







Acotec Scientific Holdings Limited is a global leading medical technology company focusing on the development and application of technology platforms for vascular interventional treatments. Leveraging our four unique technology platforms — drug-coating technology, radiofrequency ablation technology, polymer material technology, and aspiration platform technology — Acotec is committed to pursuing innovation to identify unmet clinical needs, provide innovative solutions for doctors and patients, and deliver trustworthy products.

Based on the scalability and efficiency of the four technology platforms, and our “leave nothing behind” treatment solutions, Acotec has launched the first Above-The-Knee Drug-Coated Balloon product (hereinafter referred to “ATK DCB”) in China (AcoArt Orchid® & Dhalia®), the world’s first regulatory-approved Below-The-Knee Drug-Coated Balloon product (AcoArt Tulip® & Litos®) (hereinafter referred to “BTK DCB”), a thrombus aspiration system (AcoStream™), and a radiofrequency ablation system (AcoArt Cedar®), and other 6 competitive products by the end of 2022. Acotec has developed over 30 product pipelines so far, with the aim of providing minimally-invasive endovascular interventional solutions across five areas: vascular surgery, cardiology, nephrology, neurology and andrology.

Acotec will continue to innovate clinical therapies for vascular intervention and diversify our product portfolio to help combat vascular diseases. Going forward, we will continue to pursue our goal of becoming a world-leading enterprise in the field of medical technology, provide better solutions for systemic vascular interventional therapy for the doctors and patients around the world, and enable patients to enjoy better clinical benefits and a higher quality of life in the long term.

The Company possesses a number of domestic and foreign core intellectual property rights. We aim to provide innovative, technological products to medical workers so that they can provide better treatment solutions to patients. Meanwhile, we are committed to building a brand that is “made in China, world-leading” brand. Currently, we are operating in China, as well as in many other countries and regions in Asia and Europe.





# About Us

## Corporate Positioning

Reliable innovative medical technology platforms.

## Corporate Mission

Maintain our commitment to achieving long-term clinical benefits and improving the life quality of patients.

## Corporate Vision

Combat vascular diseases and become one of global leaders among medical technology enterprises.

### Maintain respect for clinical facts and evidence

Aim to deliver long-term clinical benefits, respect facts and evidence, and explore unmet clinical needs, with the goal of offering more solutions for the treatment of vascular diseases






### Constantly pursue innovation

Adhere to reliable innovative ideas while also maintaining an imaginative perspective, with a view to continuously providing new treatment methods and reliable products and opening up the next frontier of vascular interventional treatment

### Improve health outcomes

Deliver new treatment methods and reliable products to doctors and patients and improve holistic vascular disease treatments so that more patients with vascular diseases can return to a healthy and high-quality life

## PRODUCT OVERVIEW

 <p><b>AcoArt Orchid® &amp; Dhalia®</b> SFA/PPA/AVF DCB</p> <ul style="list-style-type: none"> <li>• Exclusive drug-coating technology improves drug transfer rate and optimizes drug conveying</li> <li>• The clinical experiment results prove the safety and efficiency of the product</li> </ul>	 <p><b>AcoArt Tulip® &amp; Litos®</b> BTK DCB</p> <ul style="list-style-type: none"> <li>• Exclusive drug-coating technology</li> <li>• Designated as a "breakthrough device" by the FDA in 2019</li> </ul>	 <p><b>AcoStream™</b> Peripheral Aspiration System</p> <ul style="list-style-type: none"> <li>• The catheter uses composite weaving and material technology to achieve an outstanding performance</li> <li>• Comprehensive size specifications of 4F-12F</li> </ul>	 <p><b>AcoArt Cedar®</b> Radiofrequency Ablation System</p> <ul style="list-style-type: none"> <li>• Stable energy output, fast temperature rise, high safety</li> <li>• Multiple operating frequency options for expanded adaptation to multiple catheters and indications</li> </ul>
 <p><b>Vericor®</b> Peripheral Support Catheter</p> <ul style="list-style-type: none"> <li>• Better kink resistance;</li> <li>• Better support force;</li> <li>• Better passing-through capability</li> </ul>	 <p><b>Neo-Skater®</b> Intracranial PTA Balloon</p> <ul style="list-style-type: none"> <li>• Excellent pushing performance;</li> <li>• "Rapid exchange" design suitable for intracranial operation;</li> <li>• Comprehensive coverage of product specifications</li> <li>• Safer balloon working pressure</li> </ul>	 <p><b>P-Conic®</b> Peripheral PTA Balloon</p> <ul style="list-style-type: none"> <li>• Conical balloon design better aligns with the physiological form of human artery</li> <li>• Smooth and gradient for desired passing-through capability</li> <li>• Comprehensive coverage of product specifications</li> </ul>	 <p><b>YAN</b> Semi-compliance PTCA Balloon</p> <ul style="list-style-type: none"> <li>• Better passing-through capability to achieve a better pushing performance</li> <li>• Comprehensive coverage of product specifications</li> <li>• "Rapid exchange" design for convenient operation</li> </ul>












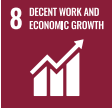






## COMPANY DEVELOPMENTS

2011	<ul style="list-style-type: none"> <li>Initiated research and development (R&amp;D) of percutaneous transluminal angioplasty (PTA ) catheter and drug-coated balloon (DCB) products</li> </ul>
2012	<ul style="list-style-type: none"> <li>DCB products was included in the National Key Technology Research and Development Program during the 12th Five-year Plan Period</li> </ul>
2014	<ul style="list-style-type: none"> <li>PTA products were approved by NMPA</li> <li>DCB and PTA products obtained CE certification and were first launched in Europe</li> <li>Beijing Acotec was nominated as a “Core Enterprise” of Beijing Economic-Technological Development Area</li> </ul>
2016	<ul style="list-style-type: none"> <li>AcoArt Orchid® &amp; Dhalia® (Above-The-Knee (ATK) DCB) were approved by NMPA</li> </ul>
2019	<ul style="list-style-type: none"> <li>AcoArt Tulip® &amp; Litos® (below-the-knee (BTK) DCB) was granted “Breakthrough Device Designation” from the United States Food and Drug Administration (FDA)</li> </ul>
2020	<ul style="list-style-type: none"> <li>AcoArt Tulip® &amp; Litos® (the world’s first clinically proven below-the-knee DCB) was approved by NMPA to lunch</li> <li>The Company acquired Shenzhen Vascupatent to establish the Shenzhen Polymer Material R&amp;D Center</li> </ul>
2021	<ul style="list-style-type: none"> <li>Acotec was listed on the Hong Kong Stock Exchange (HKEx)</li> <li>Peripheral thrombus aspiration system was approved by NMPA to launch</li> </ul>
2022	<ul style="list-style-type: none"> <li>Radiofrequency ablation system (AcoArt Cedar®) was approved by NMPA to launch</li> <li>The indication expansion of DCB used for AVF of hemodialysis patients was approved by NMPA</li> <li>Peripheral support catheter (Vericor®) was approved by NMPA to launch</li> <li>Intracranial balloon dilatation catheter (NEO-Skater®) was approved by NMPA to launch</li> <li>PTA catheter (P-Conic®) was approved by NMPA to launch</li> <li>Coronary balloon dilation catheter (YAN) was approved by NMPA to launch</li> <li>Products have been commercialised in 13 countries and regions globally</li> </ul>



# 2022: Achievements in Sustainable Development

Acotec has kept a close watch on trends in ESG-related guidelines and standards and their impact on the Company. Relatedly, in this ESG report, references were made to the United Nations (UN)'s 2030 Sustainable Development Goals, singling out 11 Sustainable Development Goals out of the 17 goals included in the UN 2030 Agenda for Sustainable Development. We have briefly described our achievements in relation to the above goals:

Trusted Innovation for Life	  	<ul style="list-style-type: none"> <li>• A strong in-house R&amp;D team of 118 members</li> <li>• Organised a total of 47 R&amp;D trainings covering all R&amp;D employees</li> <li>• Through our Acotec Satellite Meeting programme, we have held more than 50 academic conferences and invited more than 400 authoritative guests</li> <li>• 239 registered and pending intellectual property rights</li> <li>• The Company met its four annual quality goals</li> </ul>
Robust Governance for Development		<ul style="list-style-type: none"> <li>• Diverse Board of Directors and more than 50% of directors are women</li> <li>• Organised a total of 12 trainings related to business ethics, covering 100% of employees</li> </ul>
Extraordinary Employees for Growth	    	<ul style="list-style-type: none"> <li>• The Company's headcount increased by over 50% year-on-year, and the voluntary turnover rate among core managerial personnel and R&amp;D professionals was 0</li> <li>• Organised 12 safety training sessions, covering a total of more than 500 attendances</li> <li>• No injuries were recorded during 1.5 million consecutive working hours from 2021 to 2022</li> </ul>
Warm Community for Harmony	 	<ul style="list-style-type: none"> <li>• Participated and supported more than 20 charity clinics and disease popularization activities</li> </ul>
Greener Environment for Future	  	<ul style="list-style-type: none"> <li>• Properly collected, stored and disposed of waste</li> <li>• Implemented measures to reduce hazardous waste and production wastewater discharge</li> <li>• Continued to promote localised procurement of raw materials in the supply chain</li> </ul>





## A message from the CEO

As a “dark horse” in the field of peripheral vascular intervention, we have gradually become better known to the public since listing on the Hong Kong Stock Exchange in 2021. However, we have been working diligently since 12 years ago to become a medical enterprise that deeply cultivates the field of vascular intervention treatment, continuously improves vascular disease treatment, and provides new treatment methods and reliable products to doctors and patients.

From the beginning, we have been dedicated to our mission, which is to provide long-term clinical benefits to patients and improve their quality of life. We also set a more distant goal: to actively combat vascular diseases and become a global leader in medical technology. Based on these heartfelt goals and expectations, we have launched multiple cutting-edge products for the treatment of peripheral vascular diseases. These new product launches have not only provided new treatment options for clinical doctors and patients but have also helped drive the development of the industry. Some observers have said that we are the “catfish” in the “catfish effect”, and we are delighted to hear that. Looking back, we believe Acotec has served as a worthy competitor to other companies in the peripheral vascular intervention sector.

In 2016, the Company launched the Above-The-Knee Drug-Coated Balloon, which marked our effort to push to the forefront of the peripheral vascular intervention industry at home. Meanwhile, at present, our Below-The-Knee Drug-Coated Balloon still holds its place as a global precedent. In recent years, the Company has accumulated significant experience and launched a range of strong products, allowing us to act as a trailblazer in this competitive industry. In 2022, five new products and the indication expansion of one DCB product had been approved by the NMPA for marketing, which, marking a new high for us in terms of launch speed. During the year ended December 31, 2022 (the “Reporting Period”), we also completed our first brand renewal over the past 11 years, successfully strengthening our brand image. In addition, we reached a strategic cooperation with Boston Scientific on the basis of maintaining independent operations; and as a result, in the future, we will have the opportunity to make use of Boston Scientific’s global influence in order to expand on the international stage and make significant strides in global development.

In 2022, we began preparing the Company’s second ESG Report. We have accumulated more experience in our sustainable development journey, made substantial improvements to our ESG management system and ESG management decision-making mechanism, and upgraded our governance in various areas. This year, we developed the content for our ESG report with reference to the Global Reporting Initiative (GRI) and the Task Force on Climate-Related Financial Disclosure (TCFD) reporting frameworks. From innovation in R&D to green operations that protect the environment, the concept of sustainable development has become a guiding principle that is deeply rooted in Acotec’s development.

In 2022, we worked with the Board of Directors, the Business Development Department and other relevant departments to further improve the Company’s ESG management decision-making structure and decision-making mechanism. The Board of Directors serves as the highest decision-making body for ESG management and guides the direction of the Company’s sustainable development. In the past year, under the supervision and management of the ESG system, we have established a strong foundation for the Company’s development, with a focus on three major issues: R&D innovation, product quality management and intellectual property management.

We are committed to the principle of “Trusted Innovation for Life”. After the peripheral drug-coated balloon made a huge wave in the peripheral artery sector, we launched Acotec’s peripheral thrombus aspiration system, opening up a new chapter in the peripheral vein sector. Afterwards, we launched the Company’s radiofrequency ablation system, which introduced a new concept for the treatment of varicose vein disease in China. In each product launch, we have targeted clinical pain points in China; and since the beginning of each product’s R&D, we have aspired to the highest levels of trustworthiness in an effort to pay back the trust that doctors and patients have placed in us.





Mature quality management systems and robust product safety measures are an important guarantee for the quality of a medical device enterprise's production and operations. We uphold the quality policy of "Pursuing Excellent Quality, and Safeguarding Life and Health", and we have established an outstanding product quality management system, embedded quality management into every step of the Company's production and operations, implemented strict quality inspection processes, and realised effective quality management for the entire life cycle of Acotec's products.

In terms of intellectual property management, we have been steadily carrying out the Company's high-quality patent plans. By the end of 2022, we had been granted 43 patents, 119 trademarks and 6 copyrights. Meanwhile, we are currently in the application processing stage for 32 patents and 39 trademarks. Possessing the complete intellectual property rights allows us to gain an edge over the competition and provides necessary and sufficient conditions for the market entrance at the front end.

In addition, we always strive to engage in safe and responsible operations, and we have set reasonable rules for operational compliance, information security and responsible marketing. Specifically, we have established the *Code of Business Conduct for Acotec Scientific Co., Ltd.*, and we firmly enforce the business principles of honesty, integrity and fairness. Acotec strictly abides by information security laws and regulations, and we take various measures to strengthen our internal information security management and ensure the normal operation of our information system. In marketing activities, we ensure that we are protecting the privacy of the individuals involved when disseminating information. Finally, we safeguard the privacy of our patients, customers and employees and take measures to ensure that we do not leak or misuse customer information.

In order to minimise the potential Matthew effect in patients seeking medical treatment, since 2022, we have actively participated in social welfare activities to deliver benefits to the general public, and we have organised and participated in more than 20 general public welfare activities. As a medical technology company, we want to give back to society, and we hope to use our resources and influence to help more patients. We consider these efforts to be part of our obligation to society.

In our own development story, we have gone from nothing to something, and from something to excellent. At the same time, Acotec is still changing and developing, and we consider ourselves to still be at the beginning of our development journey. We hope that as we become better, we will be able to deliver positive ripple effects across society as a whole. In the future, we will continue to adhere to the path of sustainable development.

Going forward, I will continue to share the progress in our ESG journey, and we welcome your attention and comments.

*Chairman of the Board, Executive Director and CEO*

**Li Jing**

March 23, 2023







# Board of Directors Statement

The Board of Directors of the Company (the “Board”) assumes sole responsibility for the Company’s environmental, social and governance (ESG) strategy and reporting. The Board is responsible for assessing and determining ESG-related risks and ensuring that the Company has proper and effective management and internal controls in place for ESG-related risks. The Board of Directors and all the directors of the Group hereby warrant that the contents of the Report do not contain any false representations, misleading statements or material omissions and take joint and several liability for the truthfulness, accuracy and completeness of the contents.

The Board is the highest decision-making body for ESG management, and it is responsible for guiding the direction of the Company’s sustainable development, formulating the overall vision, goals and management strategies for the Company’s sustainable development, and reviewing the Company’s annual ESG report. Meanwhile, the relevant working groups under the Board are tasked with promoting the implementation of ESG work within the Company. By assessing the materiality of ESG issues, we have found that product quality management, R&D innovation and intellectual property management are ESG issues of high importance to the Company. As a leading innovative medical device company, we are steadily working to strengthen the Company’s product quality management, innovation and R&D capabilities, with the goal of continuously leading the industry and promoting the sustainable development of the Company.

Innovative research and development, product quality management and intellectual property management are of paramount importance to the Company. World-class technologies are the key to our success, and we have formed four segments of core technologies: drug-coating technology, radiofrequency ablation technology, polymer material technology, and aspiration platform technology. The Company mixes these four segments of leading technologies to generate synergies, which help us to enhance product quality and expand our presence in other innovative therapy sectors. Based on the principle of mutually beneficial cooperation and win-win outcomes, we integrate and share leading resources in partnership with various stakeholders, maximise shareholder value, deliver benefits to our customers, and share the fruits of Acotec’s development with our employees.

In addition, we are conscious of the opportunities and challenges brought to our operations by more stringent regulatory requirements and the development trend of green, safe and sustainable industries. Going forward, we will continue to adjust our sustainable development management strategy and methods in accordance with stakeholder expectations and our operating conditions, and continuously improve the Company’s sustainable development.



# Topic: Continuous Innovation for Achievements

## A TOTAL OF FOUR R&D TEAMS, FOUR TECHNOLOGY PLATFORMS, AND 24 R&D PIPELINES

Acotec has four R&D teams in Beijing, Shenzhen, and San Jose, USA to develop our products based on the four technology platforms of drug-coating technology, radiofrequency ablation technology, polymer material technology, and aspiration platform technology. By the end of 2022, we have 10 products approved to launch in the domestic and overseas markets and 24 products in the R&D pipeline.



## LEADING TECHNOLOGY TO BE A MARKET PIONEER

Acotec’s BTK DCB is the first in the world to receive regulatory approval to launch based on results of the multi-center randomized controlled clinical trial in this field. It still holds the record for China’s only approved BTK DCB product at the end of 2022. It was also granted Breakthrough Device Designation from the FDA.

In 2016, we launched China’s first ATK DCB, approximately 4 years ahead of the second similar product in the field, and its clinical treatment effectiveness is proven in clinical trial data.

We continue to focus on diversified product portfolios for vascular interventional treatments, including a peripheral thrombus aspiration system, a peripheral radiofrequency ablation system, DCB for arteriovenous fistula (AVF) and a peripheral support catheter, which have all gained approval in China, showing our leadership in the market and relevant technology development.

## GLOBALISED NETWORK

As of 31 December 2022, our ATK DCB products had been admitted into 1,400 hospitals; our BTK DCB products had been admitted into 700 hospitals; and our peripheral aspiration system (AcoStream™), had been admitted into 1,000 hospitals in China.

In overseas market, Acotec products have been commercialised in 13 countries.





# ESG Management

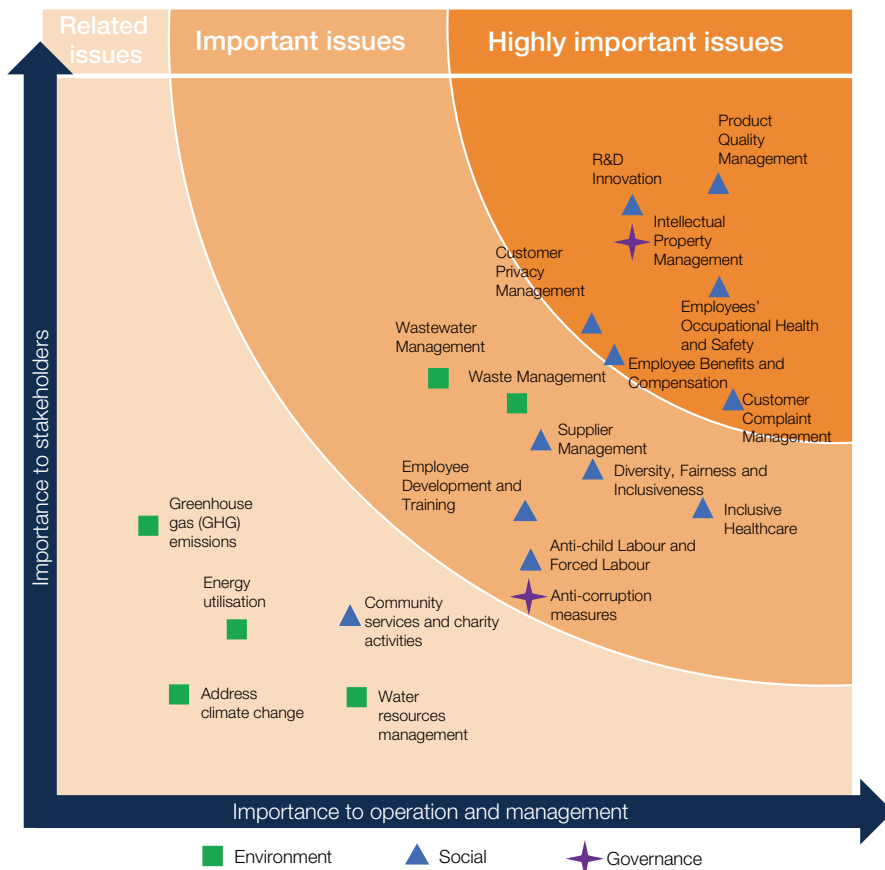
## IDENTIFICATION OF MATERIAL ISSUES

In 2022, after comprehensively considering the national macroeconomic policies, capital market focus, sustainable development reporting standards and peer benchmarking, we made further improvements to ESG issues on top of 2021 and added 2 new social issues (Diversity, Fairness and Inclusiveness, and Inclusive Healthcare). We identified a total of 20 issues including 6 environmental issues, 12 social issues and 2 governance issues. We engaged an independent third-party organisation to understand stakeholders' rate on ESG issues' materiality and obtained their views and suggestions on the Company's sustainable development through an online questionnaire and stakeholders' interviews.

1. Identify ESG issues related to the Company by benchmarking the HKEX ESG Reporting Guide and disclosed by peers.
2. Interview stakeholders to gather feedback and suggestions on the practice of sustainable development and their views on a future sustainable development strategy.

Prepare an online questionnaire to assess ESG material issues. Stakeholders were invited to rate materiality of relevant ESG issues.

3. Based on the results of the stakeholders' questionnaire and the Company's development, we assessed material issues in terms of "importance to stakeholders" and "importance to operation and management", then ranked the materiality of issues and generated a matrix.



Acotec 2022 Materiality Assessment Matrix



Scope	Issue	2022 ranking	Ranking change	2021 ranking
Social	Product Quality Management	1	↑ 1	2
Social	R&D Innovation	2	↓ 1	1
Governance	Intellectual Property Management	3	0	3
Social	Employees' Occupational Health and Safety	4	↑ 3	7
Social	Customer Privacy Management	5	↑ 4	9
Social	Employee Benefits and Compensation	6	↑ 2	8
Social	Customer Complaint Management	7	↓ 1	6
Environment	Waste Management	8	↑ 5	13
Social	Supplier Management	9	↓ 5	4
Social	Diversity, Fairness and Inclusiveness	10	-	-
Social	Inclusive Healthcare	11	-	-
Environment	Wastewater Management	12	↑ 5	17
Social	Employee Development and Training	13	↓ 8	5
Social	Anti-child Labour and Forced Labour	14	↓ 2	12
Governance	Anti-corruption measures	15	↓ 5	10
Social	Community services and charity activities	16	↓ 5	11
Environment	Energy utilisation	17	↓ 3	14
Environment	Greenhouse gas (GHG) emissions	18	↓ 3	15
Environment	Water resources management	19	↓ 3	16
Environment	Address climate change	20	↓ 1	19

Compared to 2021, ESG issues with increased materiality to the Company in 2022 include waste management, wastewater management and customer privacy management. As the Company expands its business scale, the management of pollutants emitted in the production process becomes more important. At the same time, the Company has been more active in communicating with customers through marketing activities, giving rise to increased materiality of relevant ESG issues in 2022.

## COMMUNICATION WITH STAKEHOLDERS

Based on the requirements of the HKEX ESG Reporting Guide and with reference to procedures for the materiality analysis of the Global Reporting Initiative (GRI), the Company gathered issues concerned to major stakeholders by questionnaires and interviews, and then analysed and ranked these issues so as to determine important corporate issues regarding environment, society, and governance and disclosed them in the ESG report.



Stakeholder	Expectations of Stakeholder	Mechanisms of Communication and Participation	Responses from the Company
Investors	<ul style="list-style-type: none"> <li>Increase the Company's market value and profitability</li> <li>Continuously improve the Company's environmental and social responsibility performance</li> </ul>	General meeting of shareholders, information disclosure, company website	<ul style="list-style-type: none"> <li>Release reports regularly, disclose information truthfully and thoroughly and invest efforts in making achievements and profits</li> <li>Improve corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management</li> </ul>
Customers	<ul style="list-style-type: none"> <li>High-quality products</li> <li>Safeguard customer's legitimate interests</li> </ul>	Sign contracts and agreements	<ul style="list-style-type: none"> <li>Provide high-quality products and services</li> <li>Establish a sound customer service system and customer opinion feedback and complaints mechanism</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Uphold employee remuneration and benefits</li> <li>Care for safety and health of employees</li> <li>Offer equal promotion and development opportunities</li> <li>Improve the Communication mechanism; engage in company management</li> </ul>	Employment contracts, labour union	<ul style="list-style-type: none"> <li>Strictly observe provisions within employment contracts, improve the remuneration and benefits system</li> <li>Offer a safe and healthy work environment</li> <li>Offer development paths for employees and organise staff training</li> <li>Offer equal communication channels</li> </ul>
Governments	<ul style="list-style-type: none"> <li>Observe the law, operate in compliance with regulations, and in line with national policies</li> </ul>	Engage in relevant governmental meetings	<ul style="list-style-type: none"> <li>Strict attention to relevant laws and regulations, continuously enhance corporate compliance management and respond to national policies</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Have honest, fair and just cooperation, achieve mutual benefits and win-win results to promote industry development</li> </ul>	Sign contracts and agreements, and hold tender and bidding, and supplier meetings regularly	<ul style="list-style-type: none"> <li>Actively perform the contracts and agreements by adhering to open and transparent business principles</li> <li>Adopt an open and transparent procurement model, and develop an accountable supply chain</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Minimise the impact of production and operations on local communities</li> <li>Boost the development of local economy</li> </ul>	Participate in community activities, care for public health and organise health education events	<ul style="list-style-type: none"> <li>Assist in health education activities</li> <li>Participate in free clinic activities</li> </ul>



## ESG RISK MANAGEMENT

### Risk management and control mechanism

Acotec has paid highly attention to the impact of future uncertainties on the Company’s business goals and sustainability development, and strived to improve risk management and internal control systems. The Board is responsible for assessing and defining the Company’s ESG-related risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place. We have established accountable functions led by the Finance Department responsible for establishing and operating compliance management and internal audit systems to ensure the robustness and effectiveness of risk management and internal control.

The Company has established Management Rules for Internal Control, Management Rules for Internal Audit, and other management rules to cover various business processes. The Company has established a robust risk assessment system to continuously monitor operating risk, financial risk, market risk, policy and regulation risk, and ethical risk. We identify and assess risks faced by the Company and take necessary controls on a timely basis.

In 2022, the Finance Department organised and launched special risk assessments on corporate governance, treasury management, and expense management process. The Finance Department summarised issues from abovementioned three perspectives, analysed their causes, identified key risk points, and drafted a short, medium and long-term plan for the construction of a risk control system.

We organised training sessions specialising in risk awareness and internal control auditing. We arranged two training sessions on internal risk controls and better practice sharing sessions to enhance internal management capabilities.

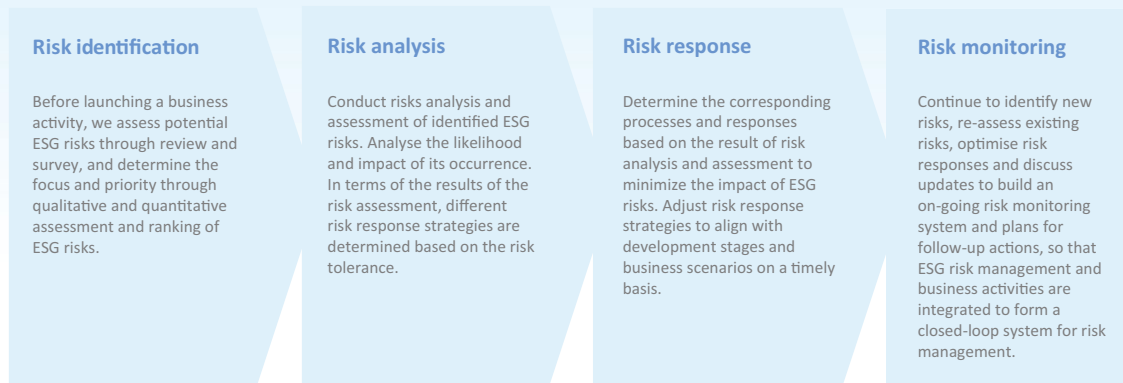
**Case: In-house training on internal risk control**

Acotec prepared a training campaign on “How to Build Up Risk Control Capacity” for employees above Director level. The training covered the establishment of risk management and control capabilities, key points to be noted in constructing an internal control system, principles of an internal control system, and risk factor identification and determination. Through this training, employees and operational departments increased their understanding of the need for the Company to control and manage risks, and acquired stronger awareness and capability for internal control and risk management.



To strengthen the Company's ESG risk management, we identify, analyse, respond and monitor ESG risks, and gradually integrate ESG risk management with the Company's overall risk assessment system.

## ESG risk management process



### Risk identification

Before launching a business activity, we assess potential ESG risks through review and survey, and determine the focus and priority through qualitative and quantitative assessment and ranking of ESG risks.

### Risk analysis

Conduct risks analysis and assessment of identified ESG risks. Analyse the likelihood and impact of its occurrence. In terms of the results of the risk assessment, different risk response strategies are determined based on the risk tolerance.

### Risk response

Determine the corresponding processes and responses based on the result of risk analysis and assessment to minimize the impact of ESG risks. Adjust risk response strategies to align with development stages and business scenarios on a timely basis.

### Risk monitoring

Continue to identify new risks, re-assess existing risks, optimise risk responses and discuss updates to build an on-going risk monitoring system and plans for follow-up actions, so that ESG risk management and business activities are integrated to form a closed-loop system for risk management.

## Material ESG risks and responses

In 2022, Acotec identified the following top four ESG risks based on our management of ESG risks: product safety and quality risks; production safety risks; risks of waste pollution and emissions; and procurement integrity risks. We have taken measures in response to the identified risks.

ESG-related risks	Potential impacts and effects on Acotec	Measures to mitigate identified risks
Product safety and quality risks	If the Company's products have major safety and quality problems, Acotec will face penalties such as fines and orders for rectification, and will also face risks such as reputational damage.	<ul style="list-style-type: none"> <li>Set product quality goals</li> <li>Perform regular internal and external audits of the quality management system</li> </ul> <p><i>For more details, please refer to the Responsible Production and Quality Assurance subsection under Trusted Innovation for Life</i></p>
Production safety risks	Safety accidents may occur due to unclear safety production responsibilities, unimplemented measures and unavailable assessments.	<ul style="list-style-type: none"> <li>Conduct regular safety training on the safety and emergency response to hazardous and chemical products</li> <li>Conduct Regular environmental monitoring on job positions with potential occupational hazards</li> </ul> <p><i>For more details, please refer to Fully protect employees in health and safety subsection under Extraordinary Employees for Growth</i></p>
Risks of waste pollution and emissions	The Company will be subject to fines and other penalties depending on the severity of the incident, if not complying with the <i>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes</i> .	<ul style="list-style-type: none"> <li>Utilise compressed air instead of alcohol to clean products to reduce the generation of hazardous wastes including alcohol</li> </ul> <p><i>For more details, please refer to the Emission Control and Environmental Protection subsection under Greener Environment for Future</i></p>
Procurement integrity risks	The Company will suffer from damaged profitability, trust crisis, and increased internal management cost if serious corruption incidents occur to the procurement.	<ul style="list-style-type: none"> <li>Organise regular anti-fraud training covering all employees</li> <li>Improve internal control procedure</li> </ul> <p><i>For more details, please refer to the Green Procurement and Sustainable Supply subsection under Greener Environment for Future</i></p>







# 1. Trusted Innovation for Life



Acotec focuses on R&D and manufacturing in the belief of “Trusted Innovation for Life” to provide diversified and innovative hi-tech products for vascular interventional treatment. We are also concerned about intellectual property protection to support the mutual development of the industry and enhancement of product quality. We have been actively responding to the UN’s Sustainable Development Goals (SDGs) 3, 12 and 17.

## 1.1 R&D-LED INNOVATION

In the hope of providing the best treatment solutions for Chinese and Global vascular disease patients, Acotec has continuously launched innovative products and established diversified product portfolios.

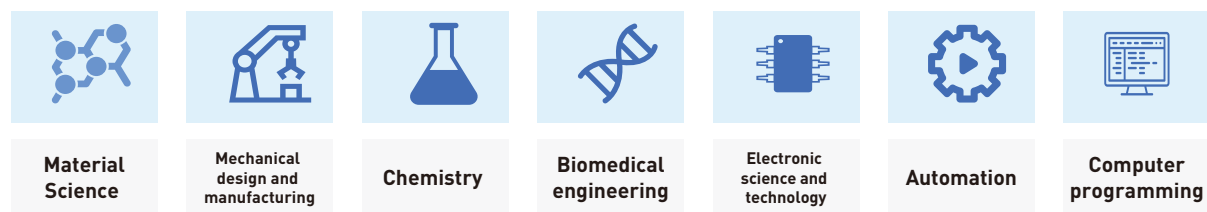
### 1.1.1 R&D personnel

The founders and senior management team of Acotec have an average of over 30 years of experience in the medical device industry, many of the Company’s senior experts and research scientists have worked for Medtronic plc, Stryker Corporation, Invatec and other global leading companies. Our staff have extensive experience in the R&D, manufacturing, and commercialization of vascular disease treatment devices, and we are able to carry out product development plans tailored for market demand.

As of 31 December 2022, Acotec had a strong R&D team of 118 members, including 63 people with Master’s degrees in the China R&D team. In 2021, Acotec established R&D centres in the US. The overseas R&D team supports the Company’s new product development and advance the Company’s registration and physician education in the global market.

The Company’s R&D team has a rich technical background covering materials science, mechanical design and manufacturing, chemistry and biomedical engineering. In 2022, We have enhanced our team with technicians and experts in the fields of electronic science, automation and computer programming. This wide spectrum of talent will ensure that Acotec grows steadily in terms of R&D innovation.

#### Expertise of Acotec’s R&D team



Acotec R&D Department has designated training programs and provides both online and offline training sessions. Online training sessions aim to transfer professional knowledge, while offline training sessions aim to improve professional skills. We have designed eight course modules to cultivate and improve our staff’s capabilities in technical research and development.



# 1. Trusted Innovation for Life

## The eight training module

<b>01</b> Rules and regulations	<b>02</b> Quality management
<b>03</b> Technical tools	<b>04</b> Product knowledge
<b>05</b> Materials knowledge	<b>06</b> R&D design
<b>07</b> Clinical knowledge	<b>08</b> Project management

**47**

R&D trainings

During the Reporting Period, the Company organized a total of 47 R&D trainings covering all R&D employees.



R&D training



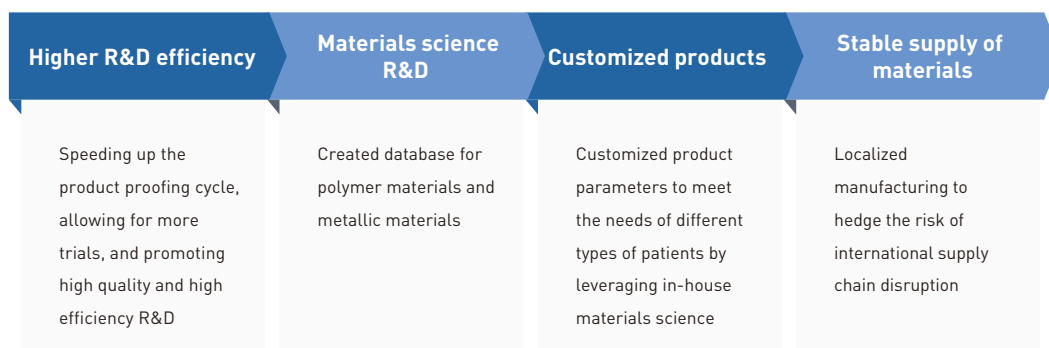
## 1.1.2 R&D technology platform

Leveraging our four core technology platforms: drug-coating technology, radiofrequency ablation technology, polymer material technology, and aspiration platform technology, Acotec creates a platform of interventional medical devices featuring world-leading technologies.

Technology	Technology category	Product
Drug-coating technology	<ul style="list-style-type: none"> <li>Paclitaxel drug coating</li> <li>Rapamycin drug coating</li> </ul>	<ul style="list-style-type: none"> <li>Drug-coated balloons (AcoArt Orchid® &amp; Dhalia®/Orchid Plus)</li> <li>Drug-coated balloons (AcoArt Tulip® &amp; Litos®)</li> </ul>
Radiofrequency ablation technology	<ul style="list-style-type: none"> <li>Radiofrequency ablation system</li> </ul>	<ul style="list-style-type: none"> <li>Radiofrequency ablation system (AcoArt Cedar®)</li> </ul>
Polymer material technology	<ul style="list-style-type: none"> <li>Polymer materials</li> <li>Metallic materials</li> </ul>	<ul style="list-style-type: none"> <li>Peripheral support catheter (Vericor®)</li> <li>Intracranial balloon dilatation catheter (NEO-Skater®)</li> <li>Coronary balloon dilatation catheter (YAN)</li> <li>Peripheral balloon dilatation catheter (P-Conic®)</li> </ul>
Aspiration platform technology	<ul style="list-style-type: none"> <li>Aspiration system</li> </ul>	<ul style="list-style-type: none"> <li>Peripheral Aspiration System (AcoStream™)</li> </ul>

## Materials technology platform

We have also extended our manufacturing capacity to upstream manufacturing of micro-extrusions by establishing a manufacturing facility in Shenzhen. We have the capacity to manufacture raw materials of catheters, customize Acotec's own products according to the specific requests, with enhanced manufacturing flexibility. In addition, the upstream layout can stabilize the supply of raw materials and reduce production costs.



## Acotec's product candidates in pipeline

Acotec has formed a complete and innovative product pipeline layout around five major therapeutic departments, with 10 products approved for marketing at home and abroad and more than 20 pipelines in R&D and clinical advancement as of 31 December 2022.



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Department	Products and Product Candidates	Indications / Applications	Key Technologies	Area	Pre-clinical Studies	Clinical Studies	Phase	Registration	Upcoming Milestone
Vascular Surgery	AcoArt Orchid® & Dhalia®/Orchid Plus★	Superficial femoral artery (SFA) and popliteal artery (PPA) disease	Drug coating technology	China	✓	✓	✓	NMPA Approval★ CE★	/
	AcoArt Tulip® & Litos★	Below-the-knee (BTK) artery disease	Drug coating technology	China	✓	✓	✓	NMPA Approval★ CE★	/
	AcoArt Iris™ & Jasmin™	PTA Balloon applied in PTA procedure	Polymer materials	China	✓	✓	✓	NMPA Approval★ CE★	FDA IDE approval (2023)
	AcoArt Lily™ & Rosmarin™	PTA Balloon applied in PTA procedure	Polymer materials	China	✓	✓	✓	NMPA Approval★ CE★	/
	Peripheral Aspiration System▲ AcoStream™	DVT, ALI	Aspiration platform	China	✓	✓	✓	NMPA Approval★ ANVISA Approval★	/
	Radiofrequency Ablation System AcoArt Cedar®	Saphenous varicose veins	RF platform	Brazil	✓	✓	✓	NMPA Approval★ FDA Approval★	/
	Peripheral Support Catheter▲ Verico®	Peripheral CTO lesion	Polymer materials	China	✓	✓	✓	NMPA Approval★	/
	PTA Balloon P-Conic®	PTA	Polymer materials	China	✓	✓	✓	NMPA Approval★	/
	Peripheral Spot Stent	SFA and PPA disease	Polymer materials	China	✓	✓	✓	NMPA Approval★	2025
	Lower Limb Stentimus DCB	SFA and PPA disease	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2025
	2nd Gen Peripheral Aspiration System▲	DVT, ALI	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Peripheral Triple-Guidewire Balloon	SFA and PPA disease	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Peripheral Scoring Balloon	SFA and PPA disease	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Peripheral Coil	Embolization	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Peripheral Rotational Atherectomy Device	Intra-vascular calcium	Polymer materials	China	✓	✓	✓	NMPA Approval★	2025
Peripheral Thrombectomy Device	DVT, ALI and PE	Polymer materials	China	✓	✓	✓	NMPA Approval★	2025	
Peripheral IVL System	Intra-vascular calcium	Polymer materials	China	✓	✓	✓	NMPA Approval★	2026	
Cardiology	Semi-compliant PTA Balloon YAN	PTCA	Polymer materials	China	✓	✓	✓	NMPA Approval★	/
	Coronary CTO Recanalization Balloon RT-Zero▲***	Coronary CTO	Polymer materials	China	✓	✓	✓	NMPA Approval★	/
	Coronary Sirolimus DCB	Coronary small vessel diseases	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2024
	AcoArt Camellia® (DCB)	Bifurcation lesions	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2024
	Guiding Extension Catheter▲	Coronary CTO	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Coronary CTO Antegrade Micro-Catheter▲	Coronary CTO	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Coronary Double-Lumen Selecting Catheter▲	Bifurcation lesions	Polymer materials	China	✓	✓	✓	NMPA Approval★	2024
	Coronary Retrograde Micro-Catheter▲	Coronary CTO	Polymer materials	China	✓	✓	✓	NMPA Approval★	2023
	Coronary Rotational Atherectomy Device	Intra-vascular calcium	Polymer materials	China	✓	✓	✓	NMPA Approval★	2025
	Coronary IVL System	Coronary lesion calcium	Polymer materials	China	✓	✓	✓	NMPA Approval★	2026
	Coronary Scoring Balloon	PTCA	Polymer materials	China	✓	✓	✓	NMPA Approval★	2023
	AcoArt Orchid® & Dhalia®/Orchid Plus★ (DCB)	Arteriovenous fistula stenosis	Drug coating technology	China	✓	✓	✓	NMPA Approval★	/
	AV Scoring Balloon	AVF PTA procedure	Polymer materials	China	✓	✓	✓	NMPA Approval★	2023
	High-Pressure Balloon▲	AVF PTA procedure	Polymer materials	China	✓	✓	✓	NMPA Approval★	2023
	Neurology	Intracranial PTA Balloon▲ Neo-Slater®	Intracranial PTA procedure	Polymer materials	China	✓	✓	✓	NMPA Approval★
AcoArt Orchid® & Dhalia®/Orchid Plus★ (DCB)		Vertebral atherosclerotic stenosis	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2024
AcoArt Daisy®		Intracranial atherosclerotic stenosis	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2024
Andrology	AcoArt Orchid® & Dhalia®/Orchid Plus★ (DCB)	Vasculogenic erectile dysfunction	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2025
	AcoArt Tulip® & Litos®*	Vasculogenic erectile dysfunction	Drug coating technology	China	✓	✓	✓	NMPA Approval★	2025

★ Core product  
 ▲ Exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices (免临床试验医疗器械目录) promulgated by the NMPA, as amended.  
 Note: RT-Zero have received NMPA approval in Mar 13, 2023.



## 1.2 INDUSTRIAL COORDINATION AND MUTUAL DEVELOPMENT

To deepen innovative R&D and lead industrial development, we organized a series of events in 2022 to step up marketing and academic activities in the “lower-tier market” in prefectures and counties and to enhance communication with local hospitals through “The Pioneer” Campaign and Acotec satellite meetings held in academic forums and conferences of the industry.

### Academic forums and conferences

Acotec participated in many authoritative and leading academic forums and conferences, including the 15th China Southern Endovascular Congress, the 10th Vascular Forum of Guangzhou Medical University in 2022, New Vascular Meeting (NVM) 2022, the 7th Vascular Innovation Symposium, the 11th Shanghai Jiaotong University Vascular Disease Forum, the 20th VEC. During these activities, we shared the latest trends in the diagnosis and treatment of peripheral vascular diseases, and the clinical experience of Acotec’s products.



The 15th China Southern Endovascular Congress

Acotec has held more than 50 satellite meetings and invited more than 400 authoritative guests in 2022, with a total of over 3,000 participants. At these conferences, together with top experts and scholars from China and overseas, we had extensive and in-depth discussions on the diagnosis and treatment of peripheral atherosclerosis, the treatment of thrombotic diseases, the MDT treatment of diabetic foot disease, the maintenance of hemodialysis access, etc..



# 1. Trusted Innovation for Life

## Representative themes of Acotec's satellite meetings

Product	Theme
BTK DCB	Travel a long way and travel afar — Acotec BTK DCB: Blood supply unblocking and wound healing in patients with diabetic foot
Peripheral Aspiration System AcoStream™	Peripheral scavenger of thrombosis — AcoStream™: Experience in the treatment of venous thrombosis
AVF DCB	Application of Acotec drug-coated balloon for treating AVF stenosis in hemodialysis patients
Radiofrequency Ablation System AcoArt Cedar®	Fast closing with only one button — Application experience of AcoArt Cedar® in lower extremity varicose veins
Peripheral support catheter Vericor®	Vericor® support catheter — A new option to open arterial lesions of the lower extremities

## “The Pioneer” Campaign

“The Pioneer” Campaign is a series of academic events initiated and led by Acotec, the Campaign aims to promote and expand pre-emptive therapy of vascular disease treatment in China.

As at 31 December 2022, “The Pioneer” Campaign had organized a total of 104 academic events. By setting diverse topics and providing standardized and guided training, we are promoting the overall development of vascular disease treatment in China.

## Representative themes of the “The Pioneer” Campaign

Product	Theme
BTK DCB	Discussion of diabetic foot MDT approach
Peripheral aspiration system	Treatment of thrombotic disorders
AVF DCB	The latest evidence-based and cutting-edge therapy of drug-coated balloons (DCB) in arteriovenous hemodialysis access (AVF/AVG)
Radiofrequency Ablation System AcoArt Cedar®	The launching conference of AcoArt Cedar®
Peripheral support catheter Vericor®	CTO lesion opening experience sharing

We have also organized 87 online special learning activities under the “The Pioneer” Campaign, with a total of over 1,000 doctors participating in these activities. During these learning activities, we introduced the latest concepts of interventional therapy in detail, demonstrated the basic operation techniques, and helped clinicians, especially junior doctors at primary level hospitals, conduct diagnosis and treatment of vascular diseases.



## Effect of online special learning activities under the “The Pioneer” Campaign

1. Therapeutic and academic concepts are introduced to the lower-tier market by enabling doctors at primary hospitals to participate in academic discussion through online channels;
2. The discussion focused on specific topics reflecting the practical experience in clinical application, which helped to summarize norms of clinical operation and consensus of surgical operation; and
3. A platform has been built to promote communication between regional centres and primary hospitals. Regional centres radiate to surrounding hospitals, and a closer relationship with regional centres is established.

## 1.3 PROTECTION AND MANAGEMENT OF INTELLECTUAL PROPERTY RIGHTS

Acotec strictly abides by intellectual property related laws and regulations and national standards, such as the *Trademark Law of the PRC*, the *Patent Law of the PRC*, the *Law of the PRC Against Unfair Competition*, and the *Enterprise Intellectual Property Management*. We have completed portfolios of intellectual property rights in China and overseas to safeguard our know-hows, inventions and proprietary technologies and contribute to our future success by commercialization. The Company has developed management regulations related to intellectual property rights such as the *Company Patent Reward System*, the *Company Intellectual Property Management System*, the *Employee Confidentiality Agreement*, and the *Employee Severance Intellectual Property Agreement* to effectively manage and protect intellectual property rights, including patent rights, trademark rights, copyrights, and technical secrets.

To encourage employees to innovate and apply for patents, the Company improved the Company Patent Reward System in 2022 to reward inventors who have made outstanding contributions in technology innovation and protection. Different levels of bonuses are offered to holders of invention patents, utility model patents, and design patents.

In 2022, the Company obtained the patent pre-examination qualification from the Zhongguancun Intellectual Property Protection Center and the Guangdong Intellectual Property Protection Center. We are qualified for fast approval of patent applications of medical technology companies, and the process for applying intellectual property rights has been expedited.

In 2022, the Company also organized a series of intellectual property-related training activities. R&D personnel were organized to participate in training activities on preventing intellectual property infringement and protecting intellectual property rights. They will also have on-site meetings with patent agents for zero-distance patent mining. The Company’s intellectual property management personnel have participated in the “Case Analysis Visualization & Icon Creation Training” hosted by the China Intellectual Property Training Center and received a certificate of completion. We have also actively participated in the training and presentation activities hosted by the Economic Development Zone Branch of the Beijing Intellectual Property Protection Center.





# 1. Trusted Innovation for Life



Participation in the training of the Economic Development Zone Branch of Beijing Intellectual Property Protection Center

As of 31 December 2022, we had 43 registered patents, including 18 invention patents, 19 utility model patents, and 6 design patents, as well as 119 registered trademarks and 6 copyrights. In addition, we have 32 patents and 39 trademarks in the application and registration process as of 31 December 2022.

Patents (registered + pending)	Trademark (registered + pending)	Copyright (registered)	Total
75	158	6	239

The following table shows a significant portfolio of patents related to our core products:

Application no.	Description	Patent Jurisdiction	Status	Applicant	Patent expiration date
CN201280064000.7	Drug-coated medical equipment	China	Registered	InnoRa GmbH	14 December 2032
CN201380003801.7	Catheter assembly with protective sheath and method of manufacture	China	Registered	Acotec Scientific Co. Ltd.	13 September 2033
IT102014902292405	Drug-coated balloon catheter	Italy	Registered	Pine Medical Limited	11 September 2034



## 1.4 RESPONSIBLE PRODUCTION AND QUALITY ASSURANCE

A well-developed quality management system and product utilization safety are important safeguards and critical topics for the production and operation of a medical device enterprise. Acotec has established a complete management system of product quality, so that strict quality inspection procedures have been implemented throughout the manufacturing and operations processes, and there is effective quality management throughout the entire life cycle of products.

### 1.4.1 Quality system

Acotec strictly complies with the *Product Quality Law of the PRC*, *Measures for the Supervision and Administration of Medical Device Manufacture*, the *Good Manufacturing Practice of Medical Devices*, the *Regulation on the Supervision and Administration of Medical Devices*, the *REGULATION(EU) 2017/745*, the *Brazilian laws RDC No. 665/2022*, the *RDC No. 23/2012*, the *RDC No. 67/2009* and other laws and regulations, standards and guidelines. The Company has a Quality Management Department in place to perform quality management duties and formulate quality policies and quality targets.

The Company implements a product manufacturing quality management system throughout the entire production process, covering product design and development, production control, supplier management, materials management, quality control, product release, marketing, and other processes. We have established a comprehensive management process from conditions before and during production to the handling of post-production deviations, abnormal events, and post-launch management.

Acotec adheres to the quality policy of “Pursuing Excellent Quality, and Safeguarding Life and Health”, and adopts *Medical Devices-Quality management Systems-Requirements for Regulatory Purposes YY/0287-2017 (ISO13485:2016)* and the *Supervision and Administration of Medical Device Manufacturing* to set up the Company’s quality management system, as well as establish, record, implement, maintain, and continuously update and improve quality management systems in an effective and appropriate way in alignment with the risk level and device type to ensure compliance with technical and regulatory requirements. We continuously improve our quality management system from the perspective of overall quality both outside and within the Company to strive for higher quality products and services. The Company’s quality management system documents include the quality manual, procedural documents, work instruction documents and records clarifying management responsibilities and the authority of relevant departments.

The Company conducts regular internal and external audits of the quality management system, to update and revise internal quality standards and systems and exercises real-time supervision of each quality management process with reference to domestic and foreign industry regulations. We accept compliance audits conducted by external third parties, including GMP compliance inspections by local food and drug administrations, CE certification and MDSAP certification, and audits by partners in the course of domestic and overseas transactions and cooperation. In audit period, third-party auditors conduct several procedures including on-site inspections of production condition, a stability study, the release of raw and auxiliary materials, the release of finished products, project implementation process, technical personnel training, quality management documents, plant facilities and equipment, process verification and process control, as well as putting forward suggestions for rectification. During the Reporting Period, there were no material deficiencies identified in the inspections, and post-inspection rectifications had all been completed on time.





# 1. Trusted Innovation for Life

## 1.4.2 Manufacturing process control

We have ISO Class 7 Clean Areas of about 3,000 square meters, as well as injection moulding machines, heat sealing machines, folding machines, sealing machines, knitting machines, rheological machines, ethylene oxide sterilization systems, purified water preparation systems, a gas production systems, gas and liquid chromatography analysis system and other advanced production and inspection equipment.. The equipment and the facilities have laid a solid foundation for manufacturing high-quality products.

The Company considers the conditions and technical requirements required for manufacturing from a holistic perspective, and has strict regulations on equipment and facilities, materials management, employee health, etc. We conduct daily environmental monitoring of production areas and clean areas to ensure the compliance of the manufacturing environment with GMP requirements.

Equipment and facilities	Materials management	Employee health
<ul style="list-style-type: none"> <li>In the equipment management and operating procedures, we provide a detailed description of the output requirements of equipment, facilities, and tools to ensure that their operating conditions meet the specified technical target and the product quality meets the expected results.</li> </ul>	<ul style="list-style-type: none"> <li>Inspect in accordance with the <i>Inspection and Control Procedures</i>, issue the incoming inspection reports and conduct reviews. Conforming materials are stored in warehouse while nonconforming materials are isolated in accordance with the <i>Nonconforming Product Control Procedure</i>. If verification is performed at the supplier's site, the activities to be verified and the method of product release shall be specified in procurement documents.</li> </ul>	<ul style="list-style-type: none"> <li>Employees who are directly exposed to materials and products are required to have a physical examination once a year and are only allowed to work after passing the physical examination. Personnel suffering from infectious diseases are not allowed to engage in work that are directly exposed to materials and products. Workers involved in product quality (personnel who are directly exposed to materials and products) are required to have health records and health certificates or physical examination reports.</li> </ul>



## 1.4.3 Quality inspection

The Company has established a complete internal quality inspection system and abides by the highest quality standards from the release of materials to the batch release of products. All products have to go through multi-level quality inspection before they enter the market. The Company inspects product quality in accordance with the relevant requirements of the *Inspection and Control Procedures*. Products identified with quality abnormalities are dealt with in accordance with the *Nonconforming Product Control Procedure*.



# 1. Trusted Innovation for Life

## 1.4.4 Quality targets

To keep improving the Company's product quality, we have set annual quality targets, including on-time delivery rate of orders, rate of timely update of incoming documents, completion rate of annual customer training, and completion rate of equipment and facility repair. Quality targets are updated annually by setting specific targets, and each quality target will be evaluated in the coming year to evaluate the completion of each target.

### Some of 2022 quality targets and completion during the Reporting Period

Some of 2022 Quality Targets	Target	Completion
On-time delivery rate of orders	90%	92%
Rate of timely update of incoming documents	100%	100%
Completion rate of annual customer training	100%	100%
Completion rate of equipment and facility repair	90%	100%

### Quality training

To strengthen the corporate culture of quality and enhance employees' professional knowledge and skills, the Company provides quality awareness training to ensure that employees are aware of the relevance and materiality of the activities they are involved in, and how to contribute to the achievement of quality targets. The quality management training system covers company-level training, department-level training, and external regulatory agency training in the form of lectures, seminars, self-study, etc. We maintain a training file for each employee at the Human Resources Department as a proper record of the employee's education, training, skills and experience.

#### Company-level training

We carry out quality management-related training for all employees at the company level based on a training plan we develop each year. In 2022, we conducted seven company-level trainings, with a total of over 1,500 participants. Training topics covered quality system management, production safety, and internal audits of the quality system.

#### Department-level training

We carry out department-level quality management trainings on a regular basis. New employees are required to attend an induction training when they join the Company, and they are allowed to work only after completing the list of induction trainings.



Quality management training

98

Trainings

100%

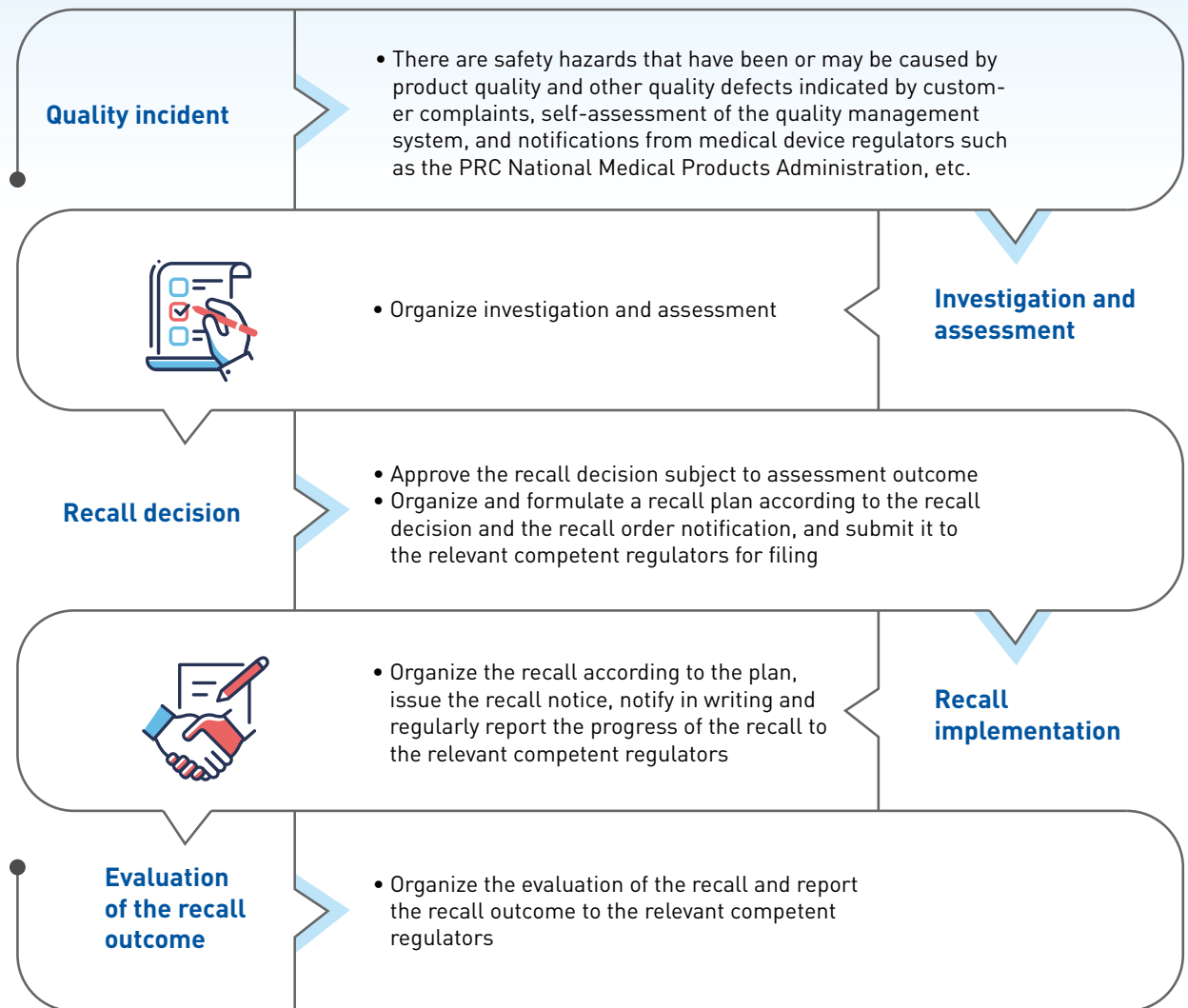
Coverage rate

During the Reporting Period, the Company organized a total of 98 quality system-related trainings, covering 100% of quality-related employees.



## Product recall

Acotec is required by applicable laws and regulations to recall our products if they are defective and have caused, or are likely to cause, harm to patients. The Company has formulated the *Recall Control Procedure* to clarify respective responsibilities of the Quality Control Department, Marketing and Sales Department, supply chain and other relevant departments:



During 2022, the Company did not have any product recalls. There was no serious breach of product and service duties that had a significant impact on the Company, nor any recall of sold or delivered products due to any safety or health reasons.



## 2. Robust Governance for Development

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

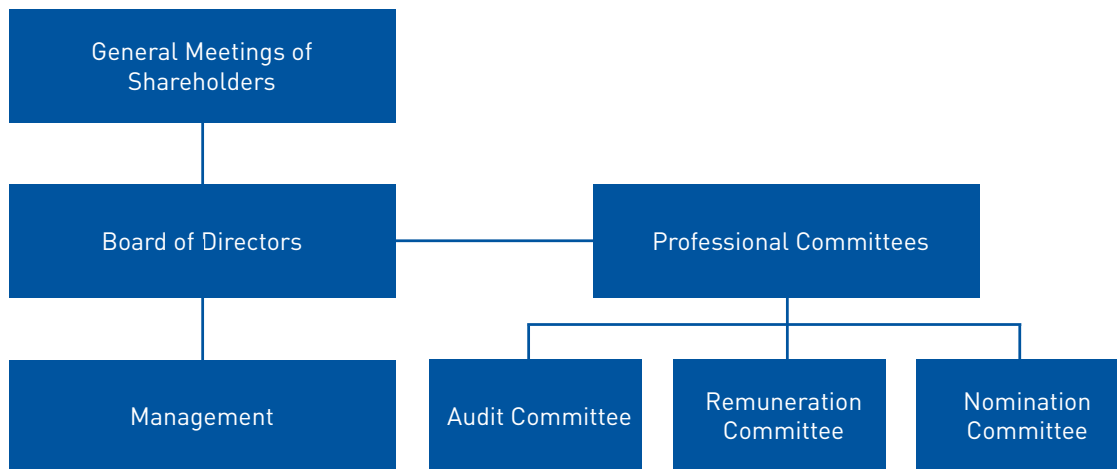


Acotec strives to optimise corporate governance, comply with business ethics, ensure marketing compliance and customer privacy protection, and adhere to medical ethics. We have also been proactively responding to UN SDG 16.

### 2.1 OPTIMISING GOVERNANCE TO GENERATE SYNERGY AND RAISE EFFICIENCY

#### 2.1.1 Corporate governance

We strictly comply with the requirements of relevant laws, regulations and regulatory documents such as the *Company Law of the PRC*, the *Securities Law of the PRC* and the *Corporate Governance Code* set out in Appendix 14 to the *Listing Rules of the Hong Kong Stock Exchange*. Acotec revises and improves its Articles of Association and other rules and regulations, taking into account the Company's actual development and the requirements of regulatory authorities. In this way, we have formed a governance structure consisting of the shareholders' meeting, the Board of Directors, and senior management as the main bodies, in order to establish a scientific, efficient, stable and long-term decision-making, supervision and incentive system, continuously improve corporate governance and steadfastly safeguard the interests of the Company's shareholders.

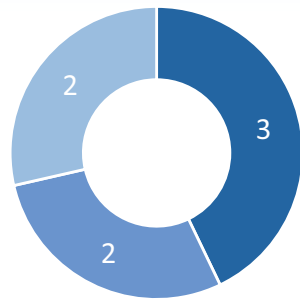




## 2. Robust Governance for Development

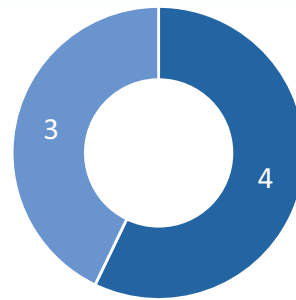
As the core of the governance structure, the Board of Directors is responsible for engaging and deciding on all major issues related to the Company's operations, including policy matters, strategies, budgets, internal control and risk management. To this end, the Board has established three Board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. As the supervisory and executive bodies in the governance structure, these committees are appointed and authorised by the Board to operate effectively in accordance with their terms of reference. The Board currently comprises two Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. At least one annual general meeting and at least four regular meetings of the Board of Directors are required to be held each year.

Composition of the Board of Directors by title



■ Executive Director    ■ Non-Executive Director  
■ Independent Non-Executive Director

Composition of the Board of Directors by gender



■ Female  
■ Male

We advocate for Board diversity and have continued to build a diverse and professional Board of Directors from multiple perspectives, including gender, age, cultural and educational background, professional development, tenure of service, and industry experience, to improve corporate decision-making, enhance the Board's effectiveness, and ensure it has a comprehensive and integrated perspective. Four out of the seven directors on Acotec's Board of Directors, or more than 50%, are women, and the Company's CEO, Ms. Li Jing, serves as an Executive Director alongside the other directors, each of whom brings experience and expertise to key areas of the Company and the Board:

### Experience and expertise of Board members



Medical device industry experience



Leadership and management skills



Global capital market experience



Healthcare system experience



## 2. Robust Governance for Development

### 2.1.2 ESG governance

We have continued to optimise our ESG management system, and we have formed an ESG governance structure consisting of the Board of Directors, the Business Development Department and operational departments. The Board of Directors constitutes the decision-making level; the Business Development Department is the coordinating level; and the executive level consists of all the operational departments, which coordinate to meet their respective ESG responsibilities, strengthen the Company's overall ESG management, and promote Acotec's sustainable development.



#### Decision-making level : Board of Directors

- Responsible for overall ESG governance
- Monitor and review ESG performance



#### Coordinating level : Business Development Department

- Implement Decision-making level resolutions
- Communicate and coordinate ESG-related issues
- Organize the preparation of ESG reports



#### Executive level : Relevant operational departments

- Complete ESG-related work
- Communicate with stakeholders



## 2. Robust Governance for Development

### Specific responsibilities at each level of the ESG structure

#### BOARD OF DIRECTORS

- Determines the overall objectives and strategies of ESG management.
- Responsible for assessing and defining the Company's ESG-related risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place.
- Reviews major ESG management matters, including but not limited to the annual ESG report.

#### BUSINESS DEVELOPMENT DEPARTMENT

- Organises and carries out ESG management work, formulates relevant systems and processes, maintains and updates the ESG indicator system according to the Company's overall ESG management objectives and management strategies.
- Responsible for guiding, promoting, coordinating and supervising ESG management in all departments, and assessing and evaluating the implementation results.
- Organises the compilation of the annual ESG report, and arranges the release and promotion of the report according to the requirements of the Listing Rules.
- Manages and coordinates external service providers for ESG management and carries out ESG-related communication, consulting, assurance and training according to work needs.
- Regularly reports to the Board of Directors and senior managers on the performance of ESG management.
- Stakeholder communication: Business Development Department is responsible for organising and participating in major domestic and international forums and conferences based on the Company's annual stakeholder communication priorities, and extensively leverages the power of third-party organisations in the corporate social responsibility (CSR) industry to carry out special communication activities on key social responsibility issues.

#### RELEVANT OPERATIONAL DEPARTMENTS

- With reference to the ESG indicator system, according to the division of responsibilities, and under the guidance of the Business Development Department, the relevant departments are responsible for completing social responsibility work related to their major areas or systems.
- The Finance Department organises risk evaluation exercises to analyse the root causes of problems and identify key risk points.
- According to the division of responsibilities and contact objects, the relevant departments establish a system to regularly communicate with stakeholders in daily work and collect opinions through various methods, such as work reports, conferences, and consultations, in order to improve social responsibility work and provide feedback and responses when necessary.





## 2. Robust Governance for Development

### 2.2 OPERATION IN COMPLIANCE, WITH INTEGRITY AND HONESTY

Anti-corruption and integrity work are an important part of enterprise management and represent an indispensable part of an enterprise's self-discipline system. Strengthening anti-corruption and integrity measures is not only an inherent requirement for promoting corporate reform and development, but also necessary for regulating business management activities.

Acotec is committed to anti-corruption work and strictly abides by the Company Law of the PRC, the *Anti-monopoly Law of the PRC*, the *Law of the PRC Against Unfair Competition*, the *Criminal Law of the PRC* and other laws and regulations related to anti-corruption and business ethics. The Company has implemented an anti-fraud system with which all employees, including directors and senior management, are required to comply; and this system upholds a business philosophy of honesty, trustworthiness and legal compliance. In addition, we have formulated the Code of *Business Conduct for Acotec Scientific Co., Ltd.*, which stipulates that Acotec stresses the business principles of honesty, integrity and fairness in all aspects of work; we do not condone or tolerate any form of bribery, kickback or gratuity, directly or indirectly, to any person, including but not limited to business competitors, customers, officers, employees, agents of sellers or distributors, government officials, political parties or political candidates, for the purposes of obtaining contracts or business benefits or influencing political decisions; and we also prohibit employees from accepting any improper gratuities from any of the above-mentioned persons.

The Company's Management Department has established a sound internal control system, set up reporting channels for fraud prevention and detection, implemented control measures to reduce fraud occurring risk, and taken appropriate and effective remedial measures against fraud. The Company has also established reporting channels including telephone numbers of suspected cases of fraud and reporting box, publishing these appropriately both inside and outside the Company. Acotec did not have any embezzlement lawsuits throughout the Report Period.

**Anti-fraud reporting hotline: +86 010-67472107**

Whistleblowers, investigators, and employees who assist in investigations shall be protected during all parts of the process. In response to any unlawful discrimination or retaliation against whistleblowers, investigators, or employees who assist in investigations, the Company will take disciplinary action, including, but not limited to, dismissal, termination of employment contract, and other disciplinary actions; and if the individual has violated criminal laws, they will be transferred to the judicial authorities.

In terms of strengthening employee integrity education, the Company strives to improve employees' awareness of the importance of abiding by professional ethics, resisting corruption, and creating a culture of honesty and integrity. The Company has carried out relevant training in 2022 for directors and employees, to enhance their awareness of corruption risk prevention. The Company organised an annual anti-fraud training session, which is mandatory for all employees.



## 2. Robust Governance for Development

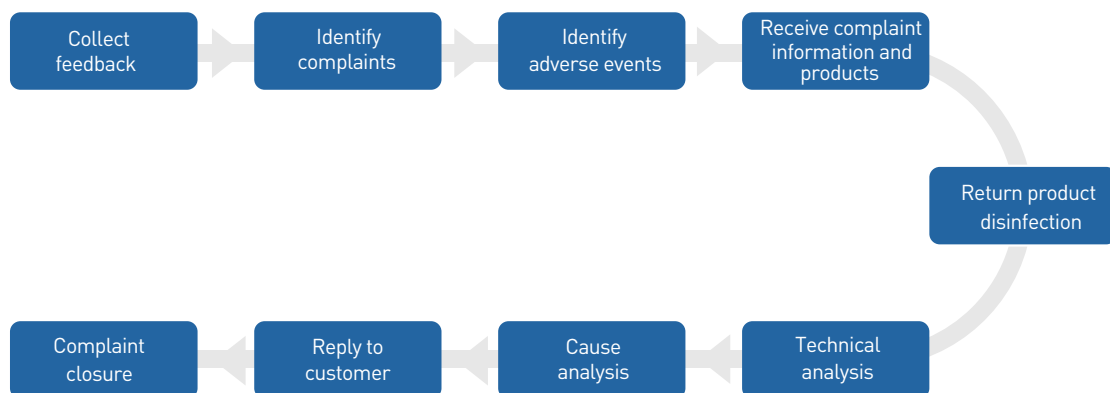


In 2022, the Company did not identify any significant risks related to corruption. Meanwhile, the Company and its employees were not involved in any confirmed incidents of corruption or any public legal proceedings related to corruption. The Company will continuously attach importance to anti-corruption measures and strengthen the anti-corruption monitoring body's supervisory capabilities, with the goal of providing robust protection for the Company's healthy development in the future.

### 2.3 RESPONSIBLE MARKETING AND DATA SECURITY

The Company formulated the Management Rules for Sales Management to specify the details for customer channel management, the return and exchange process, customer information management, customer credit limit management, the pricing and discount mechanism, customer channel classification and management, and two-invoice policy monitoring in order to ensure the quality of Acotec's products and customer services. In 2022, we received 81 complaints, with 100% customer complaint response rate. As of the date of the report, the complaint closure rate was 100%.

The Company has a strict process for complaint management. If any problem arises in relation to the quality of the Company's products or services, customers can file a complaint through their sales manager or by calling the Company's main telephone number. The Sales Department will report the complaint within 48 hours and send the defective product back to the Company. The Quality Management Department will then organise an investigation, handle the complaint and submit a report to the Marketing and Sales Department, which will reply to the customer. The complaint will be closed after receiving the customer's confirmation and approval, and corrective and preventive measures will be initiated to improve the product and service if necessary.



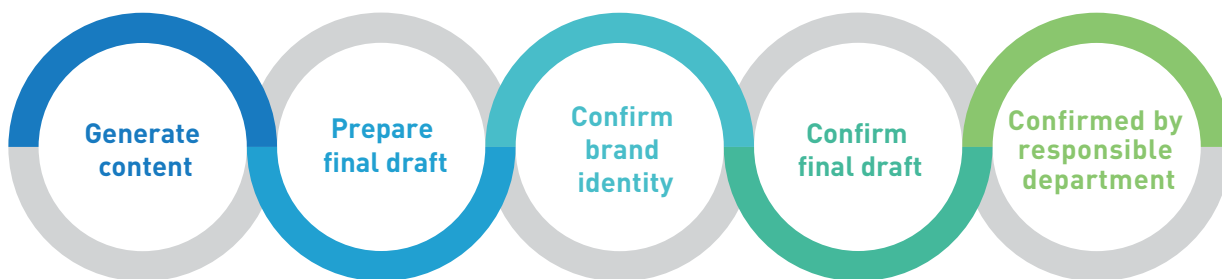
## 2. Robust Governance for Development

In terms of customer satisfaction, the Company carries out questionnaire surveys in academic conferences to solicit feedback from customers, including regarding complaint satisfaction, product satisfaction, and company satisfaction. The Company's staff follow up on customer satisfaction issues in their daily work and in daily communication with customers, which is more efficient and practical. Due to the high concentration of our customers, we usually visit them directly to do researches on the user experience of the Company's products.

The Company complies with laws and regulations such as the *Network Security Law of the PRC*, the *Data Security Law of the PRC*, the *Personal Information Protection Law of the PRC*, and the *Administrative Measures for Classified Protection of Information Security*. We use various means to strengthen internal data security management and ensure the normal operation of our information system. The Company formulated the Administrative Measures for Data Classification Management and Information Disclosure in accordance with laws and regulations and in light of its actual circumstances in order to strengthen data security, prevent and eliminate information leakage, safeguard and use the Company's secrets in a reasonable way, and regulate the management of our information disclosure, with the goal of ensuring the proper performance of the Company's information disclosure obligations and protecting the lawful interests of the Company and its investors. The Administrative Measures specify security and confidentiality requirements and the standards and procedures for proper disclosure of the Company's information, with a view to protecting the lawful interests of the Company and other stakeholders.

In its marketing activities, the Company ensures that customer information is fully protected during communication and transmission, and that data regarding customer complaints is kept strictly confidential. The Company respects the privacy of patients, customers and employees, and ensures that customers' information is not divulged or abused. Customer information, including customers' mobile phone numbers, ID numbers, etc., is managed by the Company in accordance with strict confidentiality requirements. Any personal information in the Company's media materials is desensitised.

The Company complies with the *Advertising Law of the PRC*, the *Regulations on the Supervision and Administration of Medical Devices*, the *Measures for the Examination of Medical Device Advertisements* and other relevant laws and regulations. In addition, the Company has developed a management system called the New Media Specification Process to strictly supervise the information disclosed online, and the Company has developed an approval process for promotional materials (including promotional screens, product brochures and brand cues):



We avoid using extreme words such as "the most" in our promotional materials. In addition, we focus on the indications of our products in our external promotional materials and ensure that the promotional content and educational activities we carry out are within the scope of legally permissible activities. We strictly prohibit the promotion of indications that are beyond the scope of our indications. During the Reporting Period, the Company was not involved in any advertising or trademark violations.





## 2. Robust Governance for Development

To guard against unfair competition, the Company strictly complies with the *Law of the PRC Against Unfair Competition*, the *Anti-monopoly Law of the PRC* and other relevant laws and regulations. The Company takes care to not engage in any monopolistic activities, including horizontal and vertical monopolies. In terms of product pricing, the Company takes measures to avoid the monopolistic pricing and carries out promotional activities to ensure that employees can understand this issue.

### 2.4 RESEARCH TRIALS WITH ETHICAL COMPLIANCE

In all of the clinical trial projects in which Acotec is involved, the Company always follows clinical trial management norms and ethical standards and adheres to R&D ethics. We strictly manage the compliance and standardisation of clinical trials and animal experiments. During clinical trial projects, the Company always follows the medical ethical principles of the *Declaration of Helsinki of the World Medical Association*, the *Ethical Review Measures for Biomedical Research Involving Human Beings of the National Health Commission*, the *Quality Management Standards for Medical Device Clinical Trials of the National Medical Products Administration*, and other domestic and international regulations covering clinical trial management, as well as the ethical and moral requirements stipulated by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH).

For trials, we evaluate whether their implementation, data recordkeeping, and results reporting comply with the trial protocol and clinical trial-related regulations by checking the original records and documents related to the clinical trials and on-site inspections, and verifying the authenticity and consistency of the relevant declaration information. In order to ensure that all trials meet the requirements of relevant domestic and international standards, we supervise and inspect all clinical trials and actively cooperate with reviews performed by the ethics committee. During the Reporting Period, the Company was not involved in any litigation related to clinical trials.

For R&D involving animal experiments, the Company cooperates with qualified third parties to conduct the experiments. The Company requires that these third parties implement rigorous management processes, including for the legal sourcing of animals, operational compliance in relation to animals and laboratory management. The Company renews its third-party zoological management qualifications annually and selects suitable third parties based on their technical expertise, corporate fee quotations, and implementation teams. We examine the management processes of all third-party animal testing facilities on the Company's list, and we require that animal experiments be conducted in accordance with ethical regulations for laboratory animals.



## 3. Extraordinary Employees for Growth



We regard talents as the source of enterprise competition. We respect each employee equally, insist on a people-oriented approach, value the safety and health of our staff, provide a safe and comfortable working environment, and continuously develop their skills and expertise to create a future together. We have been actively responding to the UN SDG 1, 3, 5, 8 and 10.

### 3.1 EQUAL EMPLOYMENT WITH PROTECTED RIGHTS

#### Recruitment & hiring

The Company strictly abide by the *Labour Law of the People's Republic of China*, the *Law of the People's Republic of China on Employment Contracts* and other laws and regulations, to open up multi-channel recruitment methods and implement a fair employment opportunity system. Acotec strictly complies with national laws and regulations, and is firmly against child labour and forced labour. The Company strictly controls the recruitment process, including the verification of interviewers' ages (no less than 18-year-old). In 2022, the Company did not have any labour disputes caused by violations of laws and regulations; no child labour or forced labour happened; no social insurance violations or non-payment happened.

With the rapid development of the Company, the Human Resources Department ensures the supply of talents via social recruitment, school recruitment, internal referral, and head-hunters' recommendation on the basis of the talents needs of each department. In 2022, the Company hired 30 employees through school recruitment and established a management trainee program for them.

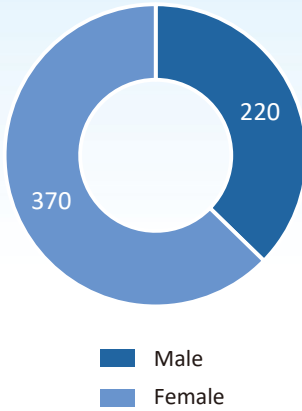
As of 31 December 2022, the Company had 607 employees, with a year-on-year increase of more than 50%, including a part-time employee and 46 ethnic minority employees. The Company now has 46% of existing employees with bachelor's degree or above, 118 R&D personnel, and the active resignation rate of core management team and R&D team in 2022 is 0. The Company promoted 30 employees in 2022.



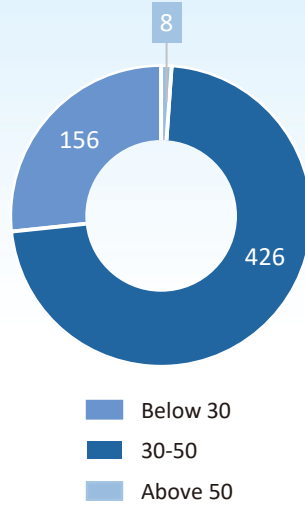


### 3. Extraordinary Employees for Growth

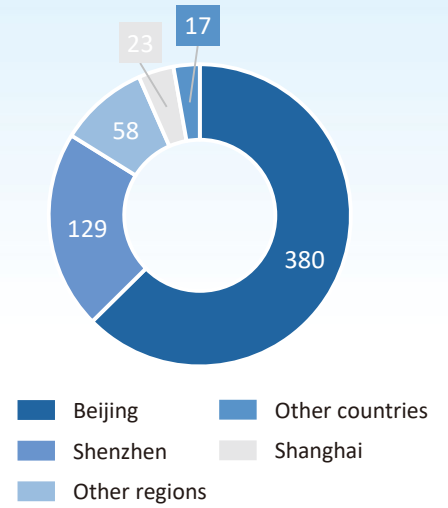
Total domestic employees by gender



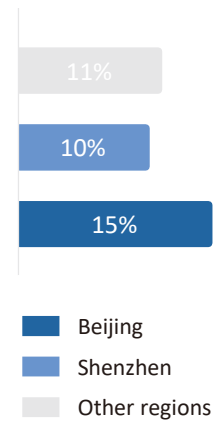
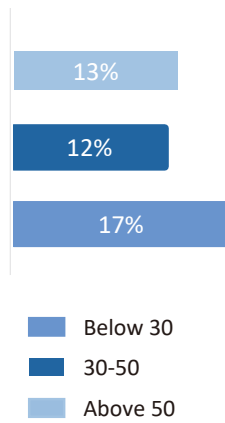
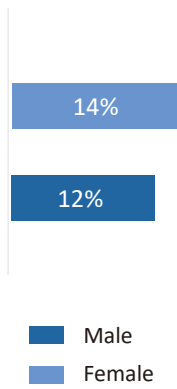
Total domestic employees by age



Total employees by region



2022 employee turnover rate





### 3. Extraordinary Employees for Growth

#### Compensation & termination

The Company establishes a market-oriented salary concept, optimising the salary structure to keep the fairness of internal salary payment and external market competitiveness, enhance the salary incentive effect, and motivate and retain talents. In addition to fixed salaries, the Company implements monthly, quarterly, semi-annual and annual bonus system according to different job levels; using the combination of short-term and long-term incentives, individual and team incentives. The Company's competitive salary, comprehensive protection, leading industry technology and the Company's good development momentum not only attract more and more top talent to join the Acotec family, but also make the voluntary resignation rate of the middle and senior management personnel to be 0.

In order to affirm employees' contributions and motivate them to further promote the Company's development, the Company has established an employee equity incentive scheme and an employee reward plan to provide long-term incentives for employees in the form of shares, promote the deep binding of innovative talents with the Company's development and effectively enhance employee cohesion and the Company's competitiveness.

We protect the rights and interests of our employees during their departure in accordance with laws and assist in the transfer of social insurance. We pay attention to the reasons of employee turnover and carry out communications prior to their leave to understand the reasons so as to further improve relevant employee treatments.

#### Working hours & holidays

A flexible working hour system is implemented for task-oriented positions such as sales and technical positions, and a standard working hour system of 8 hours per day, 40 hours per week is implemented for other office positions. In accordance with relevant government laws and regulations, we protect employees' right of normal rest and day-off, and firmly oppose forced labour.

In terms of holidays, we provide employees with holidays in accordance with national and local regulations and actual conditions, such as annual leave, sick leave, marriage leave, maternity leave and other paid holidays. In addition to the annual leave stipulated by the state, the Company implements bonus annual leave (one additional day of paid annual leave for each year of service in the Company), male employees enjoy 15 days of paid paternity leave, and employees who meet the requirements for Women's Day and Youth Day are entitled to half a day off with pay.

#### Equal opportunity, diversity, and anti-discrimination

In accordance with applicable laws, Acotec implements a fair job opportunity system that grants equal job opportunities to applicants or employees, regardless of their ethnic background, colour, gender, ancestry, age, disability, religion, nationality, family or marital status, civil rights, military or veteran, genetics, pregnancy, and other legally protected features.

The employees of different gender, from different age groups and educational backgrounds allow us to leverage the best experience and knowledge. This also helps maintain and pass down the Company's best practices in culture and management. We have 46 ethnic minority employees in total. We strictly comply with the *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, the *Special Provisions on Labour Protection for Female Employees* and other relevant laws and regulations and do not discriminate against female during hiring and promotion of employees in our operation. As of the end of the Reporting Period, Acotec has 370 female employees in China, accounting for 62.7% of total employees. The company has 10 female senior executives, accounting for more than half of the employees at the director level and above.

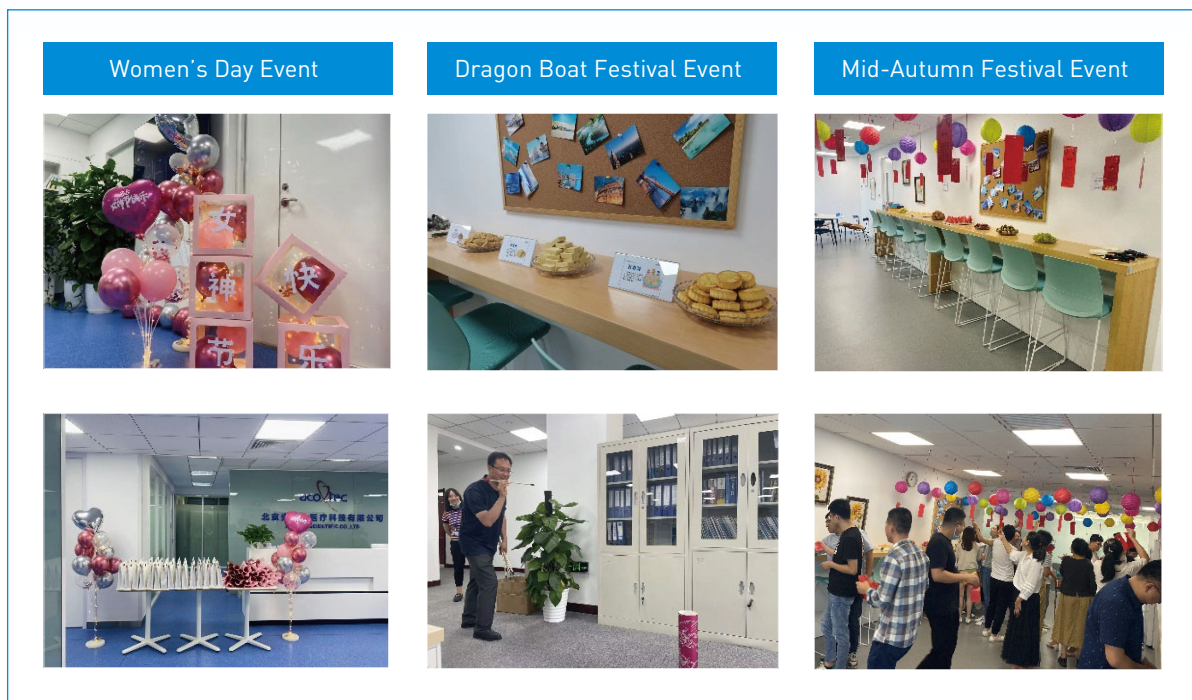


### 3. Extraordinary Employees for Growth

#### 3.2 CARE FOR EMPLOYEES WITH THOUGHTFUL BENEFITS

We care for our employees and provide them with generous benefits. We have set up multiple additional employee benefits on top of statutory ones. We hope to improve the quality of life and work experience of our employees with a variety of benefits.

The Company's employee benefits system includes supplementary medical care, accident insurance, children's supplementary medical insurance, holiday subsidies, etc., giving employees multi-faceted protection. The Company also distributes gifts on traditional holidays; holds celebrating events on festivals such as the Mid-Autumn Festival; provides annual dental health subsidies for regular employees; grants care allowance for employees who have served at Acotec for a year or more when they get married or have a child; holds quarterly birthday parties for employees and gifts birthday cards to them in the month of their birthdays and provides freshly brewed coffee and various tea in the pantry room all day.



Acotec pays attention to the voice of employees, listening carefully to them and valuing their feedback. We build multiple communication channels such as corporate email, Microsoft Teams to ensure effective and timely communications. With bilateral communication mechanism between the company and employees, the Company simplifies the employee feedback process and encourages them to put forward opinions, to continuously improve and optimise the Company's management. We also arrange mentors for new employees to help them quickly integrate into the new life and work environment.



### 3. Extraordinary Employees for Growth

#### 3.3 FULLY PROTECT EMPLOYEES IN HEALTH AND SAFETY

The Company attaches importance to the welfare of employees, aims to enhance the health and safety of employees and ensure the smooth operation of the Company, pays close attention to the safety and health of each employee, and takes a series of measures to fully protect their health and safety on the basis of strict compliance with the *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Code of Occupational Disease Prevention of PRC* and other relevant laws and regulations. The Company has formulated the *Occupational Disease Hazard Prevention and Control Responsibility System*, the *Occupational Disease Hazard Warning and Notification System*, the *Declaration System for Occupational Disease Hazard Projects*, the *Public Education and Training System for Occupational Disease Prevention and Control*, the *Maintenance and Repair System for Occupational Disease Protection Facilities*, the *Management System of Occupational Disease Protective Equipment*, the *Management System for Monitoring and Evaluation of Occupational Disease Hazards*, the *Management System of "Simultaneous Design, Construction and Commissioning" for Occupational Health in Construction Projects*, *Occupational Health Supervision and File Management System for Workers*, the *Occupational Disease Hazard Responding and Reporting System*, the *Emergency Rescue and Management System for Occupational Disease Hazards*, the *Occupational Health Practices at Work*, and other occupational disease prevention and control systems stipulated by laws, rules and regulations, which provide detailed regulations on the maintenance of employees' occupational health and safety. The Company's EHS department takes main responsibility to carry out work related to employees' health and safety.

The main sources of hazards that may cause occupational diseases during work are toxic and harmful vapours from chemicals and noise, and the main high-risk job positions are electricians. The Company provides occupational health check-ups for employees in positions exposed to such risks. Every year, the Company hires a professional third party to conduct environmental monitoring of the positions with occupational disease hazards to ensure that the working environment meets the requirements of national regulations.

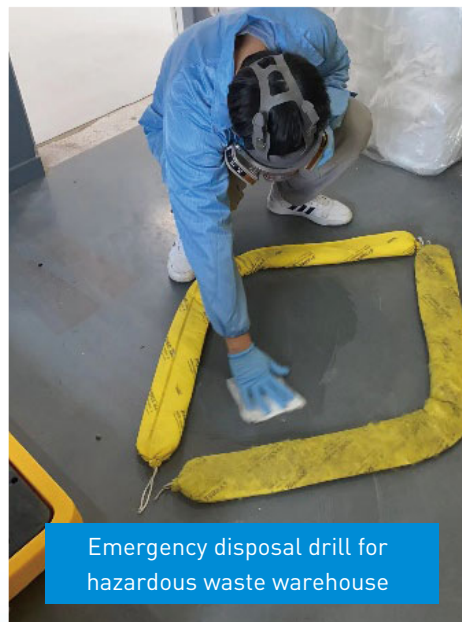
The Company conducts safety training every year for all new employees, production personnel, and all QC inspectors. In 2022, the Company carried out 11 safety training sessions for new employees and 1 safety training for all employees, totalling 12 sessions, with accumulated over 500 attendances. In 2022, the Company carried out hazardous chemical safety and emergency response training, so that employees in relevant positions had a clearer understanding of the nature and features of hazardous chemicals involved in their work, and how to deal with them in an emergency. In addition, it carried out an emergency spill drill and clean up training for the Company's hazardous waste temporary warehouse to simulate the emergency disposal of hazardous waste leakage.



Safety training



Hazardous chemicals training



Emergency disposal drill for hazardous waste warehouse

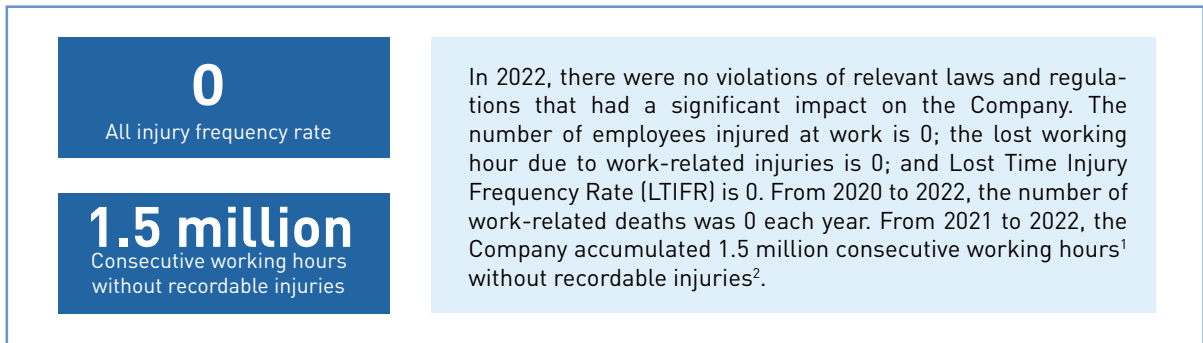


### 3. Extraordinary Employees for Growth

In terms of COVID-19 prevention, the Company has taken the following measures to carry out pandemic prevention and control:

- The Company regularly provides medical masks for employees and disinfects the office and production areas daily;
- The imported goods were stored separately for disinfection and sterilization, and the nucleic acid test were conducted for the relevant goods on sampling basis;
- The Company provided assistance to quarantined employees during the pandemic outbreak; and
- The Company cooperated with the local government during the pandemic to carry out relevant prevention and control to ensure that all government requirements were met, and did not receive any government penalties nor complaints in this regard.

In terms of employee's health and safety, the Company will continue to support employees in high-risk jobs to receive adequate safety training and protection equipment, and for special operators the Company will provide financial support to help employees meet related requirements.



1 Calculation is based on the average number of 400 employees and the average number of 2,000 working hours per employee per year.

2 Recordable injuries:

All work injuries resulting in death and all occupational diseases are "recordable". However, for non-fatal work injuries, only the following specific circumstances are "recordable":

- (1) Need for Medical Treatment or Loss of Consciousness,
- (2) Restriction of Work or Motion,
- (3) Need to transfer to another job.





## 3. Extraordinary Employees for Growth

### 3.4 PROMOTION WITH GROWTH

The Company adopts scientific talent evaluation methods, healthy talent training system and reasonable distribution mechanism to take the full advantages of talents, make employees present their unique value and help them make achievements as much as possible. In order to enhance employees' cohesion, their sense of belonging and adapt to the Company's rapid development, we establish and improve the talent map every year based on our business strategy and lay out the talent development plan in advance based on the map and deploy strategic talents in advance via recruitment and internal cultivation for future development.

The Company values every employee's career development, provides multiple development channels to stimulate their personal advantages and guide them to present the greatest value in the field they are good at. The Company provides outstanding employees the opportunities for promotion annually, based on their overall performance, performance review, personal development intentions and job vacancies. The Company adopts multi-channel promotion, including technical and management levels to take into account different employees' willingness and specific conditions and also provides cross-function transfer opportunities to employees.

The Company also provides an adequate development space for each employee by providing training opportunities as much as possible and encouraging on-the-job learning for continuous personal improvement and professional skills' enhancement. The Company hopes that, every employee improves their business ability in all aspects through learning and grows together with the Company. Acotec stipulated *Beijing Acotec Training Management System*, *Beijing Acotec Staff Handbook* and other training systems, including training organisation management, annual learning requirements for employees, training evaluation, continuing education incentives etc.

Training can be categorised as new employee orientation, job training and general skills training. The training has online or offline ones based on different departments and training courses. The Company offers different training programmes for different levels, including general training, R&D training, management training etc. For example, the training programme "Talent Training Course" (general & business) is held once every 1 or 2 weeks, with a single session lasting about 1 hour. "Business Knowledge Training Course" (business) is held once a week on Fridays, with a single session lasting about 1 hour, and it focuses on business skills, which is open to all employees. In 2022, the average training time per employee of the Company is 21.35 hours.

In 2022, the Company launched an online learning platform for employees at director level and above, and planned to expand the online learning platform to other employees in the future. All employees would use this platform to improve their professional and management skills. In 2022, the average training time per employee of the Company is 21.35 hours.





### 3. Extraordinary Employees for Growth



Employee trainings	Percentage of employee training	Average length of time (hours)
<b>Gender</b>		
Male	90.0%	13.00
Female	96.0%	26.00
<b>Levels</b>		
Management	100%	39.00
non-management	93.0%	20.72



## 4. Warm Community for Harmony

3 GOOD HEALTH AND WELL-BEING



11 SUSTAINABLE CITIES AND COMMUNITIES



Acotec insists on building a caring community and carries out various public science activities to promote inclusive healthcare. We have been proactively responding to the UN SDG 3 and 11.

### 4.1 INCLUSIVE AND ACCESSIBLE HEALTHCARE

Since 2011, Acotec has been at the forefront of industry research and development and has broadened the boundaries of innovation by weathering through difficulties and breakthroughs with our original mission of addressing unmet clinical needs. In addition to our commercial and academic activities, we also focus on popularising disease knowledge to the public, helping raise public awareness of vascular disease, popularizing scientific treatment concepts and advocating a healthy lifestyle.

#### Case: Acotec's AcoStream™ exposed on Beijing TV's "Yangshengtang" "World Thrombosis Day" special program

On 13 October 2022, experts from China-Japan Friendship Hospital in Beijing presented Acotec's AcoStream™ on Beijing TV's "Yangshengtang" program, during which they discussed prevention and treatment of thrombotic diseases, and introduced the AcoStream™ for treating thrombotic diseases. Many medical institutions in China have already used the AcoStream™ system to complete thromboembolism removal surgeries for their patients, and the doctors have feedback on good treatment results.





## 4. Warm Community for Harmony

### Case: Acotec participated in discussions on scientific prevention and treatment of varicose vein

On 31 October 2022, Marketing Director from Acotec and the expert of Vascular Surgery Department of Zhejiang Provincial People's Hospital gathered in the programme "Future Health" of the Economic Observer to discuss the scientific treatment of varicose veins.

In recent years, varicose vein surgeries have gradually transitioned to minimally invasive surgeries and improving the treatment capability of primary hospitals is the key to driving varicose vein treatments into the "minimally invasive era". Acotec's Marketing Director said, "We need to develop market products that meet China's conditions, whose efficacy and quality are guaranteed and not inferior to imported products. At the same time, in terms of treatment cost, it can be more affordable and more acceptable to patients. Of course, it also gives Chinese doctors more choices."



## 4. Warm Community for Harmony

### 4.2 CARING FOR THE COMMUNITY AND GIVING BACK TO THE COMMUNITY

Acotec has always been actively involved in social welfare, treating public services activities as its social responsibility and making continuous efforts in knowledge dissemination and other public services by leveraging its own influence and resources. Acotec has participated and supported more than 20 charity clinics and disease popularization activities in 2022.

#### Case: Charity clinics activities

On 19 August 2022, Fujian Media Group's Media Convergence Information Centre worked together with Ningde Municipal Health Commission to hold the activity of "Sharing the Doctor's Health Tour in Fujian (《共享大醫生》八閩健康行)" in Ningde and invited a number of experts from Grade 3A hospitals to conduct charity consultations and carry out epidemic prevention and publicity for the local community. The event brought high-quality medical resources into Ningde and actively promoted the transformation of Ningde's healthcare from "disease-centred" to "health-centred".

The charity clinic activity of Sharing the Doctor's Health Tour in Fujian



#### Case: Charity clinics activities

Activity in Ningde to popularize thrombosis-related diseases



In June 2022, Jin'an Community Senior Care Service Centre of Jinshan Residential District, Xiamen City, Jin'an Community Neighborhood Committee and Xiamen Cardiovascular Hospital of Xiamen University and Xiamen ITG Taho Rehabilitation Hospital jointly launched a popularization campaign on thrombosis-related diseases with the theme of "Healthcare for a better life (呵護生命·為文明添彩)". The thrombosis prevention science popularization series allows more community residents to learn about the standardised thrombosis prevention and control measures such as basic prevention, physical prevention and medication prevention at different stages to improve public awareness and improve people's life.



## 5. Greener Environment for Future



The Company adheres to the philosophy of green operation and actively responds to the national call for low-carbon sustainable development. We place great emphasis on the environmental impacts of the Company's operation and production and are committed to formulating an environment-friendly operation and development model by improving employees' environmental awareness. We have proactively responded to the UN SDGs 7, 13 and 17, with our best efforts to reduce the environmental impact of our business operations.

### 5.1 EMISSION CONTROL AND ENVIRONMENTAL PROTECTION

To enhance the Company's environmental protection efforts and promote environmental benefits, and to implement the *Environmental Protection Law of the PRC* and other environmental protection regulations and policies, the Company has established the *Management Rules for Environmental Protection*, which are mainly carried out by the EHS Department. The Rules specifies management requirements on the control of hazardous chemical liquid waste, wastewater, solid waste, noise, and waste gas pollution. During the Reporting Period, the Company was involved in no severe violations of emission requirements of laws and regulations.

The Company has adopted the general principles of "prevention first, combination with treatment for a comprehensive governance system" to manage environmental protection and an overall approach of reuse and conversion of harmful substances into useful materials to reduce pollutants. We have strictly implemented the national environmental protection laws, regulations and rules during our review of the Company's environmental protection plans, discussion over major environmental protection measures, and monitoring of the implementation of environmental protection plans. Meanwhile, the *Management Rules for Environmental Protection* have also clarified the environmental protection responsibilities of all departments and employees, and designated the relevant departments responsible for regular monitoring of wastewater, waste gas and noise to ensure compliance with the emissions standards.

#### Waste discharge management

The Company stresses the importance of waste source control to reduce its total waste discharge emission. The Company has strictly complied with the *Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulation, which serve as basis for its formulation of the *Regulations on the Safety Management of Hazardous Wastes*. The Regulations clarifies the waste discharge requirements for management purpose, so that waste discharge can be properly collected, stored and disposed by waste types and traits.

The Company mainly generates hazardous wastes including organic solvent wastes (alcoholic waste), activated carbon wastes, laboratory chemical reagent wastes, chemical liquid wastes and reagent bottle wastes. We have established temporary storage premises and taken multiple actions to improve procedures and methods for hazardous wastes disposal. The temporary storage premises have been equipped with emergency supplies such as absorbent cotton to prevent environmental contamination due to hazardous chemical leaks. The Company collects and transfers hazardous wastes to a licensed operator for processing on a regular basis, and completes the hazardous waste transfer manifest for each transfer. There was no non-compliance in the Company's disposal of hazardous wastes during 2022. During the Reporting Period, the Company generated 26.1 tons of hazardous wastes, and has been gradually replacing alcohol with compressed air during its product cleaning process to reduce the generation of alcoholic waste and other hazardous wastes.



## 5. Greener Environment for Future

No.	Category	Hazardous waste	Processing method
1	Organic solvent wastes	Wastes generated during the use of organic solvents.	Recycling
2	Other wastes	Activated carbon wastes; waste packaging, containers, filtration and adsorption media containing or contaminated with toxic and infectious hazardous wastes.	Recycling

### Wastewater management

We have strictly complied with the *Law of the PRC on Prevention and Control of Water Pollution* and the relevant laws and regulations in implementing our water pollution prevention and control measures. Wastewater mainly comes from employees' domestic wastewater and industrial effluent. Domestic wastewater is the wastewater generated by employees in their daily cleaning and use of toilets, while industrial effluent is water used in the sterilisation process. For example, the sterilization process will use ethylene oxide disinfectant, and the sterilized ethylene oxide will be absorbed by water, so wastewater will be generated. Domestic wastewater and industrial effluent are discharged into the septic tank and will be pre-treated by the septic tank and then discharged into the sewage treatment plant through the municipal sewage pipe network.

During 2022, with the increase of the production capacity, the Company increased the times of corresponding sterilization, resulting in an increase in the sterilization wastewater. During the Reporting Period, as tested by a professional third party, the Company's wastewater has met the discharge standards in terms of pH value, suspended solids, chemical oxygen demand, ammonia nitrogen and other indicators, which were all below the discharge limits.

To reduce wastewater discharge, the Company engaged a professional sterilization equipment manufacturer during the Reporting Period to improve the design of sterilization process for environment-friendly discharge. We will further upgrade and transform the sterilizer technology to achieve the goal of zero wastewater during the sterilization process after the transformation. The Company has completed its assessment on the environmental impact of such design and construction plan and obtained the project approval and approval on environmental issues from the Administrative Examination and Approval Bureau of Beijing Economic and Technological Development Zone. The transformation project started at the end of 2022 and is expected to start operation in 2023.

### Goals for domestic wastewater discharge and water consumption

Meet local discharge standards

Improve water use efficiency and reduce water consumption intensity

### Goals for industrial effluent discharge

Meet local discharge standards

Conduct technical transformation to reduce or eliminate the production of industrial effluent

### Atmospheric pollutants emission management

We have strictly complied with the *Law of the PRC on Prevention and Control of Atmospheric Pollution* and the relevant laws and regulations in our regular monitoring and assessment on exhaust emission to ensure the compliance with the emission standards on atmospheric pollutants. We have also taken several emission-reduction measures to decrease the waste gas emission.



## 5. Greener Environment for Future

The Company's waste gas is mainly generated from the production workshop and injection moulding workshop during the cleaning and heat shrink tubing process. All the volatile organic gases generated (in non-methane total hydrocarbons (NMHC)) are collected by the closed clean room ventilation system, and then transmitted to the adsorption treatment device of activated carbon on the roof through pipelines. After adsorption treatment by activated carbon, it is lawfully discharged from the roof gas cylinder. As tested by a professional third party, the Company has complied with standards in terms of NMHC emission.

The Company has formulated the following waste gas emission targets: compliance with local emission standards, reduction of hazardous chemicals, replacing high-toxic chemicals with low-toxic or non-toxic ones, and reduction of VOCs.

### Noise management

We have strictly complied with the *Law of the PRC on Prevention and Control of Noise Pollution* and the relevant laws and regulations in our active noise management activities. Noise generated by the Company is mainly from air compressors, air-conditioning units, exhaust gas purification equipment, etc. All air compressors and air-conditioning units are located in special equipment rooms where sound insulation and noise reduction equipment are installed. Noise generated during the operation is mitigated by the use of advanced low-noise equipment, basic shock absorption, and sound insulation room. The exhaust gas purification equipment is located on the roof with low-noise design; and noise reduction measures such as vibration reduction, sound insulation cover, and flexible coupling are also adopted. The noise produced meets three standard limits specified in the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008).

### The Company's pollutant emission

Metric	Unit	2021	2022
Hazardous waste generated (waste liquid, waste packaging generated by production and experiments, etc.)	ton	14.51	26.10
Hazardous waste intensity	kg/10 thousand RMB of revenue	0.48	0.66
Non-hazardous waste generated (domestic waste)	ton	23.00	32.00
Non-hazardous waste intensity	kg/10 thousand RMB of revenue	0.76	0.81
Total wastewater discharge	m <sup>3</sup>	391.00	11,423.00
Industrial effluent emission	m <sup>3</sup>	391.00	768.00
Domestic wastewater discharge	m <sup>3</sup>	n/a	10,655.00
Total <sup>3</sup> GHG emissions <sup>4</sup>	tCO <sub>2</sub> -e	935.82	1,285.20
Indirect (Scope 2) GHG emissions	tCO <sub>2</sub> -e	935.82	1,285.20
GHG emissions intensity	kgCO <sub>2</sub> -e/10 thousand RMB of revenue	30.80	32.49
Exhaust gas	kg	117.70	126.40

3 Calculation method of greenhouse gas:

Indirect (Scope 2) GHG emissions: The Company's consumption of purchased power times the corresponding emission factors. For emission factors, please refer to the *Guidelines for Verification of Greenhouse Gas Emission Reports of Enterprises* issued by the Ministry of Ecology and Environment of China;

Total GHG emissions: The sum of direct GHG emission and indirect GHG emission.

4 Since the Company consumed very little energy other than electricity during the Reporting Period, involving no gasoline consumption of self-owned vehicles, direct (Scope 1) greenhouse gas emissions were zero.





## 5. Greener Environment for Future

### 5.2 ENERGY SAVING AND CONSUMPTION REDUCTION FOR GREEN DEVELOPMENT

The Company is committed to improving operational efficiency to ensure the effective use of energy and resources. We check, assess and monitor the use of resources on a regular basis to reduce the consumption of water, electricity and other resources.

#### Energy saving and consumption reduction

The Company mainly consumes electricity for its operation, and the main energy-consuming facilities include air conditioning in clean area where temperature and humidity control is needed, air compressors, reverse osmosis purified water equipment, various equipment in production workshops, lighting in workshops and offices, etc.

The Company has renovated the air-conditioning unit for temperature and humidity control in the clean area to save energy and reduce consumption as the air-conditioning unit consumes most electricity. When the air-conditioning unit is operating in a normal mode of the compressor unit, heating unit, humidification unit and blower unit, the temperature and humidity of the clean workshop is under good control to meet the specification requirements and ensure the smooth manufacturing of products. When the manufacturing process is completed, the air-conditioning unit automatically switches to the standby mode, and there is no need to meet any temperature and humidity requirements under such mode. The compressor unit, humidification unit, and heating unit all stop working. The blower is operating at a low speed to maintain a positive pressure and cleanliness in the clean workshop and avoid contamination. The renovated unit saves more than half of the electricity, thus significantly reduces the electricity consumption. In addition, the Company has used energy-saving LED lights for office lighting which saves more than half of the electricity compared to the original fluorescent lamps.

The Company has continuously advanced green office campaigns, by adopting measures such as providing office supplies to departments on a monthly basis to limit consumption, putting up “save paper” and other environmental protection posters at office, providing recycling boxes for “reusable paper”, and promoting double-sided printing to reduce paper consumption. The Company also responds to the national call for environmental protection activities such as environmental protection educational activities and recycling of packaging materials and plastic bottles to reduce materials consumption.





## 5. Greener Environment for Future

### Case: The Company has continuously advanced green office campaigns



Screenshot of the Company's promotional video of green office for Earth Day 2022



The Company's recycling boxes for "reusable paper"



Paper saving sign in the Company's restroom



### Water management

The Company relies on the municipal water supply network for its production and domestic use. The Company has formulated the *Management Rules for Environmental Protection* to specify the requirements on water running, flowing, dripping and leaking. It consumes a small volume of water in its operating activities. The Company's goal in water management is to improve the effective utilisation of water, and to maximise the environmental and economic benefits of water on the premise of supporting the business activities. During the Reporting Period, the Company did not have any problems in obtaining suitable water sources. To further save water, the Company will continue to enhance water-saving promotion and improve employees' water-saving awareness. The Company will also upgrade its technology and is expected to achieve a goal of zero water consumption and zero industrial effluent in sterilisation process by 2023.





## 5. Greener Environment for Future

### Packaging materials management

In terms of the use of packaging materials, given the nature of the Company's products, the amount of packaging materials used in our products is small, mainly being paper and plastics. And the impact on the environment is not material.

Due to the nature of the Company's business, our operations do not involve substantial consumption of natural resources or have a significant impact on the environment.

#### The Company's consumption of energy and resources

Metric	Unit	2021	2022
Electricity consumption	kWh	1,533,887.00	2,212,040.00
Electricity use intensity	kWh/10 thousand RMB of revenue	50.49	55.92
Water consumption	m <sup>3</sup>	6,503.10	10,890.00
Water use intensity	m <sup>3</sup> /10 thousand RMB of revenue	0.21	0.28
Packaging paper usage	ton	26.00	29.60
Recycled waste paper	ton	23.40	29.60

### 5.3 ADDRESSING CLIMATE CHANGE

We are actively responding to the national carbon peaking and carbon neutrality goals (3060 target) and promoting CO<sub>2</sub>-based greenhouse gas emission reductions in the context of climate change. The Company has taken measures to save energy, improve the ecological environment and improve the management of emissions to make unremitting efforts to achieve the 3060 targets.

During the Reporting Period, we began to gradually adopt the Task Force on Climate Related Financial Disclosure (TCFD) recommendations and disclosed our efforts and future direction in addressing climate change based on the categories of governance, strategy, risk management, as well as metrics and targets.

#### Governance

With a focus on the climate-related governance, TCFD has formulated two disclosure recommendations, one is for the Board of Directors, the other is for management. Based on the Company's ESG governance structure, the Board of Directors determines the Company's overall ESG targets and management strategies and is responsible for assessing and defining the Company's relevant ESG risks, and ensuring that the Company has an appropriate and effective ESG risk management and internal monitoring system in place. The Board of Directors' ESG responsibilities include addressing climate change issues. The Company's ESG governance structure has included the coordination and the implementation staff, who are responsible for clarifying and implementing the responsibilities and targets in climate change management and reporting to the Board of Directors on a regular basis.





## 5. Greener Environment for Future

### Strategy

Climate-related risks include transitional risks related to the transition to a low-carbon economy and physical risks related to the impacts of climate change. Transitional risks can include policy and regulatory risks, technological risks, market risks and reputational risks. Physical risks include acute physical risks (those that are driven by specific weather events, such as typhoons, or floods) and chronic physical risks (refer to longer-term shifts in climate patterns, such as sustained higher temperatures).

In terms of policy and regulatory risks under the category of transitional risks, as the public awareness of climate change is improving, and carbon peak and carbon neutrality and other relevant policies are implemented, we may become subject to other regulatory requirements relating to energy price fluctuations, energy use caps, expanded coverage of paid GHG emissions, or other environmental improvement issues, each of which could lead to an increase in our operating costs. In this regard, the Company will pay continuous attention to the impact of climate change on our business and fully respond to various policy requirements.

For acute physical risks, the Company has been monitoring the impact of extreme weather events on our production and operation, and identified various natural disasters, extreme weather events or adverse weather conditions which we may encounter during our operations. The Company's production facilities are mainly located in Northern China, a region frequently struck by meteorological and climatic disasters such as rainstorms, wind disasters, cold waves and snowstorms, which may hinder our production plans and delivery by exerting direct adverse impact on our workplaces, production facilities, employees' commute and transportation with extreme weather events.

As for chronic physical risks, we have been monitoring the impact of long-term shift in climate patterns such as sustained higher temperatures in summer and sustained lower temperatures in winter, which may adversely affect the stability of our supply chain.

### Risk management

Based on the features of the industry where the Company operates and the actual circumstances, we have identified and assessed the management process for climate-related risks. The Company has identified environmental and climate-related risks that may lead to operational and financial risks. To address the climate-related risks identified, the Company has developed the *Emergency Response Plan against Extreme Weather Events*, which provides guidelines on prevention, early warning and post-disaster self-rescue, defines the responsibilities of the emergency response team in case of extreme weather events, and highlights the importance of collecting information ahead of extreme weather events, monitoring forecasts of extreme weather, and advanced study and determination of the potential adverse effect on the Company's work safety under extreme weather conditions.

When extreme weather occurs, the EHS Department will communicate climate forecast factors to other departments for making preparation of disaster prevention and relief. To cope with extreme weather or natural disasters, we will take relevant measures under the emergency response plan to minimise the adverse impact and ensure the Company's normal operation despite the relevant extreme weather events.





## 5. Greener Environment for Future

### Metrics and targets

The selection of appropriate parameters and metrics and the setting of targets are critical to the measurement of shifts in climate patterns. According to the requirements of the *ESG Reporting Guide* issued by Hong Kong Stock Exchange and based on its actual circumstances, the Company has defined the climate-related risk metrics related to energy use efficiency and GHG emission management. Meanwhile, the Company has developed the relevant targets, and reviewed the implementation of such targets on a regular basis. The Company's energy-related targets are to improve the energy use efficiency and maximize the environmental and economic benefits without hindering the energy demands during its normal business operations.

The GHG emissions during the Company's production and operation process mainly include those caused by purchased electricity. Based on the sources of GHG, we take corresponding measures to reduce emissions. The measures taken by us to reduce the consumption of purchased electricity mainly include implementing energy-saving and consumption-reduction transformations and introduction of energy-saving equipment.

The Company has made continuous efforts to promote the philosophy of energy-saving, consumption-reduction and green environment, to reduce the emissions at source. We will adhere to the long-term target to promote emission management, waste management and environmental protection, and to eventually realise the circular economy by adopting a sustainable development path.

Given the ever-changing circumstances where the Company operates and the dynamic market conditions, we will constantly review our practices and adjust our targets and measures in a timely manner. Going forward, the Company will further improve its strategy formulation, risk management, identification and management of metrics and targets, and work with all sectors to cope with climate change and achieve common sustainable development.

### 5.4 GREEN PROCUREMENT AND SUSTAINABLE SUPPLY

Sincere cooperation with suppliers is an important guarantee for realising Acotec's corporate strategy, and also an inexhaustible driving force for our development. We attach importance to the exchange with suppliers, actively build a cooperation platform, strive to establish a long-term close and mutually beneficial partnership with suppliers. Together, we provide high-quality products and services to customers, and promote the sustainable and stable development of the industry.

To meet the Company's development needs, regulate the cooperation between the Company and relevant suppliers, guide them to enhance their service awareness, the Company has issued the Supplier Management Regulations to regulate the audit, evaluation and re-evaluation of suppliers, and ensure that the purchased products meet the stipulated quality requirements and are not lower than the national mandatory standards and comply with the relevant provisions of laws and regulations through evaluation, selection and control of suppliers in accordance with the Contract Law of the PRC and other relevant laws and regulations, and the Company's relevant regulations, in alignment with the principle of complementary advantages, equality and voluntary compliance.



## 5. Greener Environment for Future

The Company's suppliers can be divided into suppliers of category A, B and C materials, suppliers providing services such as entrusted sterilisation, and suppliers of metrology and transportation services. Among which, category A suppliers mainly supply raw materials directly related to body blood, category B suppliers mainly provide packaging materials and category C mainly provide production consumables and auxiliary production materials. The business qualification, quality management system and ability to provide qualified samples should be evaluated when we first cooperate with a new supplier. Suppliers are assessed as qualified if they pass all reviews and are approved by the quality director. All the Company's suppliers are required to pass the evaluation to be qualified suppliers. The Company has 152 suppliers in total, who are distributed by geographic location as follows:

Region	Supplier (No.)	Region	Supplier (No.)
Northern China	37	Southern China	22
Northeast China	1	Northwest China	1
Eastern China	48	Hong Kong, Macau and Taiwan region	1
Central China	1	Overseas	41

The re-evaluation of qualified suppliers is conducted once a year, which is organised by the Quality Management Department and jointly reviewed and evaluated by the Supply Chain Management Department and approved by the quality director. Supplier re-evaluation can be initiated at any time in case of abnormal events such as sudden unavailability, major quality problems, unqualified site audits or major changes. A supplier's performance in meeting the requirements of purchased products (such as timely delivery, reasonable price, after-sale service, satisfaction of technical specifications or quality requirements, etc.) shall be the inputs of supplier re-evaluation. The Quality Management Department shall update the list of qualified suppliers regularly according to the evaluation results of qualified suppliers.

To ensure procurement integrity, the Company's procurement staff is rotated once every few years to avoid the same buyer being in charge of the same supplier all the time. Meanwhile, we have adopted a stringent process of supplier screening to minimise frauds committed by suppliers.

The Company has been promoting the localisation of suppliers. Given that our raw materials are both domestically and overseas sourced, for raw materials that can be domestically produced, we will gradually replace raw materials produced abroad with domestically produced ones. We will further promote and explore the possibility to localise raw materials for domestic production and procurement. During 2022, the Company has continued its efforts to optimise supply chain and promote the localisation of raw materials.

We consider the environmental protection performance of products when selecting suppliers, ensure that the purchased products meet the requirements of relevant environmental protection indicators, and give priority to purchasing environment-friendly products under same conditions.





## ABOUT THIS REPORT

This is the second Environmental, Social and Governance Report (“ESG Report”) issued by Acotec Scientific Holdings Limited (the “Company”, “Acotec” or “we”) and together with its subsidiaries (the “Group”). The report mainly introduces the Company’s management policies in environmental, social and governance aspects and the specific management measures taken during the Reporting Period, aiming to strengthen the communication and contact with the internal and external stakeholders of the Company.

### Reporting scope

The scope of this report covers Acotec Scientific Holdings Limited and its main domestic and foreign subsidiaries and offices. The Corporate Environmental, Social and Governance Report is an annual report covering the period from 1 January 2022 to 31 December 2022.

### Reporting principles

This report has been prepared in accordance with the following reporting principles:

**Materiality:** Key ESG issues are identified through materiality assessment and relevant content has been disclosed in the ESG report;

**Quantitative:** Quantitative information on environmental and social aspects is presented in the ESG report, together with a description of its purpose and impact. Comparative data will be provided in subsequent ESG reports;

**Consistency:** We use consistent disclosure and statistical methods. In this report, we have maintained the same disclosure and statistical methods for the information disclosed in the previous year’s report. For the information disclosed for the first time, we will adopt consistent methods for ESG information disclosure in subsequent years to facilitate meaningful comparison year by year.

### Reporting preparation basis

This report has been prepared with reference to the requirements of the *Environmental, Social and Governance Reporting Guidelines* of the Stock Exchange of Hong Kong Limited (“HKEx”) as set out in Appendix 27 to the Listing Rules, GRI’s *Sustainability Reporting Standards* (“GRI Standards”), and MSCI-ESG ratings.

### Access and response to the report

This report is published in English and Chinese versions respectively via the internet. Stakeholders may access this report on the website of the Group ([www.acotec.cn](http://www.acotec.cn)) and the HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)). Requests for printed copies of this report should be addressed to the Board. In case of discrepancies between the Chinese version and the English translation, the Chinese version shall prevail.

### Contact us

We attach great importance to the views of stakeholders and the public on this report. If you have any inquiries or suggestions, please feel free to contact the Company through the following method.

Headquarter Location: 4-5F, Building 1, No. 16 Hongda North Road, Beijing Economic and Technological Development Zone, Beijing, China

Principal place of business in Hong Kong: 14/F, Golden Dragon Centre, 188 Des Voeux Road Central, Hong Kong

Company website: [www.acotec.cn](http://www.acotec.cn)

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## HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE AND GRI STANDARDS INDEX

Issues	GRI Indicators	Description	ESG Reporting Guide	Corresponding Chapter/Remarks
<b>Guidance</b>				In 2022, Acotec reported information cited in this GRI Index against the GRI Standards
<b>Applicable GRI 1</b>				GRI 1: Foundation 2021
<b>GRI 2: General Disclosures</b>				
The organization and its reporting practices	2-1	Organizational details		About us
	2-2	Entities included in the organization's sustainability reporting		About this report
	2-3	Reporting Period, frequency and contact point		About this report
	2-4	Restatements of information		Not applicable
	2-5	External assurance		External assurance unavailable
Activities and workers	2-6	Activities, value chain and other business relationships	B5.1	Green procurement and sustainable supply
	2-7	Employees	B1.1	Equal employment opportunity with protected rights
	2-8	Workers who are not employees		Not applicable
Governance	2-9	Governance structure and composition		Optimising governance to generate synergy and raise efficiency
	2-10	Nomination and selection of the highest governance body		Optimising governance to generate synergy and raise efficiency
	2-11	Chair of the highest governance body		Optimising governance to generate synergy and raise efficiency
	2-12	Role of the highest governance body in overseeing the management of impacts		Optimising governance to generate synergy and raise efficiency
	2-13	Delegation of responsibility for managing impacts		Optimising governance to generate synergy and raise efficiency
	2-14	Role of the highest governance body in sustainability reporting		Optimising governance to generate synergy and raise efficiency
	2-15	Conflicts of interest		Not disclosed
	2-16	Communication of critical concerns		Optimising governance to generate synergy and raise efficiency
	2-17	Collective knowledge of the highest governance body		Optimising governance to generate synergy and raise efficiency
	2-18	Evaluation of the performance of the highest governance body		Optimising governance to generate synergy and raise efficiency
	2-19	Remuneration policies		Not disclosed
2-20	Process to determine remuneration		Not disclosed	
2-21	Annual total compensation ratio		Not disclosed	





Issues	GRI Indicators	Description	ESG Reporting Guide	
			ESG Reporting Guide	Corresponding Chapter/Remarks
Strategy, policies and practices	2-22	Statement on sustainable development strategy		Optimising governance to generate synergy and raise efficiency
	2-23	Policy commitments		Optimising governance to generate synergy and raise efficiency
	2-24	Embedding policy commitments		Optimising governance to generate synergy and raise efficiency
	2-25	Processes to remediate negative impacts		Not disclosed
	2-26	Mechanisms for seeking advice and raising concerns		Not disclosed
	2-27	Compliance with laws and regulations		Optimising governance to generate synergy and raise efficiency
	2-28	Membership associations		Not disclosed
	Stakeholder engagement	2-29	Approach to stakeholder engagement	
2-30		Collective bargaining agreements		Not disclosed
<b>GRI 3: Material Topics</b>				
Material topics	3-1	Process to determine material topics		Identification of material issues
	3-2	List of material topics		Identification of material issues
	3-3	Management of material topics		Identification of material issues
<b>Material topics</b>				
<b>1. Economic standards</b>				
Economic performance	3-3	Management of material topics		Identification of material issues
	201-1	Direct economic value generated and distributed		Not disclosed
	201-2	Financial implications and other risks and opportunities due to climate change	A4.1	Addressing climate change
	201-3	Defined benefit plan obligations and other retirement plans		Equal employment opportunity with protected rights
	201-4	Financial assistance received from government		Not disclosed
Market presence	3-3	Management of material topics		Not disclosed
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Not disclosed
	202-2	Proportion of senior management hired from the local community		Not applicable



Issues	GRI Indicators	Description	ESG Reporting Guide	Corresponding Chapter/Remarks
Indirect economic impacts	3-3	Management of material topics		Warm Community for Harmony
	203-1	Infrastructure investments and services supported		Warm Community for Harmony
	203-2	Material but indirect economic impact		Warm Community for Harmony
Procurement practice	3-3	Management of material topics		Green procurement and sustainable supply
	204-1	Proportion of spending on local suppliers		Green procurement and sustainable supply
Anti-corruption	3-3	Management of material topics	B7.2	Operating in compliance, with integrity and honesty
	205-1	Operations assessed for risks related to corruption		Operating in compliance, with integrity and honesty
	205-2	Communication and training about anti-corruption policies and procedures	B7.3	Operating in compliance, with integrity and honesty
	205-3	Confirmed incidents of corruption and actions taken	B7.1	Operating in compliance, with integrity and honesty
Anti-competitive behaviour	3-3	Management of material topics		Responsible marketing and data security
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Responsible marketing and data security
<b>2. Environmental standards</b>				
Materials	3-3	Management of material topics	A2, A3	Energy saving and consumption reduction for green development
	301-1	Materials used by weight or volume	A2.5	Energy saving and consumption reduction for green development
	301-2	Recycled input materials used		Energy saving and consumption reduction for green development
Energy	3-3	Management of material topics	A2, A3	Energy saving and consumption reduction for green development
	302-1	Energy consumption within the organization	A2.1	Energy saving and consumption reduction for green development
	302-2	Energy consumption outside of the organization		Energy saving and consumption reduction for green development
	302-4	Reduction of energy consumption	A2.3	Energy saving and consumption reduction for green development
Water and effluents	3-3	Management of material topics	A2, A3	Energy saving and consumption reduction for green development
	303-1	Interactions with water as a shared resource	A2.2	Energy saving and consumption reduction for green development
	303-3	Recycled and reused water	A2.4	Energy saving and consumption reduction for green development





Issues	GRI Indicators	Description	ESG Reporting	
			Guide	Corresponding Chapter/Remarks
Biodiversity	3-3	Management of material topics		Not applicable
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable
	304-2	Significant impacts of activities, products, and services on biodiversity		Not applicable
	304-3	Habitats protected or restored		Not applicable
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable
Emissions	3-3	Management of material topics	A1, A3	Emission control and environmental protection
	305-1	Direct (Scope 1) greenhouse gas emissions	A1.1, A1.2	Emission control and environmental protection
	305-2	Indirect (Scope 2) greenhouse gas emissions		Emission control and environmental protection
	305-4	Intensity of greenhouse gas (GHG) emissions		Emission control and environmental protection
	305-5	Reduced greenhouse gas (GHG) emissions		Emission control and environmental protection
	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ) and other significant gas emissions		Emission control and environmental protection
Wastewater and wastes	3-3	Management of material topics	A1, A3	Emission control and environmental protection
	306-1	Waste generation and significant waste-related impacts	A1.1	Emission control and environment protection
	306-2	Management of significant waste-related impacts	A1.3, A1.4, A1.6	Emission control and environment protection
Environmental compliance	103-1	Explanation of the material topic and its Boundary		Emission control and environment protection
	103-2	The management approach and its components	A1(b), A3	Emission control and environment protection
	103-3	Evaluation of the management approach		Emission control and environment protection
	307-1	Non-compliance with environmental laws and regulations	A1(b)	Emission control and environment protection
Supplier environmental assessment	3-3	Management of material topics	B5	Green procurement and sustainable supply
	308-1	New suppliers that were screened using environmental criteria	B5.2	Green procurement and sustainable supply





Issues	GRI Indicators	Description	ESG Reporting Guide	Corresponding Chapter/Remarks
<b>1. Social standards</b>				
Employment	3-3	Management of material topics	B1	Equal employment opportunity with protected rights
	401-1	New employee hires and employee turnover	B1.2	Equal employment opportunity with protected rights
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	B1	Equal employment opportunity with protected rights
	401-3	Parental leave		Equal employment opportunity with protected rights
Occupational health and safety	3-3	Management of material topics	B2	Fully protect employees in health and safety
	403-2	Hazard identification, risk assessment, and incident investigation	B2.3	Fully protect employees in health and safety
Training and education	3-3	Management of material topics	B3	Promotion with growth
	404-1	Average hours of training per year per employee	B3.2	Promotion with growth
Diversity and equal opportunities	3-3	Management of material topics	B1	Equal employment opportunity with protected rights
	405-1	Governance Body and Employee Diversity		Equal employment opportunity with protected rights
Child labor	3-3	Management of material topics	B4	Equal employment opportunity with protected rights
	408-1	Operations and suppliers at significant risk for incidents of child labor	B4.1, B4.2	Equal employment opportunity with protected rights
Forced or compulsory labor	3-3	Management of material topics	B4	Equal employment opportunity with protected rights
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	B4.1, B4.2	Equal employment opportunity with protected rights
Local communities	3-3	Management of material topics	B8	Warm Community for Harmony
	413-1	Operations with local community engagement, impact assessments, and development programs	B8.1	Warm Community for Harmony
Supplier social assessment	3-3	Management of material topics	B5	Green procurement and sustainable supply
	414-1	New suppliers that were screened using social criteria	B5.2	Green procurement and sustainable supply





Issues	GRI Indicators	Description	ESG Reporting	
			Guide	Corresponding Chapter/Remarks
Customer health and safety	3-3	Management of material topics	B6	Responsible production and quality assurance
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Responsible production and quality assurance
Marketing and labeling	3-3	Management of material topics	B6	Responsible marketing and data security
	417-2	Incidents of non-compliance concerning product and service information and labeling		Responsible marketing and data security
	417-3	Incidents of non-compliance concerning marketing communications		Responsible marketing and data security
Customer privacy	3-3	Management of material topics	B6	Responsible marketing and data security
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	B6.2	Responsible marketing and data security
Intellectual property protection		Description of practices relating to observing and protecting intellectual property rights	B6.3	Protection and management of intellectual property rights

