



神威藥業
SHINEWAY

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

LEADING
MODERN CHINESE MEDICINE
PROMOTING
HEALTH INDUSTRY



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the “ESG Report”) summarizes the environmental, social and governance (“ESG”) initiatives, plans and performance of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (the “Group”, “Shineway Pharmaceutical”, “Shineway” or “we”), and demonstrates its commitment to sustainable development. The Group publishes an ESG report each year. This ESG Report is the sixth ESG report released by the Group, and the fifth ESG report for the year ended 31 December 2020 (“2020”) was published in April 2021. This ESG Report has undergone the internal audit process of the Group and has been reviewed by the Corporate Social Responsibility and Sustainability Committee (the “Committee”) and the Board of Directors (the “Board”).

REPORTING PERIOD

The ESG Report details the activities, information, challenges and measures taken by the Group for the year ended 31 December 2021 (the “Reporting Period” or “2021”).

REPORTING SCOPE

Unless otherwise stated, the environmental key performance indicators (“KPIs”) in this report mainly cover the Group’s principal subsidiary in the research and development (“R&D”), manufacturing and sale of Chinese medicine, namely Shineway Pharmaceutical Group Co., Ltd. (“Shineway Company”) which is located in Luancheng, Shijiazhuang, Hebei Province, the People’s Republic of China (the “PRC”), which contributed to approximately 85.0% to the Group’s non-current assets, whereas the general disclosure and compliance issues presented in the ESG Report cover all subsidiaries of the Group. For other entities outside the scope of the environmental KPIs reported and covered by the consolidated financial statements, please refer to the section of “Financial Statements-Notes to the Consolidated Financial Statements – Major Subsidiaries” of the 2021 Annual Report. The Group will continue to assess the major ESG areas of its different businesses or major subsidiaries to determine the reporting scope of the ESG Report.

REPORTING FRAMEWORK

This ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide” or the “Reporting Guide”) of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This ESG Report has been prepared in accordance with the GRI Standards: Core option. Information related to the Group’s governance practices and structure has been set out in the 2021 Annual Report.

The ESG Report is compiled in accordance with the four reporting principles of the ESG Reporting Guide, including “quantitative”, “consistency”, “materiality” and “balance”.

“Quantitative”: The Group has established internal guidelines and procedures with reference to industry practices and guidelines, laws and regulations of the Stock Exchange and relevant government departments, collected environmental and social performance data from various business departments, and retained relevant monitoring instrument records or supporting documents. For standards, methods and assumptions for calculating performance data (if applicable), please refer to the relevant sections in this ESG Report.

“Consistency”: The statistical method of disclosure in this ESG Report is the same as last year’s report, and the same data statistics and conversion methods are used. Relevant historical data has been disclosed in this ESG Report, allowing stakeholders to better understand and compare the Group’s sustainable development performance.



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“Materiality”: When defining important ESG issues related to the Group’s business and stakeholders, we maintain communication inside and outside the Group to understand their expectations and recommendations. We are in close contact with stakeholders, including employees, investors, customers, suppliers, local government agencies, and local relations organizations, regardless of whether they are affected by or have significant influence on our operations.

“Balance”: This ESG Report presents the Group’s ESG performance in an impartial manner.

CONTACT US

We value feedback from stakeholders. If you have any questions or suggestions regarding the ESG Report or the Group’s performance in sustainable development, please feel free to contact the Group via email at info@shineway.com.hk.

CHAIRMAN’S STATEMENT

On behalf of the Group, I am pleased to present the Group’s sixth ESG report, reviewing the Group’s sustainable development in 2021 in aspects including corporate governance, environmental protection, employee care, service quality and community participation.

Brand and Sustainability

With the vision of creating a value leader in the new Chinese medicine industry and the goal of enhancing core competitiveness, the Group actively further defines, optimizes and adjusts its future development strategy. The Group is aware of the importance of sustainable development to our long-term development and therefore incorporates it into the Group’s development strategy. In order to realize the long-term development of the company, the Group has established the Corporate Social Responsibility and Sustainability Committee, which is fully responsible for the Group’s corporate social responsibility and monitoring, and also demonstrates our emphasis on sustainable development. In addition, in order to minimize the environmental impact in the operation process, we take emissions, resource utilization and other environmental factors into consideration in the production process to implement green production. While developing the Group’s business, we have not forgotten to pay attention to sustainable issues of international importance, such as climate change and the United Nations Sustainable Development Goals (“UN SDGs”), and incorporate them into the consideration of policy formulation.

In order to prioritize the handling of more significant ESG-related matters, the Board takes into account the opinions of different stakeholders, continuously communicates with the Group’s stakeholders, and regularly invites them to participate in materiality assessments to evaluate the importance of various ESG issues and the risks they pose to the Group’s operations. Data on stakeholder communication channels and materiality assessment conducted by the Group are set out in the sections headed “Stakeholder Engagement” and “Materiality Assessment” respectively.

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Our achievements in 2021

As a pharmaceutical company, the Group believes that while developing the economy, we are obliged to maintain public health and promote the development of the Chinese medicine industry. The Group actively invests resources in R&D and innovation. It has applied for 273 invention patents and has 139 authorized invention patents, including 13 foreign invention patents. Moreover, two of the Group's exclusive drugs from Shineway were included in the National Medical Insurance Drug List (2020 Edition) by the National Medical Insurance Bureau, and Shijiazhuang No. 5 Hospital explicitly commissioned Shineway according to the "Rehabilitation Plan of Integrated Traditional Chinese and Western Medicine for Patients with Novel in Hebei Province". The Qingjin Yiqi Granules Chinese medicine was prepared for the treatment of patients with Coronavirus Disease 2019 ("COVID-19") during the recovery period. We believe that the announcement of the new version of the National Essential Medicines List, the in-depth implementation of the Traditional Chinese Medicine Law, the encouragement of the development of traditional Chinese medicine, the gradual liberalization of the traditional Chinese medicine granule market, and the hierarchical diagnosis and treatment will bring more favorable development opportunities for the traditional Chinese medicine industry.

The Group has always adhered to the "people-oriented" human resources management philosophy, and has not forgotten to care for the needs of employees and contribute to society while developing. In addition, the Group actively participates in and organizes charitable projects and public welfare activities, does its best to promote the development of philanthropy, provides human, material and financial support for public services such as medical care, education, and culture, and hopes to increase social awareness of medical knowledge. Recognize and improve public health. During the Reporting Period, the Group invested a total of 766 hours, RMB2.8054 million and donated 200 thousand bags of medicines to public welfare activities. We will also provide volunteer training for employees from time to time, strengthen the construction of corporate culture, and comprehensively improve employees' sense of social responsibility.

Looking to the future

The Group understands the importance of setting targets to its ESG performance. Accordingly, the Group has set targets on ESG issues that are material to it. The information collected is used by the Board and staff responsible for ESG to compare the Group's performance from year to year to track progress towards ESG objectives. To achieve the goals, the Group implements various environmental protection measures and raises employees' awareness of ESG. We believe that these objectives and environmental protection measures can help enhance employees' environmental awareness and enhance the Group's ESG performance to meet stakeholder expectations. We will continue to work closely with various stakeholders to identify the best way to operate while maintaining the Group's economic development while promoting public health, Chinese medicine culture and environmental protection.

On behalf of the Board and management team of the Group, I would like to express my sincere gratitude to all staff, business partners and customers for their unwavering support in the past years. The Group will continue to forge ahead and make greater contributions to the sustainable development of China's traditional Chinese medicine industry.

Chairman of the Board
Li Zhenjiang

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BLOOMBERG ESG DISCLOSURE (SUMMARY)

Environment

	Unit	2021
Disclosure		
Scope of Disclosure		Yes
Reporting Basis Consistency		Consistent
GRI Criteria Compliance		Yes
Verification Type		Internal verification
Emissions		
Greenhouse gas ("GHG") (Scope 1) ¹	tCO ₂ e	76,087
GHG (Scope 2) ¹	tCO ₂ e	16,885
Total GHG Emissions (Scope 1 and 2)	tCO ₂ e	92,972
GHG (Scope 3) ¹	tCO ₂ e	24,822
Total GHG Emissions (Scope 1, 2 and 3)	tCO ₂ e	117,794
Carbon Offsets		Not applicable
NO _x Emissions	tonnes	5.99
SO ₂ Emissions	tonnes	3.23
Dust Emissions	tonnes	0.62
Energy		
Electricity Used	kWh	19,368,100.00
Fuel Used – Diesel	kWh	248,425.53
Fuel Used – Liquefied Petroleum Gas	kWh	191,211.40
Fuel Used – Natural gas	kWh	28.98
Fuel Used – Acetylene	kWh	2,290.22
Steam	kWh	234,863,991.36
Total Energy Used	kWh	254,674,047.49
Water		
Total Water Use	tonnes	394,795
Water Withdrawal	tonnes	394,795
Water Discharged	tonnes	340,542
Water Consumption Derived	tonnes	54,253
Chemical Oxygen Demand of Discharges	tonnes	19.47
Waste Management		
Total Waste	tonnes	11,643.29
Hazardous Waste	tonnes	2.29
Waste Sent to Landfills	tonnes	11,641.00
Material		
Raw Material Used	tonnes	9,853.00
Paper Consumption	kg	7,524.95

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	2021
Spills		
Number of Significant Spills	number	-
Number of Significant Spills	tonnes	-
Environmental Fines		
Environmental Fines (Number)	number	-
Environmental Fines (Amount)	RMB	-
Investments/Costs		
Investments in Operational Sustainability	RMB	32,000,000
Certified Sites		
ISO 14001 Certified Sites		Yes
% Sites Certified	percentage	100%
Operational Policy		
Energy Efficiency Policy		Yes
Emissions Reduction Initiatives		Yes
Environmental Supply Chain Management		Yes
Environmental Quality Management Policy		Yes
Green Building Policy		Yes
Sustainable Packaging		Yes
Waste Reduction Policy		Yes
Water Policy		Yes
Biodiversity Policy		Yes
Climate Change Policy		Yes
Climate Change Opportunities Discussed		Yes
Risks of Climate Change Discussed		Yes

Note:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

	Unit	2021
Employees		
Number of Employees	Number	3,674
Employee Turnover %	Percentage	25.44%
Number of Temporary Employees	Number	–
% Employees Unionized	Percentage	100%
Employee Diversity		
% Women in Workforce	Percentage	50.93%
% Women in Middle and or Other Management	Percentage	26.34%
% Minorities in Workforce	Percentage	3.78%
Gender Pay Gap		
Gender Pay Gap Breakout		Yes
Employee Training		
Employee Training Cost	RMB	424,910
Total Hours Spent by Firm – Employee Training	Hours	4,331
Safety		
Workforce Accidents	Number	7
Lost Time from Accidents	Hours	5,456
Total recordable Accident Rate	Percentage	0.19
Fatalities – Total	Number	–
Fatalities – Employees	Number	–
Fatalities – Contractors	Number	–
Supply Chain		
Social Supply Chain Management		Yes
Sustainable Supplier Guidelines Encompass ESG Area Publicly Disclosed		Yes
Community & Customers		
Community Spending	RMB	2,805,400
Number of Customer Complaints	Number	–
Policy		
Anti-Bribery Ethics Policy		Yes
Business Ethics Policy		Yes
Employee CSR Training		Yes
Employee Protection/Whistle Blower Policy		Yes
Equal Opportunity Policy		Yes
Fair Remuneration Policy		Yes
Health and Safety Policy		Yes
Human Rights Policy		Yes
Training Policy		Yes
Policy Against Child Labor		Yes
Consumer Data Protection Policy		Yes
SDGs Target Policy		Yes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE

	2021
Board Structure	
Size of the Board	8
Unitary or Two-tier Board System	Unitary
# Employee Representatives on Board	-
Classified Board System	Yes
Board Independence	
# Non Exec Dir on Board	4
% Non Exec Dir on Board	50%
# Independent Directors	3
% Independent Directors	37.5%
CEO Duality	Yes
Independent Chairperson	No
Independent Lead Director	No
Presiding Director	No
Former CEO or its Equivalent on Board	No
Board & Exec Diversity	
# Women on Board	2
% Women on Board	25%
Female Chief Executive Officer or Equivalent	No
Female Chairperson or Equivalent	No
# Executives/Company Mgrs	205
CEO or Equivalent Appointed from Within	No
# Female Executives	54
% Female Executives	26.34%
Age of the Youngest Director	46
Age of the Oldest Director	75
Board of Directors Age Range	46-75
Board Average Age	58
Board Duration (Years)	3
Executive Director Board Duration	3
Board Meetings	
# Board Meetings	4
Board Meeting Attendance %	100%
Independent Directors Board Meeting Attendance %	100%
# Dir Attending Less than 75% of Mtgs	-
Audit Committee	
Size of Audit Committee	3
# Independent Dir on Audit Cmte	3
% Independent Dir on Audit Cmte	100%
Independent Audit Committee Chairperson	Yes
# Non Exec Dir on Audit Cmte	3
Audit Committee Meetings	4
Audit Committee Meeting Attendance Percentage	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2021
Remuneration Committee	
Size of Remuneration Committee	3
# Independent Dir on Remun Cmte	2
% Independent Dir on Remun Cmte	66.67%
Independent Remun Committee Chairperson	Yes
# Non Exec Dir on Remun Cmte	2
# Comp Committee Meetings	4
Compensation Committee Meeting Attendance %	100%
Outside Compensation Advisors Appointed	No
Nomination Committee	
Size of Nomination Committee	3
# Independent Dir on Nom Cmte	2
Pct of Ind Directors on Nomination Committee	66.67%
Independent Nomination Committee Chairperson	No
# Non Exec Dir on Nom Cmte	2
# Nom Cmte Meetings	2
Nomination Committee Meeting Attendance Percentage	100%
CSR/Sustainability Committee	Yes
Related Party Committee	No
Strategy Committee	Yes
Board & Exec Activities	
Non-Executive Director with Responsibility for CSR	Yes
Executive Director with Responsibility for CSR	Yes
Executive Compensation Linked to ESG	No
ESG Linked Compensation for Board	No
Shareholder Rights	
Pct Ownership Required for Special Meeting	10%
Poison Pill Plan	No
Shareholder Approved Poison Pill	No
Dual Class Unequal Voting Rights – Common Shares	No

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG RATIO

	Unit	2021
GHG		
GHG Intensity per Sales ¹	tCO ₂ e/sales (in million RMB)	36.54
GHG Scope 1 Intensity per Sales ²	tCO ₂ e/sales (in million RMB)	23.60
GHG Scope 2 Intensity per Sales ²	tCO ₂ e/sales (in million RMB)	5.24
GHG Intensity per EBITDA ³	tCO ₂ e/EBITDA (in million RMB)	130.34
GHG Intensity per Gross Fixed Assets ⁴	tCO ₂ e/Gross Fixed Asset (in million RMB)	40.53
GHG Intensity per Net Fixed Assets ⁵	tCO ₂ e/Net Fixed Assets (in million RMB)	94.08
GHG Intensity per Energy (Electricity)	tCO ₂ e/kWh	0.01
GHG Intensity per Employee ⁶	tCO ₂ e/employee	32.06
GHG Intensity per Assets ⁷	tCO ₂ e/assets (in million RMB)	16.35
Scope 3 GHG per Employee	tCO ₂ e/employee	6.76
Energy		
Energy (Electricity) Intensity per Sales	kWh/sales (in million RMB)	6,008.31
Energy (Electricity) Intensity per EBITDA	kWh/EBITDA (in million RMB)	21,430.98
Energy (Electricity) Intensity per Employee	kWh/employee	5,271.67
Energy (Electricity) Intensity per Assets	kWh/Assets (in million RMB)	2,688.54
Energy Intensity per Sales	kWh/sales (in million RMB)	79,004.22
Energy Intensity per EBITDA	kWh/EBITDA (in million RMB)	281,799.19
Energy Intensity per Employee	kWh/employee	69,317.92
Energy Intensity per Assets	kWh/Assets (in million RMB)	35,351.96
Water		
Water Consumption Intensity per Sales	tonnes/sales (in million RMB)	122.47
Water Consumption Intensity per EBITDA	tonnes/EBITDA (in million RMB)	436.84
Water Consumption Intensity per Energy (Electricity)	tonnes/kWh	0.02
Water Consumption Intensity per Employee	tonnes/employee	107.46
Water Consumption Intensity per Assets	tonnes/Assets (in million RMB)	54.80
Water Consumption Efficiency Rate		0.14
Waste		
Waste Intensity per Employee	tonnes/employee	3.17
Waste Generated per Assets	tonnes/Assets (in million RMB)	1.62
Waste Generated per Sales	tonnes/sales (in million RMB)	3.61
Other Environmental		
NO _x Emissions per Sales	tonnes/sales (in million RMB)	0.002
SO ₂ Emissions per Sales	tonnes/sales (in million RMB)	0.001
Paper Consumption per Sales	kg/sales (in million RMB)	2.33
Paper Consumption per Employee	kg/employee	2.05

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	Unit	2021
Social		
Women Management to Employees Ratio		0.015
Lost Time per Employee	Hours	1.49
Sustainable investment per capital expenditure ⁸	RMB/Capital expenditure (in million RMB)	341,759.85
Community Spend % PTP ⁹	RMB/Pre-Tax Profit (in million RMB)	3,895.83
Community Spend % EBITDA	RMB/EBITDA (in million RMB)	3,104.20
Community Spend % Equity ¹⁰	RMB/Equity (in million RMB)	475.37
% Suppliers Audited	Percentage	100%
% Suppliers in Non-Compliance ¹¹	Percentage	-
R&D Expenditures per Cash Flow ^{12,13}	RMB/Net Cash Flow from operation activities (in million RMB)	160,294.39
Actual Net Income per Employee ¹⁴	RMB/Employee	151,517.15
Actual Cash Flow per Employee ¹³	RMB/Employee	191,385.41
Actual Personnel Expenses per Employee ¹⁵	RMB/Employee	104,518.51
Governance		
% of Non-Executive Directors on Board	Percentage	50%
% Independent Directors	Percentage	37.5%
% Women on Board	Percentage	25%
% of Female Executives	Percentage	26.34%
Board of Directors Age Range		46-75
Board Average Age		58
Board Meeting Attendance %	Percentage	100%
Independent Directors Board Meeting Attendance %	Percentage	100%
% of Independent Directors on Audit Committee	Percentage	100%
Audit Committee Meeting Attendance %	Percentage	100%
% of Ind Directors on Compensation Committee	Percentage	66.67%
Compensation Committee Meeting Attendance %	Percentage	100%
% of Ind Directors on Nomination Committee	Percentage	66.67%

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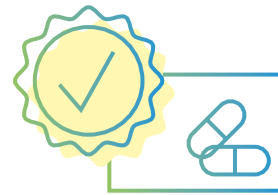
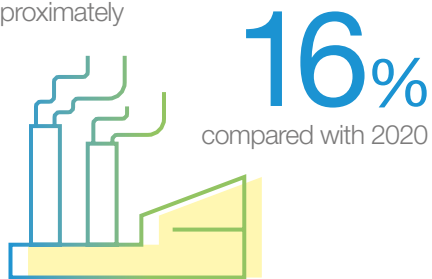
Notes:

1. During the Reporting Period, the Group's sales amount was approximately RMB3,223.550 million. This data is also used to calculate other intensity data.
2. Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (Scope 2) and industrial wastewater anaerobic treatment (Scope 3). GHG emissions data are presented in terms of carbon dioxide equivalent, with reference to including but not limited to the "Greenhouse Gas Inventory Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, Hebei Province Development The "Guidelines for Accounting Methods and Reporting of GHG Emissions in Other Industries in Hebei Province" published by the Development and Reform Commission and the latest release factors of China's regional power grid baseline emission factors.
3. During the Reporting Period, the Group's EBITDA was approximately RMB903.743 million. This data is also used to calculate other intensity data.
4. As at 31 December 2021, the Group's gross fixed assets was approximately RMB2,906.643 million. This data is also used to calculate other intensity data.
5. As at 31 December 2021, the Group's net fixed assets were approximately RMB1,251.999 million. This data is also used to calculate other intensity data.
6. As at 31 December 2021, the Group's total employee number was 3,674. This data is also used to calculate other intensity data.
7. As at 31 December 2021, the Group's assets were approximately RMB7,203.958 million. This data is also used to calculate other intensity data.
8. During the Reporting Period, the Group's payment of capital expenditure was approximately RMB93.633 million.
9. During the Reporting Period, the Group's pre-tax profit (i.e., profit before taxation) was approximately RMB720.103 million. This data is also used to calculate other intensity data.
10. As at 31 December 2021, the Group's total equity was approximately RMB5,901.481 million. This data is also used to calculate other intensity data.
11. Suppliers in non-compliance referring to those suppliers that the Group has terminated cooperations after supplier evaluation (i.e., suppliers audited).
12. During the Reporting Period, the Group's R&D expenditures was approximately RMB112.711 million. This data is also used to calculate other intensity data.
13. During the Reporting Period, the Group's net cash from operation activities was approximately RMB703.150 million. This data is also used to calculate other intensity data.
14. During the Reporting Period, the Group's net income was approximately RMB556.674 million. This data is also used to calculate other intensity data.
15. During the Reporting Period, the Group's personnel expenses were approximately RMB384.001 million. This data is also used to calculate other intensity data.

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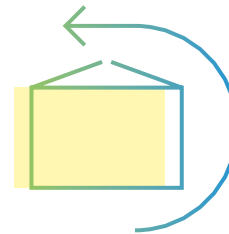
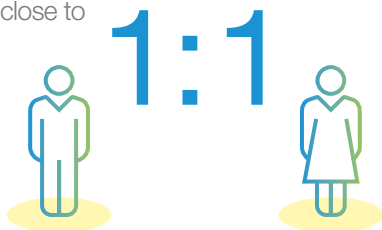
Achievements in corporate sustainable development

Total GHG emissions intensity reduced by approximately



Shineway Pharmaceutical was commissioned to formulate Qingjin Yiqi Granules for the treatment of COVID-19

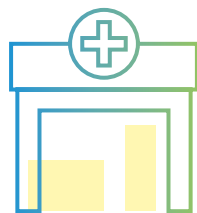
The male to female ratio of all employees was close to



0 cases of drugs being recalled

Local suppliers accounted for more than

98% among all suppliers



A total of **766** hours and **RMB 2.8054** million were invested in public welfare activities, and **200 thousand** bags of medicine were donated to support epidemic prevention and control

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ABOUT SHINEWAY

Shineway Pharmaceutical is mainly engaged in the R&D, manufacturing and trading of Chinese pharmaceutical products. The Group's products are mainly used for treatment of eight major areas including cardiovascular and cerebrovascular drugs, respiratory system drugs, digestive system drugs, pediatric drugs, gastric drugs, strengthening and tonic drugs, nervous system drugs and gynecological drugs, etc., and the products are also mainly sold in China. The headquarter of the Group is located in Luancheng, Shijiazhuang, Hebei Province, China. China is also the place where our business is located and the relevant country for the topics covered in the ESG Report.

Along with the opening up of the national market for TCM formula granules, the Group has been expediting the registration of our TCM formula granules across the PRC. The enrollment procedures for the national standard varieties in all provinces have been completed and those of provincial standards were being submitted for the approval of relevant provincial authorities. This layout our positioning at a high starting point. The Group has established two TCM innovative platforms during the year, namely "Key Laboratory" and "Engineering Research Centre" for TCM formula granules in Yunnan province in addition to the completion of expanding production capacity of TCM formula granules to an annual production value of RMB4 billion by the end of the year, laying a solid foundation for the nationwide development of TCM formula granules.

Furthermore, the Group's formula granules production base in Yunnan Province is listed as a high-tech enterprise with solid scientific research resources. It has the first "Key Laboratory of TCM Formula Granules in Yunnan Province" and the first "Engineering Research Centre of TCM Formula Granules in Yunnan Province" and the "Beijing-Tianjin-Hebei Joint Venture Pharmaceutical (Chuxiong) Research Institute". The Yunnan production facilities utilizes state-of-the-art green and intelligent integrated manufacturing technologies to extract and produce TCM, so as to create superb therapeutic effect of our TCM formula granules products.

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORE VALUES

1. Respect for life

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

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

2. Respect value

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

3. Focus on stringent management and detailed works

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

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

4. Promote innovation

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MISSIONS

Shineway is committed to:

- Providing consumers with efficient, safe and cost-effective drugs to protect their health and enhance their quality of life;
- Winning the respect and trust of business partners with integrity and efficient management style, building a long-term partnership with them under the principles of equity and mutual beneficial cooperation;
- Increasing wealth and provide job opportunities for society, promote the country's healthcare industry through charitable activities, and promote the Chinese medicine culture as a national tradition through the pursuit of modernization of Chinese medicine; and
- Continuously attract and cultivate employees who love the healthcare industry and are self-motivated, creative and responsible, and provide them with rewards in terms of material assurance, social status and value realization. The mutual growth with our employees will enable us to achieve a leading market position and increase profits to achieve sustainable corporate growth.

ESG MANAGEMENT

Corporate Governance

The Board has the overall responsibility to lead and govern the Group and is responsible for managing and supervising the Group's affairs. The corporate governance practices of the Group and the attendance rate of directors are set out in the "Corporate Governance Report" in the Annual Report 2021.

Corporate Social Responsibility and Sustainability Committee Management Structure

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

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

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



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SUSTAINABLE DEVELOPMENT GOALS POLICIES

The Group regards sustainable development as its business operation and development direction, and actively responds to the “2030 Agenda for Sustainable Development” and 17 sustainable development goals adopted at the United Nations Summit in 2015. The Committee will identify and manage the risks and opportunities related to the sustainable development goals, and formulate the general direction of relevant policies to fulfill its social responsibilities. In addition, we have formulated the “Sustainable Development Goals Policy” to identify two areas where the Group can play an important role in advancing the sustainable development goals, and will fully support these goals. The progress of the two sustainable development goals we have implemented in 2021 has been set out in the corresponding chapters of this ESG Report.



Goal 3: Good Health and Well-being

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

- B6 Product Responsibility — Product Quality and Safety
- B6 Product Responsibility — R&D and Innovation
- B8 Community Investment — Charity activities that the Group participated in or organized in 2021



Goal 12: Responsible Consumption and Production

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

- A1 Emissions — Hazardous and Non-hazardous Waste Disposal
- B5 Supply Chain Management — Supply Chain Environmental and Social Risk Management
- B5 Supply Chain Management — Sustainable Supply Chain Management

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STAKEHOLDER ENGAGEMENT

Stakeholders, as a group directly related to sustainable development of the Group, play an essential role in the decision-making process of the Group's ESG management system and policy making. We consider a wide range of different stakeholders, including individuals and organizations that have an impact on our business or are directly or indirectly affected. We always maintain adequate communication with stakeholders to help the Group assess the impact of its ESG decisions and internal control mechanisms, truly understand and respond to the needs of different stakeholders in a timely manner, and adjust its own development direction.

The Group maintains close communication through different channels with different key stakeholders, and actively responds to the opinions and needs of stakeholders. We will continue to strengthen the participation of stakeholders through constructive dialogue so as to draw a blueprint for long-term prosperity and development. The communication channels between the Group and its key stakeholders and their corresponding expectations are as follows:

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

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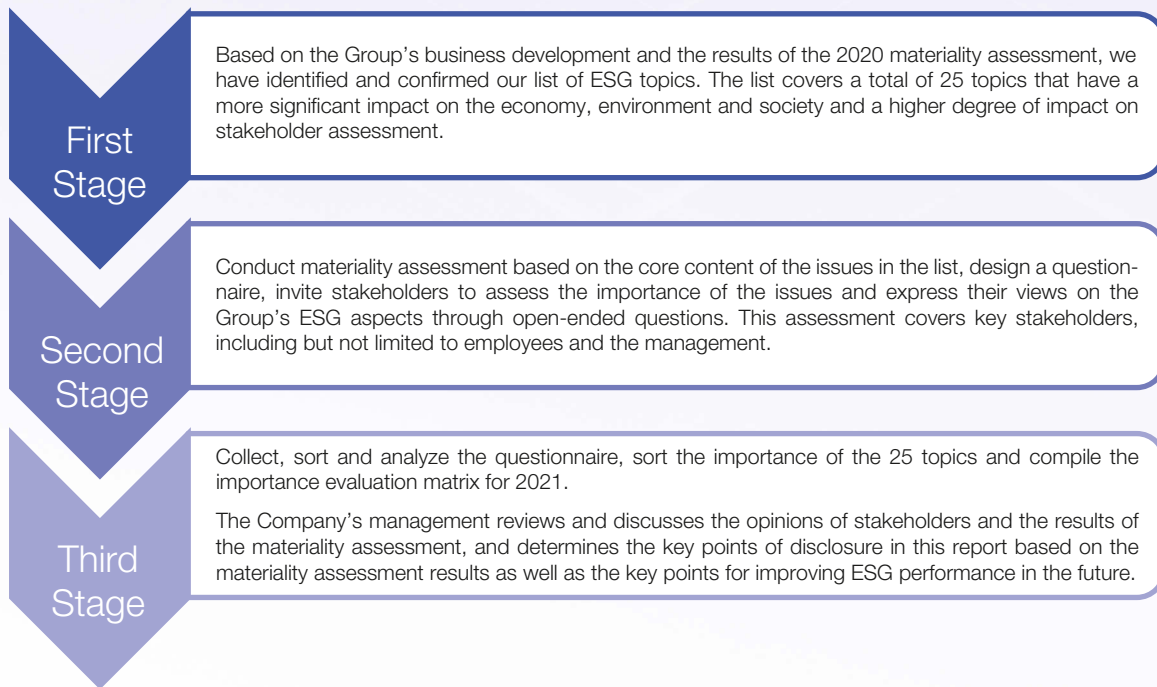
Key stakeholders	Material topics and issues being raised	Communication channels	Communication frequency
Suppliers	• Quality of raw materials	Supplier management conferences and events	Regularly
	• Supplier’s environmental and social risks	Supplier on-site audit management system	Regularly
	• Fair and open procurement		
Government and regulatory bodies	• Operation compliance	Work conference	Regularly
		Performance report	Regularly
		Written response to public consultation	Annually
Communities, non-governmental organizations and the media	• Green operation • Public health • Corporate social responsibility	Seminars, lectures and workshops	Regularly
		Public and community events and partnership projects on different issues	Regularly
		Community investment projects	Annually
		Company visits	Annually

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

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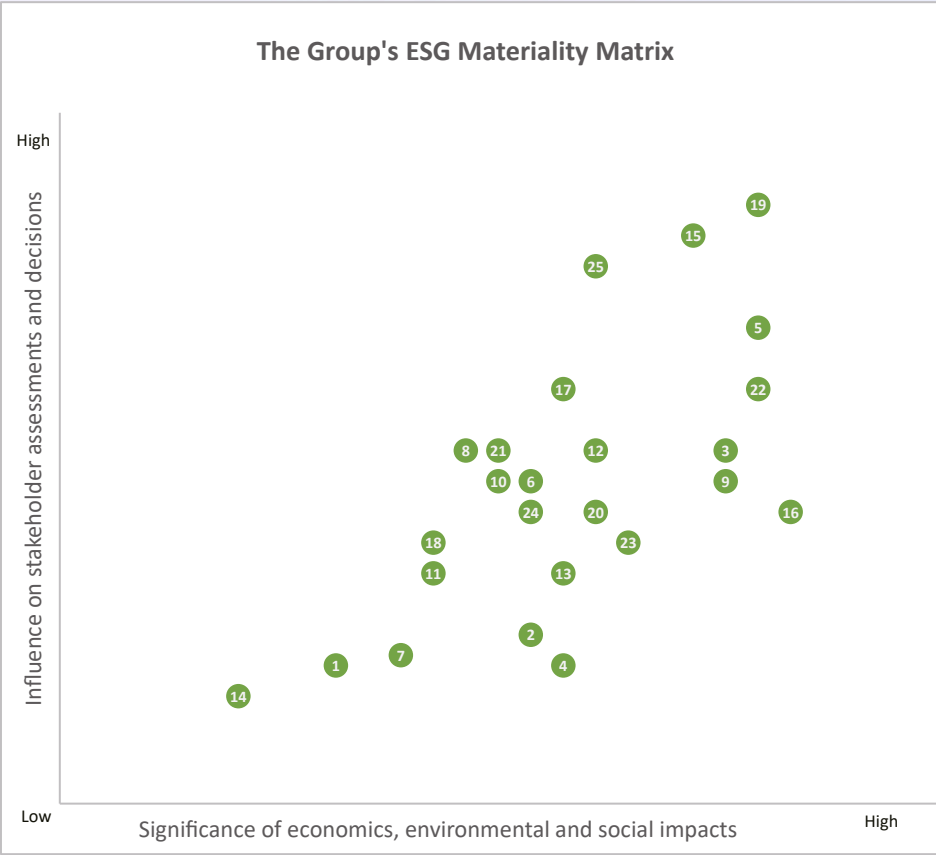
MATERIALITY ASSESSMENT

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



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



Number	ESG issues	Number	ESG issues
1	Emissions management	14	Prevention of child labor and forced labor
2	Water consumption	15	Operation compliance
3	Energy consumption	16	Risk management
4	Consumption of packaging materials	17	Sustainable supply chain management
5	Green production	18	Fair and open procurement
6	Environmental impacts of construction projects	19	Quality and safety of products and services
7	Climate change mitigation and adaptation	20	R&D and innovation
8	Indirect economic impact	21	Product labeling and advertising
9	Recruitment, promotion and dismissal	22	Customer satisfaction and information and privacy protection
10	Remuneration and benefits of employees	23	Intellectual property protection
11	Equal opportunity, diversity and anti-discrimination	24	Anti-corruption and anti-fraud
12	Occupational health and safety	25	Corporate social responsibility
13	Development and training of employees		



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

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

A1. EMISSIONS

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

The Group has long focused on the development of the environmental protection mechanism and has formulated relevant policies, regulations and procedures to regulate the generation of sewage and exhaust gas pollution in production operations, including but not limited to the "Policy on the Management of Environmental Self-regulatory Systems" (《環保自律體系管理規程》), "Policy on the Management of Environmental Protection Responsibility" (《環保責任制管理規程》), "Policy on the Management of Pollution Control Facilities" (《污染治理設施管理規程》), "Policy on the Solid Waste Management" (《固體廢物管理規程》), and "Environmental Protection Assessment Rules" (《環境保護考核細則》). The Group has continuously complied with the environmental protection laws and regulations formulated by the national and local environmental authorities, improved the mechanism and related policies, focused on and supervised the emission issues in the operation, and finally achieved the goals of energy conservation, pollution reduction and efficiency enhancement. The Group has been awarded the ISO14001 certification by the British Standards Institution ("BSI"), which recognizes the standards of environmental protection measures at its production facilities.

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

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

The Group has also formulated a "Contingency Plan for Emergent Environmental Incidents", standardizing and strengthening the emergency handling of emergent environmental incidents, focusing on prevention, gradually improves the warning, disposal and aftercare mechanisms for handling emergent environmental incidents. The mechanism also mitigates the negative impacts on the environment and the Group's business operations caused by environmental emergent incidents, including environmental pollution accidents, spills, explosions, transportation accidents, abnormal emissions and natural disasters, etc. The departments related to the "Emergency Plan for Emergencies Environmental Incidents" are required to conduct drills annually, and keep video data and records.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant laws and regulations include, but are not limited to, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Solid Waste Environmental Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》).



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Exhaust Gas and GHG Emissions

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

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

During the Reporting Period, the Group's nitrogen oxides ("NO_x") emissions, sulphur oxides ("SO₂") emissions and dust emissions were approximately 5.99 tonnes, approximately 3.23 tonnes and approximately 0.62 tonnes respectively (2020: NO_x emissions, SO₂ emissions and dust emissions were approximately 3.67 tonnes, approximately 0.80 tonnes and approximately 0.69 tonnes, respectively).

During the Reporting Period, the Group's total GHG emissions intensity decreased by approximately 16% compared with 2020 to approximately 32.06 tCO₂e per employee (2020: approximately 38.07 tCO₂e per employee). The reduction in total GHG emissions intensity was due to the effective implementation of the Group's emission reduction measures.

The Group has set an emission target of maintaining its total GHG emissions intensity in 2022 to be not more than the 2021 level. In the process of production and operation, the Group actively advocates cleaner production, energy conservation and emission reduction, and reduces emissions by continuously increasing investment in environmental protection. The Group has standardized the setting of all exhaust vents and does not allow employees to adjust, dismantle or idle the vents without authorization. The Group also uses clean energy such as natural gas and other measures to reduce the generation of waste gas pollutants at the source to avoid environmental pollution.

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In terms of smoke and dust control, the Group invested a total of more than RMB30 million to build three sets of electrostatic bag dust removal facilities, two sets of wet electrostatic dust removal facilities, one set of high-efficiency dust removal and defogging facilities, three sets of double-alkali desulfurization facilities, and three sets of SNCR denitrification facilities and two sets of SCR denitration facilities, which meet the ultra-low emission indicators of environmental protection requirements, namely: “Emission Standard of Air Pollutants for Thermal Power Plants” (《火電廠大氣污染物排放標準》) (GB 13223-2011) and “Emission Standard of Air Pollutants for Boilers” (《鍋爐大氣污染物排放標準》) (DB13/5161- 2020), the emission concentrations all reach: dust $\leq 10\text{mg}/\text{m}^3$, $\text{SO}_2 \leq 35\text{mg}/\text{m}^3$, $\text{NO}_x \leq 50\text{mg}/\text{m}^3$. At the same time in 2021, we have continued to reduce pollutant emissions through management of emission reduction control, upgrade and change the pollutant discharge permit, and promised to comply with the Jihuan Atmosphere [2020] No. 161 document on the issuance of the “Comprehensive Control of Air Pollution in the Key Industries in Hebei Province” (《河北省重點行業大氣污染綜合治理方案》). According to the special emission limit requirements, the emission concentration is committed to meet the requirements of: dust $\leq 2\text{mg}/\text{m}^3$, $\text{SO}_2 \leq 25\text{mg}/\text{m}^3$, $\text{NO}_x \leq 30\text{mg}/\text{m}^3$. The flue gas from the three boilers after being treated and reaching the standard is discharged through a 120-meter chimney. In addition, we have invested more than RMB10 million to build volatile organic waste gas, dust and traditional Chinese medicine odor control facilities in each workshop to ensure that all waste gas in the workshop can be discharged up to the standard, and standardized the standardized sampling platform and exhaust pipe of each sewage outlet. The Group also pays attention to the detection of pollutant concentrations. In 2021, all monitoring has been completed as planned in accordance with the monitoring requirements specified in the pollutant discharge permit, and the discharge of various pollutants complies with national and local environmental protection regulations.

The Group also invested a total of RMB5 million in the sewage treatment plant to upgrade and transform the old facilities, so as to ensure that all industrial sewage discharged meets the discharge indicators of environmental protection requirements and meets the requirements of the “Discharge Standard of Water Pollutants for Traditional Chinese Medicine Pharmaceutical Industry” (《中藥類製藥工業水污染物排放標準》) (GB 21906-2008).

The Group has taken a number of measures to reduce various gas emissions, including the odor treatment project of technical center, exhaust gas treatment project of breather valve of ethanol storage tank, and the waste gas treatment and reconstruction project of hazardous waste temporary storage room. The three projects are reduced by approximately 116 million cubic meters each year odor gas emissions, about 800,000 cubic meters of ethanol-containing waste gas emissions and about 12 million cubic meters of volatile organic waste gas emissions.

Sewage Discharge

During the Reporting Period, the Group’s total sewage discharge density decreased by approximately 10% to approximately 92.69 tonnes per employee (2020: approximately 102.73 tonnes per employee). The decrease in the total effluent discharge intensity was due to the effective implementation of the Group’s effluent discharge reduction measures. All the sewage of the Group will be discharged to groundwater.



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

Under the premise of reducing sewage discharge, the Group adopts the comprehensive utilization project of circulating water and the optimization of cleaner production plan in the production process to reduce the consumption of water resources. The comprehensive utilization project of circulating water effectively recovers the cooling water and reuses it after cooling. The comprehensive utilization of circulating water project makes the utilization rate of water circulation above 80%, saves water and improves the utilization rate of resources. In addition, the Group has set up decolorization treatment facilities, which can reduce the chromaticity in the sewage discharge index from above 50 to below 30.

Hazardous and Non-hazardous Waste Disposal

The Group's non-hazardous waste discharge mainly includes solid waste generated during the production of traditional Chinese medicines, which are mainly traditional Chinese medicinal material waste slag and boiler slag. Except for a very small amount of waste liquid of approximately 2.29 tonnes (2020: approximately 1.26 tonnes) generated by the scientific research center, the Group does not generate hazardous waste. For the waste liquid generated by the scientific research center, we will entrust a qualified hazardous waste treatment service provider for harmless disposal.

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

The Group has set a waste generation target of maintaining its non-hazardous waste intensity in 2022 to be not more than the 2021 level. For the treatment of solid waste, various departments and workshops will classify and manage the generated solid waste, and take measures to comprehensively utilize it to reduce the pressure of disposal. In addition, the Group adopts advanced production technology, environmentally friendly raw and auxiliary materials, carries out clean production activities, adopts source control and comprehensive utilization, recycling, and minimizes the amount of solid waste generated. The Group makes good use of the waste residues of Chinese herbal medicines and processes them, so that the waste residues of Chinese herbal medicines produced from the processing can replace the boiler coal, which can save about 20 tonnes of standard coal per day, and the boiler slag can be used as building materials. The Group has also implemented the "Comprehensive Alcohol Recycling Project", which effectively realizes the recycling of alcohol waste liquid, which can recover 2,000 tonnes of alcohol every year and reduce the newly purchased alcohol by 3,000 tonnes.

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During the Reporting Period, the intensity of non-hazardous waste generated by the Group decreased by approximately 13% to approximately 3.17 tonnes per employee (2020: approximately 3.66 tonnes per employee). The reduction in non-hazardous waste intensity was due to the effective implementation of the Group's waste reduction measures. In the course of operation, the Group inevitably generates waste, but through effective relevant waste treatment strategies and policies, the Group has minimized the environmental risks and impacts caused by waste.

A2. USE OF RESOURCES

Energy Consumption

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

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

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

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



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In 2021, the direct and indirect energy consumption are 235,305.95 MWh and 19,368.10 MWh respectively. The Group's main sources of the direct energy consumption are diesel, liquefied petroleum gas, natural gas, acetylene and steam generated by the combustion of coal, while the Group's main source of the indirect energy consumption is purchased electricity. In 2021, the total energy consumption of the Group was approximately 254,674.05 MWh, and the total energy consumption intensity was approximately 69.32 MWh/employee.

The Group has set an energy efficiency target of maintaining its purchased electricity intensity in 2022 to be not more than the 2021 level. In order to pursue the energy efficiency target, the Group has completed various improvement projects to save energy and reduce emissions:

- As the oral liquid workshop seldom uses compressed air on a daily basis, a 55KW air compressor in the workshop normally provides compressed air, and the loading rate is less than 10%, which wastes a lot of electric energy. We have therefore modified the pipeline connection and provided compressed air from the soft capsule workshop. After the modification, the air compressor in the oral liquid workshop was disabled, thereby saving 8.6 tonnes of standard coal per year;
- Roots blower in sewage station is old and inefficient, so it is replaced by air suspension centrifugal blower, 21 tonnes of standard coal can be saved annually;
- The second workshop of traditional Chinese medicine uses a lot of steam and the condensed water flows back to the power workshop, which waste a lot of heat energy. It is now used for alcohol recovery through pipeline connection, followed by returning to the power workshop after absorbing part of the heat, which eliminates the usual steam used in alcohol recovery and saves 238.7 tonnes of standard coal annually; and
- Due to the leakage of fire-fighting water, the Group operates 30-kWh-fire-fighting pumps all year round. In order to solve the leakage problem, 7.5KW is now used instead of 30KW to maintain the pressure, and the pressure is automatically switched to 30KW when the pressure is lower than the set value, which saves a lot of electricity and achieves an annual saving of 24.6 tonnes of standard coal.

The Group also makes good use of the Energy Management System to monitor the water, steam, electricity and other energy mediums consumed in our operation by the usage of the automatic, monitoring and decentralized control system, so as to realize the efficient utilization of energy.

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

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Electricity consumption

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

Use of paper

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

Others

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

Water Consumption

During the Reporting Period, the water withdrawal intensity of the Group decreased by approximately 1% to approximately 107.46 tonnes per employee as compared to 2020 (2020: approximately 108.72 tonnes per employee). The reduction in the water consumption intensity was due to the effective implementation of the Group's water-saving measures. During the Reporting Period, the Group's water withdrawal was approximately 394,795 tonnes, all of which came from groundwater. The Group's total water consumption was approximately 54,253 tonnes. During the Reporting Period, the Group did not use reclaimed water.



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The Group has set a water efficiency target of maintaining its water consumption intensity in 2022 to be not more than the 2021 level. The circulating water comprehensive utilization project effectively recycles and reuses the cooling water, thus saving water and improving the resource utilization rate. The Group's cooling tower circulating pool has a total storage capacity of 2,400 tonnes, a daily replenishment capacity of 310 tonnes, and a circulating water utilization rate of about 85%. In addition, the Group has also taken different measures to improve the quality of utilized circulating water: adding slow-release scale inhibitor, bactericidal algacide and water for bottle washing into the circulated water to improve its quality, increasing the concentration multiple from 2.5 to 3.5, etc. Besides, we actively implement the transformation for the condensate water recovery system in the boiler room, in order to recycle water during the production process as much as possible and reduce water consumption. The efficiency of the Group's circulating water comprehensive utilization project is above 80%, saving 600,000 tonnes of water annually.

In order to save water, we cleaned the equipment such as the spray tower in the Chinese medicine workshop from rinsing to adding high-pressure water gun cleaning. Changing the dilution water of the sewage station from original drinking water to treated greywater for the dilution process, in order to reduce the consumption of water resources. In addition, the wastewater after washing in the injection workshop is used as cooling water in the circulating pump pool of the Chinese medicine workshop to reduce the amount of water refilled. In 2021, the Group did not have any issues in sourcing water that is fit for purpose as the Group's operating sites have stable water supply system.

The sprinkler system of the Group's gardens is derived from the condensed water in the production workshop, and the condensed water is used to green the environment. At the same time, through changing the cleaning method, such as changing the water pipe flushing to spray gun or cleaning ball cleaning, we can save more water. The Group also regularly maintains valves and pipelines, and leaking pipelines must be replaced and repaired in a timely manner. In addition, through the transformation of the interlayer pipeline in the third workshop of injection, the water is collected and discharged to the underground pool in the southeast corner of the workshop, and then transported by submersible pumps to the second workshop of traditional Chinese medicine and the power plant for reuse. This can not only reduce the sewage treatment volume by 300 tonnes per day, but also save 300 tonnes of water and save 100,000 tonnes of water annually. We also replaced the original herbal washing equipment by purchasing herbal dry-cleaning machines, saving 2,000 tonnes of water annually. Through the above water-saving measures, the Group was rated as a water-saving enterprise through the provincial and municipal water conservancy systems.

Use of Packaging Materials

The Group realizes that packaging waste has growing attention, therefore it establishes the "Sustainable Packaging Policy" in order to adopt sustainable packaging methods in our operations. The packaging of the Group's products follows the principle of reduction, easy recycling, reusable, and refillable. We try to use decomposable packaging materials as much as possible to reduce the use of plastic packaging. During the Reporting Period, the total packaging materials used by the Group was approximately 1,632,120 pieces of carton, approximately 181,333,220 packaging boxes, and approximately 175,500,000 sheets of drug instructions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. THE ENVIRONMENT AND NATURAL RESOURCES

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

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

Green Production

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

Green Building and Construction Project's Feasibility

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

Environmental Safety Emergency Response Mechanism

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

Biodiversity

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A4. CLIMATE CHANGE

Extreme weather is getting more serious, and tackling climate change has become a global consensus. We are also aware that its physical risks may cause direct damage to the operations of the Group or indirect impact on the supply chain, thereby posing environmental risks and financial impacts on the Group. In order to avoid and mitigate these risks, the Group has established the “Climate Change Policy” to formulate climate change policy guidelines and strategies consistent with global best practices, and to take sufficient measures to build climate change resilience to adapt or mitigate the impact of climate change on its business, while fulfilling its corporate social responsibilities.

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

On the other hand, we have added climate change into the considerations of risk management assessment. We not only consider the potential risks of climate change to our business, but also explore the potential benefits of climate change for our operations and integrate them into our operational processes, and explore opportunities of developing new products. During the Reporting Period, the Group continued to closely monitor the following risks that might be caused by climate change:

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Physical Risks

Extreme weather such as typhoons and heavy rains resulted from climate change may disrupt business operations in the short term. In order to minimize disruption to our business operations, the Group has formulated a set of contingency measures for severe weather to minimize the negative impact on the business.

In addition, the Group is also fully aware that extreme weather conditions may endanger the health and safety of employees. Therefore, we have developed comprehensive arrangements for conditions including typhoons, rainstorms and heat waves to protect the health and safety of our employees in extreme weather conditions. The Group also tries its best to take into account the different situations faced by individual employees under extreme weather conditions, such as the place of residence, nearby roads and traffic conditions, and adopts flexible handling methods depending on the actual difficulties and needs of the employees. For example, the Group implements flexible working hours for employees. At the same time, in case of extreme weather conditions, the Human Resources Department will remind and notify employees of the latest weather conditions through messaging applications or email.

Transition Risks

Policy actions and emerging technologies on climate change will continue to develop, for example, switching to low-carbon energy sources and supporting the transition to a low-carbon economic system may bring risks to the Group's technological transformation and increase its costs. The impression of customers, the community and the media on whether the Group can commit to low-carbon transformation may also bring risks to the Group's image and reputation.

In terms of legal risks, the Group expects that the laws and regulations related to climate change will be more stringent, for example, local governments may adopt more aggressive policies and measures to limit GHG emissions. Therefore, the Group might be exposed to legal risks and may need to bear higher operating costs to comply with regulatory changes. In response to possible legal risks, the Group has taken a series of measures. First, the Group continuously monitors any changes in laws or regulations. Second, the Group has consulted compliance advisors to reduce legal risks. Third, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing GHG emissions. As we go beyond current compliance requirements, we have higher adaptability to tighter regulations that may arise.

Environmental data summary

Air Emissions

Types of air emissions	Unit	2021	2020	2019
Nitrogen oxide emissions (NO _x)	tonnes	5.99	3.67	13.63
Nitrogen oxide emissions (NO _x) intensity	tonnes/million RMB sales	0.0019	0.0014	0.0050
Sulfur oxide emissions (SO ₂)	tonnes	3.23	0.80	3.78
Sulfur oxide emissions (SO ₂) Intensity	tonnes/million RMB sales	0.0010	0.0003	0.0014
Dust	tonnes	0.62	0.69	1.68
Dust Intensity	tonnes/million RMB sales	0.0002	0.0003	0.0006

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GHG Emissions

Indicator	Unit	2021	2020	2019
Direct GHG emissions (Scope 1)	tCO ₂ e	76,087	100,252	111,082
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	16,885	7,391	9,492
Other indirect GHG emissions (Scope 3)	tCO ₂ e	24,822	23,345	24,561
Total GHG emissions (Scope 1, 2 and 3)	tCO ₂ e	117,794	130,989	145,136
Intensity	tCO ₂ e/employee	32.06	38.07	39.31
	tCO ₂ e/million RMB sales	36.54	49.32	53.63
	tCO ₂ e/EBITDA (in million RMB)	130.34	211.26	170.66

Waste Emissions

Types of waste	Unit	2021	2020	2019
Non-hazardous waste types				
Chinese herbal medicine waste residue	tonnes	9,267	10,450	13,473
Boiler slag	tonnes	2,374	2,150	2,164
Total (delivered to landfill)	tonnes	11,641	12,600	15,637
Intensity	tonnes/employee	3.17	3.66	4.24
	tonnes/million RMB sales	3.61	4.74	5.78
	tonnes/EBITDA (in million RMB)	12.88	20.32	18.39
Hazardous waste types				
Effluent liquor	tonnes	2.29	1.26	0.88
Total	tonnes	2.29	1.26	0.88
Intensity	tonnes/employee	0.0006	0.0004	0.0002
	tonnes/million RMB sales	0.0007	0.0005	0.0003
	tonnes/EBITDA (in million RMB)	0.003	0.002	0.001

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Energy Consumption

Types of energy	Unit	2021	2020	2019
Electricity	kWh	19,368,100	8,279,900	10,591,800
Intensity	kWh/employee	5,271.67	2,406.25	2,868.85
	kWh/million RMB sales	6,008.31	3,117.78	3,914.20
	kWh/EBITDA (in million RMB)	21,430.98	13,353.90	12,454.93
Steam ¹	tonnes	307,458.07	270,566	273,260
Intensity	tonnes/employee	83.68	78.63	74.01
	tonnes/million RMB sales	95.38	101.88	100.98
	tonnes/EBITDA	340.21	436.37	321.33
	(in million RMB)			
Other energy ^{2,3}	kWh	441,956.13	N/A	N/A
Intensity ³	kWh/employee	120.29	N/A	N/A
	kWh/million RMB sales	137.10	N/A	N/A
	kWh/EBITDA (in million RMB)	489.03	N/A	N/A

Notes:

1. In 2021, the 307,458.07 tonnes of steam consumed by the Group was equivalent to approximately 234,863,991.36 kWh, steam was mainly generated by the combustion of coal.

2. Other energy include the energy consumption from the use of diesel, liquefied petroleum gas, natural gas and acetylene.

3. Relevant figures have been disclosed from 2021 onwards.

Water and Effluents

Indicator	Unit	2021	2020	2019
Water withdrawal	tonnes	394,795	374,117	350,555
Water discharge	tonnes	340,542	353,478	305,112
Water consumption	tonnes	54,253	20,639	45,443
Water withdrawal intensity	tonnes/employee	107.46	108.72	94.95
	tonnes/million RMB sales	122.47	140.87	129.55
	tonnes/EBITDA	436.84	603.38	412.22
	(in million RMB)			
Water consumption intensity	tonnes/employee	14.77	6.00	12.31
	tonnes/million RMB sales	16.83	7.77	16.79
	tonnes/EBITDA	60.03	33.29	53.44
	(in million RMB)			

Use of Raw Material

Indicator	Unit	2021	2020	2019
Raw material (Including Chinese herbs)	tonnes	9,853	7,678	N/A
Auxiliary materials	tonnes	10,100	1,000	N/A

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Use of Packaging Material¹

Type of packaging material	Unit	2021	2020	2019
Carton	pieces	1,632,120	1,180,607	1,490,211
Packaging boxes	boxes	181,333,220	143,692,976	172,646,006
Instruction	sheets	175,500,000	143,680,366	179,131,232

Environmental Compliance

Indicator	Unit	2021	2020	2019
Environmental violation cases	number	-	-	-
Environmental fines	RMB	-	-	-

Significant Spill

Indicator	Unit	2021	2020	2019
Total number of serious spills	number	-	-	-
Total amount of serious spills	tonnes	-	-	-

Remark:

1. Due to the limitation of the Group's data collection system, the Group is not able to obtain the data relating to the weight of packaging materials.

B1. EMPLOYMENT

Employee Benefits and Equal Opportunity Policies

Equal Opportunity, Diversity and Anti-discrimination

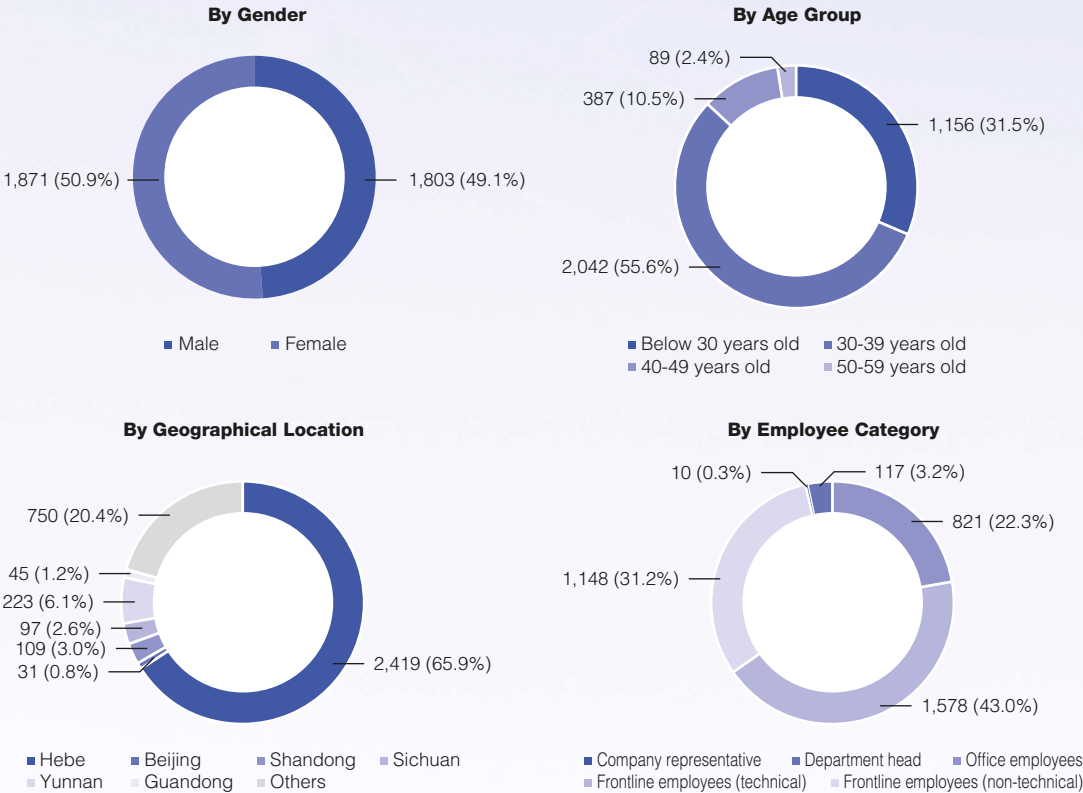
"People-oriented" is the concept of human resources management adopted by the Group and is also the cornerstone of the Group's long-term development. The Group believes that under the corporate culture of "employing talent and team spirit", we can achieve "ensure profit and balanced development" in the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

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The relevant laws and regulations include, but are not limited to, the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》).

As at 31 December 2021, the Group had a total of 3,674 employees, all of whom were full-time fixed contract workers. With a male-to-female ratio of approximately 1:1, while female contributed to 26.34% of the Group's middle and senior management (i.e., company representative and department head). For detailed human resources related information, please refer to the charts below and "Social Data Summary".

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As at 31 December 2021, the number of employees of the Group by category is as follows:



Recruitment and Promotion

The Group has formulated the “Policy on the Group Recruitment Management” based on the principles of openness, fairness and justice. The policy regulates recruitment management, defines the recruitment process and methods, regulates employee recruitment, selection, employment, and procedures for turning into regular worker, and improves recruitment efficiency and quality, so as to timely meet the overall manpower needs of the Group. The Group has also formulated the “Policy on the Labor Contract Management” to uniformly regulate and manage labor contracts, including the dissolution and termination process of labor contracts.



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Remuneration and Benefits

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

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

The Group values gender equality. During the Reporting Period, the gender pay gap between the employee categories company representative, department head, office employees, frontline employees (technical) and frontline employees (non-technical) are approximately 0%, approximately 10%, approximately 29%, approximately 14% and approximately 20%.

B2. HEALTH AND SAFETY

Safety Production

Human resources are the valuable asset of the Group. We adhere to the production philosophy of “safety first, prevention oriented and comprehensive management” and prioritizes employees’ health and safety. The Group has established and improved the occupational safety and health management system, audited by the BSI Management Systems Limited annually, and has performed well for decades. The new version of the “ISO 45001-2018 Occupational Health and Safety Management Systems” has passed the audit, guaranteeing the safety and health of employees in the workplace.

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

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

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

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

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



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

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

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

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

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COVID-19 Measures

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

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

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include, but are not limited to, the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》). The Group was not aware of any material non-compliance with laws and regulations relating to workplace health and safety during the Reporting Period. During the Reporting Period, the Group identified the occurrence of 7 work-related injuries, and the number of lost days due to work-related injuries was 682. In the past three years, including the Reporting Period, the Group achieved zero work-related fatalities. For detailed health and safety related information, please refer to "Social Data Summary".



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B3. DEVELOPMENT AND TRAINING

Development and Training for Employees

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

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

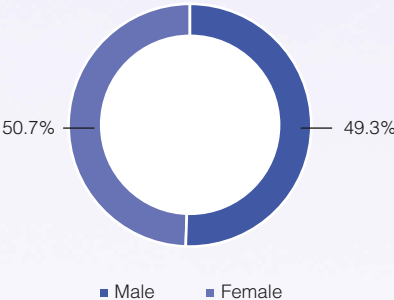
The Group has already introduced the Amoeba Management Project as a training platform to make employees a part of the Group's management with the attempt to achieve a win-win situation among employees and the Group. Training courses include role positioning, team management techniques and so on. Besides,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

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

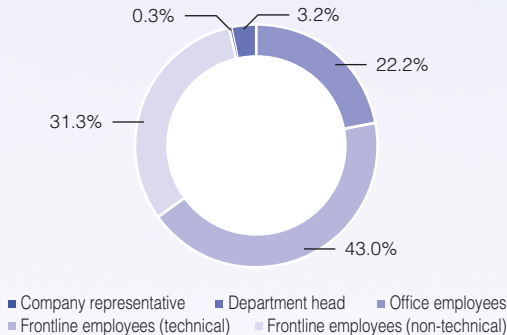
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group has invested approximately RMB420 thousand in employee training, a total of approximately 4,331 employee training hours, and the percentage of employees being trained was approximately 99.3%. For detailed development and training related information, please refer to the chart below and “Social Data Summary”.

Trained Employees by Gender



Trained Employees by Employee Category



B4. LABOUR STANDARDS

Prevention of Child Labor and Forced Labor

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

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

At the same time, the Group will not engage those suppliers who are aware of the use of child labor or forced labour in their operations to provide products and services. During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to preventing child and forced labor. The relevant laws and regulations include, but are not limited to, the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People’s Republic of China (《中華人民共和國合同法》). During the Reporting Period, the Group did not identify any operations or suppliers with significant risks of using child labor or forced labor. The Group conducts internal audit on the recruitment procedures regularly in order to prevent child labor and forced labor. If it is found that child labor or forced labor is inadvertently employed, the Group will immediately stop the work of such child labor or forced labor.



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Human Rights Policy

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

B5. SUPPLY CHAIN MANAGEMENT

Environmental and Social Risk Management of Supply Chain

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

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

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

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

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Local Procurement

In the procurement process, the Group has always adhered to the principle of local procurement. We hope to boost local economy through the promotion of procurement from mainland China as much as possible for the benefit of both society and the country. During the Reporting Period, the Group had 258 qualified suppliers, in which most are from mainland China, accounting for approximately 98.8%. In addition, during the Reporting Period, the Group's procurement budget for its suppliers in mainland China for the production of Shijiazhuang headquarters was approximately RMB676.6 million accounted for approximately 96.6% of its total procurement budget.

Sustainable Supply Chain Management

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

B6. PRODUCT RESPONSIBILITY

Quality and Safety of Products

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

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



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The Group has deliberately set up the “Policy on the Special Item Safety Management” according to the Pharmaceutical Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》), Regulation on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), Measures for the Transport of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品運輸管理辦法》), Regulation on the Administration of Precursor Chemicals (《易制毒化學品管理條例》), Measures for the Administration of Precursor Chemicals for Drugs (《藥品類易制毒化學品管理辦法》), Regulation on the Safety Administration of Dangerous Chemicals (《危險化學品管理條例》), Measures for Authorization on the Purchase and Road Transport of Highly Toxic Chemicals (《劇毒化學品購買和公路運輸授權管理辦法》) and other regional laws and regulations. This policy is to strengthen the safety management, use, and supervision of the Group’s special items (such as materials containing psychotropic substances) to prevent the occurrence of accidents and leakage of any special items. At the same time, according to the national laws and related regulations, the Group has established the “Policy on the Management of Drug Recalls”, which can be launched at any time and implemented promptly to ensure the effectiveness of product recall for confirmed or suspected products with quality problems in the market, and minimizing the impacts on patients. If there is no product recalled, the Group regularly conducts drug recall drills in accordance with the “Drug Simulation Recall Emergency Plan”.

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

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

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

- Shineway Pharmaceutical will be listed in the “Notice on Praising Excellent Work Units of National Adverse Drug Reaction Monitoring and Evaluation in 2020” issued by the National Adverse Drug Reaction Monitoring Center in 2021;
- Shineway Pharmaceutical won the “Pharmaceutical Industry Award” in 2021 The 13th Five-Year Enterprise Management Award- Outstanding Enterprise in Green Development;

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- Shineway's "Yunnan Province Chinese Medicine Formula Granule Engineering Research Center" is listed in the list of provincial engineering research centers in Yunnan Province in 2021, and it is the first Chinese medicine formula granule engineering research center in Yunnan Province;
- Shineway Pharmaceutical ranks among the top 20 "Chinese Traditional Chinese Medicine Enterprises in 2020";
- Shineway Pharmaceutical was selected as the 2020-2021 Pharmaceutical Industry Comprehensive Competitiveness Index TOP100 Enterprise, and was also selected as the 2020-2021 Pharmaceutical Industry Comprehensive Competitiveness Index and Chinese Patent Medicine Index Top 50 Enterprise;
- Shineway Pharmacy was selected as "2020-2021 Comprehensive Competitiveness Index TOP100 Enterprises of Pharmaceutical Retail Enterprises";
- Hebei Shineway Pharmacy Limited won the 20th place in the "Top 100 Pharmacy Direct Chain Enterprises in China" and the 36th place in the "Top 100 Pharmacy Value Rankings in China";
- Shineway Pharmacy won the "Safety Combination Drug Practice Award" on December 3, 2021;
- Shenmiao Xiaoe Qingfei Huatan Granules launched by Shineway Pharmaceutical is listed on the 2021 Chinese Pharmaceutical Brand List;
- The Hebei Provincial People's Government listed Shineway as the "Key Leading Enterprise of Agricultural Industrialization in Hebei Province" to affirm Shineway's achievements in guiding production, supporting bases, and developing markets;
- The China Pharmaceutical Business Association presented Shineway with the "Best Support Award" in recognition of Shineway's outstanding contributions to the pharmaceutical industry; and
- Shineway Pharmaceutical was rated as "Hebei Province Pharmaceutical Industry Technology Collaborative Innovation Platform Workstation" by Hebei Provincial Drug Administration; "Hebei Province Integrity Enterprise" by Hebei Province Integrity Enterprise Selection Committee; rated by All-China Federation of Industry and Commerce Pharmaceutical Industry Chamber of Commerce "The Most Influential List of China's Pharmaceutical Industry in 2020 – Law-abiding and Integrity Enterprises"; awarded "Top Ten Standardized Planting (Cultivation) Bases for High-Quality Authentic Chinese Medicinal Materials" by the All-China Federation of Industry and Commerce Pharmaceutical Chamber of Commerce; awarded by Hebei Province Quality Nine units including the Association, the Federation of Trade Unions, the Market Supervision Administration, and the Department of Industry and Information Technology were rated as "Excellent Enterprises in Hebei Province Quality Management Team Activities in 2021".



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During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The relevant laws and regulations include, but are not limited to, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》), the Measures for the Reporting and Monitoring of Adverse Drug Reactions (Order No. 81 of the Ministry of Health) (《藥品不良反應報告和監測管理辦法》(衛生部令第81號)) and the Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders (Announcement No. 66 of 2018) (《國家藥品監督管理局關於藥品上市許可持有人直接報告不良反應事宜的公告》(2018年第66號)).

Customer After-sales Service and Privacy Policy

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

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

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

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Intellectual Property Management

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

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

R&D and Innovation

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

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



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

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

During the Reporting Period, the Group has cumulatively applied for 273 invention patents and possessed 139 authorized invention patents, including 13 foreign invention patents. These patent results have become the driving force for the Group's future development, further enhancing the technological advancement and market competitiveness of the Group's products, and providing strong technical support for the Group's sustainable development.

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

- Two Shineway pharmaceutical exclusive drugs, Jiang Zhi Tong Luo Soft Capsule and Dan Deng Tong Nao Soft Capsule, were included in the National Medical Insurance Drug List (2020 Edition) by the National Healthcare Security Administration after successful negotiation;
- In February 2021, according to the "Rehabilitation Plan of Integrated Traditional Chinese and Western Medicine for Patients with Novel Coronavirus Pneumonia in Hebei Province", the emergency filing of Qingjin Yiqi Granules Chinese medicine preparation was approved by Shijiazhuang Fifth Hospital, and Shineway was clearly entrusted to prepare it for the treatment of COVID-19 patients during convalescence;

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- Shineway Pharmaceutical Huamoyan Granule is currently the only innovative Chinese patent medicine for the treatment of synovitis approved by the State Food and Drug Administration, and it is listed in the National Medical Insurance List and the National Essential Drug List;
- Shineway's new gynecological product "Xiao Jie An Capsule" has become a national medicine, a patent medicine and a national medical insurance product. More than 20 experts affirmed the clinical efficacy of "Xiao Jie An Capsule" in the treatment of breast hyperplasia, uterine fibroids, adenomyosis, pelvic inflammatory mass and other diseases;
- According to the China Nonprescription Medicines Association, Shineway Pharmaceutical's products, Xiaoyer Qingfei Huatan Granules and Huo Xiang Zheng Qi soft Capsules, ranked first and second respectively in the comprehensive statistics of China's OTC products in 2021; and
- Xiaoyer Qingfei Huatan Granules launched by Shineway Pharmaceutical is also listed in the "2021 Chinese Pharmaceutical Brand List" of "MENET".

Advertising and Labelling

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

B7. ANTI-CORRUPTION

Anti-corruption and Fraud Prevention

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

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



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During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to, the Regulations for the Implementation of the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and 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》), there was no concluded legal case regarding corrupt practices brought against the Group's issuer or its employees during the Reporting Period. Besides, the Group was not aware of any confirmed incidents of corruption during the Reporting Period, nor did it record any related employees who were dismissed or subject to disciplinary actions due to corruption or confirmed incidents due to corruption-related violations and the termination or non-renewal of contracts with business partners. In order to fully assess the corruption-related risks of operating sites, the Group conducts risk assessments on all foreign-related departments. All operating sites (i.e., 100%) have conducted corruption-related risk assessments, and the Group's anti-corruption policies and procedures have also been communicated to all members of the governance body, employees of various departments and related business partners (i.e., 100%). All members and employees of the Group's governance bodies (i.e., 100%) have received anti-corruption training.

Whistle-blowing and Internal Audit Mechanism

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

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

B8. COMMUNITY INVESTMENT

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

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Community Contribution

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

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

During the Reporting Period, the Group invested a total of approximately 766 hours, RMB2,805,400 and donated 200,000 bags of medical products to charitable activities. The Group has participated in multiple charitable donations over years, and has been repeatedly praised by government agencies for its great contribution to the development of the industry and society. The Group has been awarded "China Charity Award" by the Ministry of Civil Affairs, the "China Red Cross Fraternity Medal", the "Outstanding Corporate Social Responsibility Award" in Chinese pharmaceutical industry, National Model Labor Relations Harmonious Enterprise, the Advanced Private Enterprise in Employment and Social Security in China, "The Best Enterprise in Social Responsibility" in Hebei Province, Outstanding Enterprise in Compliance and Integrity in Chinese pharmaceutical industry and the Best Employer Award in China and other honors.

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The charitable activities participated or organized by the Group in 2021

Shineway Pharmaceutical donated 200,000 bags of traditional Chinese medicine granules for epidemic prevention and control in Shijiazhuang

On 9 January, Shineway Pharmaceutical donated 200,000 bags of Lu Hua Fang Wen Decoction, an anti-epidemic prescription prepared with traditional Chinese medicine granules, to the government of Gaocheng District, Shijiazhuang City for epidemic prevention and control, and to escort patients and front-line medical staff and other staff. It also promised to ensure the quality and quantity of Chinese medicine formula granules prepared in the city to prepare Luhua Fangwen Decoction and other anti-epidemic prescriptions to ensure timely supply and meet the use of epidemic prevention and control.



Shineway Pharmaceutical went to first-line hospitals, and donated 8,140 boxes of epidemic prevention and control drugs to support epidemic prevention and control

On 16 January, Shineway Pharmaceutical donated 8,140 boxes of epidemic prevention and control drugs such as Huo Xiang Zheng Qi Soft Capsule, Qing Kai Ling Soft Capsule, and Pseudomonas aeruginosa injection for epidemic prevention and control in Shijiazhuang through six hospitals, including the Hebei Provincial Red Cross Society to Hebei Provincial Chest Hospital, Shijiazhuang City Fifth Hospital, Shijiazhuang City People's Hospital, Hebei Medical University Second Hospital, Hebei Medical University Fourth Hospital, Hebei Province Middle School Hospital.



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Shineway Pharmaceutical assisted the education of 100 students in Zanzhuang

On 30 May, Shineway Pharmaceutical, together with Zanzhuang County Charity Association, distributed a total of RMB218,400 of stipends to 100 students from families with financial difficulties in Zanzhuang County, giving these children physical support and spiritual comfort to help them solve the immediate difficulties, so that they can live and study with peace of mind. Since last year, Shineway Pharmaceutical has started to provide financial aid to students from families with financial difficulties in Zanzhuang County, with a total amount of RMB106,200. This year, Shineway decided to increase the number of students to 100, help more needy students within the company's capabilities, and support the children's hope of realizing their dreams under caring.



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Shineway Pharmaceuticals condolences to people working at high temperature, and donates public welfare to traffic police and Meituan riders

On 9 June, Shineway Pharmaceutical cooperated with Wanmin Chain Pharmacy to deliver cool gift packs from Shineway Pharmaceutical to more than 200 Meituan riders working in the sweltering summer and the traffic police working hard on the front line, paying tribute to sanitation workers, outdoor workers such as takeaway delivery workers, arousing society's concern and caring for people working at high temperature.



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Dedicating love and saving lives, the Party Committee of Shineway Pharmaceutical encouraged employees to donate blood voluntarily

On 20 July, the Shineway Pharmaceutical Party Committee actively organized party members and the public to carry out voluntary blood donation activities within the enterprise. In order to ensure the orderly development of blood collection and supply during the normalized epidemic prevention and control period, and to effectively prevent, timely respond to and eliminate blood collection and supply crises caused by various reasons, the Party Committee of Shineway Pharmaceutical encourages employees to bravely assume social responsibilities and donate blood that can be regenerated. Hundreds of employees participated in this voluntary blood donation, a total of 23,000ml of blood was donated. The Group is also the first non-public enterprise in Luancheng District to organize blood donation in this blood donation activity.



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Shineway Pharmaceutical donated medicines worth RMB1 million to support flood control and disaster relief in Henan

Shineway Pharmaceutical is concerned about the disaster situation in Henan, and always pays attention to the situation of flood control and disaster relief. On July 23, it promptly donated RMB1 million worth of medicines such as Shineway Qingkailing Soft Capsule, Shineway Huoxiang Zhengqi Soft Capsule, etc. to local medical institutions in Henan to support flood control and disaster relief in Henan.



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Yunnan Shineway Spirin Pharmaceutical Company Limited donated Chinese medicine formula granules with a total value of RMB627,000 for the prevention and control of the border epidemic in Gengma County, Yunnan Province

“The green hills are together with the clouds and rain, and the moon has never been two towns.” This poem, full of true feelings in adversity and boundless love, was written one by one on a batch of cardboard boxes of epidemic prevention and control materials with a total value of RMB627,000. This is the scene seen at the donation ceremony held by Yunnan Shineway Spirin Pharmaceutical Company Limited on December 30, 2021, in Mengding Town, Gengma Dai and Wa Autonomous County, Lincang City, Yunnan Province. In order to help the local epidemic prevention and control, Yunnan Shineway Spirin Pharmaceutical Company Limited shouldered its social responsibility and donated this batch of anti-epidemic prescriptions prepared with Shineway Chinese Medicine Formula Granules to the local through the Red Cross Society of Gengma Dai and Wa Autonomous County, Lincang City, Yunnan Province. The safety and health of the local people are escorted.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Tribute to heroes! Shineway Pharmaceutical launched the “The Battle at Lake Changjin” patriotism education movie viewing activity!

On October 11, Shineway Pharmaceutical launched the “The Battle at Lake Changjin” patriotic education and viewing activity, and organized nearly 500 employees to watch the movie “The Battle at Lake Changjin” together to accept the baptism and sublimation of the patriotic spirit, further strengthened the ideological education of party members and employees, enriched the spiritual and cultural life of party members and the majority of employees, and enhanced the cohesion and combat effectiveness of the team.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

“Thanksgiving for people working outdoor at high temperature, Shineway Relief Public Welfare Tour” – the 4th Shineway Pharmaceutical Huo Xiang Zheng Qi Soft Capsule Cool Season Activities

In 2021, Shineway Pharmaceuticals will collaborate with major chain pharmacies to hold the “Thanksgiving for People Working at High Temperatures, Shineway Relieving Summer Public Welfare Tour” – the 4th Shineway Abominal-eze Soft Capsule Season Activity, paying tribute to outdoor workers and arousing social support. The concern and care of the groups working at high temperature. The gift package includes Shineway Abominal-eze Soft Capsule, chrysanthemum, herbal lotion, masks, wind oil essence, etc., as well as other practical summer cooling products. A total of 32 events were held in Hebei, Henan, Shandong, Hubei, Hunan, Anhui, Guangdong, Fujian, Jiangsu, Liaoning, Shanxi, Sichuan, etc., with a total cost of RMB640,000.



Shineway Pharmaceutical launches Wufu Health Lecture Hall Activities in-depth.

In 2021, Shineway Pharmaceutical went into the community to carry out a series of Wufu Health Lecture activities and launched cardiovascular and cerebrovascular disease education activities across the country for the popularization of such knowledge, as well as to protect middle-aged and elderly people’s heart and brain health! More than 800 events were held in Hebei, Henan, Heilongjiang, etc.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Ignite the hope of life, Shineway Benevolence Fund warms the employees

On November 7, a benevolence fund of RMB20,000, which was full of the care of the chairman of the Group and the families of all employees, was delivered to Zhang Xin, the manager of Yunnan Province of the Brand Business Department, to bring him hope and help him overcome the disease.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Shineway Pharmaceutical helped with the prevention and control of epidemic in Hong Kong

As a listed company in Hong Kong, Shineway Pharmaceutical has always been concerned about the development and changes of the epidemic situation in Hong Kong. On March 16, 2022, 150,000 boxes of Shineway Huoxiang Zhengqi Soft Capsules donated promptly by Shineway Pharmaceutical to Hong Kong were successfully delivered to Hong Kong. Shineway Pharmaceutical ensured that this batch of materials, which was worth about HK\$5.7 million was supplied within the shortest time with the quality and quantity safeguarded, and the shipping to Hong Kong was ongoing even at night. This batch of supplies will be distributed by the relevant departments of the Special Administrative Region government to those in need to assist citizens in their fight against the epidemic.¹

Shineway Pharmaceutical will continue to take advantage of the characteristics of traditional Chinese medicine, actively arrange related work, and join hands with the people of Hong Kong to overcome the difficulties and welcome the flowers in spring together.



Note:

1. The above disclosure covers information up to the publication date of this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Data Highlight

Number of employees

Total number of employees

Number of ethnic minorities

By gender

Male

Female

By age group

Below 30 years old

30 – 39 years old

40 – 49 years old

50-59 years old

60 years old or above

By geographical location

Hebei

Beijing

Shandong

Sichuan

Yunnan

Guangdong

Others

By employee category

Company representatives

Department head

Office employees

Front-line worker (technical)

Front-line worker (non-technical)

	2021	
	Number of employees	Percentage
Total number of employees	3,674	N/A
Number of ethnic minorities	139	3.78%
By gender		
Male	1,803	49.07%
Female	1,871	50.93%
By age group		
Below 30 years old	1,156	31.46%
30 – 39 years old	2,042	55.58%
40 – 49 years old	387	10.54%
50-59 years old	89	2.42%
60 years old or above	–	–
By geographical location		
Hebei	2,419	65.84%
Beijing	31	0.84%
Shandong	109	2.97%
Sichuan	97	2.64%
Yunnan	223	6.07%
Guangdong	45	1.22%
Others	750	20.42%
By employee category		
Company representatives	10	0.27%
Department head	117	3.18%
Office employees	821	22.35%
Front-line worker (technical)	1,578	42.95%
Front-line worker (non-technical)	1,148	31.25%

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Turnover and new employees

	2021			
	Employee Turnover		New employee	
	Number of employee turnover	Percentage ¹	Number of new employees	Percentage ²
Total number of employees	905	25.44%	1,138	31.99%
By Gender				
Male	459	26.36%	582	33.42%
Female	446	24.56%	556	30.62%
By age group				
Below 30 years old	419	40.44%	659	63.61%
30 – 39 years old	405	20.02%	444	21.95%
40 – 49 years old	61	15.16%	30	7.45%
50-59 years old	19	19.79%	5	5.21%
60 years old or above	1	200.00%	–	–
By geographical location				
Hebei	416	17.88%	600	25.78%
Beijing	9	26.47%	3	8.82%
Shandong	46	45.10%	60	58.82%
Sichuan	47	40.52%	9	7.76%
Yunnan	105	53.16%	156	78.99%
Guangdong	17	39.08%	20	45.98%
Others	265	35.93%	290	39.32%

Health and Safety

	2021	2020	2019
Work-related fatality (%)	–	–	–
Work-related fatality rate (%)	–	–	N/A
Serious occupational injuries (%) ³	–	–	N/A
Occupational injuries that can be recorded (%)	–	–	N/A
Number of work injuries	7	2	4
Lost working days due to work-related injuries	682	76	198
Lost working hours due to work-related injuries	5,456	608	1,584
Total working hours	7,348,000.00	6,909,528.00	6,880,592.00

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

1. The calculation method of turnover rate: the total number of departures in that year \div ((total number of employees at the beginning of the year + total number of employees at the end of the year) \div 2) \times 100%.
2. The calculation method of newly hired rate: the total number of newly hired in that year \div ((total number of employees at the beginning of the year + total number of employees at the end of the year) \div 2) \times 100%.
3. The rate of occupational injuries is calculated based on 200,000 working hours.

Development and Training

	2021	
	Training Cost (RMB)	
Total	424,910	
	Training hours (Hours) ¹	Received training employee % ³
Total	4,331.0	99.3%
	Average training hours (Hours) ²	Received training employee % ⁴
Male	1.2	49.3%
Female	1.2	50.7%
Company representatives	35.8	0.3%
Department head	6.4	3.2%
Office employees	0.6	22.2%
Front-line worker (technical)	0.9	43.0%
Front-line worker (non-technical)	1.1	31.3%

Notes:

1. The calculation method of the average training hours: total number of training hours \div total number of employees
2. The calculation method of the average training hours for employees in relevant categories: total number of training hours for employees in the specified category \div number of employees in the specified category
3. The calculation method of the percentage of employees trained: employees who took part in training \div number of employees \times 100%
4. The calculation method of the percentage of employees trained in relevant categories: employees in the specified category who took part in training \div employees who took part in training \times 100%

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Suppliers

	2021
Total number of qualified suppliers	258
The number of suppliers that have assessed the social impact	258
The number of suppliers with significant actual or potential negative impacts has been identified	-
Number of suppliers that have conducted environmental impact assessment	258
The number of suppliers that have a significant actual or potential negative impact on the environment has been identified	-
Supplier location	
Mainland China	255
Overseas	3

Product responsibility

	2021
Percentage of the total number of products sold or shipped that need to be recycled for safety and health reasons	-
Number of complaints received about products and services	-
Accumulatively declared invention patents	273
Accumulative authorized invention patents	139
Accumulatively authorized foreign invention patents	13

Anti-corruption

	2021	
	Total number of people who have received anti-corruption training	%
Board member (member of governing body)	5	62.5%
Senior management	36	100%
Mid-level management	52	100%
Purchasing department	35	100%
Sales department	1,193	100%
Other departments	2,358	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment

	2021		
	Amount invested in public welfare activities (ten thousand RMB)	Time spent in public welfare activities (hours)	Drugs donated in public welfare activities (packs)
Total	280.54	766	200,000

The ESG Reporting Guide Content Index of the Stock Exchange (I)

Mandatory Disclosure Requirements	Section/Statement
Governance Structure	Chairman's Statement ESG Management Stakeholder Engagement Materiality Assessment
Reporting Principles	Reporting Scope
Reporting Boundary	Reporting Framework

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The ESG Reporting Guide Content Index of the Stock Exchange (II)

Subject Areas,

Aspects,

General Disclosures

and KPIs

	Description	Section/Statement
A. Environmental		
Aspect A1: Emissions		
	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations</p>	<p>Emissions – Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal</p>
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Exhaust Gas and GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Hazardous and Non-hazardous Waste Disposal

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Hazardous and Non-hazardous Waste Disposal
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions – Exhaust Gas and GHG Emission
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.	Emissions – Hazardous and Non-hazardous Waste Disposal
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources – Energy Consumption, Water Consumption, Use of Packaging Materials
	Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc	
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).	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Subject Areas,
Aspects,
General Disclosures
and KPIs**

	Description	Section/Statement
Aspect A3: The Environmental and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Green Production, Green Building and Construction Project's Feasibility, Environmental Safety Emergency Response Mechanism, Climate Change, Biodiversity
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risks, Transition Risks

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**Subject Areas,
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General Disclosures
and KPIs**

	Description	Section/Statement
B. Social		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Subject Areas,
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and KPIs**

	Description	Section/Statement
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labor Standards	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p>	Labor Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B5: Supply Chain management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Product Responsibility
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

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**Subject Areas,
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	Description	Section/Statement
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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GRI CONTENT INDEX

GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 102: Organizational Profile 2016		
102-1	Name of the organization	Cover
102-2	Activities, brands, products, and services	Introduction
102-3	Location of headquarters	About Shineway
102-4	Location of operations	About Shineway
102-5	Ownership and legal form	Cover, Introduction
102-6	Markets served	Introduction
102-7	Scale of the organization	About Shineway, (Annual Report 2021) Financial Statements
102-8	Information on employees and other workers	Employment
102-9	Supply chain	Supply Chain Management
102-10	Significant changes to the organization and its supply chain	About Shineway
102-11	Precautionary Principle or approach	Product Responsibility
102-12	External initiatives	Sustainable Development Goals Policies
102-13	Membership of associations	About Shineway
102-14	Statement from senior decision-maker	Chairman's Statement
102-16	Values, principles, standards, and norms of behavior	Core Values, Missions

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GRI Indicator	Description	Report chapter/ Website reference and notes
102-18	Governance structure	ESG Management, Corporate Social Responsibility and Sustainability Committee Management Structure
102-40	List of stakeholder groups	Stakeholder Engagement
102-41	Collective bargaining agreements	As the Group's operation is in China, collective bargaining agreements are not applicable.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	(Annual Report 2021) Financial Statements
102-46	Defining report content and topic Boundaries	Reporting Scope
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	Not applicable, as the Group does not have any reasons that required to have any restatements of information
102-49	Changes in reporting	Reporting Scope
102-50	Reporting period	Introduction
102-51	Date of most recent report	Introduction
102-52	Reporting cycle	Introduction
102-53	Contact point for questions regarding the report	Contact Us

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GRI Indicator	Description	Report chapter/ Website reference and notes
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Framework
102-55	GRI content index	Global Reporting Initiative Content Index
102-56	External assurance	We rely on the internal information monitoring and checking information samples to ensure its accuracy.
GRI 203: Indirect Economic Impacts 2016		
103-1	Explanation of the material topic and its Boundary	Community Investment
103-2	The management approach and its components	Community Investment
103-3	Evaluation of the management approach	Community Investment
203-1	Infrastructure investments and services supported	Community Investment
GRI 204: Procurement Practices 2016		
103-1	Explanation of the material topic and its Boundary	Supply Chain Management
103-2	The management approach and its components	Supply Chain Management
103-3	Evaluation of the management approach	Supply Chain Management
204-1	Proportion of spending on local suppliers	Supply Chain Management

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 205: Anti-corruption 2016		
103-1	Explanation of the material topic and its Boundary	Anti-corruption
103-2	The management approach and its components	Anti-corruption
103-3	Evaluation of the management approach	Anti-corruption
205-1	Operations assessed for risks related to corruption	Anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
GRI 302: Energy 2016		
103-1	Explanation of the material topic and its Boundary	Energy Consumption
103-2	The management approach and its components	Energy Consumption
103-3	Evaluation of the management approach	Energy Consumption
302-1	Energy consumption within the organization	Energy Consumption
302-3	Energy consumption intensity	Energy Consumption
302-4	Reduction of energy consumption	Energy Consumption

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 303: Water and Effluents 2018		
103-1	Explanation of the material topic and its Boundary	Sewage Discharge, Water Consumption
103-2	The management approach and its components	Sewage Discharge, Water Consumption
103-3	Evaluation of the management approach	Sewage Discharge, Water Consumption
303-1	Interactions with water as a shared resource	Sewage Discharge, Water Consumption
303-2	Management of water discharge-related impacts	Sewage Discharge
303-3	Water withdrawal	Water Consumption
303-4	Water discharge	Sewage Discharge
303-5	Water consumption	Water Consumption
GRI 305: Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Emissions, Exhaust Gas and GHG Emissions
103-2	The management approach and its components	Emissions, Exhaust Gas and GHG Emissions
103-3	Evaluation of the management approach	Emissions, Exhaust Gas and GHG Emissions
305-1	Direct (Scope 1) GHG emissions	Exhaust Gas and GHG Emissions
305-2	Energy indirect (Scope 2) GHG emissions	Exhaust Gas and GHG Emissions

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GRI Indicator	Description	Report chapter/ Website reference and notes
305-3	Other indirect (Scope 3) GHG emissions	Exhaust Gas and GHG Emissions
305-4	GHG emissions intensity	Exhaust Gas and GHG Emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Exhaust Gas and GHG Emissions
GRI 306: Waste 2020		
103-1	Explanation of the material topic and its Boundary	Hazardous and Non-hazardous Waste Disposal
103-2	The management approach and its components	Hazardous and Non-hazardous Waste Disposal
103-3	Evaluation of the management approach	Hazardous and Non-hazardous Waste Disposal
306-1	Waste generation and significant waste-related impacts	Hazardous and Non-hazardous Waste Disposal
306-2	Management of significant waste-related impacts	Hazardous and Non-hazardous Waste Disposal
306-3	Waste generated	Hazardous and Non-hazardous Waste Disposal

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 307: Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Emissions
103-2	The management approach and its components	Emissions
103-3	Evaluation of the management approach	Emissions
307-1	Non-compliance with environmental laws and regulations	Emissions
GRI 308: Supplier Environmental Assessment 2016		
103-1	Explanation of the material topic and its Boundary	Environmental and Social Risk Management of Supply Chain
103-2	The management approach and its components	Environmental and Social Risk Management of Supply Chain
103-3	Evaluation of the management approach	Environmental and Social Risk Management of Supply Chain
308-2	Negative environmental impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone environmental assessment: 100%

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 401: Employment 2016		
103-1	Explanation of the material topic and its Boundary	Employment
103-2	The management approach and its components	Employment
103-3	Evaluation of the management approach	Employment
401-1	New employee hires and employee turnover	Employment
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment
GRI 403: Occupational Health and Safety 2018		
103-1	Explanation of the material topic and its Boundary	Health and Safety
103-2	The management approach and its components	Health and Safety
103-3	Evaluation of the management approach	Health and Safety
403-1	Occupational health and safety management system	Health and Safety
403-2	Hazard identification, risk assessment, and incident investigation	Health and Safety
403-3	Occupational health services	Health and Safety
403-4	Worker participation, consultation, and communication on health and safety	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Indicator	Description	Report chapter/ Website reference and notes
403-5	Worker training on occupational health and safety	Health and Safety
403-6	Promotion of worker health	Health and Safety
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety
403-9	Work-related injuries	Health and Safety
GRI 404: Training and Education 2016		
103-1	Explanation of the material topic and its Boundary	Development and Training for Employees
103-2	The management approach and its components	Development and Training for Employees
103-3	Evaluation of the management approach	Development and Training for Employees
404-1	Average hours of training per year per employee	Development and Training for Employees
404-2	Programs for upgrading employee skills and transition assistance programs	Development and Training for Employees
GRI 405: Diversity and Equal Opportunity 2016		
103-1	Explanation of the material topic and its Boundary	Employment, Employee Benefits and Equal Opportunity Policies
103-2	The management approach and its components	Employment, Employee Benefits and Equal Opportunity Policies
103-3	Evaluation of the management approach	Employment, Employee Benefits and Equal Opportunity Policies
405-1	Diversity of governance bodies and employees	Employment

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 408: Child Labor 2016		
103-1	Explanation of the material topic and its Boundary	Prevention of Child Labor and Forced Labor
103-2	The management approach and its components	Prevention of Child Labor and Forced Labor
103-3	Evaluation of the management approach	Prevention of Child Labor and Forced Labor
408-1	Operations and suppliers at significant risk for incidents of child labor	Prevention of Child Labor and Forced Labor
GRI 409: Forced or Compulsory Labor 2016		
103-1	Explanation of the material topic and its Boundary	Prevention of Child Labor and Forced Labor
103-2	The management approach and its components	Prevention of Child Labor and Forced Labor
103-3	Evaluation of the management approach	Prevention of Child Labor and Forced Labor
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Prevention of Child Labor and Forced Labor

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 414: Supplier Social Assessment 2016		
103-1	Explanation of the material topic and its Boundary	Environmental and Social Risk Management of Supply Chain
103-2	The management approach and its components	Environmental and Social Risk Management of Supply Chain
103-3	Evaluation of the management approach	Environmental and Social Risk Management of Supply Chain
414-1	New suppliers that were screened using social criteria	Environmental and Social Risk Management of Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone social impact assessment: 100%
GRI 416: Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Quality and Safety of Products and Services
103-2	The management approach and its components	Product Responsibility, Quality and Safety of Products and Services
103-3	Evaluation of the management approach	Product Responsibility, Quality and Safety of Products and Services
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality and Safety of Products and Services

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 417: Marketing and Labelling 2016		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Advertising and Labelling
103-2	The management approach and its components	Product Responsibility, Advertising and Labelling
103-3	Evaluation of the management approach	Product Responsibility, Advertising and Labelling
417-2	Incidents of non-compliance concerning product and service information and labeling	Advertising and Labelling
417-3	Incidents of non-compliance concerning marketing communications	Advertising and Labelling
GRI 418: Customer Privacy 2016		
103-1	Explanation of the material topic and its Boundary	Product Responsibility, Customer After-sales Service and Privacy Policy
103-2	The management approach and its components	Product Responsibility, Customer After-sales Service and Privacy Policy
103-3	Evaluation of the management approach	Product Responsibility, Customer After-sales Service and Privacy Policy
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer After-sales Service and Privacy Policy

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GRI Indicator	Description	Report chapter/ Website reference and notes
GRI 419: Socioeconomic Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Employment, Health and Safety, Labor Standards, Product Responsibility, Anti-corruption
103-2	The management approach and its components	Employment, Health and Safety, Labor Standards, Product Responsibility, Anti-corruption
103-3	Evaluation of the management approach	Employment, Health and Safety, Labor Standards, Product Responsibility, Anti-corruption
419-1	Non-compliance with laws and regulations in the social and economic area	Employment, Health and Safety, Labor Standards, Product Responsibility, Anti-corruption