先声药业
Simcere

先聲藥業集團有限公司
Simcere Pharmaceutical Group Limited
(Incorporated in Hongkong with limited limited liability)
Stock code: 2096

2022

Environmental, Social and Governance Report

Providing Today's Patients with Medicines of the Future

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Chairman's Statement

In 2022, adhering to the corporate mission of "providing today's patients with medicines of the future", the Group has made sustainable development an important strategic goal and integrated ESG concepts into company management and operations, comprehensively upgrading and promoting environmental, social, and governance (ESG) work.

We continue to improve the ESG governance system, and the management mechanism is becoming increasingly perfect. Directly supervised by the Board, the strategic committee has incorporated ESG management into its responsibilities. The dedicated ESG working group has been established to deepen the practice of ESG management on critical issues.

We adhere to innovation and research and development to provide today's patients with medicines of the future. We focus on the areas of oncology, the nervous system, autoimmune diseases, and anti-infection, and gradually promote innovative drugs with huge clinical demand. We also continue to promote inclusive healthcare through medical insurance drugs, charitable donations, and multi-channel marketing, improving drug accessibility and affordability.

We uphold the value of the patient first and provide quality drugs. We establish a quality management system covering the entire life cycle of drugs, improve digital development, and control product safety risks. At the same time, we integrate online and offline resources, timely understand patient demands, and provide related medication guidance to make medication more convenient and safer for patients.

We are committed to collaborative innovation and win-win cooperation. Through a series of strategic cooperation with leading innovative drug companies and research institutions at home and abroad, we will introduce more innovative research and development achievements into China and actively promote our innovative drugs to benefit patients worldwide at full speed.

We continue to implement a people-oriented approach to co-create a better society. We continue to improve talent selection mechanisms, optimize the two-way growth system of corporate and talent development, and promote team equal, diversified, and efficient development with the outstanding performance culture. At the same time, we bear in mind the mission of the company, focus on social welfare, and donated a total of approximately RMB 44.5 million for charity in 2022.

We are building a green industry system and the harmoniously coexists with the environment. We comprehensively promote carbon reduction actions, set five-year environmental protection goals, and continuously improve green manufacturing levels. We actively respond to climate change, identify and evaluate the risks and opportunities brought by climate change, and continuously increase investment in the use of renewable energy.

Based on honest operation, we continue to improve risk management. We implement anti-corruption and integrity work, vigorously advocate for transparent and market-oriented procurement, discuss ESG work with supply partners, and grow together, comprehensively achieving the Group's steady development.

In the future, we will always focus on the needs of patients, actively undertake more social responsibilities, give full play to our own values, and continuously contribute to society with the heart of benefiting others, therefore contributing to the health of all people.

REN Jinsheng
Chairman and Chief Executive Officer
April 2023

About the Report

This report is the third Environmental, Social and Governance (ESG) report released by the Group. It mainly discloses the practices and achievements of the Group in product liability, environmental protection, social welfare and other aspects in 2022. It presents the Group's latest progress in sustainable development to shareholders, customers, consumers, employees, governments, partners and other stakeholders.

Time Range

The report covers the period from January 1 to December 31, 2022 (referred to as "Reporting Period"), some of which are beyond the above scope.

Reporting Scope

The content of the report covers Simcere Pharmaceutical Group Limited and its subsidiaries (referred to as "the Group").

Basis of Preparation

The report has been prepared in accordance with the regulations in the *Environmental, Social, Governance Reporting Guide* under Appendix 27 of the *Main Board Listing Rules* as issued by the Stock Exchange of Hong Kong Limited. It is in compliant with the following principles:

Materiality: This report contains a matrix of material issues, elaborates in detail the process and results of determining material issues, lists important stakeholders, and describes corresponding communication measures. For details, please refer to "Stakeholder Engagement" and "Material Issues" in the "ESG RESPONSIBILITY MANAGEMENT" section.

Quantitative: This report discloses quantitative data of environmental and social dimensions, and indicates reference standards, calculation methods and parameters for environmental data.

Balance: This report objectively discloses both positive and negative information to ensure that the content is balanced.

Consistency: For quantitative data disclosed in this report, comparative data of two or more consecutive years are provided where possible according to the actual management situation and necessary explanations for the data caliber are provided to ensure consistency comparison.

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 (yuan).

About the Group

Simcere Pharmaceutical Group Limited ("the Company" and its subsidiaries collectively referred to as "the Group" or "Us") is an innovation and R&D-driven pharmaceutical company with capabilities in R&D, production and professional marketing. The Group focuses on the areas of oncology, nervous system, autoimmune and anti-infection primarily with forward-looking layout of disease areas that have significant clinical needs in the future, so as to strive to achieve the corporate mission of "providing today's patients with medicines of the future".

The Group has 6 innovative pharmaceuticals approved for marketing and sale (including 1 imported innovative drug). As of December 31, 2022, the Group has over 10 products included in guidelines and pathways issued by over 100 government authorities or prestigious professional associations, and has over 40 products included in the Drugs Catalogue for the NRDL.

The Group highly values enhancing its capabilities in the development of innovative pharmaceuticals. It has R&D innovation centers in Shanghai, Nanjing, Beijing and Boston, and a State Key Laboratory of Neurology and Oncology Drug Development. Its R&D system covers the whole processes of drug discovery, pre-clinical development, clinical trial and drug registration. It has also equipped itself with sophisticated platforms engaged in areas such as protein engineering, TCE, NKCE, and AI-enabled molecule generation. As of the date of this report, the Group had approximately 1,100 R&D personnels in total with approximately 150 doctors and approximately 520 masters.

The Group has leading commercialization capability with a nationwide sales and distribution network and we will continue to strengthen our professional marketing capability, so as to enhance product coverage and accessibility of drugs. As of December 31, 2022, four sales divisions, namely neuroscience, anti-tumor, autoimmunity and integrated retail, and other marketing support departments of the Group had a total of approximately 5,000 staff 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 in China.

The Group establishes manufacturing infrastructures and quality control standards in line with international standards and has continuously improved its manufacturing capabilities of pharmaceuticals. The Group operates 5 pharmaceutical manufacturing sites, and all of them are in compliance with GMP requirements in the PRC. Some production lines are also EU GMP certified or compliant with FDA inspections.

Driven by our in-house R&D efforts and synergistic innovation, the Group has established strategic cooperation with many innovative enterprises and research institutes and clinical centers at home and abroad and are exploring multiple collaborative modes such as cooperative R&D and achievement transfer, so as to continuously develop products that patients urgently need and have significant market potential. We have established a scientific advisory committee (SAB) comprising more than ten leading scientists in the field of oncology, nervous system and autoimmunity around the world, so as to bring their professional capability and industry experience into full play and provide scientific advice for early drug discovery and clinical development. Meanwhile, the Group put forward and implemented the "Simcere Project X", aiming to attract professional leaders in the global life sciences field to explore and create unprecedented therapy.

Providing Today's Patients with Medicines of the Future

Patients First, Joint Effort, Integrity and Excellence

Awards in 2022

- Top 100 Enterprises in China's Pharmaceutical Industry in 2021 — China National Pharmaceutical Industry Information Center
- Top Industrial Enterprise in 2022 China Pharmaceutical R&D Production Line — China National Pharmaceutical Industry Information Center
- The 14th Healthy China Forum — Top 10 New Drugs (Domestic): ENWEIDA® — The People Daily Health Client-Side and Health Times
- Case of the 2022 Healthy China Action Innovative Practices (Health Responsibility) — People's Daily Online
- Top 25th of Pharmaceutical Stocks in The 10th Top 100 Hong Kong Listed Companies List — Top 100 Hong Kong Listed Companies Research Center
- 2022 Most Valuable Pharmaceutical and Healthcare Companies — Zhitong Caijing
- 2022 Top 100 Chinese Innovative Pharmaceutical Enterprises — HealthCare Executive
- Top US-listed and Hongkong-listed Chinese Companies with New Economy in 2022 — Sina Finance

ESG Governance

The Group implements sustainable development in the entire operation process. Adhering to our mission, we constantly improve the corporate governance level, optimize the products and services, to fully utilize our strength and capabilities, and provide long-term sustainable positive values to our stakeholders and social development.

DIRECTORS' STATEMENT ON ESG

As the highest responsible authority and decision-maker for ESG matters, the Group's board (the "Board")of directors (the"Directors")coordinates corporate development planning and ESG development, and regularly reviews the industrial development trend and the management conditions within the Group, to ensure the effective implementation of ESG governance strategies, policies, management of risks, opportunities and targets of the Group. The Strategy Committee is designated by the Board to oversee ESG management, coordinate major ESG decision assessments and regularly report the implementations to the Board. To promote and implement our ESG initiatives, an ESG Working Group under the Strategy Committee is established.

We regularly evaluate major ESG issues, identify ESG risks 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 2022, we strengthened our core ESG risk management and regularly reviewed ESG-related objectives based on actual business development to ensure their effectiveness and improve the Group's ESG performance.

In 2022, the Group has successfully accomplished the ESG management targets set in the 2021 ESG Report, as reviewed by the Board. We are accelerating to expand the reserve of innovative products urgently needed in clinical applications, and boost the development of drug accessibility; implement the quality management system throughout the product life cycle; adhere to the employee-oriented principle, and grow together with employees; pay attention to the needs of the community and constantly carry out charitable activities; conduct environment-friendly production and operation; and attach high importance to corporate compliance and risk management, and join hands with partners for responsible procurement.

This report details the progress and effectiveness of the Group's ESG work in 2022, and was approved by the Board on April 10, 2023.

ESG MANAGEMENT SYSTEM

Adhering to the *Company Law of the People's Republic of China* and listed-company governance regulations, and ensuring the efficient implementation of ESG initiatives, the Group has formed a three-tier ESG governance structure consisting of the Board. The Strategy Committee and the ESG Working Group. They systematically coordinate and promote sustainable development, enhance communication with stakeholders, and continuously improve our ESG governance level.

The Board

The Board,the highest decision-maker of the Group, is responsible for coordinating corporate development planning, keeping a close watch on ESG governance and the development trends of the industry, identifying ESG risks and opportunities, etc. The Board has established 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 the end of the Reporting Period, the Board consisted of eight Directors, including four executive Directors, and four independent non-executive Directors.

The Strategy Committee

The Strategy Committee is responsible for systematically analyzing ESG development, and preparing medium and long-term ESG strategic development plans of the Group. The Committee also coordinates major ESG decision assessments and makes regular reports to the Board. An ESG Working Group under the Strategy Committee has been established, responsible for communicating, finalizing and implementing ESG-related matters, and defining the responsibilities and rights and procedures for ESG management.

The ESG Working Group

The ESG Working Group is coordinates several business lines and departments of the Group, to jointly promote and implement ESG initiatives, and it regularly reports to the Strategy Committee on the achievements and progress of ESG work, and organizes and prepares disclosure of ESG-related information of the Group.

The Structure of ESG Management of the Group

ESG RESPONSIBILITY MANAGEMENT

The Group advocates and pursues the concept of responsible development management. We attach high importance to performing our own environmental and social obligations, earnestly fulfilling the commitments to stakeholders, coordinating and promoting sustainable development, and improving the ESG governance level, while developing businesses.

ESG TARGET MANAGEMENT

The Group attaches importance to ESG target management. The Board regularly reviews the completion of the ESG targets within the Reporting Period and sets the targets of ESG targets for the next year. The status of ESG management in 2022 and the targets of ESG management for 2023 are shown in the table below.

Issues	The current status of ESG management in 2022	Targets of ESG management in 2023
ESG governance	The Board has engaged deeply in ESG management by reviewing ESG at board meetings and overseeing ESG governance improvements.	We will regularly audit the ethical performance of all operation sites, improve the internal audit in the Group, and meet ESG targets under the guidance of the Board.
Innovation-driven	Adhering to the operation philosophy of "Providing Today's Patients with Medicines of the Future", we have accelerated the expansion of our reserve of urgently needed innovative products for clinical uses and facilitated the accessibility of drugs. We have improved our intellectual property protection system, to boost clinical development.	We will continue to optimize our clinical research management system, accelerating the process of bringing innovative drugs to market and enhancing patient access to high-quality drugs. We will also further strengthen the management of pharmaceutical safety and quality.
Excellent quality	We make drug quality the top priority in the Group's development, with the whole industry chain interconnected to jointly built a quality management system throughout the full life cycle of products. We also act in line with the principle of providing "responsible marketing and warm customer service".	The Group will further strengthen the management of the full process of pharmaceutical safety and quality, and conduct extensive third-party certifications for product safety and quality. The Group will improve the management of responsible marketing, optimize the contents of relevant management policies, and provide comprehensive training on responsible marketing to provide strong support for the development of responsible marketing of the Group.
Employee-oriented principle	The Group continuously optimizes the management of compliant employment, employee training, health and safety, etc., conducts research on organizational atmosphere, and listens to the voices of employees. The Group incorporates public welfare in daily operations and includes it in long-term planning.	The Group will accelerate talent construction, optimize the management capability of the talent team, and provide all employees with diversified training for capability improvement and the competitive space for promotion. Leveraging our own advantages, we will actively participate in social welfare, to repay society with sincerity.
Low-carbon operation	The Group has strengthened the identification and control of environmental risks by conducting regular environmental audits of pharmaceutical facilities, and continues to optimize and upgrade production procedures and equipment based on actual operations to reduce impacts on the surrounding environment.	The Group will keep improving the environmental management system, reduce the discharge of pollutants and wastes, and implement technical renovation for energy saving, use clean energies and take other measures to achieve the environment targets of 2025.
Stable operation	The Group has built a sound compliance and anti-corruption management system, and enhances supervision and appraisal management, to ensure compliance operation. The Group intensifies the identification and control of ESG risk in all links of the supply chain through a series of management measures such as signing of *Supplier Initiatives*.	The Group will continuously strengthen the construction of the compliance and anti-corruption culture and implement relevant systems, to improve the awareness of compliance and anti-corruption of all employees. The Group will enhance communication with suppliers, and develop the awareness of suppliers for ESG management by, for example, organizing supplier conferences, and providing training, to improve their ESG management ability.

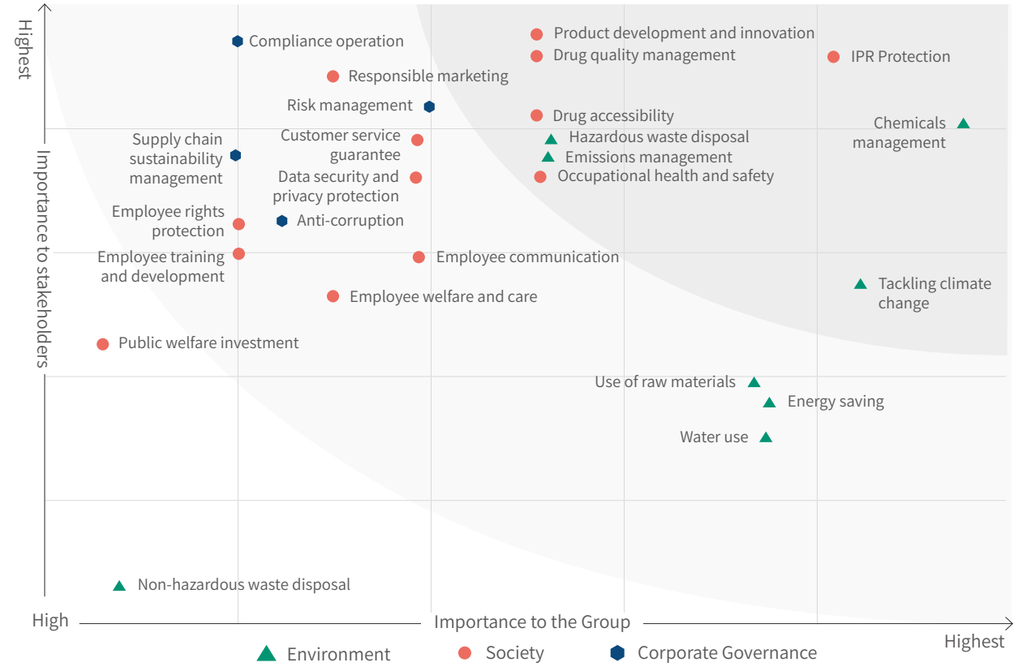
Stakeholder Engagement

All stakeholders are our close partners in corporate growth. The Group actively engages with governments, shareholders, customers, business partners, employees, industry associations, community representatives and other stakeholders. We constantly improve the communication and dialogue mechanisms for communicating with stakeholders, actively listen and respond to their concerns, and join hands with all stakeholders for sustainable growth.

Stakeholder	Expectations and demands	Communication methods
Government and Regulators	▪ Compliance operation ▪ Drug quality and safety ▪ Anti-corruption ▪ Boosting local employment ▪ Clean manufacturing	▪ Government dialogue ▪ Information disclosure ▪ Government research and inspection
Shareholders / Investors	▪ Compliance operation ▪ Operating results ▪ Risk management ▪ Information disclosure ▪ Stable ROI	▪ Shareholders' meeting ▪ Performance disclosure conference ▪ Investor research and exchange session ▪ Regular information disclosure
Customers	▪ Drug safety and quality ▪ Customer rights and privacy protection ▪ Drug development and innovation ▪ Responsible marketing	▪ Improving pharmaceutical production management system ▪ Customer satisfaction survey ▪ Customer complaints and opinion handling ▪ Regular revisit
Partners	▪ Win-win cooperation ▪ Sustainable development of supply chain ▪ Product and service quality	▪ Daily communication and dialogue ▪ Review and assessment
Employees	▪ Employee rights protection ▪ Occupational Health and Safety ▪ Employee training and occupation development	▪ Employee representative conference and labor union ▪ Occupation, health and safety training ▪ Employee care activities ▪ Internal training and learning
Industry Associations	▪ Fair competition ▪ Promote industry development ▪ Technology and experience sharing	▪ Industry exchange seminar ▪ Project cooperation ▪ Industry association training
Community Representatives	▪ Driving local economic development ▪ Community services ▪ Public welfare and charity	▪ Carrying out public welfare projects ▪ Regional assistance programs ▪ Participating in community building ▪ Volunteer service

Material Issues

In accordance with the new requirements of the Environmental, Social and Governance Reporting Guidelines released by the Stock Exchange of Hong Kong Limited (HKEX), and referring to relevant international initiatives and standards, as well as ESG issues that are of common concern in the industry, we have collected the material ESG issues related to the Group. In the process, we have also actively sought the opinions of various experts and stakeholders. Taking industry policy trends, group development status, and ESG regulatory requirements into account, we evaluated and identified risks and opportunities under different dimensions of issues in 2022. The matrix of ESG material Issues is shown as follows.



The Group's key issues Matrix for 2022

Materiality	Issues	
High	Product development and innovation	Hazardous waste disposal
	Drug quality management	Emissions management
	IPR Protection	Occupational health and safety
	Chemicals management	Tackling climate change
	Drug accessibility	
Medium	Compliance operation	Employee rights protection
	Responsible marketing	Employee communication
	Risk management	Employee training and development
	Customer service guarantee	Employee welfare and care
	Supply chain sustainability management	Use of raw materials
	Data security and privacy protection	Energy saving
	Anti-corruption	Water use
Moderate	Public welfare investment	Non-hazardous waste disposal

ACTIVE RESPONSE TO UN SDGs

The Group actively responds to the United Nations Sustainable Development Goals (SDGs), and increases the ability to fulfill responsibilities for sustainable development, contributing to building a more sustainable future.

United Nations Sustainable Development Goals (SDGs)	Actions of the Group in 2022
1 NO POVERTY, 10 REDUCED INEQUALITIES	For years, the Group has continually participated in public welfare and social assistance. We shouldered social responsibility for poverty alleviation in education, health care, Rural Revitalization and other aspects, contributing our efforts to social equity. In 2022, the Group provided public charity funds approximately RMB 44.5 million.
3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	As an innovation and R&D-driven pharmaceutical company, the Group is fully aware of the importance of innovative R&D and inclusive medical care on human health and wellbeing. We have many products included in the NRDL, they are becoming the first choice of affordable drugs for more and more patients. Within the Reporting Period, the Group invested up to RMB 1.728 billion for R&D investment.
4 QUALITY EDUCATION	The Group places high importance on training, education and career development of employees, and provides educational and training opportunities for all employees through the training platform of Simcere Institute. In 2022, the training rate of employees of the Group was 100%, with the average training time of 19.8 hours per person.
5 GENDER EQUALITY	The Group adheres to the principle of gender equality, and eliminates gender discrimination in recruitment, actively protects women's rights and interests, and cares for the lives of female employees. In 2022, female employees took up 50.9% of all employees of the Group.
8 DECENT WORK AND ECONOMIC GROWTH	Upholding the employee-oriented operation philosophy, we comprehensively protect the rights and interests of employees. The Group provides employees with good welfare and reasonable salary, and resolutely opposes illegal employment such as forced labor and child labor. Within the Reporting Period, we had no incidents of forced labor or child labor.
7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 15 LIFE ON LAND	The Group always embraces the green development concept, and takes varied environmental protection measures, striving to reduce the impact on the ecological environment of the operation area. In 2022, we took practical actions in response to climate challenges, increasing energy efficiency and the share of clean energy. The greenhouse gas emissions per RMB 10,000 of income decreased by 9.45% as compared with that in 2021.

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Innovation-Driven Patient Benefits

Adhering to the operation philosophy of "Providing Today's Patients with Medicines of the Future," the Group focuses on innovative R&D in areas of oncology, nervous system, autoimmune and anti-infection primarily with forward-looking layout of disease areas that have significant clinical needs in the future. We are committed to transforming R&D results and continually improving medical accessibility, to benefit more patients in need and contribute Simcere power in building Healthy China.

Pipelines of innovative drugs near

60 products

Ratio of talents with master's to doctoral degree in R&D team reached

63.3 %

NRDL included drug over

40 products

Overall online business scale exceeded

50 million

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SPEEDING UP R&D

The Group implements the innovation-driven development strategy, and accelerates to improve innovative R&D capability by enriching R&D pipelines, strengthening hardware facilities and increasing R&D investment. In 2022, the R&D expenses accounted for approximately RMB 1.728 billion, representing a revenue ratio of about 27.3%.

R&D Layout

As of the date of this report, The Group has nearly 60 product pipelines of innovative drugs and is currently initiating registrational clinical studies for 17 innovative drugs, of which, there are 5 marketed products (new indications/combined topical use, etc), 2 drug candidates that are in NDA/key clinical stage, 10 drug candidates that are in phase I/II and approximately 40 pre-clinical drug candidates. The forms of innovative drugs under development covers monoclonal antibodies, bispecific antibodies, multi-specific antibodies, fusion proteins, ADC and small molecule drugs. The extensive pipeline reserves have huge clinical and commercialization potential, which are expected to help more patients.

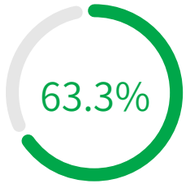
Field	Product pipeline (Target / Mechanism)	Pre-clinical / IND / Phase I / Phase II / Phase III / NDA / Approval
Nervous System	Sanbexin sublingual tablets* (Free radicals and inflammatory cytokines)	AIS
		AIS（U.S.）
	Sanbexin® New Indication (Free radicals and inflammatory cytokines)	ICH
	Daridorexant* (Dual orexin receptor antagonist)	Insomnia — Approved for marketing in the United States and Europe
	SIM0801*（QPCT）	Alzheimer Disease
	SIM0800*（AQP4）	Stroke with cerebral edema
	SIM0802*（PSD-95）	AIS etc.
Autoimmune	SIM0278（IL2muFc）	SLE, AD, etc.
	SIM0295*（URAT1）	Gout with hyperuricemia
	LNK01001*（JAK1）	RA and AS ▲
	SIM0335*（IL-17A-related pathways）	Psoriasis ▲
Anti-infection	XIANNUOXIN®*（3CL）	Mild to Moderate COVID-19
Oncology	COSELA®*（CDK4/6）	ES-SCLC（TRACES study）
		TNBC（PRESERVE 2 study）
	Endostar® New Indication (Angiogenesis pathway)	Thoracoabdominal effusions（COREMAP study）
	Suvemcitug*（VEGF）	OC, FTC and PPC（SCORES study）
	ENWEIDA®*+ Suvemcitug*（PD-L1+VEGF）	Solid tumors
	Docetaxel polymeric micelles for injection* (tubulin inhibitor)	Solid tumors
	SIM0395*（PI3K/mTOR）	Glioblastoma
	SIM0270（SERD BM）	Breast cancer
	SIM0235（TNFR2）	Advanced solid tumor and CTCL（China-U.S.）
	SIM0272（PRMT5）	Tumors
	SIM0237（PD-L1/IL15v bispecific antibody）	Advanced solid tumor (China-US)
	SIM0348（TIGIT/PVRIG bispecific antibody）	Advanced solid tumor
	SIM0323*（CD80/IL2）	Solid tumors
	SIM0500	Multiple Myeloma
	SIM0501	Solid tumors
	SIM0502	Solid tumors
	SIM0503	Solid tumors
	SIM0505	Solid tumors

Small molecule
Large molecule
Development status of R&D partner(s)
Global clinical trials with partners
Including overseas development
▲ Only commercialization right

*Cooperation product

A Part of The Group's Innovative Drug R&D Pipelines

We attach great importance to the construction of the R&D teams, and enhance the R&D quality of the innovation teams by introducing leading doctors and overseas talent. By the end of the Reporting Period, the Group had an R&D team of 1,100 members. Among them, there are about 63.3% have a master's or doctor's degree, and more than 10% are of oversea background.



Ratio of talents with master's to doctoral degree

Ratio of talents with oversea background

Construction of R&D Innovation Center

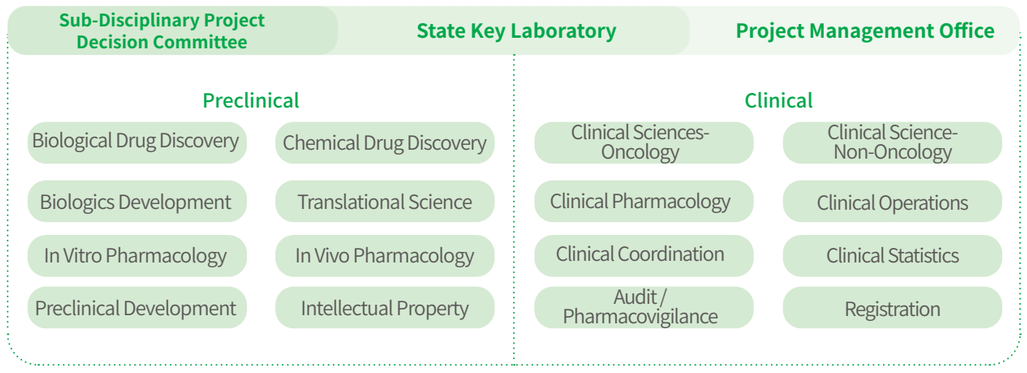
The Group pays high attention to the establishment of innovative drug R&D capability, and has achieved functions covering the whole process of drug discovery, preclinical development, clinical trial and registration. As of the date of this report, we established R&D innovation centers in Shanghai, Nanjing, Beijing and Boston respectively as well as a State Key Laboratory of Neurology and Oncology Drug Development.

Shanghai Innovation Center

Nanjing Innovation Center

Beijing Innovation Center

Boston Innovation Center

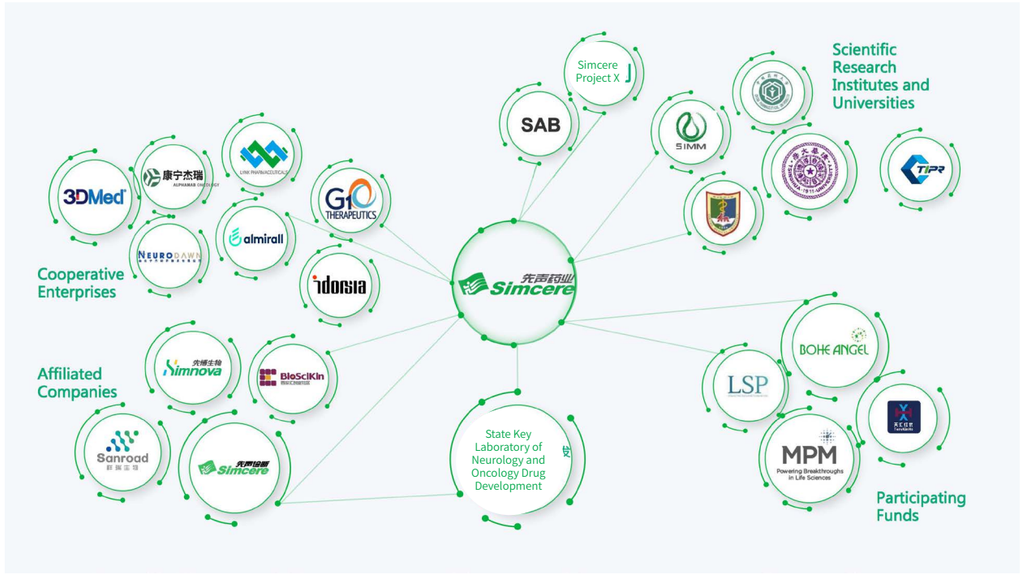


R&D Training

We place high importance on the improvement of the capability of the R&D team, and regard the R&D team and the strong research ability as the basis for us to make continuous innovative breakthroughs. For promoting the efficient operation of the R&D team, the Group has established a comprehensive R&D training system, providing various training programs for employees in a variety of jobs for continuously improving the professionalism of the R&D team through enhanced training. In 2022, the R&D system focused on promoting the PMDP Project of the Institute of R&D and Innovation, and invited external experts for instruction to empower the R&D team. Since May 2022, the project has invited several industry experts, and the training content covers strategies for innovative drug development, dose optimization, and translational medicine, etc., with a total of more than 500 participants.

Collaborative Development

The Group adheres to the core development concept of collaborative innovation and keeps an open attitude in exchange and cooperation with all sectors of society to share resources. In 2022, we actively participated in academic exchange activities on pharmaceutical innovation, continued to increase investment in R&D of innovative drugs and construction of R&D organization. We also established in-depth cooperation with world-renowned universities, academic institutions, and dozens of domestic hospitals to continuously promote the collaborative development of the industry.



Jointly establishing "Tsinghua University-Jiangsu Simcere Pharmaceutical Co., Ltd. Joint Research Center for Innovative Drug Discovery"

In December 2022, the Group and Tsinghua University jointly established the "Tsinghua University-Jiangsu Simcere Pharmaceutical Co., Ltd. Joint Research Center for Innovative Drug Discovery" (hereinafter referred to as the"Joint Research Center") for joint research on innovative drug discovery in the fields of neurological diseases, oncology and autoimmune diseases. The Joint Research Center is established in the School of Pharmaceutical Sciences, Tsinghua University, and the laboratory is located in the campus of Tsinghua University.

The construction of the Joint Research Center will complement and improve the research ability of the R&D team of the Group, promote academic exchanges between the two sides, and facilitate the construction of pharmacy and related disciplines and personnel training in Tsinghua University, so as to achieve mutual benefits and win-win situation between the School and the Group.

Inauguration of the Joint Research Center

The Group also actively carried out strategic cooperation with many leading multinational pharmaceutical groups and biotechnology companies. We strive to offer Chinese patients access to the latest research and development results in global life sciences, and efficiently contribute to the construction of a healthy China. At the same time, we will also let Simcere's frontier achievements out into the world and benefit worldwide patients.

Self-developed drug candidate SIM0278 achieves overseas licensing deal

On 28 September 2022, the Group entered into a license agreement with Almirall S.A., an international biopharmaceutical company, for the external licensing of SIM0278 (IL-2muFc) developed on its own protein engineering technology platform. Under the agreement, the Group granted Almirall an exclusive interest in the development and commercialisation of SIM0278 outside of Greater China, with the Group receiving up to USD492 million in development and commercial milestone payments based on possible outcomes across multiple indications and a possible future tiered commission. This transaction is the Group's first License-out and the total amount of the agreement is also the highest overseas license for a pre-clinical project in the autoimmune field in China.

Cooperating with Idorsia to license in anti-insomnia drug

On 15 November 2022, the Group entered into an exclusive license agreement with Idorsia for the development and commercialisation of the dual appetite receptor antagonist Daridorexant, a drug for insomnia, in the Greater China region, which was previously approved by the US FDA and the UK Medicines and Healthcare products Regulatory Agency (MHRA) for marketing in the US and the partnership is expected to bring better treatment option to a wide range of Chinese insomnia patients.

Intellectual Property Rights

We are fully aware that only with intellectual property rights under protection can we effectively promote long-term innovation. The Group attaches great importance to management and maintenance of independent intellectual property rights, complies with the *Copyright Law of the People's Republic of China*, *the Patent Law of the People's Republic of China* and other laws and regulations, and has developed internal regulations such as the *Intellectual Property Rights Management Measures*, to continuously strengthen management patents, copyrightscopyrights, and other intellectual property rights. In 2022, the Group continued to improve and regulate the intellectual property right management system, and promoted the formulation of the *Intellectual Property Management System*, to establish a set of systems and management systems with standardized management and complete contents.

The Group's patents include platform technologies, compound molecules, formulations, crystal forms, preparation processes and applications. We integrate the risk management of intellectual property rights into daily operations, and have established the early warning mechanism for risk management of intellectual property rights.

Patent risk monitoring and early warning

We conduct comprehensive investigations on patent technology information of relevant countries and regions in all aspects of the daily operation, carry out the freedom to operate (FTO) analysis and issue the analysis report, to ensure the free operation of products and technologies in relevant countries or regions. In 2022, the Group completed more than 330 analysis reports on IP risk early warning, project initiation, and BD due diligence.

Monitoring of trademark risks

The trademark specialist will monitor the risks of registered trademarks every week and raise objections in time to any trademark likely to cause confusion or imitating the trademark of the Group, to protect the trademark rights and interests.

Third-party risk evaluation

While the IP team in the Group evaluates the risks, we also entrust third parties (external law firm or consulting institution) to conduct back-to-back risk evaluation on our key projects, and the management team makes decisions based on the risk analysis results of both parties.

The Group's IP Applied & Obtained in 2022

	Patent	Registered trademark	Copyright
Granted in total	327	1,255	11
Newly applied in 2022	245	71	2
Newly granted in 2022	27	45	2

The Group's IP Applied & Granted in 2022

The Group actively attended various meetings on intellectual property right protection and R&D, and strived to promote the consensus on intellectual property right protection in the pharmaceutical industry.

Attending Symposium of "Beijing Intellectual Property Judicial Protection Association"

In September, 2022, representatives of the Group attended the Symposium on feedback and case sharing of patent linkage related systems in the pharmaceutical industry held by Beijing Intellectual Property Judicial Protection Association. During the Symposium, we had in-depth communication with and gave feedback to China National Intellectual Property Administration, judicial agencies and other parties on the key issues in the application of the patent linkage system, to support the development of the drug patent linking system in China.

The Group also pays due attention to training on intellectual property rights, and gradually establishes and improves the long-term protection mechanism of intellectual property rights while improving the awareness. In 2022, the Group carried out varied activities to enhance the employees' awareness of intellectual property right protection.

Induction training for new employees in R&D departments

- We provide IP training for new R&D employees. In 2022, four training sessions for new employee were arranged, covering basic IP knowledge and the Group's IP-related systems. The teaching site was interactive, and the trainees did well on the exams.

Internal training on literature workshop

- The literature discussion was conducted involving multiple platforms of the Group, combined with IP training, targeting at enhancing the awareness of IP protection of R&D personnel.

Internal training of IP department

- In 2022, we provided more than 35 sessions of internal training, covering key legal provisions and retrieval strategies of the patent law, articles and cases of European and US patent laws, trademark protection and so on.
- External lawyers were invited to give lectures to improve the legal literacy and professional ability of the IP team of the Group.

R&D Ethics

In clinical studies, we adhere to the ethics of science, comply with laws, regulations and industrial standards, e.g. *Provisions for Drug Registration (2020)*, *Good Clinical Practice (2020)*, *Declaration of Helsinki* and *Guidelines for Construction of Ethical Review Committee for Clinical Studies Involving Human Subjects*, and formulate internal regulations for R&D incentives, emergency response plans for clinical trials, laboratory management and more.

The Group attaches great importance to product evaluation and tracking management to provide patients with more detailed and instructive drug information. In the clinical study stage, the Group conducts a detailed study on the indications of drugs, and files each indication before marketing the product, and obtains supplementary approval from the National Medical Products Administration, including the notice of approval for supplementary applications of adverse reactions, clinical trials, pharmacology and toxicology, etc., to ensure that the process complies with laws and ethical norms.

Laboratory Animals

The animal test is not only the basis of medical research, but also the most important means to establish animal models in the physiological research stage of the test. The Group places high importance on the management of laboratory animals, and strictly complies with the standard management mechanism of animal tests according to 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 Laboratory Animals*, and relevant requirements of the Office of Jiangsu Laboratory Animal Management Committee, to effectively protect the welfare of laboratory animals.

Laboratory Animal Center in standard operation

Since it received AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) accreditation in November 2020, Simcere Pharmaceutical Laboratory Animal Center has always maintained the world leading quality of animals and animal facilities management.

Within the Reporting Period, the Laboratory Animal Center continued to strengthen the management methods of laboratory animals, further promoted the normalization and standardization of animal welfare, and provided more professional and efficient services and support for the R&D platform projects of the Group. In March and June, 2022, the Laboratory Animal Center completed the renewal of the license of the first floor and expansion of the second floor respectively. Both renovations passed the on-site review or video review of the Animal Management Office of Jiangsu Department of Science and Technology, and the laboratory animal use license was issued by the Department.

Laboratory Animal Center after Renovation

PRODUCT LIABILITY

We insist on providing patients with more choices for innovative products through innovation. We also pay attention to the interests of patients, and continuously promote inclusive medical care, striving to improve the accessibility and affordability of drugs.

Innovative Results

Guided by the needs of patients, the Group insights into the huge unmet clinical needs. The Group continued to strengthen the transformation of research results, and our innovative products have been widely recognized by the industry. As of December 31, 2022, the Group has over 10 products recommended by guidelines and pathways issued by more than 100 government authorities or prestigious professional associations.

CENTRAL NERVOUS SYSTEM PRODUCTS

先必新® | 必存® 依达拉奉注射液 | ancozy® 安适® 盐酸曲唑酮片

ONCOLOGY PRODUCTS

捷佰舒® Jepaso® | 恩度® ENDOSTAR | 科赛拉® | 恩维达® | 中人氟安® Sinofuan | 瑞立恩® | 诺威® 盐酸帕洛诺司琼注射液 | 恩立泰®

AUTOIMMUNE PRODUCTS

Iremod® 艾得辛® 艾拉莫德片 | 艾捷维® 枸橼酸托法替布片 | 英太青® 双氯芬酸钠缓释胶囊/凝胶

ANTI-INFECTIVE PRODUCTS

先诺欣® | 安倍® Newanti 注射用头孢呋辛钠 | 再立克® 盐酸阿比多尔分散片 | 也青® 扎那米韦吸入粉雾剂 | 安奇® | 再林® 利奈唑胺注射液/颗粒 | 再克® 头孢克洛干混悬剂

CARDIOVASCULAR DISEASES PRODUCTS

复傲坦® 奥美沙坦酯氢氯噻嗪片 | 舒夫坦® Softan 瑞舒伐他汀钙片 | 欣他® 瑞舒伐他汀钙片 | 欣适平® 硝苯地平控释片

OTHER PRODUCTS

必奇® 蒙脱石散 | 先声® 咳喘宁 | 法能® Alfacan 阿法骨化醇软胶囊 | 欧迪佳® 尿囊素铝片 | 世博® 气血康 | 健脾小珍糕

Exhibition of Some Marketed Products by the End of Reporting Period

Innovative Products	Main Advantages
Endostar® 	● It is the world's first recombinant human endostatin. ● It received the Second Prize of National Technological Invention Award, Gold Prize of China Patent Award and other awards.
Iremod® 	● It is the world's first Iguratimod preparation. ● It is recommended in several Chinese and foreign clinical diagnosis and treatment guidelines.
Sanbexin® 	● It is the only innovative drug for stroke approved worldwide since 2015. ● It has received national special support for "Significant New Drug Development" from the Ministry of Science and Technology and has been recognized as a landmark achievement of China's medical science and technology during the "13th Five-Year Plan".
ENWEIDA® 	● It is the world's first PD-(L)1 antibody drug for subcutaneous injection. ● It has a short administration time of thirty seconds, making it possible for patients to receive treatment at community clinics or even at home.
COSELA® 	● It is the world's first product for preventive administration before chemotherapy to fully protect bone marrow and immune cells. ● It obtained the Breakthrough Therapy Designation from FDA.
XIANNUOXIN® 	● It is the first Chinese 3CL targeted ant-SARS-CoV-2 innovative new drug. ● It inhibits 3CL protease required for replication of SARS-CoV-2 virus, causing the virus to lose the ability to infect normal cells and spread from the source.

Six Marketed Innovative Drugs of The Group

The first domestic 3CL anti-COVID-19 innovative drug XIANNUOXIN®

XIANNUOXIN® is a small-molecule drug against COVID-19, consisting of simnotrelvirSimnotrelvir tablets and ritonavirRitonavir tablets. SimnotrelvirSimnotrelvir targets 3CL protease that is essential for SARS-CoV-2 viral replication. A combination with low-dose ritonavirRitonavir can help slow simnotrelvirSimnotrelvir being metabolized or divided breakdown of Simnotrelvir in human bodies for enhancing and thus improve anti-COVID-19 effect.

In November, 2021, Simcere entered intoentered a technology transfer contract with the Shanghai Institute of Materia Medica (SIMM) and Wuhan Institute of Virology (WIV) of the Chinese Academy of Sciences (CAS), pursuant to which the Group obtained development, production, and commercialization rights on an exclusive basis of simnotrelvirSimnotrelvir worldwide. In 2022, the Group carried out close cooperation with relevant research institutes and clinical centers distributed throughout the country, to accelerate the development of the drug:

- **On March 28, 2022,** approval was obtained for clinical trial from National Medical Products Administration (NMPA).
- **On April 10, 2022,** Phase I clinical trial enrolment.
- **On December 18, 2022,** a multi-center, randomized, double-blind, placebo-controlled phase II/III clinical study was conducted to evaluate the efficacy and safety of XIANNUOXIN® in treatment of adults with mild and moderate COVID-19 infection, and all the 1,208 patients were enrolled.
- **In January, 2023, the results of clinical analysis demonstrated the significant antiviral effect of XIANNUOXIN®, with the viral load decreasing rapidly and significantly after administration, which could accelerate the recovery of symptoms of COVID-19 and shorten the course of disease, with good safety and tolerance.**

ENWEIDA® was listed as one of the Top 10 New Drugs of the Year in China

ENWEIDA® was listed as one of the Top 10 New Drugs in China of the 14th Annual Forum on Healthy China issued by the *People's Daily* on August 3, 2022. The list makes evaluation for drugs in terms of their novelty, clinical breakthrough, accessibility as well as public attention. Drugs on the list were all blockbusters that came into the market in 2021, targeted several major diseases with high incidence, and filled in blanks in many therapeutic fields.

Certificate of Merit

Inclusive Medical Care

We are working to make healthcare more accessible and see this as our obligatory social responsibility. We keep following the demands of patients for health, deem market demands, clinical studies and efficiency of marketing as entry points, promote the inclusion of the drugs in NRDL, and take many actions such as drug donation and transformation toward digital marketing, with a view to making drugs more accessible to patients in an all-round way.

NRDL Negotiation

By taking an active part in the national reimbursement drug negotiation, the Group is committed to expanding the accessibility of our drugs via inclusion in the NRDL. By the end of the Reporting Period, the Group has more than 40 products on the NRDL. This effectively lowers the cost of treatment for patients and helps the country secure the bottom line of people's livelihood.

NRDL included drug over

40 products

Sanbexin® successfully renewed the NRDL

In China, the mortality of hospitalized patients with acute ischemic stroke within 1 year after onset is around 14.4%-15.4%[1], bringing a heavy burden to patients. In line with the corporate mission of "Providing Today's Patients with Medicines of the Future", Sanbexin® (Edaravone and Dexborneol Concentrated Solution for Injection), a worldwide first-in-class novel drug for ischemic stroke independently developed by the Group and the only innovative drug in the field over the past 7 years. It was included in the National Health Insurance Drug List five months after its launch in 2020, and its clinical value continues to be highly recognized by doctors and patients. In 2022, Sanbexin® benefited an estimated 880,000 patients and currently covers approximately 3,440 healthcare facilities.

To better ensure the continuity of medication and economic efficiency for patients, Sanbexin® successfully renewed the NRDL in January of 2023, making the product available in lower-tier cities. As Sanbexin® is made available in hospitals at community level through NRDL "dual channel", millions of patients with stroke can have access to cheaper and more effective drugs.

Benefiting patients: 97% reduction in the price of generic Lenvatinib

According to the latest statistics issued by the National Cancer Center, around 390,000 new cases of liver cancer were reported in China annually and an average of 336,000 people die from such a disease every year. The number of deaths is close to that of new cases, indicating a severe situation for treatment of liver cancer[2]. Historically, the anti-cancer drug lenvatinib has been outstandingly effective in treating liver cancer, but the high cost has been a heavy burden on patients. Lenvatinib delivers an excellent performance in the treatment of liver cancer with Chinese features. Unfortunately, its high cost significantly reduces the accessibility of medicine.

To better benefit patients, the Group voluntarily cut the price of Lenvatinib generic drug, and won the bid with the lowest price (a whopping 97% price reduction) in the same category in the 7th round of national centralized drug procurement. In this way, medical institutions in areas with a high incidence of liver cancer can introduce the drug free of financial burden, thus presenting more patients with therapeutic opportunities.

[1]Source: *Contents of Guidelines for Diagnosis and Treatment of Acute Ischemic Stroke in China (2021 Version)*
[2]Source: https://www.sciencedirect.com/science/article/pii/S2667005422000047

Drug Donation

The Group seeks to make tangible efforts by acting on the principle of "patient first", following the demands of those with severe diseases, and promoting drug donation, to provide patients with direct assistance, relieve them of financial burden and present more therapeutic opportunities.

ENWEIDA® is included in Yiyaochou (a public welfare program for medical crowdfunding)

Imported drugs once cornered the market of tumor immunotherapy and the PD-1 series was priced at as high as RMB 40,000 per vial. Such an exorbitant price becomes a critical obstacle for patients' access to treatment. ENWEIDA®, co-developed by the Group, 3D Medicines and Alphamab Oncology and launched in China, is the world's first PD-(L)1 antibody for tumor immunotherapy to be administered by subcutaneous injection.

The Group has been working vigorously to enhance the accessibility of the drug since its launch. As a new drug independently developed in China, ENWEIDA® has the lowest unit price among similar products. At the same time, through collaboration with multiple parties, we launched the ENWEIDA® Yiyaochou Charitable Aid Program to provide patients with the drug free of charge. For those who participate in the program, the cost of a single dose can be reduced to below RMB 3,000.

Currently, we are rolling out the program nationwide, and eligible patients can apply readily in APP on the phone. Since launch in December 2021, a total of 3,734 doctors and 185 pharmacies from 30 provinces, autonomous regions, and municipalities directly under the central government participated in the program. As of end of the Reporting Period, the project has benefited a total of 11,982 patients aged from 10 to 95, and has greatly helped a large number of patients suffering from tumor diseases.

ENWEIDA® (Envafolimab Injection)

Online Promotion of Drugs

The Group attaches great importance to emerging business modes and focuses on cracking the conundrum that most of patients in lower-tier cities are struggling with insufficient medical resources. By taking advantage of the information transparency and open competition in online market, information inconsistency about price of clinical drugs can be corrected, thereby allowing people to have better access to drugs at a lower cost.

We have made diversified attempts to integrate online medical service, online medicine purchase, and payment with commercial insurance. In 2022, the Group achieved big headway in online business, registering an overall scale of 50 million.

The Group sped up cooperation in online medical service in 2022. We are deeply aware that against the backdrop of COVID-19 epidemic, shortage of drug supplies may happen in some area. To solve this, we have made vigorous efforts to collaborate with Internet platforms to promote online diagnosis and treatment, in ways that benefit patients regardless of temporal and geographical restrictions, provide them with faster, easier access to medication and safeguard their health.

Overall online business scale exceeded

50 million

02

Patient-Foremost
Excellent Quality

Quality underpins the business of a pharmaceutical enterprise. The Group makes drug quality the top priority in business development, with the whole industry chain interconnected to jointly built a quality management system throughout the full life cycle of products. We also act in line with the principle of providing responsible marketing and warm customer service, with a view to securing the drug safety in an all-round way.

The product recalls due to quality is

0

The number of training sessions on compliance and marketing terminologies is

289

The number of trainees for responsible marketing is

25,000

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

QUALITY CONTROL

Upholding the quality policy of "the Best Products, the Pursuit of Excellence", the Group puts a tight rein on quality to ensure the drug safety. Through the sound quality management system, we established and improved management system that is refined on a regular basis, we maintain tight control over the risk of drug quality throughout the full life cycle of products. Beyond that, we keep upgrading our information management system to better manage risks.

In 2022, by fully upgrading the ERP system, we achieved online management of procurement, production, warehousing, GMP, and marketing. On top of that, we also reduced errors arising from manual operations, lowered communication costs in all respects, and improved production efficiency and quality management.

Quality System

Strictly abiding by laws and regulations, such as the *Product Quality Law of the People's Republic of China*, the *Drug Administration Law of the People's Republic of China*, and the *Measures for the Supervision over and Administration of Pharmaceutical Production*, with reference to the quality management system models of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) and cGMP, the Group has established quality management systems throughout the full life cycle of products at each of production base. We have also assigned personnel to put tight rein on material procurement, production, warehousing as well as product release, with the result of drug quality management disclosed by the Quality Management Department on a quarterly basis. In 2022, the 5 running workshops have complied with Chinese GMP requirements, and some production lines have passed the EU GMP certification or US FDA inspection. All products have obtained manufacturing license. Among the Group and Enterprises, Hainan Simcere has passed the EU GMP certification for many times, and Simcere Pharmaceutical as well as Wuhu Simcere have been certified with ISO 9001:2015. The Group has also accepted and passed on-site audits in terms of drug manufacturing license of workshops, GMP compliance and other special items conducted by local medical products administration, food and drug evaluation & inspection center, ADR monitoring center and customers.

Quality Monitoring

The Group has established quality and safety management system throughout the full life cycle of products in line with laws and regulations such as the *Good Manufacturing Practice for Drugs*, the *Good Supply Practice for Drugs* and the *Good Pharmacovigilance Practice*, to ensure that the procurement of raw materials, production, transportation and marketing of products and other business aspects meet the relevant laws, regualtions and industrial criteria. We carry out internal inspection for the product quality safety as well as monitoring on adverse drug reactions on a regular basis, to make general guarantee for the product safety.

Quality Risk Management

In line with the *Quality Risk Management Procedure* established by the Group, we carry out quality risk management throughout full life cycle of products. A risk assessment team is founded to regularly carry out risk identification and assessment in key aspects with risk analysis tools, conduct classified and graded management for products based on the assessment results, and develop or update corresponding product risk management plans. As for products with potential medium-high risk points, we develop risk mitigation measures as demanded to ensure the safety and effectiveness of drugs.

Main risks	Countermeasures
Product Manufacturing	• Carry out production feasibility risk assessment for projects newly introduced • Carry out risk assessment for production personnel, key equipment, materials, production process, and production environment; output potential quality risk points and countermeasures • Carry out annual evaluation for production process of final products, inspection, stability, validation status and release criteria to ensure that products from each unit are safe and effective
Transportation of Products	• Collect drug storage temperature during transportation, qualification of transport vehicles and other relevant information, evaluate the impact of storage environment and supply & transportation on products, and ensure the traceability of information about the whole process of drug transportation
Pharmacovigilance (PV)	• Carry out PV activities in accordance with the clinical risk management plan of products • Monitor and evaluate product safety, grade PV activities, and implement risk management measures based on adverse reaction reports of products, safety report, changes in safety information and other information • Carry out studies on product interaction and use in special population for innovative drugs recently launched

Drug Risk Management Process of the Group

Manufacturing Management

Given all the conditions required for drug production, the Group formulates strict regulations in terms of personnel configuration, equipment qualification, product management and other aspects in the production stage. We release eligible drug substances and preparations from the factory and allow them to enter the market in accordance with the *Final Product Release Procedures*. Besides, we guarantee that both self production and outsourced production meet GMP requirements.

Personnel Management

- Establish professional production teams, set annual product quality and safety objectives by production personnel in each workshop, including incidence of deviation, incidence of OOS, quality and safety complaint rate, and assess performance on a regular basis
- Formulate the *Supplier Management Procedures* and *Quality Agreement Management Procedures*, examine outsourced suppliers for production qualifications, and provide production trustees with guidance and supervision throughout the entire production process

Equipment Qualification

- Test and update product quality and safety testing techniques and equipment

Product Testing

- Carry out inspection batch by batch for raw and auxiliary materials, packaging materials, pharmaceutical intermediate products and final products of all out-of-warehouse products
- Carry out inspection for drugs subject to contract manufacturing based on drug registration requirements

Production Management Measures of the Group

Guarantee for Transportation

As for the transportation stage of products, the Group formulates the *Carrier Management System* to ensure that the carriers are qualified and equipped with transport facilities and equipment with sound surveillance system. Transportation requirements are detailed in the *Transport Consignment Agreement* and *Quality Assurance Agreement* between us and the carrier. Products requiring special storage conditions are subject to cold-chain transportation with real-time temperature monitoring. We carry out regular audits on the transport equipment, personnel qualification and quality assurance capability of carriers and ensure that 100% of them are audited triennially. As for those failed to pass the audit, the Group will propose correction comments and carry out audit more frequently (annually).

Pharmacovigilance (PV)

Aimed at PV globalization, the Group formulates the *Quality Management Procedure for PV Activities,* the *Plan for Continuity of PV Business* and other internal guidelines, while establishing a PV management system that is coordinated by the global PV director with the drug safety board as the highest responsible authority, in order to ensure the internal PV management complies with national and international standards.

To guarantee that all products meet the internal PV quality goals and secure the public drug safety, we carry out PV activities on a regular basis, including daily monitoring of adverse drug reactions (ADRs) reports to evaluate drug safety and monthly monitoring of ADR-related literature to detect potential ADRs and report in a timely manner. To keep improving the PV management, we carry out internal PV audit at least once in a year. As for PV of overseas products, we cooperate with qualified companies to carry out PV works via an agreement on exchange of drug safety data, so as to meet the requirements of laws and regulations in marketing countries and areas. Aside from that, we establish overseas PV workflow in line with requirements of the countries or areas carrying out the trial to better manage PV of overseas projects.

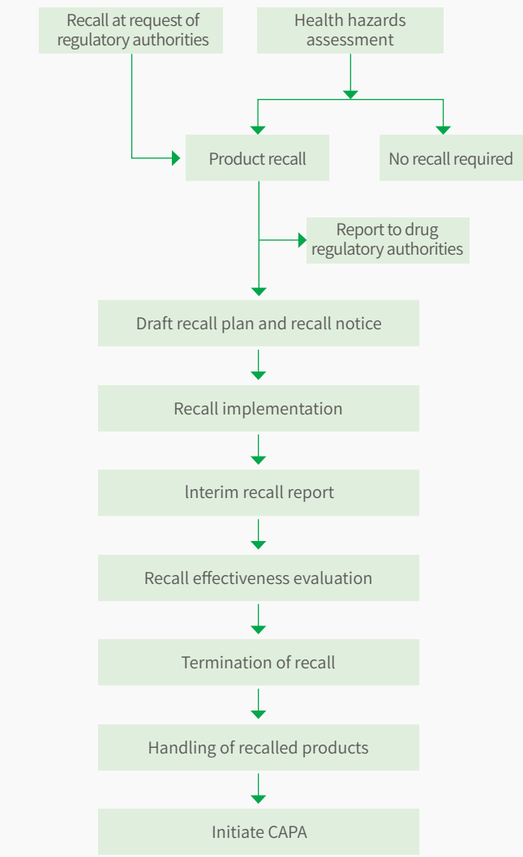
Data Management and Storage	• Introduce eSafety and Argus system to process and archive PV data • Record and archive PV training data in eTMS system
Data Report	• Develop an online PV mini app, to timely collect the adverse reactions of marketed drugs of the Group and our subsidiaries • Regularly submit safety reports on individual case and regular safety reports during drug clinical trials to national institution for drug evaluation by using a gateway-to-gateway mode and standardize the submission of PV data

Highlights of PV Measures of the Group in 2022

Recall Management

The Group strictly abides by the *Drug Administration Law of the People's Republic of China* and the *Provisions for Drug Recall* (NMPA Decree No. 92, 2022), and revised the *Management System of Drug Recall* and *Management Procedure for Drug Recall* in 2022, to clarify duties of relevant personnel and the range of drug recall, upgrade processes of investigation and evaluation for recalled products and ensure that the drugs are traceable and recall events are handled in a timely manner. In addition, we carry out regular drills to simulate drug recall. Employees are required to be familiar with the process and the effectiveness of the recall system is evaluated, to ensure that any recall occurred can be carried out in a timely, well-organized manner. The Group had no product recalls due to quality within the Reporting Period.

The Group uses "Drug Code Trace" traceability codes for all the products to ensure that the whole product-related process can be traced. Both in-house personnel and customers can check the authenticity of products by scanning drug traceability codes or logging in the Drug Code Trace system.



Product Recall Process

Quality Audit

The Group formulates and implements the *SOP for Self-inspection* to guarantee the drug quality in an all-round way. By combining annual audit and special audit, we carry out annual self-inspection to perform internal audit on product production teams, plants, equipment and facilities, system documents, processes, materials and products, confirmation and validation processes, quality control and quality assurance, commissioned production & inspection, and shipment and recall of all products, thereby ensuring that the product quality meets the registration criteria and intended use. Against the problems identified, we require relevant responsible departments to formulate and implement corrective and preventive measures, and assign special personnel to track and confirm that the rectification has been completed.

Quality Culture

The Group sets store by cultivation of quality culture by carrying out relevant training and diversified activities to enhance the quality management awareness of staff and the quality management level of the company. We carry out professional training annually for all quality management personnel on the Simcere e-Class platform, and the training system covers all quality-related posts such as production and equipment, quality, and material storage. We also invite external experts and regulators to carry out quality training and case sharing, covering production process technologies, production processes, quality management as well as management of post-marketing changes.

To comprehensively strengthen the Group's quality management, we carry out the Quality Month campaign in 2022 themed "Join Hands to Boost Quality and Performance" in forms of centralized quality management knowledge competition, self-inspection of quality control ability as well as skill competition to enhance quality management awareness of all staff. Within the Reporting Period, all personnel in the drug production and quality management process have received the quality-related training organized by the Group.

The Quality Month Campaign of Shandong Simcere

In September 2022, Shandong Simcere carried out the Quality Month Campaign, with a view to strengthening the employees' GMP awareness. During the campaign, special training, quality self-inspection, skill competition and quality management discussion were carried out by Shandong Simcere to improve the company's quality management.

- Special training: training around GMP to make all staff better understand GMP regulation;
- Quality self-inspection: quality management self-inspection & self-rectification activities in forms of comprehensive GMP self-inspection, screening of production order control risk and check of EU GMP annex to further refine the quality management system;
- Skill competition: knowledge competition about GMP- related regulations, GMP documents and other knowledge to help staff gain deeper insight into the regulations and documents;
- Quality management discussion: discussion by all staff on quality management regulations to streamline the regulations of quality management and further improve the practicability of related documents of quality management process.

Special Training on Quality Management Carried Out by Shandong Simcere

While creating a good atmosphere for internal quality management, the Group makes vigorous efforts to engage quality management activities of the industry and accepts supervision and audit of external institutions to improve our quality management ability. In 2022, the Group attended the 43rd National Pharmaceutical Industry Communication Conference for Achievement Presentation of Quality Control (QC) Circle, with 4 technical fruits widely recognized by experts and 2 awarded QCC first prize. We also participated in activities for promoting the construction of Quality Trustworthy Team organized by Nanjing Association for Quality, and were successfully elected as a member of the team.

Attended the 43rd National Pharmaceutical Industry Communication Conference for Achievement Presentation of Quality Control (QC) Circle

The number of technical fruits awarded first prize from National Pharmaceutical Industry of Quality Control (QC) Circle is

2

SERVICE ASSURANCE

In line with the principle of "focusing on key innovative products and making professional promotion based on disease domain", the Group carries out product promotion and marketing in a responsible way. We continue to upgrade our customer service mechanism, strive for providing customers with assured products and services, along with quality service experience.

Responsible Marketing

The Group abides by the *Drug Administration Law of the People's Republic of China*, the *Pharmacopoeia of the People's Republic of China*, the *Regulations for the Implementation of the Drug Administration Law of the People's Republic of China*, the *Provisions for Drug Insert Sheets and Labels and other relevant laws*, regulations and industrial standards, formulates internal system such as the *Management System of Sales Personnel and Sales Behavior*. Built on this, we standardize pharmaceutical marketing materials and guarantee the accuracy and completeness of pharmaceutical marketing materials and the objectivity of marketing, advertisement and sales. We also define the process for dealing with exaggerated and excessive publicity. Four sales divisions, namely neuroscience, anti-tumor, autoimmunity and integrated retail, and other marketing support departments of the Group were set up to support drug sales in line with laws and regulations with sufficient human resource. In 2022, in combination of online and offline means, we provided 289 sessions of training on compliance and marketing terminologies for all marketing staff, including staff from the medicine department and agencies, in a bid to ensure the professionalism of the marketing teams. The training recorded about 25,000 trainees. In addition, we conducted 15 specialized training sessions on compliant marketing for 1,441 all new hires.

In 2022, in combination of online and offline means, the number of training sessions on compliance and marketing terminologies was

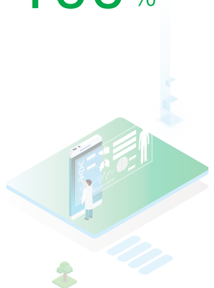
289

the number of trainees was

25,000

the coverage for new hires was

100%



Online & Offline Training on Accountable Marketing of Simcere Institute

To expand the Group's reserve of outstanding marketing personnel and improve their professional attainments, the Simcere Institute invites outstanding staff representatives from each business unit to share their daily work and management experience through live training on KnowChat, an online marketing system, and offline backup talent training program.

In 2022, we organized 19 rounds of live broadcast with more than 15,000 participants in total and several sessions of training for backup marketing talent in terms of pharmaceutical expertise introduction, innovative academic promotion, marketing & customer management and other relevant contents. Amidst the proactive discussion and interaction by all participants, the Group's capability to make academic promotion and accountable marketing was improved.

Training for Backup Marketing Talent of Simcere Institute

Aiming at target groups of all drugs, multiple departments of the Group work together to carry out academic promotion activities to ensure the regulatory compliance and rationality of drug sales. We also carry out examinations and audits on the qualification of distributors on a regular basis and punish violations to make sure that the distributors have eligible qualification.

To ensure that patients use the correct drugs in a reasonable way, we issue the proper usage scenario, method and dosage of Iremod® on our partners' platform, and provide guidance, training and instruction on drug use for physicians with multi-sited license on online hospital platforms. Alongside that, as an active organizer of and participant in seminars, we interact with industry experts, physicians and patients, sharing information such as the energy efficiency, mechanism of action and clinical trial results of products, to help physicians determine the target population in a reasonable way, so that these products can benefit patients more precisely. In 2022, our medicine department attended 135 industry academic seminars, gained deep insight into industry trends and demands of patients and upgraded therapies.

Expert Seminar on Stroke Carried out by Simcere

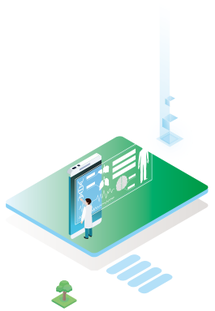
In 2022, Simcere carried out the Expert Seminar on stroke, to which hundreds of industry experts and doctors were invited and attended. In the seminar, we introduced the latest progress in international studies on futile recanalization after endovascular treatment, hemorrhagic transformation, blood-brain barrier therapy and other issues, while sharing the latest research data on Sanbexin® in blood-brain barrier protection.

COSELA® Seminar

In 2022, the Group carried out COSELA® seminars (Trilaciclib hydrochloride for injection) in several provinces, sharing and discussing the action mechanism of Trilaciclib and its clinical application in small cell lung cancer and marrow protection with physicians and industry experts. Through the seminar, all attendees gained deep insight into the action principle, use scenario and other information about trilaciclib, so that it can serve patients more precisely.

Customer Service

In line with the principle of "patient first", the Group continues to improve the quality of customer service to protect their rights and interests. To present our customers with ever-improving drug use experience and top-notch services, we keep upgrading customer complaint process and strengthening privacy protection.



Customer Complaint

To ensure better customer service and provide sound solution to complaints, we formulate the *Customer Service Hotline Handling Procedures*, the *Quality Complaint Handling Procedures*, the *User Complaint Handling Management Procedures*, and the *Procedures for Collection the Reporting of Drug Safety Information*, in order to standardize the answering, registration, evaluation, investigation and handling of such complaints. We are equipped with a professional customer service team composed of members mastering rich knowledge about pharmacy and products, capable of providing customers with proper responses and solutions to their problems. A 24-hour complaint hotline is available with related devices tested regularly to guarantee smooth communication between customers, patients and us. Within the Reporting Period, the Group received and responded to a total of 66 complaints from patients and customers.

Information and Privacy Protection

The Group attaches great importance to information and customer privacy security and in accordance with the *Network Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China* and other regulations, formulates the *Group Confidentiality Management System* and other internal systems. Beyond that, a three-level management architecture for information security and privacy protection is established to protect group data and customer privacy from infringement.

Confidentiality Management Committee	The Group's Chairman as the director, together with the members, leads the Group's trade secret management, including system revision, trade secret grading, safety review and key confidentiality work plans
Joint Confidentiality Management Agency	The Group's Legal Affairs and Compliance Department and the Process and Information Department jointly coordinates the Group's work on information security, conduct regular audit and analysis of information security and carry out information security training and promotion for all employees
Confidentiality Officer	The confidentiality officer that is responsible for information and confidentiality of all departments is assigned

Management Architecture for Information Security and Privacy Protection

To protect data security, we set up a private data firewall and regularly scan the server network for vulnerabilities. Classified information is subject to hierarchical administration, with standardized data authorization. At the same time, we carry out audits on data security on a monthly basis. We also organize publicizing and implementation of information security and small-scale phishing drills to enhance staff's relevant awareness. In 2022, the Group conducted two information security awareness trainings and one information security drill for all employees to enhance their awareness of information security protection.

To effectively protect customers' privacy, a Non-Disclosure Agreement is reached between the Group and every employee. Besides, all employees are required to participate in the training and assessment for information and privacy protection, to make them aware of the importance of confidentiality duty. Aside from that, suppliers that may receive customers' privacy are required to formulate data protection regulations, pass the relevant certification and sign confidentiality provisions that stipulate the requirements on customer privacy protection. In 2022，the Group conducted information security audits on all new suppliers that may have access to customers' private information to avoid abuse or leakage of customer data. Within the Reporting Period, the Group had no information and privacy data leakage.

Information Security and Privacy Training

In March 2022, the Group's Joint Confidentiality Management Agency carried out publicity, implementation and training on information security system for all, and 90% of employees participated and passed the assessment. In July 2022, we carried out the 2nd round of special training on information security for development system of key departments, in which a total of 1,030 R&D staff participated. Besides, the Group makes the training a compulsory course for new employees upon induction to make sure that all of them understand the Group's requirements on confidentiality and information security management. Thanks to our persistent efforts to publicize and implement information security awareness with relevant training, the confidentiality actions of employees are standardized and the Group's information security is strengthened.

90%

of employees have trained and passed the information security system assessment

03

People-Centered Inclusive Employer

The Group believes that the contribution of employees underlies our success in sustainable development. To build a diverse, industry-leading team, we pool our resources to attract talent, support their development and release their full potential.

Proportion of female employees

50.9 %

The Group has distributed of epidemic prevention materials to its employees

more than 8,000 sets

The donated materials and cash reached approximately RMB

44.5 million

1 NO POVERTY

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

THIRSTY FOR TALENT

In line with the employee-oriented principle, the Group joins hands with our employees to seek mutual development and guarantees their interests and rights by serving as a cradle for cultivate industry leaders and business elites amidst a fair, open, harmonious and inclusive working environment.

Legal 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, and treats equally all employees without discrimination regardless of their nationality, ethnic group, race, gender, religious faith as well as cultural background. We respect and protect the legitimate rights and interests of all employees by standardizing and enforcing the labor system and eliminating the employment of child labor and all forms of forced labor. We formulate the *Recruitment Management System*, the *Technical Post Management System* and relevant documents to clarify information about employment, working hours and salary. Within the Reporting Period, we had no incidents of forced labor or child labor.

The Group provides employees with good salary and welfare. The total remuneration is composed of fixed salary, floating bonus, medium- and long-term incentives and extra welfare. Among them, the fixed salary depends on various factors such as market competitiveness, qualification evaluation, and annual salary adjustment matrix. The floating bonus covers basic performance bonus, project bonus, etc. To keep and motivate core talent, attract top-notch talent in the pharmaceutical industry, and promote business growth driven by talent and technologies, we granted a total of 24,968,000 restricted share units to 252 employees within the Group in 2022.

As of December 31, 2022, the Group has 7,832[3] full-time employees, including 7,820 regular contract employees and 12 retirees rehired. 50.9% of the Group's employees are women, and there are 10 employees with disabilities.

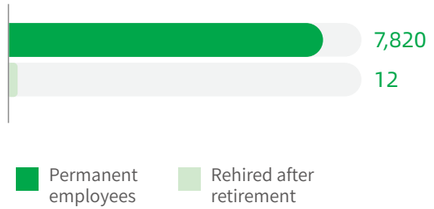
Employees with disabilities

10

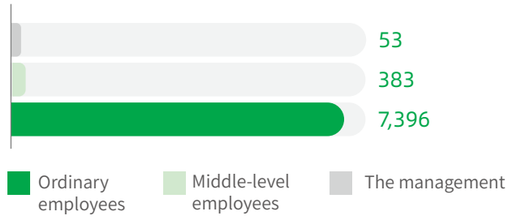
Proportion of female employees

50.9%

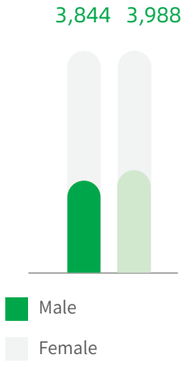
Number of employees by type of employment (Unit： person)



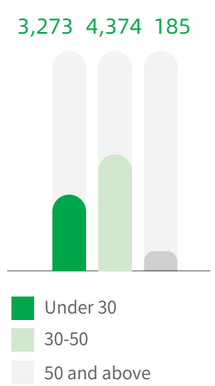
Number of employees by rank (Unit : person)



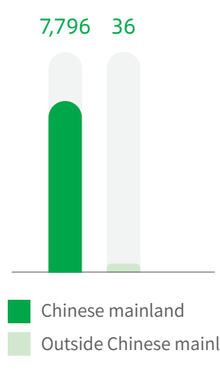
Number of employees by gender (Unit : person)



Number of employees by age (Unit : person)

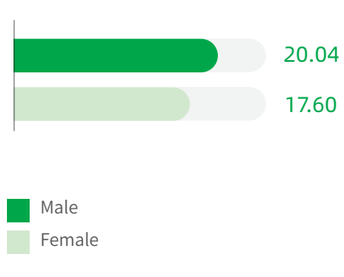


Number of employees by region (Unit : person)

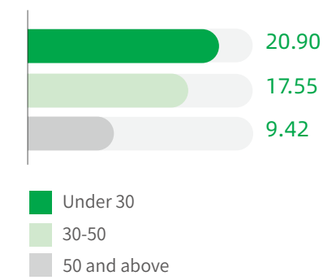


Employee Composition of the Group in 2022

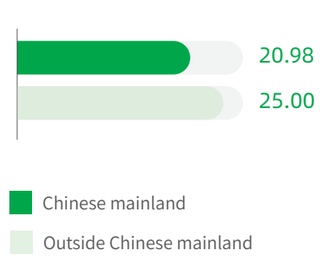
Employee turnover rate by gender (Unit : %)



Employee turnover rate by age (Unit : %)



Employee turnover rate by region (Unit : %)



Employee Turnover Rate of the Group in 2022[4]

[3] The number of full-time employees in this report includes the number of employees with permanent contracts, retirees rehired. The number of employees and turnover rate divided by rank, gender, age and region are consistent with the total number of full-time employees

[4] Employee Turnover Rate is calculated through: Employee turnover rate = total number of people leaving the company during the statistical period/(number of people in the office at the beginning of the period + number of people entering the company during the statistical period)

Talent Attraction

The Group acts in line with the principle of "We Need Someone Stronger than What We Are" during recruitment and abides by the *Employment Promotion Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China* and other relevant national laws and regulations. We revised and issued internal systems, such as the *Honor Incentive System* and the *Managers' Potential, Values and Behavior Assessment System*, giving full play to the incentive of welfare system on employees, with a view to enhancing employees' sense of gain and happiness, regularizing their behaviors and attracting more high-caliber talent.

In 2022, by setting up WeCom and Talent Recommendation Channel for recruitment, we reserved talent and selected elites in forms of campus recruitment, talent introduction and internal mobility, with a view to guaranteeing the Group's long-term, sound development.

External recruitment

Campus Recruitment

Map of external talent

Internal mobility

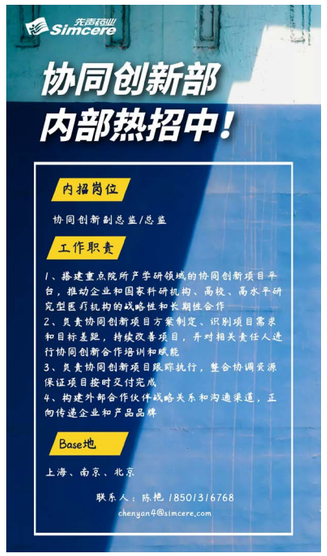
Identification and review of backup talent with high potential

Main Talent Recruitment Channels of the Group

Recruitment Presentation in Tsinghua University

Recruitment Presentation in Peking University

Internal Mobility



Internal Mobility

The Group carries out talent review annually, sorts out job requirements and establishes corresponding talent plans. In 2022, targeted at different types of business, we initiated multiple talent attraction projects to stimulate development and competence of our employees.

Identification and review of backup talent with high potential	Map of external talent	Campus recruitment
Within the Reporting Period, we accurately screened a number of outstanding employees, established an information database for talent who may become successors at management posts, and conducted comprehensive management for backup talent.	The Group accurately prepares the map of external talent, introducing a number of excellent professionals and managers in the industry. We tailor cultivation programs and strengthen the theory-practice combination through special empowerment training conducted by the Simcere Institute, to make talent reserve at key posts of the Group.	Within the Reporting Period, the Group held a number of offline campus presentations in key colleges and universities, in which outstanding students actively participated.

Talent Attraction Projects of the Group

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 talent. In 2022, we received a total of 8,477 resumes and referrals via the "Talent Recommendation Channel" , introduced 161 medium- and high-end talents, and 496 employees have won the "Bole Award".

We set store by employee growth, providing them with broad development platform and promotion space. Based on the management post succession plan, we encourage internal mobility among employees to unleash their potential and achieve the common growth of the company and employees.

A total of resumes

8,477 received

Successfully introduced

161

medium- and high-end talents

Talent Cultivation

The Group attaches great importance to the development of employees. By adhering to the principle of "let the best to cultivate the better", we set up various courses for all employees, from interns to management personnel, thereby enabling them to achieve self-improvement in a diversified manner. We issue the *Internal and External Staff Training Management System* and the *Simcere Lecturer Management System*, develop comprehensive training programs based on employees' demands and development goals of the Group, cultivate versatile management talent, standardize the management of lecturers, and define the way to put into practice the performance ranking and assessment. In this way, enthusiasm of employees can be unleashed, which is conducive to talent cultivation.

The Group sets up the Simcere Institute, in which courses such as new employee training, professional skills training, and knowledge & experience sharing are provided based on four major categories: marketing systems, research and development systems, pharmaceuticals systems, and headquarters functions. Our training varies with different talent groups, to achieve ever-improving alignment between talent and post, team and organization, to improve the structure and quality of our talent team and galvanize employees' enthusiasm and vitality.

Trainees	Training Content
All employees	• Simcere Institute offers training for all staff, covering confidentiality system, supply chain management, public opinion, financial operation analysis and other topics.
Fresh college graduates	• Dandelion Program: It is designed for newly-recruited fresh graduates. Training takes forms including corporate culture, pharmaceutical business as well as 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 organized 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 PMDP, Clinical Trial Project Management and New Drug Development Project Management Basic Practical Sessions 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.
Marketing personnel	• Backup talent cultivation program: Carry out training on coaching thinking development, reserve outstanding talent for team management posts and improve the sales team's ability in coaching and regional business planning & management. • KnowChat platform: Share management skills and core business skills by outstanding employees via three modules, namely, master show, extraction show, and strength show, in online live broadcast training. In 2022, we held 19 rounds of online training with a total of 15,000+ participants and 36 outstanding employees shared their experience.
Pharmaceutical personnel	• Special training program for frontline supervisors: Start with the growth path of frontline supervisors, based on the definition and basic functions of management, organizing in-depth discussion for problems encountered in management and case sharing, to improve the management ability of frontline supervisors. • Pharmaceutical quality training program: Carry out Quality Month activity to help all employees enhance GMP compliance awareness and expertise while gaining a deeper insight into all rules and regulations.

Talent Training Projects of the Group

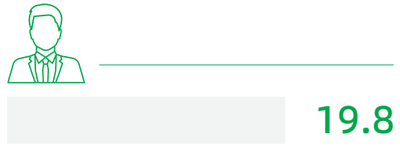
Management Trainee Training

Training of R&D System

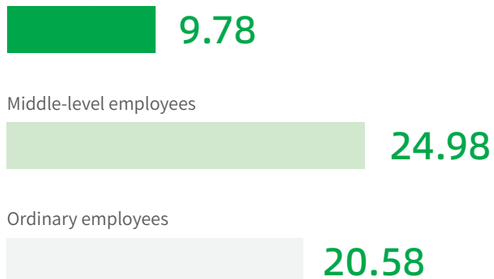
Training of Pharmaceutical System

Training on the Dandelion Program

Average number of training hours of employees by gender (Unit:hours)

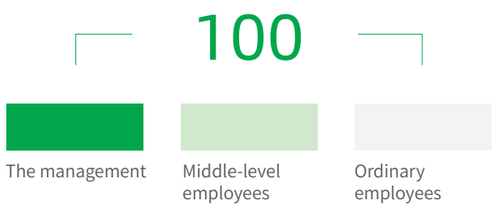


Average number of training hours of employees by rank (Unit:hours)



Percentage of employees trained by gender (Unit:%)

Percentage of employees trained by rank (Unit:%)



Employee Training in 2022

Professional Skill Competition

In 2022, to meet marketing strategic goals of the Group, and keep improving the expertise of marketing personnel, the Simcere Institute joined hands with multiple departments to plan professional skill competition, through which the employees' ability in reflection and retrospection as well as their professional skills were improved through drills and tests in the competition.

Professional Skill Competition

Training for Backup Officers with High Potential

To cultivate backup talent with high potential and improve the ability of outstanding young officers, we carried out training on management ability improvement targeted different management levels.

- Low-level administrative personnel: By combining knowledge with theory and learning with discussion, we launched the 1st round of R&D MDP (Manager Development Program) (Low-Level) training of Year 2022 on April 8. The training had a total of 22 participants, and aimed to upgrade the core management knowledge and skills of low-level administrative personnel of R&D system.

- Middle-level administrative personnel: The Group held two rounds (respectively on June 8 and 11, 2022) of online workshop on retrospection of R&D system MDP Phase III (middle-level management) practice, with a total of 55 participants. By analyzing different cases of management ability improvement and discussing the Peer Group Coaching, the activity aims to enable the middle-level administrative personnel to accumulate experience and improve skills in a faster way.

Training for Grassroots Management

Training for Middle-level Management

The Group encourages all employees to participate in external training or pass external qualification certification by applying for approval to department head in advance based on post demands. We also set up special training scholarships as an incentive for employees to participate in on-the-job education and improve their comprehensive quality and professional competence. Employee who has completed the course and obtained a nationally recognized qualification certificate will be paid one-off scholarship and an agreement about the training and service period will be signed with the employee. In 2022, 65 person-time from the Group participated in external professional training with the support of the Group.

65

scholarships were awarded to employees who participated in external professional training

EMPLOYEE CARE

By setting up a user-friendly working and living environment and perfect communication channels, organizing various forms of recreational activities, and listening to the voice of employees, the Group shows concern and care for employees and helps them strike a balance between work and life.

Employee Wellbeing

The Group formulates the *Social Insurance and Provident Fund Management System* and the *Welfare Management System* and other internal documents to provide insurance, holidays, anniversary of employment and other benefits other than salary for all regular employees. This refines the welfare application process and presents employees with better experience, thus promoting the benign development of the Group and strengthening the employees' sense of belonging. The Group always presents retired officers with concern, warm and care, by offering them allowance, such as for birthday, holidays and high temperature, in line with standard for regular employees, and purchasing extra commercial health insurance for them.

Zongzi Sharing Activity in Dragon Boat Festival

To meet the diversified demands of employees and trigger their vigorousness, the Group organizes a variety of caring activities, including birthday parties, lakeside concerts, sports with outdoor facilities, as well as outdoor film festival. At the same time, we also set up the BBS in a concentric community for employees to discuss and speak freely, to enrich their spare time and enhance enterprise cohesion.

Enjoy Simcere's Fun Mid-Autumn Festival Activities

Outdoor Movie Festival at Colorful Midsummer Night

Enjoy Music and Beer at Simcere Summer Beer Festival

Parents-child Activity on the International Children's Day

To further promote the communication between employees and enrich their spare time, Simcere Pharmaceutical joined hands with Simcere Biological Pharmaceutical to hold the parent-child activity for the International Children's Day on May 28, 2022, with more than 150 participants. Plush dolls, hydrophilic potted plants, fluid bears and other prizes were also prepared to enhance the sense of employee participation.

Parent-child Activity

Sanbexin Sports Park

To enrich employees' spare time and improve their physical quality, we set up outdoor sports facilities, including a basketball court, a football field and a tennis court in a special field in the park. On November 23, 2022, we held the opening ceremony and organized basketball, football, and tennis matches, in which employees were actively participated and the friendship between various departments were promoted, thereby creating a harmonious corporate culture.

Football Match

Basketball Match

Female Care

We closely follow the needs of female employees. We appreciate their hard work in the Group by setting up baby care rooms and carrying out photo competitions and other caring activities.

To better serve and care for female employees, we set up a number of single baby care rooms in the Group and our subsidiaries, equipped with basic facilities, consumables and publications such as breastfeeding science handbooks. To capture the wonderful moments in the work and life of female employees, we organized the "She Around Us" photography competition to show the demeanor of modern professional women and promote the new fashion of female civilization in the new era of the Group. On International Women's Day in 2022, we awarded the honors of "Female Pioneers" and "Female Models" to 10 female employees who played the pioneering role and made outstanding achievements in their work, and publicly commended them throughout the Group.

"She Around Us" Photography Competition

Baby Care Room

Care in Epidemic

During the lockdown period in 2022 in certain cities, the Group issued the *Special Bonus and Care Plan for City During Silent Period in Epidemic*, and provided employees in lockdown areas with extra subsidy and supplies for epidemic prevention. The Group has distributed more than 8,000 sets of epidemic prevention materials to its employees in the Reporting Period, relieving the staff in lockdown areas of supplies shortage in a timely manner. We also set up procedures and dashboards for epidemic prevention to help employees working from home to punch in more readily. We also upgrade the health reporting APP to track the health status of all employees in a timely manner. As for resident employees, we set up nucleic acid sampling sites in the park to dynamically monitor their infection status. We organized various online & offline activities to ease the employees' anxiety arising from epidemic lockdown.

The Group has distributed more than

8,000

sets of epidemic prevention materials to its employees

Employee Difficulty Relief

Employees suffering from sudden illness and other circumstances will receive consolation subsidy provided by the Employee Caring Foundation based on the relevant funding system. In 2022, five employees received consolation subsidy with an aggregate amount of RMB 50,000. The union also offered condolences or advanced treatment expenses to some employees who had family difficulties or needed medical treatment.

Democratic Communication

A smooth communication mechanism is essential for employees' equal participation in corporate governance. We build a diversified democratic communication platform in support of employees' freedom of speech and open communication through open appeal channels, meeting communication, satisfaction survey and other forms.

Open appeal channel	Communication in meetings	Regular survey
• Set up the Complaint Reporting column, strictly keep confidential information about the complainant in accordance with relevant requirements, and respond to the complaint in time. • Set up the Party committee mailbox and independently accept staff suggestions, reports, complaints and other matters.	• Employees can take an active part in group affairs and grow hand in hand with the Group through departmental work meetings, staff seminars and other activities. In 2022, the Group held two administrative personnel conferences to decompose company's strategic objectives in a multi-dimensional way and put into practice the measures formulated based on such objectives.	• The Group listens to the voice of employees, understands their needs, and conducts regular surveys on employee satisfaction. In 2022, all departments worked together to carry out a series of surveys on satisfaction in R&D system organizational climate, marketing system recruitment and employee services.

Democratic Communication Channels of the Group

WORK SAFETY

Safety Management

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 *Assessment System for Safe Production Accountability* and *Management System of Safe Production Targets*, as well as the *Safety Management System of Hazardous Chemicals Transportation and Handling*, to strengthen the coordination and management of the Group's EHS organization and clearly define EHS assessment indicators, thereby improving EHS management level and awareness of employees.

The Group always puts the safety and health of our employees first. Acting in line with the "hierarchical management" principle, we set up the EHS Management Committee at the Group level to coordinate and determine EHS management objectives. In addition, we assess the fulfillment of EHS management objectives in accordance with the *EHS Management Objective Responsibility Letter* signed between us and each subsidiary. By strengthening safety management, we keep improving the accountability system and safeguards.The Group's subsidiaries have passed occupational health and safety related certifications, the details of which are as follows.

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

To effectirels identify safety risks, the Group makes safety inspection a normalized, institutionalized work by sorting safety inspection works in an all-round way, carrying out identification and assessment for hazard sources at an annual basis, providing risk notice cards at all risk sites, on which the risk level, responsible person, main risk factors, main accident types, main risk control measures and emergency measures are stated. We follow the *Safety Production Supervision and Management System* and other relevant systems, and define the all-process management of hazardous chemicals. 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 wastes and transfers them to qualified hazardous waste disposal entities for disposal.

Occupational Health

The Group makes employees' safety and health the top priority of development, and strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other national laws and regulations. Besides, we carry out daily supervision and inspection by putting prevention first, tackling root causes and combining prevention and treatment. We detect occupational hazard factors in production plants of subsidiaries on a regular basis, issue the corresponding reports, keep upgrading the production equipment, timely repair and replace defective equipment, allocate emergency supplies such as tripod, submersible pump and flashlight, and hold every employee accountable for safety production, with a view to providing a safe working environment for all. In 2022, the number of working days lost due to industrial injury in the Group was 85 days, and no work-related deaths occurred.

Indicators	Unit	2022	2021	2020
Work-related fatalities	Person	0	1	0

The Group strives to be an employer responsible for the occupational health of employees. We conduct physical examinations and occupational disease health examinations for employees every year, and establish employee occupational health records, with "one file for one employee". Beyond that, we are equipped with well-functioning occupational health protection facilities to achieve closed-loop management.

Safety Culture

The Group attaches great importance to cultivating and improving employees' safety awareness. We carry out safety education and training and various safety emergency drills on a regular basis. We updated 19 EHS laws and regulations and carried out the following training in 2022:

External Training	● Regularly invite experts to share their experience in safety management
Publicity and Education	● Set up"EHS" feed on WeCom ● Create EHS Tips, EHS Daily News and EHS Video for sharing

The Group also launched "Safety Production Month" thematic activities themed "Adhering to Safe Production Rules and Serving as the First Person Responsible". The activities, which are mainly in the forms of safety knowledge competition, screening for fire-fighting equipment and escape drills, aim to improve employees' safe production awareness and self-protection, providing them with guidance on proper usage of relevant equipment and lowering fire risk.

Safety Knowledge Competition

Inspection of Firefighting Facilities

Escape Exercise

2022 Safety Production Month Launch Event of the Group

On May 31, 2022, the Group's EHS Office held the Safety Production Month launch event in the headquarters park, in response to the National Safety Production Month activity.

Themed "Adhering to Safe Production Rules and Serving as the First Person Responsible", the event, in which functional system of headquarters, R&D system and pharmaceutical system participated through on-line or off-line way, aims to strengthen employees' safety awareness.

Event Site

PUBLIC WELFARE

Amidst booming development of the Group, we closely align business with social responsibility, seeking to benefit the public with our products and satisfy the demands of more patients for drugs. We make vigorous efforts in healthcare and educational poverty alleviation to push forward our public welfare undertakings. We also closely follow community needs and help create a healthy, harmonious, and sustainable community. In 2022, the Group donated materials and cash to charity organizations such as the Red Cross Society of China Guizhou Branch and Jiangsu Charity Federation, and won the honorary titles of "Jiangsu Provincial Civilized Unit" and "Jiangsu Simcere Love Mobile Blood Bank". Within the Reporting Period, the donated materials and cash reached approximately RMB 44.5 million in total.

Education Assistance

In 2022, we provided assistance to

180 students

in Yushu Bayi Orphan School, the Group's employees have donated the supporting expenses of

RMB 216,000 in total

In 2022, we joined hands with the Primary School Attached to Nanjing Normal University, Xianlin Branch, to carry out campaign to spread knowledge about Traditional Chinese Medicine (TCM) culture in school, with a series of activities such as donating anti-epidemic sachets, Baicao Garden opening ceremony as well as visit, reception and exchange activities in Xianhemen primary school. Investment in this program totaled

RMB 150,000

Donation

In August 2022, we participated in the 2022 Universal Health in Tibet program initiated by Simcere, donating drugs worth of

RMB 97,150

Rural Revitalization

To make active response to the *Notice of the Nanjing Federation of Trade Unions on Implementing Consumption Assistance and Supporting the Two-Year Action Plan for Counterpart Aid Areas*, in 2022, we helped sell around

1,666 boxes

of special local products from counterpart aid units in Xinjiang

with aid amount of nearly

RMB 750,000

Volunteer Action

In April 2022, 80 volunteers for our employees donated

23,000 ml

of blood

Over the years, Simcere's employees have donated blood amounting to

1,774 million ml

Support the Fight against COVID-19 and Poverty Relief

Actively responding to the call of the 20th CPC National Congress to shoulder corporate responsibility in the new era and remain a warm enterprise, In 2022, the Group donated RMB 5 million to Jiangsu Charity Federation for public welfare, such as fighting against the COVID-19, Rural Revitalization , "warm Jiangsu", and medical assistance and poverty relief.

The Group has been honored with the "Dedication Medal" of Red Cross Society of China, "Caring Company" of China Charity Federation, and "Jiangsu Charity Award — Most Charitable Donation Entity" of Jiangsu Provincial People's Government.

Donation Scene

The Group donated

RMB 5 million

to Jiangsu Charity Federation in 2022

Donation to Red Cross Society of China Guizhou Branch

In actively fulfilling our corporate social responsibility, the Group donated medicines worth RMB 5,743,200 to the Red Cross Society of China Guizhou Branch on May 11, 2022 to support epidemic prevention and control, humanitarian assistance, Rural Revitalization and other tasks. Over the years, Simcere has taken an active role in social welfare programs. This time, the Group donated BIQI® (Montmorillonite Powder) to Guizhou Province through the Red Cross Society of China Guizhou Branch, to help local people overcome the corresponding diseases and making our contributions to safeguarding the health of Chinese people.

Donation Scene

The Group donated medicines to the Red Cross Society of China Guizhou Branch worth

RMB5,743,200

Popularization of Chronic Diseases for Groups

In February 2022, the Group in conjunction with the Nepstar Health Pharmacy assigned chronic disease specialists to detect chronic diseases for sanitation workers and explain relevant knowledge, expressing our respect and care for the sanitation workers.

Chronic Diseases Detection for Sanitation Workers

In March 2022, the Group organized a public welfare activity, "Women's Health Care Trip". We invited professional pharmacists to provide free bone mineral density testing and the knowledge of common orthopedic diseases in the activity. This activity was aimed to improve women's cognition of chronic bone diseases, so as to enable them to make early treatment and early prevention.

We will continue to participate in public service projects, shoulder corporate social responsibility, and deliver positive energy to society with actual actions.

Drug Assistance to Elderly People Living Alone

Drug Donation

In December 2022, the Group received an emergency call from an elderly woman who lived alone and was unable to buy medicines for COVID-19. Our employee prepared overnight a medicine package based on her physical condition, in order to resolve her difficulty. The next day, our employee together with a community grid manager went to the empty nester's home to offer medicines and give detailed instructions on matters needing attention, meeting her urgent need.

04

Future-Concerned Low-Carbon Operation

The Group upholds the concept of green development, continuously improves the environmental management system, coordinates operation and production, pollution control, ecological conservation, and response to climate change, and actively responds to the national "carbon peak and carbon neutrality" policies in an attempt to achieve the harmonization of the Group's development and ecological environmental protection.

ISO 14001 certification coverage of the Group's pharmaceutical subsidiaries reached

100 %

Comparing with 2020, lower purchased electricity consumption per RMB 10,000 revenue by

16.37 %

Comparing with 2020, lower water consumption per RMB 10,000 revenue by

19.19 %

Comparing with 2020, lower GHG emissions per RMB 10,000 revenue by

26.46 %

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

15 LIFE ON LAND

ENVIRONMENTAL MANAGEMENT

In strict accordance with the environmental laws and regulations including the *Environmental Protection Law of the People's Republic of China* and the *Environmental Impact Assessment Law of the People's Republic of China,* we have formulated internal management systems such as the *Environmental Protection Management System* and the *EHS Management*. We are committed to improving the systems and integrating environmental management into all aspects of production and operation. The Group's business did not cause a significant impact on the environment and natural resources, and no major environmental pollution incident occurred throughout the year 2022.

Management System

In order to ensure the orderly implementation of environmental management, the Group has further optimized the environmental management system. In 2022, we set up the Group's EHS Management Committee to make overall planning for environmental management. The Committee has EHS Office that consists of headquarters functions, R&D system and pharmaceutical system, and is responsible for assisting in coordinating, guiding and supervising the efforts of all subsidiaries.

Within the Reporting Period, we formulated and released the *EHS Management*, which provides uniform requirements for organization management, objectives and assessment, information reporting, process management, and EHS review, inspection and assessment of projects, and other work at the Group level, and incorporated EHS-related indicators into annual performance appraisal, so as to advance the implementation of EHS management and improve the Group's overall environmental management level.

The Group's EHS Management Committee	Responsible for developing medium- and long-term EHS management objectives of the Group, signing the EHS Management Objective Responsibility Letter with the sub-committees of all subsidiaries, and assessing the achievement of EHS management objectives
The Group's EHS Office	Consisting of headquarters functions, R&D system and pharmaceutical system and responsible for the development, implementation, supervision and reporting of the Group's EHS management objectives
EHS Management Committee of each Subsidiary	Responsible for organizing the development of annual EHS work plan of each subsidiary, defining the EHS responsibilities at all levels, improving safety conditions, and achieving the Group's annual EHS management objectives

We strictly implement management systems in the environmental management system. We carry out environmental impact assessment before the construction of projects and environmental data monitoring during operation, and conduct regular internal EHS inspections in the Group and the subsidiaries, striving to integrate environmental management with production and operation. Within the Reporting Period, the Group conducted regular external environmental audits, and 100% 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.

In 2022,

100%

of the Group's pharmaceutical subsidiaries have been certified with ISO 14001 Environmental Management System

Environmental Targets

Upholding the concept of sustainable development, we have developed the five-year environmental protection goals on environmental performance (2020-2025). We will make efforts to continuously intensify environmental management and actively explore new technologies, in a bid to further reduce the environmental impact of the Group's operation.

Greenhouse gas emissions

Specific targets

- Comparing with 2020, lower greenhouse gas emissions per RMB 10,000 revenue by no less than 10% by 2025;
- Advocate green office and low-carbon life.

Progress and Performance in 2022

Keep promoting low-carbon development philosophy, and reduce greenhouse gas emissions per RMB 10,000 revenue by 26.46% in 2022, compared with 2020.

Pollutants discharge

Specific targets

- Comparing with 2020, lower solid waste discharge per RMB 10,000 revenue by 15% by 2025;
- Develop environmental monitoring plans, strengthen data management of pollutants, and ensure 100% law-compliant discharge of wastewater, waste gas, solid waste and hazardous waste;
- Improve pollutants treatment and reduce the discharge of all wastes.

Progress and Performance in 2022

Keep taking measures to reduce pollutants, and lower solid waste discharge per RMB 10,000 revenue in 2022 by 23.84%, compared with 2020.

Usage of resources

Specific targets

Water

- Comparing with 2020, lower water consumption per RMB 10,000 revenue by no less than 10% by 2025;
- Encourage water-saving, limit water usage, and raise employees' awareness of water conservation;
- Conserve water by means such as reclaiming and recycling water, and minimizing water consumption in business operations.

Energy

- Comparing with 2020, lower purchased electricity consumption per RMB 10,000 revenue by no less than 10% by 2025;
- Phase out energy-intensive equipment, 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.

Resources

- Reduce non-hazardous waste production 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.

Progress and Performance in 2022

Keep carrying out water-saving activities, and lower water consumption per RMB 10,000 revenue by 19.19% in 2022, compared with 2020.

Lower purchased electricity consumption per RMB 10,000 revenue by 16.37% in 2022, compared with 2020. The installed capacity of renewable energy generation continues to increase.

Keep carrying out activities related to resource use reducing, recycling and disposal.

GREEN OPERATION

Committed to green operation, the Group strictly implements resources use and discharge standards, conducts projects to improve the efficiency of resource use and upgrade the technologies of energy saving and emission reduction, organizes environmental protection training and exercise, advocates green office, and strives to achieve the synergy of enterprise development and environmental protection.

Emissions Management

We are committed to curtailing emissions at the source, and strictly follow the laws and regulations, including the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, and take measures to minimize emissions to reduce the impact on the local ecological environment in our operation sites.

Waste Gas Management

The Group's exhaust gas mainly includes sulfur dioxide (SO_2), nitrogen oxides (NO_x), soot and volatile organic compounds (VOCs) generated in production. We have taken specific measures to effectively reduce the discharge of gas pollutants, such as comprehensive treatment of VOCs through organic gas adsorption, UV photooxidation and other methods. The Group's waste gas emissions in 2022 is shown as follows:

Indicators	Unit	2022	2021	2020
Total exhaust emissions	m^3	566,027,454.98	381,165,626.37	418,691,664.00
Exhaust emissions intensity	m^3/RMB10,000 revenue	895.74	762.37	928.62
SO_2 emissions	Tonnes	0.06	0.12	0.09
No_x emissions	Tonnes	2.66	3.30	0.97
Soot emissions	Tonnes	0.08	0.13	0.03
VOCs emissions	Tonnes	58.57	47.44	/

Alteration of Exhaust Funnel in Shanghai Innovation Center

In May 2022, the construction of the biology laboratory in Building 1 and the corresponding alteration of the exhaust funnel were completed in Shanghai Innovation Center. A waste gas purification device and a standard outlet sign were installed to ensure compliance with the environmental monitoring sampling requirements and compliant discharge of waste gases.

Altered Exhaust Funnel

Wastewater Management

Our wastewater consists of production wastewater, laboratory wastewater and domestic wastewater, and the pollutants include COD, ammonia nitrogen, suspended solids and other wastes. Within the Reporting Period, the Group constantly optimized the production processes and procedures, upgraded production equipment and reduced wastewater at source. We also strictly abode by relevant regulations, applied for sewage discharge permits in the places where we operate and built sewage treatment systems in accordance with local sewage discharge permits and discharge standards, and strictly ensured compliant discharge of water pollutants. In 2022, the Group's wastewater discharge is shown as follows:

Indicators	Unit	2022	2021	2020
Total wastewater discharge	Tonnes	418,149.48	339,977.60	376,432.00
Wastewater discharge intensity	Tonnes/RMB10,000 revenue	0.66	0.68	0.83
COD emissions	Tonnes	14.60	12.48	10.86
Suspended solids (SS) emissions	Tonnes	6.66	6.02	0.04
Ammonia nitrogen emissions	Tonnes	0.87	1.19	0.86

Sewage Treatment Station in Shanghai Innovation Center Successfully Accepted

Shanghai Innovation Center has been equipped with a sewage treatment station to treat wastewater generated in the factory, including domestic wastewater of the park, oily wastewater of the canteen, cleaning wastewater from secondary treatment in the laboratory, tail water from purified water preparation, and water discharged from autoclave. Its designed water treatment volume is 70 m^3/d. The station effectively reduces the discharge of pollutants in wastewater.

Sewage Treatment Station in Shanghai Innovation Center

Optimized Sanbexin® Production Process of Simcere Pharmaceutical to Reduce Wastewater

In the Sanbexin® production process, Simcere Pharmaceutical carries out leak detection first using dye ingress method, and then using high voltage discharge method while performing visual inspection. In July 2022, Simcere Pharmaceutical upgraded the procedures of the sterilization cabinet and renovated the pipeline, so that high voltage leak detection using the visual inspection and leak detection machine can satisfy the requirement of ensuring product packaging leak-proofness. So leak detection using dye ingress method was canceled. After such upgrading, the production of each batch saved 2.5 tonnes of purified water and 12 tonnes of cooling water and reduced 14.5 tonnes of wastewater, which reflects a good effect of emission reduction.

Waste Management

The Group is committed to the principle of "reduction, recycling and safe disposal" in waste management. We keep a waste management ledger to accurately record the source, flow, quantity and other information of all wastes and standardize the procedures of their collection, treatment, storage and disposal.

The Group's 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. The Group's general solid waste mainly includes office waste, domestic waste and general industrial solid waste in production and operation. We reuse the recyclable general solid wastes and then engage qualified disposal entities to treat the remaining general solid wastes. Office wastes and domestic wastes are subject to regular centralised treatment of the municipal sanitation department.

Indicators	Unit	2022	2021	2020
Total amount of general solid waste generated	Tonnes	1,574.04	1,146.36	1,474.68
Total amount of general solid waste density generated per unit of revenue	kg/RMB10,000 revenue	2.49	2.29	3.27
Total amount of Hazardous waste generated	Tonnes	1,826.24	1,658.44	2,074.87
Total amount of hazardous waste density generated per unit of revenue	kg/RMB10,000 revenue	2.89	3.32	4.60

To reduce hazardous wastes in 2022, our subsidiaries have carried out many projects to upgrade techniques and optimize production processes. This goal has been achieved from the source by reducing the product rejection rate, the use of chemical reagents and the weight of hazardous wastes, and other methods. These projects have achieved good results while saving costs.

Hazardous waste weight reduction and separation project

In 2022, Wuhu Simcere conducted the hazardous waste weight reduction project. General wastes were separated from hazardous wastes, and hazardous wastes decreased by 39% compared with the previous year.

Reduction techniques for treating urea waste liquid distillate

In 2022, Shandong Simcere carried out reduced-pressure concentration and distillation for evaporation of urea waste liquid distillate and recovered the mother liquor for disposal, which effectively reduces the disposal amount of urea waste liquid and the costs of entrusted disposal.

Reduction of rejection rate in JIELIEN® filling

In 2022, Simcere Pharmaceutical optimized the filling process of JIELIEN® (Lenvatinib Mesilate Capsules) to improve the filling stability, causing the year's decrease of 870 grams chemical waste.

Reduction of ethanol for cleaning in dexborneol production

In 2022, Simcere Pharmaceutical improved the cleaning process in dexborneol production, saving about 2,000 L of ethanol for cleaning for each product batch and decreasing of 34,000 L ethanol waste during the year.

Recovery of liquid emptied before Jepaso® and JIEBAILI® filling

In January 2022, Simcere Pharmaceutical optimized the filling process of Jepaso® and JIEBAILI® products to return liquid emptied before filling to the mixing tank for filtration and reuse, reducing 306 L of liquid waste during the year and earning RMB 620,000 in optimization.

Noise Management

We have realized that noise pollution adversely affects daily life, production and surrounding environment and have paid high attention to the management of noise pollution. The Group's noise pollution mainly 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. In addition, we regularly monitor noise outside factories to minimize our impact on surrounding communities.

Use of Resource

Water supply of the Group is mainly from municipal water supply and rainwater reuse. Therefore, we do not involve water source related issues. We strictly abide by the *Water Law of the People's Republic of China* and other laws and regulations. We have formulated internal management systems such as the *Environmental Protection Management System* and the *EHS Management* to use water in production and operation, upgrade production equipment to reduce water consumption, and improve water resource recycling to increase water use efficiency. In 2022, Shandong Simcere made a water-feeding system with primary reverse-osmosis concentrated water using spare tanks and pumps to supply water for greening in factories. Wuhu Simcere upgraded technologies to introduce rainwater into the fire reservoir for fire emergency response and greening irrigation, achieving the recycling of water resources. The Group's water usage in 2022 is as follows:

Indicators	Unit	2022	2021	2020
Total water consumption	Tonnes	1,109,243.84	785,178.50	979,409.00
Water consumption intensity	Tonnes/RMB10,000 revenue	1.76	1.57	2.17

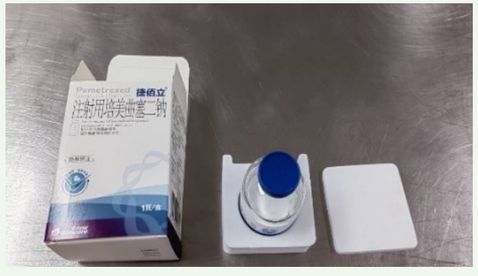
The Group's packaging totaled

3,178.08 tonnes

The Group's demand for packaging materials is in R&D, filling, and packaging of drug formulations. In 2022, the Group's packaging totaled 3,178.08 tonnes, with 5.03 kilograms packaging per RMB 10,000 of revenue. We have taken multiple measures to optimize packaging materials and reduce their use.

Optimization of JIEBAILI® Packaging Form

The original packaging of JIEBAILI® of Simcere Pharmaceutical uses EVA materials. The process in the production line is to assemble an EVA liner, place a vial into the EVA liner and finally put them into a box. Since May 2022, Simcere Pharmaceutical has optimized the form of JIEBAILI® packaging materials to use the integration of paper holder with box. The process in the production line is to directly place a vial into a box. Such optimization has greatly improved production efficiency, reduced the use of packaging materials and saved the cost of packaging materials of RMB 134,000.



Original Packaging Process: Vial → Liner → Pad → Boxing

Optimized Packaging Process: Vial → Boxing

Environmental Protection Training

Employees are actors who practice green operation in the Group. We attach great importance to the development of green culture. We carry out environmental protection training and exercises with the aim to raise employees' awareness of environmental protection, standardize the work processes, strengthen their abilities to respond to environmental accidents, and thus lay a solid foundation for environmental management and further improve the Group's environmental management level. We conducted multiple training and exercises on environmental protection in 2022.

Shanghai Innovation Center EHS Training

Simcere Pharmaceutical Waste Management Training

Shandong Simcere Education on Environmental Safety Warnings for Hazardous Wastes

Shandong Simcere Training on Environmental Emergency Response Plan

Green Office

We actively advocate the "green, low-carbon and environmentally friendly" life concept and focus on cultivating employees' awareness of environmental protection. We have adopted multiple management methods to effectively develop green offices and achieve energy saving and emission reduction.

Specific measures of green office

Energy saving

- Save energy through smart control of the air-conditioning system;

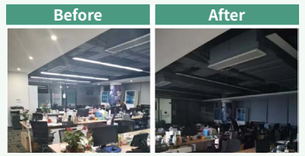
Air Conditioner Temperature Daily Set in Offices

- Post signs at the switches in the corridors to remind employees to save energy;

- Turn off lights in offices on all floors at 11:30 to save electricity;

Office Lights Turned Off during Lunch Break

- Install energy-saving induction lights in offices and garages and organize personnel to ensure power is off after use;



Inspection of Shutdown of Power Supplies

- Encourage employees to take low-carbon transportation and set up new energy charging piles in factories to facilitate employees' use of electric vehicles.

Resources saving

- Advocate electronic and paperless offices, recycling of printer cartridges, duplex printing, and recycling of garbage bags;
- Implement garbage sorting and recycle waste paper, cartons for raw, auxiliary and packaging materials, paper boxes, and woven bags in the Group.

ADDRESSING CLIMATE CHANGE

Climate change is a global challenge that humanity faces and one of the most outstanding environmental concerns in today's society. Climate change has had a far-reaching impact on the economy and society. The Group keeps high attention to climate issues and fully identifies, assesses and monitors the risks and opportunities of climate change. We continuously optimize energy management, take actions to help reduce global greenhouse gas emissions, and make our contributions to achieving the "carbon peaking and carbon neutrality" goals.

Climate Change Risks

Global climate change imperceptibly affects all industries. The Group is highly focused on the impact of climate issues on enterprises and incorporates climate change risks into our risk management. In 2022, the Group identified climate change risks, conducted systematic screening and assessment based on our operation conditions and updated the list of climate change risks.

Risk type	Risk name	Risk description	Response measures
Transition risk	Policy rtisk	Tightened climate policies	The central government has issued implementation actions for achieving the "Dual-carbon" targets. Government authorities such as the Ministry of Ecology and Environment has raised requirements for greenhouse gas emissions of enterprises and it is expected such requirements will be further tightened in the future, increasing the cost of enterprises in law-compliant operation.	● Require EHS teams to follow the changes in relevant laws and regulations and prepare sound work plans. ● Set targets for carbon emissions and identify major sources of current emissions. ● Consume energy more efficiently through energy-saving technologies and projects. ● Require subsidiaries to improve chemical technologies in ways that raise resource efficiency. ● Promote the use of low-carbon fuels and renewable energy. ● Promote employees' awareness of resource conservation through advocacy efforts. ● Make proper logistics 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 safeguard corporate image.
	Market risk	Changes in market demand	Customers changed their preference to ask for more environmentally friendly and low-carbon products.	
	Reputation risk	Stakeholders' concerns	Stakeholders demand higher requirement in terms of climate issues. Failing to respond to such demand effectively may affect 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 construction stages of new projects, and entrust them to provide response plans, risk assessments and feasibility reports.
		Supply chain disruptions	Climate change may disrupt suppliers' production, thus affecting the Group's supply chains.	● Examine suppliers' emergency response capability. ● Continue to improve the resilience of supply chains.
	Chronic 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.
		Water shortage	Climate change will affect the distribution of precipitation, and water resources will become increasingly strained with the uneven distribution[5]. Water is needed in the production of the Group, and it may face increased operating costs due to the price increase of tap water against the background of water shortage.	● The Group increase water use efficiency and carry out water-saving activities. ● Require subsidiaries to promote the concept of saving water, so as to increase the awareness in the Group.

List of Climate Change Risks of the Group

Aspects	Name	Description of opportunities
Demand	Public health demand	● Scientific research has proved that air pollution caused by climate change and greenhouse gas emissions will aggravate the symptoms of many chronic diseases, directly threaten public health, and lead to increased demands in protecting public health[6]. The Group closely monitors health risk trends and actively promotes relevant layouts to meet patient needs.
Operation	Support from green finance	● With the release of policy such as the *Green Bond Endorsed Projects Catalogue (2021 Edition)*[7], pharmaceutical companies will be more likely to receive encouragement and support from the green finance system, including green bonds.
	Efficiency in resource use	● Employ energy-saving technologies in production, distribution, buildings and other aspects to increase efficiency in energy and resource consumption, so as to lower cost.
	Clean energy usage	● Keep increasing the use of green and clean energy, accelerate the deployment of renewable energy applications, and make full use of superior lighting conditions in low-latitude provinces to facilitate the implementation of photovoltaic projects.

Climate Change Opportunities of the Group

[5]Source: IPCC www.ipcc.ch
[6]Source: Climate change: the public health response https://pubmed.ncbi.nlm.nih.gov/18235058/
[7]Source: Notice of the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission on the issuance of *Green Bond Endorsed Projects Catalogue (2021 Edition)* http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm

Energy Management

The primary energy sources used in the Group's production and operation activities are electricity, steam, natural gas, diesel fuel, and gasoline. We rigorously follow the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations. We have scientific management of energy consumption, optimize the production process, improve the efficiency of energy use, actively take energy saving and emission reduction measures, and implement the Group's low-carbon operation strategy and practice sustainable development.

As for energy consumption management, the Group has taken measures, including using clean energy, optimizing the production process, upgrading production equipment and adjusting production plans, and has achieved the decrease of costs and increase of economic and environmental benefits.

In Response to the National Low-carbon Strategy, Actively Implementing the Clean Energy Power Generation Project

Actively responding to the national low-carbon strategy, we encourage all subsidiaries to make active efforts to explore the feasibility of power generation with clean energy based on their actual situation and to be committed to utilizing wind and solar energy resources in factories at their utmost. The Group's headquarters, Wuhu Simcere, Hainan Simcere and Simcere Biological Pharmaceutical took the lead in using/ building wind and photovoltaic power generation devices. In 2022, clean energy generation projects generated a total of 876,613.1 kWh of electricity, effectively reducing carbon emissions.

· Hainan Simcere introduced the photovoltaic power generation project and achieved grid-connected power generation in May and August. In 2022, 862,784 kWh of photovoltaic power has been generated, saving electricity fees of RMB 110,000.

· Wuhu Simcere installed photovoltaic power generation facilities on the roof of the power distribution room, generating 12,179.1 kWh of photovoltaic power in 2022.

Wuhu Simcere Photovoltaic Power Generation Facility Installed on the Roof of Power Distribution Room

Simcere Biological Pharmaceutical Solar Power Generation

Hainan Simcere Introduction of Photovoltaic Power Generation Project

Headquarters of the Group Wind Power Generation

In 2022, the subsidiaries mainly implemented the following energy saving and emission reduction measures

Simcere Pharmaceutical	Upgrade the air conditioning system of the elevated warehouse to introduce the frequency conversion control and decrease the running frequency of its air supply unit to 35 Hz. Simcere Pharmaceutical can save RMB 48,000 in electricity fees per year. Upgrade the steam traps of the main steam pipeline to reduce steam leakage. On the premise that the output of all workshops showed a significant year-on-year increase in winter, steam use decreased by 1,381 tonnes on year-on-year basis, worth about RMB 340,000. At least RMB 600,000 is expected to be saved for the year's steam cost.
Hainan Simcere	Upgrade the air compressor in the penicillin workshop to shorten the distance of the compressed air delivery pipeline to decrease delivery losses. Add an inverter air compressor that works in a converted frequency based on the use of compressed air, saving RMB 150,000 in electricity fees. Modify heat pipes of air handling units and rotary dehumidifiers with surface air cooler for dehumidification in the air conditioner room of the factory, which is expected to annually save 2,088,600 kWh of electricity and 241,800 m^3 of natural gas, worth RMB 2.54 million.
Shandong Simcere	The packing of the cooling tower had serious scaling and partial aging and deformation, affecting the heat exchange efficiency. In 2022, Shandong Simcere replaced such packing with new packing to reduce energy consumption. The heat insulation layer of the steam pipeline in the factory was damaged due to aging, providing a poor insulation effect and great heat loss. In 2022, new insulation layer was used and leakage points were treated to decrease heat loss.
Wuhu Simcere	Replace the screw air handling unit with the air-cooled module unit to increase the heat exchange efficiency, saving 85,000 kWh of electricity annually. Change the multi-channel control of the air handling unit to single-channel control, saving 20,000 kWh of electricity per year.
Xiansheng Biology	Use the inverter speed adjustment technique to save energy in the production workshop and equip the reactor, centrifuge and other main electrical and mechanical devices with the inverter system, saving 33,900 kWh of electricity during the year and with the theoretical electricity saving rate of 10%.
Simcere Biological Pharmaceutical	Modify heat pipes of air conditioners, saving about RMB 929,000. Add frequency conversion control of air conditioners in the elevated warehouse, saving about RMB 79,000. Modify the cleaning of rubber balls of the chiller, saving about 46,000.

The Group's energy use and greenhouse gas emissions in 2022 are illustrated as follows:

The Group's Energy Utilization

Indicators	Unit	2022	2021	2020
Gasoline	Tonnes	79.79	72.67	89.65
Diesel	Tonnes	117.38	69.42	194.37
Natural gas	m^3	2,117,523.00	1,845,060.00	1,775,896.00
Liquefied petroleum gas	Tonnes	10.67	10.89	15.45
Purchased electricity	kWh	83,650,656.87	69,216,357.86	71,370,060.48
Purchased steam	Tonnes	55,793.50	54,146.80	61,836.70
Renewable energy	kWh	876,613.10	6,160.00	1,460.00
Total comprehensive energy consumption	tce	18,448.44	16,083.21	17,166.09
Comprehensive energy density	tce per RMB10,000 revenue	0.029	0.032	0.038

The Group's Greenhouse Gas Emissions[8]

Indicators	Unit	2022	2021	2020
Scope 1[9]: Direct greenhouse gas emissions	tCO_2e	5,280.74	4,513.41	4,819.36
Scope 2[10]: Indirect greenhouse gas emissions	tCO_2e	63,969.77	55,998.50	62,365.01
Total greenhouse gas emissions	tCO_2e	69,250.51	60,511.90	67,184.37
Intensity of total greenhouse gas emissions	tCO_2e per 10,000 RMB revenue	0.11	0.12	0.15

[8] *The Guidelines for Greenhouse Gas Emission Accounting Methods and Reporting of Other Industrial Enterprises* serves as the basis for calculating the amount of greenhouse gas emissions, which is obtained by converting the consumption of gasoline, diesel, liquefied petroleum gas and natural gas. An exception is that, the greenhouse gas generated by purchased electricity is converted based on the *Guidelines for Enterprise Greenhouse Gas Emission Accounting Method and Reporting of Power Generation Facilities (Revised Edition 2022)* published by the Ministry of Ecology and Environment of the PRC

[9] 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

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

05

Integrity-Based Steady Growth

The Group is committed to enterprise compliance management and takes compliance operation as an important cornerstone for enterprise sustainable development. We adhere to compliance first and strengthen risk management. We improve business ethics management to ensure stable and efficient operation of the Group. We practice responsible procurement and enhance the supply chain stability to achieve comprehensive, multi-effect and steady development.

Successfully achieved training coverage of all staff

100 %

Corruption lawsuits have occurred and concluded within the Group

0

COMPLIANCE INTENSIFICATION

The Group insists that compliance and law-abiding are the basis for our healthy development. We continue to improve the internal risk management system, incorporate risk management into the Group's daily operation, and make effective anti-corruption efforts.

Risk Management

The Group has long focused on the Group's risks and attaches great importance to risk management. We raise employees' awareness of risk prevention and improve the Group's capacity for sound operation by intensifying internal management and enhancing risk management ability.

Internal Control Management

To ensure the effective operation of the internal control system, the Group has formulated compliance guidelines and policies, e.g. *Simcere Policy Guidelines on Sponsorship, Donation and Academic Aids, Simcere Policy Guidelines on Management of Lecturers and Application for Lecture Fees, and Simcere Policy Guidelines on Self-organized Meetings* and other internal documents, and built an effective internal control self-assessment system and continuous supervision system. In addition, we have incorporated the annual internal control assessment into the annual Key Performance Indicators (KPIs) of the Internal Control and Audit Department in the form of performance rewards and punishments, ensured the implementation of internal control assessment at all levels in the Group, to increase the Group's operation efficiency and improve the operation and management level.

The Internal Control and Audit Department of the Group is responsible for the organization and implementation of internal control assessment. The department has independent internal control assessment teams that conduct regular internal control self-assessment activities, involving all entities and key procedures, to ensure the implementation of subsequent rectifications. We have established the Compliance Committee by continually recruiting relevant professionals. The Committee directly reports to CEO and independent directors and is responsible for making decisions on employees' violations and holding regular meetings to discuss whether major marketing decisions are made in line with relevant compliance policies. At the department level, we have set up a compliance team to assign to major departments full-time compliance personnel who give direct guidance and help them with anti-commercial ethics and anti-corruption in daily operations.

Internal Control Compliance Training in Shandong Autoimmune & General Region

Internal Control Compliance Training in Northern Jiangsu Anti-tumor Region

Risk Management

In order to strengthen internal risk management, the Group has formulated the *Comprehensive Risk Management System*. We manage basic procedures for risk management in all links and operations to effectively prevent and control the risks and hazards that may occur. In terms of comprehensive risk management, we integrate six risks of the Group, including strategic risk, business investment risk, financial risk, human resource risk, back-stage management risk and compliance risk, and have established a risk management structure composed of the Group's Board, the Strategy Committee, the Legal Affairs and Compliance Department, the Internal Control and Audit Department and various business teams, in a bid to ensure the realization of the Group's strategic goals and the sustainable, stable and healthy development of operations.

The Group always keeps active internal communication in the risk management process, regularly or irregularly submits and releases a risk management report to the management. 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.

Risk identification	Collecting related information both from inside and outside of the Group and identifying risks that may affect business activities at both the Group's and business levels.
Risk assessment	Based on the identified risks, and 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 and implementing risk management solutions and risk rectification plans for each risk according to risk management strategies.
Risk management supervision and improvement	Supervising the implementation of the above-mentioned four management procedures to ensure effective risk management, and making timely improvements based on changes and existing deficiencies.

The Group's Risk Management Process

Anti-corruption

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 has formulated internal systems such as the *Management System for Unannounced Inspection on Academic Activities and the Guidelines on Sponsorship, Donation and Academic Funding Polices of Simcere Pharmaceutical.* We strictly supervise the major areas and key links related to anti-corruption and anti-bribery, ensure effective monitoring, investigation and treatment, and try to improve the openness and transparency of information of the Group.

The Group takes a zero-tolerance approach to malpractices and forbids any form of bribery, extortion, fraud and money laundering. Employees are required to maintain honesty and self-discipline in daily operations and sign the *Employee Compliance Commitment*, so as to create a working atmosphere of abiding by laws and pursuing honesty. Within the Reporting Period, 100% of full-time employees have signed the *Employee Compliance Commitment.*

We encourage employees to supervise the Group for illegal activities. The *Policies and Procedures for Handling Whistle-blowing and Complaints* support employees to complain in an open and anonymous manner by telephone, email, written whistle-blowing and other channels. We prohibit any act of retaliation, never expose the personal information of whistle-blowers and complainants, and give timely feedback on handling results to them.

- Verify the whistle-blowing information within 12 hours after receipt and make a list of matters;
- Carry out investigation for a justified complaint or whistle-blowing matter and inform the whistle-blower of subsequent investigation results and handling time according to the complexity of the whistle-blowing event;
- After the investigation, continue to track and check the process and supervise the implementation of the handling scheme to ensure fair and just results.
- E-mail: ceo@simcere.com
- Tel.: 025-85575017

Whistle-blowing Handling Process and Channel

The Group recognizes the importance of anti-corruption training in creating an honest working atmosphere. Within the Reporting Period, we define the requirements for employees' commitments to anti-commercial bribery in daily work and improve their compliance awareness through online training such as Simcere e-Class. In 2022, thanks to anti-corruption and compliance training schemes, we enhanced the capability of our directors and staff in this regard. We also successfully achieved a 100% coverage of training by strengthening compliance and anti-corruption education on new employees.

As of the end of the Reporting Period, 0 corruption lawsuits have occurred and concluded within the Group.

Successfully achieved training coverage of all staff

100 %

Corruption lawsuits have occurred and concluded within the Group

0

RESPONSIBLE PROCUREMENT

The Group is committed to building a responsible supply chain and highly focused on procurement in the supply chain. The Group treats suppliers and contractors as important partners. We continuously strengthen the supply chain management system, actively advance sustainable procurement, and make efforts to promote win-win cooperation in value chain.

Supplier Management

The Group strictly abides by the applicable laws and regulations related to supply chain management, and conducts supplier introduction, management, and comprehensive evaluation in accordance with the *Supplier Management System, the Procurement, Tendering and Bidding System* and other internal management systems.

The Group has developed sound supplier management procedures, covering the full life cycle from supplier access, qualification audit, comprehensive evaluation to supplier withdrawal. In terms of supplier access, we conduct 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.

The Group continuously improves the systematic 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, to effectively monitor drug quality.

We conduct evaluation and scoring once a year to carefully examine suppliers. 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 will place on our blacklist 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 permanently cease business cooperation with them.

The Group regularly reviews supplier quality, change and management of qualified suppliers through supplier review reports, so as to help improve suppliers' delivery quality and enhance the quality of the Group's products. As of the end of 2022, The Group has a total of 1,676 suppliers, among which 30 are from outside Chinese mainland.

Chinese mainland

1,646 Unit

China's Hong Kong , Macao and Taiwan regions, as well as overseas

30 Unit

Number of Suppliers by Geographic Region in 2022

Collaborate closely with suppliers to accelerate drug development

Ritonavir Tablet is an important packaged component of XIANNUOXIN®, which can slow down the metabolism of 3CL protease inhibitor of XIANNUOXIN® in human body and improve the overall antiviral effect of the drug. The Ritonavir drugs of the Group are produced with the equipment provided by Thermo Fisher Scientific.

At the critical R&D stage of XIANNUOXIN®, the Group and the Thermo Fisher Scientific team worked closely in the research and optimization of drug prescription process, scaling-up of process parameters, clinical sample preparation and other aspects, which significantly accelerated the development progress of XIANNUOXIN® and fully demonstrated the synergy between the Group and suppliers.

Sustainable Procurement

The Group embraces the concept of sustainable procurement and insists on promoting the construction of green supply chains. We have formulated and gradually improved the *General Principles for Procurement Management* and clarified requirements of environmental, social and ethical performance for suppliers during tendering 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 take other measures to enhance management, and conduct 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.

With the advocacy of green procurement, the Group gives priority to suppliers with good environmental and safety performance and sound environmental management systems and policies and may choose suppliers that have been certified with ISO 14001 and other third-party management systems. Besides, in order to standardize contractors' safety management, the Group has formulated the *Contractor Safety Management System* and other regulations. We carry out daily safety monitoring during the whole process of contractors'construction projects to effectively reduce the risk of safety in the supply chain.

In 2022, the Group continuously conducted monthly risk verification on suppliers of raw, auxiliary and package materials. We focused on the dynamic change of supply cycle and the stability of supply quality and identified high-risk suppliers to ensure safe supply in the supply chain.

Improvement of Supply Chain Stability

The production of Endostar® includes the refilled syringe process. An overseas supplier supplies syringes used in the process with a cycle of 6 months and an inspection cycle of more than 2 months, producing the risk of supply timeliness. In 2022, the Group predicted the material demand according to the actual production, made the safe inventory management and annual supply plan of the syringes, and made active efforts to develop an alternative domestic supplier for such syringes to ensure the timely supply of the materials and reduce the risk of supply chain.

Future Outlook

In 2023, we will continue to focus on ESG governance, innovation-driven development, excellent quality, employee-oriented principle, low-carbon operation and steady operation, and incorporate the ESG philosophy into the Group's strategic decision-making and business development in an all-round way. Upholding the mission of "Providing Today's Patients with Medicines of the Future" , we will improve the access to health with inclusive care by continuously promoting the launch of innovative drugs . We will enhance the quality management of the full life cycle of drugs, conduct responsible academic promotion and ensure quality to make consumers confident. We will adhere to the people-centered concept. We will recruit more talent in the field of life science, and keep paying attention to community needs and conduct patient assistance, charitable educational aid, voluntary activities and other actions to benefit more people. We will insist on the green concept to promote production and actively respond to the national "carbon peak and carbon neutrality" policies to achieve the harmonization of the Group's development and biological environmental protection. We will honestly operate with the concept of ESG and work with more partners to realize sustainable development.

Appendix

HKEX ESG Content Index

Environmental, Social and Governance Indicators			Location
Environment	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 Emissions Management
		A1.1 The types of emissions and respective emissions data.	Emissions Management
		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).	Energy Management
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
		A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets
		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
	A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Management Green Operation Energy Management
		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).	Energy Management
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resource
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets Energy Management
		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 Targets Use of Resource
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resource
	A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
	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
		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

Environmental, Social and Governance Indicators			Location
Social	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.	Thirsty for Talent
		B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Legal Employment
		B1.2 Employee turnover rate by gender, age group and geographical region.	Legal Employment
	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
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupation Health
		B2.2 Lost days due to work injury.	Occupation Health
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Management Occupation Health Safety Culture
	B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Cultivate
		B3.1 The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Talent Cultivate
		B3.2 The average training hours completed per employee by gender and employee category.	Talent Cultivate
	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.	Legal Employment
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	Legal Employment
		B4.2 Description of steps taken to eliminate such practices when discovered.	Legal Employment

Environmental, Social and Governance Indicators			Location
Social	B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Responsible Procurement
		B5.1 Number of suppliers by geographical region.	Supplier Management
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Management
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Procurement
		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
	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.	Speeding up R&D Product Liability Quality Control Service Assurance
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Control
		B6.2 Number of products and service related complaints received and how they are dealt with.	Customer Service
		B6.3 Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
		B6.4 Description of quality assurance process and recall procedures.	Quality Monitoring
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Service
	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
		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
		B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
		B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption
	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.	Public Welfare
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Public Welfare
		B8.2 Resources contributed (e.g. money or time) to the focus area.	Public Welfare

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
"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)
"Alphamab"	Refers to	Jiangsu Alphamab Biopharmaceuticals Co., Ltd.
"API"	Refers to	Active pharmaceutical ingredient, the substance in a pharmaceutical product that is biologically active
"BD"	Refers to	Business development
"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
"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

"National Medical Products Administration", "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
"China"	Refers to	The People's Republic of China
"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
"Stock Exchange"	Refers to	the Stock Exchange of Hong Kong Limited
"the U.S."	Refers to	the United States of America
"U.S.FDA"	Refers to	U.S.Food and Drug Administration
"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
"Xiansheng Biology"	Refers to	Jiangsu Xiansheng Biology Medical Co., Ltd., (an active pharmaceutical ingredient base), a limited liability company established in the PRC on March 11, 2022 and a subsidiary of our Company

Feedback from Readers

Dear readers,

Thank you for reading the 2022 ESG Report of Simcere Pharmaceutical Group Limited. We value and expect your feedback on the Group's ESG management, practice and reporting. Your comments and suggestions are the important basis for us to promote ESG management and practice. 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/NGO ☐ 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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