先声药业
Simcere

先聲藥業集團有限公司
Simcere Pharmaceutical Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 2096

Environmental, Social and Governance Report 2021

Providing Today's Patients with
MEDICINES
of the Future

About the Report

This report is the second Environmental, Social and Governance (ESG) report of the Group. It mainly discloses the practices and achievements of the Group in product liability, environmental protection, social welfare and other aspects in 2021. It presents the Group's latest progress in sustainable development to shareholders, customers, consumers, employees, governments, partners and other stakeholders.

Environmental, Social and Governance Report 2021

TIME RANGE

The report covers the period from January 1 to December 31, 2021, some of which are beyond the above scope.

REPORTING SCOPE

The contents of the report cover Simcere Pharmaceutical Group Limited and its subsidiaries.

BASIS OF REPORTING

The report has been prepared in accordance with the regulations in the *ESG Guide* under Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* as issued by the Stock Exchange of Hong Kong Limited.

SOURCE OF DATA

All information and data in the report are sourced from official documents, statistical and financial reports of the Group, as well as the environmental, social and governance information collected, summarized and audited by the Group. Unless otherwise stated, the currency used is RMB.

The report, in both English and traditional Chinese versions, is available on the Hong Kong Stock Exchange's website (http://www.hkexnews.hk) or Simcere Pharmaceutical Group Limited website (www.simcere.com).

We value the opinions from stakeholders and welcome any feedback through the following contact details. Your opinions will help us further improve the report and enhance the Group’s overall performance on ESG development.

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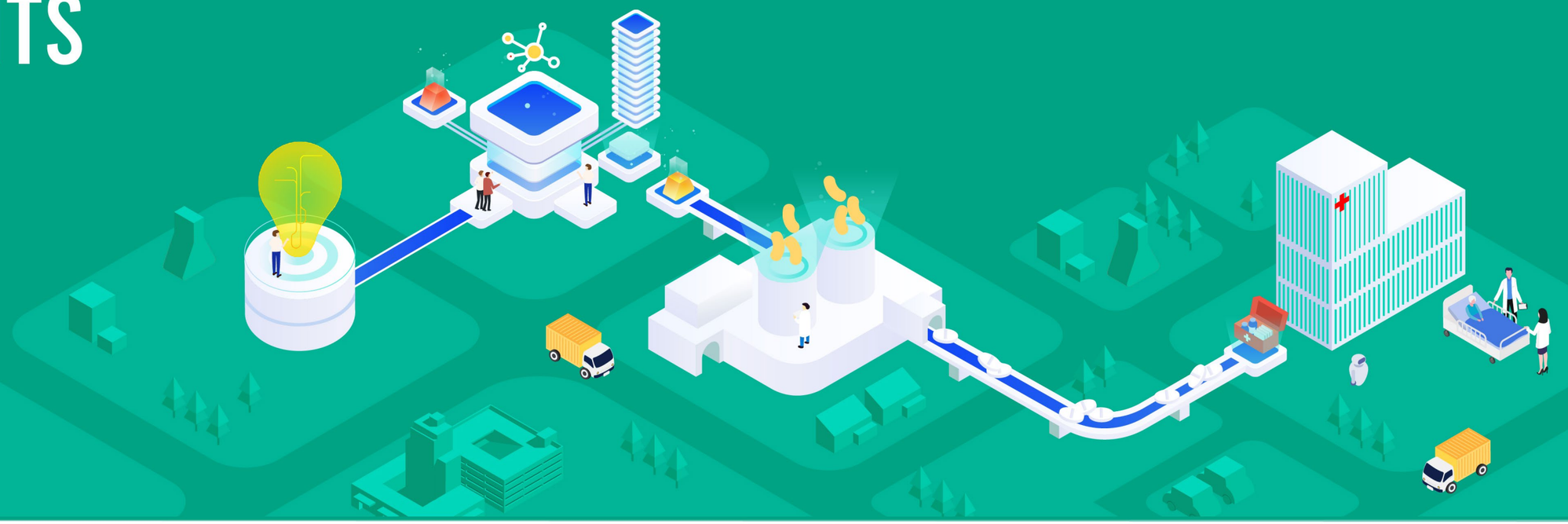


Chairman's Statement

2021 marks a critical period of global economic recovery under the regular COVID-19 prevention and control. Amid the grim pandemic, the biopharmaceutical industry is shouldering unprecedented responsibilities. Constantly adhering to the corporate mission of "providing today's patients with medicines of the future", Simcere continues to invest more in the R&D of innovative products. The innovative drug revenue of 2021 accounts for a record high of the total. Simcere has become a pharmaceutical company focusing on the innovative pharmaceutical business.

We believe that full integration of environmental, social and governance (ESG) into the Group's operation and management is not only a requirement of the external macro-environment but also an important motivation for its sustainable development.

In 2021, we analyzed the current status of ESG management and reviewed the results of our annual work in seven major aspects, including ESG governance, operational compliance, product liability, win-win cooperation, employee-oriented principle and community charity activities. We closely link the level of ESG governance with the expectations of our stakeholders and continue to refine the three-tier ESG governance structure consisting of the Board of Directors, the Strategy Committee and the ESG Working Group to make ESG management an important task of each department.

We insist on patient-first innovative R&D. Focusing on being more effective and creating differentiation, we strengthen our innovative target layout and organizational capabilities in therapeutic areas where there is a huge unmet need, and fully contribute to the universal healthcare and Healthy China initiatives. We are also actively involved in the development of new oral drugs to combat the COVID-19 epidemic, striving to serve the public's health and well-being with more accessible innovative drugs.

We adhere to the pharmaceutical philosophy of quality-excellent craftsmanship. We construct a drug safety system with a life-cycle quality management system, provide specialized customer services by disease areas through academic marketing, build academic exchange platforms with clinical experts, and conduct popular science education for patients. We reduce the financial burden for patients by providing medically insured drugs and charity drugs.

We believe in "striving for the best". We are committed to employment compliance, employee health care, and employee training and development. We continuously attract "people better than us" on board. We actively undertake corporate social responsibility in the areas of health care, education, and public welfare.

We advocate a mutually beneficial coexistence between the company and the environment. We carry out strict environmental monitoring, uphold source management and fine management, and accelerate energy-saving renovation and reuse of resource, so that we can protect the environment and combat climate change in practice. The year of 2021 was the first time we set environmental targets, and we strived to make green development a bright feature for Simcere.

In the future, Simcere will uphold the principle of patient first, activate all employees with mechanism innovation and management innovation, and work together with all stakeholders to create more social value.

REN Jinsheng
Chairman and Chief Executive Officer
May 31, 2022

About the Group

Simcere Pharmaceutical Group Limited (2096. HK) is an innovation, R&D-driven pharmaceutical company with capabilities in R&D, production and professional marketing.

The Group focuses on three therapeutic areas including oncology, central nervous system and autoimmune with forward-looking layouts of disease areas that may have significant clinical needs in the future. In these three major areas, the Group has five innovative pharmaceuticals approved for marketing and sale (including an imported innovative pharmaceutical). As of December 31, 2021, the Group had over 10 products recommended in more than 40 guidelines and pathways issued by government authorities or prestigious professional associations and has over 40 products included in the National Reimbursement Drug List (the "NRDL").

The Group pays high attention to the building of innovative pharmaceutical R&D capability and has realized functions covering the whole process from drug discovery, pre-clinical development, and clinical trials through to registration. The Group has established a State Key Laboratory of Translational Medicine and Innovative Drug Development. The Group has established R&D innovative centers in Shanghai, Nanjing and Boston. Another innovative center is under preparation in Beijing. The Group has nearly 60 innovative pharmaceuticals in its R&D pipelines and is conducting 21 registration clinical studies for 17 potential innovative pharmaceuticals. As of December 31, 2021, the Group had an R&D team of approximately 950 persons in total.

~60
innovative pharmaceuticals in R&D pipelines

40+
products included in the NRDL

R&D team
~950

Sales team
~4000

The Group has leading commercial capabilities with a nationwide sales and distribution network. As innovative pharmaceuticals continue to be approved for marketing, the Group has constantly enhanced training and improved the professional academic promotion capabilities of its marketing team, so as to ensure the speed and efficiency of commercial promotion and to increase product coverage. As of December 31, 2021, the Group had a total of nearly 4,000 salespersons spanning across 31 provinces, municipalities and autonomous regions in China, covering over 2,700 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains.

The Group has established world-class manufacturing facilities and quality control systems and has continuously improved its manufacturing capabilities of pharmaceuticals. The Group has put into use 5 PRC GMP certified production facilities for the manufacturing of its pharmaceutical products (some of its production workshops have received EU GMP certification or passed U.S. Food and Drug Administration ("FDA") inspection).

Driven by both independent and collective R&D efforts, the Group continuously develops products with urgent patient demands and significant market potential, striving to achieve the corporate mission of "providing today's patients with medicines of the future."

Mission

Providing Today's Patients with Medicines of the Future

PERFORMANCE SUMMARY

The Group has achieved remarkable results in innovation-oriented transformation and has become a pharmaceutical company focused on the innovative pharmaceutical business. For the year ended December 31, 2021, revenue from innovative pharmaceuticals was approximately RMB3.120 billion, contributing a record high of 62.4% of the Group's total revenue for the same period.

The Group's encouraging commercialization achievements are evidenced by the significant growth of sales revenue from the self-developed innovative pharmaceutical, Sanbexin®, which fueled an increase of 119.3% in revenue from the Group's central nervous system business to RMB1.543 billion in 2021. A cooperative innovative pharmaceutical, ENWEIDA®, was approved for marketing in November 2021, bringing new opportunities for business growth.

The Group's clinical team has been consistently strengthened and is conducting 21 registration clinical studies for 17 potential innovative pharmaceuticals. Among them, a conditional application of Trilaciclib Hydrochloride for Injection has been submitted and included in the priority review at the end of 2021. The progress of phase III pivotal clinical trial of Sanbexin sublingual tablets was beyond expectations, and all enrollment plans have been completed in May 2022.

The Group attaches great importance and is devoted to innovative pharmaceutical R&D. Guided by clinical value, the Group adheres to differentiated strategy and strengthens the layout of innovative targets and product portfolio in strategically focused areas. For the year ended December 31, 2021, the Group has added 6 registered clinical trials for phase III, 2 trials for phase II, 3 trials for phase I, and obtained 12 Clinical Trial Approvals for drugs. The Group has completed the First Patient In ("FPI") for 11 trials.

Story of 2021 in Figures

Revenue approximately RMB
5 billion

Innovative drug revenue percentage
62.4%

R&D investment percentage
28.3%

Employee training coverage
100%

Jobs created
6,000+

ESG EXTERNAL RECOGNITIONS IN 2021

Award	Awarding Body
"High and New Technology Enterprise"	Ministry of Science and Technology of the People's Republic of China
"Top 100 Enterprises in China's Pharmaceutical Industry in 2020"	China National Pharmaceutical Industry Information Center
"The Best Industrial Enterprise of China's Pharmaceutical R&D Product Line in 2021"	China National Pharmaceutical Industry Information Center
"2021 Innovative Pharmaceutical Enterprise in the PRC"	China National Pharmaceutical Industry Information Center
"2020 Top 50 Private Enterprises of Independent Innovation in China's Pharmaceutical Industry"	All-China Federation of Industry and Commerce - Medical and Pharmaceutical Commercial Association
"2020 Top 50 Enterprises of Pharmaceutical R&D"	All-China Federation of Industry and Commerce - Medical and Pharmaceutical Commercial Association
"2020 Top 100 Commercial Enterprises in China's Pharmaceutical Industry"	All-China Federation of Industry and Commerce - Medical and Pharmaceutical Commercial Association
"2021 Top 100 Innovative Pharmaceutical Enterprises in China"	China Pharmaceutical Enterprises Association
"Jiangsu Provincial Intelligent Workshop"	Industry and Information Technology Department of Jiangsu
"Specialized and New 'Little Giant' Enterprise in Jiangsu Province (Manufacturing)"	Industry and Information Technology Department of Jiangsu
"Demonstration Enterprise in Southern Jiangsu National Demonstration Zone for the Transfer and Commercialization Scientific and Technological Achievements"	Productivity Centre of Jiangsu Province
"Top 200 Private Enterprises in Jiangsu Province in 2021"	Jiangsu Federation of Industry and Commerce
"The First Prize in the 2nd Jiangsu Enterprise (R&D Institutions) Innovation Competition"	Jiangsu Society Scientific and Technical Information
"Outstanding Enterprise of Jiangsu Science and Technology Innovation and Development Award"	Jiangsu Provincial People's Government
"Excellent Brand Award in Jiangsu Pharmaceutical Industry"	Jiangsu Provincial Pharmacy Association
"Specialized and New SME in Hainan Province"	Hainan Provincial Department of Industry and Information Technology
"Top 100 Enterprises in Hainan Province in 2021"	Hainan Enterprise Confederation
"Top 100 Enterprises in Nanjing"	Nanjing Enterprise Confederation
"Golden Jubilee Award · 2021 Extraordinary Model Enterprise of Innovation"	China Investment Network
"Star of Scientific and Technological Innovation of the Capital Market in 2021"	The Economic Observer
"Innovation Award of China's Great Health Industry in 2021"	China Business Journal
"2021 China Pharmaceutical and Bio-Industry Track Excellence Award "	JinRongJie(JRJ)

ESG Governance

The Group implements sustainable development and attaches great importance to ESG management. Adhering to its original intention of being responsible to society and the environment, the Group carries out a responsibility management system. We constantly optimize the ESG management system and extensively communicate with stakeholders so as to enhance our ESG management performance.

DIRECTORS' STATEMENT ON ESG

Upholding the corporate mission of "providing today's patients with medicines of the future" and taking innovation and R&D as its core engine, the Group continuously develops high-quality and affordable innovative pharmaceuticals that meet demands for clinical treatment to safeguard people's health. We pay high attention to ESG and have implemented a responsibility management system. In order to fully integrate the concept of sustainable development into our management and operations, we continually improve our internal operation controls, while actively supporting charities and environmental protection movements, that create the most value for our stakeholders.

As the highest responsible authority and decision-maker for ESG matters, the Group's Board of Directors pays great attention ESG management and keeps a close watch on the dynamics of the pharmaceutical industry. By objectively reviewing management conditions within the Group, the Board of Directors is able to identify ESG risks and opportunities. The Strategy Committee is designated by the Board of Directors to oversee ESG management. A regular communication mechanism with stakeholders has been established to gather internal and external suggestions, concerns and appeals, assess major ESG-related issues and appropriately adjust management policies.

The Strategy Committee is responsible for systematically assessing, planning and researching the Group's medium and long-term ESG strategy. The committee also makes recommendations on ESG objectives, coordinates major ESG decision assessments and reports the implementations to the Board of Directors, which in turn reviews and approves important ESG matters.

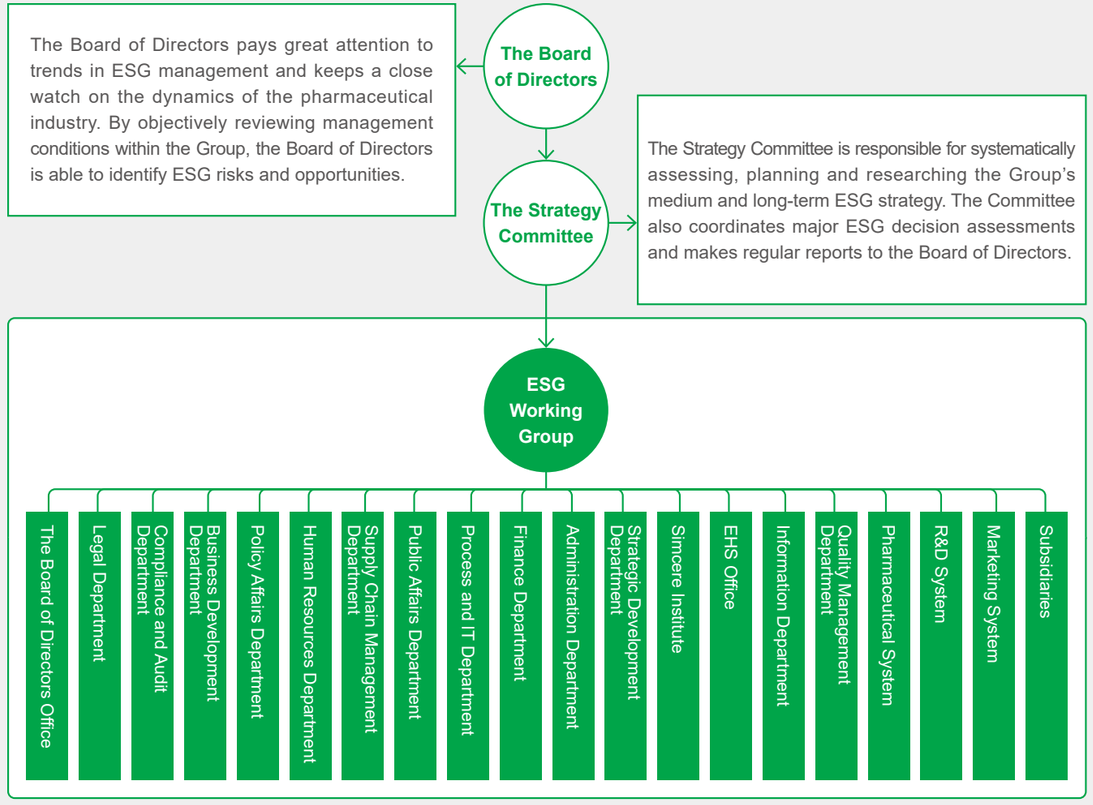
We regularly evaluate major ESG issues and incorporate them into our daily management, based on such factors as the external socio-economic macro-environment, the Group's development strategy and stakeholder expectations. In 2021, we strengthened our core ESG risk management to monitor and improve the Group's performance. The Group has set environmental management objectives, conducted risk assessment and management to address climate change, and strengthened ESG management over the supply chain to meet social expectations. The Board of Directors supervises and regularly reviews ESG-related work to ensure ESG management is effective and is integrated into the Group's overall strategy.

This report discloses in detail the progress and outcome of the Group's ESG work in 2021. The report was approved by the Board on May 25, 2022.

ESG MANAGEMENT SYSTEM

Adhering to governance-related corporate laws and listed-company governance regulations, the Group's governance structure is designed to continually improve its internal management. The Board of Directors, the highest decision-maker of the Group, is responsible for coordinating corporate development planning and supervision of all its business interests. The Board of Directors has appointed four committees; the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. They are responsible for supervising and guiding different aspects of the Group's operations. As of December 31, 2021, the Board of Directors consisted of seven directors, including three executive directors, one non-executive director and three independent non-executive directors. The Group has formed a three-tier ESG governance structure consisting of the Board of Directors, the Strategy Committee and the ESG Working Group. They systematically manage ESG management throughout all levels of the Group, including governance to execution.

To refine and implement the Group's ESG initiatives, an ESG Working Group under the Strategy Committee has been established. The Group promotes the implementation of projects, and clarifies the duties and procedures of the ESG Working Group, ensuring the orderly and efficient implementation of ESG projects. The ESG Working Group is coordinated by several departments of the Group, and it is responsible for the regular report to the Strategy Committee on the achievements and progress of ESG work. In daily management, the ESG working group is responsible for facilitating various ESG management work, promptly organizing and disseminating the Group's ESG progress reports.



The Structure of ESG Management of the Group

ESG MANAGEMENT TARGETS

The Group attaches importance to ESG target management. The status of ESG management in 2021 and the targets of ESG management for 2022 are shown in the table below.

Issues	Issue status of ESG management in 2021	Targets of ESG management in 2022
ESG governance	The Board of Directors has engaged deeply in ESG management by reviewing ESG at board meetings and overseeing ESG governance improvements.	The Group will regularly review and discuss the internal diversified policies, and meet ESG targets under the guidance of the Board of Directors.
Compliance operation	The Group has built a sound compliance mechanism that includes comprehensive compliance, training, supervision and appraisal systems.	The Group will further establish a comprehensive compliance policy and system, and establish a compliance monitoring and inspection mechanism that combines pre-, in- and post-compliance to ensure the implementation of the relevant system and regulate the company's compliance operation in a more professional and institutionalized manner.
Product liability	The Group conducts responsible marketing based on the full life cycle management of products. Focusing on people's health, the Group has accelerated the expansion of its reserve of urgently needed innovative products and promotes their clinical development. The Group has improved its intellectual property protection system.	The Group will continue to optimize its clinical research management system, accelerating the process of bringing innovative drugs to market in China and enhancing patient access to high-quality clinically-needed drugs. It will also further strengthen the management of pharmaceutical safety and quality.
Win-win cooperation	The Group maintains high-efficiency cooperation with upstream partners and downstream partners of the supply chain. With transparent process and standardized operation, we are able to promote quantitative and scientific supply chain management and strengthen the identification and control of ESG risks in all links of the supply chain.	The Group will work with supply chain partners to strictly control product quality and safety, building a sustainable business ecosystem. The concept of modernization is adopted to effectively reduce the cost of supply chain management and ensure a transparent process, standardized business operations, as well as quantitative and scientific management.
Employee-oriented principle	The Group will recruit high-caliber talents through various forward-looking talent development and training programs and employer branding. Focusing on employees' development, the Group will enhance employees' knowledge and skills with diversified training programs and make equality felt by employees with a multi-channel communication mechanism.	The Group accelerates its construction of talent structure through organizational changes and organizational capacity enhancement. We carry out comprehensive appraisals to improve the organizational environment and organizational capacity in a targeted way. We provide care to our employees in various forms, protect employees' rights and interests from multiple aspects and enhance the level of democratic management.
Community charity activities	The Group has improved the system related to public services, incorporating public welfare into the long-term planning of operations, and shouldering social responsibility through regular engagement in charity events. In addition to playing an active role in public emergency response, the Group will also shoulder corporate social responsibility through regular public service activities such as community assistance, education support, drug donation, etc.	The Group will continue to actively participate in public service projects, delivering the benefits of the assistance programs to more recipients and communities.
Environmental protection	The Group has strengthened the identification and control of environmental risks by conducting environmental management of operating subsidiaries and continues to optimize and upgrade production procedures and equipment based on actual operations to achieve conservation of energy, emission reduction as well as the minimization of impacts on the surrounding environment.	The Group will keep investing in environmental protection and implement energy saving and emission reduction to achieve the following targets: purchased electricity per RMB10,000 revenue: a minimum 10 percent reduction by 2025 compared to 2020. greenhouse gas emissions per RMB 10,000 revenue: a minimum 10 percent reduction by 2025 compared to 2020. water consumption per RMB 10,000 revenue: a minimum 10 percent reduction by 2025 compared to 2020. solid waste discharge per RMB 10,000 revenue: a no less than 15 percent reduction by 2025 compared to 2020.

COMMUNICATION WITH STAKEHOLDERS

The Group regards communication with stakeholders as a top priority and attaches great importance to the concerns and appeals of all stakeholders, who grow together with us, in an effort to achieve mutual benefit and a win-win situation. Our main stakeholders include governments, shareholders, customers, partners, employees, industry associations and community representatives. The Group has developed targeted communication methods for each stakeholder:

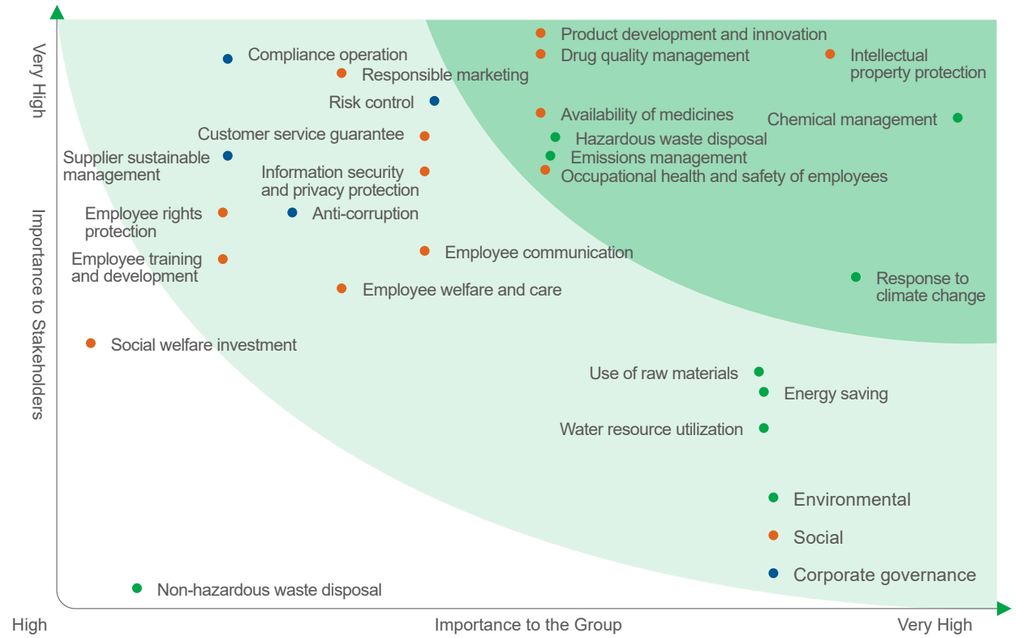
Stakeholder	Expectations and appeals	Communication methods
Government and regulatory agencies	• Compliance operation • Drug quality and safety • Anti-corruption • Promote local employment • Clean manufacturing	• Government dialogue • Information disclosure • Government research and inspection
Shareholders and investors	• Regulatory compliance • Operating results • Risk control • Information disclosure • Return on investment	• Annual General meeting • Investor exchange meeting • On-site inspection and online interaction • Regular information disclosure
Customers	• Drug safety and quality • Customer rights and privacy protection • Drug development and innovation • Responsible marketing	• Improve pharmaceutical production management system • Customer satisfaction survey • Customer complaints and opinion handling • Regular visit
Partners	• Cooperation • Win-win partnerships • Sustainable development of supply chains • Product and service quality	• Daily communication and dialogue • Audit and assessment reports
Employees	• Employee rights protection • Occupational health and safety • Employee training and career development	• Employee representative conference and labor union • Occupation, health and safety training • Employee care activities • Internal training and learning
Industry association	• Fair competition • Promote industry development • Technology and experience sharing	• Industry exchange seminar • Project cooperation • Industry association training
Community representatives	• Drive local economic development • Community services • Public welfare and charity	• Carry out public welfare projects • Regional assistance programs • Participate in community building • Volunteer services

The Group's Stakeholder Communication Mechanism

SUBSTANTIAL ISSUES

In accordance with new regulations in the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange of Hong Kong Limited, the Group has documented substantive issues relating to international initiatives and standards, along with ESG issues of general concern to the industry. After actively consulting various experts and communicating with stakeholders, the Group selected 25 substantive issues related to the development direction of the Group's businesses.

In 2021, the Group re-evaluated the risks and opportunities presented by issues in different dimensions through business summaries, internal work interviews and reviews, and ESG work performance benchmarking, etc. Based on the substantive issues raised at the end of 2020, the Group has made proper adjustments to the matrix of major issues of the Group in 2021.



The Determined Matrix of Major Issues of the Group in 2021

High priority issues

Product development and innovation	Chemical management	Emissions management
Drug quality management	Availability of medicines	Occupational health and safety of employees
Intellectual property protection	Hazardous waste disposal	Response to climate change

Medium priority issues

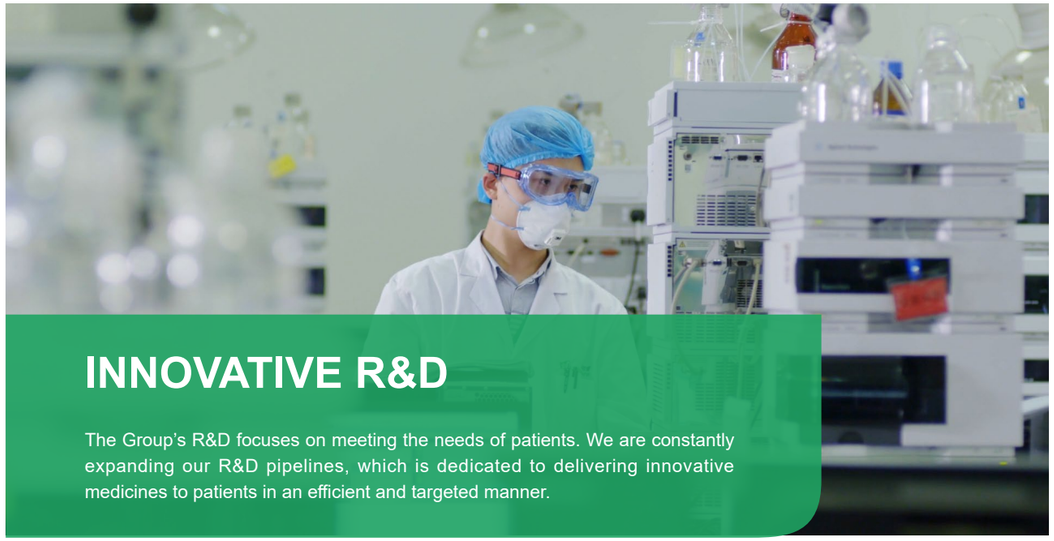
Compliance operation	Information security and privacy protection	Employee welfare and care
Responsible marketing	Anti-corruption	Use of raw materials
Risk control	Employee rights protection	Energy saving
Customer service guarantee	Employee communication	Water resource utilization
Supplier sustainable management	Employee training and development	

Lower priority issues

Social welfare investment	Non-hazardous waste disposal

We uphold patients first, focusing on efficiency and adherence to differentiation of three therapeutic areas that is oncology, the central nervous system and the autoimmune system. Meanwhile, we make a forward-looking deployment to diseases that may have significant clinical needs in the future.

01 Patient-First Innovator



INNOVATIVE R&D

The Group's R&D focuses on meeting the needs of patients. We are constantly expanding our R&D pipelines, which is dedicated to delivering innovative medicines to patients in an efficient and targeted manner.

R&D System

The Group continues to invest headily in innovative pharmaceutical R&D and has established leading R&D centers in Shanghai, Nanjing and Boston. A new drug research center is also being built in Beijing. As of December 31, 2021, the Group has about 950 R&D personnel. Among them, there are about 120 earned doctorates and 480 have a master's degree.

As an innovative pharmaceutical enterprise, the Group's pharmaceutical R&D capabilities include drug discovery, pre-clinical trial development, clinical trial and drug registration based on its years of experience and growth. It has established a State Key Laboratory of Translational Medicine and Innovative Drug Development. It has developed products covering both small molecule chemical drugs and large molecule biologics.

The Group accelerates its R&D pipelines of innovative pharmaceuticals and strengthens the layout of innovative targets and product portfolio in strategically focused areas, with more preclinical candidate compounds entering the clinical stage ahead of schedule. The Group currently has nearly 60 innovative pharmaceuticals in its R&D pipelines and is conducting 21 registered clinical studies for 17 potential new pharmaceuticals. For the year ended December 31, 2021, the Group has had 1 conditional application submitted and included in the priority review and added 6 registered clinical trials for phase III, 2 trials for phase II, 3 trials for phase I, obtained 12 Clinical Trial Approvals for drugs, and has completed the "First Patient In" (FPI) for 11 trials.

The Group attaches great importance and devotes itself to innovative pharmaceutical R&D with increasing investment in R&D every year. For the year ended December 31, 2021, the annual R&D cost has reached approximately RMB1.417 billion, accounting for approximately 28.3% of revenue, representing an increase of RMB275 million, approximately 24.1% compared to the year ended December 31, 2020.

In 2021, the R&D cost is approximately **RMB 1.417 billion**, accounting for the revenue approximately **28.3%**

compared to 2020, a growth of **RMB 275 million**, an increase of approximately **24.1%**

Shanghai R&D Center

Nanjing R&D Center

Boston R&D Center

Beijing R&D Center (In Progress)

State Key Laboratory of Translational Medicine and Innovative Drug Development Passed the Inspection of the Five-year Construction

Our State Key Laboratory of Translational Medicine and Innovative Drug Development is one of the 77 state key laboratories approved to be established by the Ministry of Science and Technology in 2015 and is the only "state key laboratory for translational medicine and innovative pharmaceuticals in PRC's pharmaceutical industry". Our laboratory focuses on translational medicine and precision medicine-based research and the development of innovative pharmaceuticals for the treatment of oncology, central nervous system diseases, autoimmune diseases and infectious diseases. Through efficient organization and management, breakthrough original innovation and diversified international cooperation, the laboratory has made achievements beyond its target during the five-year construction period and officially passed inspection of five-year construction in December 2021.

At present, the State Key Laboratory of Translational Medicine and Innovative Drug Development is actively restructuring its organization. It will establish and improve the demand-oriented scientific research, and organize its scientists to carry out research on major strategic scientific and technological issues. The laboratory is determined to address major national needs, make breakthroughs in the key technologies, make transformations based on its past free exploration.

State Key Laboratory of Translational Medicine and Innovative Drug Development

Industry Building

Driven by both independent and collective R&D efforts, the Group continues to develop products in urgent demand by the patient and have significant market potential. Relying on our product and technology strength, we continue to strengthen cooperation within the industry. In 2021, we participated in academic exchange activities with innovative pharmaceutical enterprises, sharing R&D results and ideas with our peers. We have actively carried out industry-university collaboration projects, striving to work with other pharmaceutical enterprises to boost the rapid development of the life and health industry.

On the aspect of R&D and cooperation, the Group signed more than 10 cooperative projects in 2021, including the small molecule antineoplastic drug R&D project with Kazia Therapeutics, the drug R&D project relating to neurodegenerative diseases with Vivoryon Therapeutics, the project involved an oral small molecule inhibitor of COVID-19 3CLpro with SIMM, and a project on central neuroprotective agents with Avilex Pharmaa. The collaboration has greatly enriched the R&D pipelines and will enhance our development in the future.

The Group and Shanghai Institute of Materia Medica Carry Out Collaborative R&D on an Oral SARS-CoV-2-3CL Inhibitor

Amid the serious global situation of the COVID-19 pandemic, China has developed vaccines, but is still in need of oral inhibitors. To ensure the safety and health of the large population, Simcere cooperates with the Shanghai Institute of Materia Medica (SIMM) to develop an oral COVID-19 inhibitor candidate SIM0417.

SIM0417, a candidate drug against SARS-Cov-2 (“SARS-Cov-2”), has shown broad-spectrum antiviral activity, good in vivo pharmacokinetic properties and safety in per-clinical studies. It is a highly active, low toxicity, orally administrable small molecule anti-SARS-CoV-2 drug candidate. Currently it has obtained the Clinical Trial Approval issued by the National Medical Products Administration in China, and is under clinical development for Post-exposure prophylaxis for close contacts of individuals who test positive for SARS-CoV-2 and those infected.

R&D Training

The top-notch R&D team and strong research capabilities are the cornerstones of continued innovation and breakthroughs. To ensure smooth and efficient development of R&D projects, we have been improving the whole R&D process and strengthening the professionalism of our R&D team through diversified training.

The Group has designed comprehensive R&D training systems, providing various training programs for employees in a variety of jobs. In 2021, we established the Group's internal professional learning repository named the “Research Wisdom Pool ,” which has significantly improved employees’ learning efficiency and skills. This repository has integrated high-quality professional resources of scientists within and beyond the Group and has been reviewed by multiple parties including senior management and the Institute.

In 2021, the average number of training hours provided by the R&D system reached 3.4 hours, an increase of approximately 1.4 hours compared to 2020. The training persons reached 8,221, an increase of 1,338 persons and 19% compared to 2020.

In 2021,

average training hours in the R&D system	compared to 2020, an increase of approximately	training persons reach	compared to 2020, a growth of	an increase of
3.4 hours	1.4 hours	8,221 persons	1,338 persons	19%

To carry out new employee training in the R&D system	We have formulated a learning and training program for R&D system talents based on the needs of the business team and new employees. We have been updating the themes of the training program in line with the Group's R&D strategy of transitioning to innovative pharmaceuticals. We have also assigned mentors to new employees.
To optimize management training	We have designed customized R&D management training programs, adding case studies to improve the practicality of the programs.
To set up the “Research Wisdom Pool”, a repository of professional knowledge and skills for R&D system	Within the reporting period, we have created 126 professional courses in the "Research Wisdom Pool" and completed the preparation and review of the manuals on R&D knowledge and skills.

Intellectual Property Rights

The Group's patents include platform technologies, compound molecules, formulations, crystal forms, preparation processes and applications. We are committed to respecting and protecting all intellectual property rights associated with the Group's business while avoiding infringement of the intellectual property rights of others. In order to encourage our employees to play an active role in the development of intellectual property rights, we enhanced the reward mechanism and reward amount for patent applications in the *Intellectual Property Rights Management Measures*. The reward for patent applications is counted and paid at the end of every year.

In 2021, the Group has further updated and standardized work processes for departments. We have revised the *Intellectual Property Rights Management Measures*, the *Academic Activities Management Procedures* and other management systems by adding or revising the patent application templates, patent application standard terms and definitions, search process SOP, patent risk classification specifications, etc., so as to ensure the timeliness, comprehensiveness and accuracy of patent search and patent application from the perspective of procedures.

We have strengthened the risk monitoring and early warning mechanism for the intellectual property system. We conduct timely and comprehensive investigations on patent technology information of relevant countries and regions in all aspects of innovative drug projects, due diligence of introduced projects, research and development of pharmaceuticals, clinical, and marketing, and carry out the freedom to operate (FTO) research to reduce the risk of infringement. In 2021, the Group completed more than 350 FTO reports on IP risk early warning, project initiation, and IP due diligence. In addition, we have added a review of IP data handover in the resignation process of R&D employees to ensure the orderly handover of IP for all projects. In 2021, the Group filed about 2.5 times more patent applications than in 2020, with the patent layout covering many countries or regions.

The Group's IP applications and IP obtained

	Patent	Registered trademark	Copyright
IP obtained in total	299	1,056	9
Newly added IP applications in 2021	223	207	2
Newly obtained IP in 2021	55	197	4

In 2021, the Group further improved its IP training system to comprehensively enhance IP protection awareness of employees in various ways.

- We recorded IP-related courses and released them to the Simcere e-Class on the Research Wisdom Pool platform for everyone in the Group to efficiently learn and master IP-related knowledge.
- We have conducted internal IP training courses for new employees on key legal provisions and retrieval strategies of the patent law.
- We have carried out training and sharing sessions on using databases, covering popular technologies, retrieval strategies, patent cases, court precedents, trademark protection and other topics. This has rapidly enhanced the legal literacy and business capabilities of IP professionals.
- We have carried out IP training sessions for new employees in the R&D system, the content of which covers basic IP knowledge and the Group's IP- related systems and measures. The teaching site was interactive, and the trainees did well on the exams.
- We have conducted special training for different groups of the R&D system on interpretation of the draft of the *Measures for Early Resolution Mechanism for Drug Patent Disputes (for Trial Implementation)*, and the *Patent Law of People's Republic of China*, etc.

R&D Management

In clinical research, the Group strictly follows the *Measures for the Administration of Drug Registration (2020)*, the *Good Clinical Practices (2020)*, the *Declaration of Helsinki* and other laws, regulations and industry standards, and we have formulated internal regulations in terms of R&D incentives, emergency response for clinical trials, laboratory management and other aspects.

The Group highly-valued the evaluation and tracking management of products to provide patients with more detailed and instructive drug information. In 2021, we conducted detailed research on drug indications in the clinical research stage and registered each indication before the launch of the product. We have obtained supplementary approvals from NMPA, including adverse reactions, clinical trials, pharmacology and toxicology supplementary application approvals, etc.

Standardize the Operation of the Simcere Pharmaceutical Laboratory Animal Center in Consecutive Years

The standard management procedures for animal testing implemented by the Group comply with the provisions of the *Guide for the Care and Use of Laboratory Animals*, the *Animal Welfare Assessment System (AWAS)*, the *Regulations for the Administration of Affairs Concerning Experimental Animals*, the requirements of the Jiangsu Provincial Commission of Laboratory Animal Management Office, as well as the animal welfare principles of the Group. In November 2020, Simcere Pharmaceutical Laboratory Animal Center received AAALAC accreditation. Within the reporting period, the Group improved the health condition, living environment, care and other related welfare of laboratory animals used in scientific research. In 2021, the Group's R&D team made several visits to suppliers of animals for testing to conduct audits and strengthen exchanges. The audits covered supplier qualification, standardization of experiments, and completeness of experimental data. In order to ensure compliance with animal testing of toxicology regulations, at key time points we visit entrusted parties to supervise and review the testing.

The Group Laboratory Animal Center

IMPROVEMENT OF MEDICAL ACCESSIBILITY

The Group pays constant attention to the health needs of patients and improves the accessibility of medicines by focusing on market demand, advancing clinical trials and enhancing marketing efficiency, etc. With a high sense of social purpose and social responsibility, we devote ourselves to providing inclusive medical care.

Focus on needs of patients

Adhering to the principle of patients first and driven by the huge unmet clinical needs, we listen to the voice of patients and take into account patients' interests during R&D, manufacturing, sales and other processes.

Secure smooth progress of clinical trials and high marketing efficiency

We regularly prioritize product projects in order to reasonably allocate resources and secure the smooth progress of clinical trials for projects that are more in line with patients' needs. The Group's senior management receives regular reports, and makes strategic decisions in a timely manner, securing high marketing efficiency.

Extend distribution channels

The distribution channels cover hospitals, pharmacies, clinics, e-commerce platforms, etc., helping patients get the medicines they need conveniently and quickly.

Make products affordable

The Group promotes the inclusion of products in the NRDL, making its product more affordable for patients in need.

The Group's existing products cover a wide range of medical needs such as oncology, central nervous system diseases and autoimmune diseases, all of which are evidence-based with a good reputation and high economic benefits. They are sold in China after fair pricing through tender processes in each region. In these three major areas, the Group has five innovative pharmaceuticals approved for marketing and sale (including an imported innovative pharmaceutical).

As of December 31, 2021, the Group had more than 10 products recommended in more than 40 guidelines and pathways issued by government authorities or prestigious professional associations. The Group also has more than 40 products on the NRDL, reducing medical costs for patients.

As innovative pharmaceuticals continue to be approved for marketing, the Group has constantly enhanced training and improved the professional academic promotion capabilities of its marketing team, so as to ensure the speed and efficiency of commercial promotion and to increase product coverage. As of December 31, 2021, the Group had nearly 4,000 salespersons in 31 provinces, municipalities and autonomous regions in China, covering more than 2,700 Class III hospitals, some 17,000 other hospitals and medical institutions, and more than 200 large-scale national or regional pharmacy chains.

Charitable Drug Donation: JIEBAILI® Patient Assistance Program

In order to improve public health care, alleviate the financial burden of patients with malignant tumors, and help more patients receive standardized and continuous treatment, Beijing Health Alliance Charitable Foundation initiated the JIEBAILI® Patient Assistance Program and supports it through fundraising. Simcere provided free JIEBAILI® (Pemetrexed Disodium for Injection) for the program.

In 2021, 149 doctors from 15 provinces and 12 pharmacies participated in the JIEBAILI® Patient Assistance Program. As of the end of the reporting period, the program had covered 7 provinces across China, delivering 1,250 boxes of drugs to 220 patients. The youngest was 31 and the oldest was 87.

The Group Cooperated with 3D (Beijing) Medicines and Jiangsu Alphamab to Develop an Innovative Drug for Tumor Immunotherapy

On November 25, 2021, the Group, along with 3D (Beijing) Medicines and Jiangsu Alphamab jointly announced that ENWEIDA® (Envafolimab Injection), a single domain antibody against recombinant humanized PD-L1 and a protein fused with Fc, co-developed by the three enterprises had formally obtained conditional approval for marketing in China by the NMPA. ENWEIDA® is currently the world's first and the only PD-(L)1 antibody to be administered by subcutaneous injection approved for marketing, applicable for adult patients with advanced solid tumors who have unresectable or metastatic microsatellite instability-high (MSI-H) or mismatch repair gene-deficient (dMMR). One injection of ENWEIDA® only takes 30 seconds, which significantly shortens treatment time compared with intravenous injection. ENWEIDA® also provides a treatment option for cancer patients who are intolerant to intravenous injection, avoiding various adverse reactions arising from infusion for patients with tumors to switch from hospitals to community and home for treatment.

Based on the understanding of the needs of Chinese patients, the Group and its partners develop more convenient ways of drug administration, reserving healthcare resources in China, providing an alternative treatment option for the cancer patients.

Innovative Products Approved for Marketing or Accepted for Approval

Innovative Products	Main Advantages
恩度® ENDOSTAR 	• It is a multiple-targeted endogenous protein drug targeting various pro-angiogenic factors such as VEGF, bVEGF and TGFβ-1, with a low possibility to cause drug resistance. • It can be combined with various treatments such as chemotherapy, radiotherapy and immunotherapy. • The adverse reactions of Endostar® combined with chemotherapy are mainly chemotherapy-related hematologic toxicity, indicating its high safety.
Iremod 艾得辛® 艾拉莫德片 	• Its special snap-on packaging box makes it easy to open for patients with limited joint mobility. • It is supported by research data from a large sample size of Chinese people.
先必新® Sanbexin® 	• It has been the only category I innovative drug for the treatment of stroke which has obtained approval for sale since 2015 worldwide. It has twice received national special support for "Significant New Drug Development" and been included in the priority review by NMPA as an "Innovative Drug with Significant Therapeutic Advantages". • The clinical value of Sanbexin® has been internationally recognized, and the results of the research have been published as a lead article in STROKE, a leading international authoritative medicine journal in the field of cerebrovascular.
恩瑞舒® 阿巴西普 Orencia® 	• It has a higher treatment response rate among ACPA-positive rheumatoid arthritis patients. • Its special prefilled syringe form for subcutaneous injection makes it easier for patients to use.
恩维达® ENWEIDA® 	• It is the world's first PD-(L)1 antibody to be administered by subcutaneous injection. It shows great safety. • It has a short administration time of thirty seconds, which greatly reduces treatment time, sparing patients from hospitalization, and making it possible for patients to receive treatment at community clinics or even at home.
Trilaciclib Hydrochloride for Injection (Accepted for marketing approval and included in the priority review)	• Trilaciclib is a CDK4/6 inhibitor, the world's first and only therapy that helps to deliver multilineage myeloprotection when administered prior to treatment with chemotherapy. It has been granted Breakthrough Therapy Designation by the FDA and has obtained the approval of FDA.

Putting the quality of medicines first, we have established a quality management system to control the quality of medicines throughout the life cycle from procuring raw materials to delivering medicines to customers, committed to the quality of medicines and patients' safe use of medicines.

02 Quality-Excellent Drugmaker

DRUG QUALITY

Upholding the quality policy of “the Best Products, the Pursuit of Excellence,” the Group strictly abides by the *Product Quality Law of the People’s Republic of China*, the *Drug Administration Law of the People’s Republic of China*, the *Measures for the Supervision over and Administration of Pharmaceutical Production*, the *Measures for the Administration of Drug Registration*, the *Good Pharmacovigilance Practices,* the *Good Manufacturing Practices*, the *Good Supplying Practices* and other laws, regulations and industry standards to control product quality. In order to ensure the suitability, adequacy and effectiveness of the quality management system, the Group has further improved its product quality control system and management system based on the *Technical Guidance for Researches on the Post-Approval Pharmacy Changes of Chemicals (for Trial Implementation),* the *Technical Guidance for Researches on the Post-Approval Pharmacy Changes of Biological Products (for Trial Implementation)*, etc.

Quality Management System

The Group has established quality management systems for the full life cycle of products at each of its production base with reference to the models of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) and the cGMP. The management covers material procurement, production process, self-inspection, deviation handling, preventive and corrective measures, change control, product quality review, supplier management, Out Of Specification (OOS) investigation handling, quality risk management, product release and other production quality-related activities. The whole process of a product entering the workshop, to the pilot-scale experiment, marketing, and sales to market until exit is monitored by the quality management system.

All running workshops[1] of the Group have passed the GMP compliance inspection of China or met the GMP requirements. Hainan Simcere has passed EU GMP certification several times in succession. Wuhu Simcere Testing Center has obtained the Laboratory Accreditation Certificate issued by China National Accreditation Service for Conformity Assessment (CNAS). Simcere Pharmaceutical has been certified with ISO 9001 quality management systems, and its oral solid preparation workshop has passed the on-site inspection of the U.S. FDA with zero defects. Within the reporting period, our production bases have accepted external audits and inspections, including official audits conducted by Center for Drug Evaluation, Center for Food and Drug Inspection of NMPA and Jiangsu Medical Products Administration, along with customer audits and ISO certification. The audits and inspections included the GMP supervision and inspection, the compliance inspection, the manufacturing site inspection, pharmacovigilance (PV) inspection, inspection of specialty drugs, etc. The audit results showed no serious and major defects.

In 2021, the Group upgraded the material management of the ERP system with information technology to significantly reduce the risk of errors caused by manual operations.

[1] Simcere Biological Pharmaceutical has not passed GMP certification yet since the company obtains no product approval currently.

Production Quality Management

The Group conducts regular confirmation of all production equipment and continuous validation of the production process, and regular sampling tests on production-use water and environment to ensure compliance with requirements and requires quality management personnel to monitor the whole process of production. In 2021, all production bases carried out maintenance, renovation and upgrading of equipment and the introduction of new equipment. Before being put in use, all new equipment shall undergo equipment and production process certification if legally required and obtain approval of changes. We have established internal regulations such as the *Inspection and Testing Management Procedures* and the *Retention Samples Management Procedures* and established operational standards for quality inspection of raw, auxiliary and package materials, products, production processes, and water and environmental monitoring. The inspections include release testing and stability testing of raw materials, raw auxiliary materials, package materials, intermediate products, raw liquor and finished products, and production central control testing, production environment testing, and public medium testing.

The Group's product inspections are conducted by Quality Control (QC) personnel at each production base to ensure closed-loop processing of laboratory samples. External inspections are entrusted to the qualified third parties. Prior to engaging in cooperation agreements, the Group conducts a comprehensive audit of the entrusted party on its inspection procedures, technical level and quality management, and signs a quality assurance agreement. In 2021, we improved the packaging integrity testing of commercialized products during their stability studies to determine whether there are leaks and micro leaks of lyophilized injectable drugs, thus eliminating safety hazards.

In terms of product release, the Group has established regulations such as the *Finished Product Release Procedures* to regulate the release of the Group’s Active Pharmaceutical Ingredients (API) and preparations from factories and the release of products to market to ensure that the released products meet registration and GMP requirements. The Group has established regulations on product storage, shipment and product return management procedures to ensure effective management of the released products at each stage.

Upgrade of Drug Traceability Management System and Platform

The Group uses "Drug Code Trace" traceability codes for all the products to ensure that the whole product-related process can be traced. We have standardized the platform operations in each production base and sales enterprise through the *Drug Traceability Code Management Procedures* and other regulations, realizing code assignment to all products on the production line, and scanning and information uploading when products get in or out of the warehouse. In 2021, Jiangsu Simcere upgraded the functions of the traceability code mini program to ensure information security while meeting the Group’s demand for timely inquiry of product flow. At the 42nd Quality Control (QC) Achievements Presentation and Exchange Conference of the China Pharmaceutical Industry mainly held by the China Quality Association for Pharmaceuticals, Jiangsu Simcere shared the project and won the first prize and best presentation award.

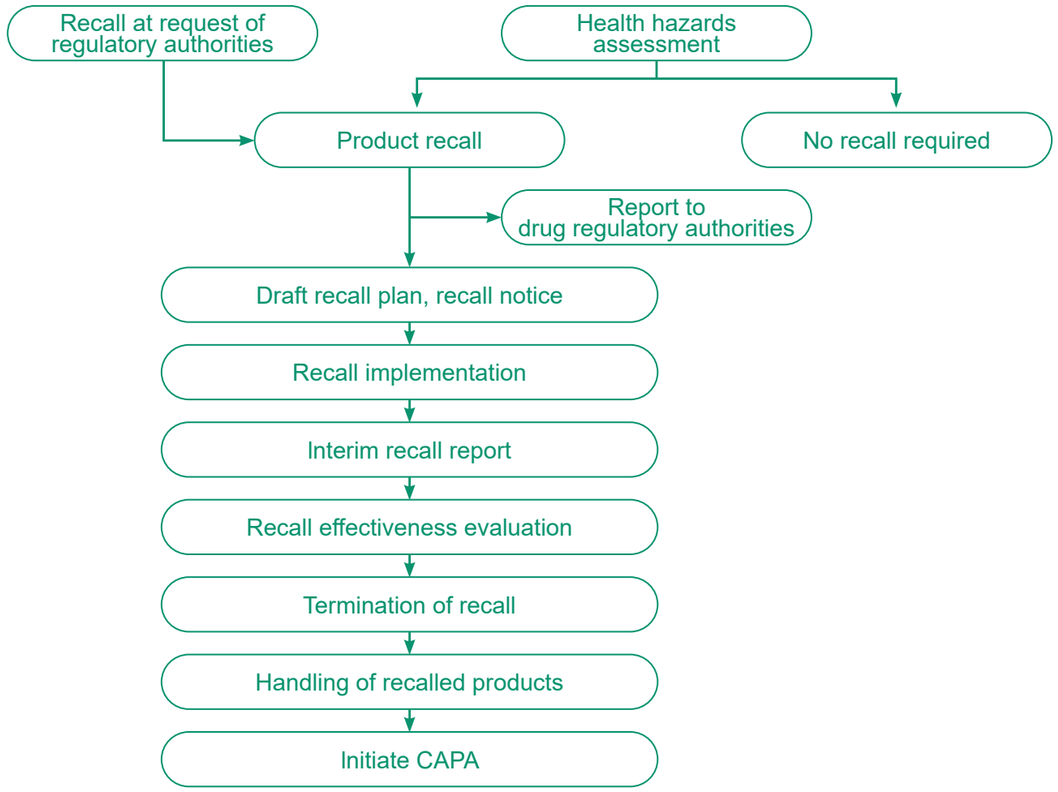
"Drug Code Trace" Traceability Codes

Abnormal Event and Product Recall

All the Group's subsidiaries have formulated quality incident management systems based on their actual situation. The Group's Quality Management Department is responsible for organizing relevant people to investigate, assess, and design corrective schemes and develop preventive actions. In 2021, the Group had no quality incidents and no product recalls due to safety hazards.

All the Group's production bases have established recall systems and formulated clear recall guidelines and processes. In 2021, we have conducted regular simulated recall exercises as planned at each production base to evaluate the effectiveness of the product recall system, ensure patients' medication safety and protect the Group's reputation. For products that have potential safety hazards and need to be recalled from the market, the product recall team conducts a safety hazard investigation immediately, and determine the recall levels based on the evaluation of the severity of the cause where the product is sold.

If the product need to be recalled by our own investigation or a recall is ordered by drug regulatory authorities, the subsidiary will immediately set up a product recall handling team and formulate a scientific product recall plan. During a product recall, the product recall handling team must promptly report the progress of the product recall to the local drug regulatory authorities or foreign regulatory authorities and issue public warnings. For the recalled products, we will store them separately and destroy them under the supervision of the drug regulatory authorities. After the recall is completed, the recall team shall evaluate the recall procedures, the recall results, and the processing of the recalled products, and submit a report of the product recall to provincial drug regulatory authorities.



Product Recall Process of Simcere Pharmaceutical

Quality Training

The Group's GMP training system is divided into three levels: company-level, department-level, and post-level management and training is carried out according to the annual training plan. Each production base has formulated its own *Management Procedures Related to GMP Training*, *Module Management Procedures Related to the eQMS System* and other quality training procedures, which provide integrated management of the whole process of planning, conducting, organizing and archiving of GMP training. All personnel in the drug production and quality management process are trained and evaluated before they go to work, ensuring the smooth and effective operation of the Group's production and quality management.

We carry out professional training for all quality management personnel on the Simcere e-Class platform, and the training system covers all quality-related personnel such as production and equipment, quality, and material storage personnel. The training content includes laws and regulations related to drug production and quality management, internal standard operating procedures, and courses provided by the Center for Drug Evaluation, NMPA, and other external cooperative training institutions. Employees are required to be retrained after the job rotation, and in-service employees are required to attend post retraining regularly according to the actual situation. After training is completed, we evaluate the effectiveness of the training in multiple ways.

The "Quality Month" Campaign

In 2021, the Group carried out the "Quality Month" campaign, during which each production base has further strengthened its quality culture construction, fully implemented self-inspection and self-correction of production quality and safety, and conducted discussions and training on the latest industry regulations and standards. We have also actively participated in quality industry exchanges and held internal quality theme activities such as skill competitions, and GMP knowledge competitions.

CUSTOMER SERVICE

Adhering to the marketing philosophy of “focusing on key innovative products and specialized marketing based on disease areas," the Group plans and manages the post-marketing life cycle of products in a scientific way. We continuously improve customer service mechanisms. We are committed to responsible marketing, ensuring that every complaint is effectively handled, and the rights and interests of our customers are well protected.

Responsible Marketing

The Group strictly abides by the *Drug Administration Law of the PRC*, the *Pharmacopoeia of the PRC*, the *Regulations for the Implementation of the Drug Administration Law of the PRC*, the *Provisions on the Administration of Pharmaceutical Directions and Labels* as well as industry standards, and ensures compliance in its marketing activities through internal systems including the Sales Behaviours and the Pharmaceutical Sales Procedures and so on, and review the qualifications of the distributors we cooperate with, conduct regular audits, and take appropriate punitive measures against distributors that violate our rules and procedures to ensure the standardization of services in the sale of pharmaceutical products. Meanwhile, we conduct in-depth and comprehensive research on the indication backgrounds, treatment and patient needs of product to wisely develop the annual product marketing strategy and plan to improve the quality of services.

We attach importance to the building of academic marketing capacities of the marketing team. We have actively participated in academic conferences and launched innovative medical programs through online media, disseminating the latest advances in the medical field and medical strategies for our products through multiple channels. In 2021, the Medical Marketing Department held nearly 8,000 academic conferences, making its product information and latest R&D achievements widely known by hospitals, doctors and patients nationwide.

The Medical Marketing Department held nearly

8,000

academic conferences

Main forms of academic conferences:

- Participate various academic conferences of national professional associations of different fields to share and exchange experiences on various complicated clinical cases.
- Invite national-level experts to provide clinical drug guidance to primary doctors and share new advances in various disease areas .
- Invite experts to organize professional seminars on a particular disease and its medication, promoting the correct use of the promoted products.
- Conduct patient education to help them have a basic understanding of the causes of their own diseases, medication solutions and cooperation with the doctor to use the medicine correctly.

Complaints Handling

We fully regard user complaints as a way to improve product quality and understand potential product quality problems. To fully address user comments,we have established standard handling procedures such as the *Quality Complaint Handling Procedures* and the *User Complaint Handling Management Procedures*, which detail the procedures of complaint registration, evaluation, investigation and handling, and the measures to be taken in response to potential product defects. The Group attaches great importance to the protection of customer privacy. We have strengthened system verification measures on information systems to avoid leakage of customer information.

The Group classifies and ranks customer complaints to evaluate the priority of complaints. We have two customer service hotlines 400 and 800 to resolve patients' medication inquiries.We also have an emergency line used during holidays to ensure all questions are answered. We clearly stipulate that any department or employee receiving complaints or questions about our products or services has the responsibility to receive them patiently, record the customer’s contact details and complaint information, and inform the quality manager within one workday. The quality manager shall contact the customer as soon as possible after receiving the complaint information to initiate the complaint investigation. If necessary, the quality manager shall visit the customer to learn the specifics and obtain samples to evaluate the nature of the complaint. After the complaint is resolved, the quality manager shall work with relevant departments to formulate corrective and preventive actions and evaluate the impact on other batches of products. The Group requires all user complaints and their results to be recorded in detail.

Based on our past experience in handling complaints, we have conducted special training for our customer service team on how to handle complaints and quality inquiries in order to continuously provide quality services to our customers in an efficient manner. Within the reporting period, the Group received 49 complaints related to the Group's production of drugs, all of which have been properly resolved.

Within the reporting period,

49 complaints related to the Group's production of drugs

all of which have been properly resolved

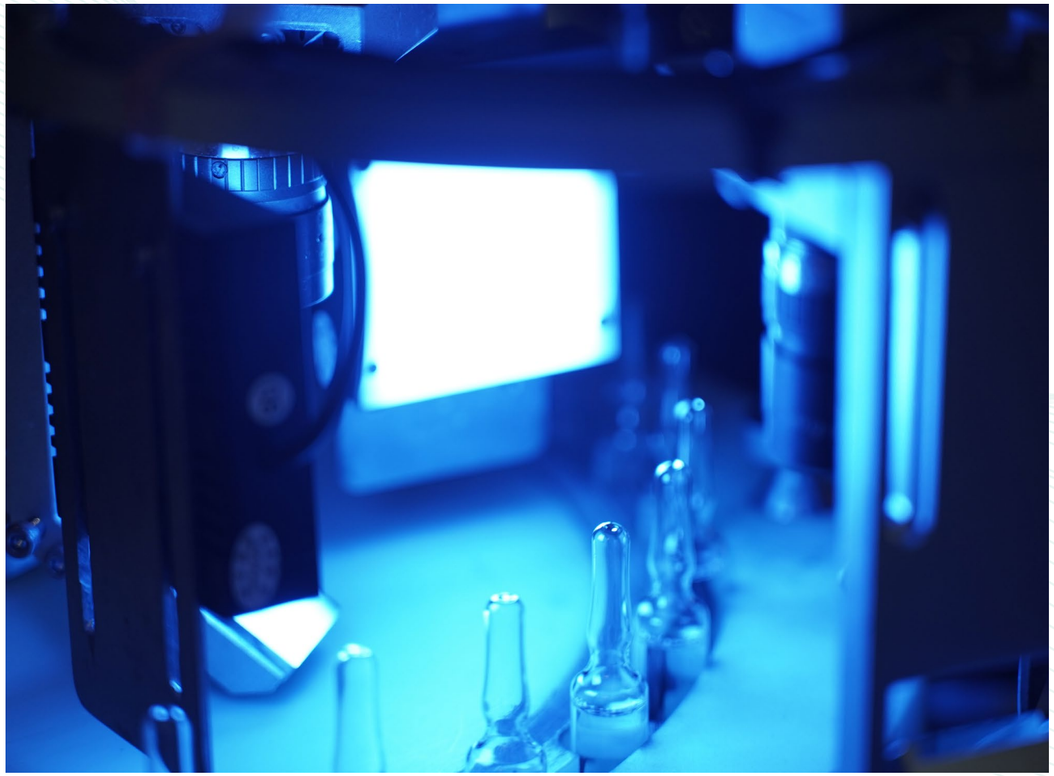
Pharmacovigilance

In order to reduce the risk of drug reactions, protect and promote the public health, the Group has set up the Drug Safety and Vigilance Office, established the pharmacovigilance system for the full life cycle of drug and monitor, identify, evaluate and control Adverse Drug Reaction (ADR) through a series of preventive measures.

At the clinical trial stage, we formulated the *Regulations on Development Risk Plan Management*, the *Identification and Reporting of Individual Case Safety Report of Clinical Trial Cases*, the *Processing of Individual Case Safety Report of Clinical Trial Cases* and other regulations to regulate the collecting, handling, reporting and providing feedback of Individual Case Safety Report (ICSR), so as to effectively protect the safety of the subjects.

In 2021, we focused on strengthening the pharmacovigilance process and capacity building during clinical trials by optimizing multiple operation guidance such as the development risk management plan template and PV-related content in the researchers' manual. To standardize SAE processing during the clinical trials, we have optimized the operations and requirements for SAE receipt, allocation, entry, quality control, medical review, reporting and feedback collecting. We also improved several reference documents such as SAE entry guidance. We conducted professional SAE training through face-to-face training, simulated exercises, short-term practice and strengthening quality control.

Signal management and risk assessment are the core parts of PV. In 2021, the Group's Drug Safety and Vigilance Office have made systematic plans to improve the full life circle signal management process, aiming to detect drug safety signals, send safety alarms and conduct risk prevention and control in a timely manner.

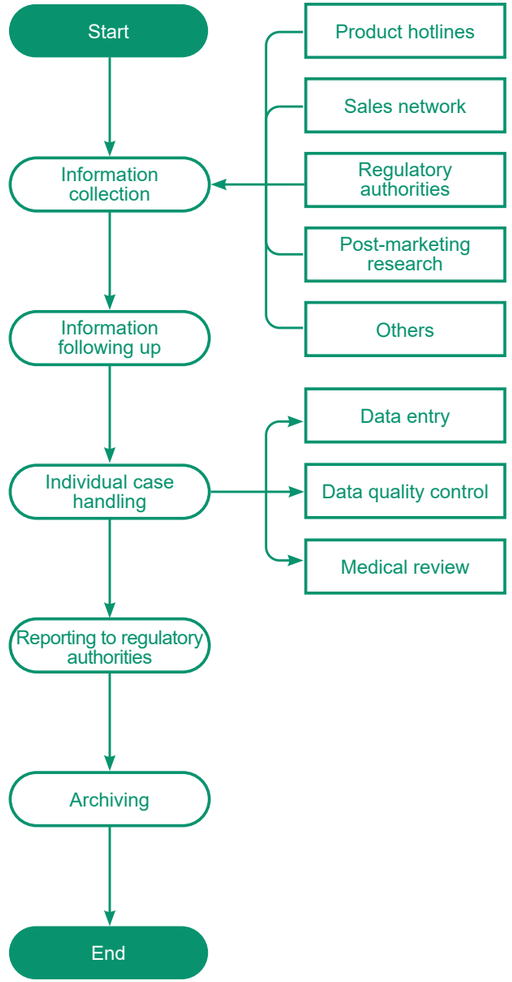


In 2021, the Group particularly improved the pharmacovigilance system in the post-marketing phase. We optimized the handling of adverse drug reactions (ADR) and other pharmacovigilance efforts, which brought more effective monitoring, identifying, evaluating and controlling of ADR and other drug safety issues.

We have formulated the *Collection and Reporting of Post-marketing Safety Information of Individual Cases* and the *Processing Procedures of Post-marketing Safety Reports of Individual Cases*, which stipulate the collecting, processing and reporting of ADR information. The information is to be reported to the regulatory department timely according to the laws and regulations in the countries or regions where the drugs are approved. In terms of the ADR information that needs to be investigated and analyzed, we conduct corresponding work according to the relevant requirements and procedures and maintain communication with regulatory authorities.

The Group regularly writes and submits Periodic Safety Update Report (PSUR) and other periodic summary reports in accordance with domestic and foreign laws and regulations, and analyzes the known drug safety information to evaluate its benefit-risk balance and ensure public medication safety.

According to the *Literature Retrieval Operation Procedures*, the Group has formulated, we log in to CNKI, CQVIP, PubMed, Ovid and other websites to search for literature based on its retrieval frequency. The safety information related to the Group's products is processed and reported to regulatory authorities as required.



Medicine Post-marketing Safety Reporting Process

In order to obtain more and better post-marketing monitoring data of drugs, the office has taken multiple measures from the source to improve the efficiency and quality of the collection of ADR in 2021.

The office has collaborated with the Group's Medical Department to further strengthen information collection of medical inquiries and post-marketing studies, optimize the monthly review mechanism of multiple channels, such as hotlines, complaint receptions and medical inquiries, and fully assess the integrity of information.

The office has developed an online PV mini program to encourage employees to make quick reports on safety information through their cell phones and promoted PV-related knowledge and regulations on the mini-program on WeChat.

The office has conducted an annual PV training for employees, and provided training and Q&A sessions for relevant technical personnel on safety information collection and reporting to improve the standardization and quality of information reporting.

SUPPLY CHAIN MANAGEMENT

The Group attaches great importance to supply chain management and regards the supply chain as a key part of its corporate value system. We continuously improve our supply chain management system, with emphasis on sustainable procurement, to effectively ensure and contribute to the improvement of product quality.

Supplier Management

We strictly abide by the *Government Procurement Law of the PRC*, the *Tendering and Bidding Law of the PRC* and other relevant laws and regulations, and conduct supplier introduction, management and comprehensive evaluation in accordance with the *Supplier Management System*, the *Procurement, Tendering and Bidding System* and other internal management systems. In 2021, the Group revised and issued the *Procurement, Tendering and Bidding System* to further improve the supplier management system.

In terms of supplier access, the Group conducts comprehensive evaluations of the qualifications, supply capacity, product quality and services of suppliers to strictly control the supplier tendering management procedures. Based on our actual business needs, we classify suppliers into different types including the productive raw and auxiliary material and packaging material supplier, unproductive material supplier and sentinel procurement equipment supplier, infrastructure supplier and services supplier, and specify corresponding supplier selection criteria, management rules and evaluation standards based on the types. In 2021, we refined and implemented the management system for suppliers entrusted with the production of marketed products and bound them by signing mandatory production contracts, quality agreements and other legal documents to effectively secure product quality.

The Group continuously improves its material quality audit procedures for suppliers' material quality. The audit and evaluation are assigned to personnel from our Quality Assurance Department. We ensure that the suppliers' qualifications and production capacity and services meet the relevant requirements, so as to effectively monitor drug quality. We conduct evaluation and scoring once a year to examine suppliers' on-time delivery rate, product quality qualification rate, delivery quality qualification rate, invoice timeliness rate and after-sales service timeliness rate, and other criteria. If a supplier's score for the year is below a certain threshold, we will make suggestions and require the supplier to rectify problems within a time limit. The Group has a zero tolerance for suppliers who fail to meet the evaluation standards, violate national laws and regulations or industry regulations, or cause significant losses due to serious defects in products or services, and will permanently cease business cooperation with them and place them on our blacklist.

We continuously optimize supplier management, all potential suppliers would be audited to become qualified suppliers. We regularly review supplier quality, change and management of qualified suppliers through supplier review reports as well as improving suppliers' delivery quality. As of the end of 2021, the Group had 1,830 suppliers, among which 10 are from outside mainland China.

Number of suppliers of the Group by region in 2021

Mainland China	Outside Mainland China
1,820	10

Sustainable Procurement

We embrace the concept of sustainable procurement and insist on promoting the construction of green supply chains. The Group has formulated and gradually improved the *General Principles for Procurement Management* and clarified requirements of environmental social and ethical performance for suppliers during procurement.

The Group is dedicated to reducing the risk of corruption in the supply chain and has established a clear anti-corruption system for suppliers. We require suppliers to sign the *Anti-corruption Management Agreement* and conduct systematic anti-corruption training on a regular basis, effectively preventing suppliers from violating business ethics. Suppliers are strictly forbidden from providing personal favors bribery and other abnormal economic activities to any management personnel of the Group in any manner during tendering or project performance. If such behavior occurs, the Group will disqualify the supplier from tendering, confiscate the deposits or impose fines on the suppliers for breach of contract depending on the severity of the circumstances.

In terms of environmental protection, we give priority to suppliers with good environmental performance and sound environmental management systems and policies. In terms of safety, we have formulated the *Contractor Safety Management System* and other regulations. We carry out daily safety monitoring during the whole process of contractors' construction projects to continuously reduce various safety accidents.

Safety Prequalification

- We pre-examine the contractors' safety qualifications in advance, including the safety production team management, the construction of production safety systems, and the production safety performance in recent years.

Pre-construction Preparation

- We require contractors to sign a safety management agreement and to pay a full security deposit.
- We require contractors to complete mandatory safety training and exam, and prohibit them from entering the construction site if they fail to pass the exam.

Construction Site Management

- We appoint a safety manager to manage the construction site and report the safety condition to the Group regularly.
- We require contractors to set up safety warning signs and take safety precautions in the construction site, place construction safety signs. Special operation personnel should have acquired qualifications.

Safety Evaluation and Acceptance

- After project is completed, we evaluate the quality and safety of the completed project before acceptance.

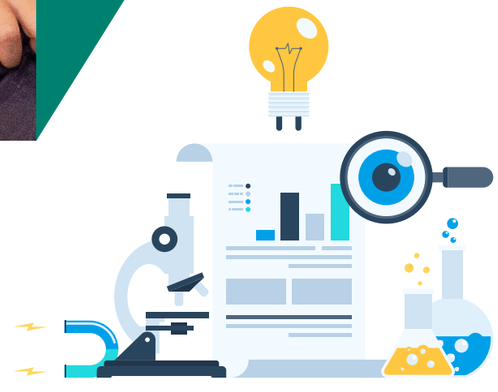
Supply Chain Risk Capability Assessment

We pay great attention to the stability of the supply chain and have taken multiple measures to continuously improve the resilience of the supply chain. During the COVID-19 pandemic, the Group regularly conducted market research, evaluated supply risks and carried out domestic raw material development to reduce supply tension caused by the pandemic and ensure a timely supply of materials. In 2021, Shandong Simcere produced substitute products for single-use injection needles, Trimethylaminomethane buffer (Tris), Isopropylthiogalactopyranoside (IPTG) and DL-Dithiothreitol (DTT) with domestic materials, and found domestic nickel suppliers for Endostar®. Wuhu Simcere has found new domestic alternative suppliers of raw materials for fluorouracil. The localized supply capacity of our products has steadily improved.

Construction of the Group's Green Supply Chain

We attach importance to the construction of green supply chains and work together with our partners such as suppliers to make efforts in resource recycling and other environmental activities, improving the sustainability of the Group's supply chain. In 2021, Shandong Simcere worked with suppliers to collect packaging, have them recycled by manufacturers on a regular basis, and reuse them after cleaning.

The Group is people-centered and cares about the growth of employees and their social development. We perform compliance of the employment, guarantee talent promotion, and care for the well-being and health of employees. We actively undertake our corporate social responsibility and repay society with practical actions.



03 People-Centered Employer

TALENT DEVELOPMENT

The Group regards employees as the cornerstone of its long-term development, seeks to be fair and diversified in talent employment, protects the rights and interests of employees, and actively attracts high-quality talents. We continuously improve the standardized, professional and caring talent training system to provide career-advancing opportunities for employees.

Lawful Employment

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other relevant laws and regulations. We stick to lawful employment, implement the labor employment system properly, and eliminate child labor and forced labor in all forms. According to law, such practices will be dealt with strictly once found. We formulated the *Recruitment Management System*, and the *Technical Post Management System*, among others, to set out management regulations on recruitment, working hours, salaries, and other links.

The Group attaches great importance to the rights and interests of employees, sticks to equal opportunity employment, and ensures that employees are free from discrimination regardless of their race, religion, or gender in recruitment and work.

We provide employees with good welfare benefits. The overall salary of employees consists of four parts: fixed salary, floating bonuses, medium and long-term incentives, and welfare subsidies. The fixed salary will be adjusted according to factors including market competitiveness, qualification evaluation, and annual salary adjustment matrix. Floating bonuses include basic performance bonuses and project bonuses. Medium and long-term incentives consist of employee stock ownership plans and other benefits.

As of December 31, 2021, the Group has a total of 6,182 employees, of which 6,170 are contract employees. Among our employees, 51.0% are female, and there are 10 employees with disabilities.

As of December 31, 2021

6,182 employees

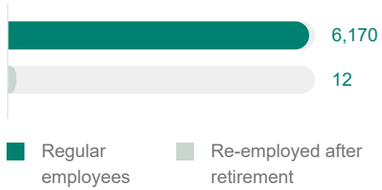
6,170 contract employees

51.0% female employees

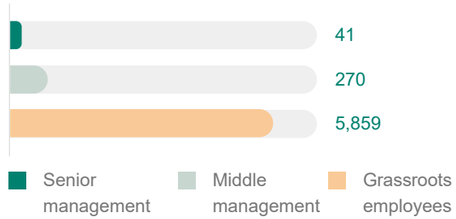
10 employees with disabilities

Employee Composition of the Group in 2021

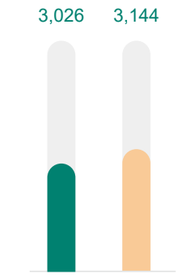
Total workforce by employment category



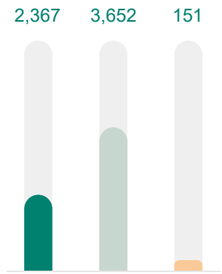
Total contract employees by rank



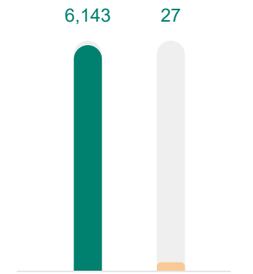
Total contract employees by gender



Total contract employees by age

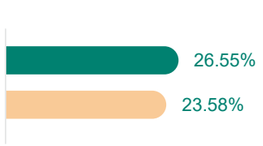


Total contract employees by geographical region

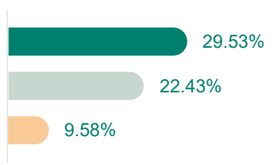


Employee Turnover Rate of the Group in 2021

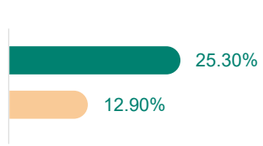
By gender



By age



By geographical region



Talent Attraction

Fully aware of the importance of talent attraction to medium and long-term development, the Group attracts outstanding talents through campus recruitment, talent introduction and internal mobility. Meanwhile, we take active measures to train our employees with high performance and potential to improve the talent construction level of excellent management teams.

In 2021, the Group revised and issued the *Accountability Management System for Violations of Disciplines*, the *Honor Incentive System*, and the *Managers' Potential, Values and Behavior Assessment System*, among other regulations, to further standardize employee management, encourage long-term service and conduct a refined evaluation of management teams to make talent management more effective.

Innovation in recruiting platform

"Talent Recommendation Channel" on WeCom

External recruiting

Campus recruitment
Talent introduction

Internal mobility

"Running Water" program

The Group keeps improving its recruitment system to increase our talent density. In 2021, we launched a number of talent development projects for different business types, such as the "Simcere Project X", "Management Trainee Plan" and "the Dandelion Project" to recruit outstanding talents both within and outside China.

Talent Development Programs of the Group

Name of Programs	Contents
"Simcere Project X"	It aims to explore leading professional talents from world-renowned universities, research institutes and medical centers, and attract scientists with "subversive innovation" ability through competitive treatment and environment.
"Management Trainee Program"	It aims at outstanding graduates from key colleges and universities both within and outside China, and helps them grow rapidly into future managers through scientific training and job rotation paths.
"Dandelion Project"	It helps new recruits quickly integrate into the workplace environment. Through the first course of induction, tutor meeting, field observations, knowledge training and other forms to stimulate the overall innovation and creativity of employees.

In terms of the talent introduction for key positions, we fully mobilize the strength of internal staff to search for qualified candidates through preliminary job evaluation and talent hunting. We set up the "Talent Recommendation Channel" on the WeCom where we post key positions regularly and the "Bole Award" to encourage internal employees to recommend outstanding talents. In 2021, we received 7,000 resumes and referrals via the "Talent Recommendation Channel." We hired 87 medium and high-end talents successfully, and 851 employees have won the "Bole Award".

7,000
resumes and referrals received via the Talent Recommendation Channel

87
medium and high-end talents have been hired

851
internal employees have won the "Bole Award"

We implemented the "Running Water" program that provides more development opportunities and space for excellent internal talents to boost the internal mobility of employees. We encourage and support the horizontal movement of excellent employees to unleash their vitality and make full use of our internal human resources.

In terms of equity incentives and employee share ownership, the Board of Directors adopted the "Restricted Share Unit Scheme" in May 2021. We offer existing or new directors, senior management and employees the opportunity to own equities of the Group, so as to reward them for their contributions to the Group and to attract, motivate and retain skilled and experienced employees for the future development and expansion of the Group.

Talent Training

The Group attaches great importance to the training of employees. It has formulated regulations including the *Internal and External Staff Training Management System* and the *New Employee Training System* and work for rapid employee growth through a well-developed training system.

The Group has founded Simcere Institute which offers abundant training resources to employees, ranging from online to offline training programs. We design courses in four major categories: marketing system, R&D system, pharmaceutical system, and headquarters functions. The training courses cover training for new employees, skills training, professional and management training for middle and senior management, training in health and safety, and training in pharmaceutical expertise. Meanwhile, we design multi-level talent development programs based on the characteristics and needs of different types of employees to promote the all-around development of talents.

All employees

- Simcere Institute offers training for all staff, including product knowledge, talent selection, official document writing, business-finance integration, strategic dashboards, etc.

Fresh graduates

- Dandelion Program: It is designed for newly-recruited fresh graduates. Training takes forms like mobile learning, mentorship, and covering general and professional knowledge.
- Training pathway for management trainees: A 2-3-year training map was designed systematically, helping management trainees grow through four links: job orientation, job rotation learning, post-fixing exercise, and accelerated promotion. Various practice and learning activities are organize from time to time, focusing on all aspects of helping management trainees' long-term career development.

R&D personnel

- Offline training: A series of themed training such as “New Drug R&D Program Management Practice”, “Horizontal Leadership” and “Supervisor Training” are carried out.
- “Research Wisdom Pool” online learning: Online learning section is set up for key R&D personnel to share experiences with each other in professional fields.

Grassroots management personnel

- Budding Program: It aims to select and train employees with high potential, through a series of learning projects such as online learning, live broadcast of celebrities, daily reading and punching in, to reserve management backup talents for the long-term development of the Group.
- Certifying grassroots management personnel: Regional manager certification projects are carried out in the marketing system. 318 regional managers in 12 branches passed the certification of business planning capability.

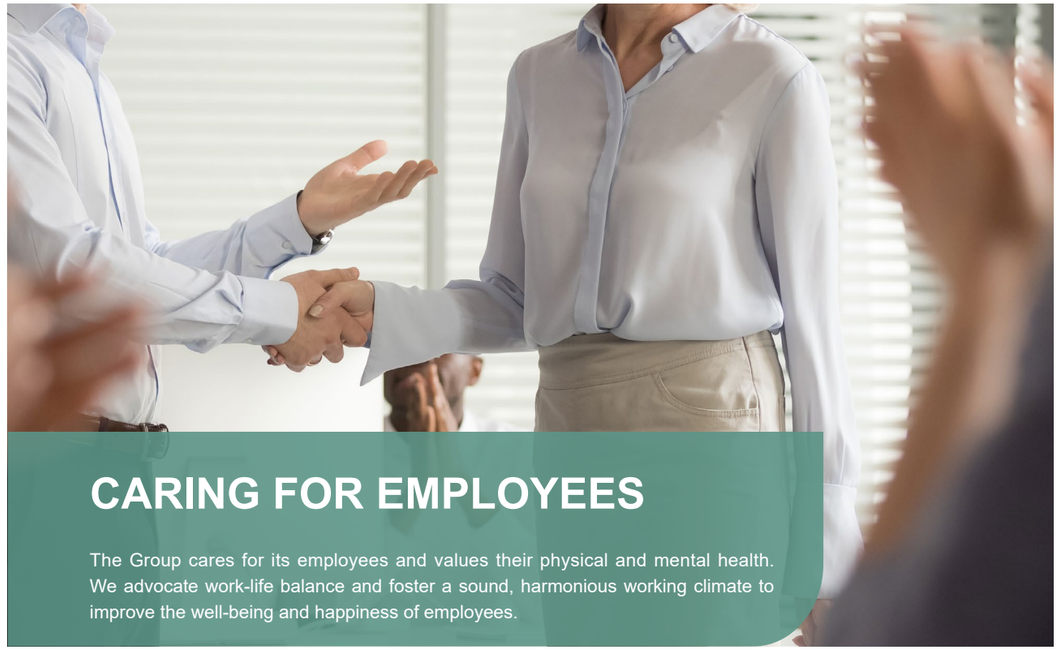
Training of Employees in 2021

Average number of training hours of employees by gender

Average number of training hours of employees by rank

Percentage of employees trained by gender

Percentage of employees trained by rank



CARING FOR EMPLOYEES

The Group cares for its employees and values their physical and mental health. We advocate work-life balance and foster a sound, harmonious working climate to improve the well-being and happiness of employees.

Employee Wellbeing

Committed to good welfare benefits for employees, the Group has formulated the *Welfare Management System*, the *Social Insurance and Provident Fund Management System*, the *Vacation Management System*, and other documents. In addition to competitive salaries and bonuses, we also provide employees with humanized welfare subsidies such as insurance, holidays, and tenure commemorations.

To balance the work and life of employees, stimulate employees' vitality and realize the combination of work and rest, the Group offers diverse activities for employees, including various club activities, reading and sharing sessions, and collective movie watching, family day activities, etc. The Group also has a strong community culture, and set up the BBS in a concentric community for employees to discuss and speak freely. The vitality of employees was stimulated by the various and colorful activities which help them realize the combination of work and rest, so that they can work and live in a better state.

Simcere Family Day

In 2021, to let employees’ spouses, children and parents better understand the Group’s R&D and business environment, corporate culture and employee care, we held Simcere Family Day activities, "Dare to Travel Far with You," in Nanjing, Shanghai and Beijing. The senior management of the Group participated in the three events. We showed our care to more than 200 employees and their families through competitive games, dinners, visits and group birthdays and other events.

Dare to Travel Far with You

Democratic Communication

The Group attaches great importance to democratic communication with employees. To unblock the channel of opinion expression, we have put in place diversified democratic communication platforms like columns for employee complaints and reporting, management meetings, satisfaction surveys and the Roasting Talk. These allow employees to express their opinions and concerns. We hope that employees enjoy full participation and the right to express themselves and have a stronger sense of ownership to contribute to the continuous improvement of the Group's democratic environment.

"Complaint and Report" Column

The Group will handle related complaints in time while ensuring the confidentiality of the complainant's identity according to regulations.

Conference Communication

Employees can also give relevant opinions to the company proactively through channels like department work meetings, and employee symposiums. In 2021, the Group held a total of two management meetings to organize discussions in multiple dimensions. We reached consensus on many issues and improved the management system.

Regular Research

We proactively seek feedback from employees. The Group listens to employees' opinions and needs through regular employee satisfaction surveys, staff and management meetings, the Roast by employees. In 2021, we carried out a series of satisfaction surveys such as the survey on perceived justice, performance feedback satisfaction, and administrative logistics service.

Roasting Talk

In the form of a lively talk show, the atmosphere of "daring to speak and willing to speak" was stimulated, and the rectification and implementation of problems were supervised according to the survey results and "slots."

Roasting Talk

WORK SAFETY

The Group strictly follows the *Work Safety Law of the People's Republic of China* and other relevant laws and regulations and formulates regulations including the *Rules on the Management of Work Safety Targets and Responsibilities*, the *Rules on the Management of Risk Source Identification and Assessment*, and the *Rules on the Management of Hazardous Chemicals*. In 2021, we revised and released the *Safety Production Supervision and Management System*, the *Emergency and Accident Management System* and other regulations to ensure that the responsibility system for work safety is assumed and safety management is improved.

Safety Management

The Group attaches importance to all links of safety management. We established the Environment, Health and Safety (EHS) Management Committee to coordinate management, supervision and assessment, and clarify the management functions of the headquarters, research and development, pharmaceuticals, and marketing system to their subsidiaries. The Group sets safety management objectives, and all subsidiaries have signed the General Manager's EHS Management Objective Responsibility Letter. We continue to make safety management more systematic and standardized. In 2021, all subsidiaries of the Group's pharmaceutical system[2] passed occupational health and safety certifications.

Safety Production Standardization Level 3 Enterprise	ISO 45001 Occupational Health and Safety Management System
Simcere Pharmaceutical	Simcere Pharmaceutical
Hainan Simcere	Hainan Simcere
Wuhu Simcere	Wuhu Simcere
Shandong Simcere	

To identify safety risks effectively, the Group comprehensively examines safety risks and completes the annual identification and assessment of hazard sources. The Group sets up risk notification posters at each risk point, including the risk level, responsible person, risk control factors and emergency response measures. We strictly adhere to management regulations in the *Safety Production Supervision and Management System* and clarify the whole-process hazardous chemical management. For subsidiaries involved in the production of hazardous wastes, we make sure they strictly comply with relevant regulations in processes including transport, storage, production and disposal. When hazardous wastes are produced, the Group attaches hazardous waste labels, records the source and whereabouts of the waste and transfers them to qualified hazardous waste disposal entities.

The Group Formulated the *EHS Manual for Management Personnel*

In 2021, we formulated the *EHS Manual for Management Personnel* and distributed it to management personnel of the Group and subsidiaries to further clarify the management requirements of "One Post, Two Responsibilities", "Three Musts" and "Five In Places" in safety management.

[2] Simcere Biological Pharmaceutical has not obtained relevant certifications for safety production as it has no product approval documents.

Safety Culture

The Group takes the construction of safety culture as an important tool to improve the safety awareness of all employees. We regularly hold safety training and safety emergency drills to improve employees' capabilities of ensuring safety and self-rescue. In 2021, we took many measures to improve employees' awareness of self-protection and health management during production and work and made sure all subsidiaries deliver on this.

External Training

- Regularly invite experts to share experience to improve management.

Publicity and Education

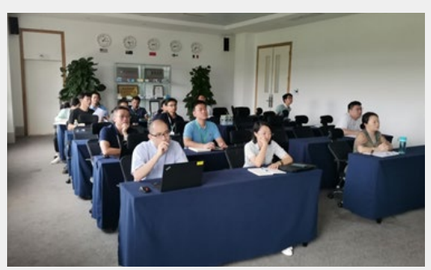
- "EHS" feed on WeCom
- Set up "EHS Tips", "EHS Daily News", and "EHS video" sharing columns.

Events Organization

- Organize "Safety Month", "Fire Safety Month", etc.
- Organize EHS training, fire-fighting training, first-aid training and other themed training.
- Organize emergency drills for hazardous chemical accidents, waste liquid leakage accidents, special equipment accidents, etc. based on production practices.

Safety Culture Study at Hainan Simcere

In July 2021, employees of Hainan Simcere studied important statements on production safety by General Secretary Xi Jinping. Employees listened to the interpretation of the new workplace safety law by officials of the State Administration of Work Safety. Based on these practices, Hainan Simcere is working to improve management and the efficiency of safety management.



Safety Culture Study at Hainan Simcere

"Safety Production Month" Thematic Activities at Simcere Pharmaceutical

In June 2021, Simcere Pharmaceutical launched diverse "Safety Production Month" thematic activities with the theme "shoulder responsibility for safe development."

Safety quiz

Simcere Pharmaceutical tests employees' knowledge of safety production laws and regulations, production sites, and training contents via quizzes. Prizes are set to encourage employees in all departments to participate.

Safety skills contest

Simcere Pharmaceutical held safety skills contests, including drills of using fire hose drills, selecting emergency equipment, wearing protective equipment, and three-person, four-legged escape.

Company-wide emergency drills

Organize rescue teams to hold drills to improve the emergency response capability. The drill increased rescue teams' understanding of safety responsibilities, accident response procedures and basic rescue tips, and substantially improved their capability to handle emergencies.

Emergency Drills during Safety Month

Occupational Health

The Group places great importance on occupational health and adheres to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other laws and regulations. We are committed to employees' health by putting prevention first, tackling root causes, and combining prevention and treatment. We provide employees with a safe working environment by regularly inspecting the production plants of our subsidiaries for occupational hazards. We install safe facilities and equipment, repair and replace defective equipment promptly, and provide emergency supplies such as tripods, submersible pumps, flashlights, and other equipment to deal with emergencies. In 2021, the Group lost just 67 working days due to work injuries, and 1 person was killed due to work-related injuries (the cause of the accident is an unfortunate traffic accident during the commute).

Work-related fatalities

2021	2020	2019
1 person	0 person	0 person

We make continuous efforts to guarantee the occupational health of our employees. The Group ensures that employees have sufficient supplies to prevent occupational diseases and have appropriate personal protective gear. We conduct physical examinations and occupational disease health examinations for employees every year, and we establish employee occupational health records, with "one file for one employee."

The Group has established an epidemic prevention and control leading group to make overall arrangements for epidemic prevention and control. We have strict control over the entry and exit of employees, disinfect on time every day, and require employees to record daily health information and register temperature measurement to ensure a safe office environment. We have adjusted attendance requirements and holiday regulations according to local situations, and allow employees affected by the pandemic to work flexibly. We also pay employees under quarantine their full salary.

REPAY THE SOCIETY

The Group takes on its corporate social responsibilities and makes full use of its resources to repay the society in such areas as medical care, poverty alleviation via education, and public welfare. We hope to benefit society with the outcome of our independent R&D. It is a great honor to save lives with innovative medicines and bring health and happiness to more people. We participate in public welfare and charities, including forming a volunteer team to show our love and kindness and assume corporate responsibility. In 2021, the materials and cash donated by the Group reached RMB38.967 million.

In 2021, the donated materials and cash reached RMB

38.967 million

Patient assistance

- It is our pursuit to raise the living standards of more people through medicines and our action is underway.
- We launched the Medical Funding-JEBAILI Patient Assistance Program in 44 cities across 15 provinces. From June to December 2021, the Group has assisted 220 patients in 31 cities across 7 provinces with 1,250 boxes of medicines. Recipients aged from 31 to 87 applied for no less than 1 cycle of drug assistance.

Educational assistance

- Poverty alleviation through education is front and center in the Group's public welfare. Our public welfare action, continuous and consistent, aims to increase children's access to education so they grow up healthy and happy.
- We continued our assistance to Hope Primary School in Lu'an City, Anhui Province, and Yushu Bayi Orphan School to facilitate their equal access to education.

Rural revitalization

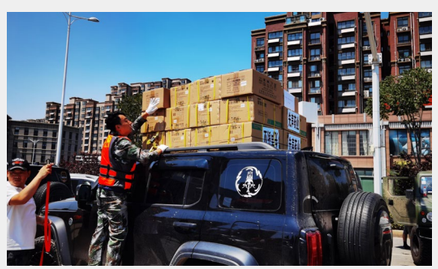
- The Group contributed its share to consolidating achievements in poverty alleviation and to rural revitalization in many ways.
- In 2021, we participated in the "Happy Homeland" calligraphy and painting charity sale jointly launched by Jiangsu Charity Federation and Jiangsu Contemporary Art Creation Research Association and bought all 128 calligraphy works and paintings. All the funds raised went to the village-community mutual aid platform under the "Happy Homeland" project to assist people in need and to make the project better known.

Volunteer action

- We set up a volunteer team to actively engage in public welfare activities in any places in need. Wherever we are needed, we are there.
- For ten consecutive years, we have organized our employees to donate blood free of charge. In July 2021, 82 volunteers donated 21,900ml of blood. Over the past ten years, the Group's employees have donated blood amounting to 154,400ml.

Drug Donation in Flood Relief in Henan Province

In August 2021, knowing that extreme precipitation occurred in Henan, the Group immediately donated RMB3 million and urgently needed medicines worth RMB2 million to the affected areas in Henan through the Jiangsu Charity Federation: BIQI® (Diosmectite Powder) which treats diarrhea, Antine® (Diclofenac Sodium) that relieves pain, and ZAILIKE® (Arbidol Hydrochloride Dispersible Tablets), an anti-influenza drug, etc. Our financial donations were used for post-disaster reconstruction, procurement of medical supplies, health management of disaster-related diseases, post-disaster epidemic prevention, and other good causes.



The Group Sending Medical Supplies to Disaster-stricken Areas

Assistance to the Epidemic Prevention and Control in Nanjing

Since the outbreak of the COVID-19, the Group has actively responded to the national epidemic prevention and control measures, supporting domestic epidemic prevention and control from a variety of perspectives such as drug development. In July 2021, facing the outbreak of the epidemic at Nanjing Lukou International Airport and the shortage of nucleic acid testing personnel, Nanjing headquarters of the Group organized three batches of volunteers with medical backgrounds to support the front line of resistance to control the pandemic.

The Group's Volunteers in the Fight against the Epidemic

Committed to sustainable development, the Group puts environmental management high on the agenda and practices green and low-carbon operations. We actively respond to risks brought by climate change, work to be an ecologically-oriented enterprise and an environment-friendly operator.

04 Environmentally Friendly Operator

ENVIRONMENTAL MANAGEMENT

We are strict in following the environmental laws and regulations including the *Environmental Protection Law of the People's Republic of China*, formulate management systems such as the Environmental Pollution Prevention and Control Management System, and strictly carry out environmental management work. In 2021, the Group continued to improve its environmental management system, revised and issued internal regulations such as the *Environmental Protection Management System*, the *EHS Management Objectives and Assessment Management System*, and strictly protected the environment and manage pollutant discharge. No major environmental pollution accident occurred throughout the year.

Environmental Management System

The Group's EHS Management Committee leads the Group's environmental efforts, and the Group's EHS office coordinates and guides EHS offices of subsidiaries. The tiered environmental management structure guarantees the clear distribution of power and responsibility in the Group's environmental management.

We strictly implement regulations for the environmental management system. We achieve full-process management in aspects such as pre-construction evaluation, project operation and monitoring. We are strict in regularly monitoring various pollutants and have achieved environmental protection goals such as being free of environmental pollution. In 2021, we formulated the Group's environmental goals and focused on improving the management.

Environmental impact assessment

- Before the construction phase of new projects, we carry out environmental impact assessment in accordance with the *Environmental Impact Assessment Law of the People's Republic of China*, *Regulations on Environmental Protection Management for Construction Projects* and the local environmental protection laws and regulations. We analyze the potential adverse impact of the projects on such areas as the local environment, biodiversity, soil and water conservation, and take response measures to minimize environmental risks.

Environmental audit

- Conduct environmental ISO certification and audit. As of the end of the reporting period, 100 percent of the Group's pharmaceutical subsidiaries have been certified with ISO 14001 Environmental Management System. Simcere Pharmaceutical, Hainan Simcere, Wuhu Simcere and Shandong Simcere have all obtained relevant certifications.
- Vigorously promote the "clean production" audit in subsidiaries. In 2021, Simcere Pharmaceutical, Hainan Simcere, Shandong Simcere and Wuhu Simcere passed the "Clean Production" audit.

Environmental monitoring

- Established the environmental monitoring system, and regularly entrust qualified third-party testing companies for review.
- In strict accordance with the requirements of the environmental protection department where the subsidiaries operate, carry out online monitoring of wastewater and exhaust gas emissions and build an online network, and improve the sewage system and information publicity system.

Environmental emergency management

- The EHS offices of subsidiaries formulate environmental pollution emergency plans in accordance with the Group's *Emergency and Accident Management System* and conduct regular drills.

Nanjing Large Molecules Production Site

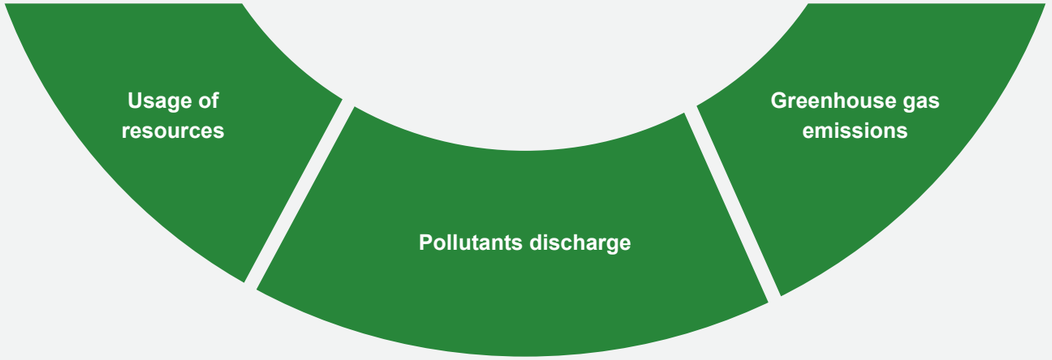
Nanjing Small Molecules Production Site

Haikou Production Site, Hainan Province

Chengmai Production Site, Hainan Province

Yantai Production Site

Wuhu Production Site



The Group's Environmental Targets

Greenhouse gas emissions

- Setting 2020 as the base year, greenhouse gas emissions per RMB 10,000 revenue will be reduced by no less than 10 percent in 2025.
- Advocate green office and low-carbon life.

Pollutants discharge

- Setting 2020 as the base year, solid waste discharge per RMB 10,000 revenue will be reduced by no less than 15 percent in 2025.
- Make an environmental monitoring plan, strengthen data management of pollutants, and ensure the discharge of wastewater, waste gas, solid waste and hazardous waste are 100 percent in compliance with regulations.
- Improve pollutants treatment and reduce the discharge of all wastes.

Usage of resources

Water

- Setting 2020 as the base year, water consumption per RMB10,000 revenue will be reduced by no less than 10 percent in 2025.
- Encourage water-saving, limit water usage, and raise employees' awareness of water conservation.
- Reclaim and recycle water, and minimize water consumption in business operations.

Energy

- Setting 2020 as the base year, purchased electricity per RMB10,000 revenue will be reduced by no less than 10 percent in 2025.
- Phase out equipment with high energy consumption, encourage energy-saving technical improvements, and improve the efficiency of energy use.
- Further increase the proportion of clean energy and reduce the use of purchased electricity and fossil fuels.

Resource

Reduce resource consumption and raise the recycling rate to reduce environmental impact by means such as:

- Increasing the recycling rate of packaging materials;
- Cutting the use of disposable packaging materials;
- Reducing domestic and office waste.

The Group offers diverse themed training in environmental protection to expand managers' and executives' knowledge base of environmental protection regulations. In 2021, all subsidiaries offered environmental protection training courses of all kinds.

➤ Simcere Pharmaceutical

Offer courses on environmental protection laws and regulations, environmental protection management systems, waste gas management, solid waste management, environmental emergency response cards, etc.

➤ Simcere Biological Pharmaceutical

Organize employees to attend laboratory hazardous waste management training

➤ Shandong Simcere

Offer training courses on the company's environmental protection management system;

Conduct themed training on waste collection and treatment management procedures

➤ Wuhu Simcere

Conduct production waste management training

Environmental Protection Experts From Haikou Comprehensive Law Enforcement Bureau Are Invited to Hainan Simcere for Training

In July 2021, Hainan Simcere invited experts from the Ecological Environmental Protection Administrative Law Enforcement Brigade of Haikou Comprehensive Law Enforcement Bureau to the company for environmental management training. The training included information on environmental protection laws, key points of environmental supervision and law enforcement, exchanges and a Q&A session. The training helped managers understand the characteristics and trends of environmental protection law enforcement and legal responsibilities for environmental protection, which improved the understanding of green development goals at Hainan Simcere.

Environmental Protection Training at Hainan Simcere

In 2021, to strengthen the capability to respond to environmental accidents, the Group required the EHS departments of its subsidiaries to hold accident drills. We require full participation in the drills, which greatly enhances our environmental emergency management capabilities.

Hazardous Waste Accident Drill at Shandong Simcere

In May 2021, Shandong Simcere organized an emergency drill for a hazardous waste liquid spill. It simulated the scene of leakage of urea waste liquid that was in storage. According to relevant management rules and regulations, Shandong Simcere organized employees to safely transfer hazardous waste and clean the floor. This improved the employees' capability to respond to hazardous waste accidents.

Emissions Management

Committed to curtailing emissions at the source, we have established a detailed, standardized management mechanism for typical pollutants, regularly check whether the disposal of major pollutants is in compliance with regulations, and take multiple measures to minimize emissions and reduce the impact on the local ecological environment.

The Group's exhaust gas mainly includes pollutants such as sulfur dioxide, nitrogen oxides, soot and volatile organic compounds (VOCs) generated in production. We have taken specific measures to reduce the discharge of such pollutants. In 2021, Simcere Pharmaceutical completed the upgrading of its waste gas treatment equipment and carried out comprehensive treatment through organic gas adsorption, UV photooxidation, and other methods, reducing VOCs by about 0.4 tons per year.

Our wastewater consists of production wastewater, laboratory wastewater and domestic wastewater, the pollutants include COD, ammonia nitrogen, suspended solids and other wastes. The Group strictly abides by relevant regulations, applies for sewage discharge permits in the places where we operate and builds sewage treatment systems in accordance with local sewage discharge permits and discharge standards. In 2021, the Group introduced many ways to reduce wastewater and ensure the discharge of water pollutants meets standards. Within the reporting period, Simcere Pharmaceutical stepped up efforts to shift towards an elevated pipeline sewer system, discharged the production and domestic wastewater through pipes exposed outside, and prevented leakage and subsequent environmental pollution. Wuhu Simcere took the lead to complete the renovation of the sewage pipeline and achieve rain and sewage diversion. Shandong Simcere and Shanghai R&D Center improved the treatment capacity of sewage stations and effectively reduced sewage discharge.

Rain and Sewage Pipeline Renovation at Wuhu Simcere

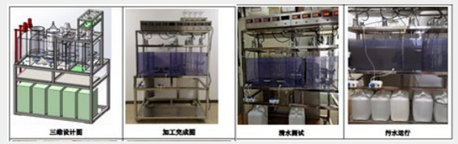
The Group's general solid waste mainly includes office waste, domestic waste and general industrial solid waste in production and operation. The Group is committed to the principle of "reduction, recycling and safe disposal" in waste management. We keep a waste management ledger to record the source, flow, quantity and other information of all waste and standardize their collection, treatment, storage and disposal.

Hazardous waste mainly includes medical waste, chemical solvents, and waste medicines generated in offices, R&D, production and quality inspection. We strictly adhere to the requirements in the collection, storage, and transfer of hazardous wastes, and sign contracts with third parties qualified for hazardous waste treatment to properly dispose of hazardous wastes. To reduce hazardous waste, our subsidiaries have carried out many projects to upgrade techniques and have achieved good results.

Hazardous Waste Reduction and Renovation Projects of the Group's Subsidiaries (Partial)

In 2021, Shandong Simcere was the first to complete the research and development of the reduction techniques for treating urea waste liquid distillate, which verified the feasibility of applying the anaerobic process and aerobic process. This laid the solid technological groundwork for treating urea waste liquid distillate in new plants and effectively reduced the cost of treatment of urea waste liquid.

The Shanghai R&D Center completed the renovation of compliant disposal of hazardous waste and saved RMB150,000 in hazardous waste disposal fees per month.



Lab Testing Urea Treatment Equipment at Shandong Simcere

The Group's noise pollution comes from noise generated during the operation of the equipment in production workshops. We reduce the noise by installing sound-proof panels and barriers on equipment that make loud noises and by other physical techniques. The Group regularly monitors noise outside factories to minimize its impact on surrounding communities.

The Group's Emissions and Waste Discharge

Pollutant indicator		Unit	2021[3]	2020
Wastewater	Total wastewater discharge	Tonnes	339,977.60	376,432.00
	COD emissions	Tonnes	12.48	10.86
	Suspended solids (SS)	Tonnes	6.02	0.86
	Ammonia nitrogen	Tonnes	1.19	0.04
Waste gas	Total exhaust gas emissions	m^3	381,165,626.37	418,691,664.00
	SO_2 emissions	Tonnes	0.12	0.09
	No_x emissions	Tonnes	3.30	0.97
	Soot emissions	Tonnes	0.13	0.03
	VOCs emissions	Tonnes	47.44	-
Solid waste	Total amount of general solid waste generated	Tonnes	1,146.36	1,474.68
	Total amount of general solid waste density generated per unit of revenue	kg/RMB10,000 revenue	2.29	3.27
Hazardous waste	Totall amount of Hazardous waste generated	Tonnes	1,658.44	2,074.87
	Total amount of hazardous waster generated per unit of revenue	kg/RMB10,000 revenue	3.32	4.60

[3] In 2021, the Group strengthened its internal self-assessment standards, expanded the monitoring area and established the online monitoring system for stationary sources of the VOCs exhaust, which further improved the accuracy of monitoring.

LOW-CARBON OPERATION

The Group rigorously follows the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations and has scientific management of energy consumption in place to reduce the use of energy resources. We carry out projects to improve the efficiency of energy use, promote green offices, and implement the Group's low-carbon development strategy.

Use of Resource

The Group mainly uses electricity, natural gas and tap water, and does not involve the sourcing of water. We actively promote management measures that emphasize energy conservation and emission reduction, monitor various data indicators, and strengthen the refined management of resource use to reduce consumption.

The Group focuses on reducing costs and raising efficiency in energy consumption and resource management. We implement many ways to control costs and reduce our carbon footprint. We strictly manage energy-consuming equipment and have employees regularly check the efficiency of the equipment.

The Group organizes energy consumption data, records monthly resource usage of each building and workshop, and conducts in-depth analyses of unit consumption based on production days and output. All subsidiaries strictly implement the requirements of the Group and formulate reasonable energy-saving goals based on their conditions. The Group's EHS Office is responsible for guidance and performance appraisal.

The Wind Turbines at the Group's Headquarters

In 2021, we implemented the following resource-saving measures based on the production and operation:

Simcere Pharmaceutical

- Regularly detect leakage and optimize the cleaning process, saving over 1,300 tons of water a year
- Upgrade the main steam pipeline and optimize the opening and closing of the main steam valve in all workshops to reduce the transmission pipe loss of the steam pipeline, cutting steam consumption by 19.4 percent

Hainan Simcere

- Replace two comprehensive transformer cooling fans and reduce one additional cooling fan, saving an average of 1,176 kWh of electricity per month
- Collect the low-temperature condensed water produced by the wind cabinet in the comprehensive workshop, and add it to the cooling tower of the chiller to reduce the exhaust pressure of the unit and save energy
- Optimize energy use in the penicillin workshop, saving an average of 20,000 kWh of electricity per month
- Install timing controllers for dormitory corridor lights
- Upgrade the air compressor in the penicillin workshop, saving 132,000 kWh of electricity per year
- Transfer the chiller equipment in the cephalosporin workshop and optimize the supply pipeline, saving 245,000 kWh of electricity per year

Shandong Simcere

- Step up efforts to educate employees on water, electricity and gas conservation and strengthen supervision
- Introduce a management system for the safe use of electricity and gas in dormitories and conduct strict inspections
- Formulate targeted centralized production plans based on the market demand and the company's seasonal distribution of electricity consumption, reducing energy consumption by 300,000 kWh, and saving about 240,000 RMB a year

Wuhu Simcere

- Digitalize the control of the air valve of the air-conditioning system of the implant workshop, saving about 30,000 kWh of electricity annually
- Improve the efficiency of steam boilers by using them on demand, reducing about 4 tonnes of diesel during the year

Actively responding to the national low-carbon strategy, we strive to accelerate the transformation of our energy use, promote the use of clean energy within the Group, and reduce the consumption of fossil energy. Within the reporting period, the headquarters of the Group has installed wind turbines, and all subsidiaries are installing power generation equipment using renewable energy such as solar photovoltaic panels.

Photovoltaic Power Station Built at Wuhu Simcere

In July 2021, Wuhu Simcere installed solar panels on the roof of the power distribution room. The first phase covering a 10-kilowatt photovoltaic power generation unit has been completed. The electricity is mainly used by Wuhu Simcere and the extra goes to the power grid, which saved 4,700kWh in 2021.

The Solar Panel on the Roof of Wuhu Simcere Power Distribution Room

The Group's Greenhouse Gas Emissions[6]

Indicator	Unit	2021	2020
Scope 1[4]: Direct greenhouse gas emissions	tCO_2e	4,513.41	4,819.36
Scope 2[5]: Indirect greenhouse gas emissions	tCO_2e	55,998.50	62,365.01
Total greenhouse gas emissions	tCO_2e	60,511.90	67,184.37
Intensity of total greenhouse gas emissions	tCO_2e per 10,000 RMB revenue	0.12	0.15

[4] Direct greenhouse gas emissions (Scope 1): mainly include the emissions from gasoline and diesel consumption of administrative purpose vehicles and transport vehicles and the emissions from the use of natural gas and liquefied petroleum gas.

[5] Indirect greenhouse gas emissions (Scope 2): mainly include the emissions from purchased electricity and purchased heat.

[6] To effectively carry out the management of environmental targets, the Group has re-evaluated the environmental data for the year 2020. The comprehensive energy consumption data for 2020 is now adjusted for disclosure in 2021.

The Group's Resource and Energy Utilization

Indicator	Unit	2021	2020
Gasoline	Tonnes	72.67	89.65
Diesel fuel	Tonnes	69.42	194.37
Natural gas	m^3	1,845,060.00	1,775,896.00
Liquefied petroleum gas	Tonnes	10.89	15.45
Purchased electricity	kWh	69,216,357.86	71,370,060.48
Purchased steam	Tonnes	54,146.80	61,836.70
Renewable energy	kWh	6,160.00	1,460.00
Total comprehensive energy consumption	tce	16,083.21	17,166.09[7]
Total comprehensive energy consumption intensity	tce per 10,000 RMB revenue	0.032	0.038[7]
Total water consumption	Tonnes	785,178.50	979,409.00
Water consumption intensity	Tonnes per 10,000 RMB revenue	1.57	2.17

Packaging Materials

The Group's demand for packaging materials is in the R&D, distribution and packaging of medicines. In 2021, the Group's packaging totaled 5,290.50 tons, with 10.58 kilograms packaging per RMB 10,000 of revenue.

In 2021, the Group's packaging totaled **5,290.50** tons

with **10.58** kilograms packaging per RMB 10,000 of revenue

[7] To effectively carry out the management of environmental targets, the Group has re-evaluated the environmental data for the year 2020. The total comprehensive energy consumption data for 2020 is now adjusted for disclosure in 2021.

The Group Started a Diversified Packaging Material Optimization Exercise

Simcere Pharmaceutical

Simplify the packaging process and reduce the use of moisture-proof bags

Simcere Biological Pharmaceutical

The preparation workshop has unified outer materials of the current 7 varieties and 4 specifications of products, which cuts the use of packaging and standardizes outer materials. Complete testing the recycling and reuse of remaining packaging materials in production.

Testing Various Packaging Materials

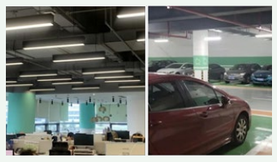
Green Office

We advocate a low-carbon, green office environment through the Group based on our production and operation reality, and have adopted many measures to effectively save resources.

Specific measures of green office:

Stickers on the Switches: “Temporarily Out of Use for Saving Energy”

- Save energy through smart control of the air-conditioning system;
- Post signs at the switches in the corridors to remind employees to save energy.



Induction Lights Installed in Offices and Garages

- Install motion sensor light in offices and garages and organize personnel to ensure power is off after use.

Garbage Sorting Bins in the Tea Room

- Disseminate documents online to reduce paper, printing and waste;
- Introduce garbage sorting and recycling in all offices.

ADDRESSING CLIMATE CHANGE

The Group is highly concerned about the impacts of intensifying global climate change. In 2021, the Group systematically screened and assessed the climate change risks of our operations to improve the company’s capability to respond to climate change.

Climate Change Risks Identification and Response Measures

Risk type		Specific risk	Description	Response measures
Transition risk	Policy risk	Tightened environmental protection policies	Environmental law enforcement agencies such as the Ministry of Ecology and Environment raised requirements for corporate environmental management, which increased the costs of corporate management.	• Require EHS teams to keep informed of relevant laws and regulations and make good work plans.
		Carbon emission regulations	The national “carbon peak and carbon neutrality” goals will mean higher standards of carbon emissions and higher compliance costs for companies.	• Set targets for carbon emissions and identify major sources of current emissions. • Consume energy more efficiently through energy-saving technologies and projects. • Subsidiaries place more importance on fine chemical technologies in ways that raise resource efficiency. • Promote the use of low-carbon fuels and renewable energy. • Step up training and raise employees’ awareness of resource conservation. • Make proper plans that shorten transportation routes and increase vehicle loading rates. • Disclose data on the Group’s greenhouse gas emissions and efforts in low-carbon operations in the ESG report to maintain a good corporate image.
	Market risk	Changes in market demand	Consumers have preferences for more environmentally friendly and low-carbon products.	
	Reputational risk	Stakeholders’ concerns	Stakeholders demand higher response requirement in terms of climate issues. Failed to respond to such demand effectively may affects the reputation of the Group.	
Physical risk	Acute risk	Extreme weather	More frequent, intense extreme weather events such as typhoons, rainstorms, floods, and droughts may cause damage to the Group’s operating assets and equipment and threaten employees’ life and health.	• The EHS department establishes emergency response teams that monitor meteorological conditions, release early warnings, and formulate emergency response plans to prevent damage. • Consult professional third parties on extreme weather issues in the early stages of new projects, and entrust them to provide response plans, risk assessments and feasibility reports.
	Long-term risk	The continued rise in average temperatures	Long high-temperature periods in summer lead to increased energy consumption, lower operation efficiency, abnormal power supply, fire accidents, etc.	• Guide EHS teams of all subsidiaries to strengthen inspection of the plants and ensure safe operation by installing reliable facilities.
		Public health threat	Researches prove that air pollution caused by climate change and greenhouse gas emissions aggravates many chronic diseases, threatens public health, and leads to changes in health demand.	• Organize R&D teams to closely monitor health risk trends and take relevant measures when necessary.

Committed to steady development, the Group focuses on responsible governance and risk management in all its operations continuely to improve corporate governance, and fosters a corporate culture of integrity and compliance.

05 Maintaining Steady Growth

ANTI-CORRUPTION

We deliver responsible management, continue to improve our corporate governance system and ESG management structure, implement sustainable development management concept, adhere to the integrity management, and effectively promote the anti-corruption work.

The Group strictly abides by relevant national and local laws and regulations such as the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-Money Laundering Law of the People's Republic of China* and remains committed to the ethical and honest operation.

The Group has established a sound internal control audit system that involves regular audits on all matters to improve the anti-corruption management system. We formulated documents such as the *Employee Handbook*, the *Code of Business Conduct and Ethics*, and the *Pharmaceutical Promotion Manual* to standardize daily operations and practices.

We forbid any form of bribery, extortion, fraud and money laundering and have strict control over any form of corruption, bribery and fraud. All employees are required to abide by the law and remain integrated and ethical in daily operations.

We have issued the *Policies and Procedures for Handling Whistle-blowing and Complaints* to support employees to complain to the Group regarding fraud and other violations of the compliance requirements. Whistle-blowing and complaints can be made in an open or anonymous manner. Employees can make oral or written complaints by phone or and email. The Group protects whistleblowers and complainants, prohibits any act of retaliation, and never exposes the identity of the complainant.

To ensure that all employees understand the Group's compliance requirements, new employees are required to attend anti-corruption training and understand needed commitments to anti-commercial bribery. We organize all employees to attend anti-corruption training every year, and improve their compliance awareness through online compliance trainings such as Simcere e-Class.

As of the end of the reporting period,

0 corruption lawsuit have occurred and concluded within the Group

In 2021, the Group's Board members attended an average of 0.8 hours of anti-corruption training. All employees completed compliance-related learning of 23,920 hours, with 3.7 average training hours for male employees and 4.1 average training hours for female employees.

An average anti-corruption training hours of the Board members is **0.8** hours

All employees completed compliance-related learning of **23,920** hours

An average training hours for male employees is **3.7** hours

An average training hours for female employees is **4.1** hours

RISK MANAGEMENT

With the expanding business scope of the Group, we are dedicated to stable and healthy development. We continue to strengthen internal control management and improve information security management in ways that achieve high-quality development.

Internal Control Management

To build a sound internal control system, we propose management-oriented internal control approaches and have formulated the *Compliance Policies of Simcere Pharmaceutical*, the *Internal Control Assessment System* and other internal documents to create a sound internal control system with clear responsibilities.

The Group strictly regulated the clear assessment, evaluation, summary and reporting processes of internal control, ensuring the effectiveness of the internal control management through this internal control assessment mechanism. The Group incorporates the annual internal control assessment into the annual Key Performance Indicators (KPIs) of all departments and subsidiaries that are responsible for internal management. They are required to conduct self-assessment on the control activities and organize independent assessment teams for testing.

In 2021, in order to strengthen the Group's risk management and team management level, we conducted performance rewards and punishments based on the actual internal control evaluation and promoted internal control training, which achieved good results.

Risk Management

We believe that a sound internal risk management system is conducive to the continuity, stability and sustained effectiveness of the Group's operations. The Group attaches great importance to reducing risks in all production and operation links such as organizational structure and strategy, major asset purchases and sales, external investment, and related transactions, etc. We established a risk management structure composed of the Group's Board of Directors, Strategy Committee, Legal Affairs and Compliance Department, Internal Control and Audit Department and various business teams.

The Group's risk management includes five procedures: risk identification, risk assessment, risk management strategy selection, risk response and rectification, and risk management supervision and improvement. During the risk management process, we maintain internal communication and submit or issue risk management reports to the management regularly or irregularly.

The Group's Risk Management Process

Risk identification	Extensively and continuously collecting internal and external information related to the Group's risks and risk management, and studying the information to identify risks related to business operations.
Risk assessment	Based on the collected internal and external information and the identified risks, and according to the Group's actual businesses, assessing the risks from the perspectives of the possibility of risks and the degree of impact that the risks may have to determine the risk level.
Risk management strategy selection	According to the actual situation of the Group and the external environment, and based on the Group's development strategies, selecting the appropriate overall risk management strategies such as risk taking, risk avoidance and risk transfer, and determining the corresponding resource allocation.
Risk response and rectification	Developing risk management solutions and risk rectification plans for each risk and promoting the implementation according to risk management strategies.
Risk management supervision and improvement	Supervising the implementation of the aforementioned four management procedures to ensure effective risk management, and making timely improvements based on changes and existing deficiencies.

Legal Risk Report for the Management

In 2021, the Legal Affairs and Compliance Department identified 29 legal risks based on internal and external environmental changes and promoted risk rectification and continuous monitoring based on the assessment results. Meanwhile, the Department gave a themed report of legal risks to all the management personnel of the Group. The report covered the results of the legal risk assessment and detailed suggestions for the risk management and control plan. All at the Group, from the management to employees, act together to take risk management as a leverage point for continued improvement of the management system and the healthy and sustainable development of the Group.

Legal Risk Report Material

Information Security

The Group strictly abides by the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China,* the *Biosecurity Law of the People's Republic of China,* the *Anti-unfair Competition Law of the People's Republic of China* and other laws and regulations. In 2021, the Group comprehensively upgraded information security management and set up a confidentiality management system in ways that keep improving information security management. No confidential information was leaked in 2021.

Being "practical, systematic, and persistent" in ensuring information security, we focus on protecting key information infrastructure, important networks, and data security, and enhance information security management capabilities through private data firewalls. The Group protects confidential information in a leveled, classified way and conducts audits of information security continuously. We strictly manage data and information stated as important by national laws, such as human genetic resources information, and set up standardized procedures to ensure that no one can arbitrarily call or exchange subject information in the research and development. If such information is needed in projects, we entrust qualified third parties to collect and analyze data and information and require them to encrypt and protect personal information of subjects and consumers complying with relevant applicable laws.

Information Security Management Measures of the Group

Management structure	◦ Set up a confidentiality management committee with the Chairman as the director, the Executive Vice President and the Chief Financial Officer as the deputy directors, and Vice Presidents at all departments as members of the committee. The committee is responsible for leading the Group's trade secret management and studying and identifying the Group's policies, principles and management responsibilities of trade secret protection, and key departments and focus in the protection. Set up a joint confidentiality management agency responsible for the Group's work on confidentiality and information security. ◦ Appoint a confidentiality officer to check the abnormal and suspicious behavior logs recorded by the security system in the department on a monthly basis, and conduct a confidentiality audit of each system on a monthly basis.
Employee training and management	◦ Make information security, confidentiality and other training compulsory for all employees, and require them to complete relevant training and pass tests every six months. ◦ Improve employees' awareness and capability to maintain information security and confidentiality, detect risks of leakage timely through email reminders or daily management, and deal with potential risks and report such risks to the Group's Confidentiality Committee timely.

Future Expectations

In 2021, the Group has implemented the concept of sustainable development and actively shouldered its corporate social responsibility, boosting the harmony development of society with the achievements of enterprise development. Looking forward to the future, we propose seven major directions, including ESG governance, operation complying with law, product liability, win-win cooperation, employee-oriented principle and community charity activities, as the management goals for 2022, and carry out ESG governance to ensure the implementation of ESG goals at all management levels. We will enhance innovative drug launch speed and the product liability management capabilities to improve medical accessibility. We will work extensively with upstream and downstream partners to build a sustainable business ecosystem with ESG development as the core. We will dig deep into the development needs of our employees and talents and protect their rights and interests, to build our Simcere family. We will play an active role in community charity, and be committed to solving problems through continuous attention to patient assistance projects and other social welfare projects. We will continue to increase investment in environmental protection, set the goals of environmental management and integrate green concept into our business management. The Board of Directors will continue to follow the ESG governance concept to grasp the direction of the Group's operations and sort out the context of the Group's sustainable development to better contribute to all stakeholders.

Appendix

HKEX ESG INDEX

ESG Indicator			Location
Environmental	Aspect A1: Emissions	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
		KPI A1.1 The types of emissions and respective emissions data.	Emissions Management
		KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management Low-carbon Operation
		KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
		KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
		KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Management System
		KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions Management
	Aspect A2: Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Management Low-carbon Operation
		KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resource
		KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resource
		KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management Low-carbon Operation
		KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management
		KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
	Aspect A3: The Environmental and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management
		KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
	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.	Addressing Climate Change
		KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Addressing Climate Change

ESG Indicator			Location
Social	Aspect B1: Employment	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Development
		KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Lawful Employment
		KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Lawful Employment
	Aspect B2: Health and Safety	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Work Safety
		KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health
		KPI B2.2 Lost days due to work injury	Occupational Health
		KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Management Occupational Health
	Aspect B3: Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Training
		KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Training
		KPI B3.2 The average training hours completed per employee by gender and employee category.	Talent Training
	Aspect B4: Labour Standards	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Lawful Employment
		KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Lawful Employment
		KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Lawful Employment
	Aspect B5: Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
		KPI B5.1 Number of suppliers by geographical region.	Supplier Management
		KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management
		KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Procurement
		KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Procurement

ESG Indicator			Location
Social	Aspect B6: Product Responsibility	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Drug Quality Innovative R&D Customer Service Risk Management
		KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Drug Quality
		KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Customer Service
		KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Innovative R&D
		KPI B6.4 Description of quality assurance process and recall procedures.	Drug Quality
		KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Service Information Security
	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.	Anti-Corruption
		KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
		KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption
		KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-Corruption
	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.	Repay the Society
		KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Repay the Society
		KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Repay the Society

DEFINITIONS

“3D Medicines”	refers to	3D Medicines（Beijing）Co., Ltd.
“AAALAC”	refers to	Association for Assessment and Accreditation of Laboratory Animal Care International
“FTO”	refers to	Freedom to operate
“IND”	refers to	Investigational New Drug
“PCC”	refers to	Preclinical candidate
“NDA”	refers to	the new drug application
“GMP”	refers to	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the *Drug Administration Law of the PRC* as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled inconformity to the quality and standards appropriate for their intended use
“cGMP”	refers to	Current Good Manufacturing Practice (cGMP)
“OOS”	refers to	Out-of-inspection
“CDE”	refers to	Center for Drug Evaluation, a division of the NMPA
“SAE”	refers to	Serious adverse event
“PSUR”	refers to	Periodic safety update report
“Alphamab”	refers to	Jiangsu Alphamab Biopharmaceuticals Co., Ltd.
“ANDA”	refers to	Abbreviated new drug application
“API”	refers to	Active pharmaceutical ingredient, the substance in a pharmaceutical product that is biologically active
“BD”	refers to	Business development
“CAPA”	refers to	Corrective and preventive action
“Company” or “our Company”	refers to	Simcere Pharmaceutical Group Limited (formerly known as Simcere Pharmaceutical (Hong Kong) Limited and Sound&Sincere Investment Limited), a private company limited by shares incorporated under the laws of Hong Kong on November 30, 2015
“EHS”	refers to	Environment, Health and Safety
“ESG Guides”	refers to	the “*Environmental, Social and Governance Reporting Guide*”
“Frost & Sullivan”	refers to	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“G1 Therapeutics”	refers to	G1 Therapeutics, INC. (Nasdaq: GTHX)
“Group”, “our Group”, “we” or “us”	refers to	Simcere Pharmaceutical Group Limited and its subsidiaries
“GSP”	refers to	Good Supply Practice, guidelines and regulations issued from time to time pursuant to the *Drug Administration Law of the PRC* to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
“Hainan Simcere”	refers to	Hainan Simcere Pharmaceutical Co., Ltd. (formerly known as Sanya Haifu Pharmaceutical Co., Ltd.), Hainan Haifu Pharmaceutical Co., Ltd. and Simcere Pharmaceutical Co., Ltd., a limited liability company established in the PRC on April 28, 1993 and a subsidiary of our Company
“IND”	refers to	Investigational new drug, an application and approval process required before drug candidates may commence clinical trials
“IP”	refers to	Intellectual Property
“Jiangsu Simcere”	refers to	Jiangsu Simcere Pharmaceutical Co., Ltd. formerly known as Jiangsu Chengong Pharmaceutical Co., Ltd. a limited liability company established in the PRC on March 28, 1995 and a subsidiary of our Company
“NIOSH”	refers to	the National Institute for Occupational Safety and Health
“NMPA”	refers to	National Medical Products Administration, formerly known as China Food and Drug Administration (“CFDA”) or State Food and Drug Administration (“SFDA”) or China's Drug Administration (“CDA”); references to NMPA include CFDA, SFDA and CDA
“NRDL”	refers to	China's National Reimbursement Drug List, also known as Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, which was published by MOHRSS on November 27, 2009 and amended from time to time
“PRC”	refers to	the People's Republic of China
“QA”	refers to	Quality Assurance

“Shandong Simcere”	refers to	Shandong Simcere Biopharmaceutical Co., Ltd. (formerly known as Yantai Rongchang Bioengineering Limited, Yantai Rongchang Bioengineering Co., Ltd.Yantai Maidejin BioengineeringLimited, Yantai Maidejin Bioengineering Co., Ltd. and Shandong Simcere Maidejin Biology Pharmaceutical Co., Ltd). a limited liability company established in the PRC on June 30, 1999 and a subsidiary of our Company
“Shanghai Simcere”	refers to	Shanghai Simcere Pharmaceutical Co., Ltd. (formerly known as Shanghai Haciyi Pharmaceutical Co., Ltd., Shanghai Simcere Haifu Pharmaceutical Co., Ltd. and Simcere Merck Sharp&Dohme (Shanghai) Pharmaceutical Co., Ltd.), a limited liability company established in the PRC on July 20, 2000 and a subsidiary of our Company
“Simcere Biological Pharmaceutical”	refers to	Jiangsu Simcere Biological Pharmaceutical Co., Ltd., formerly known as Nanjing BiosciKin Innovation Biology Technology Co., Ltd., a limited liability company established in the PRC on July 10, 2017 and a subsidiary of our Company
“Simcere Pharmaceutical”	refers to	Simcere Pharmaceutical Co., Ltd. (formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd. and Nanjing Dongyuan Pharmaceutical Co., Ltd.), a limited liability company established in the PRC on September 10, 1998 and a subsidiary of our Company
“SOP”	refers to	Standard of Procedure
“Stock Exchange”	refers to	the Stock Exchange of Hong Kong Limited
“the U.S.”	refers to	the United States of America
“Three Wastes”	refers to	Waste water, waste gas and solid wastes
“TMS”	refers to	A transportation management system
“TTT”	refers to	Training the Trainer to Train
“U.S.FDA”	refers to	U.S.Food and Drug Administration
“WMS”	refers to	A warehousing management system
“Wuhu Simcere”	refers to	Wuhu Simcere Zhongren Pharmaceutical Co., Ltd., a limited liability company established in the PRC on September 19, 2008 and a subsidiary of our Company

FEEDBACK FROM READERS

Dear readers,

Thank you for reading the *2021 ESG Report of Simcere Pharmaceutical Group Limited*. We value and expect your feedback on the Group's management, practice and reporting of social responsibilities. Your comments and suggestions are the important basis for us to promote the management and practice of corporate social responsibilities. We look forward to your reply!

1. Which category of stakeholder does your organisation belong to?

☐ Shareholders and investors ☐ Employees ☐ Suppliers ☐ Customers

☐ Governments and regulatory authorities ☐ Communities ☐ Business partners

☐ Industry associations/NGOs ☐ Others (please specify) _____

2. What do you think of the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

3. What do you think of the clarity, accuracy and completeness of the information and data disclosed in the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

4. What do you think of the comprehensiveness of the economic responsibility fulfilled by the Group and reflected in the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

5. What do you think of the comprehensiveness of the environmental responsibility fulfilled by the Group and reflected in the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

6. What do you think of the comprehensiveness of the social responsibility fulfilled by the Group and reflected in the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

7. What do you think of the readability of the report?

☐ Pretty good ☐ Good ☐ Not very good ☐ Poor

8. Are there any information you would like to have but the report has not disclosed?

_____

9. Do you have any comments and suggestions to the Group's ESG work and the preparation of the report? If yes, please provide them here.

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