample observation and management, review and analysis of product quality, supervision of the Company's production activities in accordance with GMP and relevant laws.

Drugs Acceptance

Luye Pharma has developed the "Rules for Acceptance, Inspection and Handling of Sample Products" (《樣品的接收、檢驗、處理規程》) to regulate the entire process on sample transfer by sampling personnel and the acceptance, inspection and handling of sample products by QC personnel. Upon completion of sample inspection, the QA personnel will issue an inspection report enclosed with a "certificate of qualification" or a "certificate of disqualification" of sample products.

Drugs Recall Management

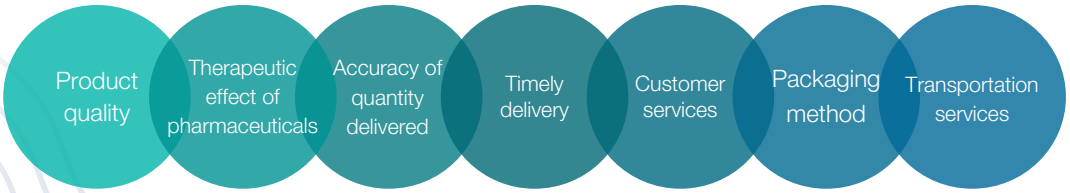
Each production base has developed the "Management Regulations on Drugs Recalls" (《藥品召回管理規程》) to regulate the procedures for drug recalls. We collect drug safety information through channels like customers' complaints and adverse reaction monitoring, and report it to our drug recall decision team. The team will investigate and assess the quality and safety risks of the drugs, and decide whether to initiate a recall based on the assessment results.

During the Year, Luye Pharma had made no recalls on sold or shipped products for safety and health reasons.

6.2.2 Quality Customer Services

In addition to continuously improving quality management level, Luye Pharma also attaches great importance to providing quality services to customers. We conducts customers' satisfaction survey on a regular basis to collect customers' comments and opinions on the quality in respect our our drugs, performance, and services, in order to understand more objectively in what areas we need to further improve, and constantly improve the quality of our products and services, and enhance customers' satisfaction.

During the Year, Luye Pharma (Shandong Base) conducted survey in the form of written questionnaire based the "Monitoring Procedures for Customers' Satisfaction" (《顧客滿意度監控程序》). Our marketing quality assurance department is responsible for formulating satisfaction survey plans. The evaluation indicators of customers' satisfaction survey are as follows:



6. PROTECTION OF HUMAN HEALTH (CONTINUED)

In this customers' satisfaction survey, our comprehensive satisfaction score was 95.92 points, and the customers' satisfaction rating was satisfactory.

To better respond to the needs of our customers, Luye Pharma (Boan Bio) has also formulated the "Customers-related Requirements Review and Control Procedure" (《與顧客有關要求評審控制程序》) to identify more accurately the needs and expectations of our customers for products and confirm that we have the ability to meet customers' requirements, and to establish and develop a good relationships with our customers on the basis of providing quality products and services.

For customers' complaints management, the production bases of Luye Pharma have formulated policies including the "Complaint Management Regulation" (《投訴管理規程》) and the "Complaint Handling Procedures" (《投訴處理操作規程》), which standardize the division of labor and complaint categories of complaints management, and stipulate the procedures for acceptance, classification, investigation, analysis, corrective and preventive actions, customer feedback and record management, to ensure that all complaints are dealt with in a timely and effective manner, and potential quality risks are controlled to ensure the medication safety of patients.

In accordance with the "Complaint Handling Procedures" (《投訴處理操作規程》), employees are required to register after receiving a complaint, and to confirm the type of complaint based on the content of the complaint. If it is determined to be a quality complaint, we will organize a quality complaint investigation team to complete the investigation within five working days based on the content of the "Quality Complaint Handling Form" (《質量投訴處理表》), during which we determine the root cause and conduct a risk assessment accordingly, in order to propose corresponding corrective and preventive measures. The corrective and preventive measures approved will be followed up in accordance with the "Corrective and Preventive Measures Management Regulations" (《糾正預防措施管理規程》).

Luye Pharma's complaint management function division is as follows:

Responsible department and personnel	Duties
QA	• In charge of the registration, organization and investigation, results feedback of complaints
Complaints investigation group	• In charge of the investigation, risk assessment, proposing corrective and preventive actions of quality complaints
Person in charge of quality	• In charge of the approval of the emergency measures on quality complaints, corrective and preventive measures, and written feedback
Quality manager	• In charge of the approval of the emergency measures on quality complaints, and corrective and preventive measures
Salesperson	• In charge of reports on feedback complaints from agents, on-site investigation contact
Marketing department (for products), and medical department (for medication)	• In charge of the replies of professional consultations in relation to medication
Person in charge of adverse reaction monitoring	• In charge of handling adverse reaction complaints
All relevant departments	• Cooperate with the investigation of complaints, and in charge of making replies to professional issues involving the respective department

During the Year, Luye Pharma had received a total of 57 complaints in relation to drugs quality and safety, customer consultation, customer service and others, all of which had been reflected to clients in accordance with the above complaints handling procedures, demonstrating our positive attitude towards customers' requests.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

6.3 Ethical Marketing and Promotion

Luye Pharma has an extensive sales network on its drugs, covering more than 80 countries or regions such as the U.S., the EU countries, Japan and Latin America, and has more than 50 sales partners around the world, in order to meet the needs of drugs from patients in different regions, and safeguard public health.

Material issues in this section:

- Availability of healthcare (whether patients have easy access to drugs or healthcare services)

Luye Pharma has always emphasized on the compliance of ethical marketing and promotion. During the course of promoting pharmaceuticals to medical and health institutions and medical professionals, we have strictly complied with the laws and regulations that have significant impact on us, such as the Law of the PRC on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》), the GMP, and the Good Supply Practices for Pharmaceutical Products (GSP) (《藥品經營質量管理規範》), as well as formulated and implemented the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《綠叶制药集團藥品推廣行為準則》) to provide the code of conduct and moral guidelines in respect of the promotion and sales of pharmaceuticals for all employees.

Code of pharmaceuticals promotion (藥品推廣守則)

- The Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《綠叶制药集團藥品推廣行為準則》) sets out the basic principles to be observed by employees in conducting pharmaceuticals promotion, such as not providing any inappropriate promotional gifts or services to non-healthcare professionals and other stakeholders who may affect the promotion of Luye Pharma Group.
- The standard also covers the management of all aspects of the pharmaceuticals promotion of Luye Pharma Group, including the standards for pharmaceuticals promotion information, use of promotion funds, promotion materials, and academic exchanges with healthcare professionals.
- Our employees are required to sign to confirm that they have fully understood the standard and implement it in daily pharmaceuticals promotion work to effectively maintain and strengthen the good market reputation of Luye Pharma.

Product label management (產品標籤管理)

- The labels and directions of all products are designed in accordance with the product manuals approved by the China Food and Drug Administration and the Provisions on the Administration of Pharmaceutical Directions and Labels (《藥品説明書和標籤管理規定》).
- Product advertisements are released in relevant media after obtaining the pharmaceuticals and advertisement approval circular as approved by the drugs supervision and administration department in accordance with the requirements of the Law of the PRC on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and the Administrative Regulations on Pharmaceutical Product Prescriptions and Labeling (《藥品廣告審查辦法》), to ensure their contents are true, accurate and not misleading or deceptive.

Information security and privacy protection (信息安全及私隱保障)

- The Personal Data Protection Policy (《個人數據保護政策》) has been formulated and implemented to fully safeguard the privacy of personal data of relevant organizations.
- Information protection technologies and measures such as the use of encryption technology are adopted to ensure the confidentiality of personal data stored in electronic form, and timely destruction of confidential deleted files that may contain personal data.

6. PROTECTION OF HUMAN HEALTH (CONTINUED)

In addition to focusing on researching and developing innovative drugs for the benefits of patients, Luye Pharma equally concerns that whether patients from different regions and different classes can have access to the drugs and treatments they need. To this end, we have been committed to improving the accessibility of medicines through various methods and actions. With an aim to enhancing the access to medicines for primary patients, we have strived to include regular medicines that are suitable for being used in primary care hospitals in the National Essential Medicines List (《國家基本藥物目錄》), so that the reimbursement rate for medicine costs in primary hospitals can reach as high as 100%, and to include new products in the National Medical Insurance Catalog (《國家醫保目錄》) for significantly reducing the drug use-induced burden of patients. In addition, we have joined various regional health care organizations such as health insurance research institute and the health insurance specialized committee, and through collaborative projects such as pharmacoeconomic studies, diagnosis-related group (DRG) training meetings and co-organizing relevant conferences, we share resources in health insurance administration, treatment, clinical pharmacology and experts, and strive to obtain relevant policy support and build a pharmaceutical sales platform, thereby expanding our sales network and providing primary patients with more opportunities to gain access to appropriate drugs and treatment.

Case: Reducing the drug use-induced burden of patients and increasing the drug availability

Drug pricing is one of the important factors that determine whether patients can receive suitable treatment. Most of Luye Pharma's products are included in the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), with an average reimbursement rate of 90–100% for Class A drugs and 70–80% for Class B drugs, significantly increasing the affordability of drugs. During the Year, Lipusu was included in the National Medical Insurance Catalog (《國家醫保目錄》) through negotiation, and the price dropped by approximately 70%, which relieved the pressure of cancer patients undergoing chemotherapy.

Luye Pharma's products, such as Maitongna and Lutingnuo, have been actively involved in volume-based procurement of various provinces, and their prices have been set at a relatively low level as compared to peers. During the Year, Acarbose Capsules (product name: Bei Xi®), a core product for treating diabetes, had also participated in the national centralized volume-based procurement scheme, and as one of the two manufacturers being selected for Acarbose oral dosage form, the price was reduced by 76%, which practically reduced the financial burden of diabetic patients.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST

Insisting on our production and business philosophy of "environmental protection, production safety and professional services for human health", Luye Pharma actively performs its environmental and social responsibilities in its operation process. It has set up and improves its EHS integrated management system on an on-going basis in response to its own actual conditions in accordance with the most up-to-date international management standards. We have also in place the "Environmental and Occupational Health and Safety Manual" (《環境與職業健康安全手冊》) (hereinafter referred as the "EHS Manual") to regulate all management activities relating to environmental and occupational health and safety and make contribution to the realization of EHS policy and management objectives. The general EHS policy, objectives and commitments are as follow:

- EHS policy: Focus on environment, health and safety to ensure sustainable development;
- EHS objectives: Ensuring the integrated management system of environmental and occupational health and safety running in a normal way and improving it continuously;
- EHS commitments: Maintain the management system, take effective measures for continuous improvement, and correct and prevent any deviation from the ESG policy, and ESG objectives.

Material issues in this section

- Hazardous waste discharge and management
- Pollutant discharge and management
- Non-hazardous waste discharge and management
- Chemicals management
- Green manufacturing system governing product life circle
- Use of water resources
- Protection measures for natural ecological environment
- Production safety and emergency handling procedure
- Occupational health and safety system
- The number of employees work-related fatalities

7.1 Environmental Protection

With the aggravation of climate change and global warming issues, green operation has gradually become a key direction of enterprises for long-term development. Luye Pharma attaches great emphasis on environmental protection and has been committed to minimizing the negative effects on natural environment and natural resources during our daily operation. Our main activities are carried out in our production bases, laboratories and offices and the major environmental factors include discharge of hazardous and non-hazardous waste, use of energy, greenhouse gas emission, discharge of air pollutant and disposal of chemicals. For detailed statistics on environmental performance, please see the Environmental Performance Table set out in the Appendix.

Luye Pharma has established an environmental management system ("EMS") on the basis of ISO14001:2015 Environment Management System — Requirements with Guidance for Use (《環境管理體系-要求及使用指南》) and required all staff members to implement relevant environmental measures in daily work in accordance with the procedures specified in the EHS Manual, so as to avoid, reduce or eliminate the environment pollution caused by its operational activities. By adopting the "Plan, Do, Check, Act" (PDCA) management cycle theory, we conduct periodic internal and external EMS audit to review and examine the operation of the management system so as to ensure the appropriateness, completeness and effectiveness of and the continuous improvement in the EMS for consistently enhancing Luye Pharma's environmental performance. During the Year, a number of Luye Pharma's manufacturing bases have passed the ISO14001:2015 environmental management system certification.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)


CERTIFICATE OF REGISTRATION

认证证书

山东绿叶制药有限公司

GB/T24001-2016/ISO14001:2015

Luye Pharma (Shandong Base) ISO 14001:2015 certificate

During the Year, we have complied with the laws and regulations that have a significant impact on us relating to air and greenhouse gas emissions, waste discharge into water and soil, and generation of hazardous and non-hazardous waste.

Laws and Regulations relating to environmental protection that Luye Pharma is subject to and significantly affect us (including but not limited to)

- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
- The Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護税法》)
- The Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)
- The Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)
- The Law of the People's Republic of China on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》)
- The Law of the People's Republic of China on Appraisal of Environment Impacts (《中華人民共和國環境影響評價法》)
- The Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》)
- The Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》)

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

For each material environmental aspect, we have formulated a number of environmental policies with reference to applicable laws and regulations, part of which are set out below:

Major environmental factors	Internal policies of Luye Pharma (including but not limited to)
Hazardous and non-hazardous waste	• The Management Procedures for Prevention and Control of Pollution by Solid Waste (《固體廢物污染防治管理程序》) • The Management Procedures for Hazardous Waste (《危險廢物管理制度》)
Air pollutant emissions	• The Management Procedures for Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) • The Management System of Prevention and Control of Pollution Sources (《污染源防控管理制度》)
Water resources management	• The Management Procedures for Prevention and Control of Water Pollution (《水體污染防治管理程序》)
Use of energy Greenhouse gas emissions	• The Management Procedures for Energy Resources (《能源資源管理程序》)
Chemicals disposal	• The Management Procedures for Dangerous Goods (《危險品管理程序》) • The Management System of Toxic, Hazardous and Flammable Gas Leakage Detection and Alarm (《有毒有害、可燃氣體泄漏檢測報警管理制度》)
Environmental accidents	• The Environmental Accidents Emergency Plan (《突發環境事件應急預案》)
Other environmental impacts	• The Procedures for Identification, Appraisal and Update of Environmental Factors (《環境因素識別、評價與更新程序》) • The Management Procedures for Noise and Vibration (《噪聲與震動管理程序》)

7.1.1 Waste Management

Production bases and offices of Luye Pharma produce hazardous and non-hazardous waste in their respective daily operations. We have developed internal policies on waste management such as the Management Procedures for Prevention and Control of Pollution by Solid Waste (《固體廢物污染防治管理程序》) and the Management Procedures for Hazardous Waste (《危險廢物管理制度》), which strictly regulate the management of various types of solid waste throughout the process of generation, collection, storage, transportation, usage and disposal and other operational and supervising activities, in order to ensure the compliance with relevant national laws and regulations and reduce environmental pollution.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

The Management Procedures for Prevention and Control of Pollution by Solid Waste (《固體廢物污染防治管理程序》) specifies the four principles, division of function and waste classification for solid waste management. Solid waste are mainly divided into two categories, hazardous waste and non-hazardous waste. Hazardous waste mainly include medical waste, organic liquid waste, organic resin waste and waste activated carbon. Non-hazardous waste can be further categorized as recyclable and non-recyclable waste, including domestic waste, medicine dregs, and discarded packaging materials and paper. The table below shows the disposal procedures for hazardous and non-hazardous waste:

Collection	• Each department which generates hazardous waste has set up a site for sorting and collection of hazardous waste and corresponding labels will be attached to hazardous waste which will then be sorted out and put into the designated containers depending on their nature. The containers for collection shall not be damaged or poorly-sealed in order to prevent leakage. • Non-hazardous waste shall be assorted and collected in a centralized manner and be placed in corresponding bins as designated.
Storage	• Each department which generating hazardous waste shall arrange a designated area for temporary storage of hazardous waste. The area shall comply with the requirements of safety and environmental protection, including avoidance of high temperature, direct sunlight, and rain-wetting, and being away from the sources of ignition. Warning signs shall be posted in such temporary storage area. • When the waste stored in such temporary area has reached a certain quantity, they will be transferred to the hazardous waste storage sites in accordance with the hazardous waste assorting requirements.
Transportation	• Internal transfer: Use suitable packaging containers to prevent leakage, spillage, dripping or volatilization during loading, removing or transport. The waste will then be transferred to the temporary storage site with a fully enclosed specialized vehicle operated by a trained operator. • External transfer: The uploading will be handled with the transfer unit in cooperating with the departments generating hazardous waste on a rotational basis.
Disposal	• For the hazardous waste that need to be disposed of by outsourcing parties, qualified hazardous waste disposal units with operation licenses for waste disposal services shall be liaised. • For non-hazardous waste, we have signed an agreement on the disposal of domestic waste with the local environmental department, pursuant to which we will transport the waste every day to prevent environmental pollution due to excessive storage. General recyclable waste, such as packaging and obsolete equipment, will be collected to local recycling company. Medicine dregs will be disposed of by a professional agency to make them into fermented fertilizer for harmless disposal.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

In addition to the whole process management of hazardous and non-hazardous waste generated in the course of operations, we also strive to build and improve a green manufacturing system covering the full lifecycle from product design to end-of-life. The key policies and measures for the management of medical waste and drug waste are set out as follows:

- A Management Regulation for Waste from Raw and Auxiliary Materials Workshop (《原輔料車間廢棄物管理規程》) is formulated to standardize the disposal of raw material waste of drugs and to prevent pollution and cross-contamination;
- Small items such as plastic bags, locking cords and labels required for drug packaging shall be used appropriately to reduce waste;
- The defective products produced in the production process shall be managed in accordance with the requirements of the Control Regulation for Defective Products (《不合格品控制規程》) to ensure proper disposal of cartons used in packaging, tail waste and other waste and avoid arbitrary disposal;
- An on-post personnel will collect and label those defective products, and a quality assurance personnel shall confirm the quantity and seal condition of such products for issuing a certificate of disqualification. Thereafter, the defective products will be collectively and temporarily stored in warehouses for registration and management. A warehouseman will then liaise with a waste disposal unit for their disposal.

Case: Alcohol distillation tower

In November 2020, for reducing the amount of low concentration alcohol waste generated, the raw material workshop of Laishan Plant of Luye Pharma (Shandong Base) installed an alcohol distillation tower to distill low concentration alcohol waste for recycling and reuse, which is expected to reduce low concentration alcohol waste by approximately 1,200 tons per year.

Photo: Alcohol distillation tower

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Case: Use of reusable packages for hazardous waste

During the Year, Luye Pharma (Nanjing Base) replaced ethanol bottle packages with stainless steel IBC tanks to reduce the quantity of packing products for hazardous waste. The stainless steel IBC tanks are reusable, which can reduce packages for hazardous waste by a total of 15 tons and disposal costs for hazardous waste by RMB97,000 per year.

Photo: Stainless steel IBC tanks

7.1.2 Energy and Climate Change

With economic growth and increasing business activities around the world, climate change has become a major issue for the global community that cannot be neglected. Luye Pharma attaches great importance to the potential opportunities and risks arising from climate change. For example, frequent smoggy weather may prompt a local government to issue an order to restrict the production capacity of enterprises or issue stricter standards for pollutant emissions, which may increase the investment costs for environmental protection facilities at our production sites, resulting in increased operating costs. Luye Pharma is committed to reducing its own greenhouse gas emissions, as greenhouse gas emissions and the resulting greenhouse effect are major culprits to climate change. The greenhouse gases emitted by Luye Pharma during its operation are mainly those from boilers, refrigeration equipment, production facilities, automobiles and power consumption in offices.

Luye Pharma has been committed to reducing corporate energy consumption, improving energy efficiency and reducing the corresponding greenhouse gas emissions through various actions. For example, Beijing Base set up an energy management system in according with the Energy Management System Requirements and User Guide (ISO50001:2018) and the Energy Management System Certification for Chemical Enterprises of Pure Alkalis, Coking, Rubber and Plastics, Pharmaceuticals and others (RB/T 114-2015), and passed the ISO50001:2018 Energy System Certification.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

认 证 证 书

注册号：07520Em100005ROM

兹证明

北京北大维信生物科技有限公司

注 册 地 址：中国北京市海淀区永盛北路2号3幢

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建立的能源管理体系符合

ISO 50001:2018《能源管理体系 要求及使用指南》及 RB/T 114-2014 《能源管理体系纸械、焦化、橡塑制品、制药等化工企业认证要求》

该体系覆盖的范围

年产7亿粒调脂药物血脂康胶囊的生产所涉及的能源管理相关活动。

（单位产品综合能耗，能耗核算边界详见附件）

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CNAS 中国认可 管理体系 MANAGEMENT SYSTEM CNAS C075-M

北京中化联合认证有限公司

总经理：

ISO 50001: 2018 certification for Luye Pharma (Beijing Base)

In addition, Luye Pharma has set out an energy saving target for units of products and a corresponding quantitative indicator, and regularly reviews the target achievement in order to continuously improve the efficiency of the use of energy. By establishing policies such as the Energy Management Regulations (《能源管理規程》) and Energy Resource Management Procedures (《能源資源管理程序》), which stipulate the organizational structure and division of labor for energy management, as well as the management requirements or standards for the use of energy, we achieve energy saving and reduce operating costs. The main management measures of Luye Pharma in terms of energy saving and emission reduction are as follows (including but not limited to):

Management of electricity consumption

- For lighting, natural lighting should be used as far as possible, and it is prohibited to turn on lightsunder unnecessary circumstances ; no redundant lighting should be turned on at night when working overtime to avoid prolonged lighting;
- For the use of air-conditioners, air-conditioner operators may adjust the temperature daily according to the weather conditions shown on the weather board, so as to save energy consumption; if the air-conditioners are found to be aged or damaged during operation, it should be reported to the engineering department in time to avoid energy consumption;
- For office electric appliances, they should be turned on only when needed and turned off when not in use for a long time to reduce standby power consumption;
- Post “Save Electricity” labels in offices to raise awareness of energy saving and environmental protection among all staff members.
- Production electricity refers to the electricity used in the operation of a variety of machinery and equipment, which shall be handled and controlled by designated personnel in avoidance of idling operation and unnecessary waste of energy. Through reasonable production scheduling, we control the start/stop time of some major power-consuming equipment to reduce idle time of the equipment and its unit power consumption.

Management of gas consumption

- The production department and the engineering assurance department should apply to the utility companies for the use of steam in a reasonable manner in their daily work, and inform the utility companies the change in the steam consumption in a timely manner at the change of seasons according to the change in the steam consumption;
- The mechanical maintenance team of the engineering assurance department conducts regular inspection for the condition of the equipment using steam and carries out timely repairs for deflation, emission, dropping and leakage.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Case: Modification of the heating system of the purification air-conditioning system in the workshop

Luye Pharma (Shandong Base) collected and used the process water (hot water at around 70°C) generated during the production process to replace industrial steam as a heat source for the heating system of the purification air-conditioning system and domestic water in the workshop. The use of such hot water system in the workshop will save 1,689.69 tons of industrial steam per year, equivalent to 130.22 tons of standard coal per year.

Photo: The heating system of purification air-conditioning system in the workshop

Case: Upgrading and replacing refrigeration unit in the chiller plant

During the Year, Luye Pharma (Shandong Base) upgraded its refrigeration unit in the chiller plant by replacing the 20-year-old refrigeration unit with a magnetic levitation refrigeration unit. The replacement of the magnetic levitation unit saved a total of 125,203 kWh of electricity and reduced the corresponding greenhouse gas emissions.

Photo: The refrigeration unit in the chiller plant

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Case: Retrofitting Plant's Road Lights

In January 2020, Luye Pharma (Beijing Base) carried out "Project of Retrofitting Plant's Road Lights" to replace all 31 road lights with solar lamps, which reduced the total electricity consumption by 9,294 kWh (equivalent to 1.14 tons of CO_2 equivalence) for the whole year, achieving the goal of energy conservation and environmental protection.

Photo: Solar road lights

7.1.3 Air Emissions Management

Luye Pharma's air emissions mainly comes from the exhaust gas emitted by combustion in boilers and exhaust gas from workshops and laboratories. We have in place policies such as the Management Regulation on Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理規程》) and Management System of Pollution Source Prevention and Control (《污染源防控管理制度》) to monitor the exhaust gas generated by Luye Pharma, and ensure its compliance with the existing requirements under environmental laws and regulations. In addition, we have set out emission targets and a series of corresponding indicators, and monitor the progress of achieving the indicators on a quarterly basis in order to reduce environmental pollution. For example, the key emission management targets of exhaust gas set out by Luye Pharma (Nanjing Base) for the Year are as follows:

- The exhaust gas treatment system shall be operated and recorded in accordance with the regulations. Activated carbon in the exhaust gas system for the raw material building shall be replaced in a timely manner according to the progress of production, and the fume purification system for canteens shall be cleansed once a month;

- Regular maintenance of the exhaust gas treatment equipment shall be carried out to ensure that the equipment is in good condition and that the timely repair rate for equipment failures shall be 100%;

- The hydrochloric (HCL) in normal operation of the exhaust equipment shall be ≤ 30 mg/m^3; volatile organic compounds (VOCs) shall be ≤ 60 mg/m^3.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

The Management Procedures for Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) outlines the division of functions, general principles of exhaust gas control and specific management measures for the management of emissions from Luye Pharma. The safety and environment department is the department in charge of the control of exhaust gas emission and responsible for the control and daily monitoring of exhaust gas emission. In terms of processes, we advocate the promotion of the four new technologies (new products, new processes, new materials and new technologies) and give priority to non-toxic and clean production processes. For exhaust gas emissions with emission standards, the key emission control measures we have put in place are as follows (including but not limited to):

- Trainings are provided to the staff members involved in exhaust gas emissions so that they can understand the potential hazards to the atmosphere and the working environment caused by irregularities in operation and those exposed to hazardous exhaust gas can perform their duties properly to minimize abnormal emissions from improper operation;
- Production equipment that generates exhaust gas must be in compliance with national regulations;
- Equipment in use that exceeds emission standards, or that has exceeded its useful life, shall be modified or scrapped if it still fails to meet emission standards after modification;
- During the production process of exhaust gas, it is necessary to ensure that the exhaust gas treatment facilities are in good condition and normal operation. Dismantling and decommissioning of exhaust gas treatment facilities are prohibited; if their operations are suspended for maintenance purposes, repairs should be carried out after the suspension of production;
- New, altered and expanded projects of exhaust gas treatment facilities shall be designed, constructed and put into production and use at the same time with the main buildings under the "three Simultaneities" management requirement.

Case: External monitoring of laboratories' exhaust gas

A series of emission reduction measures implemented by Luye Pharma (Sichuan Base) has achieved certain results and the emissions are in compliance with the relevant national and regional emission standards. During the Year, the Ecological and Environmental Protection Bureau of Longmatan District, Luzhou City commissioned a professional environmental monitoring institute to monitor and test the exhaust gas from the laboratories of Luye Pharma (Sichuan Base) and issue a test report. The test results showed that the measured concentrations and emission rates of various monitored items of Luye Pharma (Sichuan Base) were in compliance with the emission limits of the Integrated Emission Standards of Air Pollutants (《大氣污染物排放標準》) (GB16297-1996) and the Emission Standards for Atmospheric Volatile Organic Compounds from Stationary Sources in Sichuan Province (《四川省固定污染源大氣揮發性有機物排放標準》) (DB51/2377-2017).

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)


四川中环检测有限公司

监 测 报 告

Photo: Emission monitoring report of the laboratories

Case: Alkaline washing and activated carbon adsorption device

Luye Pharma (Nanjing Base) has transformed the disorganized emissions from the wastewater station and hazardous waste storage to organized emissions through technical renovation, and we have further reduced disorganized emissions from the factory by building alkaline washing and activated carbon adsorption devices.

Photo: Alkaline washing and activated carbon adsorption device

Case: Solid granulation de-dusting system

Luye Pharma (Shandong Base) has built a solid granulation de-dusting system, which filters the dust in the equipment exhaust ducts through dust filter bags, significantly reducing the amount of particulates emitted into the atmosphere.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Photo: Solid granulation de-dusting system

7.1.4 Water Resources Management

The water used by Luye Pharma is mainly the industrial water for pharmaceutical production and auxiliary equipment, and domestic water for cleaning and cooking. There is no material difficulty in sourcing water as we obtained water through municipal pipeline networks during operation process.

Water Saving Measures

To save water, Luye Pharma has formulated a Management Procedures for Energy Resources of Luye Pharma《能源資源管理程序》), which sets out a series of water saving management measures to standardize the use of drinking water, washing water, cleaning water, canteen water and domestic water, so as to reduce waste of water. In addition, we shall develop an annual budget for the cost for water consumption and manage the use of water according to the budget plan. The safety and environment department will conduct an assessment on water saving by all departments and workshops for the whole year at the end of each year. Punishment will be imposed on the non-compliant departments and employees, and reward will be given to those with good performance in water saving.

Case: Intermittently activated water purifier

To save water, Luye Pharma (Shandong Base) adopted an operating mode of intermittently activated water purifier. When there is no demand for purified water, the pre-treatment equipment of water purifier will be turned off, changing the original mode of keeping the water recycling. With no water demand at night, it can save 20 tons of water discharged per hour by reverse osmosis (RO) and electrodeionization technology (EDI). Based on an average of 10 hours per night with no water demand, it can save 6,000 tons of drinking water per month.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Photo: Intermittently activated water purifier

Case: Recycling steam condensate

Luye Pharma (Boan Biotech) collected steam condensate for the use of domestic water heating and bathing water in Building 10 in winter, which could reduce tap water consumption and electricity consumption for heating.

Photo: Recycling steam condensate

Sewage Management

Luye Pharma discharges industrial wastewater during the pharmaceutical production process. We have developed management systems such as the Management Procedures for Prevention and Control of Water Pollution (《水體污染防治管理程序》) and the Management Procedures for Control of Wastewater Pollution (《廢水污染控制管理程序》) to manage and treat wastewater generated in our production activities, products or services, so as to minimize the adverse effects of wastewater discharge on surrounding environment and human health. All sewage generated by Luye Pharma are treated in its sewage treatment stations, and no sewage shall be discharged if such sewage is untreated or below national or local standards for sewage discharge after treatment. We regularly commission a professional environmental monitoring agency to conduct on-site sample monitoring on water quality of our sewage outfall to assess whether the sewage discharge complies with relevant discharge standards such as the "Water Quality Standard of Sewage Discharged into Town Sewers" (《污水排入城鎮下水道水質標準》) (GB/T 31962-2015) and "Comprehensive Sewage Discharge Standard" (《污水綜合排放標準》) (GB8978-1996). During the year, our sewage discharges met all the standard requirements.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

7.1.5 Chemicals Management

Chemicals are widely used in different medical areas. However, if a chemical-related environmental emergency breaks out and cannot be effectively controlled, it will cause certain harm to the environment and human health. Therefore, from the perspectives of safety and environmental protection, Luye Pharma has formulated internal policies such as the "Management Procedures for Dangerous Goods" (《危險品管理程序》) and the "Environmental Accidents Emergency Plan" (《突發環境事件應急預案》) in accordance with regulatory documents such as the "Provisions on Safety Management of Dangerous Chemicals " (《危險化學品安全管理條例》) and the "List of Dangerous Chemicals" (《危險化學品目錄》) to impose strict management on dangerous goods, prevent and control leakage of dangerous goods, fire, poisoning, explosion accident and reduce the harm caused to human beings and adverse impact on the environment.

Preventive Measures

In order to strengthen the safety management of chemically dangerous goods and prevent material environmental accidents, we have formulated a comprehensive management procedure for dangerous goods, some of which are as follows:

- When loading and unloading of chemically dangerous goods, it is necessary to check whether all of the safety devices are attached to the transport vehicles and the goods, and the transport unit must comply with the national standards and relevant regulations such as the "General Packaging Technical Conditions for the Transport of Dangerous Goods" (《危險貨物運輸包裝通用技術條件》) and "Dangerous Goods Packaging Signs" (《危險貨物包裝標誌》);
- In the process of loading and unloading, it is necessary for the workers to handle the process with great care. Vibration, impact, friction, heavy pressure and dumping should strictly be avoided. Mixing and loading the articles with conflicting chemical properties which are prone to have chemical reactions such as combustion and explosion are also strictly prohibited;
- Safety education shall be conducted for the staff members involved in loading and unloading of dangerous chemicals and such duties shall be performed by fixed personnel;
- The safety labels on the packages or containers for chemically dangerous goods must be checked before such chemically dangerous goods are put into storage, and the "Safety Technical Instructions" must be provided;
- Units using highly toxic substances shall strictly follow the safe operation procedures. Waste containing highly toxic substances must not be dumped arbitrarily and shall be collected and stored centrally in the hazardous waste storage room.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Emergency measures

In addition to the implementation of the aforesaid management measures for chemically dangerous goods, we also respond to environmental emergency accidents in accordance with the "Environmental Accidents Emergency Plan" (《突發環境事件應急預案》) to minimize the number of casualties and the damage to the environment. The system for environmental emergency response consists of a comprehensive environmental accidents emergency plan and a special emergency plan. The special emergency plan sets out clear rescue procedures and specific emergency handling measures for specific accident categories, such as leakage of hazardous chemical, fire or explosion. We have an emergency command department responsible for the management of stocking of emergency and prevention equipment and emergency rescue material reserves including the storage of chemical materials to deal with the leakage. In addition, we conducted trainings to our emergency personnel to ensure that they have the necessary knowledge and skills to respond to emergencies in a timely and effective manner.

Case: Emergency Drill on Leakage of Dangerous Chemicals

On 18 September 2020, Luye Pharma (Beijing Base) conducted emergency drill on leakage of dangerous chemicals to familiarise employees with how to conduct emergency treatment in case of chemical leakage in the workshop and how to ensure the safety of emergency personnel in the course of response, as well as minimise the degree of harm to the environment, which improved the capabilities of emergency personnel to rescue and plug leaks, evacuate, alert and response.

Photo: Emergency drill on leakage of dangerous chemicals

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

7.1.6 Engagement in Environmental Activities

In addition to adopting various environmental protection technologies and implementing a series of environmental protection measures at the daily operational level, Luye Pharma also actively encourages its employees to practice environmental protection. During the reporting period, we held a variety of environmental promotion and education activities to improve employees' awareness of environmental protection.

Case: Training About Environmental Laws and Regulations

During the year, Luye Pharma (Shandong Base) conducted training in relation to the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (2020 Revised)" (《中華人民共和國固體廢物污染環境防治法(2020修訂)》) and Regulations on the Administration Of Sewage Discharge Permits (排污許可管理條例) to enhance employees' understanding of the latest environmental laws and regulations, and implement them in their daily work.

Photo: Training about environmental laws and regulations

Case: Planting Activity in Yantai Pula Valley Chateau Base

During the Year, Luye Pharma (Boan Biotech) organized employees to conduct planting activity in Yantai Pula valley chateau base for promoting environmental protection awareness that everyone is responsible for caring for the environment.

Photo: Planting activity

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

7.2 Occupational Health and Safety

Luye Pharma has constantly improved its EHS system, while striving to minimize the negative impact on the environment during the operation process, it also attaches great importance to the occupational health and production safety of employees, and realizes sustainability of the enterprise in all aspects. We have established a sound occupational health and safety management system, and each manufacturing base has acquired ISO 45001:2018 occupational health and safety management system certifications.


职业健康安全管理体系认证证书

Luye Pharma (Nanjing Base)
ISO 45001:2018 certification


CERTIFICATE OF REGISTRATION
认证证书
山东绿叶制药有限公司
GB/T45001-2020/ISO 45001：2018

Luye Pharma (Shandong Base)
ISO 45001:2018 certification

We strictly abide by the national and local laws and regulations relating to occupational health and safety, which have a significant impact on Luye Pharma, and formulated a series of internal management policies to standardize the safety production. During the Year, we have recorded neither any material safety accident nor fatal work injury, with a total of 5 lost days due to work injury. During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Occupational health and safety related laws and regulations abided by Luye Pharma which have a significant impact on it (Including but not limited to)	**Internal policies of Luye Pharma (Including but not limited to)**
• Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) • Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) • Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) • Provisions on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) • Emergency Provisions on Production Safety Accidents (《生產安全事故應急條例》)	• Production Safety Inspection System (《安全生產檢查制度》) • Administration Procedure of Personal Labor Protection Articles (《個人勞動防護用品管理程序》) • Occupational Health and Monitoring Management System (《職業健康與監護管理制度》) • Mechanical Protection Safety Procedure (《機械防護安全程序》) • Fire Management System (《消防管理制度》) • Emergency Plan for Production Safety Accident (《生產安全事故應急預案》) • Special Equipment Operation Personnel Management System (《特種設備作業人員管理制度》) • Accidents and Hazards Screening and Governance System (《事故隱患排查治理制度》) • Management and Control System of Safety Risk Classification (《安全風險分級管控制度》)

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Each manufacturing base of Luye Pharma has developed its own hazards screening and governance system respectively, to consolidate the foundation of safety management, enhance the quality of safety risks identification, and prevent and reduce the occurrence of production safety accidents. For instance, the main functions of Luye Pharma (Shandong Base) in respect of safety hazard screening and governance are delegated as follows:

General Manager

- Fully responsible for the hazards screening and governance for the whole Company, establish and improve the relevant accountability system;
- Organize and formulate governance program for significant hazards;
- Organize and hold meetings on governing work and analysis, supervise the implementation of hazards rectification measures.

Department Manager

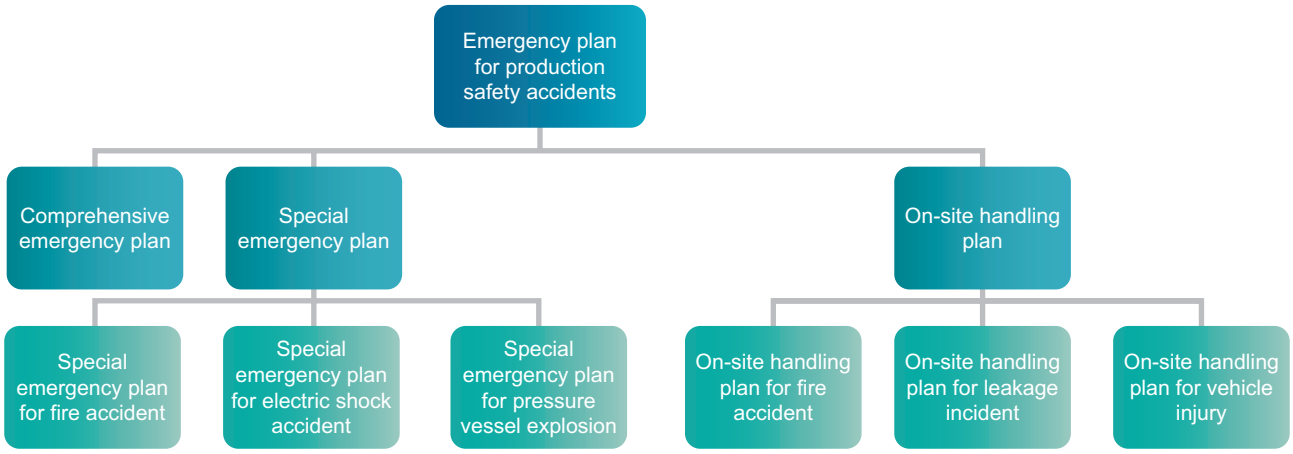
- Formulate hazards screening list according to the departments' actual situation;
- Organize safety inspection at least once a month based on hazards screening list, fill in the inspection records faithfully, and formulate rectification measures targetly after the classification of hazards founded;
- Organize inspection of production equipment, safety equipment, fire-fighting facilities and protective equipment before and after major holidays;

Team Leader

- Assist department head to implement hazards rectification measures, set up warning signs for hazards which cannot be rectified immediately and stop using them temporarily;
- Responsible for daily safety inspection on fire-fighting equipment, safety warning signs, electrical equipment and facilities and distribution circuit, etc., and prepare records properly;
- Organize and participate into team's safety inspection, detect and stop the illegal operation and violation of labor discipline in a timely manner.

In addition to the pragmatic promotion of the detection and treatment on hazards screening and governance, Luye Pharma (Sichuan Base) has also formulated the "Emergency Plan for Production Safety Accidents"(《生產安全事故應急預案》) based on relevant provisions of "Law of the People's Republic of China on Emergency Response"(《中華人民共和國突發事件應對法》), "Regulations on Emergency Response to Production Safety Accidents"(《生產安全事故應急條例》) and "Measures for the Administration of Emergency Plan for Production Safety Accidents on Manufacturing and Operating Unit" (《生產經營單位安全生產事故應急預案管理辦法》), to improve the emergency ability of employees to deal with all kinds of emergencies and ensure their life, health and property safety. The emergency plan system consists of comprehensive emergency plan, special emergency plan and on-site disposal plan. The comprehensive emergency plan is the general emergency plan formulated and issued by Luye Pharma (Sichuan Base), which is a normative document for us to deal with emergencies; special emergency plan is a specific emergency operation plan for dealing with a certain type of emergency; on-site handling plan is the pre-planned disposal measure formulated by various departments for specific installations, places or facilities, and positions in their respective production activities.

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)



Case: First aid knowledge training of occupational health

In order to improve the emergency rescue ability of employees, former vice president of Qinhuai Hospital was invited by Luye Pharma (Nanjing Base) to provide the employees with on-site first aid training, and the participating employees were invited to engage in the actual combat operation on site.

Photos: First aid knowledge training of occupational health

7. ENVIRONMENT FRIENDLY AND SAFETY FIRST (CONTINUED)

Case: Fire-fighting knowledge training and drill

Fire safety is a top priority in safety management. In June 2020, pharmaceuticals workshop of Luye Pharma (Boan Biotech) carried out fire-fighting knowledge training and fire-fighting basic knowledge drills, which strengthened employees' awareness of fire safety, and improved their fire emergency response and escape capabilities, effectively reducing accident hazards and effectively guaranteed employees' safety.

Photos: Fire-fighting knowledge training and drill

Case: Safety Knowledge Competition

In 30 November, 2020, Luye Pharma (Beijing Base) held safety knowledge competition with the theme of "Strengthening safety doctrines and consolidating safety defence-lines", aiming to enhance the safety cooperation awareness of the frontline staff, create a good safety culture and ensure production safety with "zero accident".

Photo: Safety knowledge competition

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Talent management is the core aspect to promote corporate development. Luye Pharma insists on the business philosophy of "employee development", and regards its employees as the most valuable asset. We proactively improve human resource policies, establish a sound occupational training system and provide diversified career development paths to achieve mutual progress of employees and the Company.

Material issues included in this section

- Employee salary and benefits
- Policies on prohibition of using child labor and forced labor
- Employee training and occupational development

8.1 Employment Management

Luye Pharma has established a sound employment management system. While strictly complying with employment related laws and regulations that have a significant impact on us, we adopt proactive human resources policies to attract and retain outstanding talents from home and abroad to ensure a team of talents is built. We expect to create an active and inclusive corporate culture, under which employees could show their talents, contribute to our company and grow with us. The key of our employment management system is set out below:

Recruitment, Dismissal and Promotion

Recruitment

We strictly abide by the employment related laws and regulations that have a significant impact on us, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》), with an aim to establish an all-rounded human resources system. Meanwhile, Luye Pharma strictly complies with the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) by verifying the identification of the applicants to resolutely refuse the hiring of child labor in the process of recruitment and employment. In addition, our employees should not be forced to work involuntarily. The employee who needs to work overtime should submit relevant application to the head of the office in advance. During the Year, there was no hiring of child labor and forced labor.

Equal opportunity, diversity and anti-discrimination

With regards to the recruitment, career development, promotion, training and incentives, we provide equal employment opportunity irrespective of complexion, nationality, race, age, sex, religious beliefs or physical disability.

Dismissal

If a staff member fails to pass the probation period, or commits serious violation of discipline or dereliction of duty which causes Luye Pharma to suffer from significant loss or a material accidents, Luye Pharma shall terminate the labor contract with such staff member, give notice to such staff member and claim for compensation in accordance with applicable laws and regulations.

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Remuneration management

Remuneration management

Luye Pharma provides competitive remuneration packages. We regularly participate in the annual salary survey for domestic pharmaceutical market organized by the world well-known salary research companies, from which we understand the overall salary level, current condition and development trend of pharmaceutical market. In accordance with its development strategies, Luye Pharma formulated an overall remuneration strategy annually, ensuring that it is able to attract, motivate and retain talents.

In respect of the design of the remuneration structure, we determine the remuneration level of employees through a performance-based assessment system and by referencing three aspects, namely level of market rates, job responsibilities and employees' performance.

Working hours and holiday

Working hours

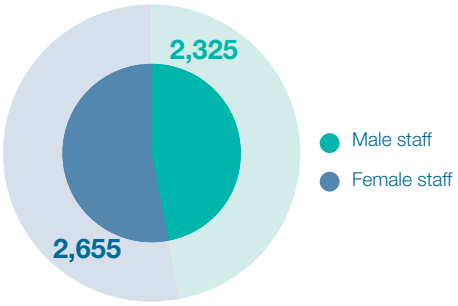
40 hours per week, Saturdays and Sundays are rest days. If an employee works overtime for special reasons, he/she shall fill in the Overtime Application Form (《加班申請表》) and work overtime only with the approval of the department manager, thus preventing the case of forced labor.

Holidays:

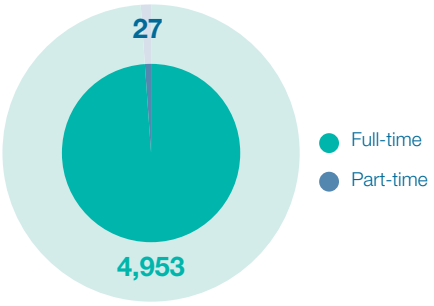
Besides public holidays, Luye Pharma's employees can enjoy paid annual leave, marriage leave, maternity leave, sick leave, etc., to ensure employees' right to sufficent rest.

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. During the Year, Luye Pharma has a total of 4,980 employees, the number of employees by gender, employment type, age group and geographic region is indicated below:

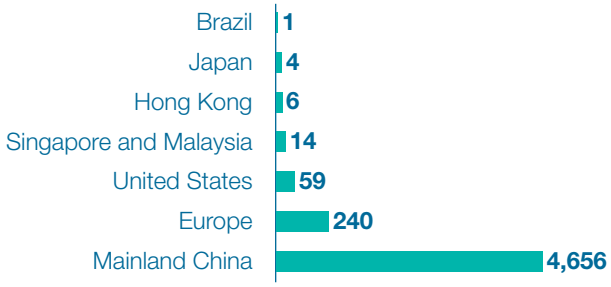
Number of employee by gender



Number of employee by employment type

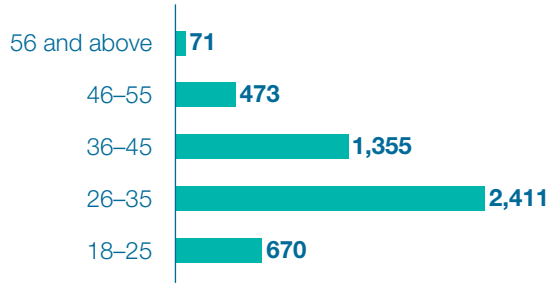


Number of employee by geographic region



8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

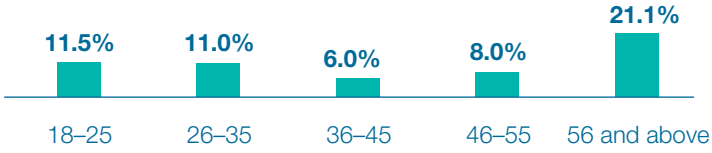
Number of employee by age group



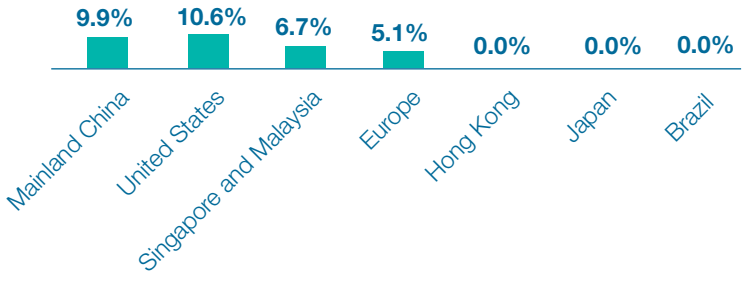
During the Year, the employee turnover rate[1] of Luye Pharma by gender, age group and geographic region is set out below:

Employee turnover rate by gender

Employee turnover rate by age group



Employee turnover rate by geographic region



1 *Calculation formula of employee turnover rate: number of employees in this category leaving/total number of employees in this category x 100%*

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

8.2 Talent Training

Luye Pharma recognizes the significance of talent training and development on the enterprise development in the long term. Hence, we constantly improve our training system and encourage our employees to participate in external training and continuous learning to improve individual comprehensive abilities. Moreover, we proactively provide our staff with diversified career development paths, including innovation and research, professional technology and enterprise management, encouraging employees to choose the development ladder independently for future career, tap into their potentials and realize value of themselves.

In respect of drug quality management, we have developed the "Management Procedures for Capacity, Training and Awareness" (《能力、培訓和意識管理規程》) in accordance with Pharmaceutical Products GMP Guidance: Quality Management System (《藥品GMP指南：質量管理體系》), which summarizes the principles for business knowledge training for all staff and training on GMP and pharmaceutical management regulations, and stipulates the formulation of training program and its contents. Meanwhile, each production base of Luye Pharma has also organized quality management training activities, such as the registration and inspection related training held by the quality control department of Boan Biotech and the titration skills competition organized by Shandong Base, aiming at improving the overall drug quality level. In respect of EHS, we have formulated EHS Education and Training Policy (《EHS教育與培訓制度》) and formulate occupational health and safety related education and training plan every year, to provide daily safety education, progressive safety education, safety education for foreign personnel and special safety training, aiming to enhance occupational safety level thoroughly. During the Year, the number of employees who attended the occupational health and safety training held by Luye Pharma amounted to 7,785. Moreover, we proactively encouraged our staff to participate in external training based on their positions and business development needs, so as to improve their integrated ability and organizational performance. In this regard, we have formulated the Regulations on the Management of Luye Pharma's External Training Projects (《绿叶制药集團外部培訓項目管理規定》), specifying the cost management of external training projects and on-the-job educational training courses.

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

In order to provide the employees with internal training that is more systematic and of higher quality, we set up the "Luye Evergreen College" for classification and cultivation of international talents, backup management talents, existing management talents and professional talents, with emphasis on the learning concept of "Self breakthrough, Happy Learning, Value Creating". We formulate training programs every year to offer employees at all levels a variety of training courses. The training program developed by the "Luye Evergreen College" during the Year principally consisted of internal open courses, talent training program and individual courses for Luye Pharma and its business.

Internal open courses

- provided new employees with orientation training with content covering corporate culture presentation and performance management;
- provided newly promoted manager with the project training on group leadership promotion.

Talent training program

- organized the Project Jingying to provide fresh graduate with personal quality enhancement training and classroom centralized training;
- organized 5 sessions of general competencies training throughout the year 2020, covering such topics as effective communication, seven habits of highly effective people and so on;
- provided the backup frontline employees with classroom centralized training under the fourth session of the Qihang development project, focusing on cross-department communication and cooperation.

Individual courses for Luye Pharma and its business

- R&D Centre provided centralized courses on topics of training skills of internal trainers, effective performance interview and etc.;
- organized management training for each functional department in the form of online course combined with offline discussion.

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Case: "Jingying Plan" project training for fresh graduates

In July 2020, the "Jingying Plan" project training for fresh graduate was held by Luye Pharma, with content covering cultural infiltration, personal quality enhancement, professional ability and occupational quality, so as to improve the general competencies and individual quality of fresh graduates in all aspects.

Photo: "Jingying Plan" project training for fresh graduates

Case: Special training course on "project analysis under the tendering and bidding mode"

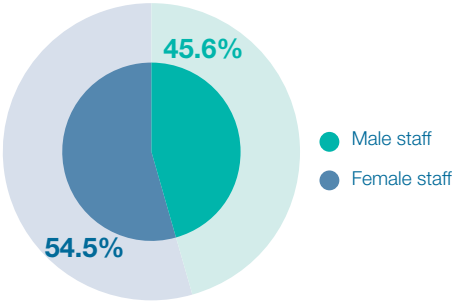
In November 2020, the employees from technology development division of Luye Pharma attended the special training course on "project analysis under the tendering and bidding mode" organized by the Industrial Culture Development Center of Ministry of Industry and Information Technology.

Photo: Special training course on "project analysis under the tendering and bidding mode"

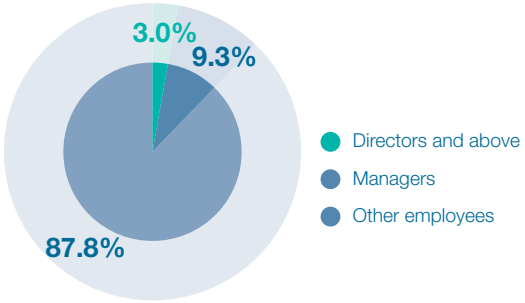
8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, the statistics[2] on employee training of Luye Pharma are as follow:

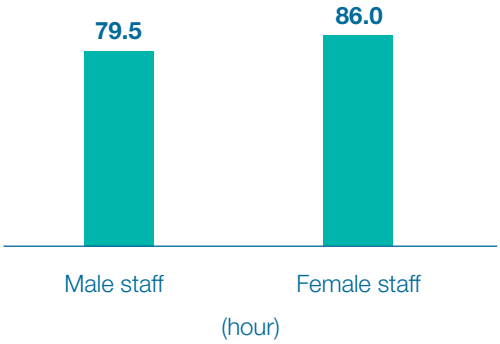
Percentage of trained employees by gender



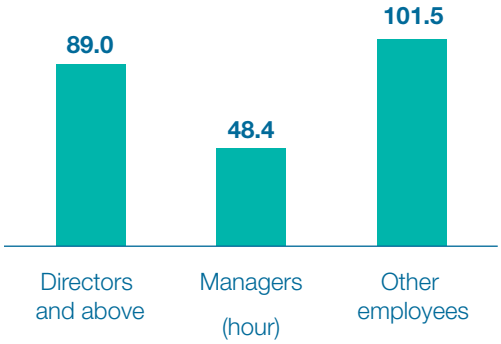
Percentage of trained employees by employment type



Average training hours completed per employee by gender



Average training hours completed per employee by employment type



2 *The calculation method of percentage of trained employees by gender: the number of employees trained under this category divided by the total number of employees trained;*
The calculation method of average training hours of employees by employment type: the total number of training hours received by this category divided by the total number of employees trained.

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

8.3 Caring about the Employees

Luye Pharma concerns about its employees. In addition to ensuring that its employees will enjoy the basic welfare prescribed by the PRC, Luye Pharma provides them with a series of fringe benefits to enhance their quality of life. Furthermore, we have proactively organized a variety of staff activities during the Year including sports competitions for employee teams, health theme month, parent-child activities and etc., promoting both physical fitness and communications among the employees and safeguarding the well-being of them.

The benefit packages offered by Luye Pharma are set out as follow:

Holiday Welfare	• The Company offers certain holiday welfare to employees during some traditional holidays such as Spring Festival, Women's Day, Mid-Autumn Festival, Children's Day;
Commercial Insurance	• Inpatient and outpatient medical insurance, 24—hour personal accident insurance and critical disease insurance are included to enhance the health insurance coverage of the employees;
Annual Health Check	• Health check is organized each year and a health record is set up for each employee;
Employee Mutual Support Plan	• A mutual support fund is set up to provide relief for employees and their families who suffer from major accidents and family misfortunes besides basic benefits and commercial insurances, helping them get through difficulties;
Wedding Cash Gift	• Wedding cash gift is prepared for all the newly-weds;
Excellent Performance Commendation	• An annual commendation meeting is held each year both at the Group level and subsidiary level to award employees and teams with excellent performances;
Gold Leaf Medal	• A gold leaf medal is granted to employees who have served the Company for ten years.

8. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Case: The staff badminton competition

In September 2020, Luye Pharma organized a staff badminton competition, not only encouraged the staff to do more exercise but also promoted the team cooperation among the staff.

Photo: The staff badminton competition

Case: Parent-child activities for staff

In September 2020, a special parent-child activity was held by Luye Pharma for its staff and their children, in which the children were invited to the office in Shanghai and engaged in activities prepared by us, such as "exploration of treasure and adventure (尋寶探險)" and handmade clay decorations with their parents together. Such activity enabled our staff to have more communication with their children during the leisure hours and enhance their parent-child relationship.

9. CONTRIBUTION TO THE SOCIETY AND COOPERATION FOR WIN-WIN SITUATION

Luye Pharma focuses on the improvement of internal management and business development, while performing its social responsibility through putting itself into public welfare to contribute to the society. We respond to the needs of different people by ways of charitable donation, donation in kind, establishment of scholarship, etc., facilitating the common sustainable development of the enterprise and society.

Case: RMB1 million donation to the Red Cross Society of China

In January 2020, Luye Pharma made a donation of RMB1 million to the Red Cross Society of China at the time of widespread of COVID–19 pandemic, funding the purchase of protective materials for frontline medical staff in Wuhan and playing its role in the epidemic prevention and control.

Photo: Dedication certificate from the Red Cross Society of China

Case: Donation of sodium aescinate for injection to Qishan Hospital

In February 2020, Luye Pharma donated sodium aescinate for injection to Yantai Qishan Hospital (煙台市奇山醫院). Also, we enthusiastically responded to the call from China Development Research Foundation, collecting more than 100 boxes of medical protective articles amounting to approximately RMB200,000, comprising protective mask, disposable glove and hand sanitizer in the context of material shortages, to support the primary medical staff in Suichuan County, Jiangxi Province.

Photo: Handover of drugs donated by Luye Pharma to Qishan Hospital

9. CONTRIBUTION TO THE SOCIETY AND COOPERATION FOR WIN-WIN SITUATION (CONTINUED)

Case: Grant of Luye Pharma Scholarship at Yantai University

During the Year, Luye Pharma continued to grant "Luye Biomedical Innovation Fund at Peking University (北京大學綠葉生物醫藥創新基金)" with RMB1 million, "Luye Pharma Scholarship for Yantai University (煙台大學绿叶制药獎學金)" with RMB200,000, "Luye Pharma Love Bursary (绿叶制药愛心助學金)" with RMB100,000, etc. to the college students who had good performance in study or were in need, in order to encourage scientific research and innovation and support education.

Photo: The grand ceremony of Luye Pharma Scholarship for Yantai University

10. APPENDICES

10.1 Environmental Performance Table[3]

	Data for 2020	Data for 2019	Measurement unit
Resource consumption			
Total energy consumption[4]	147,032.29	150,290.94	'000 kWh
Intensity of energy consumption	0.27	0.24	'000 kWh/income of RMB10,000
Total electricity consumption	78,019,143.00	65,488,220.00	kWh
Intensity of electricity consumption	140.84	100.91	kWh/income of RMB10,000[5]
Total natural gas consumption	3,253,380.00	2,723,210.00	Cubic meters
Intensity of natural gas consumption	5.87	4.28	Cubic meters/income of RMB10,000
Total industrial steam consumption	128,539.24	198,246.44	MKJ
Intensity of industrial steam consumption	0.23	0.31	MKJ/income of RMB10,000
Total gasoline consumption (by automobiles)	23,672.00	24,203.00	Liters
Intensity of gasoline consumption (by automobiles)	2,959.00	3,025.38	Liters/per gasoline powered automobile
Total diesel consumption (by automobiles)	6,819.00	5,998	Liters
Intensity of diesel consumption (by automobiles)	3,409.50	2,999	Liters/per gasoline powered automobile
Total water consumption	1,048,911.84	982,202.00	Cubic meters
Intensity of total water consumption	1.89	1.54	Cubic meters/income of RMB10,000
Total packaging materials consumption	3,364.38	1,480.65	Tons
Intensity of packaging materials consumption	0.01	0.0023	Tons/income of RMB10,000
Emission of air pollutants by boilers[6]			
CO emission	4,341.07	3,621.05	Kilograms
NO_x emission	5,167.94	4,310.77	Kilograms
SO_x emission	31.01	25.86	Kilograms
$PM_{2.5}$ emission	392.76	327.62	Kilograms
Emission of air pollutants by automobiles[7]			
CO emission	378.13	347.92	Kilograms
NO_x emission	354.94	304.04	Kilograms
SO_x emission	0.47	0.46	Kilograms
$PM_{2.5}$ emission	13.85	11.97	Kilograms
PM_{10} emission	15.33	13.24	Kilograms

3 The statistical scope of 2020 had changed from that of 2019. The 2020 statistics cover Luye Pharma' headquarter, four production bases, including Nanjing Base, Beijing Base, Sichuan Base, Shandong Base, and the additional Boan Biotech.

4 Total energy consumption includes electricity, natural gas, industrial steam, gasoline and diesel consumption, the conversion method of which made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China. The data for 2019 had been recalculated according to the latest standards.

5 Luye Pharma recorded total revenue of approximately RMB5,539.64 million during the Year.

6 The calculation method for emission data of air pollutants from boilers of Luye Pharma's production bases made reference to the USEPA AP-42 Compilation of Air Pollutant Emissions Factors issued by the United States Environmental Protection Agency.

7 The calculation method for emission data of air pollutants from automobiles owned and controlled by Luye Pharma made reference to the Technical Guide for Air Pollutants Emission Inventory for Road Motor Vehicles (Trial) (《道路機動車大氣污染物排放清單編製技術指南(試行)》) issued by the Ministry of Ecology and Environment of the People's Republic of China.

10. APPENDICES (CONTINUED)

	Data for 2020	Data for 2019	Measurement unit
Emission of greenhouse gas (scope I and scope II)			
Emission by use of boilers (scope I)[8]	7,023.17	5,891.13	Tons
Emission by use of industrial steam (scope I)[9]	14,139.32	21,807.11	Tons
Emission by automobiles (scope I)[10]	72.51	73.07	Tons
Emission by refrigerants (scope I)	3,252.58	2,535.68	Tons
Emission by electricity consumption (scope II)[11]	47,599.48	39,954.36	Tons
Greenhouse gas emission in total	72,087.05	70,261.36	Tons
Intensity of greenhouse gas emission in total	0.13	0.11	Tons/income of RMB10,000
Production wastewater discharge (processed)			
Production wastewater discharge	634,778.00	537,078.00	Tons
Intensity of production wastewater discharge	1.15	0.84	Tons/income of RMB10,000
Non-hazardous waste produced			
Medicine dregs produced	1,806.02	1,350.96	Tons
Medicine dregs recycled	1,728.28	1,209.10	Tons
Intensity of medicine dregs produced	0.0033	0.0021	Tons/income of RMB10,000
Packaging materials waste produced	102.23	64.18	Tons
Packaging materials waste recycled	57.98	34.51	Tons
Intensity of packaging materials waste produced	0.00019	0.00010	Tons/income of RMB10,000
Hazardous waste produced[12]			
Medical waste produced	22,466.54	13,450.75	Kilograms
Intensity of medical waste produced	0.04	0.02	Kilograms/income of RMB10,000
Organic waste liquid produced	887,866.50	779,895.60	Kilograms
Intensity of organic waste liquid produced	1.60	1.23	Kilograms/income of RMB10,000
Organic resin waste produced	0[13]	960	Kilograms
Intensity of organic resin waste produced	0	0.0015	Kilograms/income of RMB10,000
Waste activated carbon produced	18,419.45	25,252.00	Kilograms
Intensity of waste activated carbon produced	0.033	0.039	Kilograms/income of RMB10,000
Waste toner cartridge produced	869.00	414.00	Units
Intensity of waste toner cartridge produced	0.0016	0.00065	Units/income of RMB10,000
Waste fluorescent tube produced	102	95.00	Units
Intensity of waste fluorescent tube produced	0.00018	0.00015	Units/income of RMB10,000

8 The calculation method for emission data of greenhouse gases (Scope 1) from use of boilers made reference to Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China, Gasoline for Motor Vehicles GB 17930-2016 and Diesel Fuel for Motor Vehicles GB 19147-2016 issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and Standardization Administration of the People's Republic of China.

9 During the Year, the calculation of the emission by use of industrial steam was newly included and corresponding emissions were calculated according to the total industrial steam consumption in 2019. The calculation method for emission data of greenhouse gases (Scope I) from use of industrial steam made reference to Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China.

10 The calculation method for emission data of greenhouse gases (Scope 1) from automobiles made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Land Transport Enterprises (Trial) (《陸上交通運輸企業溫室氣體排放核算方法與報告指南(試行)》) issued by the Ministry of Ecology and Environment of the People's Republic of China.

11 The calculation method for emission data of greenhouse gases (Scope II) had been updated and the data for 2019 had been recalculated according to the latest standards. The emission data of greenhouse gases (Scope II) for 2020 and 2019 were calculated with reference to the national grid average emission factors in 2015 of the Notice of Proper Reporting of Carbon Emissions for 2018 and Development of a Plan for Verification and Monitoring of Emissions (《關於做好2018年度碳排放報告與核查及排放監測計劃制定工作的通知》) issued by the Ministry of Ecology and Environment of the People's Republic of China.

12 As all hazardous waste of Boan Biotech was disposed on Shangdong Base in 2020, data of hazardous waste produced is not available for Boan Biotech. Therefore, Boan Biotech was excluded from the statistic scope of hazardous waste produced.

13 The organic resin waste produced in 2020 was nil as the resin replacement cycle in Shandong Base is 3-5 years.

10. APPENDICES (CONTINUED)

10.2 Social Performance Table

Employee Data

		Number of people (people)	Turnover rate (%)
Total number of employees		4,980	—
By gender	Male	2,325	9.67%
	Female	2,655	9.60%
By type of employment	Full-time	4,953	—
	Part-time	27	—
By type of employees	Directors and above	147	—
	Managers	444	—
	Other employees	4,389	—
By age	18–25	670	11.49%
	26–35	2,411	10.97%
	36–45	1,355	6.03%
	46–55	473	7.98%
	56 and above	71	21.11%
By region	Mainland China	4,656	9.87%
	Europe	240	5.14%
	United States	59	10.61%
	Singapore and Malaysia	14	6.67%
	Hong Kong	6	0%
	Japan	4	0%
	Brazil	1	0%

10. APPENDICES (CONTINUED)

Employee Training Data

		Percentage of employees completed training (%)	Average training hours completed per employee (hour/person)
By gender	Male	45.6%	79.54
	Female	54.4%	85.97
By type of employees	Directors and above	3%	9.5
	Managers	9.3%	48.39
	Other employees	87.8%	101.45

Work Injury Data

Death toll in 2020	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2019	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2018	Employee	0	Number of people
	Contractor	0	Number of people
Accidental work injuries	Work-related fatalities	0	Number of people
	Lost days due to work injury	5	Days

Supplier Data

Number of suppliers	China	2,301	Suppliers
	Overseas	104	Suppliers

Product Recall Data

Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%

Complaint Data

Number of products and service related complaints received	43	Cases

Anti-corruption Data

Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period	0	Case

11. ESG REPORT CONTENT INDEX

ESG Reporting Guide			Reference to GRI Standard	Related sections in the Report
A. Environmental				
Item		**Descriptions**		
Aspect A1: Emissions				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes	GRI 305: Emissions; GRI 306: Effluents and Wastes; GRI 307: Environmental Compliance	Environmental Protection
Key Performance Indicator (KPI)	A1.1	The types of emissions and respective emissions data		Environmental Performance Table
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity		Environmental Performance Table
	A1.3	Total hazardous wastes produced and, where appropriate, intensity		Environmental Performance Table
	A1.4	Total non-hazardous wastes produced and, where appropriate, intensity		Environmental Performance Table
	A1.5	Description of measures to mitigate emissions and results achieved		Energy and Climate Change Air Emissions Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved		Waste Management

11. ESG REPORT CONTENT INDEX (CONTINUED)

Aspect A2: Use of Resources				
General Disclosure		Policies on effective use of resources	GRI 302: Energy; GRI 303: Water Resources; GRI 307: Environmental Compliance	Environmental Protection
KPI	A2.1	Direct and/or indirect energy consumption by type in total and intensity		Environmental Performance Table
	A2.2	Water consumption in total and intensity		Environmental Performance Table
	A2.3	Description of energy use efficiency initiatives and results achieved		Energy and Climate Change
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved		Water Resources Management
	A2.5	Total packaging materials used for finished products and, if applicable, with reference to per unit produced		Environmental Performance Table
Aspect A3: Environment and Natural Resources				
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	GRI 302: Energy; GRI 303: Water Resources; GRI 305: Emissions; GRI 306: Effluents and Wastes	Environmental Protection
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them		Chemicals Management Engagement in Environmental Activities

11. ESG REPORT CONTENT INDEX (CONTINUED)

ESG Reporting Guide			Reference to GRI Standard	Related sections in the Report
B. Social				
Item		Descriptions		
Aspect B1: Employment				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination and other benefits and welfare	GRI 401: Employment; GRI 405: Diversity and Equal Opportunity	Employment Management Caring about the Employees
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region		Employment Management Social Performance Table
	B1.2	Employee turnover rate by gender, age group and geographical region		Employment Management Social Performance Table
Aspect B2: Health and Safety				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protection of employees from occupational hazards	GRI 403: Occupational Health and Safety	Occupational Health and Safety
Recommended Disclosures	B2.1	Number and rate of work-related fatalities		Occupational Health and Safety
	B2.2	Lost days due to work injury		Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored		Occupational Health and Safety

11. ESG REPORT CONTENT INDEX (CONTINUED)

Aspect B3: Development and Training				
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	GRI 404: Training and Education	Talent Training
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee type (e.g. senior management, middle management)		Talent Training Social Performance Table
	B3.2	The average training hours completed per employee by gender and employee type		Talent Training Social Performance Table
Aspect B4: Labor Standards				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child labor or forced labor	/	Employment Management
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labor		Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered		No Relevant Situation
Aspect B5: Supply Chain Management				
General Disclosure		Policies on managing environmental and social risks of the supply chain	GRI 308: Supplier Environmental Assessment; GRI 414: Supplier Social Assessment	Sustainable Supply Chain Management
Recommended Disclosures	B5.1	Number of suppliers by geographical region		Sustainable Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored		Sustainable Supply Chain Management

11. ESG REPORT CONTENT INDEX (CONTINUED)

Aspect B6: Product Responsibility				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of remedy	GRI 416: Customer Health and Safety; GRI 417: Marketing and Labeling; GRI 418: Customer Privacy	Ethical Marketing and Promotion Superior Quality Assurance
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons		Drug Quality Management
	B6.2	Number of products and service related complaints received and how they are dealt with		Quality Customer Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights		Protection of Scientific Research Results
	B6.4	Description of quality assurance process and recall procedures		Drug Quality Management
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored		Ethical Marketing and Promotion
Aspect B7: Anti-corruption				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	GRI 205: Anti-corruption	Integrity and Compliance
Recommended Disclosures	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		Integrity and Compliance
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored		Integrity and Compliance

11. ESG REPORT CONTENT INDEX (CONTINUED)

Aspect B8: Community Investment				
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	/	Contribution to the Society and Cooperation for Win-win Situation
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)		Contribution to the Society and Cooperation for Win-win Situation
	B8.2	Resources contributed (e.g. money or time) to the focus areas		Contribution to the Society and Cooperation for Win-win Situation

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