先声药业
Simcere

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

(Incorporated in Hongkong with limited liability)
Stock code: 2096

2023
Environmental, Social and Governance Report

Contents

Chairman's Statement

We continue to improve the ESG management mechanisms and fully integrate ESG governance into Group governance. The three-tier ESG Management System comprising of the Board, the Strategy Committee and the ESG Group, has achieved the hierarchical top-down ESG governance with respective responsibilities fulfilled by means of collaboration and fully integrated ESG governance into the Group governance.

We continue to strengthen compliance management for steady growth. Compliance forms the foundation and sets the bottom line for a company's growth. With the state enhancing its anti-corruption campaign within the pharmaceutical industry, the push for industry-wide regularization is cleaning up the sector and fostering a sustainable environment for businesses that prioritize compliance. We are committed to upholding stringent standards and will partner with suppliers in a market-driven, integrity-based collaboration, collectively plotting a course for enduring success.

We speed up R&D innovation and are committed to medical inclusiveness. Driven by independent R&D and collaborative innovation, we are proactively expanding and enhancing our pipeline of innovative pharmaceuticals. This approach is designed to fast-track the clinical validation of our innovative therapies, offering patients "more effective and distinctive" treatments. In parallel, we are focused on broadening the availability of our medications by making them more affordable, thereby extending their reach to a broader spectrum of patients in need.

We make relentless efforts in quality management and provide better products and services to our patients. Upholding the quality policy of "the Best Products, the Pursuit of Excellence", we have established a quality safety management system covering the whole life cycle from raw material procurement and drug R&D and production to marketing and transportation and clinical application for actively producing high-quality drugs and providing premium service.

We champion our employees' drive and commitment by fostering a culture of continuous improvement and personal growth. The Company is dedicated to equal employment opportunities and actively recruits high-caliber talents. We also create a diverse and inclusive workplace that values every individual. By investing in our employees' development, we are enabling their success while fueling the Company's growth.

We uphold the sustainability-driven approach to embrace green development. We make all-round environmental management objectives and take tangible actions for the Beautiful China initiative. We pay close attention to global climate change and fully incorporate climate change into the corporate governance system to enhance the Group's resilience and action intervention ability in response to the changing landscape of global climate change.

We actively participate in public welfare and give back to society. We utilize our medical and pharmaceutical resources to benefit society, pay close attention to social health, and devote ourselves to providing pharmaceutical support and assistance to localities and communities. Additionally, we focus on the needs of patients and clinical demands, persistently innovating to contribute to the high-quality development of the biomedical industry and foster new productive forces.

REN Jinsheng

Chairman and Chief Executive Officer

April 2024

About the Report

This report is the fourth Environmental, Social and Governance (ESG) report released by the Group. It mainly discloses the practices and achievements of the Group in product liability, social welfare, environmental protection, and other aspects in 2023. It presents the Group's latest progress in sustainable development to shareholders, customers, consumers, employees, governments, partners and other stakeholders.

Time Range

The report covers the period from January 1 to December 31, 2023 (the "Reporting Period"), some of which are beyond the above scope.

Reporting Scope

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

Basis of Preparation

The report has been prepared in accordance with *Appendix 27 Environmental, Social, and Governance Reporting Guide* of the *Main Board Listing Rules* of the Hong Kong Exchanges and Clearing Limited (HKEX). It is in compliant with the following principles:

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

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

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

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

Source of Data

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

About the Group

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

In the focused areas, the Group has six innovative drugs approved for marketing and sale. As of December 31, 2023, the Group has 14 products recommended in guidelines and pathways issued by over 100 government authorities or prestigious professional associations, and has over 40 products included in the National Reimbursement Drug List (the "NRDL").

The Group pays high attention to the establishment of innovative drug R&D capacity, and has established R&D innovation centers in Shanghai, Nanjing, Beijing, Boston and Hong Kong respectively, as well as a State Key Laboratory of Neurology and Oncology Drug Development. The Group's R&D system has achieved functions covering the whole process of drug discovery, preclinical development, clinical trial and registration, and owns leading platforms of protein engineering, PAb/TCE, PAb/NKCE, AI-aided drug discovery, protein degradation and ADC. As of December 31, 2023, the Group had a R&D team of approximately 1,000 employees in total with approximately 170 doctors and 490 masters.

The Group has a nationwide marketing network and leading commercialization capacity, and will continuously strengthen its professional marketing capacity, so as to enhance coverage and access to medicines. As of December 31, 2023, the Group's sales team had a total of approximately 4,200 employees divided into four business units (neuroscience, oncology, autoimmune & comprehensive and retail grossroots) and other support departments across 32 provinces, municipalities and autonomous regions, covering over 2,800 Class III hospitals, approximately 17,000 other hospitals and medical institutions as well as more than 200 large-scale national or regional chain pharmacies in China.

The Group has established manufacturing infrastructures and quality management systems in line with international standards and has continuously improved its manufacturing capabilities of pharmaceuticals. The five production facilities that have been put into use all meet the requirements of Chinese GMP, and part of the production lines have received EU GMP certification or passed the inspection of the U.S. Food and Drug Administration (the "FDA").

Driven by its in-house R&D efforts and synergistic innovation, the Group has established strategic cooperation partnerships with many innovative companies and research institutes, exploring multiple collaborative modes such as cooperative R&D and achievement transfer and continuously developing products that patients urgently need and have significant market potential. The Group established the Scientific Advisory Board (SAB) comprising over 10 world-renowned scientists in the areas of oncology, nervous system and autoimmune etc., so as to bring their professional capabilities and experiences to provide scientific advice for early drug discovery and clinical development of the Group, and aim to attract global leaders of life science to explore and create unprecedented treatments.

Awards in 2023

Intelligent Manufacturing Excellent Scene in 2023
Ministry of Industry and Information Technology of the People's Republic of China, National Development and Reform Commission, Ministry of Finance, State-owned Assets Supervision and Administration Commission of the State Council, State Administration for Market Regulation

National Intellectual Property Demonstration Enterprise in 2023 (Shandong Simcere)
China National Intellectual Property Administration

Top 100 Enterprises in China's Pharmaceutical Industry in 2022
China National Pharmaceutical Industry Information Center

Top Industrial Enterprise in 2023 China Pharmaceutical R&D Production Line
China National Pharmaceutical Industry Information Center

Jiangsu Enterprise Technology Innovation Award in 2022
Jiangsu Provincial People's Government

Ranked 3rd among the Top 20 Hainan Private Enterprises in R&D Investment in 2023
Hainan Provincial Department of Science and Technology

Ranked 22nd among the Top 50 Hainan Private Enterprises in 2023
Hainan Federation of Industry and Commerce

Ranked 16th among the Top 40 Hainan Manufacturing Enterprises in 2023
Hainan Enterprise Federation

An Advanced Collective Shouldering the Glorious Missions of "Striving to Be an Example, to Be a Model and to Be a Leader" in Nanjing in 2023
Nanjing Municipal Human Resources and Social Security Bureau

Excellent Case Award for Digital Transformation
China Association of Pharmaceutical Commerce

Leading and High-quality Pharmaceutical Development Enterprise in 2023
Pharmaceutical Economic News

Leading and High-quality Pharmaceutical Development Brand in 2023 (Sanbexin)
Pharmaceutical Economic News

Directors' Statement on ESG

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

We regularly evaluate major ESG issues, identify ESG risks and incorporate them into our daily management, based on such factors as the external socio-economic macro-environment, the Group's development strategy and stakeholder expectations. In 2023, we strengthened our core ESG risk management and regularly reviewed ESG-related objectives based on actual business development to ensure their effectiveness and improve the Group's ESG performance.

In 2023, the Group has successfully accomplished the ESG management targets set in the 2022 ESG Report, as reviewed by the Board. We are accelerating to expand the reserve of innovative products urgently needed in clinical applications and boost the development of drug accessibility; implement the quality management system throughout the product life cycle; adhere to the employee-oriented principle, and grow together with employees; pay attention to the needs of the community and constantly carry out charitable activities; conduct environment-friendly production and operation; and attach high importance to corporate compliance and risk management, and join hands with partners for responsible procurement.

This Report details the progress and effectiveness of the Group's ESG work in 2023 and was approved by the Board on March 20, 2024.

ESG Responsibility Management

ESG Target Management

The Group attaches importance to ESG target management. The Board regularly reviews the completion of the ESG targets within the Reporting Period and sets the ESG targets for the next year. The status of ESG management in 2023 and the targets of ESG management for 2024 are shown in the table below.

Issues	The current status of ESG management in 2023	Targets of ESG management in 2024
ESG governance	The Group has formed a three-tier ESG governance structure consisting of the Board, the Strategy Committee and the ESG Working Group. As the top leadership, the Board is deeply involved in ESG-related matters and oversees the improvement of ESG governance.	The Group will further deepen its ESG governance, and gradually carry out ESG auditing for suppliers and other partners.
Corporate governance	The Group has further improved the compliance and anti-corruption management system, strengthened the supervision and management of key teams and personnel such as marketing, and ensured compliance operations. We have also implemented a supplier risk management system, identified ESG risks in all key links, conducted ESG-related audits regularly, and empowered suppliers to manage ESG through supplier conferences, training, and other forms.	We will continue to strengthen the construction of compliance and anti-corruption culture, thoroughly implement relevant systems, and expand the management coverage of key anti-corruption personnel. We will also improve the supplier risk management system and enhance the requirements for supplier ESG management.
Innovation benefiting the public	Adhering to the operation philosophy of "Providing Today's Patients with Medicines of the Future", we have accelerated the expansion of our reserve of innovative products for clinical uses in oncology, nervous system, and autoimmune and anti-infection. To benefit patients, we actively promote drugs' inclusion in the Drugs Catalogue for the NRDL and facilitate the accessibility of drugs in all directions by initiating a number of measures such as drug donation programs and digital marketing transformation.	We will expand the cooperation scope of R&D partners at home and abroad, enhance the commercialization of innovative pharmaceuticals, and widely benefit domestic and overseas patients.
Quality assurance	The Group has established a whole-process quality management system covering clinical R&D, drug production, drug management, market launch and post-marketing supervision. We also implement a perfect marketing compliance system, and comprehensively carry out responsible marketing training and auditing.	The Group will continuously improve its quality management system and expand the scope of third-party certifications for product safety and quality. We will expand the scope of responsible marketing training to comprehensively improve the Group's responsible marketing.
Talent construction	Adhering to the principle of "Equal Employment", the Group has set employee diversity goals, accelerated talent construction, optimized the management capability of the talent teams, and provided employees with competitive salaries, benefits, and promotion space.	We will continue to improve the talent diversity, start formulating diversity systems, and carry out training programs.
Low-carbon operation	The Group has improved the environmental management system and actively carried out external environmental management system certification. We have established a management system to address climate change and strengthened the identification and response of climate change risks.	We will reduce the emission of various pollutants and waste and promote the realization of the Group's environmental objectives through improving energy-saving technologies, using clean energy and other initiatives.
Caring society	Relying on its advantages, the Group focuses on public health, carries out social welfare activities, and actively fulfills corporate social responsibility.	Relying on its advantages, the Group will continue to carry out social welfare activities in multiple dimensions to improve people's livelihood and welfare and benefit the public.

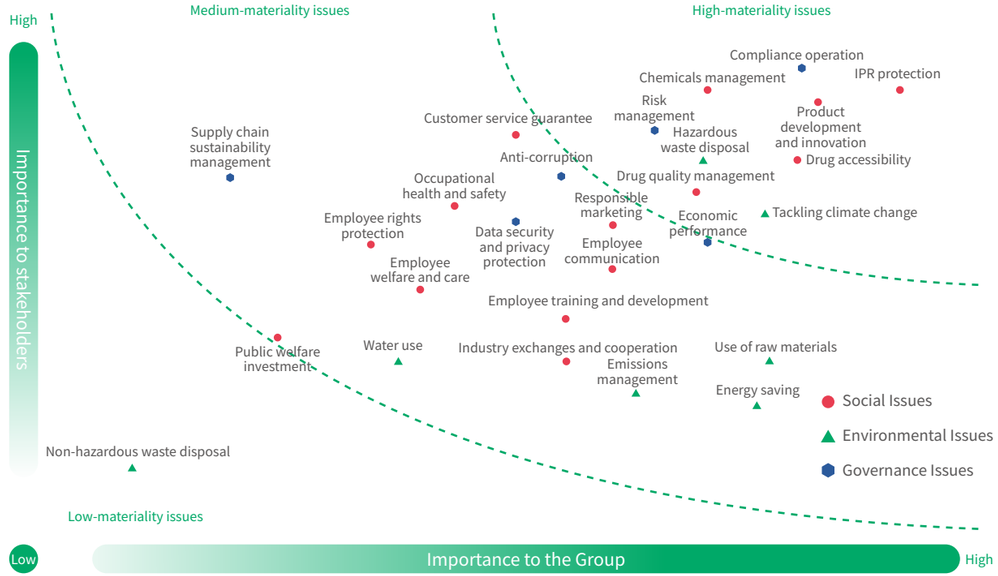
Stakeholder Engagement

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

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

Materiality Assessment

In accordance with the requirements of the *Environmental, Social and Governance Reporting Guidelines* released by the Stock Exchange of Hong Kong Limited (HKEX), and referring to relevant international initiatives and standards, as well as ESG issues that are of common concern in the industry, we have collected the material ESG issues related to the Group. In the process, we have also actively sought the opinions of various experts and stakeholders. Taking industry policy trends, group development status, and ESG regulatory requirements into account, we evaluated and identified risks and opportunities under different dimensions of issues in 2023. The matrix of ESG material Issues is shown as follows.



The matrix of ESG material Issues in 2023

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

ESG Governance Structure

The Group continuously improves the corporate governance, optimizes the ESG governance structure, and is committed to achieving the corporate mission of "Providing Today's Patients with Medicines of the Future", and creating Simcere value for patients, partners, and society. To ensure the efficient implementation of ESG initiatives, the Group has continuously optimized the ESG governance structure and management system and formed a three-tier ESG governance structure consisting of the Board, the Strategy Committee and the ESG Working Group to systematically coordinate and promote sustainable development.

The Board

The Board, the highest decision-maker of the Group, is responsible for coordinating corporate development planning, keeping a close watch on ESG governance and the development trends of the industry, identifying ESG risks and opportunities, etc. The Board has established four committees: the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategy Committee. They are responsible for supervising and guiding different aspects of the Group's operations.

The Strategy Committee

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

The ESG Working Group

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

Active Response to UN SDGs

United Nations Sustainable Development Goals (SDGs)	Actions of the Group in 2023
1 NO POVERTY, 10 REDUCED INEQUALITIES	The Group has been committed to fulfilling corporate social responsibility, highly concerned about social needs, and giving full play to its strengths to carry out social welfare activities in medical and health care, poverty alleviation in education, volunteer services and community communication, and helping to promote the establishment of a social security system that is equal, fair, and transparent. In 2023, the Group contributed charitable donation of approximately RMB 67.13 million.
3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Fully aware of the importance of innovative R&D and inclusive medical care on human health and well-being, the Group has continuously expanded its R&D pipeline. We have many products included in the NRDL to benefit patients. Within the Reporting Period, the expenditure on R&D activities of the group is around RMB 1.96 billion.
4 QUALITY EDUCATION	The Group attaches high importance to the development and training of talents and provides diverse training opportunities for all employees through the training platform of Simcere Institute. In 2023, 100% of employees received the training, with an average 39.7 training hours per employee.
5 GENDER EQUALITY	Adhering to the principle of gender equality, the Group sets the goal of employee diversity, prohibits gender discrimination in recruitment, actively protects women's rights, and cares for the lives and well-being of female employees. During the Reporting Period, female employees accounted for 52.2% of the Group's total workforce and 44.3% of middle-level and senior management positions were held by females.
8 DECENT WORK AND ECONOMIC GROWTH	Upholding the employee-oriented operation philosophy, the Group provides employees with good welfare and reasonable salaries, implements two-way communication channels, and resolutely opposes illegal employment such as forced labor and child labor. Within the Reporting Period, we had no incidents of forced labor or child labor.
7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 15 LIFE ON LAND	The Group always embraces the green development concept and takes varied environmental protection measures, striving to reduce the impact on the ecological environment of the operation area. In 2023, we took practical actions in response to climate challenges, increasing energy efficiency and the share of clean energy. The greenhouse gas emissions per RMB 10,000 of revenue decreased by 6.61% as compared with that in 2022.

01 Corporate Governance-Empowered Steady Growth

To ensure steady growth, the Group has established a sound corporate governance mechanism to promote its sustainable development. We comprehensively implement compliance and risk governance, constantly improve our business ethics management, and continue to build a responsible supply chain to lay a solid foundation for the Group's long-term development.

As of the end of the Reporting Period,
business ethics training coverage rate for all staff

100%

corruption lawsuits occurred
and concluded within the Group

0

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

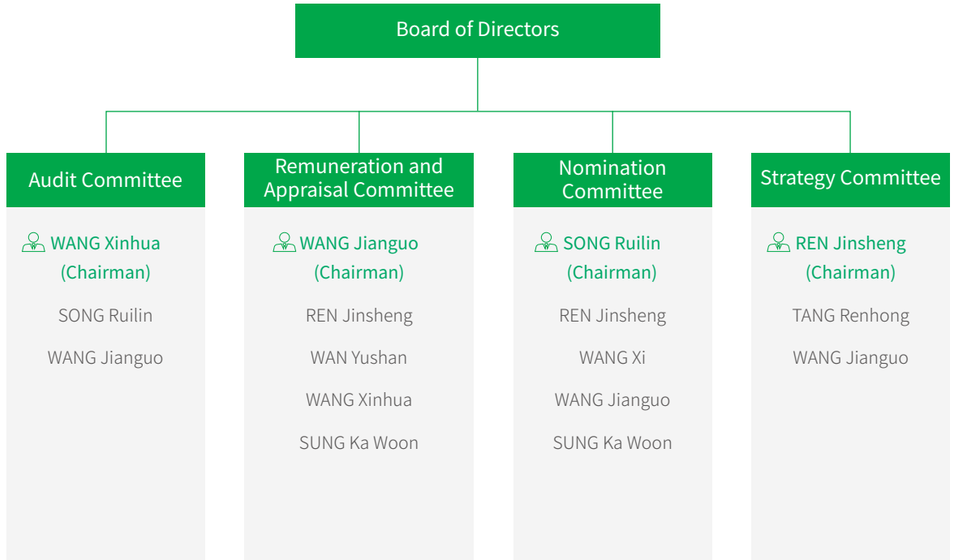
17 PARTNERSHIPS FOR THE GOALS

Corporate Governance

The Group continuously improves its corporate governance framework and management procedures and integrates sustainable development into its business strategies and operational practices, to adapt to the challenges posed by the continuous environmental and social development and changes. We strive to provide long-term value to all stakeholders by strengthening supervision and management, fostering greater transparency and management effectiveness.

Board Structure

Strictly following the *Company Law of the People's Republic of China* and the regulatory requirements of the place where it is listed, the Group continues to improve the corporate governance system and framework and ensures the sustainable development of the Group with an efficient governance system. The Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee under the Board oversee the Group's operations and management and ensure the Group's steady progress.



The Group fully recognizes that diversified leadership is the key pillar to sustainable corporate development and attaches importance to its development of diversified leadership. We have formulated the Board Member Diversity Policy, factoring into multiple aspects to re-elect retiring directors or review the Board structure, including but not limited to gender, age, culture, educational background, professional qualifications, skills, knowledge, length of length of service, industry and regional experience. As of the end of the Reporting Period, the Board had a total of eight Directors, including one female Director and four independent non-executive Directors, with extensive industry experience and expertise in the fields of pharmaceutical, management, accounting, and risk management, providing diversified and open perspectives on the governance of the Group and scientific support for the Board's decision-making.

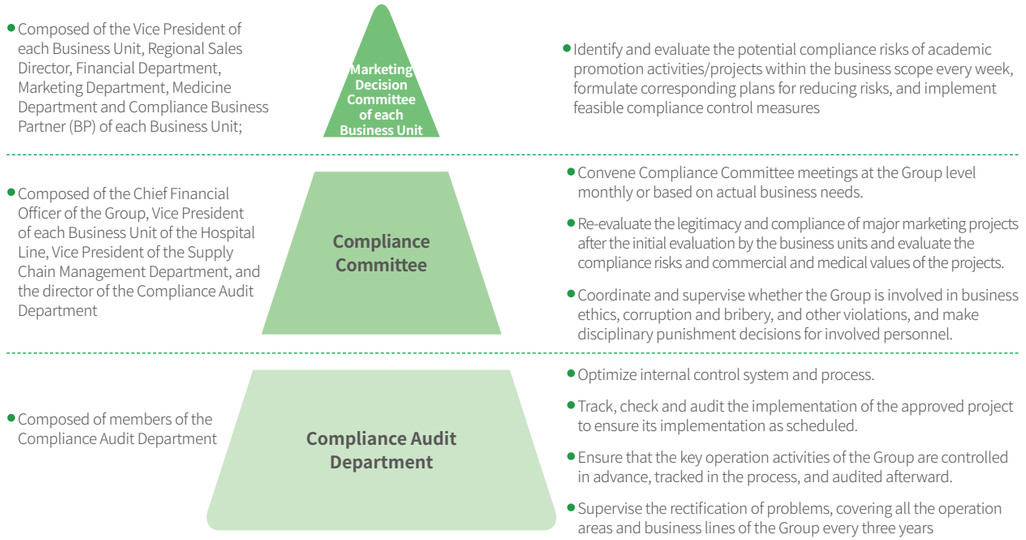
Risk Management

The Group attaches great importance to compliance operation and risk management and control and has established a sound internal control and risk management system covering the whole operation process of the Group. We promptly make rectifications and introduce corresponding measures for identified internal problems and risk points to continuously improve the stability of the Group's operations.

Internal Control Management

The Group constantly optimizes its internal control systems, and has formulated internal policies such as the *Simcere Policy Guidelines on Sponsorship, Donation and Academic Aids*, the *Simcere Policy Guidelines on Management of Lecturers and Application for Lecture Fees*, and the *Simcere Policy Guidelines on Self-organized Meetings* to standardize the internal compliance assessment and review mechanisms, improve internal control efficiency, and ensure compliance throughout the operation.

To continuously strengthen its internal control governance capability, the Group has established three lines of defense for internal control, clarifying the responsibilities of each line of defense, thereby ensuring comprehensive compliance of the Group's business.



In 2023, we actively implemented the pharmaceutical legal compliance empowerment action to improve the professional management of legal compliance. In combination with changes in external laws and regulations, policy environment and internal control points, the Legal Affairs Department of the Group has developed a series of training courses for different business types, including topics such as changes in industry policies and regulations, contract management, clinical trials, engineering construction, and investment projects, and has also conducted nearly 30 legal training sessions for different employee groups, including legal management of human resources, legal knowledge for new hires, and confidentiality, further enhancing the legal compliance awareness of all employees.

Some Sustainable Development Risks and Response Measures of the Group in 2023

Sustainable development risks	Response measures
Business ethics risk	• Released the *Simcere Compliance Guidelines for Anti-Monopoly* to standardize operational and competitive behaviors. • Organized several rounds of on-site legal knowledge training to enhance employees' awareness of integrity and compliance. • Convened supplier meetings, organized compliance training by the Compliance Audit Department to maintain the integrity of cooperation.
Data security and compliance risk	• Issued the *Human Genetic Resources Management System*, carried out scientific research activities under applicable laws and regulations and strictly enforced the approval or filing system. • Invited external experts to diagnose the current situation of the Group and organized special training to ensure its data security and compliance and information security.
Trade secret and intellectual property protection risk	• Released the *Intellectual Property Management System* to promote the standardization of intellectual property protection and management. • Set up a confidentiality officer, carried out staff-wide confidentiality training and monthly audits, and organized regular on-site secrecy inspections.
Post-marketing medical research risk	• Issued the *Management Standards for Donated Drugs for Scientific Research* and carried out post-marketing medical research in compliance. • Sort out post-marketing medical research programs, identify risks, and improve the standard text for the investigator-initiated clinical trials (IIT) programs.

Risk Management

The Group attaches great importance to internal risk management and has formulated the *Comprehensive Risk Management System* to continuously carry out corporate risk identification and response work. To ensure the effectiveness of management, we have established a risk management structure composed of the Group's Board, the Strategy Committee, the Legal Affairs Department, the Compliance Audit Department and various business teams to prevent six risks of the Group, including strategic risk, business investment risk, financial risk, human resource risk, back-stage management risk and compliance risk, promptly promoted risk response measures, actively maintained internal information sharing, and protected steady growth of the Group.

The Group actively improved the risk management mechanism, optimized the risk management process, and improved the efficiency of risk management. Based on the five procedures for risk management, we carry out risk identification activities in an orderly manner, and evaluate and rank the identified risks, then select risk management strategies factoring into risk-taking, risk avoidance, risk transfer and other dimensions to implement rectification plans to respond relevant risks. In the meanwhile, we supervise and improve the risk management to ensure the effectiveness of risk management.

In 2023, the Group timely formulated management strategies and implemented response and rectification plans for various risks identified. We revised and issued a series of internal policies and conducted several sessions of special training to consolidate and strengthen the achievements of risk management and enhance the awareness of all employees on risk prevention. In addition, the Group organized due diligence on third parties such as foundations, identified and evaluated the potential risks of cooperation, and formulated risk management and response measures in time to ensure smooth cooperation.

▶ Compliance and Risk Management Training for the Group's Marketing Management Team

In response to the external regulatory environment changes and the actual business situation, and to strengthen the risk management capability of the management team, the first intensive training session for the regional managers of the marketing system was held in September 2023 in Nanjing. During the training period, from the perspectives of the particularity of the pharmaceutical industry, strictness of market supervision, and protection of companies and individuals, the Group drew attention to the significance of compliance by managers and trained 30 regional managers from compliance system and policy guidance, warning of violation cases, and maintaining team compliance stability, to protect the sound development of business.

The First Intensive Training Session for the Regional Managers of the Marketing System

Anti-corruption

The Group strictly abides by the *Anti-Unfair Competition Law of the People's Republic of China* and other applicable national and local laws and regulations and has formulated internal systems and policies such as the *Code of Business Conduct and Ethics* based on external regulatory requirements and actual business conditions, prohibiting any malpractices in relation to corruption and bribery. In 2023, the Group revised the *Simcere Policy Guidelines on Self-organized Meetings*, the *Simcere Policy Guidelines on Management of Lecturers and Application for Lecture Fees*, and the *Simcere Policy Guidelines on Sponsorship, Donation and Academic Aids* to further standardize the operation procedures of key aspects of anti-corruption and anti-bribery, such as self-organized meetings, sponsorship, donations, and academic funding, and to provide systematic support for the supervision and control of key areas and key links such as anti-corruption and anti-bribery.

The Compliance Audit Department is responsible for implementing anti-corruption specifically to ensure that the policy guidelines are put into practice. The Group continuously optimizes the process of anti-corruption and anti-bribery review and supervision. In 2023, the Group strengthened its strict control over the authenticity of academic conferences, controlled the whole process of the conferences with digital systems, set conference expense limits, controlled the number of guests attending the conferences, required compliance audit certification materials from third-party conferences in the reimbursement application, and required self-organized online conferences to be screened in the whole process, thus realizing closed-loop management of academic conferences.

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

We encourage employees to actively participate in the construction of the Group's integrity management. The *Policies and Procedures for Handling Whistle-blowing and Complaints* support employees to complain about violations openly or anonymously by telephone, email, written reporting and other channels. We strictly protect whistle-blowers and the information reported, keep them confidential in each link dealing with the reports, and prohibit any form of retaliation. The Group will verify the reporting information within 12 hours after receipt and make a list of matters; carry out an investigation for a justified complaint or whistle-blowing matter and inform the whistle-blower of subsequent investigation results and handling time; continue to track and check the process after the investigation and supervise the implementation of the handling scheme to ensure fair and just results. In 2023, 0 reports have been received in the internal anti-corruption email.

Public Whistle-blowing Channels of the Group

Tel：025-85575017　　Email：ceo@simcere.com　　Other forms deemed appropriate by whistle-blowers

We actively carry out anti-corruption training to create an honest workplace. All employees are required to study the Group's *Code of Business Conduct and Ethics*. In the training sessions, the Group clarifies the commitment requirements for employees and contractors on anti-commercial bribery in their daily work, including anti-commercial bribery and anti-unfair competition requirements in the annual contracts with contractors to improve their compliance awareness. In 2023, the Group held 438 business ethics compliance training sessions, totaling 24,138 person-times, with 100% training coverage rate.

As of the end of the Reporting Period, 0 lawsuits about corruption, unfair competition and conflict of interests occurred and concluded within the Group.

In 2023

the number of business ethics compliance training held	totaling	coverage rate
438 sessions	24,138 person-times	100 %

Responsible Procurement

Regarding responsible procurement as an important part of its sustainable development, we continues to construct a responsible supply chain. The Group joins hands with suppliers, contractors, and other important partners to lead the sustainable development of the value chain by strengthening the supply chain management system, optimizing the supplier management process, and spreading the sustainable procurement concept.

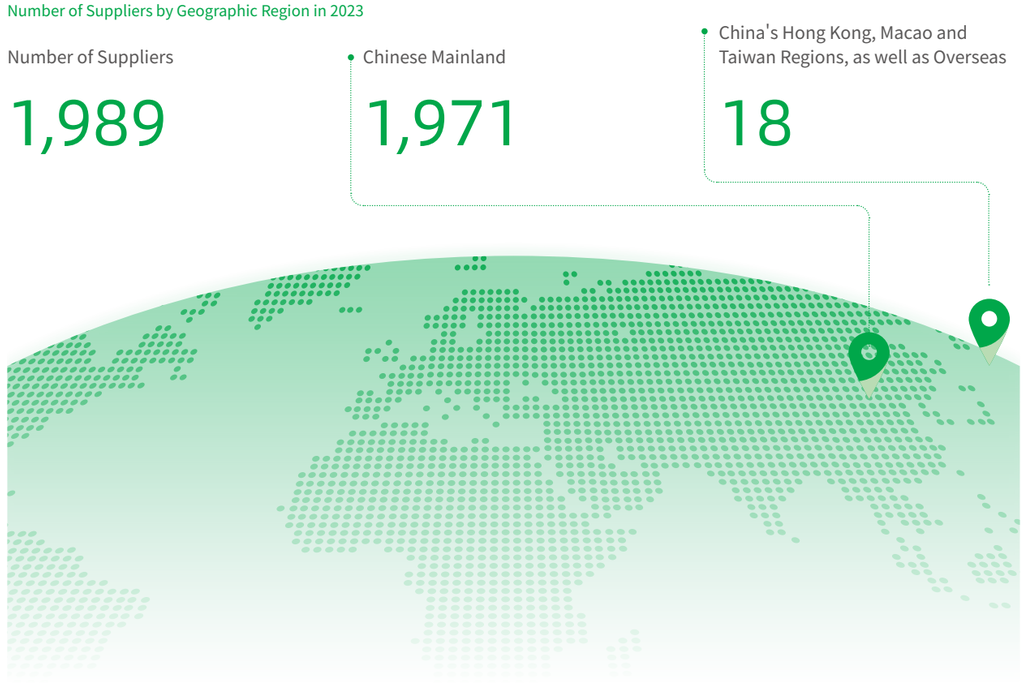
Supplier Management

The Group, in strict accordance with applicable laws and regulations, formulated the *Supplier Management System* and the *Procurement, Tendering and Bidding System* applicable to all suppliers and revised the *Second Supplier Development System for Production Materials* to systematically manage the whole process of suppliers' access, cooperation management and withdrawal, and regularly conducted supply chain risk management evaluation.

Whole Process Management of Suppliers

The Group continues to improve its supplier management procedures, covering the full life cycle from supplier access, qualification audit, and comprehensive evaluation to supplier withdrawal. Based on our actual business needs, we classify suppliers into different types including the productive raw and auxiliary material and packaging material supplier, unproductive material supplier and sentinel procurement equipment supplier, infrastructure supplier and services supplier, and specify corresponding supplier selection criteria, management rules and evaluation standards.

Number of Suppliers by Geographic Region in 2023



Supplier Management Initiatives

Supplier access

Qualification review

- Audit the business qualification, quality information and other information provided by new suppliers listed by the departments in need.

Product verification

- Carry out process verification on materials provided by suppliers.

File establishment

- Supplier Management Specialists establish files for the suppliers audited to be qualified.
- Prepared a qualified supplier list and a pre-approved supplier list.

Supplier cooperation

Formulation of testing standards and methods

- Formulate the material test standards and inspection methods for new suppliers.

Supplier evaluation

- Conduct evaluation and scoring once a year to carefully examine suppliers; make suggestions and required a supplier whose score for the year is below a certain threshold to rectify problems within a time limit.

Supplier review

- Regularly review supplier quality, change and management of qualified suppliers through annual supplier review reports, so as to help improve suppliers' delivery quality.

Supplier withdrawal

Supplier blacklist

- The Group will place on our blacklist suppliers who fail to meet the evaluation standards, violate national laws and regulations or industry regulations, or cause significant losses due to serious defects in products or services, and permanently cease business cooperation with them.
- In 2023, blacklisted suppliers were publicized internally every month, with a total of more than 11 blacklisted suppliers.

Supplier Risk Management

The Group strictly prevents and controls supply chain risks by revising the *Second Supplier Development System for Production Materials* to minimize the risks in the supply of production materials, to ensure the stable supply of materials and to minimize the negative impacts arising from supplier risks. We regularly verify supply risks of raw and auxiliary materials and packaging materials per month, focusing on the dynamic changes in the supply cycle and the stability of the supply quality to identify high-risk suppliers. Within the Reporting Period, the Group did not experience any stock-outs due to an insufficient supply of materials.

Supplier Empowerment

The Group opens its door to cooperation for shared growth with its suppliers to build a responsible supply chain. We continue to provide empowering training and guidance to our suppliers to continuously improve their management capability and compliance awareness and enhance the efficiency of supply chain cooperation.

▶ Organizing Supplier Empowerment Training to Improve Supply Chain Management

In 2023, the Group's Supplier Relationship Management System (SRM) was formally launched, and the Group carried out several online and offline system training sessions for all suppliers, developing a training manual for the operation of the supplier client, further realizing the visualization of the procurement operation data and the standardization of the supplier access, and greatly improving the efficiency of supplier management.

Sustainable Procurement

The Group integrates the concept of sustainable procurement into the process of supplier management, clarifies requirements on suppliers for supply quality, environmental protection, safety management and business ethics in compliance with the *General Principles for Procurement Management*, to raise suppliers' awareness of the sustainable development concept and to promote the long-term development of a sustainable supply chain.

Suppliers are required to sign the *Compliance Commitment*, make a pledge that:

"We have not directly or indirectly provided, proposed to provide or agreed to provide any loans, gifts, luxury travels or entertainment, donations or payments, or anything of value to any government officials and/or foreign political parties or for their benefit in cash or similar form to obtain or retain business or gain any improper advantages for us or Simcere."

Measures for Supplier Sustainable Management

Aspect	Management initiatives
Quality management	• Formulate the *Supply Chain Material Quality Standards and Testing Methods* and improve the supplier quality evaluation mechanism. • Categorize material suppliers into critical and non-critical suppliers and conduct audits, including on-site audits, document audits and online audits for critical suppliers and questionnaire audits for non-critical suppliers. • Approve suppliers' audit reports and reported changes in time based on quality audits. • In 2023, the Group audited the material quality of 151 suppliers.
Environmental protection	• Give priority to suppliers with good environmental performance and sound environmental management systems and policies. • Choose suppliers that have been certified with ISO 14001 and other third-party management systems. • During the Reporting Period, approximately 1,800 suppliers have obtained environmental management system certifications.
Safety management	• Formulate the *Contractor Safety Management System* and other regulations to standardize the supplier safety management process. • Conduct EHS audits and evaluations on material suppliers involved in dangerous chemicals. • Carry out daily safety monitoring during the whole process of contractors' construction projects to effectively reduce the risk of safety in the supply chain.
Business ethics	• Establish a clear anti-corruption system for suppliers, require all suppliers to sign the *Bidding and Tendering Anti-corruption Commitment* and the *Anti-corruption Management Agreement*, and maintain zero tolerance for suppliers who violate business ethics. • Conduct compliance training for suppliers regularly and issue a *Statement of Anti-Corruption to Partners* for all suppliers and other partners to continuously raise the awareness of suppliers in combating corruption and advocating probity.

02 Innovation-driven Patient Benefits

The Group steadfastly upholds the "higher efficiency and differentiation" R&D concept. With a patient-centric focus on safeguarding health, we are committed to groundbreaking R&D in the critical areas of oncology, neurology, autoimmune and anti-infection. We constantly refine our product development framework, enhance the expertise of our R&D team, and expand drug accessibility to deliver high-quality and efficient products and services to patients.

As of the end of the Reporting Period, our R&D team boasts a talent pool of around

1,000 individuals

around **2/3**

holding master's and doctoral degrees

around **10%**

bringing international experience to the table

Speeding Up R&D

The Group is committed to exploring innovative methods of product R&D, actively engaging in R&D efforts to meet the needs and expectations of patients. We also focus on enhancing the accessibility and affordability of medications through fair pricing policies, supply chain optimization, and enhanced market outreach to deliver superior, convenient, and cost-effective pharmaceutical services to patients.

The Group places a high priority on and is dedicated to the R&D of innovative pharmaceuticals, "focusing on higher efficiency and adhering to differentiation". In 2023, the expenditure on R&D activities of the group is around RMB 1.96 billion, representing revenue ratio was approximately 29.7%. Our efficient clinical operations and regulatory teams continually drive the global development of our pipeline products, speeding up the realization of their innovative value.

R&D Layout

The Group has six commercialized innovative drugs, nearly 60 product pipelines of innovative drugs and is currently initiating registrational clinical studies for 15 new drug molecules, of which, there are three new drug molecules under NDA or phase III clinical study stage(excluding products with only commercial rights),12 new drug molecules under phase I/II and approximately 40 pre-clinical drug candidates. The forms of innovative drugs under development contain monoclonal antibodies, bispecific antibodies, multi-specific antibodies, fusion proteins, ADC and small-molecule drugs. The extensive pipeline reserves have huge clinical and commercialization potential, which are expected to help more patients.

IND Enabling

- SIM0506 (SOS1) Solid tumors
- SIM0508 (Pol θ) Solid tumors
- SIM0505 (CDH6-ADC) Solid tumors
- SIM0686 (FGFR2b-ADC) Solid tumors
- SIM0323 (CD80/IL2) Solid tumors

Phase Ia

- SIM0237 (PDL1/IL15v) Solid tumors
- SIM0237 (PDL1/IL15v) NMIBC
- SIM0501 (USP1) Solid tumors
- SIM0500 (GPRC5D/BCMA/CD3) Multiple myeloma
- SIM0395 (PI3K/mTOR) Glioblastoma
- Sanbexin®Sublingual Tablet AIS
- SIM0800 (AQP4) Stroke with cerebral edema
- SIM0295 (URAT1) Gout with hyperuricemi
- SIM0278 (IL2muFc) Atopic dermatitis

Phase Ib/II

- Docetaxel polymeric micelle for injection Solid tumors
- SIM0270 (SERD BM) Breast cancer
- SIM0235 (TNFR2) Solid tumor and CTCL
- SIM0348 (TIGIT/PVRIG) Solid tumors
- Sanbexin® Sublingual Tablet PSCI
- Sanbexin® Injection ICH
- Rademikibart (IL-4Rα) Asthma
- Rademikibart (IL-4Rα) Atopic dermatitis
- SIM0335 Psoriasis ☑

Phase III

- COSELA® (CDK4/6) TNBC
- Endostar® Malignant pleural effusion
- Daridorexant hydrochloride tablets (DORA) omnia
- LNK01001 (JAK1) Rheumatoid arthritis and ankylosing spondylitisa ☑
- ADC189 (PA) Influenza (adult/adolescent) ☑
- ADC189 (PA) Influenza (children) ☑

Pending NDA

- XIANNUOXIN®(3CL) COVID-19 (Full approval)
- ENZESHU (VEGF) PROC
- ENLITUO (EGFR) First-line mCRC ☑
- Sanbexin®Sublingual Tablet AIS

- Oncology
- Nervous System
- Autoimmune
- Others

Developed globally

☑ Commercial rights only

Innovative Results

The Group is dedicated to leveraging innovative pharmaceutical technologies to empower medical R&D. We continually strengthen the transformation of scientific research achievements, and our innovative products have gained widespread recognition within the industry. As of the end of the Reporting Period, more than 10 of our products have been included in over 100 guidelines and protocols by government agencies or authoritative academic societies.

The Group's six innovative drugs

先诺欣®

It is the first Chinese 3CL targeted ant-SARS-CoV-2 innovative new drug with independent intellectual property rights, working by inhibiting the 3CL protease, which is essential for the replication of coronaviruses, thus preventing the virus from infecting normal cells and spreading.

先必新®

It is the only innovative drug for stroke approved worldwide since 2015 and significantly reduces brain neuron damage caused by acute ischemic stroke.

Iremod 艾得辛®

It is the world's first Iguratimod preparation and the first small molecule disease-modifying anti-rheumatic drug developed independently in China and launched to the market in the last decade.

恩度® ENDOSTAR

It is the world's first recombinant human endostatin and the first biological innovative drug approved in China for first-line treatment of non-small cell lung cancer.

科赛拉®

It is the world's first "chemotherapy guardian" with a full-range bone marrow protection effect, and when administered prophylactically before chemotherapy, can induce bone marrow hematopoietic stem/progenitor cells to temporarily arrest at the G1 phase of the cell cycle and reduce damage exposed to chemotherapy.

恩维达®

It is the world's first PD-(L)1 antibody drug for subcutaneous injection and the first immunotherapy drug for pantoma indications in China.

▶ The New Drug Application of Sanbexin® Sublingual Tablets Has Been Accepted by the National Medical Products Administration

In June 2023, new drug application for Sanbexin® sublingual tablets was accepted by the National Medical Products Administration to be used in the improvement of the neuro symptoms, the daily living abilities and dysfunction caused by Acute Ischemic Stroke. The core patent for Sanbexin® sublingual tablets has been granted in multiple countries. The combination therapy of the drug's active ingredients, Edaravone and Dexborneol, has also received an Orphan Drug Designation (ODD) from the U.S. Food and Drug Administration (FDA) for the treatment of Amyotrophic Lateral Sclerosis (ALS).

Construction of R&D Innovation Centers

The Group is committed to implementing an international innovation and R&D strategy, continuously enhancing the Company's core competitiveness through the introduction of advanced technologies. As of the end of this Reporting Period, we have established R&D innovation centers in Shanghai, Nanjing, Beijing, Boston and Hong Kong respectively as well as a State Key Laboratory of Neurology and Oncology Drug Development.

Shanghai Innovation Center

Nanjing Innovation Center

The State Key Laboratory of Neurology and Oncology Drug Development

Hong Kong Collaborative Innovation Center

Boston Innovation Center

Beijing Innovation Center

▶ Established the Hong Kong Collaborative Innovation Center

In December 2023, the Group's Hong Kong Collaborative Innovation Center was officially established and settled in the Hong Kong Science Park. The Center capitalized on Hong Kong's strengths in scientific research, talent pool, and its role as a global connector to forge a collaborative innovation ecosystem. It was designed to facilitate the localization of innovative pharmaceutical products in Hong Kong and to expedite their R&D progress, thereby enhancing the Group's early-stage R&D and translational efforts in the Guangdong-Hong Kong-Macao Greater Bay Area.

Establishment & Opening Ceremony of Simcere Hong Kong Collaborative Innovation Center

The Enterprise Exchange Meeting

The Group's R&D laboratory system comprises macromolecule laboratories, small molecule laboratories, and non-clinical laboratories, equipped with capabilities across multiple stages of research. This includes areas such as early drug development, preclinical studies, and clinical phases I, II, and III, as well as process validation.

Macromolecule laboratories	Small molecule laboratories	Non-clinical laboratories
• Primarily undertaking the R&D of biological macromolecule drugs, antibody-drug conjugates (ADCs), and other new pharmaceuticals. • Comprising mainly the analytical formulation laboratory, pilot plant, cell line development laboratory, and antibody production and process development laboratory.	• Primarily responsible for the R&D of small molecule innovative drugs and generic medications. • Comprising mainly the medicinal chemistry laboratory, synthesis laboratory, analytical laboratory, and formulation laboratory.	• Primarily responsible for drug activity validation, exploration of drug mechanisms of action, construction of drug models and activity screening, pharmacodynamic evaluations, and some safety assessments. • Comprising mainly in vitro and in vivo pharmacology laboratories, including cell culture facilities and animal facilities.

The Group's Laboratory Composition and Division of Labor

R&D Team Building

The Group's long-term growth is fueled by a powerful commitment to innovation. We aggressively pursue top-tier talents with a competitive edge and a global outlook to elevate our R&D team's expertise. To optimize our team's performance, we conduct regular evaluations of their efficiency and tailor our resource allocation strategies accordingly. These measures are designed to boost productivity and translate into a higher volume of innovative breakthroughs. As of the end of the Reporting Period, our R&D team boasts a talent pool of around 1,000 individuals, of which around two-thirds holding master's and doctoral degrees, and over 10% bringing international experience to the table.

To continuously enhance the professional skills of our R&D staff and unlock the scientific potential of our R&D team, the Group has established a comprehensive R&D training system. This system offers a variety of training programs tailored to the specific professional needs of different research areas. In 2023, the Group conducted 71 R&D training courses, covering 146 topics, with a total of 914 participants, and the cumulative training duration reached 11,057 hours.

We have also refined our R&D incentive system to further stimulate the enthusiasm of our employees for R&D innovation. The Group has established awards such as the Innovation Project Initiation Award and the Clinical Research Milestone Award to recognize and reward R&D personnel who have made outstanding contributions at different project stages, thereby fueling the innovative drive of our R&D team.

Collaborative Development

Driven by independent R&D and collaborative innovation, we have established strategic partnerships with governments, leading pharmaceutical companies, and academic and research institutions. Through active participation in various academic and industry exchanges, we explore new collaboration models and innovation mechanisms, all guided by the principles of innovation, collaboration, and mutual benefit. Adhering to the principles of innovation, collaboration, and mutual benefit, we initiated nearly 150 cooperation projects with more than 50 universities and high-level research-oriented medical institutions and were also selected as one of the first "Key Enterprise Partners of the HKSAR Government", joining hands with all stakeholders to drive cutting-edge breakthroughs in basic research and drug discovery and making milestone contributions to China's pharmaceutical R&D. In 2023, the Group actively participated in the publication of 85 papers, including 48 core papers.

Key Industry Collaboration Projects of the Group in 2023

On August 18, 2023

- the Group entered into a cooperation agreement with MabPharm for Enlirtuo® (CMAB009), acquiring the exclusive commercial rights for the product in the Chinese Mainland. In March 2023, the application for Enlirtuo® was accepted by the NMPA.

On October 10, 2023

- the Group entered into a cooperation agreement with AnDiConBio for the innovative drug ADC189, acquiring exclusive commercial rights for the product in China for the indication of influenza, which further strengthened our product portfolio in the anti-infection field.

On November 21, 2023

- the Group entered into an exclusive licensing and cooperation agreement with Connect Biopharm for the innovative drug rademikibart (IL-4Rα), acquiring exclusive rights to develop, manufacture, and commercialize the product for all indications in the Greater China region.

- the Group collaborated with leading institutions such as Mass General Brigham and Stanford University in the United States and jointly advanced exploratory projects in our focused areas to develop more innovative therapies for patients.

Launching Ceremony of OASES Partnership

Intellectual Property Rights

A robust intellectual property protection framework is essential for a legal environment that supports innovation and provides a solid foundation for the Group's strategy of innovative development. We rigorously adhere to laws and regulations such as the *Copyright Law of the People's Republic of China* and the *Patent Law of the People's Republic of China*. We have updated our internal policies, including the *Intellectual Property Management Measures*, to refine our patent application procedures and to clearly define the categories of rewards for intellectual property patents. While ensuring we respect the intellectual property rights of others, we also place a strong emphasis on protecting and managing our intellectual property rights.

We have established an Intellectual Property Management Committee, chaired by the Group's chairman, which leads and organizes the Group's intellectual property management and makes decisions on matters related to the Group's intellectual property. Under the guidance of the Committee, we integrated intellectual property risk management into various aspects of our daily operations, and continually updated our early warning mechanisms for intellectual property risk management to minimize the risk of intellectual property infringement during operations. In 2023, all intellectual property objections involving the Group have yielded positive outcomes.

Patent risk monitoring and early warning

The Intellectual Property Department conducts thorough and timely research on patent technology information in relevant countries and regions at every stage of innovative drug project initiation, due diligence, drug R&D, clinical trials, market launch, and export. It performs freedom-to-operate analyses and issues reports to ensure that products and related technologies can be freely implemented in these countries and regions in the future.

Monitoring of trademark risks

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

Third-party risk evaluation

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

Intellectual Property Management Measures

The Group's IP Applied & Granted in 2023

Performance	Patent	Registered trademark	Copyright
Granted in total	369	1,465	16
Newly applied in 2023	310	378	2
Newly granted in 2023	39	60	2

The Group actively attended various meetings on intellectual property protection and R&D and strived to popularize and promote the consensus on intellectual property protection in the pharmaceutical industry. In 2023, the Group attended nine intellectual property-related events, working diligently to advance the promotion of consensus on intellectual property protection.

▶ The Group Participated in the China IP & Innovation Summit (CIPIS)

In July 2023, the Group participated in the China IP & Innovation Summit (CIPIS) held in Suzhou. Our representatives engaged in discussions on the "protection of enterprises" intellectual property, layout, and risk prevention of infringement". They joined forces with experts from academia, research, and industry, top 100 pharmaceutical companies from China and abroad, leading global innovative pharmaceutical and biopharmaceutical enterprises, as well as law firms, to collectively explore the development and implementation of new policies and practices in biomedical intellectual property. They discussed and implemented new standards in intellectual property and actively pursued new collaborative opportunities, aiming to introduce more possibilities to the intellectual property ecosystem within the pharmaceutical industry.

The 2023 China IP & Innovation Summit (CIPIS)

We prioritize fostering employees' comprehension, appreciation, and protection of intellectual property, establishing a comprehensive training system to ensure that our staff fully grasp the significance of intellectual property and are equipped with the necessary knowledge and skills to safeguard our intellectual property and foster innovation. In 2023, we tailored training programs for new hires, researchers, and other staff, including sessions on legal rules and case studies, covering a total of 28 training courses and reaching over 300 individuals.

R&D Ethics

The Group, in full consideration of the ethical aspects and social value of R&D activities, adheres to laws, regulations and industrial standards, e.g. the *Provisions for Drug Registration (2020), the Good Clinical Practice (2020),* the *Declaration of Helsinki* and the *Guidelines for Construction of Ethical Review Committee for Clinical Studies Involving Human Subjects*. We have established internal systems and management processes, including emergency response plans for laboratory testing and laboratory management, to ensure that all experiments and processes in drug development meet national standards and protect the rights and welfare of research subjects and experimental animals.

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

Animal Welfare

We adhere to the principle of ensuring the welfare of experimental animals throughout our management process. The Group continuously enhances the standards of laboratory animal welfare to ensure the rationality, scientificity, and professionalism of animal experiments as well as the compliance of related experimental work in strict adherence to the *Guide for the Care and Use of Laboratory Animals*, the *Animal Welfare Assessment System (AWAS)*, the *Regulations for the Administration of Affairs Concerning Laboratory Animals*, and relevant requirements and regulations of the Office of Jiangsu Laboratory Animal Management Committee.

▶ Operating a Laboratory Animal Center in a Standardized Manner

Since its certification by the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) in November 2020, the Laboratory Animal Center has maintained its leadership in the quality of laboratory animals and the management of animal facilities at an international level. The Laboratory Animal Center continues to strengthen its management of laboratory animals and further advance the standardization of animal welfare, providing more professional and efficient services and support for our R&D platforms.

The Renovated Laboratory Animal Center

Inclusive Medical Care

We keep following the demands of patients for health, deem market demands, clinical studies and efficiency of marketing as entry points, promote the inclusion of the drugs in China's National Reimbursement Drug List (NRDL)., and take many actions such as drug donation and transformation toward digital marketing, with a view to making drugs more accessible to patients in an all-round way. These comprehensive efforts aim to enhance the accessibility of our medications, ensuring that innovative drugs reach patients in China as soon as possible, and provide more convenient, efficient, and high-quality medical services to a broader range of patients.

NRDL

We firmly believe that the value of pharmaceuticals lies in benefiting more patients. We are dedicated to enhancing the accessibility and affordability of medications and promoting fair and reasonable drug pricing through increasing its transparency. By the end of 2023, the Group had more than 40 products included in the NRDL. We offer more patients the hope of recovery in a more affordable and quality manner through various accessible channels. Currently, the prices of our main products have been published on the procurement platforms of various hospitals. The prices of all products included in the NRDL can also be checked on public medical insurance platforms and the national medical insurance platform, ensuring the transparency of drug prices.

▶ Endostar® Renewed its Inclusion in the NRDL

In 2023, the Group's innovation drug, Endostar® (recombinant human endostatin injection), renewed its inclusion in the NRDL at a new price of RMB 472.85 per vial. As a novel anti-tumor medication independently developed by the Group, it is primarily used in the treatment of advanced non-small cell lung cancer and is the first vascular endothelial growth factor inhibitor approved for marketing in China. The renewal not only brings greater convenience to patients in terms of medication access but also significantly enhances the affordability and accessibility of innovative pharmaceuticals.

To ensure that our medications are available at reasonable prices and meet the quality expectations of patients, we adhere to national policies such as the *National Pilot Program for Centralized Drug Procurement*. We actively participate in drug procurement to reduce the financial burden of medical expenses on patients, thereby supporting the nation in securing people's basic needs. As of the end of the Reporting Period, three of our products have been included in the centralized procurement of drugs list.

▶ XIANNUOXIN® was Formally Included in the NRDL

XIANNUOXIN®, the first Chinese 3CL targeted ant-SARS-CoV-2 innovative new drug co-developed by the Group and Shanghai Institute of Material Medica and Wuhan Institute of Virology of Chinese Academy of Sciences, was conditionally approved by the National Medical Products Administration in January 2023 for the treatment of mild to moderate COVID-19 in adult patients. On December 13, 2023, it was officially included in the *NRDL (2023*) at the price of RMB 479 per box/treatment course, with a reduction of approximately 24%. As of the end of the Reporting Period, XIANNUOXIN® has covered 31 provinces, 306 cities and over 3,800 hospitals nationwide, and has benefited 670,000 patients.

06 Patient-Foremost Quality Assurance

Quality underpins the business of a pharmaceutical enterprise. The Group consistently makes drugs quality the top priority in business development and build a quality management system throughout the full life cycle products across the whole industry. We also act in line with the principle of providing responsible marketing and enhance product experience among customers, with a view to securing the patient experience and drug safety in an all-round way.

As of the end of the Reporting Period, the Group carried out internal audits

37 times

training sessions on responsible marketing

418

coverage of quality training

100%

pass rate of new employees' information security training examinations

100%

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Quality Control

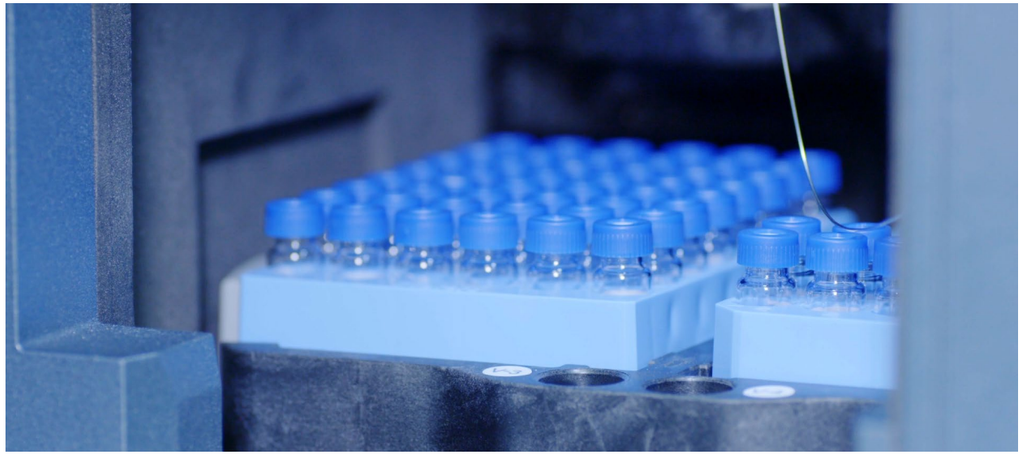
Upholding the quality policy of "the Best Products, the Pursuit of Excellence", the Group puts a tight rein on quality to ensure the drug safety. Through the sound quality management system, we established and improved internal systems that are refined on a regular basis. The Group has created whole-process quality management system covering clinical R&D, drug production, drug supply, marketing and follow-up supervision, with a view to maintaining tight control over drug with the help of full-life cycle pharmacovigilance system.

Quality System

The Group strictly abides by laws and regulations, such as the *Product Quality Law of the People's Republic of China*, the *Drug Administration Law of the People's Republic of China*, and the *Measures for the Supervision over and Administration of Pharmaceutical Production*, and has formulated a new internal system of *Tracking for Revision of Current Regulations, Standards and Guidelines* to track and regulate the management on current laws and regulations, and industrial standards in real time.

The Group has established quality management systems throughout the full life cycle of products at each of production base. We have also assigned personnel to put tight rein on material procurement, production, warehousing as well as product release, with the result of drug quality management disclosed by the Quality Management Department on a quarterly basis to maintain overall control on product quality risks. In 2023, all running workshops have passed Chinese GMP compliance inspection or complied with GMP requirements. Additionally, Simcere Pharmaceutical as well as Hainan Simcere have been certified with ISO 9001 Quality Management System, Simcere Biological Pharmaceutical has passed QP audit of European customers, Hainan Simcere has passed the EU GMP certification for many times, and passed the official drug audit in Uganda in 2023.

The Group carries out internal audit on production quality in accordance with the *SOP for Self-inspection* and the annual self-inspection plan developed. During the Reporting Period, we carried out 37 internal audits, including self-inspection and self-correction activities for drug GMP, control risk in production orders and EU Guideline-based quality management check. We have prepared corrective and preventive measures for the issues identified in self-inspection, with correction results tracked and confirmed. In addition, the Group has accepted GMP compliance inspection, checks at registered development site and production site, audit trail and special inspections from National Medical Products Administration (NMPA), as well as third party audit, with all of them qualified and passed.



Quality Monitoring

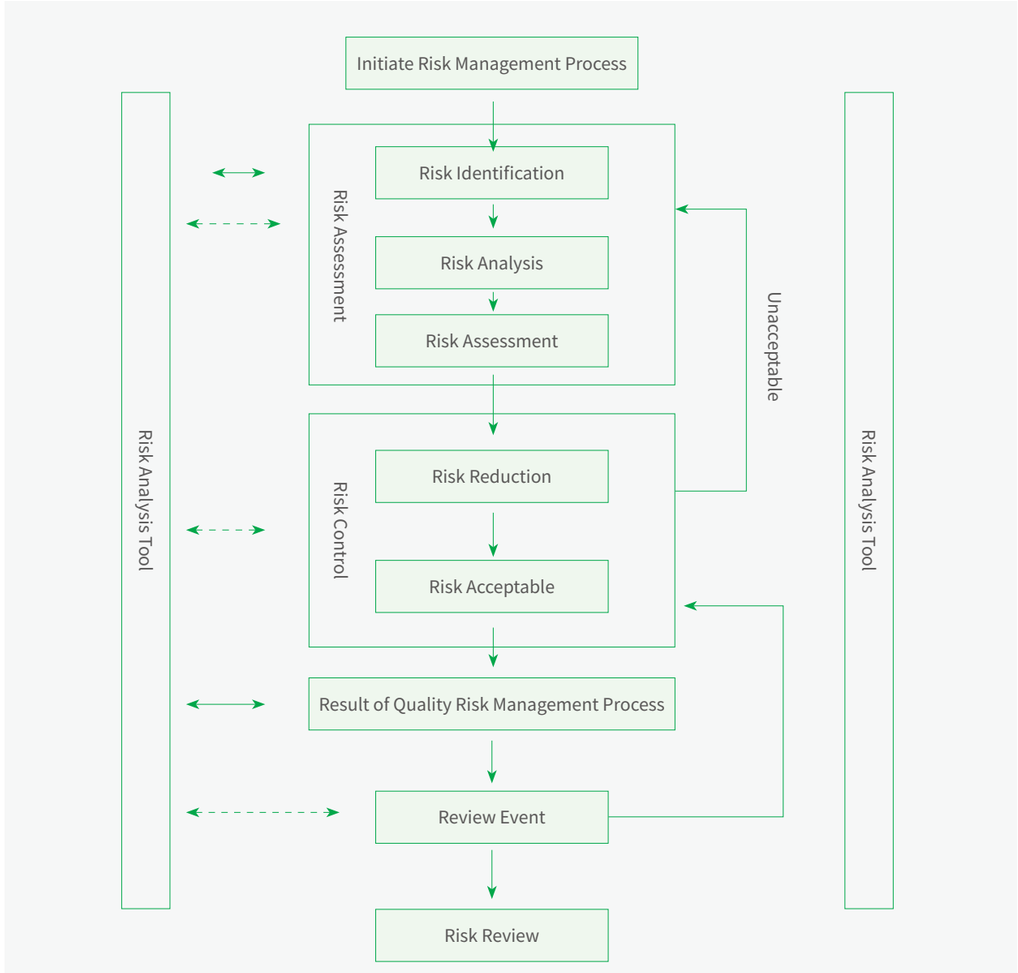
The Group attaches great importance to patient safety and has established quality risk control system, whole-process production quality management, pharmacovigilance system and post-marketing changes management system in accordance with laws and regulations such as the *Good Clinical Practice*, the *Good Manufacturing Practice*, the *Good Supply Practice for Drugs* and the *Good Pharmacovigilance Practice*, with a view to controlling, evaluating and monitoring the medical products in an all-round way, assuring product safety.

Quality Risk Management

In line with the *Quality Risk Management Procedure* established by the Group, we carry out quality risk management throughout full lift cycle of products. A risk assessment team is founded to carry out graded assessment on quality risks with risk analysis tools. We develop and implement risk management plans for products with potential and emerging risks, and carry out preventive tests on all products to ensure the safety and effectiveness of drugs in an all-round way.

Quality Risk Management Process of the Group

Main risks	Countermeasures
Drug R&D	• The Group has developed the *Quality Risk Management Procedure* to regulate the compliance of preclinical test work and assure the compliance, safety and controllability of quality at the R&D stage. • At clinical stage, we carry out forward-looking assessments on the risks based on the historical data with respect to similar indications and targets, develop plans through advance communication taking in account the testing process, with a view to maintaining strict control over quality.
Product Manufacturing	• The Group carries out assessment on product-related quality risks in the system and manufacturing process, including the conditions of plant, equipment, computerized system and automatic control system, as well as the usage of raw and auxiliary materials, solvent and labels, and the applicability of production procedure analysis method. In 2023, the Group updated risk assessment reports including that for manufacturing on the same product line, applied risk analysis tools to determine risk grades and adopted control measures to minimise relevant risks in an effective way.
Distribution and Transportation	• The Group has developed the *Post-marking Risks Management Plan of Medical Products* to proactively carry out post-marking research on the drugs. We carry out assessment on the products, consistently monitor risk grades and adopt control measures for risks identified for continuous follow-up. • At the transportation stage, we apply risk analysis tools to classify the potential risks identified. We provide early-warning on the expiration of the carrier's qualifications, and improve the shipping marks for LCL (Less than Container Load) by enabling them to be more eye-catching and easily identifiable with an aim to reduce risks in logistic shipping and reception mistakes of customers.
Pharmacovigi-lance (PV)	• All marketing authorization holders of the Group have founded the Drug Safety Committee to be responsible for judging major risks, responding to major or emergency drug events and risk control decisions. Safety signal management and risk management procedures include signal detection, verification, grading, evaluation and risk assessment. The signal detection strategies and relevant standards for all products are determined through real-time monitoring and routine trend analysis of safety-related information while considering product characteristics and registration type.



Drug Risk Management Process of the Group

Quality Safety Management

The Group has created full life-cycle quality and safety management system covering raw material procurement, drug R&D and manufacturing, distribution and transportation. We are consistently improving quality management and SOPs in strict accordance with relevant national laws and regulations. We carry out gap analysis through benchmarking, aiming to optimize and improve management weaknesses. The Group carries out internal tests and Adverse Drug Reaction (ADR) monitoring on product quality and safety, assuring product safety in an all-round way.

R&D Quality

In line with laws and regulations such as the *Good Clinical* Practice as well as forward-looking quality risk assessment, the Group has developed 81 SOPs and system documents, revised 101 SOPs and system documents in 2023, with a view to consistently improving quality management standards at the R&D stage. A self-inspection team was founded to carry out routine comprehensive inspection on test records, materials and reference products of each platform, promptly identify problems for follow-up and rectification. The quality management standard for laboratory was consistently improved, relevant metrological and calibration procedural documents were optimized, and instruments were measured on a regular basis, to ensure effective and compliant laboratory data. We have examined the test data and records to assure standardized test process as well as scientific, true and reliable data and results, and safeguard the interests and safety of subjects. In addition, we carried out routine compliance audit and qualification review on suppliers, with a purpose to consistently improve laboratory quality management.

Manufacturing Quality

The Group attaches great importance to manufacturing quality management and has developed systems and SOPs covering each module in line with laws and regulations such as the *Good Manufacturing Practice* and the *MAH (Marketing Authorization Holder) System*. The Group has initiated corresponding changes for management regulations through such quality management activities as deviations, changes and self-inspection OOS.

We have formulated *Quality Handbook* to ensure the production of safe and effective drugs with controllable quality. The employee performance is assessed based on *Quality Handbook*, with 100% coverage. We have set clear quality-related objectives in the *Quality Handbook*, namely, 100% ex-factory passing rate, 100% timely handling rate of deviation controls and 100% completion rate of verification plans. In 2023, all of our objectives were reached. Within the Reporting Period, we carried out internal audit and accepted external audits from regulatory authorities and third parties, all of which have passed. The Group regularly tests and updates technologies and equipment related to product quality safety, carries out batch testing of raw and auxiliary materials, packaging materials for all products delivered, intermediate products and final products, and inspects outsourced products for the compliance with drug registration requirements.

Ex-factory passing rate

100%

Timely handling rate of deviation controls

100%

Completion rate of verification plans

100%

Final Product Supply Quality

The Group controls final product supply in strict accordance with the *Good Supply Practice for Drugs*, reviews the applicability and effectiveness of all systems and procedures related to drug supplying quality, and updates the *Review Procedures for First Trading Enterprise and First-Purchased Drugs*, the *Drug Sales Procedure,* and the *Management Procedures for Good Manufacturing Archives*. We formulate quality report on a quarterly basis, including quality notice issued by drug regulatory authority, major events of the Group, drug varieties first supplied from other pharmaceutical enterprises and drug safety information, aiming to improve product quality.

As for the transportation stage of products, the Group formulates the *Carrier Management System* and signs warranty agreements with the carriers to ensure that they are qualified and capable for transportation. Products requiring special storage conditions are subject to refrigerated transportation with real-time automatic temperature monitoring. We carry out regular audits on the qualifications, transportation and storage capacity as well as quality assurance capability of carriers and ensure that 100% of them are audited triennially. As for those failed to pass the audit, the Group will propose correction comments and carry out audit more frequently, including annual audits). Within the Reporting Period, we have carried out four on-the-spot audits on carriers, visited their warehouses and issued audit reports.

Pharmacovigilance and ADR Monitoring of Marketed Drugs

The Group strictly abides by laws and regulations such as the *Provisions for Adverse Drug Reaction Reporting and Monitoring* and the *Good Pharmacovigilance Practice*, develops the *Post-marketing ICSR (Individual Case Safety Report) Procedure* and the *Pharmacovigilance Training Management*, establishing a full-life cycle pharmacovigilance management system covering drug R&D and marketing. All marketing authorization holders of the Group have founded the Drug Safety Committee to be responsible for judging major risks, responding to major or emergency drug events, risk control decisions as well as other major issues related to pharmacovigilance.

Pharmacovigilance refers to monitoring, identification, assessment and control of ADR as well as other medication-related adverse reactions. In 2023, we collected information with respect to suspected ADRs from various sources and developed an online PV mini-program to help employees report suspected ADRs in a more convenient way. Meanwhile, we are exploring to improve the quantity and proportion of independently collected reports to further assure drug safety.

▶ Reporting of XIANNUOXIN® by Patients

To facilitate enquiry on drug interactions and assure drug safety, the Group has developed WeChat mini-program— "XIANHUOXIN Drug Interaction". In 2023, we added the "ADR Report" function to the mini-program to strengthen monitoring on post-marketing safety information, providing effective support for prompt identification, assessment and control of drug safety risks. Medical professionals and patients are provided with easy access and enquiry on information related to drug interactions and report suspected ADRs by scanning the QR Code on the drug package. This function simplify reporting procedures, expands channels for us to collect information with respect to drug safety, and significantly increases proportion of reports independently collected by ourselves, helping us promptly identify drug safety risks and further assure drug safety.

XIANNUOXIN® Drug Interaction Enquiry ADR Reporting Function

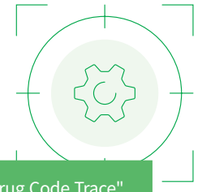
Upon detection of suspected ADR, we formulate pharmacovigilance plan and propose relevant recommendations on risk reduction through medical assessment on Individual Case Safety Report (ICSR), regular summarization and analysis of data as well as continuous testing and analysis of safety signal. Where risks related to drug safety are figured out, we will adopt control measures, provide additional safety information, carry out doctor-patient education, and ensure prompt and standardized pharmacovigilance activities. Furthermore, we have carried out multi-party internal audits to further strengthen the Group's pharmacovigilance management. Meanwhile, we accept special inspection or audit on pharmacovigilance from partners and regulatory authorities. Within the Reporting Period, many marketing authorization holders of the Group have accepted and passed special inspection on pharmacovigilance from competent regulatory authorities, with no serious or major defects found. Hainan Simcere was recognized by the National Center for Adverse Drug Reaction Monitoring (NCADRM) with a notification for its excellent performing in performing pharmacovigilance duties.

The Group proactively organizes pharmacovigilance-related staff training; Within the Reporting Period, we provided training on drug safety information reporting duties among all staff, with 97.4% coverage; we have also provided multiple training programs among full-time pharmacovigilance staff for in-depth study and discussion from all aspects, with 100% coverage. In addition, we rely on the Simcere Institute to conduct special courses, with a purpose to improve pharmacovigilance internally and raise the patients' awareness on drug safety.

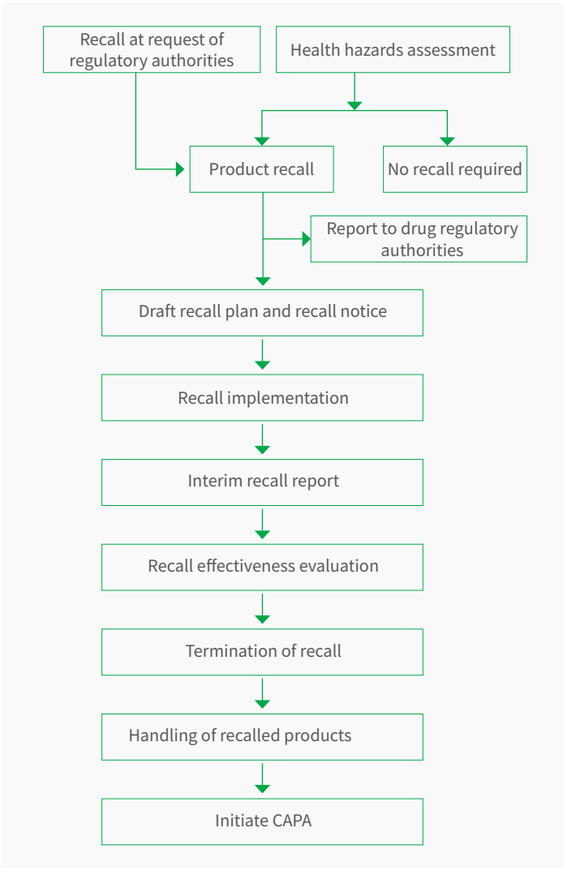
Product Recall

The Group strictly abides by the *Drug Administration Law of the People's Republic of China* and the *Provisions for Drug Recall*, and has developed the *Management Procedure for Drug Recall* and the *Handling Procedure for Drug Recall*, to define duties of relevant personnel and the recall procedure, and ensure that the drugs are traceable and recall events are handled in a timely manner. During the Reporting Period, the Group had no product recalls due to quality.

To ensure the effectiveness of product recall process and safety event emergency response procedure, the Group carries out regular drug recall drills. Within the Reporting Period, we carried out five drug recall drill, with a purpose to check the practicability of product recall handling procedure.



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



Product Recall Process

▶ XIANNUOXIN® Product Recall Drill

In July 2023, we carried out product recall drill of XIANNUOXIN®, aiming to verify the Company's emergency response capability as well as communication and coordination abilities in case of emergencies, and test the product traceability. During the recall process, the Group Recall Team members provided effective communication and prompt response, the product sales personnel were familiar with written documents and provided active cooperation, and issued recall notices for all product within scheduled timeframe to obtain inventory data.

This drill was carried out according to *Handling Procedure for Drug Recall* of the Group, which completed the recall of product batch and verified the effectiveness of product recall process of the Group. Relevant press release processes were added after summary for this event, which further improved handling procedures.

Quality Culture

The Group sets store by cultivation of quality culture by carrying out relevant training and diversified activities to consistently enhance the quality management awareness of staff and the quality management level of the company.

In 2023, the Group provided professional training to all employees engaged in drug production quality management, covering such aspects as drug management-related laws and regulations, GMP modules, manufacturing on the same product line, drug supplying and usage quality management; beyond that, the Group provided training to all employees on the interpretation of quality-related laws and regulations, relevant corporate systems and quality knowledge. We have organized nearly 1,000 training sessions of various categories throughout the year; in addition, the Group encourages employees to participate in various external training scheme. To be specific we follow the training plans of NMPA and assign employees for offline courses on a regular basis.

All-staff Quality Training Carried out by Hainan Simcere

To comprehensively strengthen the Group's quality management, we carry out the Quality Month campaign in forms of quality management knowledge competition, quality inspection ability completion to enhance the quality management awareness of all staff.

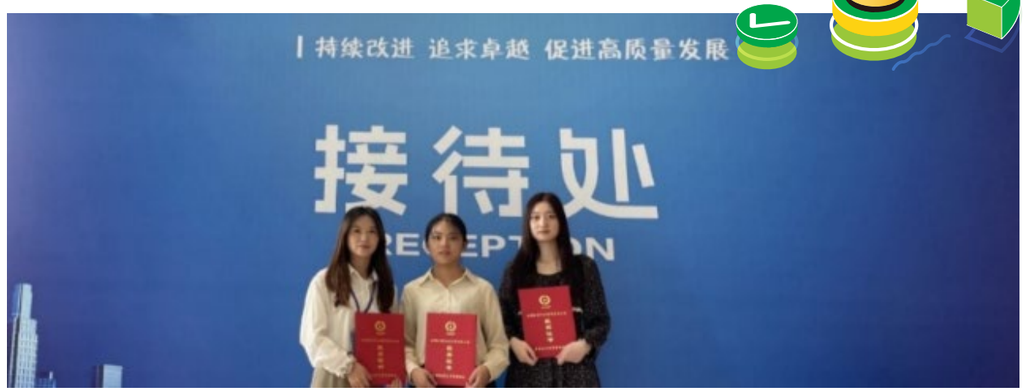
▶ Knowledge Competition on Drug Supply-related Laws and Regulations

In 2023, to strengthen the understanding of laws and regulations among employees of drug wholesale department, enhance quality management awareness among staff and improve quality management of the Group, we carried out knowledge competition on drug supply-related laws and regulations, relevant employees from multiple subsidiaries took part in the competition.

Knowledge Competition on Drug Supply-related Laws and Regulations

The Group's Quality-Related Highlight Awards in 2023

Simcere Pharmaceutical
First Prize and Best Presentation Award for National Pharmaceutical Industry QC Group
Reliable Quality Group of National Pharmaceutical Industry (Compliant QA Group)
The First Batch of GMP Demonstration Sites in Jiangsu Province
Excellent Award for Jiangsu Pharmaceutical Industry QC Group
Excellent Quality Management Unit in Nanjing Medical Industry
Excellent Promoter of Quality Management Group Activities in Nanjing Pharmaceutical Industry
First Prize of Reliable Quality Group (Compliant QA Group) in Nanjing
Excellent Award for Nanjing Pharmaceutical Industry QC Group
Excellent Organizer of Quality Management Knowledge Competition in Nanjing Pharmaceutical Industry
Excellent Enterprise in Quality Management Knowledge Competition in Nanjing Pharmaceutical Industry
Shandong Simcere
First Prize in the 2023 Yantai Pharmaceutical Vigilance Competition
Third Prize in the "High-Quality Shandong Pharm" GMP Competition in 2023
2023 Excellent Products in the "High-Quality Shandong Pharm"
Hainan Simcere
Third Prize in the 2023 Haikou City "Union Cup" High-Tech Zone Pharmaceutical Industry Labor Skills Competition (Visual Inspection Project)
Encouragement Prize in the 2023 Haikou City "Union Cup" High-Tech Zone Pharmaceutical Industry Labor Skills Competition (Safety Knowledge Competition)
Hainan Province GVP Training Base
Honored by the National Center for Adverse Drug Reaction (ADR) Monitoring in 2023
Governing Unit of the Quality Association of Hainan Province in 2023



First Prize and the Best Presentation Prize from National Pharmaceutical Industry of Quality Control (QC) Circle

Service Assurance

In line with the principle of "focusing on key innovative products and making professional promotion based on disease domain", the Group is committed to providing high-quality and effective products and services to patients. We consistently adhere to responsible product promotion and marketing, constantly improve customer service and provide professional services to customers.

Responsible Marketing

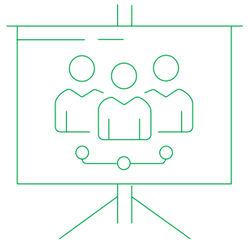
The Group abides by the *Drug Administration Law of the People's Republic of China*, the *Pharmacopoeia of the People's Republic of China*, the *Regulations for the Implementation of the Drug Administration Law of People's Republic of China*, the *Provisions for Drug Insert Sheets and Labels* and other relevant laws, regulations and industrial standards, formulates internal systems such as the *Management System of Sales Personnel and Sales Behavior*. Based on the principle of integrity and compliance, we pledge to standardize pharmaceutical marketing materials and guarantee the accuracy and completeness of pharmaceutical marketing materials and the objectivity, accuracy and completeness of marketing, advertisement and sales. As for exaggerated and excessive publicity, we carry out immediate investigation and verification, and adopt corresponding corrective and preventive measures or hold them accountable in accordance with laws. In 2023, the Group had no violations related to product labeling and marketing.

In order to ensure the stable development of a compliant marketing system, the Group formulates a complete set of employee compliance system based on the five aspects as "false expense", "false sales", "cash rebate", "employee engaging in part-time job" and "compliance training". Once the employees are in violation of relevant rules and regulations, the Group will deal with the violation accordingly based on seriousness, until the labor contract is terminated; in addition, the Group reserves rights to pursue financial compensation from the employees and hold them liable in accordance with laws. Meanwhile, the Compliance Team of the Group applies professional analysis tools and methods to carry out in-depth mining of compliance data and provide the management with analysis report on violations, risks and compliance conditions in marketing.

We provide marketing training to marketing staff in an all-round way in a bid to ensure the compliance and professionalism of marketing teams, covering such subjects as responsible marketing policy, market trend and screen recording operation guidelines for self-organized meetings, which effectively improves the professional quality of marketing staff. In 2023, the Group organized 418 training sessions on responsible marketing, with 24,138 trainees and a 100% coverage of employees from neuroscience division, Simcere Zaiming, autoimmunity and integrated division, strategic account department as well as product marketing-related personnel.

We have developed strict examination and supervision procedure based on the marketing plan and sales process and carried out management and assessment on the standardization of each sales personnel, project performance, outsourced marketing team and the suppliers by means of irregular internal audits, supplier audits, compliance audits of outsourced marketing team and annual audit by third party, with a purpose to ensure the success of responsible marketing.

To ensure that the patients take correct drugs in a reasonable way and improve doctor-patient communication efficiency, we have launched online consulting room and co-built AI marketing assistant through Internet cooperation platforms. Alongside that, as an active organizer of the participant in academic exchanges, seminars and educational conferences, we interact with industry experts, physicians and patients, sharing information such as efficacy, mechanism of action and clinical trial results of products, to help physicians determine the target population in a reasonable way, so that these products can benefit patients more precisely. In 2023, the Group organized and participated in 336 medical conferences and major events, covering the three major fields of anti-tumor, neuroscience and autoimmunity, with participants more than 5,494.



"XIANNUOXIN® Map" Program

Adhering to the core value of "patient-first", the Group actively promotes digital marketing strategy for XIANNUOXIN® to deeply link the product and patient. By expanding the marketing matrix and enhancing promotion efficiency, we have demonstrated the corporate value and product advantages in a more effectively way, achieving deep link and win-win development with the patients.

Drug Usage and Purchase Instructions

At the beginning since XIANNUOXIN® has come to the market, we provided healthcare professionals and patients with comprehensive drug information and convenient query tools to help them quick understand drug usage and potential side-effects. To address the actual purchasing needs of patients, we launched the mini-program of "XIANNUOXIN® Map" to facilitate them to locate the hospitals nearby promptly and conveniently.

Screenshots of Homepage

Customized Customer System

XIANNUOXIN® is equipped with professional pharmacist teams and customized customer service systems as well as comprehensive analysis tools to provide prompt answers to all questions covering usage, adverse reaction disposal, drug interaction and medication for special patients.

Customer Satisfaction Survey

The Group has conducted detailed customer surveys on the effect of XIAN NUOXIN® in actual use from the sources of clinics and online platforms. This survey covered patients who purchased and used XIANNUOXIN® in different periods, and 484 valid questionnaires were collected in total through pharmacist's professional outbound techniques, with 93% average satisfaction. We won customer trust and praise with ever-improving product quality and service level.

Special Customer Service Hotline Training for XIANNUOXIN®

To answer patient questions more professionally, we organized four special customer service hotline training sessions in 2023, covering special customer service hotline introduction, updates sharing, Q&A standards and discussion session, which significantly enhanced customer service and response effectiveness.

Customer Service

In line with the service concept of "patient first", the Group continues to improve the quality of customer service and drug use experiences. We ensure to present our customers top-notch services and protect their rights and interests by constantly upgrading customer complaint handling process and strengthening privacy protection.

Customer Communication

The Group consistently enhances customer service quality and formulates such internal procedural documents as the *Customer Service Hotline Handling Procedure*, the *Quality Complaint Handling Procedure*, the *User Complaint Handling Management Procedures*, and the *Procedures for Collecting the Reporting of Drug Safety Information*, to constantly improve customer communication mechanism and standardize the answering, registration, evaluation, investigation and handling of such complaint. We classify customer feedback on a regular basis and promptly inform each relevant department of the same, with a purpose to meet patient needs in R&D, procurement, production and sales links as much as possible.

The Group attaches great importance to the service awareness training and ability improvement among employees, and carried out such activities as service customization training and reading club, aiming at encouraging employees to actively apply the theories and skills learnt from courses and books. In 2023, Jiangsu Simcere provided special training on *Customer Service Handling Procedure* to employees so that they intensively understand theoretical knowledge of customer service, enhancing customer service quality and customer satisfaction. Beyond that, we organized reading sharing workshops with respect to books of customer complaint handling measures, with a purpose to further promote know-how and skills of marketing-related employees and improve the Group's overall customer service by means of experiences and views exchange.

We are equipped with a professional customer service team and a 24-hour complaint hotline is available for proper solution of patient complaints. All team members have accepted pharmaceutical training and familiar with the Group's products and services, which facilitates us to quickly and precisely identify customer and patient-related problems and propose satisfactory and effective solutions. In 2023, we received a total of 124 customer and patient complaints, with 100% response rate.

The Group attaches great importance to patient needs, communicates and interacts with them, listens to their requests and expectations, committed to incorporating their expectations into our products and services. In 2023, we set up a business communication group consisting of customer service personnel, product manager, medical manager and legal personnel to obtain an overall understanding on patient needs and difficulties through positive feedback of patient questions and complaints from the customer service personnel, ultimately providing strong support for product optimization, medical research and legal risk prevention.

Information and Privacy Protection

The Group attaches great importance to information and customer privacy security and, has formulated the *Group Confidentiality Management System* and other internal systems to define protection responsibilities and requirements as well as personal information protection measures, in accordance with the *Network Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China* and other regulations. Beyond that, a three-level management architecture for information security and privacy protection is established to assign specific information security and privacy protection works to each level and department. To strengthen the job responsibilities and assessment for Confidentiality Officer, the Joint Confidentiality Management Agency is responsible for evaluating its performance of duties on a quarterly basis, those qualified will be granted with bonus incentives, which is taken as important reference for their promotions and performance evaluations.

Management Architecture for Information Security and Privacy Protection

Confidentiality Management Committee	The Group's Chairman as the director, leads the Group's trade secret management, including system revision, trade secret grading, safety review and key confidentiality work plans.
Joint Confidentiality Management Agency	The Group's Legal Affairs and Compliance Department and the Process and Information Department jointly coordinate the Group's work on information security, conduct regular audit and analysis of information security and carry out information security training and promoting for all employees.
Confidentiality Officer	Confidentiality officer of the department is responsible for information security and confidentiality respectively, implements and maintains policies and procedures with respect to data protection.

In terms of information security management, we have established a three-level defense system consisting of network, core server and terminal to protect the company's network security and data assets in an all-round way. In 2023, the Group had no information security breach accident.

Three-level Information Security Defense System

Level-I: Network

The network is subject to analysis and early-warning through situational awareness system of information security to ensure information security

Level-II: Core Server

The server is accessed through bastion host to ensure information security of server.

The server is isolated from such terminal network as computer to avoid viruses in terminal from endangering server.

Level-III: Terminal

Terminal antivirus software is configured to protect the security of computer terminal.

To effectively protect customers' privacy, a Non-disclosure Agreement is reached between the Group and every employee; furthermore, security drills and information security training are provided to employees of various kinds who are required to pass examinations on information security. Aside from that, suppliers that may receive customers' privacy shall put in place well-established information security protection measures and qualifications, and sign confidentiality provisions that stipulate the requirements on customer privacy protection; they shall be obliged to perform duties of confidentiality and jointly assure customer privacy security with us. Within the Reporting Period, the Group organized 2 training sessions and examinations on information security among new employees, with 145 trainees and 100% passing rate. One online promotion of confidentiality measures was carried out, with 731 viewers completed examinations. In 2023, the Group had no information and privacy data leakage accident.

The Group further assure the effectiveness of information security and privacy protection work through information security audit. In 2023, the Group's Process and Information Department conducted monthly online information security audit among all employees of the Group based on data in terminal security management system, covering all employees in the R&D system, with a total workforce of 942 and a monthly audit of about 200,000 entries. To further examine information security and customer privacy protection awareness among employees, the Group reached deep into R&D office areas in Nanjing, Shanghai and Beijing, carried out detailed information security audit among 646 employees from 42 departments, and make prompt feedback and corrections for non-compliance.

As of the end of the Reporting Period,

the number of trainees among new employees is	the passing rate	the number of participators of online promotion is
145	100%	731

Welfare-Secured Talent Gathering

The Group values talent as important capital and is committed to unifying company development and employee value. We always care and protect the rights and interests of employees, constantly improve the employee welfare system, continuously broaden the channels for talent development, strengthen the investment in employees' health and safety, and strive to create a fair, open, collaborative, and dynamic working environment.

As of the end of the Reporting Period, the proportion of female employees

52.2 %

the proportion of female employees in middle and senior management

44.3 %

scholarship granted more than

RMB 260,000

average score of employee satisfaction survey

4.37

Human Capital

The Group attaches great importance to the development of talents and is devoted to creating a diversified, equal, and caring workplace for employees while protecting their basic rights and interests. We have competitive salaries and benefits, a perfect training system, and flexible and smooth communication channels, showing genuine care for all employees.

Diversity and Equality

The Group has formulated internal regulations such as the *Recruitment Management System*, the *Resignation Management System (for Trial Implementation)* and the *Employee Handbook (for Trial Implementation)* in strict accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other applicable laws and regulations to respect and protect the legitimate rights and interests of employees. We put an end to the employment of child labor and any form of forced labor. Neither child nor forced labor employment was found during the Reporting Period.

Taking diversity into consideration, the Group has stipulated in the *Employee Handbook (for Trial Implementation)* that the "Principle of Equal Employment" shall be followed by recruiting and admitting outstanding and suitable talents internally or externally based on the qualifications, experience and skills required for the position, and that it is prohibited to use discriminatory selection criteria unrelated to the job, including geographic location (nationality), race, ethnicity, religion, political party affiliation, custom, appearance, gender, age, disability, and marital status. The Group thinks highly of the potential of each employee in his post and provides equal development opportunities for all employees. In addition, we have set employee diversity goals and monitor its progress and achievement every year, to further maintain a diverse and equal working environment. In 2023, the group had 9 employees with disabilities.

Employee Diversity Targets and Progress

Targets	Completion of targets in 2023
The proportion of female employees is not less than 50%	The proportion of female employees 52.2%
The proportion of female employees in promoted personnel is not less than 50%	The proportion of female employees in promoted personnel 53.3%
The proportion of female employees in middle and senior management is not less than 35%	The proportion of female employees in middle and senior management 44.3%

By the end of the Reporting Period

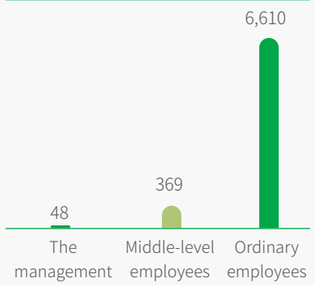
the Group has full-time employees **7,027**

including regular contract employees **6,999**

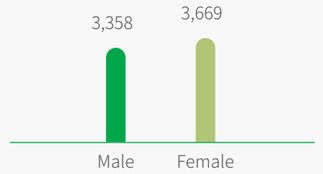
and retirees rehired **28**

Employee Composition of the Group in 2023

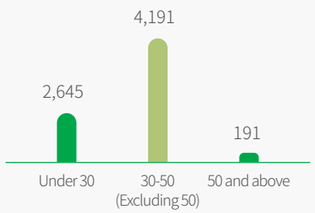
Number of employees by rank (Unit: person)



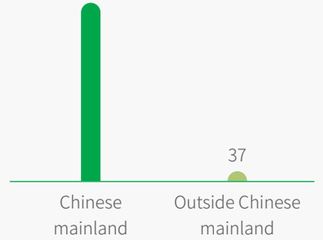
Number of employees by gender (Unit: person)



Number of employees by age (Unit: person)



Number of employees by region (Unit: person)

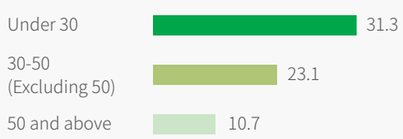


Employee Turnover Rate of the Group in 2023

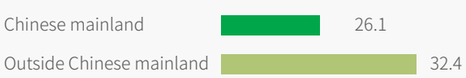
Total employee turnover rate **26.1%**

Employee turnover rate by gender (Unit: %)

Employee turnover rate by age (Unit: %)



Employee turnover rate by region (Unit: %)



Talent Attraction

The Group adheres to the principle of high-standard employment and continuously enriches talent pool. Our compensation policy is in alignment with the long-term business objectives. Guided by performance management, we provide our employees with competitive compensation packages and set up open and transparent promotion channels to effectively attract, retain and motivate outstanding talents.

Talent Recruitment

Strictly abiding by the *Employment Promotion Law of the People's Republic of China* and other applicable laws and regulations, focusing on the strategy of accelerating the transformation to innovation and R&D drive, and taking "We Need Someone Stronger than What We Are" as the slogan, the Group continuously discovers and selects outstanding talents. The Group conducts a talent review every year, predicts the recruitment demand, draws up a talent plan, and absorbs and reserves outstanding talents through campus recruitment, external talent introduction and internal promotion. Within the Reporting Period, the Group recruited a total of 1,756 employees, including 1,332 from social recruitment and 424 from campus recruitment; There were 780 employees promoted internally.

External recruitment	Campus recruitment	Organize offline presentations and Open Day activities to invite students for interactions and exchanges and provide them with opportunities to learn more about the Group and explore career development.
	Talent introduction	Accurately draw up a map of external talents and absorb outstanding management talents in the industry.
Internal mobility	Internal mobility	Attach great importance to the internal promotion of employees, give priority to internal mobility for vacant positions, and continuously transfer talents for the middle and senior management teams of the Group.

▶ The Group Held Offline Campus Recruitment Activities

In 2023, the Group visited 12 universities in five cities, including Beijing, Shanghai, Nanjing, Shenyang, and Shandong to launch offline recruitment presentations and Open Day activities, inviting students to communicate with employees and introducing the Group's development, compensation and benefits, posts, and other information. More than 1,000 students participated in the activities and the Group received nearly 7,000 resumes online and offline.

The Group's Open Day in Nanjing

The Group's Offline Recruitment Presentation in a University

Compensation and Performance

The Group offers competitive compensation to employees to fully mobilize their motivation for long-term corporate development. Employees' compensation package consists of basic pay, variable bonuses, medium- and long-term incentives and benefits, of which the basic pay is determined by reference to market conditions, cognitive qualification assessment, annual salary adjustment matrix and other factors, while variable bonuses comprise performance bonuses and project bonuses. To retain and incentivize core talents, we have formulated an equity incentive plan for all employees to attract managers at the grassroots level and above in all systems of the Group, key personnel in pharmaceutical systems, main personnel in R&D systems, and outstanding employees in front-line marketing positions. By the end of the Reporting Period, we had granted 60.836 million shares of restricted stock units to employees.

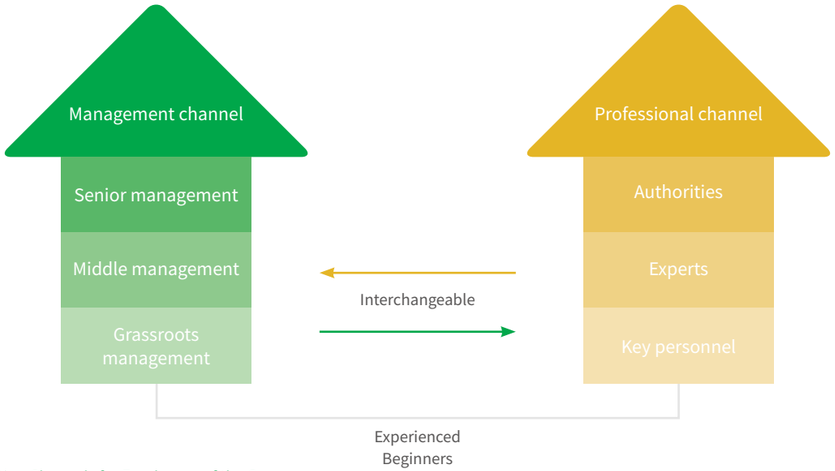
The Group has developed a comprehensive two-way performance evaluation mechanism for employees, revised the *Performance Management System*, and adopted different appraisal cycles, such as quarterly and annual cycles, to incentivize them based on different business system modes and in conjunction with their positions and grades. To reflect the comprehensive competence of employees objectively and fairly, we carry out performance evaluations from employees' self-evaluations and others' evaluations. For performance evaluation, the Group considers employees' work achievements and contributions to the Group, as well as indicators such as the realization of employees' goals, whether they continue to expand their horizons, and whether they understand the advanced trends and methods in the industry. During the appraisal period, an employee first conducts a comprehensive review and self-evaluation of his/her performance and assigns a self-evaluation rating. Each supervisor gives an initial evaluation recommendation based on the evaluation principles and in conjunction with the employee's achievement of goals, which is forwarded to management teams at all levels for review.

The Group attaches importance to the transparency and fairness of employee performance evaluation and requires managers to carry out continuous performance communication by means of the Conversation, Feedback, Recognition (CFR) mechanism with their subordinates every month, and fill in the reports quarterly. After the performance appraisal, the Group's superior supervisors will engage in one-to-one talks with employees about their performance and listen to their opinions, communicating with them about their growth goals and improvement plans to help them to be clearer about their growth plans. We guide employees with unsatisfied performance to discover their shortcomings, set improvement goals and fill out a *Commitment of Performance Counseling and Improvement Plan*.

The Group's CFR Communication on Performance with Employees

Employee Promotion

We value the creativity of our employees and their contributions to the Group and give weight to their promotion and upward mobility. We have formulated the *Headquarters Promotion Management Regulations*, the *Management Regulations for Promotion of Hospital-line Cadres in Marketing System* and the *Management Regulations for Promotion of Non-hospital-line Cadres in Marketing System* to clarify the internal promotion scheme of employees, standardize the promotion process and stimulate the vitality of organizations and talents. We have set an open and transparent promotion channel based on a comprehensive evaluation of employees' performance, ability, potential and values. The Group attaches great importance to talent echelon construction, fully mobilizes the strength of employees, and provides employees with rich opportunities for internal promotion and mobility. We have established a management trainee pool and give priority to selecting talents from the management trainees. We made a "Succession Plan" for talents, which focuses on retaining and developing key management or technical personnel to continuously transfer talents to middle and senior management teams through hierarchical management. The resignation rate of such talents is the performance appraisal indicator for the management. In 2023, the Group identified 1,958 employees with high potential and performance.



Promotion Channels for Employees of the Group

Promotion Examination for Employees of the Group

Aspect	Detail
Principles of value management	Examine whether employees practice the Group's core values and management principles
Competence and potential	Examine employees' competence, including knowledge, skills, and key behaviors, and evaluate whether they meet the requirements of positions; Examine employees' potential such as the possibility of continuous growth being competent for positions of higher levels and making greater contributions.
Performance	The performance responsibility results created, including short-term contributions to the company as well as medium- and long-term employee stabilization, are considered high performance.

Talent Cultivation

The Group attaches great importance to the training and development of employees and adheres to the principle of "let the best cultivate the better". We revised the *Internal and External Staff Training Management System*, the *Simcere Courses and Lecturer Management System* and other regulations, and formulated training plans based on employees' demands and the Group's development goals to cultivate versatile talents. We strive to provide all employees with opportunities to grow and develop their skills through customized training plans and programs online and offline based on their levels and responsibilities.

The Group's Training by Employee Type

Trainees	Training content
Managers	The Group focuses on the development and training of managers and organizes management optimization seminars to improve management and to develop the leadership skills of managers and backup management talents. The seminars help participants explore problem-solving directions and methods through intensive training, competitions, case extraction, and inviting external lecturers, and improve their competence and potential in solving problems and organizational skills.
New Hires	The Group believes that new blood will foster our development and emphasizes the training of fresh graduates and new employees. We carry out projects such as the cultivation of management trainees and the Dandelion Program to develop new hires' communication and problem-solving skills and efficient work habits through courses, competitions, and assessments, to help them integrate the Group quickly and complete the transformation from students to workers. In addition, the senior management is invited to share with the participants the contents about the investment and business cooperation trends, legal affairs, and compliance of the pharmaceutical industry to help them know and understand the industry better.
Interns	The Group pays attention to interns' working experience and formulates the *Daily Management System for Interns*. We provide interns with rich practical opportunities and professional training. We assign a mentor for each intern. It is expected to speed up interns' growth with mentors' close attention during the internship period and cultivate more outstanding backup talents for the Group.

▶ "Dandelion" Training Program

From July to August 2023, the Group held three sessions of the "Dandelion" Training Program, covering 249 fresh graduates on the functions of the pharmaceutical system, R&D system, marketing system and headquarters of the Group, helping new hires fit into corporate culture and values through four themes, including Corporate Day, Career Day, Industry Day and Professional Day, and understand more general situation of the Group and the industry through small-class teaching and Case, so as to speed up their transition from students to workers and enhance their sense of identity with the Group and the sense of belonging to it. Mentors are specially arranged for the Pharmaceutical Dandelion Program to help new hires familiarize themselves with the Company's environment, understand their positions, and establish relationships with mentors to lay the foundation for subsequent work.

The Group Implemented the "Dandelion Program" for Fresh Graduates

The Group Organized Management Improvement Seminars

The Group Organized Intensive Training for Management Trainees

The Group's Training by Functional Systems

Trainees	Training content
R&D system	• A series of training programs such as PMDP, Clinical Trial Project Management and New Drug Development Project Management Basic Practical Sessions were carried out offline. • "Research Wisdom Pool" and "Probe Forum Live Streaming" were held online, with a total of 33 live streams held by internal and external experts, with more than 4,700 participants. • By the end of the Reporting Period, Simcere E-Course, the online learning platform of Simcere Institute, has gathered more than 200 internal and external scientists and generated more than 300 courses in 27 specialized knowledge modules.
Pharmaceutical system	• The Group carries out the frontline supervisor training camp for the grassroots and on-site managers of the pharmaceutical system, which includes management role transformation, job training and mentoring, and team building of work groups, effectively improving the pharmaceutical system managers' knowledge and skills, and improving the management talent echelon of the pharmaceutical system. • The pharmaceutical system carries out middle-level management training courses for the heads of departments and second-line managers of pharmaceutical factories. Participants discussed target management, team management, and personnel motivation with the focus on the pharmaceutical system and subsidiary management objectives. • The pharmaceutical system carried out a series of training for all employees, including full-time and part-time employees, on the Company's corporate culture, products, GMP laws and regulations, the Pharmaceutical Affairs Act, pharmacovigilance-related knowledge, data integrity requirements, microbiology-related knowledge, and company-level EHS-related knowledge, to ensure that all position holders in the system mastered the necessary knowledge and skills.

The Group Conducted Probe Forum Live Streaming

The Group Organized a Series of Intensive Training Courses for Frontline Supervisors

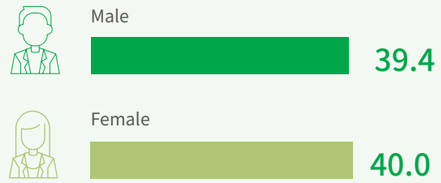
Marketing System	• The marketing system organized a series of courses on the "KnowChat Program", which is a digital sharing and communication platform established the earliest with the most views and trainees. By the end of the Reporting Period, the Program has been updated for 26 issues, focusing on the current business pain points, extracting the best outstanding experience, giving the most effective frontier solutions, and creating a performance benchmark for Simcere. • The Group has carried out several sessions of salesman induction training and pharmaceutical sales control training. Meanwhile, we have organized a series of marketing courses and a book club for regional managers to help employees of the marketing system improve their competence.
Headquarters functions	• The Group has launched a training program for new management of the headquarters functions, aiming to help new management complete their professional transformation within 90 days from joining the Company and accelerate their growth through various methods such as online e-courses, cultural mentoring, tripartite help from HRBP, lectures by executives, and reading activities. In 2023, the Group conducted three training sessions, with 56 trainees and totaling 52 hours. • The headquarters functions conduct training based on the characteristics and professional fields of each function, including departmental training, as well as empowerment training carried out in combination with the needs of front-line departments such as the Marketing Department and the R&D Department. For example, the Legal Department collaborates with the Process and Informatization Department, the Human Resources Department, and the Marketing System to implement training on relevant laws and regulations and risk prevention, and the Administrative Department organizes business etiquette training and so on.

The Group Organized the "KnowChat Program" for the Marketing System

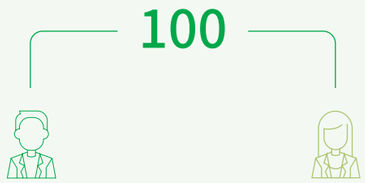
Professional Training of Group's Functional Departments

Employee training in 2023

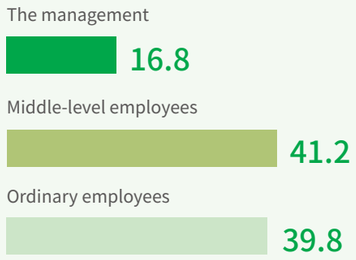
Average number of training hours of employees by gender（Unit: hours）



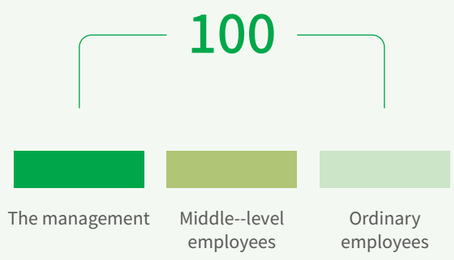
Percentage of employees trained by gender（Unit: %）



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



Percentage of employees trained by rank（Unit: %）



While providing a wide variety of internal training courses for our employees, we cooperate with educational institutions and universities to provide external training opportunities for them. We offer courses from external organizations through our online platform "Simcere E-Course", where all employees (including interns and non-regular employees) can obtain certification for courses offered by external organizations. By the end of the Reporting Period, a total of 1,814 courses are available on E-course platform, employees in the Group completed 29,828 times of self-learning sessions, with learning time of 557.84 hours. We also established a professional master's degree training base with China Pharmaceutical University, led by the Group's R&D Department for implementation. Four graduates with master's degree joined the Group for internship in 2023. We provided free dormitory and working meals as well as living subsidies for them.

To support employees in pursuing further studies and business, the Group has implemented the "Special Training Expenses" Scholarship Program, providing scholarships for employees who pursue doctoral and master's degrees, as well as obtain professional and technical certificates and state-certified practice certificates. The Group's subsidiaries granted scholarships to 352 winners, with a combined scholarship amount of more than RMB 260,000, covering a wide range of fields such as special operations, occupational pharmacists and occupational health management.

Employees completed self-learning sessions

29,828 times

Learning time

557.84 hours

Scholarship the Group granted more than

RMB**260,000**

Employee Care

The Group respects and listens to employees and strives to care about their lives. We have built flexible and easy communication channels and provide diversified benefits for our employees. We always strive to help them achieve work-life balance and carry out colorful employee activities to stimulate their enthusiasm and give them family warmth.

Employee Communication

The Group attaches importance to the protection of employees' rights and interests and listens to them. We build a diversified communication platform to encourage employees to communicate.

The Group's Employee Communication Channels

Complaint and Whistle-blowing

The Group has an exclusive complaint email address of the CEO and the compliance departments on the official website, as well as a dedicated complaint channel in the office management system. Employees can give feedback on any unfair event. All complaints and reports will be submitted directly to the Compliance Audit Department, the Human Resources Department, the Group Office and the Company's senior management. It is stipulated in the *Employee Handbook (for Trial Implementation)* that the reporting or whistleblower shall be strictly protected. A complaint or report in real name is required to be handled within one week with an investigation report issued within one month.

Communication

We regularly carry out activities such as "Zero Distance with Senior Management", the "Face to Face with Board Chairman" and the "Face to Face with Senior Management" to provide employees with a sincere, open and interactive platform, so that the management and departments can more truly understand the difficulties and puzzles of and reasonable suggestions from the front line. The management can give responds in time and enthusiastically helps employees solve problems to ensure fair settlement. Employees can express their insights into the organizational pain points and the support they need, and in turn, it promotes the senior management to deeply understand business systems.

Employee Satisfaction

The Group listens to what our employees want and conducts annual surveys on employee satisfaction and employee engagement through anonymous questionnaires. These surveys provide valuable reference data for the Group's comprehensive management.

Employee Hotline

The Group has set "Employee Hotlines", including the Service Hotline and the Enterprise WeChat Hotline. Employees' inquiries, complaints, requests for assistance, suggestions and reports can be reported via the Employee Hotlines, and the service personnel will track the whole process to ensure that the problems are handled by the relevant responsible person.

The *Employee Hotline Management Provisions* explicitly stipulate that all service personnel shall keep the reporting confidential without any disclosure. The adverse consequences caused by the disclosure of employee information shall be punished under the *Group Confidentiality Management System*. Within the Reporting Period, the employee satisfaction of the Employee Hotlines reached 90 points in the survey.

The Group's Organizational Employee Satisfaction Survey in 2023

In December 2023, the Group conducted an organizational Employee Satisfaction Survey, which was distributed in the form of a questionnaire focusing on "The Support I Can Receive", "My Contribution", "My Belonging", and "My Development". The survey delved into the feelings of employees and covered all contract employees and rehired retirees. The response rate for the questionnaire was 95.6%. The overall average score of the survey was 4.37 out of 5, indicating a high satisfaction among employees in terms of the support they receive and their development opportunities. Following the survey, the Group held a feedback meeting and workshop to develop improvement plans and implement solutions, gradually enhancing employee satisfaction and their sense of belonging.

Poster of Group's Organizational Employee Satisfaction Survey

With "perceived fairness" as its cultural goal, the Group is committed to creating an open, fair, collaborative, dynamic and creative team atmosphere. We regularly carry out the "Fact to Face with Senior Management" activity, during which employees can put forward their suggestions and ideas. In addition, we optimize the system and evaluation mechanism in many aspects, pay attention to details from the perspective of employees, and carry out a series of training on "perceived fairness". The Group plans to set up a special committee and group to decide matters concerning employees' vital interests and establish a complaint and rectification mechanism to make employees feel fairness and respect.

Employees' Benefits

The Group formulates the *Welfare Management System*, the *Social Insurance and Provident Fund Management System* and other documents to provide employees with diversified benefits and enhance their happiness. In addition to the prescribed statutory benefits, we pay attention to the physical and mental health of employees and their families, provide a variety of caring benefits for all employees, and actively plan employee activities to enhance team cohesiveness.

Within the Reporting Period, the Group's benefits for all employees include but are not limited to:

- ◎ Implementing a flexible working system and providing shared workspace for activities
- ◎ Organizing Health checkups to help employees understand their health conditions
- ◎ Purchasing traffic accident insurance and accidental medical insurance
- ◎ Formulating psychological care and assistance programs for employees and setting mental health counseling rooms for employees
- ◎ Regularly distributing daily medicines to all employees and health care medicines to female employees
- ◎ Paying high-temperature allowance
- ◎ Reimbursing childcare expenses and children's medical expenses in proportion
- ◎ Issuing holiday and birthday benefits
- ◎ Providing express delivery service and adding five take-out cabinets
- ◎ Building sports parks and gyms, and setting football fields, basketball courts, tennis courts, climbing walls and table tennis halls to enrich the cultural and sports life of employees

Simcere Cared About Employees' Dining Needs

To better care for employees, improve their dining satisfaction, and build an effective communication platform for employees to collect their suggestions and opinions on meal issues, we have set up an Employee Meal Committee and formulated the *Meal Committee Duties and Management Regulations*. The Employee Meal Committee regularly inspects the restaurant, reviews new menus, and surveys employee satisfaction. In 2023, based on employee satisfaction, as well as the food safety, food price and varieties of dishes that customers are most concerned about.The Committee continued to improve the food quality, introduced an intelligent weighing system, inspected environmental sanitation, increased the variety of dishes, and launched themed food festivals every quarter to improve employee satisfaction while ensuring dining safety.

The Meal Committee Inspected the Restaurant

The Group actively organizes staff activities and carries out a variety of thematic activities according to the characteristics of the monthly festivals. In addition, we organize fishing competitions and basketball competitions to meet the diverse needs of employees.

The Lantern Festival of the Year of the Rabbit

Thank You for Being Here - The Second Simcere Food Festival

"Fishing with You - Join Hands for the Future" Staff Fishing Competition

"I've Been Waiting for You" Chinese Valentine's Day Activity

Football Match Between Employees

Welcome Christmas and the New Year

Safety Management

Ensuring the safety and health of employees is the top priority of the Group's daily production management. We strive to create a safe and healthy working environment for every employee. The Group strictly follows the *Work Safety Law of the People's Republic of China* and other relevant laws and regulations, attaches importance to work safety and employees' occupational health, and has formulated regulations including the *Assessment System for Safe Production Accountability*, the *Management System of Safe Production Targets*, the *Contractor Safety Management System* and the *Occupational Health Management System* to continuously improve EHS management and awareness of employees.

Production Safety

The Group always puts the safety and health of our employees first. Acting in line with the "hierarchical management" principle, we set up the EHS Management Committee at the Group level and established a safety management system from the higher levels to the grassroots. The EHS Management Committee formulates and manages EHS objectives, linking the performance related to work safety with the compensation of management personnel at all levels, including the main-duty holders, leaders in charge, department heads and workshop directors. By signing the Safety Responsibility Letter, we assess all subsidiaries' achievement of safety production objectives. Within the Reporting Period, we have effectively achieved all the major safety goals.

The EHS Safety Responsibility Letter specifies in detail the key and general indicators of production safety and occupational health and explains the duty holders' responsibilities thoroughly. The Safety Committee rewards or punishes the responsible persons based on their performance of the Safety Responsibility Letter, constantly improves the responsibility system, and strengthens safety management.

The Group's Main Work Safety Objectives in 2023

Fatalities or major injuries
0

Fire or explosion accidents
0

Emergency poisoning accidents
0

Administrative penalties related to work safety
0

Within the Reporting Period,
the Group's pharmaceutical subsidiaries have passed occupational health and safety-related certifications, details of which are set out below:

Safety Production Standardization Level 3 Enterprise

Simcere Pharmaceutical
Jiangsu Simcere

ISO 45001 Occupational Health and Safety Management System

Simcere Pharmaceutical
Hainan Simcere

To effectively identify safety risks, the Group carries out safety risk identification and assessment, implements control measures for the identified risks, sets up risk-informed cards at risk points, and normalizes and institutionalizes safety inspections. The Group continuously optimizes the emergency plan management system, makes plans for safety drills and implements such plans. Within the Reporting Period, the Group and its subsidiaries carried out 20 special safe production drills, including on-site disposal exercises for ethanol leakage in the extraction workshop, special plans for personnel poisoning and suffocation caused by reactor cleaning, and emergency exercises for laboratory chemical leakage accidents, to standardize the procedures of each department in handling emergency incidents and enhance employees' awareness of safety precautions.

▶ On-site Disposal Exercise for Ethanol Leakage in Simcere's Extraction Workshop

To test the feasibility of the Group's *Emergency Plan for Safe Production Accidents* and improve employees' emergency ability to handle safe production accidents, Simcere Dongyuan organized on-site emergency exercises. Given the ethanol leakage in the extraction workshop and the fire caused during the collection of ethanol with iron tools, on-site personnel organized exercises in all aspects, such as leakage point plugging, emergency repair notification, firefighting and post-disaster hazardous waste treatment, and evaluated the suitability of the plan, the availability of personnel and materials, the coordination and organization results, and the practice effect, so as to improve employees' awareness of safe production and strengthen the organization's safe management ability.

Safety Exercisers Simulated the Rescue Scene

The Group reduces safety risks, such as risk identification and safety drills, to protect employees' health and safety. Within the Reporting Period, the number of working days lost due to industrial injury in the Group was 56.2 days, and no work-related deaths occurred.

Within the Reporting Period, the number of working days lost due to industrial injury in the Group was

56.2 days

The Group's work-related fatalities in the past three years

Indicators	Unit	2023	2022	2021
Work-related fatalities	Person	0	0	0

The Group gives weight to the establishment and promotion of employees' safety awareness and formulates safe production-related training plans every year to carry out safety training for employees of different types and levels. Within the Reporting Period, we conducted more than 60 training sessions for safety leaders, safety managers and all position holders through internal announcements, discussions, on-site operations, and examinations.

The number of training sessions for safety leaders is more than

60

The Group's Safety Training on Special Equipment

The Group's Safety Training on Laboratory Operation

Safety Training for All Employees before work starts

The Group's Safety Training on Hazardous Chemicals

Occupational Health

The Group makes employees' safety and health the top priority of development and strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Regulations on Labor Protection in Workplaces Where Toxic Substances Are Used* and other applicable laws and regulations. In conjunction with our situation, we have newly formulated a *Work Plan and Implementation Program for the Prevention and Control of Occupational Diseases*, as well as 12 occupational health-related management regulations, to improve the management system of occupational health, and to do our utmost to safeguard employees' health and safety. In 2023, Simcere Pharmaceutical, Simcere Biological Pharmaceutical and Jiangsu Simcere were awarded the title of "Healthy Enterprise" at the municipal level.

To better promote its construction as a healthy enterprise, the Group adhered to the policy of "putting prevention first and combining prevention and treatment", set up a leading group for the construction, and formulated occupational health-related objectives for employees, so as to effectively implement occupational safety and other important work. By the end of the Reporting Period, all targets had been met.

The Group's Main Professional Health Objectives in 2023

Occupational diseases rate	Detection of occupational disease risk factors rate	Occupational health guardianship for employees rate	Good use of protection facilities rate
0%	100%	100%	100%

The Group conducts regular safety inspections of the plants to discover hidden safety risks. We commission a third party to evaluate the status of occupational hazards and issue the *Evaluation Report on the Current Status of Occupational Disease Hazards*. The Group installs safe production equipment such as automatic instruments, alarms, and leakage-proof process systems, and regularly inspects and maintains the production equipment. In addition, we equip all relevant employees with protective overalls, helmets, gas masks, dust masks and other emergency supplies and labor protection items to provide a safe working environment.

Concerned about the health of employees, the Group revised the *Occupational Health Management System for Employees*, refining the physical examination cycle into pre-post, in-post, and off-post physical examinations, listing the specific physical examination requirements, adding the physical examination requirements for position holders under occupational hazards, and sorting out the process of examination, notification, and exception handling. We organize annual physical examinations for employees and implement "one file for one employee" under the *Regulations on Occupational Health Supervision and File Management of Workers* to regularly evaluate the individual and overall occupational health status of employees and provide comprehensive health protection for employees. Within the Reporting Period, we arranged occupational health examinations for employees exposed to occupational hazards and issued analysis reports for them, without any suspected occupational diseases or occupational ill employees found.

05 Future-Concerned Low-Carbon Operation

The Group always upholds the concept of green development and actively contributes to the national "carbon peak and carbon neutrality" goal. We continuously improve our environmental management capability and resource use efficiency, practice low-carbon operation in environmental management, pollution control, green operation and response to climate change, and coordinates the Group's development and environmental protection to contribute to developing a green future.

As of the end of the Reporting Period, ISO 14001 certification coverage of the Group's factories reached

100%

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

31.31%

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

17.87%

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

23.46%

Environmental Management

In accordance with the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China* and other applicable laws and regulations, we have continuously perfected our internal management systems such as the *Environmental Protection Management System* and the *EHS Management.* We take the construction of an environmental management system as an approach to continuously improve environmental management during production and operation. No major environmental pollution incident occurred throughout the year 2023.

Environmental Management System

The Group insists on implementing the main responsibility for environmental protection and clarifying employees' environmental protection responsibilities. Our EHS Management Committee makes overall planning of environmental management and formulates medium- and long-term EHS management objectives. The Committee has an EHS Office that consists of headquarters functions, the R&D system, and pharmaceutical system and that is responsible for guiding and supervising subsidiaries' implementation of environmental management actions. Each subsidiary has also set up an EHS Management Committee to formulate EHS work plans suitable for the Company's business and achieve the annual EHS management objectives.

We have formulated the *EHS Management* to standardize and unify the EHS management mechanism at the Group level. Additionally, we link environmental protection-related indicators to the annual performance appraisal of our senior management, assigning responsibility to each individual and strictly following the rules for reward and punishment, so as to implement the EHS management effectively in each subsidiary.

Indicators for environmental assessment of senior management in 2023:

Zero environmental pollution accident

100% law-compliant pollution discharge and solid waste disposal

In strict accordance with environmental management systems and policies, the Group actively carries out environmental impact assessment before the construction of projects and environmental data monitoring during operation, conducts regular internal EHS inspections in the Group and the subsidiaries, and strives to integrate environmental management into the whole process of production and operation. Within the Reporting Period, the Group regularly carried out external environmental audits, and all factories were certified with ISO 14001 Environmental Management System.

Environmental Targets

Striving to put the concept of sustainable development into operation, we have developed the five-year environmental protection goals (2020-2025) based on the environmental management system. We will make efforts to continuously intensify environmental management, enhance the efficiency of resource utilization, and scientifically reduce the environmental impact of the Group's operation.

Greenhouse gas emissions

Specific targets

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

Progress and performance in 2023

- Keep promoting a low-carbon development philosophy and reduce greenhouse gas emissions per RMB 10,000 of revenue by 31.31% in 2023, compared with 2020.

Pollutants discharge

Specific targets

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

Progress and performance in 2023

- Keep taking measures to reduce pollutants, and lower solid waste discharge per RMB 10,000 revenue in 2023 by 0.42%, compared with 2020.

Reducing the use of resources

Specific targets

Water

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

Energy

- Comparing with 2020, lower purchased electricity consumption per RMB 10,000 of revenue by no less than 10% by 2025;
- Phase out energy-intensive equipment, encourage energy-saving technical improvements, and improve the efficiency of energy use;
- Further increase the proportion of clean energy and reduce the use of purchased electricity and fossil fuels.

Resources

- Reduce the use of resources and raise the recycling rate to reduce environmental impact by means such as:
- Increasing the recycling rate of packaging materials;
- Cutting the use of disposable packaging materials;
- Reducing domestic and office wastes.

Progress and performance in 2023

- Keep carrying out water-saving activities, and lower water consumption per RMB 10,000 revenue by 17.87% in 2023, compared with 2020.
- Lower purchased electricity consumption per RMB 10,000 revenue by 23.46% in 2023, compared with 2020. The installed capacity of renewable energy generation continues to increase.
- Keep carrying out activities related to resource use reduction, recycling, and disposal.

Green Operation

In unremitting pursuit of green operation, the Group strictly implements resources use and discharge standards, makes explorations in improving the efficiency of resource use and upgrade the technologies of energy salving and emission reduction. The Group also organizes environmental protection training and exercise with rich topics, advocates green office in an all-round way, and strives to build a resource-saving and environment-friendly enterprise.

Emissions Management

We are committed to curtailing emissions at the source and strictly follow the laws and regulations, including the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes*. We revised our internal systems, such as the *Management System for Hazardous Wastes* and continued to optimize the process of treating emissions such as waste gas, wastewater and waste, to reduce environmental pollution caused by our operations.

Waste Gas Management

The Group's exhaust gas mainly includes sulfur dioxide (SO_2), nitrogen oxides (NOx), soot and volatile organic compounds (VOCs) generated in production. We have taken specific measures to effectively reduce the discharge of gas pollutants, such as comprehensive treatment of VOCs through organic gas adsorption, UV photooxidation and other methods. The Group's waste gas emissions in 2023 is shown as follows:

The Group's Waste Gas Emissions

Indicators	Unit	2023	2022	2021
Total exhaust emissions	m^3	740,549,458.29	566,027,454.98	381,165,626.37
Exhaust emissions intensity	m^3/RMB10,000 revenue	1,120.69	895.74	762.37
SO_2 emissions	Tonnes	0.06	0.06	0.12
NO_x emissions	Tonnes	2.30	2.66	3.30
Soot emissions	Tonnes	0.06	0.08	0.13
VOCs emissions	Tonnes	71.08	58.57	47.44

Wastewater Management

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

The Group's Wastewater Discharge

Indicators	Unit	2023	2022	2021
Total wastewater discharge	Tonnes	436,299.00	418,149.48	339,977.60
Wastewater discharge intensity	Tonnes/RMB10,000 revenue	0.66	0.66	0.68
COD emissions	Tonnes	20.43	14.60	12.48
Suspended solids (SS) emissions	Tonnes	8.04	6.66	6.02
Ammonia nitrogen emissions	Tonnes	1.81	0.87	1.19

Waste Management

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

The Group's hazardous wastes mainly include medical waste, chemical solvents, and waste medicines generated in R&D, production and quality inspection. We strictly adhere to the requirements in the collection, storage, and transfer of hazardous wastes, and sign contracts with third parties qualified for hazardous waste treatment to properly dispose of hazardous wastes. The Group's general solid waste mainly includes office wastes, domestic wastes and general industrial solid wastes in production and operation. We reuse the recyclable general solid wastes and then engage qualified disposal entities to treat the remaining general solid wastes. Office wastes and domestic wastes are subject to regular centralized treatment by the municipal sanitation department.

The Group's Waste Generation

Indicators	Unit	2023	2022	2021
Total amount of general solid waste generated	Tonnes	2,152.18	1,574.04	1,146.36
Total amount of general solid waste density generated per unit of revenue	kg/RMB10,000 revenue	3.26	2.49	2.29
Total amount of hazardous waste generated	Tonnes	1,896.69	1,826.24	1,658.44
Total amount of hazardous waste density generated per unit of revenue	kg/RMB10,000 revenue	2.87	2.89	3.32

To further enhance the standardization of hazardous waste management, the Group has continuously improved the *Management System for Hazardous Wastes* and the EHS Office has carried out internal hazardous waste management compliance audits in combination with on-site inspections. Within the Reporting Period, all subsidiaries and factories formulated the *Plans for Hazardous Waste Management* to effectively improve the monitoring and management of hazardous wastes.

We have realized that noise pollution adversely affects daily life, production and the surrounding environment and have paid high attention to the management of noise pollution. The Group's noise pollution mainly comes from noise generated during the operation of the equipment in production workshops. We reduce the noise by installing sound-proof panels and barriers around the noise sources as well as other physical techniques. In addition, we regularly monitor noise outside factories to minimize our impact on surrounding communities.

Use of Resources

We attach great importance to the conservation and comprehensive utilization of water resources and strictly abide by the *Water Law of the People's Republic of China* and other applicable laws and regulations. We have formulated internal management systems such as the *Environmental Protection Management System* and the *EHS Management* to use water in production and operation, upgrade production equipment to reduce water consumption and improve water resource recycling to increase water use efficiency. The water supply of the Group is mainly from municipal water supply and rainwater reuse. Therefore, we do not involve water source-related issues.

The Group's Water Consumption

Indicators	Unit	2023	2022	2021
Total water consumption	Tonnes	1,178,901.14	1,109,243.84	785,178.50
Water consumption intensity	Tonnes/RMB10,000 revenue	1.78	1.76	1.57

The Group's demand for packaging materials is in R&D, filling, and packaging of drug formulations. In 2023, the Group's packaging totaled 4,268.29 tonnes, with 6.46 kilograms packaging per RMB 10,000 of revenue.

▶ Continuously Optimizing Product Packaging and Improving Resource Utilization Efficiency

In 2023, the Group actively optimized the size of inner packaging materials and outer packages, such as reducing the width of Montmorillonite Powder medicinal composite film edges. As a result, the loss per batch of products decreased by 9 kg and the cost was lowered by RMB300, with an annual cost reduction of approximately RMB120,000; and adjusted the size of hand-carrying bags of Qixuekang Oral Liquid (30ml) to save the area of paper, thus achieving an annual cost reduction of RMB 300,000. Meanwhile, we have gradually carried out relevant technical transformations on many projects such as Mycophenolate Mofetil Tablets to further reduce material loss.

Environmental Protection Training

The Group places high emphasis on developing a green operation culture, regularly carries out environmental protection training and drills to raise employees' awareness of environmental protection, strengthen their abilities to respond to environmental accidents, thus creating a green work environment. In 2023, the Group formulated an annual EHS training program for all employees in light of the actual situation, carried out training on environmental protection matters in an orderly manner, and assessed the training results. Meanwhile, we regularly held various emergency response drills, evaluated the effectiveness of the drills, continuously improved work processes, and increase the efficiency of environmental management.

Jiangsu Simcere and Xuanwu District Ecological Environment Bureau Jointly Held an Emergency Response Drill for Sudden Environmental Incidents

Hazardous Chemicals Training in Jiangsu Simcere Laboratory

Emergency Response Drills for Hazardous Waste Leakage at Hainan Simcere

Education on Environmental Safety Warnings for Hazardous Wastes at Shandong Simcere

Green Office

We integrate the "green, low-carbon and environmentally friendly" life concept into all aspects of office operations, and actively advocate employees to establish an awareness of energy saving and emission reduction to practice green office practices. Within the Reporting Period, the Group revised the *Workspace Management System* and issued the *Notice on Strengthening the Management of Green Office, Energy Saving and Consumption Reduction*, clarifying the management rules of workspace on energy conversation and consumption reduction, to jointly build a low-carbon and energy-saving green office ecology.

Specific Measures of Green Office:

Aspects	Specific measures
Energy saving	Use the display screens on each floor of the office building to launch the "Energy Saving and Green Office Management Initiative" to enhance employees' awareness of green office;
	Conduct pilot project of flexible transformation of air conditioners to achieve energy saving through temperature control, with an estimation of electricity consumption reduction in summer by 6,000 kWh during the Reporting Period;
	Implement the power saving control mechanism of the laboratory, standardize the switching time, temperature range and air volume of the air conditioning and automatic control system, with an estimation of RMB 800,000 saved on electricity bills during the Reporting Period.
Resource saving	It is estimated to generate 1,421 kWh of electricity by using the wind power plants pf the Group during the Reporting Period;
	Install 12 solar streetlights, generating 7,884 kWh of electricity during the Reporting Period;
	Install 204 new charging piles in the park, totaling 214.

▶ The Group Carried Out Water Treatment in Tongxin Lake

While advocating green office actions, the Group pays close attention to the ecological protection of the workspace. To control the water bloom of Tongxin Lake in the Group's headquarters park, improve the water quality of Tongxin Lake and protect the surrounding ecological environment, the EHS Office of the Group takes ecological filtration as the main method, supplemented by simple physical treatment, and completes the water treatment of Tongxin Lake by adding screws and fish and planting plants, and draws water from the lake for peripheral irrigation. A good ecology in the lake area has been gradually formed to beautify and green the office environment of the employees.

Tongxin Lake Water Treatment

Tongxin Lake After Water Treatment

Climate Change

Climate change has evolved into a major global challenge, which not only has a significant impact on the environment, but also profoundly affects economic and social development. The Group is aware of the urgency and importance of climate change, and actively identifies, evaluates and monitors the risks and opportunities arising from climate change. We constantly optimize our energy management strategies and take practical actions to reduce global greenhouse gas emissions, so as to effectively cope with various crises and challenges caused by climate change.

Governance

The Group attaches great importance to climate change. The Board is ultimately responsible for developing climate change-related matters and authorizes the Strategy Committee to coordinate, manage and regularly review the implementation, including but not limited to climate risk identification and energy use management. The Strategy Committee regularly reports ESG-related issues, including climate-related issues, to the Board. The ESG Working Group coordinates the implementation of climate change risk identification and other work and organizes and prepares the Group's information disclosure related to climate change.

Strategy

The Group constantly adjusts its operation strategies and optimizes the allocation of resources by analyzing climate-related risks and opportunities to prepare for the risks that may be caused by climate change. Meanwhile, we seize the opportunities brought about by climate change, so as to practically contribute to the global climate change initiatives.

Risk Management

The Group is highly concerned about its actual and potential impact on business operations and has integrated climate change risk management into its risk management system. We have made the identification, assessment and management of climate change risks a top priority to ensure that the Group remains stable and forward-looking in the face of this global challenge. We have conducted comprehensive reviews on climate change risks, combining cutting-edge scientific research and industry dynamics to thoroughly analyze the impact of climate change on all aspects of business operations, and have taken a series of targeted measures to address these risks.

List of Climate Change Risks of the Group

Risk type		Risk name	Risk description	Our response
Transition risk	Policy risk	Tightened climate change policies	The central government has issued implementation actions for achieving the "Dual-carbon" targets. Government authorities such as the Ministry of Ecology and Environment has raised requirements for GHG emissions of enterprises and it is expected such requirements will be further tightened in the future, increasing the cost of enterprises in law-compliant operation.	Require EHS teams to follow the changes in relevant laws and regulations and prepare sound work plans. Set targets for carbon emissions and identify major sources of current emissions. Consume energy more efficiently through energy-saving technologies and projects. Require subsidiaries to improve chemical technologies in ways that raise resource efficiency.
Transition risk	Market risk	Changes in market demand	Customers changed their preference to ask for more environmentally friendly and low-carbon products.	Promote the use of low-carbon fuels and renewable energy. Promote employees' awareness of resource conservation.
Transition risk	Reputation risk	Stakeholders' concerns	Stakeholders demand higher response requirement in terms of climate issues. Failing to respond to such demand effectively may affects the reputation of the Group.	Make proper plans that shorten transportation routes and increase vehicle loading rates. Disclose data on the Group's greenhouse gas emissions and efforts in low-carbon operations in the ESG report to safeguard corporate image.
Physical risk	Acute risk	Extreme weather	More frequent, intense extreme weather events such as typhoons, rainstorms, floods, and droughts may cause damage to the Group's operating assets and equipment and threaten employees' life and health.	The EHS department establishes emergency response teams that monitor meteorological conditions, release early warnings, and formulate emergency response plans to prevent damage. Consult professional third parties on extreme weather issues in the early stages of new projects, and entrust them to provide response plans, risk assessments and feasibility reports. Continue to examine suppliers' emergency response capability, and improve the resilience of supply chains.
Physical risk	Chronic risk	The continued rise in average temperatures	Long high-temperature periods in summer lead to increased energy consumption, lower operation efficiency, abnormal power supply, fire accidents, etc.	Guide EHS teams of all subsidiaries to strengthen inspection of the plants and ensure safe operation by installing reliable facilities.
Physical risk	Chronic risk	Water shortage	Climate change will affect the distribution of precipitation, and water resources will become increasingly strained with the uneven distribution.[1] Water is need in the production of the Group, and it may face increased operating costs due to the price increase of tap water against the background of water shortage.	Increase water use efficiency and carry out water-saving activities Require subsidiaries to promote the concept of saving water, so as to increase the awareness in the Group.

Climate Change Opportunities of the Group

Aspects	Name	Description of opportunities
Demand	Public health demand	Scientific research has proved that air pollution caused by climate change and greenhouse gas emissions will aggravate the symptoms of many chronic diseases, directly threaten public health, and lead to increased demands in protecting public health[2]. The Group closely monitors health risk trends and actively promotes relevant layouts to meet patient needs.
	Support from green finance	With the release of policy such as the Green Bond Endorsed Projects Catalogue (2021 Edition)[3], pharmaceutical companies will be more likely to receive encouragement and support from the green finance system, including green bonds.
Operation	Efficiency in resource use	Employ energy-saving technologies in production, distribution, buildings and other aspects to increase efficiency in energy and resource consumption, so as to lower cost.
	Clean energy usage	Keep increasing the use of green and clean energy, accelerate the deployment of renewable energy applications, and make full use of superior lighting conditions in low-latitude provinces to facilitate the implementation of photovoltaic projects.

Metrics and Targets

The Group regards greenhouse gas emissions as an important indicator to measure climate change and breaks down the five-year environmental protection goals on environmental performance (2020-2025) into specific targets. To achieve the targets, the Group continues to advocate green office and actively practices low-carbon operations to contribute to climate change.

Targets

Comparing with 2020, lower greenhouse gas emissions per RMB 10,000 of revenue by no less than 10% by 2025.

Progress and performance in 2023

In 2023, the Group's greenhouse gas emissions per RMB10,000 revenue decreased by 31.31%, compared with 2020.

The Group's Greenhouse Gas Emissions[4]

Indicators	Unit	2023	2022	2021
Scope 1: Direct greenhouse gas emissions[5]	tCO_2e	4,996.50	5,280.74	4,513.41
Scope 2: Indirect greenhouse gas emissions[6]	tCO_2e	62,636.18	63,969.77	55,998.50
Total greenhouse gas emissions	tCO_2e	67,632.68	69,250.51	60,511.90
Intensity of total greenhouse gas emissions	tCO_2e per 10,000 RMB revenue	0.10	0.11	0.12

We scientifically manage the types of energy used in production and business activities, including electricity, steam, natural gas, diesel oil and gasoline, continuously optimize the energy use structure, and implement the Group's low-carbon operation strategy under the *Energy Conservation Law of the People's Republic of Chin*a to promote the double harvest of economic and environmental benefits.

[1] Source: www.ipcc.ch
[2] Source: Climate change: the public health response https://pubmed.ncbi.nlm.nih.gov/18235058/
[3] Source: Notice of the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission on the issuance of Green Bond Endorsed Projects Catalogue (2021 Edition) http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm
[4] The Guidelines for Greenhouse Gas Emission Accounting Methods and Reporting of Other Industrial Enterprises serves as the basis for calculating the amount of greenhouse gas emissions, which is obtained by converting the consumption of gasoline, diesel, liquefied petroleum gas and natural gas. An exception is that, the greenhouse gas generated by purchased electricity is converted based on the Guidelines for Enterprise Greenhouse Gas Emission Accounting Method and Reporting of Power Generation Facilities (Revised Edition 2022) published by the Ministry of Ecology and Environment of the PRC
[5] Direct greenhouse gas emissions (Scope 1): mainly include the emissions from gasoline and diesel consumption of administrative purpose vehicles and transport vehicles and the emissions from the use of natural gas and liquefied petroleum gas
[6] Indirect greenhouse gas emissions (Scope 2): mainly include the emissions from purchased electricity and purchased heat

Major Energy-Saving and Emission-Reduction Measures of the Group's Subsidiaries

Simcere Pharmaceutical

Implement intelligent system transformation on elevators, including elevator fault reporting, maintenance management, repair management and other modules, and monitor the use of elevators in real time, to reduce power waste caused by poor repair and maintenance.

Shandong Simcere

Enable the automatic control system of the chilled water system to automatically control the number of inputs and operating frequency of the chilled water circulating pumps based on the demand of the air-conditioning system's cooling capacity;

Change the mode of the heating ventilation and air conditioning (HAVC) based on the production situation and switch the air conditioners in areas other than the sterile area (where the air conditioners run in normal mode all day) to the duty mode in non-production period and keep running at low frequency;

Use the primary concentrated water of purified water preparation system for firefighting pool and greening irrigation in the factory area and recover the secondary concentrated water and EDI concentrated water to the raw water tank of the system for reuse.

Jiangsu Xiansheng

Enable the regenerative thermal oxidation (RTO) low-concentration organic waste gas treatment system and use advanced heat exchange design technology and new ceramic heat storage materials to ensure the effective recovery of combustion heat and reduce fuel consumption.

The Group's Energy Utilization

Indicators	Unit	2023 年	2022	2021
Gasline	Tonnes	87.14	79.79	72.67
Diesel	Tonnes	26.92	117.38	69.42
Natural gas	M^3	2,109,132.00	2,117,523.00	1,845,060.00
Liquefied petroleum gas	Tonnes	10.44	10.67	10.89
Purchased electricity	kWh	80,061,679.53	83,650,656.87	69,216,357.86
Purchased steam	Tonnes	58,240.15	55,793.50	54,146.80
Renewable energy	kWh	2,068,310.40	876,613.10	6,160.00
Total comprehensive energy consumption	tce	1,8227.83	18,448.44	16,083.21
Comprehensive energy density	tce per RMB10,000 revenue	0.028	0.029	0.032

06 Kindness-driven Community Contributor

The Group actively practices corporate social responsibility, closely follows social needs, and gives full play to its advantages in business and products to deeply engage in medical and health care, poverty alleviation in education, volunteer services and community communication, so as to contribute to the construction of a sustainable society.

As of the end of the Reporting Period, the Group won

"China Health Public Welfare Star"

Top Ten Public Welfare Enterprises awarded by MD Weekly and the Organizing Committee of Physicians' Annual Meetings.

Care for Health

The Group is committed to benefiting society with its medical and pharmaceutical resources, and continues to pay attention to citizens' health through public welfare activities for a healthy and harmonious society. We continue to care for community health through voluntary clinic services and donations. In 2023, we won the "China Health Public Welfare Star" Top Ten Public Welfare Enterprises awarded by MD Weekly and the Organizing Committee of Physicians' Annual Meetings.

▶ Voluntary Medical Services at Xuzhuang Community

In 2023, the Group actively carried out the "Learning from Comrade Lei Feng" activity, in which employees from the marketing, R&D and functional departments voluntarily served the residents of Xuzhuang Community with medical services. At the same time, they actively spread the concept of the brand and products. The volunteer services to local community residents enhanced local medical services while demonstrating the Group's sense of social responsibility and corporate commitment.

Voluntary Medical Services

Group Photo of Employee Participants

▶ Drugs Donations for Fighting Against the COVID-19

In November 2023, the Group donated XIANNUOXIN® worth RMB 2 million for fighting against the COVID-19 to Guangxi Red Cross Foundation, which was distributed to medical and healthcare institutions in Guangxi Province for curing the local people infected. We assisted the local people in overcoming the virus and made our contributions to safeguarding the health of the Chinese people.

Donation Ceremony

Public Welfare

The Group positively responds to the requirements of national policies. While developing its business, the Group encourages enterprises and employees to devote themselves to regional development and to achieve effective results in rural revitalization through donation and education assistance. Within the Reporting Period, the donated materials and cash reached approximately RMB 67.13 million in total.

Donation

Participated in the "Medical Aid for Universal Health in Tibet" program and donated RMB **520,000** to Tibet Development Philanthropic Foundation in August 2023.

Donated drugs worth RMB **2** million for fighting against the COVID-19 to Guangxi Red Cross Foundation.

Education Assistance

Assisted 180 students in Yushu Bayi Orphan School and donated the supporting expenses RMB **216,000** in 2023.

Created "15-Minute Education Circles" with the Primary School Attached to Nanjing Normal University Xianhemen Branch and responded to the call of the government to carry out a new drug R&D class themed **"Scientific and Technological Innovation Starting with Children"**.

Rural Revitalization

Donated commonly used drugs worth RMB **22,854** to Shaanxi Province Ankang City Zhenping Charity Association.

Volunteer Action

In April 2023, 80 employees donated **21,800**ml of blood.

Over the years, Simcere's employees have donated blood amounting to **199,200**ml.

▶ Creating "15-Minute Education Circles" with the Primary School Attached to Nanjing Normal University Xianhemen Branch - New Drug R&D Research Class

In October 2023, the Group invited students from the Primary School Attached to Nanjing Normal University Xianhemen Branch to its headquarters for a new drug R&D research class with the approach of educating through entertainment. In the class, an explanation of the whole process from drug discovery to approval for marketing was given to the participants in simple ways, increasing their knowledge of medicine and pharmacy.

The Group actively participated in the "15-Minute Education Circles" program created by Xuanwu District Education Bureau, aiming to help students broaden their horizons, enhance their sense of innovation, make after-school services meet students' individualized development needs, in a bid to comprehensively promote students' growth and fully fulfill its corporate social responsibility.

New Drug R&D Research Class

▶ Rushing to Gansu to Support Post-disaster Rescue

In December 2023, an earthquake of magnitude 6.2 occurred in Jishishan County, Linxia Hui Autonomous Prefecture, Gansu. In face of the disaster, the Group immediately donated drugs including flu treatment, pain relief and diarrhea treatment to the disaster area through the foundation, with a value of over RMB 1 million. The donated drugs were distributed to relevant hospitals and clinics in the disaster area by air, helping the local government and residents fight the disaster and protecting the health and safety of the people in the disaster area.

Simcere Donated Drugs to Disaster Area in Gansu Province

Future Outlook

Looking forward to 2024, the Group will pull out the stops to seize new opportunities and overcome new challenges, incorporate the sustainable development concept into the core values of the enterprise, and continue to enhance sustainable development management by focusing on the topics of sound operation, innovation for benefiting people, quality assurance, talent construction, low-carbon operation and caring for society. We will adhere to integrity management, practice the concept of sustainable development, and join hands with our partners to build a sound industry ecology; improve people's livelihood through technological innovation iteration based on the continuous release of patients' needs; uphold the quality policy of "the Best Products, the Pursuit of Excellence", strengthen the quality management of drugs in the whole life cycle, and benefit society with high-quality products and services; constantly gather outstanding fellows in the field of life sciences to create a fair, diverse and dynamic talent team; promote the green transformation and upgrading of the industry as well as its green and safe development, continuously optimize the energy use structure, and strive to build an efficient, clean, low-carbon and circular green operation system centering on green development; take a lead by actively participating in social welfare undertakings and making efforts in medical and health care, education assistance, volunteer services, community communication and other fields to improve public health and social well-being.

Appendix

HKEX ESG Content Index

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

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

Environmental, Social and Governance Indicators			Location
Social	B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Speeding Up R&D Inclusive Medical Care Quality Control Service Assurance
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Control
		B6.2 Number of products and service related complaints received and how they are dealt with.	Service Assurance
		B6.3 Description of practices relating to observing and protecting intellectual property rights.	Speeding Up R&D
		B6.4 Description of quality assurance process and recall procedures.	Quality Control
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Service Assurance
	Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Corporate Governance
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance
		B7.3 Description of anti-corruption training provided to directors and staff.	Corporate Governance
	B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for Health Public Welfare
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for Health Public Welfare
		B8.2 Resources contributed (e.g. money or time) to the focus area.	Care for Health Public Welfare

Definitions

"AAALAC"	Refers to	Association for Assessment and Accreditation of Laboratory Animal Care International
"GMP"	Refers to	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the Drug Administration Law of the PRC as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled inconformity to the quality and standards appropriate for their intended use
"Company" or "Our Company"	Refers to	Simcere Pharmaceutical Group Limited (formerly known as Simcere Pharmaceutical (Hong Kong) Limited and Sound & Sincere Investment Limited), a private company limited by shares incorporated under the laws of Hong Kong on November 30, 2015
"EHS"	Refers to	Environment, Health and Safety
"Group", "our Group", "we" or "us"	Refers to	Simcere Pharmaceutical Group Limited and its subsidiaries
"Hainan Simcere"	Refers to	Hainan Simcere Pharmaceutical Co., Ltd. (formerly known as Sanya Haifu Pharmaceutical Co., Ltd.), Hainan Haifu Pharmaceutical Co., Ltd. and Simcere Pharmaceutical Co., Ltd., a limited liability company established in the PRC on April 28, 1993 and a subsidiary of our Company
"Jiangsu Simcere"	Refers to	Jiangsu Simcere Pharmaceutical Co., Ltd. formerly known as Jiangsu Chengong Pharmaceutical Co., Ltd. a limited liability company established in the PRC on March 28, 1995 and a subsidiary of our Company
"NMPA"	Refers to	National Medical Products Administration, formerly known as China Food and Drug Administration ("CFDA") or State Food and Drug Administration ("SFDA") or China's Drug Administration ("CDA"); references to NMPA include CFDA, SFDA and CDA
"NRDL"	Refers to	China's National Reimbursement Drug List, also known as Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, which was published by MOHRSS on November 27, 2009 and amended from time to time
"PRC"	Refers to	the People's Republic of China
"Shandong Simcere"	Refers to	Shandong Simcere Biopharmaceutical Co., Ltd. (formerly known as Yantai Rongchang Bioengineering Limited, Yantai Rongchang Bioengineering Co., Ltd. Yantai Maidejin BioengineeringLimited, Yantai Maidejin Bioengineering Co., Ltd. and Shandong Simcere Maidejin Biology Pharmaceutical Co., Ltd). a limited liability company established in the PRC on June 30, 1999 and a subsidiary of our Company
"Shanghai Simcere"	Refers to	Shanghai Simcere Pharmaceutical Co., Ltd. (formerly known as Shanghai Haciyi Pharmaceutical Co., Ltd., Shanghai Simcere Haifu Pharmaceutical Co., Ltd. and Simcere Merck Sharp&Dohme (Shanghai) Pharmaceutical Co., Ltd.), a limited liability company established in the PRC on July 20, 2000 and a subsidiary of our Company
"Simcere Pharmaceutical"	Refers to	Simcere Pharmaceutical Co., Ltd. (formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd. and Nanjing Dongyuan Pharmaceutical Co., Ltd.), a limited liability company established in the PRC on September 10, 1998 and a subsidiary of our Company
"Stock Exchange"	Refers to	the Stock Exchange of Hong Kong Limited
"The U.S."	Refers to	the United States of America
"Jiangsu Xiansheng"	Refers to	Jiansu Xiansheng Bio-medical Technology Co., Ltd., (a pharmaceutical ingredient base), a limited liability company established in the PRC on March 11, 2022 and a subsidiary of our Company
"Simcere Biological Pharmaceutical"	Refers to	Jiangsu Simcere Biological Pharmaceutical Co., Ltd., formerly known as Nanjing BiosciKin Innovation Biology Technology Co., Ltd., a limited liability company established in the PRC on July 10, 2017 and a subsidiary of our Company

Feedback from Readers

Dear readers,

Thank you for reading the 2023 ESG Report of Simcere Pharmaceutical Group Limited. We value and expect your feedback on the Group's ESG management, practice and reporting. Your comments and suggestions are the important basis for us to promote ESG management and practice. We look forward to your reply!

1. Which category of stakeholder does your organization belong to?
☐ Shareholders and investors ☐ Employees ☐ Suppliers ☐ Customers ☐ Governments and regulatory authorities
☐ Communities ☐ Business partners ☐ Industry associations/NGO ☐ Others (please specify) _____

2. What do you think of the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

3. What do you think of the clarity, accuracy and completeness of the information and data disclosed in the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

4. What do you think of the comprehensiveness of the economic responsibility fulfilled by the Group and reflected in the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

5. What do you think of the comprehensiveness of the environmental responsibility fulfilled by the Group and reflected in the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

6. What do you think of the comprehensiveness of the social responsibility fulfilled by the Group and reflected in the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

7. What do you think of the readability of the report?
☐ Pretty Good ☐ Good ☐ Not very good ☐ Poor

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

_____

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

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