东陽光药

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

宜昌東陽光長江藥業股份有限公司

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

Stock Code : 1558

2021 Environmental, Social And Governance Report

CONTENTS

ABOUT THIS REPORT

This is the seventh Environmental, Social and Governance (the "ESG") Report released to the public by YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "Pharm HEC"). This report is an annual independent report for the period from 1 January 2021 to 31 December 2021 (the "Reporting Period") and aims at truly reflecting the development and practice in respect of environment, social and corporate governance in the year of 2021 of Pharm HEC, reporting to stakeholders such as the shareholders, employees, the government, customers and consumers, partners and the community about the corporate operation, and the performance of social responsibilities and environmental missions.

BASIS OF PREPARATION

This report has been prepared in strict compliance with the requirements of the *Environmental, Social and Governance Reporting Guide* of the appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with reference to the requirements in the *Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China* and the *United Nations Sustainable Development Goals Corporate Action Guidelines ("SDGs")*.

REPORTING PERIOD

Unless otherwise specified, the information contained in this report covers the period from 1 January 2021 to 31 December 2021.

PUBLICATION SCHEDULE

This report is published annually.

REPORTING SCOPE

The scope of disclosure of this report is consistent with that of the *2021 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.*.

DATA SOURCE AND RELIABILITY STATEMENT

The financial data involved in this report is in line with the *2021 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.*. Other information is sourced from official documents, statistical reports and relevant public information.

As confirmed by the management of Pharm HEC, this report was approved by the board of directors (the "Board") of Pharm HEC on 21 March 2022.

REFERENCE DESCRIPTION

For the convenience of presentation and reading, YiChang HEC ChangJiang Pharmaceutical Co., Ltd. in this report is referred to, according to the context, as "Pharm HEC", "the Company", and YiChang HEC ChangJiang Pharmaceutical Co., Ltd. and its members included in the consolidated financial statements are together referred to as "the Group", "our Group" or "we". Of which, Sunshine Lake Pharma Co., Ltd.（廣東東陽光藥業有限公司）is referred to as "Sunshine Lake Pharma" or "Guangzhou Pharma".

ACCESS TO THE REPORT

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

MESSAGE FROM CHAIRMAN

It has become a major national strategic decision to establish a sound economic system of green, low-carbon and circular development and promote comprehensive green transformation of economy and society by thoroughly implementing the idea of ecological civilization and incorporating the strategic goals of carbon peak and carbon neutrality into the overall economic and social development. As a leading innovative pharmaceutical company in the industry, we firmly promote the development of the Group's sustainable business and continue to practice the high-quality path that prioritizes ecology, green and low-carbon development.

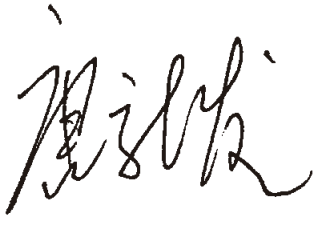
MESSAGE FROM SENIOR MANAGEMENT

In 2021, more scientific and precise anti-epidemic measures were taken while vaccination program against COVID-19 was vigorously popularized and strengthened throughout the country, resulting in an overall good situation for the prevention and control of the epidemic in China. However, the trend of overseas epidemic spread may be difficult to reverse in the short term in view of the global epidemic, and the COVID-19 pandemic still affects social and economic development as well as the lives and health of the public. As an important industry in maintaining people's health and the livelihood of the nation, the pharmaceutical industry is entrusted with a major mission in human health and health care protection, especially in the prevention and control of the current epidemic.

In 2021, the Group achieved a revenue of RMB913.79 million, representing a decrease of 61.08% as compared to 2020, which was mainly attributed to the fact that at the beginning of the COVID-19 pandemic outbreak, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. The Group's core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic.

Although the Group's performance declined to a certain extent in 2021, it still achieved remarkable results in all aspects of business development. The Group's self-developed Insulin Glargine Injection has been approved for launch, which was conductive to expand the Group's business in the field of endocrine and metabolic therapy and enriched the Group's product portfolio. In response to the national policy, the Group actively participated in the bidding for the national centralized procurement of pharmaceutical products. Several products have won the bid for national centralized bulk purchase of drugs, which has a positive impact on the expansion of the sales of the Group's relevant products and the development of the domestic market. Meanwhile, 28 projects out of 33 generic drugs acquired by the Group from Sunshine Lake Pharma have been approved to launch by the China National Medical Products Administration ("the NMPA"). The Group's product line will cover more diverse therapeutic areas. Moreover, the entering into of the *Amendments to the Non-Competition Agreement* between the Group and Sunshine Lake Pharma Co., Ltd. is conducive to the Group's acquisition of more commercialization opportunities for domestic preparation products based on market demand as well as its optimization of product structure and business model, which enhances the Company's sustainability.

The Group has established an internal monitoring mechanism for ESG structure through the Board for strengthening construction of environmental infrastructure, improving environmental pollution prevention and control, enhancing efficient use of energy and actively addressing climate change risks, in order to ensure a scientific, reasonable and effective environmental, social and governance, risk management and internal control system. In the future, the Group will continue to take the sustainable path of research and development and innovation as well as green, low-carbon and circular development. Maintaining the competitiveness of existing products, the Group will continue to enrich and innovate product lines, improve and enhance product quality and service. In addition, the Group will insist on improving the construction of low-carbon and energy-saving systems and adhere to the concept of fulfilling the life and health of the public as our own responsibility, striving to make Pharm HEC a domestic top pharmaceutical enterprise with domestic leading strength in terms of research and development and innovation, as well as social responsibility and sustainable development concept.



Tang Xinfa

Chairman of Pharm HEC

MESSAGE FROM GENERAL MANAGER

The pharmaceutical industry has become a pillar industry for national economic development. In the era of calling for the comprehensive development of a low-carbon economy, pharmaceutical companies are entrusted with the responsibility of strengthening environmental governance and green and low-carbon development. In the future, the Group will actively respond to the national goals of carbon peak and carbon neutrality while achieving sustainable economic benefits.

MESSAGE FROM SENIOR MANAGEMENT

Dear investors,

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

In terms of environment, the Group will strengthen the planning and construction of green and low-carbon development to integrate the goals of carbon peak and carbon neutrality into the long-term planning of the Group's social development, take into account pollution prevention and control in production, and reduce the emission of wastewater, exhaust gas and solid waste from the source by improving the pollution source monitoring system. The Group will maximize the efficiency of resource use by adjusting and optimizing the energy structure, improving clean energy production facilities, and strengthening the publicity and breadth of energy conservation awareness. Through actively identifying climate change risks and opportunities, the Group will formulate reasonable climate-related risk response strategies. In addition, the Company will continue to strengthen the waste management system and implement classified management of production, domestic waste and hazardous waste, in order to promote the effective treatment and recycling of various wastes.

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

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

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

Jiang Juncai

General Manager of Pharm HEC

BOARD STATEMENT

The Board of Pharm HEC attaches great importance to corporate environmental, social and governance ("ESG") work. In accordance with the requirements of the Stock Exchange of the *Environmental, Social and Governance Reporting Guide*, we have established a multi-level ESG management structure to strengthen the Board's supervision of and participation in ESG work.

ESG GOVERNANCE

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

ESG RISK MANAGEMENT

The Board attaches importance to the potential risks and impacts of ESG risks on the Company's business and regularly assesses ESG related risks. The Board also pays attention to the priority of ESG issues and conducts materiality assessment of ESG issues by means of stakeholder survey and expert evaluation to identify material issues.

ESG TARGET MANAGEMENT

Pharm HEC has formulated targets for pollutant emissions, waste treatment and other related targets in accordance with the requirements of the Stock Exchange's *Environmental, Social and Governance Reporting Guide*, upon which the Board regularly monitors and reviews the progress to ensure that the targets are achieved on schedule and to promote sustainable development of the enterprise.

SIGNIFICANT EVENTS IN 2021

19 March

Amendment to Non-Competition Agreement

On 19 March 2021, Pharm HEC entered into the *Amendment to Non-Competition Agreement* with Sunshine Lake Pharm. Such amendment is in line with the interests of the Company and its shareholders as a whole and is conducive to the Group's timely introduction of more new products and optimization of its product mix and business model in accordance with market demand, which has a positive impact on the Group's future results.

29 October

Insulin Glargine Injection Approved to Launch

On 29 October 2021, Insulin Glargine Injection (the "Product"), of which research and development ("R&D") was carried out by Pharm HEC, has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration. The Product was a biologic drug of the Group approved to launch. The successful launch of the Product was conductive to expanding the Group's business in the field of endocrine and metabolic therapy and further enriched the Group's product portfolio in the treatment of diabetes.

30 December

Share Transfer by Controlling Shareholder of the Company

On 30 December 2021, the Company was notified by Guangdong HEC* (廣東東陽光)[1] that Guangdong HEC has entered into a "Memorandum on the Completion of the Major Asset Disposal" with Sunshine Lake Pharma and HEC (Hong Kong) on 29 December 2021 for the purpose of determining the completion date of the Proposed Transfer was on 29 December 2021 (the "Completion Date"). Since the Completion Date, Guangdong HEC lost control of the Company, and the Company was no longer a subsidiary of Guangdong HEC by means of its financial accounts is no longer consolidated to the financial accounts of Guangdong HEC.

Note 1. The full name of Guangdong HEC is Guangdong HEC Technology Holding Co., Ltd.* （廣東東陽光科技控股股份有限公司）.

PHARM HEC'S HONORS IN 2021

Won the "Invisible Champion Science and Technology Small Giant in the Subdivision of Pillar Industries in Hubei Province"

Won the "Enterprise Management Award" of the pharmaceutical industry in the "13th Five-Year Plan"

Won the Best ESG Award of the 5th Golden Hong Kong Stock Awards

(I) CORPORATE PROFILE

The Company is a domestic pharmaceutical platform under Pharm HEC Group with a history of 21 years of operation since its establishment and is a pharmaceutical enterprise with strong research and development and innovation capabilities and great development potential in China. The Company has always believed in "serving the Chinese with a higher standard" since establishment, and attaches great importance to research and development, innovation and quality improvement of products.

The Company is a pharmaceutical manufacturing company focusing on the research and development, manufacturing and sale of pharmaceutical products in the therapeutic areas of antiviral, endocrine and metabolic, cardiovascular and other disease treatment. In 2015, the Company was converted into a joint stock company with limited liability and was successfully listed on the Main Board of the Stock Exchange on 29 December 2015 (Stock Code: 01558.HK). At present, the Company is the only manufacturer of oseltamivir phosphate granules in the PRC, and its core product, Kewei (Oseltamivir Phosphate), is a first-line product in China's anti-influenza market with the highest sales volume in China from 2013 to 2021, which successfully passed the consistency evaluation in respect of quality and efficacy of generic drugs in 2019. The successful passing of the consistency evaluation of the drug is an authoritative reaffirmation of the Company's research and development capabilities, production and drug quality and drug efficacy.

During the Reporting Period, a number of the Group's generic drugs, including Aripiprazole Tablets (阿立哌唑片), Aripiprazole Orally Disintegrating Tablets (阿立哌唑口崩片), Entacapone Tablets (恩他卡朋片), Escitalopram Oxalate Tablets (草酸艾司西酞普蘭片), Febuxostat Tablets (非布司他片), Atorvastatin Calcium Tablets (阿托伐他汀鈣片), Apixaban Tablets (阿哌沙班片), Rivaroxaban Tablets (利伐沙班片), Sildenafil Citrate Tablets (枸橼酸西地那非片) and Metoprolol Succinate Sustained-release Tablets (琥珀酸美托洛爾緩釋片), as well as the Group's biologic drugs, namely Insulin Glargine Injection (甘精胰島素注射液), were granted listing approvals, which is conducive to the Group's active exploration of new market areas and the continuous optimization of the Group's product portfolio, and thus the improvement of the Group's future results. Meanwhile, the Group's 13 products have won the bid for centralized bulk purchase of drugs. In addition to enriching the Group's revenue structure and increasing the Group's profitability, centralized bulk purchase of drugs will also further expand the relevant product channels, enhance the Group's brand influence and lay a market foundation for the launch of new products in the future.

1. SALES OF CORE PRODUCTS OF THE COMPANY

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

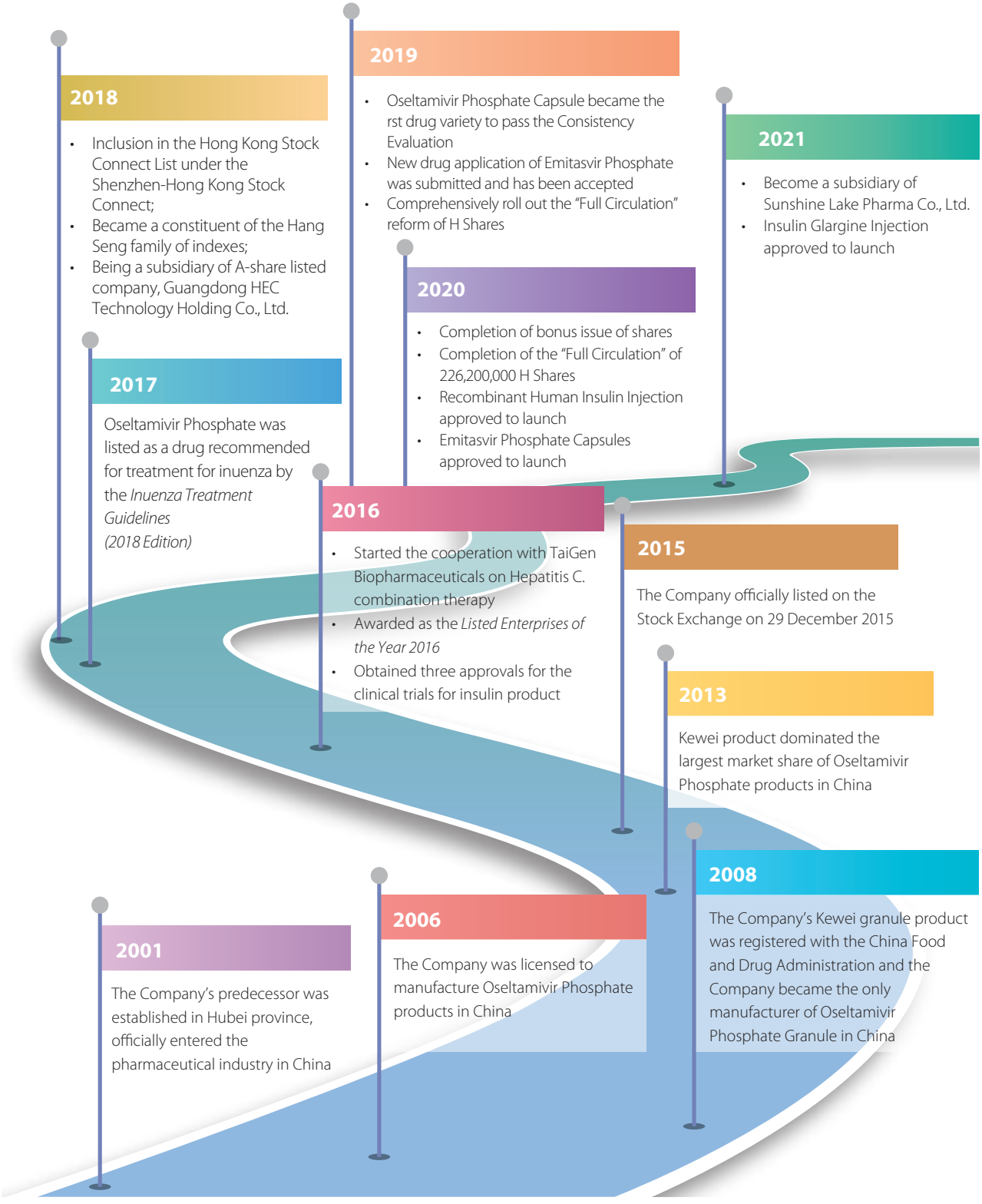
Well-known Product Name	Common Name	Treatment	Sales income (RMB million)	Percentage of total turnover (%)
Kewei (Granules)	Oseltamivir Phosphate	Anti-influenza drugs	469.48	51.38%
Kewei (Capsules)	Oseltamivir Phosphate	Anti-influenza drugs	85.11	9.31%
Ertongshu	Benzbromarone	Treatment of hyperuricemia	77.13	8.44%
Oumeining	Telmisartan	Treatment of essential hypertension	49.68	5.44%
Olmesartan Tablets	Olmesartan Medoxomil	Treatment of hypertension	37.15	4.07%

The total revenue of the above-mentioned five drugs, being the core products of the Group, accounted for 78.64% of the total revenue during the Reporting Period.

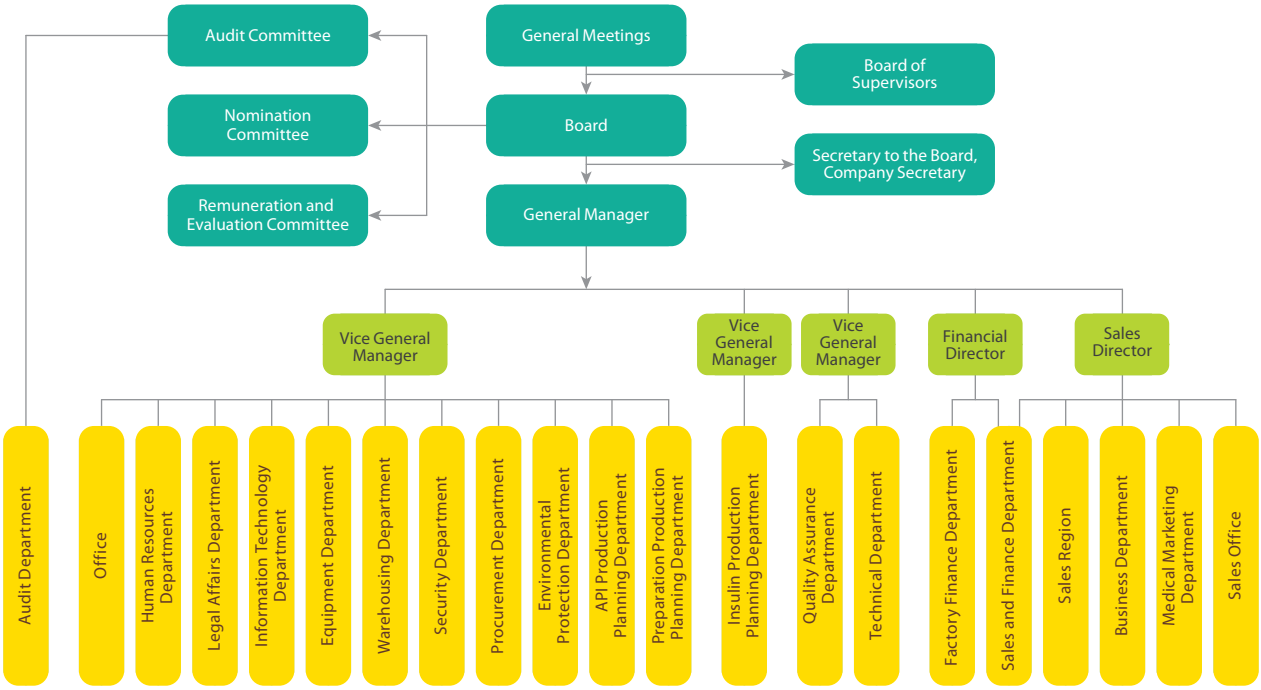
Oseltamivir Phosphate, the Company's core product, is the first-line drug for treatment of influenza in the PRC, which can be used in the treatment and prevention of Influenza A and Influenza B and is listed in the Influenza Treatment Guidance (2020 version) (《流行性感冒診療方案(二零二零年版)》).

During the Reporting Period, the Group continued to adopt its comprehensive marketing strategy by four sale teams, i.e. a self-operated sales team responsible for the academic promotion of core drugs in Class II or above hospitals, a self-operated sales team handling all drugs in general practitioner-based medical institutions (Class I hospitals and clinics), a self-operated sales team responsible for all drugs in OTC pharmacies and a distribution-based team responsible for generic drugs in hospitals ranked Class II and above. During the Reporting Period, the Company also started expanding its online pharmacy channel and cooperated with a number of well-known online channel operators. As of 31 December 2021, the Group has a total of 1,746 staff in its sales teams. The establishment of these four sales teams shall lay a solid foundation to the sales volume of the Group's product portfolio in all channels.

2. DEVELOPMENT HISTORY OF THE COMPANY



ORGANISATION STRUCTURE



PARTNERSHIP NETWORK

We entered into a strategic cooperation framework agreement with Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司) ("Alibaba Health (China)")

We entered into a strategic cooperation framework agreement with Jointown Pharmaceutical Group Co., Ltd ("Jointown")

We entered into a strategic cooperation framework agreement with China Resources Pharmaceutical Commercial Group Co., Ltd. ("CR Pharmaceutical Commercial")

We entered into a strategic cooperation framework agreement with Guangdong Yihao Pharmaceutical Co., Ltd.* (廣東壹號藥業有限公司) ("Yihao Pharmaceutical") under 111, Inc.

We entered into a strategic cooperation agreement in relation to the Ertongshu National Distribution Right Agreement with China National Accord Medicines Corporation Ltd.

We entered into a strategic cooperation agreement in relation to "eradication of Hepatitis C" with Beijing Kawin Technology Share-Holding Co., Ltd. (北京凱因科技股份有限公司) ("Kawin Technology")

(II) STRATEGY AND VISION

CULTURAL VISION

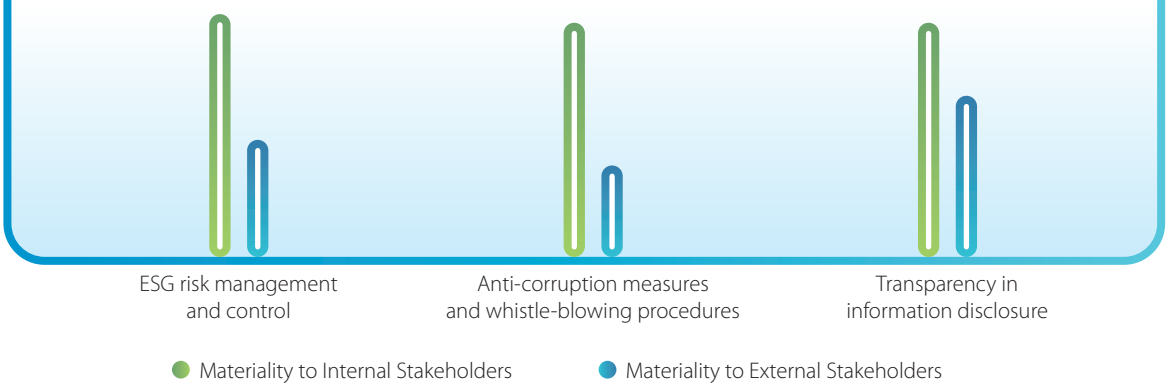
Pharm HEC strives to become a modern enterprise with a comprehensive research and development system, excellent product quality and perseverance. The Group has taken "For Everyone's Health" as its mission. The Group determines to improve the people's living standard and health with the support of scientific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

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

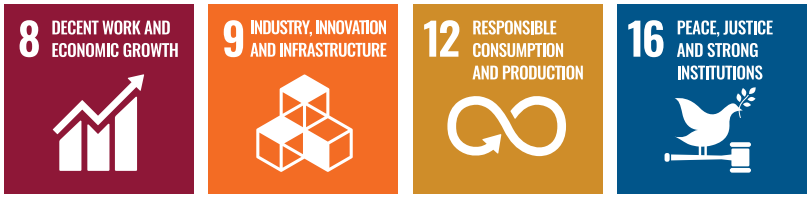
CHAPTER I RESPONSIBLE GOVERNANCE

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:



HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B7.1/B7.2

(I) RESPONSIBILITY STRATEGY

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

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

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

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

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

(II) CORPORATE GOVERNANCE

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

Strategic objectives of the Company:

Short-Term Goal

Incorporate the concept of gree and, low-carbon circular development, especially the concept of carbon peaking and carbon neutrality, into the overall layout of the Company's ecological civilization construction.

Medium-Term Goal

Gradually extend the concept of sustainable development to various production and construction fields of the Company, while enhancing the Company's social responsibility mission externally.

Long-Term Vision

Integrate the ESG management model into the governance of the Company at a deep level to realize mutual benefits and win-win from corporate development and social development, and lead the sustainable development of the industry with the sense of mission of building a leading innovative pharmaceutical company in China.

In order to ensure the achievement of the strategic objectives, the Company has established a complete ESG management structure with clear division of responsibilities among the levels, providing a strong guarantee for further improvement and implementation of the Company's management.

LEVEL 1

THE ESG LEADING GROUP

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

LEVEL 2

THE ESG COORDINATION GROUP

The ESG coordination group, led by the secretary of the Board office, is composed of the ESG coordinators of the Board office and the office directors of the production base in Yidu (solid dosage factory, API synthesis factory and insulin factory). It is mainly responsible for overall planning of ESG work arrangements and promoting and implementing the following matters: publicity on the ESG strategy of Pharm HEC, conveying the Board's major resolutions on ESG work, planning annual ESG work plan, drafting ESG related policies, improving ESG indicator system, facilitating ESG related training and communication, and preparing annual ESG report, regular feedback to the ESG leading group on work progress and results, proposing recommendations on improvement of ESG work, etc.

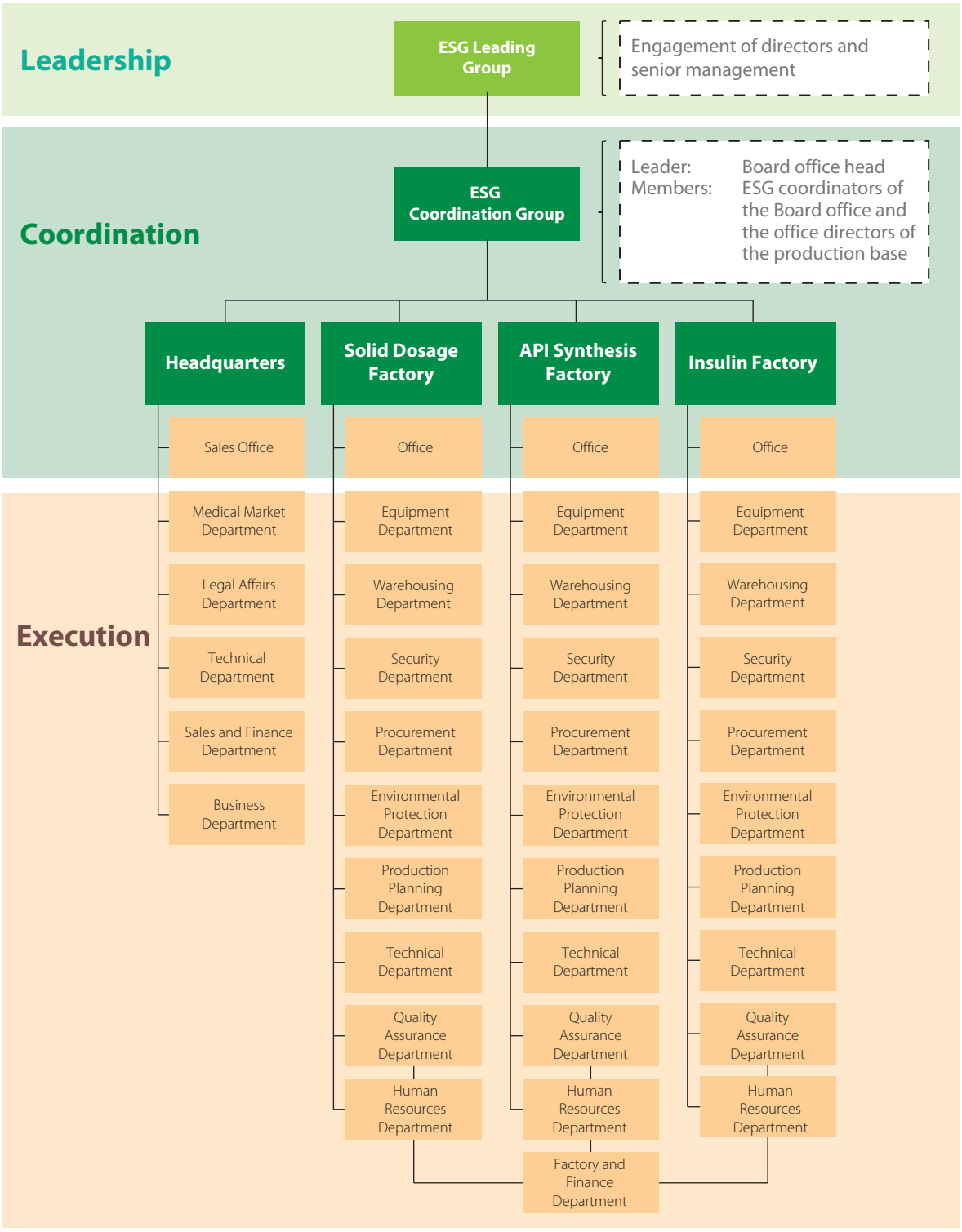
LEVEL 3

THE ESG EXECUTION GROUP

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

ESG Management Structure is as follows:

ESG MANAGEMENT STRUCTURE



1.2.1 REGULATORY GOVERNANCE

Internal Control System

The Company has established a thorough internal governance system. By standardizing and improving our corporate governance structure including the Board of the Company, general meetings, Board of Supervisors and the management for supervising and restricting each other to maintain the quality of the Company's operation and development.

The Company has formulated the *Internal Control System Manual*, the *Internal Control Evaluation Manual* to guide the organization to commence the construction, operation and maintenance of the internal control system so as to ensure the standardized, orderly and efficient operation of the Company, help the Company understand and master the key points of internal control, discover problems and risks in a timely manner, and regard the same as important tasks to strengthen the internal control construction. At the same time, the Company actively nurtures an internal control culture that is in line with the actual situation of the Company, so that the awareness of internal control and the culture of internal control are deeply rooted in the thinking of each employee, making internal control a voluntary behavior of each employee. During the Reporting Period, the Company conducted 5 special audits and 3 regular audits, mainly focusing on materials, procurement, fixed assets and human resources, to improve and revise the internal control system, so as to strengthen the business practice and the continuous supervision and inspection efforts.

SPECIAL AUDIT

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

Information disclosure

The Company established an information and communication system consisting of a series of management regulations such as the *Information Disclosure Management System*, the *Investor Relationships Management System* and the *Information System Management Mechanism*, which clarify the procedures for the collection, processing and transmission of internal control information, especially the reporting and handling of special, significant and important matters. At the same time, the Company has been in strict compliance with the *Company Law of the People' s Republic of China*, the *Securities Law of the People's Republic of China* as well as the *Administrative Measures for Information Disclosure of Listed Companies* on capital operation and formulated strict internal approval procedures to regulate information disclosed to the public, and ensured that the information disclosed meets the regulatory requirements through review by professional institutions and strict review by legal department and the Rules Governing the Listing of Securities on The Stock Exchange.

1.2.2RISK MANAGEMENT

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

Risk assessment system

The Company continues to conduct risk analysis and clarify the risk assessment process. The internal control management department classifies risks and risk events. Under the guidance of the competent management, the relevant business departments analyze the causes of risks and formulate appropriate counter measures and solutions to identify and respond to the changes that may be encountered by the Company, including operational risks, environmental risks, financial risks and climate risks, which may have significant and extensive impact, and track the changing business environment and operating activities and conduct dynamic assessment. The Company emphasizes the identification and response of ESG risks, especially the effective response to risks and opportunities related to the climate change. The Company divides risk analysis into irregular risk analysis and regular risk analysis. While pursuing profitability, the Company attaches importance to safety and liquidity, and attaches more importance to risk prevention and internal control construction while keeping pace with rapid business development.

In order to improve the internal risk identification and assessment system, we also carefully learn from the past experience of the industry and actively use modern technology to gradually establish a monitoring, evaluation and warning system covering all business risks.

Internal audit system

The Company has established an audit committee under the Board of Directors with specific work carried out by the Company's audit department. The audit department organizes irregular audits of the Company's related processes in accordance with the relevant systems of the Internal Control Manual. Audits are mainly divided into planned audits and special audits. The audit department conducts comprehensive risk assessments of the Company, conducts analysis of the risks and proposes rectification suggestions. At the same time, since the Company is in the pharmaceutical industry, guidance can be done in conjunction with the Good Manufacture Practice (GMP) related documents. The Company conducts self-inspection on the Good Manufacture Practice (GMP) every year. Except for the quality division, the risk self-assessment work on risks of other divisions is also being optimized continuously.

1.2.3ANTI-CORRUPTION

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

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

In the implementation of anti-bribery work, the Company requires all key personnel to sign the *Integrity and Self-discipline Commitment*, and all business parties of the Company to sign the *Anti-commercial Bribery Agreement*, and establishes whistle-blowing procedures and publishes the reporting hotline and the reporting mailbox in the *Internal Control System Manual*, *Integrity and Self-discipline Commitment* and *Anti-commercial Bribery Agreement*. For any confirmed corruption or bribery acts after being reported, the Company will immediately report to the relevant law enforcement authorities. The management is responsible for ensuring that whistle-blowing mechanism is implemented and monitoring the effectiveness of whistle-blowing mechanisms on an ongoing basis. During the audit process, the Company pays visit to suppliers and actively communicates with suppliers on related issues, including anti-fraud, anti-commercial bribery and anti-monopoly, and gathers feedback from the suppliers. In addition, the sales department of the Company has set up a compliance supervision department to provide anti-commercial bribery training and supervision on business personnel, and facilitate the execution of *Anti-commercial Bribery Agreement* by business parties. The training received by the directors of the Company also includes training on anti-corruption.

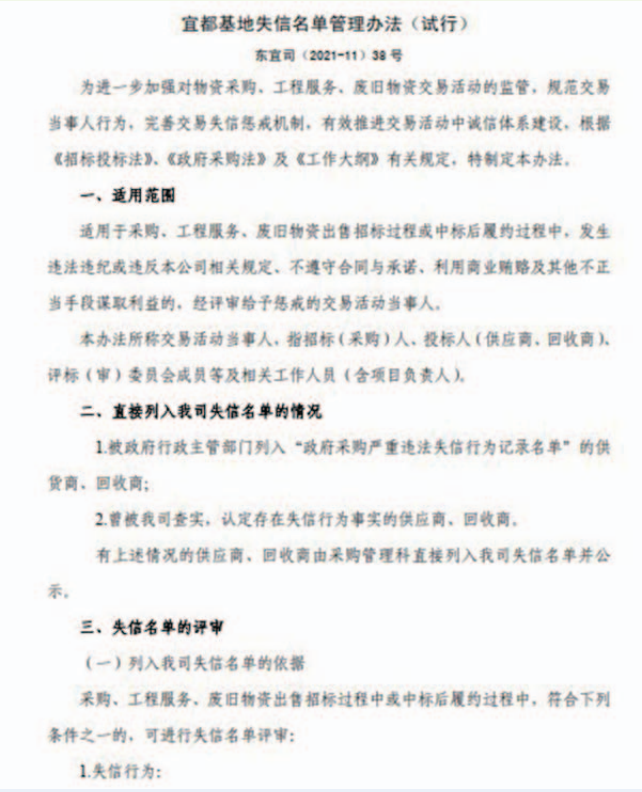
During the Reporting Period, the Group did not incur any litigation cases involving corruption, bribery, extortion, fraud and money laundering.

CASE

Formulating the *Yidu Base Area Dishonest List Management Measures*

In November 2021, in order to further strengthen the supervision of material procurement, engineering services, and waste and used materials trading activities, so as to regulate the behavior of transaction parties and improve the punishment mechanism for dishonest transactions, Pharm HEC specially formulated the *Yidu Base Area Dishonest List Management Measures* according to the relevant requirements of the *Bidding Law of China*, *Government Procurement Law* and *Work Outline*.

The measure have made specific provisions directly on the situation including our Company's dishonest list, the review of the dishonest list, the period of the dishonest list, the application of the dishonest list, management and supervision, etc., in order to promote anti-corruption in the Company.



宜都基地失信名单管理办法（试行）

东宜司（2021-11）38 号

为进一步加强对物资采购、工程服务、废旧物资交易活动的监管，规范交易当事人行为，完善交易失信惩戒机制，有效推进交易活动中诚信体系建设，根据《招标投标法》、《政府采购法》及《工作大纲》有关规定，特制定本办法。

一、适用范围

适用于采购、工程服务、废旧物资出售招标过程或中标后履约过程中，发生违法违纪或违反本公司相关规定、不遵守合同与承诺、利用商业贿赂及其他不正当手段谋取利益的，经评审给予惩戒的交易活动当事人。

本办法所称交易活动当事人，指招标（采购）人、投标人（供应商、回收商）、评标（审）委员会成员等及相关工作人员（含项目负责人）。

二、直接列入我司失信名单的情况

1.被政府行政主管部门列入“政府采购严重违法失信行为记录名单”的供货商、回收商；

2.曾被我司查实，认定存在失信行为事实的供应商、回收商。

有上述情况的供应商、回收商由采购管理科直接列入我司失信名单并公示。

三、失信名单的评审

（一）列入我司失信名单的依据

采购、工程服务、废旧物资出售招标过程中或中标后履约过程中，符合下列条件之一的，可进行失信名单评审：

1.失信行为：

Front Page of Institutional Document

(III) RESPONSIBLE COMMUNICATION

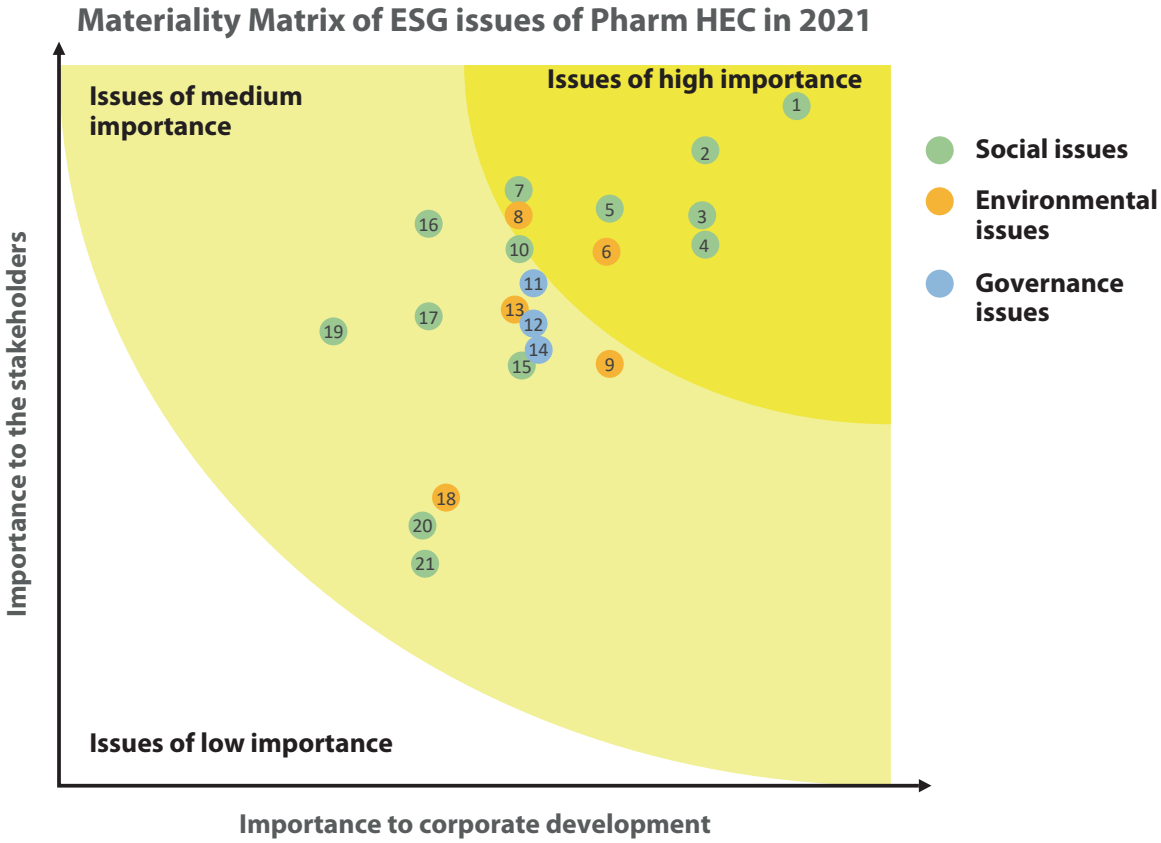
1.3.1 COMMUNICATION WITH STAKEHOLDERS

Overview of the Group's Stakeholder Engagement in 2021			
Stakeholders	**Concerns of stakeholders**	**Participation channels**	**Measures taken by the Company**
Shareholders and investors	The Company's product pipeline and future development potential/ protection of interests of shareholders and returns/truthfulness, accuracy and timeliness of information disclosure	Investor information sessions and site visit/ general meetings of shareholders and results briefing/information disclosure	• Having a better understanding of the Company for the investors through telephone conference and site visit; • Holding regular results briefings to disclose the operation of the Company through the publication of notice of general meeting of shareholders and resolutions; • Disclosing the Company's contact information on the Company's website and reports to ensure smooth communication channels.
Management	The Company's operating strategies	Interviews and survey conducted by third party institution	• Assessing the major scopes of ESG which may have impact on the Company, and implementing the relevant measures in the daily operation.

Overview of the Group's Stakeholder Engagement in 2021			
Stakeholders	**Concerns of stakeholders**	**Participation channels**	**Measures taken by the Company**
Employees	Protection of fundamental interests/ benefits and remuneration package/ working environment/ room for career development/ occupational health and safety/actualization of self-value	Labor union/employees communication with the management/the Group's office automation (OA platform/the Company's internal mailbox/employee representative meeting/ suggestion box	• Ensuring the rights to have equal opportunities of employment, to choose occupations; • Providing a safe, healthy workplace; • Providing the rights of remuneration and to rest in vacations; • Providing training and development opportunities for employees.
Customers and consumers	Assurance of product quality and quantity/ data confidentiality	Regular visits for communication/ consumer satisfaction survey/consumer complaints and comments handling	• Signing confidentiality agreement and enhancing quality management; • Ensuring stable production and delivery; • Signing long-term product sales agreement with customers.
Suppliers	Public tender/long-term stable cooperation/ on-time payment	Tender meeting/ negotiation meeting/ daily communication	• Organizing public tender to select suppliers based on merit and fulfilling the obligations under the contract; • Strengthening daily communication and maintaining long-term relationship with high quality suppliers without default payment.

Overview of the Group's Stakeholder Engagement in 2021			
Stakeholders	**Concerns of stakeholders**	**Participation channels**	**Measures taken by the Company**
Community and the public	Employment opportunities/ ecosystem/ compensation and assistance	Jointly held community activities	• Giving priority to local candidates in the recruitment to maintain the ecosystem in the district.
Banks	On-time repayment/ business conditions/ operating risks/credit risk	Post-loan follow-up, daily communication	• Making principal and interest payment as scheduled and cooperating in the process of loan review, approval and supervision.
Industry peers	Fair competition/ cooperative development/sharing of technology and experience/industry development	Seminars/exchange visits/industry conferences	• Facilitating fair competition, cooperating to achieve mutual benefits, sharing experience and promoting sustainable development of the industry.
Market supervisory body	Compliance with governing regulations/ compliant operation/ information disclosure and reporting	Consultation/ information disclosure	• Strictly complying with governing regulations and disclosing and reporting information in a truthful, accurate and timely manner.

1.3.2.IDENTIFICATION OF MATERIAL ISSUES

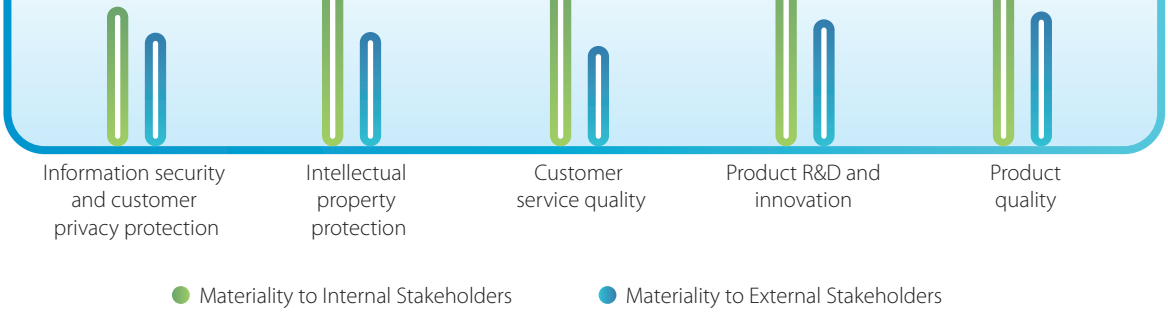


Order	Issues	Importance
1	Product quality	Issues of high importance
2	Product R&D and innovation	
3	Intellectual property protection	
4	Remuneration and benefits and care for employees	
5	Customer service quality	
6	Environmental strategy and goal setting	
7	Focus on employees' health and safety	
8	Treatment and up-to-standard emission of pollutants	
9	Energy saving	Issues of medium importance
10	Sustainable supplier chain	
11	Transparency in information disclosure	
12	ESG risk management	
13	Water conservation	
14	Anti-corruption measures and whistle-blowing procedures	
15	Improve health accessibility	
16	Information security and customer privacy protection	
17	Supplier management	
18	Climate change mitigation and response	
19	Staff training and promotion	
20	Participation in community activities	
21	Community development	

CHAPTER II EXCELLENT QUALITY

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:

HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

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

(I) CREATING EXCELLENT QUALITY

CREATING EXCELLENT QUALITY

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

Product recall due to safety problems
0

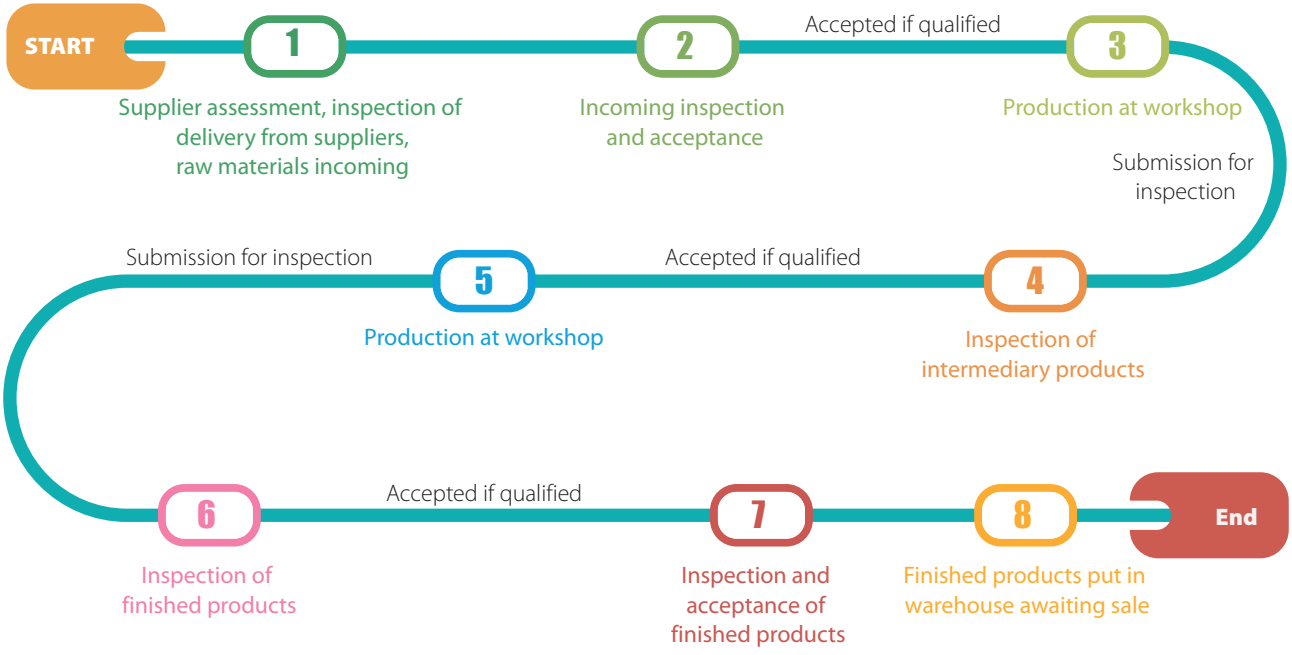
Complaints related to Product Quality
0

Authorized Patents
5

2.1.1 PRODUCT QUALITY CONTROL

The concept of product responsibility plays an important role in the development of an enterprise and the formation of a brand image as well as the accumulation of reputation, and is also the necessary responsibility of an enterprise to consumers. As a quality enterprise in the pharmaceutical industry, Pharm HEC have always adhered to the principle of being responsible to the Company and patients, sparing no effect to ensure zero defects regarding product quality and providing comprehensive after-sales services to protect the interests of customers and patients. We strictly abides by the laws and regulations such as the *Drug Administration Law of the People's Republic of China*, the *Regulations for the Implementation of the Drug Administration Law of the People's Republic of China*, the *Provisions on the Administration of Pharmaceutical Directions and Labels*, *the Good Manufacture Practice of Drugs* and the *Administrative Measures for Drug Recalls* issued by our country. Besides, we have established a quality management system in accordance with the *Pharmaceutical Industry Quality System* and the *Good Manufacture Practice for Pharmaceutical Products*. The newly revised *Drug Administration Law of the People's Republic of China* in 2019 puts forward higher requirements for the good manufacture practice and operation. Pharm HEC based on the existing *Quality Manual* under the new drug administration law, which focuses on the *Drug Administration Law*, *Measures for Production Supervision and Management of Drugs*, *Measures for Administration of Drug Registration* and *Pharmacopoeia of the PRC* and other laws and regulations, carried out the optimization of production procedures, workshop equipment and management, continuous improvement including inspection of raw and auxiliary materials, product research and development, technology transfer, production and manufacturing, product shipment and sales, monitoring and research of adverse reactions after launch. Specific quality control procedures has been clearly defined to ensure that the quality of drugs is controllable throughout the whole process of research and development, production, sales and recall, etc.

In 2021, in accordance with regulatory requirements and inspection defect rectification requirements, we improved and revised a number of product quality management regulations, including bilingualization of major management documents, refinement of product quality equivalence assessment procedures, supplementation and improvement of material supplier management procedures, etc..



2.1.2 BASIC PROCEDURES OF QUALITY CONTROL

Raw Materials Purchase

Based on the needs of product production and the improvement of product quality, the Company has formulated procurement quality standards for materials used in product production (including raw materials, pharmaceutical materials and pharmaceutical packaging materials) which is more stringent than the national legal standards, and signed quality agreements, under which procurement quality standards are provided, with material suppliers, requesting inspection and delivery of materials according to the procurement quality standards after their arrivals. The Company has completed the determination of the procurement quality standards for 33 kinds of materials sourced, and will continue to promote the optimization process of procurement quality standards.

At the same time, the Company continued to carry out review of suppliers. During the Reporting Period, the Company completed on-site quality audit on 9 suppliers to ensure that the quality management system and production system of the suppliers are under control to ensure the stable and sustainable supply of high-quality materials.

Product Production

In order to ensure the comprehensiveness and effectiveness of product quality management, Pharm HEC has made sure its investment in human resources, material resources and the automation of workshops aspects.

In terms of human resources

We continued to enhance the introduction of talents and hire external experts and consultants to ensure strict production quality supervision. In 2021, the investment in human resources consulting fees was approximately RMB1.3 million.

In terms of material resources

We continued to upgrade its facilities and increase its investment in equipment. In 2021, the investment in the online information management of laboratory test results/data was RMB870,000.

In terms of automation of workshops

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

Quality Audit

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

In 2021, Pharm HEC conducted multiple product audits in different factories, including 16 domestic inspections at all levels, 1 domestic export EU inspection, and 4 self-inspections, among which was 5 domestic Good Manufacture Practice (GMP) compliance inspections, 5 entrusted drug production inspections and 3 special supervision and inspection. No key deficiencies were identified during the process of each inspection. Specific rectification of deficiencies was carried out, and the deficiencies response report and rectification evidence were submitted to the official authorities.

Product Recall

Pharm HEC attaches great importance to the quality control of drugs, and has established management procedures such as *Drug recall*, *Non-conforming material/product handling*, *Pharmacovigilance Management* and *User complaint handling* to guide the recall of drugs that have been marketed and sold when there are potential safety hazards, so as to ensure the safety of patients' medication. According to the severity of drug safety hazards, the drug recall work is divided into three levels when the drug recall plan is formulated. Drug recall is implemented and completed within the specified time limit and at the same time, the drug supervision management department is being reported; inspection and acceptance, storage and identification, check and final treatment according to the drug recall handling procedures, with the completion of the "Recall Drug Handling Record" are carried out simultaneously to ensure the traceability of the recalled drugs. After the processing of the recalled drugs, the effect of drug recalls will be evaluated comprehensively and with an actively cooperation with the review of the drug supervision and management department. If there is no drug recall case for a long time, it is necessary to organize a recall drill on a regular basis, and carry out a recall drill according to the steps of determining the plan of the recall drill, implementing the recall drill and summarizing the recall drill report. The procedures and requirements for the drug recall drill of are consistent with the actual drug recall, except that they do not involve the actual recall of sold drugs, so as to verify the actual effectiveness of the enterprise's drug recall system.

During the Reporting Period, the Company did not have any recall incidents due to drug safety issues.

Pharmacovigilance

Pharm HEC has established a relatively competent pharmacovigilance system in accordance with the requirements of the *Specifications for Pharmacovigilance Quality Management*, and has formulated management documents and specific operational documents that are compatible with the pharmacovigilance system to ensure the effective development of pharmacovigilance work. At the Company level, there is a drug safety committee to comprehensively coordinate and guide drug safety management, appoint a person in charge of pharmacovigilance to take overall responsibility for the Company's pharmacovigilance management, and set up a pharmacovigilance division to implement specific pharmacovigilance management affairs.

The pharmacovigilance division consists of the Chief of the pharmacovigilance division, the pharmacovigilance commissioner and the information officer. Among them, the person in charge of pharmacovigilance is concurrently held by the Company's quality authorizer and the chief of the pharmacovigilance division, the pharmacovigilance commissioner is a full-time person engaged in pharmacovigilance work, and the information officer is a part-time person engaged in pharmacovigilance in other departments of the Company.

The Pharmacovigilance Division is responsible for specific matters related to the management of product pharmacovigilance in each factory, including:

1. Report the relevant situation of drug safety incidents and implement the handling measures of the drug safety committee accurately in a timely manner
2. Establish pharmacovigilance management system and procedures
3. Organize internal or external audits of pharmacovigilance
4. Responsible for training on pharmacovigilance regulations
5. Responsible for organizing the collection, analysis, evaluation and reporting of adverse reaction/event case data in the drug life cycle, as well as investigating, handling and controlling adverse drug reactions
6. Responsible for organizing the drafting and review of drug Periodic Safety Update Report (PSUR)
7. Responsible for the storage and archiving of all pharmacovigilance related materials, etc.

Due to the continuous expansion and deepening of the scope of pharmacovigilance, holders of Drug Marketing Licenses are required to pay attention to the post-marketing safety evaluation of drugs and the safety monitoring of key varieties on the basis of collecting, analyzing and reporting basic data on adverse drug reactions. Currently, we have sufficient staff and resources to meet the needs of day-to-day pharmacovigilance work. However, in order to further improve work efficiency, and the pharmacovigilance management system and information deployment, we have completed the project for increasing the pharmacovigilance information system, and are promoting the procurement and deployment of the pharmacovigilance information system.

2.1.3 PRODUCT CERTIFICATION

Pharm HEC always attaches great importance to the standardized operation for production quality and management of pharmaceutical products, strictly complied with the national laws and regulations in respect of aspects such as procurement of active pharmaceutical ingredient, production, product packaging and transportation and quality control, and actively cooperated with the production inspection organized by the Food and Drug Inspection Center (食品藥品審核查驗中心) of the National Medical Products Administration. In 2021, the Company completed the internal technology transfer certification of 2 varieties, the certification inspection of commissioned production items of 1 variety, and the certification inspection of commissioned production matters of 9 varieties.

2.1.4 QUALITY TRAINING FOR STAFF

In order to continuously improve the level of the quality management system, help employees learn the latest quality concepts, and consolidate standard operating practices, Pharm HEC attaches great importance to quality-related training, and further enhances employees' professional skills in all aspects through a combination of internal, external training and knowledge level.

In 2021, the Company conducted a total of 8 quality trainings for factory-level, 42 trainings for quality assurance (QA) department, 16 trainings for quality control (QC) department, 222 quality trainings for workshop, and 19 onboard trainings for new employees or transferred employees, including temporary training on the revised version of SOP (standard operation procedures). We keep a record of all training to ensure the effectiveness of the trainings. The targeted trainings enable the junior staff to master the basic knowledge of the Good Manufacture Practice (GMP) and the management to master more in-depth and appropriate management skills.

Quality trainings for Factory-level

8

Trainings for QA department

42

Trainings for QC department

16

Onboard trainings for new employees or transferred employees

19

Quality trainings for workshop

222

(II) FOCUSING ON RESEARCH AND DEVELOPMENT AND INNOVATION

2.2.1 RESEARCH AND DEVELOPMENT AND INNOVATION

Innovation is the primary driving force to lead the sustainable development of an enterprise. Pharm HEC insists on investing in R&D innovation to improve the Company's product innovation capability.

1. Anti-virus therapeutic area

Emitasvir Phosphate Capsules, a new Anti-hepatitis C drug of the Group, were included in the *National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2021 Version)*. The Phase III clinical trial for NS3/4A protease inhibitor furaprevir jointly developed with TaiGen Biopharmaceuticals Co. (Beijing), Ltd. in combination with Emitasvir Phosphate was completed.

2. Endocrine and metabolic diseases area

In the area of endocrine and metabolic diseases, the Group is dedicated to the R&D of insulin products and has a comprehensive product line, which covers both the second and the third generations of insulin.

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

Insulin Aspart Injection and Insulin Aspart 30 Injection, the Company's self-developed products, are under the approval stage of new drug application. The new drug application of Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R) has been accepted by the China National Medical Products Administration.

In addition, in order to further enrich the product line of the Group in the field of diabetes, the Group have acquired multiple drugs for diabetes from Sunshine Lake Pharma, all of which have been approved for marketing, except for Rongliflozin L-Pyroglutamic Acid and Liraglutide under Phase III clinical stage. Such products are expected to be marketed in a rapid manner and generate considerable sales in the future, which will further increase the integrated strengths of the Group and improve the revenue structure of the Group.

Case

Strategic Cooperation between Pharm HEC Group and the Wuhan Institute of Virology, Chinese Academy of Sciences

In January 2022, Pharm HEC Group and the Wuhan Institute of Virology, Chinese Academy of Sciences formally entered into a cooperation agreement, under which the parties reached a strategic cooperation on jointly carrying out scientific and technological research in the fields of new, sudden and major diseases and biosecurity, jointly promoting the transformation of scientific and technological achievements, and realizing complementary advantages, resource and information sharing and common development.

Pharm HEC Group has been cultivating in the field of biomedicine for many years and is a leading enterprise in the research and development and production of anti-infective drugs in China. The Wuhan Institute of Virology, Chinese Academy of Sciences is a comprehensive research institution specializing in basic virus research and related technology innovation, which has a number of top-level research technology platforms, such as the first officially operating biosafety (level 4) laboratory in China as well as the "National Virus Resource Center" designated by the Ministry of Science and Technology and the Ministry of Finance. The cooperation between the parties will establish a market-oriented technology innovation system that meets the national and people's health needs through the deep integration of the industry and research, in order to vigorously promote scientific and technological problems and achievements to achieve a win-win situation.

Strategic Cooperation with the Wuhan Institute of Virology

2.2.2 INTELLECTUAL PROPERTY PROTECTION

Intellectual property right is an important symbol of innovation capability and core competitiveness of an enterprise, and the number and quality of patents reflect the capability and scientific research level of an enterprise. Pharm HEC has always attached great importance to the application and protection of intellectual property rights by setting up specific functional departments for management, and continuously and increasing investment in scientific research to focus on patent innovation.

As of the end of 2021, the Company has a total of 62 invention patents, including 3 patents of utility model, 59 patents of invention, 5 patents authorized throughout 2021. In 2021, 7 patents of invention was applied, all of which have been accepted so far. By the end of 2021, a total of 263 trademarks have been authorized, of which 13 was authorized in 2021.

Patents of invention authorized in 2021

(III) SATISFYING CUSTOMERS

2.3.1 SAFEGUARDING THE RIGHTS AND INTERESTS OF CUSTOMERS

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

In respect of customer information

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

In respect of product marketing

The Group undertakes not to provide any false, misleading, unclear or ambiguous marketing information, or omit key information, such as product ingredients and product side effects, etc.

In respect of product education

The Group has set up an enquiry hotline to timely respond to consumers' questions on products, so that consumers can make rational purchase decisions based on their needs.

2.3.2 ACTIVE RESPONSE TO CUSTOMERS' COMPLAINTS

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

After receiving complaints from customers, sales and marketing departments or production plants will promptly report them to the QA department of the preparation factory. The QA department is responsible for organizing and completing the "Complaint Registration and Handling Records of Preparation Users", formulating investigation plans, clarifying the investigation (the scope, time limit, responsible person, etc.), and launching the investigation in a timely manner.

The complaint investigation should be carried out on the first working day after receiving the complaint. The investigation conclusion should be reviewed by the QA director and approved by the person in charge of quality management, and the person in charge of quality management will arrange reply to the complaining customer. When the investigation conclusion is relatively simple, it can be fed back to the complaining customer in a timely manner; if further investigation and analysis is required, a formal written reply shall be given to the complaining customer within 30 working days, and the more complex complaint can be extended to 50 working days; For significant quality complaints, it is necessary to report the progress of the investigation to the complaining customers in stages. All responses to complaining customers need to be approved by the customer.

After the complaint investigation is completed, complaints that were caused by misunderstandings can be closed after proper explanation, and no handling of the product is needed; if the product involved does have certain problems, such as the non-compliance with the contract requirements, improper transportation or storage conditions, defects in packaging quality, etc., the products involved will be returned, and the return procedure will be carried out in accordance with the *Management of Return of Preparation Products*; if the products involved do have certain defects, such as the non-compliance with quality standards which may endanger human health or life safety, affect normal sales or use, etc., the products involved will be recalled according to the procedures in the *Drug Recall*.

After handling the quality complaints, each year, the QA user service will count all the complaints received during the year, and form a "Complaint List of Preparation Users". In accordance with the requirements of *Product Quality Audit Management*, the received user complaints are included in the quality audit annual product, and statistics are made on the content of all user complaints, investigation conclusions, handling situations, and improvement measures in this year to evaluate the rationality of product-related complaints and whether additional corrective measures are required, and report to the person in charge of production management and the person in charge of quality management for approval.

During the Reporting Period, the Company received 0 product quality related complaints.

2.3.3 PROMOTION OF ACCESSIBLE PHARMACEUTICAL PRODUCTS

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

Case

Insulin glargine injection obtained the approval to launch

As the most effective drug for the treatment of diabetes, the global market size of insulin exceeds 45 billion USD and has broad market prospects. Pharm HEC has laid out ahead of schedule, and has been deeply engaged in the field of insulin products for many years. It has accumulated strong resource reserves in research and development, process technology innovation, etc., and has a leading strength in industrialization in China.

On 29 October 2021, Pharm HEC self-developed insulin glargine injection was approved for launch. Insulin glargine is a human insulin analog with long-acting hypoglycemic effect suitable for the treatment of diabetic patients who need insulin to maintain normal blood sugar levels. The successful launch of this product is beneficial to expanding the Group's business in endocrine and metabolic therapy areas, further enriching the Company's product portfolio, and providing more choices for many diabetic patients.

Insulin Factory

Successful tender for centralized procurement by the Group

On 3 February, 2021, the Company participated in the tender process of the Fourth National Centralized Procurement of Pharmaceuticals (第四批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals (國家組織藥品集中採購和使用聯合採購辦公室). Esomeprazole Magnesium Enteric-Coated Capsules, Levofloxacin Tablets, Duloxetine Hydrochloride Enteric-Coated Capsules and Telmisartan Tablets won the bid in this centralized procurement.

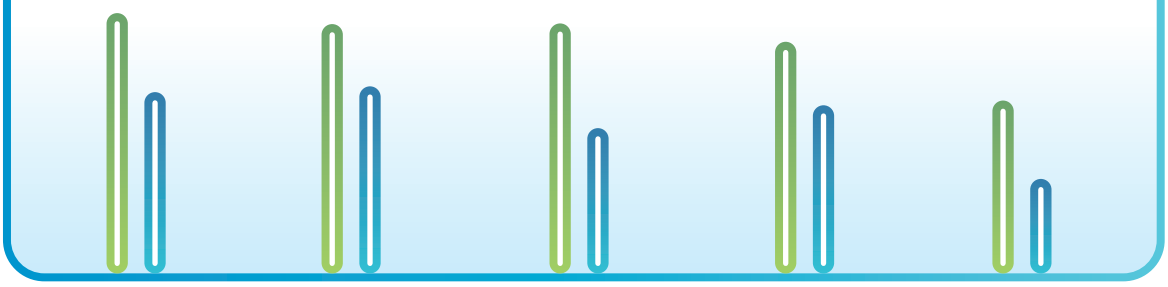
On 23 June, 2021, the Company participated in the tender process of the Fifth National Centralized Procurement of Pharmaceuticals (第五批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals (國家組織藥品集中採購和使用聯合採購辦公室). Aripiprazole Tablets and Rivaroxaban Tablets won the bid in this centralized procurement. For details, please refer to the announcement of the Company dated 24 June 2021.

On 26 November, 2021, the Company participated in tender process of the Sixth National Centralized Procurement of Pharmaceuticals (第六批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals (國家組織藥品集中採購和使用聯合採購辦公室). The Company's recombinant human insulin injection and insulin glargine injection won the bid in this centralized procurement.

CHAPTER III GREEN DEVELOPMENT

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:

A1.1/A1.2/A1.3/A1.4/A1.5/A1.6/
A2.1/A2.2/A2.3/A2.4/A2.5/A3.1/A4.1

(I) ENVIRONMENT MANAGEMENT STRATEGY

3.1.1 ENVIRONMENT MANAGEMENT

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

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

Environment Management Duties and Responsibilities

Environmental Protection Objectives

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

During the Reporting Period, the Group had no environmental pollution accidents; the collection, standardized storage and disposal rate of plant waste reached 100%; the legal and standardized disposal rate of hazardous waste reached 100%; 100% rate in the pollutant emission compliance in respect of wastewater, waste gas, powder and noise was achieved; the total amount of pollutants discharged and the extent of pollutants discharged met the requirements.

Environment Management Duties and Responsibilities

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

In 2021, the Group's investment in environmental governance and protection reached RMB11,033,900, details of which are as follows:

- Sewage treatment fee: RMB3,600,000

- Hazardous waste treatment fee: RMB232,400

- Environmental protection equipment: RMB6,325,200

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

- Environmental protection personnel: RMB876,300

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

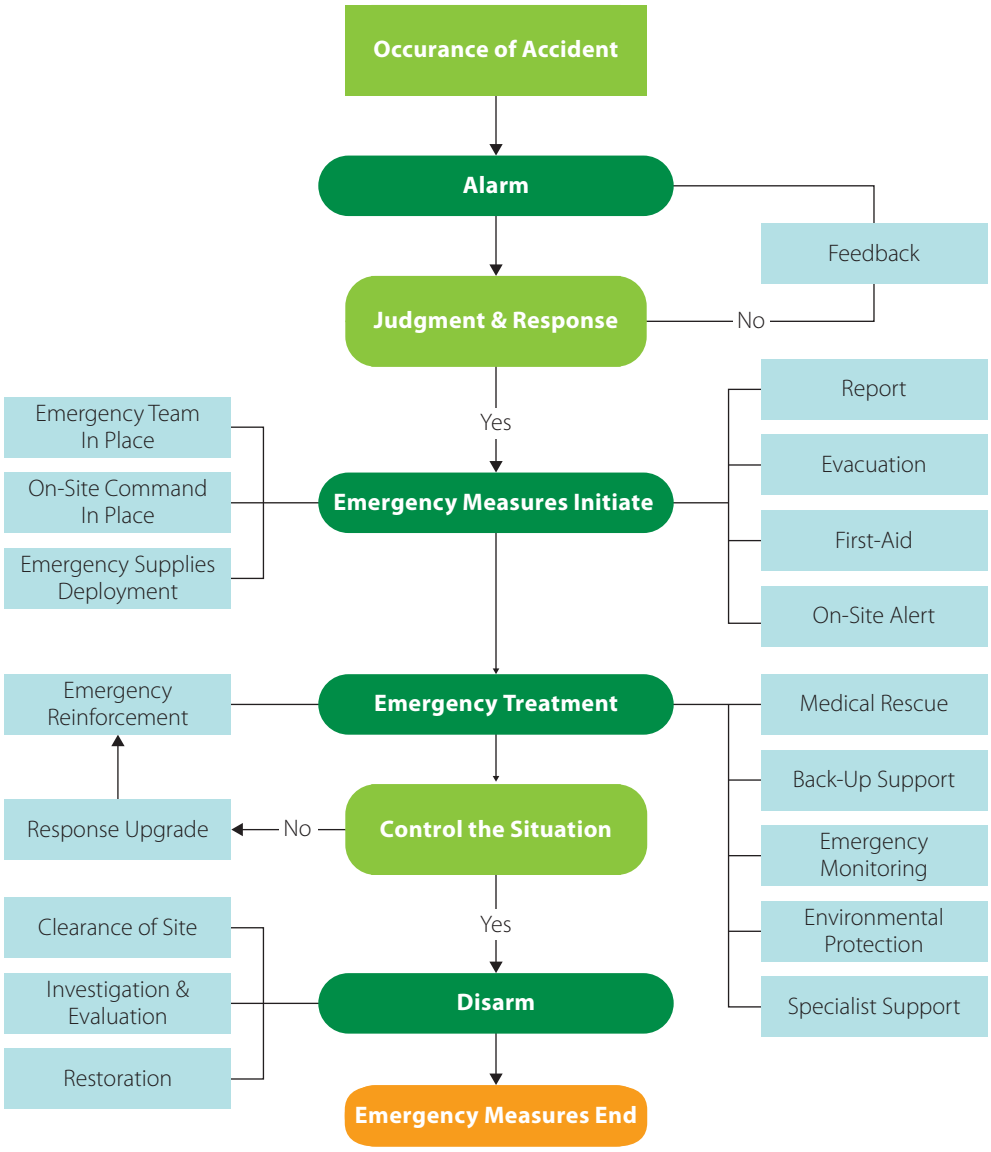
3.1.2 RISK PREVENTION AND CONTROL

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

Emergency Plan for Environmental Emergencies

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

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



PROCEDURES OF ENVIRONMENTAL EMERGENCY PLAN

Emergency Plan for Extreme Weather

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

Training on Environmental Protection

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

Certain of environmental protection training of Pharm HEC in 2021

Number	Training topics	Training Department	Training Hours
1	Emergency Plan for Environmental Emergencies	Environmental Protection Department	4
2	Standardized Management of Hazardous Waste	Environmental Protection Department	2
3	Environmental Protection Laws, Regulations and Standards	Environmental Protection Department	12
4	Environmental Protection Process Training	Environmental Protection Department	12
5	Operating Procedures for Environmental Protection Positions	Environmental Protection Department	60
6	Safety Production Precautions, Safety and Environmental Protection Knowledge	Lyophilized Powder Injection Workshop	2
7	Safety, Environment and Health Management (Updated Regulatory Requirements and Typical Cases for 2020)	Management Above and Including Deputy Director	2
8	Safety, Environment and Health Management (Updated Regulatory Requirements and Typical Cases for 2020)	All Staff of QA Department	2
9	Safety, Environment and Health Management (Updated Regulatory Requirements and Typical Cases for 2020)	Procurement Department	2
10	Safety and environmental protection related knowledge	Equipment Department of No. 1 Branch	2
11	Safety and environmental protection related knowledge	Warehousing Department	2

(II) EMISSION MANAGEMENT

3.2.1 MANAGEMENT OF WASTEWATER

Located at the Yangtze River and Qingjiang riverside, Pharm HEC takes active actions in protecting the ecological environment in the Yangtze River Basin, and implements the policies including the *Outline of the Development Plan for the Yangtze River Economic Belt*, strictly implements the standards such as the *Emission Standard of Water Pollutants for Chemical Synthetic Pharmaceutical Industry*, the *Emission Standard of Water Pollutants for Hybrid Pharmaceutical Industry* and the *Emission Standard of Water Pollutants for Biological Engineering Pharmaceutical Industry*, and formulates the *Wastewater Management Regulations*, which clarifies that the Environmental Protection Department is responsible for the wastewater management and the operation of sewage treatment stations throughout the plant. The Equipment Department is responsible for the maintenance of the sewage pipe network, pumps and sewage treatment equipment. Each department is responsible for the management of sewage within the jurisdiction, and carries out wastewater discharge management according to the requirements of rainwater and sewage diversion, clean and sewage diversion and sewage diversion. All departments and workshops are required to strictly control the leakage and pollution sources, to prevent the leakage, emission, dripping and leakage, and to strictly prohibit the leakage or direct discharge of sewage. In 2020, the Company strictly complied with the national requirements and applied for additional pollutant discharge license in a timely manner, which is valid from 27 December 2020 to 26 December 2025. In addition, in March 2021, the insulin plant separately applied for and obtained the pollutant discharge license.

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

Wastewater discharge of Pharm HEC

	Unit	2021	2020
Industrial wastewater	Tonnes	**369,290.04**	1,064,987.23
Chemical oxygen demand COD_{cr}	Tonnes	**10.98**	20.12
Ammonia nitrogen	Tonnes	**0.63**	1.20

3.2.2 MANAGEMENT OF EXHAUST GAS

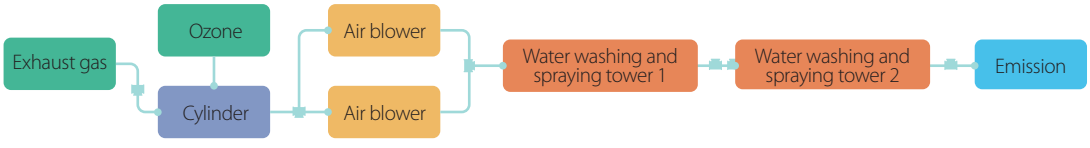
In strict compliance with the *Integrated Emission Standard of Air Pollutants* and other relevant standards, Pharm HEC has formulated the *Exhaust Gas Management Rules* to clarify the operation and management mechanism of the exhaust gas treatment system, and set up a standard process of exhaust gas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

Exhaust gas treatment system operation and management mechanism

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

Exhaust gas treatment process

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



In 2021, Pharm HEC's regenerative thermal oxidizer (RTO) equipment was put into operation. The volatile organic compounds (VOCs) treatment process currently adopted is: multi-level in-depth condensation, classified washing, activated carbon adsorption, regenerative thermal oxidizer (RTO) treatment process, which further strengthens the treatment level of various pollution factors in the volatile organic compounds (VOCs) gas emitted by volatile organic compounds (VOCs), and achieves the environmental benefits such as high purification rate and saving fuel consumption for the heating up of exhaust gas. We entrust a qualified third-party inspection company to inspect the volatile organic compounds (VOCs) exhaust gas, and the emission concentration is fully up to the standard.

Meanwhile, Pharm HEC actively strives to maximize the efficiency of energy use by adjusting and optimizing the energy structure, improving clean energy production facilities, and strengthening the publicity and breadth of energy conservation awareness. By actively promoting energy conservation and consumption reduction, the consumption per unit of heat supply and power generation is reduced. Through technological innovation, we vigorously promote the application of low-carbon emission reduction technologies and thus the reduction of greenhouse gas emissions in the production process.

Greenhouse gas emission of Pharm HEC

	Unit	2021	2020
Total Greenhouse Gas Emissions	Tonnes CO_2e	**63,666.38**	42,527.43
Scope 1 Greenhouse Gas Emissions	Tonnes CO_2e	**35.06**	46.67
Scope 2 Greenhouse Gas Emissions	Tonnes CO_2e	**63,631.33**	42,480.75
Greenhouse Gas Emission Intensity	Tonnes CO_2e/RMB million	**69.67**	18.11

3.2.3 MANAGEMENT OF SOLID WASTE

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

For hazardous chemicals

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

For general solid waste

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

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

During the Reporting Period, Pharm HEC generated a total of 86.34 tonnes of dangerous and hazardous waste. The non-hazardous wastes generated were mainly general industrial wastes and domestic wastes, totaling 1,954.74 tonnes.

(III) MAKING THE BEST USE OF RESOURCES

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

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

Water resources consumption

- Reduce the demand for water from industrial production by shortening the hot water pipes, minimizing water pressure, reasonably making industrial or production layout;
- Change the way of production water consumption (e.g. turning direct current water to recycled water), promote water-saving technologies such as reuse of condensed steam, recycling of indirect condensed water, and reuse of treated sewage, and improvement of the water recycling rate and reuse rate;
- Conduct water balance tests to calculate the amount of water required by each production unit and set up inspection measures;
- We advocate water conservation and strive to improve the utilization rate of water resources in the production and living process;
- During the Reporting Period, the Company did not have any problem in obtaining suitable water sources.

Energy consumption

Energy-saving renovation of existing equipment, replacement of LED light tubes in workshops and other energy-saving facilities.

Material use

Reduce the use of single-use plastic packaging materials and recycle metal packaging materials.

During the Reporting Period, Pharm HEC consumed a total of 1,767,021.70 tonnes of water, 15,919.05 tonnes of standard coal of integrated energy consumption and 236.02 tonnes of packaging materials for finished products.

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

(IV) ADDRESSING CLIMATE CHANGE

Pharm HEC attaches importance to identifying and evaluating the risks and opportunities brought by climate change to corporate operation, and actively takes appropriate measures to cope with the risks of climate change.

Transition risks

Changes in laws and regulations, technology, market and other areas caused by promoting the transition to low-carbon economy will lead to corresponding changes in our production technology, cost and other factors.

Acute physical risks

The deterioration of individual extreme weather events will affect the production stability, such as the temporary shortage of raw materials caused by extreme weather.

Chronic physical risks

The risks of climate change accumulated over time cause an effect on production.

For the identified climate risks, we have taken a series of measures to address such risks, including actively taking various energy-saving and emission reduction measures; strengthen the inspection of the plant, equip with complete fire prevention facilities to try our best to eliminate safety hazards; continuously improve the emergency plan for extreme weather and cope with the impact of extreme weather on production, etc.

CHAPTER IV SAFE PRODUCTION

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

B2.1/B2.2/B2.3

(I) ENHANCING SAFETY MANAGEMENT AND CONTROL

Pharm HEC strictly complies with the relevant requirements of the laws and regulations, including the *Production Safety Law of the People's Republic of China* and the *Fire Protection Law of the People's Republic of China*, has formulated the *Safe Production Responsibility System*, the *Regulations on Reporting, Investigation and Handling of Production Safety Accidents* and the *Basic Norms of Enterprise Safety Production Standardization*, and has signed the *Safety Responsibility Statement* at all levels. The Group has implemented the safety management structure led by the Safety Department, strengthened safety risk management and control, emergency management and the investigation and governance of various potential hazards. The Group organises safety drills and education training every year and carries out safety inspections, in which the safety inspection results are directly linked to the management's remuneration. The Company has also implemented safety standardisation within the Company. During the Reporting Period, the insulin plant invested approximately RMB1,013,600 in environment, health and safety (EHS) management, representing an increase of 18.73% as compared with RMB853,700 in 2020, including an investment of approximately RMB483,600 in safety production.

During the Reporting Period, there were no work-related fatalities, extraordinary, material and ordinary accidents in Pharm HEC.

(II) SAFEGUARDING THE HEALTH AND SAFETY OF EMPLOYEES

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

Automatic meters in workshops are transformed to achieve automatic control in key positions;

Methanol and confined space undergoes special cleaning and disinfection twice during spring and autumn;

New safety risk labels are introduced to meet the chemical engineering standard requirements;

Production and operation training is enhanced and the *Employee Safety Behaviour Manual* is issued, requiring workers to comply with proper production procedures at all times, reasonably allocate and standardise the wearing of labour protection equipment;

Regular occupational disease examination is organised and occupational disease examination is arranged for key positions (involving employees exposed to hazardous chemicals), and additional body examination is arranged for female employees.

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

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

Pharm HEC also pays attention to the safety production of related parties. In order to strengthen the safety management of related parties, the Group controls relevant environmental factors, risk sources and occupational health and safety risks in the course of business activities to prevent the occurrence of various accidents and ensure the safety of life and property of the Company and related parties. In 2021, the Company continued to strictly implement and improve the *Related Party Management System*, which is applicable to the Company's safety management process for all activities of the construction parties, partners, visitors and other related personnel in the Company's area. The safety department of the Company is responsible for optimising the system, organising and implementing the supervision and inspection of safety management in respect of procurement and subcontracting activities, as well as supervising and inspecting the implementation of the *Production Safety Agreement*. Relevant project departments are responsible for the management and control of the safety and occupational health behaviours of the construction parties entering the construction site, the safety education and safety notification to related parties, and the supervision, inspection and examination of the implementation of the safety production management agreement. Other functional departments perform supervision, guidance and support on the activities of related parties according to the allocation of duties.

(III) ADHERING TO SAFE PRODUCTION CULTURE

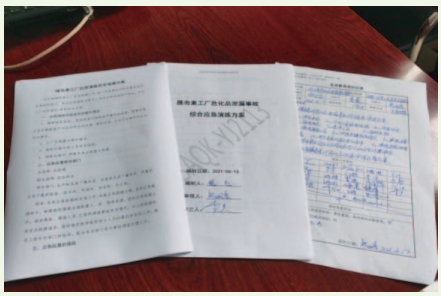
Pharm HEC attaches great importance to safety emergency management and has formulated the *Relevant Provisions on the Preparation of Emergency Response Plan, Training, Drills and Assessment*, the *Emergency Rescue Plan for Insulin Plant Accident* and other documents. In addition, the Group has established annual drills and training plans for all employees, and has carried out integrated drills, special drills and action drills; safety learning on documents and systems, emergency medical rescue, equipment operation, evacuation, material leakage and emergency repair, in order to continuously improve the safety awareness of employees and their ability to respond to emergencies as well as escape and self-rescue.

In 2021, Pharm HEC took basic safety management, operation site, safety culture construction, education and training, innovation management, etc. as the focus of safety training for identification, prevention and control in advance, so as to improve the effectiveness of safety training system, and significantly enhance the participation and safety management level of all employees on their own. During the Reporting Period, according to the annual safety training plan of the factory, 12 special training sessions were organized at the factory level. Safety department organized the factory-level safety training for new staff in seven rounds (32 hours per round); it supervised all departments to complete the safety education and training at department level and team level (40 hours per round), with a total of 178 employees receiving the safety education and training, and safety training and certification works are completed in accordance with regulations and requirements. During the Reporting Period, the staff training was completed as scheduled with a pass rate of 100%.

CASE

Emergency Drill for Hazardous Chemicals Leakage Accident

In order to improve the emergency handling capability of employees, Pharm HEC conducted a comprehensive emergency drill in the insulin plant for hazardous chemicals leakage on 18 June 2021 in accordance with the *Relevant Provisions on the Formulation, Training, Drill and Assessment of Emergency Rescue Plan* and the *Annual Schedule of Emergency Drill for Insulin Plant in 2021*. Through the drill, it assessed the actual operation and effectiveness of the emergency plan of the plant and examined whether all kinds of fire prevention facilities and equipment in the plant are reliable, sensitive, intact and in place, so as to find out the problems and deficiencies in the drilling plan and emergency rescue process, and make continuous improvements.



Training Before Drill

Drill Site

Drill Site

Drill Site

CASE

Safety Supervision Platform

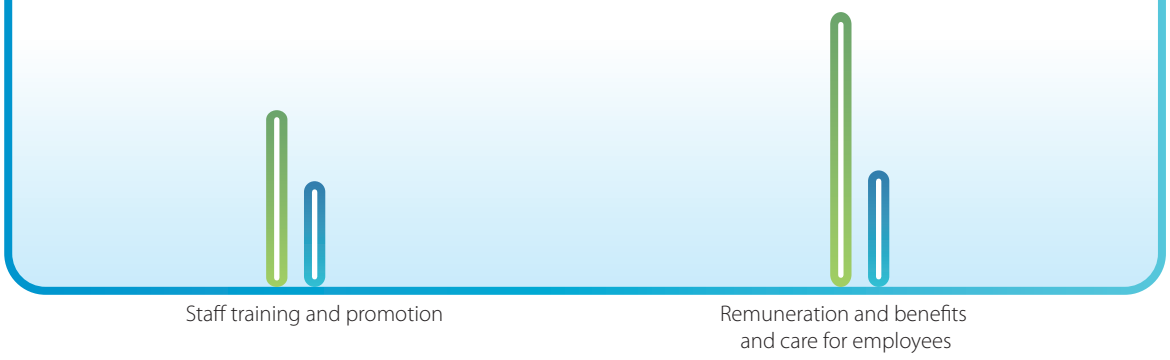
In order to identify and eliminate potential risks of production safety accidents in a timely manner and leverage the role of supervision and reporting by all employees, in accordance with the *Production Safety Law*, the *Measures for Reporting and Rewarding in the Safety Production Field in Hubei Province* and other laws and regulations, Pharm HEC continued to improve and optimize the "HEC Safety Supervision Platform". Currently, *Daily Circuit Breaker and Forging Special Operation Safety Graph, Safety Standard Graph* and *Special Operation Safety Graph* and other guidance were published on the platform, encouraging employees to take photos to report various potential risks of production safety accidents according to the graphs. Through verifying the potential risks with the reports, the supervisors and on-site inspectors are rewarded with a bonus. In 2021, a total of 0 reports were received from employees.

Safety Supervision Platform

CHAPTER V PEOPLE-ORIENTED

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER

HKEX ESG INDICATORS COVERED IN THIS CHAPTER

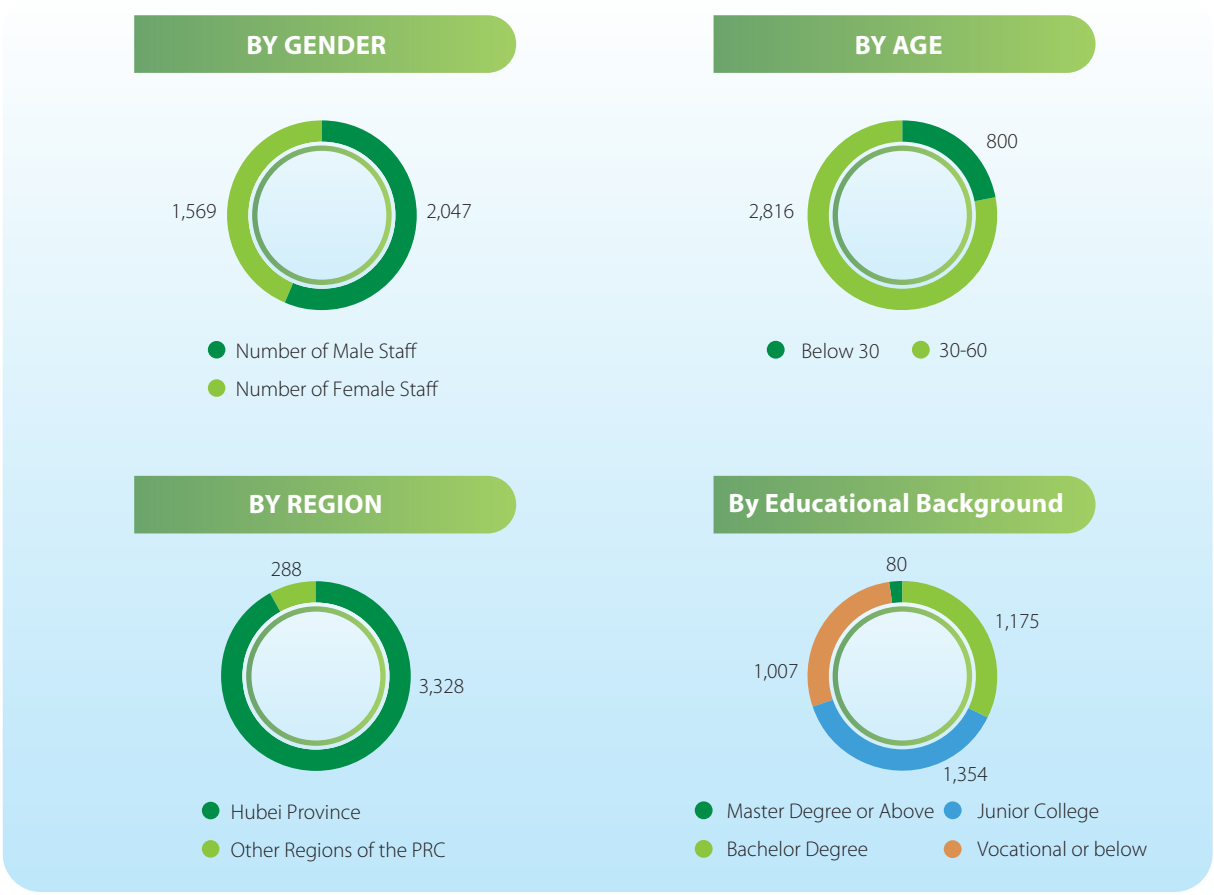
B1.1/B1.2/B3.1/B3.2/B4.1/B4.2

(I) EQUAL EMPLOYMENT

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

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

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



(II) PROTECTION OF RIGHTS AND INTERESTS

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

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

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

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

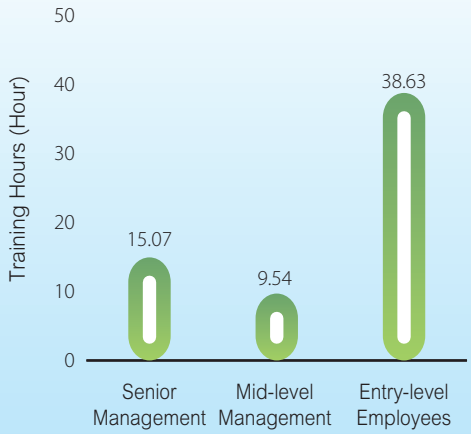
(III) TRAINING AND DEVELOPMENT

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

Pharm HEC provides four major types of training, which consist of factory training, onboard training, continuous education and training (comprising planned training and ad-hoc training), and outsourced training. Our training methods include intensive classes, discussions, audio-visual and practical training. Evaluation of the effectiveness of our training comprises of written examinations (open-book and closed-book), practical tests and instant tests. During the Reporting Period, 3,616 employees of the Group were trained with an average of 36 training hours per employee.

Training Hours by Gender

Average Training Hours by Type of Employees



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

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

(IV) CARE FOR EMPLOYEES

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

In March 2021, Pharm HEC stimulated motivation of the staff through concentric culture. We carry out the "triple unity" activity. The core members of the Company connect with the branch plants and Party members, and Party members connect employees in difficulty so as to build a harmonious enterprise. Meanwhile, we subsidize and help 126 staff with difficulties in a total of RMB833,000 through the "Love Foundation", so as to relay our care to the staff and make everyone to work together with the same objective.

CASE

Employee Condolence

On 24 March 2021, the Company formulated a one-to-one system for Party members to help our staff in difficulty, so as to achieve "full coverage" of assistance, timely convey warm wishes of the organization to our staff, and help them enhance their confidence and tide over the difficulties.

Employee Condolence

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

CASE

Basketball Competition

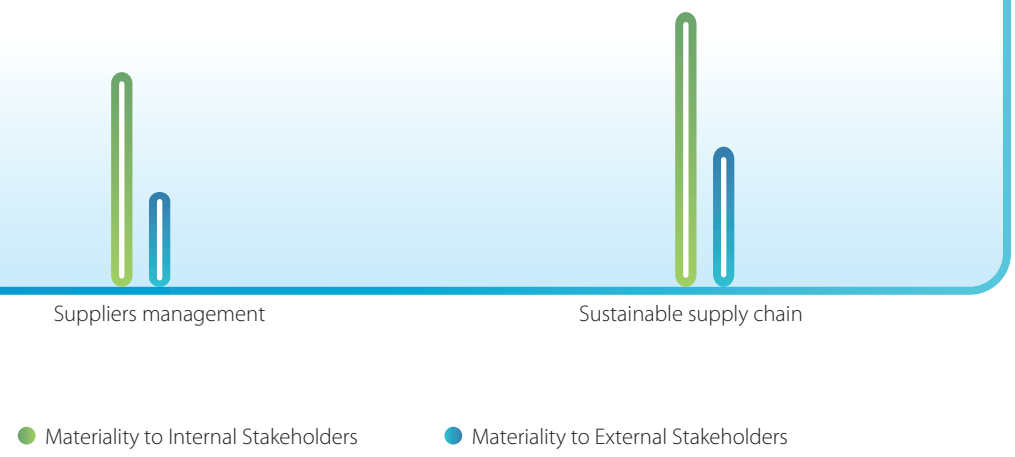
The labor union and the Youth League Committee of the Company take basketball competition as the starting point, organize various types of healthy and positive cultural and sports entertainment activities in which employees can enjoy and participate in actively, so as to create a good atmosphere of scientific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

Basketball Competition

CHAPTER VI WIN-WIN COOPERATION

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:



TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:

17 PARTNERSHIPS FOR THE GOALS

HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B5.1/B5.2

(I) BUILDING A RESPONSIBLE SUPPLY CHAIN

6.1.1 RESPONSIBLE PROCUREMENT

Pharm HEC has established a comprehensive and effective procurement system to specify the duties and obligations of relevant departments such as procurement and quality departments in the procurement process. We have also entered into the *Anti-commercial Bribery Agreement* between the Suppliers and Purchasers and *Integrity Commitment Letter* to strictly control corruption. At the same time, through establishing a file for each supplier and signing a quality assurance agreement with key suppliers, Pharm HEC strictly monitors the performance of suppliers in all aspects, including product quality and service quality, business ethics and social evaluation. The Company also assesses the performance of suppliers through dynamic information management, periodic assessment and annual review to safeguard the interests of the Group and customers. During the Reporting Period, the Company has established cooperation relationship with 1,385 suppliers. The Company's procurement system and the following management processes apply to all suppliers of the Company.

Supplier Selection and Management Process:

INITIAL INVESTIGATION OF SUPPLIERS

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

PRICE VERIFICATION AND COMPARISON

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

SELECTION AND DETERMINATION OF SUPPLIERS

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

MANAGEMENT OF SELECTED SUPPLIERS

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

6.1.2 GREEN PROCUREMENT

Pharm HEC attaches great importance to and continuously identifies environmental and social risks in supply chain and believes that supply chain management can indirectly reduce environmental and social risks. Therefore, Pharm HEC has established strict and standardized procedures for supply chain management and selection of suppliers. Pharm HEC has always attached great importance to environmental protection and social responsibility of suppliers. In the selection and management of suppliers, the Group not only judges the quality and qualification of suppliers, but also carries out evaluations in respect of environmental protection and social responsibility, so that all aspects of suppliers meet our environmental protection standards and social responsibility requirements. We continuously optimise product packaging design, advocate the use of green and environmental-friendly materials, and reduce the use of packaging materials while meeting market and production needs. Our requirements for raw material suppliers are among the top three in the industry. For the procurement of product packaging materials, we have formulated a group-level procurement management plan. At the same time, we have also established a supplier evaluation control procedure, which is applicable to regulating and controlling the supplier evaluation process and the implementation of procurement. All of our paper packaging materials are procured from the Forest Stewardship Council (FSC) certified manufacturers. The FSC certification shows that manufacturers have effectively identified, isolated and recorded the wood products in the aspects of procurement, production and sales. It is an enterprise pursuing green environmental protection business philosophy and fulfilling social responsibility. The green procurement principle has been implemented in the Group's daily operations.

For the equipment procurement management regulations, the Company follows the following principles to ensure production efficiency and green procurement:

Production	**It refers to the production efficiency of equipment. When selecting equipment, the Group shall select those equipment with the minimum input for the maximum output, i.e. high efficiency equipment.**
Technology	**It refers to the ability of the equipment to meet the technical requirements of the production. In addition to meeting the technical requirements of the product, the equipment shall meet the Good Manufacture Practice (GMP) requirements.**
Energy saving	**It refers to saving in raw material consumption and energy consumption. For example, environmental facilities must be operated and maintained synchronously with the main production facilities, and the Group shall ensure that the synchronous operation rate of environmental facilities and production facilities to be above 95%.**

(II) PROMOTION OF INDUSTRY DEVELOPMENT

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

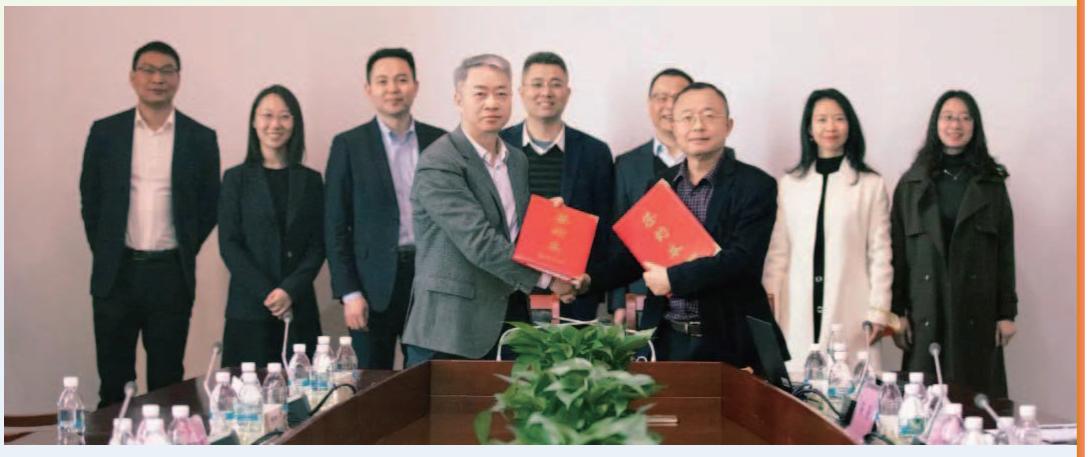
Case

Kawin Technology (凯因科技) and Pharm HEC "Eliminate Hepatitis C" together

On 14 February 2022, Pharm HEC and Beijing Kawin Technology Share-Holding Co., Ltd. (北京凯因科技股份有限公司) ("Kawin Technology") signed a strategic cooperation agreement to "Eliminate Hepatitis C". In order to help achieve the WHO 2030 target of eliminating viral hepatitis public health hazards and fully support China's hepatitis C public health hazards elimination campaign, the two companies have reached a strategic cooperation based on their own hepatitis C drugs, contributing to the strength of national enterprises. Mr. Tang Xinfa, Chairman of the Group, and Mr. Zhou Desheng, Chairman and General Manager of Kawin Technology, attended the signing ceremony.

Kawin Technology's pan-genotypic oral series of drugs with a high cure rate for hepatitis C and Pharm HEC 's Emitasvir Phosphate Capsules were approved for drug registration in 2020, of which Coblopasvir Hydrochloride Capsules and Emitasvir Phosphate Capsules were listed in the National Reimbursement Drug List in 2020 and 2021 respectively; after the collaboration, Kawin Technology will carry out marketing of Emitasvir Phosphate Capsules in some regions across China, aiming to meet the needs of insured patients with all major genotypes.

In the future, both parties will explore in-depth cooperation based on their advantageous resources in product development, market coverage and pipeline expansion to help eliminate the public health hazards of hepatitis C in China.



Cooperation with Kawin Technology (凯因科技)

CHAPTER VII CONTRIBUTING TO THE SOCIETY

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

SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:

TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:

HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B8.1/B8.2

(I) CARING THE COMMUNITY AND CHARITY

The Group has always been committed to fulfilling its social responsibility, remembering its mission of public welfare and taking social responsibility as its mission. We actively maintain good two-way communication with the community, listen to the needs of the community, carries out community care activities, and encourages employees to actively participate in voluntary service activities to achieve a relationship of mutual trust and mutual benefit with the community.

Charity is also an important component of corporate social responsibility. The Group upholds the spirit of striving and kindness, actively participates in charitable activities with a heart for good, and contributes to the public welfare within its capacity in areas such as the fight against the epidemic and care for medical staff etc.

OUTLOOK FOR 2022

Looking forward, with the development direction of China's pharmaceutical industry gradually switching from generic drugs to innovative drugs, drug innovation has become the core competitiveness that supports the future development of enterprises. In order to capture opportunities in the fierce competition, pharmaceutical companies need to make continuous efforts in various aspects including product research and development, technical process improvement, production and supply chain management and sales management, while striving to grasp the initiative of industry competition and forming a good sustainable advantage by grasping the market demand and trend of the pharmaceutical industry and consolidating and expanding the corresponding strategic target markets more effectively.

The Company will continually increase its investment in R&D and accelerate the transformation of drug R&D to clinical application in the fields of anti-virus, endocrine and metabolic diseases and cardiovascular diseases. The Company will continue to enhance its capabilities in terms of product R&D and innovation, introduce new products, enrich the existing product portfolio and enhance the competitiveness of the products in the market.

The Company will also continue to perfect its scientific and sustainable marketing strategy, strengthen academic promotion and drug promotion activities and further expand the primary healthcare market. We are committed to building up quality business image and brand reputation in the domestic market, laying a solid foundation of enabling more new products to enter the market in the future.

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

LIST OF POLICIES

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

Topics	Internal policies	Laws and regulations complied with
Aspect A3: Environment and Natural Resources	Environmental Protection Management System Responsibility System for the Prevention and Control of Environmental Pollution by Hazardous Wastes Hazardous Waste Management System Regulations on the Administration of Construction Project Environmental Protection	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Water Quality Standards on Sewage Discharged to Urban Sewers Integrated Emission Standard of Sewage
Aspect A4: Climate Change	Emergency Plan for Environmental Emergencies	Emergency Response Law of the People's Republic of China
Aspect B1: Employment	Human Resources System Employee Handbook Articles of Association of the Charitable Foundation Lactation Period System Pension System Housing Benefits Children's Benefit	Labour Law of the People's Republic of China Civil Code of the People's Republic of China Employment Promotion Law of the People's Republic of China Social Insurance Law of the People's Republic of China
Aspect B2: Health and Safety	Safe Production Responsibility System Regulations on Determination, Training, Drill and Assessment of Emergency Rescue Plan Emergency Rescue Plan for Insulin Plant Accident Emergency Plan for Sudden Environmental Accidents Production Safety Accidents and Investigation and Handling Regulations Basic Norms of Enterprise Safety Production Standardization Employee Safety Conduct Manual Relevant Party Management System Safety Production Agreement	Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China Safe Production Law of the People's Republic of China Fire Protection Law of the People's Republic of China Industrial Injury Insurance Regulations of the People's Republic of China Regulations on the Labour Protection of Female Staff and Workers of the People's Republic of China Regulations on Reporting, Investigation and Handling of Production Safety Accidents Measures for Reporting and Rewarding in the Safety Production Field in Hubei Province

Topics	Internal policies	Laws and regulations complied with
Aspect B4: Labour Standards	Prevention and Handling of Labour Disputes	Labour Law of the People's Republic of China Provision on Prohibition of Child Labour of the People's Republic of China Law of the People's Republic of China on Protection of Minors
Aspect B5: Supply Chain Management	Material Supplier Management Incoming Material Procurement Management Material Procurement Quality Standard Qualified Supplier List	Company Law of the People's Republic of China Contract Law of the People's Republic of China Government Procurement Law of the People's Republic of China

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

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

KEY PERFORMANCE TABLE

List of environmental data[1]					
Aspect A1: Emissions					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
A1.1	**Types of emissions and respective emissions data**				
	Industrial wastewater	Tonnes	**369,290.04**	1,064,987.23	103,373.00
	Chemical oxygen demand CODcr	Tonnes	**10.98**	20.12	1.96
	Ammonia nitrogen	Tonnes	**0.63**	1.20	0.09
A1.2	**Total greenhouse gas emissions and intensity[2,6]**				
	Greenhouse gas emissions	Tonnes CO_2e	**63,666.38**	42,527.43	34,606.96
	Scope 1 Total greenhouse gas emissions[3]	Tonnes CO_2e	**35.06**	46.67	49.76
	Scope 2 Total greenhouse gas emissions[4]	Tonnes CO_2e	**63,631.33**	42,480.75	34,557.20
	Intensity of greenhouse gas emissions	Tonnes CO_2e/revenue (RMB million)	**69.67**	18.11	5.56
A1.3	**Total hazardous waste generated**				
	Pharmaceutical waste	Tonnes	**34.76**	28.70	47.95
	Other hazardous wastes	Tonnes	**51.58**	49.99	53.37
	Intensity of hazardous wastes	Tonnes/revenue (RMB million)	**0.09**	0.03	0.02
A1.4	**Total non-hazardous waste generated**				
	General industrial waste and domestic waste	Tonnes	**1,954.74**	1,737.51	2,965.77
	Intensity of non-hazardous wastes	Tonnes/revenue (RMB million)	**2.14**	0.74	0.48

List of environmental data[1]					
Aspect A2: Use of Resources					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
A2.1	**Total energy consumption and intensity[6]**				
	Externally purchased power[5]	kWh	**70,907,170.00**	52,267,284.00	33,231,342.00
	Externally purchased steam	Tonnes	**76,200.20**	50,902.60	58,294.48
	Diesel	Litres	**13,430.00**	17,880.00	19,060.00
	Total energy consumption	Tonnes of standard coal	**15,919.05**	12,991.35	11,630.85
	Total energy consumption intensity	Tonnes of standard coal/revenue (RMB million)	**17.42**	5.53	1.86
A2.2	**Total water consumption and intensity**				
	Freshwater consumption[6]	Tonnes	**1,767,021.70**	1,273,174.30	529,377.00
	Total water consumption intensity	Tonnes/revenue (RMB million)	**1,933.73**	/	/
A2.5	**Total packaging material used for finished goods**				
	Packaging materials used[7]	Tonnes	**236.02**	2,090.93	3,116.70
	Packaging material intensity	Tonnes/revenue (RMB million)	**0.12**	/	/

List of environmental data					
Guidelines on Environmental Information Disclosure by Companies Listed on Shanghai Stock Exchange					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
Other 1	**Main raw material consumption**				
	Dichloromethane	Tonnes	**/**	353.35	429.86
	Methano	Tonnes	**175.69**	70.16	90.60
	Acetonitrile, Ethanol[8]	Tonnes	**152.96**	438.93	525.88
	Gelatin hollow capsules	Tonnes	**2.43**	/	/
	Sodium hydroxide	Tonnes	**132.36**	/	/
	Dimethylformamide	Tonnes	**23.56**	/	/
	Ethylene glycol	Tonnes	**23.46**	/	/
	Iron powder	Tonnes	**14.70**	/	/
	Other raw materials	Tonnes	**27.63**	/	/
	Other auxiliary materials	Tonnes	**320.19**	/	/
Other 2	**Resources investment in environmental governance**				
	Investment in environmental governance and protection	Ten thousand (RMB)	**1,103.39**	714.31	529.54
Other 3	**Administrative penalties against pollutants**				
	Number of administrative penalty	Times	**0**	0	0
	Amount of penalty	RMB	**0**	0	0

List of social data					
Aspect B1: Employment					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B1.1	**Total workforce by gender, age group, geographical region and education**				
	Total number of employees	Person	**3,616**	4,766	6,212
	Full-time employees	Person	**3,616**	/	/
	Part-time employees	Person	**0**	/	/
	By gender				
	Male employees	Person	**2,047**	2,178	3,745
	Female employees	Person	**1,569**	2,588	2,467
	By age group				
	Below 30	Person	**800**	1,396	2,354
	30-60	Person	**2,816**	3,370	3,858
	By region				
	Hubei province	Person	**3,328**	4,478	1,997
	Other regions in the PRC	Person	**288**	288	4,213
	Overseas	Person	**0**	0	2
	By education				
	Master or above	Person	**80**	117	108
	Bachelor	Person	**1,175**	1,485	1,938
	Associate	Person	**1,354**	1,702	2,954
	Vocational or below	Person	**1,007**	1,462	1,212

List of social data					
Aspect B1: Employment					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B1.2	**Number of employee turnover and employee turnover rate by gender, age group and geographical region[9]**				
	Total number of employee turnover	Person	**1,150**	1,446	225
	Employee turnover rate	%	**24.13**	23.28	3.60
	By gender				
	Number of male employees turnover	Person	**131**	704	124
	Number of female employees turnover	Person	**1,019**	742	101
	Male employee turnover rate	%	**6.01**	24.43	3.20
	Female employee turnover rate	%	**39.37**	22.28	3.93
	By age group				
	Turnover number of employees aged below 30	Person	**596**	809	140
	Turnover number of employees aged 30–50	Person	**554**	636	83
	Turnover number of employees aged 50 or above	Person	**0**	1	2
	Turnover rate of employees aged below 30	%	**42.69**	36.69	5.61
	Turnover rate of employees aged 30–50	%	**16.81**	16.17	2.14
	Turnover rate of employees aged 50 or above	%	**0**	1.33	3.13
	By geographical region				
	Number of employee turnover in Central China	Person	**1,150**	1,347	217
	Number of employees turnover in other regions in the PRC	Person	**0**	99	8
	Overseas turnover	Person	**0**	0	0
	Employee turnover rate in Central China	%	**25.68**	23.12	9.80
	Employees turnover rate in other regions in the PRC	%	**0**	25.58	0.19
	Overseas turnover rate	%	**0**	0	0

List of social data					
Aspect B2: Health and Safety					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B2.1	**Number of work-related fatalities**				
	Number of work related fatalities	Person	**0**	0	0
	Rate of work-related fatalities	%	**0**	0	0
B2.2	**Lost days due to work injury**				
	Number of work injuries	Times	**0**	0	2
	Lost days due to work injury	Days	**0**	0	126

List of social data					
Aspect B3: Development and Training					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B3.1	**Trained employees by gender and type of employees**				
	Total number of employees trained	Person	**3,616**	4,766	6,212
	Percentage to total number of employees trained	%	**100**	100	100
	By gender of employees				
	Number of male employees trained	Person	**2,047**	2,178	3,062
	Percentage of male employees trained	%	**56.61**	45.70	49.29
	Number of female employees trained	Person	**1,569**	2,588	3,150
	Percentage of female employees trained	%	**43.39**	54.30	50.71
	By type of employees[10]				
	Number of senior management trained	Person	**56**	56	56
	Percentage of senior management trained	%	**1.55**	1.17	0.90
	Number of mid-level management trained	Person	**282**	372	372
	Percentage of mid-level management trained	%	**7.80**	7.81	5.99
	Number of entry-level employees trained	Person	**3,278**	4,338	5,784
	Percentage of entry-level employees trained	%	**90.65**	91.02	93.11

List of social data					
Aspect B3: Development and Training					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B3.2	**Training hours for employees by gender and type of employees**				
	Total training hours for all employees	Hours	**130,176**	169,971	260,529
	Average training hours for all employees	Hours	**36.00**	36.00	41.90
	Total training hours by gender of employees				
	Total training hours for male employees	Hours	**73,692**	80,273	–
	Total training hours for female employees	Hours	**56,484**	89,698	–
	Average training hours for employees by gender of employees				
	Average training hours for male employees	Hours	**36.00**	36.85	–
	Average training hours for female employees	Hours	**36.00**	34.66	–
	Total training hours by type of employees				
	Total training hours for senior management	Hours	**844**	844	1,100
	Total training hours for mid-level management	Hours	**2,690**	3,549	4,926
	Total training hours for entry-level employees	Hours	**126,642**	165,578	254,503
	Average training hours by type of employees				
	Average training hours for senior management	Hours	**15.07**	15.07	–
	Average training hours for mid-level management	Hours	**9.54**	9.54	–
	Average training hours for entry-level employees	Hours	**38.63**	38.17	–

List of social data					
Aspect B5: Supply Chain Management					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B5.1	**Number of suppliers by geographical region**				
	Number of major suppliers	Suppliers	**1,385**	718	607
	Geographical distribution of major suppliers				
	Hubei province	Suppliers	**504**	256	205
	Other regions in the PRC	Suppliers	**867**	456	402
	Overseas	Suppliers	**14**	6	0
Aspect B6: Product Responsibility					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B6.1	**Percentage of total products sold or shipped subject to recalls for safety and health reasons**				
	Amount of products recalled due to health and safety reasons	Cartons	**0**	0	0
	Percentage of products recalled due to health and safety reasons	%	**0**	0	0
B6.2	**Number of products and service related complaints received**				
	Complaints related to product quality	Times	**0**	1	0
	Other complaints	Times	**3**	3	13
Aspect B7: Anti-corruption					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period**				
	Number of pending or concluded legal cases regarding corrupt practices	Cases	**0**	0	0
B7.2	**Description of anti-corruption training provided to directors and employees.**				
	Percentage of directors receiving anti-corruption training	%	**100%**	–	–
	Percentage of employees receiving anti-corruption training	%	**100%**	–	–

List of social data					
Aspect B8: Community Investment					
Indicator number	**Indicator required**	**Unit**	**2021**	2020	2019
B8.2	**Resources contributed to the focus area**				
	Amount contributed for charity	Ten thousand (RMB)	**10**	100	30

Notes:

1. Unless otherwise specified, the indicators of A1 environmental category are statistical data generated or used by the production base of the Company (Yichang City, Hubei Province), excluding data of unfinished plants under construction. In 2021, we continue to improve the statistical boundary and environmental data collection system, covering all production units in the base;
2. Greenhouse gas emissions refer only to carbon dioxide emissions and do not include methane, nitrous oxide and other greenhouse gases emitted by other sources;
3. Indicator A1.2 Greenhouse gases (Scope 1) include direct emissions from gasoline, diesel, liquefied petroleum gas, etc.;
4. Indicator A1.2 Greenhouse gases (Scope 2) include indirect emissions from outsourced electricity and steam;
5. Carbon dioxide is accounted according to *Accounting Method and Reporting Guide for Greenhouse Gas Emissions from Industry and Other Sectors (for Trial Implementation)*, where the emission factor of the outsourced power refers to the emission factors in the *Notice on the Key Work Related to the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022* issued by the Ministry of Ecology and Environment;
6. As the commissioning of the Company's API plant and Insulin Plant was put into use in 2021, the industrial wastewater emissions, fresh water consumption, external purchased power and associated greenhouse gas emissions as well as total energy consumption and other data have increased to a certain extent during the year. At the same time, due to the epidemic, sales of the Company's product were not able to meet the expectation and revenue declined to a certain extent, resulting in a certain degree of increase in greenhouse gas intensity and integrated energy intensity;
7. As the production volume of Kewei, the core product of the Group, decreased to a certain extent in 2021, packaging materials used and pharmaceutical waste generated decreased to a certain extent during the year;
8. Other 1 indicator on Environmental Information Disclosure by Companies Listed on Shanghai Stock Exchange: out of the main raw material consumption, 152.96 tonnes were total consumption of acetonitrile and ethanol in 2021, 438.93 tonnes and 525.88 tonnes were consumption of ethanol in 2020 and 2019 respectively;
9. Employee turnover rate = (number of resigned employees under a category/(number of employees under that category at the end of the period + number of resigned employees under that category))*100%.
10. Percentage of employees trained in a certain category = (number of employees trained in the category/total number of employees trained) * 100%.

INDEX

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

Aspects	Key Performance Index	Disclosure
A. Environment		
Aspect A1: Emissions		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.** **Note: Air Emissions include nitrogen oxides, sulfur oxides and other pollutants regulated by national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Hazardous waste refers to those defined by national regulations.**	Chapter III (II) Emission Management
A1.1	The types of emissions and respective emissions data.	Key Performance Table
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).	Key Performance Table
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A1.5	Description of emission target(s) set and steps taken to achieve them.	Chapter III Green Development (I) Environment Management Strategy (II) Emission Management
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.	Chapter III Green Development (I) Environment Management Strategy (II) Emission Management

Aspects	Key Performance Index	Disclosure
Aspect A2: Use of Resources		
General Disclosure	**Policies on the efficient use of resources, including energy, water and other raw materials.** **Note: Resources may be used for production, storage, transportation, buildings and electronic equipment, etc.**	Chapter III Green Development
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).	Key Performance Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Key Performance Table
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Chapter III Green Development (I) Environment Management Strategy (III) Making the Best Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Chapter III (III) Making the Best Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Key Performance Table
Aspect A3: Environment and Natural Resources		
General Disclosure	**Policies on minimising the issuer's significant impacts on the environment and natural resources.**	Chapter III (I) Environment Management Strategy
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Chapter III (I) Environment Management Strategy (III) Making the Best Use of Resources

Aspects	Key Performance Index	Disclosure
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.**	Chapter III (IV) Addressing Climate Change
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.	Chapter III (IV) Addressing Climate Change
B. Society		
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.**	Chapter V People-oriented (I) Equal Employment
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Key Performance Table
B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Table
Aspect B2: Health and Safety		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to providing a safe working environment and protecting employees from occupational hazards.**	Chapter IV Safe Production (I) Enhancing Safety Management and Control
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Key Performance Table
B2.2	Lost days due to work injury.	Key Performance Table
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Chapter IV Safe Production (II) Safeguarding the Health and Safety of Employees (III) Adhering to Safe Production Culture

Aspects	Key Performance Index	Disclosure
Aspect B3: Development and Training		
General Disclosure	**Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.** **Note: Training refers to vocational training and may include internal and external courses paid for by the employer.**	Chapter V People-oriented (III) Training and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Key Performance Table
B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Table
Aspect B4: Labour Standards		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to preventing child and forced labour.**	Chapter V People-oriented (I) Equal Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Chapter V People-oriented (I) Equal Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Chapter V People-oriented (I) Equal Employment
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	**Policies on managing environmental and social risks of the supply chain.**	Chapter VI Win-win Cooperation (I) Building a Responsible Supply Chain
B5.1	Number of suppliers by geographical region.	Key Performance Table
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Chapter VI Win-win Cooperation (I) Building a Responsible Supply Chain
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Chapter VI (I) Building a Responsible Supply Chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Chapter VI (I) Building a Responsible Supply Chain

Aspects	Key Performance Index	Disclosure
Aspect B6: Product Responsibility		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.**	Chapter II Excellent Quality (I) Creating Excellent Quality
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Key Performance Table
B6.2	Number of products and service related complaints received and how they are dealt with.	Chapter II Excellent Quality (III) Satisfying Customers Key Performance Table
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Chapter II Excellent Quality (II) Focusing on Research and Development and Innovation
B6.4	Description of quality assurance process and recall procedures.	Chapter II Excellent Quality (I) Creating Excellent Quality
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Chapter II Excellent Quality (III) Satisfying Customers

Aspects	Key Performance Index	Disclosure
Aspect B7: Anti-corruption		
General Disclosure	**Information on:** **(a) the policies; and** **(b) compliance with relevant laws and regulations that have a significant impact on the issuer** **relating to bribery, extortion, fraud and money laundering.**	Chapter I Responsible Governance (II) Corporate Governance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Key Performance Table
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Chapter I Responsible Governance (II) Corporate Governance
B7.3	Description of anti-corruption training provided to directors and staff.	Chapter I Responsible Governance (II) Corporate Governance
Community		
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.**	Chapter VII Contributing to the Society (I) Caring the Community and Charity
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Chapter VII Contributing to the Society (I) Caring the Community and Charity
B8.2	Resources contributed (e.g. money or time) to the focus area.	Key Performance Table

READERS' FEEDBACK

Dear Readers,

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

Environmental, Social and Governance Report 2021 of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

Feedback Form

Name:

Work unit:

Position:

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Questionnaire for feedback:

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

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

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

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

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YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

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