

上海醫藥集團股份有限公司
Shanghai Pharmaceuticals Holding Co., Ltd.*
(A joint stock company incorporated in the People's
Republic of China with limited liability)
(Stock Code: 02607)



2023

2023 Sustainability & Environmental,
Social and Governance Reports

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About this Report

This report is the 14th Sustainability Report (known as Social Responsibility Report prior to 2020) issued by Shanghai Pharmaceuticals Holding Co., Ltd., hereinafter referred to as "SPH", "the Group", "the Company", "Company" or "We". The report provides details on the environmental, social and governance ("ESG") practices and performance of the Company and its subsidiaries in 2023. This is an annual report. The previous one was published in March 2023.

Important Notice

The Company's Board of Directors (the "Board") and directors (the "Directors") certify that there are no false representations and misleading statements contained in, or material omissions from this report, and jointly accept the responsibility for the truthfulness, accuracy and completeness of the contents of this report.

Reporting Scope

This report covers January 1, 2023 to December 31, 2023 ("Reporting Period"). Some contents and data may touch on a period beyond this timeline. The report covers SPH's main pharmaceutical and distribution businesses. There have been no significant changes compared with the 2022 Sustainability Report & Environmental, Social and Governance Report.

Reporting Standard

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Hong Kong Exchange"), Guidelines No. 1 on Self-Regulation for Listed Companies on the Shanghai Stock Exchange – Operating in Compliance with Regulations issued by the Shanghai Stock Exchange, as well as some indicators specified in the GRI Sustainability Reporting Standards and Chinese Academy of Social Sciences Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0).

Reporting Principles

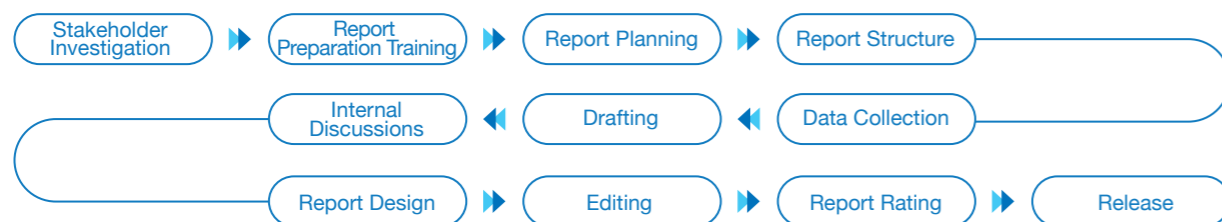
This report follows the Reporting Principles of materiality, quantitative, balance and consistency in the ESG Guide:

- Materiality** Significant stakeholders were identified in the process of report preparation and key ESG issues were determined through stakeholder engagement and materiality assessment.
- Quantitative** This report discloses environmental and social key performance indicators in a quantitative manner, together with explanations for their purposes and impacts.
- Balance** This report is balanced and objectively presents the ESG performance of the Company.
- Consistency** Unless otherwise specified, this report uses the same statistical methodology as the 2022 Sustainability Report & Environmental, Social and Governance Report.

Report Availability

This report, prepared in Simplified Chinese, Traditional Chinese and English, is published online in electronic format. The electronic version is available for view and download on the Company's website (www.sphchina.com), the Shanghai Stock Exchange website (www.sse.com.cn) and the SKEXnews website (www.hkexnews.hk). This report is prepared both in Chinese and English. In case of any discrepancy between the two, the Chinese version shall prevail.

Report Preparation Process



Definition

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Term	Definition
"SPH", "the Group", "the Company" or "We"	Shanghai Pharmaceuticals Holding Co., Ltd.
SHAPHAR	Shanghai Pharmaceutical Co., Ltd.
SPH Kyuan	SPH Keyuan Xinhai Pharmaceutical Co., Ltd.
SPH Sales	SPH Drug Sales Co., Ltd.
Sine United	Shanghai Sine United Western and Chinese Traditional Medicine Co., Ltd.
SPH Shangke	Shanghai Shangke Pharmaceutical Co., Ltd.
New Asia Pharmaceuticals	Shanghai SPH New Asia Pharmaceuticals Co., Ltd.
SPH Dragon&Tiger	Shanghai SPH Dragon&Tiger Pharmaceutical Sales Co., Ltd.
SPH TCM Institute	Central Research Institute of Shanghai Pharmaceuticals Holding Co., Ltd.
TCM Institute	SPH Traditional Chinese Medicine Research Institute Co., Ltd.
SPH-IPT	Shanghai SPH Innovatfive Pharmaceutical Technology Co., Ltd.
SPH Sine	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.
SPH SBPC	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.
SPH TCM	Shanghai Traditional Chinese Medicine Co., Ltd.
SPH Leiyunshang	Shanghai Leiyunshang Pharmaceutical Co., Ltd.
SPH Changzhou Pharma	SPH Changzhou Pharmaceutical Co., Ltd.
SPH New Asia	Shanghai SPH New Asia Pharmaceutical Co., Ltd.
SPH Zhongxi Sunve	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
SPH Techpool	Techpool Bio-Pharma Co., Ltd.
SPH Qingchunbao	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
SPH Growful	SPH Qingdao Growful Pharmaceutical Co., Ltd.
SPH Herbapex	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.
Huqingyutang Pharma	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
SPH Zhonghua Pharma	Shanghai Zhonghua Pharmaceutical Co., Ltd.
SPH XTCM	Xiamen Traditional Chinese Medicine Factory Co., Ltd.
SPH Kony	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.
SPH SMICC	Shanghai Medical Instruments Co., Ltd.
SPH SunwayBio	Shanghai Sunway Biotech Co., Ltd.
SPH Import & Export	Shanghai Pharmaceutical Import & Export Co., Ltd.
SPH-BIOCAD	SPH-BIOCAD (HK) Limited
SPH RD	Shanghai SPH Rare Disease Co., Ltd.
CanSino SPH	CanSino SPH Biologics Inc.
Biopharma Evolution	Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd.
A shares	domestic shares of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
H shares	overseas shares of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars

Message from the Chairman



Yang Qiuhua

Shanghai Pharmaceuticals Holding Co., Ltd.
Secretary of the CPC Committee & Chairman

2023 is the first year for China to fully implement the guiding principles of the 20th CPC National Congress and a crucial transition year for the 14th Five-Year Plan (2021-2025). Looking back at 2023, We are proud to say we have stayed true to our mission of "Being Committed to Improving Health and Quality of Life". We have been striving to contribute to the efforts of China's national strategic development by focusing on people and improving their well-being. Our devotion to ensuring people's health is our way to help carry out the Healthy China Initiative.

In 2023, we improved our ESG system, giving us a solid foundation for future developments. In order to attain a higher level of corporate governance and sustainable development, continued efforts were made to bolster our compliance management system, which in turn nurtured the Company's health and growth. We improved our top-down ESG structure to integrate a sustainable development strategy into the Company's operations. In addition, we increased the communication with stakeholders and the wider public. As a result of these efforts, we have received an "AA" rating in ESG by MSCI for two consecutive years. In addition, we led a group of relevant organizations in drafting and issuing China's first ESG disclosure group standards for the pharmaceutical industry, which will help the country optimize its ESG system. In the same year, we kept our growth momentum. We stayed on the Fortune Global 500 and the Pharm Exec 50 Lists, as well as the Global Top 25 Pharmaceutical Brand Value List.

In 2023, we created a technology-enabled healthcare ecosystem, providing great affordable medicine to patients. SPH, a champion of reform and innovation, vigorously pushed for its pharmaceutical business integration in Northern and Southern China, aiming to build a nationwide pharmaceutical supply chain service platform. We greatly strengthened partnerships in multiple industries. We continued our efforts towards "Digital SPH". A number of our subsidiaries won industry awards for their excellent digital transformation results and innovative quality products and services. We have always been pursuing excellence in manufacturing and the spirit of craftsmanship, continuously optimizing the production plan for the pharmaceutical industry. Our "Ultra-Limited Magic Workshop" has been well received in the industry, and 4 of our subsidiaries made it on the List of 100 Smart Factories in Shanghai. SPH was one of Asia Pacific Quality Organization (APQO) Innovation Class Award 2023 – STAR category winners while its subsidiaries clinched a total of 27 national-level and 112 provincial and municipal-level quality awards.

In 2023, we aligned ourselves with China's development strategy, contributing to the upgrade of the biomedical industry. SPH continued to adopt innovation-driven strategies, joining in Shanghai's efforts to build an innovation highland for the biomedical industry with international influence and a world-class biomedical industry cluster in the city. The construction of the SPH Biomedicine

Industrial Base (Phase I) continued in Shanghai. The National Key Laboratory of Innovative Immunotherapy jointly applied for by SPH and Shanghai Jiao Tong University was approved by authorities. Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (also known as Biopharma Evolution, a subsidiary of SPH), in partnership with Bayer, launched the "Co.Lab" platform, which identifies early-stage innovations and drives the best ideas towards commercialization. The innovation incubator "01LABS@Hong Kong" was also launched, enhancing the connection between Shanghai and Hong Kong and generating strong momentum for future development. We picked up speed in technological innovation, resulting in huge achievements in the R&D of biological products, chemicals, Traditional Chinese Medicine (TCM) and rare disease drugs. SPH is home to six "Chinese time-honored" brands, exhibiting its commitment to promoting the inheritance, innovation and development of TCM. We accelerated the construction of an open innovation ecosystem. Specifically, we deepened our collaboration and partnership with universities, medical institutions, research institutes and financial institutions, speeding up the transformation of innovative ideas into tangible business solutions.

In line with China's "dual-carbon" goal, we took actions to transition towards a greener development mode, such as implementing green, low-carbon and sustainable development throughout the entire company. In 2023, SPH completed 59 energy efficiency programs. As of the end of the reporting period, we owned 9 national-level and 8 provincial or municipal-level green factories. Also, 31 of our subsidiaries have received an ISO14001 certificate, and 27 of ISO50001 certificate, and one more was listed in Shanghai Green Supply Chain Program.

Over the past year, we have always put our employees first and tried to build a strong employer brand. We ramped up efforts to build a highland for talents. We continuously empowered our employees by offering them a sound training system and abundant professional development opportunities. By the end of 2023, a total of

11 employees have won the title of "Shanghai Craftsman". We are committed to creating an open, inclusive, fair, happy, healthy and caring workplace for our employees, and protecting their rights and interests. In 2023, SPH became a Top Graduate Employer and Employer Excellence of China by www.51job.com for the second consecutive year.

Over the past year, we have fulfilled our corporate responsibilities by contributing to China's ambition to realize common prosperity. Striving to "serve the public with worthy charity initiatives", we held, together with other communities, various charity events covering health care, science, education, arts and sports, as well as social welfare. By doing so, we hoped to spread compassion and bring warmth to people. In 2023, our total charitable contributions reached CNY 38.041 million. We put great efforts in addressing rare diseases, bringing a glimmer of hope to patients. In addition, we took concrete steps to help fully revitalize China's rural areas. We continued our involvement in the "100 Enterprises Helping 100 Villages" campaign. Over the past 5 years, we have invested a total of over CNY 19.12 million in poverty alleviation and rural revitalization. As a result, the Company was granted the "Best Practice Cases for Rural Revitalization of Listed Companies Awards 2023" by China Association for Public Companies.

The future is promising. In the upcoming year, we will bear in mind "the top priority of the state" and the mission of state-owned enterprises. Staying innovative and forging ahead in unity, we will work with other communities to create healthy lives for the people, and to draft a new chapter of high-quality sustainable development, which will surely give a solid and robust foundation for China to achieve its second centenary goal and dream to rejuvenate the nation.

About SPH

SPH is a vertically-integrated and diversified pharmaceutical group. The Company has dual listings on the stock exchanges in Hong Kong (02607) and Shanghai (601607). The Company provides leading healthcare services in: Research & Development, Manufacturing, Distribution and Retail.

Since its inception, SPH has always stayed true to its original aspiration and founding mission. Many of its century-old brands have exemplified social responsibilities of pharmaceutical companies in different eras, and achieved many firsts in the history of Chinese medicine:

- China's first "Penicillin"
- China's first cephalosporin
- China's first synthetic musk
- China's first artificial bezoar
- China's first company inspected by the U.S. FDA
- China's first Sino-US pharmaceutical joint venture
- First China-made Tamiflu
- The world's first commercialized oncolytic virus product

Over the past century, SPH has been committed to leading the development and improvement of the industry

Following its primary listing on the Stock Exchange, SPH established a corporate governance structure in line with international standards and introduced a market-oriented governance mechanism. These initiatives served as a powerful way to improve its industrial foundation, create synergy and drive growth, and speed up the transformation of innovative ideas into tangible business solutions. Through innovative business models, SPH maintained a sound growth momentum and developed a strong brand voice in the pharma industry.

The Company's main business covers pharmaceuticals and distribution. These include biological products, chemicals, Traditional Chinese Medicine (TCM), nutrition and supplements, orphan drugs, pediatric drugs, distribution and retail. We have managed to achieve synergistic growth by offering both industrial products and services. We consistently meet the patients' need for safe and effective medicines.

Pharmaceuticals

SPH's core therapeutic areas are Oncology, Cerebro-cardiovascular, CNS, General Infection, Immunology, Digestive and Metabolism, and Respiratory. The Company has roughly 700 drug varieties manufactured in over 20 dosage forms. A number of its drugs have passed quality authentications from the WHO, FDA, EU and have been sold in overseas markets. SPH is run in line with its basic principles of optimal quality and cost, green development and intelligent manufacturing. Driven by system capabilities, the Company aims to excel in operations and achieve intelligent manufacturing. It has successfully upgraded the entire manufacturing value chain.

The Company has developed a strategy for innovative development. It has increased investment in R&D, optimized its R&D platforms and improved its R&D model. Furthermore, in-house research, import and incubation efforts have been made for innovative drugs, modified new drugs, orphan drugs and secondarily-developed TCM. An R&D system for domestic and foreign new drugs is in place, covering early drug discovery, preclinical research, and clinical research to BD cooperation. Through "in-house R&D + external collaboration", SPH continues to meet unmet clinical needs. It has accelerated the expansion of its innovative drug pipeline, and positioned itself as a top player in innovation in the country's biopharmaceutical industry.

We continue to build the core business of our TCM segment. We now own 8 major TCM companies, 9 core TCM brands and a number of TCM varieties with high clinical value that meet market needs. Thanks to our strong brand awareness and superior resources, we have achieved rapid growth in recent years. In addition, the Company has formed the "YTS Chinese Traditional Medicine Revitalization Industrial Alliance" with Yunnan Baiyao and Tianjin Pharmaceuticals, seeking to boost the development of TCM.

Distribution and Retail

The Company owns over 2,000 pharmacies and its pharmaceutical distribution network has been significantly expanded from Eastern China to the whole country. Its wholly-owned subsidiaries cover 25 provinces, municipalities and autonomous regions. SPH is now the second largest pharmaceutical distributor and one of the leading drug importers in China. It has transformed itself into a technology-based healthcare provider.

Taking advantage of its pharmaceutical supply chain, SPH has reached new territories with value-based healthcare, providing business partners with solutions covering the entire lifecycle of innovative drugs, which includes product authorization, clinical R&D, bonded export, import and distribution, and terminal marketing. This helps speed up the launch of innovative drugs and improve their distribution efficiency, which in turn furthers industrial integration and innovation.

The Company has made huge efforts to incubate "Internet +" pharmaceutical and commercial technology platforms to provide technology-driven services. SPH Health Commerce has led to new ways to sell retail prescription drugs. Coordinating its medical and social resources, it aims to build a Chinese leading platform for innovative drug commercialization, providing both out-of-hospital and patient services. Meditrust Health is committed to addressing the key challenges facing China's biopharma industry in health insurance and healthcare payment. It has created new innovative payment solutions, including health insurance, Huiminbao ("Benefit the People") insurance and other insurance products covering innovative drugs. It provides patients with quicker and easier insurance claim processing and payment. It facilitates payment for new drugs not yet covered by any insurance, seeking to lighten patients' financial burdens and make innovative drugs and therapies affordable to them.

Second Largest Pharmaceutical Distributor & Leading Drug Importer in China



Nationwide distribution network covering

31 provinces, municipalities and autonomous regions

Wholly-owned subsidiaries covering

25 provinces, municipalities and autonomous regions

Nationwide retail network covering

16 provinces, municipalities and autonomous regions

Nationwide retail pharmacies

2,000

For years, SPH's mission has been "Committed to Improving Health and Quality of Life" and its vision "An Internationally Trusted and competitive Biopharmaceutical and Healthcare Provider". The Company's core values are "Innovation, Integrity, Cooperation, Inclusiveness and Responsibility". Faced with new changes in policy and a challenging market, SPH has consistently embraced and adapted, won recognition, and strengthened its industry position. The Company is among the top three players in China's pharmaceutical industry and has made the Fortune Global 500 and the Pharm Exec 50 lists for several years in a row. It is included in the constituent stocks of the SSE 180, CSI 300 indices and MSCI.

Annual Events

February

SPH's application for the launch of its imported class 1 new drug "X842" was accepted by National Medical Products Administration

February

Four SPH subsidiaries made onto the List of 100 Smart Factories in Shanghai



March

The National Key Laboratory of Innovative Immunotherapy, a joint project between SPH and Shanghai Jiao Tong University, was approved by the Ministry of Science and Technology

June

SPH ranked **No. 41** on PharmExec's list of Top 50 Pharma Companies in 2023

August

SPH was included on the Fortune Global 500 list for a fourth consecutive year with a ranking of **No. 438**

August

An integrated operation mode was applied more widely across SPH's pharmaceutical distribution segment. SHAPHAR and SPH Kyuan's business were merged

June

SPH's application for the launch of its class 1 new drug "SPH3127 tablet" was accepted by National Medical Products Administration

November

SPH participated, for a sixth consecutive year, in the signing ceremony for the state-owned-assets sub-group of the Shanghai trade group for China International Import Expo (CIIE), and established a strategic partnership with Sanofi China

November

SPH Biopharma Industrial Base was granted the name plate "SPH Open Innovation Center" to join the Group Open Innovation (GOI) program launched by Pudong New District in Shanghai

November

Biopharma Evolution signed an agreement on building a joint laboratory with Bayer, intending to introduce the first Collaborative Laboratory ("Co.LAB") into China

Annual Honors

- 1** 438th on the Fortune Global 500 list in 2023
Fortune Magazine
- 2** 41st on the Top 50 Global Pharmaceutical Companies List
PharmExec, a U.S. Magazine
- 3** 2nd among the Top 100 Chinese Pharmaceutical Wholesalers in 2022
Statistical Analysis Report on the Operation of Drug Circulation Industry in 2022 issued by the Ministry of Commerce
- 4** 834th on the Forbes Global 2000 List in 2023
Forbes
- 5** 20th on the Top 25 Pharmaceutical Companies with Global Brand Value List in 2023
Brand Finance UK, a brand valuation consultancy
- 6** 6th among the Top 100 Chinese Pharmaceutical Companies in 2022
Best Industrial Enterprises in China for Pharmaceutical R&D Product Lines in 2023
2023 Conference on the Development of China's Pharmaceutical Industry (co-sponsored by the Ministry of Industry and Information Technology, Beijing Municipal People's Government, National Health Commission and other organizations)

- 7** 120th among the Top 500 Chinese Enterprises in 2023
50th among the Top 500 Chinese Manufacturing Enterprises in 2023
China Enterprise Confederation, China Enterprise Directors Association
- 8** 13th among the Top 100 Shanghai Enterprises in 2023
4th among the Top 100 Shanghai Manufacturing Enterprises
Shanghai Enterprise Confederation, Shanghai Enterprise Directors Association, Shanghai Federation of Economics Organizations, Jiefang Daily
- 9** ESG Pioneer 100 Index for Listed SOEs (2023)
Research Report on Corporate Social Responsibility of Local SASAC and Local Stated-Owned Enterprises (2023)
- 10** Innovation Class Award 2023 – STAR category winner
APQO
- 11** 3rd among the Top 100 Chinese Chemical & Pharmaceutical Companies in 2022
China's Top 10 Innovative BigPharma Companies in 2022
MENET
- 12** 2022-2023 Top 100 Pharmacies in China (Specialty Pharmacies)
SPH Health Commerce's "Yiyao Pharmacy" took 3 of the top 5 spots
China Pharmacy
- 13** Best Practices Award for Board Office of Listed Companies and Excellence Performance Award for Board of Supervisors of Listed Companies
China Association for Public Companies

Core Brands

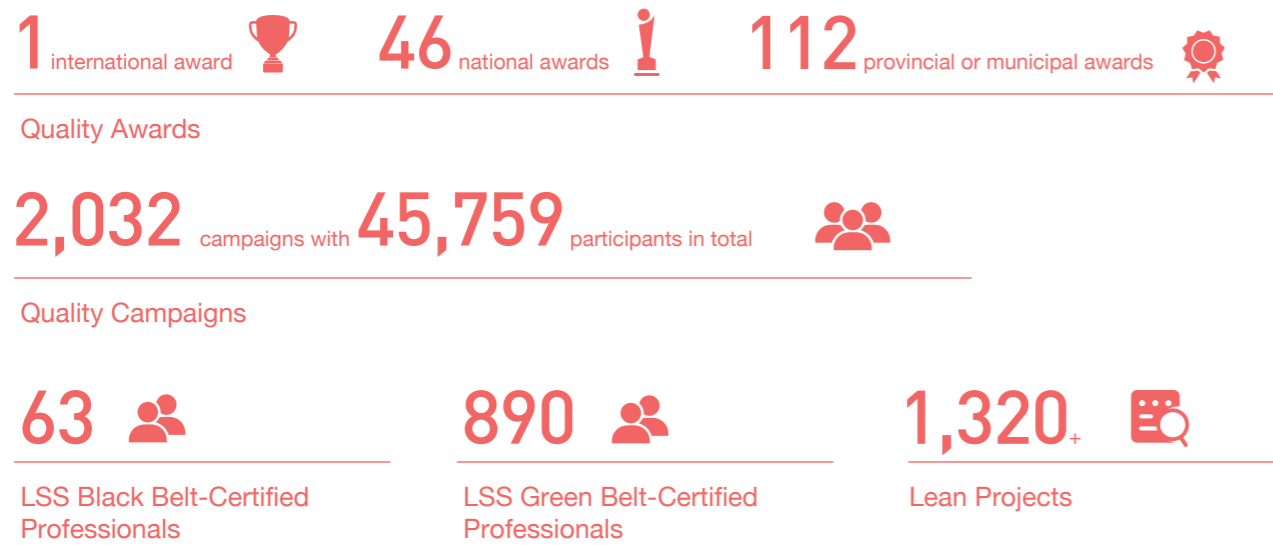


Statistics and Facts for 2023

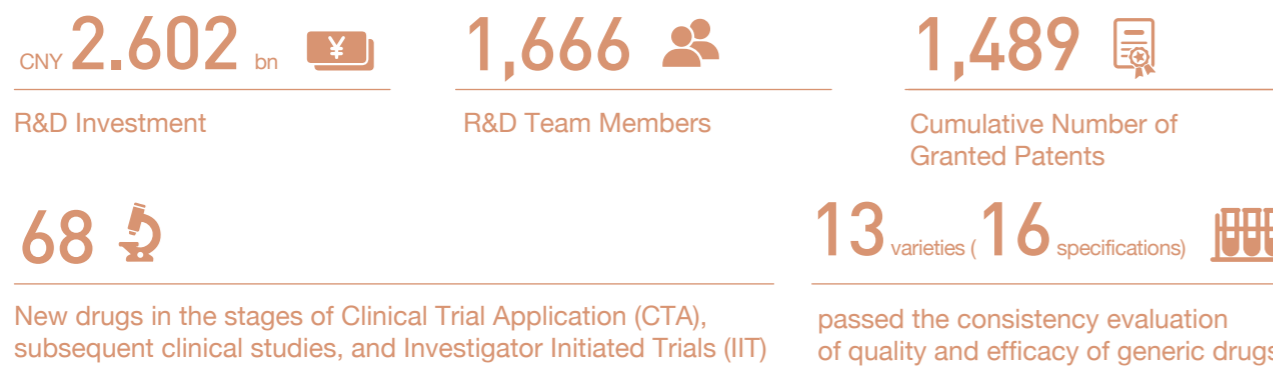
Economic Performance



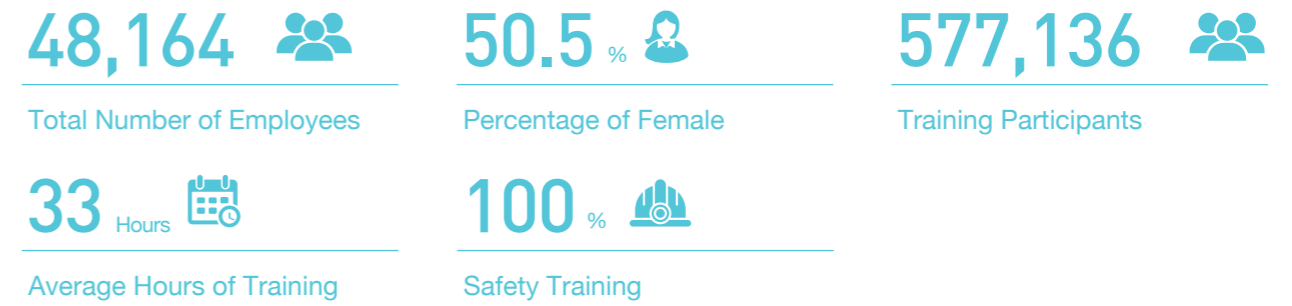
Quality Management



R&D and Innovation



Employee



Environmental Protection



Public Welfare



Protecting Cultural Heritage to Push High-Quality Development of TCM in the New Era

In the report of the 20th National Congress of the CPC, the inheritance, innovation and development of TCM is put at the forefront. SPH has been dedicated to TCM for years. Its TCM segment covers Traditional Chinese medicinal materials and their decoction pieces, R&D, production and sales of TCM preparations, as well as TCM-based health products. Boasting rich TCM resources, SPH has formed an industrial chain covering the full lifecycle of TCM from herbal planting to decoction pieces and preparations. Under the guidance of the 14th Five-Year Plan for the Development of Traditional Chinese Medicine, the Company strives to propel the high-quality development of TCM by adopting a people-centric approach and upholding the essence of tradition while embracing innovation.

SPH TCM



Founded in 1955, SPH TCM is one of China's largest companies specializing in Chinese herbal medicine and their decoction pieces, with business covering herbal planting, production and distribution of such decoction pieces and TCM-based health products. It has 9 production bases for TCM decoction pieces with raw materials supplied by its own planting bases for geo-herbals across China. It has a closed-loop standardized management

throughout the whole process from sources to final products. With business covering 1,000 varieties and an annual throughput of 20,000 tons, SPH TCM is the first company in Shanghai that specializes in traceable TCM decoction pieces.

To date, SPH TCM has developed a number of new drugs with independent intellectual property rights. It has received 119 Chinese and international patents, including 22 invention patents. Given its accomplishments, it won the First and Second Prizes of the State Science and Technology Progress Award, and Gold Medals at the International Exhibition of Inventions Geneva (IEIG). The Company currently boasts two Chinese Famous Trademarks, namely "Shenxiang" and "Tianbao", along with several well-known Shanghai brands like "Huguang".

SPH Herpapex



Located at the foot of Wunu Mountain, a world cultural heritage, SPH Herpapex can trace its history back a century, to its predecessor Zihousheng TCM Store. It is now a TCM pharmaceutical company withintegrated

R&D, manufacturing, marketing and sales. It produces 47 TCM varieties (71 specifications) in 3 dosage forms (namely, tablets, granules and capsules), including 11 national essential medicines, 7 exclusive products, and 25 included in China's National Reimbursement Drug List. These products encompass TCM preparations and dispensing granules offering treatment options for four therapeutic areas: musculoskeletal, gynecological, urologic and cardiovascular and cerebrovascular. The company is proud to be the first in Liaoning Province to launch TCM dispensing granule products onto the market. It has four brands: Cangsong, Herpapex, Zihousheng and Mountain Walker.

SPH Leiyunshang



SPH Leiyunshang is a key SPH subsidiary specializing in TCM preparations. Its business mainly includes the R&D, manufacturing, marketing and sales of modern TCM preparations and natural herbal medicine. It has obtained approvals for

over 300 products, including Liushen Wan (Six Divine Pills) (its formula is considered a national top secret), IIEG gold medal winners Yinixingdong ester (Ginkgo biloba extract) and Danshen tablets, its exclusive joint pain relief product series "flurbiprofen cataplasms" and the tonic semifluid extract of ten ingredients. Over three centuries, SPH Leiyunshang has received many prestigious honors and enjoys a dominant position in the industry. It is recognized as a Chinese time-honored enterprise and one of the Top 100 Brand Enterprises of Chinese Medicine, with brands included on the list of the first batch of "Great Trademarks of Shanghai". Its product Lei's Liushen Wan is made with a national top-secret formula (its production technique has been recognized as a National Intangible Cultural Heritage), and included in China's first directory of traditional crafts pending revitalization.

Huqingyutang Pharma



Huqingyutang Pharma was established in 1874 during the thirteenth year of the Tongzhi reign in the Qing Dynasty. It is a renowned Chinese pharmaceutical company specializing in TCM, and one of the first TCM enterprises to be

recognized as a national intangible cultural heritage. Its founder Hu Xueyan advocated a "no deceit" principle, promoting the values of "purchasing with honesty, manufacturing with precision", which has now become the essence of its corporate culture. The company currently manufactures 182 drugs approved by the state. With multiple invention patents, it has established a provincial-level corporate research institute and a city-level corporate technology center. Additionally, it has been honored with 4 provincial and ministerial science and technology progress awards in the past five years. Its products Weifuchun (stomach healing pills) and Angong Niu Huang Wan have received the "Zhejiang Made Excellent Products" title. Its Weifuchun and Qiangli Loquat Cough Syrup have been included in the first batch of "Zhejiang Famous Medicines", while Angong Niu Huang Wan was granted the prestigious title of "Hangzhou Famous-Brand Product". Twenty other products have been credited as "Zhejiang Excellent Industrial Products".

SPH's TCM business encompasses

- ▶ 8 main subsidiaries specializing in TCM
- ▶ 9 TCM core brands
- ▶ Approximately 780 approvals for re-registration
- ▶ 6 "Chinese Time-Honored" brands
- ▶ 7 high-tech enterprises
- ▶ Multiple century-old TCM brands and products
- ▶ 1 TCM enterprise credited as a National Green Factory
- ▶ 1 TCM enterprise on the List of 100 Smart Factories in Shanghai.
- ▶ 1 TCM enterprise credited as a local "Future Factory"
- ▶ 1 TCM enterprise credited as a "Future Factory (Digital Workshop)"
- ▶ 4 subsidiaries recognized as National Exemplary/ Advantaged Enterprises in Intellectual Property
- ▶ 6 specialized and sophisticated SMEs/"little giants" that produce novel and unique products
- ▶ National Science Progress Award: 2 First Prizes and 2 Second Prizes

SPH Qingchunbao



SPH Qingchunbao, formerly known as Hangzhou No. 2 Traditional Chinese Medicine Factory, has operated independently since 1972. Initially, it was a workshop where Huqingyutang, a

century-old establishment, made its Ejiao (donkey-hide gelatin). In the 1980s, it emerged as a renowned "model enterprise" in the TCM industry and played a pivotal role in globalization. Over half a century, it has gradually grown into one of China's largest comprehensive pharmaceutical companies equipped with the most advanced technology, which mainly specializes in the production of natural medicines. It integrates research, production and operations. Its products include medicines and supplements that use natural herbs as the main raw materials (e.g. Guanxinling Pills, Shenmai Injections, Anti-Aging Series, Shengmai Series and Stomach Healing Granules). With numerous R&D platforms such provincial-level corporate research institutes and engineering research centers and corporate technology centers, the company is one of the Top 100 Chinese Pharmaceutical Companies. It also has China's first accredited TCM "Smart Pharmaceutical Factory". Its research achievements relating to Guanxinling Tablets - "Key Technology for Intelligent Manufacturing of Component-Based Chinese Medicine and Model of Industrializing Guanxinling Tablets" won the first prize of Science and Technology Progress Award of Zhejiang Province. Additionally, it has been chosen as a pilot enterprise of Zhejiang Province for the "Future Factory" initiative. Guanxinling Tablets are proud to be the first in China to be accredited as second-class protected variety of TCM.

SPH Zhonghua Pharma



Founded in 1911, SPH Zhonghua Pharma, formerly known as Dragon&Tiger Company, is the first national pharmaceutical industrial enterprise in modern China. With a 112-year history, it is now a comprehensive pharmaceutical enterprise producing TCM, biochemical drugs, cosmetics and daily chemicals. Its TCM offerings

include its original product Dragon&Tiger Panacea and the well-known essential balm kept in a "tiny red tin". Focusing on essential balm and health products, SPH Zhonghua Pharma is determined to build itself into a unique and professional high-quality SPH subsidiary that pursues continuous breakthrough development. Its brands include the Chinese Time-Honored brand "Dragon&Tiger", the Shanghai Time-Honored brand "Temple of Heaven", the biochemical brand "Universe", and "Wild Tiger", the essential balm brand produced by its Nantong subsidiary.

SPH Growful



SPH Growful, originating from Beijing's renowned Le Family's Old Pharmacy, was established in 1915. It was transformed into a "state-owned" enterprise from a public-private partnership in 1956. It has

grown into one of the core pharmaceutical enterprises in Shanghai with a complete industrial chain consisting of R&D, manufacturing, distribution and retail. SPH Growful focuses on modern TCM, with expansion into chemical drugs, marine drugs and health products. To date, it has developed five product categories (nearly 100 varieties): cardiovascular and cerebrovascular, anti-anemia, digestive and respiratory medicine as well as supplements. Boasting more than 30 national invention patents, it has built a nationwide marketing network. Yangxinshi Tablets, Hongyuanda (polysaccharide iron complex capsules), Kuaiwei Tablets and other core products have stellar reputations and market competitiveness domestically. Hongrentang Pharmacy, a Chinese style traditional drugstore under SPH Growful, is a domestic time-honored brand. The company has won many honors including Chinese Famous Trademark, the Second Prize of National Science and Technology Progress Award, China's TOP 100 TCM Enterprises, and Exemplary Enterprise under Shandong Province's Initiative to Develop "Quality Shandong Medicine".

SPH XTCM



Xiamen Traditional Chinese Medicine Factory, the predecessor of today's SPH XTCM, was founded in 1965 as a public-private

partnership through the merger of the four-century-old Xiamen Zhenghe Drugstore, Huaideju Drugstore, Shoushengtang, Gaofeng Drugstore, and Yitiling. The company has inherited traditional classic prescriptions developed and refined by generations of prestigious physicians in southern Fujian. SPH XTCM produces nearly 100 varieties of TCM, including Babaodan, Xinhuang Tablet, Shenshu Granule, Haizhu Asthmatic Tablet, and other famous TCM preparations and famous Fujian products. It has built a marketing network covering China, Southeast Asia, and parts of Europe and America. It has developed a number of successful brands which are accredited as Chinese Famous Trademarks, Chinese Time-Honored Brands, Fujian Famous Trademarks and Fujian Time-Honored Brands. It has undertaken two city-level intangible cultural heritage projects. Its trademark "Dinglu" has received the Hurun Most Successful Chinese Heritage Brands recognition numerous times.

Passing the Torch and Sustaining the Legacy of Traditional Chinese Medicine

Traditional Chinese Medicine (TCM) is an invaluable gem of ancient Chinese science and holds the key to unlocking the treasures of Chinese civilization. In the modern era, SPH strives to facilitate the transformative and creative evolution of China's time-honored culture by passing on the cultural heritage and advancing the innovation-driven development and TCM, thereby contributing to the modern civilization of the Chinese nation through the wisdom and strength rooted in TCM culture. Currently, SPH boasts six prestigious "China Time-Honored Brands": Dragon&Tiger, Lei's, Hongrentang, Dinglu, Shenxiang, and Yutiancheng.

SPH TCM Cultural Park and Saffron Exhibition Hall

SPH TCM Cultural Park serves as a multifaceted hub integrating popular TCM science education, medicinal plant displays, TCM cultural promotion, pharmaceutical academic exchanges, showcases of Shanghai's TCM industry, and health education experiences. Additionally, SPH TCM has established a Saffron Exhibition Hall at its saffron plantation base in Chongming, where public awareness campaigns about this precious herb are conducted.

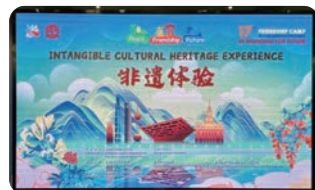


Nine-Year Succession of Wild Ginseng Culture Festivals by SPH Shenxiang

Shanghai Wild Ginseng Cultural Festival has emerged as a significant hallmark event within the realm of TCM in Shanghai. Over the past years, SPH Shenxiang has orchestrated comprehensive and in-depth promotions, fostering an environment that reveres wild ginseng culture. Through meticulous storytelling and robust cultural advocacy, SPH Shenxiang aims to bring the "King of Herbs" – wild ginseng – from the esoteric heights of traditional medicine into the homes and lives of everyday citizens.

Ancient Craftsmanship Preservation in SPH Shenxiang's Ejiao Production

SPH Shenxiang adheres to the meticulous traditional techniques employed in the production of Southern-style Ejiao (donkey-hide gelatin). Founded in 1958, Shanghai No. 1 TCM Factory, under the umbrella of SPH TCM, stands as one of the earliest state-owned TCM manufacturers established following the founding of the People's Republic of China. Revered as a sanctum of pharmacy and hailed as the cradle of the modern industrialization of herbal remedies, it epitomized the highest standards of Southern-style pharmaceutical practices, with sought-after medicines.



SPH Leiyunshang's Inheritance of Intangible Cultural Heritage Technique

The unique production technique of Lei's Six Divine Pills, passed down through six generations over more than 150 years, has been recognized as a National Intangible Cultural Heritage. This distinctive technique has also been included in China's first directory of traditional crafts pending revitalization. SPH Leiyunshang honors the essence of TCM culture through initiatives such as the "Lei's Cultural Journey", focusing on the themes of "TCM Culture", "National Brand", "Intangible Cultural Heritage Techniques", and "Centennial Craftsmanship".

SPH Growful's Drive to Build a Matrix for TCM Cultural Promotion

Originating from Beijing's renowned Le Family's Old Pharmacy, SPH Growful's mission is "Promoting TCM and Creating Healthy Lifestyles". To achieve this, it has built a matrix of TCM cultural dissemination, consisting of "Growful Art Troupe", "Growful Health Tour", "Yanhuang Yi Medical Garden", and "Qingdao Traditional Chinese Medicine Culture Museum". This initiative effectively integrates TCM into people's daily lives and promotes a healthier China.



SPH Herbapex Establishing a TCM Exhibition Center

SPH Herbapex's TCM Exhibition Center is a pioneering, modern, and comprehensive TCM-oriented venue in Liaoning Province. As a platform for international exchange, science popularization, and health services, it has been recognized as the province's first-ever TCM exhibition center, one of pilot bases for TCM health tourism, a national AAA-level tourist attraction, and an educational base for TCM culture and science popularization.

SPH XTCM Constructing the Babaodan TCM Cultural Museum

As a designated "Fujian Provincial Education Base for Traditional Chinese Medicine Culture", the Babaodan (Eight-Treasure Pills) TCM Cultural Museum serves as a teaching, publicity, and experiential hub for TCM culture. With seven distinct exhibition areas, ranging from the concise history of TCM to the local history of Xiamen's TCM culture, the museum provides a comprehensive overview of China's TCM development while highlighting the unique features of Southern Fujian's TCM heritage.



SPH Zhonghua Pharma's Diverse Endeavors to Promote Time-Honored Brands

SPH Zhonghua Pharma diversifies its branding strategies through various activities, including co-hosting digital asset launch events, conducting "Dragon&Tiger Campus Outreach" series, and linking SPH Dragon&Tiger and KFC to create co-branded merchandise. These endeavors serve to preserve and propagate their time-honored brands in novel ways.

SPH Leiyunshang and SPH Zhonghua Pharma Unlocking Digital Assets

Leiyunshang's "Lei's" and SPH Zhonghua Pharma's "Dragon&Tiger" brands have ventured into the digital frontier by releasing digital assets, titled "Lei's LET'S GO" and "Dragon&Tiger Resonates and All Things Follow". These initiatives represent proactive explorations into expanding the application of digital assets and accelerating the growth of state-owned brands. Notably, SPH Leiyunshang's second-phase digital asset release was honored with the Annual Excellence Award for Digital Assets in 2023.



Revolutionizing Heritage and Advancing Innovation with Unyielding Research

Scientific research and innovation are pivotal for the advancement of the TCM industry. With emphasis on the innovation-driven development of TCM, SPH has leveraged rich resources from its affiliated SPH TCM Institute and subsidiary R&D platforms to push for the modernization of traditional remedies and the development of novel TCM drugs, thus propelling the sector towards high-quality industrial progress through technological innovation.

Mission and Vision of SPH TCM Institute



To implement SPH's strategic objectives and harness technological innovation as a catalyst for elevating the TCM industry to new heights of excellence;
To capitalize on the Group's synergies between industry and finance and strive to build a national-level platform undergirding the transformation and commercialization of TCM research results.

Key Functions of SPH TCM Institute

- Centered around nurturing flagship products and cultivating distinguished brands, the Institute provides technical services and support to TCM companies within the Group, thereby fostering continuous enhancement of SPH's business performance;
- In accordance with market demands and the Group's product strategy, the Institute develops and introduces new TCM products and technologies, exploring innovative models and business paradigms;
- Embracing innovation, the Institute tackles critical issues in the process of industrialization and commercialization of research breakthroughs, thereby catalyzing innovation-driven development within the TCM manufacturing sector.

Advances in the Construction of SPH TCM Institute

Improved New Drug Development Platform

This platform primarily focuses on the reformulation of existing TCM preparations, significant process enhancements, the exploration of novel drug delivery systems suitable for special patient populations, as well as the creation of TCM-based health products. It has been scaled, providing a robust material foundation for the Institute's future exploration in modern TCM formulations and the improvement of ancient remedies.

Real-World Data Research Platform

In collaboration with SPH Health Commerce, the Institute has developed a digital patient management platform (Phase I) to support human experience studies for innovative TCMs and real-world research for marketed TCM products. Through extensive research, deliberation, and multi-party cooperation, an outpatient consultation service software system has been established.

Since its inception five years ago, SPH TCM Institute has:

- Published over a hundred papers itself, and in collaboration with the SPH Central Research Institute;
- Published more than **60** papers in SCI journals and core Chinese journals;
- Filed nearly **40** patents, with **12** patents granted;
- Assumed and participated in **7** national and municipal-level research projects.

Case Studies of TCM Development Initiatives

[Case] SPH Growful's Evidence-Based Research in TCM

For over a decade, SPH Growful has established multiple scientific collaborations with various domestic universities, research institutions, and hospitals, conducting multifaceted and comprehensive post-marketing research on TCMs. Its systematic and continuous pursuit of evidence-based TCM research has resulted in a series of publications in esteemed international journals. The evolving body of evidence for Yangxinshi Tablets has been incorporated into over ten clinical practice guidelines or expert consensus statements, earning the company the Second Prize of National Science and Technology Progress Award.

[Case] SPH Herbapex's Multiple Specialized Research Projects

SPH Herbapex has undertaken two national key technological projects with the Ministry of Science and Technology – one focused on the technical transformation of the TCM "Wangbi Tablets" for treating rheumatoid arthritis, and another centered on developing ginseng herbs (mostly mountain cultivated ginsengs). Additionally, SPH Herbapex has collaborated with the Jiangsu Provincial Department of Science and Technology on a central government guided project to develop and industrialize the classical formula "Xiebai San" based on traditional Chinese medical texts. SPH Herbapex has pioneered a distinctive quality standard for wild mountain ginseng, becoming a leader both domestically and internationally, thus filling crucial gaps and inadequacies in related standards.

[Case] SPH Zhonghua Pharma Secured US Patent Approval

In October 2023, the PCT US patent titled "Application of Dragon&Tiger Panacea in the Preparation of Drugs for Preventing and/or Treating Liver Fibrosis" was successfully granted. This milestone paves the way for expanding the new therapeutic indications of Dragon&Tiger Panacea in overseas markets.

Harnessing Information Technology to Breathe New Life into TCM

SPH continuously integrates information technology within the Company, harnessing digital empowerment to upgrade the TCM industry and drive its intelligent, green evolution. In addition to expediting the construction of smart factories and intelligent workshops, SPH vigorously undertakes GAP demonstration base initiatives for medicinal herbs, and is dedicated to establishing a full lifecycle traceability system for the cultivation, production, and circulation of herbal medicines.

[Case] SPH TCM's Drive to Build a TCM Full-Chain Traceability Information Platform

SPH TCM has built a demonstrative, full-chain traceability information platform for TCM by employing a wide array of cutting-edge digital technologies, including 5G, blockchain, IoT, cloud computing, big data analytics, and information security. Through this traceability management platform, SPH TCM transmits growth environment data via 5G network to remote terminals, ensuring standardized traceability management and achieving a digital showcase of the entire journey from farm to consumer, thereby allowing comprehensive, lifecycle traceability information management for herbal medicines and their decoction pieces. In 2023, SPH TCM was honored with the award for Outstanding Typical Application Scenario in the Digital Transformation of Shanghai Biopharma Industry at the International Biopharma Industry Week Shanghai 2023. Furthermore, the joint project with China Mobile Group Shanghai Co. Ltd., titled "A Project for the Full Lifecycle Management of Herbal Decoction Pieces Based on 5G+ Blockchain Technologies", won the First Prize in the 6th "Blossom Cup" 5G Application Collection Contest - 5G+ Healthcare Special Competition.

[Case] SPH Shenxiang's Use of 5G and IoT Technologies for Dynamic Multi-source Data Acquisition in Wild Cultivation of Chinese Medicinal Herbs

SPH Shenxiang adeptly employs a variety of digital tools to gather precise data that supports the establishment of growth data models for medicinal plants and core product traceability.

- Deployment of intelligent planting monitoring stations, enabling real-time monitoring of environmental conditions and soil moisture levels for medicinal crops.
- Implementation of a distributed data collection and centralized monitoring system platform, facilitating continuous video surveillance of the growth environment for medicinal crops and the storage of related videos.
- Establishment of a database for the cultivation of medicinal plant crops.

[Case] SPH Xingling's Endeavor to Construct Its "Smart & Lean Manufacturing Platform"

Regarding digital TCM CMC (Chemistry, Manufacturing, and Controls) and systemic design principles, SPH Xingling has constructed its "Smart & Lean Manufacturing Platform" at its Huaqing Road production base. Integrating Lean Six Sigma methodologies and cutting-edge artificial intelligence technologies, this platform uses digitization, intelligence, and modeling to deliver six core values: enhanced drug quality, increased production efficiency, reduced production waste, minimized emissions of three major pollutants, lowered quality risks, and an integrated system for measurement, control, monitoring, and information management. In 2023, SPH Xingling was recognized as one of the "Top 100 Smart Factories in Shanghai in 2022".

[Case] SPH Qingchunbao Unveiled "Smart Pharmaceutical Factory"

In November 2020, SPH Qingchunbao's smart pharmaceutical factory officially kicked off operations. Building on a complete set of TCM intelligent manufacturing technologies co-developed by Tianjin University of Traditional Chinese Medicine and the College of Pharmaceutical Sciences of Zhejiang University, this facility has established an intelligent manufacturing platform that serves as a pioneering model for the accelerated and high-quality development of TCM industrialization. As a result, SPH Qingchunbao was named among the first batch of "Black Box" pilot enterprises by Zhejiang Medical Products Administration and received accolades such as the pilot enterprise of Zhejiang Province for the "Future Factory" initiative and "Engineering Research Center for Advanced Manufacturing of Traditional Chinese Medicine in Zhejiang Province".

[Case] SPH Herbapex Undergoes Intelligent Equipment Upgrades

- Production Automation:** SPH Herbapex has built a full-fledged intelligent production line encompassing automated packaging and intelligent warehousing.
- Intelligent Inspection Equipment:** The laboratory at SPH Herbapex is equipped with multiple precision inspection devices capable of independently executing various testing protocols.
- Herbal Medicine Traceability System:** SPH Herbapex has developed an Industrial Internet Identifier Resolution secondary node for quality traceability and implemented a "One Drug, One Code" traceability management system for herbal medicines.

[Case] Huqingyutang Pharma's Digital Workshop

Huqingyutang Pharma invested a total of CNY15.3 million in its digital workshop project. By digitally transforming key production and utility equipment, the company has achieved automation in critical processes, in addition to realizing data collection and monitoring of production equipment on the strength of SCADA, MES, and WMS systems. Incorporating production plan execution, production model-based analytical decision-making, and intelligent warehouse management, it has leveraged Artificial Intelligence (AI), AI-powered vision systems, edge computing, IoT, and other next-generation IT technologies to integrate sub-systems for equipment, energy, and safety management into a unified, intelligent production management platform that operates in seamless synergy with the enterprise ERP system. In December 2023, the company was honored as a "Future Factory (Digital Workshop)" in Hangzhou.



SPH Qingchunbao's "Smart Pharmaceutical Factory"



SPH Herbapex's Intelligent Manufacturing Center



Huqingyutang Pharma's Smart Production Management Platform

Cultivating High-Caliber TCM Professionals

Human capital stands as the cornerstone of the advances in TCM. SPH has optimized its approach to nurturing TCM professionals, focusing on the development of high-caliber talents. Through the establishment of diverse skill inheritance workshops, SPH maximizes the mentorship roles played by esteemed senior TCM experts and masters, thereby continuously providing the industry with a stream of highly qualified professionals and propelling the continuation and evolution of TCM scholarship.

[Case] SPH TCM's Specialized TCM Technique Inheritance Workshops

Building on its unique advantages in resources and expertise, SPH TCM has set up a number of specialized TCM technique inheritance workshops, such as the National-level TCM Expert Inheritance Studio of Ye Yuqing and the National-level TCM Expert Inheritance Studio of Zhang Zengliang. After years of dedicated efforts, the Ye Yuqing Studio has produced a wealth of research findings, compiled 36 traditional Chinese medicine identification techniques, and nurtured a cohort of TCM professionals.

[Case] SPH Leiyunshang's Studios Headed by Intangible Cultural Heritage Inheritors

SPH Leiyunshang has set up specialized studios and an inheritance studios, with the former recognized as a Shanghai Municipal Skill Master Studio. Its leaders have been lauded with titles such as the "Great Craftsman of the Nation" and "Great Craftsman of Shanghai". The company has devised a rigorous and standardized intangible cultural heritage inheritance scheme and constructed a multi-layered, sustainable, and well-planned five-tier talent cultivation platform from the national to the corporate level. These endeavors have resulted in a comprehensive lineage system covering national, municipal, and district levels, spanning three generations of seniors, middle-aged, and young inheritors, with a particular emphasis on fostering younger successors.

[Case] SPH Growful's "Growful Artisanship" Initiative to Cultivate TCM Inheritors

Adhering to a people-centric, innovative talent development model in TCM, SPH Growful pioneers multiple pathways for talent cultivation, such as hosting the "Growful Artisanship" selection and cultivation event every two years. SPH Growful has successfully cultivated 15 Growful Artisans, six SPH Artisanship Masters, two Qingdao Artisans, two Qingdao Great Artisans, and one Shandong Medicine Artisans in recent years.

[Case] Huqingyutang Pharma's Relentless Commitment to "Instructing, Assisting, and Mentoring" TCM Professionals

Huqingyutang Pharma has devised a scheme for selecting and cultivating "Qingyu Pharmaceuticals Masters". Annually, the company selects corporate-level skill masters. By creating corporate-level skill master studios, Huqingyutang Pharma cultivates TCM professionals through the "Instructing, Assisting, and Mentoring" model. Presently, Huqingyutang Pharma boasts four Qingyu Pharmaceuticals Masters, with two of them receiving the title of "Hangzhou Industrial Artisan", while two others being recognized as district and municipal-level skill masters.

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Revitalizing TCM and Bolstering Pharmaceuticals

The "14th Five-Year Plan" for the Development of Traditional Chinese Medicine underscores the importance of anchoring in the current stage of TCM development, emphasizing the equal importance of both TCM and Western medicine, upholding the essence of tradition while embracing innovation, and ultimately achieving the rejuvenation and growth of TCM. SPH has significantly contributed to the prosperity of the entire TCM industry by strengthening external collaborations between industry, academia, and research.

[Case] SPH Partners with Tianjin University of Traditional Chinese Medicine (TUTCM) to Establish a Joint Research Institute

TUTCM-SPH Joint Research Institute of TCM Innovation, a product of industry-university integration, is a significant collaboration between SPH and TUTCM and serves as a crucial platform for researching key technologies in the TCM industry and studying TCM varieties. In the years ahead, both sides will focus on developing classic prescriptions, repurposing blockbuster drugs, and advancing intelligent manufacturing, with an aim to seamlessly integrate experimental research with industrial demands, address challenges hindering industry development, and foster sustainable, high-quality growth within the TCM sector.

[Case] SPH TCM Advances the "Construction of a Joint Innovation Center"

SPH TCM spearheads a major project funded by the Zhangjiang National Independent Innovation Demonstration Zone of Shanghai, titled "Construction of a Joint Innovation Center for TCM", with total investment amounting to CNY 58.55 million and allocated special funds totaling CNY 29.27 million (including a contribution of CNY 4 million from SPH TCM). As the lead organization, SPH TCM collaborates with partners such as the Shanghai University of Traditional Chinese Medicine, Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd., and Shanghai Green Valley Life Park Pharmaceutical Co., Ltd. to jointly promote this initiative.

[Case] SPH Leiyunshang Facilitates the Commercialization of Hospital Preparations

Building on its in-house preparation development and production skills, SPH Leiyunshang has partnered with multiple hospitals to develop and commercialize hospital preparations, resulting in the development of four new products and the commissioned production of nearly 90 hospital preparations. Subsidiaries such as SPH Xingling and SPH Jiuxu have engaged in six cooperative projects with universities and hospitals over the past three years, obtaining three ethical approval documents and currently producing pilot and mid-scale samples for multiple projects.

[Case] SPH Qingchunbao Continuously Pursues Industry-Academia-Research Collaboration on TCM

Establishing Industry Standards: SPH Qingchunbao led the "Shenmai Injection Standardization" project, which passed the evaluation of the National Administration of Traditional Chinese Medicine and received an A-grade rating. The company also led the formulation of the "Quality Standard for Premium Shenmai Injection (Industry Standard)", which has passed expert review and currently awaits official release.

Evidence-Based Medical Research: In 2019, SPH Qingchunbao, in collaboration with multiple universities and research institutions, established a collaborative innovation alliance for conducting post-marketing studies relating to Guanxinling Pills. The evolving body of evidence for Guanxinling Pills has been incorporated into multiple clinical guidelines and expert consensus documents.

Co-Building Herbal Plantation Bases: SPH Qingchunbao has partnered with Chengdu University of Traditional Chinese Medicine to conduct research on the standardization of Chuanxiong cultivation and processing techniques, as well as the construction of a standardized plantation base. Additionally, the company has collaborated with the Zhejiang Research Institute of Traditional Chinese Medicine to breed new varieties and build standardized planting bases for Zhejiang-originated Ophiopogon japonicus.

Developing New TCM Products: Four innovative TCM products are currently under development and have received support from the Leading Goose Project of Zhejiang Province in 2022 and 2024 respectively.

[Case] SPH Herbapex Leads "Alliances" to Drive Shared Growth Along the TCM Industry Chain

PH Herbapex has led a team of five entities including Shenyang Pharmaceutical University, Liaoning University of Traditional Chinese Medicine, and Benxi Hospital of TCM to set up "Liaoning SPH Herbapex TCM Big Variety and Formula Granule Industry-University-Research Alliance", which has been accredited by Liaoning Provincial Department of Science and Technology as a pioneering substantive initiative for industry-university-research collaboration. The company further led a coalition of 22 enterprises and research institutions to establish the "Mountain Cultivated Ginseng Industry Technological Innovation Alliance", the only one of its kind in China. This alliance has by far formulated two local standards for mountain cultivated ginseng and its powder, along with one technical specification for production.



Sustainability Governance System

- Sustainability Governance Model
- Stakeholder Identification & Communication
- Analysis of Material Issues
- Alignment with the United Nations Sustainable Development Goals (SDGs)

To stay true to its mission ("Committed to Improving Health and Quality of Life"), SPH has always incorporated sustainable development into the Company's operation and management, actively fulfilled its social responsibilities, and pursued a balance between environmental, economic, and social values. The Company is dedicated to further improving the sustainable development of its governance system and enhancing its governance capabilities.

Research Report on Corporate Social Responsibility of Local SASAC and Local State-Owned Enterprises (2023)

[ESG Pioneer 100 Index for Listed SOEs \(2023\)](#)

China Association for Public Companies

[Almanac of the Chinese Listed Companies 2022 and the Compilation of Excellent ESG Practice Cases for Chinese Listed Companies in 2023](#)

Fortune China

[2023 Fortune China ESG Impact List](#)



Sustainability Governance Model

Governance Philosophy



Our Vision
An Internationally Trusted and Competitive Biopharmaceutical and Healthcare Provider



Our Mission
Committed to Improving Health and Quality of Life



Core Value
Innovation, Integrity, Cooperation, Inclusiveness, and Responsibility

Governance Model

● **Medication Accessibility**
Improve people's access to medication



● **Product Quality**
People-oriented healthcare service provider; Pursue excellence with quality as the priority

● **Employees' Development**
People-oriented, to empower and activate; Be an excellent employer in China

● **R&D and Innovation**
Build an innovation-driven leading pharmaceutical company

● **Environmental Protection**
Build a resource-conserving environment-friendly company

ESG Governance Structure

SPH continuously improves its sustainable development governance system and optimizes its ESG Structure. The Company has established a top-down and well-defined ESG structure consisting of the Board of Directors, the Audit Committee and the ESG Working Group, and is working to improve the Company's sustainable development.

ESG Governance Structure of SPH



Declaration of the Board of Directors

The Company's Board of Directors is responsible for ESG governance strategy and examination of important ESG issues and ESG information disclosure, and oversees and manages SPH's ESG governance through the Audit Committee. The Audit Committee reviews and oversees ESG matters and reports to the Board of Directors. Its main responsibilities include: approving and monitoring the formulation of the Company's ESG objectives, strategies, policies and plans through regular reviews; implementing ESG objectives, strategies, policies and plans; identifying, assessing and managing the Company's significant ESG risks and opportunities; ensuring adequate resources are devoted to ESG work; monitoring the expenditure; reviewing the Company's annual sustainability report and submitting it to the Board of Directors for approval; and regularly reporting to the Board of Directors on major decisions or recommendations made by the Audit Committee on ESG. The ESG Working Group was established as a functional department under the Audit Committee on ESG work. The ESG Working Group is led and coordinated by the SPH Office, in cooperation with functional departments at SPH headquarters and subordinate companies to ensure the execution and reporting of daily ESG work.

In 2023, the Board of Directors held multiple discussions on ESG matters. During the Reporting Period, the Board of Directors approved the Company's "2022 Sustainable Development & Environmental, Social and Governance Report". Moreover, it reviewed and assessed the Company's ESG objectives, strategies, policies, and plans by considering the "ESG Work Summary for 2023 and ESG Work Plan for 2024", as well as the "ESG Stakeholder Survey and Analysis Report for 2023" (detailed in the sections on "Stakeholder Engagement" and "Materiality Analysis" within this report). The Board of Directors also examined the progress of ESG-related work closely tied to core businesses such as R&D and innovation, manufacturing excellence, business services, safe production, and talent development through reviewing the "14th Five-Year Plan -- 2023 Implementation Report". In the future, the Board of Directors will continue to optimize the Company's ESG.

Each year, the Company conducts performance evaluations on quality control, safety management, and environmental management, with the results directly linked to the performance-based compensation of management teams across subsidiaries.

ESG Disclosure

Proactively responding to stakeholder expectations, SPH diligently showcases its efforts and performance in environmental, social, and governance aspects. The Company has released annual corporate social responsibility reports/sustainability report (upgraded to ESG sustainability report from 2021) for 14 consecutive years, demonstrating its commitment to and vision for sustainable development. Acknowledged for its outstanding sustainability performance, SPH garnered recognition and accolades from multiple entities in 2023. Notably, MSCI's latest ESG rating places SPH in the AA category for the second consecutive year, positioning it among global industry leaders.

External Recognition of ESG in 2023

 ESG Pioneer 100 Index for Listed SOEs (2023) Research Report on Corporate Social Responsibility of Local SASAC and Local State-Owned Enterprises (2023)	 Almanac of the Chinese Listed Companies 2022 and the Compilation of Excellent ESG Practice Cases for Chinese Listed Companies in 2023 China Association for Public Companies	 Outstanding Practice Cases in Rural Revitalization among Listed Companies in 2023 China Association for Public Companies
 2023 Fortune China ESG Impact List Fortune China	 2023 WIND List of Top 100 Best ESG Practices among Chinese Listed Companies WIND	 JIEMIAN "Gold Medal" ESG Practice of the Year JIEMIAN

Sustainability Culture Building

To embed the principles of sustainability into its culture and management practices, the Company invited professional ESG institutions to carry out two specialized training sessions during the Reporting Period. The ESG Task Force, functional departments at SPH headquarters, and relevant personnel from subsidiaries were updated with the latest ESG developments. They strengthened their recognition of ESG, learned the latest regulatory requirements, identified ways to improve ESG, and learned to draft ESG reports. The ESG Task Force actively partook in external ESG seminars and related training sessions organized by the State-owned Assets Supervision and Administration Commission (SASAC) to deepen their understanding of ESG theories and practices. During the Reporting Period, the Company added an ESG column to its WeChat official account, showcasing a variety of its exemplary ESG practices, fostering a positive and conducive atmosphere for a culture of sustainability.

ESG Ecosystem Construction

- SPH teamed up with the Shanghai Academy of Quality Management and Shanghai Pharmaceutical Profession Association to release China's very first ESG disclosure group standard for the pharmaceutical industry: "Guidelines for ESG Information Disclosure of Pharmaceutical Enterprises" (T/SHPPA 022-2023).
- SPH contributed to drafting the group standard "Guidelines for Review of Social Responsibility Report" (T/SAQ0007-2023) published by Shanghai Association for Quality.

Stakeholder Identification & Communication

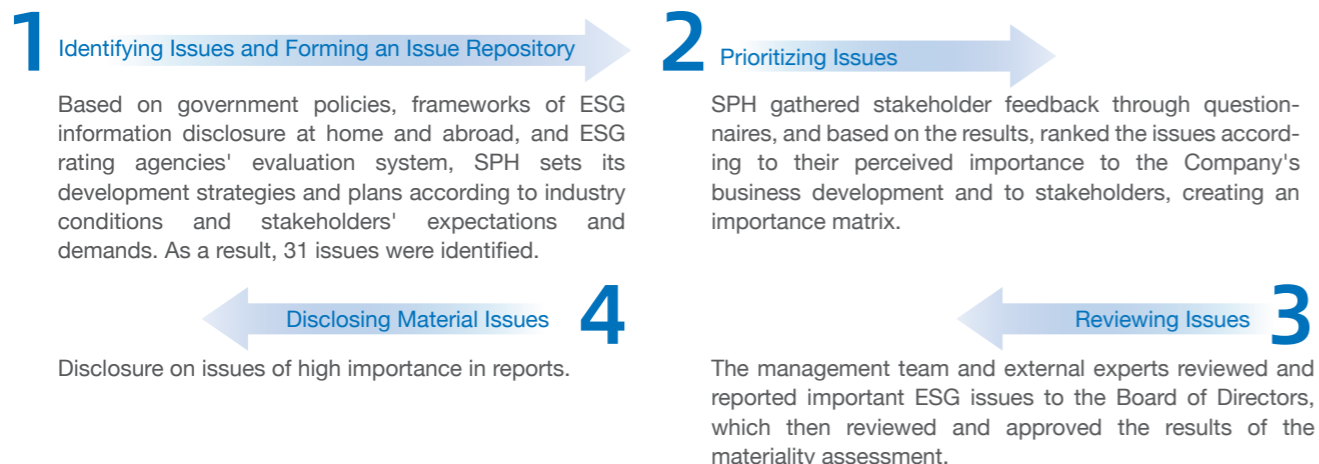
Stakeholders' participation is an important factor in promoting the Company's sustainable development. SPH attaches great importance to communication with stakeholders. Through various communication channels, the Company obtained stakeholders' expectations and suggestions on the Company's sustainable development.

Stakeholder Identification	Stakeholders' Concerns	Communication Channels
Shareholders and Investors	<ul style="list-style-type: none"> Professional training and career development Corporate governance and compliant operations Shareholder rights protection R&D and innovation 	<ul style="list-style-type: none"> Shareholders' General Meeting Performance conferences Roadshows and reverse roadshows Announcements on the website Investors' meeting Investment strategy meeting Site investigation Hotline for investors E-interaction platform
Governments and Regulatory Authorities	<ul style="list-style-type: none"> Pollution and waste management Employees' salary and welfare Energy management R&D and innovation 	<ul style="list-style-type: none"> Information disclosure Document exchange Supervision and examination
Board of Directors and senior executives	<ul style="list-style-type: none"> Risk management Corporate governance and compliant operations Shareholder rights protection Quality of products and services Professional training and career development 	<ul style="list-style-type: none"> Board of Directors
Middle management	<ul style="list-style-type: none"> Professional training and career development Employees' salary and welfare R&D and innovation 	<ul style="list-style-type: none"> Employees' Representatives Conference Employees' activities Online communication
General employees	<ul style="list-style-type: none"> Employees' salary and welfare Employees' health and safety Professional training and career development 	<ul style="list-style-type: none"> Online communication Employees' Representatives Conference Employees' training Employees' activities Intranet, internal publication Employee engagement survey
Customers	<ul style="list-style-type: none"> Quality of products and services Pollution and waste management Satisfaction and complaints Privacy protection 	<ul style="list-style-type: none"> Online communication Customer service center and hotline Customer visit Customer satisfaction survey Promotion of rational drug use Academic research
Suppliers/ service contractors	<ul style="list-style-type: none"> Supply chain management Energy management Pollution and waste management Materials management and circular economy R&D and innovation 	<ul style="list-style-type: none"> Examination and assessment Suppliers' training Suppliers' website Regular communication
Communities	<ul style="list-style-type: none"> Greenhouse gas emissions management Response to climate change Charity events 	<ul style="list-style-type: none"> Official website and social media platforms Volunteer activities Organization of charity events Communication and interviews
Media	<ul style="list-style-type: none"> Open and transparent information Pollution and waste management Employees' health and safety 	<ul style="list-style-type: none"> Media open day Interviews and feature stories Social media platforms
Industry associations /industry professionals	<ul style="list-style-type: none"> R&D and innovation Pollution and waste management Professional training and career development Development of the industry Exchange and cooperation 	<ul style="list-style-type: none"> Fora and summits Visits Research
Academic institution /research organizations	<ul style="list-style-type: none"> Pollution and waste management Energy management 	<ul style="list-style-type: none"> Visits Experience exchange and sharing Industry-academia-research collaboration and talent development
Charitable organizations /NGOs	<ul style="list-style-type: none"> Energy management Community services 	<ul style="list-style-type: none"> Environmental education and advocacy Charity events

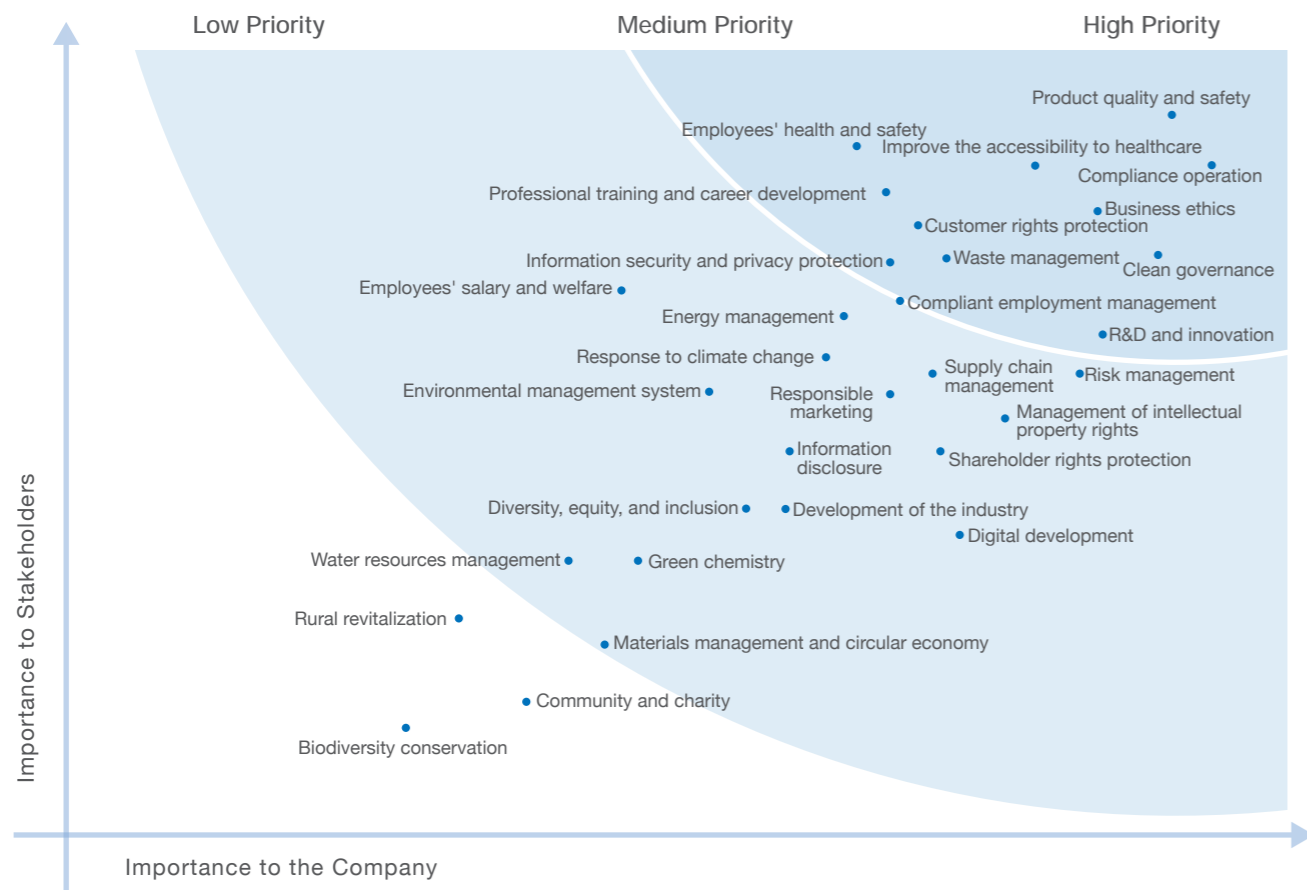
Analysis of Material Issues

In 2023, we conducted an ESG stakeholder questionnaire survey, with scores on the importance of various ESG issues for SPH and suggestions for ESG improvement from different stakeholders. Over **1,800** valid questionnaires were collected, representing **12** categories of stakeholders.

Procedures of Analysis of Material Issues



Results of Analysis of Material Issues



Alignment with the United Nations Sustainable Development Goals (SDGs)

Chapter	Sustainable Development Governance System
Sustainability Governance System	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
Corporate Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
Putting Quality First and Working Together Towards a Healthy China	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
Collaborating to Achieve Win-Win Outcomes	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
Putting People First and Bringing Talents Together to Make SPH Exceptional	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Working Together to Save the Planet with a Low-Carbon Development Approach	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND
Joining Hands to Build a Better Shared Future	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES



Corporate Governance

- Driving Advances through Party Building
 - Practicing Business Ethics
- Ensuring Sound and Compliant Operations
 - Extending Digital Operations

An effective corporate governance system serves as the foundational cornerstone for an enterprise's high-quality development, and a critical prerequisite for the realization of modern business management practices and enhancement of corporate competitiveness. In alignment with the comprehensive strategic deployment of SASAC and SOE reform, SPH actively embraces the principle of "consistent adherence" across both Party leadership and corporate governance by diligently elevating its governance standards, reinforcing its governance foundation, invigorating organizational dynamism, and fostering internal growth momentum, thereby striving to evolve into a leading Chinese pharmaceutical manufacturer with international competitive edge.

China Association for Public Companies
2023 Best Practice Cases in Corporate Governance



Driving Advances through Party Building

Holding fast to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics, SPH conducts thorough studies and vigorously implements the guiding principles of the 20th CPC National Congress. The Company focuses on charting direction, unifying strength, and promoting development, deeply integrates Party leadership into corporate governance, continuously enhances quality and efficiency improvement in Party building, and proactively takes on responsibilities, thereby ensuring the comprehensive completion of objectives and tasks.

Directing the Path of Development through Party Building

SPH's Party building efforts persistently concentrate on integration, leadership, and empowerment. With emphasis on strengthening and optimizing operations, these efforts guide SPH to rigorously implement the new development philosophy, actively serve national strategies, take on responsibilities of a state-owned pharmaceutical manufacturer, and steadily advance the implementation of its own strategies, further enhancing its core functions and capabilities.

Refining Corporate Leadership Mechanisms

In refining the leadership system that embodies "two-way entry and cross-appointment", SPH further clarifies the legal status of Party committees at all levels within the corporate legal governance structure. It meticulously formulates measures for selecting and appointing cadres, revises regulations for managing directly supervised executives, strengthens discipline constraints and accountability, and endeavors to standardize the process of selecting and deploying talent.

Rigorously Implementing Preceding Procedures

To standardize the decision-making system of Party committees, SPH strictly enforces the preceding procedures of Party committee meetings. Further revisions and improvements are made to the "Three Major Matters and One Large-scale Decision-Making Principle", ensuring that this set of specific requirements extends to grassroots Party committees. All major matters, such as strategic planning, institutional frameworks, and major projects, undergo preliminary discussions, resulting in 21 Party committee meetings convened throughout the year, with 99 items reviewed in the preceding procedures.



Theory Learning

Deepening Reforms to Stimulate Vitality

Seizing the opportunity of the second round of the "Double Hundred Reform" pilot project for state-owned enterprises, SPH meticulously identifies and addresses major contradictions and problems facing its reform and development. It selects targeted research directions and topics, seeks solutions to overcome developmental challenges, strives to prevent and mitigate risks, continually exploring paths for deepening state-owned enterprise reforms and catalyzing innovation-driven vitality within the Company.

Strengthening Cohesion through Corporate Culture

Cultivating a distinctive corporate culture, SPH holds steadfast to the legacy of its time-honored cultural heritage while disseminating its core values to its subsidiaries. Upholding the fine traditions of the Party, as well as advanced socialist culture and values, SPH redefines and nurtures its corporate culture to invigorate its staff and to mobilize their collective dedication, thereby providing a solid ideological guarantee and powerful spiritual drive underlying the Group's high-quality development.

Consolidating the Foundation of Management Education

Taking capacity building of Party committees as the linchpin, SPH enhances basic policies, consolidates fundamental education, and tightens grassroots management, thereby consistently improving the leadership and organizational capacity of Party committees at all levels.



Research and Investigation

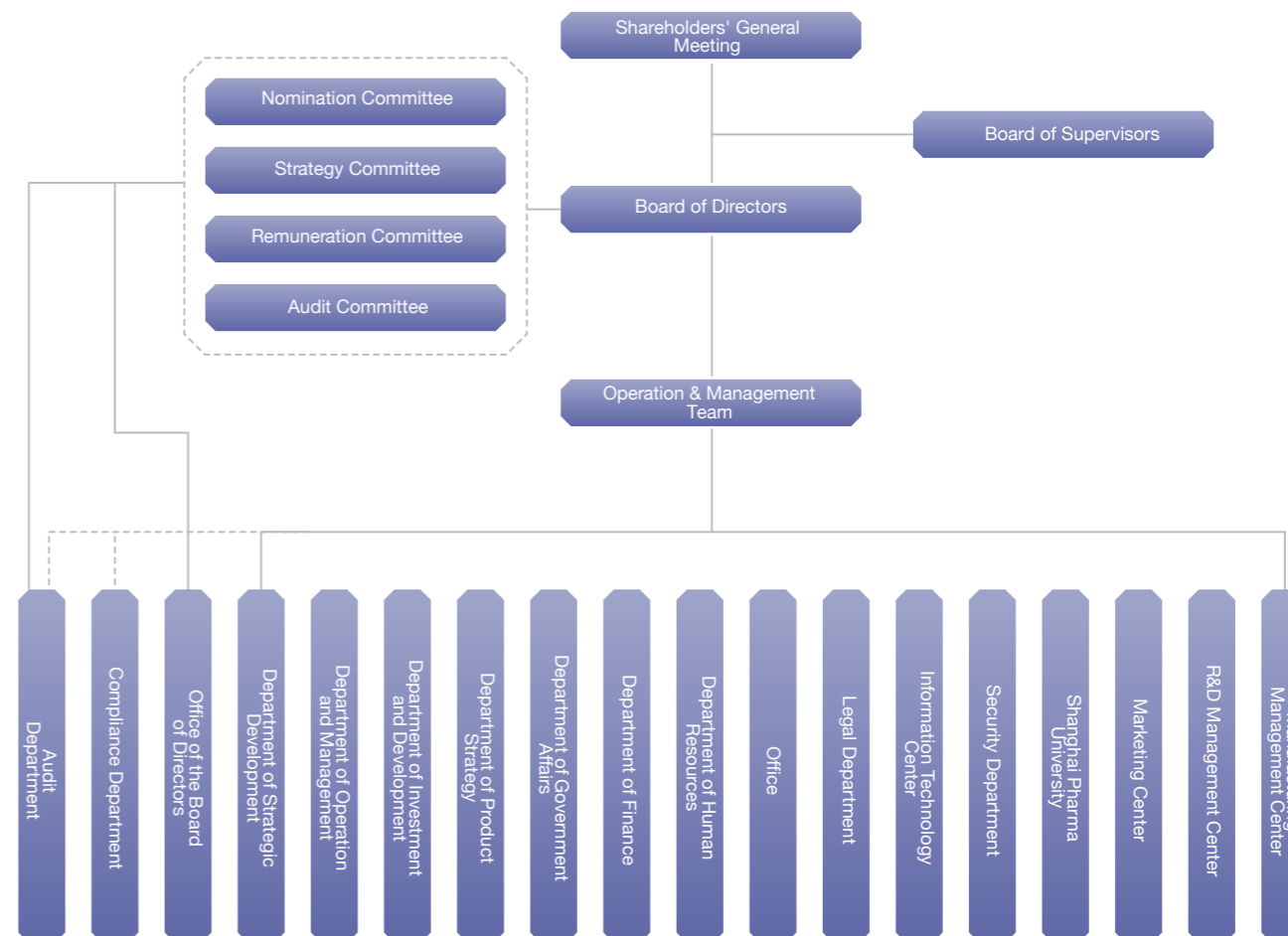
During the Reporting Period

- ▶ SPH received the "Excellent Research Achievement Award (Category I) for 2022" by the Chinese Society of Ideological and Political Work;
- ▶ SPH was recognized as an "Outstanding Entity for Ideological and Political Work among Pharmaceutical Employees in China" for the period of 2021-2022;
- ▶ The CPC committee of SPH Growful was honored as a "Red Flag Party Organization" in the fifth round of evaluations by the Shanghai SASAC System;
- ▶ The CPC committee of SPH Sine was recognized as a "Model Party Branch" in the fifth round of evaluations by the Shanghai SASAC System;
- ▶ The Group CPC School was acclaimed as an "Advanced Collective for Grassroots Theoretical Dissemination" in the Shanghai SASAC System for the year 2023;
- ▶ An innovative Party class organized by the Group CPC School was distinguished as one of the "Top 10 Achievements" in ideological and political work among Shanghai state-owned enterprises for the period of 2022-2023.

Ensuring Sound and Compliant Operations

Governance Structure

The Company strictly abides by the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Code of Corporate Governance for Listed Companies*, *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*, *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and other relevant laws and regulations formulated by regulatory authorities. SPH has been improving its governance system and building itself into a modern listed enterprise.



Pursuant to Rule 13.92 of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, the Company has a diverse Board of Directors. When evaluating candidates for the board, the Company takes into account a number of factors, which include but are not limited to gender, age, educational background, professional experience, and length of service, to achieve an appropriate balance. The Board has reviewed the implementation and effectiveness of the board diversity policy during the Reporting Period and considers it to be effective. During the Reporting Period, the Board made satisfactory progress towards its diversity targets, maintaining a balanced composition except for gender diversity, as detailed in the following chart.



SPH places a premium on gender diversity and will continue to implement measures to promote it at all levels, particularly within the Board. Presently, there is no gender diversity among the Board members; however, the Company will consider its circumstances and make relevant disclosures as required by the Listing Rules. Moreover, the Company commits to offering career development and training opportunities to employees with appropriate experience, skills, and knowledge, with an aim to nurture their progression into senior management or board positions. The Company also ensures gender diversity in recruiting mid-to-senior-level employees to cultivate potential successors for Board members.

SPH's Board of Directors includes a Nomination Committee, a Strategy Committee, a Remuneration Committee, and an Audit Committee, and has formulated the terms and implementation rules of each specialized committee. In 2023, SPH held one Shareholders' General Meeting, which discussed and approved 16 proposals; 9 board meetings, which discussed and approved 55 proposals; and 8 supervisory meetings, which discussed and approved 17 proposals.

Committees	Members of Committee	Authority of Committee	Work Report
Nomination Committee	Current members include Mr. Huo Wenxun (Independent Director), Mr. Shen Bo (Executive Director), and Mr. Gu Chaoyang (Independent Director), with Mr. Huo Wenxun serving as the convener.	The Nomination Committee is a specialized group under the Board of Directors, mainly responsible for researching candidates, selection criteria, and nomination procedures. It also has the same responsibilities for senior executives.	During the Reporting Period, two Nomination Committee meetings were held to nominate directors for the Eighth Board of Directors and propose amendments to the Implementation Rules of the Nomination Committee.
Strategy Committee	Current members include Mr. Yang Qihua (Executive Director), Mr. Chen Fashu (Non-executive Director), and Mr. Wang Zhong (Independent Director), with Mr. Yang Qihua serving as the convener.	The Strategy Committee is a specialized strategic research group under the Board of Directors. It is mainly responsible for future research, evaluation, and suggestions on the Company's development strategy and related affairs.	During the Reporting Period, the Strategy Committee met once to review the outline of the Company's "14 th Five-Year Plan - 2023 Implementation Report".

Committees	Members of Committee	Authority of Committee	Work Report
Remuneration Committee	Current members include Mr. Yang Qihua (Executive Director), Mr. Wang Zhong (Independent Director), and Mr. Gu Chaoyang (Independent Director), with Mr. Wang Zhong serving as the convener.	The Remuneration Committee is a specialized group under the Board of Directors, mainly responsible for evaluating the Company's directors, presidents, and other senior Executives, and formulating policies for their remuneration.	During the Reporting Period, four Remuneration Committee meetings were convened to propose revisions to the Implementation Rules of the Remuneration Committee, suggest annual allowances for independent directors, and review the performance appraisal report of senior executives for the year 2022.
Audit Committee	Current members include Mr. Gu Chaoyang, Mr. Huo Wenxun, and Mr. Wang Zhong, with Mr. Gu Chaoyang serving as the convener.	As a specialized group under the Board of Directors, the Audit Committee is responsible for supervising the Company's relationships with external auditors, reviewing financial data, ensuring robust financial reporting, risk management, and internal controls, and addressing the Company's ESG matters.	During the Reporting Period, five Audit Committee meetings were convened to discuss major issues such as the Company's periodic reports, related-party transactions, proposals to change accounting firms, and ESG work plans.



SPH Selected as a 2023 Best Practice Case in Corporate Governance by China Association for Public Companies



Compliance Management

"Integrity" is one of the core values at SPH. SPH requires every employee to always act ethically, adhere to compliance management, and ensure stable production through the establishment of a compliance management system. SPH focuses on its compliance management in marketing, honest practice, information security and production quality. With policy interpretation, training and publicity, system construction, risk screening, special investigations, the Company transforms its development and consolidates its compliance management. Every three years, the Audit Department conducts a full-process audit of all subsidiaries regarding compliance marketing, procurement and supply.

In 2023, SPH significantly advanced the standardization and reinforcement of its compliance management system by establishing a dedicated Compliance Department. This move improved processes, policies, and internal controls across the Group and its subsidiaries, thereby establishing a compliance management system aligned with high-quality development and effectively mitigating compliance risks. By promulgating the Compliance Management Policy of Shanghai Pharmaceuticals Holding Co., Ltd., SPH is committed to refining its compliance management policy, carrying out good practice in compliance, clarifying compliance management responsibilities, and fostering a robust compliance culture.

Conducting Compliance Training

In 2023, the Legal Department partnered with Shanghai Pharma University to build an online learning framework focusing on legal affairs management. Through organizing courses such as Legal Management Competency Improvement Program, continuing education for legal professionals, and qualification training for contract administrator, they empowered teams with specialized expertise, benefitting a total of 247 participants. The training curriculum spanned practical applications of the *Civil Code*, arbitration, antitrust, marketing compliance, brand protection and organizational development.

At the 2023 Mid-Year Working Conference, the Company engaged a law firm to provide industry-specific compliance development training for its middle and senior managers, dissecting relevant legal provisions and typical cases related to anti-commercial bribery and antitrust laws.

Risk and Internal Control Management

For internal control, SPH has established a corporate legal person governance structure and organizational structure that is in line with the Company's business scale and operational needs. The Company's internal control system was further enhanced and optimized for environment control, risk assessment, activity control, information and communication, as well as supervision mechanism.

Consistently prioritizing risk prevention and control, SPH subscribes to the risk management philosophy of "solid roots lead to longevity". Adhering to the principles of "compliance first" and "risk management first", SPH stringently complies with legislation such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Listing Rules of the Hong Kong Stock Exchange*, the *Basic Internal Control Norms for Enterprises*, the *Application Guidelines for Enterprise Internal Control*, and the *Corporate Governance Code*. The Company also references the Guidelines on Comprehensive Risk Management of Central State-Owned Enterprises and the Comprehensive Risk Management Guide of Shanghai Industrial Investment (Holdings) Co., Ltd. (For Trial Implementation), tailoring these guidelines to its unique operational context and constantly refining its holistic risk management system. During the Reporting Period, SPH drafted and issued the Standard for Major Risk Assessment (For Trial Implementation).

A tiered risk management organizational structure has been established, encompassing the Board of Directors, the Board of Supervisors, the management team, the Risk Management Task Force, business and functional departments, branches, and subsidiaries. The Audit Committee, as a specialized committee under the Board, supervises the Company's risk management and internal control systems. Spearheading risk management efforts, the Risk Management Task Force is comprised of leaders and lead departments (Operations, Management, Audit, Legal and Compliance departments). They connect the whole chains of command for risk reporting and monitoring across the Company and all subsidiaries. Deemed as the primary person responsible for risk management, the General Manager of each subsidiary establishes a risk control team within the subsidiary and incorporates risk management indicators into its performance evaluations.

In response to business risks in strategy, market, credit, finance, operation, public opinion, compliance, and law, SPH carries out precise identification, prudent assessment, dynamic monitoring, and prompt response and resolution. Leveraging tools such as evaluation, inspection, and audit, SPH reinforces pre-emptive, ongoing, and post-event control over diverse types of risks. For major risk events as defined in the Standard for Major Risk Assessment (For Trial Implementation), SPH establishes a task force to address them individually, ensuring early identification, timely analysis, and expedient resolution.

Risk Management Measures

Routine Risk Management: We have established clear departmental roles and responsibilities within the Risk Management Task Force, defining monthly, quarterly, and annual objectives and workflows to systematically advance their execution.

Control of Major Risk Events: We have formulated multi-dimensional criteria and quantitative standards for identifying major risk events. We consistently track these events, conduct thorough discussions and evaluations of risk mitigation strategies, and present our findings to the leadership for review.

Specialized Risk Management Initiatives: Comprehensive risk-focused tasks have been carried out, including but not limited to: special investigations into debt defaults, submission of critical oversight information from key sectors, proactive resolution of potential operational risks, antitrust case investigations, and providing comprehensive feedback on early warning results.

Drafted the 2022 Annual Corporate Internal Control Evaluation Report and Comprehensive Risk Management Report.

Prepared over 40 monthly risk reports and 12 quarterly risk reports.

Completed 4 specialized inspection projects across 35 subsidiaries, with 4 corresponding inspection reports.

Conducted on-site supervision and inspections at 3 subsidiaries.

Handled and deliberated on 4 major potential risk matters.

Information disclosure

The Company works hard to meet investors' demand and compliance requirements. In accordance with China Securities Regulatory Commission's Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 - Contents and Formats of Annual Reports, Shanghai Stock Exchange's Industrial Information Disclosure Guidelines for Listed Companies No.7 - Pharmaceutical Production and Notice on Further Improving Listed Companies' Disclosure on Poverty Alleviation Work, and the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide, the Company actively, timely and transparently discloses relevant information in innovative ways.

From January 1, 2023 to December 31, 2023, SPH issued 4 periodic reports (the 2022 Annual Report, the Q1 Report, the Interim Report, and the Q3 Report for 2023), 102 A-share announcements, and 121 H-share announcements and documents.

SPH has issued large number of announcements and reports. The Company's information disclosure is of high quality, as recognized by investors and the public.

Investor Communication and Rights Protection

Throughout 2023

4

Performance conferences

1

Investor Open Day

25

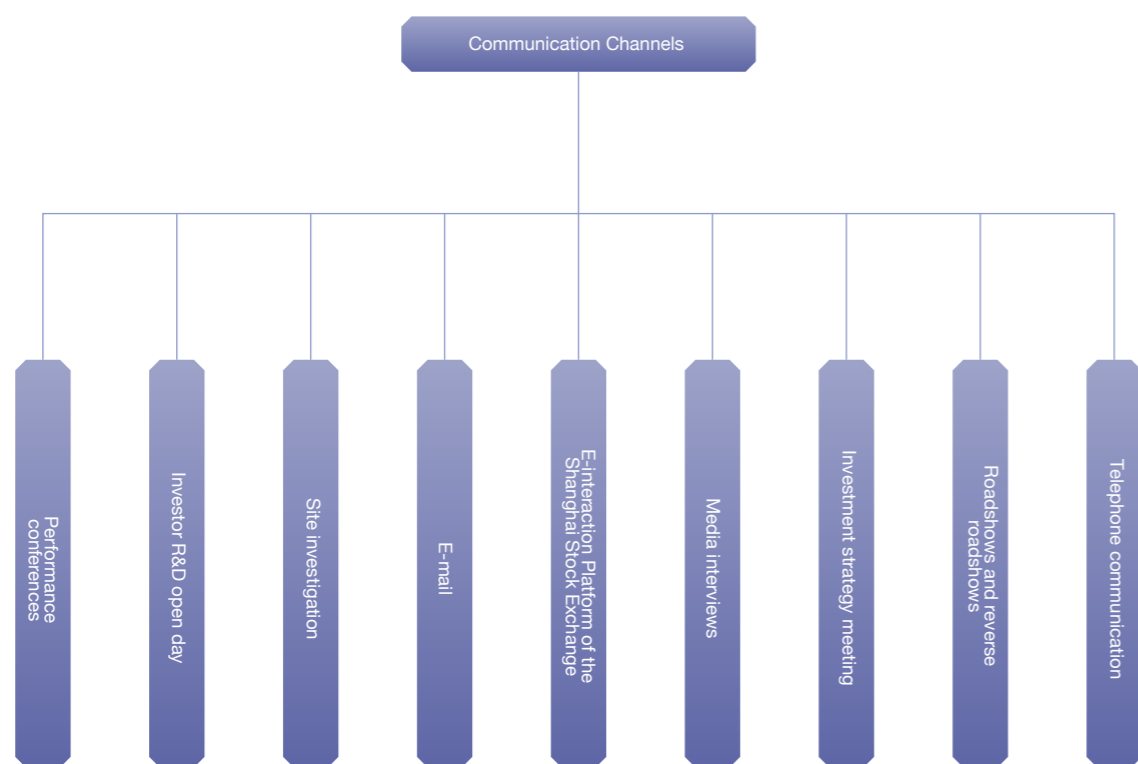
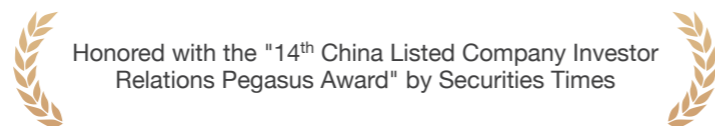
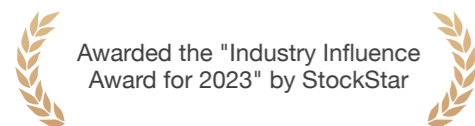
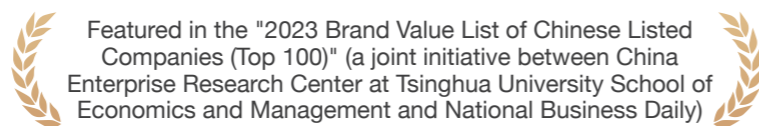
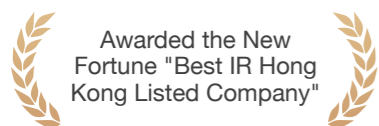
Medical investment strategy meetings with many influential investment banks and securities firms at home and abroad

580+

Roadshows and reverse roadshows for pitching the Company to institutional investors

~700

Calls from small and medium investors answered



Practicing Business Ethics

Clean Governance

Adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company closely combines the zero-corruption corporate governance with the prevention and control of operational risks. In all aspects of operation and management, we implement the "four-responsibility coordination" mechanism, advance the three-year plan to establish an anti-corruption risk control system undergirded by "Policies + Technologies", and emphasize the prevention of integrity risks, steadfastly combating corruption. During the Reporting Period, there were zero cases of embezzlement litigation brought against or involving the Company or its employees.

All employees are required to study the Employees' Handbook in orientation. The handbook clearly stipulates that appropriate disciplinary actions will be taken against employees who seriously violate the integrity and self-discipline and damage the interests of the Company, such as bribery and corruption.

The Compliance Marketing Manual sets strict standards for conferences, catering and entertainment, gift and reception, and other matters involved in marketing affairs, which strictly prohibits corruption or bribery and other improper behaviors. SPH actively conducts compliance inspections and takes measures to deal with violations.

We have entered into integrity and compliance agreements with all suppliers and managed the integrity and compliance obligations in the supply chain through the Supplier Integrity and Compliance Management Measures.

Integrity Culture

Integrity education is included in SPH's employee compliance training. The Company conducts various types of integrity training and cultivates an integrity culture in alignment with its business model. Through in-depth, routine disciplinary education and warning education, SPH strives to further enhance the awareness of discipline and rules among its Party members and cadres, thus strengthening ethical behavior and avoiding corruption. Shanghai Pharma University utilizes a digital learning platform to offer online courses, allowing employees to engage in integrity and compliance learning at any time and from anywhere. During the Reporting Period, SPH's directors, supervisors, and senior executives participated in anti-corruption training related to personal integrity and industry compliance through activities such as the CPC School classes and semi-annual thematic trainings.

During the Reporting Period, SPH conducted an anti-corruption campaign targeting corruption issues within the pharmaceutical sector:

- This initiative covered **31** secondary directly-affiliated units and centers of the Group, along with its approximately **430** grassroots companies, involving around **18,000** sales personnel;
- Over **5,600** Party members and cadres participated in cautionary education programs;
- Subsidiaries signed over **3,200** leadership integrity agreements and issued more than **1,000** integrity notification letters;
- More than **2,070** Party members and cadres underwent integrity talks, while new appointees received pre-appointment integrity discussions on over **190** occasions.

Complaint and Whistleblowing Management

SPH has established a well-regulated complaint and whistleblowing management system that provides open and unobstructed channels for internal and external stakeholders to actively report issues. SPH's Discipline Inspection Committee receives and handles petitions and reports from Party members and the public in accordance with the *Rules for the Supervision and Enforcement of Discipline by the Disciplinary Inspection Organs of the Communist Party of China* and the *Rules for Handling Reports and Accusations by Disciplinary Inspection and Supervision Agencies*. These petitions and reports regarding corruption and fraud are centrally managed, with strict confidentiality maintained over the informant's personal information and the content of the report. The Company strictly prohibits any form of discrimination or retaliation and settles issues through communication, confirmation and inspection.

Reporting Channels
 Reporting Email: syzz@sphchina.com
 Reporting Hotline: 021-63369428

Responsible Marketing

Marketing Compliance is an important guarantee for enterprises to participate in market competition and practice corporate social responsibility. SPH requires employees to remain vigilant and cautious about compliance at all times, to abide by professional ethics and fair competition, and to ensure the steady development of the Company.

SPH strictly abides by the *Anti-Unfair Competition Law of the People's Republic of China*, the *Drug Administration Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery*, the *Measures for the Administration of the Recordation of Medical Representatives* and other regulations. Operating on the principles of "systemic organization, independent operation, universal participation, and rigorous execution", the Company has formulated the SPH Marketing Compliance Handbook (Trial Version) to uphold fair competition and advocate honesty, integrity, and legal operations, with a particular focus on providing high-quality products and services while rigorously prohibiting all forms of corruption or bribery. All employees must adhere strictly to the following code of conduct during marketing activities: All promotion materials must be examined by relevant staff in accordance with the authorized approval management system to ensure the objectiveness and authenticity of the content. During the Reporting Period, SPH's Marketing Center updated and revised marketing compliance documents tailored to different business segments, strengthening the requirements of relevant policies.

Centered on the training principles of "timeliness, diversity, and effectiveness", SPH provides employees with training on laws and regulations, industry rules and regulations, and internal compliance requirements. During the Reporting Period, the Marketing Center organized targeted compliance and legal education training for various groups, including executives, cadres, compliance personnel, sales staff, and new employees. Training topics encompassed intellectual property rights, antitrust compliance, prevention of occupational crimes, drug vigilance, contract management, and online advertising management.



Pharmaceutical Packaging Management:

Stringently abiding by the requirements outlined in laws and regulations such as the *Drug Administration Law of the People's Republic of China* and the *Regulations on the Management of Drug Package Inserts and Labels*, SPH's pharmaceutical subsidiaries have established operational procedures for designing, reviewing, and approving printed packaging materials (including package inserts and labels) to ensure that the printed content aligns with the approvals granted by drug regulatory authorities. A dedicated file is maintained to preserve original signed-off samples of the printed packaging materials. These materials are printed by qualified vendors and, after being inspected and accepted by the corresponding subsidiaries, are stored in designated areas under the supervision of specialized personnel, who manage their distribution according to operational procedures and demand levels and implement measures to prevent confusion and errors, thus ensuring the accuracy of packaging materials used in pharmaceutical production. Expired or discarded printed packaging materials are systematically destroyed and recorded in accordance with documented procedures.

Fair Competition

SPH diligently observes the provisions of the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-Monopoly Law of the People's Republic of China* to maintain a legitimate competitive order within the industry. Its Legal Department and Marketing Center proactively organize anti-monopoly education sessions.

During the Reporting Period, SPH SBPC, a subsidiary of SPH, was penalized for violating the *Anti-Monopoly Law of the People's Republic of China*. SPH attached paramount importance to this incident and promptly implemented remedial actions across three key dimensions: 1) it initiated an internal investigation into the anti-monopoly case, mandating SPH SBPC to fully cooperate with relevant authorities during the investigation process, and concurrently made comprehensive planning in drug production to ensure a steady supply to the market; 2) it bolstered internal control measures, enhancing the management and supervision of subsidiaries and refining anti-monopoly compliance policies to guarantee that all business operations comply with relevant laws, regulations, and requirements; and 3) it intensified legal training across the Company, further elevating the awareness of anti-monopoly compliance.

Information Security

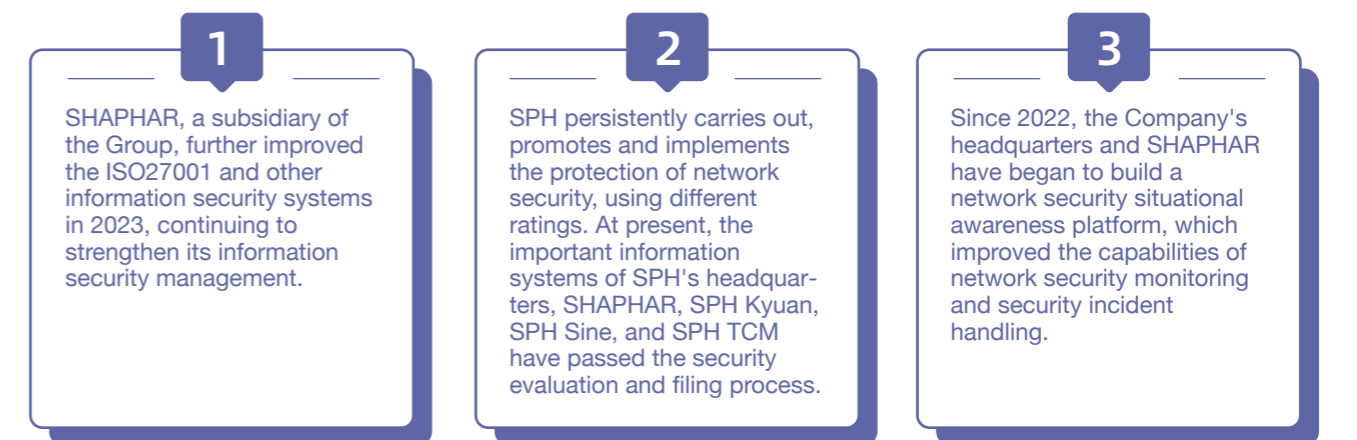
SPH attaches great importance to information security and protection. It strictly abides by the laws and regulations related to information security and privacy protection in the countries or regions where it operates, such as the *Cybersecurity Law of the People's Republic of China*, *Data Security Law*, *Personal Information Protection Law*, and *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*.

As the department responsible for SPH's information security and IT compliance, SPH Information Technology Center has implemented the SPH Information Security Planning Project since 2017 and formulated a blueprint for SPH's information security.

SPH has established a complete network for information security management. For example, the Company established a specialized center for security and information management, which clarified responsibilities for information security. SPH has also formulated the Information Security Management Measures and Information Security Emergency Response Plan and other management systems and has organized regular training sessions on cyber security for employees. Since 2018, SPH has started the construction of the "SPH Private Cloud" and the center for data recovery. Important systems have reached the level 6 requirements, and drills for data recovery are conducted every year. The Group's unified identity management platform was launched in January 2020. So far, more than 100 important systems have been connected, which has strengthened employees' password management and ensured information security.

SPH will make every effort to improve its information security system in 2024, to ensure safe and stable operations for the smooth development of the Company's various businesses, and providing superior services to our partners and the society at large.

System Construction



Ethical Animal Tests

SPH strictly adheres to the stipulations outlined in the *Regulation on the Administration of Laboratory Animals*. In conformity with *Laboratory Animal Institutions — General Requirements for Quality and Competence (GB/T 27416-2014)* and the *Laboratory Animal — Guideline for Ethical Review of Animal Welfare (GB/T 35892-2018)*, SPH has established the Institutional Animal Care and Use Committee (IACUC) under its SPH Research Institute. This committee is responsible for processing applications for ethical review of laboratory animals within the Company and examining the animal welfare and ethical review policies and their implementation across various departments.

IACUC has formulated the Regulations on the Management of Laboratory Animals to set stringent standards for the management of laboratory animals and to standardize their handling practices, thereby genuinely safeguarding personnel safety and upholding the welfare of laboratory animals. The research team must submit the Ethical Review Form of Laboratory Animal Welfare before carrying out animal experiments. After being approved by the Animal Welfare and Ethics Committee, the experiment must be carried out strictly within the scope of the Ethical Review Form of Laboratory Animal Welfare. The ethical review of laboratory animals includes using analgesics and sedatives to minimize the discomfort and pain of laboratory animals without affecting the experiment, performing operations that may cause discomfort and pain to laboratory animals only when necessary, and using proper euthanasia methods.

Animal Welfare Management Measures

- ▶ In the design of animal experimentation protocols, SPH rigorously adheres to the "3Rs Principle": Reduction, Replacement, and Refinement. This involves minimizing the number of animals used to obtain equivalent experimental data or maximizing the amount of data derived from a fixed number of animals; and adopting alternative methods for animal experiments or using lower-order species instead of higher-order ones when feasible to achieve the same research objectives.
- ▶ Efforts are made to refine and improve experimental procedures to alleviate or minimize pain and distress experienced by the animals. Enhanced technical skills and humanistic approaches are fostered among operators, emphasizing animal welfare in both consciousness and behavior.
- ▶ During the breeding process of laboratory animals, the animal facility at SPH Research Institute employs top-tier IVC cage systems to maintain a high-standard living environment and a reasonable stocking density. The animals are provided with hygienic, nutritionally balanced, palatable feed and sterile drinking water in adequate quantities. The living environment is enriched with toys added per cage to meet the animals' activity and play needs and enhance their psychological well-being.

Ethical Clinical Trials

The principles of ethical review of drug clinical trials can ensure the dignity, safety, and rights of patients. SPH has strictly regulated and supervised key aspects of the ethical review of clinical trials.

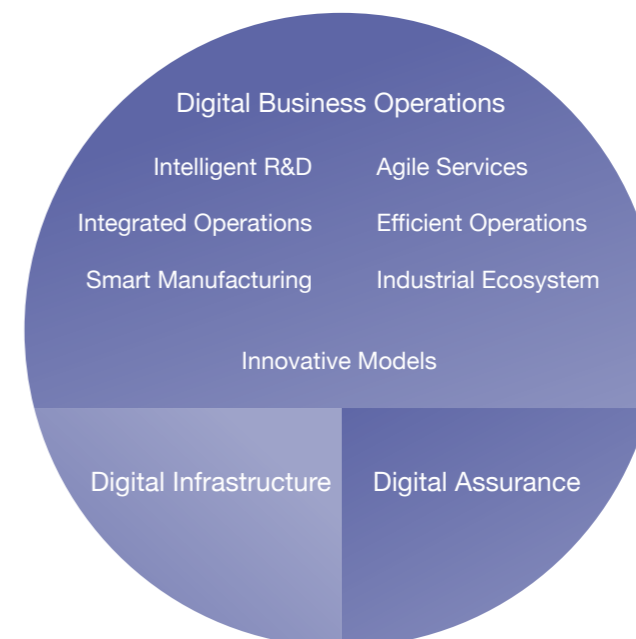
The Committee on Ethical Drug Clinical Trials at SPH focuses on 8 aspects: the design and implementation of the research; the risks and benefits of the trial; the recruitment of participants; the information on the consent form; the informing and consent; participants' care and protection; privacy and confidentiality; and research involving disadvantaged groups.

Clinical trials must meet at least 7 criteria to be approved in accordance with GCP requirements. Firstly, the clinical trial protocol is rigorously designed based on scientific and ethical rationales. Then, the clinical trial is strictly implemented as per the protocol, the quality of clinical research is controlled, and protocol violations and deviations are avoided or reduced. At the same time, materials for ethical review must be submitted in a timely and regular manner in accordance with the requirements. The Committee of Ethical Drug Clinical Trials at SPH examines clinical trials in strict accordance with the standards and conducts follow-up reviews of all approved clinical trials until the end of the trial.

Extending Digital Operations

According to the report to the 20th National Congress of the CPC, China will speed up the development of digital economy, especially the integration of digital and real economies, and the creation of digital industrial clusters with international competitiveness. As a new strategic sector, the digital transformation of the pharmaceutical industry is a necessity, because it is a crucial step not only to build a healthy China and improve people's well-being, but also to adapt to industry changes and reduce social costs.

Amidst the current wave of digital transformation, SPH seizes the opportunity to accelerate its digital transition and forge new development advantages. The Company is steadily digitalizing, with a development momentum "guided by strategies, oriented to business and supported by data". SPH has established a joint task force composed of the Department of Strategic Development, Information Technology Center, and Department of Operation and Management, collectively referred to as the "Digitalization 3.0" team. This team focuses on core business segments such as R&D, manufacturing, marketing, and commercial operations, persistently refining the foundational and business platform architectures, deepening the integration of digital technologies with production and operations, leveraging digital tools to enhance the efficiency and effectiveness of operational management, and further enhancing data interconnectivity. The Company also harnesses digital transformation as a catalyst to expedite integrated R&D processes, intelligent manufacturing, digitalized marketing, agile service delivery, and industrial ecosystem optimization.



SPH Health Commerce, SPH Kyuan, Meditrust Health, Liaoning Pharmaceutical, Huashi Pharmacy, and SPH Shenxiang were included in the "Exemplary Cases of Innovation in China's Pharmaceutical Industry for 2023".

SPH Health Commerce's "Yiyao" ecosystem was honored with the "Most Valuable Benchmark Case Award" for digital transformation by China Association of Pharmaceutical Commerce.

The home delivery service of SPH Health Commerce's Internet Hospital was awarded the "2023 Healthcare & Pharmaceutical Digital Innovation Award" by ifenxi.com.

SPH SBPC, SPH Zhongxi Sunve, CanSino SPH, and SPH Xingling were listed among the "Top 100 Intelligent Factories in Shanghai" by Shanghai Municipal Commission of Economy and Informatization.

SPH Qingchunbao was recognized as a "Digital Intelligent Factory of Zhejiang Province".

SPH XTCM was acclaimed as an "Intelligent Manufacturing Model Factory (Workshop) of Xiamen City".

The Acyclovir Hydrochloride workshop at SPH Kony was distinguished as an "Intelligent Workshop of Changzhou City".



Putting Quality First and Working Together Towards a Healthy China

- Stimulating Vitality in Innovation
- Improving Health Accessibility
- Ensuring Quality Excellence
- Providing Exceptional Service Experiences

With a steadfast commitment to the service philosophy of "ensuring public access to quality and affordable medicines and enhancing patients' medication experiences", SPH endeavors to enable a broad spectrum of the population to benefit from a wide array of superior, accessible, affordable, and efficient medical products and services by investing in research and innovation, developing a robust distribution network, and deploying digital means, contributing to the realization of the "Healthy China" strategy.

Highlights of 2023

Total R&D investment of CNY **2.602** billion

A distribution network spanning **31** provinces, municipalities, and autonomous regions across China, with direct coverage through subsidiaries in **25** provinces, municipalities, and autonomous regions, and a retail network spreading across **16** provinces, municipalities, and autonomous regions, with over **2,000** retail pharmacies.



Highlight

During the Reporting Period



Total R&D investment of CNY **2.602** billion



An R&D Team of **1,666**



A pipeline of **68** new drugs in the stages of Clinical Trial Application (CTA), subsequent clinical studies, and Investigator Initiated Trials (IIT)



13 drug varieties (across **16** specifications) have passed evaluations for consistency in quality and efficacy of generic drugs

As of the end of 2023



National Science Progress Award: **2** First Prizes



National Science Progress Award: **3** Second Prizes



2 national-level enterprise technology centers and national-level engineering technology research centers



11 provincial-level enterprise technology centers and technology research engineering centers



16 national high-tech enterprises



11 specialized and sophisticated SMEs manufacturing novel and unique products/little giants

Stimulating Vitality in Innovation

Strengthening the Research and Innovation System

SPH vigorously drives innovation-led growth and expedites the establishment of a globally competitive, open innovation ecosystem, with national strategy and patient needs at its core. With a robust product planning framework, the Company has devised a new drug development strategy, refined its R&D pipeline, and significantly increased investments in therapeutic areas such as oncology, autoimmune diseases, mental health, and cardiovascular diseases. It fosters an integrated approach combining "independent research, acquisition, and incubation" to create an open and diverse innovation system, in addition to promoting seamless integration throughout the full value chain of "production, academia, research, medicine, and capital". It is developing a product portfolio that caters to emerging clinical needs and boasts technological advantages.

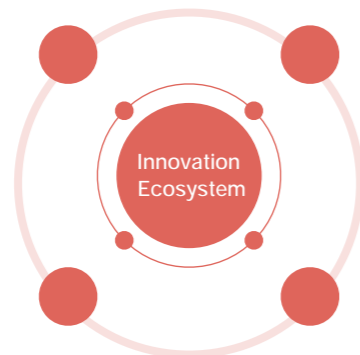
Strategic Goal: Through technological innovation and internationalization, SPH is transforming from a generic pharmaceutical company to an innovative pharmaceutical enterprise driven by science and technology, striving to enter the top 40 global pharmaceutical companies in the next 3-5 years.

Independently Developing Product Pipeline

SPH has consolidated its research and innovation product pipeline through both organic growth and expansion.

Building an Open Innovation System

We have built an open innovation system and an "industry-university-research" platform to promote the integration of industry and finance, and successfully spearheaded a number of research projects, including CAR-T cell therapy.



Bolstering International Presence

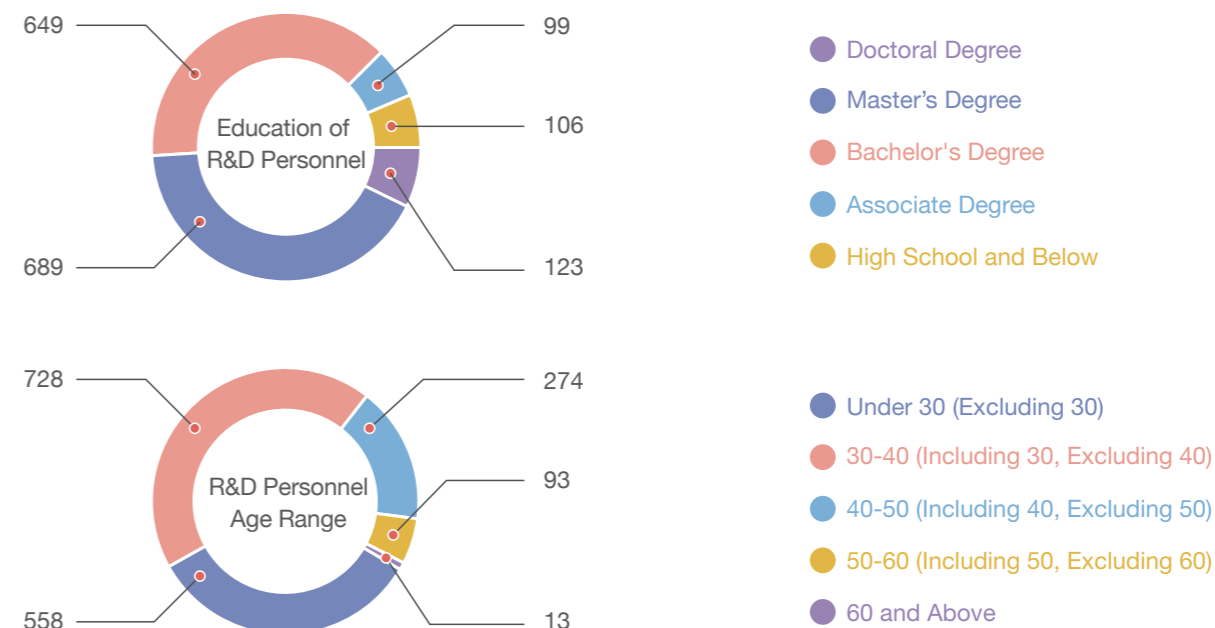
SPH has strengthened its R&D platforms in San Diego, USA and worldwide, and actively integrated domestic and international R&D resources to achieve synergy.

Exploring Model Innovation

Through mixed ownership and diversified innovation models, we have gradually expanded various innovation platforms, and successfully implemented mixed ownership companies held by R&D teams.

Cultivating Environment for Innovation

SPH has assembled a high-caliber, diversified R&D team and consistently explores incentive mechanisms to fully stimulate the innovation vitality of its core talents, encourage scientific research and innovation, and foster a vibrant and progressive atmosphere for innovation. As of the end of the Reporting Period, the Company's R&D team comprised **1,666** members. During the Reporting Period, entities such as SPH-IPT, SPH RD, and the R&D Management Center expanded talent incentives and optimized the R&D compensation structure. Long-term R&D incentives were realized when each milestone of the R&D projects was reached.



Accelerated Expansion of Innovative Drug Pipelines

In 2023, the Company invested a total of CNY **2.602** billion in R&D, achieving significant results in pipelines ranging from biologics, chemical drugs, TCM (traditional Chinese medicines) to rare disease treatments, with breakthroughs in multiple clinical-stage projects.

As of the end of Reporting Period:

- **Three** innovative drugs, namely Oncorine (Recombinant Human Adenovirus 5 Injection), Kailikang (Urinary Kallidinogenase for Injection), and Bifico (Live Combined Bifidobacterium, Lactobacillus and Enterococcus Capsules), along with **one** improved new drug, Lansoprazole Sodium Bicarbonate, were successfully launched.
- There were **68** new drugs in the pipeline at various stages of CTA application, subsequent clinical studies, and IIT, including **55** innovative drugs (including **3** in Phase II trials in the US) and **13** improved new drugs. Among the innovative drug pipeline, **3** drugs have submitted pre-New Drug Application (pre-NDA) or market approval applications, and **4** are in pivotal studies or Phase III clinical trials.
- During the Reporting Period, a total of **13** varieties (**16** specifications) passed the consistency evaluation of quality and efficacy of generic drugs, and the total number of evaluated drugs increased to **60** varieties (**87** specifications), ranking SPH at the forefront of the industry.

Introduction to Key New Drug Projects

• Project I001

I001 (also known as SPH3127, classified as a Class 1 chemical drug) represents a next-generation oral, non-peptide small molecule renin inhibitor. Currently, it is undergoing late-stage clinical trials for three indications. The New Drug Application (NDA) for the hypertension indication was accepted in June 2023. Preliminary statistical results indicate that the primary endpoint has been achieved, and Topline results confirm non-inferiority, meeting the expected outcomes of the trial. This development holds promise in offering a broader range of treatment options for patients with mild to moderate hypertension. Project I001 is actively recruiting participants for its inflammatory bowel disease and diabetic nephropathy indications.

• X842

X842 is a Class 1 potassium-competitive acid blocker (P-CAB) for oral administration introduced by SPH, with its NDA application for the indication of reflux esophagitis accepted in February 2023. This class of drugs competitively inhibits potassium ion activity on H-K-ATPase, demonstrating rapid onset, potent and sustained acid suppression, consistent efficacy without individual variations, and a low incidence of adverse reactions.

• I037 (Injectable LT3001)

I037 is a Class 1 new drug introduced by SPH for the treatment of acute cerebral stroke. It completed Phase I clinical trials by the end of January 2022, obtained Phase II clinical trial approval in September 2022, secured the approval of the lead unit's ethics committee in December 2022, and subsequently filed project establishment and ethics review materials at participating centers. As of the end of last year, half of the subjects have been enrolled, and its overall safety is good.

• NJ-2021-002 (Z) (for Hemorrhoids) and NJ-2021-002 (F) (for Radiation Proctitis)

NJ-2021-002 (Z) and NJ-2021-002 (F) are modified new drugs. Based on the mechanism of action and efficacy test results, the R&D team has developed the world's first sterile gel formulation for local rectal use. This novel preparation promotes wound healing post-hemorrhoid surgery, alleviates swelling and pain, and suppresses itching. Early Phase I clinical data shows good tolerability and safety, with Phase II enrollment already completed. Additionally, the drug can protect the mucosa, heal wounds, inhibit inflammation, and prevent intestinal fibrosis. It can also serve as an antioxidant to mitigate oxidative stress-induced injury caused by radiation therapy. Relevant Phase II clinical trials for these additional indications are ongoing. Upon market launch, NJ-2021-002 (F) is poised to become the world's first drug indicated for "radiation proctitis", addressing an unmet clinical need in this area.

Innovation Ecosystem

SPH leverages its unique R&D resources and follows multiple paths to innovative R&D. The Company continuously improves new drug R&D platforms in the fields of biological drugs, chemical drugs, TCM, rare disease drugs, and pediatric drugs. Specifically, we deepen our collaboration and partnership with universities, medical institutions, research institutes and financial institutions, accelerating the transformation of innovative ideas into tangible business solutions. We continually expand upstream innovative project portfolio and actively explore diversified incentivization methods, and have successfully implemented a mixed-ownership model where the R&D team holds stakes in our subsidiaries. During the Reporting Period, the Company's R&D innovation collaboration reached a new milestone with the launch of Bayer's Co.Lab platform in China and the inauguration of the "01LABS@Hong Kong" Shanghai-Hong Kong joint incubator, injecting strong impetus into SPH's future growth (Please refer to the "Serving National Strategies" chapter of this report for more details).

Case

Reorganization Approval for the "National Key Laboratory of Innovative Immunotherapy"

In April 2023, the reorganization of the "National Key Laboratory of Innovative Immunotherapy" jointly proposed by SPH and the School of Pharmaceutical Sciences, Shanghai Jiao Tong University, was approved. With a particular focus on the R&D of original core technologies, the laboratory aims to generate first-in-class original immunotherapies that focus on revealing new mechanisms regulating immune cells, identifying novel targets for immunotherapy in diseases, inventing new technologies for the development of immunotherapeutic drugs, and creating innovative immunotherapy products.

Case

Synvida's Clinical Trial Application for IPF Treatment Antibody Approved by CDE

On December 26, 2023, Shanghai Synvida Biotechnology Co., Ltd., received approval from the Center for Drug Evaluation (CDE) under the National Medical Products Administration (NMPA) for the first clinical trial application of its pioneering, inhalable antibody drug specifically targeting idiopathic pulmonary fibrosis (IPF). This is the world's first-in-class inhalable antibody medication developed for a new therapeutic target, effectively suppressing the activation of fibroblasts and extracellular matrix synthesis during the fibrotic process in IPF. Preclinical findings indicate strong activity and high safety profiles, suggesting that once-weekly inhalation administration could provide a safer and more efficient treatment option for IPF patients.

Synvida, established in May 2021, exemplifies successful collaboration between industry, academia, research, and investment. With strong support from Shanghai Jiao Tong University School of Medicine, the company was co-incubated by Prof. Liu Junling's team in conjunction with SPH and Shanghai Healthcare Capital (SHC), with a focus on the development of innovative drugs against thrombostasis and fibrosis. Since its inception, Synvida has capitalized on years of foundational research to build a pipeline of original targets and molecules in areas such as pulmonary fibrosis, thrombocytopenia, hemophilia, and thrombotic diseases. The company has also constructed a cutting-edge platform for discovering and engineering next-generation antibodies and protein-based drugs based on synthetic biology.

Management of Intellectual Property Rights

Intellectual property makes pharmaceutical companies competitive and enhances brand strengths internationally. In recent years, SPH's efforts to protect intellectual property rights have focused on strategic goals driven by scientific and technological innovation. The Company adheres to the principle and strategy of intellectual property rights assisting R&D innovation, and builds effective intellectual property barriers to protect R&D innovation.

SPH has established a full-fledged system for managing intellectual property rights through the implementation of standardized patent management, the development and implementation of patent strategies, the establishment of a patent database and early warning platform, and efforts to protect and manage patent rights. This system has been certified under the National Standard for Enterprise Intellectual Property Management (GB/T29490-2013).

Strengthening Patent Registration to Form a Portfolio of Patents for Protecting Innovative Drugs

SPH's patent team has integrated key elements of intellectual property into every stage of drug innovation and development, including the scope of rights, stability, infringement judgment, defense and avoidance, and internationalization strategy. As a result, the team has successfully established a portfolio of high-value innovative drug patents, and achieved standardized IPR management throughout the entire life cycle of drugs developed via the domestic R&D platform.

Challenging First-to-file Patents for Generic Drugs

In the wake of the enactment of the Implementation Measures for the Early Resolution Mechanism for Drug Patent Disputes (For Trial Implementation), SPH has vigorously challenged the first-to-file patents for generic drugs. SPH has successfully invalidated four original crystal patents and submitted public opinions to the China National Intellectual Property Administration (CNIPA) on multiple original drug patent applications that do not meet the conditions for patent authorization. These efforts have provided strong support for clearing the obstacles to the market launch of first-to-file generic drugs.

Focusing on Conducting Intellectual Property Due Diligence for Early-Stage Incubation, License Transfer, Equity Cooperation, and Incubation Transformation Platforms

In an effort to keep intellectual property risks at bay, SPH's patent team actively conducts intellectual property due diligence in the midst of SPH's business expansion, such as R&D project introduction, investment and merger projects.

In the years to come, SPH will further strengthen its intellectual property team, continuously optimize and improve its IPR management system, and sharpen its capabilities in creating, protecting, and operating intellectual property, thus allowing a rapid growth to become a leading Chinese pharmaceutical company with international competitiveness.

SPH Recognized as a National Advantaged Enterprise in Intellectual Property

In December 2023, SPH was officially recognized as a National Advantaged Enterprise in Intellectual Property by the National Intellectual Property Administration, following recommendation from Shanghai Intellectual Property Administration and a thorough review and public announcement. This accolade serves as a testament to SPH's outstanding achievements in intellectual property creation, utilization, and protection over recent years.



SPH Research Institute Approved as Host Organization for Shanghai High-Value Patent Cultivation Center

In March 2023, upon application by the SPH Research Institute and approval by the Shanghai Intellectual Property Administration, the institute was designated as the host organization for Shanghai High-Value Patent Cultivation Center. In recent years, the SPH Research Institute has actively built a multi-dimensional, all-encompassing protection system for its proprietary innovative drugs through measures such as patent early warning, patent portfolio management, and overseas deployment, resulting in a cluster of core high-value patents that provide robust protection for the launch of these innovative drugs.



Improving Health Accessibility

As the second-largest pharmaceutical distributor in China, SPH is dedicated to building an innovative and comprehensive system for the entire drug lifecycle and providing modern medical and pharmaceutical supply chain services to hospitals, patients, and partners. SPH will harness the power of "Internet +" to further advance the growth of its innovative drug business.

Building an Innovative Drug Full-Life-Cycle Services Platform

Dedicated to catering to Chinese patients, SPH strives to create an innovative drug services platform that provides global pharmaceutical companies with comprehensive supply chain and one-stop management services in four major spheres: pre-marketing cooperation, import and export services, nationwide distribution, and value-added innovation. Our goal is to accelerate the introduction of global innovative drugs and enable Chinese patients to have access to high-quality drugs domestically.

The China International Import Expo (CIIE) serves as a platform for China to open its markets to the world and share development opportunities. In 2023, SPH, as a member of State-Owned-Assets Sub-Group of the Shanghai Trade Group, attended the CIIE for the sixth consecutive year. Since 2018, SPH has actively participated in every edition of the CIIE, forging strategic partnerships with global companies and shaping its new development paradigm. Upholding a high level of service excellence, SPH has played a crucial role in driving the healthcare industry towards higher quality economic growth. At this year's CIIE, SPH not only showcased its comprehensive strength and innovative achievements in the pharmaceutical sector but also underscored Shanghai's significant standing and influence in the global health market. As a shining beacon of Shanghai's openness and dynamism, SPH attracted international attention and facilitated exchanges and collaborations between domestic and foreign businesses, thereby contributing to the upgrading of the biomedical industry. This not only holds great significance for the development of Shanghai's healthcare industry but also makes a substantial contribution to the prosperity of the global health market.

SHAPHAR's Achievements at CIIE Over the Years

- 2018 ● Successfully executed China's first-ever procurement contract for Opdivo, a PD-1 inhibitor, providing a novel treatment option for lung cancer patients.
- 2019 ● Continuously ensured the smooth progression of Opdivo, expanding its market reach and scale.
- 2020 ● Initiated a comprehensive strategic partnership with Pfizer Biopharmaceuticals, broadening cooperation in importing, distributing, and warehousing pharmaceuticals.
- 2021 ● Invited numerous leading global pharmaceutical firms to participate in CIIE signings, thus proactively opening the domestic market and sharing development prospects.
- 2022 ● Offered full lifecycle services for innovative drugs to multiple renowned pharmaceutical corporations, engaging in global pharmaceutical endeavors and international exchanges.
- 2023 ● Participated in the centralized signing ceremony of the State-Owned-Assets Sub-Group of the Shanghai Trade Group for the sixth consecutive year, with on-site contracted transactions valued at over CNY 1.5 billion.
- For the third consecutive year, served as the sole representative of pharmaceutical distributors in the centralized signing of procurement intentions for volume-based procurement winning drugs and high-value consumables at CIIE, with intended procurement value totaling approximately CNY 2.45 billion.
- Signed procurement contracts for over seven imported drugs.
- Executed 13 memorandums of understanding with multiple enterprises.



Appearance at the Signing Ceremony of the State-Owned-Assets Sub-group of the Shanghai Trade Group at the 6th CIIE



Strategic Cooperation with Sanofi China



Unveiling Ceremony for the Lymphoma Patient Club and Hematology Department Volunteer Base of Ruijin Hospital held at "Yiyao Comprehensive Flagship Store" of SPH Health Commerce



"Patient-Centric Award" from AstraZeneca for SPH Health Commerce's innovative achievements in comprehensive clinical trial services

Harnessing "Internet +" to Build up Smart Healthcare

By innovating business and commercial models and tapping into the combination of the internet and medication, SPH has managed to meet patients' needs by improving access to drugs. As a leading "Internet +" pharmaceutical and commercial technology platform in China, SPH Health Commerce puts a strong emphasis on patients, providing full-life-cycle innovative drug services for specialty pharmacies and chronic disease generic drug. This new internet-based e-prescriptions and cloud pharmacies business model is the Company's newest endeavor in prescribing-dispensing separation. Through integration of online and offline resources and the development of the "Yiyao" ecosystem, SPH has built a valuable and accessible sales and services network for the development of innovative drugs.

Under the "Yiyao" brand, SPH Health Commerce provides nationwide comprehensive full-life-cycle services for innovative drugs from pre-marketing clinical R&D to post-marketing specialty pharmacies dispensing out-of-hospital self-funded drugs, medical insurance reimbursement, centralized procurement, and drug iteration. For generic drugs against chronic disease, SPH Health Commerce uses an online-offline integrated management approach to accurately match patient needs and to improve accessibility to pharmaceutical resources.

As of the end of 2023, SPH Health Commerce operated over 200 DTP pharmacies and authorized hospital-affiliated stores, covering 66 cities across 25 provinces nationwide. Boasting close partnerships with more than 300 specialty drug manufacturers, SPH Health Commerce has become the preferred choice for the initial launch of 80% of innovative drugs in China, serving as a main channel for domestic patients with rare diseases to access both domestic and overseas innovative therapies.

SPH Health Commerce's Awards and Honors in 2023

- Selected as an "Outstanding Case of High-Quality Development in the Great Health Industry" by Xinhua News Agency
- Clinched the "Patient-Centric Award" from AstraZeneca for its comprehensive clinical trial services
- "Yiyao Pharmacy" secured three spots within the top five positions on the Top 100 Professional Pharmacies List for 2022-2023 by China Drug Store
- Certified as a "Specialized and Sophisticated Enterprise of Shanghai that Produces Novel and Unique Products" in 2022
- Named among the "Chinese Healthcare Front-Runners Top 100" by IBiWS
- Internet Hospital's home delivery service awarded the "2023 Healthcare & Pharmaceutical Digital Innovation Award" by ifenxi.com
- Ranked 16th on the List of Top 100 Pharmaceutical Distributors and Retailers
- Ranked 6th on the List of Top 100 Medical Service-Companies of 2023 Future Healthcare VB100 Lists
- "Yiyao" ecosystem received the "Most Valuable Benchmark Case Award" for digital transformation by China Association of Pharmaceutical Commerce
- Honored as one of "China's Most Socially Influential Startups in 2023" by Fortune Magazine
- "Yiyao Pharmacy" received awards for "Professional Strength" and "Service Strength" in the DTP pharmacy category in 2022

Constructing a Multifaceted Payment "Expressway" to Bolster Accessibility and Affordability of Innovative Drugs

Established in 2017, Meditrust Health is a pioneering company that delivers advanced medical services alongside comprehensive payment solutions. Upholding the mission of "making quality healthcare accessible to every household", it fosters deep integration between the healthcare and insurance sectors through technology and innovation at every step, in a bid to provide an all-encompassing, superior, and widely accessible healthcare protection and services for Chinese families. It is also committed to addressing the challenges of financing innovative drugs and medical devices. By driving the combination and innovation between healthcare and insurance, Meditrust Health unlocks a variety of payment solutions, enhancing the accessibility and affordability of high-value drugs and medical devices, which ultimately benefits patients.

Honors Received by Meditrust Health in 2023

- Recognized as one of "China's Top 10 Multifaceted Payment Enterprises for 2023"
- Recognized as "National Model Case of Digital Transformation and Innovation in the Pharmaceutical Industry for 2023"
- Honored as "Excellent Digital Service Case in China's Insurance Sector for 2023"
- Named the "2023 Innovative Fintech Company of the Year"
- Honored as "2023 Exceptional Service Provider of Chinese Pharmaceutical Digitalization"
- Awarded the "Long-term Partner Award" by Zai Lab
- Named among the "2023 Chinese Healthcare Front-Runners Top 100: Digital Healthcare"
- Earned the "Ernst & Young Fudan Most Potential Enterprise Award"
- Recognized as "Outstanding Health Management Service Enterprise for 2023"
- Awarded the Yanshu Award for the Special Category of "Excellent Case for Inclusive Medical Insurance"
- Applauded as "Chinese Model of Financial Brand Innovation"
- Honored as one of "Top 10 Public Companies" and one of "Best-Performing Companies in Valuable Fields" in the selection of Future Healthcare VB100 Pengcheng Awards

Advancing Customized Urban Commercial Healthcare Coverage for Universal Access to Quality Healthcare

Meditrust Health is dedicated to exploring innovative ways to support the sustained development of customized urban commercial medical insurance schemes, thus expanding diverse healthcare coverage and service plans and enabling Chinese households to access affordable healthcare services and protection. Deeply involved in the implementation of inclusive health insurance programs in major cities such as Beijing, Shanghai, Hangzhou, and Suzhou, by the end of 2023, Meditrust Health has saved patients approximately CNY 2.4 billion in medical expenses, underwritten approximately 250 million insurance policies, extended coverage to 70% of innovative drugs launched in the Chinese market, and provided healthcare coverage across more than 150 cities nationwide.

Case

Launched on July 12, 2023, "Hui Min Bao 2023" serves as a valuable supplement to the multi-layered medical insurance system in Fujian Province, significantly easing the financial burden of pharmaceutical costs for policyholders and elevating the overall level of medical security for the public. As an integrated service operator, Meditrust Health provides end-to-end support for "Hui Min Bao 2023", including coverage for special medications, coverage for proton and heavy ion therapies, claims processing services, health management services, and operational promotion.



Enabling Wider Population Coverage and Enhancing Accessibility to Innovative Drugs and Medical Devices

Meditrust Health stays committed to addressing the challenges of financing innovative drugs and medical devices. By driving the combination and innovation between healthcare and insurance, it unlocks a variety of payment solutions, thereby enhancing the accessibility and affordability of high-value drugs and medical devices, ultimately benefiting patients. To date, Meditrust Health's efforts have benefited over 2 million individuals suffering from cancer, chronic diseases, and rare disorders.

Case

In partnership with JW Therapeutics, Meditrust Health launched the groundbreaking service initiative "Relma-cel New Life", specifically tailored for CAR-T products. This program, designed for diffuse large B-cell lymphoma patients, offered five key benefits in 2023: interest-free financial installment plans, manufacturing assurance, medication cost reductions, treatment progress support, and examination benefits. By the end of 2023, it had provided over CNY 20 million in benefits, with direct medication cost reductions accounting for nearly 90% of the total benefit amount, alleviating the economic strain for patients using high-priced medication, reducing their expenses by over CNY 10 million.



Building a Diverse Payment "Highway" to Bridge the "Last Mile" for Patients' Access to Medication

While the approval process for innovative drugs has significantly accelerated, the challenge of bringing these drugs into hospitals remains the last-mile hurdle. As an innovative healthcare services and insurance platform, Meditrust Health works towards facilitating efficient access to innovative drugs and medical devices for patients, while enriching the offerings of health insurance products to include patients with pre-existing conditions or substandard health profiles, thereby expanding coverage to a broader population.

Addressing Unique Medication Needs

"To craft an accessibility model for RDDs and establish ourselves as a RDD leader with Chinese characteristics"

SPH Rare Diseases (RD), a core enterprise under SPH specializing in rare disease drugs (RDD) and pediatric medicines, upholds the principle of "People First", with a deep care for patients. The company endeavors to make RDDs more accessible and caters to the unique medication needs of patients by ensuring the supply of existing RDDs, accelerating the commercialization of in-development RDD projects, introducing domestic and international innovation cooperation initiatives, exploring new systems to ensure the supply of RDDs, actively conducting health education and awareness campaigns, and collaborating with industry institutions, universities, medical facilities, and patient organizations. This commitment fulfills its core values of "care, responsibility, innovation, and collaboration", demonstrating the sense of responsibility inherent to a pharmaceutical company. Currently, SPH has 49 product listings for treating rare diseases, covering therapeutic areas such as endocrine metabolism, nervous system, immune system, respiratory system, and blood system, which address 67 rare conditions including myasthenia gravis, Hepatolenticular Degeneration, and infantile spasms. SPH is the pharmaceutical company with the most approvals for rare disease drugs in China.

Leveraging the strengths of its complete industrial chain consisting of R&D, manufacturing and sales, SPH RD persistently reinforces quality management and integration of supply and marketing, which leads to a stable supply of relevant RDDs. Since its establishment three years ago, SPH RD has secured the supply of six products, including Penicillamine Tablets, which now reach across all 31 provinces in China. Collaborating with SPH Health Commerce, KDL Pharmacy, and Meditrust Health, it is vigorously exploring new RDD sales and supply assurance systems to address pain points in prescription filling, drug delivery, and payments, thereby enhancing the accessibility of RDDs. Over the past three years, SPH RD has supplied over 300 million tablets, providing essential clinical support for nearly 115,000 rare disease patients.

Aligned with SPH's strategic directives, SPH RD is fully committed to the development of urgently needed, clinically proven, patent-expired, and globally innovative RDDs.

Case

SRD4610 - Class 1 Innovative Traditional Chinese Medicine

A pioneering Class 1 innovative TCM in China, SRD4610 is the First in Class (FIC) novel drug that is developed specifically for rare diseases and reviewed by the NMPA Center for Drug Evaluation. It is poised to offer a novel therapeutic option for patients with Amyotrophic Lateral Sclerosis (ALS), potentially slowing disease progression and significantly enhancing their quality of life. As of the end of the Reporting Period, the Phase II clinical trials have been successfully completed, positioning SRD4610 as a contender to become the world's first natural medicine or TCM product approved for treating ALS.

Case

SRD6016 - Class 1 Innovative Biological Medicine

Developed collaboratively by SPH Rare Disease Platform and Ruijin Hospital Affiliated to Shanghai Jiao Tong University, SRD6016 is an example of innovation translation, designed for the treatment of Hemophilia A and B. This pioneering project, with no domestic counterparts, falls under the "First in Class" category, and is poised to become a single-dose, lifelong cure.

In the years to come, SPH RD will diligently implement the guidelines outlined in "Healthy China 2030", with "care, responsibility, innovation, and collaboration". The company aspires to establish itself as a national leader dedicated to the innovative research and development of rare disease drugs, and a globally influential hub for rare disease drug conversion and high-end international production. Furthermore, it seeks to become a provider of urgently needed rare disease medications, enabling more patients suffering from rare conditions to promptly access safe and efficient treatments.

Building Modern Logistics to Bridge the Last Mile of Drug Supply

SHAPHAR has long been dedicated to establishing a well-coordinated and highly efficient national logistics platform with a modern supply chain, using digitization, informatization, standardization, and systematization. SPH aims to improve service quality, customer satisfaction, and operational efficiency by coordinating multiple warehouses, expanding third-party logistics and value-added services, and ratcheting up national logistics integration, thereby catering to the needs of both upstream and downstream customers in the supply chain.

SPH Logistics boasts over 800,000 square meters of warehouse space and operates more than 120 logistics centers across China. Its sprawling network of logistics centers directly serves 17 provinces and municipalities (this includes the logistics facilities of SPH KDL Health). SPH Logistics built one of the very first modern, comprehensive and experimental logistics bases in Shanghai, and is the first logistics company to pass the acceptance for national medical logistics services standardization pilot project. SPH Logistics is also making strides in smart logistics. By implementing full GPS tracking and utilizing the Transport Management System (TMS) for complete visual management, SPH Logistics is able to enhance its "last mile" medical logistics coverage. This is achieved through faster delivery speeds and more flexible service capabilities, all enabled by its multiple system platforms.

Case

Suide Road Logistics Center

In 2023, SPH expedited the development of key logistics projects. Embracing future-oriented principles of green development, technology, and intelligence, the Suide Road Phase-II Project features the construction of an elevated warehouse and a specialized pharmaceutical storage facility which, upon completion, will significantly enhance operational capabilities and reduce labor costs and intensity. Leveraging automation and information technologies, it will improve product quality control, while its human-machine interactive energy management system will allow various temperature requirements across different storage zones. These advancements propel the transformation of warehousing and logistics enterprises from information-based to digital operations.



A Step Towards Global Impact

SPH expands its business overseas, actively exploring markets in Southeast Asia and the Middle East, and endeavors to benefit patients worldwide through wider product offerings, broader geographical reach, and faster accessibility. In 2023, SPH pursued 12 offshore product registrations, achieving substantial progress in the registration of multiple products.

Ensuring Quality Excellence

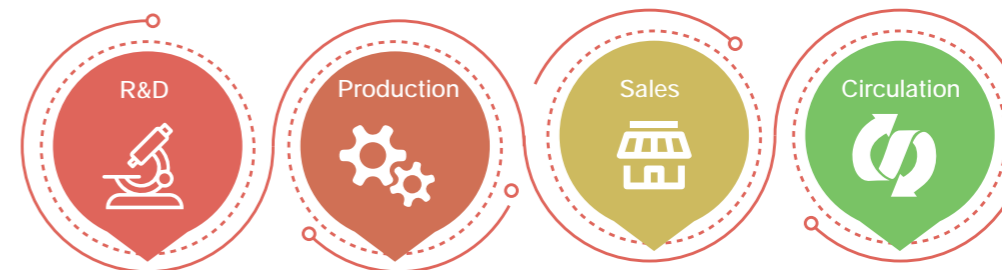
Quality policy: "prioritizing people, pursuing health; winning with quality, pursuing excellence"

SPH has highly focused on quality and safety, guided by its corporate quality policy of "prioritizing people, pursuing health; winning with quality, pursuing excellence". The Company strictly complies with a range of relevant laws and regulations, including the *Drug Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Registration*, the *Good Manufacturing Practices for Pharmaceutical Products*, the *Measures for the Supervision Over and Administration of Pharmaceutical Production*, the *Measures for the Administration of Post-Marketing Drug Changes (For Trial Implementation)*, the *Good Supply Practice for Pharmaceutical Products*, the *Specifications for Pharmacovigilance Quality Management*. Following these guidelines, SPH has established a comprehensive quality management system that spans the entire lifecycle of its products, thereby regulating the manufacturing and services of drugs and medical devices. Through continuous improvement of its quality management system, SPH guarantees the safety, efficacy, and stable supply of its products to the market. With a commitment to providing products and services that meet legal and regulatory requirements, SPH upholds its social responsibilities as a leading listed pharmaceutical group.

Quality System Construction

SPH has established a Quality Management Committee to oversee major quality management decisions. This includes approving the company's quality policy and objectives, reviewing opinions on the handling of major incidents, and regularly receiving reports on the state of quality management. The Quality Management Department of the Manufacturing Management Center is responsible for daily quality management. Through a series of management policies such as the Quality Manual, Quality System Management Review Standard, and Regulations on Quality Information Direct Reporting Management, the department oversees quality control and supervision throughout the product life cycle. With a focus on "Quality Assessment", "Information Direct Reporting", and "Key Personnel Management", the department guides member entities to continuously improve their quality management systems. SPH subsidiaries have established their own quality management framework and QMS as per the Company's system requirements as well as relevant national laws and regulations, quality management standards and other requirements, obtained corresponding "Drug Manufacturing Certificate", "Drug Supply Certificate", "Medical Device Manufacturing Certificate", "Medical Device Supply Certificate", and organized production and business activities in compliance with laws and regulations, including the *Drug Administration Law of the People's Republic of China*, the *Vaccine Administration Law of the People's Republic of China*, the *Provisions for Drug Registration*, the *Measures for the Supervision and Administration of Drug Production*, the *Regulations for Implementation of the Drug Administration Law of the People's Republic of China*, the *Regulations for the Supervision and Administration of Medical Devices*, and the *Good Manufacturing Practice for Drugs (2010 revision)*.

In 2023, SPH updated its Management Measures for Key Quality Personnel, aligning with relevant policies, regulations, and lifecycle quality management principles. This update extended the scope of qualifications review for key quality personnel to encompass both R&D and operations, stipulating their eligibility criteria and primary responsibilities. This measure safeguards against gaps in the roles of quality-critical staff in R&D, manufacturing, and other functional departments, ensuring the continuity and effectiveness of their duties. During the Reporting Period, SPH further reinforced the primary responsibilities of its member entities by formulating the "2023 Annual Quality Assessment Guidelines", through which it evaluated the status of key quality management tasks across the organization, integrating them into performance assessments for operators. Comprehensive quality management reviews were conducted at its pharmaceutical subsidiaries to appraise their drug quality management systems. Through these management reviews, SPH prompted continuous improvements to the quality management systems and ensured that company executives allocated resources effectively to enhance these systems.



Full Life Cycle QMS

During the Reporting Period, SPH further reinforced the primary responsibilities of its member entities by formulating the "2023 Annual Quality Assessment Guidelines", through which it evaluated the status of key quality management tasks across the organization, integrating them into performance assessments for operators. Comprehensive quality management reviews were conducted at its pharmaceutical subsidiaries to appraise the appropriateness, sufficiency, and effectiveness of their drug quality management systems. Through these management reviews, SPH prompted continuous improvements to the quality management systems and ensured that company executives allocated resources effectively to enhance these systems.

As of the end of Reporting Period:

- SPH's subsidiaries obtained 49 Drug Manufacturing Certificates.
- SPH Herbapex, SPH Dongying, Huqingyutang Pharma, SPH Zhongxi Sunve, SPH Jiuxu, SPH Sine (Shandong), SPH XTCM, and SPH Growful passed the ISO9001 QMS certification and SPH Zhongxi Pharma passed the ISO9000 QMS certification.
- SPH Hua Yu, SPH Dongying, SPH Zhongxi Pharma, SPH SBPC, SPH Zhongxi Sunve, and SPH New Asia (Minhang) all secured the prestigious Laboratory Accreditation Certificate issued by China National Accreditation Service for Conformity Assessment (CNAS).

Quality Awards

SPH's headquarters received **one** international quality award, while its subsidiaries collected **six** national-level and **112** provincial and municipal-level quality awards.



SPH was honored with the highest level (STAR) of "APQO Innovation Class Awards 2023", becoming the sole Chinese pharmaceutical company to receive this distinction since the inception of the award. Chinese pharmaceutical company wins the awards for the first time ever

Quality Risk Management

Quality risk management is an important part of the quality management system of the Company and its subsidiaries. The subsidiaries have prepared quality risk management procedures to identify, analyze, evaluate and control potential hazards, and to ensure product safety and effectiveness. SPH and its subsidiaries excel at quality management, risk prevention and liability compensation to ensure drug safety, effectiveness and quality control. SPH has implemented various quality information management tools at its headquarters, including a quality management system and a document management system that use information and digital technologies to standardize processes, to improve compliance, and to enhance risk control.

The Company has established its Quality Information Reporting Management System, and further emphasized the principle of risk management, requiring all subsidiaries to report relevant quality information in time to ensure its effective communication and timely feedback, and lower potential quality risks. Additionally, to reinforce quality risk prevention and control, SPH conducts ongoing quality audits and management reviews. Regular meetings are convened to discuss and analyze potential risks and issue risk alerts and targeted rectification notices. Dedicated personnel are assigned to monitor each member entity's efforts to identify and mitigate quality risks, thus elevating overall quality management levels. The Quality Management Committee holds regular meetings on the quality management situation of all subsidiaries, in order to analyze regulatory dynamics, raise risk alerts, strengthen the Company's awareness of quality, laws and regulations and integrity, and effectively control and prevent quality risk.

During the Reporting Period



Quality Culture Building

SPH fosters a robust quality culture, which has evolved into a distinctive "1+6+16 Concentric Circle" model, anchored by the belief that cultural guidance is pivotal to driving comprehensive quality initiatives and embedding the principle of "quality first" within the corporate ethos.

Each member entity has established management regulations and standard operating procedures for training, and has designated personnel responsible for training management and regular evaluation of training effectiveness. All employees must undergo quality-focused training prior to starting work. SPH's headquarters initiates a variety of quality-centric activities. During the Reporting Period, a total of **2,032** online and offline events on quality were organized across the Group, engaging approximately **45,759** participants in aggregate.

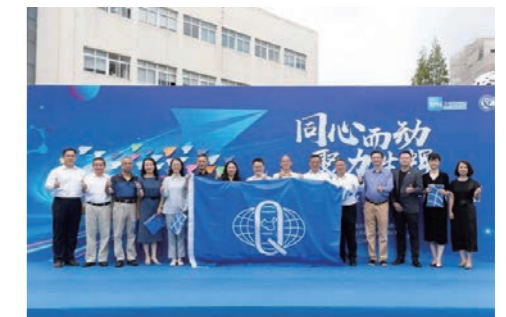
Quality Training System

- Bolstering the awareness of quality regulations among key decision-makers at member entities through legal education campaigns and case analyses of violations;
- Enhancing the professional competence of the quality management arm through training on key instrument knowledge and various professional topics;
- Strengthening the quality management capabilities of the R&D arm through seminars on the R&D management system;
- Instilling quality consciousness among frontline staff in manufacturing subsidiaries through online training programs;
- Enhancing the quality compliance management of operational subsidiaries through live streaming courses on special drug management.

Case

Quality Month Campaign

In 2023, SPH orchestrated a Group-wide Quality Month Campaign themed "Winning with Quality, Cultivating Culture, Co-drawing the Quality Development Concentric Circle". This initiative fostered an environment where everyone takes an interest in, values, creates, and benefits from quality. A series of tailored activities were organized around quality theme dissemination, special quality actions, benchmark learning, and quality lectures, involving R&D, manufacturing, and operational subsidiaries. Furthermore, collaborations with the Party Affairs and Mass Relations Department, Labor Union, and Youth League Committee deepened the outreach to Party members, grassroots employees, and young professionals, thus amplifying the unique quality culture stories of SPH and widely disseminating the essence of quality culture.



Lean Management

With the Manufacturing Management Center serving as its platform and "SPH Manufacturing 2025" as its overarching strategy, SPH consistently advances the construction of its manufacturing excellence system, takes high quality, optimal cost, green development, and intelligent manufacturing as its guiding principles, and harnesses systematic capabilities to excel in operations and intelligent manufacturing. The Company conducts a holistic comparison and upgrade across the industrial manufacturing value chain, promoting transformation, innovation, and sustained provision of top-tier, safe, and effective pharmaceutical products to the public. In 2023, the evaluation of manufacturing excellence focused mainly on the standardization and systematization at major manufacturing bases, resulting in enhanced scores for manufacturing excellence and improved factory performance.

- SPH SBPC, SPH Zhongxi Sunve, CanSino SPH, and SPH Xingling were listed among the "Top 100 Intelligent Factories in Shanghai" for 2022.
- SPH Qingchunbao was recognized as a "Digital Intelligent Factory of Zhejiang Province".
- SPH Sine was enlisted in the "2023 List of Municipal Level Intelligent Factories in Shanghai".
- SPH Leiyunshang, SPH Growful, SPH SBPC, SPH Dongying, and SPH Techpool all received the "Merit Award" at the 2023 SAQ Quality Technical Awards Ceremony.

As of the end of 2023:

63 employees were certified as Lean Six Sigma Black Belts.	890 employees were certified as Lean Six Sigma Green Belts.	211 employees passed the exam for Lean Six Sigma Black Belt certification.	4,683 employees passed the exam for Lean Six Sigma Green Belt certification.	Over 1,320 lean projects were carried out.
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Continuous Manufacturing

Continuous manufacturing technology has the potential to boost production efficiency and improve product quality while containing the generation of "three wastes", reducing energy consumption, and increasing resource utilization, thereby significantly reducing the environmental impact of the pharmaceutical industry. With its economic, environmental, and social benefits, continuous manufacturing technology has become a trend for pharmaceutical companies seeking sustainable development. In 2023, through the implementation of "Ultra-Limited Manufacturing" (ULM), a municipal-level S&T major project of Shanghai, SPH SBPC successfully established an industrial application model for the ULM of active pharmaceutical ingredients (APIs). This was substantiated by the development of continuous synthesis processes for two cardiovascular drugs, which demonstrated the feasibility and technical superiority of ULM's continuous manufacturing technology in hazardous processes such as sulfonation and acylation in API production. Concurrently, SPH SBPC completed the research and development of the prototype drug continuous manufacturing equipment named "Ultra-Limited Magic Workshop".

This innovative technology significantly contributes to eco-friendly, safe, efficient, and energy-saving pharmaceutical production. The "Ultra-Limited Magic Workshop" is a continuous API manufacturing system that integrates the ULM technology, real-time monitoring, and automatic control systems.



Logistics Management

SHAPHAR conducts regular QMS reviews of third-party drug warehousing and distribution partners as per the laws and regulations such as the *Drug Administration Law* and the *Good Supply Practice for Pharmaceutical Products*. Any non-conformities detected are meticulously recorded on the "On-Site Quality Management System Audit Checklist" by the audit team. Subsequently, the findings are evaluated and compiled into the "Logistics Service Provider Evaluation Form". Upon issuance of a "Quality Management Corrective or Preventive Action Notice", the logistics service provider is urged to rectify the identified non-conformities. The audit team carries out annual follow-up inspections and assessments of the corrective actions taken, providing necessary guidance and supervision.

SHAPHAR has established a computer system that meets the requirements of management and quality control of the whole operation process, and each business line has a complete modern information management system capable of real-time interaction, mutual verification and of multi-source data. The company has a real-time computer information exchange with logistics agents, such as the application of ERP system and WMS, TMS, OMS system direct connection, and the query and use of sample sheet accompanied with goods via OA system to realize data sharing.

SHAPHAR owns the following seven lead-edge technologies to meet the needs of upstream and downstream customers and for its own development:

- 1)SPD (Supply Processing & Distribution) technology, developed independently for hospital supply chain management and services
- 2)AGV (automated guided vehicle) goods-to-person storage and pick-up system as well as automatic dispensing machine, introduced to realize intelligent sorting
- 3)360-degree automatic scanning and identification system for inbound and outbound warehousing, introduced to improve drug traceability
- 4)RFID-based pallet management system, introduced to innovate logistics operation & management technology
- 5)SmartVeQ vehicle scheduling management system, introduced to innovate vehicle management mode
- 6)Pharmaceutical cold chain transportation and warehousing technology, developed to build a leading cold chain system
- 7)Standardized documentation system for pharmaceutical logistics services, established to enhance its logistics competitiveness in the industry

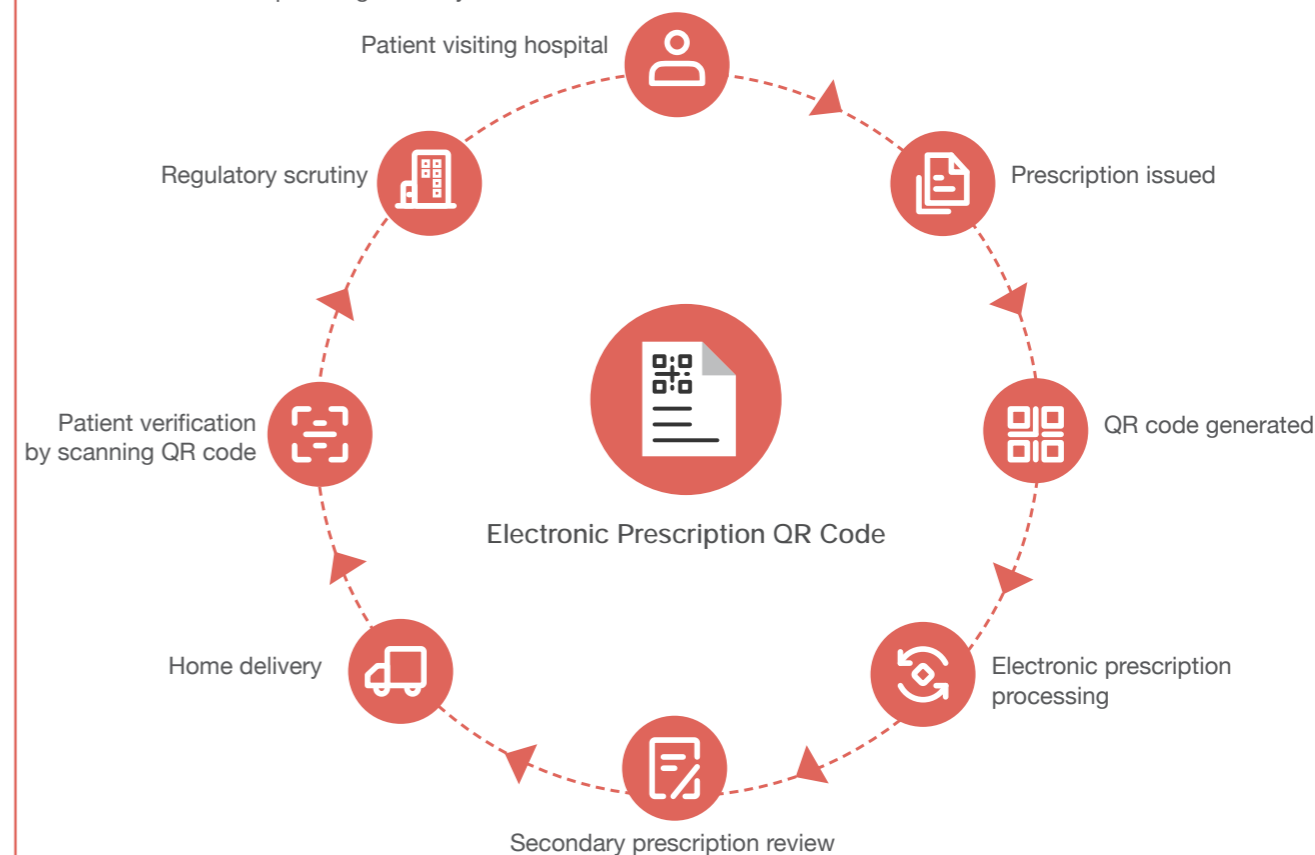
To meet business needs, SPH is equipped with warehousing facilities and equipment (including hardware and software), temperature and humidity monitoring equipment, transportation equipment and various other major facilities and equipments. The Company has adopted a series of modern information systems, including ERP system for enterprise resource planning, OA system for office collaboration and approval, CRM system for customer relationship management, Cloud School for online employee training, and EBS system for financial and business integration, the complete information management of product procurement, distribution, storage and operation. It has automated equipment, used operation intelligence and decision digitization, and has led the supply chain management of the entire life cycle of pharmaceutical products.

SHAPHAR Logistics Center has warehouses, facilities and equipment suitable for different storage conditions and quality management requirements of various products. The specialty drug warehouse is also equipped with a professional perimeter alarm system, digital video monitoring system, 110 regional network alarm system, and electronic patrol system, face recognition access control system, to ensure the safe storage and transportation of specialty drugs. The company utilizes equipment such as refrigerated trucks, refrigerated boxes or thermal containers to guarantee the transportation of cold chain commodities, and uses automatic temperature and humidity monitoring equipment to monitor the whole process.

Case

Ensuring the Safety of Medication with End-to-End Traceability of Drug Delivery

SPH Health Commerce's digital "Cloud Pharmacy" receives electronic prescriptions from major medical institutions and generates a unique anti-counterfeit QR code for each prescription. This code can be used for data management and query by the hospital and is subject to effective supervision by the regulatory authority throughout the drug circulation process. Patients may scan the code to view every step from prescription generation to drug purchase and delivery. This end-to-end tracing of electronic prescriptions helps form an effective closed-loop management system.



Recall and Disposal of Substandard Medicines

In strict compliance with Article 83, Para. 4 of the *Drug Administration Law*, SPH rigorously manages the disposal of substandard drugs. The Company has signed a destruction agreement with an enterprise qualified for hazardous waste disposal, declared on the "Shanghai Hazardous Waste Management Information System". The disposal company sends hazardous waste transport vehicles (with special identification) to deliver the drugs to a designated site. Special drugs are destroyed under the supervision of drug regulatory authorities.

Upon the receipt of goods, the subsidiaries check the accompanying certifications to ensure the consistency of the invoice, account and product, and conduct lot-by-lot acceptance inspection according to GSP requirements, to prevent substandard drugs from being put into storage. They properly store and maintain drugs according to warehouse conditions, external environment and quality characteristics. Dedicated systems automatically track and monitor the shelf life of drugs in stock, send early warning of products near their expiry date, and lock the products beyond their labeled expiration date, to prevent the sale of expired medications. All refrigerated and frozen goods are delivered according to the cold chain management requirements. The transport contractors are audited and have signed supplier agreements to subject them to liabilities and supervision. SPH strengthens the management of returned goods to ensure the quality and safety of drugs and prevent mixing with falsified drugs. It has a reporting mechanism for pharmacovigilance (PVG), a drug recall mechanism, and a system for the management and destruction of substandard products, to ensure rapid response and provide effective guarantee and process traceability for safe medication.

Drug Recall

All SPH subsidiaries have established a product recall system to ensure fast and accurate recall of any batch of products with potential safety hazards. These enterprises have established management procedures and SOPs related to drug recalls; stipulated procedures for complaint registration, evaluation, investigation and handling for effective recalls; designated personnel responsible for organizing and coordinating the recall work; and defined responsibilities of relevant departments to enable the immediate recall at any time. All subsidiaries have established a drug traceability system, using an electronic supervision code for rapid access to drug shipment records. Recalled products are identified and stored separately and properly, pending final disposal decisions. The recall progress is recorded and reported. The number of products shipped, the number recalled, and the balance of the number are described in the report. The recalls are reported to the drug regulatory authorities in time. We regularly review and analyze complaint records, to identify areas of focus, and take appropriate measures for continuous optimization and improvement. In addition, we continuously evaluate the effectiveness of the recall system through activities such as mock recalls and annual self-inspections. SPH has always attached great importance to customer feedback, and achieved 100% complaint response rate and 100% resolution rate in 2023.

Pharmacovigilance (PVG)

In adherence to Article 38 of the *Drug Administration Law*, which came into effect on December 1, 2019 ("Where the MAH is an overseas enterprise, an enterprise legal person within the territory of the People's Republic of China shall be designated to fulfill the obligations of the MAH and assume joint liability with the MAH"), SHAPHAR has entered into a contractual agreement with the overseas marketing authorization holder for certain medications under its purview. Effective from March 2020, SHAPHAR officially assumed the role of the domestic legal entity responsible for discharging the PVG duties on behalf of the overseas marketing authorization holder, including post-marketing adverse reaction monitoring, reporting, and related handling obligations for the concerned pharmaceutical products. SHAPHAR has set up a PVG management office, with a clear organizational structure, and appointed the head of the PVG management organization and the PVG specialists. The PVG management office has completed comprehensive documentation on PVG Quality Management System (Version No.: 2020-R11), including PVG Management Policy, PVG Quality Control Operating Procedures, and associated report formats, which were officially implemented from May 1, 2020. These documents are complemented by additional policy documents such as the Adverse Drug Reaction Reporting Management Policy, Drug Recall Management Policy, and Emergency Response Operating Procedures. These integral policy instruments ensure that the office has clearly defined roles and responsibilities, thereby establishing a clear mechanism for addressing pharmaceutical safety issues. Within the quality management framework, there is an emergency response operating procedure designed to address such concerns promptly and effectively. The company's PVG Task Force researches and manages incidents involving adverse drug reactions.

Providing Exceptional Service Experiences

SPH has a customer-centric strategy, respects and protects the legitimate rights and interests of customers, and is committed to providing them with efficient and excellent services to improve their experience. Company clients include distributors, healthcare institutions and retailers. According to their business model, the subsidiaries establish a diversified customer service management model.

Customer Experience Improvement

In order to continuously improve service quality, listen to customers, and enhance their satisfaction, SPH's subsidiaries optimize service experience through customer service training, establishment of service standards, and customer satisfaction surveys.

Retail Clients	<p>Subsidiary of SPH Health Commerce - "Yiyao Pharmacy"</p> <ul style="list-style-type: none"> Yiyao Pharmacy has set up a special Customer Service Center with well-trained staff. It boasts a unique pharmaceutical services system and a dedicated team of pharmacists in China, offering expert services across six major therapeutic divisions and catering to 131 critical chronic disease categories. Each therapeutic division is equipped with a dedicated team of trainers and specialist pharmacists. Yiyao Pharmacy's professional pharmacists provide patients with thoughtful and comprehensive services, including medication consultation, usage instruction, medication reminder, and reminder to conduct regular tests. They also offer guidance on appropriate daily diet and healthy lifestyle. In addition, it provides educational services by inviting experts and professors to deliver lectures to assist patients with their medication.
Healthcare Institutions	<p>SPD Operation Center</p> <ul style="list-style-type: none"> SPD Operation Center regularly conducts satisfaction surveys on SPD customers and collects customer feedback. During the Reporting Period, SPD customer satisfaction surveys conducted by SHAPHAR demonstrated its outstanding performance in overall satisfaction for 2021. SHAPHAR received unanimous praise from upstream suppliers, hospitals, business clients, and retail clients.
Distributors	<p>SPH Kyuan</p> <ul style="list-style-type: none"> SPH Kyuan carries out annual customer satisfaction surveys. It conducts statistical analysis on the collected data in a report, and provides feedback on customer satisfaction results to the relevant departments, as a basis for review and improvement of high-quality services and exceptional experience. Customers may call operators or go through the official website for comprehensive and timely consulting services with excellent service experience.

Customer Privacy Protection

Along with the development of digital technologies, privacy protection concerns have increased. SPH is well aware of the importance of privacy protection for customers and the company itself. Therefore, it strictly abides by the relevant provisions of the State including the *Data Security Law* and the *Personal Information Protection Law*, and builds a safe and credible service system to ensure user privacy. During the Reporting Period, the Company did not receive any complaints about customer privacy disclosure.

SHAPHAR National Information Technology Center	<ul style="list-style-type: none"> All databases within the system and those for the supply chain collaboration platform and ERP system are encrypted. A centralized antivirus management platform has been established, significantly enhancing the antivirus capabilities of servers. Both our private cloud platform and supply chain collaboration platform have attained Level 3 certification under the national cybersecurity protection framework.
SPD Operation Center	<ul style="list-style-type: none"> The SPD system filters out patient information and surgery data, and only displays supplies information on the user interface, effectively protecting patient privacy.
SPH Health Commerce	<ul style="list-style-type: none"> A comprehensive legal risk assessment has been conducted on data security and personal information throughout all business segments and operational processes of SPH Health Commerce, culminating in the production of the Legal Risk Assessment Report on SPH Health Commerce's Data Security and Personal Information Protection Project, followed by targeted issue rectifications. Personal information protection clauses have been incorporated as essential terms in standard texts to safeguard the interest and privacy of SPH Health Commerce, its employees, patients, suppliers, and their employees and other individuals. In relevant projects, the Informed Consent Forms are signed with customers, explicitly outlining the purpose and methods of collecting and using personal information, with strict limitations on the scope of personal information collection. Security measures and methods are adopted throughout the entire data lifecycle, including encryption, secure transmission, and data access control, to ensure data security.
Huashi Pharmacy	<ul style="list-style-type: none"> Only anonymized member information is used for operations, and internal employees are bound by the Information Security Non-disclosure Agreements. Personal information of insured persons is protected. Internal access to private materials and records requires a clearly stated purpose, and access is granted only upon approval. Each pharmacy participating in medical insurance signs an annual performance agreement with the Medical Insurance Center, which includes strict management requirements for user privacy. Confidentiality agreements have been signed with third-party platforms that may handle end-user private data. The next step involves developing relevant privacy protection policies and strategies.

Customer Complaint Mechanism

In order to solve customer complaints in a timely manner, SPH's subsidiaries have established a standardized complaint mechanism and will promptly respond to and handle complaints upon receipt, and provide feedback on results.

Healthcare Institutions	<ul style="list-style-type: none"> SPD Operation Center SPD Operation Center is responsible for collecting, reporting and managing adverse events of medical supplies as per the Management System of Adverse Event Monitoring and Reporting of SPD Operation Headquarters.
Retail Clients	<ul style="list-style-type: none"> SPH Health Commerce SPH Cloud Health has set up a special complaint channel by e-mail (compliance@sphchina.com), service hotline (4009200036) and contact number (021-32096606), to promptly respond to customer complaints. Huashi Pharmacy Huashi Pharmacy has prepared the Drug Supply Quality Management System and Operating Procedure (Retail Pharmacies), specifying the confirmation, classification, handling duration, methods and operating procedures of different complaints. Complaints and handling processes will be recorded in detail in the Quality-related Accident and Complaint Handling Record, to ensure that customer complaints are solved in a timely manner.
Distributors	<ul style="list-style-type: none"> SPH Kyuan SPH Kyuan has carried out standardized management through the Customer Satisfaction, Customer Complaint Management System, Quality Inquiry and Quality Complaint Management System, Customer Complaint Process, and specific patient complaints. Customers may give feedback via the complaint hotline, mailbox, official website, letter and interview.



Collaborating to Achieve Win-Win Outcomes

- Serving National Strategy
- Facilitating Industry Development
- Strengthening Supply Chain Management

Biomedicine is a fundamental industry closely tied to public health. Building on its role as a leading enterprise in Shanghai's biomedical sector, SPH actively serves national strategies, expedites the development of a global biomedical industry hub, engages in the development of industrial standards, nurtures talent for the pharmaceutical industry, and fosters synergistic growth across the upstream and downstream supply chains. SPH is committed to becoming a dominant force in the pharmaceutical value chain and driving high-quality development of the biomedical industry.



Serving National Strategy

Accelerating the Development of a Global Biomedical Industry Hub

Biomedicine is one of Shanghai's three strategic industries, playing a pivotal role in safeguarding public health and well-being. In adherence with the relevant national strategy, Shanghai is expeditiously forging ahead to establish itself as a world-class biomedical cluster with international influence. Concurrently, SPH is actively transforming into a dominant force in the pharmaceutical value chain, striving to set industry benchmarks and provide robust support for the modernization of Shanghai's industrial system.

SPH Biomedicine Industrial Base

SPH Biomedicine Industrial Base, located at No. 88 Zhangjiang Road, Pudong New Area, serves as a vital complementary component and underpins the development of biomedical sectors in Shanghai, Pudong New Area, and Zhangjiang Science City. It aims to accelerate the establishment of an innovation hub in Zhangjiang's biomedical industry and foster synergetic growth between "Zhangjiang R&D" and "Shanghai Manufacturing". The Base is dedicated to constructing an open and shared incubation platform for innovative projects that aligns with the cutting-edge direction of the biomedical industry, setting up a high-standard and advanced pilot-scale industrial platform, spearheading and fostering innovations in emerging fields such as therapeutic antibodies, cell and gene therapy, and synthetic biology, and creating a national, leading, open biopharmaceutical innovation cluster. Upon completion, the Base will not only industrialize Shanghai's innovative drug research but also offer integrated solutions across the entire industry chain for domestic and international early-stage biopharmaceutical companies. In the future, it will play crucial roles in attracting, nurturing, empowering, and aggregating cutting-edge biopharmaceutical projects, thus propelling the development of biomedical industry in Shanghai and across China.

Visual Rendering of SPH Biomedicine Industrial Base

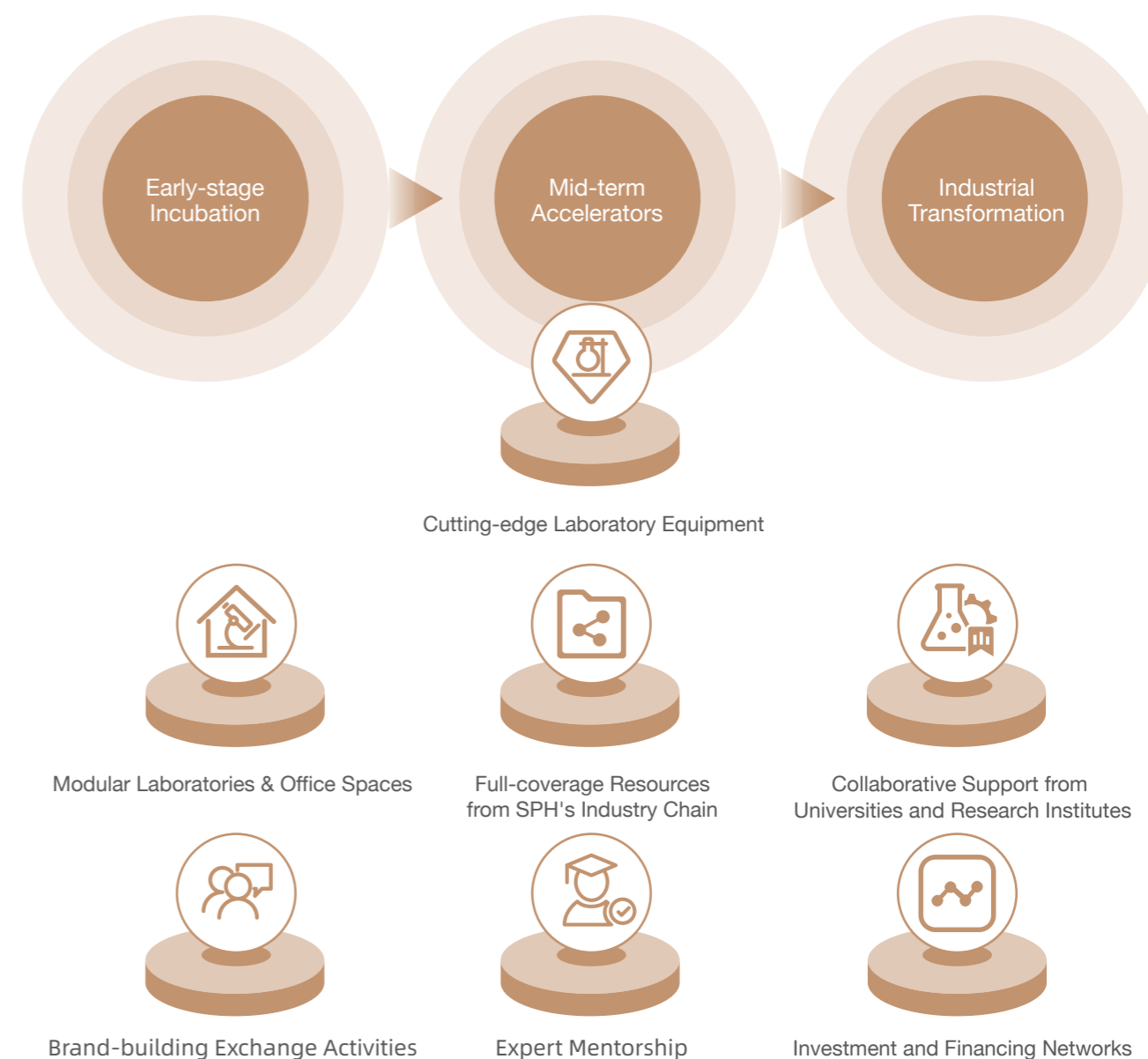


In October 2023, this project was certified by the Pudong New Area as a Group Open Innovation (GOI) Center, operating under the platform of "SPH Open Innovation Center". Phase I of the project has an investment of CNY 2.2 billion, covers approximately 130,000 square meters, and is expected to become operational by 2024.

Biopharma Evolution

Under the support of the Shanghai Municipal Government, the Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (also known as "Biopharma Evolution") was jointly set up by SPH, Shanghai Jiao Tong University School of Medicine, Fudan University, and Zhangjiang Group. In accelerating the construction of Biopharma Evolution, SPH synergizes resources with universities, research institutions, SPH's own R&D platforms, and industrial chains to pool together prestigious enterprises, renowned universities, and elite institutions to build a solid bridge underlying the incubation and commercialization of original biomedical innovations.

Biopharma Evolution, rooted in Shanghai, leveraging Hong Kong, and facing the global market, is committed to building an ecosystem for original biomedical innovations. It integrates resources from "government + industry + academia + research + capital + park", creating a platform that effectively connects various innovating companies and incubation services. By establishing a seamless continuum from early-stage incubation to mid-term acceleration and late-stage industrialization, it introduces groundbreaking and disruptive new projects in frontier areas, providing top-tier scientists and early-stage entrepreneurs with premium resources and convenient services.



In alignment with the strategic directives and policy requirements of the Shanghai Municipal Government for the biomedical industry, Biopharma Evolution actively collaborates with academic institutions and medical organizations, co-establishing an early-stage incubator known as "01-labs". This facility caters to preliminary research projects, giving scientists a great launchpad for innovation and entrepreneurship. The SPH Open Innovation Center houses a larger scale of biomedical innovation accelerator (henceforth referred to as the "Zhangjiang Accelerator"), which forms a complementary relay with the outputs of 01-labs. Building on SPH's industrial resources, this accelerator expedites commercialization for incubated companies, thereby promoting the formation of a cohesive and interconnected ecosystem for innovation, incubation and commercialization. **The Zhangjiang Accelerator is projected to begin operations in the second half of 2024.**

Visual Rendering of Zhangjiang Accelerator



SHAPHAR Lingang New Area Medical & Big Health International Industrial Park

To build Shanghai into an innovation hub for biomedicine and expediting the development of Lingang New Area, SPH has initiated the construction of the SHAPHAR Lingang New Area Medical & Big Health International Industrial Park in Zhuqiao Town, Pudong New Area in Shanghai. With an investment of CNY 2 billion, this project covers a land area of 126,600 square meters and a gross floor area of about 200,000 square meters, consisting of six logistics buildings and ancillary services facilities.

With its proximity to the Pudong International Airport and its focus on pharmaceutical logistics and the free trade zone, the Park draws upon SHAPHAR's high-quality upstream and downstream suppliers and customers, a result of the company's engagement in managing life sciences, big health, and medical supply chains, as well as its proven capability in providing end-to-end supply chain services, ranging from import trade, national and regional distribution to terminal delivery. The Park is dedicated to delivering full-lifecycle supply chain services to attract both domestic and foreign upstream pharmaceutical companies to the Lingang New Area, and enhance the its service quality. The project encompasses six core centers – management & R&D, exhibition, experience, trading, logistics, and after-sales services – which add up to a high-end industrial logistics base that provides closed-loop full-lifecycle services for medicinal products.

Once operational, this project will better serve the needs of the pharmaceutical industry in Lingang (Shanghai) and the Yangtze River Delta region, boost the visibility of Lingang's biomedical sector, enhance the resource allocation capability of the international biopharmaceutical industry, and elevate the international competitiveness and influence of Shanghai's pharmaceutical industry.



SPH Jinshan Green Pharmaceutical Quality Base

Nestled within the Carbon Valley Green Bay Industrial Park of Jinshan District, Shanghai, SPH Jinshan Green Pharmaceutical Quality Base spans approximately 5.23 hectares with an investment of CNY 518 million. Scheduled for December 2024, this facility represents SPH's newly constructed high-end API production base. By capitalizing on the new opportunities in the biomedical sector, SPH strategically positions itself in Jinshan District to catalyze its transformation. Guided by the philosophy of "innovation-driven, coordinated, green, open, and shared development", SPH aligns its efforts with the advanced, intelligent, and eco-friendly requirements for manufacturing. SPH is building a state-of-the-art API production facility, harnessing the cutting-edge "Ultra-Limited Manufacturing" technology from a Shanghai S&T major project to replace traditional batch reactors with continuous and integrated production processes, thereby significantly changing API manufacturing and enhancing corporate competitiveness. Under the guidance of its specialization, green manufacturing, and internationalization strategies, the Base will be technology-driven, and produce high-quality, green and reliable APIs for formulation companies, thus safeguarding public health.

Project Positioning		
<p>Premium API Production Base</p> <p>This Base is designated as SPH's high-value-added and premium API production hub. It will consolidate high-value-added APIs from SPH's Shanghai-based subsidiaries and facilitate the commercialization of SPH's products.</p>	<p>Industrialization Base for Major Projects</p> <p>"Ultra-Limited Manufacturing" is a Shanghai municipal S&T major project led by East China Normal University in collaboration with East China University of Science and Technology and SPH SBPC. The project aims to replace traditional batch reactors with continuous manufacturing processes, spearheading a major revolution in API production.</p>	<p>Public Platform for the API Industry</p> <p>A public platform for the industrialization of APIs of small-molecule innovative drugs, serving as a landing point for the industrialization of small-molecule innovative drug enterprises.</p>



Bayer Co.Lab's First-Ever China Launch Empowers Early-Stage Innovation

In a response to the Central Government's decision to promote high-standard opening up in the new era, SPH and Bayer jointly announced at the Sixth China International Import Expo that they have entered into a cooperation agreement to establish the Bayer Co.Lab platform in China. This initiative aims to facilitate and accelerate the industrialization of cutting-edge research outcomes in cell and gene therapies. By nurturing new drug R&D and business operations, connecting local startups with a global network and resources in the pharmaceutical industry, the Co.Lab platform empowers the growth of domestic startups. Not only does this mark the debut of Bayer Co.Lab in China, but it also represents Bayer's largest Co.Lab platform in the Asia-Pacific region. At the soon-to-be-launched SPH Open Innovation Center, SPH and Bayer join hands to build a Co.Lab platform focused on cell and gene therapies and oncology. Harnessing the innovative incubation platform and integrated solutions of the SPH Open Innovation Center, the Co.Lab platform will give full play to SPH's domestic network of resources and the innovation ecosystem fostered by Biopharma Evolution, as well as Bayer's global innovation, partnership networks and technical expertise in cell and gene therapies. This synergy will help nurture the growth of local startups, expedite the commercialization and industrialization of early-stage innovations, and cultivate a China-centric brand for cell and gene therapy innovations. It will also enable domestic companies to access global resources and expand their businesses in both domestic and international markets. **The project is expected to be fully operational in the second half of 2024.**





Shanghai-Hong Kong Synergy for Innovation-driven Development

2023 marked the 20th anniversary of the mechanism of Hong Kong-Shanghai Co-operation Conference. As a leading Chinese enterprise listed in Hong Kong, SPH vigorously supports China's national strategy of "Innovation-driven Development" and responds to China's "14th Five-Year Plan" by contributing to Hong Kong's growth and its drive to become an international innovation and technology hub. Building on Hong Kong's strengths in basic research, policy advantages, and its position as a global financial and Asian business hub, SPH has teamed up with Biopharma Evolution and the Hong Kong Science & Technology Park to launch a Hong Kong-Shanghai co-incubator, which seeks to accommodate global biomedical innovation teams and projects and integrate them with life sciences and pharmaceutical innovation resources in Hong Kong. Leveraging Shanghai's strengths in the biomedical domain, it strives for a "Hong Kong incubation, Shanghai commercialization" model, helping both cities to become global pharmaceutical innovation hubs and promoting the high-quality development of innovative drugs in China. In January 2024, the Hong Kong-Shanghai co-incubator "01LABS@Hong Kong" was inaugurated at the Hong Kong Science & Technology Park, marking a new milestone in the 21st year of the Hong Kong-Shanghai Co-operation Conference mechanism.

Opening Ceremony of the Hong Kong-Shanghai Co-incubator



"01LABS@Hong Kong" occupies a 1,300-square-meter area on the third floor of Building 6W in the Hong Kong Science & Technology Park, featuring shared laboratories and workspaces. Focusing on emerging spheres such as gene and cell therapy, autoimmune diseases, and anti-aging, the facility can accommodate at least eight innovative enterprises or groups.

Facilitating Industry Development

Riding on the wave of global technological advances, Chinese pharmaceutical companies are deploying assets globally, based on a new strategy. Large pharmaceutical conglomerates and emerging innovative biotech companies need to further strengthen their integration and development in the drug discovery chain. As a leading enterprise in Shanghai's biopharmaceutical industry, SPH integrates innovation and industry with a strong sense of social responsibility and is dedicated to promoting pharmaceutical innovation in the country.

Construction of Industry Standards

SPH hosted and participated in the formulation and revision of major technical standards. During the Reporting Period

- ★ SHAPHAR and its subsidiaries based in the Yangtze River Delta participated in the development of Multi-warehouse Collaborative Drug Management Standards (T/SHPPA 013-2022), a social organization standard drafted under the auspices of the Shanghai Center for Drug Evaluation and Inspection. SHAPHAR is also among the first enterprises to implement this standard, which was officially released on the National Social Organization Standard Information Platform in August 2022 and recognized as a "Shanghai Standard" in 2023. This is a testament to its extensive influence, excellent implementation results, and capacity to drive industry innovation and development.
- ★ SHAPHAR participated in the development of the Specification of Supply Chain Management for Investigational Medicinal Products (T/SHSPTA 001-2023), a social organization standard drafted under the auspices of the Shanghai Center for Drug Evaluation and Inspection. It is also among the first enterprises to implement this standard, which was officially released on the National Social Organization Standard Information Platform in January 2023. The standard was further approved by Shanghai Administration for Market Regulation as a pilot project for standardized practices within Shanghai.
- ★ SHAPHAR participated in the development of the Specification for Entrusted Distribution Management by Drug Marketing Authorization Holders (T/SHSPTA 002-2023), a social organization standard drafted under the auspices of the Shanghai Center for Drug Evaluation and Inspection. It is also among the first enterprises to implement this standard, which was officially released on the National Social Organization Standard Information Platform in May 2023, offering a structured approach to new business paradigms and filling the gap in industry standards.
- ★ SHAPHAR participated in the development of Drug Network Operation Quality Management Standard (T/CAPC 010-2023), a social organization standard drafted under the auspices of the China Association of Pharmaceutical Commerce. It is also among the first enterprises to implement this standard, which was officially released on the National Social Organization Standard Information Platform in May 2023. SHAPHAR is actively guiding the industry with its exemplary role in the standardization of new business paradigms.

Participation in Industry Organization Associations

SPH has joined the following organizations and associations

Organizations / Associations

- | | |
|---|--|
| <ul style="list-style-type: none"> China Pharmaceutical Enterprises Association China Pharmaceutical Industry Association China Food & Drug Administration China Food and Drug Corporation Quality and Safety Promotion Association China Association of Scientists China Pharmaceutical Innovation and Research Development Association China Shippers' Association China Corporate Alliance for Pharma Innovation & Development China Medicinal Biotechnology Association China Association of Pharmaceutical Commerce China Association of Traditional Chinese Medicine Price Association of China China Association of Quality China Pharmaceutical Association of Plant Engineering | <ul style="list-style-type: none"> Shanghai Pharmaceutical Industry Association Shanghai Traditional Chinese Medicine Trade Association Shanghai Pharmaceutical Trade Association Shanghai Medical Insurance Association Shanghai Biopharmaceutics Industry Association Shanghai Pudong Biopharmaceutics Industry Association Shanghai Pharmaceutical Association Shanghai Association for Quality Shanghai Trade Investment Development Association Shanghai Industrial Internet Association Shanghai Young Entrepreneurs Association Shanghai Association of Plant Engineering Shanghai Association of Food and Drug Safety Shanghai Medical Instrument Trade Association Shanghai Synthetic Biology Industry Association |
|---|--|

Hosting Industry Summits



Pujiang Healthcare Summit 2023

On October 15, 2023, the 6th Pujiang Healthcare Summit 2023 was held at the W Shanghai – The Bund hotel. It was sponsored by the China Pharmaceutical Enterprises Association under the guidance of the Office of Shanghai Biomedical Industry Development Leading Group, strategically supported by SIIC, SPH, Shanghai Biomedical Industry Equity Investment Fund and Biopharma Evolution, and organized by *Healthcare Executive* magazine. As a key component of the 2023 International Biopharma Industry Week Shanghai (IBIWS 2023), the Summit, themed "Envisioning the Future", aimed to provide fresh perspectives and reference points for pharmaceutical industry innovation in challenging times, and to align stakeholders towards a shared vision and cooperative progress.



BT+IT – Advanced Seminar on Talent Development for Biomedical Intelligent Manufacturing



Sponsored by the Shanghai Municipal Human Resources and Social Security Bureau and organized by SPH and the Shanghai Technical Personnel Continuing Education Base (SPH Workers University), the "BT+IT – Advanced Seminar on Talent Development for Biomedical Intelligent Manufacturing" was successfully held at SHAPHAR on August 19, 2023. The Seminar covered four themes: digital entry into medicine; digital enhancement of manufacturing management; cultivation of digital-savvy interdisciplinary talents; and digital promotion of industrial development. Speakers from various backgrounds explored the historical evolution and future trends of the digital economy, the opportunities and challenges of digital transformation in the pharmaceutical sector, regulatory digital initiatives, corporate digital infrastructure, and strategies for nurturing versatile professionals through comprehensive discussions and sharing of insights.



2023 China Conference on Rare Diseases

Co-sponsored by the China Alliance for Rare Diseases, the China Red Cross Foundation, and the Office of the National Network for Diagnosis and Treatment of Rare Diseases, the "2023 China Conference on Rare Diseases" was successfully held in Beijing on October 21-24, 2023 with substantial support from SPH. Diligently implementing the people-centric development philosophy and centering on the theme of "Putting People First for Joint Contribution and Shared Benefits", the conference covered critical themes such as rare disease policy, clinical treatment, talent cultivation, drug R&D, and pharmaceutical security. The participants sought to devise a high-quality development plan for the diagnosis and treatment of the protection from rare diseases in the context of China's modernization journey.



Cultivating Industrial Talent

Approved by the Shanghai Municipal Human Resources and Social Security Bureau, SPH has set up a "Shanghai Continuing Education Base for Pharmaceutical Professionals and Technicians". It has curated programs to provide professional knowledge and update on policies for pharmaceutical practitioners from different fields. More than ten online courses are designed with government departments such as the Shanghai Drug Administration and experts to empower front-line workers in the industry.

SPH deepens collaboration with universities by continuously forming strategic alliances on talent cultivation. It not only pushes ahead with the national-level joint master's and doctoral programs for cultivating excellent engineers, but also works with universities to set up national hands-on education and internship bases for Masters graduates. SPH always seeks to improve students' hands-on skills and abilities through internships, career counseling, expert exchanges, and customized training programs. These academia-industry collaborations have helped create a "reservoir" of talents for the industry, which will in turn enable its high-quality development.

New University-Enterprise Cooperation Projects in 2023

In 2023, SPH hosted a week-long social practice summer camp for students and teachers from a consortium of esteemed universities, including Tsinghua University, Peking University, Fudan University, Shanghai Jiao Tong University, Zhejiang University, Tongji University, East China Normal University, Shanghai University of Finance and Economics, East China University of Science and Technology, Shanghai University, China Pharmaceutical University, Shanghai University of Traditional Chinese Medicine, and Shanghai University of Medicine & Health Sciences.

SPH has initiated the "Elite Engineer Joint Training Program for the 2024 Academic Year", aiming to cultivate three doctoral and twelve master's degree candidates in partnership with prestigious institutions such as Fudan University, Shanghai Jiao Tong University, and East China University of Science and Technology.

Strengthening Supply Chain Management

Suppliers are important partners for SPH's sustainable development. Following the "quality first, reasonable price, mutual benefit, and win-win cooperation" principle, SPH has formulated "Procurement Bidding Management Measures", "Supplier Integrity and Compliance Management Measures", and "Centralized Procurement Management Measures". These documents optimized and upgraded the supply chain management system, and improved centralized procurement to ensure that products meet quality standards and the process is in compliance with relevant regulations. They also ensure the long-term and stable production of safe and effective drugs, in cooperation with suppliers, to fulfill SPH's social responsibility.

SPH uses centralized purchasing to procure large quantity, high-value, and standard goods. Retrospectively, open tendering, invited tendering, competitive negotiation, single-source procurement, and price inquiry are carried out in different scenarios. Centrally procured materials include raw/auxiliary materials and packaging materials (inclusive of medicinal herbs), laboratory instruments, maintenance services for laboratory equipment, laboratory reagents and consumables, laboratory furniture, laboratory information management systems, network-based software, industrial hazardous waste disposal services, elevators, chilled water units, air conditioning units, third-party measurement/testing/calibration services and office furniture. The participating entities in centralized procurement range from production bases to research institutes both inside and outside Shanghai.

Standardizing Management

Led by the SPH Manufacturing Management Center, a procurement working group has been established, with members from the Audit Department, Legal Department, Department of Finance, Supply Chain Management Department of the Manufacturing Management Center, Department of Engineering Projects, Department of Asset Management, Department of Quality Management, Department of Lean Production and personnel from other relevant departments from the Group. The Audit Department is responsible for the compliance. The Legal Department focuses on the legitimacy of the agreement/contract terms. The Department of Finance focuses on the optimal business status and suppliers' payment methods. The Supply Chain Management Department focuses on summarizing, organizing information, formulating the procurement plan, preparing bidding documents, and following up on the implementation.

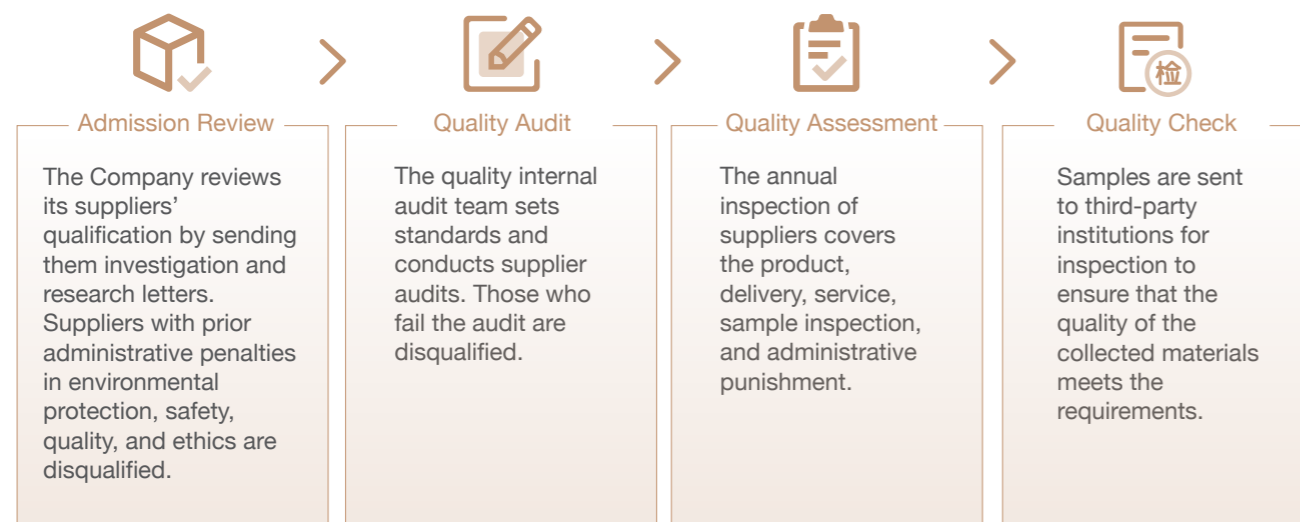
Promoting Supply Chain Stability

Harnessing its expertise in pharmaceutical and healthcare supply chain management and medical services, SPH coordinates resources and stays committed to ensuring consistent availability of pharmaceutical products in both routine operations and exceptional emergency scenarios, in addition to maintaining price stability.

- Through regular production-sales communication meetings and timely submission of production delivery reports, potential supply risks are proactively identified, followed by the formulation of corresponding strategies and the implementation of relevant measures to mitigate these risks.
- SPH regularly analyzes its capacity utilization, preemptively assessing the feasibility of technological upgrades, expansion projects, or new constructions.
- The establishment of SPH Production Data Collection and Analysis System ensures comprehensive monitoring and tracking of inventory status and capacity utilization, with a focus on the delivery performance of key products.
- Enhanced internal resource coordination ensures swift expansion of production facilities to guarantee capacity needs.
- Proactive identification and resolution of raw material supply issues, coupled with the cultivation of backup suppliers, contribute to increased product supply reliability.

Quality Management of Procurement

To strengthen quality control, the Company has implemented a comprehensive process in the approval, audit, and assessment of suppliers, and removed suppliers who fail the assessment or sample inspections or those with administrative penalties.



Sustainable Supply Chain

SPH cares about suppliers' environmental, social and governance performance and is committed to building a sustainable supply chain. All suppliers are required to sign an Integrity Compliance Agreement with the Company. SPH's Measures for Supplier Integrity and Compliance requires suppliers to obey laws, regulations, departmental rules, and other regulatory documents related to anti-corruption and anti-unfair competition. Our subsidiaries are actively building green supply chains. We encourage suppliers to complete certification and include EHS compliance as a key assessment item. Suppliers who complete the certification are included on the list of preferred suppliers. At present, some suppliers have passed the certification of forest production and marketing chain, social responsibility certification, and laboratory CNAS certification.



- ★ SPH Qingchunbao enforces a Supplier On-boarding Management Policy that prioritizes suppliers who have obtained or are working towards ESG-related certifications. A Stakeholder Environmental Questionnaire is distributed to main suppliers to gauge their environmental performance. In cases where suppliers exhibit poor environmental records, they are encouraged to make improvements and vigorously push ahead with environmental protection activities.
- ★ SPH XTCM has devised Notification on Environment, Occupational Health, and Safety for Stakeholders, requiring adherence to relevant environmental, safety, and occupational health standards from suppliers, outsourcing partners, and contractors.



SPH Sine Honored with "Green Supply Chain Management Enterprise of Shanghai"

Striving to build a green supply chain, SPH Sine has developed the "Green Supply Chain Management Development Plan (2022-2025) of Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.", outlining the definition, scope, goal, vision, fundamental approaches, plans, and basic measures for its green supply chain management.

- SPH Sine has developed a green design platform for probiotics formulations.
- When selecting suppliers, SPH Sine considers multiple factors such as product quality, price, delivery time, batch flexibility, variety, environmental friendliness, resource efficiency, low carbon energy use, and non-hazardous materials.
- SPH Sine collaborates with suppliers to choose packaging materials that are abundant in source, renewable, and easily degradable.
- SPH Sine implements categorized collection and management for reusable packaging materials, engaging professional third-party services to recycle empty packaging after the consumption of purchased raw and auxiliary materials.

Suppliers' Training

SPH's subsidiaries tailor training, support, and guidance to suppliers based on their unique business characteristics, thereby enhancing their proficiency in areas such as quality management, safety management, and production management. This concerted effort promotes sustainable development among suppliers.



SPH Herbapex conducts training on protecting supplier rights



SPH Qingchunbao assists suppliers in resolving production issues



Putting People First and Bringing Talents Together to Make SPH Exceptional

- Compliant Employment Management
- Promising Career Development
- Diversified Employee Salary and Welfare
- Occupational Health Protection
- Improving Employee Care and Benefits

A company's core competence lies in its talents. As a Responsible Employer, SPH upholds the core values of "innovation, integrity, cooperation, inclusiveness, and responsibility". The Company is open and inclusive, and provides fair opportunities and a safe environment, as well as diversified incentive mechanisms and development opportunities

Highlights of 2023

Total Number of Employees: **48,164**
 Proportion of Female Employees: **50.5%**
 Training Participants: **577,136**
 Average Hours of Training: **33** Hours
 Occupational Diseases: **0**



Vision and Mission



Vision of Human Resource Management

People-oriented, to empower and activate; Be an excellent employer in China



Mission of Human Resource Management

To give employees the power to fly high

Compliant Employment Management

Compliant Recruitment and Employment

PH strictly abides by the *Labor Laws of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other national and regional labor regulations, rules, and policies. SPH has formulated corresponding internal management policies on recruitment, contract, and attendance for each subsidiary to ensure compliance and protect the rights and interests of employees. SPH conducts age confirmation in the recruitment process to prohibit child labor. The Company signs labor contracts with all employees, takes attendance and eliminates forced labor. The Company has also established labor unions to protect the rights and interests of employees and provide a communication platform for their feedback and complaints. Holding steadfast to lawful employment practices, SPH maintained a flawless record during the Reporting Period without any incidents involving child labor or forced labor. In 2023, 100% of our employees signed an employment contract.

Diversity and Equal Opportunities

SPH always adheres to the principle of fairness and impartiality, and recruits employees based on job requirements without discriminating based on educational background, religion, nationality, marital status, gender, disease, or race. SPH boasts a gender-balanced workforce with a female representation of 50.5%. Among the eight senior executives, seven are male and one is female, and various departments are led by an inclusive mix of male and female staff members.

SPH adheres to the market-oriented employment mechanisms and promotes open recruitment and merit-based selection processes to create premium job opportunities and foster a favorable employment environment. In 2023, SPH created 8,476 new jobs, including hiring 44 individuals with disabilities. By establishing a unified recruiting management platform and standardized recruiting management procedures, the Company continuously strengthens its staffing and talent reserve through diversified talent acquisition methods such as social media recruitment, campus recruitment, internal recommendation, and internal transfers. SPH is focused on high-quality talents in the fields of technology innovation, advanced manufacturing, quality management, marketing, and internationalization.

Actively engaged in campus recruitment, SPH utilizes a variety of channels such as online and offline promotional events, school-enterprise collaboration projects, and summer camps, allowing students to gain insights into the Company and access timely job information, facilitating their transition into the workforce. In 2023, SPH was once again honored as "China's Most Attractive Employer among College Students" and was recognized as one of "China's Top 100 Model Employers" and an "Exemplary Employer for Talent Attraction and Retention for 2023".



New Job Positions Created: 8,476

Individuals with Disabilities Hired: 44

① Social Recruitment

② Campus Recruitment

Talent Acquisition Channels

③ Internal Referrals

④ Internal Transfers

Honored Employer

Honor	Issuing Authority	Award
Top Ten Social Scholarships for Shanghai Universities (2022-2023)	Shanghai Municipal Education Commission	
China's Top 100 Model Employers for 2023 Exemplary Employer for Talent Attraction and Retention for 2023	51Job.com	
China's Most Attractive Employer among College Students for 2023	51Job.com & yingjiesheng.com	
2023 China HR Sirius Award for Best Digital HR Practices	Moka	
2023 Pioneer Award for Digital Talent Evaluation	NormStar	

Case

SPH's Collaboration with East China University of Science and Technology

Since October 2015, SPH has partnered with the East China University of Science and Technology to run the "Aspiration and Virtue Club", providing scholarships and assistance to outstanding and financially challenged students in the "Aspiration and Virtue Class". Through a variety of educational aid initiatives and social practices activities, including summer internships, corporate open day, and university-enterprise dragon boat race, the partnership not only inspires students to pursue excellence in academics but also instills perseverance and self-reliance. This collaborative effort has set a new benchmark for university-enterprise cooperation in poverty alleviation through education and talent cultivation. In 2023, this project was honored with one of "Top Ten Social Scholarships for Shanghai Universities (2022-2023)" by Shanghai Municipal Education Commission.

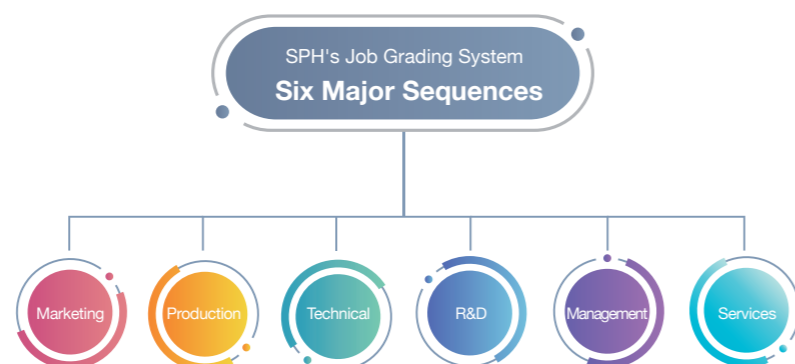
Privacy Protection

SPH strictly abides by the Personal Information Protection Law of the People's Republic of China to protect the security of employees' personal information and prevent the intentional or unintentional disclosure of private information to non-related people. As for recruitment, assessment and salary, only authorized personnel can access employees' information.

|| Promising Career Development

System Building

SPH introduced the Hay Job Evaluation Methodology to assess the value of each job position. This resulted in the creation of SPH's own job grading system. The system comprises six major sequences – Marketing, Production, Technical, R&D, Management, and Services – along with 49 associated sub-sequences, forming a complete value chain depicted in the SPH Position Matrix Chart and laying a robust foundation for human resources management. SPH will pursue ongoing refinements to its compensation incentives, performance evaluations, and career development systems.



Performance Appraisal and Promotion

Every year, SPH carries out target setting and performance appraisal for each employee. The promotion channel for employees is divided into two tracks: professional and managerial. The promotion is linked to employees' performance, capability and needs. SPH piloted internal recruitment channels to provide employees with diversified development opportunities. Furthermore, SPH continuously strengthens talent development and incentivization through initiatives such as cross-posting exercises for managers and the Group's "Flowing Water Program", which promote cross-regional, cross-sectoral, cross-enterprise, cross-level, cross-disciplinary, and cross-functional talent mobility. These efforts ensure the cultivation of versatile professionals and a dynamic talent incentive mechanism.

Talent Retention and Incentivization

SPH persistently explores and innovates in talent incentive programs to further stimulate innovation among its workforce. It has set up medium and long-term incentives for core managers and R&D personnel, including but not limited to equity incentive, incentive bonus, project bonus, and honorary recognition.

SPH advocates a performance culture and explores multiple methods to incentivize employees. The Company has advanced several initiatives, including optimizing the standard remuneration system for research and development positions, implementing an overall performance assessment plan centered on project evaluation for the R&D Management Center, and initiating a long-term incentive program for its innovative drug R&D teams. The long-term incentive management scheme for the R&D teams has been launched.

SPH has been conducting engagement surveys for years and consistently acts upon the findings to make corrections. During the 2022-2023 period, the Company achieved an overall engagement score of 80%, surpassing both the national average in China and industry benchmarks for the healthcare sector. The survey results revealed that 84% of employees expressed reluctance to leave the Company, demonstrating a positive trend in employee retention, with a 2 percentage point increase compared to the previous round of research.

Employees' Development

Employees' development is essential to enterprise growth. SPH is highly involved in the growth and development of its employees, providing a systematic training and specified learning and development channels.

Focusing on the Dynamic Development Strategy, SPH adheres to four basic principles: special attention, service strategy, comprehensive coverage, and integrated support. With Shanghai Pharma University as the core, we have designed a scientific and systematic training program and courses for employees of all levels and positions. The "4+1" training system includes the main program, professional program, special program, rotation program, and forums, to establish a talent cultivation system with a global vision. Employees may choose training courses according to their own development goals and job requirements. These efforts help both employees and the Company in their growth journeys.

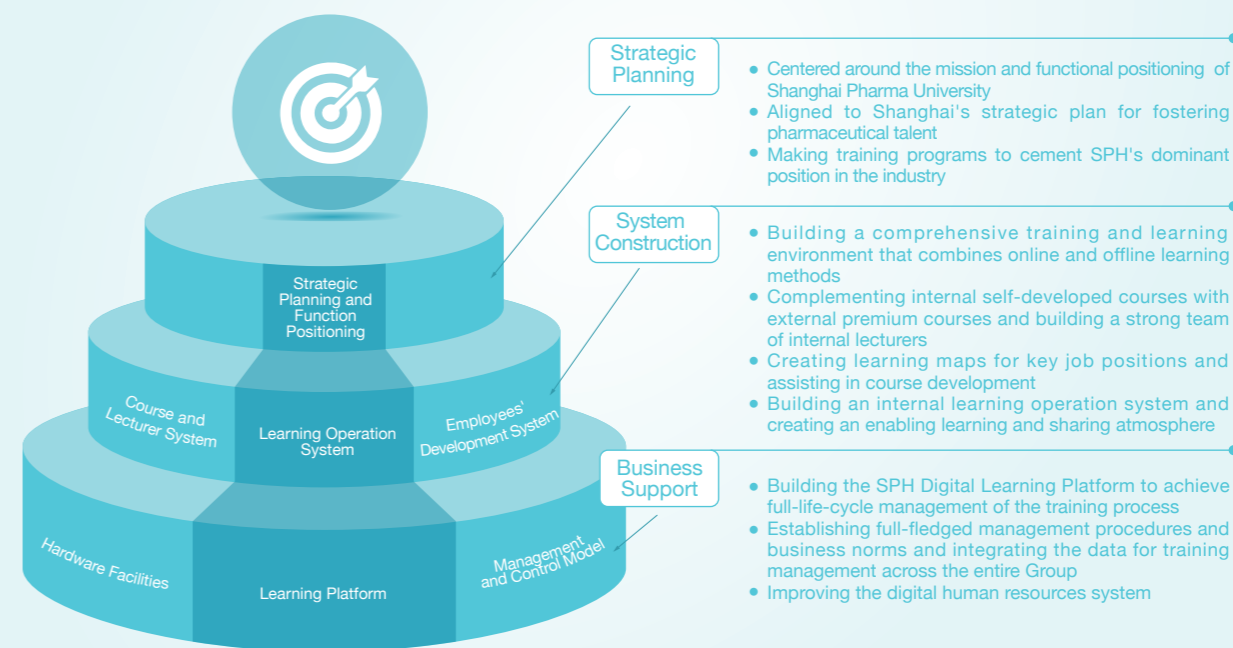
"4+1" Training System



• Training Participants: 577,136 • Average Hours of Training: 33 Hours

"SPH E-Academy" Digital Learning Platform

To enhance its digital human resources system, SPH proudly launched its e-learning platform named "SPH E-Academy". This platform is available to all staff, holds variety of training resources, offers diversified training methods, manages training processes (i.e., assessment, learning, practicing, testing, and evaluation) in a closed-loop manner, and allows unified management of training data. In close collaboration with SPH's Department of Human Resources, Executives Management Department, and Information Technology Center, Shanghai Pharma University has released the Measures of Shanghai Pharmaceuticals Holding Co., Ltd. for the Management of Digital Learning Platforms (for Trial Implementation), thus establishing full-fledged management procedures and business norms and integrating data for training management across the entire Group.



During 2023, Shanghai Pharma University effectively executed its teaching plan by leveraging the "SPH E-Academy" to conduct 20 different training projects spread across five categories: core projects, professional projects, thematic projects, rotation projects, and university forums. This involved 54 classes, 21 university forums, 330 offline training days, and a combined 21,224 participants through online and offline training sessions. Since its launch, the "SPH E-Academy" has covered all secondary subsidiaries in 2023. A total of 36,365 users engaged with the platform, with a total of 18,363 courses and accumulated learning duration of 420,069 hours, averaging 11.55 hours of online learning per person.

Cultivation of Technicians

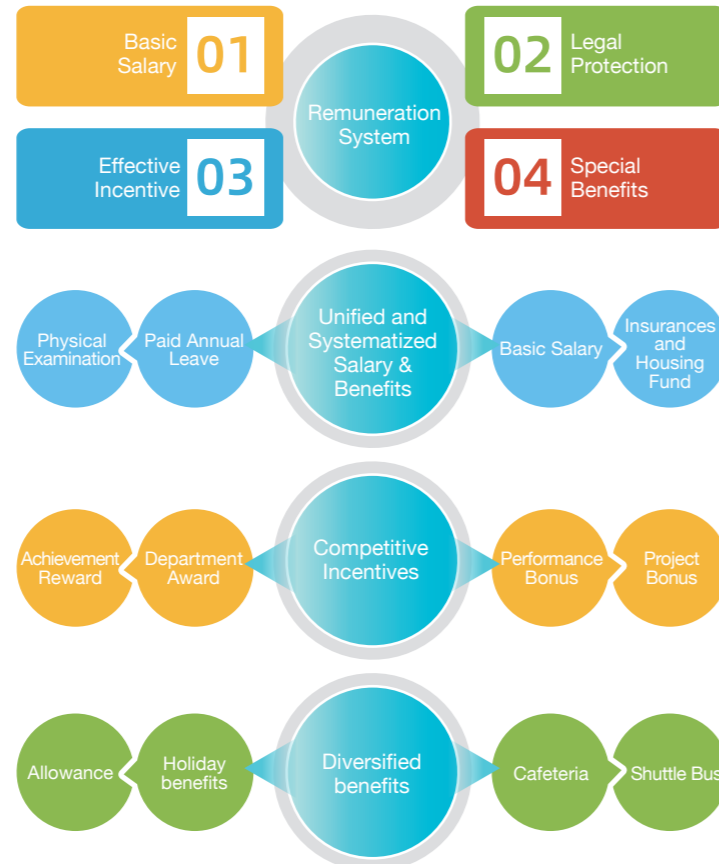
SPH is one of the national models excelling at the integration of production and education. The Company actively promotes the cultivation of high-skilled personnel and has gradually built a mature training system. In 2023, SPH held systematic technician training, providing them outstanding skills. As of the end of 2023, a total of 11 people have been awarded the title of "Shanghai Artisan".

SPH also nurtures high-skilled teams. The Company organized the 2023 SPH Group Vocational Skills Competition for pharmaceutical preparation workers (advanced level), drug inspectors (advanced and medium levels). Two hundred and six contestants from 29 SPH subsidiaries signed up for the competition. Before the competition, the Company offered targeted theoretical and operational training sessions to the contestants. Through skills competitions, SPH drives training and practice, boosting the technical proficiency of front-line workers and nurturing a high-skilled workforce adept at continuous learning and innovation. Through these contests, 167 employees improved their professional skills, contributing to the high-skilled talent pool undergirding the prosperity of Shanghai's biomedical industry.

Diversified Employee Salary and Welfare

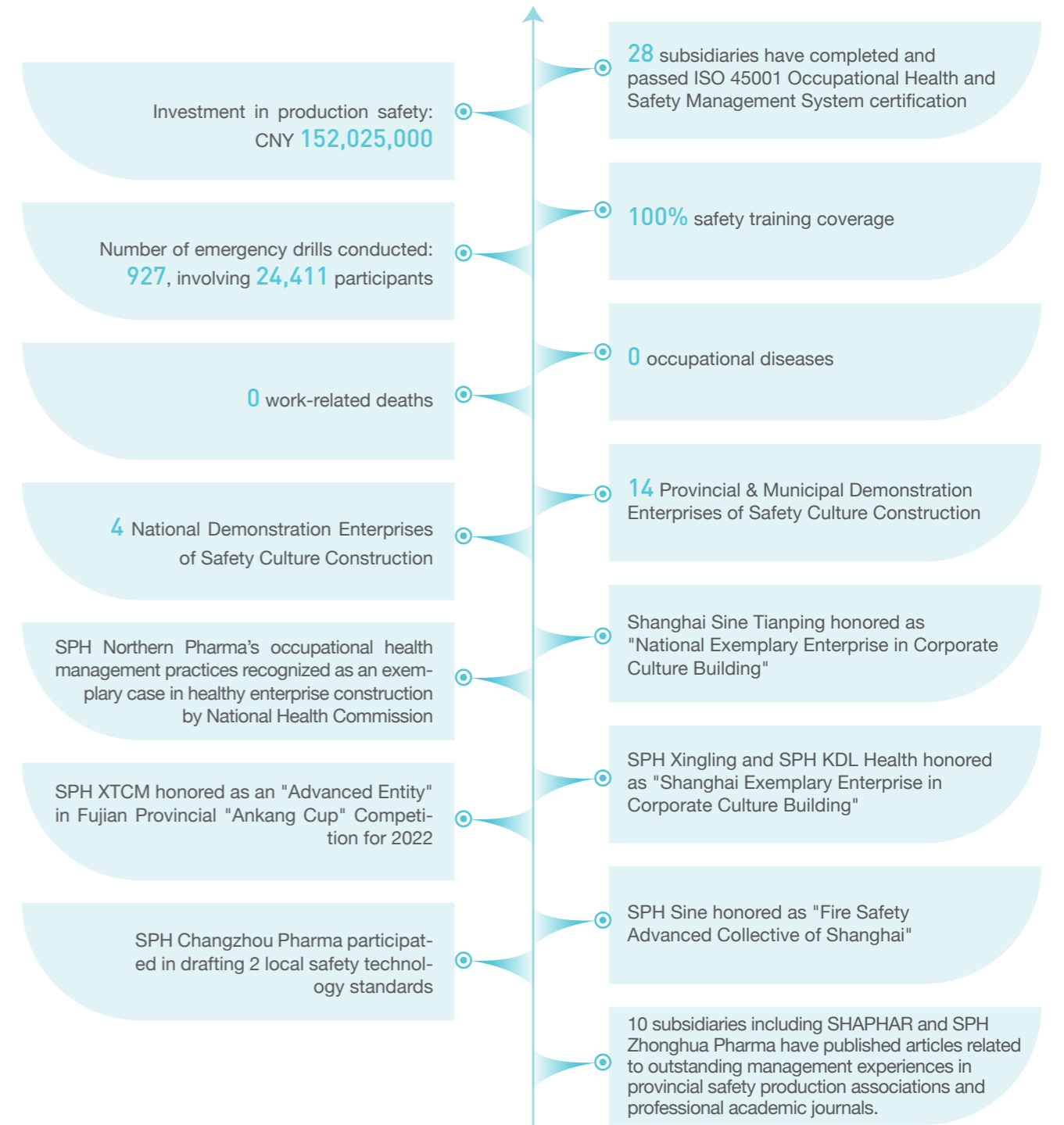
SPH's remuneration principles are based on staff position, ability, performance, in addition to market conditions. The Company has set up a Remuneration Management System, to provide employees with salary increases.

SPH's Remuneration Management System considers employees' positions, which includes management, marketing, R&D, quality management, and production. The system has boosted the morale and creativity of our staff to help achieve the Company's strategic goals.



Occupational Health Protection

Prioritizing employees' health and safety, SPH endeavors to provide a suitable work environment. In compliance with relevant laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, the *Fire Protection Law of the People's Republic of China*, and the *Provisions on the Administration of Occupational Health at Workplaces*, SPH has established and continually refines its safety management and occupational health management systems.



Structure & System of Safety Management



SPH consistently upholds a people-centric approach, prioritizing the well-being and safety of people above all else. SPH adopts a proactive strategy with prevention at its core, and addresses potential major safety risks at the source. SPH has devised a production safety responsibility system that adheres to the principles of shared responsibility between the Party committee and administrative organ, dual responsibilities for one position, joint management, and accountability for negligence. This system emphasizes the "three musts" principle, which mandates that safety must always be taken into account amid the management of industry, business operations, and production.

SPH implements key work priorities across the Group, establishes a high-level safety assurance system, fulfills its primary responsibility, refines its institutional framework, and strengthens risk management efforts to effectively prevent and reduce various types of incidents. As a result, the annual work objectives were accomplished, ensuring a stable security situation, which is crucial for the Group's high-quality development.



SPH has established a production safety and work environment management committee (the "Safety Committee") run by heads of business units, functional departments and subsidiaries, as well as labor unions and employee representatives. The Safety Committee plans and guides the production safety management work for the entire Group. SPH's Security Department supervises, inspects, and guides the security management work of each entity, and conducts mid-year audits and year-end performance assessments. Employee representatives can communicate, negotiate and solicit opinions about occupational health and safety affairs through the Safety Committee, the labor union, and other channels.



SPH regularly upgrades its production safety responsibility and evaluation systems, and has established a complete set of Management Standards and Systems of Production Safety, including 43 systems, such as Safe Production Management Standards, Safe Production Classification and Grading Measures, Performance Assessment of Safety Management and Environmental Management, and Accident Accountability System of Safe Production and Environmental Protection. These policies apply universally to all categories of employees, including dispatched workers and interns. In 2023, the Company was focused on strengthening safety management for hazardous chemicals, special operations, construction works, fire safety, transportation, gas safety, flood control, and typhoon resistance. Efforts were directed towards the development of safety culture and the standardization of production safety practices. During the Reporting Period, SPH did not experience any incidents that contravened relevant laws and regulations pertaining to occupational health and safety.

"Four No's and One Less" Safety Production Objectives

01 No Major Accident

02 No Fire or Explosion

03 No Traffic Accident

04 No Serious Hazards

05 Moderate Injuries or General Accident

Safety Risk Identification and Management

In strict adherence to the *Production Safety Law* and relevant guidelines, SPH and its subsidiaries manage risk and handle dangerous situations. The Company tightly controls production safety risks, clamps down on common violations, persistently strengthens emergency response and fire safety measures, and closely manages rental properties. Following directives from the General Office of Shanghai Municipal Work Safety Commission, Shanghai Municipal State-owned Assets Supervision and Administration Commission, and higher-level companies, the Group and its subsidiaries have identified major safety hazards and conducting gas safety inspections. 42 specialized deployment and promotion meetings were convened and 24 special rectifications documents were issued. SPH conducted extensive visits and investiga-

tions, such as end-of-year and beginning-of-year safety checks, anti-flood, anti-typhoon and high-temperature safety inspections in summer, and period-specific targeted inspections.

SPH urges its subsidiaries to implement corrective actions and develop continuous improvement measures for any safety hazard. During the Reporting Period, all subsidiaries achieved a 100% inspection rate, 100% reporting rate, and 100% rectification rate of all identified safety hazards. In 2023, SPH's Security Department conducted nearly 200 online and offline routine safety inspections for 98 entities, achieving a 100% review of 1,800 special operations reported by 39 entities.

During the Reporting Period, all subsidiaries achieved a 100% inspection rate, a 100% reporting rate, and

a 100% rectification rate of all identified safety hazards.

Emergency Management

SPH has developed and continually improves the Comprehensive Emergency Response Plan, and strives to enhance the emergency response capabilities of its employees through various safety drills. In 2023, through activities such as "Production Safety Month" and "Fire Safety Month", SPH's subsidiaries held 260 effective full-staff emergency drills as per the requirements of their contingency plans, involving more than 11,200 participants. Additionally, nearly 170 skill training sessions on self-rescue and mutual aid among employees were held, covering over 3,600 staff members, to remind all personnel to remain vigilant about their safety responsibilities and be familiar with escape routes and disaster mitigation plans.



On November 20, 2023, the Group guided SPH Sine in conducting a comprehensive emergency drill themed "Enhancing Fire Awareness and Focusing on Fire Safety".



On December 12, 2023, the Group also guided SPH SBPC in conducting a comprehensive emergency exercise themed "Winter-Spring Fire Prevention and Control".

Employees' Health & Safety and Safety System Certification

SPH encourages its subsidiaries to promote production safety, occupational health, and a safety management system, to improve and standardize production safety. As of the end of the Reporting Period, 13 subsidiaries maintained full coverage of standardized production safety management; and 28 subsidiaries were ISO 45001-certified or reviewed.



Safety Culture

SPH continues to advance corporate safety culture by launching initiatives and formulating a tailored "one-company-one-strategy" plan for promoting unique safety cultures. SPH also keeps improving its systematic safety management system by kicking off unique safety culture activities. By implementing an employee responsibility system, it is committed to becoming a stellar example of safety management and striving to advance the transition from "safety for me" to "I care about safety", "I understand safety", and "I am capable of ensuring safety", from "individual safety" to "overall safety", and from "passive safety" to "active safety".

Case

"Production Safety Month" Activities in 2023

Following the Group's directives, all subsidiaries kicked off their respective "Production Safety Month" activities for 2023 under the theme of "Everyone Talks about Safety, Everyone can Respond to Emergencies". They reviewed important instructions given by President Xi Jinping on production safety, building a distinctive safety culture, promoting safety culture across work teams, participating in the "Ankang Cup" competition, and competing for the honor of "Model Posts of Production Safety".



Emergency Fire Drill Conducted by SPH Zhonghua Pharma



Key Responsible Official at SPH XTCM Giving the First Lesson on Safety



Production Safety Month Event Themed "Youth and Safety Go Hand in Hand" Launched by Youth League Committee of the Group

Production Safety Month Event Themed "Party Leadership Drives All, Full Participation Ensures Safety" Organized by SPH TCM

Safety Management Training

SPH tailors specific training programs and devises effective assessment methods aimed at enhancing employees' safety awareness and operational skills. In 2023, the employees subject to statutory training were 100% certified and 100% of the new employees were trained. Over 8,000 individuals participated in training sessions on 5 major safety themes organized by SPH.



Certification of Employees Subject to Statutory Training



Training for New Employees, Including Transferred and Returning Employees



Special Safety Training

Management of Special Drugs

The Group has formulated a safety management system and emergency plan for special drugs, appointed staff responsible for the production and safety management of special drugs, and determined the responsibilities of each department. It has also conducted regular training to emphasize the importance of the safety of special drugs, and strictly followed the production plan and operation procedures. The special drugs are managed by double securities, with cameras and automatic alarm systems installed to avoid occupational hazards during production.

Hazardous Chemicals Management

SPH has implemented the Notice on Strengthening the Safety Supervision and Management of Chemical Procurement Processes. During the Reporting Period, relevant entities were required to formulate and improve their hazardous chemical procurement processes. This includes stringent management throughout the entire process, encompassing procurement, storage, usage, and disposal, as well as the continuous execution of specialized rectification activities for hazardous chemicals.



During the procurement of hazardous chemical raw materials and reagents, the Security Department is involved in approving the proposed varieties and quantities.



The Company continually refines laboratory storage management policy, controlling excessive storage and strictly prohibiting mixed storage to prevent accidents caused by leakage, poisoning, fires, or explosions due to inappropriate storage conditions.

Occupational Health

SPH has set up Occupational Health Management System, with the objective of "Five 100%" to protect the health, safety and interests of employees. The Company is dedicated to achieving full occupational hazard management and ensuring that no work-related illnesses occurred throughout 2022. During the Reporting Period, SPH increased investment, with 53 subsidiaries investing nearly CNY 10 million to protect employees' occupational health.

Reporting Rate of Occupational Hazards	Detection Passing Rate of Occupational Hazards	Rate of Physical Examination	Notification Rate of Occupational Hazards	Rate of Training Participation
100%	100%	100%	100%	100%

Seven Measures for Bolstering Occupational Health

- 01 The "Three Simultaneous" review system of new reform and expansion projects is implemented to ensure project compliance and strengthen labor protection.
- 02 SPH keeps hazards under control and creates a safe and secure work environment by improving processes, production facilities and occupational health infrastructure.
- 03 We step up the automation level of equipment and facilities to reduce on-site operational time.
- 04 We provide employees with standard protective equipment to ensure their safety.
- 05 We provide employees with pre-work and regular occupational health training.
- 06 We regularly organize health check-ups and maintain comprehensive occupational health records to monitor staff health.
- 07 We conduct daily monitoring of occupational hazards, focusing on high-risk jobs such as those involving high temperatures, noise, and dust.

Case



SPH Qingchunbao installed an automatic vent valve atop the plate-type concentrator's cooler, eliminating the cumbersome manual drainage process (including gases), thereby reducing occupational health risks associated with exposure.



SPH Growful substituted fluidized bed granulation equipment for the previous one-step granulation machinery. Noise levels have dropped to 60dB, representing a 20% reduction. After granulation, the equipment automatically transfers materials into a vibrating screen, minimizing dust generation in the workspace and removing the need for manual intervention, thereby improving the operating environment during the granulation process.

Improving Employee Care and Benefits

With a people-oriented approach, SPH persistently refines its democratic management policies and fosters "extensive consultation, joint contribution and shared benefits" between its vast workforce and business development. The Company organizes a variety of cultural and sports activities, enriching employees' lives; promotes improvements in living standards by introducing distinctive employee welfare projects; continuously strengthens employee support and service systems and enhances the sense of fulfillment, happiness, and security among its staff.

Democratic Management

In compliance with relevant laws and regulations such as the *Trade Union Law of the People's Republic of China* and the *Constitution of Trade Unions*, SPH follows a democratic management system through the Employees' Representatives Conference. It actively engages in collective contract negotiations, salary consultations, and factory affairs transparency, enabling employees to participate in democratic elections, consultations, decision-making, administration, and supervision. This ensures the protection of employees' rights to information, participation, expression, and supervision, safeguarding their legal rights and interests, promoting harmonious labor relations, and contributing to a sustained and healthy business growth.

Employees' Representatives Conference

SPH strictly abides by laws such as the *Labor Union Law*, *Company Law*, *Labor Law*, *Provisions on the Democratic Management of Enterprises*, and the *Regulations of Shanghai Municipality on Employees' Representatives Conference*, ensuring the democratic rights of its employees. The Company continuously improves the multi-tiered employees' representatives' conference system, with a total of 77 subsidiaries in second and third tier cities affected. SPH facilitates Employees' Representatives Conference at all levels. In July 2023, the Group convened its Third Session of the Second Employees' Representatives Conference, where over 200 employee representatives from various departments and grassroots entities gathered to deliberate on major developmental strategies.



Successful Convening of SPH's Third Session of the Second Employees' Representatives Conference on July 31, 2023.

Open Factory Affairs

SPH continuously refines and enhances its democratic management framework for factory affairs by implementing the Detailed Rules for Factory Affairs Disclosure, and promptly adjusts the organizational structures of democratic management at all levels according to the development status of each subsidiary. Adhering to the principle of "full disclosure where appropriate", the Company promotes democracy throughout the development process, wholeheartedly relies on the guidance of the working class, protects workers' rights, and consistently advances the transparency of factory affairs. Through the Employees' Representatives Conference and other activities, the Company openly discloses significant business decisions, regulations concerning employees' immediate interests, development of the leadership team, and the state of Party conduct and integrity following due procedures. This allows employees to provide feedback and exercise oversight. A broad spectrum of employees participates in democratic decision-making, management, and supervision in accordance with relevant laws and regulations. Additionally, efforts are made to improve the organizational structure and institutional framework for factory affairs disclosure at the grassroots level, thus constantly enriching the content of disclosure, innovating the forms of disclosure, and expanding the channels of disclosure. As of the end of the Reporting Period, 100% of the state-owned and state-controlled subsidiaries under the Group have established an organizational structure and institutional framework for factory affairs disclosure.

Fostering Harmonious Labor Relations

SPH leverages the organizational strengths of its Labor Union to reach out to its employees and forge harmonious labor relations. By establishing equal consultation and collective contract systems, SPH ensures the full protection of employees' rights to participation and expression, using mechanism of shared efforts and shared benefits between the Company and its employees. At each subsidiary, the Labor Union conducts equal consultations with the management on critical issues directly affecting employee welfare, such as remuneration, work hours, rest and leave, occupational safety and health, insurance, and welfare benefits. Subsequently, the two sides enter into general collective contracts, wage-specific collective contracts, women's special collective contracts, and labor safety and health collective contracts. As of the end of the Reporting Period, 100% of the directly-owned and state-controlled subsidiaries under the Group have signed a collective contract, as well as an annual wage-specific collective contract. These efforts promote the active role of collective bargaining in the extensive consultation, joint contribution, and shared benefits between the subsidiaries and their employees, as well as in constructing harmonious labor relations. The Group's Labor Union stays committed to providing guidance and services for the improvement of harmonious labor relations at grassroots entities, further enhancing its role as a facilitator.

Engaging Employees in Technological Innovation Activities
SPH monitors key challenges arising from its manufacturing and operations and engage a wide spectrum of its employees in the technological innovation activities.

Kicking off Skills Competitions

• Focusing on the Group's development goals for the "14th Five-Year Plan" period and challenging tasks within the annual corporate agenda, the Company has mobilized its vast workforce to partake in the skill competition themed "Main Force Vanguard for a New Era", thereby fully demonstrating the wisdom and strength of workers from the biomedical industry.

Providing an Innovation and Creativity Platform for Employees

- Continuously nurturing innovative thinking, the Company leverages the "My Position, My Innovation" initiative to solicit proposals from its employees, implementing the Group's innovation-driven development strategy, and stimulating employees' innovative potential.
 - 18 projects from 10 grassroots entities were recommended for the "Shanghai Outstanding Achievements in Rationalization Suggestions and Advanced Operational Methods", securing 3 innovation awards for rationalization suggestions and 5 for advanced operational methods.
 - 12 projects from 5 secondary subsidiaries were recommended for the 35th Shanghai Outstanding Invention Selection Contest, with one project from SPH Research Institute receiving the Gold Award.
 - Nine projects from five secondary subsidiaries were recommended for the Innovation Achievement Awards of Chinese Energy and Chemical Workers' Union.

Enhancing Employee Skills and Competencies

• In adherence to the Opinions on Strengthening the Construction of High-skilled Talent in the New Era issued by the General Office of the Communist Party of China and the General Office of the State Council, and in response to the demands for high-skilled talent in the biomedical industry and the Group's own development needs, the Company places an emphasis on developing vocational skills and advances relevant reforms to build a robust team of industrial workers.



Organizing job skill training and skills contests for finance staff across the Group



Hosting the Shanghai Biomedical Industry Drug Inspector Skills Competition



Conducting Leader Training for Excellence Teams

Enriching the Life of Employees

Committed to upholding socialist core values, SPH organizes a wide array of cultural and sports activities that resonate well with and entertain its staff while enriching their spiritual and cultural lives. We attach great importance to stimulating employees' sense of ownership to serve the overall development of the enterprises. By building various platforms and organizing numerous cultural and sports activities, we promote employees' work-life balance and all-round development, to enhance their sense of belonging and mission.



The health run/walking event themed "Love Health, Love Life, and Love Shanghai Pharma", with over a thousand employees participating from 38 subsidiaries both within and outside Shanghai

The health run/walking event themed "Love Health, Love Life, and Love Shanghai Pharma", with over a thousand employees participating from 38 subsidiaries both within and outside Shanghai



Improving the Employee Service System

SPH responds to the aspirations of employees for a better life. By solidifying employee service platforms, assisting those in need, and implementing various employee welfare services, SPH strives to drive high-quality corporate development through top-notch employee services.

Elevating Employees' Living and Working Standards

- Upholding a people-centered approach, SPH focuses on enhancing equipment upgrades, capacity adjustments, and aesthetic improvements within the organization. This has driven timely construction, renovation, and modernization of essential facilities such as staff canteens, bathhouses, and changing rooms across all levels of the Group.
- SPH has pushed forward projects improving quality of life, including employee welfare lounges, reading rooms, coffee and beverage areas, and fitness zones, with these basic living facilities and lifestyle amenities already reaching a 90% coverage.

Building a Comprehensive Support Network

- SPH has further refined its tiered support system underlain by labor unions at all levels, ensuring seamless integration and targeted assistance from upper to lower tiers.
- Leveraging the strengths of established programs like compassionate aid, autumn scholarship initiatives, and festive visits, SPH continues to broaden the scope of assistance and refine its ongoing support for relatively disadvantaged or poverty-stricken employees, providing consistent warmth and aid.
- SPH has pushed labor unions at all levels for the establishment of precise and sustainable mechanisms for hardship relief efforts.

Strengthening Employee Support and Services Systems

- Consolidating a tiered medical insurance system for employees, which is primarily based on the basic medical insurance for employees, complemented by exclusive and mutual protection plans, underpinned by the "Love and Help" program of the Labor Union, and supported by commercial insurance participation.
- Ensuring standardized implementation of enrollment and claims processes for employee mutual protection and member-exclusive basic protection plans.
- Pushing ahead with the "Love and Help" medical relief program of the Labor Union.
- Launching a new round of rest and recuperation plans for labor union members at different levels, organizing the "Experience Shanghai, Appreciate Shanghai, and Love Shanghai" series of events, and disbursing subsidies for labor union activities.
- Demonstrating care and concern for dispatched temporary agency employees, and advancing their enrollment in the labor unions. As of the end of 2023, nearly 60% of dispatched temporary agency employees joined the labor unions, meeting the annual target.

Case

Paying Tribute to Offsite Assigned Executives

In January 2023, SPH convened the "2023 SPH Spring Festival Greeting Symposium for Offsite Assigned Executives", where nearly 40 offsite assigned executives from second and third-tier subsidiaries connected virtually with the Group's leadership. Maintaining an upbeat and enterprising spirit, these executives are committed to contributing to the realization of SPH's strategic objectives for the "14th Five-Year Plan" period. The Company will continue to strengthen communication and interaction with its offsite assigned executives and care for their growth and well-being.



Case

Caring for Disabled Employees

As a designated enterprise for concentrated employment of disabled individuals in Shanghai, Shanghai Haichang Medical Plastic Co., Ltd. ("Shanghai Haichang") is committed to caring for disabled employees. Currently, it employs 21 disabled individuals (inclusive of those under guardianship), assigning them to suitable roles based on their capabilities. Treating all disabled employees with equal care and respect and upholding the principle of "equal pay for equal work", Shanghai Haichang ensures that disabled employees feel respected, accomplished, and fulfilled in their jobs.

- It has established a dust-free clean workshop with moderate labor intensity suitable for disabled employees.
- It has increased salaries for disabled employees for consecutive years.
- It holds an annual symposium on National Disability Day to listen to the needs and suggestions of disabled employees.
- It conducts various welfare activities to boost job satisfaction.
- In October 2023, Shanghai Haichang launched a disability-assistance themed activity titled "The Best Version of You", inviting a professional photography team to capture personal portraits and the unique charisma of the disabled employees, and garnering widespread praise from the workforce.



Working Together to Save the Planet with a Low-Carbon Development Approach

- Environmental Management Improvement
- Response to Climate Change
- Resources Management Optimization
- Ramping up Pollution Control
- Implementing Green Operation
- Biodiversity Conservation

To become a resource-saving and environment-friendly company, SPH complies with laws and regulations, while still focusing on the bottom line, and steadily improving. The Company, prompted all its subsidiaries to gradually improve their environmental and energy management systems.

Highlights of 2023

Approximately CNY 135 million invested in environmental protection

- 9 National Green Factories
- 8 Provincial and Municipal Green Factories
- 31 subsidiaries passed ISO14001 certification
- 27 subsidiaries passed ISO50001 certification



Highlights



59 Technological Improvement Projects	Capital Saved: CNY 8.71 mn	Electricity Saved: 5.16 mn kWh	Steam Saved: 470.13 tons	Natural Gas Saved: 76,130 m ³	Water Saved: 16,600 tons
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Note: This report presents the energy consumption and emission data of 48 industrial subsidiaries of SPH. For the detailed list, please refer to the Environmental Performance Table in the Appendix.

Environmental Management Improvement

Environmental Management System

In compliance with local laws and regulations, and industry standards related to environmental protection, (e.g., *Environmental Protection Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China*, *Law of the People's Republic of China on Prevention and Control of Water Pollution*, *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*), SPH has established a sound environmental management system, including the Environmental Protection Responsibility System, the Environmental Events Reporting System, the Measures for Safety Management and Environmental Management Performance Assessment, the Accountability System for Safety Production and Environmental Protection Accidents, and the Energy Information Management Measures for Energy-Using Enterprises, and prepared a series of normative documents such as the Basic Requirements for Enterprise Environment. All subsidiaries are required to abide by these regulations and company requirements, to minimize the impact of operations on the environment. The Company complies with laws and regulations such as the *Environmental Protection Tax Law of the People's Republic of China* and fully pays all relevant environmental protection taxes and fees. During the Reporting Period, SPH received no penalties for environmental violations, and excessive or illegal pollutant discharges. SPH has established a full-fledged organizational structure to coordinate environmental management efforts throughout the Company. The Group's Security Department is responsible for the Company's environmental and energy management, formulating relevant management systems, and implementing daily supervision. The subsidiaries strive to meet various energy conservation and environmental protection management requirements in daily production and operation, and regularly summarize and report the progress on energy saving and environmental protection. The Security Department has set up 6 specialized teams to assist in SPH's environmental management efforts, i.e., Policy and Regulation Team, Environmental Management Team, Engineering and Technology Team, Training and Education Team, Policy and Procedure Team, and Support Team (hereinafter referred to as the "Specialized Teams"). These teams work together to effectively bolster SPH's environmental management capabilities.

Environmental Management and Supervision Measures



Environmental Management Targets

To enhance environmental management, SPH sets comprehensive goals and focuses on pollution control and energy conservation, in addition to urging subsidiaries to formulate corresponding annual environmental management targets based on their business. During the Reporting Period, SPH formulated and issued documents such as the 2023 Memorandum on Environmental Management Work for the Group and Subsidiaries and the 2023 Environmental Management Work Plan, specifying environmental management targets and requirements for 2023 and providing a clear roadmap for subsidiaries. By the end of 2023, all environmental management targets have been achieved.

SPH's Annual Environmental Responsibility Targets

100% implementation rate of "three simultaneous" system in new projects	100% proper operation rate of pollution control equipment and facilities	100% annual compliance rate of pollution emission monitoring	100% compliant solid waste disposal rate	The entire production and operation process is in compliance with legal requirements
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Environmental Management System Certification

SPH encourages its subsidiaries to establish and improve their ISO14001 Environmental Management System certifications. In 2023, a total of 31 subsidiaries obtained ISO14001 Environmental Management System certification, 6 more than in 2022.



Environmental Emergency Plan

SPH conducts annual risk assessments for sudden environmental incidents, refines preventive measures, identifies and addresses environmental safety hazards, formulates and registers emergency response plans, and strengthens the capacity for emergency preparedness. In accordance with the requirements of the "Corporate Contingency Plan for Environmental Emergencies", SPH subsidiaries actively organize emergency drills and training activities. Through regular drills for sudden environmental incidents, the feasibility and effectiveness of the contingency plan are verified, the coordination and efficiency in the response and handling process are enhanced, and the emergency awareness and skills of participants are improved, laying a solid foundation for ensuring the safety of employees and the environment.

Environmental Protection Training

Enhancing the professional skills of environmental management personnel and developing professional talent is an essential part of SPH's commitment to environmental protection. Each year, SPH devises plans and conducts energy conservation and environmental protection training in accordance with the latest regulations and management requirements. The centralized training helps clarify new regulations and requirements, heightening the professional competence of environmental management personnel and more effectively fulfilling the primary responsibilities for ecological and environmental protection. SPH has strengthened its technical support for training through the Environmental Management Team, upgraded its training system, and introduced bimonthly regulatory briefings and an array of training programs on environmental policies and regulations, environmental management techniques, and practical cases, in an unwavering drive to bolster its environmental team. In 2023, the Training and Education Team developed seven new curricula.

Some Environmental Management Training Courses at SPH in 2023

Category	Training Theme
Pre-job Training	● National regulations and standards; and pollution prevention and control measures and management requirements for companies
Regular Training	● Operation of pollution control equipment
Special Training	● Filing environmental information in accordance with the legal disclosures system
	● Environmental recordkeeping and archive management
	● Training seminar on hazardous waste information management
	● Training on automated monitoring technology for fixed pollution sources
	● 2023 Shanghai Training Seminar on Solid Waste
	● Environmental law enforcement training and publicity

Environmental Protection Publicity

SPH promotes environmental awareness, advocates green life and pursues green development. Each year, the Company organizes diverse environmental protection and energy conservation promotional activities, such as the World Environment Day and Energy Conservation Publicity Week.



SPH is honored as an "Excellent Organization" at the "Shenergy Carbon Technology Cup" Energy-saving and Low-carbon Knowledge Competition by Shanghai Energy Conservation Week Organizing Committee.



Case

World Environment Day

On June 5, 2023, SPH marked the World Environment Day with an environmental protection campaign, launching a themed photography solicitation initiative titled "Building an Ecologically Harmonious Modern Society". This campaign aimed to inspire employees across subsidiaries to actively engage in environmental practices, capturing the beautiful moments of harmony between humanity and nature through their lenses. Subsidiaries organized a rich variety of promotional activities tailored to their distinct characteristics. These initiatives encompassed not only traditional formats like meetings, advocacy boards, and posters but also innovatively employed online quizzes, environmentally-themed videos, and other communication channels, ensuring a broad outreach and deep resonance with staff.



Response to Climate Change

Acknowledging that climate change is a global issue with potentially significant material and financial impacts on business operations, SPH has worked towards identifying climate risks and opportunities in accordance with the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and taken proactive countermeasures.

Identification of Climate-Related Risks and Opportunities

Identification of Climate Change Risks and Opportunities			Potential Financial Impact
Risks	Policy and Legal Risk	Climate-related laws and policies will continue to be updated, putting forward stricter requirements for environmental management compliance.	Increased operating costs
	Technical Risk	The development and use of new energy technologies and equipment upgrades will increase production costs in the short term and weaken product competitiveness.	Increased operating costs
	Reputation Risk	Under the Dual-Carbon goal, the Company is actively answering the call to adapt to climate change and low-carbon emissions. The result of this transformation will affect the Company's image for investors and the public. SPH's reputation may be negatively affected if this transformation fails.	Decreased operating revenue
	Market Risk	The market's increasing focus on the environmental friendliness of products and services may affect the demand for certain products and services.	Increased operating costs / decreased operating revenue
	Acute Physical Risks	Extreme weather conditions (e.g. typhoons, floods) may result in company shutdowns, asset damage, and casualties. Potential detrimental impact on the yield and quality of herbal medicines. Potential disruption to pharmaceutical logistics, further affecting drug quality and supply.	Increased operating costs / decreased operating revenue
	Chronic Physical Risks	Continued hot weather and intense heat may cause the Company to suspend production and pose a health risk to employees. Potential detrimental impact on the yield and quality of herbal medicines.	Increased operating costs / decreased operating revenue
Opportunities	Products & Services	Climate change has widespread impacts on human health, increasing illness, death and injury, and raising the demand for certain medical treatments. The Company develops and manufactures targeted drugs, which will enhance the competitiveness of its products while meeting health needs.	Increased operating revenue
	Energy Source	The development and use of new energy technologies will help achieve the dual carbon goal and reduce energy costs in the long run.	Decreased operating costs
	Resource Efficiency	The application of energy-efficient technologies will cut emissions, reduce resource consumption expenditures, and mitigate climate change.	Decreased operating costs
	Resilience	The Company's continuous efforts in reducing energy consumption will improve its climate change resilience.	Decreased operating costs

Responses to Climate-Related Risks

Developing a "dual-carbon" plan	In response to the "carbon peak & carbon neutrality" targets, SPH has called for its industrial subsidiaries to achieve its "carbon peak" goal by 2030. Five energy-intensive subsidiaries consuming over 5,000 tons of standard coal per year have already devised their plans for achieving their "carbon peak" goal.
Conducting carbon audits	SPH has mandated energy-intensive subsidiaries to conduct carbon audits, and seven of them completed the audit within the Reporting Period.
Engaging in carbon trading	During the Reporting Period, three subsidiaries were included in Shanghai's list for carbon emission quota management. SPH will engage with relevant subsidiaries to gain experience in carbon trading, thus preparing more of them to enter the carbon market.
Strengthening energy management	In strengthening energy management, SPH continues to promote energy conservation and energy consumption reduction, and has set emissions reduction targets to curtail carbon emissions. (Detailed information on these initiatives is available in the "Resources Management Optimization – Energy Management" section of this Report.)
Coping with extreme weather	SPH has established a robust framework for addressing extreme weather events, issuing key documents such as the Key Work Plan for Production Safety, Environmental Protection, and Public Security and the Notification on Ensuring Summer Production Safety in 2023. These guidelines have facilitated effective emergency management during adverse weather conditions.
Enhancing professional knowledge	A dedicated team has been established to monitor and implement national dual-carbon strategies and climate change policies. Training sessions are organized to enhance the competence of managerial personnel in advancing "dual carbon" initiatives.

Case

Carbon Footprint Certification for Vitamin C Injection

In June 2023, Changzhou Pharmaceutical Factory (CPF), a SPH subsidiary, successfully completed the product carbon footprint certification for its Vitamin C injection produced in 2022. Adhering to international standards such as ISO/TS 14067:2018 (Greenhouse Gases – Carbon Footprint of Products – Requirements and Guidelines for Quantification) and PAS 2050:2011 (Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services), CPF calculated a carbon footprint of 0.048 kgCO₂e per unit of the product. This certification has not only deepened CPF's understanding of product carbon footprints but also provided invaluable insights for future certifications and emission reduction planning for other products within the portfolio.



Resources Management Optimization

SPH adheres to the principle of green development and the national "Carbon Peak & Carbon Neutrality" strategy by setting its own "carbon peak" goal. SPH is optimizing its energy structure, improving production processes, enhancing energy efficiency, and promoting energy conservation and emission reduction to establish itself as a resource-saving enterprise and to contribute to China's realization of "Carbon Peak & Carbon Neutrality" targets.

In 2023, subsidiaries carried out **59** energy-saving technical renovation projects, which are projected to yield annual savings of CNY **8,711,800** in energy costs, **5,159,600** kWh of electricity, **470.13** tons of steam, **761,300** m³ of natural gas, and **16,600** tons of water.



In 2023, SPH was recognized as having "exceeded" its set targets in the 2022 energy conservation and environmental protection assessment by Shanghai Municipal Commission of Economy and Informatization.



Energy Management

Energy management is a top priority at SPH. The Company adheres to laws and regulations such as the Energy Conservation Law of the People's Republic of China. It has established a robust energy management system through organizational structure, responsibilities for respective departments and their staff, key energy-intensive subsidiaries and essential policies on internal energy audits, tracking management and consumption statistics.

Energy Management Objectives

Every year, SPH devises an energy work plan that includes a green task list, yearly total energy consumption targets, and energy consumption and intensity control targets for key energy-consuming entities. In 2023, the Group issued the Notice on Key Energy-Saving and Environmental Protection Tasks for 2023, outlining six energy management responsibility goals and seven priority tasks. The 2023 Energy Management Task List and 2023 Total Energy Consumption Targets were also circulated, defining energy efficiency targets and tasks for each subsidiary. Subsidiaries responded proactively and, embraced a diverse array of measures such as energy audits, energy benchmarking, technological upgrades, phasing-out of inefficient equipment, establishment of energy centers, adoption of energy management contracts, promotion of clean production and green manufacturing, and the development of photovoltaic projects. SPH has periodically assessed and evaluated the energy-saving achievements and green progress of all energy-consuming entities to ensure they meet their targets.

Six Energy Management Responsibility Goals

01	02	03	04	05	06
Eliminating the use of outdated and obsolete equipment	Using energy-efficient and water-saving appliances throughout the Company	Equipping energy meter devices that comply with legal requirements	Taking energy efficiency to an advanced level	Increasing the usage of green energy every year	Achieving carbon peak by 2030*

*Note: SPH aims to achieve carbon peak by 2030 for its pharmaceutical subsidiaries.

Energy Management System Certification

The Company advances the establishment of an energy management system, mandating that Class A subsidiaries develop and implement the ISO 50001 energy management system for efficient management and improvement of energy efficiency. In 2023, a total of **27** subsidiaries obtained ISO50001 Energy Management System certification, **9** more than in 2022.



Energy Saving and Emission Reduction Measures

Energy Saving and Emission Reduction Measures	Selected Energy-Saving Projects in the Reporting Period
Energy Audits	Five key energy-consuming subsidiaries based in Shanghai completed energy audits and identified 16 energy-saving schemes. In 2023, they successfully executed 10 of these schemes, achieving economic gains of CNY 2,324,300 , annual energy savings of 468.13 tce, and water savings of 1,200 tons. Three subsidiaries outside Shanghai conducted energy audits and identified nine energy-saving schemes, one of which was completed in 2023 with an annual energy saving of 230.22 tce.
Energy-saving Diagnoses	Nine larger energy-consuming subsidiaries based in Shanghai underwent energy-saving diagnoses and identified 21 energy-saving schemes. In 2023, they successfully executed 12 of these schemes, achieving economic gains of CNY 2,085,800 , annual energy savings of 775.04 tce, and water savings of 8,000 tons. Six subsidiaries outside Shanghai carried out energy diagnoses and identified 17 energy-saving schemes, 8 of which were completed in 2023 with an annual energy saving of 31.78 tce.
Establishment of Energy Monitoring Platforms	Ten key energy-consuming subsidiaries have established tiered energy monitoring platforms to track energy consumption in real-time.
Technical Renovation	<ul style="list-style-type: none"> Shanghai Leiyunshang Pharmaceutical Co., Ltd. invested CNY 280,000 in a refrigeration system automation upgrade project, achieving annual electricity savings of 170,000 kWh and annual cost savings of approximately CNY 150,000. Shandong Sine Pharmaceutical Co., Ltd. invested CNY 544,300 in a warehouse temperature and humidity control system renovation, resulting in annual electricity savings of 106,000 kWh and expected annual cost savings of CNY 106,000. SPH SBPC invested CNY 598,000 to replace traditional belt-driven fans with high-efficiency direct-drive fans in two air conditioning units. Upon completion, the project is expected to save approximately CNY 177,000 in electrical expenses and 56 tons of standard coal equivalent annually.
Green Buildings	New projects are required to undergo energy assessments and ensure energy-efficient designs, in addition to implementing energy-saving measures such as green buildings, green lighting, efficient equipment, recycling and reuse, pressure and waste heat recovery, efficient heat pumps, photovoltaic projects, clean energy utilization, cascade energy utilization, eco-friendly refrigerants, new energy transport vehicles, carbon sequestration through afforestation, and intelligent metering and monitoring.
Using Clean Energy	SPH encourages the use of renewable energy, striving for widespread installation of distributed photovoltaic systems. In 2023, 10 manufacturing and sales subsidiaries completed their solar power projects, adding three new installations compared to 2022.
Clean Production Audits	In 2023, clean production audits were conducted at 11 subsidiaries, with SPH SBPC, SPH Zhonghua Pharma, SPH Kony, Huqingyutang Pharma, and SPH Herbapex successfully passing their respective audits.

Case Low-Carbon Logistics Parks Built by SPH Logistics

Acting in line with national green development strategies, SPH Logistics drives the transition of its logistics parks towards low-carbon operations. Through the integration of distributed renewable energy and the use of automated, intelligent power distribution systems and HVAC equipment, it fosters synergies between different systems and upgrades the parks to high-efficiency, environment-friendly, low-carbon, and sustainable operations.



Deployment of Distributed Renewable Energy

Photovoltaic systems harness and utilize clean energy efficiently, thus significantly mitigating greenhouse gas emissions.

Equipment Automation and Intelligence

Leveraging intelligent sensing systems, SPH Logistics optimizes building energy consumption, curbing unnecessary energy waste and enhancing energy efficiency ratios.

Environmental Monitoring

Continuous monitoring of the ambient indoor environment enables real-time perception and analysis of building environmental data.

Carbon Emissions Management

By identifying the primary sources of carbon across different types of logistics parks, SPH Logistics facilitates real-time measurement and monitoring of all carbon emissions.

Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd. and SPH New Asia Pharmaceutical (Minhang) Co., Ltd. have been honored as "Water-Saving Enterprises of Shanghai Municipality".

Huqingyutang Pharma has been honored as a "Water-Saving Exemplary Enterprise of Zhejiang Province".

SPH SBPC has earned the title of "Water Efficiency Leader of Shanghai Municipality".

Water-Saving Measures	Selected Water Saving Projects in the Reporting Period
Accelerating the Promotion of Water-Saving Technology	<ul style="list-style-type: none"> Shanghai Sunway Biotech Co., Ltd. implemented an optimization project for its cooling tower, extending the water circulation path to enhance heat dissipation and water conservation. This initiative saves 400 tons of water annually.
Recycling Wastewater	<ul style="list-style-type: none"> Huqingyutang Pharma harvests rooftop rainwater for landscape pond replenishment and landscaping irrigation, and collects steam condensate for various applications such as container washing and equipment rinsing. Techpool Bio-Pharma Co., Ltd. recycles effluent water from raw water machines for reuse in cooling towers, achieving an annual water savings of 12,000 tons.
Using Water-saving Equipment	<ul style="list-style-type: none"> Chifeng Arker Pharmaceutical Technology Co., Ltd. replaced water-ring vacuum pumps with water-efficient alternatives, conserving 2,100 tons of water annually. Shanghai Leiyunshang Fengbang Pharmaceutical Co., Ltd. undertook a project to replace the cooling tower in its air conditioning system, resulting in an annual water saving of 150 tons. Shanghai Zhonghua Nantong Pharmaceutical Co., Ltd. upgraded a vacuum pump automation system, incorporating contact pressure gauges, solenoid valves, and fine-tuning water valves. This modification saves approximately 1 ton of water per device daily.

Water Resources Management

SPH advocates water conservation and strengthens scientific water management, encouraging subsidiaries to explore and exploit untapped water-saving potential. The Company's water consumption primarily stems from the manufacturing processes in industrial subsidiaries and the daily use within their office areas. The water is sourced predominantly from municipal supplies, with some operational segments utilizing purchased steam and harvested rainwater. In the coming years, SPH will continue to strengthen water resources management through water-saving equipment, optimization and improvement of industrial processes, and water recycling.

Case Water Conservation Awareness Campaign

On May 13, 2023, SPH issued a notice for the National Water Conservation Week, launching a water conservation awareness campaign themed "Promoting Urban Water Conservation, Building Livable Cities". Subsidiaries organized a diverse array of water conservation activities, including online water knowledge contests, poster displays, and screening of promotional videos, aimed at staff and the public. These efforts fostered a strong focus on and participation in water conservation, cultivating a supportive environment that values water thrift.

Green Packaging

In response to the call for green economy and low-carbon lifestyles and the growing public concern about environmental pollution and ecological damage caused by packaging, promoting sustainable packaging is increasingly seen as a way forward for green development across the industry. SPH has implemented various measures to optimize product packaging and minimize waste.

Use of Environment-friendly Materials

- SPH Qingchunbao has replaced plastic trays with paper-based ones for injectable products in its workshops, thereby improving biodegradability.
- Kraft paper cartons instead of colored cartons are purchased to promote the use of greener packaging materials.

Packaging Reduction

- Huqingyutang Pharma has minimized the packaging volume for health supplements such as Herba Dendrobium Grain, Propolis Capsules, Qiangli Tablets, and Dual-Ginseng Capsules.
- In 2022, the social organization standard for the Reduction of Pharmaceutical Packaging for Tablets and Capsules was officially released. As a participating research entity in the development of this Standard, Shanghai Sine Tianping proposed multiple sensible suggestions for pharmaceutical packaging reduction, adjusted the packaging dimensions of a specific product to comply with the Standard, and consistently applied the principle of packaging minimization in designing and modifying single-box packaging for new products.

Packaging Recycling

- SPH Herbapex recycles the paperboard outer packaging of plastic bottles for reuse by suppliers.
- SPH SBPC prioritizes the use of recyclable, reusable packaging for raw and auxiliary materials. The company has established a Standard Operating Procedure for Recycling and Reusing the Packaging of Raw and Auxiliary Materials to standardize the collection and management of reusable packaging materials, in addition to regularly retrieving empty packaging with returning trucks. In 2023, the recycling rates for 2ml injections, 5ml injections, and 2ml injectors at SPH SBPC were 53.6%, 50.6%, and 80.7%, respectively.

Ramping up Pollution Control

In adherence to the *Law of the People's Republic of China on Noise Pollution Prevention and Control*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, SPH stringently controls emissions of pollutants such as exhaust gas, waste water, solid waste, and noise during production and operations, and strives to reduce emissions through pre-control, continuous monitoring, self-examination and self-correction, thereby minimizing its negative environmental impact and protecting the environment. During the Reporting Period, all emissions of waste gases and wastewater, in quantity and concentration, met regulatory discharge standards, with solid waste being disposed of in full compliance.

- All manufacturing subsidiaries have obtained national pollutant discharge permits or been registered as per the Classification Management Catalogue to Pollutant Emission Permit for Stationary Sources of Pollution.
- The subsidiaries have carried out self-monitoring and reporting of pollutant discharge permit implementation reports in accordance with regulatory requirements.
- According to the self-monitoring plan, all subsidiaries have entrusted qualified third-party monitoring agencies for annual monitoring of all discharge outlets, to ensure stable and compliant pollution emissions.

Objectives for "Three Wastes" Management

Solid Waste Disposal Objectives	<ul style="list-style-type: none"> ○ The disposal of solid waste must comply with national and local laws and regulations throughout the classification, storage, transportation, and disposal stages. ○ The disposal of solid waste must prevent any pollution to soil, water, and air environments, and avoid negative impacts on ecosystems. ○ Resource recovery and waste reduction should be encouraged to minimize waste generation and curb resource consumption.
Gaseous Waste Discharge Objectives	<ul style="list-style-type: none"> ○ Gaseous waste discharge must comply with requirements of environmental impact assessment and discharge permits. ○ The discharge concentration of gaseous waste must comply with national, industry and local standards for air pollutants. ○ Annual gaseous waste emissions and major pollutant emissions must conform to the total emission control targets approved by the ecological and environmental authority or outlined in the discharge permits.
Wastewater Discharge Objectives	<ul style="list-style-type: none"> ○ Wastewater discharge must comply with requirements of environmental impact assessment, discharge permits, drainage permits, and relevant agreements. ○ The industrial wastewater and domestic sewage should be discharged into the urban drainage system only when their water quality meets the relevant standards for discharging into the city sewer. ○ Annual sewage discharge and major pollutant emissions must also meet the total emission control targets outlined in the discharge permits.

SPH subsidiaries have responded to the call for creating "Zero Waste Factories". By the end of 2023, a total of five subsidiaries have been honored as "Zero Waste Factory" or "Zero Waste Cell" by local authorities, with four new additions compared to 2022.

No.	Honors	Name of Enterprises
1	Zero Waste Factory of Zhejiang Province	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
2	Zero Waste Urban Cell of Zhejiang Province	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
3	Zero Waste Cell of Jiading District, Shanghai Municipality	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
4	Zero Waste Cell of Fengxian District, Shanghai Municipality	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
5	Zero Waste Factory of Tianhe District, Guangzhou City	Techpool Bio-Pharma Co., Ltd.

Hazardous Waste Management

Hazardous waste generated by the Company includes residues and organic liquids from production as well as contaminated packaging materials. SPH actively manages hazardous waste generated by its operations. In 2023, SPH revised its standardized documentation for hazardous waste management in accordance with the Standard for Pollution Control on Hazardous Waste Storage (GB 18597) and the Technical Specification for Setting Identification Signs of Hazardous Waste (GB 1276), mandating that its production subsidiaries establish comprehensive hazardous waste management policies, including the formulation of management procedures and operating guidelines, designation of responsible persons, and definition of relevant processes. Production subsidiaries are also required to provide secure storage facilities that adhere to the "Six Protections" principle for hazardous waste storage, in addition to placing clear signboards, zoning signs, and labels in hazardous waste storage areas and on transport containers, specifying the nature, hazard level, and relevant cautionary information. Hazardous waste is treated by qualified entities, with the transfer process completed using inter-company transfer documents, and records archives. In 2023, the (new) hazardous waste management was standardized.

General Solid Industrial Waste Management

The Company has formulated and issued the Notice on Further Regulating General Industrial Solid Waste Management, requiring subsidiaries that generate general industrial solid wastes to: strengthen internal management; execute the discharge permit management system; establish a system of responsibility for pollution prevention and control of the entire process from waste generation, collection, storage, transportation, and utilization to waste disposal; prepare documentation for waste management; record the type, quantity, flow direction, storage, utilization, disposal and other information for traceability; and take measures to prevent polluting the environment. During 2023, all subsidiaries adhered to these management requirements, ensuring the compliant disposal of general industrial solid waste.

Waste Gas Management

In the Basic Requirements of SPH for Environmental Protection, the Company has outlined over 30 management requirements pertaining to the monitoring, collection, treatment, and discharge of waste gas. Each subsidiary follows management requirements and undergoes standardization upgrades of exhaust gas treatment facilities in accordance with the Company's Requirements for the Standardized Management of Waste Gas Treatment Facilities. This ensures the compliant discharge of atmospheric pollutants such as non-methane hydrocarbons, nitrogen oxides, sulfur dioxide, and particulate matter.

Selected Waste Gas Reduction Projects in the Reporting Period

- SPH SBPC invested CNY 6.6 million to upgrade an exhaust gas treatment system, resulting in an annual reduction of 0.712 tons of VOC emissions.
- Shanghai Jinhe Bio-Pharmaceutical Co., Ltd. invested approximately CNY 1 million to install additional pre-treatment facilities for exhaust gases on the south side of its purification workshop, boosting treatment capacity by around 50%, and significantly reducing overall emissions.

Waste Water Management

The main pollutants in the Company's wastewater are chemical oxygen demand (COD) and ammonia nitrogen. In managing waste water, all subsidiaries follow legal requirements, environmental impact assessment stipulations, the Basic Requirements of SPH for Environmental Protection, and the Requirements for the Standardized Management of Waste Gas Treatment Facilities. Additionally, in accordance with pollutant discharge permits, the subsidiaries formulate self-monitoring plans and maintain official CMA monitoring reports to ensure compliance with statutory and regulatory wastewater discharge standards.

Measures of Wastewater Management

Steps	Measures
Wastewater Transmission	<ul style="list-style-type: none"> Production wastewater, domestic sewage, and rainwater shall be transported separately. There shall be accurate, detailed and up-to-date sewage network maps. Sewage pipelines that transport wastewater containing toxic or corrosive substances shall be laid above ground or in dedicated trenches, with leak-proof or corrosion-resistant measures taken for ditches and sewage wells. Sewage pipelines that are laid underground must undergo professional inspections every year to ensure that sewage does not pollute soil and groundwater.
Wastewater Disposal	<ul style="list-style-type: none"> Waste water treatment facilities shall be built or installed in accordance with regulatory and environmental assessment requirements. Wastewater or waste gas that contains active pharmaceutical ingredients must undergo pretreatment or inactivation before being discharged from the workshop.
Wastewater Monitoring	<ul style="list-style-type: none"> Online monitoring devices for major pollutants such as COD must be installed. The effectiveness of wastewater treatment must be tracked and monitored. Monitoring & sampling points shall be set up in accordance with the Technical Specifications for Surface Water and Wastewater Monitoring (HJ/T91) and relevant pollutant emission standards. Monitoring tests must be completed and there must be formal monitoring reports.
Wastewater Discharge	<ul style="list-style-type: none"> The number of discharge outlets must comply with the requirements of environmental impact assessment. Sampling points must meet requirements and wastewater must be discharged in compliance with relevant requirements.

Noise Management

SPH mandates that its manufacturing subsidiaries: 1) develop noise management plans and operating procedures in line with relevant laws and standards to establish noise limits and control requirements, thereby ensuring reasonable noise levels in routine production; 2) opt for low-noise processes and equipment and adopt measures such as sound insulation, vibration damping, and isolation to attenuate noise transmission; 3) provide employees with noise protection training and personal protective equipment to ensure a comfortable and healthy working environment; and 4) formulate self-monitoring plans for boundary noise pursuant to requirements of the pollutant discharge permit, with daily monitoring tasks outsourced to third-party entities. All monitoring results have met the prescribed standards.

Implementing Green Operation

SPH advocates low-carbon, eco-friendly and economical work habits, and continuously raises employees' awareness of energy conservation and environmental protection.



Green Office

Staying committed to the path of "green products, green factories, and green supply chains", SPH advances the development of its green manufacturing system. By the end of 2023, a total of 17 subsidiaries had received the distinction of "Green Factory", including 9 national-level green factories and 8 provincial/municipal-level green factories, with 3 new provincial-level green factories added compared to 2022. Notably, Changzhou Pharmaceutical Factory was elevated from a "Provincial Green Factory" to a "National Green Factory".

Biodiversity Conservation

Biodiversity is an important foundation for human well-being, survival and development. In strict adherence to relevant laws and regulations such as the Wild Animal Conservation Law and the Regulations on Wild Plants Protection, and in answer to the call of the United Nations Convention on Biological Diversity, SPH pays attention to biodiversity conservation in all its operational locations and takes an active part in the protection of rare and endangered animals and plants, thereby alleviating the pressures on natural resources and contributing to biodiversity conservation.

Adhering to the "Three Simultaneous" policy and the pollutant discharge permit policy in engineering construction projects

Complying with ethical principles in animal experimentation, and ensuring the responsible and judicious use of laboratory animals

Building standardized raw material bases and conserving wild species

Purchasing medicinal materials from lawful and compliant sources and protecting wild vegetation

- SPH Shenxiang, employs a wild-like cultivation method that has revitalized the endangered wild ginseng, effectively preserving forest resources while developing the ginseng market.
- Prior to the commissioning of its standardized ginseng planting demonstration base in Huanren County, Liaoning Province, SPH (Liaoning) TCM Resources Co., Ltd. undertook a two-year soil remediation project, effectively degrading various harmful residues and reducing heavy metal content in the soil. The company focuses on eco-friendly cultivation methods, substituting biodegradable organic fertilizers for chemical fertilizers, thus continuously ensuring a dual reduction in pesticide application and residual levels in both ginseng production and the natural environment.
- SPH has established a 3,333-hectare plantation of *Taxus chinensis*, a nationally listed first-grade rare and endangered protected plant, in Dali City, Yunnan Province.
- SPH TCM participated in the "Research and Industrialization of Synthetic Musk" project spearheaded by the Ministry of Health, employing biomimetic methods to successfully develop synthetic musk. The project received the "First Prize of National Science and Technology Progress Award" in 2015, marking a breakthrough in the research of substitutes for rare and endangered animal medicinal materials in China.



SPH Shenxiang's Wild Ginseng Breeding and Conservation Demonstration Base



Greenhouse at SPH (Liaoning) TCM Resources Co., Ltd.



Joining Hands to Build a Better Shared Future

- Taking Part in Philanthropy and Charity
- Contributing to Rural Revitalization

SPH is committed to charitable causes to promote social equality, achieving common prosperity and strengthening the social security system. Guided by its "Commitment to Improving Health and Quality of Life", SPH, as a state-owned enterprise, actively fulfills its social responsibilities. Over the years, SPH has engaged in philanthropic endeavors, established charitable platforms, and cultivated signature charity events, conducting regular, sustained, and regulated charitable actions to give back to society, the people, and the nation.

Highlights of 2023

Total Philanthropic Donations: CNY **38,041,000**
 Total Volunteer Service Hours: **1,331** Hours
 Total Investment in Rural Revitalization: CNY **2,323,400**
 Total Investment in Poverty Alleviation and Rural Revitalization over the Past Five Years: CNY **19,123,400**



Forging Ahead Into A Sustainable Future With Good Deeds

Serving the Public with Heart-Warming Charity Initiatives

Taking Part in Philanthropy and Charity

Standardizing the Management of Charitable Programs

SPH is dedicated to exploring sustainable ways to manage its charitable programs. In strict adherence to the *Charity Law of the People's Republic of China and the Law of the People's Republic of China on Public Welfare Donations*, SPH has introduced the Interim Measures of SPH for the Management of Charitable Programs. Through effective means such as categorization, budgeting, hierarchical approval, and record-keeping, the Company has established a mechanism for managing charitable donations, enhancing proactivity, sustainability, and standardization of these programs. Currently, SPH's charitable programs are about health, science, education, culture and sports, social welfare, disaster relief, rural revitalization and environmental protection.



Creating a Cooperation Platform

The Company has established strategic partnerships with charitable leaders, such as China Welfare Institute, China Youth Development Foundation, Shanghai Charity Foundation and others, seeking to create an open and cooperative public welfare platform and jointly push forward the healthy development of public charity.

Case SPH Advances the "Shangyuan Charity Special Fund" Initiative

Since 2021, SPH and Hengrui Pharma have jointly contributed CNY 10 million to set up the "Shangyuan Charity" Special Fund. This fund is mainly used for philanthropic projects in the medical, pharmaceutical and healthcare sectors, and public welfare projects including assistance for children with disabilities in Shanghai and regions requiring support, such as Xinjiang, Xizang, Yunnan and Qinghai, covering rural revitalization, disease relief, physician training and care for disadvantaged groups. This is part of Shanghai's effort in point-to-point assistance and collaboration with the local counterparts, an implementation of the Central Governments' policy. Currently, most of the charitable programs supported by this special fund are running successfully.

Assisting in the Construction of Health Centers in Yunnan Province

Since the launch of this initiative in 2021 until the end of 2022, SPH has donated CNY 1.71 million for the construction of three village health clinics in Weishan County, Dali Prefecture. These facilities have been successfully completed and started operating within the Reporting Period, significantly enhancing local healthcare standards. In 2023, SPH further committed CNY 1.15 million to the construction and renovation of twelve village health clinics in Xiping County, Yuxi City, Yunnan Province. These projects are anticipated to begin operations this year.



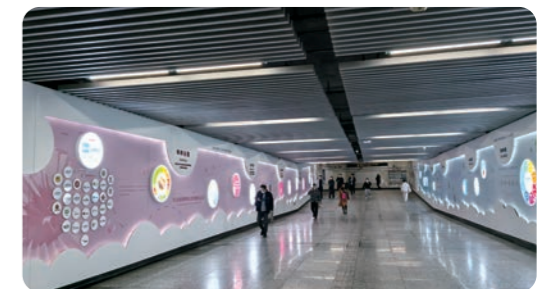
Supporting the Visually Impaired Youth Art Troupe

To facilitate the seamless integration of visually impaired youth into mainstream society, SPH, through the "Shangyuan Charity Special Fund", provides CNY 300,000 to the Meiaironghe Visually Impaired Youth Art Troupe every year. This enables collaborative artistic exchanges between visually impaired individuals and sighted participants. SPH is committed to supporting this initiative for three consecutive years, with the second year fulfilled in 2023. The Troupe maintained its operations in an orderly manner in 2023, with affiliated groups such as the Meiaironghe Vocal Ensemble and the Bukaopu Electronic Band participating in a range of events, including the "Love Under the Blue Sky" and "Public Welfare Tours of Performance Artists" in Shanghai. Through these performances, they convey the Troupe's guiding principles of co-creation, exploration, vitality, and dedication, exemplifying their mission to harness art as a means to foster social inclusion for visually impaired youth.



Metro Public Welfare Science Education Corridor

In support of educational initiatives under the China Welfare Institute and in collaboration with the International Peace Maternity & Child Health Hospital, SPH continues to advance the Metro Public Welfare Science Education Corridor project. By creating a themed metro train, establishing a dedicated subway science education corridor, and launching an interactive public welfare platform, this endeavor aims to heighten societal awareness and concern for women and children, ultimately contributing to the elevation of maternal and child healthcare standards.



Our Actions

Health

Case

SPH Dedicates Efforts to Rare Disease Philanthropy

SPH engages in philanthropic projects for rare diseases, and is committed to calling for social attention to rare disease groups and bringing hope and warmth to patients through public welfare initiatives, charitable donations and science education. In the future, we will build more public welfare platforms for rare diseases to better serve this community.

• **World Rare Disease Day Philanthropic Event themed on "Focus on Rare Diseases and Join Hands to Embrace the Future"**

Sponsored by the Rare Disease Medication Committee of Chinese Pharmacists Association and the Chronic Disease Management Branch of China Medicinal Biotech Association, and hosted by SPH Rare Disease Platform, a World Rare Disease Day Philanthropic Event themed "Focus on Rare Diseases and Join Hands to Embrace the Future" was held in Shanghai on the afternoon of February 27, bringing together rare disease patient organizations and patient representatives. The event began with the narratives of the "Tree of Hope" and "Self-reliant Orange", followed by presentations and discussions on topics such as advancements in rare disease research and drug accessibility, the significance of diagnostic awareness and standardized treatment, and the development and management of rare disease centers.

During the World Rare Disease Days (February 26-28), with the support of companies such as SPH RD, Shanghai Ji'ai Myopathy Care Center, in collaboration with nearly 30 major tertiary public hospitals and over 40 doctors, conducted online and offline free consultations for various diseases, including hepatocellular degeneration, myasthenia gravis, amyotrophic lateral sclerosis (ALS), and hemophilia.



• **Sponsoring "Love is Not Rare" Charity Concert of the Yale Club of Shanghai**

In October 2023, SPH RD participated in and supported the "Love is Not Rare" Charity Concert of the Yale Club of Shanghai at the Jaguar Shanghai Symphony Orchestra Hall. All net proceeds from the concert, were donated to the Hope for Rare Foundation to advance rare disease research and translational efforts, aiming to make substantial contributions to the treatment of rare diseases and enhance patients' quality of life.



• **Empowering Rare Disease Patients towards Self-sufficiency**

Following the "Tree of Hope" and "Self-reliant Orange" initiatives, SPH RD observed numerous inspiring stories of rare disease patients courageously battling their conditions while striving for self-reliance through their own labor. In 2023, SPH RD purchased multiple handmade items crafted by these financially challenged yet resilient rare disease patients. By supporting these individuals, SPH RD not only contributes to improving their livelihoods but also calls upon society to extend greater support and care to rare disease patients.



• **SPH Shangke Supports the "Rare Disease Care Program - Diabetes Insipidus Patient Assistance Public Welfare Project"**

To alleviate life-threatening crises, reduce suffering, enhance treatment adherence among diabetic insipidus patients, and alleviate their financial burdens, SPH Shangke, through drug donations, assists impoverished and disadvantaged patients. In 2023, via the China Primary Health Care Foundation, SPH Shangke donated 598 bottles of medication for treating diabetic insipidus, valued at CNY 48,586.

SPH Growful Conducted Free Clinics and Charitable Donations

Case



Building on its strengths in the TCM industry, SPH Growful leveraged its Lily Party Member Volunteer Service Team to bring "Serving Community Health" free clinic services to the Shouzhong Road, Guangzhou Road, and Sichuan Road communities in Shibei District, Qingdao City. The initiative offered residents blood pressure monitoring, hemoglobin testing, expert consultation, and distribution of common disease educational materials, enabling them to access high-quality, convenient, and free healthcare services at their doorstep. This endeavor

aimed to heighten health awareness among residents and promote healthy lifestyle choices. In an effort to alleviate financial burdens of low-income households caring for cardiovascular disease patients and enhance their quality of life, SPH Growful launched the "Caring for Underprivileged Cardiovascular Patients, Contributing to Healthy China" project, donating CNY 200,000 to cardiovascular disease patients in Henan Province.

Case

"Embracing Her Radiance" Breast Cancer Awareness Campaign at SPH Health Commerce's Yiya Pharmacy

In December 2023, the Chinese Red Cross Foundation (CRCF) partnered with SPH Health Commerce to host the "Embracing Her Radiance" Breast Cancer Awareness Campaign at the "Yiya Comprehensive Flagship Store" located at 500 Ruijin South Road, Xuhui District, Shanghai. The event was moderated by Dr. Liang Xiaohua, Chief Physician in the Oncology Department of Huashan Hospital affiliated to Fudan University, and featured Prof. Han Baosan, Head of the Breast Surgery Department at Xinhua Hospital affiliated to Shanghai Jiao Tong University, Mr. Xiang Enliang, Deputy General Manager for Yiya Pharmacy of SPH Health Commerce, and over 50 volunteers, patients and their family members, patients' representatives, clinical experts, and retail pharmacy leaders. They collectively engaged in a knowledge-rich and compassionate patient education session.



SPH New Asia Heeds the Call to "Spread Love to Medical Workers"

Case



As a stellar example of harmonious labor relations in Pudong New Area, SPH New Asia actively heeds the call from Shanghai Pudong New Area Federation of Trade Unions and the Area's labor relations authority to "Spread Love to Medical Workers". The company made a targeted donation of CNY 6,724 worth of Peace Rabbit plush toys, cushions, and other items to healthcare workers at Shanghai East Hospital and the Beicai Community Health Service Center, expressing gratitude to those tirelessly serving on the frontlines.

Science, Education, Culture and Sports

Case

SPH Supported the Music in the Summer Air (MISA) for the Seventh Consecutive Year

The 14th Music in the Summer Air (MISA) festival, themed "Shanghai Pharma Unveiling a Beautiful New World", took place in July 2023 at venues including Shanghai Symphony Orchestra Concert Hall, Shanghai City Lawn Music Plaza, and the Third Space, presenting over 30 performances that attracted more than 26,000 live spectators. In addition to being live-streamed on Shanghai Symphony Orchestra's official website, Weibo, and Douyin accounts, 15 concerts were broadcast on nearly 20 platforms, including CCTV News, The Paper, Kankan News, and Doculife, reaching a cumulative audience of 72.88 million viewers. SPH collaborated with the Shanghai Symphony Orchestra, co-branding the festival to reflect the diverse possibilities for enhancing citizens' lives.

Beyond indoor performances, the iconic Huangpu Lawn series remained a staple of MISA. During the festival, subsidiaries including SPH Zhonghua Pharma, SPH Yutianshi, and SPH Leiyunshang offered products such as the Dragon&Tiger Cooling Series, Saffron Face Masks, and new Salt Soda varieties. Over seven performances, more than 7,000 products were distributed, bringing SPH brands closer to the public while providing MISA enthusiasts with a multi-sensory experience of comfort, skincare, and taste.



Case

SPH Sine Launched a Variety of Health Education Programs



In 2023, SPH Sine's flagship public welfare event, "Million Citizens Visit SPH Sine", celebrated its 24th consecutive year at its science communication base, welcoming visitors from various communities and schools and disseminating essential knowledge on rational and safe medication usage. The event hosted a total of 3,432 visitors and conducted 15 health education lectures.



SPH Sine takes an active part in the "Science Popularization Field Trip" program jointly organized by the Science and Technology Commission of Shanghai Municipality and Shanghai Municipal Education Commission. SPH Sine offers themed learning experiences such as "Caring for Health: Rational Use of Medication" and "Exploring the Microbial Universe" for students from Xinchang Experimental Primary School, Beicai Middle School, Yangjing Senior High School, Shanghai Jiao Tong University. These sessions grant students insight into the processes of drug development and manufacturing, as well as the operation of equipment and the underlying principles of experimentation.

SPH SBPC Enhances Science Education Base for Disseminating Pharmaceutical Knowledge

Case

As a designated science education base in Minhang District, Shanghai Municipality, SPH SBPC serves as a platform to inform the general public about cutting-edge developments in biomedicine and pharmaceutical practices. In 2023, SPH SBPC optimized its visitor routes, interactive exhibits, and display content, ensuring that the educational journey remains both relevant to everyday life and showcases the dedication and innovation of the pharmaceutical profession. Actively engaging with local initiatives, SPH SBPC participated in the March launch of Jiangchuan Sub-district's Civilization Practice Initiative, undertaking the "Baixiang Horizon" science education program to deliver enhanced, immersive pharmaceutical education services to the wider community. Throughout the year, the science education base received four groups of middle and primary school students from Minhang District and neighboring residents, contributing to the dissemination of pharmaceutical knowledge, strengthening community-enterprise ties, and enriching the lives of local residents.



Case

SPH Dragon&Tiger Hosted "Defying the Heat, Staying Healthy This Summer" Pop-up Charity Event



SPH Dragon&Tiger's "Defying the Heat, Staying Healthy This Summer" pop-up charity event was rolled out across Alibaba's nationwide campuses. The initiative galvanized the participation of 5,000 employees from Alibaba Health and the broader Alibaba Group, delivering summer health kits to 50,000 urban heroes working outdoors in extreme heat. Each kit contained carefully selected heat-relief items such as Huoxiang Zhengqi liquid, cooling ointment, essential balm, cooling patches, and honeysuckle tea, along with printed information on heatstroke prevention, empowering the public to recognize the hazards of heatstroke and guard against heat exhaustion.

Social Welfare

Case

SPH Qingchunbao Donated 10,000 Boxes of Qingreling Granules to Deqing County

Echoing Deqing County's "Charity Boosting Common Prosperity" and "One-Day Charity Donation" campaigns, SPH Qingchunbao contributed CNY 800,000 through the Deqing County Charity Federation and donated 10,000 boxes of Qingreling Granules, valued at CNY 360,000, to the Deqing County People's Government via the Deqing County Red Cross Society. On September 1st, SPH Qingchunbao was honored with the "Institutional Donation and Contribution Award" of the Second Deqing Charity Awards by Deqing County People's Government.



SPH XTCM Extended Caring Outreach to Community Workers and Paired Assistance Recipients

Case

On June 15th, the second, third, and fourth Party branches of SPH XTCM visited the homes of their paired assistance recipients in Xintang and Xiangling Villages, Xiamen City, rendering volunteer services. During the visits, they ascertained the needs and aspirations of the supported households, with Party member representatives engaging in warm conversations to learn about the villagers' health status, medical care access, and daily life situations. They presented rice, flour, cooking oil, and other gifts of comfort, listening attentively to their difficulties and concerns, and encouraging them to maintain a positive outlook on life. Furthermore, to express gratitude and concern for sanitation workers and community staff, Babaodan Health Industry (Xiamen) Co., Ltd., a subsidiary of SPH XTCM, partook in the "Bringing Relief in the Heatwave" event organized by the Publicity Department of CPC Siming District Committee and Party Working Committee of Xiagang Sub-district, donating heat-relief supplies.



Case SPH Zhonghua Pharma Delivered Cool Comfort Amidst Sweltering Summer

Renowned for receiving the National Quality Silver Medal, SPH Zhonghua Pharma boasts the "China Time-Honored Brand" label for "Dragon&Tiger" and the "Shanghai Time-Honored Brand" for "Temple of Heaven".

- In April 2023, SPH Zhonghua Pharma, through the Shanghai Charity Foundation and Shanghai Charity Supplies Management Center, donated CNY 870,000 worth of cooling ointment to demonstrate care for elderly community residents and sanitation workers.
- In July 2023, SPH Zhonghua Pharma contributed CNY 39,330 worth of Dragon&Tiger mosquito repellent water and peppermint essential oil to Shanghai Senior Citizens Foundation, offering respite from the heat for elderly citizens.
- In August 2023, SPH Zhonghua Pharma donated cooling ointment, Dragon&Tiger Panacea, essential balm (rollerball format), Dragon&Tiger mosquito repellent water, and Dragon&Tiger geranium essential soap, collectively valued at over CNY 100,000, to the Shanghai Charity Foundation.
- In August 2023, SPH Zhonghua Pharma, in partnership with the Yangpu District Middle-aged and Young Intellectuals Association of Shanghai, donated CNY 50,000 worth of cooling items to the summer care program at the Affiliated Primary School of University of Shanghai for Science and Technology, bringing a refreshing touch to the children's summer days.



SPH Sales Continuously Builds the "Medicine for You" Service Brand

Case



SPH Sales persistently builds the "Medicine for You" service brand. Leveraging the "Civilized Star Connects Hearts" initiative in Taopu Town as a platform, SPH Sales actively engages in community activities such as "Lighting Up 'Micro Wishes', Spreading Love Together" and "Bartering", acquiring medical kits and healthcare books valued at over CNY 800 for residents' use. Through paired cooperation, SPH Sales strives to foster a "Civilization Creation Community" to enhance the overall level of civility in the community.

Volunteer Activities

Case SPH Qingchunbao Participated in Asian Games Volunteer Activities

From July to October 2023, 208 in-service Party members from SPH Qingchunbao ventured into communities and contributed to volunteer services for the Asian Games, such as caring guardianship, safe neighborhoods, and civil guidance.



Environmental Protection

Case "Cloud Sky" Joined Hands with "Greenriver" to Promote Ecological Conservation in the Sanjiangyuan Region of Qinghai-Tibet Plateau



During the 24th edition of IE expo China held from April 19 to 21, the Cloud Sky Alliance for Revitalizing the Traditional Chinese Medicine Industry, a joint initiative launched by Yunnan Baiyao, Tianjin Pharma and SPH, demonstrated its commitment to environmental protection by partnering with Sichuan Greenriver Environmental Protection Promotion Association (the "Greenriver"). On behalf of the Cloud Sky Alliance, SPH donated over 60 cases of SPH Zhonghua Pharma's Dragon&Tiger series balms, Yunnan Baiyao aerosols and bandages, and Tianjin Pharma's Yumeijing personal care items to Greenriver. These provisions were earmarked for "Trash for Gifts" programs and other

ecological conservation initiatives in the Sanjiangyuan region of Qinghai-Tibet Plateau, aimed at incentivizing local herders to actively participate in waste sorting and recycling while promoting the idea that "properly disposed waste is a resource".

Contributing to Rural Revitalization

According to the report of the 20th National Congress of the CPC, China should comprehensively promote rural revitalization, prioritize the development of agriculture and rural areas, consolidate and expand the results of poverty eradication, and promote the revitalization of rural industries, talents, culture, ecology and organizations.

In recent years, SPH has implemented the rural revitalization strategy initiated by the state, fulfilling its social responsibilities as a state-owned enterprise. Guided by Shanghai CPC Municipal Committee and Shanghai Municipal Government for the exchanges and cooperation between Shanghai Municipality and Yunnan Province, and under the auspices of the State-owned Assets Supervision and Administration Commission (SASAC) and Shanghai Industrial Investment (Holdings) Co., Ltd. (SIIC), SPH has integrated relevant resources to facilitate industrial collaboration between its subsidiaries and their counterparts in Yunnan Province. This systematic approach, characterized by "strategic cooperation + Shanghai-based R&D + Yunnan-based manufacturing + paired assistance", has yielded fruitful results.

In 2023, SPH aligned its efforts with the "Five Revitalizations" objectives, focusing on five key themes: "industrial promotion", "consumption stimulation", "humanistic care", "harmonious countryside", and "Party-building collaboration". SPH has prioritized initiatives such as the "Hundred Enterprises Pairing with Hundred Villages" program and the "Hearts United for Sagya – Saffron Cultivation" project, making significant contributions to local rural revitalization efforts. During the Reporting Period, SPH's dedication, sustained investment, and tangible outcomes in rural revitalization were recognized by China Association for Public Companies, with the "Outstanding Practice Case in Rural Revitalization among Listed Companies in 2023" title.



Improving Infrastructure and Public Services to Build a Livable, Business-Friendly and Beautiful Countryside

Infrastructure and public services are important elements for a livable, business-friendly and beautiful countryside, and the basic foundations for the farmers' sense of gain, happiness and security. SPH promotes infrastructure construction and strengthen farmers' medical and health security in response to the weaknesses of the infrastructure in the paired assistance regions.

Assisting the Construction of Rural Medical and Health Care System

SPH has invested CNY 70 million to implement the "SPH Care and Protection Program" in Yunnan and Guizhou, which is used for the construction of rural clinics in remote mountainous areas, training of rural doctors, and funding for rare disease patients in rural areas. Since the establishment of the program in 2015, a total of 79 Hope Clinics have been built, with medical technology training for over 200 rural physicians across 76 counties and cities. The commitment to this endeavor will continue in the future.

In June 2023, with the joint support of Midu County Finance Bureau and the Red Cross Society, SHAPHAR facilitated the procurement of medical equipment worth CNY 200,000 for its paired-assistance village, Xianfeng Village. The equipment package included portable color Doppler ultrasound systems, ultrasonic height and weight measuring instruments, TCM cabinets, computers, printers, and examination beds, enhancing the clinic's facilities and upgrading its information service capabilities.

Improving Rural Living Environment through Infrastructure Construction

Case SHAPHAR Facilitated Road Upgrades in Xianfeng Village

Huilan Village, under the jurisdiction of Xianfeng Village in Yunnan Province, boasts a rich historical and cultural heritage. However, its development had been hindered due to inadequate road infrastructure. In late 2022, SHAPHAR launched the "Picturesque Xianfeng" Huilan Village Road Improvement Project, targeting the greening and hardening of critical roads to build the village into a stellar example of rural revitalization rooted in its history and culture. Completed in February 2023, the project transformed once-rugged, dirt-and-stone roads leading to major historical sites into smooth, clean, straight, and well-drained roads, dramatically enhancing the village's appearance and vastly improving daily commuting conditions for villagers, agricultural work, and other activities.



Case SPH Sine Supports Infrastructure Development in Shijia Village



The specialty hamlet project in Shifoshao Village, under the jurisdiction of Shijia Village in Yunnan Province, has been incorporated into the Midu County Rural Tourism Development Project. SPH Sine invested CNY 70,000 in support of this initiative, which is currently in the planning and design stages.

SPH Sine has consistently funded infrastructure development in Shijia Village. After a two-year span, the company has completed projects such as the retaining walls, activity square (parking lot) and drainage ditches in Shifoshao Village, as well as the retaining walls and drainage ditches in Dajiaban Village. In 2023 alone, SPH Sine provided CNY 620,000 in assistance funding.

Developing Rural Specialties to Expand Income-generating Opportunities for Peasants

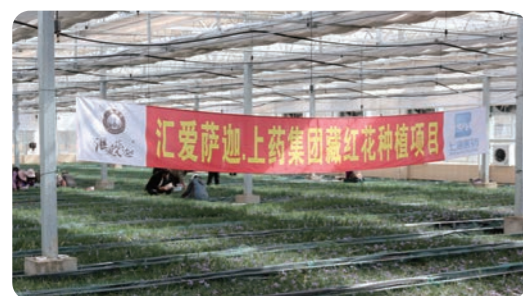
Rural revitalization depends of industrial development. Based on past experience in paired assistance, SPH has innovated its methods and facilitated the construction of a new agricultural industry system. Through technical support for Chinese herbs planting, industrial support and project cooperation, the Company supports pair-up areas to optimize the development environment and industrial structure and promotes the revitalization of rural industries.

SPH selects Chinese herbal medicine varieties with great market potential, stable yields and secured benefits; deepens industrial cooperation in the cultivation of Chinese herbs; boosts the development of competitive industries according to local conditions; coordinates production and sales of local agricultural products; signs purchase agreements for local agricultural products; and accelerates the market access and precise coordination between production and sales to increase the income of the local people. As of the end of 2023, SPH has procured fruits, honey, and other agricultural products worth CNY 1,021,000 from its paired assistance regions.

Case SPH TCM's "Hearts United for Sagya" Saffron Cultivation Project

Adhering to plans for paired assistance to Xizang set forth by CPC Central Committee and CPC Shanghai Municipal Committee, SPH TCM proactively integrates its corporate development into the broader national and municipal strategies, forging deep collaboration with the aid-Xizang task force. The company has established a high-altitude trial base for saffron cultivation in Sagya County, launching the "Hearts United for Sagya - Saffron Cultivation Project" to drive local rural revitalization through technology support, industrial development, and brand building.

Historically, Xizang's challenging climate and limited production technologies have precluded the large-scale cultivation of saffron. Through comprehensive on-site investigations, the research team of SPH TCM has gained a thorough understanding of greenhouse construction, temperature control systems, irrigation and fertilization management, seasonal weather patterns, and optimal planting seasons in Xizang. SPH TCM provides guidance throughout the entire cultivation process, including saffron cultivation techniques, plant characteristics, and growth cycles. As a result, the team has successfully devised a scalable, standardized cultivation scheme tailored to local conditions, establishing an advanced model for saffron introduction and cultivation in high-altitude areas.



• SPH TCM

In 2023, SPH TCM provided support funds to four village committees in Niujie Township, including Kanglang Village, for the purchase of safflower seeds and *Codonopsis pilosula* seedlings. This contributed to the promotion of safflower cultivation across 249 hectares in Niujie Township, benefiting 859 households. A total of 3,742 kilograms of safflower seeds were provided as a subsidy, with a cumulative investment of CNY 112,260. The anticipated economic benefit is approximately CNY 9.72 million. Concurrently, SPH TCM procured 29,480 kilograms of safflower, planted in 2022 and newly harvested in 2023, from the township, with a procurement value topping CNY 4.63 million. Through these regionally appropriate medicinal herb cultivation initiatives, villagers have witnessed marked improvement in their living standards. On December 6, SPH TCM's Rural Revitalization Task Force visited the safflower plantation base in Kanglang Village, officially inaugurating the facility.

• SHAPHAR

In February 2023, Xianfeng Village of Juli Township, Midu County, Yunnan Academy of Agricultural Sciences, and Dali Junfeng Biotechnology Co., Ltd. jointly initiated the "SHAPHAR Xianfeng Safflower Cultivation Project". In October, a "Yunhong No. 7" plantation base was set up in Xianfeng Village, piloting the cultivation of 6.66 hectares of the "Yunhong No. 7" variety of safflower, known for its high yield, ease of harvesting, vibrant red color, moderate growth period, wide adaptability, and strong resistance. The pilot is expected to be completed within one year. Should it prove successful, it could provide a replicable and scalable blueprint for the development of safflower cultivation in Xianfeng Village.



Case

Sustained Educational Support to Empower Talent Revitalization

The healthy development of rural education is of great significance to rural revitalization. To implement the rural revitalization strategy, we must strengthen rural education, improve the learning environment, and enable children in rural areas to access quality education. SPH will continue to optimize education resources of paired assistance regions, providing support and guarantee of funding and resources for basic education and talent development.

Case

• SPH TCM

In 2023, SPH TCM once again provided a batch of clothing and bedding for boarders at Kanglang Primary School, improving the wellbeing of the children. Additionally, during the 2024 winter break, SPH TCM supported renovations to the school's dormitories, enhancing living conditions for the students. To implement these initiatives, SPH TCM donated CNY 250,000 to Midu County Red Cross Society. The company continued to award the "Wisdom Scholarship" to outstanding students and the "Aspiration Scholarship" to those from financially challenged families, motivating them to strive for academic excellence, hasten their path to becoming talents, and ultimately contribute to their hometown's development.

• SPH Zhongxi Sunve

In 2023, the "Rural School Broadcasting Station" at Lawan Ethnic Primary School in Fengtun Town, Mouding County, sponsored by a CNY 100,000 donation from SPH Zhongxi Sunve, was officially put into operation. This station is a part of a long-term philanthropic program aimed at establishing campus radio stations in remote schools, promoting educational equity and comprehensive student development. It encompasses the installation of a campus broadcasting system, training of junior hosts, provision of program content, and ongoing technical support. In the years to come, the station will echo the sounds of the mountains and serve as a platform for children to express themselves and explore the world beyond.



Paired Assistance and Enterprise-Village Cooperation

Case

• SPH New Asia (Minhang)

In alignment with the guiding principles in the "Opinion of CPC Central Committee and the State Council on Effectively Connecting the Consolidation and Expansion of Poverty Alleviation Achievements with Rural Revitalization" and relevant notices from the Office of Minhang District Leading Group for Paired Assistance and Cooperative Exchanges, SPH New Asia Pharmaceutical (Minhang) Co., Ltd. answered the call from Minhang District Commission of Economy for contributing to the "Enterprise-Village Paired Assistance Program" by donating CNY 50,000 to Dashuigou Village Committee of Zhen'an Town, Longling County.

• SPH Herbapex

In support of the "Enterprise-Village Cooperation" public welfare program, SPH Herbapex donated a total of CNY 400,000 to Gucheng Town and Wulidianzi Town in Huanren County to improve rural infrastructure and catalyze local development.



2024 Outlook

2024 marks the 75th anniversary of the founding of the People's Republic of China and a pivotal year in achieving the goals set forth in the "14th Five-Year Plan" and envisioning new goals for the "15th Five-Year Plan". SPH will proactively serve national strategies and take on responsibilities of a state-owned pharmaceutical enterprise. With unwavering commitment to "building a national-level team for China's biomedical industry and becoming a leading Chinese pharmaceutical manufacturer with international competitiveness", SPH will further enhance economies of scale and its overall strength, effectively manage operational risks, boost industrial efficiency, and sharpen its innovation capabilities to better serve the health and well-being of the people.

Enhancing Corporate Governance

We will continuously refine corporate governance, further optimize compliance policies and organizational frameworks, fortify risk management mechanisms, champion a culture of compliance, diligently manage risks and compliance matters, and intensify integrity-building and anti-corruption efforts to foster a transparent and upright industrial ecosystem. We will deepen the construction of "Digital SPH" to empower healthy corporate growth.

Deepening Innovation-driven Development

We will continue to build innovation platforms. Focusing on patients' needs and guided by clinical value, we will invest more in innovation to offer a broader, higher-quality spectrum of medical products and services, propelling pharmaceutical innovation into a whole-new era.

Enhancing Access to Medicines

Leveraging our strengths in manufacturing, commerce, research, and investment, we will "produce, sell, and deliver quality medicines", build an exceptional manufacturing system, and safeguard product safety and quality. We will advance the development of major pharmaceutical bases and strategic logistics hubs to ensure drug supply stability. We will acquire information and digital technologies to help patients enjoy smarter, more efficient, and convenient healthcare services.

Protecting the Ecological Environment

In answer to the national strategy of "Carbon Peaking and Carbon Neutrality", we will embrace green development principles and actively address climate change. Through intelligent, integrated, and eco-friendly advancements, we will expedite the construction of green "zero-carbon" factories to support the upgrading of the pharmaceutical industry and contribute to China's transition to a green economy.

Strengthening Talent Development

We will further refine our human resources system, establish robust talent selection and appointment mechanisms, implement talent development plans, cultivate an outstanding environment for talent growth, and ensure mutual success between SPH and its exceptional professionals. We will prioritize employee welfare and empower their sustainable career advancement.

Giving Back to the Society

Actively fulfilling our social responsibilities, we will assist vulnerable societal groups and sustain diverse philanthropic endeavors. We will increase support and partake in rural revitalization through diverse channels to promote healthy rural development and contribute to shared prosperity.

With a long yet luminous journey ahead, the time is ripe for SPH to embark on its voyage. In 2024, SPH will steadfastly align itself with the role of a state-owned pharmaceutical enterprise committed to serving national strategies. Propelled by technological innovations and market-oriented mechanisms, we will drive the implementation of key business priorities, cater to the health needs of the general public, and contribute our wisdom and strength to the "Healthy China" strategy.

Appendix

Performance Table

Economic Performance

Indicator	Unit	2021	2022	2023
Operating Revenue	CNY 100mn	2,158.24	2,319.81	2,602.95
Net Profit Attributable to Shareholders	CNY 100mn	50.93	56.17	37.68
Total Assets	CNY 100mn	1,634.36	1,981.35	2,119.73
Total Tax Payment	CNY 100mn	63.53	79.00	74.98

Social Performance

Indicator	Unit	2021	2022	2023
Number and Distribution of Employees				
Total Number of Employees	Person(s)	47,056	47,877	48,164
Proportion of Female Employees	%	50.7	50.3	50.5
Proportion of Female Employees in Middle Management and Above	%	38.9	39.8	39.6
Employment Type				
Contract Employees	Person(s)	40,314	41,217	41,342
Other Employees	Person(s)	6,742	6,660	6,822
Gender				
Male	Person(s)	23,205	23,795	23,826
Female	Person(s)	23,851	24,082	24,338
Age				
50 and Above	Person(s)	7,790	7,971	7,771
30-49	Person(s)	30,391	31,176	31,634
Under 30	Person(s)	8,875	8,730	8,759
Educational Background				
Master's Degree and Above	Person(s)	1,947	2,026	2,288
Bachelor's Degree	Person(s)	13,816	14,156	14,978
Associate Degree	Person(s)	15,121	14,611	14,322
Other	Person(s)	16,172	17,084	16,576

Indicator	Unit	2021	2022	2023
Percentage of Employees by Age Group				
Above 50	%	16.6	16.7	16.1
30-49	%	64.6	65.1	65.7
Under 30	%	18.9	18.2	18.2
Percentage of Employees by Location				
Mainland of China	%	98.8	98.7	98.7
Hong Kong SAR, Macao SAR, Taiwan Region, and Abroad	%	1.2	1.2	1.2
Employee Turnover Rate¹				
Turnover Rate	%	14.6	13.5	12.0
Turnover Rate by Gender				
Male	%	14.1	13.0	12.6
Female	%	15.0	14.1	11.4
Turnover Rate by Age				
50 and Above	%	12.3	12.1	17.7
30-49	%	11.8	11.0	8.1
Under 30	%	26.0	24.0	20.8
Turnover Rate by Location				
Mainland of China	%	14.7	13.6	12.0
Hong Kong SAR, Macao SAR, Taiwan Region, and Abroad	%	1.2	3.7	4.8
Employee Rights and Benefits				
New Hires During the Reporting Period	Person(s)	7,354	8,081	8,476
Individuals with Disabilities Hired	Person(s)	458	450	438
Labor Contract Signing Rate	%	100	100	100
Social Insurance Coverage	%	100	100	100
Employee Satisfaction	%	78	80	80
Employees' Training				
Percentage of Trained Employees	%	86	89	88
Training Attendees	Person-times	367,183	554,210	577,136
Training Hours	Hour(s)	2,023,408	1,149,048	1,574,970
Average Training Hours	Hour(s)	43	24	33

Indicator	Unit	2021	2022	2023
Percentage of Trained Employees by Gender				
Male	%	85	90	83
Female	%	86	89	93
Percentage of Trained Employees by Position				
Managerial and Professional Personnel	%	100	100	100
Technicians and Others	%	80	85	84
Average Training Hours of Employees by Gender				
Male	Hour(s)	43	25	33
Female	Hour(s)	42	24	32
Average Training Hours of Employees by Position				
Managerial and Professional Personnel	Hour(s)	84	52	64
Technicians and Others	Hour(s)	25	14	21
Occupational Health and Safety²				
Health and Safety Investments	CNY'0,000	17,702	13,668	15,202.5
Manufacturing Accidents	Time(s)	10	7	7 ³
Manufacturing Accidents	Day(s)	0	0	0
Work-related Deaths	%	0	0	0
Days Loss due to Work-Related Deaths	Day(s)	840	320	56
Safety Training	%	100	100	100
Number of Safety Drills	Time(s)	639	587	927
Number of Participants in Safety Drills	Person(s)	32,636	24,379	24,411
Physical Examination Rate	%	100	100	100
Number of People Completing Physical Examination	Person(s)	5,693	5,581	5,886
Employees with Work-related Illnesses	Person(s)	0	0	0
Reported Rate of Occupational Hazards	%	100	100	100
Detection Passing Rate of Occupational Hazards	%	100	100	100
Notification Rate of Occupational Hazards	%	100	100	100

Indicator	Unit	2021	2022	2023
R&D, Patents, and Trademarks				
Number of Patent Applications in the Current Year	Time(s)	136	187	135
Number of Invention Patent Applications in the Current Year	Time(s)	120	144	122
Cumulative Number of Granted Patents	Time(s)	1,205	1,365	1,489
Number of Granted Patents in the Current Year	Time(s)	186	160	124
Cumulative Number of Trademark Applications	Time(s)	698	779	936
Cumulative Number of Trademark Registrations	Time(s)	993	1,075	1,385
Cumulative Number of China Patent Awards	Time(s)	7	7	7
R&D Investment	CNY 100mn	25.03	28.00	26.02
R&D Expenditure	CNY 100mn	19.87	21.12	22.04
R&D Personnel	Person(s)	1,418	1,539	1,666
Ratio of Researchers to Total Number of Employees	%	3.01	3.21	3.46
Supplier Management⁴				
Total Number of Suppliers	Supplier(s)	678	659	670
Number of Suppliers by Place				
Mainland of China	Supplier(s)	669	626	655
Hong Kong SAR, Macao SAR, Taiwan Region, and Abroad	Supplier(s)	0	1	1
Abroad	Supplier(s)	9	32	14
Number of Suppliers by Material Type				
APIs	Supplier(s)	165	171	151
Excipients	Supplier(s)	248	260	280
Primary Containers	Supplier(s)	115	96	114
Outer Packaging Materials	Supplier(s)	150	132	125
Number of Suppliers by Significance				
Strategic/Exclusive Suppliers	Supplier(s)	57	61	105
Important Suppliers	Supplier(s)	261	244	270
Common Suppliers	Supplier(s)	360	354	295

Indicator	Unit	2021	2022	2023
Supplier Quality				
Number of Suppliers with GMP Certification	Supplier(s)	220	174	128
Number of Suppliers with Overseas Certification	Supplier(s)	12	45	31
Number of Suppliers with Certification of Quality Management System	Supplier(s)	269	244	224
Number of Suppliers with Certification of Occupational Health and Safety Management Systems	Supplier(s)	167	133	112
Number of Suppliers with Certification of Environmental Management system	Supplier(s)	178	152	129
Number of Suppliers with Open Cooperation Agreement, Letter of Commitment, or Integrity Compliance Agreement	Supplier(s)	672	659	670
Number of Suppliers' Employees in Trainings				
Clean Procurement	Person(s)	302	223	703
Environmental Protection	Person(s)	82	63	58
Occupational Safety	Person(s)	82	63	58
Other Training Topics	Person(s)	19	37	31
Hours of Training for Suppliers				
Clean Procurement	Hour(s)	264.5	143.5	528.5
Environmental Protection	Hour(s)	56.5	24.5	23
Occupational Safety	Hour(s)	57	22.5	21
Other Training Topics	Hour(s)	17.5	11	4
Suppliers' Annual Evaluation				
Total Number of Suppliers' Annual Evaluation	Supplier(s)	586	575	629
Including: Suppliers' Annual Evaluation on APIs	Supplier(s)	147	170	151
Including: Suppliers' Annual Evaluation on Excipients	Supplier(s)	205	191	241
Including: Suppliers' Annual Evaluation on Primary Containers	Supplier(s)	104	93	112
Including: Suppliers' Annual Evaluation on Outer Packaging Material	Supplier(s)	130	116	125
Including: Number of Disqualified Suppliers	Supplier(s)	1	5	1
Product Quality⁵				
Quantity of products recalled for safety and health	Time(s)	0	0	0
Percentage of products subject to recalls for safety and health in total products sold or shipped	%	0	0	0
Number of product and service complaints	Time(s)	550	431	513
Customer complaint response rate	%	100	100	100
Resolution of Customer Complaints	%	100	100	100

Indicator	Unit	2021	2022	2023
Philanthropy and Charity				
Public Welfare Activities	Time(s)	95	154	142
Volunteer Services	Person-times	1,702	6,070	624
Volunteer Services Duration	Hour(s)	7,713.5	3,1087.5	1,331
Total Donation Amount	CNY'0,000	4,496.65	5,019.4	3,804.1
Including: Health	CNY'0,000	-	3,932.45	2,087.15
Including: Rural Revitalization	CNY'0,000	644.01	402.3	232.34
Including: Science, Education, Culture and Sports	CNY'0,000	-	387.3	980.38
Including: Disaster Relief	CNY'0,000	-	169.41	56.91
Including: Social Welfare	CNY'0,000	788.17	123.6	372.27
Including: Others	CNY'0,000	-	4.31	111.97

Environmental Performance – Packaging

Usage of Key Packaging Materials					
Dosage Form	Packaging	Material	Unit	2022	2023
Primary Containers	Primary Containers	Glass, Plastic, Aluminum-Plastic, etc.	kg	2,093,159	3,150,054
	IFU	Paper	kg	43,959	76,266
	Pack	Paper	kg	295,489	336,748
	Box	Paper	kg	-	30,588
	Carton	Cardboard	kg	214,391	337,190
	Bottle Labels	Paper, Mirror-Coated Paper	kg	3,209	68,954
	APIs	Primary Containers	Polyethylene, Paper, Plastic Bags	kg	6,105
Barrels		Paper, aluminum	kg	4,018	12,585
Tablet	Primary Containers	PVC, PVDC, Aluminum, Plastic, etc.	kg	1,579,276	1,084,345
	IFU	Paper	kg	341,385	385,328
	Pack	Paper	kg	1,783,815	2,059,150
	Box	Paper	Kg	14,624.70	36,905
	Carton	Cardboard	kg	874,870	825,020
	Bottle Labels	Paper, Mirror-Coated Paper	Kg	2,771	8,273

Dosage Form	Packaging	Material	Unit	2022	2023
Capsule	Primary Containers	Plastic, Aluminum Foil	kg	194,076	685,071
	IFU	Paper	kg	19,767	117,761
	Pack	Paper	kg	157,734	2,096,055
	Carton	Cardboard	kg	102,606	344,585
Pill	Primary Containers	Polypropylene, Polyvinyl Chloride, Plastic, etc.	kg	90,227	93,352
	IFU	Paper	kg	11,603	13,051
	Pack	Paper	kg	151,284	121,571
	Carton	Cardboard	kg	50,489	57,623
Cardboard	Primary Containers	Polyester, Aluminum, Polyethylene, Glass, etc.	kg	334,556	233,057
	IFU	Paper	kg	24,340	25,133
	Pack	Paper	kg	166,498	107,013
	Label	Paper	Kg	1,367	6,398
	Box	Paper	kg	9,770	-
	Carton	Cardboard	Kg	105,453	121,600

¹ In 2023, the method for calculating employee turnover rate was adjusted to "Number of Employees Leaving within the Category / Average Total Number of Employees in the Category". Employee turnover rates for 2021-2022 have been retrospectively adjusted on a comparable basis, using this methodology.

² The scope of occupational health and safety data encompasses 30 secondary SPH subsidiaries, representing a decrease of one subsidiary compared to the 31 included in the 2022 statistics.

³ During the Reporting Period, SPH experienced seven workplace accidents. The Company promptly took effective containment measures for each incident and, in adherence to the "Four Cardinal Principles", conducted investigations before formulating and implementing corrective and preventive actions, enhancing safety training, and strengthening supervision to prevent recurrence of similar accidents.

⁴ Supplier management data covers suppliers of raw, auxiliary and packaging materials for key products listed by SPH and its subsidiaries during the year 2023. In 2021, six suppliers did not enter into procurement agreements with the Company, and were not subject to signing an "Integrity Agreement".

⁵ Product quality data encompasses SPH's 43 pharmaceutical manufacturing subsidiaries. In 2023, the majority of complaints were related to damaged packaging and were handled according to the Company's standard operating procedures.

Environmental Performance - Emissions & Energy

Chiatai Qingchunbao (Deqing) Pharmaceutical Co., Ltd. was merged into Chiatai Qingchunbao Pharmaceutical Co., Ltd. in 2022. In 2023, Gansu Sine Tiansen Pharmaceutical Co., Ltd. ceased operations, while Shandong SPH Chinese Herbal Pieces Co., Ltd. was closed, and Chongqing Huiyuan Qinglong Pharmaceutical Co., Ltd. was newly established. The following SPH companies disclosed relevant information:

No.	Name of enterprises directly under the Group	Subsidiary No.	Name of subsidiaries of drug manufacturers directly under the Group
1	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1-1	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd., General Factory
		1-2	Shanghai Sine No.2 Pharmaceutical Laboratories Co., Ltd.
		1-3	Shanghai Harvest Pharmaceutical Co., Ltd.
		1-4	Shanghai Sine Tianping Pharmaceutical Co., Ltd.
		1-5	Shanghai Fuda Pharmaceutical Co., Ltd.
		1-6	Shanghai Sine Yanan Pharmaceutical Co., Ltd.
		1-7	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.
		1-8	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.
		1-9	Shandong Sine Pharmaceutical Co., Ltd.
		1-10	Tianjin Jinjin Pharmaceutical Co., Ltd.
2	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	2-1	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.
		2-2	Shanghai Ziyuan Pharmaceutical Co., Ltd.
3	Shanghai SPH New Asia Pharmaceutical Co., Ltd.	3-1	Shanghai SPH New Asia Pharmaceutical Co., Ltd. Pioneer Pharmaceutical Factory
		3-2	Shanghai SPH New Asia Pharmaceutical Co., Ltd. New Asia Pharmaceutical Factory
		3-3	SPH New Asia Pharmaceutical (Minhang) Co., Ltd.
4	Shanghai Traditional Chinese Medicine Co., Ltd.	4-1	Shanghai Dehua Traditional Chinese Medicines Co., Ltd.
		4-2	Shanghai Yutiancheng Chinese Herbal Medicine Company Limited
		4-3	Shanghai Huapu Chinese Herbal Medicine Company Limited
		4-4	Shanghai SPH Shenxiang Health Pharmaceutical Co., Ltd.
		4-5	Chongqing Huiyuan Pharmaceutical Co., Ltd.
		4-6	Chongqing Huiyuan Qinglong Pharmaceutical Co., Ltd.
		4-7	Sichuan SPH Shendu Traditional Chinese Medicine Co., Ltd.
		4-8	SPH (Liaoning) TCM Resources Co., Ltd.
5	Shanghai Leiyunshang Pharmaceutical Co., Ltd.	5-1	Shanghai Leiyunshang Pharmaceutical Co., Ltd.
		5-2	Shanghai Leiyunshang Fengbang Pharmaceutical Co., Ltd.
		5-3	Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.
		5-4	Zhejiang Jiuxu Pharmaceutical Co., Ltd.

No.	Name of enterprises directly under the Group	Subsidiary No.	Name of subsidiaries of drug manufacturers directly under the Group
6	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	6-1	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
		6-2	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
		6-3	Shanghai Jinhe Bio-Pharmaceutical Co., Ltd.
7	Shanghai Zhonghua Pharmaceutical Co., Ltd.	7-1	Shanghai Zhonghua Pharmaceutical Co., Ltd.
		7-2	Shanghai Zhonghua Nantong Pharmaceutical Co., Ltd.
8	Shanghai Sunway Biotech Co., Ltd.	8-1	Shanghai Sunway Biotech Co., Ltd.
		9-1	Changzhou Pharmaceutical Factory Co., Ltd.
9	SPH Changzhou Pharmaceutical Co., Ltd.	9-2	Nantong Changyou Pharmaceutical Technology Co., Ltd.
		9-3	Chifeng Arker Pharmaceutical Technology Co., Ltd.
		9-4	Chifeng Mysun Pharmaceutical Co., Ltd.
		10-1	SPH Qingdao Growful Pharmaceutical Co., Ltd.
10	SPH Qingdao Growful Pharmaceutical Co., Ltd.	10-1	SPH Qingdao Growful Pharmaceutical Co., Ltd.
11	Xiamen Traditional Chinese Medicine Factory Co., Ltd.	11-1	Xiamen Traditional Chinese Medicine Factory Co., Ltd.
12	Chiatai Qingchunbao Pharmaceutical Co., Ltd.	12-1	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
13	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	13-1	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
14	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	14-1	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.
		15-1	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.
		15-2	SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.
15	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	15-3	Liaoning Meiya Pharmaceutical Co., Ltd.
		16-1	SPH (Benxi) Northern Pharmaceutical Co., Ltd.
16	SPH (Benxi) Northern Pharmaceutical Co., Ltd.	16-1	SPH (Benxi) Northern Pharmaceutical Co., Ltd.
17	Techpool Bio-Pharma Co., Ltd.	17-1	Techpool Bio-Pharma Co., Ltd.
		17-2	Guangzhou Baotian Biotechnology Co., Ltd.

Note: Greenhouse gas emissions are calculated with reference to the Guidelines for Reporting of Performance Indicators of Environmental Key Data and Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industrial Enterprises.

Emissions

Subsidiary No.	Year	Wastewater Discharged	Amount of COD in Wastewater Discharged	Amount of N-NH3 in Wastewater Discharged	Total Amount of Non-Methane Hydrocarbon in Exhaust Gas Emitted	Amount of Sulfur Dioxide in Exhaust Gas Emitted	Amount of Nitrogen Oxide in Exhaust Gas Emitted	Amount of Particulate Matter in Exhaust Gas Emitted	Amount of Others in Exhaust Gas Emitted	Greenhouse Gas Emissions		Direct Greenhouse Gas Emissions	Indirect Greenhouse Gas Emissions	Greenhouse Gas Emission Intensity	Amount of General Solid Waste Produced	Amount of General Solid Waste Disposed	Amount of General Solid Waste Utilized	General Solid Waste Discharge Density	Amount of Hazardous Waste Produced	Amount of Hazardous Waste Disposed	Hazardous Waste Discharge Density
		10,000 tonnes	tonne	tonne	kg	kg	kg	kg	kg	tonne		tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne/CNY10,000 output value
1-1	2023	28.24	21.53	1.65	846.09	302.8	3785	166.02	31.4	20914.02		59.33	20854.69	0.21	80.08	30.34	49.74	0.00079	58.66	56.85	0.00056
	2022	24.27	14.96	0.76	771.61	5.54	0.56	202.19	25.39	33778		1136.92	32641.08	0.37	81.09	43.5	37.59	0.00093	83.21	83.21	0.00095
	2021	19.79	0.12	0.82	313.65	0.56	455.03	20.52	0	34756.59		1390.26	33366.33	0.56	127.77	59.81	67.96	0.0021	87.49	87.49	0.0014
1-2	2023	5.7	3.89	0.18	261.25	0.02	377.22	28.52	0	4488.47		1085.65	3402.82	0.19	72	27	45	0.003	21.93	21.93	0.0009
	2022	6.03	3.83	0.1	347.7	0.02	370.87	86.25	0	4555.82		1129.59	3426.23	0.11	121	24	97	0.0041	36.48	36.48	0.0012
	2021	6.2	2.73	0.19	0	0	297.23	50.02	0	4472.12		1318.87	3153.25	0.13	61	27	34	0.0014	26.5	26.5	0.0007
1-3	2023	8.4	1.97	0.08	74.77	0.11	175.69	12.32	151.18	6403.93		113.99	6289.94	0.09	155.98	125.19	30.79	0.002	39.94	39.68	0.0005
	2022	7.9	1.3	0.018	73.79	28.32	70.02	1.27	19.45	6306.24		114.11	6192.13	0.1	131.9	131.9	0	0.002	46.47	46.47	0.0007
	2021	5.65	4.9	0.22	20.42	15.71	182.9	11.17	14.03	5736.52		120.8	5615.72	0.07	142.13	142.13	0	0.002	51.1	51.1	0.0006
1-4	2023	7.82	10.17	0.328	764.92	0.11	39.14	97.16	0	6042.33		213.58	5828.75	0.2	86.63	27.5	59.13	0.0028	46.51	44.25	0.0015
	2022	6.26	3.45	0.045	344.32	0.29	108.29	46.26	0	7706.57		129.07	7577.5	0.22	83.73	20.6	63.13	0.0026	49.47	48.67	0.0015
	2021	7.67	10.43	0.6	209.92	0.29	117.53	70.33	0	8231.32		166.77	8064.55	0.23	150.78	29.74	121.04	0.004	62.16	59.16	0.0017
1-5	2023	1.89	1.7	0.02	77.47	0.03	1.92	28.25	0	1379.02		461.03	917.99	0.16	32	21.84	10.16	0.001	17.77	17.24	0.002
	2022	2.02	1.11	0.011	13.28	0.03	1.92	35.47	0	1430.35		461.68	968.67	0.22	35	24.42	10.58	0.001	17.72	14.77	0.003
	2021	1.97	0.73	0.03	6.54	0.007	0.15	30.74	0	1698.22		671.45	1026.77	0.34	35	35	9	0.001	10.53	5.07	0.001
1-6	2023	2.75	2.26	0.21	20.98	0.04	100.48	9.94	0	2254.47		524.25	1730.22	0.23	56	38	18	0.0056	13.29	12.29	0.001
	2022	3.24	2.4	0.17	50.23	0.03	78.42	7.77	0	2226.51		587.24	1639.27	0.17	63	45	18	0.005	15.82	15.82	0.001
	2021	2.57	2.88	0.04	86	0.07	160.06	35.84	0	2174.05		532.36	1641.69	0.17	68.78	60	8.78	0.005	25	23.49	0.002
1-7	2023	1.79	1.04	0.026	18.86	0.071	200.86	14.19	0	1933.63		524.42	1409.21	0.14	32.55	0	33.45	0.0025	21.98	21.98	0.0016
	2022	1.58	0.76	0.03	48.82	0.11	316.54	3	0	1824.52		690.93	1133.59	0.17	31.63	31.38	0	0.003	24.67	25.87	0.0024
	2021	3.5	4.64	0.17	191.72	0.1	244.1	9.67	1.15	1899.29		512.41	1386.88	0.073	69.7	9.1	60.6	0.0037	31.23	31.23	0.0016
1-8	2023	18	3.6	0.02	34.39	0.25	1.01	39.89	0	7508.69		471.28	7037.41	0.23	68.49	38.91	29.58	0.0035	50.17	50.17	0.0025
	2022	19.61	3.92	0.02	6.25	0.19	216.25	40.88	0	8424		476.15	7947.85	0.26	75.3	41.7	33.6	0.0025	61.49	61.49	0.002
	2021	17.64	4.43	0.02	6.25	0.19	216.39	41.01	0	8421.75		476.15	7945.6	0.25	84.92	49.13	35.92	0.0027	47.15	39.45	0.0015
1-9	2023	0.93	1.65	0.02	1062	0.2	98.94	9.48	0	3159.72		61.58	3098.14	0.05	43.6	43.6	0	0.0007	91.5	99.22	0.002
	2022	0.91	1.23	0.02	1110	0.17	89.52	8.58	0	2951.41		56.39	2895.02	0.05	48	48	0	0.0008	125.28	105.88	0.002
	2021	0.71	0.81	0.01	655.76	0.19	100.12	9.59	0	2328.8		52.74	2276.06	0.045	48	48	0	0.0009	86.48	100.34	0.0019
1-10	2023	6.56	0.28	0.0016	437.04	10.99	138.19	25.43	486	27632.23		10328.04	17304.19	0.59	2.48	2.48	0	0.00053	49.81	49.81	0.0016
	2022	4.61	2.04	0.22	414	72.29	533.78	30.46	540	25364.87		8759.7	16605.17	0.64	2.79	2.79	0	0.00007	75.07	75.07	0.0019
	2021	14.41	8.81	0.61	5819.22	40.14	629.13	213.59	1479.6	26379.2		8789.84	17589.36	0.3	101.2	101.2	0	0.0034	65.96	65.96	0.0022
2-1	2023	8.38	2.68	0.06	1060.7	0.084	2324.06	158.43	570	27756.8		8138.79	19618.01	0.1	25.53	25.53	0	0.000089	541.05	541.05	0.0019
	2022	6.97	3.37	0.22	900.79	0.1	3319.7	201.37	198.6	28811.58		9853.79	18957.79	0.1	34	34	/	0.00012	224.28	224.28	0.00078
	2021	7.0015	3.41	0.32	690	50.14	2779.97	276.75	180	29439.1		9973.7	19465.31	0.12	35	35	0	0.00014	162.08	162.08	0.00067
2-2	2023	0.78	2.58	0.19	316.86	0	39.36	0	234.75	1030.37		121.2	909.17	0.21	2.67	0	0	0	172.61	173.26	0.03
	2022	0.85	1.74	0.11	424.55	0	44.36	0	12.56	906.88		112.67	794.21	0.3	0	0	0	0	127.46	130.37	0.04
	2021	1.23	0.69	0.12	306.92	0	41.9	1.74	23.55	988.59		154.9	833.69	0.33	0	0	0	0	135.18	129.02	0.06

Emissions

Subsidiary No.	Year	Wastewater Discharged	Amount of COD in Wastewater Discharged	Amount of N-NH3 in Wastewater Discharged	Total Amount of Non-Methane Hydrocarbon in Exhaust Gas Emitted	Amount of Sulfur Dioxide in Exhaust Gas Emitted	Amount of Nitrogen Oxide in Exhaust Gas Emitted	Amount of Particulate Matter in Exhaust Gas Emitted	Amount of Others in Exhaust Gas Emitted	Greenhouse Gas Emissions		Direct Greenhouse Gas Emissions	Indirect Greenhouse Gas Emissions	Greenhouse Gas Emission Intensity	Amount of General Solid Waste Produced	Amount of General Solid Waste Disposed	Amount of General Solid Waste Utilized	General Solid Waste Discharge Density	Amount of Hazardous Waste Produced	Amount of Hazardous Waste Disposed	Hazardous Waste Discharge Density
		10,000 tonnes	tonne	tonne	kg	kg	kg	kg	kg	tonne		tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne/CNY10,000 output value
3-1	2023	23.5	3.07	0.61	146.64	0.12	61.79	130.23	274.53	14607.36		215.6	14391.76	0.12	206.06	135	71.06	0.0016	33.84	33.71	0.00027
	2022	31.89	15.23	0.19	58.05	0.11	55.69	108.84	21.37	14263.28		296.95	13966.33	0.95	276.91	168	108.91	0.0035	28.01	28.01	0.00037
	2021	34.81	9.4	2.11	804.87	0.16	54.2	5.13	0	16565.21		2427.02	14138.19	0.2	507.62	160.5	3471.2	0.01	26.74	26.74	0.0003
3-2	2023	27.22	4.77	0.07	91.45	56.49	1291.24	113.59	56.66	8942.73		3341.35	5601.38	0.28	164.97	0	164.97	0.0052	231.71	228.11	0.0072
	2022	27.36	10.53	0.07	133.1	0.1	1285.42	87.81	11.35	11247.98		3754.2	7493.78	1.11	222.66	0	222.66	0.0047	108.88	105.88	0.0023
	2021	20.08	7.59	0.14	597.02	0.16	710.05	84.14	0	13062.43		5504.92	7557.51	0.32	173.1	54	119.1	0.004	182.5	182.5	0.004
3-3	2023	4.67	2.1	0.03	169.53	0	0	31.42	44.03	4903.91		177.02	4726.89	0.2	57.09	0	57.09	0.0024	41.28	39.1	0.0016
	2022	5.13	1.28	0.037	569.45	0	19.74	84.63	17.57	5645.5		640.07	5005.43	0.17	23.81	20	0	0.0006	19.21	21.52	0.0006
	2021	5.14	1.41	0.04	17.51	0.11	21.54	25.86	9.02	6495.58		655.51	5840.07	0.21	52	0	50	0.0016	30.4	27.94	0.0009
4-1	2023	0.93	0.43	0.1	10.93	0.33	88.5	57.28	16.73	1119.68		57.68	1062	0.067	55	55	0	0.0033	1.8	1.8	0.00011
	2022	0.85	2.19	0.17	34.94	0.25	79.65	49.07	16.01	1065.99		72.23	993.76	0.087	50	50	0	0.0041	1.8	1.8	0.00015
	2021	0.99	2.55	0.2	8.88	0.38	483.69	89.02	16.01	1259.93		71.81	1188.12	0.084	85	85	0	0.0057	1.8	1.8	0.00012
4-2	2023	0.66	0.46	0.0062	0	0.1	285.62	49.99	0	803.71		179.42	624.29	0.05	9.52	9.52	0	0.00057	1.2	2.11	0.00012
	2022	0.56	0.52	0.003	0	0.25	202.2	9.38	178.68	775.06		136.32	626.4	0.06	4.36	4.36	0	0.00035	1.31	0	0
	2021	0.59	0.42	0.008	0	0.18	99.91	428.61	187.47	969.76		291.72	678.04	0.061	16.96	16.96	0	0.0011	1.7	1.7	0.00011
4-3	2023	0.69	0.07	0.0056	10.16	0.88	69.6	63.58	0	521.33		178.69	342.64	0.051	74.72	74.72	0	0.0073	1.01	0.88	0.00099
	2022	0.55	0.17	0.043	17.8	1.43	359.5	34.06	3.21	430.85		121.44	309.41	0.056	35	35	0	0.0045	1.57	1.57	0.0002
	2021	0.8	0.82	0.06	42.4	0.76	322.32	39.85	45.78	572.18		215.27	356.91	0.076	45	45	0	0.0059	1.79	1.49	0.00024
4-4	2023	0.21	0.14	0.0016	0.122	0	0	0.008	0	454.4		0.01	454.39	0.012	10	9.66	0	0.00026	1.64	1.22	0.000044
	2022	0.22	0.19	0.02	0.12	0	0	0.03	0	464.69		0.18	464.51	0.013	5	5	0	1.34	0	0	0
	2021	0.25	0.19	0.02	0.12	0	0	0.03	0	429.27		0.18	429.1	0.013	5	5	0	1.55	0	0	/
4-5	2023	0.28	0.16	0.02	0	0.21	121.2	13.32	0	413.03		88.33	324.7	0.03	26	19	7	0.002	0.64	0.64	0.00005
	2022	0.7	0.39	0.04	0	0.24	239.79	26.81	0	956.57		307.87	648.7	0.02	28	24	4	0	1.33	0.99	0
	2021	0.69	0.069	0.0014	0	41.96	258.8	28.33	0	858.32		265.73	592.59	0.0105	11	7.9	3.1	0.00013	2.2	2.2	0.00003
4-6	2023	1.58	1.97	0.41	0.15	0.026	5.01	0.498	0	1549.36		137.83	1411.53	0.026	18.04	9.04	9	0.0003	3.84	3.84	0.00006
	2022	/	/	/	/	/	/	/	/	/		/	/	/	/	/	/	/	/	/	/
	2021	/	/	/	/	/	/	/	/	/		/	/	/	/	/	/	/	/	/	/
4-7	2023	0.19	0.08	0.01	0.48	4.33	65.38	58.36	0	186.28		-1.77	188.05	0.0054	1.15	1.15	0	0.000033	4.12	3.9	0.00011
	2022	0.24	0.016	25	0	0	0	109.6	0	0		0	0	0	1.15	1.15	0	0	0.049	0	0
	2021	0.47	200	15	0	0	0	115	0	0		0	0	/	0.55	0.55	0	0.000039	0.1	0.1	0.0000071
4-8	2023	0.16	0.32	0.04	0	3.63	112.95	159.09	0	638.66		352.26	286.4	0.26	7.5	7.5	0	0.003	0.15	0.15	0.00006
	2022	0.25	0.6	0.1	0	4.76	105	95	0	682.6		385.4	297.2	0.11	8.5	8.5	0	0.0014	0	0	0
	2021	1.7	2.9	0.41	0	5.76	100	87	0	686.92		395.79	291.13	0.098	9.8	9.8	0	0.0014	0	0	0
5-1	2023	18.18	6.96	0.14	327.34	0.45	1365.29	1285.44	0	18670.49		6987.5	11682.99	0.33	1158.92	1158.92	0	0.021	4.03	4.24	0.00008
	2022	22.62	17.54	0.44	33	120.46	1685.3	993.45	0	17979.69		6302.91	11676.78	0.34	1425	1425	0	0.027	4.43	3.82	0.00007
	2021	14.28	8.34	0.3	40.82	148.69	1705.79	475.1	0	15623.89		5221.86	10402.03	0.29	1498	1498	0	0.027	47.75	47.74	0.00087

Emissions

Subsidiary No.	Year	Wastewater Discharged	Amount of COD in Wastewater Discharged	Amount of N-NH3 in Wastewater Discharged	Total Amount of Non-Methane Hydrocarbon in Exhaust Gas Emitted	Amount of Sulfur Dioxide in Exhaust Gas Emitted	Amount of Nitrogen Oxide in Exhaust Gas Emitted	Amount of Particulate Matter in Exhaust Gas Emitted	Amount of Others in Exhaust Gas Emitted	Greenhouse Gas Emissions			Direct Greenhouse Gas Emissions	Indirect Greenhouse Gas Emissions	Greenhouse Gas Emission Intensity	Amount of General Solid Waste Produced	Amount of General Solid Waste Disposed	Amount of General Solid Waste Utilized	General Solid Waste Discharge Density	Amount of Hazardous Waste Produced	Amount of Hazardous Waste Disposed	Hazardous Waste Discharge Density
		10,000 tonnes	tonne	tonne	kg	kg	kg	kg	kg	tonne			tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne/CNY10,000 output value
5-2	2023	0.63	0.21	0.013	0	192	109	649	0	2148.35			372.81	1775.54	0.026	29.07	27.57	10.3	0.0021	1.51	1.51	0.00011
	2022	0.61	0.21	0.003	0	153	87	596	0	297.2			33.02	264.18	0.025	25.01	12.58	2.52	0.0021	1.59	1.43	0.00013
	2021	0.54	0.016	0.0005	0	0.006	0.14	0.0026	0	146.45			0.31	146.14	0.015	6	6	0	0.00063	1.08	1.08	0.0001
5-3	2023	8.52	10.2	0.017	113.42	0.85	0	1896.14	0	7115.5			894.98	6220.52	0.21	891	891	0	0.026	23.37	23.37	0.00068
	2022	6.24	9.2	0.015	121.25	0.94	0	1864.23	0	10207.63			2352.42	7855.21	0.33	724	724	0	0.024	17.86	17.86	0.00058
	2021	8.35	8.7	0.15	94.52	0.76	135.62	2132.69	0	5671.68			3165.52	2506.16	0.21	785.4	785.4	0	0.03	8.42	8.42	0.00032
5-4	2023	0.49	0.25	0.02	0	14.23	92.07	36.58	0	1271.69			385.66	886.03	0.05	13.38	2.88	10.5	0.0005	10.18	10.75	0.0004
	2022	0.47	0.17	0.01	0	14.23	105.93	58	0	1182.5			297.98	884.52	0.05	48.96	42.6	6.36	0.0022	8.82	8.44	0.0004
	2021	0.27	0.13	0.013	0	0.09	2.6	0.19	0	2325.9			139.42	2186.48	0.12	58	53	5	0.003	9.89	11.055	0.0005
6-1	2023	3.89	1.04	0.17	441.21	20.07	1193.1	14.39	704.6	8776.21			1175.53	7600.68	0.23	9.7	9.7	0	0.00025	190.94	188.9	0.0049
	2022	4.07	2.75	0.04	344.77	0.09	1230.23	37.61	16.03	8177.12			1522.48	6654.64	0.23	10.31	10.31	0	0.00029	150.56	150.23	0.0042
	2021	4.91	2.08	0.02	1078.38	139.26	1364.5	91.56	7.01	7835.97			744.92	7091.05	0.2	1.34	1.34	0	0.00003	119.52	119.52	0.003
6-2	2023	18.05	38.07	0.66	1076.2	17.23	871.3	434.07	0	13261.15			3986.41	9274.74	0.12	465.33	465.33	0	0.0043	1135.66	1134.96	0.011
	2022	16.37	15.22	0.2	1280	0.06	870.53	532.93	0	11790.93			3578.36	8212.57	0.12	584.83	567.92	16.91	0.0058	1265.64	1267.04	0.013
	2021	20.14	20.24	1.31	905.19	59.9	913.26	540.78	0	12126.64			3614.22	8512.42	0.13	532.97	517.97	15	0.0022	1173.81	1173.81	0.012
6-3	2023	1.14	3.2	0.06	16512	0.26	301.85	4.29	0	6508.36			1454.8	5053.56	0.67	1.1	1.1	0	0.00011	797.96	797.96	0.1
	2022	1.13	3.16	0.062	6422	0.11	144.35	4.29	0.21	6716.86			1830.18	4886.68	0.56	1.6	1.6	0	0.000013	698.35	698.35	0.058
	2021	2.25	5.81	0.09	9072	0.13	364.57	30.63	0.21	7911.09			1732.76	5301.78	0.52	2.5	2.5	0	0.00016	604.77	604.77	0.04
7-1	2023	2.89	2.42	0.37	313.36	0.05	18.94	5.4	0	5110.13			133.15	4976.98	0.27	19.22	4.79	14.43	0.00076	60.85	60.85	0.0032
	2022	2.1	2.29	0.18	239	0.038	21.6	16.75	0	5561.69			671.34	4890.35	0.27	18.3	7.93	10.37	0.00052	89.03	90.53	0.0044
	2021	3.39	1.65	0.014	529.3	0.14	55.44	28.16	0	4305.94			72.84	4233.1	0.18	34.26	26.83	7.43	0.0011	71.41	69.91	0.0028
7-2	2023	0.53	0.3	0.002	0	0.14	6.72	0.5	0	1629.5			21.1	1608.4	0.16	31.47	11.96	19.51	0.003	7.26	7.26	0.0007
	2022	0.47	0.52	0.0002	0	0.14	6.35	23.27	0	1869.27			22.25	1847.02	0.14	42.97	16.42	26.55	0.003	4.7	4.7	0.0003
	2021	0.55	1.32	0.01	0	0.16	4.73	38.75	0	1752.05			32.58	1719.47	0.13	56.4	21.5	34.9	0.0042	18.87	17.32	0.0014
8-1	2023	0.51	0.03	0.01	2.43	0.05	2.7	0.02	0	2117.11			7.81	2109.3	0.48	0.37	0.37	0	0.000084	1.05	1.05	0.00024
	2022	0.65	0.05	0.01	23.35	0.04	7.23	0.69	0	1853.87			0.19	1853.68	0.39	1.13	1.13	0	0.00024	1.05	1.05	0.00022
	2021	0.42	0.04	0.0031	10.45	0.05	5.69	0.53	0	1299.66			16.83	1282.83	0.59	3	3	0	0.0014	0.24	0.24	0.0001
9-1	2023	15.07	20.56	0.69	2770	0.2	85.94	628.84	705	13680.52			623.34	13057.18	0.11	139.42	41.96	97.46	0.00034	643.37	643.37	0.0052
	2022	17.76	13.48	0.59	984.95	0.16	58.2	254.78	66.92	12117.93			310.42	11807.51	0.11	344.51	198.78	145.73	0.0031	694.95	694.95	0.0062
	2021	22.07	20.29	0.19	1764.44	0.21	77.76	456.74	2041.73	11354.56			612.8	10741.76	0.092	395.78	344.5	51.28	0.0032	543.43	545.03	0.0044
9-2	2023	15.79	23.56	0.48	2531.63	1.42	631.45	73.4	415.67	17118.93			846.18	16272.75	0.35	145.54	88.2	57.34	0.003	1685.95	1680.89	0.03
	2022	12.07	20.23	0.18	3408.53	0.98	475.42	46.67	554.58	15105.09			668.27	14436.82	0.33	54.18	54.18	0	0.001	1222.17	1207.01	0.03
	2021	10.34	12.07	0.46	2530.58	0.88	492.48	159.21	804.78	13039.77			763.96	12275.11	0.32	12.46	12.46	0	0.0003	1124.91	1136.45	0.028
9-3	2023	2.87	2.23	0.052	6057.31	0.186	19.31	3096.83	4384.28	10014.88			49.61	9965.27	0.486	243.48	0	253.19	0.011	43.32	44.76	0.0019
	2022	2.1	2.9	0.03	5992	0.018	30.03	1740.1	239	7009.86			21.58	6988.28	0.85	9.71	0	0	0.0012	11.53	10.04	0.0014
	2021	3.24	2.78	0.1	16291.6	0.092	30.62	1333.19	3477.33	8393.34			41.77	8351.54	1.05	95.54	0	98.74	0.01	11.64	19.64	0.002

Emissions

Subsidiary No.	Year	Wastewater Discharged	Amount of COD in Wastewater Discharged	Amount of N-NH3 in Wastewater Discharged	Total Amount of Non-Methane Hydrocarbon in Exhaust Gas Emitted	Amount of Sulfur Dioxide in Exhaust Gas Emitted	Amount of Nitrogen Oxide in Exhaust Gas Emitted	Amount of Particulate Matter in Exhaust Gas Emitted	Amount of Others in Exhaust Gas Emitted	Greenhouse Gas Emissions	Direct Greenhouse Gas Emissions	Indirect Greenhouse Gas Emissions	Greenhouse Gas Emission Intensity	Amount of General Solid Waste Produced	Amount of General Solid Waste Disposed	Amount of General Solid Waste Utilized	General Solid Waste Discharge Density	Amount of Hazardous Waste Produced	Amount of Hazardous Waste Disposed	Hazardous Waste Discharge Density
		10,000 tonnes	tonne	tonne	kg	kg	kg	kg	kg	kg	tonne	tonne	tonne	tonne/CNY10,000 output value	tonne	tonne	tonne	tonne/CNY10,000 output value	tonne	tonne
9-4	2023	4.2	15.79	0.99	15.73	2.65	812.78	324.67	0	2809.49	49.29	2760.2	0.12	2.2	0	4.2	0	3.16	3.16	0.00014
	2022	3.97	8.71	0.37	0	2.5	728.17	255.36	0	2880.61	414.37	2466.24	0.15	2	0	0	0.0001	0	0	0
	2021	4.16	9.48	0.33	0	2.64	822.62	369.77	0	2675.77	434.37	2241.4	0.16	2	0	2	0.0001	0	0	0
10-1	2023	10.83	17.33	0.25	0	1.83	633.3	628.57	0	21785.97	1240.02	20545.95	0.18	1318.96	81.4	1237.56	0.011	9.26	9.26	0.000077
	2022	11.86	13.52	0.24	0	1.56	275.47	1252.49	0	18559.94	1005.14	17554.8	0.16	1556.49	52.74	1503.75	0.014	4.12	4.12	0.000036
	2021	10.16	10.15	0.24	0	2.15	432.07	1719.91	0	11713.76	495.54	18032.8	0.21	1512	88	1424	0.018	5.78	5.78	0.00007
11-1	2023	9.54	2	0.04	0	0	0	0	0.02	11713.76	648.49	11065.27	0.15	627.25	0	626.95	0.01	7.24	7.24	0.000095
	2022	8.61	2.28	0.05	0	0.7	164.06	10.53	0	11453.4	525.5	10927.9	0.17	569.04	0	568.64	0.01	6.03	5.52	0
	2021	7.21	2.85	0.6	0	0.68	70.08	6.8	0	10098.53	301.35	9797.18	0.18	490.22	118.93	371.29	0.01	5.19	5.06	0.000095
12-1	2023	48.05	140.06	0.51	549.5	1.59	465.22	2346.25	0	51397.88	1325.38	50072.5	0.38	9459	907.92	8551.08	0.063	197.84	197.84	0.0015
	2022	41.46	161.7	1.36	1113.17	1.91	475.95	2587.07	0	44491.24	2527.69	41963.55	0.34	7914.1	588	7326.1	0.064	431.68	431.68	0.0035
	2021	20.51	16.25	0.07	0	100.4	3983	684.04	0	14457.68	6326.08	8131.16	0.1	2275.04	608	1667.04	0.02	55.83	55.83	0.0004
13-1	2023	17.27	3.63	0.02	0	0.68	509.45	566.01	0	15971.98	125.38	15846.6	0.14	4898.69	257	4641.69	0.04	21.71	21.51	0.0002
	2022	15.23	1.68	0.03	0	0.59	568.8	455.32	0	12869.74	118.77	12750.97	0.14	4499.4	215	4284.4	0.05	25.56	25.46	0.00028
	2021	16.84	3.37	0.26	0	0.73	633.3	394.99	0	12707.74	128.9	12578.84	0.1625	5487.5	145	5342.5	0.07	2.08	1.88	0.000024
14-1	2023	7.42	0.41	0.02	0	6735.3	23455.56	1305.68	0	32556.32	25385.97	7170.35	0.34	9700.82	0	9700.82	0.1	2.94	2.94	0.00003
	2022	7.86	0.71	0.03	0	1657.34	8591.14	590.18	0	25729.76	19502.16	6227.6	0.28	8280.69	8280.69	0	0.09	2.55	2.55	0.00003
	2021	8.41	9.55	0.125	0	2276.2	12654.4	1025.95	0	32690.4	25659.42	7030.98	0.373	6155.46	0	6155.456	0.07	0.049	0.049	0.000006
15-1	2023	3.85	2.16	0.23	342	0	460.8	62.24	95.76	5580.78	1496.64	4084.14	0.31	73.6	70.8	2.8	0.004	299.35	300.9	0.016
	2022	3.72	2.12	0.08	220.8	0.1	894.86	40.06	70.76	7234.73	2033.68	5201.05	0.29	98.3	95.7	2.6	0.004	318.53	316.98	0.01
	2021	5.6	2.02	0.01	274.42	0.13	765.26	20.19	67.24	6801.4	1877.98	4923.42	0.32	112.6	110.9	1.7	0.005	324.14	324.14	0.02
15-2	2023	0.31	0.11	0.002	0	0.09	98.12	7.41	0	1418.8	208.51	1210.29	0.23	11.67	8	3.67	0.0019	8.4	8.4	0.0014
	2022	0.25	0.04	0.01	0	0.11	97.21	8.59	0	1198.26	88.06	1110.2	0.27	13.4	8	5.4	0.0031	9.9	10.98	0.0023
	2021	0.34	0.06	0.01	0	0.36	350.1	18.68	0	1399.61	426.73	972.88	0.08	6.3	6.3	2.3	0.00037	6.83	6.33	0.00037
15-3	2023	5.47	2.19	0.37	10.77	0.11	5.64	0.62	0	1722.49	823.82	898.67	0.26	410	410	0	0.063	462.62	455.26	0.069
	2022	8.57	14.41	0.38	52.56	0.17	9.23	1.05	0	46882.95	38319.7	8563.25	3.41	530	530	0	0.033	699.58	690.08	0.043
	2021	7.3	14.65	0.4	46.59	0.1	8.19	1.16	0	47222.84	37645.66	9577.18	4.42	500	500	0	0.047	400.63	380.63	0.036
16-1	2023	3.99	1.94	0.106	117.86	61.25	2397.16	154.24	8.48	12855.55	4370.89	8484.66	2.06	60.55	50	5.55	0.01	136.81	134.36	0.03
	2022	4.33	2.91	0.16	231.86	109.48	6113.07	510.17	6.1	13143.07	4684.27	8458.8	4.45	57.6	50	7.6	0.02	107.81	105.42	0.03
	2021	4.89	2.59	0.25	236.54	0.57	5768.1	454.05	5.89	14790.94	5675.87	9115.07	2.3	83.2	77	6.2	0.01	92.08	86.87	0.01
17-1	2023	7.21	1.32	0.05	103.35	42.95	112.67	5.01	8.65	7998.57	2658.53	5340.04	0.05	1183.32	151.2	1048.6	0.007	1028.66	1028.66	0.006
	2022	7.62	1.61	0.07	142.64	63.9	488.32	7.84	1257.15	5718.51	1003.99	4714.52	0.04	826.55	748.19	61.88	0.0058	666.73	666.73	0.0047
	2021	6.23	1.29	0.03	72.17	8.98	512	6.87	908.19	8616.59	3093.21	5523.38	0.057	912.99	877.16	35.83	0.0067	667.54	667.54	0.0049
17-2	2023	2.42	0.62	0.03	0	0	0	0	445.72	281.77	12.28	269.49	0.11	141.2	136.92	0	0.06	4.17	4.33	0.0017
	2022	1.7	0.8	0.06	0	0	0	0	183.96	204.71	0	204.71	0.12	62.52	74.18	0	0.04	0.77	0.67	0.00039
	2021	3.51	1.37	0.14	0	0.26	206.12	20.43	67.15	229.79	0	229.79	0.11	47.97	38.82	0	0.02	28.93	61.69	0.03

Energy Consumption

Subsidiary No.	Year	Water Consumption	Water Consumption Intensity	Comprehensive Energy Consumption	Energy Intensity	Electricity Consumption		Natural Gas Consumption	Purchased Thermal Power Consumption	Coal Consumption	Liquid Petroleum Gas Consumption	Gasoline Consumption	Diesel Fuel Consumption
		10,000 tonnes	10,000 tonnes/CNY10,000 output value	tonne of standard coal	tonne of standard coal/CNY10,000 output value	10,000 kWh		10,000 cubic meters	MkJ	tonne	tonne	tonne	tonne
1-1	2023	26.3	0.00026	12201.45	0.125	2828.56		2.56	119261.19	0	0	0	14.49
	2022	22.24	0.00025	11727.67	0.13	2813.24		2.24	116538.94	0	0	0	18.45
	2021	21.99	0.00035	12086.69	0.19	2761.16		2.64	127530.51	0	0	12.84	46.8
1-2	2023	7.22	0.0003	1578.85	0.066	323.5		49.23	0	0	0	1.1	0
	2022	7.53	0.00024	1820.32	0.059	384.68		51.26	0	0	3.2	1.1	0
	2021	7.75	0.00022	1810.62	0.052	345.88		59.47	0	0	5	3.2	0
1-3	2023	9.35	0.0001	2309.37	0.032	512.19		0.41	24424.38	0	0	3.46	2.1
	2022	7.9	0.0001	2211.42	0.035	488.36		0.41	24021.85	0	0	3.16	2.44
	2021	7.07	0.0001	1333.95	0.016	445.11		0.42	22585.2	0	0	5.14	2.56
1-4	2023	8.69	0.0003	2034.77	0.067	495.39		0.82	17584.81	0	0	0	5.6
	2022	6.96	0.0002	2633.38	0.082	669.89		0.82	21123.07	0	0	0	7.68
	2021	8.53	0.00023	2980.83	0.083	738.63		1	25973.98	0	0	0	10.1
1-5	2023	2.1	0	653.47	0.07	130.25		21.11	0	0	3.9	0	0.27
	2022	2.53	0	650.05	0.06	137.29		19.63	0	0	4.1	0	0.2
	2021	2.18	0.0004	567.46	0.11	145.55		29.4	0	0	3.6	0	0.2
1-6	2023	3.06	0.0003	981.24	0.099	244.92		21.67	0	0	0	0	1.29
	2022	3.6	0.0003	969.01	0.07	233.02		23.94	0	0	0	0	1.37
	2021	2.86	0.0002	941.27	0.07	230.29		21.39	0	0	0	0	3.4
1-7	2023	5.81	0.00043	882.43	0.065	198.96		23.75	0	0	0	0	3.73
	2022	3.08	0.00029	641.73	0.06	160.59		13.87	0	0	0	0	5.55
	2021	3.94	0.00021	762.24	0.04	195.6		15.64	0	0	0	0.27	8.04
1-8	2023	20	0.001	2542.86	0.13	517.79		0	30805	0	7.8	2.5	9.3
	2022	21.8	0.0007	2760.69	0.089	596		0	32921	0	8.7	2.5	9.5
	2021	19.6	0.00062	3079.84	0.097	636.6		0	35616	0	9.95	2.6	9.5
1-9	2023	1.91	0.00003	716.1	0.012	265.9		0	10976.5	0	0	7.55	2.69
	2022	1.73	0.00003	662.91	0.011	253.8		0	9916.4	0	0	6.04	2.71
	2021	1.17	0.00002	551.82	0.01	171		0	9606	0	0	7.14	2.53
1-10	2023	7.28	0.00015	8129.37	0.17	2459.73		374.72	0	0	0	9.5	6.3
	2022	5.13	0.00013	7604.98	0.19	2359		302.56	0	0	0	9.85	6.75
	2021	16.04	0.00054	7812.13	0.26	2496		354.37	0	0	0	9.13	7.25
2-1	2023	56.8	0.0002	12813.41	0.044	2785.35		373.53	0	0	0	1.72	0
	2022	51.02	0.00018	12887	0.045	2692.2		406	/	/	/	5.63	0.7
	2021	49.8	0.00021	12841.92	0.053	2763.61		375.16	0	0	0	4.58	0
2-2	2023	0.87	0	424.99	0.09	129.03		0	0	0	0	2.7	36
	2022	0.94	0	370.31	0.12	112.69		0	0	0	0	1.78	34
	2021	1.37	0.00045	402.92	0.13	118.3		0	0	0	0	5.32	44

Energy Consumption

Subsidiary No.	Year	Water Consumption	Water Consumption Intensity	Comprehensive Energy Consumption	Energy Intensity	Electricity Consumption		Natural Gas Consumption	Purchased Thermal Power Consumption	Coal Consumption	Liquid Petroleum Gas Consumption	Gasoline Consumption	Diesel Fuel Consumption	
		10,000 tonnes	10,000 tonnes/CNY10,000 output value	tonne of standard coal	tonne of standard coal/CNY10,000 output value	10,000 kWh		10,000 cubic meters	MkJ	tonne	tonne	tonne	tonne	
3-1	2023	26.11	0.00021	5180.03	0.08	1154.96		0	56883.61	0	9	6.08	0	
	2022	35.44	0.00036	5031.47	0.065	1115.82		0	55526.1	0	10	5.48	0	
	2021	36.87	0.0004	5257.43	0.06	1234.16		0	49543.69	0	12	9.4	0	
	3-2	2023	29.13	0.00092	4024.62	0.13	795.62		133.83	0	0	2.5	12.7	0
		2022	30.4	0.00064	4960.22	0.11	1064.66		148.25	0	0	3.3	5.04	0
		2021	25.11	0.0006	5200.47	0.13	1073.53		157.66	0	0	4.5	8.01	0
	3-3	2023	5.19	0.00021	1776.71	0.073	441.1		0.42	14635.48	0	0	8.31	0
		2022	5.7	0.0002	1868.5	0.056	489.64		0.42	14096.58	0	0	3.12	0.27
		2021	5.71	0.0002	2173.13	0.07	565.61		0.46	16918.38	0	0	5.23	0
4-1	2023	1.033	0.000062	270.03	0.016	85.75		0	0	0	0	4.15	13.03	
	2022	0.94	0.000077	208.05	0.017	67.08		0	0	0	0	3.3	9.48	
	2021	1.1	0.000073	447.5	0.03	67		0	6472.43	0	0	9.13	14	
4-2	2023	0.76	0.000045	338.84	0.02	88.4		0	0	0	0	5.2	54	
	2022	0.64	0.000052	319.11	0.026	88.7		0	0	0	0	4.1	43	
	2021	0.66	0.000042	403.6	0.026	95.7		0	0	0	0	9	84	
4-3	2023	0.69	0.000068	220.37	0.022	47.75		0	0	0	0	19.64	37.75	
	2022	0.69	0.000089	183.33	0.024	43.64		0	0	0	0	20.46	20.6	
	2021	1.01	0.00013	227.92	0.03	49.3		0	0	0	0	28.37	41	
4-4	2023	0.24	0.0000064	183.99	0.0049	64.41		0	0	0	0	0	0.15	
	2022	0.25	6.75	189.67	0.01	65.86		0	0	0	0	0	0.15	
	2021	0.31	0.0000097	183.72	0.01	63.79		0	0	0	0	0	0.15	
4-5	2023	0.36	0.000028	105.72	0.0081	45.95		2.59	0	0	0	6.02	7.29	
	2022	0.88	0	235.25	0	91.46		7.75	0	0	0	3.45	10.35	
	2021	0.86	0.00001	374.78	0.0046	83.62		8.2	0	0	0	4.97	18.01	
4-6	2023	1.98	0.000033	326.66	0.0055	199.89		6.08	0	0	0	1.29	0	
	2022	/	/	/	/	/		/	/	/	/	/	/	
	2021	/	/	/	/	/		/	/	/	/	/	/	
4-7	2023	0.23	0.0000067	32.25	0.0009	26.24		0	0	0	0	0.21	0	
	2022	0.28	0.13	40.07	0.0025	0		0	0	0	0	0	0	
	2021	0.47	0.000033	28	0.002	14.84		0	0	0	0	0	0	
4-8	2023	0.22	0.000088	155.8	0.062	40.37		9.14	0	0	0	2.85	0.36	
	2022	0.42	0.00007	195.6	0.032	30.38		0	0	0	85.4	3.5	1.72	
	2021	1.88	0.0002	212.8	0.03	41		17	0	0	0	11	0	
5-1	2023	30.15	0.0005	8927.88	0.158	1660.49		319.39	0	0	0	8	15.06	
	2022	36.41	0.0007	8455.62	0.161	1659.54		287.47	0	0	0	8.35	14.9	
	2021	25.88	0.00047	7256.54	0.13	1478.27		236.98	0	0	0	8.91	16.15	

Energy Consumption

Subsidiary No.	Year	Water Consumption	Water Consumption Intensity	Comprehensive Energy Consumption	Energy Intensity	Electricity Consumption		Natural Gas Consumption	Purchased Thermal Power Consumption	Coal Consumption	Liquid Petroleum Gas Consumption	Gasoline Consumption	Diesel Fuel Consumption
		10,000 tonnes	10,000 tonnes/CNY10,000 output value	tonne of standard coal	tonne of standard coal/CNY10,000 output value	10,000 kWh		10,000 cubic meters	MkJ	tonne	tonne	tonne	tonne
5-2	2023	0.9	0.00006	895.77	0.064	252.39		0	0	0	0	0	120
	2022	0.87	0.00007	837.92	0.07	247.25		0	0	0	0	0	96
	2021	0.77	0.81	735.69	0.08	206.37		0	0	0	0	0	97
5-3	2023	9.38	0.00028	4658.2	0.137	664.56		0	80937	0	0	30.1	9.8
	2022	6.9	0.0002	3586.7	0.12	709		0	71411	0	0	41.4	19.2
	2021	9.28	0.00035	2521.6	0.09	365.59		121	0	0	2.21	38.6	18.7
5-4	2023	1.59	0.00006	287.47	0.012	125.07		9.9	0	0	0	3.5	0
	2022	2.38	0.0001	290.57	0.013	124.64		10.24	0	0	0	2.9	0
	2021	2.27	0.00012	790.12	0.04	146.36		0.86	10429.69	0	0	4.78	0
6-1	2023	4.32	0.00011	2863.59	0.074	755		0	20733.44	0	8.7	2.92	8.87
	2022	4.52	0.00013	2429.53	0.068	651.08		0	17343.1	0	4.13	3.65	4.27
	2021	5.45	0.00014	1490.61	0.04	712.51		0	18784.58	0	5.53	7.08	16.94
6-2	2023	21.86	0.0002	5884.86	0.055	1306.96		160.67	0	0	0	2.15	0
	2022	20.8	0.00021	5274.75	0.053	1170.66		151.22	0	0	0	2.95	0
	2021	23.28	0.00024	3438.23	0.036	1209.81		145.22	0	0	0	4.37	0
6-3	2023	4.32	0.00045	1712.27	0.18	761.92		63.04	0	0	0	1.42	11.86
	2022	4.33	0.00036	1821.21	0.15	679.18		81.5	0	0	0	2.25	3.56
	2021	4.03	0.00026	1884.32	0.12	753.06		76.87	0	0	0	1.61	5.18
7-1	2023	5.54	0.00029	2429.56	0.13	597.72		1.04	6978.1	0	0	1.73	0.7
	2022	3.62	0.00017	2400	0.12	574.2		1.35	7695.71	/	/	0.95	1
	2021	4.21	0.00017	1357.47	0.083	484.7		1.3	7427.3	0	0	4.9	2.3
7-2	2023	2.54	0.00025	184.13	0.018	149.82		0	0	0	0.15	5.26	1.8
	2022	2.34	0.0002	210.91	0.016	171.61		0	0	0	0.16	4.96	2.1
	2021	2.67	0.0002	451.73	0.034	156.85		0	0	0	0.08	4.24	6.1
8-1	2023	0.56	0.00013	794.08	0.18	204.7		0	6082.9	0	0	2.64	0
	2022	0.72	0.00015	474.15	0.1	174.59		0	5664	0	0	1.79	0
	2021	0.47	0.00022	324.7	0.15	120.44		0	3944.15	0	0	0.9	1.54
9-1	2023	17.62	0.00014	2873.41	0.023	1249.92		0.79	38365.6	0	2.09	7.41	2.79
	2022	20.09	0.00018	2638.84	0.019	1141.59		0.77	35775.14	0	0	0	4
	2021	18.12	0.00015	2748.2	0.022	1045.99		0.85	30742.79	0	0.68	7.74	2.69
9-2	2023	13.93	0.0003	3944.34	0.08	1402.02		10.43	57900.27	0	1	20.33	52.51
	2022	10.66	0.0002	3439.3	0.074	1246.14		6.82	51208.88	0	0	11.91	38.03
	2021	9.35	0.0002	4717.35	0.12	1056.39		9.34	43687.54	0	1.64	10.25	35.47
9-3	2023	4.1	0.00018	2628.73	0.13	496.84		0	58780.08	0	0	10.74	2.97
	2022	3.51	0.00043	1870.03	0.23	312.32		0	43535.88	0	0	0	1.11
	2021	4.63	0.0006	7596.67	0.95	352.37		0	53369.28	0	0	3.6	1

Energy Consumption

Subsidiary No.	Year	Water Consumption	Water Consumption Intensity	Comprehensive Energy Consumption	Energy Intensity	Electricity Consumption		Natural Gas Consumption	Purchased Thermal Power Consumption	Coal Consumption	Liquid Petroleum Gas Consumption	Gasoline Consumption	Diesel Fuel Consumption
		10,000 tonnes	10,000 tonnes/CNY10,000 output value	tonne of standard coal	tonne of standard coal/CNY10,000 output value	10,000 kWh		10,000 cubic meters	MkJ	tonne	tonne	tonne	tonne
9-4	2023	5.25	0.00023	826.97	0.037	239.58		0	9719.53	0	0	35.35	165.21
	2022	4.96	0.00026	563.78	0.029	208.56		0	9016.41	0	0	0	0
	2021	5.2	0.0003	1435.42	0.08	202.37		0	7367.76	0	0	30.68	105.39
10-1	2023	14.4	0.00012	4603.19	0.038	1194.61		1.12	91936	0	0	35.61	57.97
	2022	13.55	0.00012	3843.58	0.034	1041.31		1.1	75185	0	0	29.69	50.31
	2021	11.8	0.00014	4419.88	0.052	947		1.12	95488	0	0	43.28	66.61
11-1	2023	10.01	0.00013	2282.37	0.03	619.09		0	43108.8	0	0	28.04	7.03
	2022	10.52	1.6	2239.49	0.03	619.09		0	41860	0	0	28.22	6.64
	2021	10.15	0.00019	2072.97	0.04	586.25		0	39135.6	0	0	28.57	5.46
12-1	2023	61.91	0.00046	12049.58	0.089	2893.43		1.06	249078	0	0	54.33	25.91
	2022	59.22	0.00048	10547.78	0.085	2866.36		64.15	178752	0	0	69.51	26.86
	2021	27.78	0.0002	4537.55	0.031	1068.48		251.5	0	0	0	73.94	35.69
13-1	2023	19.19	0.00017	4038.55	0.036	995.82		0	80199.51	0	6.78	39.17	15.03
	2022	16.92	0.00019	3250.53	0.0035	804		0	64367.43	0	9.6	32.01	13.78
	2021	17.7	0.00023	3248.89	0.042	767.02		0	65184.29	0	5.6	39.63	17.05
14-1	2023	11.59	0.0001	9294.31	0.097	1014		0	0	12175.5	0	33.3	12.4
	2022	11.23	0.0001	7120.17	0.078	817		0	0	9387	0	26.5	12.2
	2021	12.45	0.00014	6589.74	0.075	994.98		0	0	12346	4.32	39.99	14.59
15-1	2023	4.1	0.0002	1745.56	0.096	580.21		68.1	0	0	0	0	0.25
	2022	4.23	0.0003	1799	0.07	737.83		78.25	0	0	0	0	6.5
	2021	5.78	0.0003	2928.23	0.14	692		71	0	0	0	0	8.14
15-2	2023	1.49	0.0002	252.18	0.04	141.34		0.45	1902.07	0	0	2.57	1.74
	2022	1.25	0.0003	271.8	0.06	126.76		0.45	1944.87	0	0	2.6	2.49
	2021	1.47	0.000086	471	0.03	120.76		0.5	1082	0	0	4.65	13.83
15-3	2023	6.96	0.0011	1307.25	0.2	127.06		36.26	0	0	0	2.8	2.65
	2022	12.82	0.00067	4652.24	0.15	617.44		78.36	51409	0	0	4.6	4.52
	2021	10.87	0.0008	2517.32	0.19	466.85		4.43	54840.61	0	4.45	5.17	4.81
16-1	2023	6.55	0.002	4088.85	0.99	1201.66		192.04	0	0	0	7.89	27.82
	2022	9.19	0.0029	4341.53	1.39	1202.87		211.83	0	0	0	8.09	23.27
	2021	9.87	0.002	5060.86	0.79	1291		258	0	0	0	7.48	21.89
17-1	2023	11.31	0.000069	1471.44	0.009	753.44		48.01	0	0	0	4.88	0
	2022	10.51	0.000074	1431.89	0.01	726.97		42.33	0	0	0	4.44	0
	2021	10.29	0.000076	2727.9	0.02	747.79		44.18	0	0	0	8.21	1.72
17-2	2023	3.64	0.0015	46.71	0.019	38		0	0	0	0	0	0
	2022	2.56	0.0014	35.76	0.019	29.1		0	0	0	0	0	0
	2021	4.57	0.0023	40.14	0.02	32.66		0	0	0	0	0	0

List of Enterprises Certified by ISO14001 Environmental Management Systems

No.	Name of Enterprise
1	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.
2	Shanghai Sine No.2 Pharmaceutical Laboratories Co., Ltd.
3	Shanghai Harvest Pharmaceutical Co., Ltd.
4	Shanghai Sine Tianping Pharmaceutical Co., Ltd.
5	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.
6	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.
7	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.
8	Shanghai SPH New Asia Pharmaceutical Co., Ltd. Pioneer Pharmaceutical Factory
9	Shanghai SPH New Asia Pharmaceutical Co., Ltd. New Asia Pharmaceutical Factory
10	SPH New Asia Pharmaceutical (Minhang) Co., Ltd.
11	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
12	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
13	Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.
14	Shanghai Zhonghua Pharmaceutical Co., Ltd.
15	Shandong Sine Pharmaceutical Co., Ltd.
16	Liaoning Meiya Pharmaceutical Co., Ltd.
17	Zhejiang Jiuxu Pharmaceutical Co., Ltd.
18	Changzhou Pharmaceutical Factory Co., Ltd.
19	Nantong Changyou Pharmaceutical Technology Co., Ltd.
20	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
21	SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.
22	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.
23	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
24	SPH Qingdao Growful Pharmaceutical Co., Ltd.
25	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.
26	Shanghai Leiyunshang Pharmaceutical Co., Ltd.
27	Xiamen Traditional Chinese Medicine Factory Co., Ltd.
28	Tianjin Jinjin Pharmaceutical Co., Ltd.
29	Chifeng Arker Pharmaceutical Technology Co., Ltd.
30	Chifeng Mysun Pharmaceutical Co., Ltd.
31	SPH (Benxi) Northern Pharmaceutical Co., Ltd.

List of Enterprises Certified by ISO50001 Energy Management Systems

No.	Name of Enterprise
1	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.
2	Shanghai Sine Tianping Pharmaceutical Co., Ltd.
3	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
4	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
5	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.
6	Shanghai SPH New Asia Pharmaceutical Co., Ltd.
7	Shanghai SPH New Asia Pharmaceutical Co., Ltd. Pioneer Pharmaceutical Factory
8	Shanghai SPH New Asia Pharmaceutical Co., Ltd. New Asia Pharmaceutical Factory
9	SPH New Asia Pharmaceutical (Minhang) Co., Ltd.
10	Shanghai Zhonghua Pharmaceutical Co., Ltd.
11	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
12	Liaoning Meiya Pharmaceutical Co., Ltd.
13	Changzhou Pharmaceutical Factory Co., Ltd.
14	Shandong Sine Pharmaceutical Co., Ltd.
15	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.
16	SPH Qingdao Growful Pharmaceutical Co., Ltd.
17	Xiamen Traditional Chinese Medicine Factory Co., Ltd.
18	Nantong Changyou Pharmaceutical Technology Co., Ltd.
19	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.
20	Shanghai Leiyunshang Pharmaceutical Co., Ltd.
21	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
22	Tianjin Jinjin Pharmaceutical Co., Ltd.
23	SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.
24	Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.
25	Chifeng Arker Pharmaceutical Technology Co., Ltd.
26	Chifeng Mysun Pharmaceutical Co., Ltd.
27	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.

List of Enterprises Awarded the "Green Factory" Designation

No.	Honor	Name of Enterprise
1	National Green Factory	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.
2	National Green Factory	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.
3	National Green Factory	Shanghai SPH New Asia Pharmaceutical Co., Ltd.
4	National Green Factory	SPH New Asia Pharmaceutical (Minhang) Co., Ltd.
5	National Green Factory	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
6	National Green Factory	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
7	National Green Factory	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.
8	National Green Factory	SPH Qingdao Growful Pharmaceutical Co., Ltd.
9	National Green Factory	Changzhou Pharmaceutical Factory Co., Ltd.
10	Green Factory of Shandong Province	Shandong Sine Pharmaceutical Co., Ltd.
11	Green Factory of Liaoning Province	SPH (Liaoning) TCM Resources Co., Ltd.
12	Green Factory of Shanghai Municipality	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.
13	Green Factory of Shanghai Municipality	Shanghai Sine Tianping Pharmaceutical Co., Ltd.
14	Green Factory of Shanghai Municipality	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.
15	Green Factory of Shanghai Municipality	Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.
16	Green Factory of Hangzhou City	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.
17	Green Factory of Huzhou City	Chiatai Qingchunbao Pharmaceutical Co., Ltd.

ESG Reporting Guide Content Index

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Rating Report



Rating Report for the 2023 Sustainability & Environmental, Social and Governance Reports of Shanghai Pharmaceuticals Holding Co., Ltd.

At the behest of Shanghai Pharmaceuticals Holding Co., Ltd., an expert rating panel was assembled by the Chinese Expert Committee on CSR Report Rating to undertake the evaluation of the "2023 Sustainability & Environmental, Social and Governance Reports of Shanghai Pharmaceuticals Holding Co., Ltd." (the "Reports").

I. Rating Criteria

The evaluation was grounded in the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG5.0) in conjunction with the ESG Report Rating Standards for Chinese Enterprises (2023) promulgated by the Chinese Expert Committee on CSR Report Rating.

II. Rating Process

1. The rating panel closely reviewed and endorsed the "Enterprise ESG Report Procedural and Accessibility Assessment Confirmation Letter" and associated supporting documentation presented by the Reports' drafting team.
2. Subsequently, the panel conducted an exhaustive assessment of the Reports' composition and content before drafting a rating report.
3. The final rating report underwent rigorous joint review and endorsement by the Vice-Chairperson of the Committee, the Head of the Rating Panel, and the Expert Member of the Rating Panel.

III. Rating Conclusions

Process Orientation (★★★★☆)

SPH has established a top-down and well-defined ESG management structure consisting of the Board of Directors, the Audit Committee and the ESG Working Group. Orchestrated by the Group Office, the ESG Working Group coordinates relevant departments and subsidiaries in systematically advancing ESG initiatives. Upon completion of the Reports, the ESG Working Group conducts a comprehensive review of their content, which is then subjected to ultimate approval by the Board of Directors. With functional value clearly defined, the Reports are positioned as a vital instrument to disclose responsibility fulfillment, refine ESG management, and enhance stakeholder communication. By identifying and disclosing material issues in line with national macro policies, authoritative domestic and international ESG standards, industry regulations, and other exemplary reports, the Company demonstrates a commendable commitment to process orientation.

Materiality (★★★★★)

The Reports systematically present critical industry issues such as ESG governance improvement, alignment with national strategies, product innovations, product quality and safety, energy and resource conservation, pollution reduction, climate change responses, occupational health management, and sustainable supply chains. These topics are expounded upon in meticulous detail, attesting to an exceptional level of materiality.

Completeness (★★★★★)

The principal content of the Reports holistically covers 91.30% of core sector-specific indicators, unfolding from perspectives such as "Putting Quality First and Working Together Towards a Healthy China", "Collaborating to Achieve Win-Win Outcomes", "Putting People First and Bringing Talents Together to Make SPH Exceptional", "Working Together to Save the Planet with a Low-Carbon Development Approach", and "Joining Hands to Build a Better Shared Future". This comprehensive coverage testifies to outstanding completeness.

Balance (★★★★☆)

The Reports transparently disclose negative data points including "Days Loss due to Work-Related Deaths", "Employees with Work-related Illnesses", "Amount of General Solid Waste Produced", and "Number of Product and Service Complaints". The Reports also mention that "SPH did not experience any incidents that contravened relevant laws and regulations pertaining to occupational health and safety", that "SPH has maintained a flawless record during the Reporting Period without any incidents involving child labor or forced labor", and that "SPH SBPC faced one instance of penalty due to violating the Anti-Monopoly Law of the People's Republic of China", demonstrating SPH's commendable commitment to balance in reporting.

Comparability (★★★★★)

The Reports provide comparative data spanning three consecutive years for a comprehensive set of 136 key metrics, such as "Operating Revenue", "Total Tax Payment", "Total Number of Employees", "Employee Satisfaction", "Greenhouse Gas Emissions", and "Wastewater Discharged". Additionally, the Reports employ benchmarks such as SPH's ranking at "No. 438 on the 2023 Fortune Global 500 List" and "Second among China's Top 100 Pharmaceutical Wholesalers in 2022" for lateral comparisons, thereby demonstrating an exceptional level of comparability.

Readability (★★★★☆)

Using an issue-based framework, the Reports delve into SPH's accountability practices in corporate governance, green sustainability, and societal contributions through five distinct thematic chapters, showcasing its commitment to corporate responsibility. A dedicated responsibility section titled "Protecting Cultural Heritage to Push High-Quality Development of TCM in the New Era" underscores SPH's deep roots in the TCM domain and its unwavering dedication to driving the sector's advancement, effectively addressing stakeholders' expectations and concerns. The integration of illustrations across chapter spreads, accompanied by narrative introductions that serve as concise overviews, helps readers understand the Reports' contents, demonstrating a highly commendable level of readability.

Accessibility (★★★★★)

The Reports are concurrently published in Simplified Chinese, Traditional Chinese, and English, coinciding with the release of SPH's annual report. The Reports further extend their reach through the dissemination of an H5 version on SPH's WeChat official account, while also being made available for download via online platforms, demonstrating an exceptional level of accessibility.

Overall Rating (★★★★☆)

Upon thorough evaluation by the rating panel, the "2023 Sustainability & Environmental, Social and Governance Reports of Shanghai Pharmaceuticals Holding Co., Ltd." receive a rating of Four-and-a-Half Stars, distinguishing the Reports as a stellar example of corporate ESG reporting.



IV. Recommendations for Improvement

1. Enhance the Reports' balance by incorporating analyses of areas where SPH's responsibility fulfillment could be improved.
2. Improve the Reports' overall readability by refining the presentation of key performance data.

Vice-Chairperson of the Chinese Expert Committee on CSR Report Rating

Head of the Rating Panel

Expert Member of the Rating Panel

Date of Issuance: March 27, 2024



Scan QR Code to Access Corporate Rating Profile

Reader Feedback Form

Thank you for taking the time to read the 2023 Sustainability & Environmental, Social and Governance Reports. In order to promote our work regarding environmental, social and governance matters and improve the quality of our ESG report, we welcome your feedback.

Tel: 86 21 63730908

E-mail: pharm@sphchina.com

1. What is your relationship to SPH?

- Consumer Employee Partner Government Media Others (please specify):

2. Are you satisfied with this report?

- Yes No N/A

3. What do you think of the structure and presentation of this report?

- Logical Reasonable Fair Unsatisfactory

4. What do you think of the quality of the information disclosed in this report?

- Great Good Fair Unsatisfactory

5. In your opinion, is this report readable in such arrangement and layout?

- Yes No N/A

6. Do you have any additional comments or suggestions on our ESG work and this report?



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2023

Sustainability & Environmental, Social and Governance Reports

Shanghai Headquarters

- 📍 Shanghai Pharmaceutical Building, 200 Taicang Road, Shanghai
- ☎️ (86-21) 6373 0908
- 📞 (86-21) 6328 9333
- ✉️ pharm@sphchina.com

Hong Kong Headquarters

- 📍 26/F, Heng Yi Building, 5 Queen's Road Central, Hong Kong
- ☎️ (852) 3151 5901
- ✉️ pharm@sphchina.com



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