东陽光药

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

宜昌東陽光長江藥業股份有限公司

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

Stock Code : 1558

# Our Mission:
# For Everyone's Health

# 2022 Environmental, Social And Governance Report

# CONTENTS





# ABOUT THIS REPORT

This is the eighth Environmental, Social and Governance (the "ESG") Report released to the public by YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "Pharm HEC"). This report is an annual independent report for the period from 1 January 2022 to 31 December 2022 (the "Reporting Period") and aims at truly reflecting the development and practice in respect of environment, social and corporate governance in the year of 2022 of Pharm HEC, reporting to stakeholders such as the shareholders, employees, the government, customers and consumers, partners and the community about the corporate operation, and the performance of social responsibilities and environmental missions.

## BASIS OF PREPARATION

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

The contents covered in this report comply with the "comply or explain" provisions as required in the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on the Stock Exchange and the reporting principles of "materiality", "quantitative", "balance" and "consistency".

Materiality: The materiality of the Group's ESG issues is determined by the Board. The stakeholder communication and the process and criteria of identification of material issues are all disclosed in this report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in this report.

Balance: The Report shall provide an unbiased picture of the performance of the Group during the Reporting Period. It should avoid selections, omissions or presentation formats that may inappropriately influence the decision or judgment by the readers of this report.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent with the previous year unless otherwise specified.

## REPORTING PERIOD

Unless otherwise specified, the information contained in this report covers the period from 1 January 2022 to 31 December 2022.

## PUBLICATION SCHEDULE

This report is published annually.

## REPORTING SCOPE

The scope of disclosure of this report is consistent with that of the 2022 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd..

## DATA SOURCE AND RELIABILITY STATEMENT

The financial data involved in this report is in line with the 2022 Annual Report of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.. Other information is sourced from official documents, statistical reports and relevant public information.

As confirmed by the management of Pharm HEC, this report was approved by the board of directors (the "Board") on 24 March 2023.

## REFERENCE DESCRIPTION

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

## ACCESS TO THE REPORT

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

## MESSAGE FROM CHAIRMAN

**High-quality effort of carbon neutrality and carbon peak is not only an important vehicle for creating a new paradigm of ecological civilization development, but also for the orderly promotion of the greening of the industrial economy and high-quality economic development, occupying a leading position in the strategic layout of the comprehensive establishment of a modernized country. As a leading pharmaceutical manufacturer in the industry, we shall continue to promote the development of our business performance and unswervingly practice the concept of low-carbon environmental protection and sustainable development.**

In 2022, under the relaxation of a series of national policies, the social and economic performance gradually improved while the pharmaceutical industry resumed its development. In addition, with the moderation of medical insurance policies and clearer tender rules, the subsequent policies for pharmaceutical industry is expected to be stable, and China's pharmaceutical ecosystem will enter into a positive cycle and usher in thriving industry development opportunities.

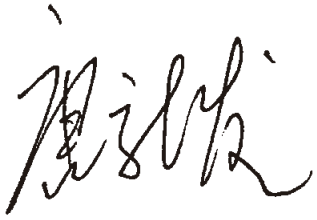
In 2022, the Group achieved a revenue of RMB3,744.95 million, representing a significant increase of 309.83% as compared to that of 2021, which was mainly attributed to the gradually normalized footfall and daily social activities as well as the good recovery momentum in flow of people, the number of diagnosis and treatment activities and the volume of drug prescriptions in frontline medical institutions in 2022, resulting in a significant recovery of the sales of Kewei, the core product of the Group.

In 2022, the Group still made substantial progress in all aspects of business development.

In the field of chronic diseases, the Group's self-developed Insulin Aspart Injection and Insulin Aspart 30 Injection has been approved to launch, which was conductive to expand the Group's business in the field of endocrine and metabolic therapy and enriched the Group's product portfolio. In addition, the Group's Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R) is under the approval stage of domestic production registration. the Group have acquired multiple drugs for diabetes from Sunshine Lake Pharma, all of which have been approved to launch, except for Rongliflozin L-Pyroglutamic Acid under Phase III clinical stage and Liraglutide under the pending submission stage of new drug application. Such products are expected to be marketed in a rapid manner and generate considerable sales, which will further increase the integrated strengths of the Group and improve the revenue structure of the Group.

In the field of new drugs, the Company's self-developed new drug, Emitasvir Phosphate, was successfully listed in the National Reimbursement Drug List through the national negotiation, opening a new chapter in the treatment of hepatitis C. Emitasvir Phosphate is the first completely self-developed anti-hepatitis C oral small-molecule new drug. In 2022, the Group and Beijing Kawin Technology signed a strategic cooperation agreement to "Eliminate Hepatitis C". In the future, it will promote a greater coverage of domestic Hepatitis C drugs against more types of Hepatitis C patients under the National Reimbursement Drug List. With such strong alliance, it is aimed to help achieve the WHO 2030 target of eliminating viral hepatitis public health hazards and fully support China's hepatitis C public health hazards elimination campaign.

The Group has established an internal monitoring mechanism for ESG structure through the Board for strengthening construction of environmental infrastructure, improving environmental pollution prevention and control, enhancing efficient use of energy and actively addressing climate change risks, in order to ensure a scientific, reasonable and effective environmental, social and governance, risk management and internal control system. In the future, the Group will continue to enhance its R&D and innovation capabilities. Maintaining the competitiveness of existing core products, the Group will continue to enrich the R&D pipeline of innovative drugs and improve product quality and after-sales services. In addition, the Group will take various measures to promote green and low-carbon development and manage to realize the synergy between high-efficiency growth in operating performance and high-level environmental protection, striving to make Pharm HEC a domestic top pharmaceutical enterprise with domestic leading strength in terms of research and development and innovation, as well as social responsibility and sustainable development concept.



**Tang Xinfa**

*Chairman of Pharm HEC*

## MESSAGE FROM GENERAL MANAGER

**The pharmaceutical industry plays a pivotal role in protecting and promoting people's health and improving their quality of life. With the transformation of the economic development mode to green and low-carbon, the carbon emission management is becoming more important. In the future, the Group will promote the implementation of the "dual carbon" strategy and incorporate the concept of sustainable development in all aspects of its business development.**

# MESSAGE FROM SENIOR MANAGEMENT

Dear investors,

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

In terms of environment, the Group will promote green and low-carbon development, continuously optimize the construction of environmental infrastructure, implement ecological protection, improve environmental quality, deeply advance pollution prevention and control, and accelerate the implementation of green development methods. In production, the Group implements the production concept of green manufacturing, promotes the development of all aspects of production towards high-end, intelligent and green manufacturing, and gradually establishes a modern green production model with low consumption, low emission and high efficiency. In response to climate change, the Group actively identifies climate change risks and opportunities, and formulates reasonable climate-related risk response strategies. In terms of resource utilization, the Group optimized the energy structure, improved clean energy production equipment, and cultivated the awareness of energy conservation and environmental protection among all employees to maximize resource utilization. In terms of waste management, the Group continued to promote the standardization of waste management, strengthened the long-term mechanism for the implementation of waste management responsibilities, and effectively managed the classification of production, domestic waste and hazardous waste to maximize the efficient treatment and recycling of various wastes.

In terms of society, the Group is committed to improving the level of social responsibility management and social responsibility performance. In terms of compliance management, the Group continues to integrate the concept of compliance culture into the minds of employees and implement it to all departments, and continuously improves the anti-corruption management system, compliance management system and internal control system. Continuously improve the safety and effectiveness of products through the construction of quality management system to provide consumers and the society with better product and service quality. The Group attaches great importance to the construction of human resources, provides employees with a fair and reasonable working system, advocates inclusive and diversified cultural backgrounds, and provides employees with regular training to enable them to understand the latest development of the market and the industry. Meanwhile, the Group improves the work enthusiasm and effectiveness of employees through various incentive policies. In addition, the Group is committed to establishing a standardized supplier management system, strengthening the selection, evaluation and daily management of suppliers, and regularly inspecting and evaluating the supply capacity of suppliers to ensure that all aspects of product production meet the highest standards.

In terms of governance, the Group has always maintained a sound governance system. The Board meetings, the Board of Supervisors meetings and the shareholders' general meeting are convened as scheduled in accordance with the relevant regulations including the articles of association of the Company. The information disclosure, internal control and audit work are conducted in compliance with laws and regulations. Under the leadership of the Board, the management has stepped up its efforts in regulating management, establishing rules and regulations, internal control and governance, etc. In daily management, the management has always adhered to the business philosophy of producing high-quality drugs that reach the top level in China, striving to gain reputation and win competition in the market.

In the future, the Group will take the path of green and low-carbon development in the new era, and enhance the market competitiveness of its products through R&D innovation and product process improvement. We strive to achieve recycling and efficient use of resources to create a better operating environment for the sustainable development of the Group. The Group is also committed to delivering high-quality and effective pharmaceutical products to patients in need and contributing to the lives and health of the public.

**Jiang Juncai**

*General Manager of Pharm HEC*

# BOARD STATEMENT

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

## ESG GOVERNANCE

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

## ESG RISK MANAGEMENT

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

## ESG TARGET MANAGEMENT

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

# SIGNIFICANT EVENTS IN 2022

## HONORS

**10 January**

### 1. Metoprolol Succinate Sustained-Release Tablets approved to launch

On 10 January 2022, Metoprolol Succinate Sustained-release Tablets (specifications: 47.5mg and 95mg) acquired by Pharm HEC from Sunshine Lake Pharma Co., Ltd. has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration (the "NMPA"). Metoprolol Succinate Sustained-Release Tablets is used for treatment of high blood pressure and chronic heart failure. It will become one of the products of the Company for the treatment of cardiovascular diseases after its launch. This can further enrich the Group's product portfolio, and will publicly provide patients with a choice of medication with high quality and fair price.

**8 March**

### 2. Azithromycin Tablets approved to launch

On 8 March 2022, Azithromycin Tablets (specifications: 0.25g and 0.5g) acquired by Pharm HEC from Sunshine Lake Pharma Co., Ltd. has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration. Azithromycin Tablets will become one of the products of the Company for the treatment of anti-infectious disease after its launch. This can further enrich the Group's product portfolio, and will provide patients with a choice of medication with high quality and fair price.

**18 October**

### 3. Insulin Aspart Injection approved to launch

On 18 October 2022, Insulin Aspart Injection, independently researched and developed ("R&D") by Pharm HEC, has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration. Insulin Aspart Injection is the third generation of fast-acting mealtime Insulin, which is currently a commonly used drug for mainstream insulin intensive therapy. It is mainly used for controlling the postprandial blood glucose level of diabetic patients. Insulin Aspart Injection being successfully approved to launch will be beneficial for the expansion of the Group's business of treating endocrine and metabolic diseases and further enrich the Group's product portfolio in the field of diabetes treatment.

**8 November**

### 4. Insulin Aspart 30 Injection Approved to Launch

On 8 November 2022, Insulin Aspart 30 Injection, independently researched and developed by Pharm HEC, has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration. Insulin Aspart 30 Injection is suitable for the treatment of diabetes and can be injected with meals. It has better control of both fasting and postprandial blood glucose. It has significant advantages in improving glycemic control, reducing the risk of hypoglycemia, improving compliance and saving medical costs, so it is more suitable for high-risk patients with impaired perception of hypoglycemia. Insulin Aspart 30 Injection being successfully approved for launch will be beneficial for the expansion of the Group's business of treating endocrine and metabolic diseases and further enrich the Group's product portfolio in the field of diabetes treatment.

**23 December**

### 5. Major and Connected Transaction in relation to the Disposal of Equity Interest in Sunshine Lake Pharma

On 23 December 2022, Pharm HEC (as the transferor), Shenzhen HEC Industrial (as the transferee) and Sunshine Lake Pharma (being the target company) entered into an equity transfer agreement, pursuant to which the Company agreed to transfer and Shenzhen HEC Industrial agreed to acquire the capital contribution in the amount of RMB27,720,405 (representing 9.9134% of equity interest) of Sunshine Lake Pharma held by the Company at a consideration of RMB2,312,319,650.

## PHARM HEC'S ENTERPRISE HONORS IN 2022


2022 Top brand of anti-infective drugs for frontline hospitals in China's pharmaceutical•brand list

## (I) CORPORATE PROFILE

The Company is a domestic pharmaceutical platform under Pharm HEC Group with a history of 22 years of operation since its establishment and is a pharmaceutical enterprise with strong research and development and innovation capabilities and great development potential in China. The Company has always believed in "serving the Chinese with a higher standard" since establishment, and attaches great importance to research and development, innovation and quality improvement of products.

The Company is a pharmaceutical manufacturing company focusing on the research and development, manufacturing and sale of pharmaceutical products in the therapeutic areas of antiviral, endocrine and metabolic, cardiovascular, anti-infection and other disease treatment. In 2015, the Company was converted into a joint stock company with limited liability and was successfully listed on the Main Board of the Stock Exchange on 29 December 2015 (Stock Code: 01558.HK). At present, the Company's core product, Kewei (Oseltamivir Phosphate), is a first-line product in China's anti-influenza market, and has maintained the premier position in the field of domestic influenza for many years with the advantage of being the first brand in China. From 2013 to 2022, the Company's Oseltamivir Phosphate product had the highest sales volume in China. In the future, we will unswervingly follow the path of brand building to maintain Kewei as the first brand of anti-influenza drugs and continue to explore the market potential of Kewei.

## 1. SALES OF MAIN PRODUCTS OF THE COMPANY

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

| Product | Common Name | Treatment | 2022 Sales income (RMB'000) | Year-on-year changes |
|---|---|---|---|---|
| Kewei (Granules) | Oseltamivir Phosphate | Anti-influenza drugs | 2,585,151 | 450.64% |
| Kewei (Capsules) | Oseltamivir Phosphate | Anti-influenza drugs | 507,554 | 496.36% |
| Ertongshu | Benzbromarone | Treatment of hyperuricemia with gout symptoms | 98,424 | 27.60% |
| Oumeining | Telmisartan | Treatment of hypertension | 62,922 | 26.65% |
| Olmesartan Medoxomil | Olmesartan Medoxomil | Treatment of hypertension | 44,257 | 19.14% |
| Clarithromycin | Clarithromycin | Macrolide antibiotics | 33,599 | 31.54% |

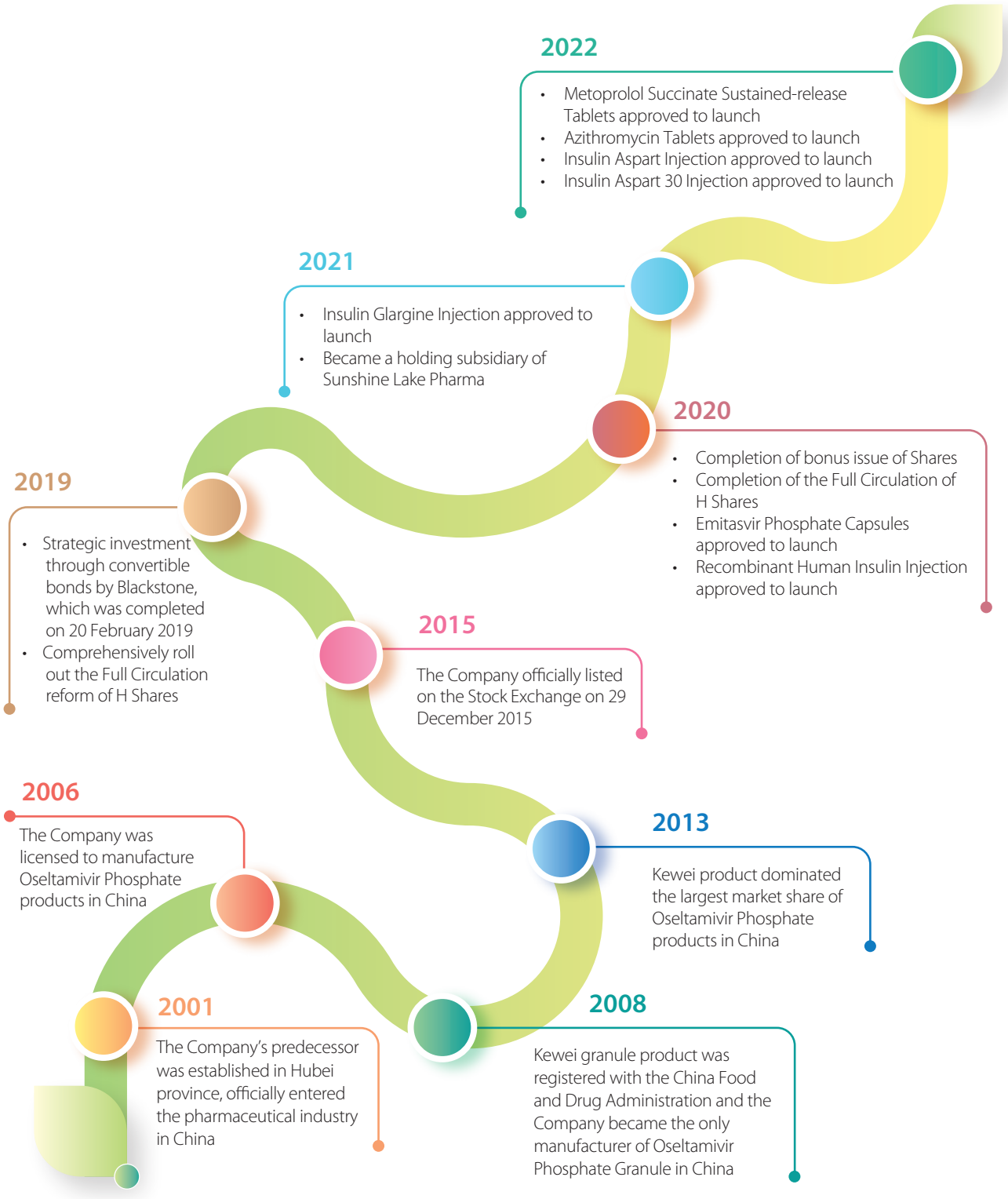




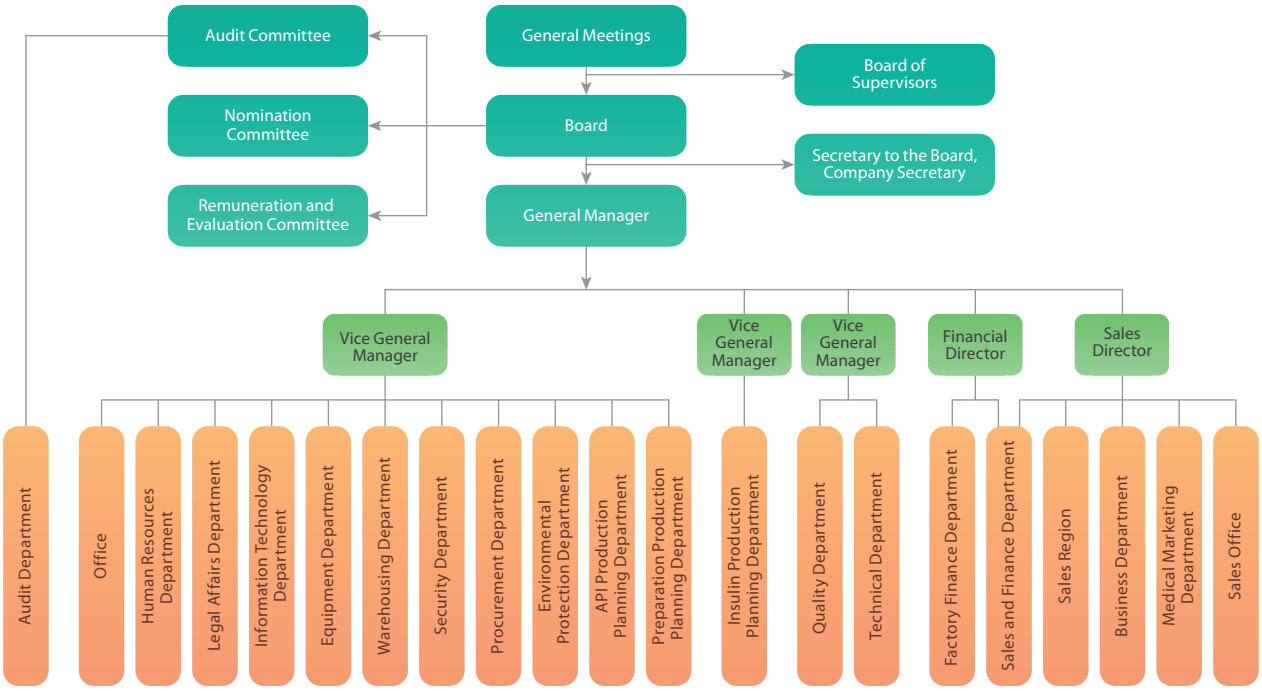


The above-mentioned drugs are the core products of the Group. During the Reporting Period, the Group adjusted the division of responsibilities of the sales team according to the market demand, being the self-operated sales team responsible for the academic promotion of core products in tiered hospitals and primary medical institutions, new retail sales teams responsible for all varieties in chain pharmacies, non-tender markets and Internet hospitals, and centralized procurement sales team responsible for the national centralized procurement varieties. During the Reporting Period, the Company also started expanding its online pharmacy channel and cooperated with a number of well-known online channel operators. As of 31 December 2022, the Group has a total of 1,726 staff in its sales teams. The establishment and development of the multi-channel sales team will lay a solid foundation to the comprehensive expansion of the Group's product portfolio in all sales channels.

## 2. DEVELOPMENT HISTORY OF THE COMPANY



## ORGANISATION STRUCTURE




## PARTNERSHIP NETWORK

We entered into a letter of intent with Wuhan Institute of Virology, Chinese Academy of Sciences* (中國科學院武漢病毒研究所), National Engineering Technology Research Center for Drugs of Emergency Prevention and Control* (國家應急防控藥物工程技術研究中心) and Sunshine Lake Pharma

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

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

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

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

## (II) STRATEGY AND VISION






### CULTURAL VISION

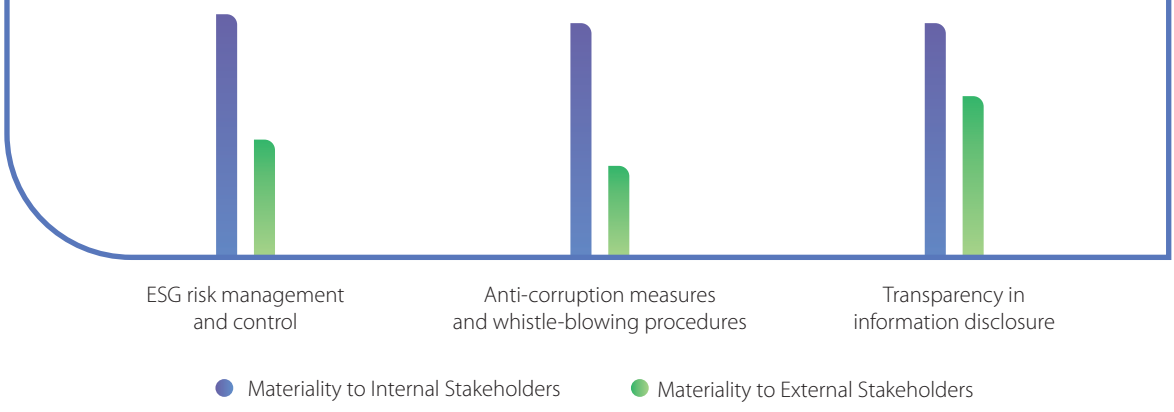
Pharm HEC strives to become a modern enterprise with a comprehensive research and development system, excellent product quality and perseverance. The Group has taken "For Everyone's Health" as its mission. The Group determines to improve the people's living standard and health with the support of scientific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

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

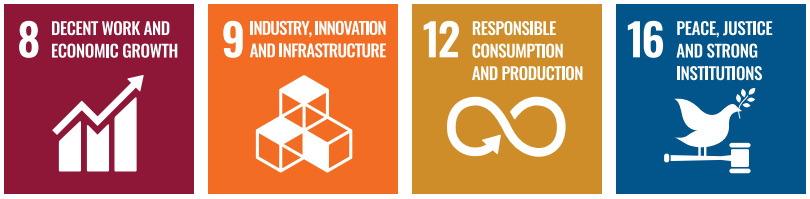
# CHAPTER I RESPONSIBLE GOVERNANCE

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:




## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER




## HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B7.1/B7.2

## (I) RESPONSIBILITY STRATEGY

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

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

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


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

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

## (II) CORPORATE GOVERNANCE

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

Strategic objectives of the Company:

**Short-Term Goal**

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

**Medium-Term Goal**

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

**Long-Term Vision**

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

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


## THE ESG LEADING GROUP

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


## THE ESG COORDINATION GROUP

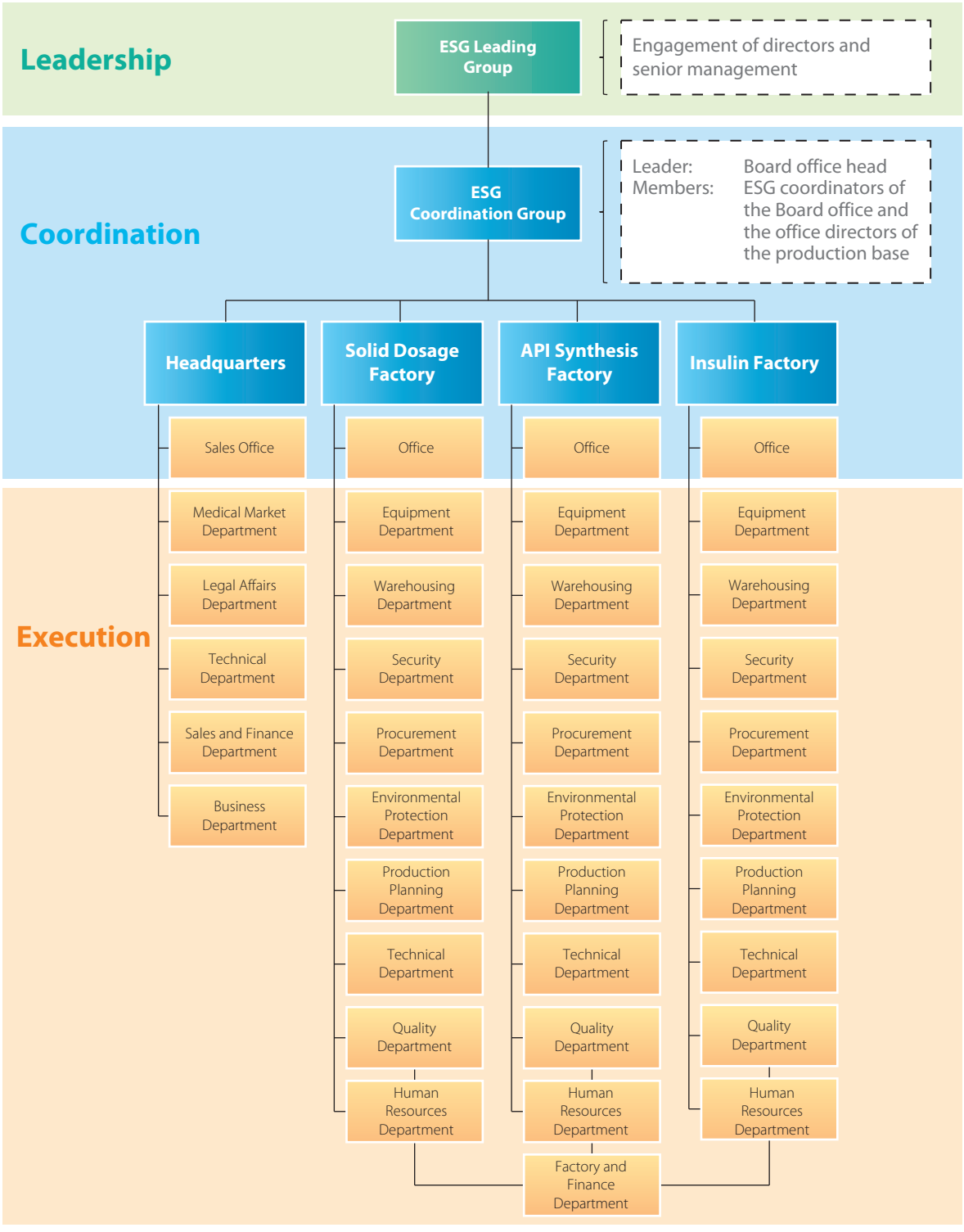
The ESG coordination group, led by the secretary of the Board office, is composed of the ESG coordinators of the Board office and the office directors of the production base in Yidu (solid dosage factory, API synthesis factory and insulin factory). It is mainly responsible for overall planning of ESG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


## THE ESG EXECUTION GROUP

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

ESG Management Structure is as follows:

# ESG MANAGEMENT STRUCTURE



## 1.2.1REGULATORY GOVERNANCE

### Internal Control System

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

### Special Audit

**Special Audit**

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

## Information disclosure

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

In 2022, 0 case regarding corruption litigation and complaints has been received.

## 1.2.2RISK MANAGEMENT

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

### Risk assessment system

The Company continues to conduct risk analysis and clarify the risk assessment process. The internal control management department classifies risks and risk events. Under the guidance of the competent management, the relevant business departments analyze the causes of risks and formulate appropriate counter measures and solutions to identify and respond to the changes that may be encountered by the Company, including operational risks, environmental risks, financial risks and climate risks, which may have significant and extensive impact, and track the changing business environment and operating activities and conduct dynamic assessment. The Company emphasizes the identification and response of ESG risks, especially the effective response to risks and opportunities related to the climate change. The Company divides risk analysis into irregular risk analysis and regular risk analysis. While pursuing profitability, the Company attaches importance to safety and liquidity, and attaches more importance to risk prevention and internal control construction while keeping pace with rapid business development. In order to improve the internal risk identification and assessment system, we also carefully learn from the past experience of the industry and actively use modern technology to gradually establish a monitoring, evaluation and warning system covering all business risks.

### Internal audit system

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

## 1.2.3ANTI-CORRUPTION

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

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

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

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

## (III)RESPONSIBLE COMMUNICATION

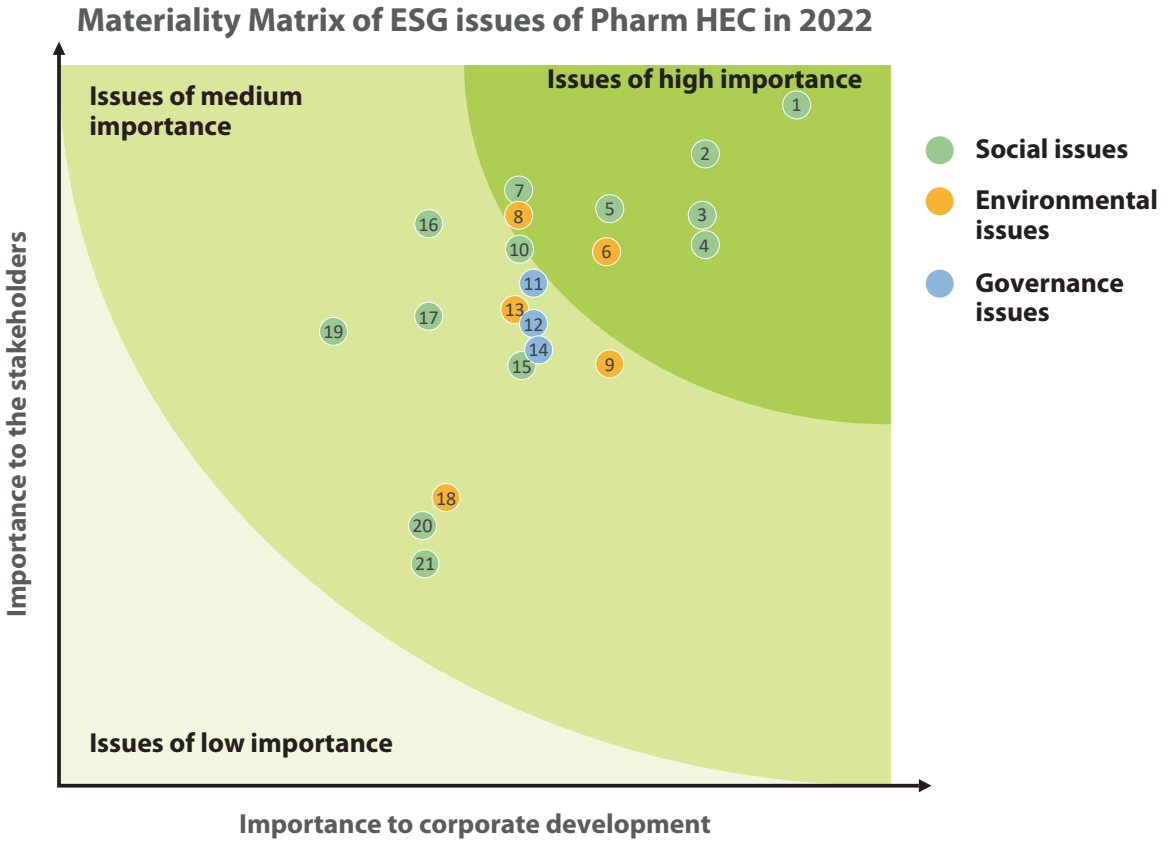
### 1.3.1COMMUNICATION WITH STAKEHOLDERS

| Overview of the Group's Stakeholder Engagement in 2022 | | | |
|---|---|---|---|
| **Stakeholders** | **Concerns of stakeholders** | **Participation channels** | **Measures taken by the Company** |
| Shareholders and investors | The Company's product pipeline and future development potential/ protection of interests of shareholders and returns/truthfulness, accuracy and timeliness of information disclosure | Investor information sessions and site visit/ general meetings of shareholders and results briefing/information disclosure | • Having a better understanding of the Company for the investors through telephone conference and site visit;<br>• Holding regular results briefings to disclose the operation of the Company through the publication of notice of general meeting of shareholders and resolutions;<br>• Disclosing the Company's contact information on the Company's website and reports to ensure smooth communication channels |
| Management | The Company's operating strategies | Interviews and survey conducted by third party institution | • Assessing the major scopes of ESG which may have impact on the Company, and implementing the relevant measures in the daily operation |

| Overview of the Group's Stakeholder Engagement in 2022 | | | |
|---|---|---|---|
| **Stakeholders** | **Concerns of stakeholders** | **Participation channels** | **Measures taken by the Company** |
| Employees | Protection of fundamental interests/ benefits and remuneration package/ working environment/ room for career development/ occupational health and safety/actualization of self-value | Labor union/employees communication with the management/the Group's OA platform/ the Company's internal mailbox/employee representative meeting/ suggestion box | • Ensuring the rights to have equal opportunities of employment, to choose occupations;<br>• Providing a safe, healthy workplace;<br>• Providing the rights of remuneration and to rest in vacations;<br>• Providing training and development opportunities for employees |
| Customers and consumers | Assurance of product quality and quantity/ data confidentiality | Regular visits for communication/ consumer satisfaction survey/consumer complaints and comments handling | • Signing confidentiality agreement and enhancing quality management;<br>• Ensuring stable production and delivery;<br>• Signing long-term product sales agreement with customers |
| Suppliers | Public tender/long-term stable cooperation/ on-time payment | Tender meeting/ negotiation meeting/ daily communication | • Organizing public tender to select suppliers based on merit and fulfilling the obligations under the contract;<br>• Strengthening daily communication and maintaining long-term relationship with high quality suppliers without default payment |

| Overview of the Group's Stakeholder Engagement in 2022 | | | |
|---|---|---|---|
| **Stakeholders** | **Concerns of stakeholders** | **Participation channels** | **Measures taken by the Company** |
| Community and the public | Employment opportunities/ ecosystem/ compensation and assistance | Jointly held community activities | • Giving priority to local candidates in the recruitment to maintain the ecosystem in the district |
| Banks | On-time repayment/ business conditions/ operating risks/credit risk | Post-loan follow-up, daily communication | • Making principal and interest payment as scheduled and cooperating in the process of loan review, approval and supervision |
| Industry peers | Fair competition/ cooperative development/sharing of technology and experience/industry development | Seminars/exchange visits/industry conferences | • Facilitating fair competition, cooperating to achieve mutual benefits, sharing experience and promoting sustainable development of the industry |
| Market supervisory body | Compliance with governing regulations/ compliant operation/ information disclosure and reporting | Consultation/ information disclosure | • Strictly complying with governing regulations and disclosing and reporting information in a truthful, accurate and timely manner |

## 1.3.2.IDENTIFICATION OF MATERIAL ISSUES

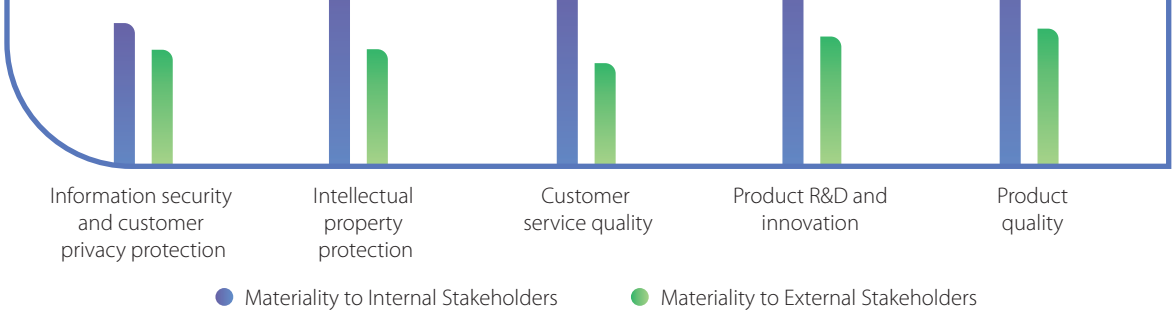


| Order | Issues | Importance |
|---|---|---|
| 1 | Product quality | Issues of high importance |
| 2 | Product R&D and innovation | |
| 3 | Intellectual property protection | |
| 4 | Remuneration and benefits and care for employees | |
| 5 | Customer service quality | |
| 6 | Environmental strategy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

# CHAPTER II EXCELLENT QUALITY

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:




## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:


## HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

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

# (I) CREATING EXCELLENT QUALITY

## Creating Excellent Quality

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

Product recall due to safety problems
0

Complaints related to Product Quality
0

Authorized Patents
7

## 2.1.1 PRODUCT QUALITY CONTROL

The concept of product responsibility plays an important role in the development of an enterprise and the formation of a brand image as well as the accumulation of reputation, and is also the necessary responsibility of an enterprise to consumers. As a quality enterprise in the pharmaceutical industry, Pharm HEC have always adhered to the principle of being responsible to the Company and patients, sparing no effect to ensure zero defects regarding product quality and providing comprehensive after-sales services to protect the interests of customers and patients. We strictly abides by the laws and regulations such as the Drug Administration Law of the People's Republic of China, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China, the Provisions on the Administration of Pharmaceutical Directions and Labels, the Good Manufacture Practice of Drugs and the Administrative Measures for Drug Recalls issued by our country. Besides, we have established a quality management system in accordance with the Pharmaceutical Industry Quality System and the Good Manufacture Practice for Pharmaceutical Products. The newly revised Drug Administration Law of the People's Republic of China in 2019 puts forward higher requirements for the good manufacture practice and operation. Pharm HEC based on the existing Quality Manual under the new drug administration law, which focuses on the Drug Administration Law, Measures for Production Supervision and Management of Drugs, Measures for Administration of Drug Registration and Pharmacopoeia of the PRC and other laws and regulations, carried out the optimization of production procedures, workshop equipment and management, continuous improvement including inspection of raw and auxiliary materials, product research and development, technology transfer, production and manufacturing, product shipment and sales, monitoring and research of adverse reactions after launch. Specific quality control procedures has been clearly defined to ensure that the quality of drugs is controllable throughout the whole process of research and development, production, sales and recall, etc. In 2022, in accordance with regulatory requirements and inspection defect rectification requirements, we improved and revised a number of product quality management regulations, including bilingualization of major management documents, refinement of product quality equivalence assessment procedures, supplementation and improvement of material supplier management procedures, etc.

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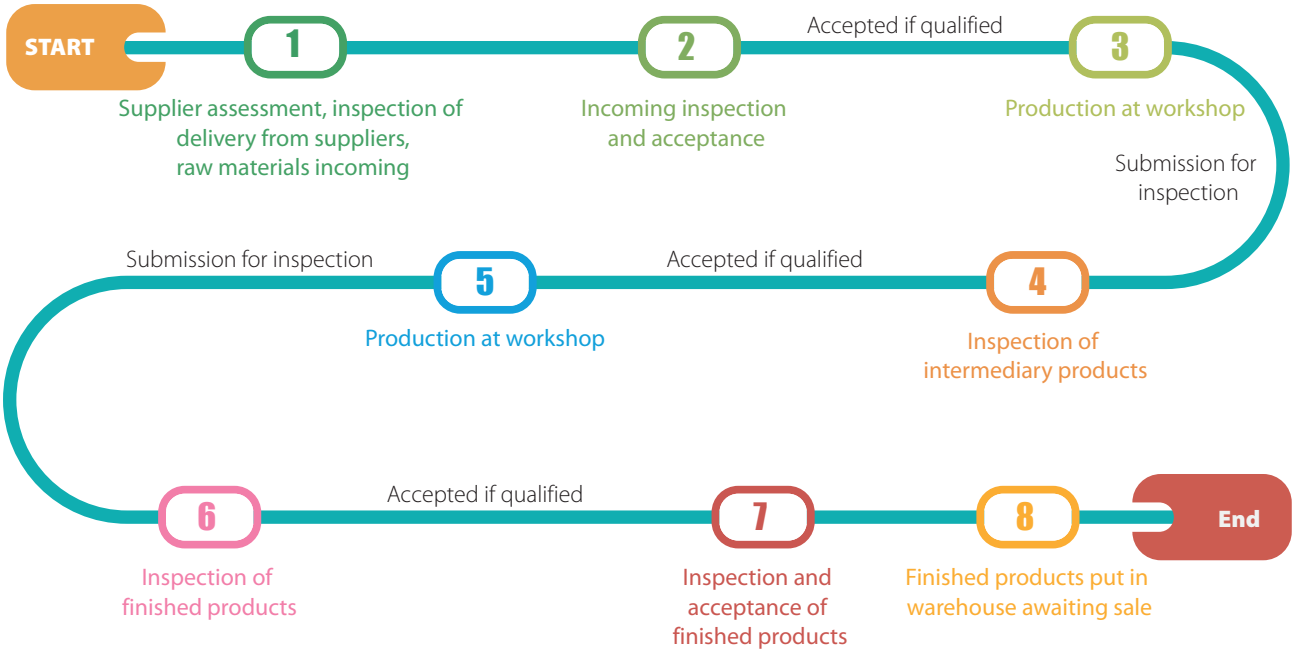


## 2.1.2 BASIC PROCEDURES OF QUALITY CONTROL

- **Raw Materials Purchase**

Based on the needs of product production and the improvement of product quality, the Company has formulated procurement quality standards for materials used in product production (including raw materials, pharmaceutical materials and pharmaceutical packaging materials) which is more stringent than the national legal standards, and signed quality agreements, under which procurement quality standards are provided, with material suppliers, requesting inspection and delivery of materials according to the procurement quality standards after their arrivals. The Company has completed the evaluation and update of the procurement quality standards for 31 kinds of materials sourced in 2022, and will continue to promote the optimization process of procurement quality standards.

At the same time, the Company continued to carry out review of suppliers. However, due to the impact of the epidemic, during the Reporting Period, the Company completed on-site quality audit on 5 suppliers to ensure that the quality management system and production system of the suppliers are under control to ensure the stable and sustainable supply of high-quality materials.

- **Product Production**

In order to ensure the comprehensiveness and effectiveness of product quality management, Pharm HEC has continuously made sure its investment in human resources, material resources and all aspects. In order to further meet the needs of production inspection and supervision, the QC laboratory of the preparation factory added 16 units/sets of testing equipment, and the total number of employees in the Quality Department increased by about 20 persons.

- **Quality Audit**

Pharm HEC attaches great importance to the standardized operation of production quality and management of drugs and actively improves its own quality review system. During the project registration and declaration stage, the Technical Department, Quality Department and Production Department of the Company, together with the research and development department of the research institute of the Group, conduct inspection drills on the research and development site and production site. Meanwhile, the Company covers the comprehensive production of products through quarterly self-inspection and cross-inspection from enterprises, and discovers and solves the actual problems of the project in a timely manner. At the same time, the Company also actively cooperates with the production

inspection organized by the Food and Drug Inspection Center (食品藥品審核查驗中心) of the China National Medical Products Administration (the "NMPA") and issues inspection and rectification reports based on the inspection results of each internal and external review, and eliminate the problems mentioned in the reports.

In 2022, Pharm HEC conducted multiple product audits in different factories, including 6 domestic inspections at all levels, and 3 self-inspections, among which was 3 domestic Good Manufacture Practice (GMP) compliance inspections, 1 entrusted drug production inspections and 2 special supervision and inspection. No key deficiencies were identified during the process of each inspection. Specific rectification of deficiencies was carried out, and the deficiencies response report and rectification evidence were submitted to the official authorities.

- **Product Recall**

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

- **Pharmacovigilance**

In order to further improve efficiency and enhance regulatory compliance, we introduced a pharmacovigilance information system in 2022. Currently, the computerized system verification and confirmation work involved in this system is being carried out, and it will be put into operation immediately after completion.

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

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

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

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

Due to the continuous expansion and deepening of the scope of pharmacovigilance, holders of Drug Marketing Licenses are required to pay attention to the post-marketing safety evaluation of drugs and the safety monitoring of key varieties on the basis of collecting, analyzing and reporting basic data on adverse drug reactions. Although we have sufficient staff and resources to meet the needs of day-to-day pharmacovigilance work, in order to further improve efficiency and enhance regulatory compliance, we introduced a pharmacovigilance information system in 2022. The computerized system verification and confirmation work involved in this system is being carried out, and it will be put into operation immediately after completion.

## PRODUCT CERTIFICATION

Pharm HEC always attaches great importance to the standardized operation for production quality and management of pharmaceutical products, strictly complied with the national laws and regulations in respect of aspects such as procurement of active pharmaceutical ingredient, production, product packaging and transportation and quality control, and actively cooperated with the production inspection organized by the Food and Drug Inspection Center (食品藥品審核查驗中心) of the National Medical Products Administration. In 2022, the Company completed the internal technology transfer certification of 2 varieties, the certification inspection of commissioned production items of 1 variety, and the certification inspection of commissioned production matters of 1 variety.

## QUALITY TRAINING FOR STAFF

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

During the Reporting Period, the Company conducted a total of 59 quality trainings for factory-level, 149 trainings for quality assurance (QA) department, 525 trainings for quality control (QC) department, 999 quality trainings for workshop, and 333 onboard trainings for new employees or transferred employees, including temporary training on the revised version of SOP (standard operation procedures). We keep a record of all training to ensure the effectiveness of the trainings. The targeted trainings enable the junior staff to master the basic knowledge of the Good Manufacture Practice (GMP) and the management to master more in-depth and appropriate management skills.

**Quality trainings for factory-level**

59

**Trainings for QA department**

149

**Trainings for QC department**

525

**Onboard trainings for new employees or transferred employees**

333

**Quality trainings for workshop**

999

# (II) FOCUSING ON RESEARCH AND DEVELOPMENT AND INNOVATION

## 2.2.1 RESEARCH AND DEVELOPMENT AND INNOVATION

Adhering to innovation-driven development is the future development trend of pharmaceutical enterprises. The Group made outstanding R&D progress in the therapeutic areas of endocrine and metabolic diseases during 2022.

### 1. Endocrine and metabolic diseases area

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

The Group has established a complete R&D system for insulin series products in accordance with standards on biosimilar drugs adopted in Europe and the United States with quality equivalent to originator drugs. The Recombinant Human Insulin Injection, Insulin Glargine Injection, Insulin Aspart Injection and Insulin Aspart 30 Injection developed by the Group were approved to launch, and the results of clinical trials show that the statistics of those injection are highly consistent in terms of efficacy, safety and stability when compared with the originator biologics. The Group also has a comprehensive product line, which covers both the second and the third generations of insulin, that meets the clinical medication needs of doctors and patients. Moreover, the product line adopts a yeast expression system which is advanced in technology and easy for large scale production.

The new drug application of Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R) developed by the Group has been accepted by the NMPA.

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

## 2.2.2 INTELLECTUAL PROPERTY PROTECTION

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

As of the end of 2022, the Company has a total of 69 invention patents, including 3 patents of utility model, 66 patents of invention, 7 patents authorized throughout 2022. By the end of 2022, a total of 198 trademarks have been authorized, of which 5 was authorized in 2022.

## (III)SATISFYING CUSTOMERS

### 2.3.1 SAFEGUARDING THE RIGHTS AND INTERESTS OF CUSTOMERS

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

#### In respect of customer information

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

#### In respect of product marketing

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

#### In respect of product education

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

## 2.3.2 ACTIVE RESPONSE TO CUSTOMERS' COMPLAINTS

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


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

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



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

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


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

## 2.3.3 PROMOTION OF ACCESSIBLE PHARMACEUTICAL PRODUCTS

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

**Case**

### Insulin Aspart Injection approved to launch

As the most effective drug for the treatment of diabetes, the sales amount of diabetes drugs in China exceeded 5.2 billion USD and has broad market prospects. Pharm HEC has been deeply engaged in the field of insulin products for many years. It has accumulated strong resource reserves in research and development, process technology innovation, etc., and has laid out a comprehensive product line.

On 18 October 2022, Pharm HEC self-developed Insulin Aspart Injection was approved for launch. This product is the third generation of fast-acting mealtime Insulin, which is currently a commonly used drug for mainstream insulin intensive therapy. It is mainly used for controlling the postprandial blood glucose level of diabetic patients and is suitable for patients who have a poor blood glucose control despite receiving oral hypoglycemic drug treatment. The successful launch of this product is beneficial to expanding the Group's business in endocrine and metabolic therapy areas, further enriching the Company's product portfolio, and providing more choices for many diabetic patients.

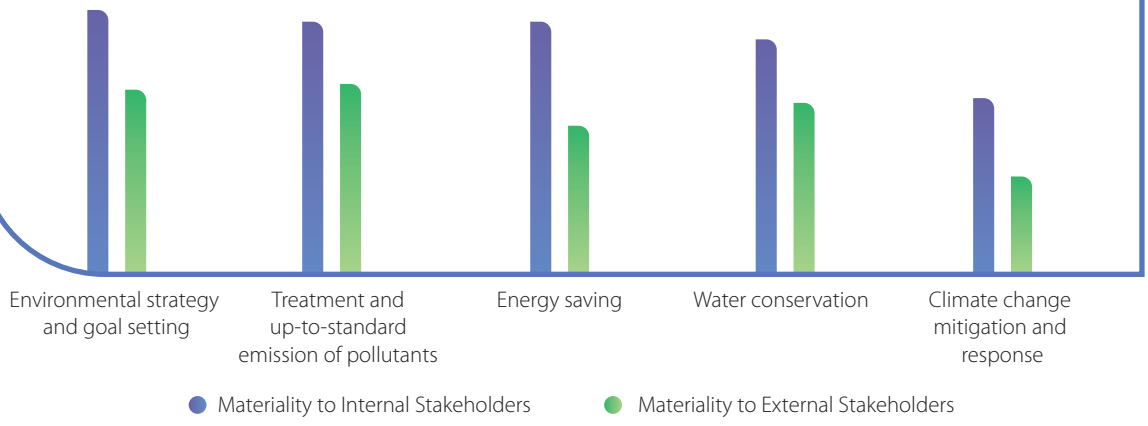
### Insulin Aspart 30 Injection approved to launch

On 8 November 2022, Pharm HEC self-developed Insulin Aspart 30 Injection was approved for launch. This product is a premixed insulin, out of which, 30% is soluble insulin aspart and 70% is protamine insulin aspart. This product is suitable for the treatment of diabetes and can be injected with meals. The higher attainment rate of glycosylated hemoglobin (Hb A1c) enables better control of both fasting and postprandial blood glucose. It has significant advantages in improving glycemic control, reducing the risk of hypoglycemia, improving compliance and saving medical costs, so it is more suitable for high-risk patients with impaired perception of hypoglycemia. The successful launch of this product is beneficial to expanding the Group's business in endocrine and metabolic therapy areas, further enriching the Company's product portfolio, and providing more choices for many diabetic patients.

# CHAPTER III GREEN DEVELOPMENT

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:




## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER


## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:

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

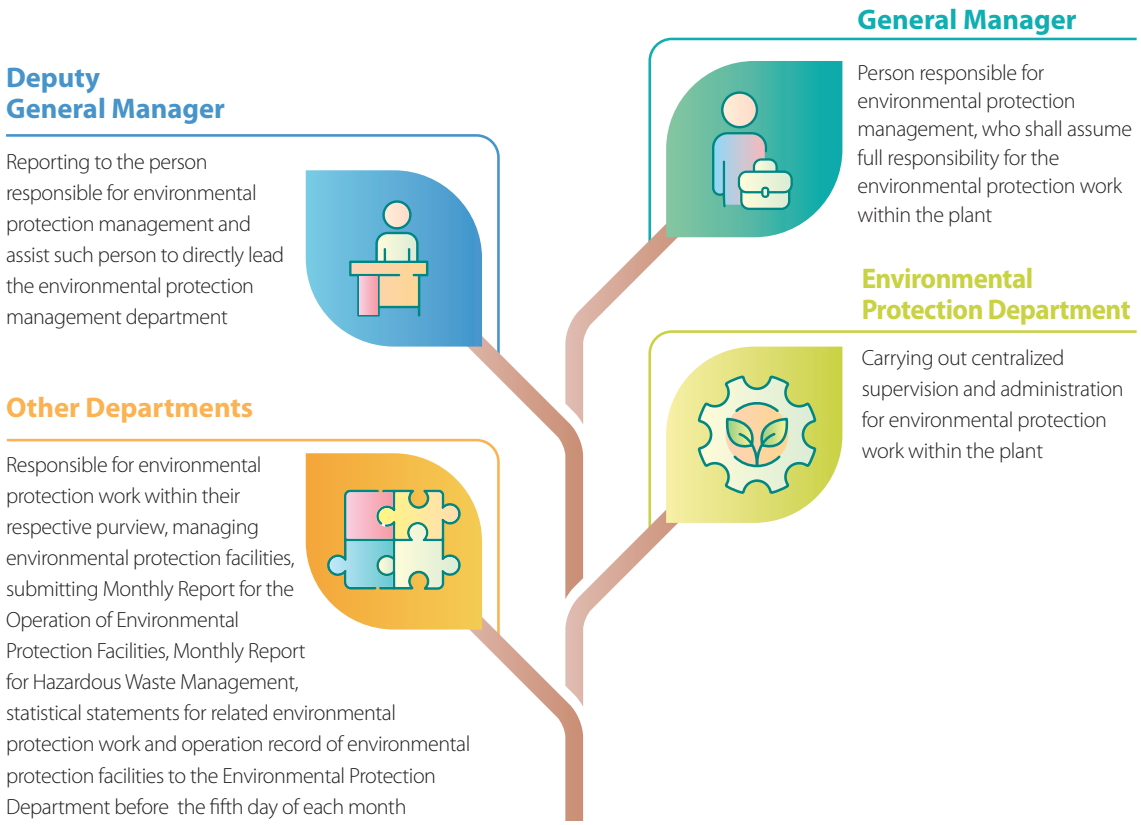
# (I) ENVIRONMENT MANAGEMENT STRATEGY

## 3.1.1ENVIRONMENT MANAGEMENT

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

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

**Environment Management Duties and Responsibilities**



## Environmental Protection Objectives

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

During the Reporting Period, the Group had no environmental pollution accidents; the collection, standardized storage and disposal rate of plant waste reached 100%; the legal and standardized disposal rate of hazardous waste reached 100%; 100% rate in the pollutant emission compliance in respect of wastewater, waste gas, powder and noise was achieved; the total amount of pollutants discharged and the extent of pollutants discharged met the requirements. The Group organized company-level environmental protection training with 110 participants, and completed the training plan and environmental protection knowledge training according to the training plan, with a completion rate of 100%.

## Environmental Objectives

**Environment Management Duties and Responsibilities**

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

## 3.1.2RISK PREVENTION AND CONTROL

The Company conducts environmental risk identification, analysis and formulates corresponding risk control measures for important environmental factors and important sources of danger every year in accordance with external supervision, internal cross-inspection and study of laws and regulations. The Company has established an emergency headquarters, under which the general manager acts as the team leader to assess the environmental protection work. The environmental protection department takes the lead in organizing comprehensive environmental protection inspection for the whole plant at least once a month and each production workshop carries out environment inspection at least once a week. The inspection dimensions include daily environmental monitoring results, daily environmental protection inspection and the implementation of the "Three Simultaneities" system. The assessment results are linked to the assessment performance of the environmental protection staff and incentives, so as to ensure that the Company can carry out emergency treatment in an efficient and orderly manner under special circumstances. In accordance with the national laws and regulations and taking into account the actual situation of the Company, the Company updates the Emergency Plan for Environmental Emergencies and organizes trainings and drills regularly in accordance with the Emergency Plan for Environmental Emergencies. In case of environmental pollution accidents, it shall be dealt with in a timely and standardized manner in accordance with the relevant provisions of the Emergency Plan for Environmental Accidents and the principle of "Four Must" ("Must find the reason for the accident", "Must punish the person responsible", "Must implement measures", "Must provide training to relevant staff").

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

### Training on Environmental Protection

Pharm HEC also actively carries out environmental protection training for employees to enhance their knowledge of safety and environmental protection, improve their ability in safe and environmental-friendly production and respond to environmental emergencies. Pharm HEC has required employees' induction training and daily training to include environmental protection related contents. In 2022, the environmental protection trainings are as follows:

| Training month | Training topics | Training Department | Training Hours |
|---|---|---|---|
| 3 | Safety and environmental protection related knowledge | Warehousing staff | 2 |
| 5 | Safety, Environment and Health Management | QA staff | 2 |
| 5 | Safety, Environment and Health Management | Office staff | 2 |
| 5 | Safety, Environment and Health Management | Procurement staff | 2 |
| 5 | Safety, Environment and Health Management | Management above deputy director | 2 |
| 6 | Environmental protection related knowledge | Oral solid preparation workshop staff | 2 |
| 9 | Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution | Warehousing staff | 2 |

## (II) EMISSION MANAGEMENT

### 3.2.1MANAGEMENT OF WASTEWATER

Located at the Yangtze River and Qingjiang riverside, Pharm HEC takes active actions in protecting the ecological environment in the Yangtze River Basin, and implements the policies including the Outline of the Development Plan for the Yangtze River Economic Belt, strictly implements the standards such as the Emission Standard of Water Pollutants for Chemical Synthetic Pharmaceutical Industry, the Emission Standard of Water Pollutants for Hybrid Pharmaceutical Industry and the Emission Standard of Water Pollutants for Biological Engineering Pharmaceutical Industry, and formulates the Wastewater Management Regulations, which clarifies that the Environmental Protection Department is responsible for the wastewater management and the operation of sewage treatment stations throughout the plant. The Equipment Department is responsible for the maintenance of the sewage pipe network, pumps and sewage treatment equipment. Each department is responsible for the management of sewage within the jurisdiction, and carries out wastewater discharge management according to the requirements of rainwater and sewage diversion, clean and sewage diversion and sewage diversion. All departments and workshops are required to strictly control the leakage and pollution sources, to prevent the leakage, emission, dripping and leakage, and to strictly prohibit the leakage or direct discharge of sewage. In 2020, the Company strictly complied with the national requirements and applied for additional pollutant discharge license in a timely manner, which is valid from 27 December 2020 to 26 December 2025. In addition, in March 2022, the insulin plant separately applied for and obtained the pollutant discharge license.

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

**Wastewater discharge of Pharm HEC**

| | Unit | 2022 | 2021 |
|---|---|---|---|
| Industrial wastewater | Tonnes | **357,865.15** | 369,290.04 |
| Chemical oxygen demand CODcr | Tonnes | **11.15** | 10.98 |
| Ammonia nitrogen | Tonnes | **0.11** | 0.63 |

## 3.2.2MANAGEMENT OF EXHAUST GAS

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

**Exhaust gas treatment system operation and management mechanism:**

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

**Exhaust gas treatment process:**

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

### 3.2.3MANAGEMENT OF SOLID WASTE

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

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

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

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

During the Reporting Period, Pharm HEC generated a total of 210.59 tonnes of dangerous and hazardous waste. The non-hazardous wastes generated were mainly general industrial wastes and domestic wastes, totaling 2,846.41 tonnes.

## (III) MAKING THE BEST USE OF RESOURCES

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

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

- Water resources consumption:
  - Reduce the demand for water from industrial production by shortening the hot water pipes, minimizing water pressure, reasonably making industrial or production layout;
  - Change the way of production water consumption (e.g. turning direct current water to recycled water), promote water-saving technologies such as reuse of condensed steam, recycling of indirect condensed water, and reuse of treated sewage, and improvement of the water recycling rate and reuse rate;
  - Conduct water balance tests to calculate the amount of water required by each production unit and set up inspection measures;
  - In 2022, the Company did not have any problem in obtaining suitable water sources.
- Energy consumption: Energy-saving renovation of existing equipment, replacement of LED light tubes in workshops and other energy-saving facilities.
- Material use: Reduce the use of single-use plastic packaging materials and recycle metal packaging materials.

During the Reporting Period, Pharm HEC consumed a total of 1,776,735.6 tonnes of water, 15,886.4 tonnes of standard coal of integrated energy consumption and 2,880.27 tonnes of packaging materials for finished products.

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

## (IV) ADDRESSING CLIMATE CHANGE

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

**Transition risks**

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

**Acute physical risks**

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

**Chronic physical risks**

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

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

# CHAPTER IV SAFE PRODUCTION

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:


## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER


## HKEX ESG INDICATORS COVERED IN THIS CHAPTER

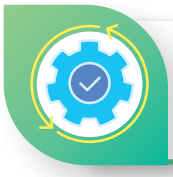
B2.1/B2.2/B2.3

## (I) ENHANCING SAFETY MANAGEMENT AND CONTROL

Pharm HEC strictly complies with the relevant requirements of the laws and regulations, including the Production Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China, has formulated the *Safe Production Responsibility System*, the *Safe Production Conference*, the *Safe Production Fees*, the *Safe Production Rewards and Punishments* and the *Safety Training and Education*, and has signed the *Safety Responsibility Statement* at all levels. The Group has implemented the safety management structure led by the Security Department, strengthened safety risk management and control, emergency management and the investigation and governance of various potential hazards. The Group organises safety drills and education training every year and carries out safety inspections, in which the safety inspection results are directly linked to the management's remuneration. The Company has also implemented safety standardisation within the Company. During the Reporting Period, Pharm HEC invested approximately RMB1,397,700 in environment, health and safety (EHS) management, representing an increase of 37.89% as compared with RMB1,013,600 in 2021. During the Reporting Period, there were no work-related fatalities, extraordinary, material and ordinary accidents in Pharm HEC.

## (II) SAFEGUARDING THE HEALTH AND SAFETY OF EMPLOYEES

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



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

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

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

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

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

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

In order to ensure the health and safety of employees during the pandemic, on the basis of securing the supply of prevention and control materials, Pharm HEC arranged all employees who resumed working to undergo testing through home observation or setting up isolation areas for observation, and required employees to submit travel and health data in a timely manner according to the prevention and control and quarantine requirements of the community. During the pandemic, the Company stipulated the routes and time slots for employees to commute and transport by specially arranged vehicles, in order to prevent and control the risk of pandemic transmission caused by personnel movement. Meanwhile, Pharm HEC also paid attention to the safe production of related parties. In 2022, the Company improved the Related Party Management System, carried out safety education for relevant operators and safety technical disclosure before operation, and collected management data throughout the process according to the system.

## (III) ADHERING TO SAFE PRODUCTION CULTURE

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

In 2022, Pharm HEC took basic safety management, operation site, safety culture construction, education and training, innovation management, etc., as the focus of safety training for identification, prevention and control in advance, so as to improve the effectiveness of safety training system, and significantly enhance the participation and safety management level of all employees on their own. During the Reporting Period, the preparation factory organized a total of 10 company-level trainings for new employees during the year, with a total of 157 participants, focusing on understanding the safety production situation and basic knowledge of safety production in the unit, the safety production rules and regulations and labor discipline in the unit, the rights and obligations of safety production as well as relevant accident cases, to ensure that new employees have passed the training before working. The factory conducted special operation guardian training twice, in which the main training content were the interpretation of the Special Operation Safety Standards for Hazardous Chemical Enterprises GB 30871-2022, the precautions for filling in the Special Operation Guardian On-site Record Form and the Key Assessment Points Spot Check Result Form, and the responsibilities of special operation guardians, with 27 electricians and welders participating the review training throughout the year, 1 new safety management personnel obtaining license, and 10 company representatives and safety management personnel participating in the re-education for safety management personnel of the hazardous chemical industry in August.

Other safety training content was implemented according to the departmental training plan. The Security Department has made detailed records to ensure that the training duration meets the 20 hours required by the *Regulations on Safety Training for Production and Operation Units*. During the Reporting Period, the staff training was completed as scheduled with a pass rate of 100%.

## Case

### Comprehensive fire drill

In order to enhance employees' familiarity with emergency plans and improve emergency response capabilities, Pharm HEC conducted emergency drills in accordance with the Relevant Provisions on the Management of Production Safety Accident Emergency Plans and the 2022 Annual Plan of Emergency Rescue Drills of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. The drills helped employees to identify problems in the emergency plan, thus improving the emergency plan and enhancing its practicality and operability.

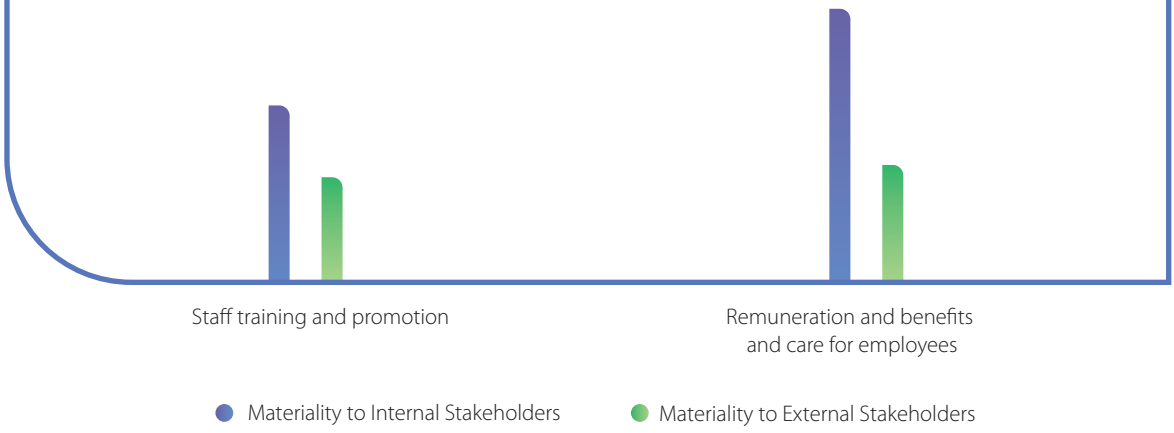



In 2022, a total of 16 reports were received from employees. After the on-site review by the Security Department, 7 of which met the Company's hidden hazard supervision rules, and cash rewards were given to the reporting employees.

# CHAPTER V PEOPLE-ORIENTED

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:




## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER


## HKEX ESG INDICATORS COVERED IN THIS CHAPTER

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

## (I) EQUAL EMPLOYMENT

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

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

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

## (II) PROTECTION OF RIGHTS AND INTERESTS

The Company standardizes labour contract management, understands, respects and protects employees' traditions, religions and privacy, and resists any form of unfair treatment in the workplace. We have established the Lactation Period System to protect the rights and interests of female employees. At the same time, the Company has provided online anonymous complaint channels in the Employee Handbook, which is managed by dedicated personnel to strictly protect the information of the complainants, so that employees are not concerned about the retaliation. The Company also requires the complaint manager to respond in a timely manner, properly investigate the complaint, promptly respond to the investigation results and reach a mutually agreed solution through negotiations. In 2022, the Company did not violate any laws in respect of diversity and equal opportunities, dismissal, recruitment and promotion, compensation, working hours and anti-discrimination, etc.

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

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

Pharm HEC has established a labour union as an important organization for the protection of employees' rights and interests, as well as care and services for employees. The Company encourages employees to actively participate in labour unions, safeguards the freedom of association of workers, and effectively recognizes the right to collective bargaining. In 2022, the Company did not receive any complaints regarding forced labour and discrimination.

## (III) TRAINING AND DEVELOPMENT

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

Pharm HEC provides four major types of training, which consist of factory training, onboard training, continuous education and training (comprising planned training and ad-hoc training), and outsourced training. Our training methods include intensive classes, discussions, audio-visual and practical training. Evaluation of the effectiveness of our training comprises of written examinations (open-book and closed-book), practical tests and instant tests. During the Reporting Period, 4,167 employees of the Group were trained with an average of 33.12 training hours per employee.

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

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

## (IV) CARE FOR EMPLOYEES

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

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

**Case**

### Successfully Conclusion to the Basketball Competition

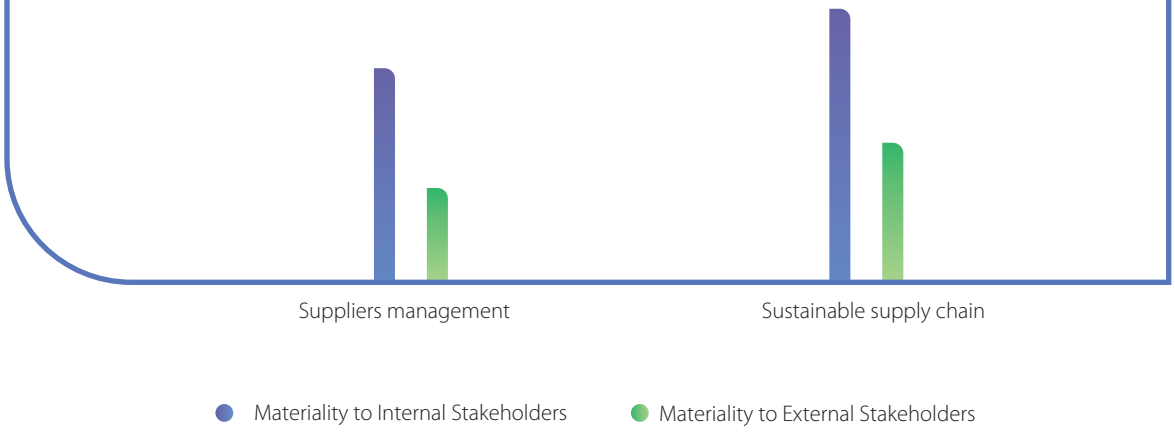
In order to enrich the after-work cultural life of employees and enhance their cohesion, the labor union and the Youth League Committee of the Company organized the 12th basketball competition in October 2022. On the field, all the players were full of energy and struggled for every ball, showing a vigorous and enterprising spirit. Everyone feasted on a high-quality basketball competition with accurate shooting and tacit cooperation.



# CHAPTER VI WIN-WIN COOPERATION

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:




## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:


## HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B5.1/B5.2

# (I) BUILDING A RESPONSIBLE SUPPLY CHAIN

## 6.1.1 RESPONSIBLE PROCUREMENT

Pharm HEC has established a comprehensive and effective procurement system to specify the duties and obligations of relevant departments such as Procurement Department and Quality Department in the procurement process. We have also entered into the *Anti-commercial Bribery Agreement* between the Suppliers and Purchasers and *Integrity Commitment Letter* to strictly control corruption. At the same time, through establishing a file for each supplier and signing a quality assurance agreement with key suppliers, Pharm HEC strictly monitors the performance of suppliers in all aspects, including product quality and service quality, business ethics and social evaluation. The Company also assesses the performance of suppliers through dynamic information management, periodic assessment and annual review to safeguard the interests of the Group and customers. During the Reporting Period, the Company has established cooperation relationship with 1,142 suppliers. The Company's procurement system and the following management processes apply to all suppliers of the Company.

Supplier Selection and Management Process:

**Supplier Selection and Management Process**

**1 INITIAL INVESTIGATION OF SUPPLIERS**

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

**2 PRICE VERIFICATION AND COMPARISON**

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

**3 SELECTION AND DETERMINATION OF SUPPLIERS**

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

**4 MANAGEMENT OF SELECTED SUPPLIERS**

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

## 6.1.2GREEN PROCUREMENT

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

In 2022, the total packaging material used for the Group's finished products is 2,880.27 tonnes.

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

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

## (II) PROMOTION OF INDUSTRY DEVELOPMENT

**Case**

**Entered into a strategic cooperation agreement with Jointown Pharmaceutical**

On 15 September 2022, Pharm HEC entered into a strategic cooperation framework agreement with Jointown Pharmaceutical Group Co., Ltd., pursuant to which Jointown Pharmaceutical will continue to act as the exclusive general distribution agent for Pharm HEC's Oseltamivir Phosphate (Kewei) products of 3 separate specifications sold in the OTC channel for three years with effect from 1 January 2023.

This cooperation is a continuation of the good cooperation foundation between both parties. In November 2019, Jointown Pharmaceutical and Pharm HEC signed the first cooperation agreement for exclusive general distribution for Kewei of three separate specifications sold in the OTC channel, achieving good sales performance. For this cooperation, both parties expect to achieve even better sales performance through resource complementarity and win-win cooperation, and continue to carry out in-depth cooperation on other products in the future.

# CHAPTER VII CONTRIBUTING TO THE SOCIETY

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

## SUSTAINABILITY ISSUES ADDRESSED IN THIS CHAPTER:


## TOPICS OF SDGs ADDRESSED IN THIS CHAPTER:


## HKEX ESG INDICATORS COVERED IN THIS CHAPTER:

B8.1/B8.2

## (I) CARING THE COMMUNITY

The Company actively maintains good two-way communication with the community, listens to the needs of the community, carries out community care activities, and encourages employees to actively participate in voluntary service activities to achieve a relationship of mutual trust and mutual benefit with the community.

**Case**

### Voluntary Blood Donation in 2022

On the 19th World Blood Donor Day, in response to the call of the Blood Donation Office of the Yidu Health Bureau* (宜都市衛生健康局献血辦), the Company organized a voluntary blood donation in June 2022. In this event, a total of 207 persons donated blood and a total of 68,800 ml of blood was collected.


Voluntary blood donation is a manifestation of love and support for life. We are grateful to all the employees who have given their love and wish them good health and every success! In the future, all staff of Pharm HEC will continue to convey the spirit of "dedication, friendship and mutual assistance" by helping life with love, and demonstrate responsibility and accountability through practical actions.

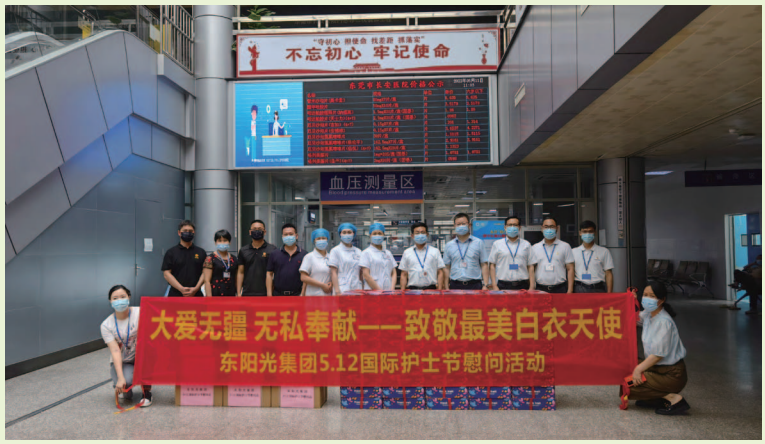
## (II) CHARITY

**Case**

### 5.12 International nurse condolence activities

The Company's development is inseparable from the understanding and support of the public and all sectors of society. The Company always attaches great importance to social responsibility and actively contributes to the society.

On the 111th Nurses' Day on 12 May 2022, the Company led a team to express gratitude to the medical personnel who have been working tirelessly in the medical frontline, and donated anti-pandemic materials with all sincerity. Contributing our best efforts, we hope to convey the confidence and ability to fight the pandemic to more people.



# OUTLOOK FOR 2023

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

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

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

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

## LIST OF POLICIES

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

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

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

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

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

# KEY PERFORMANCE TABLE

| List of environmental data[1] | | | | | |
|---|---|---|---|---|---|
| Aspect A1: Emissions | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| A1.1 | **Types of emissions and respective emissions data** | | | | |
| | Industrial wastewater | Tonnes | **357,865.15** | 369,290.04 | 1,064,987.23 |
| | Chemical oxygen demand CODcr | Tonnes | **11.15** | 10.98 | 20.12 |
| | Ammonia nitrogen | Tonnes | **0.11** | 0.63 | 1.20 |
| A1.2 | **Total greenhouse gas emissions and intensity[2,6]** | | | | |
| | Greenhouse gas emissions | Tonnes $CO_2e$ | **62,205.49** | 63,666.38 | 42,527.43 |
| | Scope 1 Total greenhouse gas emissions[3] | Tonnes | **1.10** | 35.06 | 46.67 |
| | Scope 2 Total greenhouse gas emissions[4] | Tonnes | **62,204.39** | 63,631.33 | 42,480.75 |
| | Intensity of greenhouse gas emissions | Tonnes $CO_2e$/revenue (RMB million) | **16.61** | 69.67 | 18.11 |
| A1.3 | **Total hazardous waste generated** | | | | |
| | Pharmaceutical waste | Tonnes | **166.69** | 34.76 | 28.70 |
| | Other hazardous wastes | Tonnes | **43.90** | 51.58 | 49.99 |
| | Intensity of hazardous wastes | Tonnes/revenue (RMB million) | **0.06** | 0.09 | 0.03 |
| A1.4 | **Total non-hazardous waste generated** | | | | |
| | General industrial waste and domestic waste | Tonnes | **2,846.41** | 1,954.74 | 1,737.51 |
| | Intensity of non-hazardous wastes | Tonnes/revenue (RMB million) | **0.76** | 2.14 | 0.74 |

| List of environmental data[1] | | | | | |
|---|---|---|---|---|---|
| Aspect A2: Use of Resources | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| A2.1 | **Total energy consumption and intensity[6]** | | | | |
| | Externally purchased power[5] | kWh | **67,421,492.00** | 70,907,170.00 | 52,267,284.00 |
| | Externally purchased steam | Tonnes | **81,037.20** | 76,200.20 | 50,902.60 |
| | Diesel[6] | Litres | **420.00** | 13,430.00 | 17,880.00 |
| | Total energy consumption | Tonnes of standard coal | **15,886.40** | 15,919.05 | 12,991.35 |
| | Total energy consumption intensity | Tonnes of standard coal/revenue (RMB million) | **4.24** | 17.42 | 5.53 |
| A2.2 | **Total water consumption and intensity** | | | | |
| | Freshwater consumption | Tonnes | **1,776,735.60** | 1,767,021.70 | 1,273,174.30 |
| | Total water consumption intensity[9] | Tonnes/revenue (RMB million) | **474.44** | 1,933.73 | / |
| A2.5 | **Total packaging material used for finished goods[7]** | | | | |
| | Packaging materials used | Tonnes | **2,880.27** | 236.02 | 2,090.93 |
| | Packaging material intensity | Tonnes/revenue (RMB million) | **0.77** | 0.12 | / |

| List of environmental data | | | | | |
|---|---|---|---|---|---|
| Guidelines on Environmental Information Disclosure by Companies Listed on Shanghai Stock Exchange | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **Other 1** | **Main raw material consumption[8]** | | | | |
| | Methano | Tonnes | **275.00** | 175.69 | 70.16 |
| | Acetonitrile, Ethanol | Tonnes | **274.00** | 152.96 | 438.93 |
| | Gelatin hollow capsules | Tonnes | **4.07** | 2.43 | / |
| | Sodium hydroxide | Tonnes | **214.00** | 132.36 | / |
| | Dimethylformamide | Tonnes | **5.32** | 23.56 | / |
| | Ethylene glycol | Tonnes | **30.69** | 23.46 | / |
| | Iron powder | Tonnes | **6.73** | 14.70 | / |
| | Other raw materials | Tonnes | **44.06** | 27.63 | / |
| | Other auxiliary materials | Tonnes | **723.32** | 320.19 | / |
| **Other 2** | **Resources investment in environmental governance** | | | | |
| | Investment in environmental governance and protection | Ten thousand (RMB) | **1,124.95** | 1,103.39 | 714.31 |
| **Other 3** | **Administrative penalties against pollutants** | | | | |
| | Number of administrative penalty | Times | **0** | 0 | 0 |
| | Amount of penalty | RMB | **0** | 0 | 0 |
| **Other 4** | **Environmental accidents** | | | | |
| | Number of emissions exceeding or violating standard | Times | **0** | / | / |
| | Total sewage exceeding standard or illegal emissions | Tonnes | **0** | / | / |

| List of social data | | | | | |
|---|---|---|---|---|---|
| Aspect B1: Employment | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| B1.1 | **Total workforce by gender, age group, geographical region and education** | | | | |
| | Total number of employees | Person | **4,167** | 3,616 | 4,766 |
| | Full-time employees | Person | **4,167** | 3,616 | / |
| | Part-time employees | Person | **0** | 0 | / |
| | **By gender** | | | | |
| | Male employees | Person | **2,257** | 2,047 | 2,178 |
| | Female employees | Person | **1,910** | 1,569 | 2,588 |
| | **By age group** | | | | |
| | Below 30 | Person | **897** | 800 | 1,396 |
| | 30-60 | Person | **3,270** | 2,816 | 3,370 |
| | **By region** | | | | |
| | Hubei province | Person | **2,407** | 3,328 | 4,478 |
| | Other regions in the PRC | Person | **1,760** | 288 | 288 |
| | Overseas | Person | **0** | 0 | 0 |
| | **By education** | | | | |
| | Master or above | Person | **88** | 80 | 117 |
| | Bachelor | Person | **1,346** | 1,175 | 1,485 |
| | Associate | Person | **1,460** | 1,354 | 1,702 |
| | Vocational or below | Person | **1,273** | 1,007 | 1,462 |

| List of social data | | | | | |
|---|---|---|---|---|---|
| Aspect B1: Employment | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| B1.2 | **Number of employee turnover and employee turnover rate by gender, age group and geographical region[10]** | | | | |
| | Total number of employee turnover | Person | **298** | 1,150 | 1,446 |
| | Employee turnover rate[11] | % | **6.67** | 24.13 | 23.28 |
| | **By gender** | | | | |
| | Number of male employees turnover | Person | **146** | 131 | 704 |
| | Number of female employees turnover | Person | **152** | 1,019 | 742 |
| | Male employee turnover rate | % | **6.08** | 6.01 | 24.43 |
| | Female employee turnover rate | % | **7.37** | 39.37 | 22.28 |
| | **By age group** | | | | |
| | Turnover number of employees aged below 30 | Person | **129** | 596 | 809 |
| | Turnover number of employees aged 30–50 | Person | **163** | 554 | 636 |
| | Turnover number of employees aged 50 or above | Person | **6** | 0 | 1 |
| | Turnover rate of employees aged below 30 | % | **12.17** | 42.69 | 36.69 |
| | Turnover rate of employees aged 30–50 | % | **4.92** | 16.81 | 16.17 |
| | Turnover rate of employees aged 50 or above | % | **4.76** | 0 | 1.33 |
| | **By geographical region** | | | | |
| | Number of employee turnover in Hubei province | Person | **265** | 1,150 | 1,347 |
| | Number of employees turnover in other regions in the PRC | Person | **33** | 0 | 99 |
| | Overseas employees turnover | Person | **0** | 0 | 0 |
| | Employee turnover rate in Hubei province | % | **9.92** | 25.68 | 23.12 |
| | Employees turnover rate in other regions in the PRC | % | **1.84** | 0 | 25.58 |
| | Overseas employees turnover rate | % | **0** | 0 | 0 |

| List of social data | | | | | |
|---|---|---|---|---|---|
| **Aspect B2: Health and Safety** | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **B2.1** | **Number of work-related fatalities** | | | | |
| | Number of work related fatalities | Person | **0** | 0 | 0 |
| | Rate of work-related fatalities | % | **0** | 0 | 0 |
| **B2.2** | **Lost days due to work injury** | | | | |
| | Number of work injuries | Times | **3** | 0 | 0 |
| | Lost days due to work injury | Days | **190** | 0 | 0 |
| **Aspect B3: Development and Training** | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **B3.1** | **Trained employees by gender and type of employees** | | | | |
| | Total number of employees trained | Person | **4,167** | 3,616 | 4,766 |
| | Percentage to total number of employees trained | % | **100.00** | 100.00 | 100.00 |
| | **By gender of employees** | | | | |
| | Number of male employees trained | Person | **2,257** | 2,047 | 2,178 |
| | Percentage of male employees trained | % | **54.16** | 56.61 | 45.70 |
| | Number of female employees trained | Person | **1,910** | 1,569 | 2,588 |
| | Percentage of female employees trained | % | **45.84** | 43.39 | 54.30 |
| | **By type of employees[12]** | | | | |
| | Number of senior management trained | Person | **60** | 56 | 56 |
| | Percentage of senior management trained | % | **1.44** | 1.55 | 1.17 |
| | Number of mid-level management trained | Person | **302** | 282 | 372 |
| | Percentage of mid-level management trained | % | **7.25** | 7.80 | 7.81 |
| | Number of entry-level employees trained | Person | **3,805** | 3,278 | 4,338 |
| | Percentage of entry-level employees trained | % | **91.31** | 90.65 | 91.02 |

| List of social data | | | | | |
|---|---|---|---|---|---|
| Aspect B3: Development and Training | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| B3.2 | **Training hours for employees by gender and type of employees** | | | | |
| | Total training hours for all employees | Hours | **138,008** | 130,176 | 169,971 |
| | Average training hours for all employees | Hours | **33.12** | 36.00 | 36.00 |
| | **Total training hours by gender of employees** | | | | |
| | Total training hours for male employees | Hours | **78,200** | 73,692 | 80,273 |
| | Total training hours for female employees | Hours | **59,808** | 56,484 | 89,698 |
| | **Average training hours for employees by gender of employees** | | | | |
| | Average training hours for male employees | Hours | **34.65** | 36.00 | 36.85 |
| | Average training hours for female employees | Hours | **31.31** | 36.00 | 34.66 |
| | **Total training hours by type of employees** | | | | |
| | Total training hours for senior management | Hours | **860** | 844 | 844 |
| | Total training hours for mid-level management | Hours | **2,942** | 2,690 | 3,549 |
| | Total training hours for entry-level employees | Hours | **134,206** | 126,642 | 165,578 |
| | **Average training hours by type of employees** | | | | |
| | Average training hours for senior management | Hours | **14.33** | 15.07 | 15.07 |
| | Average training hours for mid-level management | Hours | **9.74** | 9.54 | 9.54 |
| | Average training hours for entry-level employees | Hours | **35.27** | 38.63 | 38.17 |

| List of social data | | | | | |
|---|---|---|---|---|---|
| **Aspect B5: Supply Chain Management** | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **B5.1** | **Number of suppliers by geographical region** | | | | |
| | Number of major suppliers | Suppliers | **1,142** | 1,385 | 718 |
| | **Geographical distribution of major suppliers** | | | | |
| | Hubei province | Suppliers | **459** | 504 | 256 |
| | Other regions in the PRC | Suppliers | **663** | 867 | 456 |
| | Overseas | Suppliers | **20** | 14 | 6 |
| **Aspect B6: Product Responsibility** | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **B6.1** | **Percentage of total products sold or shipped subject to recalls for safety and health reasons** | | | | |
| | Amount of products recalled due to health and safety reasons | Cartons | **0** | 0 | 0 |
| | Percentage of products recalled due to health and safety reasons | % | **0** | 0 | 0 |
| **B6.2** | **Number of products and service related complaints received** | | | | |
| | Complaints related to product quality | Times | **1** | 0 | 1 |
| | Other complaints | Times | **1** | 3 | 3 |

| List of social data | | | | | |
|---|---|---|---|---|---|
| Aspect B7: Anti-corruption | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| B7.1 | **Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period** | | | | |
| | Number of pending or concluded legal cases regarding corrupt practices | Cases | **0** | 0 | 0 |
| B7.3 | **Description of anti-corruption training provided to directors and employees** | | | | |
| | Percentage of directors receiving anti-corruption training | % | **100** | 100 | / |
| | Percentage of employees receiving anti-corruption training | % | **100** | 100 | / |
| | Number of directors attending anti-corruption training | Person | **10** | / | / |
| | Number of employees attending anti-corruption training | Person | **4,167** | / | / |
| | Hours for anti-corruption training provided to directors and employees | Hours | **6** | / | / |

| List of social data | | | | | |
|---|---|---|---|---|---|
| Aspect B8: Community Investment | | | | | |
| **Indicator number** | **Indicator required** | **Unit** | **2022** | 2021 | 2020 |
| **B8.2** | **Resources contributed to the focus area** | | | | |
| | Amount contributed for charity | Ten thousand (RMB) | **1** | 10 | 100 |

Notes:

1. Unless otherwise specified, the indicators of A1 environmental category are statistical data generated or used by the production base of the Company;
2. Greenhouse gas emissions refer only to carbon dioxide emissions and do not include methane, nitrous oxide and other greenhouse gases emitted by other sources;
3. Indicator A1.2 Greenhouse gases (Scope 1) include direct emissions from gasoline, diesel, liquefied petroleum gas, etc. In 2022, the production plant of Pharm HEC upgraded and optimized the equipment, replace and use new energy equipment including electric vehicles and forklifts, resulting in a significant decrease in the consumption of diesel, the greenhouse gas emissions therefore reduced accordingly;
4. Indicator A1.2 Greenhouse gases (Scope 2) include indirect emissions from outsourced electricity and steam;
5. Carbon dioxide is accounted according to *Accounting Method and Reporting Guide for Greenhouse Gas Emissions from Industry and Other Sectors (for Trial Implementation)*, where the emission factor of the outsourced power refers to the emission factors in the *Notice on the Key Work Related to the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022* issued by the Ministry of Ecology and Environment;
6. In 2022, the production plant of Pharm HEC upgraded and optimized the equipment, replace and use new energy equipment including electric vehicles and forklifts, resulting in a significant decrease in the consumption of diesel;
7. There is a significant increase in the sales for this year as compared with previous year, therefore the corresponding product packaging materials have also increased significantly. Also, the intensity of packaging materials has also increased;
8. There is a significant increase in the sales of the products for this year as compared with previous year. Also, several preparation projects have been approved for commercial production. Therefore, except for certain materials, the consumption of raw materials for major products has increased;
9. The formula for calculating the total water consumption intensity is: tonnes of water consumption/revenue (RMB million). Compared with the Group's revenue of RMB913.79 million in 2021, the revenue data in 2022 increased sharply to RMB3,744.95 million. Therefore, the total water consumption intensity has decreased;
10. Employee turnover rate = (number of resigned employees of a category/(number of employees at the end of the period under such category + number of resigned employees under such category)) * 100%;
11. Due to the gradual weakening of the impact of the COVID-19, the Company's personnel was relatively stable in 2022, and the employees turnover rate decreased to certain extent during the year;
12. Proportion of trained employees of a category = (number of employees trained under such category/total number of trained employees) * 100%.

# INDEX

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

| Aspects | Key Performance Index | Disclosure |
|---|---|---|
| **A. Environment** | | |
| **Aspect A1: Emissions** | | |
| **General Disclosure** | **Information on:**<br>**(a) the policies; and**<br>**(b) compliance with relevant laws and regulations that have a significant impact on the issuer**<br>**relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.**<br>**Note: Air Emissions include nitrogen oxides, sulfur oxides and other pollutants regulated by national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Hazardous waste refers to those defined by national regulations.** | Chapter III<br>(II) Emission Management |
| A1.1 | The types of emissions and respective emissions data. | Key Performance Table |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Key Performance Table |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Key Performance Table |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Key Performance Table |
| A1.5 | Description of emission target(s) set and steps taken to achieve them. | Chapter III Green Development<br>(II) Emission Management |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Chapter III Green Development<br>(II) Emission Management |

| Aspects | Key Performance Index | Disclosure |
|---|---|---|
| **Aspect A2: Use of Resources** | | |
| **General Disclosure** | **Policies on the efficient use of resources, including energy, water and other raw materials.**<br>**Note: Resources may be used for production, storage, transportation, buildings and electronic equipment, etc.** | Chapter III Green Development<br>(III) Making the Best Use of Resources |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Key Performance Table |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Key Performance Table |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Chapter III Green Development<br>(III) Making the Best Use of Resources |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Chapter III Green Development<br>(III) Making the Best Use of Resources |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Key Performance Table |
| **Aspect A3: Environment and Natural Resources** | | |
| **General Disclosure** | **Policies on minimising the issuer's significant impacts on the environment and natural resources.** | Chapter III<br>(I) Environment Management Strategy |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Chapter III<br>(I) Environment Management Strategy<br>(III) Making the Best Use of Resources |

| Aspects | Key Performance Index | Disclosure |
|---|---|---|
| **Aspect A4: Climate Change** | | |
| **General Disclosure** | **Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.** | Chapter III (IV) Addressing Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Chapter III (IV) Addressing Climate Change |
| **B. Society** | | |
| **Employment and Labor Practices** | | |
| **Aspect B1: Employment** | | |
| **General Disclosure** | **Information on:**<br>**(a) the policies; and**<br>**(b) compliance with relevant laws and regulations that have a significant impact on the issuer**<br>**relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.** | Chapter V People-oriented (I) Equal Employment |
| B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Key Performance Table |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | Key Performance Table |

| Aspects | Key Performance Index | Disclosure |
|---|---|---|
| **Aspect B2: Health and Safety** | | |
| **General Disclosure** | **Information on:**<br>**(a) the policies; and**<br>**(b) compliance with relevant laws and regulations that have a significant impact on the issuer**<br>**relating to providing a safe working environment and protecting employees from occupational hazards.** | Chapter IV Safe Production<br>(I) Enhancing Safety Management and Control |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Key Performance Table |
| B2.2 | Lost days due to work injury. | Key Performance Table |
| B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Chapter IV Safe Production<br>(II) Safeguarding the Health and Safety of Employees<br>(III) Adhering to Safe Production Culture |
| **Aspect B3: Development and Training** | | |
| **General Disclosure** | **Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.**<br>**Note: Training refers to vocational training and may include internal and external courses paid for by the employer.** | Chapter V People-oriented<br>(III) Training and Development |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Key Performance Table |
| B3.2 | The average training hours completed per employee by gender and employee category. | Key Performance Table |

| Aspects | Key Performance Index | Disclosure |
|---|---|---|
| **Aspect B4: Labour Standards** | | |
| **General Disclosure** | **Information on:**<br>**(a) the policies; and**<br>**(b) compliance with relevant laws and regulations that have a significant impact on the issuer**<br>**relating to preventing child and forced labour.** | Chapter V People-oriented<br>(I) Equal Employment |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Chapter V People-oriented<br>(I) Equal Employment |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | Chapter V People-oriented<br>(I) Equal Employment |
| **Operating Practices** | | |
| **Aspect B5: Supply Chain Management** | | |
| **General Disclosure** | **Policies on managing environmental and social risks of the supply chain.** | Chapter VI Win-win Cooperation<br>(I) Building a Responsible Supply Chain |
| B5.1 | Number of suppliers by geographical region. | Key Performance Table |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Chapter VI Win-win Cooperation<br>(I) Building a Responsible Supply Chain |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Chapter VI Win-win Cooperation<br>(I) Building a Responsible Supply Chain |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Chapter VI Win-win Cooperation<br>(I) Building a Responsible Supply Chain |

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

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

# READERS' FEEDBACK

Dear Readers,

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

Environmental, Social and Governance Report 2022 of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

Feedback Form

Name:

Work unit:

Position:

Tel:

Email:

Questionnaire for feedback:

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

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

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

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

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

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东陽光药

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

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