



China Shineway Pharmaceutical Group Limited
中國神威藥業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2877

*Environmental, Social and
Governance Report*

2023

LEADING
Modern Chinese Medicine
PROMOTING
Health Industry

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the “ESG Report”) summarizes the environmental, social and governance (“ESG”) initiatives, plans and performance of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (the “Group”, “Shineway Pharmaceutical”, “Shineway” or “we”), and demonstrates its commitment to sustainable development. The Group publishes an ESG report in April each year. This ESG Report is the eighth ESG report released by the Group. This ESG Report has undergone the internal audit process of the Group and has been reviewed by the Corporate Social Responsibility and Sustainability Committee (the “Committee”) and the Board of Directors (the “Board”).

REPORTING PERIOD

The ESG Report details the activities, information, challenges and measures taken by the Group for the year ended 31 December 2023 (the “Reporting Period” or “2023”).

REPORTING SCOPE

Unless otherwise stated, the key performance indicators (“KPIs”) in this ESG Report mainly cover the Group’s principal subsidiary in the research and development (“R&D”), manufacturing and sale of Chinese medicine, namely Shineway Pharmaceutical Group Co., Ltd., located in Luancheng, Shijiazhuang, Hebei Province, the People’s Republic of China (“China” or the “PRC”), which contributed to approximately 95.4% to the Group’s non-current assets, whereas the general disclosure and compliance issues presented cover all subsidiaries of the Group. For other entities outside the scope of the KPIs reported and covered by the consolidated financial statements, please refer to the section of “Financial Statements-Notes to the Consolidated Financial Statements – Major Subsidiaries” of the 2023 Annual Report. The Group will continue to assess the major ESG areas of its different businesses and major subsidiaries to determine the reporting scope of its ESG reports.

REPORTING FRAMEWORK

This ESG Report is prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The report content is also disclosed in accordance with GRI standards. Information related to the Group’s governance practices and structure has been set out in the 2023 Annual Report.

The ESG Report is compiled in accordance with the four reporting principles of the ESG Reporting Guide, including “quantitative”, “consistency”, “materiality” and “balance”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quantitative	The Group has established internal guidelines and procedures with reference to industry practices and guidelines, laws and regulations of the Stock Exchange and relevant government departments, collected environmental and social performance data from various business departments, and retained relevant monitoring instrument records or supporting documents. For standards, methods and assumptions for calculating performance data (if applicable), please refer to the relevant sections in this ESG Report.
Consistency	The statistical method of disclosure in this ESG Report is the same as last year's report, and the same data statistics and conversion methods are used. Relevant historical data has been disclosed in this ESG Report, allowing stakeholders to better understand and compare the Group's sustainable development performance.
Materiality	When defining important ESG issues related to the Group's business and stakeholders, we maintain communication within and outside of the Group to understand their expectations and recommendations. We are in close contact with stakeholders, including employees, investors, customers, suppliers, local government agencies, and local relations organizations, whether they are affected by or have significant influence on our operations.
Balance	This ESG Report presents the Group's ESG performance in an impartial manner.

CONTACT US

We value feedback from stakeholders. If you have any questions or suggestions regarding the ESG Report or the Group's performance in sustainable development, please feel free to contact the Group via email at info@shineway.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S STATEMENT

On behalf of the Group, I am pleased to present the Group's eighth ESG Report, reviewing the Group's performance on sustainable development in 2023, in areas including corporate governance, environmental protection, employee care, service quality and community participation.

Brand and Sustainability

With the vision of becoming a value leader in the new Chinese medicine industry and the goal of enhancing core competitiveness, we actively define, optimize and adjust our future development strategy. Sustainable development is extremely important for our long-term development and therefore it has been incorporated into our development strategy. In order to achieve long-term development, we have established the Corporate Social Responsibility and Sustainability Committee, which is fully responsible for the Group's corporate social responsibility and supervision. In addition, in order to minimize the environmental impact from operations, we take emissions, resource utilization and other environmental factors into consideration and implement green production. We also pay attention to international sustainability issues, such as the United Nations Sustainable Development Goals (the "SDGs") and incorporate them into policy formulation considerations.

In order to prioritize the more significant ESG matters, the Board takes into account the opinions of different stakeholders, continues to communicate with them and regularly invites them to participate in materiality assessments. Information on stakeholder communication channels and materiality assessment conducted by the Group are set out in the sections headed "Stakeholder Engagement" and "Material Assessment" respectively.

Our Achievements in 2023

As a pharmaceutical company, we regard public health and development of the Chinese medicine industry as our responsibilities. The Group actively invests resources in R&D and innovation, and has applied for 322 invention patents and has 188 authorized invention patents, including 13 foreign invention patents. The Group has undertaken various national and provincial scientific research projects over the years. It is also one of the participants in the formation of national standards for traditional Chinese medicine formula granules. In August 2023, the State Council held an executive meeting to review and adopt the "Action Plan for the High-Quality Development of the Pharmaceutical Industry (2023-2025)". The meeting emphasized the need to focus on the complex, long-term, and capital-intensive nature of pharmaceutical innovation, and provide encouragement and guidance to grow and develop leading pharmaceutical companies. As the demand for traditional Chinese medicine formula granules increases, prescription coverage in medical institutions will be more comprehensive, and the market size will continue to expand. As of December 31, 2023, the Group's traditional Chinese medicine formula granules were available in 2 municipalities and 13 provinces.

The Group has always adhered to the "people-oriented" human resources management philosophy, and has not forgotten to care for the needs of employees and increase their sense of belongingness. In addition, the Group actively participates in and organizes charitable projects and public welfare activities, hoping to increase medical knowledge and improve well-being of the general public. During the Reporting Period, the Group invested approximately 858 hours and approximately RMB820,000 in charitable activities, including donation of approximately 25,600 packs of medicines. We also provide volunteer training for employees from time to time to strengthen our corporate culture and improve employees' sense of social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Looking to the Future

We understand that environmental sustainability is closely related to human well-being and public health, so we have implemented a comprehensive strategy to reduce our carbon footprint and minimize environmental harm during our operations. In addition, we actively support the development and promotion of environmentally friendly alternatives in the production of traditional Chinese medicines. By integrating climate awareness into our business model, we strive to create a healthier and more sustainable future for our stakeholders and the planet.

On behalf of the Board and the management, I would like to express my sincere gratitude to all employees, business partners and customers for their unwavering support in the past year. The Group will continue to make great strides forward and contribute to the sustainable development of the traditional Chinese medicine industry in China.

Li Zhenjiang

Chairman of the Board

Hong Kong, 28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BLOOMBERG ESG DISCLOSURE (SUMMARY) ENVIRONMENTAL

	Unit	2023
Disclosure		
Scope of disclosure		Yes
Reporting basis consistency		Consistent
GRI criteria compliance		Yes
Verification type		Internal Verification
Emissions		
Greenhouse gas ("GHG") (Scope 1) ¹	tCO ₂ e	80,760.44
GHG (Scope 2) ¹	tCO ₂ e	38,727.16
Total GHG emissions (Scope 1 and 2)	tCO ₂ e	119,487.60
GHG (Scope 3) ¹	tCO ₂ e	20,852.97
Total GHG emissions (Scope 1, 2 and 3)	tCO ₂ e	140,340.57
Carbon offsets		Not Applicable
NO _x emissions	tonnes	5.24
SO _x emissions	tonnes	2.51
Dust emissions	tonnes	0.45
Energy		
Electricity used	kWh	43,894,940.00
Fuel used – Diesel	kWh	432,992.95
Fuel used – Liquefied petroleum gas	kWh	305,627.11
Fuel used – Natural gas	kWh	217,116.07
Fuel used – Acetylene	kWh	9.83
Steam	kWh	316,491,340.00
Total energy used	kWh	361,342,025.96
Water		
Total water use	tonnes	280,396.00
Water withdrawal	tonnes	280,396.00
Water discharged	tonnes	246,684.00
Water consumption derived	tonnes	33,712.00
Chemical oxygen demand of discharges	tonnes	17.87
Waste Management		
Total waste	tonnes	17,321.05
Hazardous waste	tonnes	2.11
Materials		
Raw material used	tonnes	16,068.00
Paper consumption	kg	16,431.89

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	2023
Spills		
Number of significant spills	number	-
Amount of significant spills	tonnes	-
Environmental Fines		
Number of environmental fines	number	-
Amount of environmental fines	RMB	-
Investment/Costs		
Investments in operational sustainability	RMB	42,000,000
Certified Sites		
ISO 1400 certified sites		Yes
% Sites certified	percentage	100%
Operational Policy		
Energy Efficiency Policy		Yes
Emissions Reduction Initiatives		Yes
Environmental Supply Chain Management		Yes
Environmental Quality Management Policy		Yes
Green Building Policy		Yes
Sustainable Packaging		Yes
Waste Reduction Policy		Yes
Water Policy		Yes
Biodiversity Policy		Yes
Climate Change Policy		Yes
Climate Change Opportunities Discussed		Yes
Risks of Climate Change Discussed		Yes

Note:

1. GHG emissions data is presented in terms of tonnes carbon dioxide equivalent, with reference to including but not limited to the "Greenhouse Gas Inventory Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, Hebei Province Development The "Guidelines for Accounting Methods and Reporting of GHG Emissions in Other Industries in Hebei Province" published by the Development and Reform Commission and the latest release factors of China's regional power grid baseline emission factors. Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (Scope 2) and industrial wastewater anaerobic treatment (Scope 3).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

	Unit	2023
Employees		
Number of employees	number	3,436
Employee turnover rate	percentage	36.87%
Number of temporary employees	number	–
% Employees unionized	percentage	100.00%
Employee Diversity		
% Women in workforce	percentage	51.95%
% Women in middle and or other management level	percentage	31.08%
% Minorities in workforce	percentage	4.13%
Gender Pay Gap		
Gender pay gap breakout		Yes
Employee Training		
Employee training cost	RMB	466,000
Total hours spent by firm – employee training	hours	3,953
Safety		
Workforce accidents	number	4
Lost time from accidents	hours	4,986
Total recordable accident rate		0.10
Fatalities – Total	number	1
Fatalities – Employees	number	1
Fatalities – Contractors	number	–
Supply Chain		
Social supply chain management		Yes
Sustainable supplier guidelines encompass ESG area publicly disclosed		Yes
Community & Customers		
Community spending	RMB	820,000
Number of customer complaints	number	–
Policy		
Anti-bribery Ethics Policy		Yes
Business Ethics Policy		Yes
Employee CSR Training		Yes
Employee Protection/Whistle Blower Policy		Yes
Equal Opportunity Policy		Yes
Fair Remuneration Policy		Yes
Health and Safety Policy		Yes
Human Rights Policy		Yes
Training Policy		Yes
Policy Against Child Labour		Yes
Consumer Data Protection Policy		Yes
Sustainable Development Goals Policy		Yes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE

	2023
Board Structure	
Size of the Board	7
Unitary or two-tier board system	Unitary
# Employee representatives on Board	-
Classified Board system	Yes
Board Independence	
# Non-exec directors on Board	4
% Non-exec directors on Board	57.1%
# Independent directors	3
% Independent directors	42.0%
CEO duality	Yes
Independent chairperson	No
Independent lead director	No
Presiding director	No
Former CEO or its equivalent on Board	No
Board & Executive Diversity	
# Women on Board	2
% Women on Board	28.6%
Female chief executive officer or equivalent	No
# Female chairperson or equivalent	1
# Executives/company managers	74
CEO or equivalent appointed from within	No
# Female executives	23
% Female executives	31.08%
Age of the youngest director	48
Age of the oldest director	68
Board of directors age range	48-68
Board average age	57
Board duration (years)	3
Executive director Board duration	3
Board Meetings	
# Board meetings	6
Board meeting attendance %	100%
Independent directors board meeting attendance %	100%
# Director attending less than 75% of meetings	-

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2023
Audit Committee	
Size of Audit Committee	3
# Independent director on Audit Committee	3
% Independent director on Audit Committee	100%
Independent Audit Committee chairperson	Yes
# Non-exec director on Audit Committee	3
# Audit Committee meetings	4
Audit Committee meeting attendance %	100%
Remuneration Committee	
Size of Remuneration Committee	3
# Independent director on Remuneration Committee	2
% Independent director on Remuneration Committee	66.67%
Independent Remuneration Committee chairperson	Yes
# Non-exec director on Remuneration Committee	2
# Remuneration Committee meetings	3
Remuneration Committee meeting attendance %	100%
Outside compensation advisors appointed	No
Nomination Committee	
Size of Nomination Committee	3
# Independent director on Nomination Committee	2
% Independent directors on Nomination Committee	66.67%
Independent Nomination Committee chairperson	No
# Non-exec director on Nomination Committee	2
# Nomination Committee meetings	2
Nomination Committee meeting attendance %	100%
CSR/Sustainability Committee	Yes
Related Party Committee	No
Strategy Committee	Yes
Board & Exec Activities	
Non-exec director with responsibility for CSR	Yes
Executive director with responsibility for CSR	Yes
Executive compensation linked to ESG	No
ESG-linked compensation for Board	No
Shareholder Rights	
% Ownership required for special meeting	10%
Poison pill plan	No
Shareholder approved poison pill	No
Dual class unequal voting rights – Common shares	No

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG RATIO

	Unit	2023
GHG		
GHG intensity per sales ¹	tCO ₂ e/sales (in million RMB)	31.07
GHG Scope 1 intensity per sales ²	tCO ₂ e/sales (in million RMB)	17.88
GHG Scope 2 intensity per sales ²	tCO ₂ e/sales (in million RMB)	8.57
GHG intensity per EBITDA ³	tCO ₂ e/EBITDA (in million RMB)	98.82
GHG intensity per gross fixed assets ⁴	tCO ₂ e/gross fixed assets (in million RMB)	45.14
GHG intensity per net fixed assets ⁵	tCO ₂ e/net fixed assets (in million RMB)	116.44
GHG intensity per energy (electricity)	tCO ₂ e/kWh	0.003
GHG intensity per employee ⁶	tCO ₂ e/employee	40.84
GHG intensity per assets ⁷	tCO ₂ e/assets (in million RMB)	14.66
Scope 3 GHG per employee	tCO ₂ e/employee	6.07
Energy		
Energy (electricity) intensity per sales	kWh/sales (in million RMB)	9,718.71
Energy (electricity) intensity per EBITDA	kWh/EBITDA (in million RMB)	30,909.93
Energy (electricity) intensity per employee	kWh/employee	12,775.01
Energy (electricity) intensity per assets	kWh/assets (in million RMB)	4,584.81
Energy intensity per sales	kWh/sales (in million RMB)	80,004.20
Energy intensity per EBITDA	kWh/EBITDA (in million RMB)	254,449.73
Energy intensity per employee	kWh/employee	105,163.57
Energy intensity per assets	kWh/assets (in million RMB)	37,742.04
Water		
Water consumption intensity per sales	tonnes/sales (in million RMB)	62.08
Water consumption intensity per EBITDA	tonnes/EBITDA (in million RMB)	197.45
Water consumption intensity per energy (electricity)	tonnes/kWh	0.01
Water consumption intensity per employee	tonnes/employee	81.61
Water consumption intensity per assets	tonnes/assets (in million RMB)	29.29
Waste		
Waste intensity per employee	tonnes/employee	5.04
Waste generated per assets	tonnes/assets (in million RMB)	1.81
Waste generated per sales	tonnes/sales (in million RMB)	3.84
Other Environmental Parameters		
NO _x emissions per sales	tonnes/sales (in million RMB)	0.0012
SO _x emissions per sales	tonnes/sales (in million RMB)	0.0006
Paper consumption per sales	kg/sales (in million RMB)	3.64
Paper consumption per employee	kg/employee	4.78

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Unit	2023
Social		
Women management to employees ratio		0.007
Lost time per employee	hours	1.45
Sustainable investment per capital expenditure ⁸	RMB/capital expenditure (in million RMB)	291,009.87
Community spend per profit before tax ⁹	RMB/pre-tax profit (in million RMB)	661.16
Community spend per EBITDA	RMB/EBITDA (in million RMB)	577.43
Community spend per equity ¹⁰	RMB/equity (in million RMB)	116.56
% suppliers audited	percentage	100.00%
% suppliers in non-compliance ¹¹	percentage	2.04%
R&D expenditures per cash flow ^{12,13}	RMB/net cash flow from operation activities (in million RMB)	118,440.76
Actual net income per employee ¹⁴	RMB/employee	282,162.40
Actual cash flow per employee ¹³	RMB/employee	271,430.44
Actual personnel expenses per employee ¹⁵	RMB/employee	147,415.89
Governance		
% of non-executive directors on Board	percentage	57.10%
% Independent directors	percentage	42.00%
% Women on Board	percentage	28.60%
% of female executives	percentage	31.08%
Board of directors age range		48-68
Board average age		57
Board meeting attendance %	percentage	100.00%
Independent directors Board meeting attendance %	percentage	100.00%
% of independent directors on Audit Committee	percentage	100.00%
Audit Committee meeting attendance %	percentage	100.00%
% of independent directors on Remuneration Committee	percentage	66.67%
Remuneration Committee meeting attendance %	percentage	100.00%
% of independent directors on Nomination Committee	percentage	66.67%
Nomination Committee meeting attendance %	percentage	100.00%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

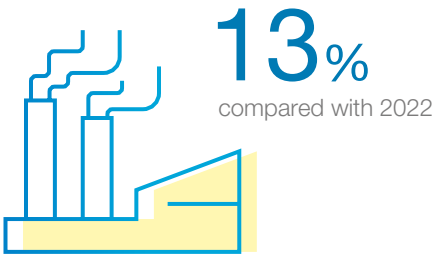
Notes:

1. During the Reporting Period, the Group's sales amount was approximately RMB4,516.538 million (2022: approximately RMB3,950.636 million). This data is also used to calculate other intensity data.
2. Direct GHG emissions (Scope 1) mainly include boiler combustion emissions, while indirect GHG emissions mainly include electricity consumption (Scope 2) and industrial wastewater anaerobic treatment (Scope 3). GHG emissions data are presented in terms of tonnes carbon dioxide equivalent, with reference to including but not limited to the "Greenhouse Gas Inventory Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, Hebei Province Development The "Guidelines for Accounting Methods and Reporting of GHG Emissions in Other Industries in Hebei Province" published by the Development and Reform Commission and the latest release factors of China's regional power grid baseline emission factors.
3. During the Reporting Period, the Group's EBITDA was approximately RMB1,420.092 million (2022: approximately RMB1,103.517million). This data is also used to calculate other intensity data.
4. As at 31 December 2023, the Group's gross fixed assets was approximately RMB3,108.670 million (as at 31 December 2022: approximately RMB3,023.693 million). This data is also used to calculate other intensity data.
5. As at 31 December 2023, the Group's net fixed assets were approximately RMB1,205.287 million (as at 31 December 2022: approximately RMB1,216.937 million). This data is also used to calculate other intensity data.
6. As at 31 December 2023, the Group's total employee number was 3,436 (as at 31 December 2022: 4,131). This data is also used to calculate other intensity data.
7. As at 31 December 2023, the Group's total assets was approximately RMB9,573.993 million (as at 31 December 2022: approximately RMB8,231.861 million). This data is also used to calculate other intensity data.
8. During the Reporting Period, the Group's payment of capital expenditure was approximately RMB144.325 million (2022: approximately RMB129.463 million). This data is also used to calculate other intensity data.
9. As at 31 December 2023, the Group's pre-tax profit (i.e., profit before taxation) was approximately RMB1,240.253 million (as at 31 December 2022: approximately RMB917.025 million). This data is also used to calculate other intensity data.
10. As at 31 December 2023, the Group's total equity was approximately RMB7,034.768 million (as at 31 December 2022: approximately RMB6,382.526 million). This data is also used to calculate other intensity data.
11. Suppliers in non-compliance refers to those suppliers that the Group has terminated cooperations after supplier evaluation (i.e., suppliers audited).
12. During the Reporting Period, the Group's R&D expenditures was approximately RMB110.462 million (2022: approximately RMB117,454 million). This data is also used to calculate other intensity data.
13. During the Reporting Period, the Group's net cash from operation activities was approximately RMB932.635 million (2022: approximately RMB1,109.676 million). This data is also used to calculate other intensity data.
14. During the Reporting Period, the Group's net income was approximately RMB969.510 million (2022: approximately RMB722.773 million). This data is also used to calculate other intensity data.
15. During the Reporting Period, the Group's personnel expenses were approximately RMB506.521 million (2022: approximately RMB442.836 million). This data is also used to calculate other intensity data.

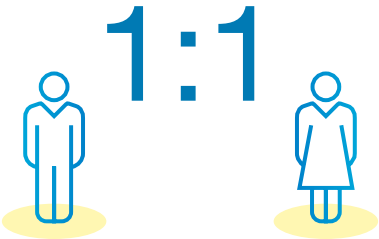
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Achievements in Corporate Sustainable Development

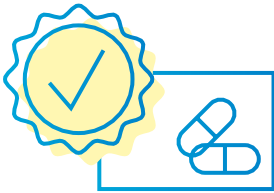
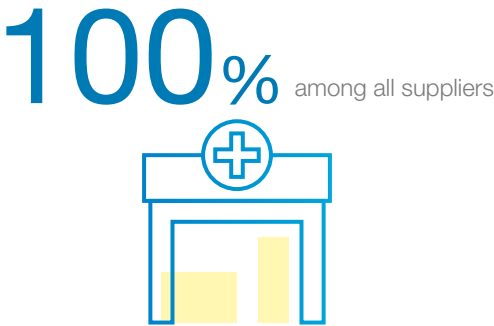
Total GHG emissions intensity by million RMB sales reduced by approximately



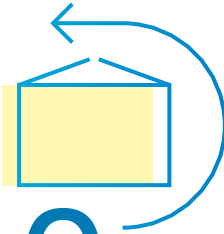
The male to female ratio of all employees was close to



Local suppliers accounted for



The sales of exclusive products of the Group, such as Huamoyan Granules and Qi Huang Tong Mi Soft Capsules kept growing rapidly in 2023



0 cases of drugs being recalled



Approximately **858** hours and **RMB820,000** were invested in public welfare activities, including approximately **25,600** packs of medicine donated

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT SHINEWAY

Shineway Pharmaceutical is mainly engaged in the R&D, manufacturing and trading of Chinese pharmaceutical products. The Group's products are mainly used for treatment of eight major areas including cardiovascular and cerebrovascular drugs, respiratory system drugs, digestive system drugs, pediatric drugs, gastric drugs, strengthening and tonic drugs, nervous system drugs and gynecological drugs, and the products are also mainly sold in China. The headquarter of the Group is located in Luancheng, Shijiazhuang, Hebei Province, China. China is also the place where our business is located and the relevant country for the topics covered in the ESG Report.

During the Reporting Period, Shineway Pharmaceutical received a drug clinical trial approval notice from the State Food and Drug Administration, approving clinical trials of Shineway's independently developed innovative drug, "Yi Gong San Granules", in Category 1.1 of traditional Chinese medicine. The Group also submitted application for launching "Yiguan Jian Granules", an ancient classic prescription in Category 3.1 of traditional Chinese medicine. The latest research results and treatment plans of orthopedic drugs such as Synovitis Granules were praised and shared by experts at the National Joint Surgery Academic Conference.

The Smart Factory Construction Commencement Conference of Shineway Pharmaceutical was held during the Reporting Period. With the goal of "automation, informative, digitisation, and intelligence", high standards were used in accordance with the project management mechanism to promote the implementation of various projects in the Shineway modern Chinese medicine industrial park, to ensure the Group will become a prominent smart factory in China and with a smart supply chain. The Group focuses on the development of modern traditional Chinese medicine innovative technology, becoming a role model in smart manufacturing. It comprehensively introduces advanced technologies such as the industrial internet, logistics network, big data, artificial intelligence, and cloud computing, progressing toward the third entrepreneurial development of Shineway Pharmaceutical.

Furthermore, the Group's formula granules production base in Yunnan Province is listed as a high-tech enterprise with solid scientific research resources. It has the first "Key Laboratory of Traditional Chinese Medicine Formula Granules in Yunnan Province" and the first "Engineering Research Centre of Traditional Chinese Medicine Formula Granules in Yunnan Province" and the "Beijing-Tianjin-Hebei Joint Venture Pharmaceutical (Chuxiong) Research Institute". The Yunnan production facilities utilizes state-of-the-art green and intelligent integrated manufacturing technologies to extract and produce traditional Chinese medicine, so as to create superb therapeutic effect of our traditional Chinese medicine formula granules products.

Apart from the business development, the Group also actively supports and recognizes international initiatives on sustainable development and climate change, including but not limited to the United Nations SDGs and the Paris Agreement, and integrates the ideas into our policies and operations. We have also joined the China Association of Traditional Chinese Medicine and the China Medicinal Biotechnology Association to obtain the latest industry information and strengthen communication with peers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORE VALUES

1. Respect for Life

Respect for life is our eternal pursuit: to treat patients with high-efficacy drugs, to improve the quality of life with high-quality products, and to cherish corporate life with a responsible attitude. All actions are taken on the above basis and we make unremitting efforts to achieve this goal.

Integrity is our solemn oath to respect life. Shineway employees believe honesty is the best policy and regard quality as a lifetime commitment to society. The Group gained social recognition and trust from its clients, and our products are well received by customers as the Group made profits with righteousness, justified interests, integrity and modesty. We treat people with sincerity and carry out business with integrity to achieve long-term stability and sustainable development.

2. Respect Value

The Group emphasizes that employees should respect and acknowledge our core values, as well as recognize our business' social value. We only retain those who fulfil the requirements of our value system. Under the premise of respecting the Group's value system, we respect the self-realization of employees, and provide them the opportunities to unleash their full potential. Realizing the value of our employees can maximize our corporate value, promoting interactive growth of employees and the Group.

3. Focus on Stringent Management and Detailed Works

Shineway strongly believes stringent management is the unchanging principle in the industry that we operate in, which demonstrates our accountability to consumers, society, employees, corporate and shareholders, enhances our environmental awareness and reflections on failure, and consolidates the foundation of the Group. We believe stringent management, which is the cornerstone of Shineway's culture, to retain talents and ethics, ensure product quality and production efficiency, as well as nurture spirits.

Shineway requires employees to exercise due care in their work and pay attention to details; employees should improve their skills constantly and should not muddle along. Through continuous and refined processes and systems, our success depends on investigation, planning, arrangement and review with due care in every aspect of our work.

4. Promote Innovation

Innovation is the driving force for Shineway's sustainable development, which is essential for the Group's new undertakings, laying the foundation of the Group in the new economic era. We believe that innovation is the cornerstone for success. We must constantly innovate to outperform our competitors, go beyond yesterday and achieve breakthroughs.

Shineway strives to create a relaxing innovation environment, establishes and improves the innovation system, tolerates employees' mistakes in the innovation process, but does not allow the occurrence of same mistakes; and strengthens innovation incentives, increases investment in innovation; maintains close external cooperation, clears information channels and encourages various forms of innovative activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MISSIONS

Shineway is committed to:

- Providing consumers with efficient, safe and cost-effective drugs to protect their health and enhance their quality of life;
- Winning the respect and trust of business partners with integrity and efficient management style, building a long-term partnership with them under the principles of equity and mutual beneficial cooperation;
- Increasing wealth and provide job opportunities for society, promote the country's healthcare industry through charitable activities, and promote the Chinese medicine culture as a national tradition through the pursuit of modernization of Chinese medicine; and
- Continuously attracting and cultivating employees who love the healthcare industry and are self-motivated, creative and responsible and provide them with rewards in terms of material assurance, social status and value realization. The mutual growth with our employees will enable us to achieve a leading market position and increase profits to achieve sustainable corporate growth.

ESG MANAGEMENT

Corporate Governance

The Board has the responsibility to lead and monitor the Group, and is responsible for the oversight and supervision of the Group's affairs. The Board reviews the Group's sustainable development strategy timely and approves the ESG Report. The Board keeps abreast of industry trends and developments on sustainability issues, as well as the latest laws and regulations related to sustainable development. Regarding the Group's corporate governance practices, the attendance rate of director meetings are published in the "Corporate Governance Report" of the 2023 Annual Report.

Corporate Social Responsibility and Sustainability Committee Management Structure

The Group has established the Committee, which comprises of one Executive Director and three Independent Non-Executive Directors, who are fully responsible for the Group's corporate social responsibility and its monitoring. Their duties include but not limited to:

- Formulate and review the Group's responsibilities, visions, strategies, frameworks, principles and policies of corporate social responsibility and sustainable development (including but not limited to ESG issues) and implement relevant policies approved by the Board;
- Set relevant policy targets, KPIs and measures that align with the Group's business model and effectively monitor the progress;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Identify issues related to corporate social responsibility and sustainable development arising from external factors;
- Review and monitor the corporate social responsibility and sustainability policies to ensure their continued effectiveness;
- Monitor staff training related to corporate social responsibility and sustainable development;
- Approve the ESG report and report to the Board; and
- Report any new development of matters with its terms of reference to the Board at least once a year.

Under the monitoring of the Committee, the Corporate Social Responsibility and Sustainability Task Force (the “Task Force”) is responsible for implementing the corporate social responsibility and sustainable development policies and related initiatives, organizing staff training and assisting the Group in the preparation of its annual ESG report, as well as submitting the ESG report to the Committee and the Board for review and approval for disclosure. The Task Force is composed of one member from each of the General Manager Office, the Finance Department, the Audit Department, the Purchasing Department, the Quality Assurance Department, the Environment Department, the Administrative Department and the Human Resources Department. The Group’s Corporate Social Responsibility and Sustainability management structure is as follow:



Where appropriate, the Group will also seek assistance from external resources and expertise to improve the Group’s ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE DEVELOPMENT GOALS POLICY

We echo the “2030 Agenda for Sustainable Development” and the 17 SDGs adopted at the United Nations Summit. We have also formulated the “SDGs Target Policy” to fully support these goals, especially in areas where the Group can play an important role, related to good health and well-being and responsible consumption and production. We recognize the importance of promoting and ensuring the health and well-being for all, and strive to contribute to this goal through our products and services. We are committed to responsible consumption and production by optimizing resource utilization, minimizing waste generation and implementing sustainable production. This includes integrating environmentally friendly materials and processes, as well as actively engaging in recycling and waste reduction measures. By adhering to the principles of the United Nations SDGs, we aim to have a positive impact on society and the environment, and create a sustainable future for the coming generations.

Goal 3: Good Health and Well-being



The Group actively promotes social health protection and health services to ensure that everyone has access to safe, effective, high-quality and affordable medicines. Related disclosure, please refer to the following sections:

B6 Product Responsibility — Product Quality and Safety

B6 Product Responsibility — R&D and Innovation

B8 Community Investment — The Charitable Activities Participated or Organized by the Group in 2023

Goal 12: Responsible Consumption and Production



The Group actively promotes sustainable management and adopts relevant measures in the production process, aiming to reduce waste production through prevention, emission reduction, recycling and reuse; in addition, the Group will also include sustainability information in reporting cycles. Related disclosure, please refer to the following sections:

A1 Emissions — Hazardous and Non-hazardous Waste Disposal

B5 Supply Chain Management — Environmental and Social Risk Management of Supply Chain

B5 Supply Chain Management — Sustainable Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders, as a group directly related to sustainable development of the Group, play an essential role in the decision-making process of the Group's ESG management system and policy making. We consider a wide range of different stakeholders, including individuals and organizations that have an impact on our business or are directly or indirectly affected. We always maintain adequate communication with stakeholders to help the Group assess the impact of its ESG decisions and internal control mechanisms, truly understand and respond to the needs of different stakeholders in a timely manner, and adjust its own development direction.

The Group maintains close communication through different channels with different key stakeholders, and actively responds to the opinions and needs of stakeholders. We will continue to strengthen the participation of stakeholders through constructive dialogue so as to draw a blueprint for long-term prosperity and development. The communication channels between the Group and its key stakeholders and their corresponding expectations are as follows:

Key Stakeholders	Material Topics and Issues Being Raised	Communication Channels	Communication Frequency
Senior management and the Board	<ul style="list-style-type: none"> • Operation compliance • Economic performance 	<ul style="list-style-type: none"> • Training and seminars • Meetings • Intranet 	<ul style="list-style-type: none"> • Regularly • Regularly • Annually
Employees	<ul style="list-style-type: none"> • Working environment • Employees' benefits • Work performance • Industrial knowledge 	<ul style="list-style-type: none"> • Management newsletter and performance evaluations • Employee newsletter and broadcasting • Intranet 	<ul style="list-style-type: none"> • Annually • Annually • Annually
Investors and shareholders	<ul style="list-style-type: none"> • Performance • Development strategy • Operational prospect • Information and activities updates 	<ul style="list-style-type: none"> • Annual general meeting • Financial reports • Announcements and circulars • Investor conferences • Roadshows • Monthly newsletter • Investor relation officer • Hotline • Site visits • Customer meetings 	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly • Regularly • Regularly • Monthly • Annually • Annually • Annually • Annually
Customers	<ul style="list-style-type: none"> • Product quality • Health and safety • Service quality • Personal information protection 	<ul style="list-style-type: none"> • Customer satisfaction survey and feedback form • Customer service center • Customer service manager • Customer meetings and company visits 	<ul style="list-style-type: none"> • Annually • Annually • Annually • Annually

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

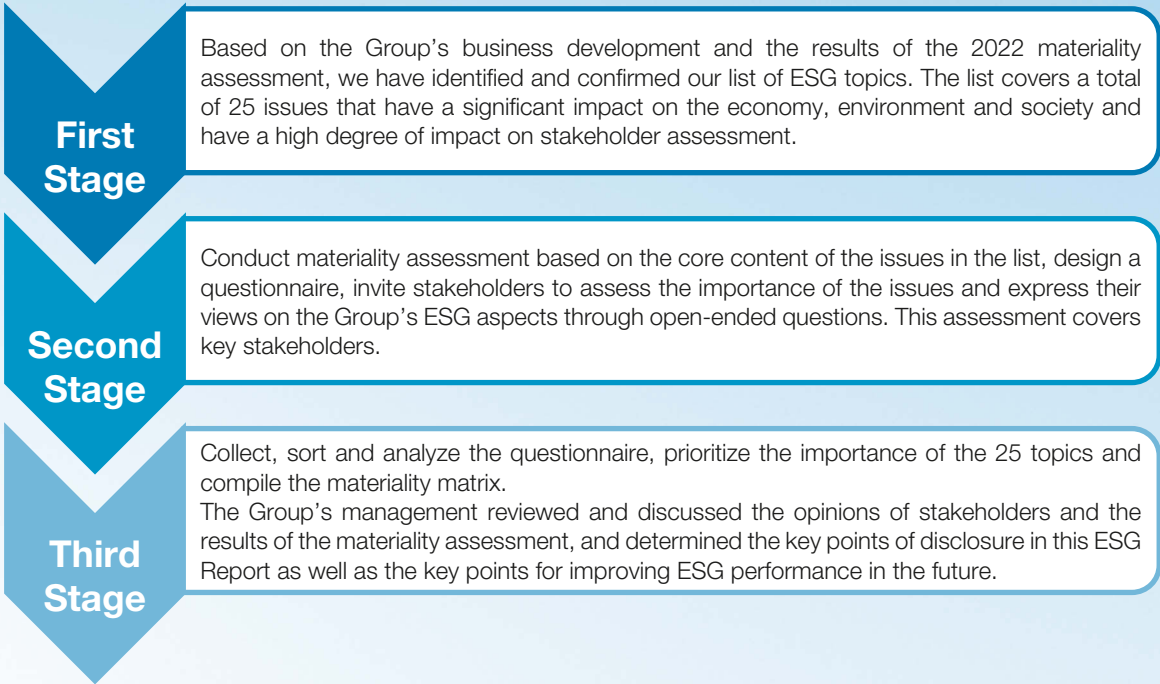
Key Stakeholders	Material Topics and Issues Being Raised	Communication Channels	Communication Frequency
Suppliers	<ul style="list-style-type: none"> Quality of raw materials Supplier's environmental and social risks Fair and open procurement 	<ul style="list-style-type: none"> Supplier management conferences and events Supplier on-site audit management system 	<ul style="list-style-type: none"> Regularly Regularly
Government and regulatory bodies	<ul style="list-style-type: none"> Operation compliance 	<ul style="list-style-type: none"> Work conferences Performance reports Written responses to public consultation 	<ul style="list-style-type: none"> Regularly Regularly Annually
Communities, non-governmental organizations and the media	<ul style="list-style-type: none"> Green operation Public health Corporate social responsibility 	<ul style="list-style-type: none"> Seminars, lectures and workshops Public and community events and partnership projects on different issues Company investment projects Company visits 	<ul style="list-style-type: none"> Regularly Regularly Annually Annually

The Group will take into account the expectations of our stakeholders when formulating our operational strategies and ESG measures, and work together to continuously improve our ESG performance to create greater value for the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

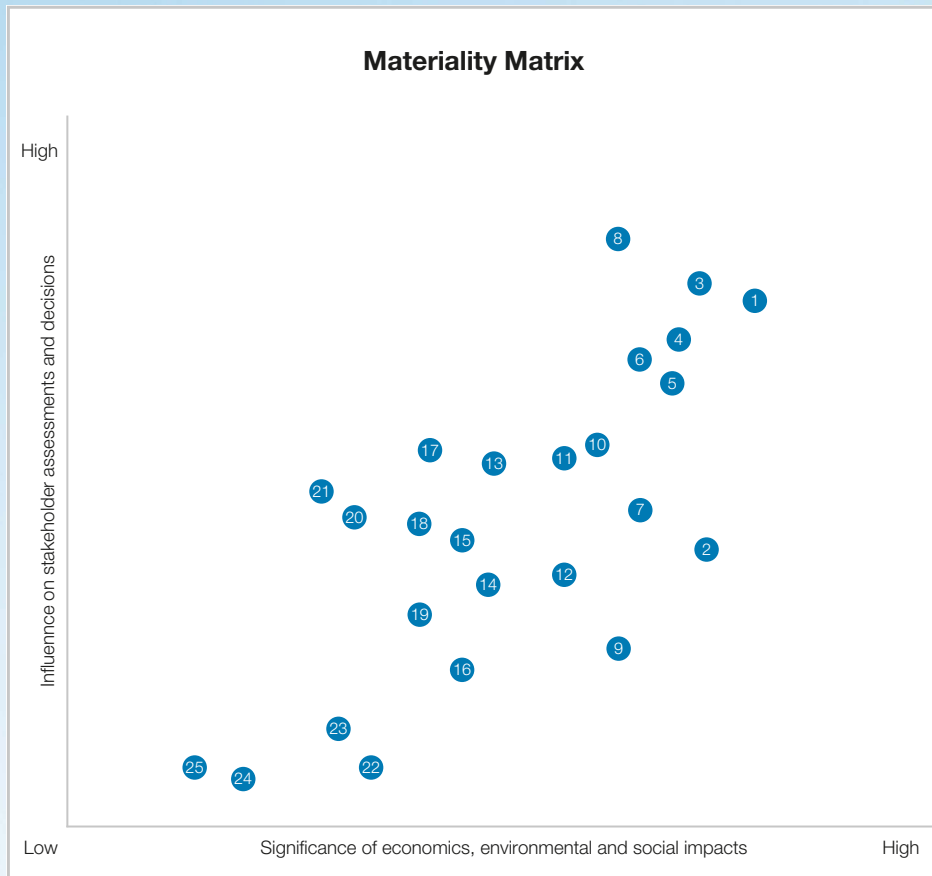
MATERIALITY ASSESSMENT

In order to better understand the opinions and expectations of stakeholders on the ESG performance of the Group, we conducted an annual materiality assessment during the Reporting Period. The specific steps are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is the Group's materiality matrix during the Reporting Period. The topics marked in the upper right corner of the matrix are those that have a greater impact on the development of the Group's business and are most concerned by stakeholders.



Label	ESG Issues	Label	ESG Issues
1.	Customer satisfaction and information and privacy protection	14.	Environmental impacts of construction projects
2.	Risk management	15.	Anti-corruption and anti-fraud
3.	Quality and safety of products and services	16.	Consumption of packaging materials
4.	Operation compliance	17.	R&D and innovation
5.	Recruitment, promotion, and dismissal	18.	Remuneration and benefits of employees
6.	Green production	19.	Water consumption
7.	Energy consumption	20.	Product labelling and advertising
8.	Corporate social responsibility	21.	Climate change mitigation and adaptation
9.	Occupational health and safety	22.	Equal opportunity, diversity and anti-discrimination
10.	Development and training of employees	23.	Fair and open procurement
11.	Intellectual property protection	24.	Emissions management
12.	Sustainable supply chain management	25.	Prevention of child and forced labour
13.	Indirect economic impact		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the results of the materiality assessment during the Reporting Period, the Group is aware that the most concerned topics to stakeholders are about customer satisfaction and information and privacy protection, risk management, quality and safety of products and services, and operation compliance. The Group responded to the opinion from relevant stakeholders in the ESG Report, enhanced the disclosures of the Group's work and performance in the above related areas accordingly, and used the result as an important reference for future ESG planning and policy development.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and internal control mechanism for ESG issues are established, and confirmed that the information disclosed meets the requirement of the ESG Reporting Guide.

A. ENVIRONMENTAL

The following table shows the Group's relevant material topics, targets set, and their respective status:

Material Topics	2023 Targets	Status
GHG emissions	Maintain the Group's total GHG emissions intensity to be not more than the 2022 level.	Achieved
Non-hazardous waste	Maintain the Group's non-hazardous waste intensity to be not more than the 2022 level.	Not achieved The amount of Chinese herbal medicine waste residue and boiler slag has increased relative to sales, contributing to the increase in the intensity of non-hazardous waste.

A1. EMISSIONS

As a leading Chinese pharmaceutical manufacturer, the Group has been committed to environmental protection and strictly complies with the environmental laws and regulations formulated by the national and local environmental authorities. Such laws and regulations related to the prevention and treatment of wastewater, exhaust gas and industrial pollution include, but are not limited to, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》), the Emission Standards for Water Pollutants from Chinese Pharmaceutical Industries (GB 21906-2008) (《中藥類製藥工業水污染物排放標準(GB 21906-2008)》), and the Atmospheric Pollutant Emission Standard of the Thermal Power Plants (《火電廠大氣污染物排放標準》). Besides, the Group paid the environmental protection tax according to the Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has long focused on the development of the environmental protection mechanism and has formulated relevant policies, regulations and procedures to regulate the generation of sewage and exhaust gas pollution in production operations, including but not limited to the “Policy on the Management of Environmental Self-regulatory Systems” (《環保自律體系管理規程》), “Policy on the Management of Environmental Protection Responsibility” (《環保責任制管理規程》), “Policy on the Management of Pollution Control Facilities” (《污染治理設施管理規程》), “Policy on the Solid Waste Management” (《固體廢物管理規程》), and “Environmental Protection Assessment Rules” (《環境保護考核細則》). The Group has continuously complied with the environmental protection laws and regulations formulated by the national and local environmental authorities, improved the mechanism and related policies, focused on and supervised the emission issues in the operation, and finally achieved the goals of energy conservation, pollution reduction and efficiency enhancement. The Group has been awarded the ISO14001 certification by the British Standards Institution (“BSI”), which recognizes the standards of environmental protection measures at its production facilities.

In addition, according to the requirements of the national “Sewage Discharge Permission” (91130000757518418T001W), national and local environmental protection laws and regulations, requirements of technical specifications for environmental monitoring and actual conditions of the Group, the Group has prepared its corporate internal-monitoring plans for pollution generated, standardized and carried out internal-monitoring activities, understood the emission status of pollutants and their impacts on the quality of the surrounding environment, and ensured that its responsibilities on environmental protection have been fulfilled. In addition, the Group has followed China’s environmental laws and regulations, formulated the “Construction Project Environmental Impact Assessment and ‘Three Simultaneous’ Management Procedures”. According to that procedure, environmental impact assessment is required to carry out and pass before the commencement of a new construction project to ensure that the production process satisfies the required environmental standards.

In order to ensure that the measures are implemented, the Vice President of Environmental Protection oversees the Group’s environmental management work, and each department includes, but not limited to the Security Department, Equipment Technology Transformation Department, Production Management Department, Technology Department, Finance Department, Human Resources Department, President Office and Quality Assurance Department has to cooperate with the Vice President of Environmental Protection and also responsible for implementing relevant environmental policies under their scope of work. The Security Department is also required to formulate self-monitoring plan annually to regularly monitor wastewater, exhaust gas, noise and other discharge outlets. Under the leadership of the Group’s person in charge of environmental protection, major environmental protection work meetings and internal control meetings shall be held for reporting the work progress of environmental protection and resolving major issues of environmental protection on timely basis, including but not limited to the issues related to emission of exhaust gas and GHG, discharge to water and land, generation of hazardous and non-hazardous wastes.

The Group has also formulated a “Contingency Plan for Emergent Environmental Incidents”, standardizing and strengthening the emergency handling of emergent environmental incidents, focusing on prevention, gradually improves the warning, disposal and aftercare mechanisms for handling emergent environmental incidents. The mechanism also mitigates the negative impacts on the environment and the Group’s business operations caused by environmental emergent incidents, including environmental pollution accidents, spills, explosions, transportation accidents, abnormal emissions and natural disasters. The departments related to the “Emergency Plan for Emergencies Environmental Incidents” are required to conduct drills annually, and keep video data and records.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant laws and regulations include, but are not limited to, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Solid Waste Environmental Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》).

Exhaust Gas and GHG Emissions

Over the years, the Group is committed to protecting the environment, and adopted a number of appropriate measures and governing methods to ensure its responsibility for environmental protection has been fulfilled. The Group is committed to maintaining environmental quality and using clean energy to reduce pollution and waste in production process; mitigating and even eliminating the adverse impacts of the corporate's production and operational activities on the ecological environment through emission reduction.

The Group uses clean energy sources such as natural gas and other measures, reduces the generation of exhaust gas at source to avoid environmental pollution. In the course of production and operation, the Group actively promotes clean production, energy conservation and emission reduction, and has continuously invested in environmental protection to mitigate emissions.

During the Reporting Period, the Group's NO_x emissions, SO_x emissions and dust emissions were approximately 5.24 tonnes, approximately 2.51 tonnes and approximately 0.45 tonnes respectively (2022: approximately 2.72 tonnes, approximately 1.71 tonnes and approximately 0.29 tonnes respectively).

The Group's total GHG emissions intensity decreased by approximately 13.18% compared with 2022 to approximately 31.07 tCO₂e per million RMB sales (2022: approximately 35.79 tCO₂e per million RMB sales). The reduction in total GHG emissions intensity was mainly due to increase in the Group's sales.

The Group has set an emission target of maintaining its total GHG emissions intensity for 2024 to be not more than the 2023 level. In the process of production and operation, the Group actively advocates cleaner production, energy conservation and emission reduction, and reduces emissions by continuously increasing investment in environmental protection. The Group has standardized the setting of all exhaust vents and does not allow employees to adjust, dismantle or idle the vents without authorization. The Group also uses clean energy such as natural gas and other measures to reduce the generation of waste gas pollutants at the source to avoid environmental pollution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of smoke and dust control, the Group has invested a total of RMB30 million in the construction of three sets of electrostatic bag dust removal facilities, two sets of wet electrostatic precipitator facilities, one set of high-efficiency dust removal and defogging facilities, three sets of double alkali desulfurization facilities, and three sets of SNCR French denitrification facilities and three sets of SCR denitrification facilities, which meet the ultra-low emission indicators of environmental protection requirements, namely the “Emission Standard of Air Pollutants for Thermal Power Plants” (《火電廠大氣污染物排放標準》) (GB13223-2011) and “Emission Standard of Air Pollutants for Boilers” (《鍋爐大氣污染物排放標準》) (DB13/5161 -2020) . The emission concentrations reach dust 10mg/m³, SO_x 35mg/m³, NO_x 50mg/m³. At the same time, in 2023, we continue to reduce pollutant emissions through management and emission reduction control, and renewed the pollution discharge permit. The flue gas from the three boilers has been processed and meets the standard, and is discharged through a 120-meter chimney. In addition, we have invested more than RMB10 million to build volatile organic flue gas, dust and traditional Chinese medicine odor control facilities in each workshop to ensure that all waste gases in the workshop can be discharged up to the standard. At the same time, we have unified the standard sampling platforms and exhaust pipes of each sewage outlet.

The Group also pays attention to the detection of pollutant concentrations. In 2023, all monitoring has been completed as planned in accordance with the monitoring requirements specified in the pollutant discharge permit, and the discharge of various pollutants complies with national and local environmental protection regulations.

The Group has taken a number of measures to reduce various gas emissions, including waste gas treatment facility projects at the discharge port of the crusher and the discharge port at the top of the conveyor belt, VOCs control projects in the traditional Chinese medicine extraction and filter press division, and VOCs and dust control facility projects in the packaging division. With a total investment of RMB0.5 million, approximately 0.8 tonnes of particulate matter and 0.5 tonnes of non-methane hydrocarbons emissions are reduced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sewage Discharge

During the Reporting Period, the Group's total sewage discharge intensity decreased by approximately 42.21% compared with 2022 to approximately 54.62 tonnes per million RMB sales (2022: approximately 94.51 tonnes per million RMB sales). The reduction in the total sewage discharge intensity was due to increase in the Group's sales. All the sewage of the Group will be discharged to groundwater. There is no discharge in water-scarce areas.

The wastewater from the Group's production process is mainly the wastewater from the production workshop, the Chinese herbal medicines, and the wastewater from cleaning equipment. All wastewater is treated at the Group's sewage treatment station, where we have a sewage treatment station with a treatment capacity of 5,000 tonnes/day, anaerobic digestion, aerobic bioremediation and deep processing are adopted to ensure stable operation of the sewage treatment facilities and water quality being up to standard in a continuous and stable manner. Sewage after treatment complies with relevant standards and is disposed into district sewage treatment plant of Luancheng. The Group has continuously upgraded the sewage treatment station as well as the exhaust gas treatment facility of the anaerobic system to further improve the sewage decolorization process.

Under the premise of reducing sewage discharge, the Group adopts the comprehensive utilization project of circulating water and the optimization of cleaner production plan in the production process to reduce the consumption of water resources. The comprehensive utilization project of circulating water effectively recovers the cooling water and reuses it after cooling. The comprehensive utilization of circulating water project makes the utilization rate of water circulation above 80%, saves water and improves the utilization rate of resources. In addition, the Group has set up decolorization treatment facilities, which can reduce the chromaticity in the sewage discharge index from above 50 to below 30.

Hazardous and Non-hazardous Waste Disposal

The Group's non-hazardous waste discharge mainly includes solid waste generated during the production of traditional Chinese medicines, which are mainly traditional Chinese medicinal material waste slag and boiler slag. Except for a very small amount of waste liquid of approximately 2.11 tonnes (2022: approximately 3.16 tonnes) generated by the scientific research center, the Group does not generate hazardous waste. For the waste liquid generated by the scientific research center, we will entrust a qualified hazardous waste treatment service provider for harmless disposal.

In order to strengthen the Group's solid waste management and ensure the Group's solid waste disposal process complies with the requirements of the national environmental protection laws and regulations, the Group has formulated the "Policy on the Solid Waste Management", ensuring the transfer of hazardous substances in the production process are recorded, and a regular recycling and disposal agreement is signed with the qualified hazardous waste disposal company. Pharmaceutical waste and products, packaging waste and raw materials are destroyed under the supervision of the Quality Assurance Department.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set a waste generation target of maintaining its non-hazardous waste intensity in 2024 to be not higher than the 2023 level. For the treatment of solid waste, various departments and workshops will classify and manage the generated solid waste, and take measures to comprehensively utilize it to reduce the pressure of disposal. In addition, the Group adopts advanced production technology, environmentally friendly raw and auxiliary materials, carries out clean production activities, adopts source control and comprehensive utilization, recycling, and minimizes the amount of solid waste generated. The Group makes good use of the waste residues of Chinese herbal medicines and processes them, so that the waste residues of Chinese herbal medicines produced from the processing can replace the boiler coal, which can save about 20 tonnes of standard coal per day, and the boiler slag can be used as building materials. The Group has also implemented the “Comprehensive Alcohol Recycling Project”, which effectively realizes the recycling of alcohol waste liquid.

During the Reporting Period, the intensity of non-hazardous waste generated by the Group increased by approximately 30.65% compared with 2022 to approximately 3.83 tonnes per million RMB sales (2022: approximately 2.93 tonnes per million RMB sales). The amount of Chinese herbal medicine waste residue and boiler slag has increased relative to sales, contributing to the increase in the intensity of non-hazardous waste. In the course of operation, the Group inevitably generates waste, but through effective relevant waste treatment strategies and policies, the Group will try to reduce the environmental risks and impacts caused by waste.

A2. USE OF RESOURCES

The following table shows the Group’s relevant material topics, targets set, and their respective status:

Material Topics	2023 Targets	Status
Energy consumption efficiency	Maintain the Group’s total energy consumption intensity to be not more than the 2022 level.	Not achieved The increase in total energy consumption intensity was mainly due to higher energy use relative to sales.
Water consumption efficiency	Maintain the Group’s total water consumption (without deduction of water discharge) intensity to be not more than the 2022 level.	Achieved

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

The Group strictly adheres to the development concept of “Energy Efficiency and Recycling Production”, and has obtained ISO14001 “Environmental Management System” certified by the BSI.

The Group recognizes the importance of energy efficiency, and has formulated relevant policies and regulations, including but not limited to the “Policy on the Energy Management” and the “Policy on the Energy Measurement Information System Management”, to regulate the effective use of resources in production and operation. The Group continues to comply with environmental laws and regulations formulated by the national and local environmental authorities, continuously improves the mechanism and relevant policies to achieve the goal of effective use of resources to mitigate pollution and increase efficiency.

Under the norms of relevant regulations, the Group has actively carried out energy efficiency measures to reduce the amount of energy consumption in production processes and implemented energy efficiency principle in each production process. The Group incorporated the principals of energy conservation, emission reduction, low carbon and recycling into corporate management, guaranteed from the process system, and organized various systems from production to explore energy saving potentials. For example, different types of energy control methods are used in the energy management at workshops, such as energy consumption index control, daily inspection.

In order to achieve energy efficiency, the Group has established effective energy measurement, monitoring, statistics, quota assessment mechanism, and set up the corresponding energy management positions. Through the internal implementation of energy metering management information system, the utilization of online monitoring of key energy-consuming equipment, scientific analysis and management of various departments of energy use, we put an end to energy wasting. The promotion and implementation of the Group’s various energy efficiency measures, result in the effective mitigation of the environmental impacts caused by our energy usage in the operation. Thus, a win-win situation among economic efficiency and environmental protection is achieved. Therefore, the Group was included in “Green Factories List” (《綠色工廠名單》) issued by the Ministry of Industry and Information Technology of the PRC (“Ministry of Industry and Information Technology”).

In 2023, the direct and indirect energy consumption are approximately 317,447.09 MWh and 43,894.94 MWh respectively (2022: approximately 225,716.74 MWh and 34,140.40 MWh respectively). The Group’s main sources of the direct energy consumption are diesel, liquefied petroleum gas, natural gas, acetylene and steam generated by the combustion of coal, while the Group’s main source of the indirect energy consumption is purchased electricity. The total energy consumption of the Group was approximately 361,342.03 MWh (2022: approximately 259,857.14 MWh). The total energy consumption intensity increased by approximately 21.63% to approximately 80.00 MWh per million RMB sales compared with 2022 (2022: approximately 65.78 MWh per million RMB sales). The increase in total energy consumption intensity was mainly due to higher energy use relative to sales.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set an energy efficiency target of maintaining its total energy consumption intensity in 2024 to be not more than the 2023 level. In order to pursue the energy efficiency target, the Group has completed various improvement projects to save energy and reduce emissions:

- As the oral liquid workshop seldom uses compressed air on a daily basis, a 55KW air compressor in the workshop normally provides compressed air, and the loading rate is less than 10%, which wastes a lot of electric energy. We have therefore modified the pipeline connection and provided compressed air from the soft capsule workshop. After the modification, the air compressor in the oral liquid workshop was disabled, thereby saving 8.6 tonnes of standard coal per year;
- Roots blower in sewage station is old and inefficient, so it is replaced by air suspension centrifugal blower, 21 tons of standard coal can be saved annually;
- The second workshop of traditional Chinese medicine uses a lot of steam and the condensed water flows back to the power workshop, which waste a lot of heat energy. It is now used for alcohol recovery through pipeline connection, followed by returning to the power workshop after absorbing part of the heat, which eliminates the usual steam used in alcohol recovery and saves 238.7 tonnes of standard coal annually;
- Due to the leakage of fire-fighting water, the Group operates 30-kWh-fire-fighting pumps all year round. In order to solve the leakage problem, 7.5KW is now used instead of 30KW to maintain the pressure, and the pressure is automatically switched to 30KW when the pressure is lower than the set value, which saves a lot of electricity and achieves an annual saving of 24.6 tonnes of standard coal;
- The original air compressor is rated at 37KW, which is frequently loaded and unloaded and has emptying phenomenon. Purchased an energy-saving and efficient 30KW permanent magnet variable frequency air compressor to replace the original air compressor, saving a lot of power;
- The circulating water pump in the first workshop of traditional Chinese medicine uses frequency converter to stabilize the water supply, so as to eliminate the waste of electric energy caused by the inconsistent number of equipment turned on by human operation;
- Purchased a high-efficiency energy-saving water pump to replace the original circulating water pump. Through the transformation, the motor power has changed from the original 132KW to the current 90KW, saving a lot of electricity.
- Replaced the 55KW air compressor owned by the first comprehensive preparation workshop with a 55KW permanent magnet variable frequency air compressor, and connect the pipelines between the first comprehensive preparation workshop, the soft capsule workshop, and the oral liquid workshop, and the air compressor in the first comprehensive preparation workshop will uniformly supply the compressed air, saving a lot of electricity; and
- Hold energy-saving monthly activities, through planning, publicity, training, benchmarking, inspection, rationalized proposal selection and other measures, put forward 30 improvement suggestions in terms of water saving, electricity saving and steam saving.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also makes good use of the Energy Management System to monitor the water, steam, electricity and other energy mediums consumed in our operation by the usage of the automatic, monitoring and decentralized control system, so as to realize the efficient utilization of energy.

In daily operations, the Group also encourages employees to respond to environmental initiatives and implement different environmental protection measures to mitigate the impacts on the environment. The summary is as follows:

Electricity Consumption

- Turn off all unnecessary power-consuming equipment (lights, air conditioners, computers, displays) before leaving;
- Turn off water supply machine before long holidays;
- During the summer, office air conditioning temperature should be set to not lower than 26°C; during the winter, the maximum set temperature should be at 23°C;
- Halve the amount of light equipment used in the office according to situation; and
- Reform of workshop frequency conversion power saving system.

Use of paper

- Reuse recycled paper;
- Use double-sided printing to reduce paper consumption by half;
- Use e-mail instead of issuing paper files for internal communication, unless it is necessary; and
- Promote office automation system and paperless office.

Others

- Collect the used ink cartridges in each office and return them to the suppliers;
- Collect the rechargeable batteries to reduce land pollution; and
- Reduce the frequency of employee travel and encourage employees to take low-carbon transportation for official travel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption

During the Reporting Period, the total water consumption (without deduction of water discharge) intensity of the Group decreased by approximately 37.75% to approximately 62.08 tonnes per million RMB sales as compared with 2022 (2022: approximately 99.73 tonnes per million RMB sales). The reduction in the total water consumption (without deduction of water discharge) intensity was mainly due to the increase in the Group's sales. The Group's water withdrawal was approximately 280,396 tonnes (2022: approximately 394,014 tonnes), all of which came from groundwater. The Group's total water consumption was approximately 33,712 tonnes (2022: approximately 20,632 tonnes). During the Reporting Period, the Group did not use reclaimed water or use water in water-scarce areas.

The Group has set a water efficiency target of maintaining its total water consumption (without deduction of water discharge) intensity in 2024 to be not more than the 2023 level. The circulating water comprehensive utilization project effectively recycles and reuses the cooling water, thus saving water and improving the resource utilization rate. The Group's cooling tower circulating pool has a total storage capacity of 2,400 tonnes, a daily replenishment capacity of 310 tonnes, and a circulating water utilization rate of about 85%. In addition, the Group has also taken different measures to improve the quality of utilized circulating water: adding slow-release scale inhibitor, bactericidal algacide and water for bottle washing into the circulated water to improve its quality, increasing the concentration multiple from 2.5 to 3.5. Besides, we actively implement the transformation for the condensate water recovery system in the boiler room, in order to recycle water during the production process as much as possible and reduce water consumption. The efficiency of the Group's circulating water comprehensive utilization project is above 80%.

In order to save water, we cleaned the equipment such as the spray tower in the Chinese medicine workshop from rinsing to adding high-pressure water gun cleaning. Changing the dilution water of the sewage station from original drinking water to treated greywater for the dilution process, in order to reduce the consumption of water resources. In addition, the wastewater after washing in the injection workshop is used as cooling water in the circulating pump pool of the Chinese medicine workshop to reduce the amount of water refilled. The Group was not have any issues in sourcing water that is fit for purpose as the Group's operating sites have stable water supply system.

The sprinkler system of the Group's gardens is derived from the condensed water in the production workshop, and the condensed water is used to green the environment. At the same time, through changing the cleaning method, such as changing the water pipe flushing to spray gun or cleaning ball cleaning, we can save more water. The Group also regularly maintains valves and pipelines, and leaking pipelines must be replaced and repaired in a timely manner. In addition, through the transformation of the interlayer pipeline in the third workshop of injection, the water is collected and discharged to the underground pool in the southeast corner of the workshop, and then transported by submersible pumps to the second workshop of traditional Chinese medicine and the power plant for reuse. This can not only reduce the sewage treatment volume by 300 tonnes per day, but also save 300 tonnes of water and save 100,000 tonnes of water annually. We also replaced the original herbal washing equipment by purchasing herbal dry-cleaning machines, saving 2,000 tonnes of water annually. Through the above water-saving measures, the Group was rated as a water-saving enterprise through the provincial and municipal water conservancy systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Packaging Materials

The Group realizes that packaging waste has growing attention, therefore it establishes the “Sustainable Packaging Policy” in order to adopt sustainable packaging methods in our operations. The packaging of the Group’s products follows the principle of reduction, easy recycling, reusable, and refillable. We try to use decomposable packaging materials as much as possible to reduce the use of plastic packaging. During the Reporting Period, the total packaging materials used by the Group was approximately 2,076,714 pieces of carton (2022: approximately 1,643,071 pieces), approximately 331,133,830 packaging boxes (2022: approximately 170,262,890 packaging boxes), and approximately 226,317,250 sheets of drug instructions (2022: approximately 168,656,680 sheets).

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The main raw materials used by the Group for production are all kinds of Chinese medical herbs, and our production and operation may have slight impacts on the environment and natural resources. Nonetheless, the Group recognizes the importance of the impact of its operations on the environment and natural resources.

In addition to complying with environmental regulations and international standards, the Group also integrates the concepts of environmental protection and environmental management into its operational decisions, daily operational activities and internal management. It strives to develop into an enterprise which is high-tech, economic efficient, low resource consumption and less environmental pollution, and achieving a win-win situation among economic efficiency, environmental protection and society towards the goal of environmental sustainability.

Green Production

In order to reduce the significant impacts on the environment and natural resources, the Group prepares a corporate pollution internal-monitoring plan to standardize the supervisory activities, and understand the corporate’s emission status of pollutants and the potential impacts of business operations on environmental quality. The Group also promotes green office and environmentally friendly production by the 4R principles, reduce, reuse, recycle and replace, to minimize the impact of our operations on the environment.

Green Building and Construction Project’s Feasibility

From the feasibility study, preliminary design, construction processes and commissioning of the construction project, the Group strictly implements the relevant regulations and procedures for the “Regulations on Environmental Protection Management of Construction Projects” (《建設專案環境保護管理條例》) promulgated by the national and local governments, and at the same time follows relevant internal systems. All of our construction projects have been approved by the environmental impact assessment. On the other hand, the Group has formulated the “Environmental Impact Assessment for Construction Projects and the ‘Three Simultaneous’ Management Regulations” to standardize and strengthen the environmental protection management of the Company’s new, modified and expanded construction projects to prevent environmental pollution and ecological damage caused by construction projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Safety Emergency Response Mechanism

In order to implement the relevant provisions of relevant laws and regulations, the Group has established an environmental safety emergency response mechanism based on actual situation, and formulated the “Emergency Plan for Emergency Environmental Incidents”, to ensure that the emergency work can be started quickly, efficiently and orderly, and to avoid and minimize the environmental losses and hazards caused by emergency environmental incidents.

Biodiversity

As our production relies on natural herbs as a raw material for production, we regard biodiversity as a consideration factor in our operations. We have established “Biodiversity Policy” to ensure that we do not use endangered species or damage their habitats during our operations and contribute to conservation.

A4. CLIMATE CHANGE

Climate Change

Extreme weather is getting more serious, and tackling climate change has become a global consensus. We are also aware that its physical risks may cause direct damage to the operations of the Group or indirect impact on the supply chain, thereby posing environmental risks and financial impacts on the Group. In order to avoid and mitigate these risks, the Group has established the “Climate Change Policy” to formulate climate change policy guidelines and strategies consistent with global best practices, and to take sufficient measures to build climate change resilience to adapt or mitigate the impact of climate change on its business, while fulfilling its social responsibilities.

Besides, the Group has realized the impact of using fossil fuels on exacerbating climate change. We strive to explore opportunities to use alternative or renewable energy in our operations. We strive to explore opportunities to use alternative or renewable energy in our operations. At present, the Group realizes that alternative energy and turning waste into energy is the most suitable environmentally friendly energy sources. We use traditional Chinese medicine waste residues from the production process to replace boiler coal. In order to mitigate and adapt to climate change, the Group is also committed to improving the efficiency of resource use in daily operations. Through effective energy, water resources, packaging materials and waste management, operating costs can be reduced. Please refer to the section of “Use of Resources”.

On the other hand, we have added climate change into the considerations of risk management assessment. We not only consider the potential risks of climate change to our business, but also explore the potential benefits of climate change for our operations and integrate them into our operational processes, and explore opportunities of developing new products. During the Reporting Period, the Group continued to closely monitor the following risks that might be caused by climate change:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Physical Risks

Extreme weather such as typhoons and heavy rains resulted from climate change may disrupt business operations in the short term. In order to minimize disruption to our business operations, the Group has formulated a set of contingency measures for severe weather to minimize the negative impact on the business.

In addition, the Group is also fully aware that extreme weather conditions may endanger the health and safety of employees. Therefore, we have developed comprehensive arrangements for conditions including typhoons, rainstorms and heat waves to protect the health and safety of our employees in extreme weather conditions. The Group also tries its best to take into account the different situations faced by individual employees under extreme weather conditions, such as the place of residence, nearby roads and traffic conditions, and adopts flexible handling methods depending on the actual difficulties and needs of the employees. For example, the Group implements flexible working hours for employees. At the same time, in case of extreme weather conditions, the Human Resources Department will remind and notify employees of the latest weather conditions through messaging applications or email.

Transition Risk

Policy actions and emerging technologies on climate change will continue to develop, for example, switching to low-carbon energy sources and supporting the transition to a low-carbon economic system may bring risks to the Group's technological transformation and increase its costs. The impression of customers, the community and the media on whether the Group can commit to low-carbon transformation may also bring risks to the Group's image and reputation.

In terms of legal risks, the Group expects that the laws and regulations related to climate change will be more stringent, for example, local governments may adopt more aggressive policies and measures to limit GHG emissions. Therefore, the Group might be exposed to legal risks and may need to bear higher operating costs to comply with regulatory changes. In response to possible legal risks, the Group has taken a series of measures. First, the Group continuously monitors any changes in laws or regulations. Second, the Group has consulted compliance advisors to reduce legal risks. Third, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing GHG emissions. As we go beyond current compliance requirements, we have higher adaptability to tighter regulations that may arise.

Environmental Data Summary

Air Emissions

Types of Air Emissions	Unit	2023	2022	2021
NO _x	tonnes	5.24	2.72	5.99
NO _x intensity	tonnes/sales (in million RMB)	0.0012	0.0007	0.0019
SO _x	tonnes	2.51	1.71	3.23
SO _x intensity	tonnes/sales (in million RMB)	0.0006	0.0004	0.0010
Dust	tonnes	0.45	0.29	0.62
Dust intensity	tonnes/sales (in million RMB)	0.0001	0.0001	0.0002

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emissions

Types of GHG Emissions	Unit	2023	2022	2021
Direct GHG emissions (Scope 1)	tCO ₂ e	80,760.44	87,499.15	76,087.00
Indirect GHG emissions (Scope 2)	tCO ₂ e	38,727.16	30,190.36	16,885.00
Other indirect GHG emissions (Scope 3)	tCO ₂ e	20,852.97	23,690.51	24,822.00
Total GHG emissions (Scope 1, 2 and 3)	tCO ₂ e	140,340.57	141,380.02	117,794.00
GHG emissions intensity	tCO ₂ e/employee	40.84	34.22	32.06
	tCO ₂ e/sales (in million RMB)	31.07	35.79	36.54
	tCO ₂ e/EBITDA (in million RMB)	98.82	128.12	130.34

Waste Emissions

Types of Waste	Unit	2023	2022	2021
Non-hazardous waste types				
Chinese herbal medicine waste residue	tonnes	12,781.94	9,283.00	9,267.00
Boiler slag	tonnes	4,537.00	2,312.00	2,374.00
Total	tonnes	17,318.94	11,595.00	11,641.00
Non-hazardous waste intensity	tonnes/employee	5.04	2.81	3.17
	tonnes/sales (in million RMB)	3.83	2.93	3.61
	tonnes/EBITDA (in million RMB)	12.20	10.51	12.88
Hazardous waste types				
Effluent liquor	tonnes	2.11	3.16	2.29
Total	tonnes	2.11	3.16	2.29
Hazardous waste intensity	tonnes/employee	0.0006	0.0008	0.0006
	tonnes/sales (in million RMB)	0.0005	0.0008	0.0007
	tonnes/EBITDA (in million RMB)	0.0015	0.0030	0.0030

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

Types of Energy	Unit	2023	2022	2021
Electricity	kWh	43,894,940.00	34,140,400.00	19,368,100.00
Electricity intensity	kWh/employee	12,775.01	8,264.44	5,271.67
	kWh/sales (in million RMB)	9,718.71	8,641.75	6,008.31
	kWh/EBITDA (in million RMB)	30,909.93	30,937.81	21,430.98
Steam ¹	kWh	316,491,340.00	225,320,926.09	234,863,991.36
Steam intensity	kWh/employee	92,110.40	54,543.92	63,925.96
	kWh/sales (in million RMB)	70,073.88	57,034.09	72,858.80
	kWh/EBITDA (in million RMB)	222,866.79	204,184.37	259,879.18
Other energy ²	kWh	955,745.96	395,818.47	441,956.13
Other energy intensity	kWh/employee	278.16	95.82	120.29
	kWh/sales (in million RMB)	211.61	100.19	137.10
	kWh/EBITDA (in million RMB)	673.02	358.69	489.03
Total energy consumption	kWh	361,342,025.96	259,857,144.56	254,674,047.49
Total energy consumption intensity	kWh/employee	105,163.57	62,904.17	69,317.92
	kWh/sales (in million RMB)	80,004.20	65,776.03	79,004.22
	kWh/EBITDA (in million RMB)	254,449.73	235,480.87	281,799.19

Notes:

1. In 2023, 346,955.34 tonnes of steam were consumed by the Group (2022: 294,965.34 tonnes). Steam was mainly generated by the combustion of coal.
2. Other energy include the energy consumption from the use of diesel, liquefied petroleum gas, natural gas and acetylene.

Water and Effluents

Types of Water and Effluents	Unit	2023	2022	2021
Water withdrawal	tonnes	280,396.00	394,014.00	394,795.00
Water discharge	tonnes	246,684.00	373,382.00	340,542.00
Water consumption	tonnes	33,712.00	20,632.00	54,253.00
Water withdrawal intensity	tonnes/employee	81.61	95.38	107.46
	tonnes/sales (in million RMB)	62.08	99.73	122.47
	tonnes/EBITDA (in million RMB)	197.45	357.05	436.84
Water consumption intensity	tonnes/employee	9.81	4.99	14.77
	tonnes/sales (in million RMB)	7.46	5.22	16.83
	tonnes/EBITDA (in million RMB)	23.74	18.70	60.03

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Raw Materials

Types of Raw Materials	Unit	2023	2022	2021
Raw materials (including Chinese herbs)	tonnes	16,068	12,491	9,853
Auxiliary materials	tonnes	13,718	10,228	10,100

Use of Packaging Materials¹

Types of Packaging Materials	Unit	2023	2022	2021
Carton	pieces	2,076,714	1,643,071	1,632,120
Packaging boxes	boxes	331,133,830	170,262,890	181,333,220
Instruction	sheets	226,317,250	168,656,680	175,500,000

Note:

1. Due to the limitation of the Group's data collection system, the Group is not able to obtain the data relating to the weight of packaging materials.

Environmental Compliance

Indicator	Unit	2023	2022	2021
Environmental violation cases	number	-	-	-
Environmental fines	RMB	-	-	-

Significant Spill

Indicator	Unit	2023	2022	2021
Total number of serious spills	number	-	-	-
Total amount of serious spills	tonnes	-	-	-

Environmental Targets Set for 2024

Material Topics	Targets
GHG emissions	Maintain the Group's total GHG emissions intensity to be not more than the 2023 level.
Waste reduction	Maintain the Group's non-hazardous waste intensity to be not more than the 2023 level.
Energy consumption efficiency	Maintain the Group's total energy consumption intensity to be not more than the 2023 level.
Water consumption efficiency	Maintain the Group's total water consumption (without deduction of water discharge) intensity to be not more than the 2023 level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

The following table shows the Group's relevant material topics, targets set, and their respective status:

Material Topics	2023 Targets	Status
Procurement Practice Supplier Environmental Assessment Supplier Social Assessment	Assess all suppliers' environmental and social impact in accordance with Supplier Profile Management System, Supplier On-site Audit Management System, and Supplier Quality Evaluation Management Regulation	Achieved
Training and Education	Maintain or increase the average training hours using the number of hours in 2022 as baseline	Achieved
Indirect Economic Impacts	Always comply with relevant laws and regulations	Achieved

B1. EMPLOYMENT

Employee Benefits and Equal Opportunity Policies

Equal Opportunity, Diversity and Anti-discrimination

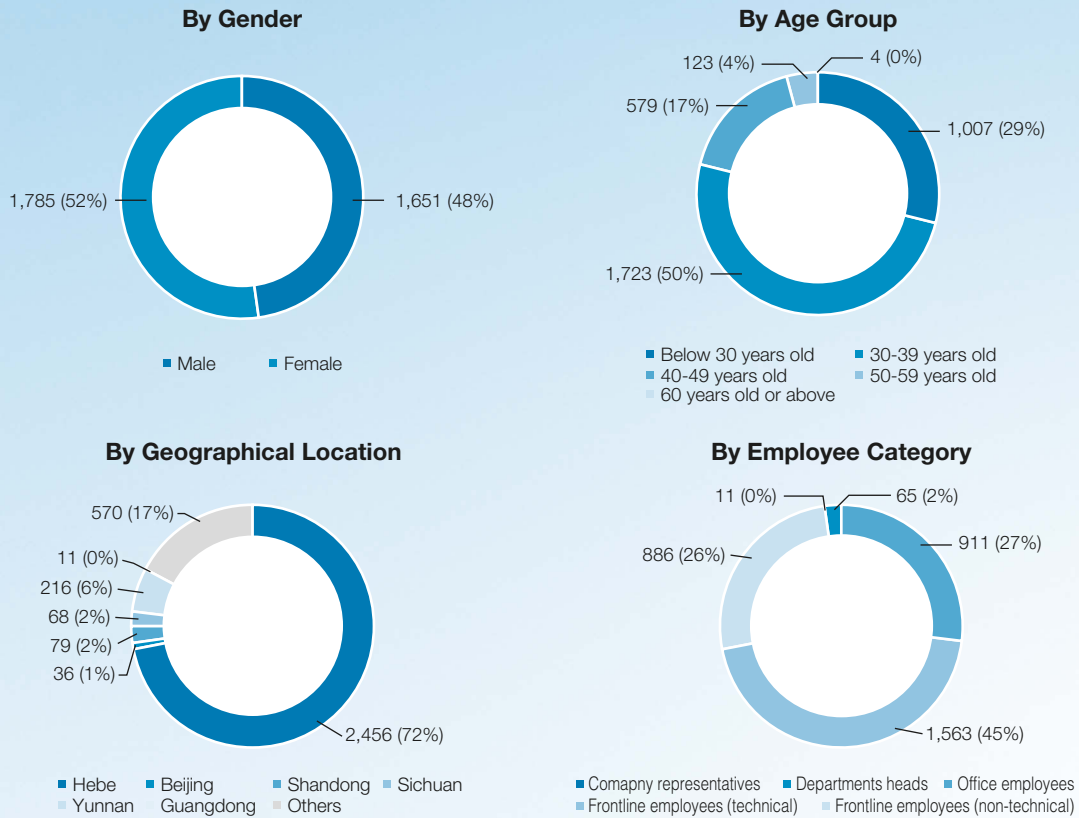
"People-oriented" is the concept of human resources management adopted by the Group and is also the cornerstone of the Group's long-term development. The Group believes that under the corporate culture of "employing talent and team spirit", we can achieve "ensure profit and balanced development" in the process of growth. With this concept and as an equal opportunity employer, the Group is committed to provide a working environment without discrimination. This includes arrangements for all employees of the Group, such as recruitment, transfer, training, promotion, conduct, remuneration and welfare levels, hours of work, holidays, and dismissal. to ensure equal opportunities and fair treatment for all employees and job applicants.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The relevant laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國劳动合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》).

As at 31 December 2023, the Group had a total of 3,436 employees (2022: 4,131 employees), all of whom were full-time fixed contract workers. With a male-to-female ratio of approximately 1:1, while female accounted for about 31.08% of the Group's middle and senior management (i.e., company representatives and department heads). The number of employees has decreased from last year due to organizational change of the marketing team. Optimisation of headcount has led to a reduction of number of employees. The Group does not employ employees with non-guaranteed working hours or workers that are not employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For detailed human resources related information, please refer to the charts below and “Social Data Summary”.



Recruitment and Promotion

The Group has formulated the “Policy on the Group Recruitment Management” based on the principles of openness, fairness and justice. The policy regulates recruitment management, defines the recruitment process and methods, regulates employee recruitment, selection, employment, and procedures for turning into regular worker, and improves recruitment efficiency and quality, so as to timely meet the overall manpower needs of the Group. The Group has also formulated the “Policy on the Labour Contract Management” to uniformly regulate and manage labour contracts, including the dissolution and termination process of labour contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Remuneration and Benefits

The Group sets up “Fair Pay Policy”, establishes a salary mechanism based on the concept of remuneration by position, performance, contribution and ability, and develops a unified salary grading table according to the market price and the position. At the same time, the remuneration standard is determined on the basis of specific conditions including but not limited to the job responsibilities of the employees, personal comprehensive capabilities (including work experience, academic qualifications, and professional qualifications), personal work performance, and contribution to the Group. At the end of each year, the Group evaluates the performance of its employees and promotes and raises the salary of those who are evaluated as outstanding. The Group has also issued human resources related policies in accordance with relevant national and regional regulations. Discretionary bonuses and other performance awards are based on the financial performance of the Group and the performance of individual employees. In addition, employees can enjoy public holiday, sick leave, work injury leave, maternity leave and annual leave and other paid leave. The entire full-time employees enjoy the above benefits.

Employees are the most important asset of the Group, and the sense of belonging and health of employees are closely related to the Group’s success. In order to create a work-life balanced environment and increase employee’s sense of belonging to the Group, the Group has been making huge effort to improve its policies and measures, including organizing activities related to networking, sports, recreation, debate competitions, health and caring for employees.

The Group values gender equality. The gender pay gap between the employee categories: company representative, department head, office employees, front-line workers (technical) and front-line workers (non-technical) are approximately 9.69%, 8.51%, 4.98%, 3.03% and 32.90% respectively.

B2. HEALTH AND SAFETY

Safety Production

Human resources are the valuable asset of the Group. We adhere to the production philosophy of “safety first, prevention oriented and comprehensive management” and prioritizes employees’ health and safety. The Group has performed risk assessment and established and improved the occupational safety and health management system, audited by the BSI Management Systems Limited annually, and has performed well for decades. The new version of the “ISO 45001- 2018 Occupational Health and Safety Management Systems” passed the audit, guaranteeing the safety and health of employees in the workplace in 2023.

The Group strictly complies with the requirements of national production safety laws, regulations and standards, incorporating its actual situation, the Group has set up a Safety Production Committee, nominated the Safety and Security Department as the Chief Management Department for Safety Production and appointed Safety Manager as required to establish an all-rounded safety production management network, complete safety production responsibility policies, and specify the duties of each department in safety production. All the members of the Company, from management to general employees, have signed the production safety responsibility acknowledgement, ensuring the stringent implementation of safety responsibility and the Group’s safety production management. Based on the Company’s situation, the Company has formulated and improved the “Safety Rules and Regulations”, established safe operating procedures for posts and equipment, standardized employees’ safe operations, and regularly trained and educated employees on the rules and regulations to achieve legalization, institutionalization, standardization and normalization.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements of the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》) and actual situation, we have conducted a company-department-team three-grade safety training to new employees in strengthening their safety awareness. The Group conducts fire protection, safety and occupational health education and training for existing employees according to the plan every month, and the annual training hours are more than 20 hours. In 2023, the Group implemented a combination of online and offline coordination for employee training, and achieved good training results.

The Group implements a “three-grade” safety inspection system, namely the monthly company inspection, weekly workshop inspection and daily team inspection. A monthly comprehensive inspection on the whole company is conducted by the Security Department and relevant departments, the identified problems are rectified promptly, and the rectification process is monitored by on-site visit, inspection records, rectification notices and review records are kept in records, forming a close-looped management. The person in charge of the workshop organizes weekly departmental safety inspection with related department personnel, identifies problems and carries out remediation plans at once. The team carries out pre-, on- and post-shift safety inspection, at the same time strengthening the vacation and seasonal inspections, detailing the inspection from each department, position and production process, timely eliminates potential safety hazards and ensures production safety. We also formulate an annual training plan, strengthen general safety training and organize safety training for all employees periodically. Employee's understanding on safety knowledge and safe operation has been enhanced through safety training and examination, and we have established and enhanced the employee training records. We will also formulate an annual safety hazard investigation plan, strengthen the supervision and supervision of accident hazards, prevent and reduce accidents, and protect the safety of employees' lives and property.

The Group proactively carries out safety activities, organizes special activities such as “Safety Month”, “Fire Accident Prevention Day”, and “Approaching the Party's ‘20th National Congress’ Safety Production Special Inspection” every year, compiles activity plans and organizes diverse activities for specific theme. Meanwhile strengthening routine safety training, actively carrying out routine team safety education, conducting safety behaviours observation and communication training, so as to help employees to rectify unsafe behaviours, raise safety awareness and cultivate safety habits. In addition, the Group implements the before-shift meeting mechanism, a pre-job meeting is compulsory, safety tips and education are given to employees during the pre-job meeting according to the characteristics of the post and working environment. Everyone in the team is a security officer, the position is rotated among employees on a daily basis, conducting safety education and inspection to operators. The inspection focuses on working environment, equipment safety, compliance operation, and proper use of personal protective equipment, in building a safe working environment that everyone is engaged.

The Group organizes a group-level safety meeting monthly to summarize the recent circumstance and arrange the work of next stage. The Group pays close attention to all types of accidents happened in the industry and nearby regions, reports related accidents of that month at the monthly regular safety meeting, analyses and learns from those incidents as we “analyze others' accidents as ours, and treat past accidents as present”. Through accidents, lower level of management is urged to bear responsibilities and improve precaution measures, in preventing related incidents. For the material or typical accident, we will hold a security alert meeting promptly, make profound acknowledgement from the accident and carry out analogical inspections so as to learn from the similar events, prevent potential risk from intensify, completely eliminate hidden dangers and ensure safe production.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group organizes employees to identify risk factors on each post and each production process on a regular basis. The risk level of the identified risk factors was evaluated to form the Group's Risk Factor Identification Control Table, defining unacceptable risks and strengthening management control. Through this measure, employees can clearly understand the dangers that may occur in their work, and express their views on maintaining occupational safety, so as to better protect themselves, protect others, and ensure safe production.

The Group's safety facilities, lightning protection facilities, fire control facilities and special equipment have undergone annual inspections in accordance with national regulations, and all have obtained inspection certificates. The Group persists to conduct inspections and maintenance on its equipment, facilities, and processes to ensure the provision of a safe working environment for employees. The exits of each workshop and the corners of staircases are marked with safety passage signs and are equipped with emergency lights, while obvious warning signs are affixed to key areas and equipment to remind employees to always pay attention to safety. Each workshop regularly conducts a comprehensive inspection of its production equipment to ensure that the existing safety interlocking device is intact and effective, so to guarantee automatic shutdown on abnormal conditions and improve equipment safety performance.

All constructions of the Group have installed automatic fire alarm systems and flammable gas alarm equipment according to zoning, and have adopted centralized network monitoring by specific workers for 24 hours, this is to detect, control and deal with related incidents as soon as possible. All areas are equipped with fire extinguishers and hydrants, and two groups of fire water cannons are set up in key areas to further enhance the Group's fire emergency responses so that it can be well prepared for every potential risk.

The Group attaches great importance to the management of hazardous chemicals and special drugs. We have formulated the "Policy on the Safety Management of Hazardous Chemicals" that requires stringent compliance on the relevant national regulations from procurement to application, and evaluates suppliers as well as logistics providers under the national certified qualification, so as to ensure legal compliance at source. The Group has designated hazardous goods warehouses and assigned personnel to manage it, which is specified for storing hazardous chemicals and special items used by the Group. The major hazardous chemicals used in the Group's production, such as ethanol and sulphuric acid, are stored in the dedicated warehouses and emergency facilities are set up according to national requirements in the workplace and storage room; flammable and explosive storage areas are explosion-proofs and monitoring system and alarm, explosion-proof, ventilation, moisture-proof, lightning protection, anti-static and other safety facilities as are in place. Chemicals used for testing and quality control are also classified and stored according to their types and hazardous characteristics, and are managed by specific personnel; highly-toxic and special drugs adopts "Five Double Management", which is stored and managed by specific personnel, having access control system, video surveillance and alarm system for real-time monitoring by the Group's security, and highly toxic chemicals are connected to the Public Security Bureau to ensure safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with relevant national regulations, the Group has formulated the “Policy on the Management of Labour Protection Equipment”, providing employees with labour protection equipment that meets national and industrial standards according to different positions and job requirements, and educating them the proper way of using such equipment. The Group arranges employees to conduct body check every year, conduct risk assessment for workplace safety periodically, and conducts occupational health examinations for those employees exposed to occupational risk and establishes occupational health monitoring records to ensure the health of employees. The Group has also established a sound emergency rescue system and enhanced the emergency rescue team, equipping them with emergency rescue facilities and equipment. In response to possible emergency circumstances, we have formulated emergency plans, organized emergency drills regularly, and strengthened the training on the use of emergency facilities, equipment and emergency handling capabilities, focusing on prevention and personnel rescue, and improving employees’ emergency response, so to prevent accidents at the early stage.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include, but are not limited to, the Production Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》), the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》).

During the Reporting Period, the Group identified the occurrence of 4 work-related injuries (2022: 9 work-related injuries), In 2021 and 2022, the Group had no work-related fatalities. However, one work-related death was recorded in 2023. An employee suffered a brief syncope during lunch time. He was sent to the hospital where rescue efforts failed and was diagnosed with acute myocardial infarction. Being “people-oriented”, the Group expressed care and condolences to his family, strengthened employee health management, added emergency medicines, conducted annual physical examinations for employees, promoted health and safety knowledge, preventing diseases and protecting employee health. The family members also received work-related death benefits, funeral and medical expense reimbursements through the social security fund.

Detailed health and safety related information can be found in the “Social Data Summary”.

B3. DEVELOPMENT AND TRAINING

Development and Training for Employees

To cope with the Group’s pace of growth, the Group has continued to conduct training for employees to familiarize employees with the Group’s value while promoting good conduct among employees and educating them with professional knowledge and skills, the related training content includes safety training, first aid training, management certificate courses, training on environmental knowledge and other value-added professional skills courses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

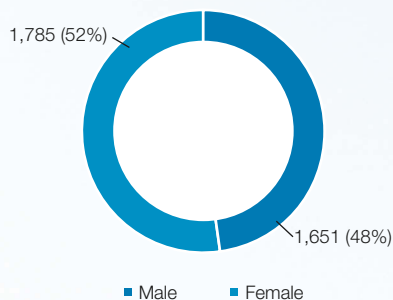
The Group also provides intensive training for new frontline employees on the quality control system based on “Good Manufacturing Practice of Medical Products” (“GMP”) production methods, safe operating procedures and codes, and provides focused training based on the nature of individual work. Apart from that, the Group appoints counsellors for newly hired employees to provide tailor-made on-the-job training to ensure that new employees can work efficiently and cooperate smoothly with other employees. Employees need to be familiar with the Group’s latest guidelines and regularly update the relevant qualifications, certificates or licenses. In addition to on-site training, employees also participate in different types of training, including training about health and safety, technical skills and information technology. We also receive feedback and suggestions from training participants to improve the quality and effectiveness of training. Moreover, the Group conducts training demand research for its employees to fully understand the training requirements for the Group’s development, various business aspects, and staff skills enhancement, so that our training can truly meet the needs of both employees and the Group.

The Group has introduced the “Pingnan Cloud” online learning platform, which has abundant resources as well as learning and examination functions, facilitating employees’ learning and knowledge acquisition. Training courses include work-related skills, team management skills, and overall character building. In addition, the Group has also established a training center to provide employees with more suitable training facilities and events.

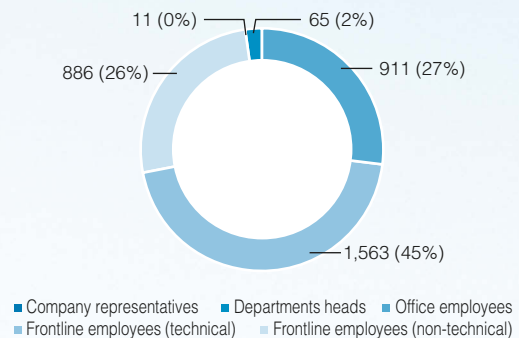
On the other hand, we have established “Staff’s Corporate Social Responsibility Training Policy”, incorporating our corporate vision of “respect for life”, “operating integrity” and promoted the concept of corporate social responsibility among our employees. It encourages employees to excel their strengths, contribute to society, while enhancing employees’ sense of belonging to the Group at the same time. From time to time, we provide training for our employees for the purpose of promoting corporate culture and enhancing employees’ awareness to social responsibility.

During the Reporting Period, the Group has invested approximately RMB470,000 in employee training (2022: approximately RMB450,000), a total of approximately 3,953 employee training hours (2022: approximately 4,516 hours), and the percentage of employees being trained was 98% (2022: approximately 100%). Average training hours per employee was 1.15 hours (2022: 1.09 hours). For detailed development and training related information, please refer to the chart below and “Social Data Summary”.

Trained Employees by Gender



Trained Employees by Employee Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4. LABOUR STANDARDS

Prevention of Child Labour and Forced Labour

The Group has promised not to employ any child labour and required new employees to provide true and accurate personal data when they report for duty. The Human Resources Department strictly reviews the induction documents including medical examination certificates, academic certificates, identity cards, and household registration information. The Group recruits workers in a fair, open, just and voluntary manner.

According to the “Policy on the Labour Contract Management” formulated by the Group, members of the Group sign legal labour contracts with its employees to ensure no compulsory use of forced labour. The Group will dismiss employee that uses false information or violates the provisions of the Group and the corresponding labour contract will be terminated immediately.

At the same time, the Group will not engage those suppliers who are aware of the use of child labour or forced labour in their operations to provide products and services. During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to preventing child and forced labour. The relevant laws and regulations include, but are not limited to, the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People’s Republic of China (《中華人民共和國合同法》). During the Reporting Period, the Group did not identify any operations or suppliers with significant risks of using child labour or forced labour. The Group conducts internal audit on the recruitment procedures regularly in order to prevent child labour and forced labour. If it is found that child labour or forced labour is inadvertently employed, the Group will immediately stop the work of such child labour or forced labour.

Human Rights Policy

As a responsible social enterprise, the Group have formulated the Human Rights Policy to establish human rights policy guidelines and strategies consistent with global best practice. This policy not only supervises the Group’s operations related to human rights, but also provides the Group with reference standards and guidelines for evaluating suppliers and supply chain management. The Group respect the rights of local residents, and will strive to identify impacts related to human rights, and take corresponding measures to avoid and mitigate related negative impacts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Fair Employment Policy

The Group is committed to following the highest standards of business ethics, fully aware of its responsibilities as an enterprise, upholding and maintaining the principle of fair employment in the workplace and its supply chain, and has always abided by the laws, regulations and rules of the place of operation. We have formulated the Fair Employment Policy, focusing on the rights that employees can exercise, and covering general principles of fair employment, so that employees can read and understand the Group's expectations and requirements for fair employment, and ensure that relevant human rights are implemented. These expectations and requirements are in line with the "United Nations Guiding Principles on Business and Human Rights". The Group also follows the relevant principles in the "International Bill of Human Rights" and the International Labour Organization's "Declaration on Fundamental Principles and Rights at Work" to formulate the "Fair Employment Policy".

Fair employment is the basic principle of employment, regardless of nationality, race, religion, gender, age and disability. The "Fair Employment Policy" reflects the Group's commitment to protecting fair employment. The Group encourages diversity and equal opportunities, and strictly prohibits discrimination, child labour and forced labour. We strive to create a safe, healthy workplace where everyone is treated with respect.

The Group strictly prohibits the employment of persons under the local legal employment age. Persons between the ages of 15 and 18 who are required to undertake internships in the workplace or on-the-job training of professional skills as part of their education programs, such as trainees and apprentices, are exempt. The Group also never employs any form of forced labour, including prison terms, indentured labour, slave labour, and any human trafficking. We do not tolerate any form of corporal punishment, threats of violence, or any form of physical, mental, sexual or verbal abuse as a means of discipline or monitoring in the workplace.

The Group recognizes the need for ongoing review of fair employment to prevent, mitigate, remedy and monitor impacts of business operations on fair employment. We understand that special attention must be paid to vulnerable groups, who are more likely to be adversely affected.

B5. SUPPLY CHAIN MANAGEMENT

Environmental and Social Risk Management of Supply Chain

The Group's core supply chain consists of upstream suppliers of Chinese medicinal materials and raw materials and downstream sales and distributors. The Group prioritizes quality, trust, mutual benefit, selects and manages suppliers according to the requirements of GMP and relevant regulations, and upholds the principles of being open, fair, efficient and timely. Supply chain management has always been one of the key aspects of the Group's quality control system. In order to safeguard the quality of raw materials, auxiliary materials and packaging materials used, the Group has formulated the "Policy on the Supplier Management", "Policy on the Supplier On-Site Audit Management" and "Supplier Quality Evaluation Management Procedures", in strict accordance with the requirements of the Pharmaceutical Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), Policy for the Control of Drug Manufacturing Quality (《藥品生產品質管制規範》), and other related laws and regulations, specifying all requirements for suppliers, selecting objective and fair quality audit evaluation standards, establishing a gradually improving supplier management system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group conducts stringent assessment when selecting suppliers. The Quality Assurance Department of the Group is responsible for the quality assessment of production materials suppliers, and comprehensively considers the supplier's operating qualifications, plant facilities, environmental control mechanism, quality assurance systems and social impact control mechanisms in accordance with the "Policy on the Supplier Management". The Quality Assurance Department is also responsible for continuously developing and exploring suppliers with potentials and ensuring the materials used are procured from a legit and legal source. Before suppliers are listed in the "List of Approved Suppliers", they must pass an audit and objective assessment. The Group will only enter into contracts and purchase with listed suppliers. In addition, they must comply with relevant environmental and social regulations. During the reporting period, the Group did not have any suppliers that were identified as having significant actual or potential negative impacts that required improvement or termination of cooperation.

Based on the "Policy on the Supplier Profile Management" and "Policy on the Supplier On-site Audit Management", the Group implements supplier dynamic monitoring and management over its suppliers to ensure that all supplier files are legal, complete and up to date. We also implement strategic on-site audits at different levels to ensure the active control of the entire procurement activities and are committed to continuously developing and cultivating strategic partners that share the common goal of mutual benefits with the Group.

The Group has established the "Quality Management Evaluation Regulation for Suppliers", which evaluates suppliers in terms of their quality, delivery, pricing, services and other aspects, by which inferior suppliers that are incompatible with the requirements of corporate development would be eliminated. We also continuously strengthen supplier database management, enhancing the operation supplier evaluation mechanism and optimizing the supply chain management.

Local Procurement

In the procurement process, the Group has always adhered to the principle of local procurement. We hope to boost local economy through the promotion of procurement from mainland China as much as possible for the benefit of both society and the country. During the Reporting Period, the Group had 392 (2022: 345) qualified suppliers, in which most are from mainland China, accounting for 100% (2022: approximately 100%). In addition, during the Reporting Period, the Group's procurement budget for its suppliers in mainland China for the production of Shijiazhuang headquarters was approximately RMB1,010 million (2022: RMB770 million), accounted for 100% of its total procurement budget (2022: approximately 100%).

Sustainable Supply Chain Management

The Group believes that a sustainable supply chain management strategy is the key to our long-term and rapid development, so we have been strictly adhering to the supply chain management principles of "Source at the place of origin, direct purchase without agents and local sourcing come first". For example, we purchase red ginseng directly from Jilin and purchase ophiopogon japonicas directly from Mianyang, Sichuan Province. Moreover, we have launched "company + farmers", and established a numbers of standardized Chinese medicine sourcing bases in Hebei, Jilin, Xinjiang, Shandong and other places, by which we are able to implement Chinese medicine traceability management. The Group ensures the Chinese medicines are green, natural, non-polluted and authentic by securing the traceability of the sources of the Chinese medicines, monitoring the ecological environment, cultivation processes, collection and transportation process and packaging stage, and controlling the quality and cost at source.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6. PRODUCT RESPONSIBILITY

Product Quality and Safety

All medical products of the Group have passed GMP certification, and are strictly controlled under the GMP and ISO 9001 throughout the production process. We also inspected the quality of raw materials, packaging materials, semi-finished products and finished products, ensuring the compliance with relevant standards. At the same time, the Group has set up the “Policy on the Management of the Acceptance of Chinese Herbal Medicines and Chinese Herbal Pieces”, standardizing the acceptance procedures and requirements for Chinese herbal medicines and Chinese herbal pieces in order to ensure product are of good quality and safety in order to protect the Group’s interest and increase employees’ awareness to quality requirements. The policy also clearly states the quality control procedures for the inventory and production process of Chinese herbal medicines, ensuring the quality of raw materials meets the standard’s requirements.

The Group has a comprehensive quality assurance system, Quality Assurance Department and Quality Control Department, having strict quality supervision and quality inspection procedures. We also have a Quality Control Centre which has “Labouratory Accreditation” qualification from the “China National Accreditation Service for Conformity Assessment” (“CNAS”). Furthermore, we conduct at least two comprehensive inspections every year in accordance with the GMP requirements and relevant laws and regulations, covering personnel, plant and facilities, equipment, materials and products, production management, quality control, product shipment and recall, to ensure the effective operation of the quality management system. In order to continuously improve and safeguard product quality, the Group has set up the “Policy on the Quality Responsibility Reporting”, standardizing the process of reporting quality responsibility to ensure that product quality responsibility incidents can be handled in a timely manner, and potential risks of quality responsibility accidents can be managed effectively.

The Group has deliberately set up the “Policy on the Special Item Safety Management” according to the Pharmaceutical Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》), Regulation on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), Measures for the Transport of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品運輸管理辦法》), Regulation on the Administration of Precursor Chemicals (《易制毒化學品管理條例》), Measures for the Administration of Precursor Chemicals for Drugs (《藥品類易制毒化學品管理辦法》), Regulation on the Safety Administration of Dangerous Chemicals (《危險化學品管理條例》), Measures for Authorization on the Purchase and Road Transport of Highly Toxic Chemicals (《劇毒化學品購買和公路運輸授權管理辦法》) and other regional laws and regulations. This policy is to strengthen the safety management, use, and supervision of the Group’s special items (such as materials containing psychotropic substances) to prevent the occurrence of accidents and leakage of any special items. At the same time, according to the national laws and related regulations, the Group has established the “Policy on the Management of Drug Recalls”, which can be launched at any time and implemented promptly to ensure the effectiveness of product recall for confirmed or suspected products with quality problems in the market, and minimizing the impacts on patients. If there is no product recalled, the Group regularly conducts drug recall drills in accordance with the “Drug Simulation Recall Emergency Plan”.

In addition, the Group has formulated the Pharmacovigilance Department, which is responsible for the monitoring and reporting of adverse drug reactions. In order to ensure the safety of patients’ medication, the Group implements an adverse drug reaction reporting system, regulating the management of reporting and monitoring of adverse drug reactions, and timely reports the adverse drug reactions collected.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A satisfactory result was achieved with the strict product quality policies, the Group did not experience any cases of product quality problems that resulted in drug recall (the percentage of the total number of products sold or shipped throughout the year that are required to be recalled for safety and health reasons is 0%) during the Reporting Period. During the Reporting Period, the Group did not receive any significant customer complaints.

During the Reporting Period, the Group has been awarded the following honours:

Issuing Organization	Date	Honour
Hebei Provincial Government	Sep 2023	“Qihuang Tongmi soft capsules” of “a type of pharmaceutical composition for treating constipation” patent received the Third Award of the Hebei Province Patent Award
All-China Federation of Industry and Commerce – Medical and Pharmaceutical Chamber	Jul 2023	Top 100 Most Influential Corporations in the Chinese Pharmaceutical Manufacturing Industry 2022-2023
China Medical and Health Industry Conference	Jun 2023	Top 20 of the Chinese traditional medicine companies
World Federation of Chinese Medicine Societies Osteoporosis Professional Committee	May 2023	Shineway Shujin Tongluo Granules selected to the list of “Expert consensus on the diagnosis and treatment of cervical spondylosis with integrated traditional Chinese and Western medicine”
The “Chinese Pharmacy” Journal	Feb 2023	Ranked 42th in the 2022-2023 Top 100 Most Valued Chinese Pharmaceutical Companies
National Medical Products Administration Institute of Medical Economics	Feb 2023	China Pharmaceutical High-Quality Development Achievements Enterprise (2022)

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The relevant laws and regulations include, but are not limited to, the Regulations for the Implementation of the Drug Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》), the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》), the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》), the Measures for the Reporting and Monitoring of Adverse Drug Reactions (Order No. 81 of the Ministry of Health) (《藥品不良反應報告和監測管理辦法》(衛生部令第81號)) and the Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders (Announcement No. 66 of 2018) (《國家藥品監督管理局關於藥品上市許可持有人直接報告不良反應事宜的公告》(2018年第66號)).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer After-sales Service and Privacy Policy

The Group values customers' inquiries and complaints. We use the "Policy on the Customer Complaints Management" as a standard to handle complaints from customers and consumers in order to maintain the Group's reputation and improve customer satisfaction. We have set up a specialised agency which is composed of specific personnel for managing, analysing and processing consumer complaints. We provide reasonable explanations for general complaints, and consumers can fill out the "Customer Complaint Form" to lodge their complaints that will be reported to relevant departments. After that, the professional technicians from the Group's Quality Assurance Department and other related departments will be organized to quickly form an investigation team to handle and study the complaints, conduct investigation of the incidents, and conduct necessary inspections, and the final investigation report will be reported to the department head of the Quality Assurance Department.

We have set a time limit for the responsible departments so as to effectively resolve consumer complaints. If medicines with major quality problems are identified after the investigation, the drugs will be recalled according to the "Standards for Drug Recall Operation Procedures". In addition, the "Management Measures for Returns and Exchange of Finished Products" formulated by the Group regulates the processing and approval procedure for product return and exchange, so as to improve the timeliness and correctness of product return and exchange, and hence enhancing customer satisfaction.

In terms of privacy, the Group's customer information systems are accessible only to authorized staff, and staff from the Group's other departments are required to pass the stringent procedures for data application, processing and provision before they can access such information. During the Reporting Period, the total number of confirmed complaints related to infringement of customer privacy received from external parties and confirmed by the Group and complaints from regulatory agencies was zero. The total number of confirmed leakages, theft or loss of customer data was also zero.

Intellectual Property Management

The Group continues to strengthen the protection of intellectual property rights. According to laws and regulations including but not limit to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Group has established and improved the patent management mechanism, formulated a multi-layered intellectual property rights management mechanism including the "General Principles of Intellectual Property Rights Management", "Policy on the Trademark Management", "Policy on the Patent Management", "Policy on the Confidentiality", "Policy on the Contract Management", and "Reward and Punishment Measures for R&D Projects", with an attempt to clearly regulate the application and management of patent rights and the planning, use and protection of trademarks. This management mechanism enhances the awareness of all members of the Group regarding intellectual property rights and trademarks, utilizing intellectual property rights in our business operations and protecting corporate interests. We conduct background investigation on employees' integrity before employees report to duty, non-competition provisions have been added in labour contract, and employees need to sign a statement on the protection of intellectual property rights when they leave the Group. In the process of R&D, we apply for patent to protect valuable inventions on a timely basis. The Group conducts real-time monitoring on trademark infringement of products in the market and combats on infringing goods and counterfeit trademarks immediately.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has a confidential mechanism in accordance with relevant laws and regulations concerning the protection of intellectual property rights. All employees and external research partners involved in R&D projects must enter into confidentiality agreement with the Group. The agreement stipulates that the relevant personnel must keep relevant information confidential, and must bear the responsibility of preventing disclosure of secrets. In addition, we strictly distinguish the responsibilities of the members involved in the different stages of the R&D process, ensuring that each member will only gain professional knowledge related to a particular stage of the R&D project rather than the entire process.

R&D and Innovation

The Group is committed to combining traditional Chinese medicine and modern technology, transforming itself from manufacturing-oriented enterprises to scientific and technological research-based enterprises, building and enhancing three-level R&D systems, while continuously building up innovation system construction, developing cutting-edge technology and adopting industrialization of results, incorporating and connecting with the latest international technology, production and sales, and continuously launching new products. Before the development and launch of new products, the Group will assess potential environmental and social risks of the products out of its precautionary concern.

The research center of the Group has been approved by the Ministry of Personnel to set up post-doctoral research stations, attracting advanced scientific research talents, adopting a flexible management model and distribution mechanism with an attempt to build a dynamic young technology team. We adhere to the principle of riding on traditional Chinese medicine, developing western medicine and biological medicine, creating a combination of imitation and innovation, taking cooperative development as our cornerstone and supplementing with independent R&D, making full use of various resources. In addition, the Group cooperates with famous scientific research institutions and universities such as Tsinghua University, Peking University and China Academy of Chinese Medical Sciences by which a strong R&D capability is formed and accordingly many new products could be launched to the market every year.

As a development center for new drug of the Group, the research center is dedicated to the research of modernization of traditional Chinese medicine, and takes developing modern Chinese medicines with independent intellectual property rights as its long-term research goal. R&D targets some difficult diseases and chronic diseases that cannot be well prescribed with the help of western medicine, focusing on the key links and technologies of Chinese medicine production, researching on traditional Chinese medicine preparation technology, quality control of Chinese medicine products, quality specification of Chinese herbal medicines and their preparations, quality analysis of Chinese medicine preparations, and development of Chinese medicine health foods.

At the same time, we conduct further basic research on drug, pharmacology and drug efficacy on the products available in market to further improve their quality and efficiency. We also carry out secondary R&D on famous Chinese patent medicine varieties in order to improve the quality standards of famous Chinese patent medicine products, solve the problem related to qualitative and quantitative determination of main components, heavy metal and pesticide residues, increase the scientific and technological content of products, solving the technical process and quality problems in production, further expanding sales in the domestic market, and striving for producing products with curative effects and controllable quality to enter the international market in the form of medicines or health care products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group has cumulatively applied for 322 invention patents and possessed 188 authorized invention patents, including 13 foreign invention patents. These patent results have become the driving force for the Group's future development, further enhancing the technological advancement and market competitiveness of the Group's products, and providing strong technical support for the Group's sustainable development.

During the Reporting Period, the products developed by the Group had the following achievements:

- Seventeen products, including Huo Xiang Zheng Qi Soft Capsules, Qing Kai Ling Soft Capsules, and Pediatric Qingfei Huatan Granules, were included in the "Two Guarantees and One Stability" list of proprietary Chinese medicines for the prevention and treatment of COVID-19 issued by the China Traditional Chinese Medicine Association;
- The "Hebei Province Novel Coronavirus Pneumonia Traditional Chinese Medicine Prevention and Treatment Plan (Trial Version 6)" issued by the Hebei Provincial Health Commission recommends Shineway Huo Xiang Zheng Qi Soft Capsules, Qing Kai Ling Soft Capsules, Li Yan Jie Du Granules, and Qing Kai Ling Injection, Shen Mai injection and many other products.
- Shineway Shu Jin Tong Luo Granules were selected into the "Expert Consensus on Diagnosis and Treatment of Cervical Spondylosis with Integrated Traditional Chinese and Western Medicine" issued by the Osteoporosis Professional Committee of the World Federation of Chinese Medicine Societies, highlighting the clinical value and evidence of Shineway Shu Jin Tong Luo Granules in the treatment of cervical spondylosis;
- Shineway Pharmaceutical received a drug clinical trial approval notice issued by the State Food and Drug Administration, allowing its independently developed traditional Chinese medicine Category 1.1 innovative drug "Yi Gong San Granules" to conduct clinical trials.
- Shineway Pharmaceutical submitted a marketing application for a new Chinese medicine Category 3.1 drug "Yi Guan Jian Granules". Guanjian is a famous ancient classic recipe.
- In August 2023, the Chinese Journal of Orthopedics published the clinical trial results of our exclusive product "Huamoyan Granules" for the treatment of knee osteoarthritis. The results show that "Huamoyan Granules" can effectively reduce joint swelling and pain in patients with knee osteoarthritis, improve motor dysfunction, and reduce the recurrence rate of synovitis in patients with osteoarthritis in the treatment of acute and chronic knee osteoarthritis.
- "Qing Kai Ling Injection" and "Shen Mai Injection" are both included in the National Health Insurance Directory and the National Essential Drugs Directory. They are the two main traditional Chinese medicine injection products produced by Shineway. These two injections are also included in the "Expert Consensus on the Management of Integrated Traditional Chinese and Western Medicine for Chronic Obstructive Pulmonary Disease".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertising and Labelling

All product labels and specifications of the Group are designed according to the product specifications approved by the State Food and Drug Administration and the “Regulations on the Management of Drug specifications and Labels” (《藥品說明書和標籤管理規定》). The product advertisements are published in the relevant media after the filing of the Competent Drug Supervision and Management Department according to the requirements of the Drug Administration Law of the People’s Republic of China (《中華人民共和國藥品管理法》) in order to ensure that the content is true and accurate, and there is no misleading or fraudulent content. During the reporting period, the Group was not aware of any non-compliance with laws and regulations regarding product and service information, labelling, marketing communications, advertising, promotion and sponsorship.

B7. ANTI-CORRUPTION

Anti-corruption and Fraud Prevention

The Group actively promotes and educates all levels of employees and the management to consciously maintain their integrity in legal compliance, honesty, self-discipline, and dedication at work. The Group complied with related laws and regulations such as the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》) and the Anti-Corruption and Bribery Law of the People’s Republic of China (《中華人民共和國反腐敗賄賂法》). The Group has established the “Policy on the Corporate Integrity and Self-discipline” to regulate employees working behaviours, encourage employees to be honest, self-disciplined, and diligent for the purpose of reducing the Group’s business and operational risk, and protecting the interest of the Group and employees. In addition, the Group provides discipline awareness and anti-corruption training regularly for all levels of managers, externalrelated staff and sales staff.

The Group does not tolerate any form of corruption and has set out the code of conduct in the employee handbook, as well as enhanced the “Letter of Commitment on Integrity and Self-discipline”. When sales staff joins the Group, they have to sign the “Letter of Commitment on Integrity and Self-discipline” which prohibits employees from receiving any form of benefit from business related persons, companies or organizations. When signing a contract with a supplier or an outsourcing project contractor, an “Anti-Commercial Bribery Agreement” is included in the appendix of the procurement contract.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to, the Regulations for the Implementation of the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), there was no concluded legal case regarding corrupt practices brought against the Group's issuer or its employees during the Reporting Period. Besides, the Group was not aware of any confirmed incidents of corruption during the Reporting Period, nor did it record any related employees who were dismissed or subject to disciplinary actions due to corruption or confirmed incidents due to corruption-related violations and the termination or non-renewal of contracts with business partners. In order to fully assess the corruption-related risks of operating sites, the Group conducts risk assessments on all foreign-related departments, 100% of operating sites have conducted corruption-related risk assessments, and the Group's anti-corruption policies and procedures have also been communicated to 100% of members of the governance body, employees of various departments and related business partners. 100% of members and employees of the Group's governance bodies are required to receive anti-corruption training at least once per year, and such training covers knowledge of anti-corruption laws and integrity guidelines.

Whistle-blowing and Internal Audit Mechanism

Apart from the anti-bribery and anti-corruption policies in the Group's employee handbook, the Group also encourages employees and all business-related parties, including customers and suppliers, to proactively report any suspected misconduct issues to the Group. Telephone hotline for the reporting is also in place.

The Group also has set up relevant external whistle-blowing procedures and regularly reviewed the effectiveness of the Group's internal management mechanism. The Group's Audit Department is responsible for monitoring the effectiveness of the whistle-blowing mechanism, regulating the management procedure, standardizing the internal and external whistle-blowing channels so as to strengthen the supervision mechanism to effectively prevent employees at different levels from misconduct at their duties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8. COMMUNITY INVESTMENT

As a socially responsible enterprise, the Group cares about its indirect economic impact as well. Not only did we actively participate in community investment activities, but also comply with relevant social and economic laws and regulations. During the Reporting Period, the Group was not subjected to major fines, non-monetary sanctions, and lawsuits filed through dispute resolution mechanisms for violations of laws and regulations in the social and economic fields.

Community Contribution

The Group is committed to caring for the community and improving public health. We cooperate with the government to make contributions in the fields of disaster relief, poverty alleviation, care for the elderly and orphans, teaching and learning support, and environmental protection. As part of our commitment, we are actively involved in various charitable activities aimed at providing medical services and medical knowledge to those in need. This includes distributing free medicines to disadvantaged communities, providing free medical consultations and improving the health of the population, thereby having a positive impact on the economy. By expanding our resources and expertise, we strive to improve people's well-being and contribute to the overall health of our communities. We also provide volunteer training for employees from time to time to enhance their sense of social responsibility. We believe that everyone deserves access to quality health care, and we are honoured to make a difference in the lives of others through our philanthropy.

The Group adheres to be people-oriented, puts the benefits of employees in the first place, and improves their working as well as living condition. The Group has also set up the "Guidance for the Employee Caring Fund", promoting the traditional virtues of mutual help and assistance among employees, helping employees who are in difficulties as much as possible and solving their immediate needs. It fully embodies the caring spirit of taken from the employees and used by the employees, full participation, focusing on assistance, and mutual help.

During the Reporting Period, the Group invested a total of approximately 858 hours, approximately RMB820,000, including donation of approximately 25,600 packs of medical products to charitable activities (2022: approximately 78 hours, RMB7.22 million and 3,000 bags of medical products). The Group has participated in multiple charitable donations over years, and has been repeatedly praised by government agencies for its great contribution to the development of the industry and society. The Group has been awarded "China Charity Award" by the Ministry of Civil Affairs, the "China Red Cross Fraternity Medal", the "Outstanding Corporate Social Responsibility Award" in Chinese pharmaceutical industry, National Model Labour Relations Harmonious Enterprise, the Advanced Private Enterprise in Employment and Social Security in China, "The Best Enterprise in Social Responsibility" in Hebei Province, Outstanding Enterprise in Compliance and Integrity in Chinese pharmaceutical industry and the Best Employer Award in China and other honors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Charitable Activities Participated or Organized by the Group in 2023 “Share Health Knowledge; Spend Quality Time on Paper-cutting” – Women’s Day



On March 8, 2023, the International Women’s Day, our labour union held a special seminar on women’s workplace health and a wonderful paper-cutting activity, “Skilled Women”, to care for the physical and mental health of our female employees. The event aims to care for women and inspire their creativity, while allowing participants to understand the cultural heritage of Chinese paper-cutting. During the event, participants tried paper-cutting under the guidance of experienced instructors and learned about the symbolic meanings behind different paper-cut designs. This activity not only promoted the physical and mental health of female employees, but also promoted the preservation and appreciation of Chinese cultural traditions, inspiring the new generation to embrace and promote this beautiful craft.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

“Inheriting the Quintessence of China; Exploring the Secrets of Traditional Chinese Medicine” – Primary and Secondary School Students in Shijiazhuang City visited the Shineway Traditional Chinese Medicine Culture Museum



While promoting and innovating on the use of Chinese medicine, the Group also promotes traditional Chinese medicine culture and revitalizes the traditional Chinese medicine industry. From July to September 2023, we hosted a total of 45 events, with nearly 5,000 primary and secondary school students coming to the Shineway Traditional Chinese Medicine Culture Museum for researching, learning, and exploring the mysteries of traditional Chinese medicine culture. Primary and secondary school students embarked on an educational journey to learn the first-hand knowledge of making traditional Chinese medicine and deepen their understanding of traditional Chinese medicine. Knowledgeable staff introduced them to the rich history and cultural significance of traditional Chinese medicine. They carefully observed herbs and understood their effects. Then, the students learned about the production process of modern Chinese medicine. Our staff explained the importance of precise measurements and safety standards. Throughout the visit, students are encouraged to ask questions, develop curiosity and further enrich their learning experience. We are determined to provide students with a unique educational experience, stimulate their interest in the field of traditional Chinese medicine, and excel in disseminating traditional Chinese medicine culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

“Appreciate Workers Under Heat, Shineway Cools off the Heat Charity Walk” – The 6th Year

On July 11, 2023, the Group partnered with Shineway Pharmacy to hold the Shineway Huo Xiang Cooling Season “Appreciate Workers Under Heat, Shineway Cools off the Heat Charity Walk”. This event has been held for six consecutive years and is one of the key charity projects organized by the Group. This activity brings love and coolness to workers who work under high temperatures, such as property management and cleaning workers. Shineway Cooling Gift Packs were presented to the workers on site to thank them for maintaining the cleanliness of the city and staying on duty despite the high temperatures and heat. At the same time, we remind everyone to pay attention to heatstroke prevention and cooling in the scorching summer, so as to protect your health.



Double Ninth Festival – Wu Fu Xin Nao Qing Enter the Yulin Road Community



The Group has always been committed to caring for the health of middle-aged and elderly people. On September 9, 2023, we went to Yulindao Community in Shijiazhuang and donated Wu Fu Xin Nao Qing Soft Capsules, aiming to improve qi stagnation, blood stasis in the heart and brain collaterals of middle-aged and elderly people. This donation does not only help middle-aged and elderly people to maintain physical and mental health, it is also our contribution to the community. We hope to convey our care and warmth so that the community can feel the care and support.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

“Gather the Power of Blood; Ignite the Light of Life” – Voluntary Blood Donation

On July 28, 2023, the Group organized party members and employees to participate in voluntary blood donation activities, taking practical actions to contribute to public welfare, convey positive social energy, and lend a helping hand to those in need. Nearly 60 employees met the blood donation conditions and completed blood donation in this activity, with a cumulative blood donation volume of 18,400 ml. Some employees have donated nearly 4,000 ml cumulatively in years. The Provincial Blood Center expressed its sincere gratitude to the group and presented a banner with the slogan “Free blood donation starts from the heart, and fraternity and virtue are practiced in action”. Employees who participated in blood donation expressed that they would continue to contribute more power to the love of life.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Data Summary

Number of employees

Total

Number of ethnic minorities

By Gender

Male

Female

By Age Group

Below 30

30-39

40-49

50-59

60 or above

By Geographical Location

Hebei

Beijing

Shandong

Sichuan

Yunnan

Guangdong

Others

By Employee Category

Company representatives

Department head

Office employees

Front-line workers (technical)

Front-line workers (non-technical)

	2023	
	Number of Employees	Percentage (%)
Total	3,436	Not applicable
Number of ethnic minorities	142	4.13
By Gender		
Male	1,651	48.05
Female	1,785	51.95
By Age Group		
Below 30	1,007	29.31
30-39	1,723	50.14
40-49	579	16.85
50-59	123	3.58
60 or above	4	0.12
By Geographical Location		
Hebei	2,456	71.48
Beijing	36	1.04
Shandong	79	2.30
Sichuan	68	1.98
Yunnan	216	6.29
Guangdong	11	0.32
Others	570	16.59
By Employee Category		
Company representatives	11	0.32
Department head	65	1.89
Office employees	911	26.51
Front-line workers (technical)	1,563	45.49
Front-line workers (non-technical)	886	25.79

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Turnover and New Hires

	2023			
	Employee Turnover		New Hires	
	Number of Employee Turnover	Percentage (%) ¹	Number of New Employees	Percentage (%) ²
Total	1,395	36.87	700	18.05
By Gender				
Male	822	43.49	344	18.20
Female	573	30.26	256	18.80
By Age Group				
Below 30	505	49.39	455	44.50
30-39	712	34.83	224	10.96
40-49	142	24.23	20	3.41
50-59	35	27.56	1	0.79
60 or above	1	25.00	–	–
By Geographical Location				
Hebei	589	23.62	492	19.73
Beijing	8	21.33	2	5.33
Shandong	57	57.00	15	15.00
Sichuan	33	42.31	12	15.38
Yunnan	147	52.97	25	9.01
Guangdong	17	54.84	–	–
Others	544	71.02	154	20.10

Notes:

- Employee turnover percentage by category = Total number of employees left in a specific category in the year ÷ ((Total number of employees in that category at the beginning of the year + Total number of employees in that category at the end of the year) ÷ 2) × 100%.
- Percentage of newly hired by category = Total number of newly hired in a specific category in the year ÷ ((Total number of employees in that category at the beginning of the year + Total number of employees in that category at the end of the year) ÷ 2) × 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

	2023	2022	2021
Work-related fatalities	1	–	–
Work-related fatalities rate ¹	0.02	–	–
High-consequence work-related injuries (excluding fatalities)	–	–	–
High-consequence work-related injuries rate (excluding fatalities) ²	–	–	–
Recordable work-related injuries	4	9	7
Recordable work-related injuries rate ³	0.10	0.22	0.19
Lost working days due to work-related injuries	621	1,605	682
Lost working hours due to work-related injuries	4,986	12,840	5,456
Total number of hours worked	8,228,952	8,234,928	7,348,000

Notes:

1. Work-related fatalities rate = Number of work-related fatalities x 200,000 working hours ÷ Total number of hours worked.
2. High-consequence work-related injuries rate (excluding fatalities) = Number of serious occupational injuries (excluding fatalities) x 200,000 working hours ÷ Total number of hours worked.
3. Recordable work-related injuries rate = Number of recordable occupational injuries x 200,000 working hours ÷ Total number of hours worked.
4. The main work-related injuries during the reporting period were muscle fatigue and aching.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

	2023	
Training cost (RMB)	466,000	
	Training Hours (Hours)	Percentage of Employees Trained (%)²
Total	3,953	97.64
	Average Training Hour (Hours)¹	Breakdown of Employees Trained (%)³
Male	1.17	48.46
Female	1.13	51.54
Company representatives	26.91	0.33
Department head	9.06	1.94
Office employees	0.80	26.73
Front-line workers (technical)	0.79	45.22
Front-line workers (non-technical)	1.24	25.78

Notes:

1. *Average training hours by category = Total number of training hours for employees in the specific category ÷ number of employees in that category.*
2. *Percentage of employees trained = Number of employees trained ÷ Total number of employees × 100%.*
3. *Breakdown of employees trained by category = Number of employees trained in the specific category ÷ Total number of employees trained × 100%.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Suppliers

	2023
Total number of qualified suppliers	392
The number of suppliers that have assessed the social impact	392
The number of suppliers with significant actual or potential negative impacts identified	8
Number of suppliers that have conducted environmental impact assessment	392
The number of suppliers that have a significant actual or potential negative impact on environment identified	-
By Location	
China	392
Overseas	-

Product Responsibility

	2023
Percentage of the total number of products sold or shipped that need to be recycled for safety and health reasons	-
Number of complaints received about products and services	-
Accumulatively declared invention patents	322
Accumulatively authorized invention patents	188
Accumulatively authorized foreign invention patents	13

Anti-corruption

	2023	
	Number of People Who Received Anti-corruption Training	Percentage (%)
Total number of employees and board members received training on anti-corruption	3,436	100.00
Board member (member of governing body)	5	100.00
Company representatives	11	100.00
Department heads	65	100.00
Office employees	911	100.00
Front-line workers (technical)	1,563	100.00
Front-line workers (non-technical)	886	100.00

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment

	2023		
	Amount Invested in Community Activities (RMB'000)	Time Spent on Community Activities (Hours)	Drugs Donated (Packs)
Total	820	858	2.56

Social Targets Set for 2024

Material Topics	Targets
Procurement Practice Supplier Environmental Assessment Supplier Social Assessment	Assess all suppliers' environmental and social impact in accordance with Supplier Profile Management System, Supplier On-site Audit Management System, and Supplier Quality Evaluation Management Regulation
Training and Education	Maintain or increase the average training hours using the number of training hours in 2023 as baseline.
Indirect Economic Impacts Anti-corruption Employment Occupational Health and Safety Diversity and Equal Opportunity Child Labour Forced or Compulsory Labour Customer Health and Safety Marketing and Labelling Customer Privacy	Always comply with relevant laws and regulations.

The ESG Reporting Guide Content Index of the Stock Exchange (1)

Mandatory Disclosure Requirements	Section/Statement
Governance Structure	Chairman's Statement ESG Management Stakeholder Engagement Materiality Assessment
Reporting Principles Reporting Boundary	Reporting Scope Reporting Framework

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The ESG Reporting Guide Content Index of the Stock Exchange (2)

Subject Areas,

Aspects, General

Disclosures and

KPIs

Description

Section/Statement

A. Environmental

Aspect A1: Emissions

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Emissions – Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal

Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.

Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Hazardous wastes are those defined by national regulations.

KPI A1.1

The types of emissions and respective emissions data.

Emissions – Exhaust Gas and GHG Emissions, Sewage Discharge, Hazardous and Non-hazardous Waste Disposal

KPI A1.2

Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Emissions – Exhaust Gas and GHG Emissions

KPI A1.3

Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Emissions – Hazardous and Non-hazardous Waste Disposal

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Hazardous and Non-hazardous Waste Disposal
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions – Exhaust Gas and GHG Emission, Sewage Discharge
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Hazardous and Non-hazardous Waste Disposal
Aspect A2. Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p>	Use of Resources – Energy Consumption, Water Consumption, Use of Packaging Materials
KPI A2.1	<p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p> <p>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).</p>	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
Aspect A3. The Environment and Natural Resources	General Disclosure Policies on minimising the issuer’s significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Green Production, Green Building and Construction Project’s Feasibility, Environmental Safety Emergency Response Mechanism, Climate Change, Biodiversity
Aspect A4. Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change – Physical Risk, Transition Risk
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risk, Transition Risk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
B. Social		
Aspect B1. Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Employment
KPI B1.1	<p>Total workforce by gender, employment type (for example, full- or part time), age group and geographical region.</p>	Employment
KPI B1.2	<p>Employee turnover rate by gender, age group and geographical region.</p>	Employment
Aspect B2. Health and Safety		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	Health and Safety
KPI B2.1	<p>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
	<i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	(c) Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI 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.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Subject Areas,
Aspects, General
Disclosures and
KPIs**

Description

Section/Statement

KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
----------	--------------------------------------------------------------------------	-----------------

Aspect B8. Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Content Index

Statement of Use China Shineway Pharmaceutical Group Limited has reported in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023.

GRI 1 Used GRI 1: Foundation 2021

GRI Standard	Disclosure	Location/Statements
General Disclosures		
GRI2: General Disclosures 2021	2-1 Organizational details	Legal name: China Shineway Pharmaceutical Group Limited Nature of ownership: publicly owned Legal form: incorporated entity Location of the Group's headquarters: Luancheng, Shijiazhuang, Hebei Province, China The Group's countries of operation: China
	2-2 Entities included in the organization's sustainability reporting	Reporting Scope
	2-3 Reporting period, frequency and contact point	Introduction, Reporting Period, Contact Us
	2-4 Restatements of information	Not applicable, as the Group does not have any reasons that required to have any restatements of information
	2-5 External assurance	We rely on the internal information monitoring and checking information samples to ensure its accuracy.
	2-6 Activities, value chain and other business relationships	About Shineway, Supply Chain Management
	2-7 Employees	Employment
	2-8 Workers who are not employees	Employment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
	2-9 Governance structure and composition	ESG Management – Corporate Social Responsibility and Sustainability Committee Management Structure, Bloomberg ESG Disclosure (Summary) Annual Report 2023 – Directors and Senior Management
	2-10 Nomination and selection of the highest governance body	Bloomberg ESG Disclosure (Summary) Annual Report 2023 – Corporate Governance Report
	2-11 Chair of the highest governance body	Annual Report 2023 – Corporate Governance Report
	2-12 Role of the highest governance body in overseeing the management of impacts	Chairman’s Statement, ESG Management – Corporate Social Responsibility and Sustainability Committee Management Structure, Stakeholder Engagement Annual Report 2023 – Corporate Governance Report
	2-13 Delegation of responsibility for managing impacts	ESG Management – Corporate Social Responsibility and Sustainability Committee Management Structure Annual Report 2023 – Corporate Governance Report
	2-14 Role of the highest governance body in sustainability reporting	Chairman’s Statement, ESG Management – Corporate Social Responsibility and Sustainability Committee Management Structure
	2-15 Conflicts of interest	Annual Report 2023 – Corporate Governance Report
	2-16 Communication of critical concerns	Contact Us Annual Report 2023 – Corporate Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
	2-17 Collective knowledge of the highest governance body	ESG Management – Corporate Governance Annual Report 2023 – Corporate Governance Report
	2-18 Evaluation of the performance of the highest governance body	Annual Report 2023 – Corporate Governance Report
	2-19 Remuneration policies	Annual Report 2023 – Corporate Governance Report
	2-20 Process to determine remuneration	Annual Report 2023 – Corporate Governance Report
	2-22 Statement on sustainable development strategy	Chairman’s Statement
	2-24 Embedding policy commitments	ESG Management, Development and Training for Employees, Supply Chain Management
	2-25 Processes to remediate negative impacts	Contact Us, Climate Change, Anti-corruption – Whistle-blowing and Internal Audit Mechanism Annual Report 2023 – Corporate Governance Report
	2-26 Mechanisms for seeking advice and raising concerns	Contact Us, Anti-corruption – Whistle-blowing and Internal Audit Mechanism
	2-27 Compliance with laws and regulations	Not applicable. The Group was not aware of any major non-compliance with laws and regulations
	2-28 Membership associations	About Shineway
	2-29 Approach to stakeholder engagement	Stakeholder Engagement
	2-30 Collective bargaining agreements	As the Group’s operation is in China, collective bargaining agreements are not applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Reporting Scope, Materiality Assessment
	3-2 List of material topics	Reporting Scope, Materiality Assessment
Indirect economic impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Investment
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	Community Investment
Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	Supply Chain Management
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	Supply Chain Management
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-corruption
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-corruption
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Energy Consumption
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Consumption, Environmental Data Summary
	302-3 Energy intensity	Energy Consumption, Environmental Data Summary
	302-4 Reduction of energy consumption	Energy Consumption
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	Sewage Emission, Water Consumption
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	Sewage Emission, Water Consumption
	303-2 Management of water discharge-related impacts	Sewage Emission
	303-3 Water withdrawal	Water Consumption
	303-4 Water discharge	Sewage Emission
	303-5 Water consumption	Water Consumption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Emissions, Exhaust Gas and GHG Emissions
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Exhaust Gas and GHG Emissions, Environmental Data Summary
	305-2 Energy indirect (Scope 2) GHG emissions	Exhaust Gas and GHG Emissions, Environmental Data Summary
	305-3 Other indirect (Scope 3) GHG emissions	Exhaust Gas and GHG Emissions, Environmental Data Summary
	305-4 GHG emissions intensity	Exhaust Gas and GHG Emissions, Environmental Data Summary
	305-7 Nitrogen oxides (NO _x), Sulphur oxides (SO _x), and other significant air emissions	Exhaust Gas and GHG Emissions, Environmental Data Summary
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	Hazardous and Non-hazardous Waste Disposal
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Hazardous and Non-hazardous Waste Disposal
	306-2 Management of significant waste-related impacts	Hazardous and Non-hazardous Waste Disposal
	306-3 Waste generated	Hazardous and Non-hazardous Waste Disposal, Environmental Data Summary
Supplier environmental assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental and Social Risk Management of Supply Chain
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone environmental assessment: 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employment
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employment, Social Data Summary
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not applicable. All employees of the Group are full-time employees.
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Health and Safety
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	Health and Safety
	403-2 Hazard identification, risk assessment, and incident investigation	Health and Safety
	403-3 Occupational health services	Health and Safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety
	403-5 Worker training on occupational health and safety	Health and Safety
	403-6 Promotion of worker health	Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety
	403-9 Work-related injuries	Health and Safety, Social Data Summary

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	Development and Training for Employees
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Development and Training for Employees, Social Data Summary
	404-2 Programs for upgrading employee skills and transition assistance programs	Development and Training for Employees
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employment – Employee Benefits and Equal Opportunity Policies
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Bloomberg ESG Disclosure (Summary), Employment
Child labour		
GRI 3: Material Topics 2021	3-3 Management of material topics	Prevention of Child Labour and Forced Labour
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Prevention of Child Labour and Forced Labour
Forced or compulsory labour		
GRI 3: Material Topics 2021	3-3 Management of material topics	Prevention of Child Labour and Forced Labour
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Prevention of Child Labour and Forced Labour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GRI Standard	Disclosure	Location/Statements
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental and Social Risk Management of Supply Chain
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Environmental and Social Risk Management of Supply Chain
	414-2 Negative social impacts in the supply chain and actions taken	Environmental and Social Risk Management of Supply Chain Suppliers who have undergone social impact assessment: 100%
Customer health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Product Responsibility – Quality and Safety of Products
GRI 416: Customer health and safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product Responsibility – Quality and Safety of Products
Marketing and labeling		
GRI 3: Material Topics 2021	3-3 Management of material topics	Product Responsibility – Advertising and Labelling
GRI 417: Marketing and labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	Product Responsibility – Advertising and Labelling
	417-3 Incidents of non-compliance concerning marketing communications	Product Responsibility – Advertising and Labelling
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Product Responsibility – Customer After-sales Service and Privacy Policy
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Product Responsibility – Customer After-sales Service and Privacy Policy