翰森製藥
HANSOH PHARMA

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 3692

Environmental, Social and Governance Report 2020

Contents

Preface

The 2020 Environmental, Social and Governance Report of Hansoh Pharmaceutical (hereinafter referred to as the "**Report**" or the "**ESG Report**") is the second ESG Report of Hansoh Pharmaceutical Group Company Limited (hereinafter referred to as the "**Company**") upon its listing, which will systematically elaborate on the Company's aspiration, action, performance, undertaking and future improvement in maximizing the comprehensive value of the economy, society, human rights and environment in 2020, especially those issues in relation to the sustainable development of the environment and society that are of concern to the key stakeholders. For other governance matters, please refer to the annual report published by the Company.

1.1 BASIS OF PREPARATION

The Report is compiled based on the revised Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**HKEx**") published in December 2015 and with reference to the consultation conclusion documents relating to the Review of the Environmental, Social and Governance Reporting Guide and related Listing Rules (《檢討環境、社會及管治報告指引及相關上市規則條文》) published by the HKEx in December 2019.

1.2 SCOPE OF REPORT

The Report covers the Company and its subsidiaries (collectively, the "**Group**", the "**Company**", "**we**", "**us**" or "**our**"), which is consistent with the entities included in the consolidated financial statements. The Group is an investment holding company with Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司) (hereinafter referred to as "**Hansoh Pharma**") as its key business entity. In addition, Phase I of Changzhou Hengbang Pharmaceutical Co., Ltd. (常州恒邦藥業有限公司) (hereinafter referred to as "**Hengbang Pharmaceutical**"), a subsidiary of the Group, has commenced operation in 2020, which increased its financial and ESG impact on the Company. As such, the specific ESG practice activities and indicators regarding the two companies will be specified in the relevant sections.

Major Subsidiaries
Hansoh (Shanghai) Health Technology Co., Ltd.
Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
Shanghai Hansen Technology Co., Ltd.
Jiangsu Hengbang Pharmaceutical Co., Ltd.
Jiangsu Hengte Pharmaceutical Sales Co., Ltd.
Shanghai Jiesen Technology Co., Ltd.
Changzhou Hengbang Pharmaceutical Co., Ltd.
Lianyungang Kang Chen Management Consultancy Co., Ltd.

Preface

1.3 TIME RANGE

The Report covers the period from January 1, 2020 to December 31, 2020.

1.4 ACCESS TO THE REPORT

The Report is prepared in simplified Chinese and Traditional Chinese. The electronic version of the Report is published on the website of the HKEx and under the section headed "Investor Relations" – "Environmental, Social and Governance (ESG) Report" on the website of the Company (http://www.hspharm.com/).

1.5 CONTACT DETAILS

We wish to, through the publication of the Report, enhance the communication and cooperation, facilitate support and understanding, increase interest, emotion and value recognition among different parties, thereby bringing together the strengths of enterprises and the society for sustainable development. For any suggestion and comment on the Report, please contact us at:

Email: IR@hspharm.com
Telephone: (86) 021- 3177 3517

1.6 OTHER DESCRIPTION

The unit of currency in the Report is RMB, unless otherwise specifically stated.

Glimpse of Hansoh Pharmaceutical and Overview of Its Responsibility Practice and Performance

2.1 CHAIRLADY'S STATEMENT

The year 2020 marks the 25th anniversary of the establishment of the Company. Over the last 25 years, we have been committed to research, development and innovation, actively increasing the accessibility to drugs, and continuously meeting the significant unmet medical needs of patients in the world. Meanwhile, we have incorporated the environmental, social and governance (ESG) principles into our corporate strategy and all aspects of operations, enabling us to facilitate the sustainable development of the whole society while safeguarding the commercial benefits of the Company.

We uphold the value of "responsibility, integrity, diligence and innovation", which is also the core philosophy the Company adheres to while performing ESG responsibility. We have established a world-class production quality management system that comply with the cGMP requirements in China, the United States, Japan and European Union. Our dedicated professional R&D team consists of over 1,600 members, making us one of the enterprises with the largest research and development teams in the Chinese pharmaceutical industry. In 2020, we are pleased to see that all of the three National Category 1 innovative drugs of the Company, namely "Ameile" (aumolertinib mesylate tablets), "Hansoh Xinfu" (flumatinib mesylate tablets) and Fulaimei (polyethylene glycol loxenatide for injection), were included in the NRDL (2020), through which we have provided more patients with more accessible and affordable products and services of better quality.

In respect of enhancing the Company's ESG management capability, we continued to strengthen the building of our management systems in relation to aspects such as quality, environment, occupational health and safety and energy, and have passed the relevant standard certification or evaluation. In 2020, to facilitate the implementation of our ESG-related work, the Board has established the ESG governance team to further improve the ESG management structure. Adhering to the people-oriented philosophy at all times, we supplemented and improved over 70 management systems and operating procedures in relation to aspects such as environmental protection, occupational health and safety, resources conservation as well as rights and interests and development of employees, which served as the guiding principle for the promotion of our ESG-related works. As such, our ESG-related work will be conducted in a more standardized, process-based and transparent manner, in a bid to continuously enhance the ESG management level of the Company.

In 2020, the sudden outbreak of the COVID-19 pandemic posed huge challenges to production and daily lives. As a responsible enterprise, we promptly adopted various effective pandemic prevention measures to ensure the health and safety of our own employees, at the same time securing the production and supply of drugs by fully leveraging the characteristics of our own business. Meanwhile, we urgently deployed our resources to help tackle the actual problems encountered in the pandemic-stricken areas. We have always been paying close attention to the needs of patients with chronic diseases for standardized treatment and medication during the pandemic by organizing free medical consultation online and live-streaming of patient education, etc. so as to build a strong lifeline for them with relevant medical institutions.

We will actively respond to the dual carbon goals of "carbon peak and net zero carbon emissions" so as to implement our social responsibility philosophy of green development. We will better fulfil our commitments to our customers, employees, investors, the society and the environment, at the same time increasing the accessibility to drugs, with an aim to make a greater contribution to the sustainable development of the whole society.

Zhong Huijuan
Chairlady

Glimpse of Hansoh Pharmaceutical and Overview of Its Responsibility Practice and Performance

2.2 CORPORATE PROFILE

In 1995, Hansoh Pharma, our major operating subsidiary, was established in China, which is one of the leading R&D-driven pharmaceutical companies in China.

For over two decades, we adhered to the corporate vision of "Creating excellence in pharmaceuticals and enhancing innovation in China" and focused on critical therapeutic areas such as oncology, central nervous system, anti-infectives and diabetes with an aim to improve human health through continuous innovation.

We have superior R&D capabilities and over 20 years of R&D experience. We have over 1,600 researchers working in our R&D centers in Shanghai, Changzhou and Lianyungang, and have been awarded numerous R&D-related titles, such as being recognized as National Enterprise Technology Center, Postdoctoral Program Workstation, Key National Laboratory and Model Enterprises for National Technology Innovation.

We have established a professional and proprietary marketing system with high strategy execution capability. Our manufacturing systems have obtained the current Good Manufacturing Practice (cGMP) certifications from the U.S. Food and Drug Administration (FDA) and the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan. Leveraging our extensive experience and additional international quality system certifications, we have maintained advanced standards for access that are in line with overseas markets.

Our core management team possesses extensive experience in the industry ranging from R&D, manufacturing to marketing. The management team has in-depth knowledge about all levels along the value chain of the pharmaceutical industry with excellent track record.

We will accelerate our technology innovation with an aim to become a global innovative pharmaceutical company, take the lead in industrial transformation and upgrade and address the significant unmet clinical needs of patients by "Creating excellence in pharmaceuticals and enhancing innovation in China", thereby contributing to the ambitious plan of "Healthy China 2030".

Administrative R&D Center of Hansoh Pharmaceutical

Administrative R&D Center of Hansoh Pharma

Industrial Park for Pharmaceutical Production of Hansoh Pharma

Construction of Phase I of Hengbang Pharmaceutical

Photo 2.1 External view of Hansoh Pharmaceutical Groups' buildings

Glimpse of Hansoh Pharmaceutical and Overview of Its Responsibility Practice and Performance

2.3 RESPONSIBILITY FOOTPRINT

In 2020, the Group continued to pay close attention to changes in industry policies and the social environment. It gave its best efforts to respond to and fulfil stakeholders' expectation for ESG management, which not only achieved the expected results, but also received wide recognition from various governments and organizations in the society.

January

- According to the evaluation result of the national pharmaceutical industry enterprise credit rating by China Pharmaceutical Industry Association, Hansoh Pharma was rated the AAA credit enterprise

March

- The "Application of Linezolid (New Medicine for Anti-drug Resistant Bacteria) and its Injection (抗耐藥菌新藥利奈唑胺及注射液的應用)" of Hansoh Pharma was awarded "2019 Science and Technology Awards of Jiangsu Province (2019年度江蘇省科學技術獎)" by the People's Government of Jiangsu Province (hereinafter referred to as the "Provincial Government")
- Hansoh Pharma was awarded the "2019 Science and Technology Awards of Jiangsu Province – Enterprise Technology Innovation Award (2019年度江蘇省科學技術獎－企業技術創新獎)" by the Provincial Government

June

- Hansoh Pharma passed the recertifications of Quality Management System (ISO9001), Environment Management System (ISO14001) and Occupational Health and Safety Management System (ISO45001)
- Hansoh Pharma was recognized as an "Accredited Company of Excellent Measurement Management System of Jiangsu Province 2020 (江蘇省2020年度優秀測量管理體系認證企業)"

July

- The Company's invention patents for morinidazole received the China Patent Excellence Award (中國專利優秀獎) from the China National Intellectual Property Administration (國家知識產權局)
- The Company's invention patents for tigecycline received the China Patent Silver Award (中國專利銀獎) from the China National Intellectual Property Administration (國家知識產權局)

August

- At the relevant press conference of the Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce, the Company was once again enlisted as Top 100 Pharmaceutical Enterprises in China, and was recognized as "Legal Compliance and Integrity Enterprise of the Pharmaceutical Industry in China (中國醫藥行業守法誠信企業)"
- At the 37th National Pharmaceutical Industry Information Annual Conference, the Company ranked top 3 among the "R&D-driven Pharmaceutical Companies in China (中國醫藥研發產品線最佳工業企業)" for four consecutive years
- The Company was named an "Excellent Social Responsibility Project of Pharmaceutical Companies in China (中國醫藥企業社會責任優秀項目)" by the China National Pharmaceutical Industry Information Center
- Following the first certification in 2019, Hansoh Pharma passed the energy management system supervision and review in accordance with the new standards under ISO 50001: 2018 "Energy Management System Requirements"

Glimpse of Hansoh Pharmaceutical and Overview of Its Responsibility Practice and Performance

October

- The "High-Value Patent Cultivation of New Targeted Anti-drug Resistant Oncology Drug Demonstration Center" (抗耐藥新型靶向抗腫瘤藥物高價值專利培育示範中心), a project led and constructed by the Company, successfully passed the on-site acceptance inspection
- Hansoh Pharma was recognized as a "Green Supply Chain Management Enterprise (綠色供應鏈管理企業)" by the Ministry of Industry and Information Technology
- The Company successfully hosted the "2020CML New Diagnosis and Treatment Progress Summit Forum (2020CML診療新進展高峰論壇)" in Shanghai, during which the results of Phase III clinical studies of the use of Flumatinib as medicine for first-line treatment of chronic myeloid leukemia in chronic phase (CML-CP) attracted wide attention

November

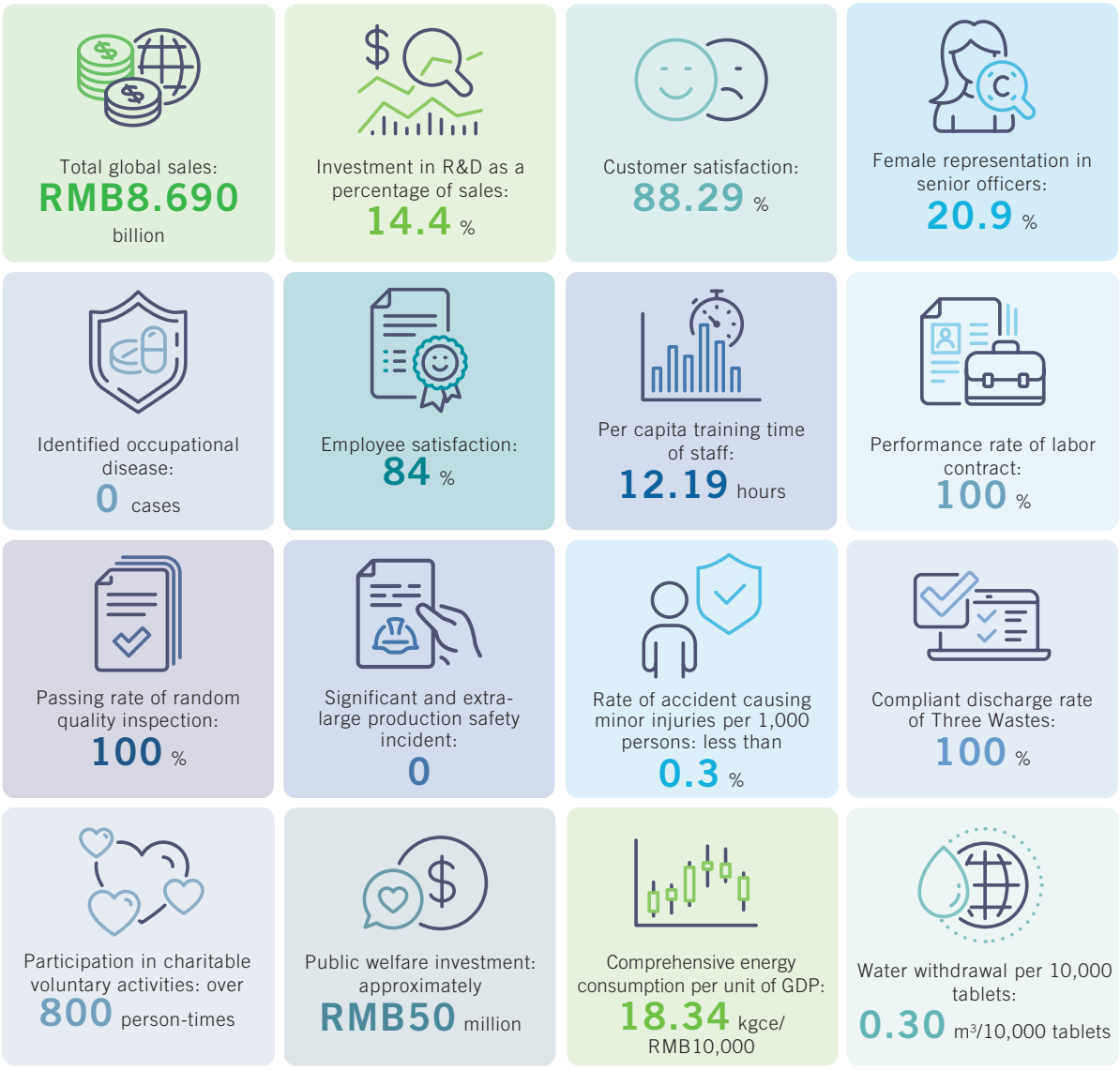
- The Company's "Research and Industrialization of Polyethylene Glycol Loxenatide (New National Category 1 Long-acting Hypoglycemic Agent) and its Pharmaceutical Production (國家1類長效降糖新藥聚乙二醇洛塞那肽及製劑研發與產業化)" project was awarded the 6th "Honor Award of China's Industry Awards (中國工業大獎表彰獎)"
- Hansoh Pharma was recognized as a "Environmentally and Socially Responsible Enterprise in 2020 (2020年度環境社會責任企業)" by China Environment Newspaper Office

December

- Three National Category 1 innovative drugs of the Company, namely "Ameile" (aumolertinib mesylate tablets), "Hansoh Xinfu" (flumatinib mesylate tablets) and Fulaimei (polyethylene glycol loxenatide for injection), were all included in the NRDL (2020)
- Hansoh Pharma was recognized as "2020 Innovative Pharmaceutical Enterprise in the PRC (2020年中國創新力醫藥企業)" by China State Institute of Pharmaceutical Industry
- The "2019 Environmental, Social and Governance Report of Hansoh Pharmaceutical" was named "100 Excellent Corporate Social Responsibility Reports in China (全國百家優秀企業社會責任報告)" by the Ministry of Industry and Information Technology
- Hansoh Pharma was recognized as an "Advanced Enterprise for the Promotion of Legal Knowledge during the '7th Fiver-year Period' in Jiangsu Province (江蘇省企業'七五'普法先進企業)"

Glimpse of Hansoh Pharmaceutical and Overview of Its Responsibility Practice and Performance

2.4 KEY ESG PERFORMANCE



03

Enhancing Corporate Governance to Promote Sustainable Development

Pharmaceutical industry is closely connected with the health and welfare of everyone in every household. As such, we continuously enhance communication with stakeholders as well as paying close attention to the expectation of different stakeholders in society to the Company's responsibility, based on which major issues for assuming corporate social responsibility are determined. We also proactively explore aspects including corporate governance, ESG responsibility supervision and responsibility strategy formulation, with a view to continuously improving responsibility governance capability.

Enhancing Corporate Governance to Promote Sustainable Development

3.1 ESG GOVERNANCE

3.1.1 ESG Philosophy

With corporate governance, corporate behaviour, product safety and quality, benefiting the general medical specialists and patients, human resource development, environmental protection and community enhancement as the focus and the basis of ESG management and upholding the corporate values of "responsibility, integrity, diligence and innovation", the Group has been continually committed to the improvement of medicine availability and the innovation and development in fields with unmet clinical needs, endeavouring to improve human health standards.

Corporate Governance – safeguarding the interests of shareholders and stakeholders

The Group has been continuously perfecting the corporate governance structure and strengthening the Company's compliance management and system establishment in order to enhance investors' protection and management level, fully leverage the impact of general meetings and board meetings in key decision making and operation administration, safeguard the interests of shareholders and stakeholders and achieve long-term healthy development of the Company.

Corporate Behaviour – upholding high standards of business ethics and code of conduct

The Group always upholds the principle of integrity and legal compliance in its business operations and strictly abides by the laws, regulations and ethical undertakings applicable to each location where the Company operates and upholds high standards of business ethics and code of conduct relating to operation integrity, clinical ethics, responsible marketing, business information protection and anti-corruption and business corruption, etc.

Product Safety and Quality – maximizing value for the customers

The Group strictly observes the quality management requirements for pharmaceutical products and has continuously been maximizing value for customers through strict quality inspection procedures, full life-cycle quality management and control, professional service capability and intellectual property rights protection.

Enhancing Corporate Governance to Promote Sustainable Development

Benefiting the general medical specialists and patients – continuously improving the availability of medicine with a view to benefiting more patients

The Group is committed to developing safe and economical drugs with curative effect whereby enabling patients to share the Company's achievements in the development of innovative drugs in a timely and economical manner. Adhering to the operation strategy of "precise academic services, professional marketing, and benefitting the general medical specialists and patients", we offer customized academic services to customers with a view to benefiting more patients.

Human Resource Development – realizing our staff's personal value and achieving corporate development simultaneously

Talents are the primary productive force and the most valuable strategic resources for the Company's development. Adhering to the people-oriented philosophy at all times, we strictly protect the legitimate rights and interests of employees in accordance with the law, and practically safeguard their occupational health and safety. Meanwhile, we emphasize on employees' on-the-job training, working and living environment and career development, so as to realize our staff's personal value and achieve corporate development simultaneously..

Environmental Protection and Community Enhancement – harmonious development with the environment and the community

Corporate sustainable development is to seek a harmonious and unified development mode among obtaining economic benefits, environmental protection and community development. While seeking economic benefits, the Group strives to protect the environment and establish a sustainable community model, thereby achieving harmonious development with the environment and the community.

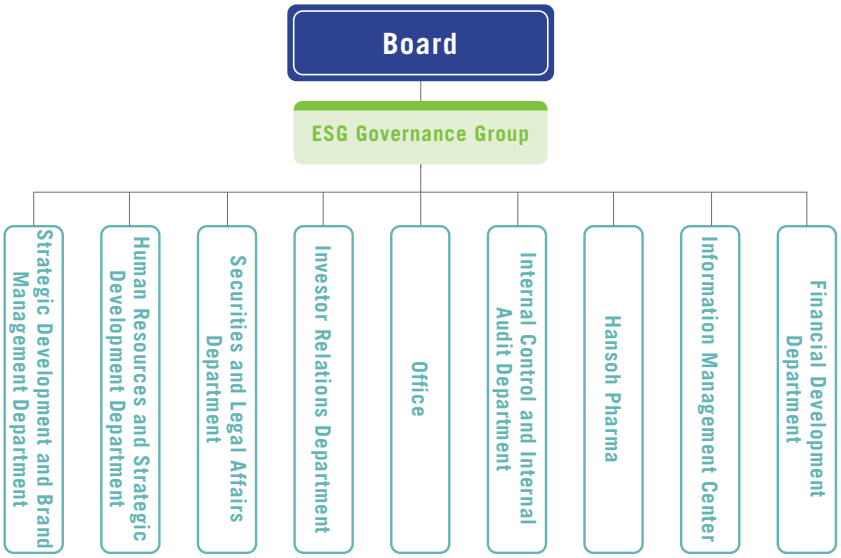
3.1.2 ESG-related Policies and Systems

The Company links ESG-related performance indicators with performance assessment and remuneration of the management team and has set a reasonable assessment weight in accordance with regulations such as Administration Requirements on Audit Rewards and Punishments (審計獎勵與處罰管理規定), Management of Safety Incentives, Assessment, Rewards and Punishments (安全激勵、考核、獎懲管理) and Staff Handbook and takes measures for reward and punishment based on the annual assessment result, thereby further incorporating ESG management into corporate culture and operation management philosophy.

Enhancing Corporate Governance to Promote Sustainable Development

3.1.3 Organizational Structure of ESG Governance

In order to better integrate ESG management with the strategy and decision-making of the Company, plan ESG tasks in a unified manner and protect the interests of stakeholders, the Group optimized the organizational structure of ESG governance in 2020. The Board has established an ESG governance group comprising of senior management personnel who have long been responsible for matters such as product research and development, corporate operation, quality control, human resource and administration and safety and environment supervision and have achieved excellent performances, forming a governance structure consisting of decision-making level, management level and implementation level.



Based on the above structure, the Company has further specified the organizational functions of each level to ensure ESG management is effectively carried out and ESG risks are avoided and controlled.

Enhancing Corporate Governance to Promote Sustainable Development

Table 3-1 Table of ESG management function governance

Level	Name of organization	Major responsibilities
Decision-making level	Board	(1) Supervising the formulation of ESG vision, strategies and policies to ensure that such policies comply with applicable legal and regulatory requirements; (2) Supervising the implementation of ESG vision and strategies, including setting targets and result assessment; (3) Supervising the expenditure of ESG work; (4) Supervising external communication policies to foster the relationship between the Company and stakeholders and protect the reputation of the Company; (5) Reviewing annual ESG Report and reviewing and evaluating the responsibility of the Board in respect of ESG
Management level	ESG Governance Group	(1) Implementing ESG management approaches and policies of the Company and propose ESG strategies; (2) Organizing trainings on ESG standards to raise all employees' awareness of ESG; (3) Formulating corporate ESG indicators for each functional department; (4) Evaluating ESG risks and formulating emergency and alert plans for ESG risks; (5) Reviewing the satisfaction of ESG indicators on a regular basis to identify deviations and improvement measures; (6) Organizing the preparation of the annual ESG report
Implementation level	Each functional department	(1) preparing responsibility indicators and activity plans for functional models with reference to ESG evaluation criteria; (2) Implementing corresponding corporate ESG indicators based on corporate organizational structure and responsibility allocation; (3) Organizing activities for practicing corporate ESG as well as evaluating and recording the outcome of the activity; (4) Identifying ESG risks, formulating emergency and alert plans for ESG risks and organizing drills; (5) Reporting to the ESG governance group on the satisfaction of ESG indicators in a timely manner and implementing improvement measures; (6) Carrying out responsibility communication with stakeholders to promote responsibility integration and improve corporate ESG performance and evaluation level; (7) Providing annual ESG practice materials and participating in the preparation of annual ESG reports

Enhancing Corporate Governance to Promote Sustainable Development

3.2 COMMUNICATION WITH STAKEHOLDERS

Enhancing communication with stakeholders is an important approach of effectively determining ESG responsibility issues and identifying and mitigating responsibility risks. It was also an effective means of conveying social responsibility and promoting responsibility integration through the corporate value chain. Based on the operating features of enterprises, our major stakeholders comprise six aspects, namely the government, shareholders, customers, business partners, employees, community and non-governmental organization (NGO) and we have adopted appropriate communication and response approaches corresponding to different demands:

Table 3-2 Table of ESG responsibility identification and means of communication and response

Stakeholder	Issues concerned	Channel and means of communication	Company response
 Government	Implementing the strategy of Healthy China Technological innovation Climate change Promoting inclusive healthcare Operational compliance Anti-corruption Paying tax in accordance with the law Expanding social employment	Attending meetings organized by the government Reporting work progress on a regular basis On-site visit invitation Inviting experts for training purposes	Supporting the reform of the medical and healthcare system Actively participating in medical insurance negotiations Increasing investment in R&D Establishing internal control mechanism for operational compliance Paying tax in accordance with the law Expanding market scale to foster employment Conserving energy and reducing consumption to reduce carbon emission Improving management and reducing cost to enhance the accessibility of medicines continuously
 Shareholders	Investment income Maintaining and increasing the value of the assets Standardizing governance Sustainable operation	Reporting material matters on a regular basis Daily communications among business departments Shareholders meetings and board meetings Financial statements and specialized audit reports	Optimizing corporate governance structure Improving operation efficiency to realize solid returns Enhancing internal control and risk management

Enhancing Corporate Governance to Promote Sustainable Development

Stakeholder	Issues concerned	Channel and means of communication	Company response
Customers	Safe and effective products Professional academic support Product quality and services Customer privacy protection	Professional academic conference Regular exchange activities Strategic cooperation Customer service hotline	Accelerating the development of innovative products Strengthening quality control Reasonable pricing Establishing academic service center
Employees	Rights and interests of employees Democratic management and employee care Training and development Occupational health and safety	Staff representative assembly Level-based seminars in various forms Cultural and sports activities Mailbox for rational suggestions	Establishing standardized labour and employment mechanism Optimizing income allocation and welfare mechanism Creating a safe and healthy work environment Strengthening employee training
Partners	Supply chain management Rights and interests of customers Protection of intellectual property rights	Project collaboration Trainings and communications Regular visits Satisfaction surveys Regular assessments	Collaboration based on equality and mutual benefit Promoting industrial development together Honouring contracts and abiding by promises Establishing credit management system Facilitating responsibility integration
Community and NGO (including media)	Environmental protection Resources conservation Pollution prevention and control Community Charity Information communication	Community communication and exchange Social charitable activities Company website WeChat Official accounts Disclosure of important matters	Energy conservation and emission reduction Protecting eco-environment Actively participating in social and charitable activities Strengthening promotion and brand establishment Establishing information publication system

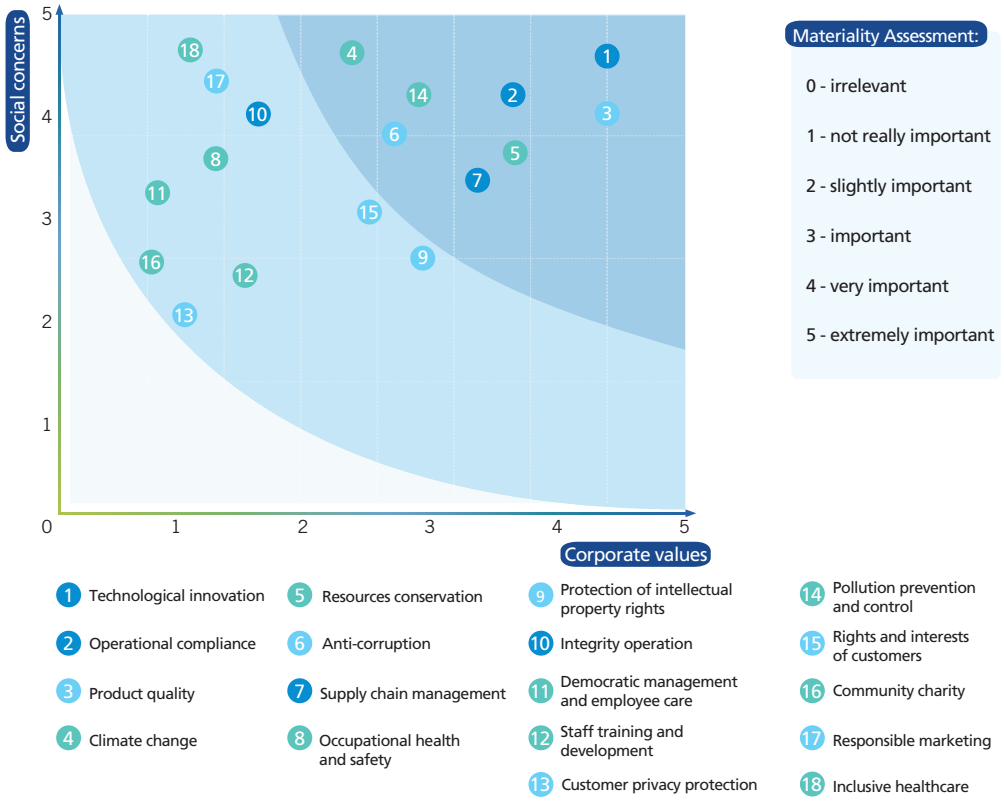
The Company also joined various associations and organizations to express its demand, understand the expectations of social organizations on the Company and respond promptly. In 2020, the Company attended approximately 1,500 persons/time of online and offline activities organized by various associations.

Enhancing Corporate Governance to Promote Sustainable Development

3.3 MATERIAL TOPICS

Through communication with stakeholders and consultation with the government departments and industry experts, we have identified and summarized 18 material topics in relation to the operation of the Group. As compared with the previous year, we have added four topics, namely "Inclusive healthcare", "Responsible marketing", "Protection of intellectual property rights" and "Integrity operation", enhanced the ranking of materiality of two topics "Occupational health and safety" and "Climate change" and incorporated "Targeted poverty alleviation" into the topic of "Community and charity".

We scored and ranked the materiality of each topic based on the two-dimensional matrix of "Corporate values - Social concerns", and made responses and disclosures of different degrees in each section.



Enhancing Corporate Governance to Promote Sustainable Development

3.4 CONTINUING TO ENHANCE THE LEVEL OF ESG MANAGEMENT

In order to comprehensively enhance the level of ESG management, we have actively developed management systems in relation to aspects such as quality, environment, occupational health, safety and energy, and have passed the relevant standard certifications or assessments. During 2020, grasping the opportunities of striving to become a national-level "Green Supply Chain Management Enterprise" and conducting EcoVadis Assessment and Sedex Members Ethical Trade Audit (referred to as SMETA, Supplier Business Ethical Data Exchange Members Ethical Trade Audit) Assessment, we have carried out training on ESG concepts and standards comprehensively and systematically. In the meantime, we have cooperated with the Ministry of Industry and Information Technology in issuing a social responsibilities report and participated in the assessment review of Jiangsu Province corporates' social responsibility system. The "2019 Environmental, Social and Governance Reports of Hansoh Pharmaceutical" was awarded the "100 Excellent Corporate Social Responsibility Reports in China", while Hansoh Pharma was listed as the "Jiangsu Province Corporate Social Responsibility Construction Model List".


CERTIFICATE

证 书

November 6, 2020

Hansoh Pharmaceutical's 2019 ESG report was awarded "100 Excellent Corporate Social Responsibility Reports in China" by the Ministry of Industry and Information Technology


CERTIFICATE

证 书

江苏豪森药业集团有限公司：

December 2020

Hansoh Pharma was enlisted in the Jiangsu Province Corporate Social Responsibility Construction Model List


Hansoh Pharma held training on social responsibility standards


Hansoh Pharma carried out the assessment and review of quality, environment, occupational health and safety management systems


Hansoh Pharma invited SGS to carry out SMETA 4P external assessment and review


ecovadis

EcoVadis 记分卡

JIANGSU HANSOH PHARMACEUTICAL GROUP CO LTD (GROUP)

Lianyungang - 中国

发布日期： 2020年11月19日

42

Hansoh Pharma participated in EcoVadis Assessment

Enhancing Corporate Governance to Promote Sustainable Development

3.5 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

3.5.1 Independence of the Board

3.5.1.1 Composition and Duties of the Board

As of the end of the reporting period, the Board comprised a total of seven directors (4 of whom were female directors), including three independent non-executive directors who are professionals in the field of finance, management and strategy, respectively, which is in line with the need of the Group's development. The Board has established the Audit Committee, the Remuneration Committee and the Strategy and Development Committee. For details, please refer to the Company's 2020 Annual Report of Hansoh Pharmaceutical Group Company Limited which is available on the website of the HKEx (www.hkex.com.hk).

3.5.1.2 Independent Operation of the Board

The activities of the controlling shareholders of the Group are being governed. The controlling shareholders of the Group are independent from the Group in respect of employees, assets, finance, organizations and businesses. The Board of the Group and other internal organizations function independently of each other.

3.5.1.3 Independent Non-executive Directors

In compliance with Rules 3.10 and 3.10(A) of the Listing Rules, the Company has appointed three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Enhancing Corporate Governance to Promote Sustainable Development

3.5.2 Skills and Diversity of the Board

The Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance its effectiveness. Pursuant to the board diversity policy, the Board seeks to achieve its diversity through the consideration of a number of factors when selecting candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

The Directors have a mix of knowledge and skills of, including, management, strategic development, business development, sales, R&D, industry research, investment management, finance, corporate finance, risk management, education, chemistry and the pharmaceutical industry. They obtained degrees in various areas including chemistry, organic chemistry, biomedical engineering, biomedical sciences, management, business administration, commerce, engineering, economics and corporate management.

The Board is responsible for reviewing its diversity. The Board will continue to monitor the implementation of the board diversity policy and review the board diversity policy from time to time to ensure its continued effectiveness.

	Gender		Position		Academic qualification
Female	4	Executive directors	3	Doctoral degree	2
Male	3	Non-executive directors	1	Master's degree	3
		Independent non-executive directors	3	Bachelor's degree	2

3.5.3 Remuneration of the Senior Management

The remuneration of the senior management adopted the compensation mode of annual salary, which comprised fixed salary and variable salary. Fixed salary is determined based on the individual work performance, comprehensive qualities and working ability, and shall also take into account external competitiveness and internal fairness. Variable salary is linked to individual performance, and directly correlates to the Company's operation condition, which give full effect of remuneration incentives. The Group has also established a share incentive mechanism, pursuant to which share options would be granted to all senior management, thereby sufficiently motivating the core employees and encouraging all parties to jointly contribute to the Company's development in the long run.

04

Compliance with Business Ethics and Promotion of Compliant Development

Corporate operation and development are based on compliance with laws and regulations and business ethics. We incorporate the concepts of legal compliance and integrity at each stage of production and operation and build a culture of compliance to prevent corruptive actions such as corruption, bribery, fraud and money-laundering and ensure that each task can be carried out in a compliant and responsible manner.

Compliance with Business Ethics and Promotion of Compliant Development

4.1 STRICT COMPLIANCE WITH THE LAWS AND REGULATIONS

We closely follow and timely respond to the changes in national laws and regulations to ensure that all operation activities of the Company shall be conducted in accordance with the rule of law. Our responsive measures include:

- Keep track of the changes in laws and regulations, and timely submit the Analysis and Evaluation Report on Laws and Regulations (《法律法規分析評價報告》) for the reference of the Board for decision-making;
- Based on the actual conditions of the Company, formulate and improve corporate policies, rules and systems to ensure that all regulations shall be implemented within the Company and that all operational activities of the Company shall be in compliance with the requirements of the regulations;
- Systematically organize the potential legal risks involved in various operational activities of the Company, and formulate the Legal Risks Management Manual (《法律風險管理手冊》) pursuant to the Enterprise Legal Risks Management Guidelines GB/T27914-2011 (《企業法律風險管理指南GB/T27914-2011》), which shall be maintained regularly;
- Compliance evaluation on various functional departments shall be conducted by professional departments, and Compliance Evaluation Report (《合規評價報告》) shall be compiled as a guidance for compliance-related work of functional departments;
- Engage domestic and international laws firms as legal advisors to assist the Company in risk prevention and control, improve legal system development and enhance the level of rule of law;
- Strengthen promotion of legal knowledge and legal training, improve the staff's awareness of legality and integrity, so as to cultivate the culture of integrity and legal compliance.

4.2 ANTI-CORRUPTION AND COMMERCIAL BRIBERY

The Company firmly opposes and resists all forms of corruption and commercial bribery, and has formulated regulations such as the Code of Business Conduct and Ethics (《商業行為和道德準則》) and the Code of Conduct for Drug-related Academic Promotion (《藥品學術推廣行為準則》) pursuant to the laws and regulations such as the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), Regulations for the Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and Advertising Law of the PRC (《中華人民共和國廣告法》), as well as internationally-recognized codes of business ethics. In 2020, based on the requirements of national policies and changes in the industry environment, the Company has revised and upgraded the Code of Business Conduct and Ethics. The Company requested all of its employees to follow the principle of being honest, practical, clear and accurate, and to conduct operation activities according to the highest ethical standards and professional business conduct. Strict precautions have been taken against corruptive actions such as corruption, bribery, blackmailing, fraud and money-laundering.

Compliance with Business Ethics and Promotion of Compliant Development

Summary of the Terms of Code of Business Conduct and Ethics (商業行為和道德準則) (2020)

Article 10 Anti-bribery and anti-corruption

10.1 Management personnel and employees at all levels of the Company shall not offer, pay or accept bribes while engaging in business activities.

10.2 Actions taken on behalf of the Company (also including subsidiaries, similarly hereinafter) shall be guaranteed to be justified and will not be misunderstood if they are made public. To this end, the following aspects shall require particular attention: relationship with third parties, visits to and inspections on the Company, arrangements of marketing activities, contact and communication with and entertainment of medical professionals.

Article 11 Fair trade and competition

11.1 The Company adheres to the philosophy of fair and legal competitions, and strictly abides by the relevant competition laws.

11.2 The following acts of unfair competition that have violated or may violate laws such as the Anti-Monopoly Law and the Anti-Unfair Competition Law are prohibited:

(1) Discuss prices with competitors;

(2) Reach agreements with competitors to control prices, carve up the market and manipulate bids;

(3) Try to hinder other competitors' access to the market;

(4) Eliminate competition;

(5) Adopt "predatory" pricing strategies where prices are lower than costs;

(6) other acts of unfair competition.

Article 12 Avoid conflict of interests

12.2 In handling every transaction that gives rise to payment to a third party, each employee of the Company shall make payment in the amount corresponding to the service or product actually provided. The actual provision of such service or product shall only be made for the benefit of the Company; and the price of such service or product shall be in line with market conditions.

12.4 The acceptance of the following by the employee, his/her relatives, friends or any of its directly or indirectly-interested companies from any individual or company that has developed or seek to develop business relationship with the Company in his/her/their capacity(ies) of employee(s):

(1) discount, commission or other forms of compensation;

(2) loan or advance (other than those received from banks or other financial institutions on market terms);

(3) complimentary goods, equipment, services, maintenance or renovation works, or that their billed prices do not reflect the normal market price;

(4) invitation, any form of gift (tangible or intangible), or any valuables or interests retained for only one or a limited number of staff (economically or legally);

(5) other improper advantages.

Compliance with Business Ethics and Promotion of Compliant Development

4.3 PREVENTING AND COMBATING MONEY-LAUNDERING ACTIVITIES

In order to prevent and combat potential money-laundering activities by our customers, for Chinese customers, the Company strictly investigates and evaluates the commercial credit standing of the suppliers in accordance with the Supplier Management Manual (供應商管理手冊), and only commences business cooperation with leading chain commercial companies in the PRC. For international customers, the Company, in principle, selects the top 10 quality customers in terms of local business scale for cooperation. Due diligence would be conducted and filings would be carried out for these customers, so as to control cooperation with customers that may be involved in money-laundering activities at source. In respect of financial and capital management, the Company strictly examines the authenticity and legality of each of its businesses and the alignment of the capital flow. Cash transactions are prohibited, and business and capital flow with non-legal entities are under strict control.

4.4 COMPLIANCE AND MANAGEMENT AND CONTROL OF RISKS RELATING TO BUSINESS ETHICS

We have built three lines of defense including risk bearer (i.e. personnel at high-risk positions including procurement, engineering, marketing and tendering), compliance forefront (i.e. business partner) and risk manager (i.e. compliance department and management), through which we carried out compliance risk evaluation, management and control as well as third party due diligence to prevent and control risks relating to compliance and business ethics. Meanwhile, we requested high-risk positions, such as risk bearers and compliance forefront, to sign the Letter of Undertaking for Business Ethics (《商業道德承諾書》) or the Code of Conduct for Drug-related Academic Promotion (《藥品學術推廣行為準則》). In 2020, all 100% of the high-risk positions and business cooperation companies have signed the Letter of Undertaking for Compliance.

The ESG governance group is set up by the Board of the Company, while the internal control and internal audit department is responsible for the monitoring and audit of the Company's compliance, operating with integrity and risks relating to business ethics. During 2020, more than 60 internal audits in total were conducted in respect of the implementation of marketing budgets, key marketing expenses such as academic promotion, project cooperation and travel expenses, performance of business agreements, accounts receivable, fixed assets and construction in progress of the two operating entities, namely Hansoh Pharma and Hengbang Pharmaceutical.

In response to known or identified compliance risks, the Company has timely inspected for any omissions and rectified deficiencies in a bid to continuously enhance the risk management and control. Major measures include the following:

- Improving the risk checklist and defining risk responsibilities;
- Upgrading the Code of Business Conduct and Ethics and specifying the detailed requirements for compliance and business ethics management;
- Revising the Employee Handbook（員工手冊）and imposing more stringent penalties on acts and individuals violating compliance and business ethics;
- Organizing learning programs on the relevant laws and regulations, improving the internal management system, and enhancing the standard of policy implementation of personnel in higher-risk positions;
- Strengthening prior management and control, and carrying out prejudgment, early warning and prior-control for the potential compliance risks of business partners to prevent risk transmission;
- Attaching great importance to the application of information technology and making use of national public information platforms to timely monitor compliance risks involved in key aspects;
- Improving the internal control system and compliance inspection system, and regularly evaluating the effectiveness of internal control.

Compliance with Business Ethics and Promotion of Compliant Development

4.5 ESTABLISHMENT OF SUPERVISION MECHANISM

To avoid issues such as corruption, commercial bribery, infringement of intellectual property rights and customer privacy that may arise during commercial promotion and external cooperation, the Company discloses its whistleblowing hotline (0086-51883096182) and email (nkns@hspharm.com) to business companies and its supervision hotline (0086-51883099600) is also disclosed in the project bidding documents and cooperation agreements. Designated person is responsible for registration, verification, investigation and handling of all whistleblowing reports through phone and emails in accordance with internal procedures, and the whistleblower is strictly protected:

- Strictly screen the job qualification, define and supervise the code of conduct of the person handling whistleblowing;
- Strictly keep confidential of the information of the whistleblower and whistleblowing materials in accordance with the requirements of information security management;
- Any individual who discloses the information of the whistleblower or whistleblowing materials shall be punished in accordance with the corresponding provisions under the Employee Handbook;
- In addition to internal penalties under the Employee Handbook, those who retaliate against the whistleblower shall be transferred to the competent judicial authorities if the circumstances are serious.

4.6 ADVOCATE A CULTURE OF INTEGRITY AND LEGAL COMPLIANCE

"Integrity" is an important element of the Company's core values. It is clearly stated in the cultural connotation that, on company level, "integrity is the foundation of business operation of an enterprise. All operation activities of the Company shall comply with the requirements of the laws, regulations and ethical standards, and the Company shall operate honestly, abide by its commitment and become a role model in the industry"; while on staff level, employees are required to "firmly adhere to their professional ethics, and work with honesty and self-discipline".

The Company promotes knowledge about laws and regulations among its employees through means such as centralized lectures, online trainings, inviting experts to host training sessions, knowledge contests and setting up bulletin boards. In 2020, 8,668 persons participated in 115 training sessions on laws and regulations, anti-corruption, anti-graft and anti-commercial bribery organized by the Company.

Table 4-1 Legal compliance training system

Party trained	Scope of training	Form of training
Board members	National and industrial regulatory environment and policies, universal international standards of business ethics	Lectures by experts, PPT training materials
Management members	Development of professional regulations and compliance system	Discussion forums, research topics, inviting legal experts to host training sessions, self-study on Xuanxing platform, knowledge contests, etc.
New staff	Legal knowledge, professional regulations that closely relate to the Company, legal compliance systems and rules of the Company	Centralized lectures, lecture materials, knowledge contests, self-study on Xuanxing platform
Employees at special positions	Anti-corruption, anti-unfair competition, intellectual property, information management, business ethics	Entrusted external training, online lectures, self-study on Xuanxing platform

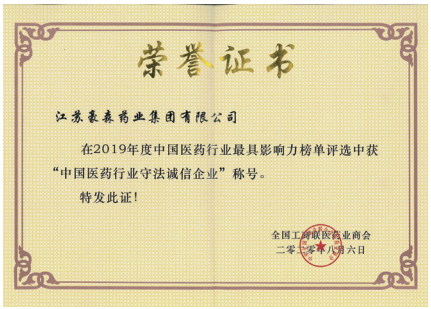
Compliance with Business Ethics and Promotion of Compliant Development

Trainings on laws and regulations relating to the prevention of criminal risks for senior management

Training on code of business conduct and ethics for marketing staff

Photo 4.1 Examples of compliance training

The Company has received wide recognition from the society for its practice in respect of compliance and business ethics. Hansoh Pharma was recognized as a "Legal Compliance and Integrity Enterprise of the Pharmaceutical Industry in China (中國醫藥行業守法誠信企業)" by the Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce, was awarded the "Certificate of Pharmaceutical Enterprise Credit Rating (AAA) (全國製藥行業企業信用等級證書(AAA))" by China Pharmaceutical Industry Association and was recognized as "Advanced Enterprise for Promotion of Legal Knowledge during the '7th Fiver-year Period' in Jiangsu Province (江蘇省企業'七五'普法先進企業)".


荣誉证书

江苏豪森药业集团有限公司

在2019年度中国医药行业最具影响力榜单评选中获"中国医药行业守法诚信企业"称号。

特发此证！

全国工商联医药业商会

二零一九年八月六日

Legal Compliance and Integrity Enterprise of the Pharmaceutical Industry in China
(中國醫藥行業守法誠信企業)


全国制药行业

企业信用等级证书

CERTIFICATE OF PHARMACEUTICAL ENTERPRISE CREDIT RATING

江苏豪森药业集团有限公司：

2021年1月6日

Pharmaceutical Enterprise Credit Rating (AAA)
(全國製藥行業AAA級信用等級)

Photo 4.2 Examples of the Company's honours for legal compliance and integrity

05

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

We strive to develop safe and economical drugs with more curative effect, whereby enabling patients to timely and economically share the R&D achievements of the Company's innovative drugs. We strictly comply with the management requirements for drug quality, establish quality management and control systems over the entire lifecycle to ensure product quality and drug safety of patients. We actively promote supply chain management based on corporate values, striving to place more focus on comprehensive supply chain and enhance ESG governance while actively preventing risks relating to ESG responsibilities. Adhering to the operation strategy of "precise academic services, professional marketing, and benefitting the general medical specialists and patients", we are committed to providing assistance to medical institutions to improve clinical diagnosis and medication level.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.1 R&D OF MORE INNOVATIVE DRUGS

5.1.1 Constantly Improving Product Innovation Capability

Oriented towards clinical demands, we mainly focused on critical therapeutic areas such as oncology, central nervous system, anti-infectives and diabetes, striving to develop high quality drugs with significant advantages in its therapeutic area.

In 2020, we continued to increase our investment in R&D and recruited high-caliber talents with an aim to push forward the building of R&D systems with global visions and international standards. With the commencement of operation of Hengbang Pharmaceutical R&D Center, the rapid progress of Shanghai Biological Drug R&D Center and the continuous enhancement of innovation capability of Lianyungang R&D Center, the general R&D landscape of various places that cooperates with due division of labor and close connection throughout the process was basically formed.

In 2020, a total of 10 drugs of the Company have been approved for production (including 2 new drugs: aumolertinib mesylate tablets and olanzapine oral fast dissolving films), applications for production have been submitted for 13 drugs (including 2 New drugs: including self-developed innovative drugs, tenofovir amibufenamide tablet and in licensing innovative biologics Ineblizumab), a total of 18 clinical approvals have been obtained, and 5 drugs have passed the consistency evaluation.

Case Study

Considering the urgent clinical needs, tenofovir amibufenamide tablets (Category 1 new drug) of Hansoh Pharma have been included in the scope of priority review

According to the data published by the National Health Commission, among all of the viral hepatitis, hepatitis B is still the main cause of the illness. There are approximately 70 million patients infected with HBV (hepatitis B virus) in China, among which approximately 20 to 30 million were patients with chronic hepatitis B that require anti-viral treatment, which is the highest around the world. As such, there are urgent clinical needs for innovative drugs with better efficacy and safety.

With serving the society being a duty that it has taken to heart, the Company continuously pays close attention to matters such as clinically and urgently needed but insufficient drugs, as well as the demand for innovation and improvement of drugs to prevent and cure serious infectious diseases and rare diseases. Our self-developed tenofovir amibufenamide tablets (National Category 1 new drug) is a nucleoside reverse transcriptase inhibitor, which is a new generation of monophosphoramide monoesters prodrug of tenofovir. It is very stable in plasma and can thereby both improve efficacy and reduce toxicity and side effects. In December 2018, the Company commenced the multi-center Phase III clinical study for the use of this drug for the treatment of chronic hepatitis B, which was recognized by the Ministry of Science and Technology as a National Major Science and Technological Special Project in the "Significant New Drug Development" category. In September 2020, the drug has been included in the scope of priority review by the Center for Drug Evaluation (CDE) of the National Medical Products Administration for the treatment of adult patients with chronic hepatitis B.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.1.2 Respecting and Protecting Intellectual Property

Intellectual property rights are intangible assets of an enterprise. We constantly improve the intellectual property protection system, and strictly control the risks of infringement of intellectual property rights, while protecting our own intellectual property rights, in order to promote the value transformation of intellectual property rights.

In accordance with domestic and foreign laws and regulations related to intellectual property rights, as well as the GB/T 29490-2013 intellectual property rights system management standards, we have established the Group's intellectual property management system, specifying the requirements for the management of patents, trademarks, copyrights, domain names and trade secrets and established a professional management team comprising nearly 40 persons to enhance the training on intellectual property expertise.

In 2020, the Company obtained 23 authorized patents and 51 newly registered trademarks in China. So far it has 163 authorized patents and 425 registered trademarks in China. Hansoh Pharma successfully passed the review for national intellectual property demonstration enterprise, and received the on-site certification of the "Enterprise Intellectual Property Management System" (GBT 29490-2013) with "zero defects". After three years of efficient work, "Jiangsu High-Value Patent Cultivation Demonstration Center " (江蘇省高價值專利培育示範中心), a project undertaken by the Company since 2017, successfully passed the on-site acceptance inspection by experts from Intellectual Property Office of Jiangsu Province with an excellent rating in 2020.

Extracts from the Code of Business Conduct and Ethics (2020 Edition)

Article 14 Intellectual Property Protection

14.1 The Company shall ensure its trademarks, patents, know-how and any other forms of intellectual property rights are protected and used in compliance with laws and regulations.

14.2 Any use of the copyrighted works of others shall seek for approval of the legal copyright owner; and any reference of the copyrighted works of others shall be in compliance with the relevant laws and regulations.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.2 HIGH STANDARD OF PRODUCT QUALITY

5.2.1 Lifecycle Quality Control

Based on domestic and international laws and regulations such as the latest version of Drug Administration Law of the People's Republic of China (中華人民共和國藥品管理法), Rules for the Implementation of the Drug Administration Law of the People's Republic of China (中華人民共和國藥品管理法實施條例) and U.S. Federal Regulations 21 CFR Part 211, the Company has established and continuously being improving the management system and Standard Operation Procedures (SOP) for processes such as production, quality, storage, utility, equipment and safety and environment. The Company has applied internationally-advanced management principles and measures into its quality management practices. Adhering to the quality policy of "all staff, whole process and continuous improvement" (全員、全過程、持續改進), it has established a quality management system covering the whole lifecycle of products from R&D, production to marketing.

Table 5-1 Drug quality and safety management system

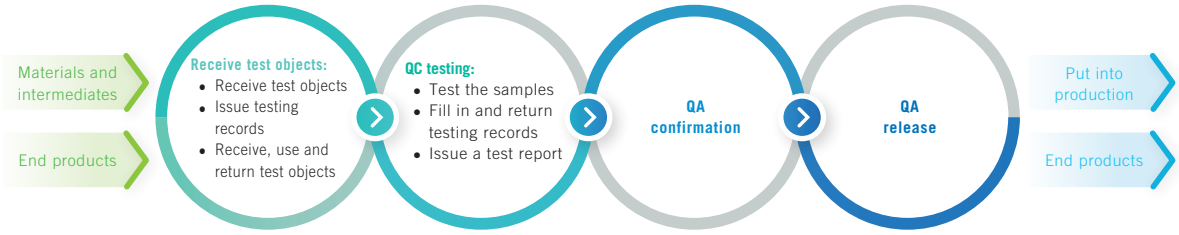
No.	Stage of lifecycle	Major areas of management and control	Responsible department
1	Product R&D	To conduct clinical trials to test the quality effects and adverse reactions of drugs	Medical Center
2	Raw material inspection	Suppliers of material must be evaluated and reviewed by the quality department To implement inventory management, and shall only be used for production upon inspection by the quality department	Quality management department of the respective production sites
3	Production process	The process flow shall be formulated based on the production process approved by the state Personnel of production and inspection must be well-trained Personnel of production and inspection to carry out production and inspection in accordance with stipulated process flow and SOP Suppliers of raw and auxiliary material must pass the stringent evaluation and review process, and must go through strict inspection before input Nonconforming intermediates must not enter the next production stage Changes in processes must be evaluated and re-verified	Quality management department of the respective production sites
4	Product release	Products shall be taken out of warehouse only after they are inspected, reviewed and approved by authorized quality inspector To exercise control over nonconforming products and establish standard operation procedures	Quality management department of the respective production sites
5	Product transportation	A qualified agent should be entrusted for product transportation, and shall be reviewed regularly The whole shipping process shall be monitored and recorded	Third-party delivery companies
6	Marketing for sale	To establish a pharmacovigilance center To establish a complaint and recall system To establish a customer complaint center To timely handle and respond to different complaints	Medical center Marketing department Quality center

5.2.2 Strict Production Quality Verification Process

In respect of production process, in accordance with the Good Manufacturing Practice (GMP) and the requirements of ISO9000 Quality Management System, the Company has established the procedures for such processes from quality inspection to release for use of materials, intermediates and end products. The Company upholds the principle of "not inputting nonconforming materials and intermediates and not delivering nonconforming end products" (不合格物料、中間體不准投料，不合格成品不准出廠) in quality testing and management, and has formulated corresponding sampling procedures, quality standards and inspection operation specifications for aspects such as staffing, machines, materials, laws and the environment, so as to ensure the accuracy and reliability of the inspection results.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

Quality testing process of materials, intermediates and finished products



In order to enhance the control and management of nonconforming drugs and strictly prohibit the selling of nonconforming drugs to ensure drug safety of consumers, the Company has formulated the Nonconforming Product Handling Procedure (不合格品處理規程), which stipulates that all products that fail to meet the quality standards are considered as nonconforming products. Upon being determined as nonconforming products, such materials, end products and intermediates shall be isolated or other effective control measures shall be adopted, and labels clearly showing status shall be attached thereto. Input of nonconforming materials and intermediates, and delivery of nonconforming end products are prohibited. In general, nonconforming preparation products cannot be reworked or reprocessed. Nonconforming products must be handled under the supervision of the quality department.

5.2.3 Medicine Recall and Simulation Exercise

For products that have been launched for sale in the market, pursuant to the provisions of the Administrative Measures for Drug Recalls (Decree No. 29 of the SFDA) (藥品召回管理辦法(局令第29號)) issued by the State Food and Drug Administration (SFDA) (國家食品藥品監督管理局), China GMP, EU GMP and US 21 CFR and other regulations, the Group has established the Drug Recall Management Procedures (《藥品召回管理程序》), and conducts a mock recall in the domestic market once a year and that in the overseas market every two years to avoid or minimize the occurrence of drug quality accidents and reduce the possible harm to human health and life safety caused by drugs with potential safety hazards.

Although the Group did not recall any products during the year of 2020, however, in order to evaluate the effectiveness of its product recall arrangements and ensure that the recall system would be able to function normally at all times, pursuant to the Drug Recall Management Procedures (《藥品召回管理程序》), the Company conducted a mock recall in August 2020.

Case Study

Mock recall of polyethylene glycol loxenatide for injection (Domestic)

In August 2020, Hansoh Pharma commenced the mock recall procedure for polyethylene glycol loxenatide for injection. The product specification for this mock recall was 0.5ml and 0.2mg under the batch number of 512200803. The production volume of this batch of product was 15,842 bottles and a total of 9,576 bottles have been delivered. Pursuant to the Drug Recall Management Procedures (《藥品召回管理程序》), the 9,576 bottles delivered have been fully recalled as planned. The mock recall demonstrated that the Company's drug recall procedures ran smoothly with accurate information communicated, and all the departments have effectively performed their duties. Hence, it can be assured that in case that a product recall is needed, the Company would be able to promptly and fully recall any batch of product with potential safety hazard.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.2.4 Quality Control Performance

Benefitted from the quality control measures implemented throughout the lifecycle, all of our production sites and products have passed the official GMP certification and inspection in China. A number of products such as gemcitabine hydrochloride for injection (Zefei), vinorelbine tartrate injection (Gainuo), pemetrexed disodium for injection (Pulaile), olanzapine tablets (Oulanning) and its raw materials, have passed the official certification and inspection in Europe, the U.S., Japan and other countries as well as customers' review. During the reporting period, the Company has been inspected officially for 16 times at home and abroad. The icatibant injections and micafungin sodium for injection developed by the Company have successfully obtained the U.S. FDA certification. Five injectable products, namely Zefei, Pulaile, Xintai (bortezomib for injection), Zetan (tigecycline for injection) and Hengjie (linezolid glucose injection) have passed the consistency evaluation for the quality and efficacy of national generic medicines. Products of Hansoh Pharma from its plant located at 5 Dongjin Road (industrial park for pharmaceutical production) have obtained ISO9001:2015 certification in 2017. It passed the re-certification in 2020, with an extended scope of certification to include the products of all production sites at the place of registration; although Hengbang Pharma has not yet commenced mass-production, it has begun the introduction of ISO 9001:2015 certification.

In 2020, a total of 82 types of drugs specifications have been put into production and launched for sale by the Company with a 100% passing rate of random inspection by the drug administration agencies. No noncompliance warning has been received or otherwise penalized due to quality noncompliance; and the Company did not recall any products pursuant to the Administrative Measures for Drug Recalls (Decree No. 29 of the SFDA) (藥品召回管理辦法(局令第29號)). In 2020, Hansoh Pharma's research and industrialization of "Polyethylene Glycol Loxenatide (New National Category 1 Long-acting Hypoglycemic Agent) and its Pharmaceutical Production ("Fulaimei")" was awarded the "Honor Award of China's Industry Awards (中國工業大獎表彰獎)"; "Oulanning" and "Fulaidi" have been selected as "Awarded Brand of 2020 List of China's Pharmaceutical Brands (2020中國醫藥品牌榜獲獎品牌)" by Menet and the Judging Panel of the List of China's Pharmaceutical Brands; "Hansoh Xinfu" and "Fulaimei" received the "Innovative Drug Special Award (創新藥特設獎)" at the "China ChemPharm Annual Summit 2020"; and 17 products of the Company were recognized as excellent product brand in the pharmaceutical industry in Jiangsu Province (江蘇省醫藥行業優秀產品品牌).

"Fulaimei" was awarded the "Honor Award of China's Industry Awards (中國工業大獎表彰獎)"

"Oulanning/Fulaidi" have been selected as "Awarded Brand of 2020 List of China's Pharmaceutical Brands (2020中國醫藥品牌榜獲獎品牌)"

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

"Hansoh Xinfu" received the "Innovative Drug Special Award (創新藥特設獎)"

"澤朗" was recognized as "2020 Excellent Brand of Biochemical and Biological Drug (2020年生化生物藥品優秀品牌)"

Photo 5.1 Examples of social recognition of the quality of the Company's relevant products

Case Study

Research and industrialization of polyethylene glycol loxenatide and its Pharmaceutical Production (Fulaimei) was awarded the "China's Industry Awards (中國工業大獎)"

"Fulaimei" is the first and only local long-acting GLP-1 hypoglycemic agent with proprietary intellectual property at present in China. It can effectively control the blood sugar level of patients with type 2 diabetes mellitus. With comparable efficacy of similar drugs, its adverse reaction from intestines and stomach and the development of antibodies are significantly lower than that of similar drugs, which demonstrate significant clinical advantages. However, given the huge structure of polyethylene glycol loxenatide molecules and the complex issue of impurities quality control can be rather difficult. The Company has adopted the strategy of advancing the stage of quality control, whereby it used different separation principle research method for potential impurities of key starting materials and set a reasonable range for impurity control. For intermediates, the Company adopted factor analysis method to analyze the degradation pathways, thereby ensuring the purity of the products. The Company also exercised additional quality control measures over end products and explored the use of various inspection methods to ensure the quality of active pharmaceutical ingredients. In order to safeguard the sterility of pharmaceutical products, the Company introduced Millipore, the most widely-used one-off liquid preparation platform in overseas markets, which has enhanced the sterility control level of products. In recognition of the product's outstanding performance in terms of innovation, quality reliability and extensive clinical application, the project was awarded the "China's Industry Awards (中國工業大獎)", the highest award in the industry sector in China, in December 2020.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.3 SUPPLY CHAIN MANAGEMENT

Suppliers are an important part of the corporate value chain. With the corporate value chain, we actively promote suppliers to provide reliable, environmentally-friendly products and services to ensure the products of the Company are stable, reliable and consistent in quality and ESG risks are effective reduced and avoided.

5.3.1 Identification and Monitoring of Supply Chain Risks

Suppliers of the Company mainly include: suppliers providing raw materials, equipment and apparatus for R&D and production of the Company; service advisers providing various services for the operation activities of the Company; and the project contractors providing infrastructure construction for the Company. ESG risks involved mainly include:

Environmental risks: whether waste water, exhaust gas and waste that are harmful to the environment will be produced during the production process and whether they will be effectively handled to meet the requirements of the emission standards;

Quality risks: whether the products and services provided by the suppliers comply with the relevant quality standards or regulatory requirements, and whether it is able to satisfy the demand of the Company;

Labor rights and interests: During the process of production and operation/construction, whether the suppliers have committed any actions that infringe the legal rights and interests of the employees (such as timely payment of remuneration, no forced labor or discrimination);

Ecological development: whether the suppliers have complied with the requirement of ecological development regarding energy conservation and emission reduction during its production and operation, and whether they have used clean and renewable energy;

Production safety: whether the suppliers have adopted sufficient safe production measures during its production process or the provision of contracting/services to ensure the operation safety and occupational health of the employees.

5.3.2 Evaluation and Admission of Suppliers

Under the guidance of Corporate Green Procurement Guide (Trial) (Shang Liu Circular [2014] No. 973) (《企業綠色採購指南（試行）》(商流通函[2014]973號)), the Company has formulated the Green Procurement Guide (《綠色採購指南》) to integrate the concept of environmental protection and resources conservation into the whole process from product design to raw material procurement, production, transportation, storage, sale, usage and scrapping process. Priority will be given to raw materials, products and services with properties that are conducive to environmental protection such as being energy-saving, water-saving, materials-saving for procurement and utilization, so that the Company's economic activities will be in tandem with its green development. Since 2020, the Company implemented the new version of the Supplier Management Manual (供應商管理手冊) and the Supplier Supervision and Management (供應商的監督管理), which refined the requirements on the ESG responsibilities of suppliers, clearly defined the evaluation procedures of suppliers, process control, basis of evaluation, grading and management approach of suppliers, and clearly stated that priority will be given to products of green manufacturing and those with excellent ESG performance.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

Summary of Scope of ESG Evaluation of Suppliers (Based on the New Version of the Supplier Management Manual (供應商管理手冊))

3.4 Respect human rights. The supplier shall support and respect internationally recognized human right requirements, respect the right to establish and join the trade union, guarantee fair opportunities, and comply with all applicable laws and industry requirements related to the working hours and adequate salaries provided to employees. It is prohibited to employ child labor or forced labor by such means as threaten and deceive.

3.5 Environmental management. The supplier shall comply with the national and local laws, regulations and standards related to environmental protection, and strive to minimize its negative impact on the environment, make contributions to the enhancement of ecological efficiency and improvement of environment in the regions and countries where it operates, and continue to improve in this regard.

3.6 Health and safety management. The supplier shall ensure a safe and healthy working environment, implement health and safety policies, and make sure its production and operation processes are in compliance with local laws and regulations. Sufficient measures shall be adopted in all workplaces to prevent accidents and injuries at work, thereby minimizing the hazardous factors in the working environment to the greatest extent.

3.7 Green manufacturing. The Company shall promote green manufacturing in all aspects, including accelerating the building of green manufacturing systems, supporting enterprises in developing green products, advocating ecological designs, establishing green factories, developing green industrial parks, strengthening green supervision and conducting green evaluation. The Company shall establish a procurement, production, marketing, recycle and logistic system that is resources conservation-oriented and environmentally-friendly with a view to promoting better resources utilization efficiency through joint efforts of upstream and downstream enterprises, thereby enhancing the efficiency of resources utilization, minimizing the impact on the environment, strengthening the coordination and collaboration among upstream and downstream enterprises along the supply chain, and hence affirming the strategy for sustainable green supply chain management for the Company.

3.8 Energy conservation, environmental protection and ecological development. The Company shall comply with the laws and standards related to energy conservation and environmental protection. It shall also strengthen its governance measures, consciously reduce use of energy and emission, promote technology reform, optimize industries with high energy consumption and high pollution, and utilize clean and renewable energy to promote sustainable ecological development.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.3.3 Management of Supply Chain Responsibilities

We actively prevent risks relating to supply chain responsibilities, and promote the integration of such responsibilities with corporate value as the link. Our major policies and measures include:

- The inclusion of ESG performance into the evaluation of major suppliers;
- In compiling users' requirement (URS) for projects, we will require the products or services provided by suppliers to meet mandatory standards for aspects such as environmental protection, quality and safety;
- For tendering of projects, we will consider the ESG performance of suppliers, and issue ESG initiative;
- For signing of contracts, we will stipulate clauses relating to ESG issues, and require our business partners to fulfill responsibilities including but not limited to paying attention to environmental protection, labor rights and interests and occupational health as stated in the contract;
- For annual review, we will include ESG performance as an item of review, and enterprises that fail to perform their duties to a material extent will be blacklisted from cooperation;
- ESG training will be organized for suppliers.

Apart from the above policies, the Company has formulated the Green Procurement Guide (《綠色採購指南》), which clearly stipulates the products that shall not be procured and suppliers that shall not be selected, with an aim to promote the awareness of ESG management along the supply chain.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

Summary of the Green Procurement Guide (《綠色採購指南》)

Article 13 No procurement shall be made for any of the following products:

(1) those which fail to comply with the requirement of the competent business department regarding the prevention of excessive packaging and promotion of recycling;

(2) those being included in the scope of "high pollution and high environmental risk" product catalogue of the Consolidated Catalogue of Environmental Protection (《環境保護綜合名錄》) formulated by the environmental protection department;

(3) those products or whose production process and equipment used being included in the scope of the Guiding Catalogue of Lag Behind Production Processes, Equipment and Products to be Eliminated in Certain Industrial Sectors (《部分工業行業淘汰落後生產工藝裝備和產品指導目錄》) promulgated by the Ministry of Industry and Information Technology;

(4) those highly energy-consuming or highly polluting products that are restricted or discouraged by the government for production, procurement or use.

Article 18 Suppliers involved in any one of the following scenarios shall not be selected:

(1) those evaluated as environmentally non-performing enterprises by the environmental protection departments pursuant to the relevant requirements of the Enterprise Environmental Credit Evaluation Measures (Trial) (《企業環境信用評價辦法(試行)》) and the local management requirements regarding enterprise environmental credit evaluation;

(2) those constitute committing an environmental crime due to violation of environmental protection laws;

(3) those penalized or still pending rectification according to laws by the environmental protection department due to acts of violation of environmental protection laws;

(4) those involved in more serious environmental emergencies within one year;

(5) those which fail to meet the national or local pollutant emission standards, requirements on total pollutant control targets or requirements on energy saving targets;

(6) those which fail to conduct compulsory clean production review pursuant to the requirements of the Law on Promoting Clean Production (《清潔生產促進法》);

(7) those which fail to pass the inspection and review of standardized management on hazardous waste for the current year;

(8) those which fail to disclose its environmental information pursuant to the requirements of laws and regulations;

(9) those which otherwise violate the requirements of the relevant national laws, regulations, standards and policies related to environmental protection.

5.3.4 Review and Training of Suppliers

In order to ensure product quality and effectively prevent risks relating to supply chain responsibility as well as promoting the integration of supply chain responsibilities, pursuant to the supplier access policy, in 2020, Hansoh Pharma conducted review and inspection on a total of 31 major suppliers through a combination of on-site review, written review and the issuance of independent review report by entrusted third parties.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

The Company is able to enhance its strategic suppliers' production processes and quality assurance capabilities through multiple exchanges and trainings of different forms building on the foundation of social values, which has not only ensured the product quality of the Company at source, but also promoted the technology advancement of the suppliers and the mutual development of the society.

Hansoh Pharma carried out a technology training and exchange on frozen and dried rubber stopper (stelmi) with Guangzhou Huaze in June 2020

Hansoh Pharma conducted a technology training on the use of palladium on carbon with Shaanxi Rock in September 2020

Photo 5.2 Examples of trainings and idea exchanges with suppliers

In 2020, the Group has a total of 6,323 suppliers of various types, among which approximately 1,000 were strategic partners. Among the strategic suppliers, there are 45 key material suppliers closely related to product quality, among which 27, 30, and 16 companies have passed the management system certifications in environment, quality, occupational health and safety, respectively, accounting for 60%, 66.7%, and 35.6% of the total. 12 companies have passed all the three system certifications, accounting for 33.3% of the total. No potential hazard regarding environment, quality and safety has been identified in the products or services provided by them and no adverse public issue has been resulted therefrom. In October 2020, Hansoh Pharma was recognized as a national-level "Green Supply Chain Management Enterprise (綠色供應鏈管理企業)".

5.4 RESPONSIBLE MARKETING

All products produced by the Company are prescription drugs, which do not involve product advertisements and direct selling to patients. The Company mainly leverages clinical research-oriented academic services to increase the understanding and recognition of physicians toward product effectiveness and improve the diagnosis and treatment technology and utilization of medication of medical institutions.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.4.1 Professional Academic Service

Our marketing strategies are to assist medical professionals in understanding state-of-the-art diagnosis and treatment plans in the world and the latest clinical research achievements of the Company through professional academic services, so as to enable more patients to benefit from the products of the Company. As of the end of the reporting period, our core sales personnel have an average of more than 10 years of experience in related industries. In 2020, the Company ushered in the harvest period of the innovative drug market. We have established an academic and product support team for innovative medicines, forming a product and service network covering most regions in the country.

5.4.2 Customer Privacy Protection

The Company provides its products to various medical institutions through business companies, instead of direct selling to patients, so the privacy of end consumers is not involved. For business collaboration customers, the Company has established the Information Security Committee, which by means of information technology, conduct assessments on information security risk, management of confidential cooperation agreement and trainings on information security in accordance with the laws and regulations in relation to information security and the Information Security Management System (ISO27001) to ensure the information security and customer privacy are not infringed.

At the management level, we provide basic knowledge trainings on business confidentiality, compliance obligations and legal responsibilities for newly recruited and in-service business personnel to improve their awareness of customer privacy protection. In signing a business cooperation agreement, the obligations of the parties in respect of data or data protection shall be specified to prevent any improper infringements.

At the technical level, for customer privacy, we strictly evaluate the use of privacy data, and collect customer data by giving a prior notice to customer and/or obtaining customer permission; adopt storage encryption for the storage of customer data; adopt file encryption and information system access control, network access restriction, outgoing email audit and screen watermarking, etc. to strengthen outgoing information management and prevent unauthorized access or external disclosure of information.

5.4.3 Compliant Marketing and Risk Prevention

We conduct marketing activities in various forms in strict compliance with the applicable legal requirements and industry standards in the place where we operate, including the Civil Code of the People's Republic of China (中華人民共和國民法典), Law on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), the Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法) and the Advertising law of the People's Republic of China (中華人民共和國廣告法) etc. The Company has established an internal management system focusing on the Code of Business Conduct and Ethics (商業行為和道德準則), which stipulates that all marketing content and forms must be reviewed for compliance and appropriateness to prevent risks of off-label promotion, misleading sales and sale of unapproved drugs.

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

5.5 RESPONSE TO CUSTOMER COMPLAINTS AND CUSTOMER SATISFACTION SURVEY

In order to avoid the damage caused by the product and service quality of the Company to the interests of customers, we have established a targeted complaints and whistleblowing mechanism, which classifies the source of complaints into domestic business companies (including drugstores) and end users (doctors and patients), and overseas customers. The contents of complaint are classified into two categories: namely service and product. Depending on contents, different handling methods will be adopted and handling results will be informed to the complainant in a timely manner to complete the closed loop of customer complaint handling. In 2020, the Company received a total of 49 complaints of various types, including 15 product complaints and 34 service complaints, all of which have been handled. Product complaints include 0 complaint related to product quality, 8 insignificant complaints related to products' appearance, packaging and improper use by the users and 7 investigation letters to verify the authenticity of medicines upon the request of the market regulatory department.

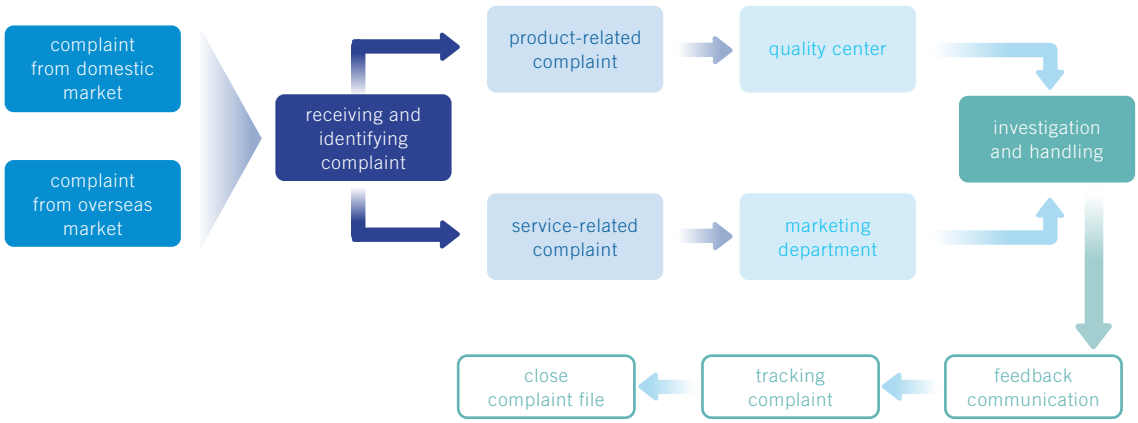


Chart 5.3 Procedures of responding to customer complaints

R&D Innovation, Product Quality, Customer Service and Supply Chain Management

Case Study 1

Handling complaints on the issue of damaged easy tear packaging tapes on the tiny packaging boxes of icatibant injections

In October 2020, our international business Department received overseas customer complaints: the easy tear packaging tapes on certain tiny packaging boxes containing icatibant injections exported by the Company were found damaged. According to investigations and analysis made by the Company, they were not resulted from the production of the Company but probably resulted from the customers opening the packaging at an opposite direction or with too much force. The Company informed the customers of the investigation result immediately through the international business Department. The customers have accepted and consented to such handling feedback. Nevertheless, in order to avoid recurrence of similar incidents, the Company has resolved to improve the design of the easy tear packaging tapes on the tiny boxes. Upon negotiation with the suppliers, the physical connection with the easy tear packaging tapes have been reinforced. Customers who received the new packaging have expressed their satisfaction.

Case Study 2

Enhancing customer satisfaction through details

The Company's micafungin for injection was launched in Japan in 2020. Japanese customers requested that the relevant products with different specifications shall use aluminum plastic integrated caps with different colors, each color tone shall be consistent with that applied by the original R&D company and the information of product specifications shall be printed on each cap surface with white oil-based ink. As the domestic packaging adopted embossed printing technique basically, there were cracks and wear on the aluminium caps of some of the first batch of products delivered to markets in Japan. After receiving the feedback from the customer, with reference to customers' needs, the Company carried out investigations and research studies on the domestic cap rolling market and cost analysis on changing the cap rolling processes, and eventually took actions to replace the original glossy surface of aluminium caps with frosted surface, thereby solving the problems of wear and cracks on aluminium caps. Changes have been made in the domestic market simultaneously, thereby fulfilling the customer requirements for the product appearance and increasing customer satisfaction.

The Company values the building and maintenance of customer relationship and regularly visits its customers. It has established a system of survey on customer satisfaction throughout the entire process ranging from demand analysis, survey on satisfaction to improvement of services. During 2020, Hansoh Pharma commissioned a third party to conduct a survey on satisfaction and prepare a survey report, in which its brand image, customer perceived quality, satisfaction and loyalty index reached 82.78, 87.31, 88.29 and 88.74, respectively, showing a "relatively high" level according to the evaluation findings of the third party. As assessed by China Council for Brand Development, in 2020, the brand strength of Hansoh Pharma is 909, with a brand value of RMB23.715 billion, up by 21.2% over the previous year.

06

Protection of Employees' Rights and Promotion of Harmonious Development

Talents are the primary productive force and the most valuable strategic resources for the Company's development. Consistently adhering to the people-oriented philosophy at all times, we strictly protect the legitimate rights and interests of employees in accordance with the law, practically safeguard their occupational health and safety and promote the channels for internal communication and democratic management. Meanwhile, we attend the on-the-job training, working and living environment and career development of employees so as to foster simultaneous growth of personal value of employees and corporate development.

Protection of Employees' Rights and Promotion of Harmonious Development

6.1 EMPLOYEES' RIGHTS

The Company strictly complies with the constitution of the People's Republic of China and protects the civil legal political rights. According to the requirements of laws and regulations, including the Labor Law of the People's Republic of China (中華人民共和國勞動法), the Trade Union Law of the People's Republic of China (中華人民共和國工會法), the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), we closely track the local regulations and various administrative requirements and revise and improve the Employee Handbook in a timely manner. Core contents of the Employee Handbook cover areas such as employment concept, staff recruitment and employment, labor contract, remuneration and benefits, training and development, compliance standards, so as to protect employees' legitimate rights and interests.

Pursuing the concept of equal employment opportunities, the Company opposes employment discrimination, and treats every applicant and employee equally. As per the Employee Handbook, it specifically prohibits employment of persons aged below 18. In case of employment of staff aged below 18 based on false document provided by the applicant, the labor contract will be terminated once such violation is identified. A designated person will be arranged to escort him/her back home. If the Company failed to strictly review employees' personal information or due to other reasons, employee will then be paid monetary compensation apart from being arranged companion of a designated person on his/her way back home.

To strictly protect the employment and resting rights of employees, the Company encourages employees to efficiently finish their work within 8 hours. Working overtime is discouraged and no forced labor is allowed. It guarantees to arrange at least 1 rest day for the employee after working in 7 consecutive days. After working overtime, the employee will be arranged rest days or payment of overtime premiums.

The Company has been actively driving the establishment of labor union and supporting the labor union in performing its duties in accordance with laws. Hansoh Pharma has established a labor union covering all employees. The labor union conducts a collective negotiation with the Company every three years on matters including basic rights and interests of employees, working conditions, remuneration and benefits, production safety and occupational health, and special rights and interests of female workers, and a collective agreement will also be signed. The most recent collective agreement was signed in April 2019. Meanwhile, for activities such as illegal employment, employment discrimination and forced labor involved in production and operation, the Company has established an internal whistle-blowing hotline (0086-51883096182) and a whistle-blowing mailbox (nkns@hspharm.com). In the event any such activity is found, the Company will immediately conduct investigation on the relevant activities of the concerned department and handle the case in accordance with the Employee Handbook. Hengbang Pharmaceutical has commenced preliminary preparatory work for the establishment of labour union, and will establish a labor union covering all employees next year. Other subsidiaries will also push forward the establishment of labor union in a planned manner based on their production and operation conditions.

6.2 REMUNERATION AND BENEFITS POLICY

Taking job values as the basis, performance as the cornerstone and market rate as a reference, the Company has formulated the remuneration policy by relying on and participating in the remuneration survey project of world-renowned consulting firms and adequately assessing the renumeration level of the pharmaceutical market and its growing trend, with a view to attracting, incentivizing and retaining high-calibre talents for healthy and stable corporate development. In 2020, the Company implemented a share incentive plan on the basis of thorough assessment of its core talents. All employees of the Company are entitled to statutory holidays, "five social insurance and one housing fund" (五險一金) and other statutory benefits. Besides, the Company also provided a variety of benefits to its employees, including annual complementary physical examinations, holiday benefits, free meals and shuttle bus services, well-furnished apartments for non-local employees, and scholarships and study grants for employees' children who have been admitted to universities.

Protection of Employees' Rights and Promotion of Harmonious Development

6.3 EMPLOYEE COMMUNICATION

A sincere and diversified two-way communication is an effective way for employees to participate in the management of a company and to encourage self-initiation and motivation. It is also a key channel for the Company to keep abreast of employees' needs on working life and improvement in working and living environment.

We give full play to the creativity, enthusiasm and initiative of frontline employees. Through various means such as the internal office automation (OA) platform, establishment of letter-box and mailbox for rational suggestions, and convening seminars for employees of different levels and in different forms, we were able to understand and collect their suggestions. In the meantime, employees were allowed to take part in major issues or projects and staff promotion by way of public assessment, public tender or public demonstration, thereby participating in the management of the Company. To further motivate employees to contribute rational suggestions, we have revised and optimized the "Administrative and Incentive Measures on Rational Suggestions" in 2020, which effectively enhanced employees' enthusiasm for participating in management.

Case Study

The 4th Meeting of the Second Session of Staff Representative Assembly of Hansoh Pharma

During the outburst of COVID-19 pandemic at the beginning of the year, certain employees were requested to take "passive leave" for the purpose of pandemic prevention and control. Due to the sporadic spread of the pandemic from time to time and coupling with the factors of traffic accidents and force majeure such as disastrous weather conditions, the phenomenon of "passive leave" still continued. There was a need for us to enhance protection for the rights and interests of such employees at the level of corporate system. On July 20, the Company organized the 4th Meeting of the Second Session of Staff Representative Assembly during which the efforts made by the labor union to protect employees' rights and interests since the closing of the 3rd Meeting of the Staff Representative Assembly were summarized and a poll was conducted on the abovementioned resolutions. Actual attendees were 100 persons in the Assembly out of the possible maximum of 121 persons. The resolution was finally passed with 98 votes for it, while two votes abstained from voting. Subsequently the resolution was presented to the management by the labor union, and incorporated into the remuneration and benefits system for administration purpose by the human resources department.

Hansoh Pharm convened the 4th Meeting of the Second Session of the Staff Representative Assembly

Protection of Employees' Rights and Promotion of Harmonious Development

Catering for different groups of employees, the Company has launched diversified caring measures. For new and young employees, the Company regularly organizes tours for new comers each year, establishes social platform for single and young staff and offers wedding gifts to newlywed young employees; for retired employees, seminars are regularly held to inform them the Company's profits gained from its corporate development and bright prospects of the Company; for employees whose families are in financial difficulties, the Company has visited and expressed sympathy to them during the festival. In addition, the Company provided poverty-stricken employees and retired employees because of illness with living allowances. Hansoh Pharma established an Employee Mutual Fund in 2012, which provides assistance to employees and their family members to help them overcome family difficulties caused by poverty, disability or other emergencies. In 2020, Hansoh Pharma provided financial assistance amounting to RMB1.38 million to 298 persons. During the COVID-19 pandemic, the Company purchased the COVID-19 insurance for field employees in a timely manner, and provided condolence payments and scarce resources including masks to employees working in Hubei.

Female employees are entitled to the rights of maternity leave, breastfeeding leave, maternity allowance and regular gynaecological examinations according to law. Hansoh Pharma's labor union has set up the Female Workers Committee as a cultural and sports social association and established a specific breastfeeding room for female workers during lactation and special seats on the shuttle bus for pregnant women. In 2020, the Company hosted the caring event of "Quarantine for virus but never for love", with a view to conveying festival blessings to female employees through propaganda boards. Each department and production workshop thoughtfully organized and prepared special gifts for the female employees of the Company, and they expressed their sincere wishes to the Company on the greeting cards in return. During the Women's Day Festival, the Company launched group-wide "Red-flag Bearer for the Women's Day" and "Best Woman Demonstration post" selection activities so as to propagate their outstanding achievements.

The Company offered festival gifts to female workers on Women's Day

Selection and propaganda of "Red-flag bearer for the Women's Day"

Photo 6.1 Examples of caring for female employees

Protection of Employees' Rights and Promotion of Harmonious Development

6.4 OCCUPATIONAL HEALTH AND SAFETY

Pursuant to regulations such as Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法), Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), Fire Protection Law of the People's Republic of China (中華人民共和國消防法), Regulations on the Safety Administration of Hazardous Chemicals (危險化學品安全管理條例), the Company has formulated and improved more than 80 management regulations and job operating instructions covering safety, fire control, occupational health and management of hazardous chemicals. During 2020, Hansoh Pharma has upgraded the document of Management on Labor Protection Articles; Hengbang Pharmaceutical has formulated 5 new management instructions against hazardous, toxic and explosive items, 2 management instructions catering for contractors and suppliers, and management documents such as Management on Physical Examinations for Staff Health at Workplaces and Management Instructions for Labor Protection Articles catering for staff occupational health.

The Company has set up the EHS Management Committee, which is chaired by the president of the Group. Its various subsidiaries have all set up EHS Management Department. Regarding occupational health and safety, the Company formulated the annual responsibilities and objectives in relation to safe production and the assessment, incentive and punishment mechanism for daily management efforts in accordance with the policy of "Safety first, people-oriented, prevention-focused, technological innovation and continuous improvement". EHS functional management department of two operating entities, namely Hansoh Pharma and Hengbang Pharmaceutical, the responsible personnel of safety of each business division and staff of the positions related to safe production at different levels have signed the Document of Responsibilities for Safety Assessment to ensure that the occupational health and safety targets of the Group can be achieved and the major risks to be accountable by certain specific persons.

In 2020, regarding the products and production workshops newly put into production, Hansoh Pharma has identified and assessed occupational disease risk factors (including productive dust, drug dust, chemical poison and physical factors), formulated and improved the preventive measures according to human risks, natural risks, potential risks and emergency risks; Hengbang Pharmaceutical has identified and established the checklist of easily-made poisons and explosives and strongly toxic items and the dynamic management system.

Strictly in compliance with the national laws and regulations and various administrative instructions of the Company, we have consolidated training on safe production and occupational health, strengthened on-site management and standardized the acts of employees in production and operation. We continued to upgrade the level of hardware protection, equip workers with sufficient and effective protective articles and timely arrange physical examinations for staff to ensure safe production and safeguard occupational health. We have conducted comprehensive assessment on health and safety risks at all production and operation sites. During 2020, the Group and all production sites did not experience any incident of material production safety or event of occupational disease or involve any work injury relating to subcontractors.

Protection of Employees' Rights and Promotion of Harmonious Development

Case Study

Case of occupational health and safety management

To raise employees' safety and prevention awareness and ability of responding to emergencies, the Company educated employees about basic knowledge and operating skills of first-aid so that they can manage to safeguard life safety as self-rescuers or mutual-rescuers during emergencies. In 2020, Hansoh Pharma specially invited the experts from Red cross (City branch) to conduct on-site training on first-aid knowledge in the Company. Through the training program of two grades, all employees of the Company have been involved in the process. Hengbang Pharmaceutical's workshop 101, which was newly put into production, conducted fire drills, while its research institute conducted emergency drills relating to hazardous chemicals.

Red Cross (City branch) Grade I training on first-aid knowledge as invited by the raw material production division of Hansoh Pharma

Fire drill organized by Hengbang Pharmaceutical's workshop 101

Emergency drills relating to hazardous chemicals conducted by Hengbang Pharmaceutical's research institute

Protection of Employees' Rights and Promotion of Harmonious Development

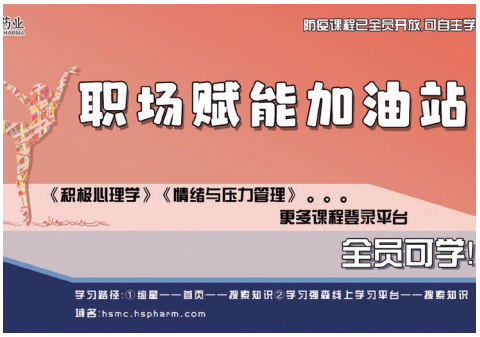
6.5 STAFF TRAINING AND DEVELOPMENT

According to the internal documents such as Training Management System (培訓管理制度), Internal Training Management Rules (內部培訓管理細則), External Training Management System (外出培訓管理制度) and Induction Training Management Rules (入職培訓管理細則), we have improved the three major training domains, namely management, technology and marketing. Meanwhile, we have launched the online learning platform of "Strengthening Hansoh Through Learning (學習強森)" which has accommodated the needs of normalized pandemic prevention and control. The relevant curriculum is aligned with the business needs. Employees are encouraged to participate in the online-learning. Throughout the year, over 240,000 employees received various online and offline trainings, with an average training duration of 12.19 hours and a training coverage ratio of 95.88%.

Induction training of fresh graduate students in 2020

Training of frontline workshop team building

"Scenarios Golfing" training of middle management personnel



"Strengthening Hansoh Through Learning" online learning platform – online elective course

Photo 6.2 Example of staff training

Protection of Employees' Rights and Promotion of Harmonious Development

Having developed an increasingly improved performance management and assessment system, we conduct performance appraisal and management of staff promotion pursuing the fair, justice and open principle. The Company has put the incentive measures in place such as award of internal talent recommendation and equity incentives to absorb excellent talents and retain staff in the long run. The Company has offered two career development routes, namely technology and management as the definite career paths for employees, which is based on respecting the employees' personal will.

Through reports from basic units within the organization, centralized competition or cross-assessments, any leading team or individual employee determined by their performance in the production and operation of the Company will be well recognized by the Group and the concerned division respectively. The recognition will be shown on various platforms such as the Company's OA, propaganda boards and video on vehicle so as to put emphasis on fostering a pioneering, self-excelling and collaborative working atmosphere. Among the Group, a total of 785 teams and individual staff was recognized during 2020, becoming the learning models and benchmarks for the rest of the Group.

6.6 EXCELLENT CORPORATE CULTURE

Our talents development concept is "Mutual growth, mutual creativity, mutual duty, mutual sharing". Integrating with the corporate experience in human resources management, we actively develop the humanistic culture of "Joint creation of value", "Joint protection of safety", "Joint individualities" and "Joint caring hearts".

We have set up almost 10 cultural and sports associations such as arts of calligraphy and painting, table-tennis, badminton, basketball, outdoor activities, chess and card games as well as the youth art troupes, the video channel on vehicle, and propaganda boards to promote the excellent culture in various ways and demonstrate the richness and diversity of employees' leisure and cultural life. In addition, it promotes a healthy, pleasant, harmonious and noble atmosphere of working life and thereby increase their sense of belonging and well-being.

Protection of Employees' Rights and Promotion of Harmonious Development

The "Embrace Mid-Autumn Festival and Celebrate the National Day" team-building event of Hengbang Pharmaceutical

Hansoh Pharma organized a mountain hiking activity during Chung Yeung Festival for employees who have served the Company for a long period

The 15th staff badminton game of Hansoh Pharma

The "Staff Passion in Dragon Boat Festival and Fun with Glutinous Rice Dumplings" event of Hansoh Pharma

Photo 6.3 Examples of eventful and diversified cultural activities of employees

07

Implementing Low-Carbon Environmental Protection and Promoting Green Development

A good ecological environment is the foundation of a society's well-being through which enterprises and the public co-exist. We strive to improve employees' awareness of environmental protection and energy conservation, and are committed to adopting new processes, new technologies and new management approach to incorporate concepts such as clean production, circular economy and environmental protection into each aspect of production and operation. We are determined to achieve the goal of "energy conservation, consumption reduction, pollution diminution and efficiency improvement".

Implementing Low-Carbon Environmental Protection and Promoting Green Development

7.1 ENVIRONMENTAL REGULATIONS AND COMPANY POLICIES

We strictly abide by and pay close attention to national laws and regulations on energy conservation and environmental protection, pay attention to the impact of global climate change on business and social environment of the Company, further explore green and low-carbon development manners, improve organizational management, target assessment and statistical monitoring systems and integrate green, environmental protection and low carbon into the entire process of product design, production and sales to build a low-carbon and environmentally friendly corporate image and foster a brand that promotes green development.

In accordance with the laws and regulations related to environmental management issued by the governments at all levels, the Company newly formulated the Environmental Monitoring Management (環境監測管理) and upgraded 12 management systems and operating procedures including Pollutants Discharge or Emission Management (污染物排放管理), Environmental Protection and Management (環境保護管理) and Environmental Emergency Response Plans (突發環境事故應急預案) in 2020. During the reporting period, the Company invited EHS legal experts to make comprehensive interpretations of the relevant laws and regulations, thereby strengthening compliance-related evaluative work concerning newly expanded projects or those with subsequent alterations; and invited the Environmental Protection Bureau of the development zone to provide special training on Enterprise Environmental Protection under the New Situation (新形勢下的企業環境保護) and Law of the PRC 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) (revised in 2020) (referred to as the "New Solid Waste Law") to continuously increase the environmental protection awareness of employees at all levels.

In order to ensure the effective implementation of environmental policies to improve environmental management level of the Company in a full manner, we implemented an environmental management system in major production and operation premises throughout the Company comprehensively to identify all environmental factors, assess the possible factors of the production and office work activities of the Company affecting the environment, and adopt corresponding control measures in response to various environmental factors identified to minimize the impact of the Company on the environment.

The environment involved with the products located at the site of Hansoh Pharma's registered place at No. 5 Dongjin Road has been granted the ISO 14001: 2015 certification in 2017 and passed the re-certification in 2020. At the end of the reporting period, all production sites located at this registered area have been certified. Hengbang Pharmaceutical is in the process of introducing the systems at the end of the reporting period even though it is in the pre-production trial operation phase.

Interpretations of laws and regulations by an invited environmental protection expert

General staff training on the new solid waste law

Picture 7.1 Examples of Training on Environmental Laws and Regulations

Implementing Low-Carbon Environmental Protection and Promoting Green Development

Photo 7.2 Hansoh Pharma's Certification of Environmental Management Systems

Following the strategic management procedures under the responsibility governance model, we have formulated the environmental performance indicators and overall targets after a comprehensive assessment on the following factors:

- Theoretical estimations of the productivity of various products as well as energy resource consumption following production processes and emissions of waste water, exhaust gas and waste;
- The environmental impact report prepared by a third party and the approval document of the competent authorities;
- Environmental projects and standards required by the national and local competent authorities for management and control;
- Appeals of community residents;
- Internal control standards for environmental hazards formulated by the Company.

Implementing Low-Carbon Environmental Protection and Promoting Green Development

After determining the overall environmental performance targets, we decompose the indicators to various production facilities, with the subsidiaries and business division as the main body.

Targeting performance indicators obtained at each stage, we adopt trend analysis, comparative analysis and cause and effect analysis to monitor the environmental responsibility performance at each stage, analyze the potential environmental risks in respect of the extent of impact and the degrees of difficulty in terms of improvement prospect. We undertake measures to improve, thereby promoting the continuous fulfilment of each indicator with new improvements, hence forming a closed loop of environmental performance management.

In order to ensure the effective fulfilment of environmental performance targets, the Company has established an environmental target responsibility system and included environmental indicators as an important part of economic assessment. At the senior management level, the Company has established a negative list of environmental risk respectively in relation to the different areas of which each senior management member is in charge and the extent of impact on environmental performance. It implemented a one-vote veto system for the negative list, i.e., once a negative list item occurs, the senior management member's annual performance-linked remuneration for the year will not be paid and the equity incentives granted during the year will not be exercised, and the remuneration adjustment and the number of incentive shares for the following year will be affected accordingly.

7.2 EMISSION WASTE MANAGEMENT

The environmental hazards generated in our production process mainly include waste water, exhaust gas, waste, noise, etc. In respect of emissions, especially the newly-promulgated national 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 Company newly amended the Pollutants Discharge or Emission Management (污染物排放管理) in 2020, which requires stricter management on the waste water, exhaust gas and waste generated from the production process. All new, rebuilt or expanded construction projects that discharge pollutants directly or indirectly shall undergo environmental impact assessments legally, and the pollution prevention and control facilities of the construction projects shall be designed, constructed and put into use at the same time with the main project. All production and R&D sites shall monitor themselves the pollutants discharged therefrom and maintain the original monitoring records. All key pollutant-generating sites shall be installed with automatic monitoring equipment connected to the monitoring equipment of the competent environmental protection authority to ensure the emission standards are met.

7.2.1 Waste Water Discharge

In respect of production wastewater, laboratory wastewater, domestic wastewater, tail water from fire services, initial rainwater and other types of water that do not meet the quality standards for use or have no value for use, the Company implements the principles of clean water and sewage diversion and quality-based separation treatment, whereby wastewater of different concentrations must be discharged to the sewage treatment station via different pipelines. In particular, the industrial wastewater containing active ingredients should first be discharged into the wastewater inactivation tank for inactivation, and valid verification reports for both the inactivation method and inactivation effect shall be issued before it can be discharged into the sewage treatment station for treatment and to be discharged upon reaching the standard. The Company adopts fiber-reinforced plastic in living pools, drainage pools for clean water and concentrated sewage and septic tanks after concrete pouring for anti-corrosion, anti-seepage and anti-leakage purposes.

Implementing Low-Carbon Environmental Protection and Promoting Green Development

Case Study 1

Waste water control (1)

Hansoh Pharma invested RMB3.7 million in the reconstruction of rain and sewage diversion project. It replaced the underground rainwater and sewage pipe networks with exposed sewage system in the production workshop and open rainwater pipe networks in the plant area instead.

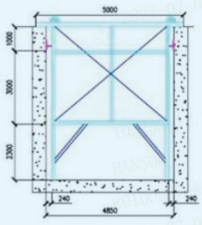
Replacing the underground sewage pipe networks with open overhead pipes

Implementing Low-Carbon Environmental Protection and Promoting Green Development

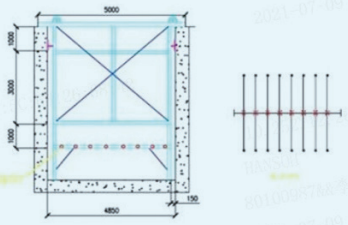
Case Study 2

Waste water control (2)

Hansoh Pharma invested RMB1 million in the integrated transformation of the aeration system for the filter media of the sewage treatment station, which stabilizes the effluent quality and results in more reliably standard-meeting discharge.



Filter Media Module Diagram



Aerator and Filter Media Module Diagram

Note: 1. The modules (excluding filter media and aeration membranes and tubes) are all made of 304 stainless steel, and all upholders are made of 10# channel steel.

2. After on-site welding, it is hoisted and put into the pool, fixed on the partition wall of the pool body and connected with the main air distribution pipe.

7.2.2 Waste Gas Emission

The Company adopts means such as exhaust gas adsorption, dust removal and filtration for emission management of waste gas generated by operations in production and operation premises. All workshops and laboratories first use effective filters to remove dust in discharging dust containing active ingredients. When operations involve with harmful gases and dust generation, exhaust ventilators or dust removers keep open, and the adsorbents and filters used by such exhaust devices or dust removers are replaced regularly. Volatile chemical reagents and materials are sealed to reduce air pollution.

In 2020, in response to realize organized gas emissions, Hansoh Pharma invested RMB12 million in the treatment of the exhaust gas of workshop U4 and H4, the typical gas-generating workshops. The project adopts the treatment process and technology of "exhaust gas collection-alkaline washing-activated carbon adsorption and desorption (hot nitrogen)-condensation recovery-UV photocatalysis" to improve the efficiency of volatile organic compounds (VOCs) treatment and minimize the emission of air pollutants. The operation of the VOCs treatment project for its sewage treatment station was commenced after an investment of RMB1.4 million. The project adopts the treatment process of "alkali washing tower + UV photolysis" to improve the efficiency of acid and alkaline gas, organic exhaust gas and malodorous gas treatment, and improve the air quality around the plant. Hengbang Pharmaceutical adopts activated carbon adsorption before discharging VOCs produced by the hazardous waste warehouse at high altitudes; for particulate matters and VOCs produced by the research institutes, the process of primary filtration + activated carbon adsorption + medium-efficiency filtration is adopted before discharging at high altitudes.

Implementing Low-Carbon Environmental Protection and Promoting Green Development

Case Study 1

Organized gas collection in workshop U4 and H4

Raw materials and exhaust gases treatment and collection in Hansoh Pharma

Picture 7.3 Hansoh Pharma introduces new process and equipment to minimize air pollutants emission

Case Study 2

VOCs emission reduction device in the hazardous waste warehouse of Hengbang Pharmaceutical

Particulate matters and VOCs emission reduction device in the research institute of Hengbang Pharmaceutical

Picture 7.4 Exhaust gas treatment device put into use in Hengbang Pharmaceutical

Implementing Low-Carbon Environmental Protection and Promoting Green Development

7.2.3 Waste Discharge

The Company has established a responsibility system for prevention and control in respect of the entire process from solid waste generation, collection, storage, transportation to treatment and utilization, and established a solid waste management account to record the types, quantity, flows, storage, use and disposal of solid wastes generated. In particular, for hazardous waste, the Company actively optimizes its production processes with an aim to increase the frequency of recycling of solvents and reduce the generation of waste solvents on the basis of meeting the requirements of its processes; and for those cannot be recycled, the Company disposes of the waste according to the laws and regulations. Non-hazardous wastes are used on a degraded basis to reduce emissions; for those that cannot be degraded, the Company engages the environmental sanitation department of the park for centralized disposal; for expired or discarded medicines that enter the market, the distribution company organizes centralized recovery and returns them to the Company for destruction by a professional team in order to prevent the probable harm to the environment caused by the outflow of medicines at the end of their lifecycle.

Case Study

Waste reduction case study

Hansoh Pharma invested RMB1.6 million in the addition of membrane distillation equipment. For the waste liquid acetonitrile produced in the workshop, it uses the existing high-gravity equipment to control the water content of acetonitrile within 20%, and then uses the newly purchased membrane distillation equipment to further control the water content of acetonitrile within 1% for the purpose of recycling. With this equipment, the annual recovery volume of acetonitrile is estimated to be 577.7 tons and reduce the volume of waste liquid treatment by 721.88 tons.

With the above measures, in 2020, all the pollutants of our production sites have reached the discharge standards and all environmental indicators are in compliance with the regulatory requirements, and the impact on the environment has been effectively controlled. See Table 9-1 Quantitative Performance Indicator A (Environment) for the performance of specific indicators.

Implementing Low-Carbon Environmental Protection and Promoting Green Development

7.3 USE OF ENERGY AND RESOURCES

In active response to the global climate change, the Company has taken active steps to save energy and reduce resource consumption by means of organizational management, data indicator monitoring and equipment technological transformation, hence reducing greenhouse gas emission while reducing energy consumption.

The direct energy the Company mainly uses during its production and operation is natural gas, and indirect energies include purchased electricity and steam. The Company uses municipal water.

In 2018, Hansoh Pharma, a subsidiary of the Company, established an energy management team responsible for coordinating the construction of Hansoh Pharma's energy management system, and energy management and assessment. There is full-time or part-time unit or personnel in each business division responsible for the daily management of energy of each business division.

In accordance with the Law of Energy Conservation of the People's Republic of China (中華人民共和國節約能源法), the Law of Clean Production Promotion of the People's Republic of China (中華人民共和國清潔生產促進法), the Water Law of the People's Republic of China (中華人民共和國水法), the Water and Soil Conservation Law of the People's Republic of China (中華人民共和國水土保持法) and other laws and regulations, Hansoh Pharma has formulated and kept updating more than 10 management systems, including the Energy Management System Handbook and Documents (能源管理體系手冊文件), the Energy Review Control Procedures (能源評審控制程序), the Energy Target and Index Management Implementation Plan Control Procedures (能源目標、指標管理實施方案控制程序) and the Water Saving Management System (節水管理制度), and formulated the energy management targets at three levels, i.e. Hansoh Pharma, each of its subordinating business division and direct energy-consuming department to continuously improve energy performance. Hengbang Pharmaceutical has also initiated the introduction of energy management system and energy performance evaluation.

In terms of energy saving and water resources management, Hansoh Pharma and Hengbang Pharmaceutical have used a public power distribution and consumption monitoring and management system and an online steam monitoring platform to realize online monitoring and management of electricity and steam, which serve as an important basis for energy assessment. In addition to using the public power monitoring system, Hengbang Pharmaceutical has established a 35KV substation INT-SCADA power monitoring system according to the actual power distribution and energy-saving requirements, which has realized multiple functions such as the real-time monitoring of the power operation and consumption of each module, and the generation of reports, thereby providing a more accurate basis for energy management, control and assessment. Besides, through energy management training, energy inspections and the exposure of waste cases, the Company has continuously improved employees' awareness of energy and water conservation.

Implementing Low-Carbon Environmental Protection and Promoting Green Development

Online power distribution and consumption monitoring system used by Hansoh Pharma

Training on the improvement of enterprise energy management by an energy management expert invited by Hansoh Pharma in July 2020

Image of Hengbang Pharmaceutical's SCADA power monitoring system

Energy resources conservation promotion at different places by Hansoh Pharma in October 2020

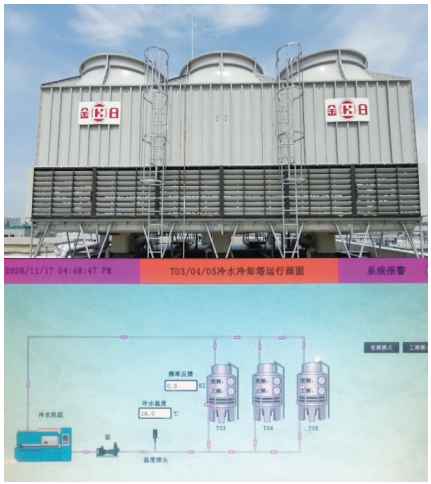
Picture 7.5 Diagram of energy conservation measures

Implementing Low-Carbon Environmental Protection and Promoting Green Development

At the technical level, the Company clarified its technical management requirement for new renovation and expansion projects which is to give preference to equipment and facilities with high energy and water conservation efficiency. Meanwhile, production and operation sites of the Company continued to implement various energy-saving renovation projects, such as energy storage power stations, solar and photovoltaic power stations, adopting energy-saving heat pipes in purifying air conditioning system, frequency conversion upgrade of key energy consumption equipment, including air compressor/cooling tower, recycling of purified water and soft water for initial cleaning of equipment, recycling of waste heat from steam-condensate water, recycling of purified water from waste water via double-pass reverse osmosis treatment and other projects, with a view to controlling energy and resource consumption on an ongoing basis. In 2020, Hansoh Pharma implemented more than 10 energy-saving renovation projects, which effectively reduced resource and energy consumption and greenhouse gas emissions while improving equipment reliability, reducing labor intensity and minimizing production costs.

Waste heat from steam-condensate water in workshop 201 was recycled and reused, which can save steam costs of nearly RMB120,000 each year

Frequency conversion device has been installed for the power frequency air compressor used for public utilities of the industrial park, which can save 20% of electricity while extending the life of the motor



Cooling station 9 in the power machine room of the API plant has implemented frequency conversion energy-saving transformation, which not only improves the reliability of the equipment, but also saves RMB90,000 each year

The first phase of the automatic control and energy-saving transformation of the air intake unit of the nitrogen generator in the API plant area saves electricity charge of approximately RMB90,000 each year

Picture 7.6 Examples of Hansoh Pharma's energy conservation transformation

Implementing Low-Carbon Environmental Protection and Promoting Green Development

Hansoh Pharma successfully received the first energy management system certification in March 2019, and passed the energy management system supervision audit in August 2020 in accordance with the new standards under ISO 50001: 2018 Energy Management System Requirements. The Company's performance in the use of various energy resources has continued to improve, the comprehensive utilization of energy resources has been under stable control, and various key indicators have reached their targets broadly. The detailed indicator results are shown in Table 9-1 Quantitative Performance Indicator A (Environment).

7.4 ASSESSING AND MANAGING THE RISKS OF CLIMATE CHANGE

Climate change poses a serious risk to the global economy, and such risk will inevitably be spread to the pharmaceutical industry. Pursuant to the international recommendations from TCFD (Task Force on Climate-Related Financial Disclosures) established by FSB (Financial Stability Board), the management of the Company has fully recognized the impact of the risk on the Company's production and operation and included climate change risk as one of the operating risks of the Company, and designated the EHS Management Committee to assess the risk of climate changes. The risks that can be predicted currently are mainly as follows:

- At the national level, the government has announced the goals of "Carbon Peak and Carbon Neutrality" to the world. It will certainly step up efforts in environmental protection and strengthen the control over resources and energy consumption. For enterprises, the investment in environmental protection and energy-saving equipment tends to increase, hence posing higher cost pressures;

- Similarly, due to the increasing environmental pressures, not only will the upstream materials used by enterprises for R&D and production, including but not limited to API starting materials, pharmaceutical intermediates, internal and external packing materials, etc., be subject to increasing costs, but the stability and reliability of the supply chain will also be affected;

- Studies have shown that climate change will bring changes to the spectrum of human diseases, for example, the occurrence of insect-borne diseases, heart and respiratory diseases, and central nervous system diseases will increase. These changes will expand the market of the Company's products on one hand, and on the other hand, it also brings new challenges to the Company's medicine research and development;

- As a responsible enterprise, climate change has also raised the Company's attention to sustainable development issues. The Company is expected to intensify its management in respect of waste emissions and energy and resource utilization, which will increase the Company's management cost.

In response to the above risks and impacts, we have taken the following actions:

- Hansoh Pharma introduced and formulated the "Greenhouse Gas Management Procedures" in 2018, and conducted verification of greenhouse gas in two sites located at No. 5 and 9 Dongjin Road, marking the commencement of greenhouse gas emissions monitoring works. In 2020, Hansoh Pharma's four sites at Lianyungang have all commenced monitoring of greenhouse gas emissions, and will subsequently control their greenhouse gas emissions based on the results thereof;

- We carried out carbon footprint accounting of some products;

- We formulated and improved energy conservation and emission reduction targets and put them into practice (refer to the respective section of this chapter);

Implementing Low-Carbon Environmental Protection and Promoting Green Development

- We focused on changes in the spectrum of diseases and planned for related product research and development;
- We disclosed the greenhouse gas emission intensity in the annual ESG report, evaluated the performance of the Company in climate change management, and formulated corresponding improvement measures.

Case Study

Focusing on the impact of climate change on the spectrum of diseases and planning for related product research and development

Various studies have shown that air pollution related to greenhouse gas emissions will aggravate certain chronic diseases, such as heart disease and lung disease, while climate change will promote insect-borne diseases, and also increase mental health and stress problems. In formulating a new round of development strategies, the Company has included global climate change as an important environmental change factor to analyze the impact of such factor on disease spectrum and make early plans for the product research and development in the related segment, such as the central nervous system, antiviral medicines, etc.

08

Focusing on Community Progress and Promoting Shared Development

We understand that the imbalance and inadequacy of the development process in China remain to be a principal issue within its society. While continuously elevating our Company's profitability and competitiveness, through taking advantage of our industry's characteristics and strengths, we focus on supporting healthcare and education, and are committed to assisting China's healthcare institutions to improve the level of diagnosis and treatment, cultivate high-caliber medical talents for more universities and colleges, and try our best to respond to social needs for charitable and inclusive medical care and help less developed regions to improve medical security so as to enhance living standard simultaneously.

Focusing on Community Progress and Promoting Shared Development

8.1 CONTINUOUS FOCUS ON COMMUNITY NEEDS AND PROGRESS

The community has always been an important part of the production and operation of the Company. We always maintain and strengthen good communications with the community, whilst fully understanding and respecting the needs of the community, continue to focus on public needs, including issues surrounding health, employment, education, culture, sports and environmental protection, and strive to make contributions to the community. Our main policies are:

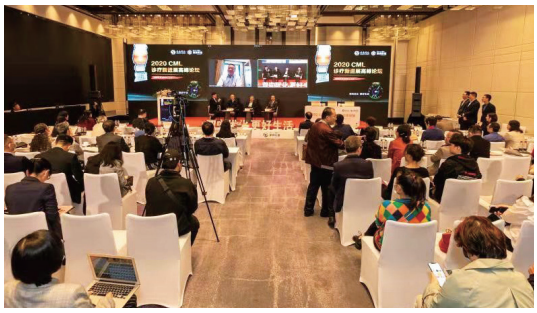
- Striving to cut down medicine prices, actively carrying out primary medical training, and improving the availability of medicines and the level of diagnosis and treatment in primary hospitals;
- Actively exploring new market, expanding corporate scale, implementing localized management, and promoting employment within community;
- Paying taxes in accordance with laws and supporting local economic and social development;
- Intensifying industry coordination, carrying out various forms of strategic partnership and sharing development with community industries;
- Organizing voluntary services to satisfy social welfare and charity needs.

8.2 IMPLEMENTING HEALTHY CHINA STRATEGY AND IMPROVING MEDICINE AVAILABILITY

We continue to increase R&D investment, accelerate the development of safer, more effective and economical medicines, conduct consistency evaluations of generic medicines, actively participate in the national centralized medicine procurement bidding and medical insurance negotiations on innovative medicines, significantly cut down medicine prices, and continuously improve the availability of innovative medicines. In 2020, we have 5 generic medicines passing the consistency evaluation, all our 4 major innovative medicines were included in the NRDL and 5 major medicines won the 3rd National Drug VBP (volume-based procurement), greatly reducing the burden of national medical insurance and patient medication.

We continue to strengthen our academic services to primary hospitals. Relying on the advanced diagnosis and treatment technology and academic achievements in central cities, combined with our long-established platforms in respect of tumor, diabetes, cardiovascular and severe infections, we organize trainings for doctors from primary hospitals both online and offline to improve the level of clinical diagnosis and treatment. Hundreds of large-scale influential academic activities have been carried out throughout the year, benefiting tens of millions of persons. In 2020, we successfully held large-scale brand forums such as the "Hansoh Oncology Conference" and "Senmei Salon", which have improved the Company's academic status and brand influence in the fields such as anti-tumor, central nervous system, anti-infection and diabetes, while providing more solutions for clinical treatment in various related fields.

The Sixth Hansoh Hematology Forum


2020 CML Treatment Update Forum

Focusing on Community Progress and Promoting Shared Development

Hansoh Oncology Conference

Senmei Salon

Photo 8.1 Examples of customized academic services for primary hospitals

R&D and inclusion of Ameile® (National Category 1 New Drug) in the NRDL

Lung cancer is one of the diseases with the fastest-growing malignant tumors in terms of incidence rate and mortality rate. According to statistics, the new incidents of lung cancer in China reach approximately 730,000 per year, among which approximately 40% were non-small cell lung cancer (NSCLC) patients with EGFR gene mutation. Currently, these patients are mainly treated by using targeted drugs such as first-generation and second-generation EGFR inhibitors, which demonstrate significantly better performance over tradition chemotherapy drugs. However, after 1 to 2 years, drug resistant would emerge, over half of which were caused by T790M mutation that most patients would not be able to survive. Hence, there is an urgent clinical need for the development of a new generation of high-efficiency, low-toxicity drug to tackle the problem of drug resistant.

In July 2014, the Company kicked-off the research and development of the third-generation of EGFR-TKI (epidermal growth factor receptor - tyrosine kinase inhibitor) innovative drug. The project has been accepted by the Center for Drug Evaluation (CDE) of NMPA in April 2019 and was included in the scope of priority review by the CDE in May during the same year due to "its significant advantages in its therapeutic areas as compared with the existing treatments". The drug has been approved for marketing by the CDE on March 18, 2020, realizing our self-transcendence in the rapid progress from design and selection of chemical compound to production and declaration.

As the third-generation EGFR-TKI, Ameile® (aumolertinib mesylate tablets) can inhibit the EGFR-sensitive mutation and T790M drug-resistant mutation in an irreversible and highly selective manner, which not only reflected its sound efficacy and safety, but also demonstrated its obvious advantages in clinical treatment for patients with brain metastases.

In order to implement our corporate ESG philosophy and strive to share the innovation achievements of the Company with more patients, the Company has proactively approached and negotiated with the National Healthcare Security Administration to actively reduce the product price. In December 2020, the National Healthcare Security Administration approved the inclusion of Ameile® in the NRDL, which has significantly improved the accessibility of the innovative drug and the regulations over its use as a medicine for clinical treatment, thereby bringing long-term and high-quality hope of survival for many NSCLC patients in the advanced stage.

Focusing on Community Progress and Promoting Shared Development

Focusing on chronic disease patients under the pandemic

During the pandemic, Hansoh Pharma was active in the allocation and transportation of various medicine inventories and ensured the medication of patients with chronic diseases. On one hand, the Company established a 7*24 emergency response mechanism to closely track the medicine inventory of commercial companies and their distribution to pharmacies and hospitals, and replenish medicines in time through its comprehensive business management system; on the other hand, it provided patients with chronic diseases with support services in most regions of the country through free medical consultation online and live-streaming of patient education, etc. to satisfy the needs of patients for standardized treatment and medication to the extent possible and build a strong lifeline for them.

O2O realizes "last mile" delivery and improves medicine accessibility

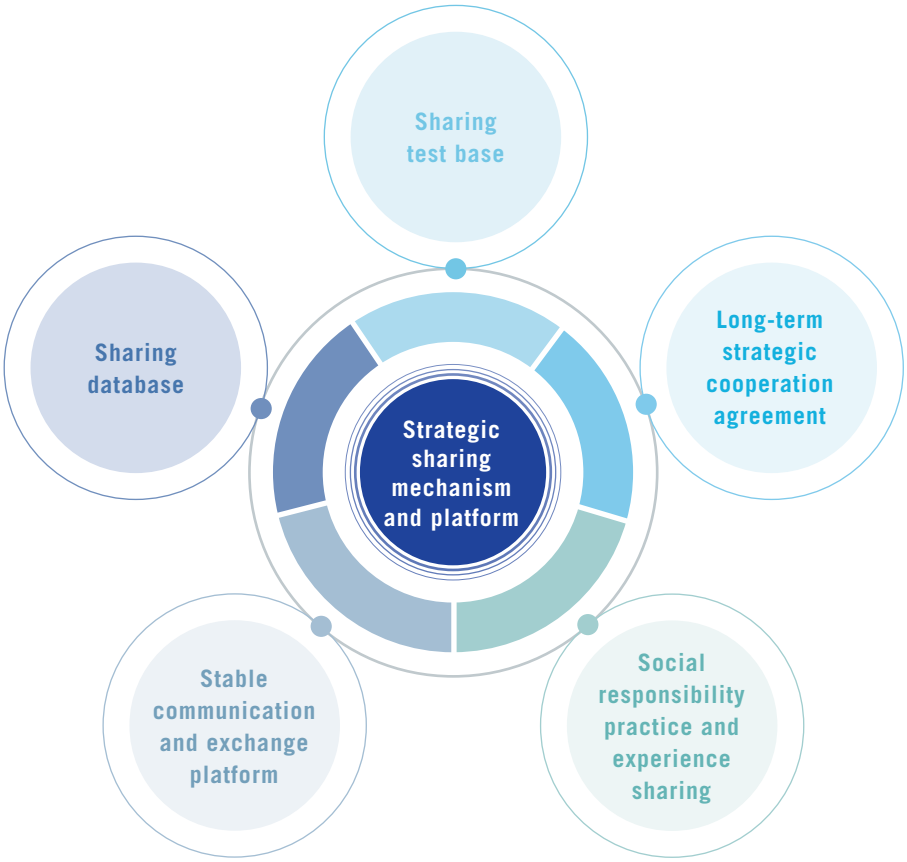
In order to improve the accessibility of medicines focus on the unmet "patient needs", provide patients with more convenient purchase experience, in 2020, Hansoh Pharma cooperated with JD.com and opened "Hansoh Flagship Store" on the "JD Health" platform, which realizes the "last mile" delivery and patients can buy urgently needed medicines using doctor's prescriptions without leaving home. It greatly improves the accessibility of medicines, and expands the breadth and depth of consumer services.

As of 31 December 2020, the Company's medicines are available in more than 30,000 pharmacies across the country.

Focusing on Community Progress and Promoting Shared Development

8.3 STRENGTHENING INDUSTRIAL COORDINATION AND PROMOTING LOCAL DEVELOPMENT

While accelerating the Company's own development and growth, we follow the basic principle of "creating value for customers" and actively establish and maintain good cooperative relationship with suppliers, scientific research institutes, industry associations, business partners and other upstream and downstream industries to develop various strategic cooperation, which strengthens the integration of responsibilities, promotes value sharing and boosts industrial development.



Picture 8.2 Diagram of strategic sharing mechanism and platform

In 2020, we developed strategic cooperation mechanism in various forms with more than 50 key suppliers (including Jiangsu Kaiwei, Aoda Pharmaceutical, Zhongjin Medicinal and Shanghai PinTech), scientific research institutes (including the Chinese Academy of Sciences, China Pharmaceutical University, Shenyang Pharmaceutical University), medical institutions (including Zhongshan Hospital, Huadong Hospital, Zhongnan Hospital), key commercial companies (including Shanghai Pharmaceuticals, Sinopharm and China Resources), organizations (including Wu Jieping Foundation, Zhejiang University Education Development Foundation and Cancer Foundation of China), and industry associations (including China Chemistry Industrial Association, Chinese Medical Association and Chinese Hospital Management Association).

Focusing on Community Progress and Promoting Shared Development

The Ninth "Blessing Hansoh with Wealth" Industry and Business Cooperation Forum

Strategic Cooperation Agreement entered into between Hansoh Pharma and China Post

Picture 8.3 Examples of various strategic cooperation

In active response to the national development strategy of "dual-cycle economy", during materials procurement, project construction and project services, we give priority to local and domestic products and services on the premise of ensuring the quality of products and services, as well as technology and cost advantages. In 2020, Hansoh Pharma signed 14,522 procurement contracts of various types, among which, purchases from China, Jiangsu Province and Lianyungang accounted for 88.8%, 55% and 23.2% of total purchase amount respectively.

We continue to expand market, strive to scale up business size and create more employment opportunities in the society. Meanwhile, we give full play to the experience and advantages of local talents, implement a territorial management model and give priority to local people during recruitment. Given the severe employment crisis worldwide unleashed by the pandemic, the Company had 3,832 new employees in 2020, including 925 fresh graduates. Hansoh Pharma has 307 new local employees, and Hengbang Pharmaceutical has 20 new local employees. In respect of the marketing system, localized employment has been gradually implemented in Beijing, Shanghai, Guangzhou, Chengdu and Hangzhou. The average number of local employees accounts for 14.5% of total employees.

Focusing on Community Progress and Promoting Shared Development

8.4 COMMUNICATING WITH THE COMMUNITY AND RESPONDING TO PUBLIC WELFARE NEEDS

The community has always been an important stakeholder in the production and operation of the Company. We have always maintained and strengthened good communication with the community and set up a public welfare budget based on a certain percentage of sales revenue every year to ensure the effective performance of corporate social welfare responsibilities.

Case Study 1

Social Welfare (1)

On the eve of the Army Day on August 1, Hansoh Pharma organized nearly 20 veteran representatives to visit the local fire rescue detachment, and sent holiday blessings and refreshing drinks to the firefighters for their selfless contributions to the fire safety, emergency rescue and the peace and contentment of people in Lianyungang City.

Case Study 2

Social Welfare (2)

Hansoh Pharma founded a volunteer association in July 2015. In celebrating the 35th "International Volunteer Day" on December 6, 2020, Hansoh Pharma held the volunteer association renewal & "Warm Winter with Warm-hearted Donation" voluntary blood donation activity, involving 150 volunteers, 78 effective blood donations and 19.5 litres of effective blood.

Focusing on Community Progress and Promoting Shared Development

Case Study 3

Social Welfare (3)

The Company focuses on supporting healthcare and education and actively participates in social welfare undertakings. In 2020, the Company invested nearly RMB50 million in public welfare undertaking, among which, approximately RMB31 million was used to support the development of medical and healthcare undertakings, approximately RMB1.1 million was used to support education and talent training, and approximately RMB14 million was used for poverty alleviation.

Funding a host contest for the School of Pharmacy of Shenyang Pharmaceutical University

Funding the "2020 Undergraduate Student Major Festival" of Taiyuan University of Technology

Organizing Patient Safety Management Forum jointly with Chinese Hospital Association

Funding the clinical study of The Fourth Hospital of Hebei Medical University

Focusing on Community Progress and Promoting Shared Development

8.5 CHARITABLE DONATION

In 2020, the COVID-19 pandemic tugs on the heartstrings of everyone. The Company made full use of its own business strengths. In addition to ensuring the production and supply of medicines, it also urgently mobilized various resources to resolve practical difficulties within disaster-stricken regions.

Hansoh Pharma, a subsidiary of the Group, donated medicines of more than RMB1 million and cash of RMB1 million to the pandemic-stricken area of Wuhan through China Population Welfare Foundation, and donated 1,200 bottles of Hengjie® Linezolid and Glucose Injection to Yili and Khorgos, Xinjiang through the tenth batch of Lianyungang Aid-Xinjiang Work Group. Besides, many employees of the Company also volunteered to participate in the donation activity for pandemic prevention and control.

During the reporting period, the Company made monetary and in-kind donations of more than RMB3 million in total to the pandemic-stricken areas.

On January 23, medicines donated by Hansoh Pharma were urgently delivered to Wuhan, Hubei through SF Express

Anti-infective medicines donated to Yili, Xinjiang

Protective supplies delivered to mobile cabin hospitals in Wuhan

Sterilization supplies donated to medical institutions

Photo 8.4 Hansoh Pharma donated medicines and materials to pandemic-stricken areas

Focusing on Community Progress and Promoting Shared Development

8.6 FOCUSING ON RARE DISEASES

In addition to focusing on the treatment of major diseases such as anti-tumor, central nervous system, anti-infection and diabetes, the Company also pays great attention to the research and development of rare diseases and accessibility of drugs.

Hansoh Pharma Collaborates with Various Charities and Public Welfare Organizations in China to Benefit More Patients with Pulmonary Arterial Hypertension

The Ambrisentan tablets produced by Hansoh Pharma were approved for marketing in July 2018. It is a recommended medicine for the treatment of pulmonary arterial hypertension in China. Pulmonary arterial hypertension is a fatal cardiovascular disease characterized by increasing pulmonary artery pressure and progressive development. It is a rare disease with low incidence, but may cause very high disability and mortality rate. Since the localization of production of Ambrisentan tablets, Hansoh Pharma has cooperated with various charities and public welfare organizations in China in initiating a number of patient assistance programs to ensure the patients can use and afford the medicine. The annual treatment costs incurred by patients receiving the assistance decreased by approximately two-thirds as compared to that of originator drugs. These programs effectively reduced the economic burden of patients. Since product launch, more than 16,000 patients have received assistance and benefitted from the foundation.

Collaboration with Viela Bio, Inc. in relation to the Research and Development of Innovative Drugs for Neuromyelitis Optica Spectrum Disorder (NMOSD)

NMOSD is a rare, serious, relapsed, neuroinflammatory autoimmune disease that can cause severe muscle weakness and paralysis, loss of vision, respiratory failure and neuropathic pain. There are around 10,000 NMOSD patients in the U.S., and around 40,000 NMOSD patients in China. Currently, there is no effective treatment available. NMOSD was included in the First 121 National Rare Disease List.

Viela Bio, Inc., a clinical-stage biopharmaceutical company headquartered in Maryland, USA, focuses on the development of innovative drugs in the field of inflammation and autoimmune diseases and is a strategic partner of the Company. Inebilizumab, a CD19 monoclonal antibody, is a class 1.1 new drug developed by Viela Bio, Inc. for the treatment of NMOSD. It was approved for launch in the U.S. in June 2020 and was granted Orphan Drug designation and Breakthrough Therapy in the United States and the European Union for the treatment of NMOSD.

As a treatment for NMOSD (neuromyelitis optica spectrum disorder), Inebilizumab directly functions on plasma cells and has B-cell depletion effect. It requires less frequent doses, i.e. only a single dose administration every half year. The results of clinical trials have demonstrated that Inebilizumab can significantly reduce the attack frequency of NMOSD, which declined by 72.8% as compared to the placebo group. Subsequent potential indications also include various types of rare diseases, such as IgG4 (immunoglobulin) related diseases and myasthenia gravis.

The Company in-licensed Inebilizumab (a CD19 monoclonal antibody) from Viela Bio, Inc. in 2019. As agreed by the two parties, the Company will lead the development and commercialization of inebilizumab in China for the treatment of NMOSD and other potential inflammatory/autoimmune and hematological malignancies indications. In October 2020, the application for marketing of this product for NMOSD indication in China was accepted by the NMPA.

Focusing on Community Progress and Promoting Shared Development

8.7 PUBLIC HEALTH IMPROVEMENT IN DEVELOPING COUNTRIES

Improving people's health care and enhancing medical and health conditions have always been a goal set by the health policy of various countries. At present, the mortality rate in the underdeveloped countries and developing countries in the world remains high, in particular, when shortage of medical treatment and medicine for major diseases, represented by malignant tumors, is urgently needed to be changed. The Company actively implements the development concept of inclusive medical care by providing economically accessible high-quality medicines to developing countries and helping them improve medicine production capacity. In 2020, we provided Gemcitabine, Pulaile and other medicines with quality certified by developed countries such as Europe and the US to Pakistan, Malaysia, Philippines and other countries, which were in urgent need of drugs for non-small cell lung cancer, at a price affordable by local patients. Currently, medicines provided by us account for 20% of the local consumption. We also cooperate with customers in Russia, Turkey, Saudi Arabia and other countries to help them improve production process and product quality, reduce production costs, and effectively improve the accessibility of related products.

9. ESG Quantitative Performance Data

Table 9-1 Quantitative Performance Indicator A (Environment)

Performance Indicator		Unit	2020 Performance Value	Remarks
A1.1	Sulfur oxides (SOx) emissions	kg	100	
	Particulate matter (PM) emissions	kg	195.21	
	Volatile organic compounds (VOCs) emissions	kg	11,014	
	Total waste water discharge	m^3	433,083	
	Waste water discharge per unit of output Note 1	m^3/RMB10,000	0.38	
A1.2	Total greenhouse gas emissions Note 2	ton of carbon dioxide equivalent	104,650	
	Greenhouse gas emissions per unit of output	ton of carbon dioxide equivalent/ RMB10,000	0.09	
	Direct greenhouse gas emissions (scope 1)	ton of carbon dioxide equivalent	4,423.48	
	Indirect greenhouse gas emissions (scope 2)	ton of carbon dioxide equivalent	100,226.42	
A1.3	Total hazardous waste	ton	3,691.35	
	Hazardous waste emissions per unit of output	kg/RMB10,000	3.24	
	Amount of expired or discarded medicines generated	ton	47.08	
A1.4	Total non-hazardous waste	ton	451	
	Non-hazardous waste emissions per unit of output	kg/RMB10,000	0.40	
	Amount of recyclable waste	ton	166	
	Amount of non-recyclable waste	ton	285	
	Waste recycling rate	%	36.8	

9. ESG Quantitative Performance Data

Performance Indicator		Unit	2020 Performance Value	Remarks
A2.1	Total electricity consumption	MWh	72,210	
	Electricity consumption per unit of output	MWh/RMB10,000	0.06	
	Total steam consumption	ton	106,075	
	Steam consumption per unit of output	ton/RMB10,000	0.10	
	Total natural gas consumption	m^3	70,468	
	Natural gas consumption per unit of output	m^3/RMB10,000	0.06	
	Gasoline consumption of owned vehicles	liter	207,262	
	Diesel consumption of owned vehicles	liter	220,333	
A2.2	Total water consumption	m^3	919,320	
	Total amount of recycled water	m^3	32,583,996	
	Water consumption per unit of output	m^3/RMB10,000	0.81	
	Water consumption per unit of tablet products Note 3	m^3/10,000 tablets	0.30	
A2.3	Comprehensive energy consumption per unit of GDP	kg of standard coal/RMB10,000	18.34	
	Comprehensive energy consumption per unit of industrial added value	kg of standard coal/RMB10,000	40.75	
A2.5	Packing materials consumption Note 4	ton	1,305	
	Packing materials consumption per unit of products	kg/10,000 tablets	7.62	

Remarks:

Note 1: All of the units of output in this table represent the total output value measured based on an unchanged price;

Note 2: The statistical boundary of greenhouse gas emission includes a total of four workplaces of Hansoh Pharma, which are located at No.5 Dongjin Road, No.9 Dongjin Road, No.8 Kaitai Road and No.8 Lushan Road, Lianyungang. The accounting for greenhouse gas emission is carried out in accordance with the General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (工業企業溫室氣體排放核算和報告通則) (GB/T 32150-2015). As Hengbang Pharmaceutical is still in the trial production stage, it is not a major greenhouse gas emission source, hence it is not included in the relevant calculation of greenhouse gas emission in the Report;

Note 3: In 2020, the accounting for water consumption per unit of products was based on four production workshops that were operated throughout the year;

Note 4: The calculation of the consumption of packing materials only includes the consumption of three kinds of packaging, namely the small boxes, instructions and cartons.

9. ESG Quantitative Performance Data

Table 9-2 Quantitative Performance Indicator B (Society)

Performance Indicator			Unit	2020 Performance Value	Remarks
B1.1	Total number of employees		person	11,645	
	Gender	Number of male employees	person	7,872	
		Number of female employees	person	3,773	
	Type of employment	Contracted employees	person	11,642	
		Dispatched employees	person	0	
		Part-time employees	person	0	
		Rehired employees after retirement	person	3	
	Age	Number of employees under 30 years old	person	5,994	
		Number of employees over 50 years old	person	122	
		Number of employees between 30 and 50 years old	person	5,529	
	Management Level	Number of senior management	person	1,024	
		Number of female senior management	person	255	
		Number of executive management	person	14 (2018) 16 (2019) 20 (2020)	An average of 16.7 during the three years from 2018 to 2020
		Number of female executive management	person	3 (2018) 4 (2019) 6 (2020)	An average of 4.3 during the three years from 2018 to 2020
		Directors	person	7	
		Number of female directors	person	4	
	Region	Number of employees from Mainland China	person	11,640	
		Number of employees from Hong Kong, Macau, Taiwan and overseas	person	5	
	Others	Number of ethnic minorities	person	328	
		Number of disabled employees	person	2	

9. ESG Quantitative Performance Data

Performance Indicator			Unit	2020 Performance Value	Remarks
B1.2	Employee turnover rate		%	13.6	
	Gender	Male	%	13.6	
		Female	%	13.7	
	Age	Under 30	%	17.5	
		30 to 50	%	9.2	
		Over 50	%	3.2	
	Region	Mainland	%	13.6	
		Hong Kong, Macau, Taiwan and overseas	%	16.7	
B2.1	Work-related fatalities over the past three years		person	2 (2018) 2 (2019) 0 (2020)	The 4 cases of work-related fatality in 2018 and 2019 are all due to personal health reason of employees
	Rate of work-related fatalities over the past three years		%	0.023% (2018) 0.022% (2019) 0.000% (2020)	
B2.2	Lost days due to work injury during the reporting period		day	239	
B2.3	Average safety training hours for new employees Note 1		hour	72	
	Average safety training hours for on-the-job employees Note 1		hour	20	
	Percentage of workplaces with staff health and safety risk assessment over all workplaces		%	100	
	Number of contractors' work-related injuries		case	0	

9. ESG Quantitative Performance Data

Performance Indicator			Unit	2020 Performance Value	Remarks
B3.1	Coverage of staff training		%	95.88	
	Gender	Male	%	96.12	
		Female	%	95.39	
	Employee category	Junior employees	%	97.13	
		Middle management	%	90.09	
		Senior management	%	79.17	
B3.2	Average staff training hours		hour	12.19	
	Gender	Male	hour	10.55	
		Female	hour	15.96	
	Employee category	Junior employees	hour	12.36	
		Middle management	hour	11.63	
		Senior management	hour	7.65	
B3	Proportion of staff receiving regular performance and career development assessment		%	100	
B4.1	Female representation in senior officers		%	20.9	
	Labor contract signing rate		%	100	
	Social insurance coverage		%	100	
	Number of labor discrimination incidents		case	0	
	Number of incidents involving child labor or forced labor		case	0	
	Proportion of employees covered by collective agreements		%	90.8	
B5.1	Total suppliers		/	6,323	
	Number of suppliers in Mainland China		/	5,975	
	Number of suppliers overseas and in Hong Kong, Macau and Taiwan		/	348	

9. ESG Quantitative Performance Data

Performance Indicator			Unit	2020 Performance Value	Remarks
B5.2	Number of suppliers carrying out environmental impact assessment Note 2		/	805	
	Number of suppliers carrying out social impact assessment Note 2		/	805	
	Proportion of local procurement Note 3		%	23.2	
	Proportion of suppliers who have signed the supplier code of conduct Note 2		%	96.4	
	Percentage of purchasers who have received sustainable procurement training		%	100	
B6.1	Proportion of products sold or shipped subject to recalls for safety and health reasons		%	0	
	Total number of violations of laws and regulations in health, safety and labelling of products and services provided		case	0	
B6.2	Number of product-related complaints received Note 4	Quality reasons	case	0	
		Other reasons	case	15	Outer packaging and identification of genuine and fake drugs in line with market spot check
	Number of service-related complaints received		case	34	
B6.3	Total number of violations of laws and regulations in marketing promotion		case	0	
B6.5	Total number of complaints on confirmed violation of customer privacy and loss of customer information		case	0	
	Total number of violations of laws and regulations in customer privacy		case	0	

9. ESG Quantitative Performance Data

Performance Indicator		Unit	2020 Performance Value	Remarks
B7.1	Number of closed cases on corruption filed against the issuer or its employees	case	0	
B7.3	Number of persons participating in anti-corruption training	person	7,068	
	Coverage of subsidiaries conducting corruption risk assessment	%	100	
B8.1	Money donated to society	RMB 10,000	4,557	
	Donation allocated to poverty alleviation	RMB 10,000	1,394.10	
	Number of volunteers	person	800	
	Duration of volunteer service	hour	4,200	
B8.2	R&D investment	%	14.4	

Note 1: In 2020, the safety training hours for employees are divided into "safety training hours for new employees" and "safety training hours for on-the-job employees";

Note 2: The number of suppliers carrying out environmental impact assessment and social impact assessment, and the percentage of suppliers who have signed the supplier code of conduct in the total number of suppliers are only counted among the material suppliers who have signed a quality agreement with Hansoh Pharma;

Note 3: Proportion of local procurement = Amount of procurement expenditure to local suppliers/Total amount of procurement expenditure;

Note 4: The statistical caliber for product responsibility is Hansoh Pharma.

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Aspects, General Disclosures and Key Performance Indicators		Section
A. Environment		
Aspect A1. Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	7.1 Environmental Regulations and Company Policies
KPI A1.1	The types of emissions and respective emission data	7.2 Waste Management Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emission in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A1.3	Total hazardous waste produced (in tons) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	7.2 Waste Management Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	7.2 Waste Management Table 9-1: Quantitative Performance Indicator A (Environment)
Aspect A2. Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials	7.3 Use of Energy and Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in' 000s) and intensity (e.g. per unit of production volume, per facility)	Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	7.3 Use of Energy and Resources Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	7.3 Use of Energy and Resources Table 9-1: Quantitative Performance Indicator A (Environment)
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	Table 9-1: Quantitative Performance Indicator A (Environment)

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Aspects, General Disclosures and Key Performance Indicators		Section
Aspect A3. The Environment and Natural Resources		
General Disclosure A3	Policies on minimizing the issuer's significant impacts on the environment and natural resources	7.1 Environmental Regulations and Company Policies 7.2 Waste Management 7.3 Use of Energy and Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	7.2 Waste Management 7.3 Use of Energy and Resources
Aspect A4. Climate Change		
General Disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	7.4 Assessing and Managing the Risks of Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	7.4 Assessing and Managing the Risks of Climate Change
Major Scope B. Social Employment and Labor Practices		
Aspect B1. Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	6.1 Employees' Rights 6.2 Remuneration and Benefits Policy
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Table 9-2 Quantitative Performance Indicator B (Society)
Aspect B2. Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	6.4 Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in the past three years including the reporting year	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B2.2	Lost days due to work injury	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	6.4 Occupational Health and Safety

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Aspects, General Disclosures and Key Performance Indicators		Section
Aspect B3. Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	6.5 Staff Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B3.2	The average training hours completed per employee by gender and employee category	Table 9-2 Quantitative Performance Indicator B (Society)
Aspect B4. Labor Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	6.1 Employees' Rights
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor	6.1 Employees' Rights
KPI B4.2	Description of steps taken to eliminate such practices when discovered	6.1 Employees' Rights
Major Scope B. Social Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain	5.3 Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	5.3 Supply Chain Management Table 9-2 Quantitative Performance Indicator B (Society)
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.3 Supply Chain Management 5.3.1 Identification and Monitoring of Supply Chain Risks
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.3 Supply Chain Management 5.3.2 Evaluation and Admission of Suppliers

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Aspects, General Disclosures and Key Performance Indicators		Section
Aspect B6. Product Responsibility		
General Disclosure B6	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 method of redress	5.1 R&D of More Innovative Drugs 5.2 High Standard of Product Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B6.2	Number of products and service related complaints received and how they are dealt with	5.5 Response to Customer Complaints and Customer Satisfaction Survey Table 9-2 Quantitative Performance Indicator B (Society)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	5.1 R&D of More Innovative Drugs 5.1.2 Respecting and Protecting Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures	5.2 High Standard of Product Quality 5.2.3 Medicine Recall and Simulation Exercise
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	5.4 Responsible Marketing 5.4.2 Customer Privacy Protection
Aspect B7. Anti-corruption		
General Disclosure B7	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	4. Compliance with Business Ethics and Promotion of Compliant Development
KPI B7.1	Number of closed legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Table 9-2 Quantitative Performance Indicator B (Society)
KPI B7.2	Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored	4.5 Establishment of Supervision Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff	4.4 Compliance and Management and Control of Risks Relating to Business Ethics
Aspect B8. Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests	8.1 Continuous Focus on Community Needs and Progress
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Sections 8.2-8.7
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	8.4 Communicating with the Community and Responding to Public Welfare Needs 8.5 Charitable Donation Table 9-2 Quantitative Performance Indicator B (Society)

11. Annex: List of Laws and Regulations

Type	Item
Laws	Constitution of the People's Republic of China Civil Code of the People's Republic of China Criminal Law of the People's Republic of China Product Quality Law of the People's Republic of China Company Law of the People's Republic of China Trade Union Law of the People's Republic of China Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Accounting Law of the People's Republic of China Law of the People's Republic of China on the Administration of Tax Collection Enterprise Income Tax Law of the People's Republic of China Law of the People's Republic of China on the Protection of Consumer Rights and Interests Anti-Unfair Competition Law of the People's Republic of China Law of the People's Republic of China on Administrative Penalty Advertising Law of the People's Republic of China Employment Promotion Law of the People's Republic of China Labor Dispute Mediation and Arbitration Law of the People's Republic of China Social Insurance Law of the People's Republic of China Pharmaceutical Administration Law of the People's Republic of China Energy Conservation Law of the People's Republic of China Law of the People's Republic of China on Promoting Clean Production Circular Economy Promotion Law of the People's Republic of China Water Law of the People's Republic of China Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on Environmental Impact Assessment Water Pollution Prevention and Control Law of the People's Republic of China Soil Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes Production Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases Patent Law of the People's Republic of China Copyright Law of the People's Republic of China Personal Information Protection Law (Draft), etc.

11. Annex: List of Laws and Regulations

Type	Item
Administrative regulations	Regulations for Implementation of the Drug Administration Law of the People's Republic of China Good Clinical Practice of Pharmaceutical Products Good Manufacturing Practices for Pharmaceutical Products Good Supply Practices for Pharmaceutical Products Measures for the Administration of Drug Registration Measures for the Supervision and Administration of Pharmaceutical Manufacturing Measures on the Supervision and Administration of Drug Circulation Measures for the Administration on Adverse Drug Reaction Reporting and Testing Measures for the Administration of Drug Recalls Regulations for the Control of Narcotic Drugs and Psychotropic Drugs Measures for Examination of Drug Advertisements Regulations on the Implementation of the Labor Contract Law Regulations on Work Related Injuries Insurance Measures on the Administration of Invoices Regulations on the Implementation of Trademark Law Regulations of Jiangsu Province on Energy Conservation Regulations of Jiangsu Province on Lake Protection Regulations on the Protection of Computer Software Regulations on the Safety Administration of Dangerous Chemicals Regulations of Jiangsu Province on the Prevention and Control of Atmospheric Pollution Regulations of Jiangsu Province on the Prevention and Control of Water Pollution of the Yangtze River Administrative Measures for the Installation and Standardization of Sewage Outlets in Jiangsu Province Implementation Rules of Patent Law of the People's Republic of China Domestic and foreign regulations such as US Federal Regulations FDA 21 CFR Part 211 and EU GMP

11. Annex: List of Laws and Regulations

Type	Item
Department rules	Identification of Major Hazards of Hazardous Chemicals Guidelines for the Preparation of Emergency Plans for Production Safety Accidents of Production and Operation Units Occupational Health Management Regulations in the Workplace National Catalog of Hazardous Waste Guidelines for the Quality Agreements of Pharmaceuticals Entrusted Manufacturing Regulations of Jiangsu Province on Prevention and Control of Environment Pollution by Solid Wastes 13th Five-Year Action Plan for Prevention and Treatment of Volatile Organic Compound Pollution Technical Policy on Volatile Organic Compounds (VOCs) Pollution Prevention and Control Notice on Issuing the Guiding Opinions on the Prevention and Control of Volatile Organic Compound Pollution Interim Provision on Labor Dispatch Guidelines for Patent Examination Convention Establishing the World Intellectual Property Organization Paris Convention for the Protection of Industrial Property Patent Cooperation Treaty Green Procurement Guidelines for Enterprises (Trial) (Shang Liu Tong Han [2014] No. 973) Notice on Issuing the Audit Management Measures on Solution of Balancing Total Regional Emissions of Major Pollutants of Construction Projects in Jiangsu Province
Standards and regulations	Quality Management System of the ISO 9001 family of standards Environment Management System of the ISO 14001 family of standards Occupational Health and Safety Management System of the ISO 45001 family of standards Energy Management System ISO 5001 and energy usage and management-related standards Measurement Management System ISO 12001 and measurement-related standards Guidance on Social Responsibility of the ISO 26000 family of standards Informational and Industrial Integrated Management System GB/T 23001 and informatization-related standards Information Security Management System of the ISO 27001 family of standards Intellectual Property Right Management System of the GB/T 29490 family of standards Standards related to factory construction such as the Regulation on Fire Prevention of Architectural Design Chinese Pharmacopoeia and standards of foreign pharmacopoeias such as the USP, BP, EP and Japanese Pharmacopoeia Relevant ISO and ICH standards and guidelines on drug research and development, production, and quality control Various product quality standards independently developed by the Company Various standards related to safety, environmental protection and energy management of the Company, such as the Emission Standards of Air Pollutants for Pharmaceutical Industry (GB37823-2019), Standards for Fugitive Emission of Volatile Organic Compounds (GB37822-2019), etc.