2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Luye Pharma 绿叶制药

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

CONTENTS

CONTENTS

1. DEFINITIONS

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

"Boan Biotech"	Shandong Boan Biological Technology Co., Ltd. (now renamed as Shandong Boan Biotechnology Co. Ltd.)
"CMO"	The CMO manufacturers commissioned by Luye Pharma
"Company"	Luye Pharma Group Ltd.
"'Board of Directors"	the board of directors of the Company
"EHS"	Environment, health and safety
"ESG"	Environmental, social and governance
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange
the "ESG Report" or "Report"	the Environmental, Social and Governance Report
"GMP"	Good Manufacturing Practices for Pharmaceutical Products
"GSP"	Good Supply Practices for Pharmaceutical Products
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"KPI"	Key Performance Index
"Luye Pharma" or the "Group" or "we" or "us"	Luye Pharma Group Ltd. and its subsidiaries
"PRC"	the People's Republic of China
"QA"	Quality Assurance Department
"QC"	Quality Control Department
"RMB"	RMB, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year" or "Reporting Period"	the period from 1 January 2021 to 31 December 2021

2. ABOUT THIS REPORT

The Report is our sixth ESG Report addressed to the public and aims to present the ESG performance of Luye Pharma during the Year of 2021. Luye Pharma's management approaches, strategies, goal and performance at the environmental and social levels will be disclosed in the respective sections of the Report.

2.1 Basis for Preparation

The Report has been prepared by the Company in accordance with the ESG Guide issued by the Stock Exchange, and with reference to the GRI Standards issued by the Global Reporting Initiative. The Report is prepared in accordance with the four reporting principles of the ESG Guide, including materiality, quantitative, balance and consistency. Luye Pharma has determined the key disclosure contents of the Report through materiality analysis, disclosed the quantifiable environmental and social performance, and applied the disclosure and statistical methodologies which are consistent with those of the ESG Report for the year 2020 in the collection of information and the preparation of the Report. Moreover, the Report has complied with all mandatory disclosure requirements and "comply or explain" provisions under the ESG Guide.

Principles for Reporting

Materiality

The Report aims to focus on responding to the important environmental and social issues concerning our stakeholders. We identify key ESG issues through materiality assessment, we reviewed and examined the issues for last year, to confirm the Materiality of the ESG issues for the Year, which are relevant to the needs of our stakeholders and our operations. Please refer to the section headed "Materiality Assessment" for the detailed process and results of our materiality assessment.

Quantitative

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

Balance

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

Consistency

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

2.2 Scope of the Report

The content of the Report primarily covers the core businesses in Mainland China that are financially significant and operationally impactful to Luye Pharma, with an aim to report Luye Pharma's policies of and performance in environmental and social aspects. The scope of the Report for the Year is consistent with those of the ESG Report for the year 2020. Unless otherwise stated, the Report covers the period from 1 January 2021 to 31 December 2021.

2. ABOUT THIS REPORT

2.3 Review and Approval of the Report

The Report was reviewed and confirmed by the Board of Directors and approved on 25 May 2022.

2.4 Reader's Feedback

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

Address: Unit 3207, 32/F, Champion Tower, 3 Garden Road, Central, Hong Kong
Tel: + 852-3523 0428

3. ABOUT LUYE PHARMA

Luye Pharma, a member of Luye Life Sciences Group, was established in 1994 and listed on the Main Board of the Stock Exchange in 2014. It is an international pharmaceutical company dedicated to the research and development ("R&D"), manufacturing and sales of innovative medications with a focus on central nervous system (CNS), oncology, cardiovascular system and other therapeutic areas. We are committed to providing high quality innovative medications for global patients with global R&D, global manufacturing, and the global market as our three main strategic priorities. Luye Pharma strives to become "the most respected and leading pharmaceutical enterprise in the world". We have set up R&D centers in China, the United States and Europe, including more than 30 R&D pipelines of drug candidates in China and more than 12 R&D pipelines of drug candidates overseas. In addition, we have 7 production bases in China and 1 production base in Germany. There are over 30 products being sold in more than 80 countries and regions around the world.

3.1 Corporate Culture

Advanced Technologies for People's Health

Striving to Become the Most Respected and Leading Pharmaceutical Enterprise in the World

Integrity
Cooperation
Innovation
Excellence

Customer Focus
Operational Excellence
Employee Development

Management Principles of the Group

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

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

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

Efficiency and Collaboration
Always prioritize the organization and promote efficiency and collaboration.
Avoid siloed and domain-centric thinking.

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

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

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

3.2 Message from our Employees

Wang Chao
Director of Engineering Department

Achieving Growth through Practice and Implementation

As far as personal growth is concerned, apart from self-effort, this has a lot to do with the the strength bestowed to us with Company's resources and its extended platform. Working in Luye Pharma, you always feel the immense urge to seek constant learning and progress. While the Company has made available various opportunities for us to explore, this is still all up to us to go through the real practice and implementation before we should see any meaningful growth.

Yan Yameng
Human Resource Manager

We all are the necessary small pieces of the bigger engine.

In projects involving teamwork, when the tasks were finally completed, we would feel that the hard work we had invested previously was rewarded with the end results. Along the way, there are all sorts of difficulties ahead of us. When we look back, we feel that these obstacles do not seem as overwhelming as they used to be. I tend to see, because of our common necessities to overcome hardship, not only we share a work journey that is so meaningful, we also share the same perspective facing the challenges, toasting for joy; we all are the necessary small pieces of the bigger engine.

Liu Jia
Production Engineer

Advancing work performance through constant learning

Served as a front-line technician, we are granted the opportunities to communicate face-to-face with the exemplar management executives working in the company; to join in management programmes and topics, which, in turn, help expand our knowledge and perspective; and to apply knowledge to practical implementation. By constant learning and steadily improving our work performance, we are able to see the high pursuit for product quality is eventually realised. I also believe such pursuit and realization form the excellent core values shared by everyone else working in Luye Pharma.

3. ABOUT LUYE PHARMA

3.3 Awards and Recognition

In July 2021, the 10th CFS Finance Summit and Sustainable Business Conference 2021 were held in Shanghai. Luye Pharma was honoured the "2021 Excellent Listed Company Award" (2021年傑出上市公司獎), which served to testify our outstanding achievements in taking up social responsibilities amongst the listed companies.

In August 2021, the "China Pharmaceutical Industry Information Annual Conference and the Announcement of Top 100 of China Pharmaceutical Industry 2020" (中國醫藥工業信息年會暨2020年度中國醫藥工業百強榜單發佈會), hosted by the China National Pharmaceutical Industry Information Center, was held in Jinan. Luye Pharma ranked 15th amongst a hundred of companies.

In January 2022, the 11th Philanthropy Festival and Corporate Social Responsibility Carnival collectively sponsored by mass media was held in Shanghai. Luye Pharma won the "2021 Corporate Social Responsibility Industry Model Award" (2021企業社會責任行業典範獎), which served to acknowledge our achievements in undertaking social innovation and public welfare.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Material issue(s) included in this section

- Anti-corruption policies, measures and training
- Operational compliance

Luye Pharma dedicated to achieving the vision of "the most respected and leading pharmaceutical enterprise in the world". We committed to promoting the R&D of drugs and sustainable development and are leading by example by incorporating sustainability elements into our corporate development strategies and daily operations and management. We identify the sustainable development issues that we need to manage with attention through methods such as risk management, communication with stakeholders and materiality assessment. These strategies are instrumental to continuous management and monitoring the governance performance of Luye Pharma which serve to maximize the commercial value and social value.

4.1 ESG Governance and Risk Management

The board of directors of the Group is responsible for the assessment and identification of related ESG risks and opportunities which are relevant to the Company, and to ensure that the Company has appropriate and effective risk management and internal control systems in place. The management of each department regularly identifies and evaluates the key risks of the Group within established policies and procedures in order to implement appropriate risk responses measures, and report the results of the risk assessment (including ESG related risks that have a material impact on the business) to the Board of Directors in accordance with the reporting system established by the organization structure. Please refer to the section "Corporate Governance Report" in the 2021 Annual Report of the Group for the details of the Corporate Governance Function, Policy of the Board of Directors, and Committees of the Group.

Operational Risks	Description of risks: Operational risks refer to the risk of loss resulting from the inadequacy or lack of internal procedures, personnel and system, or from external events. The responsibility of managing operational risks basically vests with every function at divisional and departmental levels. Response measures: Key functions in Luye Pharma are guided by their standard operating procedures, authority and reporting framework. The management will identify and assess the key operational exposures regularly, so that appropriate risk management measures can be taken.
Risks of Supply and Retention of Personnel	Description of risks: Luye Pharma may be exposed to the risk of not being able to attract and retain key personnel and talents who possess appropriate and requisite skills, experience and competence. Such personnel and talents are necessary to meet the business objectives of our Group. Response measures: We shall offer attractive remuneration package to suitable candidates and personnel.
Environmental, Health and Safety Risks	Description of risks: Environmental, health and safety risks refer to the potential loss resulting from inadequacy in environmental management and occupational health and safety management, or from accidents. Response measures: Luye Pharma has developed an environmental, health and safety management system in these aspects. The management regularly identifies and assesses relevant risks, and implements measures in response to these risks in the product life cycle.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Corporate governance and sustainable development go hand in hand. With the increasing emphasis on ESG concepts by various stakeholders, we are focusing on strengthening the management and involvement of our Board of Directors in ESG issues under a good and sound corporate governance system. We are planning to establish an Environmental, Social and Governance Committee (the "ESG Committee" or "Committee") to oversee the strategies, policies and development plans of the Group in relation to ESG. The Chairman of the Committee will be appointed by the Board of Directors. In conjunction with the establishment of the ESG Committee, the Group will also establish an ESG Working Group comprising all relevant departments to be responsible for the implementation of various ESG initiatives under the guidance of the ESG Committee.

The ESG Committee should meet at least once a year and, if necessary, on an ad hoc basis at the request of the Chairman of the ESG Committee to direct and review the development of the ESG management approach and strategies of the Group, and report to the Board of Directors on related ESG issues and make recommendations in a timely manner. The ESG Committee also reviews and discusses the progress of achieving environmental targets on a regular manner to ensure the feasibility of the action plan and the effective implementation of the related work. The main functions of the ESG Committee and the ESG Working Group that the Group plans to establish are stated below in detail:

ESG Committee				
Directing and reviewing the formulation of ESG management approaches and strategies of the Group, and closely monitoring the implementation and effectiveness of the ESG policy and initiatives.	The Committee will formulate the vision, strategies and goal for the ESG of the Group, and assess the progress of achieving the goals.	Assisting the Board of Directors to review the annual ESG Report of the Group and related ESG disclosure and information, and being responsible to coordinate the preparation of the ESG reports.	Identifying, assessing and managing the risks, opportunities and materiality issues related to ESG.	The ESG Committee will also closely follow the regulatory requirements, and is responsible to coordinate the preparation of the ESG reports and monitor The the Company's compliance with relevant laws and regulations.

ESG Working Group		
Responsible for the implemenation of each ESG initiative and their management under the guidance by the ESG Committee.	Assisting the ESG Committee in preparing the ESG reports and the preparation for collecting the relevant information and statistics.	Reviewing and checking regularly the effectiveness of the ESG measures implemented by the responsible departments, and report to the ESG Committee, and also liaising with representatives of each departments in the ESG Working Group for the purpose of enhancing the effectiveness of implementation.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

4.2 Stakeholders' Engagement

Stakeholders' engagement is an important part of promoting the sustainability of an enterprise. Luye Pharma has been committed to establishing and maintaining good relationships with various stakeholders, understanding their expectations and demands through diversified ways, and integrating their opinions into our sustainable development management work, so as to improve the performance of sustainability management in a more effective manner. Luye Pharma expects the Report to serve as a bridge of communication with different stakeholders and to address the concerns of the community by reporting the annual performance of Luye Pharma in fulfilling various sustainability-related obligations. During the Year, based on the good communication with Luye Pharma and the various stakeholders, the Board of Directors reviewed the materiality issues identified in the year 2020, taking into account the views of stakeholders and the business situation of Luye Pharma, and assessed the applicability of each materiality issue in the Year to ensure that our works of sustainable development are in line with the needs of our stakeholders.

4.2.1 Communication with Stakeholders

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

Major stakeholders	Major expectations on us	Our response channels	Respective sections
Government and regulators	• Compliance with laws and regulations • Enhancement of R&D on technologies related to pharmaceutical products	• Optimizing the legal system for risk prevention and control • Significant investment in R&D on pharmaceutical products	• Respective sections in the Report
Investors	• Sound corporate operation management to minimize operational risks • Good investment returns • Transparent information disclosure • R&D ethics	• Holding regular results announcement presentations and general meetings • Optimizing the legal system for risk prevention and control • Updating the Company's website on a regular basis to ensure investors have access to the latest information on the Company	• Respective sections in the Report
Customers	• Provision of safe and quality pharmaceutical products • Continuous R&D on new drugs • Protection of interests of consumers	• Significant investment in R&D on pharmaceutical products • Optimizing the pharmaceutical manufacturing management system • Conducting customer satisfaction survey	• Professional-led Innovation and Safeguard of Human Health
Staff	• A pleasant working environment • Bright career prospects	• Offering good packages • Holding a variety of training programs • Organizing various employee activities • Providing a safe workplace	• Environmentally Friendly and Green production • Reinforcement of Safety And Improvement of Emergency Plans • People-oriented Employee Development

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Major stakeholders	Major expectations on us	Our response channels	Respective sections
Business partners/Suppliers	• Mutual benefits and win-win	• Actively seeking quality suppliers and CMO/CDMO partners	• Sustainable Supply Chain Management
Peers/Industry associations	• Advancement of industry development	• Actively holding and participating in industry-wide forums and exchange activities	• Responsible Management and Compliant Operation
Non-governmental organizations	• Continuous R&D on new drugs	• Significant investment in R&D on pharmaceutical products	• Professional-led Innovation and Safeguard of Human Health
Media	• Transparent information disclosure	• Organizing press conferences	• Respective sections in Report
The public	• Serving the community • Public welfare and charity	• Taking an active part in community activities • Taking an active part in charitable activities	• Contribution to the Society and Cooperation for Win-win Situation

Case: Sub Meeting on Innovation and Development of Vaccines of The International Conference on Pharmaceutical Innovation and Development 2021 to discuss with the industry experts

Sub Meeting on Innovation and Development of Vaccines of The International Conference on Pharmaceutical Innovation and Development 2021 (2021醫藥創新與發展國際會議疫苗創新與發展分會) was held by Luye Life Sciences Group, and specifically promoted by the technology development division in Yantai. This meeting was one of the core sub meetings of The International Conference on Pharmaceutical Innovation and Development 2021 (2021醫藥創新與發展國際會議) with the theme of "Digitization, Innovation and Development (融智 創新 發展)". Top experts, scholars and representatives of innovative pharmaceutical companies from all over the country discussed and exchanged their ideas on the R&D and vaccination of the current COVID–19 vaccines, the opportunities and challenges of the vaccine industry in China, and how to better encourage innovation at the level of laws and regulations, with a view to exploring new prospects for the development of the vaccine industry.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Case: China International Fair for Trade in Services 2021 (2021年中國國際服務貿易交易會)

Luye Life Sciences Group made its debut at the "China International Fair for Trade in Services 2021" (2021年中國國際服務貿易交易會) ("CIFTIS"), showcasing the highlights of the pharmaceutical, medical, diagnostic and vaccine businesses of the Group. Mr. Liu Dian Bo, the chairman of the Board of Directors and President of the Group, attended the "International Health Services and Pharmaceutical Innovation Cooperation Forum" (國際衛生服務與醫藥創新合作論壇) and participated in the roundtable dialogue session.

4.2.2 Materiality Assessment Procedures

1. Identifying Major Stakeholders

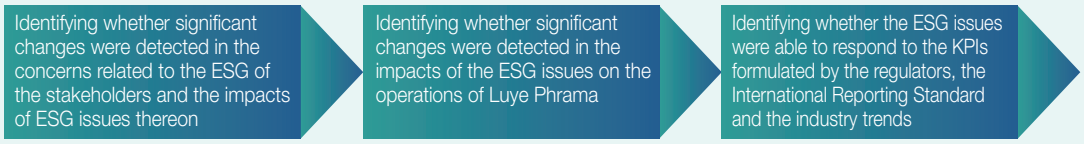
Taking into consideration the two perspectives of "the influence of stakeholders on Luye Pharma" and "the influence of Luye Pharma on stakeholders", Luye Pharma assesses whether the major stakeholders for the Year have changed in a comprehensive manner. The results suggested that the major stakeholders of Luye Pharma during the Year were the same as those of 2020.

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

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

2. Review and examination of Materiality Issues

Combining the expectations and demands of key stakeholders and the impact of different ESG issues to Luye Pharma, the Board of Directors reviewed and re-evaluated the materiality issues that were identified in the year 2020, and have recognized the materiality issues for the Year. We reviewed them according to the aspects as set out below:



3. Identification of Materiality Issues

Based on the review and examination of each ESG issue, Luye Pharma has made the applicable amendment and additions for the Materiality Issues according to the abovementioned considerations as follows:

Additional issue	Amended issue
Risks and opportunities related to climate change	Consolidated the two issues of "Safety of participants in clinical trials" and "Rights and interests of animals" into "Safety of participants in clinical trials and protection of rights and interests (including the participants and Animal Experiment)" Revised the "Anti-corruption Policies and Measures" as "Anti-corruption Policies, Measures and Training"

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

We have identified a total of 21 relevant ESG issues and classified them into three aspects, namely environmental responsibility, labor responsibility and operational responsibility, which form the Materiality Issues for 2021 as follows:

List of Materiality Issues

Environmental Responsibility	Labor Responsibility	Operational Responsibility
1. Hazardous waste discharge and management (including medical waste and organic liquid waste)	1. Occupational health and safety system	1. Safety of participants in clinical trials and protection of rights and interests (including the participants and Animal Experiment)
2. Pollutants (including waste water and exhaust gases) discharge and management	2. Employees' work-related injuries and fatalities	2. Quality management system for pharmaceutical manufacturing
3. Non-hazardous waste discharge and management (including dregs of decoctions and domestic waste)	3. Employee salary and benefits	3. Production safety and emergency handling procedure
4. Chemicals management	4. Policies on prohibiting child labor and forced labor	4. Operational compliance
5. Green manufacturing system governing product life cycle	5. Employee training and occupational development	5. Product R&D and innovation
6. Measures for protection of natural ecological environment		6. Anti-corruption policies, measures and training
7. Use of water resources		7. Protection of intellectual property rights
8. Risks and opportunities related to climate change		8. Accessibility of healthcare (whether patients have easy access to drugs or healthcare services)
		9. Selection and management of suppliers

4.3 Integrity and Compliance

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

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

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

We encourage employees to report any violation of laws and regulations or the Code of Conduct for Employees, fraud or damage to the interests of Luye Pharma by the management or other employees. Meanwhile, Luye Pharma has formulated the Policy on Handling Hotline, E-mail Box and Staff Whistleblowing of Luye (《綠葉熱線、電子郵箱及員工舉報處理政策》) for our employees to report on a real-name basis via Luye Pharma's hotline or e-mail when they encounter the above situations. We will take strict confidentiality measures for whistleblowers' personal data to ensure that their legal rights and interests are not violated according to the Policy against Retaliation (《反報復政策》). The hotline staff will report to the president after receiving the report, and formal investigation will be initiated after review and approval. The audit department is the competent authority for the investigation, responsible for verifying the evidence and submitting the investigation results and providing opinions to the president for review and approval. For reported cases involving possible damage to the rights and interests of Luye Pharma, we will temporarily suspend the reported person and give feedback on the investigation and the results to the whistleblower.

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group in relation to bribery, extortion, fraud and money laundering, and has not been involved in any corruption-related litigation. During the Year, for the purpose of further strengthening the compliance awareness of the directors and employees, which help the Group to have a better implementation of the relevant compliance policies, we provided a number of compliance training sessions covering anti-corruption content, both physically and through online videos, to the directors and employees of different functional departments, and jointly promoted the development of corporate compliance culture.

During the Year, Luye Pharma provided "legal compliance training sessions" through teleconference to employees in various departments in China and overseas, both physically and through online videos.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

5.1 Promotion of Innovative R&D

Material issue(s) in this section

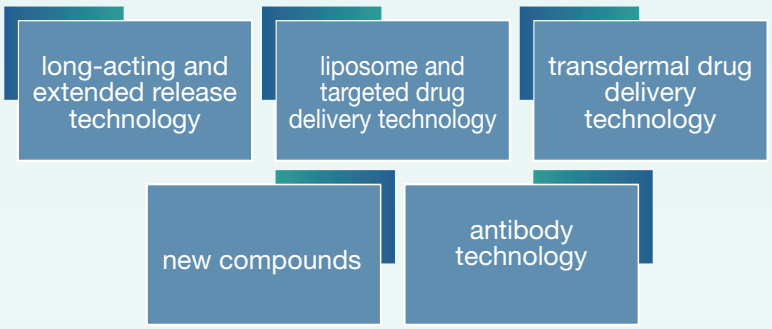
- Safety and rights protection of clinical trial (for participants and laboratory animals)
- Product R&D and innovation
- Protection of intellectual property rights

Innovative research and development (R&D) has always been the core business philosophy of Luye Pharma. At present, we are proactively focusing on the layout and development in the fields of biological antibodies, cells and gene therapy in order to satisfy the treatment demands of different patients. In respect of our over 40 pipelines of drug candidates under R&D, a number of biological drugs, central nervous system (CNS), oncology and other therapeutic areas, are going through registration and clinical research in the United States, the European Union, Japan, and other markets, with remarkable breakthrough progress achieved.

The main business of Luye Pharma is the research and development, manufacturing and sales of innovative medications. We invest considerable resources to continuously optimize our own R&D systems, and continue to research and develop innovative professional technologies and medications to satisfy the needs of different patients and improve access to medical treatment. We have over 30 key launched products covering the therapeutic areas including oncology, central nervous system, cardiovascular system, and alimentary tract and metabolism. Our businesses cover major global pharmaceutical markets and emerging markets across the PRC, the United States, Europe, Australia, Japan, and Korea. While promoting drug R&D, we attach great importance to R&D ethics to protect the safety, rights and interests of the clinical trial participants as well as the well-being of laboratory animals. At the same time, we seek to establish a comprehensive framework in the area of the management of intellectual property rights, which ultimately will enable an all-round protection for the scientific research results of Luye Pharma.

5.1.1 R&D System

The R&D system of Luye Pharma mainly comprises five platforms in the chemical drug sector:



Boan Biotech specialises in therapeutic antibody development, manufacturing and commercialization. Boan Biotech's antibody development activities center around three platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific Technology and ADC Technology Platform. We have set up research centers in the PRC, the United States and Europe, each focusing on the research of different medical fields. In addition, we own the first national key laboratory for long-acting and targeting drug delivery system in the PRC. The laboratory focuses on the research of innovative pharmaceutical preparations, and its three main research directions include long-acting injection microspheres, targeted liposome, and high-end medicinal materials.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Global R&D Centers

R&D Center in the PRC

Mains Direction in R&D:

Long-acting and extended release technology
Liposome and targeted drug delivery technology
Biological antibody technology
NME technology Platform
Innovative medical technology

R&D Center in the United States

Main Directions in R&D:

International R & D collaboration
Technological exploration in advanced innovative pharmaceutical area
Innovative medical technology

R&D Center in Europe

Main Directions in R&D:

Transdermal drug delivery technology

During the Year, Luye Pharma had a pipeline of 24 candidate products in the PRC under various stages of development. Furthermore, we have a total of 15 international registration projects, of which 1 innovative medication is undergoing clinical research in the PRC, and the United States concurrently. As of the end of the Year, Luye Pharma's R&D team had 824 employees, including 73 holding a Ph.D. degree and 438 holding a Master's degree in medical, pharmaceutical and other related disciplines. The total investment in R&D projects amounted to RMB1,476.4 million.

Case: Major R&D Program in Shandong Province (Major Scientific and Technological Innovation Project)

LY03005 is a class 1 new drug independently developed by Luye Pharma Group based on its new therapeutic entity and new molecular entity technology platform for the treatment of depression. At present, the clinical therapeutic features as displayed by the program can help improve the depressive symptoms and physical impairment of patients, which also help reach the target of clinical therapy and medication safety. Patients can thus receive an entire course of standardised treatment. LY03305, apart from having completed the phase II clinical trials in China, the research results of its drug mechanism have been published in "Frontiers in Pharmacology", a global academic journal. Currently, LY03305 is still in the New Drug Application phase in the United States and has completed the phase 1 clinical trials in Japan. We hope that the application for license for marketization of this R&D program can be extended to various regions around the world, so as to benefit even more patients with depression around the globe.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Case: Bone Strengthening Drug R&D Project

The marketization authorization application for Denosumab Injection (LY06006/BA6101), developed by Boan Biotech, has been accepted by the Center for Drug Evaluation of China's National Medical Products Administration. LY06006/BA6101, a biosimilar to Prolia® is a fully human IgG2 monoclonal antibody, helps inhibit osteoclast formation, function and survival, and thereby decrease bone resorption and increase bone mass and strength in both cortical and cancellous bone. The new drug's current marketization authorization application phase in China has put LY06006/BA6101 alongside leading domestic players and the phase I clinical trials of the drug in Europe and the United States are in progress, concurrently. We also plan to proceed with LY06006/BA6101's registration in other countries and regions around the world, to accelerate the global presence of the biopharmaceutical business, and to provide patients with high-quality biopharmaceutical products.

5.1.2 R&D Ethics

Protection of The Rights and Interests of Clinical Trial Participants

Luye Pharma regards the rights, interests and safety of clinical trial participants as the top concerns. All clinical trials must be approved by the ethics committee on the clinical R&D project after reviewing and approving the related documentation before their respective commencement, and we also provide clinical trials liability insurance, and drug medical compensation for the participants once the trials have been completed. Prior to the start of the clinical trials, the participants are made aware of the necessary information that they need for a complete understanding in the form of an informed consent agreement, and each participant shall sign the informed consent agreement before participating in the trials. We are committed to ensuring the due rights of the participants when they are participating in clinical trials through the following measures:

Right to know

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

Right to choose with freedom

- The study physician will explain the study in detail to the participants during their first interview, while the latter need to read and sign the informed consent agreement on their decision as to whether to participate or not.
- Participants will be informed that joining the study is not the only option they have; study physician will explain to participants on alternative clinical studies or alternative treatment solutions that are still effective for their ailment, as well as related risks and benefits.
- Participants may refuse to participate in or withdraw from the clinical trials at any time without providing any reasons, and the withdrawal will not have any impact on their medical rights.

Right to privacy

- All information collected from the clinical trials will be kept confidential in accordance with relevant laws and regulations. The personnel, government, national drug regulators and assessment institutions that are involved in Luye Pharma's clinical trials shall have the right to view the medical records of participants to give confirmation to the clinical trial procedures and data but would only do so on the condition that they will not violate the privacy of the participants.
- The personal information and related information of the participants shall be strictly confidential. Study records will not be identified by the participants' full name or any detailed address. Instead, we shall use the participants' pinyin abbreviation, date of birth, gender and assigned number when the relevant study data is to be recorded.

Other rights

- Compensation will be made to the participants for the time and inconvenience incurred due to participation in the study, such as the provision of nutrition subsidies and transportation subsidies.
- All trial-related medications and treatments will be provided to the participants for free during the time period when the trail is proceeding.
- We will take necessary medical measures and active treatments, and take up the responsibility for relevant medical expenses and corresponding economic compensation if the participants suffer from any injuries related to the study.

Animal Experiment Management

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

We have formulated the Animal Laboratory Management and Animal Ethics Welfare System (動物實驗室管理以及動物倫理福利制度) to regulate all segments related to animal experiments, such as personnel management, laboratory animal use management, breeding environment maintenance, with the aim to strictly control and manage the animal experimental environment and ensure the welfare of the laboratory animals. During the course of animal experiments, Luye Pharma follows the principle of "gentle and stable, kindness and comfort, and reduce the animals' pain and stress response", and without prejudice to the experimental operation, we endeavor to minimize behavioral restriction imposed on experimental animals. At the same time, we adopt effective measures to avoid or relieve the pain or injury caused to animals, which are not directly related to the purpose of the experiment. Our animal experiments are undertaken in accordance with the "Three R Principles" (Replacement, Reduction and Refinement) and the "Five Freedoms" (freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behavior, and freedom from fear and distress) under the Laboratory Animal — Guideline for Ethical Review of Animal Welfare (《實驗動物福利倫理審查指南》) (GB/T 35892-2018). In terms of breeding environment management, we comply with the directives as maintained in (GB14925-2010) "Laboratory animal environment and facilities" (GB14925-2010). We make purchase from the suppliers who have obtained the "Laboratory Animals' Feed Production License", and seek from them the relevant reports and conduct acceptance test to ensure that they meet the nutritional standards required for the laboratory animals.

5.1.3 Protection of Scientific Research Results

Luye Pharma attaches great importance to the protection of intellectual property rights of scientific research results. Our intellectual property department insists on taking the "Intellectual Property Strategy" as the guide, and "independent technological innovation" as the basis, and integrating the protection of intellectual property rights into the entire process of technical research and development, product manufacturing and marketing, to effectively ensure that we are "advanced in technology, exclusive in the market and adequate in legal protection", with an aim to develop Luye Pharma into an international pharmaceutical enterprise with proprietary intellectual property rights and sustainable and stable development. Luye Pharma strictly abides by the laws and regulations that have a significant impact on us, such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and has developed and improved a number of systems on the documentation and constitution systems on intellectual property rights management, including the Technical Secret Management Standards (Trial) of Luye Pharma Group (《綠叶制药集團技術秘密管理規範(試行)》), the Patent Management System of Luye Pharma Group

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Ltd. (《綠叶制药集團有限公司專利管理制度》), the Inventor's Recognition System of Luye Life Sciences Group (《綠葉生命科學集團發明人署名制度》), and the Control Procedures for Use of Intellectual Property Rights (《知識產權運用控制程序》) to strengthen the regulations of intellectual property rights management. Among which, the Patent Management System of Luye Pharma Group Ltd. (《綠叶制药集團有限公司專利管理制度》) regulates the requirements for the duties of Luye Pharma's patent work organization and staff, patents and intellectual property rights management system, use of patent information, and implementation of patents. The Technical Secret Management Standards of Luye Pharma Group (《綠叶制药集團技術秘密管理規範》) regulates our technical secret management, which delineates the department responsible for system management, priority range and its corresponding processing procedure based on the nature of technical secrets, and strengthens the protection of technical secret in the documents relating to products and technology research and development, so as to further protect the interests of Luye Pharma and the inventors.

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

Patent Registration

	Valid authorized patents	Valid patents under application
PRC	239	90
Overseas	612	126

Trademark Registration

	Valid authorized trademarks	Valid trademarks under application
PRC	542	44
Overseas	618	132


发明专利证书

Patent for ID01 Inhibitors
(Patent number: ZL201780039482.3)


REPÚBLICA FEDERATIVA DO BRASIL
MINISTÉRIO DA ECONOMIA
INSTITUTO NACIONAL DA PROPRIEDADE INDUSTRIAL

CARTA PATENTE Nº BR 112013027235-0

O INSTITUTO NACIONAL DA PROPRIEDADE INDUSTRIAL concede a presente PATENTE DE INVENÇÃO, que outorga ao seu titular a propriedade da invenção caracterizada neste título, em todo o território nacional, garantindo os direitos dela decorrentes, previstos na legislação em vigor.

(21) Número do Depósito: BR 112013027235-0

(22) Data do Depósito: 10/04/2012

(43) Data da Publicação Nacional: 27/12/2016

(51) Classificação Internacional: A61K 47/34; A61K 31/519; A61K 9/00; A61K 9/16; A61K 9/14; A61K 9/19; A61P 25/18.

(52) Classificação CPC: A61K 47/34; A61K 31/519; A61K 9/0019; A61K 9/1647; A61K 9/14; A61K 9/19; A61K 9/16; A61P 25/18.

(30) Prioridade Unionista: CN 201110102840.5 de 25/04/2011.

(54) Título: COMPOSIÇÃO FARMACÊUTICA, SEU USO, E FORMULAÇÃO DE MICROSFERAS PARA INJEÇÃO DE LIBERAÇÃO SUSTENTADA

(73) Titular: SHAN DONG LUYE PHARMACEUTICAL CO., LTD.. Endereço: No.9, Baoyuan Road, Laishan District, Yantai Shandong, 264003 P.R. CHINA(CN)

(72) Inventor: KAOXIANG SUN; RONGCAI LIANG; QILIN WANG; WENYAN WANG; WANHUI LIU; YOUXIN LI

(87) Publicação PCT: WO 2012/146052 de 01/11/2012

Prazo de Validade: 20 (vinte) anos contados a partir de 10/04/2012, observadas as condições legais

Expedida em: 16/11/2021

Assinado digitalmente por:
Liane Elizabeth Caldeira Lage
Diretora de Patentes, Programas de Computador e Topografias de Circuitos Integrados

Patent for Risperidone Sustained — Release Microspheres For Intramuscular injectable formulation
(Patent No.: BR112013027235–0)

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

5.2 Superior Quality Assurance

Material issue(s) in this section

- Drugs Manufacturing and Quality Management System

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

5.2.1 Drug Quality Management

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

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

To execute our quality management more effectively and selectively, each production base of Luye Pharma sets its own annual quality goals and targets based on its overall quality approaches, and regularly reviews as to what extent the targets are performed and proposes corresponding improvements, so as to continuously improve the quality of pharmaceutical products.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Luye Pharma's GMP Pharmaceutical Quality Management System

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

Case: Boan Biotech's quality goal indicators

During the Year, Boan Biotech has met the following quality goal indicators:

- acceptance rate (in batch) of bevacizumab and injection products meet the standard requirements
- the verification and validation of production equipment and facilities were completed on time, and all equipment were within the validity period of verification
- the testing of key quality attributes of raw materials, among others, has been completed and has met the quality standards
- the stability results of product quality were within the standard range; deviation value has been closed via assessment, investigation and implementation of corrective measures
- no case of product complaint and recall has been found
- The GMP system is fully established in accordance with requirements, and the product input and output processes are in compliance with GMP and the requirements under the pharmaceutical laws of export regions

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

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

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

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

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

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

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

During the Year, a total of 33 products of Luye Pharma passed the GMP compliance test in China.


苏兴认证

质量管理体系认证证书

南京绿叶制药有限公司

ISO9001: 2015 certification for Luye Pharma (Nanjing Base)


CNAS

中国合格评定国家认可委员会

实验室认可证书

CNAS laboratory Accreditation for Luye Pharma (Shandong base)

Drugs Manufacturing Management

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

Drugs Acceptance

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

Drugs Recall Management

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

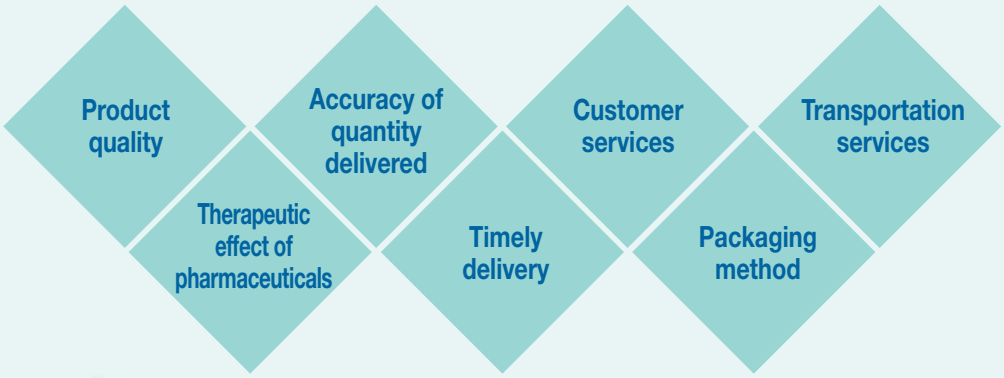
During the Year, Luye Pharma had made no recalls on sold or shipped products for safety and health reasons.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

5.2.2 Quality Customer Services

Apart from ensuring the quality management, we also strive to continue to provide customers with quality services. We conduct customers' satisfaction survey on a regular basis, intending to collect customers' comments and opinions with respect to our drug quality, work and service standard, to formulate improvement measures based on suggestions and requirements, and constantly improve the quality of our products and services and accordingly raise customer satisfaction.

In line with the requirements of the Monitoring Procedures for Customers' Satisfaction (《顧客滿意度監控程序》), the Sales Department of Luye Pharma (Shandong base) is responsible for conducting customers' satisfaction survey in the form of written questionnaire every year, Market QA is responsible for formulating the satisfaction survey plan, and to conduct analysis on the survey results as the survey is completed, and to issue the customer satisfaction survey analysis report. The evaluation indicators of customers' satisfaction survey are as follows:



In this customers' satisfaction survey, our comprehensive satisfaction score was 97.44 points, an increase of 1.56% over last year, and the customers' satisfaction rating was satisfactory.

Based on the investigation and analysis conducted on the customer satisfaction survey, Luye Pharma (Nanjing Base) intends to formulate corresponding corrective and preventive measures that comply with the Management Procedures on Corrective and Preventive Action (CAPA) (《糾正與預防措施(CAPA)管理流程》), while the quality department is responsible for monitoring and tracking its implementation by relevant departments to ensure the continuous improvement of our service quality. Boan Biotech has also formulated Customers-Related Requirements Review and Control Procedures (《與顧客有關要求評審控制程序》), which serve to accurately identify and respond to customers' needs for and expectations to products, and to ensure that we can have adequate capabilities and standardized processes, to tailor to customers' needs with quality products and services so as to meet customers' requirements and to establish and develop good relationship with customers.

Customers' complaints and opinions are one of the channels to understand customers' requirements. Therefore, each production base of Luye pharma has formulated policies such as the Complaint Management Regulations (《投訴管理規程》) and the Complaint Handling Procedures (《投訴處理操作規程》), with the aim to strengthen the management of customers' complaints and to specify the division of labor and classification of complaints among departments managing complaints within the relevant systems. To ensure that timely feedback is available for all complaints and the complaints can be handled effectively, we have established strict regulations on the procedures of complaints' acceptance, classification, investigation, analysis, corrective and preventive measures, customer feedback and record management.

For instance, in accordance with the requirements of the Complaint Handling Procedures, employees, upon the receipt of a complaint, need to confirm the categories of the complaints and to register the case based on their respective contents. If the case is identified as in the category of quality complaint, we will arrange for the quality complaint investigation team to undertake and complete the investigation within 5 working days based on the relevant contents of the Quality Complaint Handling Form (《質量投訴處理表》), and upon the result, we proceed to identify the root cause and conduct risk assessment. We will put forward the corresponding corrective and preventive measures in accordance with the risk impact. As soon as the approval for the relevant corrective and preventive measures is granted, subsequent follow-up measures will be undertaken that is in compliance with the Corrective and Preventive Measures Management Regulations (《糾正預防措施管理規程》), such that the potential quality risks can be put under control and the medication safety of patients' will be safeguarded.

Luye Pharma's division of labour amongst its functional groups in handling complaint management is as follows:

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

During the Year, Luye Pharma had received a total of 52 complaints in relation to drugs quality and safety, customer consultation, customer service and others, all of which had been reflected to clients in accordance with the above complaints handling procedures, demonstrating our positive attitude towards customers' requests.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

5.3 Ethical Marketing

Material issue(s) in this section

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

Developing and producing excellent drug products for patients lie at the heart of Luye Pharma's business development. We continue to improve the quality management system and adhere to international and national regulations and standards in relation to drug quality. Meanwhile, in addition to adopting marketing strategies that are compliant and ethical, we also vigorously promote the business philosophy of Luye Pharma through quality customer service and products.

Luye Pharma always highly regards the compliance of ethical marketing and promotion. Along the course of promoting pharmaceuticals to medical and health institutions and medical professionals, we strictly abide by the laws and regulations that have a significant impact on us, such as Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and GSP and other laws and regulations that have a significant impact on us. We also formulate and implement the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《绿叶制药集團藥品推廣行為準則》) so as to provide the code of conduct and moral guidelines for the promotion and sales of pharmaceuticals for all employees.

Code of pharmaceuticals promotion

the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group sets out the basic principles to be observed by employees in conducting pharmaceuticals promotion, such as not to provide any inappropriate promotional gifts or services to non-healthcare professionals and other stakeholders who may affect the promotion of Luye Pharma; the aforesaid standard also covers the management of all aspects of the pharmaceuticals' promotion of Luye Pharma, including the standards for pharmaceuticals promotion information, use of promotion funds, promotion materials, and academic exchanges with healthcare professionals, among others. Our employees are required to sign to confirm that they have fully understood the standard and would implement it in daily pharmaceuticals promotion work to effectively maintain and strengthen the good market reputation of Luye Pharma.

Product label management

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

Information security and privacy protection

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

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Access to the medicines

Luye Pharma is seriously concerned if patients from different regions and different classes can have access to the pharmaceutical products and treatments they need. To this end, we have been committed to improving the accessibility of medicines through various methods and actions, whereby, we aim to enhancing the access to medicines for primary patients, including but not limited to:

- to make an effort to include regular medicines that are suitable for being used in primary care hospitals in the National Essential Medicines List (《國家基本藥物目錄》), so that the reimbursement rate for medicine costs in primary care hospitals can reach as high as 100%
- to include all new products into the National Medical Insurance Catalog (《國家醫保目錄》), which helps to significantly reduce the burdens on patients when they receive medicine
- to enter into various regional health care organizations such as health insurance research institute and the health insurance specialized committee
- through undertaking collaborative projects such as pharmacoeconomic studies, diagnosis-related group (DRG) training meetings and coorganizing relevant conferences, to share resources in health insurance administration, treatment, clinical pharmacology and experts, and, ultimately, to obtain relevant policy support
- to extend the sales network and to provide grass-root patients with even more opportunities to access the appropriate pharmaceutical products and treatment.

Case: The launch of Goserelin Microspheres, an innovative anti-tumor drug, to further improve the access to medicine of the same category

This year, the application for marketization for Luye Pharma's self-developed innovative anti-tumor preparation, Goserelin Acetate Sustained-Release Microspheres for Injection (LY01005), which is used for the treatment of prostate cancer, has been approved by the China National Medical Products Administration Center for Drug Evaluation (CDE), and is expected to become the only goserelin microsphere preparation in the world. As a new type of high-end preparation, microsphere preparations can be designed with different release rates and cycles according to clinical needs, to achieve stable and sustained drug release for around one week to several months, thereby improving efficacy, improving treatment safety and compliance, and has obvious clinical advantages. However, as a complex preparation, the development and production of microsphere preparations are difficult and technical barriers are high, and this technology is not mastered except for by several foreign companies. Luye Pharma has been deeply involved in the research and development of innovative microsphere technology for many years, and has successfully achieved industrial transformation. Whether it is LY01005 or the marketed-Rykindo®, this will not only serve to break the technological monopoly, but also reduce the medical cost of patients and improve the availability of drugs.

Case: Active support to community charity with medication donation which help patients to receive standardized and continual treatments

To improve the level of standard in public healthcare and to reduce the economic burden of patients inflicted with malignant tumor, Boan Biotech actively participated in the "Boyounuo® Patient Relief Project" initiated by Beijing Health Alliance Charitable Foundation of this year, and decided to give away therapeutic drug, Boyounuo® (bevacizumab injection) free-of-charge as charity drugs to help patients, such that more patients in the community will be able to receive standardized and continual treatment.

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Material issue(s) in this section

- Selection of suppliers and management

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

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

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

To ensure that the quality of commissioned pharmaceutical products meets the requirements of registration and GMP-related regulations, we have formulated the R&D Drug Commissioning Production Management Procedures (《研發藥品委託生產管理規程》) to regulate the management of various aspects of the R&D center. In particular, we have regulated the scope of the responsibilities of the departments involved in each production base, the selection of CMOs/CDMOs, and the form and procedures of quality audits. Some of the supplier selection practices include but not limited to:

- factors to be considered when selecting suppliers, including price, quality standard, availability of supply, company size, credit risk, sales and after-sales services;
- investigation of suppliers' EHS performance, such as reviewing whether they have established the environmental and occupational health and safety management system, whether they have passed the ISO14001 environmental management system certification and the OHSAS18001 occupational health and safety certification, and whether they have the pollutant emissions permits;

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

- the suppliers should have the certificates required by national laws and regulations, such as pharmaceutical GMP certificate, production permit, medical device registration certificate and product agency authorization;
- the production conditions of the suppliers should meet the equipment conditions and environmental conditions as required;
- the suppliers' quality management system shall pass the certification, and the suppliers can provide quality certificates (such as the manufacturer's inspection report) and undertake the corresponding quality assurance; and
- the selection of suppliers should follow the principles of open and fair competition, and that reputable manufacturers are preferred to reduce procurement cost and risk.

The following is the main process of supplier management in the development of our R&D Drug Commissioning Production Management Codes (《研發藥品委託生產管理規範》):

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

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

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Case: Chooseing green and quality suppliers with the aim to realize its mission of protecting the environment

In managing suppliers, Luye Pharma also conducts regular on-site visits to our suppliers' production bases to understand and assess whether the suppliers' management systems and production processes meet our internal procurement selection criteria. During this Year, we visited suppliers of recycled strapping for packaging goods. The recycled strapping is produced from recycled waste materials through processing, which reduces the consumption of raw materials and has good tensile strength. Therefore, we choose to replace the original new strapping with this recycled strapping, and to fulfill our idea of protecting the environment.

Luye Pharma (Beijing base) recycled material strapping for the packaging boxes of Xuezhikang Capsules (血脂康膠囊)

During the Year, Luye Pharma had 10,069 domestic suppliers and 289 overseas suppliers, and the above supplier engagement practices apply to all suppliers to ensure the sustainability of our supply chain.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Material issue(s) in this section

- Hazardous waste discharge and management
- Pollutant discharge and management
- Non-hazardous waste discharge and management
- Green manufacturing system governing product life circle
- Use of water resources
- Protection measures for natural ecological environment
- Risks and opportunities associated with climate change

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

EHS policy

- Focus on environment, health and safety to ensure sustainable development

EHS objectives

- Ensuring that the integrated management system of environmental and occupational health and safety runs in a normal way and improving it continuously

EHS commitments

- Maintain the management system, take effective measures for continuous improvement, and correct and prevent any deviation from the ESG policy, and ESG objectives

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.1 Environmental Protection System

Sustainable development has gradually become a key direction of Luye Pharma for long-term development. With issues such as climate change and global warming in the spotlight, as a leading company in protecting the environment, Luye Pharma has been leading by example in minimizing the negative impact of our daily operations on the natural environment and natural resources. Our operation is carried out in our production bases, laboratories and offices and the major environmental factors include discharge of hazardous and non-hazardous waste, use of energy, greenhouse gas emission, discharge of air pollutant and disposal of chemicals. For detailed statistics on environmental performance, please see the Environmental Performance Table set out in the Appendix.

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


环境管理体系认证证书

Luye Pharma (Nanjing Base) ISO 14001:2015 certificate

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

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

- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
- The Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》)
- The Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)
- The Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)
- The Law of the People's Republic of China on Appraisal of Environment Impacts (《中華人民共和國環境影響評價法》)
- The Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》)
- The Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》)
- The Law of the People's Republic of China on Soil Pollution Prevention and Control (《中華人民共和國土壤污染防治法》)
- The Law of the People's Republic of China on Cleaner Production Promotion (《中華人民共和國清潔生產促進法》)
- The Law of the People's Republic of China on Renewable Energy (《中華人民共和國可再生能源法》)

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

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.2 Waste Management

Both hazardous and non-hazardous wastes are produced during the daily operations of Luye Pharma's production bases and offices. To ensure that we meet the requirements of relevant national laws and regulations and reduce the burden of waste on the ecology and the environment, we have formulated internal policies on waste management, such as the The Management Procedures for Prevention and Control of Pollution by Solid Waste and the Hazardous Waste Management System, to strictly regulate the entire process of all types of solid waste from production, collection, storage, transportation, utilization, disposal and other operational and supervisory activities. The goal of Luye Pharma is to significantly improve the efficiency of waste reduction through "waste reduction at source". Each production base is committed to developing and implementing hazardous and non-hazardous waste reduction measures under the 4R principles (Reduce, Replace, Reuse, Recycle). We conducted publicity campaigns at each production base to encourage our employees to contribute to the implementation of "waste reduction at source" during their daily work. For example, we have put up additional posters in the staff canteens of our production bases to reduce food waste and thus reduce food waste generation. In order to effectively monitor the amount of waste generated and the effectiveness of the measures implemented, we also use the relevant data as a reference and examine whether the measures need to be improved based on the benchmark from previous years.

Signage delivering message of saving meals in canteens

A Poster of "Clean Your Plate Action"

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Case: Setting Waste deduction targets and implementing hazardous waste management measures

Luye Pharma (Beijing Base) implements measures to reduce the amount of hazardous waste at source in the prevention of hazardous waste generation. Our production process involves the application of chemical reagents to test the quality of drugs and conduct analysis. Therefore, we strictly control the amount of reagents used and change the testing method by replacing methanol with ethanol, and properly dispose of hazardous waste in accordance with procedures to avoid chemical leaks and violations. Compared with last year, the overall hazardous waste disposal volume of Luye Pharma (Beijing Base) decreased by 5.4% during the Year, of which waste reagent bottles and their packaging were significantly reduced from 6.17 tons last year to 0.86 tons due to the implementation of the relevant measures. We will continue to closely monitor the relevant environmental performance data and review the effectiveness of the measures in a timely manner.

The Management Procedures for Prevention and Control of Pollution by Solid Waste specifies the four principles, division of function and waste classification for solid waste management. Solid waste is mainly divided into two categories, namely hazardous waste and non-hazardous waste. Hazardous waste mainly includes medical waste, organic liquid waste, organic resin waste and waste activated carbon. Non-hazardous waste can be further categorized as recyclable and non-recyclable waste, including domestic waste, medicine dregs, and discarded packaging materials and paper. The table below shows the disposal procedures for hazardous and non-hazardous waste:

Collection	• Each department which generates hazardous waste has set up a site for sorting and collecting hazardous waste and corresponding labels will be attached to hazardous waste which will then be sorted out and put into the designated containers depending on their nature. The containers for collection shall not be damaged or poorly sealed in order to prevent leakage. • Non-hazardous waste shall be classified and collected in a centralized manner and be placed in corresponding bins as designated. We engage third-party professional agencies to carry out daily recycling on a regular basis.
Storage	• Each department which generates hazardous waste shall arrange a designated area for temporary storage of hazardous waste. The area shall comply with the requirements of safety and environmental protection, including avoidance of high temperature, direct sunlight, and rain-wetting, and being away from the sources of ignition. Warning signs shall be posted in such temporary storage area. • When the waste stored in such temporary area has reached a certain quantity, they will be transferred to the hazardous waste storage sites in accordance with the hazardous waste classification requirements.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Transportation

- Internal transfer: Use suitable packaging containers to prevent leakage, spillage, dripping or volatilization during loading, removing or transport. The waste will then be transferred to the temporary storage site with a fully enclosed specialized vehicle operated by a trained operator.
- External transfer: The uploading will be handled by the transfer unit with the cooperation of the departments generating hazardous waste on a rotational basis.

Disposal

- For the hazardous waste that needs to be disposed of by outsourcing parties, qualified hazardous waste disposal units with operation licences for waste disposal services shall be engaged.
- For non-hazardous waste, we have signed an agreement on the disposal of domestic waste with the local environmental department, pursuant to which we will transport the waste every day to prevent environmental pollution due to excessive storage. General recyclable waste, such as packaging and obsolete equipment, will be collected to a local recycling company. Medicine dregs will be disposed of by a professional agency to make them into fermented fertilizer for harmless disposal.

In addition to managing hazardous and non-hazardous wastes generated during the operation process, Luye Pharma also strives to build and improve the green manufacturing system from product design to end-of-life. We follow the concept of "green design and green manufacturing" in the entire lifecycle of innovative drug development, marketing and disposal. In addition to ensuring the efficacy, quality and cost control of pharmaceutical products, the environmental impact and resource utilization are taken into account such that the environmental pollution throughout the product life cycle can be reduced. The following are the key management policies and measures for medical waste and waste pharmaceuticals:

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Case: Alcohol distillation tower

In 2020, an alcohol distillation tower was installed in the raw material room of Laishan Plant of Luye Pharma (Shandong Base) to reduce the amount of low concentration alcohol waste. The alcohol in the waste liquid can evaporate through the equipment and be collected and converted into alcohol of higher concentration through the cooler, and then be used in the production if tested qualified such that recycling can be achieved. During the Year, the equipment has achieved concrete results and recycled a total of 650 tons of alcohol with 95% concentration.

Case: Project of Converting Sludge Waste into Treasure

The Laishan Plant of Luye Pharma (Shandong Base) and the stacked-screw dewatering machines were commissioned this Year to dewater the residual sludge generated during the waste water treatment in time to ensure the normal treatment of waste water to meet the discharge standards, and the dewatered sludge solid waste was sent to Qingquan Thermal Power for incineration to achieve the benefit of turning waste into energy.

Stacked Screw Dewatering Machine

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.3 Air Emissions Management

Luye Pharma's air emissions mainly comes from the exhaust gas emitted by combustion in boilers and exhaust gas from workshops and laboratories. We have in place policies such as the Management Procedures on Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) and Management System of Pollution Source Prevention and Control (《污染源防控管理制度》) to monitor the exhaust gas generated by Luye Pharma, and ensure its compliance with the existing requirements under environmental laws and regulations. In addition, we aim to reduce our emissions. To this end, we have set a series of corresponding targets and we monitor the progress in achieving the targets to reduce environmental pollution on a quarterly basis.

Waste Discharge Management Indicators for Luye Pharma (Nanjing Base)

- The exhaust gas treatment system is operated and recorded in accordance with the regulations. Activated carbon in the activated carbon adsorption exhaust gas system of production, quality management and R&D will be replaced regularly according to the production progress. Canteen fume purification system is cleaned once a month and recorded according to the process;
- Regular maintenance of the exhaust gas treatment equipment shall be carried out to ensure that the equipment is in good condition and that the timely repair rate for equipment failure shall be 100%;
- The hydrochloric (HCl) in normal operation of the exhaust equipment shall be ≤ 100 mg/m^3; volatile organic compounds (VOCs) shall be ≤ 80 mg/m^3.

Case: Emission treatment of raw material workshop

The main production equipment in the raw material workshop of Luye Pharma (Shandong Base) in Laishan generates emissions during the production process. With the development of the city where the plant is located, we have put forward higher requirements for environmental protection. This Year, we have specially designed and configured the secondary spray absorption tower and activated carbon adsorption exhaust treatment system to handle the emissions from the raw material workshop, which complies with the requirements of labor, hygiene and environmental protection emissions and avoid the negative impact of the emissions on the health of the operators as well as the emissions to the surrounding atmosphere.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

The Management Procedures on Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) outline the division of functions, general principles of emission control and specific management measures for Luye Pharma's exhaust management. The Safety and Environmental Protection Department is the competent department for emission control, and is responsible for emission control and respective daily monitoring. In terms of process, we advocate the promotion of four new technologies (new products, new processes, new materials and new technologies) and give priority to non-toxic and clean production processes. For the emissions regulated by emission standards, the key emission control measures we have developed are as follows (including but not limited to):

- exhaust-related operators shall be provided training so that they understand the hazards that may be caused to the atmosphere and the operating environment by illegal operation, and personnel exposed to hazardous emissions should minimize abnormal emissions caused by improper operation;
- Production equipment that generates emissions must be in compliance with national regulations;
- Equipment that is in use and exceeds the emission standards and equipment that exceeds the service life should be refabricated. Any refabricated equipment that cannot meet the latest emission standards shall be discarded;
- Emission treatment facilities shall remain intact and in normal operation throughout the process of emission. The removal and decommissioning of exhaust gas disposal facilities is prohibited. Any decommissioning due to maintenance should only be carried out after the cessation of production;
- Exhaust gas treatment facilities in respect of projects for new construction, alteration and expansion should be conducted in accordance with the "three concurrent" management requirements, i.e. environmental protection facilities shall be designed concurrently, built concurrently and put into service concurrently with main construction.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.4 Energy and Climate Change

With economic growth and increasing business activities around the world, climate change has become a major issue for the global community that cannot be neglected. Luye Pharma attaches great importance to the potential opportunities and risks arising from climate change. We issue documents such as Analysis Sheet on the Company's External Environment (《公司環境外部環境分析表》), which identifies risks and opportunities throughout the production process under a sound environmental and quality management system. For example, Luye Pharma (Nanjing Base) has identified that climate change may lead to a lack of air flow in the region and aggravate haze pollution. Local government authorities may restrict production plans at their sites in response to frequent hazy weather, and may also tighten pollutant emission standards, resulting in higher investment costs for environmental protection facilities at each production base and increased operating costs. In response to this physical climate risk, the Nanjing Base communicates closely with local government authorities and monitors the situation to prepare production reduction plans to cope with the control measures brought about by the hazy weather. Greenhouse gas emissions and the resulting greenhouse effect are a major contributor to climate change. We are also aware that the government and regulatory authorities will gradually tighten the emission standards for the relevant production processes in the future and change the previous regular inspections to occasional monitoring and special inspections, which may lead to increased operating costs and penalties from regulatory authorities for failing to comply with emission requirements due to the replacement of more environmentally friendly and energy-saving equipment. In response to the risk of climate change, Luye Pharma is committed to reducing its own greenhouse gas emissions apart from energy savings. The greenhouse gases emitted by Luye Pharma during its operation are mainly those from boilers, refrigeration equipment, production facilities, automobiles and power consumption in offices. Luye Pharma has been committed to reducing corporate energy consumption, improving energy efficiency and reducing the corresponding greenhouse gas emissions through various actions. For example, Beijing Base set up an energy management system in accordance with the Energy Management System Requirements and User Guide (ISO50001:2018) and the Energy Management System Certification for Chemical Enterprises of Pure Alkalis, Coking, Rubber and Plastics, Pharmaceuticals and others (RB/T 114-2015), and passed the ISO50001:2018 Energy System Certification.


认 证 证 书

北京北大维信生物科技有限公司

Energy Management System Certification granted to Beijing WPU

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

In addition, in order to achieve energy savings and reduce operating costs, Luye Pharma has established policies such as the Energy Management Regulations (《能源管理規程》) and Energy Resource Management Procedures (《能源資源管理程序》), which stipulate the organizational structure and division of labor of energy management, as well as the management requirements or standards for energy use. At the same time, Luye Pharma Pharmaceuticals has established unit product energy-saving targets and corresponding quantitative indicators, regularly reviewed the achievement of the targets, and continuously optimized and improved the efficiency of energy use. These energy-saving measures also reduce our greenhouse gas emissions, and we will study the establishment of specific greenhouse gas emission targets in the future to reduce our impact on the environment. We have established policies such as the Energy Management Regulations and Energy Resource Management Procedures, which stipulate the organizational structure and division of labor for energy management, as well as the management requirements or standards for energy use. Luye Pharma's key management practices for energy conservation and emissions reduction are as follows (including but not limited to):

Management of electricity consumption

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

Management of gas consumption

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Case: "Energy Saving in Luye" Initiative

In order to implement energy saving measures in the production base, Luye Pharma (Shandong Base) initiated the "Energy Saving in Luye" campaign in this year, which is led by the Engineering Department. In addition to establishing the Energy Saving Management Protocol (《節能管理規程》) and setting up a factory energy saving team to manage the effectiveness of relevant measures, we also focused on strengthening training and education for employees, promoting the concept of energy saving to employees through the production of videos that promote energy saving, and conducting regular energy usage data checks to select and praise teams with outstanding performance in implementing energy saving measures.

"Energy Saving in Luye" Education and Promotion Video

Recognizing and praising the teams that have outstanding performance in implementing energy saving measures

Case: Setting energy efficiency targets

Luye Pharma (Beijing Base) is committed to reducing energy consumption and has set up an energy management system team to develop and review the effectiveness of energy management programs, and achieved energy efficiency targets by upgrading or replacing more energy-efficient or low-emissions equipment, and conduct education and awareness campaigns. During the Year, the Beijing Base achieved an energy efficiency of 34.38%.

Case: Replacement of maglev cooling machine unit

This year, Luye Pharma (Shandong Base) upgraded the refrigeration unit in the refrigeration plant, eliminating the 20-year-old screw refrigeration units and replacing them with maglev cooling machine units, which use a magnetic field to suspend the rotor so that there is no mechanical contact and no mechanical friction when rotating. The mechanical bearing and the necessary lubrication system for the mechanical bearing are no longer required. The screw unit is equipped with a large motor, and the high impact current generated at the moment of startup can reach 200A-600A, which affects the stability of the power grid. On the contrary, the startup process of the maglev unit involves compressor for frequency conversion as well as soft startup, of which the starting current can be as low as a negligible 6A, and the impact on the power grid is low. The unit can control the operation of the compressor with variable frequency. After replacing the maglev units, a total of 125,203KW is saved in the whole year.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.5 Water Resources Management

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

Water Saving Measures

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

Case: Target on water use efficiency

During the Year, Luye Pharma (Beijing Base) implemented the Energy Management Plan 2021 (《2021年能源管理方案》) and set the water consumption of capsule at ≤1.8 m^3/10000 capsules. By implementing a series of water saving measures such as regular water consumption statistics and adjusting the internal energy-related regulations, a total of 44,001.5 tons of water was saved at the end of the year and the water consumption was 1.14 m^3/10000 capsules, which effectively saved water.

Sewage Management

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

7.6 Engagement in Environmental Activities

Luye Pharma understands that the adoption of various environmental technologies and policies at the day-to-day operational level can minimize our negative impact on the environment, but whether our "environmental protection" philosophy can be promoted to other stakeholders depends on whether our employees can practise environmental protection in a holistic manner.

During the reporting period, we organized a variety of environmental promotion and education activities to encourage and raise the environmental awareness of our employees.

Case: Luye Pharma (Shandong Base) Horse Chestnut Planting Activity

This year, Luye Pharma (Shandong Base) continued to organize horse chestnut planting activity at the production bases to promote environment and hygiene and to let employees know more about the horse chestnuts. Our important products, Maitongna®, Oukai® and Olai®, are made from sodium aescinate, which is extracted from the fruit of the horse chestnuts. Employees can understand that nature not only provides greenery and protects the ecology but also contributes to human health.

Case: Internal education campaign promoting environmental and ecological protection launched by Boan Biotech

During this year, Boan Biotech arranged for the employees in the pharmaceutical workshops to watch the " Videos on Eco-safety". Through watching the educational videos, the employees were able to understand the environmental hazards and the seriousness of environmental pollution during the operation process, and to enhance their awareness of environmental protection and raise their alertness to environmental and safety incidents that may occur during the production process such that they can strictly implement the Company's environmental management system.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Material issue(s) in this section

- Production safety and emergency handling procedure
- Training on occupational health and safety system
- Chemicals management
- The number of employees work-related fatalities

Occupational health and safety represent core elements in Luye Pharma's sustainable development policies. Protecting employees' health and safety is essential to the Company's long term development and compliance with its commitment to sustainable development. We are aware of our impartial responsibility for identifying and alleviating risks of endangering health and safety, to ensure that our business model can protect the health and safety of employees, contractors, suppliers, customers, visitors of our operation venues and production base in communities. We endeavour to continuously improve our EHS system to prevent safety accidents, so as to achieve our goal of zero injury.

8.1 Occupational Health and Safety

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


CERTIFICATE OF REGISTRATION

认证证书

山东绿叶制药有限公司

GB/T45001-2020/ISO 45001：2018

Occupational health and safety management system certification of Luye Pharma (Shandong Base)


苏兴认证

职业健康安全管理体系认证证书

南京绿叶制药有限公司

Occupational health and safety management system certification of Luye Pharma (Nanjing Base)

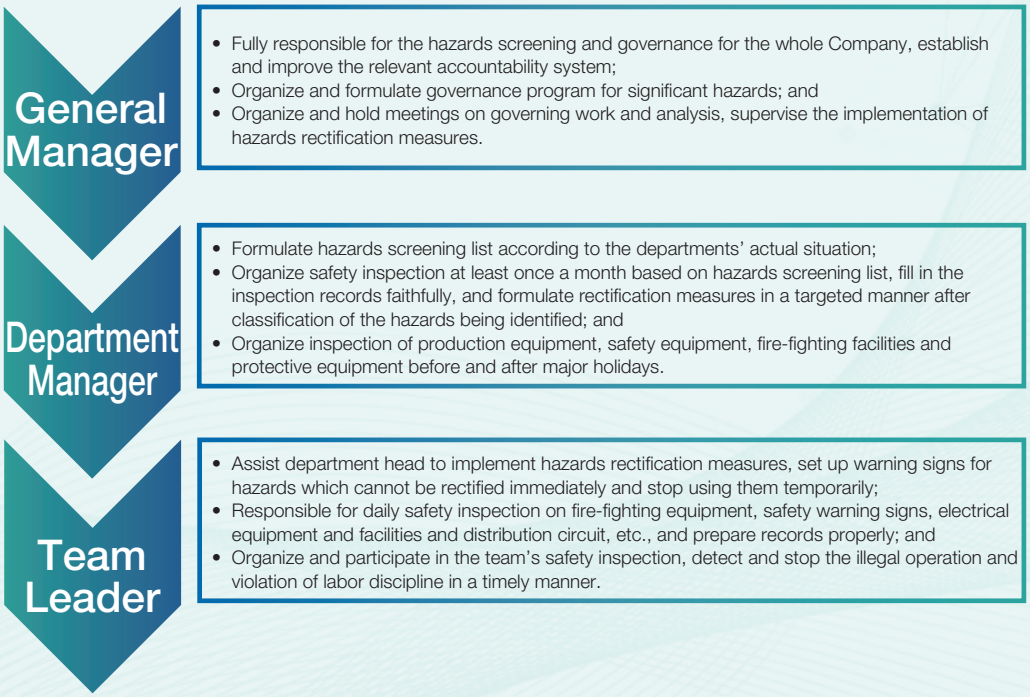
8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

We strictly abide by the national and local laws and regulations relating to occupational health and safety, which have a significant impact on Luye Pharma, and formulated a series of internal management policies to standardize the safety production. During the Year, we have not recorded any material safety accident nor fatal work injury, and the total number of lost days due to work injury of employees amounted to 73.5 days. During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to providing a safe working environment and protecting employees from occupational hazards.

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

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

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

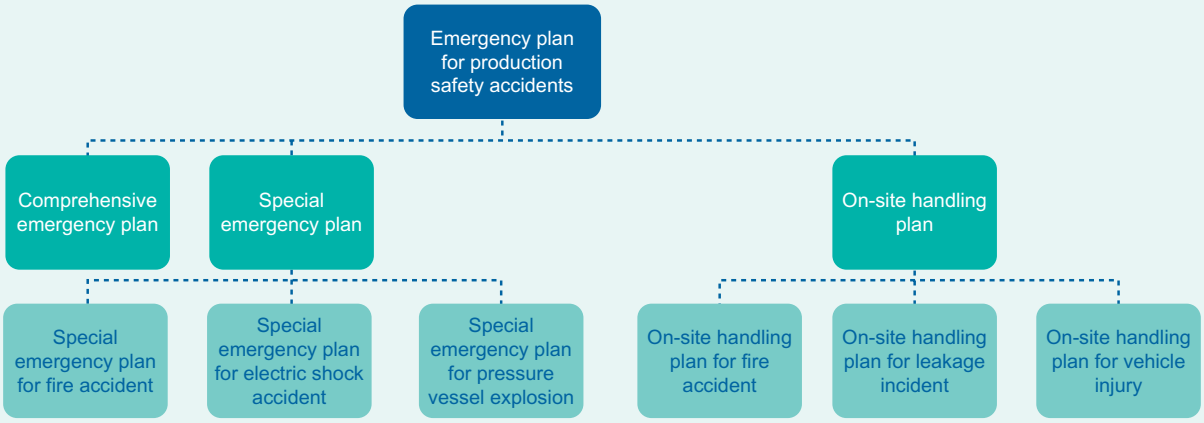


Apart from practical implementation of the detection and treatment on hazards screening and governance to protect life, health and property safety of our employees, Luye Pharma (Sichuan Base) has also formulated the Emergency Plan for Production Safety Accidents (《生產安全事故應急預案》) based on the relevant provisions of the Law of the People's Republic of China on Emergency Response (《中華人民共和國突發事件應對法》), Regulations on Emergency Response to Production Safety Accidents (《生產安全事故應急條例》) and Measures for the Administration of Emergency Plan for Production Safety Accidents on Manufacturing and Operating Unit (《生產經營單位安全生產事故應急預案管理辦法》), to improve the ability of employees to deal with all kinds of emergencies and to enhance the focus and feasibility of our implementation plan.

To ensure immediate implementation of effective responsive measures upon occurrence of accidents so as to minimize the resulting loss and effects, we have formulated and implemented an emergency plan system, comprising comprehensive emergency plan, special emergency plan and on-site handling plan. The comprehensive emergency plan is the general emergency plan formulated and issued by Luye Pharma (Sichuan Base), which is a normative document for us to deal with emergencies; special emergency plan is a specific emergency operation plan for dealing with a certain type of emergency; on-site handling plan is the pre-planned disposal measure formulated by various departments for specific installations, places or facilities, and positions in their respective production activities.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Furthermore, if any employee suffers injuries during work unfortunately, the Group will provide instant treatment and appropriate assistance to injured employees, in accordance with the Occupational Disease Hazard Emergency Rescue and Management System (《職業病危害應急救援與管理制度》) and the Occupational Disease Hazard Incident Handling and Reporting System (《職業病危害事故處置與報告制度》).



Case: Fire drill

Luye Pharma (Beijing Base) conducted fire drill for our small-scale fire station during the Year, to raise awareness of fire safety and prevention of employees participated, and equip them with knowledge and skills on fire extinguishment and self-rescue, so as to enhance fast response to fire incidents by the minor fire station in our production base.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Case: The 4th Competition on Safety Knowledge of Luye Pharma (Shandong Base)

Luye Pharma (Shandong Base) held the 4th competition on safety knowledge themed "Spread Safety Knowledge and Improve Safety skills (傳播安全知識，提升安全技能)" during the Year. We intended to promote safety knowledge and enhance their safe operation skills through competitions. The competition consolidated knowledge and practical skills with assessment covering issues in respect of laws and regulations, daily safety tips and emergency treatment. All employees joined actively on the day and had outstanding performance, showing professionalism of the Group's employees on safety and prevention.

8.2 Chemicals Management

Chemicals are widely used in research and manufacturing of drugs. Improper handling of certain chemicals can cause material safety accidents and harm our ecological environment and human health. Therefore, from the perspectives of safety and environmental protection, Luye Pharma has formulated internal policies such as the Management Procedures for Dangerous Goods (《危險品管理程序》) and the Environmental Accidents Emergency Plan (《突發環境事件應急預案》) in accordance with regulatory documents such as the Provisions on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) and the List of Dangerous Chemicals (《危險化學品目錄》) to impose strict management on dangerous goods, prevent and control leakage of dangerous goods, fire, poisoning, explosion accident and reduce the harm caused to human beings and adverse impact on the environment.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Preventive Measures

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

- When loading and unloading dangerous chemicals, it is necessary to check whether all of the safety devices are attached to the transport vehicles and the goods, and the transport unit must comply with the national standards and relevant regulations such as the General Packaging Technical Conditions for the Transport of Dangerous Goods (《危險貨物運輸包裝通用技術條件》) and Dangerous Goods Packaging Signs (《危險貨物包裝標誌》);

- In the process of loading and unloading, it is necessary for the workers to handle the process with great care. Vibration, impact, friction, heavy pressure and dumping should strictly be avoided. Mixing and loading the articles with conflicting chemical properties which are prone to have chemical reactions such as combustion and explosion are also strictly prohibited;

- Safety education shall be conducted for the staff members involved in loading and unloading of dangerous chemicals and such duties shall be performed by fixed personnel;

- The safety labels on the packages or containers must be checked before such dangerous chemicals are put into storage, and the "Safety Technical Instructions" must be provided;

- Units using highly toxic substances shall strictly follow the safe operation procedures. Waste containing highly toxic substances must not be dumped arbitrarily and shall be collected and stored in a centralized manner in the hazardous waste storage room.

Emergency measures

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

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Case: Safe manufacturing training on dangerous chemicals

Luye Pharma (Beijing Base) required its employees on positions related to dangerous chemicals to participate in online safety training on the relevant knowledge provided by the Beijing Emergency Management Bureau every quarter, to ensure those employees possess expertise to respond to occupational hazards and to prevent dangerous chemical accidents and poisoning accidents.

Case: Training regarding emergency plans

Manufacturing Department II (製造二部) of Luye Pharma (Shandong Base) conducted drills for special emergency plans on fire and explosion, on-site response drills, emergency drills on human injuries and training on positive airway pressure. During the drills, trainers of the department demonstrated and explained rescue measures and important issues at the site, and finally arranged employees to conduct cardiopulmonary resuscitation and rescue by artificial respiration and demonstrated emergency handling under fire in the workshops. Employees in the Shandong base learnt basic self-rescue measures through the drills and would be able to protect themselves and fellow colleagues during major accidents.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Material issue(s) in this section

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

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

9.1 Employment Management

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

Recruitment, dismissal and promotion

Recruitment

We strictly abide by the employment related laws and regulations that have a significant impact on us, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》), with an aim to establish an all-rounded human resources system.

Equal opportunity, diversity and anti-discrimination

With regards to the recruitment, career development, promotion, training and incentives, we provide equal employment opportunity irrespective of complexion, nationality, race, age, sex, religious beliefs or physical disability. We take initiatives to provide a harmonious, diversified and friendly working environment for employees to release their potential.

Dismissal

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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Labour standard

Requirement on prohibition of employing child labor and forced labor

Luye Pharma strictly complies with the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) by verifying the identification of the applicants to resolutely refuse the hiring of child labor in the process of recruitment and employment. In addition, our employees should not be forced to work involuntarily. The employee who needs to work overtime should submit relevant application to the head of the office in advance. During the Year, there was no hiring of child labor and forced labor. If any cases of child labor and forced labor were found, we would seriously handle the case and inspect the relevant department.

Remuneration and promotion management

Remuneration management

Luye Pharma provides competitive remuneration packages. We regularly participate in the annual salary survey for domestic pharmaceutical market organized by the world well-known salary research companies, from which we understand the overall salary level, current condition and development trend of the pharmaceutical market. In accordance with its development strategies, Luye Pharma formulated an overall remuneration strategy annually, ensuring that it is able to attract, motivate and retain talents. In respect of the design of the remuneration structure, we determine the remuneration level of employees through a performance-based assessment system and by referencing three aspects, namely level of market rates, job responsibilities and employees' performance.

Promotion management

We offer transparent and standardized promotion opportunities to employees in accordance with the promotion mechanism under the human resources policies, which considers employees' assessment performance and our needs for business operation, to internally promote outstanding employees to more important and appropriate positions, so as to motivate employees.

Working hours and holiday

Working hours

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

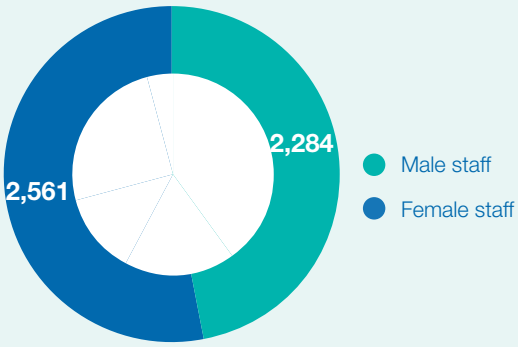
Holidays

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

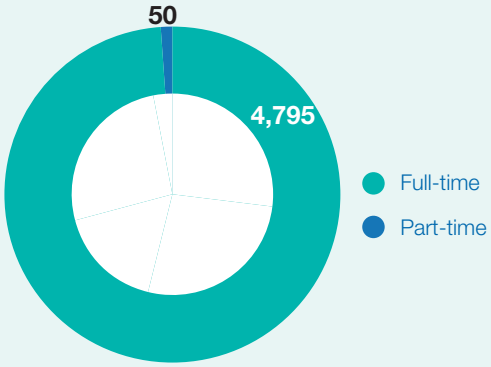
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. During the Year, Luye Pharma has a total of 4,845 employees, the number of employees by gender, employment type, age group and geographic region is indicated below:

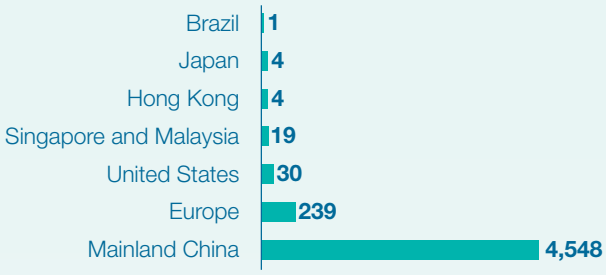
Number of employees by gender



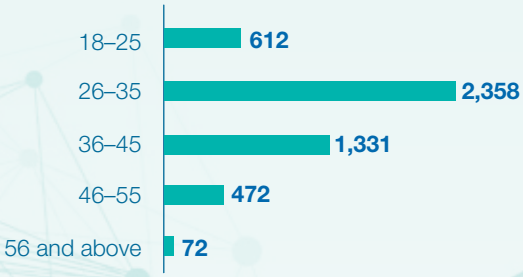
Number of employees by employment type



Number of employees by geographic region



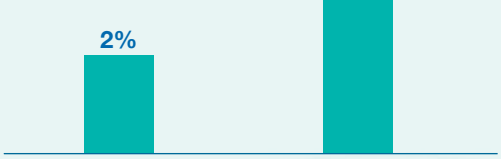
Number of employees by age group



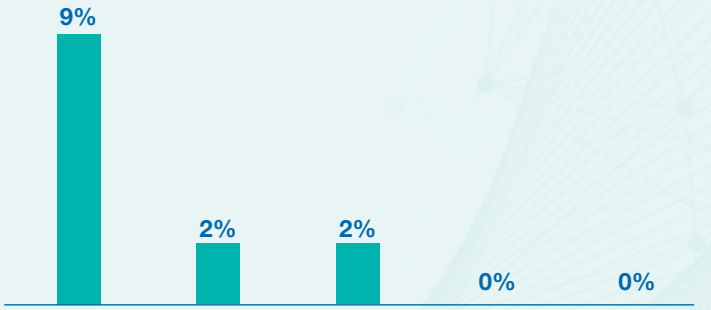
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

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

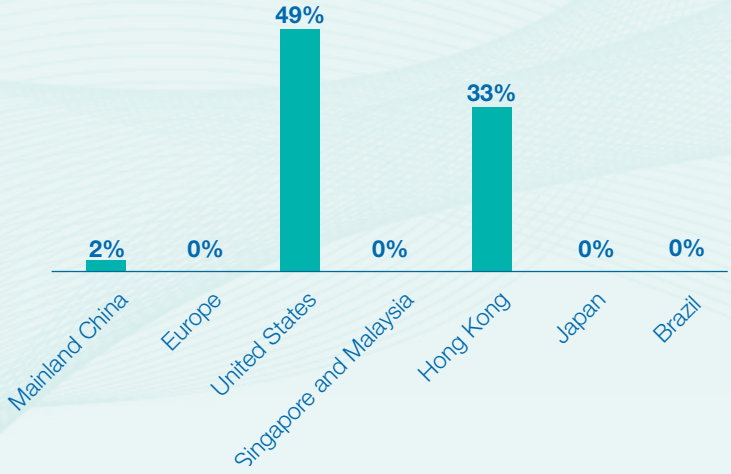
Employee turnover rate by gender



Employee turnover rate by age group



Employee turnover rate by geographic region



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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

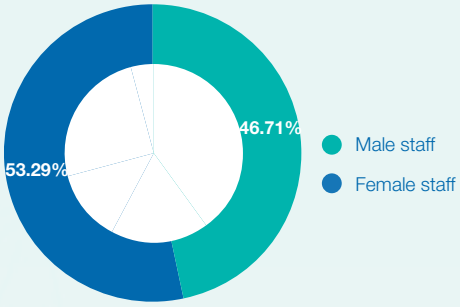
9.2 Talent Training

We believe that plans for cultivating excellent talents and diversifying development routines for talents are crucial for our long-term development and sustainable operation. Luye Pharma continues to improve our training system and provides different training directions for our employees, such as innovative research and development, professional technology and corporate management, in order to encourage our employees to choose their future career paths, fully release their potentials and realize their own values.

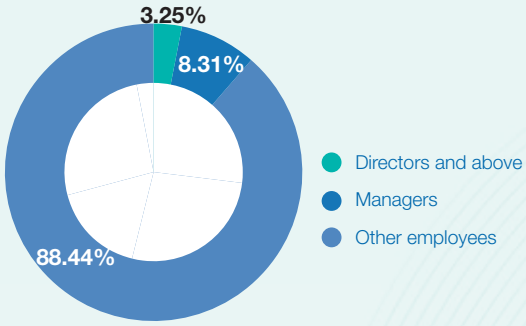
In order to keep on improving the comprehensive ability and organizational performance of employees, Luye Pharma actively encourages employees to participate in external training in consideration of their positions and business development needs. It has formulated the Regulations on the Management of External Training Projects of Luye Pharma (《绿叶制药集團外部培訓項目管理規定》), specifying the cost management of external training projects and on-the-job academic education.

During the Year, the training data[2] of Luye Pharma's employees is as follow:

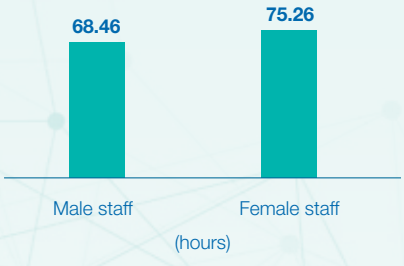
Percentage of employees completed training (by gender)



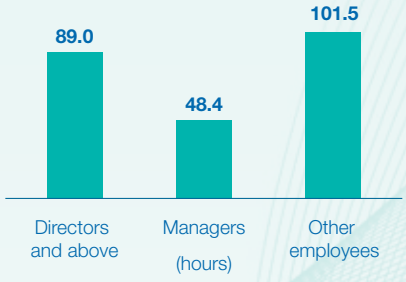
Percentage of employees completed training (by type of employees)



Average training hours completed by employees (by gender)



Average training hours completed by employees (by type of employees)



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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Luye Pharma emphasizes on training on quality management of pharmaceutical products and occupational health and safety, with a view to improve the overall quality of pharmaceutical products and occupational safety level.

Pharmaceutical Products Quality Management

- **Management Procedures for Capability, Training and Awareness (《能力、培訓和意識管理規程》)**
  Luye Pharma established the Management Procedure for Capability, Training and Awareness (《能力、培訓和意識管理規程》) in accordance with the Pharmaceutical Product GMP Guidelines: Quality Management System (《藥品GMP指南：質量管理體系》) which summarized the business knowledge training for all staff and the training principles in respect of GMP and regulations on pharmaceutical product management, and stipulated the formulation of training program and its contents.

- **Production base training activities**
  Luye Pharma production bases organized and carried out training on quality management to improve the overall quality of pharmaceutical products, such as the registration and inspection related training held by the quality control department of Boan Biotech and the titration skills competition organized by QC of Shandong Base.

EHS Training

- **EHS Education and Braining Policy (《EHS教育與培訓制度》)**
  Luye Pharma established the EHS Education and Training Policy (《EHS教育與培訓制度》) and established annual education and training programs related to occupational health and safety, which included but not limited to daily safety education, progressive safety education, safety education for external personnel and special safety training.

- **Training for employees**
  During the Year, 2,556 employees of Luye Pharma attended training on occupational health and safety.

Luye Pharma provided regular occupational health training for employees in different departments at each production base

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

In order to provide the employees with internal training that is more systematic and of higher quality, we set up the "Luye Evergreen College" for classification and cultivation of international talents, backup management talents, existing management talents and professional talents, with emphasis on the learning concept of "Self breakthrough, Happy Learning, Value Creating". We formulate training programs every year to offer employees at all levels a variety of training courses. Moreover, the human resources department and QA regularly conduct a semi-annual training conclusion for the managers responsible for training in each department to ensure that managers comply with the rules and requirements of the annual training plan. The training program developed by the "Luye Evergreen College" during the Year principally consisted of internal open courses, talent training program and individual courses for Luye Pharma and its business. Meanwhile, in order to give full play to the potential of the mentees and acquire the appropriate guidance in career planning, Luye Pharma has formulated a Mentor Management System of Luye Life Sciences (《綠葉生命科學集團導師管理制度》), to allow the managers and senior employees of the Group to act as mentors to guide the mentees, assist them to establish correct values and work attitude, offer encouragement and guidance for their difficulties or challenges in work or life and to share professional or management experience with them to identify their personal career development goals and directions.

Internal open courses

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

Talent training program

- organized the Project Jingying to provide fresh graduates with personal quality enhancement training and classroom centralized training;
- organized 6 sessions of general competencies training throughout the year 2021, covering such topics as effective communication, seven habits of highly efficient people and so on;
- provided the backup frontline employees with classroom centralized training under the fifth session of the Qihang development project, focusing on cross-department communication and cooperation as well as problem analysis techniques.

Individual courses for Luye Pharma and its business

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

The establishment of performance assessment in the training system is an important strategy for Luye Pharma to improve quality management and drive the company forward. When formulating our annual training plan, we set out the format, marking criteria and detailed timetable of the training assessment in accordance with the relevant system documents such as "Training Plan at company level" (《公司級培訓計劃》). We arrange assessment for trainees during the training courses as required, to enhance their understanding of the training content and to assess the effectiveness of the training programmes in achieving the training objectives.

Training for new employees

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Case : Training Session on "interpretation and analysis on changes of cost compositions (成本構成解讀與變動分析)"

The Finance Department of Luye Pharma (Beijing Base) conducted a training session on "interpretation and analysis on changes of cost compositions and analysis on changes (成本構成解讀與變動分析)" for staff at supervisory level and above during the Year. Its main contents included topics such as the components and ratio of costs and profits, budgets and distinguishing capital schemes. The session explained theoretical knowledge with reference to the actual performance indicators of the Company to help participants learn the ideas of cost reduction and efficiency enhancement, and apply to their daily work in various positions.

Case: Emergency drills for grinder accidents

Luye Pharma (Shandong Base) offered emergency drills for grinder accidents for the exterior maintenance staff during the Year. The training consisted of demonstrative drills and provided explanation to staff in accordance with the document of EHS Safe Operation Standard for Grinder (《砂輪機安全操作規程》) and carried out first aid treatment and activated the reporting procedures for simulated injured personnel accordingly.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

9.3 Caring about the Employees

Luye Pharma concerns about its employees. In addition to ensuring that its employees will enjoy the basic welfare prescribed by the PRC, Luye Pharma provides them with a series of fringe benefits to create a caring and friendly working environment for them to unleash their potential. Furthermore, we have proactively organized a variety of staff activities during the Year including team sports competitions for employees, health-themed monthly activities, parent-child activities and etc., promoting both physical fitness and communications among the employees and safeguarding the well-being of them.

Luye Pharma concerns about the well-being of its employees and commits to creating a caring and friendly working environment in order to unleash their potential. With the aim to promote employees' physical fitness and encourage their communications, we have proactively organized team sports competitions for employee teams. health-themed monthly activities, parent-child activities and etc.. Apart from the welfare prescribed by the PRC, Luye Pharma also enhances the quality of life of its employees by offering a range of satisfactory benefits and welfare, including but not limited to:

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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Case : Sports Competition for the Group's Employees

During the Year, Luye Pharma organised sports and leisure activities including basketball, football and badminton competitions successively, which not only encouraged our employees to strike a balance between work and life, but also facilitated friendly interaction among them.

Football match of the Group

Badminton competition of the Group

Case: 27th Anniversary Celebrations of Luye Life Sciences

In June 2021, the 27th anniversary celebration of Luye Pharma was held at the Jiaodongjuyuan (膠東劇院) with the theme of "Moving the way forward to a promising future (向光前行，未來可期)". The staff of the Group gathered to cut a birthday cake to wish Luye Pharma a happy 27th birthday and to look forward to the future success of our global staff.

Group photo for 27th anniversary celebration

Birthday cake-cutting ceremony at 27th anniversary lunch

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

Luye Pharma focuses on the improvement of internal management and business development, while performing its social responsibility through putting itself into public welfare to contribute to the society. We respond to the needs of different people through diversified channels and organizing various activities, facilitating the common sustainable development of the enterprise and society. During the Year, Luye Pharma continued its charity activities under the five major themes of "supporting scientific research and innovation, helping small and micro enterprises, revitalising rural economy, caring for health of grass-roots, and caring for the underprivileged (支持科研創新、幫扶小微企業、振興鄉村經濟、關注基層健康和關愛弱勢群體)", which are listed below:

- Patient Rescue Programme of Boyounuo®
- "Luye Subsidy for University Students (綠葉大學生資助金)" in Nanjing, Jiangsu Province
- Maternal and child health protection action in Xuyi County, Jiangsu Province
- "Assistance for poverty alleviation and rural revitalization (助力鞏固脱貧，助力鄉村振興)" in Yutang Village, Erlang Town, Gulan County, Luzhou (瀘州市古蘭縣二郎鎮漁塘村)

Case: Signing ceremony of "Patient Rescue Programme of Boyounuo®"

During the Year, Boan Biotech of Luye Pharma Group and the Beijing Health Alliance Charitable Foundation jointly launched "Patient Rescue Programme of Boyounuo®". Boan Biotech donated Boyounuo® for treatment to Beijing Health Alliance Charitable Foundation for free, while Beijing Health Alliance Charitable Foundation was responsible for the management and operation of the programme to provide free drugs to eligible patients. The total amount of donation was approximately RMB9 million.

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

Case: Signing ceremony of "Assistance for Poverty Alleviation and Rural Revitalization (助力鞏固脱貧，助推鄉村振興)"

In order to thoroughly implement the decision of the Central, Provincial and Municipal Committees on consolidating and expanding the achievements of poverty alleviation and promoting rural revitalisation, Luye Pharma (Sichuan Base) signed a support agreement with Yutang Village in Erlang Town, Gulan County during the Year and confirmed supporting fund of RMB500,000 in total to be provided to Yutang Village from 2021 to 2025. Luye Pharma (Sichuan Base) expects to assist Yutang Village with the supporting fund to strengthen its infrastructure, provide education and help the poor, care for the empty nesters and the left-behind children in the village, and comprehensively promote the rural revitalisation.

Case: Book donation campaign under the theme of "Join Hands and Spread Love (童你一起，讓愛延續)"

Luye Pharma (Shandong Base) organised a book donation campaign to donate books to the school library for migrant children of the National South-to-North Water Diversion Project during the Year, with a view to pass the extensive knowledge in books to more migrant children and share with them the joy of reading.

11. APPENDICES

11.1 Environmental Performance Table[3]

	Data for 2021	Data for 2020	Measurement unit
Resource consumption			
Total energy consumption[4]	153,187.41	147,032.29	'000 kWh
Intensity of energy consumption	0.29	0.27	'000 kWh/income of RMB10,000[5]
Total electricity consumption	72,017,845.00	78,019,143.00	kWh
Intensity of electricity consumption	138.49	140.84	kWh/income of RMB10,000
Total natural gas consumption	3,594,493.00	3,253,380.00	Cubic meters
Intensity of natural gas consumption	6.91	5.87	Cubic meters/income of RMB10,000
Total industrial steam consumption	151,234.72	128,539.24	MKJ
Intensity of industrial steam consumption	0.29	0.23	MKJ/income of RMB10,000
Total gasoline consumption (by automobiles)	26,293.00	23,672.00	Liters
Intensity of gasoline consumption (by automobiles)	3,286.63	2,959.00	Liters/per gasoline powered automobile
Total diesel consumption (by automobiles)	6,185.00	6,819.00	Liters
Intensity of diesel consumption (by automobiles)	3,092.50	3,409.50	Liters/per gasoline powered automobile
Total water consumption	1,141,446.02	1,048,911.84	Cubic meters
Intensity of total water consumption	2.19	1.89	Cubic meters/income of RMB10,000
Total packaging materials consumption	4,426.53	3,364.38	Tons
Intensity of packaging materials consumption	0.01	0.01	Tons/income of RMB10,000
Emission of air pollutants by boilers[6]			
CO emission	4,831.00	4,341.07	Kilograms
NO_x emission	57.51	5,167.94	Kilograms
SO_x emission	34.51	31.01	Kilograms
PM2.5 emission	0.00	392.76	Kilograms
Emission of air pollutants by automobiles[7]			
CO emission	379.85	378.13	Kilograms
NO_x emission	329.28	354.94	Kilograms
SO_x emission	5.54	0.47	Kilograms
PM2.5 emission	12.86	13.85	Kilograms
PM10 emission	14.23	15.33	Kilograms

3 *The statistical scope of 2021 remained unchanged from that of 2020. The 2021 statistics cover Luye Pharma' headquarter, four production bases, including Nanjing Base, Beijing Base, Sichuan Base, Shandong Base, and the Boan Biotech.*

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

5 *Luye Pharma recorded total revenue of approximately RMB5,200.23 million during the Year.*

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

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

11. APPENDICES

	Data for 2021	Data for 2020	Measurement unit
Emission of greenhouse gas (scope I and scope II)			
Emission by use of boilers (scope I)[8]	7,771.97	7,023.17	Tons
Emission by use of industrial steam (scope I)	16,635.82	14,139.32	Tons
Emission by automobiles (scope I)[9]	76.98	72.51	Tons
Emission by refrigerants (scope I)	2,210.36	3,252.58	Tons
Emission by electricity consumption (scope II)[10]	41,842.37	47,599.48	Tons
Greenhouse gas emission in total	68,537.50	72,087.05	Tons
Intensity of greenhouse gas emission in total	0.13	0.13	Tons/income of RMB10,000
Production waste water discharge (processed)			
Production waste water discharge	905,972.00	634,778.00	Tons
Intensity of production waste water discharge	1.74	1.15	Tons/income of RMB10,000
Non-hazardous waste produced			
Medicine dregs produced	180.28	1,806.02	Tons
Medicine dregs recycled	2,470.71	1,728.28	Tons
Intensity of medicine dregs produced	0.0047	0.0033	Tons/income of RMB10,000
Packaging materials waste produced	10.05	102.23	Tons
Packaging materials waste recycled	87.59	57.98	Tons
Intensity of packaging materials waste produced	0.00017	0.00019	Tons/income of RMB10,000
Hazardous waste produced			
Medical waste produced	15,703.90	22,466.54	Kilograms
Intensity of medical waste produced	0.03	0.02	Kilograms/income of RMB10,000
Organic waste liquid produced	441,543.80	779,895.60	Kilograms
Intensity of organic waste liquid produced	0.85	1.23	Kilograms/income of RMB10,000
Organic resin waste produced	0.00	960	Kilograms
Intensity of organic resin waste produced	0.00	0.0015	Kilograms/income of RMB10,000
Waste activated carbon produced	25,562.00	25,252.00	Kilograms
Intensity of waste activated carbon produced	0.05	0.039	Kilograms/income of RMB10,000
reagent bottles, packaging materials waste produced[1]	5,159.80	N/A	Kilograms
Intensity of reagent bottles, packaging materials waste produced	0.01	N/A	Kilograms/income of RMB10,000

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

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

10 *The reference for calculation method for emission data of greenhouse gases (Scope II) has been updated, the calculation method for emission data of greenhouse gases (Scope II) for 2021 made reference to the national grid average emission factors under the Notice on Key Work Related to the Reporting and Management of Enterprises' Greenhouse Gas Emissions in 2022《關於做好2022年企業溫室氣體排放報告管理相關重點工作的通知》) issued by the Ministry of Ecology and Environment of the People's Republic of China.*

11. APPENDICES

	Data for 2021	Data for 2020	Measurement unit
pharmaceutical waste produced[11]	30,018.70	N/A	Kilograms
Intensity of pharmaceutical waste produced	0.06	N/A	Kilograms/income of RMB10,000
waste mineral oil and lubricant oil produced[11]	1,597.00	N/A	Kilograms
Intensity of waste mineral oil and lubricant oil produced	0.0031	N/A	Kilograms/income of RMB10,000
Waste containers produced[11]	15,306.20	N/A	Kilograms
Intensity of waste containers produced	0.0294	N/A	Kilograms/income of RMB10,000
Laboratory wastes produced[11]	101.00	N/A	Kilograms
Intensity of laboratory wastes produced	0.0002	N/A	Kilograms/income of RMB10,000
Sludge produced[11]	1,223.00	N/A	Kilograms
Intensity of Sludge produced	0.0024	N/A	Kilograms/income of RMB10,000
Waste toner cartridge produced	90.00	414.00	Units
Intensity of waste toner cartridge produced	0.00017	0.00065	Units/income of RMB10,000
Waste fluorescent tube produced	240.00	95.00	Units
Intensity of waste fluorescent tube produced	0.00046	0.00015	Units/income of RMB10,000

11.2 Social Performance Table

Employee Data

		Number of people (people)	Turnover rate (%)[12]
Total number of employees		4,845	3
By gender	Male staff	2,284	2
	Female staff	2,561	4
By type of employment	Full-time	4,795	/
	Part-time	50	/
By type of employees	Directors and above	133	/
	Managers	398	/
	Other employees	4,314	/

[11] *Luye Pharma started to disclose these data for hazardous waste in accordance with National Hazardous Waste List (2021) (《國家危險廢物名錄(2021年版)》) from the Year.*

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

11. APPENDICES

		Number of people (people)	Turnover rate (%)[12]
By age	18–25	612	9
	26–35	2,358	2
	36–45	1,331	2
	46–55	472	0
	56 and above	72	0
By region	Mainland China	4,548	2
	Europe	239	0
	United States	30	49
	Singapore and Malaysia	19	0
	Hong Kong	4	33
	Japan	4	0
	Brazil	1	0

Employee Training Data

		Percentage of employees completed training (%)[13]	Average training hours completed per employee (hour/person)[14]
By gender	Male staff	46.71	68.46
	Female staff	53.29	75.26
By type of employees	Directors and above	3.25	8.5
	Managers	8.31	41.58
	Other employees	88.44	77.28

[13] *Calculation formula of percentage of employees completed training by category: number of employees completed training in this category/total number of employees completed training.*

[14] *Calculation formula of average training hours completed per employee by category: training hours completed by employees in this category/total number of employees in this category.*

11. APPENDICES

Work Injury Data		Data for the Year	Measurement Unit
Lost days due to work injury		73.5	Days
Death toll in 2021	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2020	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2019	Employee	0	Number of people
	Contractor	0	Number of people

		Data for 2021	Measurement Unit
Supplier Data			
Number of suppliers	China	10,069	Suppliers
	Overseas	289	Suppliers
Product Recall Data			
Percentage of total products sold or shipped subject to recalls for safety and health reasons		0	Percent
Complaint Data			
Number of products and service related complaints received		52	Cases
Anti-corruption Data			
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period		0	Cases
Community Service Data			
Utilised resources to the focus area		9,400,000	RMB

12. ESG REPORT CONTENT INDEX

ESG Reporting Guide			Reference to GRI Standard	Related sections in the Report
A. Environmental				
Item		Descriptions		
Aspect A1: Emissions				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	GRI 305: Emissions; GRI 306: Effluents and Wastes; GRI 307: Environmental Compliance	"Environmental Protection System"
Key Performance Indicator (KPI)	A1.1	The types of emissions and respective emissions data.		"Environmental Performance Table"
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.		"Environmental Performance Table"
	A1.3	Total hazardous waste produced and, where appropriate, intensity.		"Environmental Performance Table"
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity.		"Environmental Performance Table"
	A1.5	Description of emission target(s) set and steps taken to achieve them.		"Air Emissions 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.		"Waste Management"

12. ESG REPORT CONTENT INDEX

Aspect A2: Use of Resources				
General Disclosure		Policies on effective use of resources.	GRI 302: Energy; GRI 303: Water Resources; GRI 307: Environmental Compliance	"Environmentally Friendly and Green production"
KPI	A2.1	Direct and/or indirect energy consumption by type in total and intensity.		"Environmental Performance Table"
	A2.2	Water consumption in total and intensity.		"Environmental Performance Table"
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.		"Energy and Climate Change"
	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.		"Water Resources Management"
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.		"Environmental Performance Table"
Aspect A3: Environment and Natural Resources				
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	GRI 302: Energy; GRI 303: Water Resources; GRI 305: Emissions; GRI 306: Effluents and Wastes	"Environmentally Friendly and Green production"
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		"Chemicals Management" and "Engagement in Environmental Activities"
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.	GRI 201: Economic Performance	"Energy and Climate Change"
KPI	A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		"Energy and Climate Change"

12. ESG REPORT CONTENT INDEX

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

12. ESG REPORT CONTENT INDEX

Aspect B3: Development and Training				
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	GRI 404: Training and Education	"Talent Training"
KPI	B3.1	The percentage of employees trained by gender and employee type.		"Talent Training" and "Social Performance Table"
	B3.2	The average training hours completed per employee by gender and employee type.		"Talent Training" and "Social Performance Table"
Aspect B4: Labor Standards				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child labor or forced labor.	/	"Employment Management"
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labor.		"Employment Management"
	B4.2	Description of steps taken to eliminate such practices when discovered.		"Employment Management"
Aspect B5: Supply Chain Management				
General Disclosure		Policies on managing environmental and social risks of the supply chain.	GRI 308: Supplier Environmental Assessment; GRI 414: Supplier Social Assessment	"Sustainable Supply Chain Management"
KPI	B5.1	Number of suppliers by geographical region.		"Sustainable Supply Chain Management" and "Social Performance Table"
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		"Sustainable Supply Chain Management"
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		"Sustainable Supply Chain Management"
	B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored.		"Sustainable Supply Chain Management"

12. ESG REPORT CONTENT INDEX

Aspect B6: Product Responsibility				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of remedy.	GRI 416: Customer Health and Safety; GRI 417: Marketing and Labeling; GRI 418: Customer Privacy	"Promotion of Innovative R&D", "Superior Quality Assurance" and "Ethical Marketing"
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		"Superior Quality Assurance" and "Social Performance Table"
	B6.2	Number of products and service related complaints received and how they are dealt with.		"Superior Quality Assurance" and "Social Performance Table"
	B6.3	Description of practices relating to observing and protecting intellectual property rights.		"Promotion of Innovative R&D"
	B6.4	Description of quality assurance process and recall procedures.		"Superior Quality Assurance"
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		"Ethical Marketing"

12. ESG REPORT CONTENT INDEX

Aspect B7: Anti-corruption				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	GRI 205: Anti-corruption	"Integrity and Compliance"
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.		"Social Performance Table"
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.		"Integrity and Compliance"
	B7.3	Description of anti-corruption training provided to directors and staff.		"Integrity and Compliance"
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.	GRI 201: Economic Performance	"Contribution to the Society and Cooperation for Win-win Situation"
KPI	B8.1	Focus areas of contribution.		"Contribution to the Society and Cooperation for Win-win Situation"
	B8.2	Resources contributed to the focus areas.		"Contribution to the Society and Cooperation for Win-win Situation" and "Social Performance Table"

Luye Pharma Group Ltd.

www.luye.cn