三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1530

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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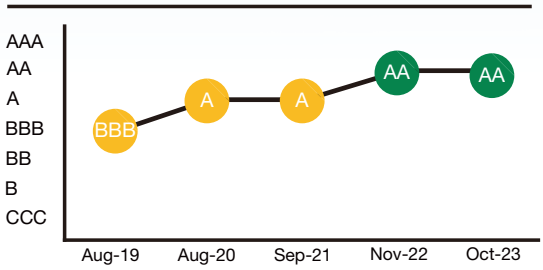
Our 2023: Persistence and New Records

ESG Rating Results

As a responsible corporate citizen, 3SBIO INC. (the "**Company**" or "**3SBIO**" and collectively referred to as the "**Group**" with its subsidiaries) makes environmental, social, and governance ("**ESG**") management a priority of its management agenda and has been working to improve ESG management.

The Group's ESG achievements have been recognized by society and the capital market. In 2023, 3SBIO still excelled in the MSCI ESG rating and maintained its "AA" rating. This made the Group extraordinary among global biotechnology companies, ranking in the top 16%. For the fourth consecutive year, the Group has maintained its "B" rating (management level) in the questionnaire on climate change by the Carbon Disclosure Project (CDP), a globally renowned non-profit organization. This further proves the Group's long-term and effective management and response strategies on climate change issues.

ESG Rating History



ESG Rating Score by MSCI

3Sbio	Climate Change 2023	2023	Submitted	B
3Sbio	Climate Change 2022	2022	Submitted	B
3Sbio	Climate Change 2021	2021	Submitted	B
3Sbio	Climate Change 2020	2020	Submitted	B

Scores in CDP Climate Change Questionnaire

ESG Key Performance in 2023

Environmental Performance

Total circulating water amounted to 46,651.00 m^3, an increase of 27.26% year-on-year.

Hazardous waste intensity 1.30 kg/RMB10,000, down 10.88% year-on-year.

Social Performance

Training hours per person averaged 20.90 hours

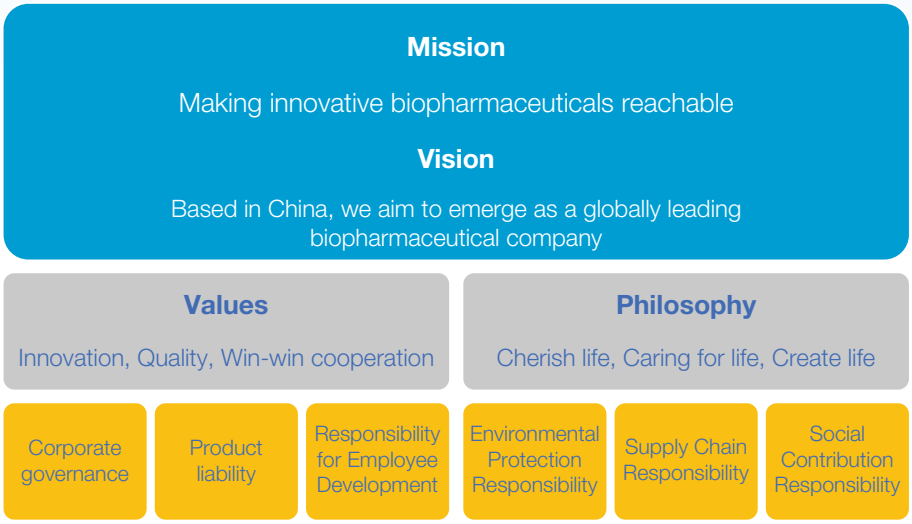
The percentage of anti-corruption training for Board directors reached 100%

1. ESG Governance System

1.1 Sustainable Development Concept

Driven by the mission of "making innovative biopharmaceuticals reachable", the Group has been devoted to solving medicine-related problems for patients. Surmounting disease-related challenges one after another, it strives to improve patients' life quality with high-quality medicine and safeguard people's health.

The Group regards compliance operation as the foundation of its Corporate Social Responsibility (CSR), honoring its commitments to stakeholders, including shareholders, clients and consumers, employees, members of the public and community, and the government and regulators. The Group takes active measures to fulfill its CSRs, provides doctors with reliable treatment tools and patients with trustworthy medicines, helps the government reform the medical system, extends care and support to its employees, and brings hope to patients and their families.

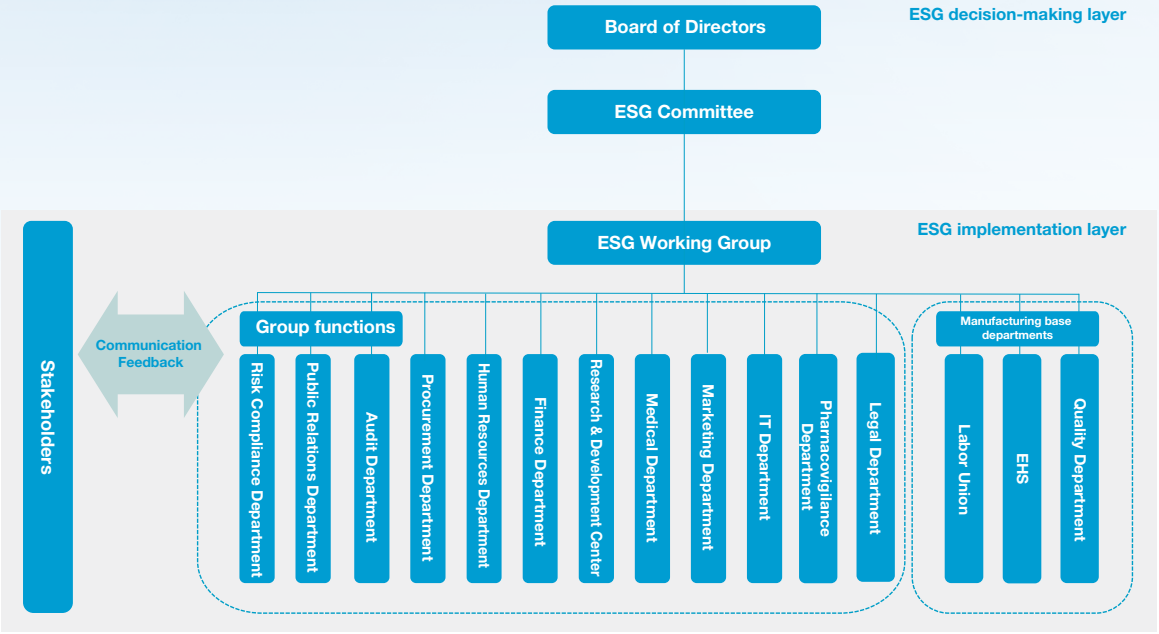


1.2 ESG Management Framework

The Group has set up a top-down ESG management framework. The ESG Committee, with the participation of the board of directors (the "**Directors**") of the Company (the "**Board of Directors**"), is responsible for the ESG strategic directions and matters across the Group, makes decisions regarding ESG, and oversees the execution. To ensure precise execution of ESG work, the Group has established an ESG Working Group, responsible for specific daily operations and execution under the guidance of the ESG Committee.

1. ESG Governance System

The ESG Committee is committed to continuously optimizing the Group's overall performance in environmental, social, and corporate governance while elevating its ESG performance standards. Its ultimate goal is to establish the Group as an ESG leader in the biopharmaceutical industry. The powers, duties, and operation mechanism of the ESG Committee are specified in the *Terms of Reference of Environmental, Social and Governance (ESG) Committee* on the Group's official website.



The ESG Committee is responsible for guiding and reviewing the management of the Group's key ESG topics, including medical inclusion and health care accessibility, product quality and safety, human capital development, emissions management, and climate change mitigation and adaptation. The Committee regularly reviews the Group's performance on key ESG topics, reviews the progress in achieving the goals through quarterly reports, interim reports, annual reports, and special reports, provides recommendations on actions to be taken to achieve the goals, and reports regularly to the Board of Directors on the progress of management to ensure that the Board of Directors understands and manages the Group's ESG risks and promote continuous improvement of the Group's ESG management performance.

The Group has set goals for ESG management in respect of the discharge of hazardous wastes, reduction of greenhouse gas emissions, and improvement of energy use efficiency. The target-related functions rely on a professional ESG data management system to collect and compile data indicators related to the ESG targets on a quarterly or semi-annual basis, taking into account the actual management needs, and submit them to the ESG Committee for review.

The Board of Directors performs management oversight responsibilities for important ESG topics and ESG strategies of the Group no less than twice a year, discusses and sets ESG management action goals for the following year at the beginning of each year, and provides advice and necessary support on actions to be taken to achieve management goals. The Group's Board of Directors exercises oversight responsibility for the Group's ESG performance and the remuneration performance of Board directors is linked to key ESG indicators of concern to the Group.

1.3 Identifying Material Topics

Communication with Stakeholders

The Group fully recognizes the significance of stakeholders in its long-term development and consistently adheres to the fundamental principle of stakeholder participation in ESG management. The Group maintains efficient and smooth communication channels with stakeholders, respects them, and gets full insights into their views and demands. The Group further responds to reasonable concerns from all stakeholders and incorporates them in the decision-making and execution process.

Stakeholders' Key Concerns and Responses

Key stakeholders	Issues of concern	Communication and responses
Investors	• Compliance operation • Corporate governance • Business ethics • Product quality and safety • R&D innovation	• Information disclosure as a listed company • Shareholders' meetings • Investors' meetings
Employees	• Employees' rights, interests, and welfare • Occupational health and safety • Human capital development • Diversification, equality, and inclusiveness	• Labor Union and Congress of Employees • Environment, Health and Safety (EHS) management system • Regular training, performance assessment, and job promotion

Key stakeholders	Issues of concern	Communication and responses
Customers and Consumers	• Product quality and safety • Medical inclusion and health care accessibility • Compliance operation • Responsible marketing	• Quality management system • Drug donation activities for public welfare • Standardized drug use training • Client service system • Sales Force effectiveness (SFE) management system
Government and Regulators	• Compliance operation • Business ethics • Product quality and safety	• Establishment and management of compliance system • Daily policy implementation • Participation in and giving suggestions on policy making
Suppliers	• Industry development • Supply chain resilience • Intellectual property rights (IPRs) protection	• Industry activities, such as exhibitions and seminars • Coordinated development • Standardized supplier management system • Transparent and fair procurement
Public and Community	• Community relations • Emissions management • Resource conservation and utilization • Medical research ethics • Climate change mitigation and adaptation	• Various programs for public welfare • Laboratory animal management system • Environmental impact analysis, plan and control

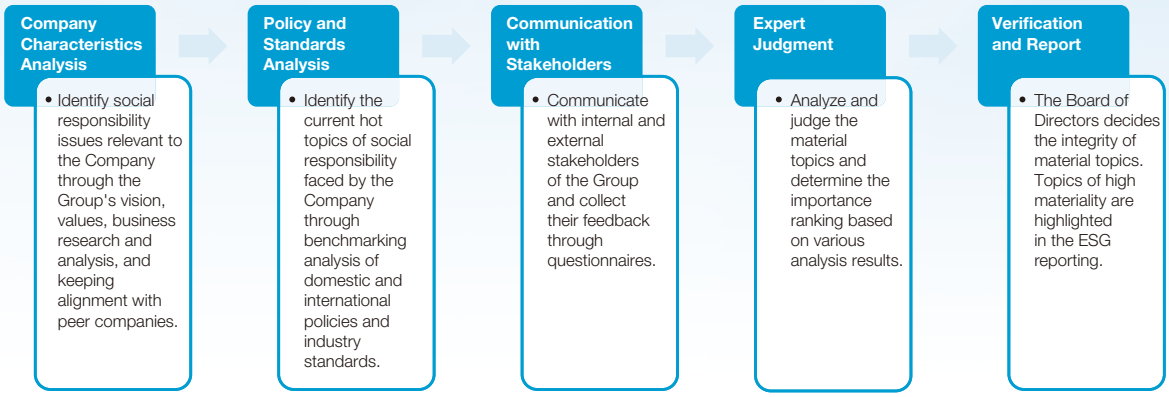
Analysis of Material Topics

The Group regularly identifies and updates ESG material topics as the basis for the Group's ESG management efforts. Based on the Group's vision, values and industry characteristics, the Group benchmarks domestic and international industry policy standards, combines stakeholder communication and expert judgment, and comprehensively identifies material topics and ranks them in terms of their importance to the Group. The Group conducts stakeholder questionnaire research and quantitative communication once every 2 years.

1. ESG Governance System

During the reporting period, the Group conducted surveys and communicated with all stakeholders, taking into account the latest policy requirements, material topics of peers, and its work priorities for the year. The Group updated and adjusted material topics per the rigorous *Procedure for the Analysis of Material Topics*.

Procedure for the Analysis of Material Topics



After analysis and identification, the Group added topics of concern of the industry, the capital market, and stakeholders this year. Based on real operations, it optimized the definitions and expressions of certain topics to better align with its business operations, including the following:

- For key concerns of the capital market and the industry, the Group added new topics like “corporate governance”, “occupational health and safety”, and “diversity, equality, and inclusion”, and merged the topics of “utilization of water resources” and “energy utilization” into “resource conservation and utilization”.

- The Group adjusted “Client Information and Privacy Protection” into “Information Security and Privacy Protection”. It is so adjusted to enrich the connotation of information security management and expand the coverage of information security management activities.

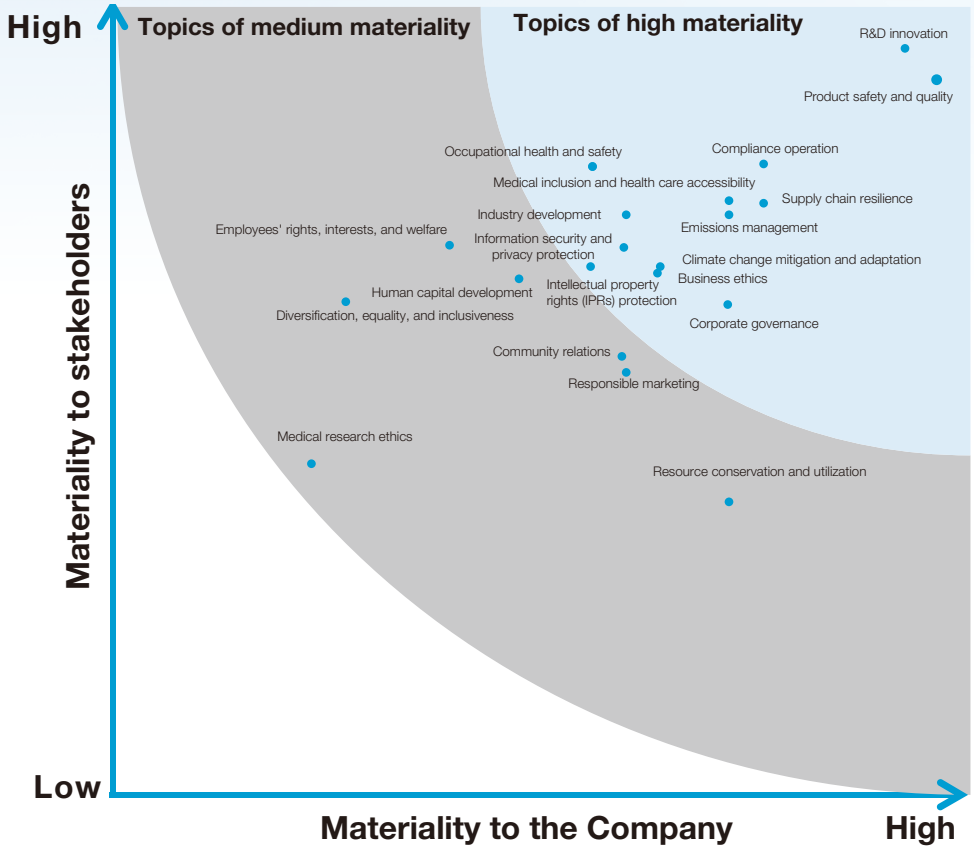
- The Group adjusted “Product Innovation, R&D and Health Care Accessibility” and “Product Pricing and Availability” into “R&D Innovation” and “Medical Inclusion and Health Care Accessibility”, respectively. They are so adjusted to identify overlapping areas of these topics in terms of medical accessibility management, facilitating a better understanding among stakeholders.

- The Group adjusted “Animal Welfare” into “Medical Research Ethics”. It is so adjusted to protect the rights and interests of research participants and improve comprehensive compliance management during the medical research stage.

- The Group adjusted “Management of Sustainable Supply Chain” and “Community and Public Welfare” into “Supply Chain Resilience” and “Community Relations”, respectively. They are so adjusted to highlight the characteristics of the topics.

After the identification and adjustments in the reporting period, the Group has 13 topics of high materiality, including “R&D Innovation”, “Product Quality and Safety”, “Compliance Operation”, “Supply Chain Resilience”, “Medical Inclusion and Health Care Accessibility”, “Occupational Health and Safety”, “Industry Development”, “Information Security and Privacy Protection”, “Intellectual Property Rights (IPRs) Protection”, “Corporate Governance”, “Climate Change Mitigation and Adaptation”, “Business Ethics”, and “Emissions Management”.

Matrix of Material Topics



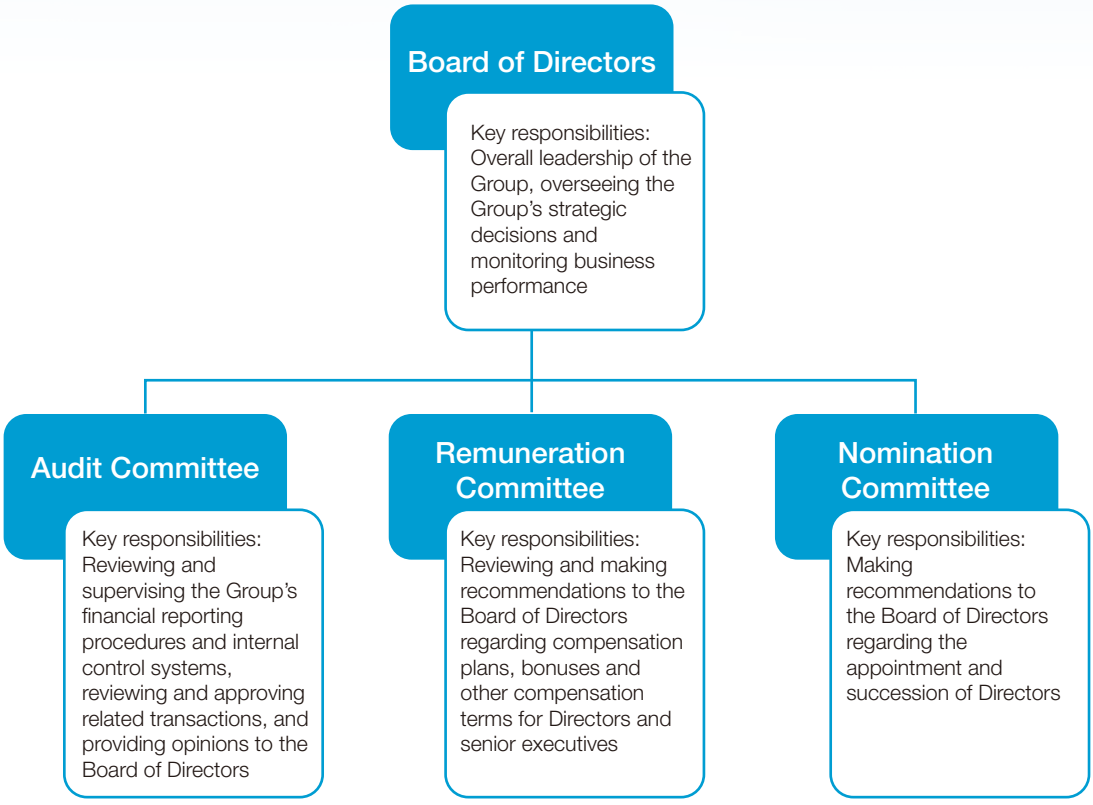
2. Corporate Governance

2.1 Corporate Governance Framework

3SBIO maintains rigorous corporate governance practices to safeguard shareholders' rights and interests, bolster corporate value, and foster accountability. The Group employs the *Corporate Governance Code* (the "**Code**") as set out in Appendix C1 of the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* as the principles and basis for corporate governance. It has always adhered to all applicable provisions of the Code and will continue to review and supervise the daily corporate governance of the Group to ensure compliance with the provisions of the Code.

According to the Code, the Group has established an effective Board of Directors, tasked with leading and overseeing the Group's operations. The Board of Directors features the following framework and responsibilities:

Framework and Responsibilities of 3SBIO Board



Following the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, the Group appoints Directors and supervisors, ensures the proportion of independent non-executive Directors in the composition of the Board of Directors, and assures that Directors possess corresponding professional qualifications and industry experience. The composition of the Board of Directors and Board of Directors meetings in 2023 are as follows:

Composition of the Board of Directors of 3SBIO

Directors • 7	Executive Directors • 2	Non-Executive Director • 1
Independent Non-Executive Directors • 4 • Percentage 57%	Director, medical expert • 3 • Percentage 43%	Director, financial management expert • 3 • Percentage 43%

Meeting of the Board of Directors of 3SBIO

General Meeting of Shareholders • 1	Board meetings • 4	Directors' Committee Meeting • 5

The Group recognizes and values the diversity of its Board of Directors, considering it as one of the key elements of its competitive advantages. The Group has formulated the *3SBIO Board Diversity Policy*, which stipulates that the Nomination Committee of the Board of Directors reviews the framework, size, and composition of the Board of Directors annually. Taking into account factors such as gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry, and regional experience, the Nomination Committee formulates quantitative targets for implementing this policy and provides effective recommendations to the Board of Directors to achieve these targets.

Regarding gender diversity, the Board of Directors includes two female Directors, one serving as an executive Director and another one serving as an independent non-executive Director, representing nearly 30% of the total board membership. The Board of Directors will evaluate gender diversity in case of changes in Board of Directors to determine whether follow-up planning measures need to be taken.

2.2 Compliance and Risk Management

Compliance Management System

The Group has put in place and constantly improved a well-established system for risk identification and compliance management. It has introduced the *3SBio Compliance Management Regulations*, setting out compliance requirements for various sections of business operations. During the reporting period, the Group improved its compliance management regulations for various processes and updated some regulations, including the *Compliance Guidelines for Daily Medical Interactive Communication, Standard Operating Procedures for Academic Activities and Conferences, Review Rules for SFE Meetings*, and *Articles of Association and Rules of Procedure of Compliance Management Committee*, to offer compliance guidance for business activities.

The Compliance Management Committee serves as the top authority for compliance management in the Group. This committee mainly establishes and promotes the improvement of the compliance management system, determines the organizational framework, and appoints or dismisses responsible persons of the risk and compliance management departments. It is responsible for formulating the Group's risk and compliance management policies and approving the Group's compliance management regulations, annual compliance management work plans, and regular compliance reports. This committee holds regular meetings at least once every six months and extraordinary meetings as needed.

To further enhance its compliance management framework, the Group added a new role to the Compliance Management Committee during the reporting period. The Group added a new role of base compliance execution supervisor based on the three major roles of executive members including the Chairman, the Committee Secretary, and the rotating members. Manufacturing base heads serve as the base compliance execution supervisors and their main responsibilities include attending committee meetings to report on compliance management work in their respective bases or respond to inquiries, submitting opinions and suggestions to the committee, and overseeing the implementation of the committee's resolutions within their base. The establishment of this role further strengthens the Group's control over compliance management efforts in each base.

Under the guarantee of various internal systems, the Group has established three lines of defense against compliance risks, including the overall risk management of the group, information security compliance management and early warning and handling of crisis events.

3SBIO Compliance Risk Defense Lines

3SBIO follows the strategy of "front-loaded compliance management" and front-loads compliance management at strategic and operational levels. At the strategic level, the Group integrates compliance risk identification and guidance procedures into the discussion and planning stages of its business strategy. At the operational level, it manages compliance on a project-specific basis. During the project initiation stage, it thoroughly analyzes compliance risks, and upon project completion, it undertakes a comprehensive compliance audit covering the entire project lifecycle to ensure full compliance implementation.

Employees play both roles of executors of compliance management and implementers of compliance requirements. At the level of employee management, the Group embraces many measures to conduct compliance education and management for its employees. including the following:

Employee Compliance Education and Management Measures of 3SBIO

Description	Measure	Effect
Compliance training	• Board of Directors: Compliance training during meetings of the Board of Directors; • Entire Group: Annual compliance training; • Marketing center: Compliance training and responsible marketing training.	• During the reporting period, the Group conducted a total of 962 compliance training sessions, reaching 29,837 employees.
Special training program titled "Compliance Mindset for Managers"	• The Group carries out a special training program titled "Compliance Mindset for Managers", which focuses on fostering a compliance management mindset among marketing managers through various methods such as training, guidance, and business-compliance discussions.	• The Group held eight special compliance management communication meetings during the reporting period.
Compliance micro classes, compliance stories, and other routine compliance promotion	• The Group drives multiple departments to participate in compliance promotion activities, regularly releases compliance knowledge articles such as compliance micro classes and compliance stories, so that employees can access and understand compliance, and cultivates a compliance atmosphere in the Group.	• The Group released ten promotional papers on compliance during the reporting period.
Integrated Promotion Conduct Appraisal (IPCA)	• The Group utilizes the IPCA to quantitatively assess the compliance of the Group's marketing personnel. It has developed a comprehensive compliance evaluation model that includes four modules: compliance training, unannounced inspection, cost review, and project management. The IPCA scores are directly linked to the current salary/bonus assessment of marketing personnel.	• Through the IPCA, the Group realizes the full compliance constraints on employees' business behavior.

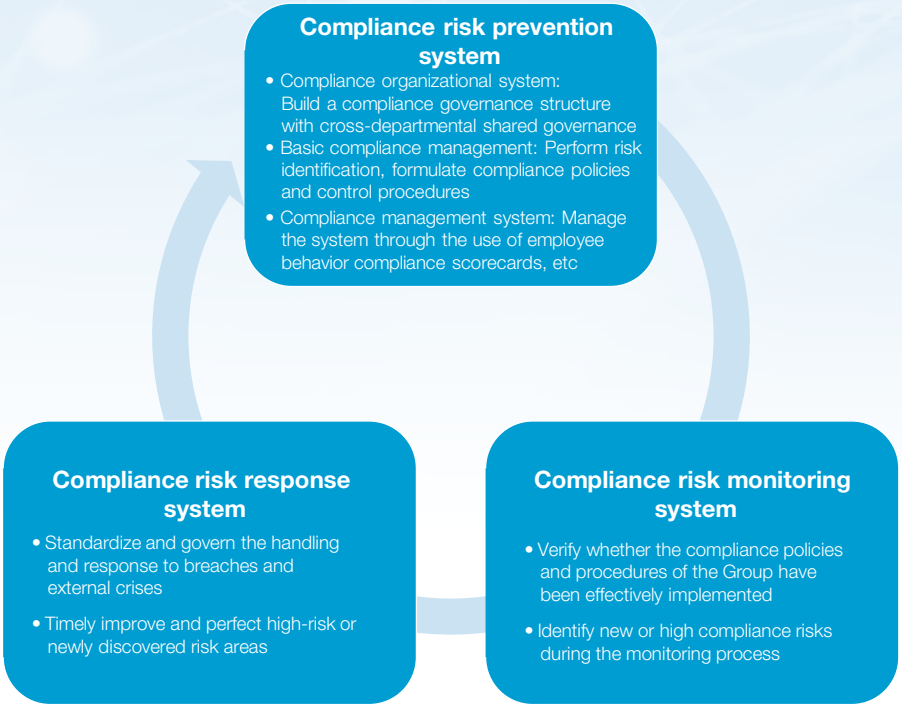
Description	Measure	Effect
Emergency drills	• During the reporting period, the Group collaborated with third-party law firms and conducted emergency drills to enhance its cooperation with the government during medical industry inspections. For the first time, the public relations departments of four major bases participated in the emergency drills besides key functional departments including Marketing, Financial Management, and Risk Compliance.	• The drills reached 2,359 persons.

Continuously enhancing its compliance system and executing compliance management, the Group actively participates in the development of the industry's compliance knowledge system. During the reporting period, its employees participated in the development of the *Professional Textbook for Corporate Compliance Officers in the Pharmaceutical Industry* and the *Corporate Compliance Practice Guide*, assisting corporate compliance management in the pharmaceutical industry. In the *ESG Compliance for Healthcare Globalization* (in both Chinese and English) funded and released by the World Bank, the compliance management of 3SBIO and its subsidiary Sunshine Guojian is highlighted as a benchmarking case.

Risk Management Mechanism

Continuously enhancing its awareness and capability in compliance risk management, 3SBIO has established a sound and robust risk management mechanism to fully prevent and respond to compliance risks in various fields. It has developed a closed-loop compliance risk management system in combination with its compliance strategy and industry trends. This system consists of three subsystems: a compliance risk prevention system, a compliance risk monitoring system, and a compliance risk response system.

Closed-loop Compliance Risk Management System



To further enhance its compliance management framework, the Group established a Process Project Department during the reporting period. This department is responsible for initiating authorized management of various processes within the Group, reviewing the necessity and compliance of each business process, gradually optimizing these processes, and improving the Group's authorized management and risk prevention capabilities.

To ensure proactive risk management, the Group closely monitors domestic and international developments of laws and regulations. Through this monitoring, the Group identifies emerging risks that may potentially impact its business and formulate preemptive countermeasures accordingly. The Group's identification of emerging risks and countermeasures taken during the reporting period include but are not limited to:

Identification of Emerging Risks and Countermeasures of 3SBIO (Partial)

Region	Law/Regulation	Risk Description	Countermeasure
Chinese Mainland	Law on Doctors of the People's Republic of China	The compliance requirements regarding informed consent for uploading patients' medical records to third-party Internet medical platforms may indirectly impact the Group.	In addition to requesting third-party platforms to provide relevant compliance reports, the Group has also strengthened the process supervision of the informed consent aspects on these platforms.
	Measures for Quality Supervision and Administration of Drug Distribution and Use	The law enforcement agencies in Shenzhen have strengthened their scrutiny of display fees in retail pharmacies, and this practice may potentially be extended to the entire China. This poses requirements for the Group's compliance management at the retail end.	The Group has proactively established a compliance management system for OTC retail pharmacies to strengthen the management of display fees.

Based on a thorough understanding of relevant laws and regulations, the Group has been continuously enhancing the level and capability of risk management. Guided by the logic that "compliance risks arise from compliance obligations, and compliance obligations stem from business activities", the Group has been driving the disclosure of risks across all levels and dimensions. The Group regularly conducts surveys and interviews to learn about the risk identification capability and control points of each business line. During the reporting period, the Risk Compliance Department initiated a comprehensive survey across all marketing centers targeting third-party academic activities. The aim was to gain insights into the risks identified by frontline personnel in these academic activities, conduct a systematic assessment, and subsequently improve the risk management and control system.

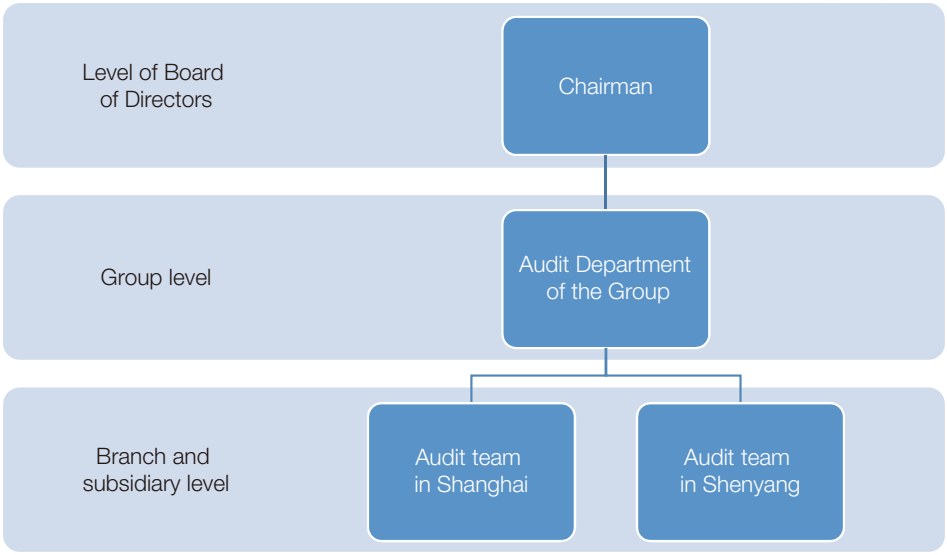
2. Corporate Governance

Audit Mechanism

The Group is committed to establishing a long-term and regular audit and supervision mechanism and has formulated the *3SBio Group System for Internal Audit*, *3SBio Group Work Flow for Internal Audit*, and other systems to complete a full internal audit procedure once every three years to improve internal control system and business management and forestall business risks.

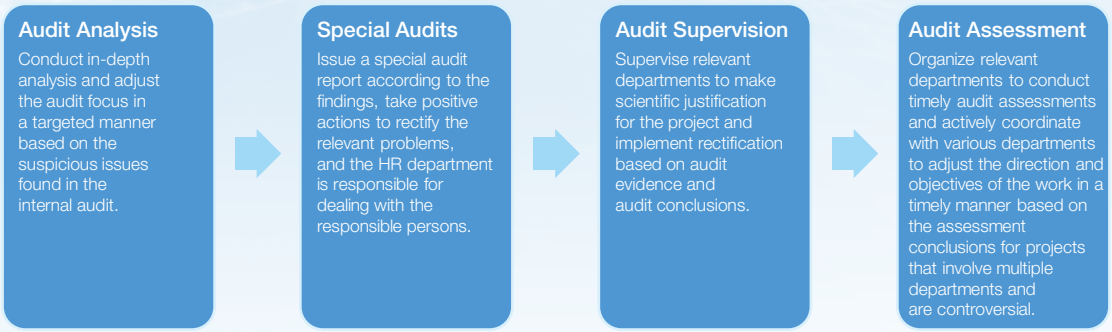
The Group attaches great importance to the role and position of audits in corporate management, emphasizing the independence and significance in the design of the audit organization framework and reporting mechanism. The Group's Audit Department reports directly to the Chairman and is accountable to the Board of Directors. The Group's Audit Department has two separate audit teams. One team is responsible for the internal control audit of Sunshine Guojian, while the other team oversees the internal control audits of the manufacturing bases in Shenyang, Shenzhen, and Hangzhou, as well as other branches and subsidiaries.

Audit Organization Framework of 3SBIO



The Group's Audit Department has fully implemented the establishment of a mechanism for the full integration of internal audit and control, and conducted audit analysis, special audits, audit supervision and audit evaluation based on audit findings.

The Operation Process of the Mechanism Integrating Internal Audit and Control



The Group strengthens its ability to operate in compliance through internal and external audits. During the reporting period:

- The Group's audit work is front-loaded to carry out daily monitoring of related processes.
- In addition to routine audits, the Group has also conducted 11 special audits on the settlement of construction projects in progress. The Group engages third-party professional institutions for project settlement audits, with a focus on project quality, environmental protection, sustainability principles, and anti-corruption efforts. In terms of sustainability principles, the Group pays attention to recycling, the proportion of non-hazardous materials in construction materials, and the procurement of eco-friendly facilities. In terms of anti-corruption, no corrupt behavior has been found within the scope of audits.
- The Group continuously conducts internal audits of each manufacturing base, covering dimensions such as salary and benefits, finance, taxation, sales management, and information systems. 3SBIO conducts internal control audits on a three-year basis, while its subsidiary Sunshine Guojian undergoes a full audit yearly.
- The Group conducts anti-corruption audit investigations involving all financial and physical processes such as procurement, fund management, R&D projects, fixed assets, and human resources, and extends the audit to relevant positions and responsible persons.
- The Group engages third-party representatives to provide services for or on behalf of the Company in the normal course of business. During the reporting period, third parties conducted independent external audits of the Group per the provisions of relevant laws and regulations and regulatory requirements and issued relevant reports per the regulatory timelines.

2.3 Business Ethics and Anti-corruption

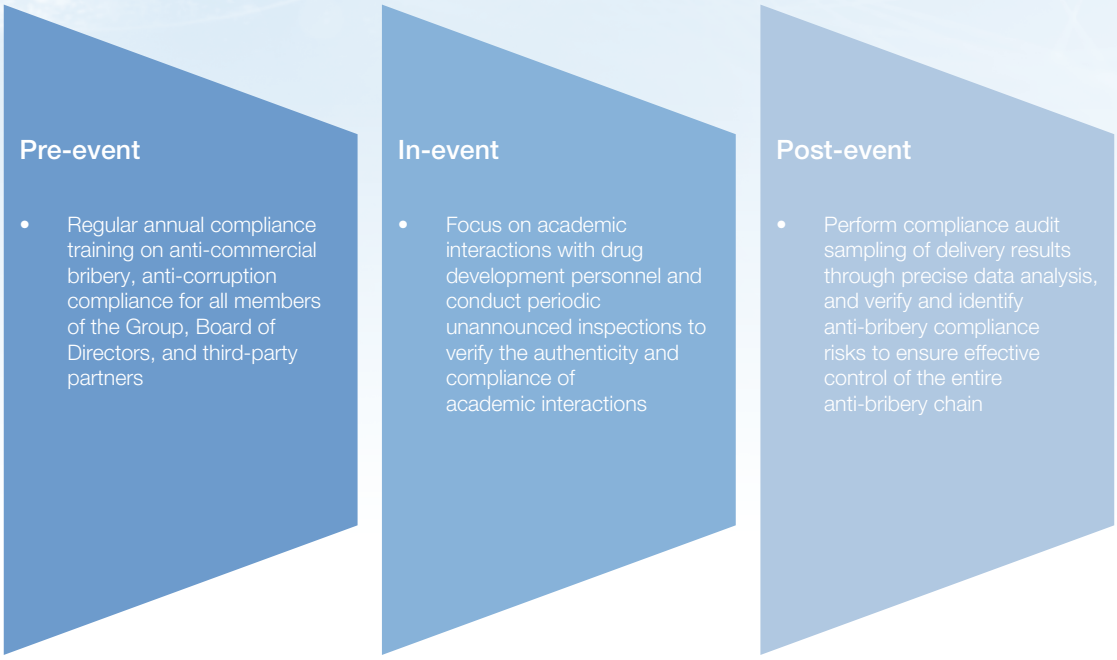
Business Ethics and Anti-corruption System

3SBIO places great emphasis on business ethics and anti-corruption. The *3SBio ESG Code of Conduct* includes *Anti-Corruption and Anti-Bribery Policies* that cover all employees, directors, and third-party representatives, explicitly prohibiting the payment of facilitation fees. As China gradually clarifies its regulatory policies for the retail sale of drugs and updates relevant management systems, the Group has taken early measures to ensure that its internal controls align with national regulatory requirements. For medical representatives, the Group conducts registration and internal training following the *Management Measures for Registration of Medical Representatives (Interim)*. Regarding the retail line, the Group updates its compliance management systems and procedures based on the Measures for *Quality Supervision and Administration of Drug Distribution and Use*.

To ensure that the Group's academic promotion activities comply with business ethics and compliance requirements, the Group has established the *Norms for Management of Academic Promotion Publicity and Educational Materials of 3SBIO*. These norms ensure that promotional and educational materials used by employees in direct or indirect contact with patients, healthcare professionals, and medical institutions adhere to national laws and regulations, drug management regulations, and industry standards. To ensure the implementation of these systems and procedures, the Group has established pre-event, in-event, and post-event safeguard mechanisms: pre-event training and interpretation to inform employees of the systems and encourage their compliance, in-event audits to confirm the legality and compliance of academic promotion materials used, and post-event compliance monitoring to verify employees' compliance with internal regulations in the use of promotional materials.

To eliminate corruption and commercial bribery, the Group has established a sound anti-commercial bribery compliance management system that covers the entire process from pre-event, in-event, to post-event control methods.

Anti-commercial Bribery Compliance System



During the reporting period, 3SBIO executed rigorous pre-event compliance establishment procedures for third-party-funded academic conferences and other donation projects to ensure that all activities undergo strict compliance reviews. The Group intensified the compliance monitoring of the entire process for these projects to ensure that each step, from project establishment to execution, meets the requirements of applicable regulations.

Regarding projects related to Internet platforms, the Group has further enhanced its compliance control over the operations of third-party platforms. Specific measures include but are not limited to thorough reviews of various compliance risks in platforms, such as potential commercial briberies, the legality of product promotion activities, the effectiveness of personal information protection mechanisms, and cybersecurity measures.

Supervision and Reporting System

The Group has put in place a supervising and reporting system. The Group's Risk Compliance Department has put through multiple reporting channels via e-mails and telephones, inviting real-name or anonymous tip-offs about existing or suspected irregularities against systems and regulations from employees, third-party representatives, and business partners. The systems and regulations include the *3SBio Group Regulations for the Group's Internal Compliance Investigation*, the *Code of Conduct and Ethics for Employees,* and the *Grants, Sponsor and Donate Program Conduct Guidelines*.

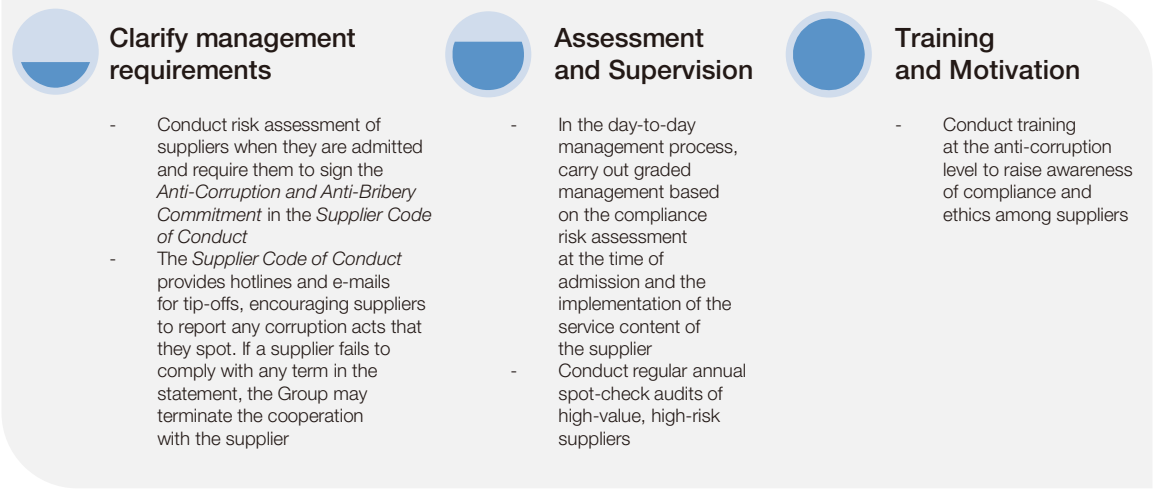
The Risk Compliance Department will report the tip-offs to the Compliance Management Committee. A case will be filed and investigated in accordance with the *3SBio Group Regulations for the Group's Internal Compliance Investigation*. A detailed reply and confirmed investigation report will be offered to the informer (including anonymous informers) within one month, who will be protected with the following measures:

- The informers' personal information and the tip-offs will be kept completely confidential. The Group will mete out harsh punishment to those breaking confidentiality rules and hold them accountable per the law.

- Those retaliating against informers or related witnesses will face the consequences based on the severity of their behaviors, including but not limited to removal from a post, termination of labor contracts, and transfer to judicial organs for handling.

Anti-corruption Management for Suppliers

Through the *3SBio Group Supplier Management System* and supplier management system, the Group conducts anti-corruption management on suppliers from three aspects: management requirements, assessment and supervision, training and motivation.



According to the *3SBio ESG Code of Conduct*, the Group stipulates that suppliers should have an appropriate anti-corruption policy in place, conduct regular audits against the anti-corruption system to ensure the effectiveness of the system, and agree to be audited by the Group or a third party engaged by the Group to verify the supplier's compliance with anti-corruption principles.

During the reporting period, the Group updated the *Supplier Compliance Statement* into the *Code of Conduct for Suppliers*, which includes anti-corruption and anti-bribery policies and a reporting hotline or email address for reporting on corruption and briberies. The Group requires key suppliers to sign the *Code of Conduct for Suppliers* at least once a year and regularly monitors their conduct, including on-site inspections. For non-key suppliers, the Group requires them to sign the *Code of Conduct for Suppliers* during the supplier access stage to ensure that all suppliers are aware of the anti-corruption and anti-bribery policies outlined in this code. As of the end of the reporting period, 99.58% of suppliers had signed the *Code of Conduct for Suppliers*.

3SBIO has established a supplier compliance management module to strengthen the full compliance supervision of suppliers:

- Pre-event training and promotion: Via training and promotion, the Group requires suppliers to commit to providing services per the Group's compliance management principles;

- Supplier access review: The Group strictly controls supplier access management and due diligence, focusing on controlling the bribery risks of service suppliers;

- Annual compliance audits: The Group conducts compliance audits on no less than 33% of regular suppliers every year and all suppliers every three years. The audits include but are not limited to anti-corruption and anti-bribery, advertising and publicity, personal information protection, etc. The Group checks whether the supplier had completed compliance training and signed compliance commitments as required.

During the reporting period, 3SBIO continuously carried out compliance training for all suppliers, requiring them to adhere to industry regulations and 3SBIO's standards. The training aimed to introduce and interpret compliance management requirements such as "anti-corruption and anti-commercial bribery requirements", "conflict of interest behaviors", and "entertainment and prohibited behaviors". Except for the above, the Group offered separate compliance training to new suppliers.

2.4 Information Security and Privacy Protection

To ensure the information security of the Group and its partners and protect patients' privacy, the Group has put in place the *Regulations for Personal Information and Data Safety Management*, the *Guidelines for Commercial Secrets Management*, the *Group Information System and Cybersecurity System*, and the *Clinical Information System Management System* to comply with the confidentiality principle when it comes to non-public information about clients, employees, and agents.

During the reporting period, the Group released the *3SBIO's Trade Secret Management Policy*. This policy establishes a classification system for trade secrets and stipulates that the Compliance Management Committee, Risk Compliance Department, and departments involving trade secrets should cooperate to create a firewall to protect the Group's trade secrets.

Responsibilities of Trade Secret Management Departments of 3SBIO

Department	Responsibilities
Compliance Management Committee	• Establishing the Group's trade secret management policy and setting phased management objectives; • Deliberating and approving systems and regulations for trade secret management; • Deliberating and approving reports on trade secret management within the Group; • Evaluating the effectiveness of the Group's trade secret management policy and organizing self-inspections across departments to optimize and enhance the protection of trade secrets.
Risk Compliance Department	• Designing the trade secret management framework for the Group; • Summarizing the management rules and measures related to trade secrets of departments and submitting them to the Compliance Management Committee for approval; • Organizing regular meetings on trade secret management and reporting to the Compliance Management Committee; • Continuously optimizing and improving the Group's trade secret protection and management.
Departments involving trade secrets	• Creating and optimizing own trade secret protection system; • Taking measures to protect trade secrets; • Reporting and coordinating to handle events related to trade secrets.

To enhance the development of the information security system and day-to-day management, the Group focused on building basic security capabilities and improving the information security management system. It ensured information security from the perspectives of attack prevention, event detection, defense reinforcement, and security recovery during the reporting period.

Information Security Protection System of 3SBIO

Information Security Management of the Group	Information Security Emergency Plan	Added the *Emergency Plan for Security Drills for Webpage Tampering Scenarios* and organized and carried out emergency drills for the OA testing environment, with the participation of all members of the Information Technology Department. Prepared the following emergency plans, including the *Emergency Plan for Encrypted Blackmail Scenarios, Emergency Drill Plan for Phishing Emails, Emergency Drill Plan for Network Attack Scenarios, Emergency Drill Plan for Malicious Program Scenarios, and Emergency Drill Plan for Information Leakage Scenarios.*
	Information safety protection measures	• Access security: Sorted out user access and minimized user access configuration; • Baseline security: Developed security baselines for operating systems, middleware, and databases; • Network access control: Sorted out Alibaba Cloud and local security group policies and refine security access control; • Exposure security: Detected the open ports of the Internet and closed unnecessary Internet mapping ports; • Security vulnerabilities: Conducted vulnerability assessments for third-party application systems and server systems, including the evaluation of application systems such as AD account management systems, application systems, and official websites, as well as security vulnerability scanning and rectification work for Alibaba Cloud and local data centers. Penetration testing: Carried out penetration testing and rectification for application systems.
	Information security feedback channel	Established an information security feedback channel, clarified the first contact for information security, and established a 3SBIO information security email group.

Supplier Information Security Protection	Security standards for new system development	Clarified the security standards for new system development of suppliers and provided a detailed security requirement comparison form to standardize the parts related to host security, cybersecurity, and application security in such development.
	Signing of confidentiality agreement	Urged suppliers to fulfill their confidentiality obligations by encouraging them to sign confidentiality agreements for their projects, sorted out their account numbers, and conducted minimal access management to fully safeguard information security and privacy in cooperation with suppliers. During the reporting period, all suppliers signed project confidentiality agreements or confidentiality clauses.
Client Information Security Protection	Client information access management	Necessary client information is collected and managed through our Sales Force Effectiveness (SFE) system, whose access is strictly restricted. Users of different hierarchical levels only have limited access to the data in different visual forms. Any information regarding businesses, hospitals, or other clients can only be viewed and used in the system. Downloads of the information in any form are strictly prohibited.
Cultivation of Employee Information Security Awareness	Information security training and inspection	Conducted annual information security awareness training and exams for all members of the Group and regularly assessed the sensitivity risks of employees in routine compliance awareness through information technology. During the reporting period, the pass rate for the information security exams was essentially 100%. Inspected office information security of each base and office to enhance employees' awareness of compliance in day-to-day business behavior and personal information and information security.

During the reporting period, Sunshine Guojian, a subsidiary of the Group, released the *Data Classification and Categorization Process Management System of Sunshine Guojian*, which provides reference standards for the classification, categorization, identification, and labeling of data assets. Based on reasonable costs, the subsidiary adopted corresponding protective measures for data assets of different importance levels to prevent them from being destroyed, misused, or accessed without authorization and to ensure their confidentiality, integrity, and availability.

2.5 Medical Research Ethics

The Group highly values medical research ethics during research and development. All clinical research involving human subjects conducted by the Group is carried out in external research centers, each provided with an ethics committee. As the sponsor, the Group provides relevant materials for ethical review in accordance with laws and regulations, including but not limited to clinical trial protocols, investigator brochures, and informed consent. The Group refrains from conducting research activities involving human-related biological samples or information data, thus its medical research ethics system primarily emphasizes the protection of laboratory animal welfare.

Laboratory animal welfare refers to the activities of raising, managing, and using laboratory animals to ensure that they can be well managed and cared for and to reduce or avoid unnecessary injuries and discomforts. The Group strictly complies with the *Regulations for the Administration of Affairs Concerning Experimental Animals*, the *Guidelines on the Ethical Treatment of Experimental Animals*, and other relevant laws and regulations, as well as national standards such as the *Laboratory Animals – General Requirements for Animal Experiments* (GB/T 35823-2018), the *Laboratory Animal – Guideline for Ethical Review of Animal Welfare* (GB/T 35892-2018), and the *Laboratory Animals – General Code of Animal Welfare* (GB/T42011-2022). It continuously strengthens the management of laboratory animals and safeguards their welfare.

The Group has constructed laboratory animal centers in three manufacturing bases, namely Sunshine Guojian, Shenyang Sunshine, and Sciprogen, which involve the use of laboratory animals in pre-clinical pharmacological and pharmacological efficacy studies, pharmacogenetic toxicological studies and animal in vivo testing and abnormal toxicity testing and pyrogen testing during the product release stage. The Group has established a laboratory animal management committee in the animal experimentation center of each manufacturing base, which is responsible for implementing laws and regulations related to laboratory animal work, inspecting the licensing status of laboratory animal use, strengthening the quality control level of animal experiments, managing animal laboratories and improving the business level of practitioners. Each manufacturing base has developed management systems and processes such as the *Animal Welfare and Animal Experimentation Ethics Review System, Laboratory Animal Facility Operation and Management System, Laboratory Animal Welfare Protection System, Management Procedures for Cleaning and Disinfection of Animal Experimentation Center Environment and Animal Cage Equipment,* and *Standard Operating Procedures for Animal Experimentation Protocol Review*. Each base updates and improves them to enhance laboratory animal management and welfare protection.

During the reporting period, Shenyang Sunshine developed and released the *Management Procedures for Technical Service Contracts* specifically for laboratory animal suppliers and third-party consigned clinical trials involving laboratory animals. The procedures outline the review process before supplier access, communication and supervision mechanisms during trials, and review and revision steps after trials. It also clarifies the qualification materials that suppliers should provide, including the *Animal Use License* and the *Animal Quality Certificate*.

2. Corporate Governance

The Group follows the 3Rs (Reduction, Replacement, Refinement) principle and is committed to reducing or avoiding unnecessary harm and discomfort to laboratory animals and safeguarding the five freedoms that they have.

Freedom from hunger and thirst

- Daily inspection to ensure adequate water and feed;

Freedom from discomfort

- Give a light environment of 12 hours light and 12 hours dark;
- Record the temperature and humidity values of each feeding room to ensure that the experimental animals are in a comfortable living environment;
- Set up temperature and humidity monitoring points in the animal room and add an automatic telephone alarm function to receive information and take corrective action at the first sign of temperature and humidity exceeding limits;
- Change the bedding regularly to reduce the ambient ammonia concentration and odor.

Freedom from pain, injury and disease

- Regularly clean and disinfect laboratory animal materials, cage equipment, and feeding rooms.

Freedom from fear and distress

- Prepare animals according to experimental requirements before the experiment and use the minimum number of animals
- Give animals the necessary anesthesia or analgesia during the experiment, keep them warm after the operation, and give soft chow to weak animals;
- Grasp the animals with gentle movements and comforting touch, inject with accurate injection sites and push the drugs slowly to reduce the animals' pain during the experiment;
- Perform euthanasia on animals that are dying or are evaluated by veterinarians to tolerate pain to safeguard laboratory animals from unnecessary suffering.

Freedom to express normal behavior

- Use group feeding and give toys such as hideout houses.

The Group has established a mechanism for reviewing animal experiments, with veterinarians conducting irregular inspections of animal facilities and testing the status of animals; checking whether the animal experimental process has reasonable analgesia and anesthesia, and whether it meets the requirements of national standards, etc. For non-compliance, the person in charge of the experiment will be notified for handling. The Shenzhen Base of Sciprogen stipulates that a “Laboratory Animal Certificate of Guangdong Province” must be issued for each experiment from the Guangdong Provincial Laboratory Animal Public Service Center as required to ensure traceability and ensure the accuracy and reliability of animal experiment data.

Each manufacturing base of the Group organizes employees related to laboratory animals to participate in professional training organized by local regulatory authorities and internal organizations, in a bid to ensure employees work with training post certificates for laboratory animal practitioners.

Animal Welfare Training of Manufacturing Bases in 2023

Shenyang Sunshine	• Internal training: Organized annual training to promote the new national standards *Laboratory Animal – Microbiological and Parasitical Standards and Monitoring* (GB14922-2022) and *Laboratory Animal – Genetic Quality Control* (GB14923-2022), lasting a total of 5 hours. • External training: Organized laboratory animal practitioners in animal experimentation centers to participate in the training for laboratory animal practitioners held by the Liaoning Provincial Department of Science and Technology; courses include *Standardization of Laboratory Animal Construction, National Standards Related to Laboratory Animal Environment and Housing Facilities, National Standards Related to Parasites, Microbiology, and Genes of Laboratory Animals and Monitoring, National Standard Related to Laboratory Animal Institutions, Introduction to Industry, Local, and Group Standards for Laboratory Animals*, lasting a total of 24 hours; participated in the "Ethical Lecture on Laboratory Animal Welfare" organized by the Liaoning Provincial Department of Science and Technology, lasting a total of 5 hours.
Sunshine Guojian	• Internal training: Organized promotion and training on the new national standards *Laboratory Animal – Microbiological and Parasitical Standards and Monitoring* (GB14922-2022) and *Laboratory Animal – Genetic Quality Control* (GB14923-2022), with 10 participants, lasting a total of 4 hours. • External training: Participated in the promotion of 2022 editions of laboratory animal quality standards and special training on animal welfare organized by the Shanghai Laboratory Animal Management Committee, covering the *Laboratory Animals – General Code of Animal Welfare* (GB/T42011-2022) and the *Laboratory Animal – Guidelines for Euthanasia* (GB/T39760-2021) and the application of ARRIVE 2.0 Guidelines in ethical reviews of laboratory animal welfare, with 2 participants, lasting a total of 8 hours.
Sciprogen	• Conducted 10 internal animal training sessions, covering training on regulations related to laboratory animals, basic operation training, EPO in vivo activity, abnormal toxicity, and pyrogen testing training, laboratory safety training, and laboratory animal use licenses, lasting a total of 40 hours.

The Group actively keeps up with the updates of laws, regulations, and standards about laboratory animals and conducts reviews and improvements in advance for the areas involved in the updates to ensure compliance with them. During the reporting period, the State Administration for Market Regulation and the Standardization Administration of the People's Republic of China released the *Laboratory Animal – Requirements of Environment and Housing Facilities* (GB14925-2023). Sunshine Guojian, a subsidiary of the Group, organized its employees to understand this new standard and compared it with the current company regulations and SOPs to search for non-compliance. It updated and corrected it and organized training for relevant personnel to learn the updated content.

3. Product Responsibility

3.1 Product Quality Control

The Group's major marketed products and their efficacy are shown in the table below. The product candidates in the pipeline cover areas including nephrology (e.g., SSS06 NuPIAO), oncology (e.g., 304R anti-CD20 antibody), autoimmune and others (e.g., 301S TNFR-FC fusion protein), ophthalmology (e.g., 601A anti-VEGF antibody), and skin diseases (e.g., MN709).

The products are mainly sold to hospitals and other medical institutions (i.e., clients). As of the end of the reporting period, the Group's sales team had covered nearly 2,900 Grade III hospitals and over 7,300 Grade II or lower hospitals and medical institutions in all provinces, autonomous regions and special municipalities in the Chinese mainland.

Product names	Indications
TPIAO	Treating chemotherapy-induced thrombopenia in patients with solid tumors and immune thrombocytopenia
YISAIPU	Treating rheumatoid arthritis, ankylosing spondylitis and psoriasis
EPIAO	Treating anemia caused by chronic kidney disease, anemia caused by chemotherapy and the reduction of allogeneic blood transfusion in surgery patients
SEPO	Treating anemia caused by chronic kidney disease and chemotherapy
Cipterbin	Treating HER2-positive metastatic breast cancer in combination with chemotherapy
Mandi	Treating male pattern alopecia and alopecia areata
Xenopax	Preventing acute rejection after renal transplant
Byetta	Improving the glycemic control in patients with type 2 diabetes
Qiming Keli	Treating type 2 diabetic retinopathy
Aiyishu	Treating iron-deficiency anemia
Sparin	Preventing and treating deep vein thrombosis, and preventing clotting during hemodialysis

Product names	Indications
Saiboning	Preventing venous thromboembolic disease in cases of intermediate or high risk of venous thrombosis in surgery
	Treating established deep vein thrombosis
	Combined with aspirin for the treatment of unstable angina and non-Q wave myocardial infarction in the acute phase
	Preventing blood clot formation in extracorporeal circulation in hemodialysis

Quality Control System

The Group implements a set of unified quality management standards and has put in place a quality control system covering the entire product life cycle from raw materials to product R&D, manufacturing, testing, product release, circulation and recall.

The Group's quality control system has been widely recognized at home and abroad. All our pharmaceutical subsidiaries have acquired Good Manufacturing Practice (GMP) 2010 recognition by the People's Republic of China. In the meantime, Shenyang Sunshine and Sunshine Guojian have received PIC/S (International Drug Inspection Organization) recognition by countries including Turkey. As of the end of the reporting period, all operating sites that have been put into production and are operating steadily have obtained relevant certifications for quality management systems.

3. Product Responsibility

Certification of Quality Control System of Each Manufacturing Base of 3SBIO (As of the End of Reporting Period)

Manufacturing base	Certification authority	Certification (inspection)	Scope of certification
Shenyang Sunshine	Drug Regulatory Authority of Pakistan	GMP inspection	Human erythropoietin injection
	Republic of Türkiye Ministry of Health	GMP inspection	Recombinant human thrombopoietin injection
	Food and Drug Administration of the Philippines	GMP inspection	Human erythropoietin injection, recombinant human thrombopoietin injection
	Brazilian National Health Surveillance Agency	GMP inspection	Human erythropoietin injection
	Liaoning Medical Products Administration	GMP compliance inspection	Human erythropoietin injection, human interferon α2a injection
Sciprogen	Guangdong Medical Products Administration	GMP compliance inspection	Active pharmaceutical ingredients, small-volume injections, and therapeutic biologics
	Food and Drug Administration of the Philippines	Registration certificate	Human erythropoietin injection
	Thailand Food and Drug Administration	Registration certificate	Human erythropoietin injection
	Food and Drug Administration, Myanmar	Registration certificate	Human erythropoietin injection

Manufacturing base	Certification authority	Certification (inspection)	Scope of certification
Sunshine Guojian	Shanghai Medical Products Administration	GMP certification	Recombinant Human Tumor Necrosis Factor-α Receptor II: IgG Fc Fusion Protein for Injection
	Shanghai Medical Products Administration	GMP certification	Recombinant Humanized Anti-CD25 Monoclonal Antibody Injection
	Shanghai Medical Products Administration	GMP compliance statement concerning pharmaceuticals	Inetetamab for Injection
	Shanghai Medical Products Administration	GMP compliance statement concerning pharmaceuticals	Recombinant Human Tumor Necrosis Factor-α Receptor II: IgG Fc Fusion Protein Injection
	Shanghai Medical Products Administration	GMP compliance statement concerning pharmaceuticals	Narlumosbart Injection
	Shanghai Medical Products Administration	GMP compliance statement concerning pharmaceuticals	Inetetamab for Injection
	Indonesia's National Agency of Drug and Food Control	GMP certification	Recombinant Human Tumor Necrosis Factor-α Receptor II: IgG Fc Fusion Protein for Injection
	Zhejiang Medical Products Administration	GMP certification	Tablets, capsules, tinctures (for external use), and therapeutic biologics (BCG polysaccharide nucleic acid injection)
Sunshine Mandi	Zhejiang Medical Products Administration	GMP certification	Ointment
	Zhejiang Medical Products Administration	GMP certification (ZJ20180016)	Ointments (hormones)
	Zhejiang Medical Products Administration	GMP certification	Granules
	Zhejiang Medical Products Administration	GMP inspection	Tincture (for external use) (compliance inspection for change of production site)
	Zhejiang Medical Products Administration	GMP inspection	Inspection of new ointment workshops

3. Product Responsibility

Product Quality Control System

Control links	Control measures
Material management	• Manufacturing bases put in place a full set of operational guidelines for supplier selection, materials procurement, receiving, inspection, release, and storage. The procurement, acceptance, sampling, inspection, storage, and distribution of raw materials follow corresponding management rules and operational guidelines and every step is documented.
Production and in process control	• Manufacturing bases conduct standardized management on their production process in strict accordance with state-approved production procedures. • Through in-process control (IPC), critical point control, procedure check-up methods, and automatic testing systems, manufacturing bases carry out non-stopping monitoring of the production process to ensure product quality. • The Group has set out systems and management processes such as *Management Procedures for Communication and Handling of Quality Information of Consigned Manufacturing*, *Management Procedures for Consigned Manufacturing*, and *Procedures for Supervision and Management of Consigned Manufacturing Bases*. These procedures clarify the management requirements related to the consigned manufacturing and stipulate drug laws and regulations and technical specifications applicable to the consigned manufacturing, to ensure the quality of products.
Quality inspection	• Manufacturing bases set out management procedures for testing production materials, intermediate products, semi-finished products, and samples. Products can only leave the factory after they pass quality inspection, and the results are verified and approved by the quality control managers. • Manufacturing bases put in place handling procedures for unqualified products.
Product transportation	• Manufacturing bases entrust qualified third-party forwarding agents to transport their products and monitor the entire process of transportation. The monitoring system for temperature and humidity in cold-chain vehicles meets the standards of Good Supply Practice and the products are ensured to stay in stable quality during the transportation.

Control links	Control measures
Drug label management	• Manufacturing bases formulated regulatory documents, including *Regulations for the Management of Printed Packaging Materials* and the *Standard Management Procedures for Label and Manual Design and Printing*. • The Group put in place standard management protocols for drug labels and made explicit stipulations for the design, procurement, acceptance, inspection, storage, and use of drug labels and insert sheets.
Quality training	• The Group formulated the *Employee Training Management Protocols*, which set out requirements for training of employees working on positions related to pharmaceutical production quality. The training covers laws and regulations, professional knowledge, and GMP. • Inspection personnel are required to go through pre-service training before they can start work.

During the reporting period, the manufacturing bases across the Group continuously improved their quality management regulations and updated or established new management regulations for laboratory management, microbiological testing, electronic data management, design review of printing and packaging materials, consigned manufacturing of pharmaceuticals, change control, deviation investigation, and supplier management. These enhancements aim to enhance the effectiveness and adaptability of the quality management system, thereby ensuring product quality and safety.

The Group continues to undergo domestic and international official audits and inspections and audits from clients, including GMP compliance reviews, pharmacovigilance site inspections, and product-specific special inspections, in a bid to improve its quality management capabilities through external audits. During the reporting period, Sunshine Guojian received a total of 3 domestic and international official audits and audits from clients; Sunshine Mandi received a total of 3 domestic and international official audits; Shenyang Sunshine received a total of 4 domestic and international official audits; and Sciprogen received a total of 3 domestic official inspections. Each base promptly developed and implemented corrective measures for defects identified during inspections.

Each manufacturing base carries out regular internal audits of the quality management system, including quarterly quality management reviews, annual self-inspections, and irregular internal quality audits, to ensure the effective operation of the quality system and to promote the continuous improvement of the quality system. Sunshine Guojian has formulated the *Standard Operating Procedures for Quality Statistics and Trend Analysis*. It regularly conducts quality statistics and trend analysis on critical manufacturing control points, inspection data of drug substances and drug products, environmental monitoring data in critical manufacturing areas, and process water monitoring data. By doing so, it promptly identifies any unfavorable trends and promptly investigates and analyzes any abnormal trends, and if any, followed by the formulation of measures to identify and prevent potential quality issues.

3. Product Responsibility

Each manufacturing base has established an employee quality training system to clarify the coverage and frequency of quality training. All companies within the Group ensure that their employees undergo training on product quality and safety, with a minimum frequency of once per year, to enhance their awareness of quality management. During the reporting period, each manufacturing base of the Group continued targeted training on product quality and safety.

Sunshine Guojian	• Sunshine Guojian conducted various quality training as per the training plan, with the content and completion information as follows: 1) On-the-job/resumption training for production quality personnel: Sunshine Guojian completed the corresponding on-the-job training or training on job modules according to the on-the-job training plan, with 44 participants. 2) Company-wide annual training on quality system: Sunshine Guojian completed 27 training courses, with 5,935 participants. 3) Departmental annual training on quality system: Sunshine Guojian completed 59 training courses, with 531 participants. 4) 36 employees participated in 14 external training courses, mainly involving laws, regulations, industry trends, verification, and professional skills. 5) 63 employees participated in the training for special operators involving hazardous chemicals, pressure vessels, etc.
Sunshine Mandi	• Sunshine Mandi conducted 206 training sessions on product quality, with 2,427 participants and 4,245 hours of training. The main content includes training on the *Law of the People's Republic of China on the Administration of Drugs, Administration of Post-Marketing Drug Changes, Guidelines for Quality Risk Management of Different Medicinal Products in Shared Facilities*, and other regulations, training on quality management documents before they take effect, training before implementation of verification, laboratory safety training, practical training on inspection instruments, orientation training for new employees, training on audit skills, etc. By conducting training on quality management and skills, Sunshine Mandi further enhanced employees' awareness of quality management and improved their quality management level and practical skills so that GMP can truly become an employee code of conduct.

Shenyang Sunshine	•	Shenyang Sunshine updated the *Employee Training Management Protocols* and added requirements for operational assessment points, annual evaluation and training completion rate statistics, and product knowledge in continuing training. During the reporting period, Shenyang Sunshine conducted 4 training sessions on product quality, reaching about 500 employees, mainly covering the process knowledge of various products. The training aims to enhance employees' understanding of product knowledge and ensure that their knowledge and skills in product quality are further improved.
Sciprogen	•	Sciprogen has established a quality training system integrating internal and external training. The internal part involves company-level, cross-departmental, and departmental training, while the external part includes training on regulations organized by drug regulators, special skills training, and internal technical exchange training within the industry. During the reporting period, Sciprogen organized company-level training per the annual plan, encircling topics such as validation and verification management, and drug registration management. Departments also conducted internal training based on their annual training plans, focusing on job-specific skills and quality control. External training involved drug production supervision and improvement of pharmacovigilance capabilities. These training activities covered all employees of Sciprogen.

Quality Inspection

The Group's manufacturing bases have established systems such as *Procedures for Quality Inspection Management, General Guidelines for Inspection, Standard Management Procedures for Inspection Data and Audit Trail*, and *Standard Management Procedures for Reporting Inspection Results*. According to the *Standard Management Procedures for Material Release*, *Standard Management Procedures for Product Release*, and other documents, products can only leave the factory after they pass internal quality inspection, and the results are verified and approved by the quality control managers.

The Group has comprehensive internal inspection capabilities and can carry out testing at all stages from the entry of materials into the factory to the shipment of finished products out of the factory, including raw and auxiliary material inspection, packaging material inspection, product testing, stability investigation, sample retention observation, and methodological validation. Our Quality Control Department has sections such as material room, product room, microbiology room, and new product room. The laboratory is equipped with an instrument room, physical and chemical laboratory, stability investigation room, and microbiology laboratory that meet GMP requirements. Having undergone pre-service training, our inspection personnel inspect samples and assess stability according to approved operating procedures and conduct out of specification (OOS) investigations on deviations during the inspection process to ensure the accuracy of detection data.

Quality Testing Abilities of Manufacturing Bases

Sunshine Guojian	• Possess the measurement certification of the inspection and testing agency recognized by the National Institute for Food and Drug Control and can develop and test the whole process of analytical methods for antibodies. • Have the ability to test all kinds of samples for product inspection, method development, and validation. Inspection items include physical and chemical examination, identification, content, purity, activity, process-related impurities, microorganisms, and other quality attributes; raw and auxiliary materials, packaging materials, process water, environmental monitoring, and other related testing.
Sunshine Mandi	• Have the ability to carry out testing at all stages from the entry of materials into the factory to the shipment of finished products out of the factory, including raw and auxiliary material inspection, packaging material inspection, product testing, stability investigation, sample retention observation, and methodological validation. Inspection items include physical and chemical examination, identification, content, process-related impurities, microorganisms, and other quality attribute testing.
Shenyang Sunshine	• Have the ability to analyze and test recombinant protein biological products, including biological activity determination, protein purity test, protein content determination, identification of protein drug physicochemical properties, residual impurity test, glycosyl analysis, safety test, etc.
Sciprogen	• Has established the analysis and detection capability for recombinant protein biological products and micromolecule drugs, including high performance liquid chromatography, electrophoresis purity detection involved in characterizing the purity of drugs; capability for ELISA detection, animal experiment, titer detection and analysis based on the principle of enzymatic reaction involved in drug activity characterization; the whole process testing capability for intermediates and finished products of human erythropoietin injection, nadroparin calcium injection and low molecular weight heparin calcium injection; and the detection items related to high performance liquid chromatography, gas chromatography, ion chromatography, thermal energy analyzer, real-time quantitative PCR instrument, etc.

For third-party testing, the subsidiaries and manufacturing bases of the Group have developed the relevant rules and policies and operation procedures.

Third-party Testing Procedures of Manufacturing Bases

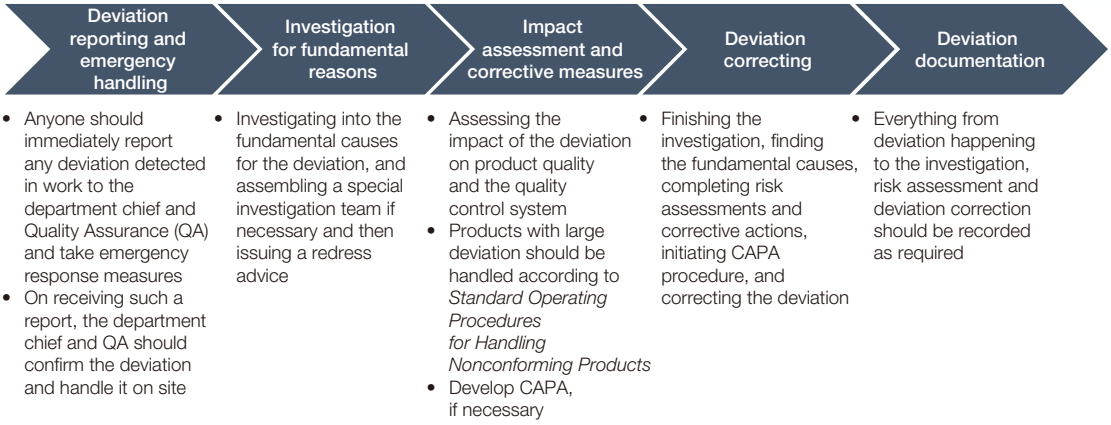
Sunshine Guojian & Sunshine Mandi	• Have formulated the *Standard Operating Procedures for Entrusted Inspection Management*, specifying to select the entrusted party that meets the qualification requirements according to the requirements of entrusted inspection projects, and evaluate the risk level of entrusted inspection projects. According to the risk level, the audit methods for the entrusted party are classified into three types: on-site audit, written audit and qualification audit. The Quality Assurance Department (QA) shall report the entrusted inspection related to commercialized production to the Municipal Medical Products Administration for filing, and audit the entrusted party regularly.
Shenyang Sunshine	• Has formulated the *Management Regulations for Entrusted Inspection*, requiring to choose different audit methods for different entrusted parties, including the qualification audit and document audit. Evaluate, approve, file or report the entrusted inspection according to relevant guidelines.
Sciprogen	• Has developed the *Management System of Entrusted Inspection*, specifying the applicable conditions of entrusted inspection, and stipulating the entrusted inspection process, to ensure the accuracy of inspection results and the ability level of technical service providers through the standard process of selecting the entrusted party, signing the contract, implementing the inspection and evaluating the inspection results.

Corrective and Preventive Actions

Each manufacturing base of the Group has established its systems such as the *Standard Handling Procedure for Quality Deviation* and the *Standard Management Procedures for Corrective and Preventive Actions (CAPA)*, to carry out CAPA and preventive inspection for deviations, self-inspections and external audits in the production process.

The *Standard Handling Procedure for Quality Deviation* regulates the management of deviations in the production process, ensuring that any deviation should be reported, recorded, evaluated, investigated and disposed of according to the prescribed procedures. All deviations identified require clear explanations or descriptions, and should be thoroughly investigated and properly handled. Only after meeting release standards as verified in the assessment can products leave the factory. Otherwise, they will be handled according to *Standard Operating Procedures for Handling Nonconforming Products*, and if necessary, corrective and preventive measures will be taken to prevent the recurrence of such deviations.

Deviation Handling Flow



The Group has formulated the *Standard Management Procedures for Nonconforming and Waste Products*, *Standard Operating Procedure for Rework* and *Standard Operating Procedure for Replacement and Returns*. Any product judged as nonconforming product in the deviation processing shall be reworked, discarded, replaced or returned through the *Standard Operating Procedures for Handling Nonconforming Products*. The personnel of the quality department of each base shall monitor the whole process of handling nonconforming products.

For consigned production, the Group stipulated relevant matters related to the management of non-conforming products of consigned and commissioned production in the *Standard Management Procedures for Nonconforming and Waste Products* with reference to the quality agreements for consigned and commissioned production, to meet the needs of such consigned and commissioned production.

3.2 Drug Safety Management

Pharmacovigilance System

Pharmacovigilance (PV) and risk management represent an important part of the life-cycle risk management of products. To fulfill our promise to safeguard patients' safety, the Group has established a pharmacovigilance system for the entire life cycle from the development of new drugs to the post-marketing of drugs in accordance with the *Law of the People's Republic of China on the Administration of Drugs*, the *Regulations on Adverse Drug Reaction Reporting and Surveillance*, and the *Good Pharmacovigilance Practices (GVP)*, formulated the pharmacovigilance system documentation system, and established the full-time pharmacovigilance department, and the Drug Safety Committee for Marketing Authorization Holder (MAH) in each manufacturing base. Risk management measures will be taken for important safety risks of drugs found during the new drug development stage and post-marketing stage, to improve the overall safety level of drug use and ensure the safety of drug use by patients.

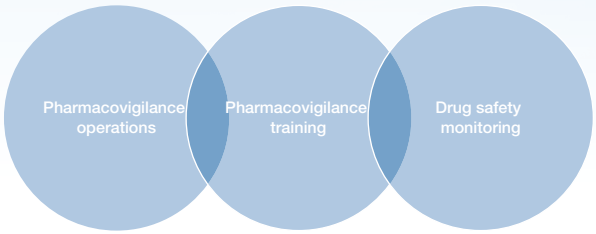
Following the documented management system, such as the *Pharmacovigilance Management System* and the *Charter of the Drug Safety Committee*, the Group regulates pharmacovigilance throughout the life cycle of drugs. The Group continuously optimized the pharmacovigilance management system and formulated a series of pharmacovigilance operating procedures for MAH at each manufacturing base, covering the operating procedures of various pharmacovigilance tasks, pharmacovigilance quality systems, signal monitoring, risk control plan, etc., and formulated the assessment system for key performance indicators of pharmacovigilance, strengthened the control of pharmacovigilance quality system, to timely identify any defect of the pharmacovigilance system and other risks in implementation of pharmacovigilance, and ensure the compliant, efficient and high quality operation of the pharmacovigilance system according to the requirements.

The MAH of each manufacturing base of the Group has established the independent Pharmacovigilance Department and Drug Safety Committee. The Pharmacovigilance Department is responsible for the pharmacovigilance work of each MAH, covering three major pharmacovigilance systems, i.e. pharmacovigilance operations, pharmacovigilance compliance and training, and pharmacovigilance monitoring, to establish a sound pharmacovigilance system for the entire life cycle of the Group from the development of new drugs to the post-marketing of drugs.

3. Product Responsibility

Drug Safety Committee	**Responsibilities:** Responsible for the study and judgment of major drug risks, handling of major or emergency drug incidents, risk control decisions and other major matters related to pharmacovigilance.
Pharmacovigilance Department	**Responsibilities:** Responsible for the effective operation and maintenance of the pharmacovigilance system, ensuring compliance of pharmacovigilance activities throughout the life cycle of the drug.

Three Major Pharmacovigilance Systems



The Group and the MAH of each manufacturing base have established effective and smooth channels for the collection of post-marketing adverse drug reaction information, including but not limited to the hotline, public mail, medical literature search, quality complaints, etc. The Pharmacovigilance Department conducts entry of adverse drug reaction/event data, quality control, and medical evaluation by utilizing the pharmacovigilance database, and submits the report to regulatory agencies within the period required, to ensure that collected adverse reaction reports are handled in a timely, systematic, and compliant manner.

Case Report Collection Methods and Approaches

Medical institutions Mainly through medical information communication specialists	**Pharmaceutical business enterprises** Mainly through the provisions of the PV clause in the drug quality agreement	**Literature Search** Chinese databases: CNKI, Wanfang, Cqvip Foreign databases: PubMed, Embase, Ovid
Regulatory Feedback Report Automatic database download, Triage daily testing and report creation	**Telephone and Complaints** PV 24h hotline, 400 call center, and safety information contained in drug complaints	**Post-marketing Study** Reporting requirements for studies initiated by the Group, and adverse reactions mainly specified in the study protocol
Collection of Information on Overseas Marketed Drugs Mainly by signing SDEA separately or by incorporating the PV clauses in other agreements	**Others** PV public mail and data collection project	

In clinical studies conducted for new drugs or new indications for drug applications, each MAH under the Group collects, handles and evaluates serious adverse events (SAEs) (except for serious adverse events not immediately reportable as specified in the trial protocol or other documents (e.g., Investigator's Manual)), adverse events of special interest (AESI) and pregnancy events that meet regulatory requirements. When finding any individual case meeting the Suspected Unexpected Serious Adverse Reaction (SUSAR), the MAH of the Group shall report it quickly to the drug regulatory authorities and health authorities, investigator, related institutions, the ethics committees, etc. as required.

Also, the Group analyzed and assessed the risks of drugs based on accumulated product safety data, daily and regular signal monitoring, and regular safety update reports; and for important known risks or important potential risks of drugs identified, established and implemented timely and effective communication mechanisms, and communicate timely risk information of drugs with regulatory authorities, patients, medical institutions and other stakeholders, to protect the safety of patients and safeguard public health. During the reporting period, MAHs continued to carry out daily pharmacovigilance work such as safety information collection and signal monitoring, and found no new safety risks related to marketed products, based on the collected safety information and previously accumulated data.

In addition, to monitor potential risks of immunogenicity of biological products and improve the safety of patients' medication, Shenyang Sunshine launched the product immunogenicity risk monitoring project, and carried out laboratory tests on serum of patients to identify antibody production, so as to provide reference for doctors in clinical medication. The Project is open to doctors and drug users nationwide, and the Company provides free testing services.

The Group and each MAH Pharmacovigilance Department organized regular training to popularize the knowledge of pharmacovigilance among employees and improve their awareness of pharmacovigilance management. The Pharmacovigilance Department provided pharmacovigilance training to new employees so that they can understand the pharmacovigilance activities, improving their awareness of handling adverse reaction.

Pharmacovigilance Training of Each MAH in 2023

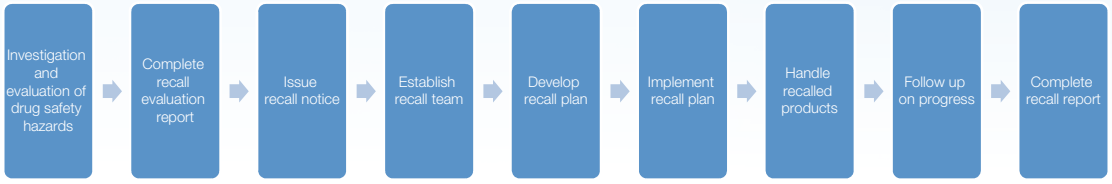
Shenyang Sunshine	• Organized one training session covering all employees, mainly including the relevant laws and regulations on pharmacovigilance, the necessity of collecting adverse events and safety information and the methods of collecting reports, in the forms of face-to-face instruction and written examination, to ensure the effectiveness of the training. • Arranged for the staff of the Pharmacovigilance Center to attend several external training, such as the seminar on core techniques of pharmacovigilance, the seminar on risk monitoring and evaluation techniques of drug risk management, and the workshop on special topics regarding drugs for "going abroad", and attended the 9th Pharmacovigilance Conference online, to ensure the compliant and smooth process of pharmacovigilance work.

Sunshine Guojian	• Arranged 19 pharmacovigilance training sessions, mainly for new employees in the marketing system, pharmacovigilance employees, DTP pharmacy staff, etc. The training contents covered awareness of adverse event reporting, pharmacovigilance related regulations and skills training, etc. • Organized one training for all marketing personnel and one training for all staff to improve the awareness of adverse reaction reporting, with the passing rate of assessment over 90%. • Organized over 17 sessions of internal sharing, training and participation in various safety training of the drug administration or the industry, to improve the professional knowledge and skills of pharmacovigilance personnel and ensure the compliant and high-quality operation of the pharmacovigilance system.
賽保爾生物 Sciprogen	• Company training: Organized company-level training according to the requirements of the annual training plan, with the contents mainly on the quality management standards of pharmacovigilance. • Departmental training: Provided departmental training according to the annual training plan of the department, covering training on laws and regulations related to pharmacovigilance and professional and technical knowledge related to pharmacovigilance. The training topics include pharmacovigilance safety risk management system, master file of the pharmacovigilance system, medical consultation and complaint handling, and pharmacovigilance equipment and resource management. • External training: Arranged for pharmacovigilance specialists to participate in the training course on pharmacovigilance ability improvement organized by the Affairs Center of Guangdong Medical Products Administration.
三生蔓迪 Sunshine Mandi	• Organized 12 pharmacovigilance training, mainly covering practical training on key activities of pharmacovigilance, including pharmacovigilance related laws and regulations and systems, literature search, etc. • Provided training for all employees on pharmacovigilance, to enhance the awareness of reporting adverse drug reactions. • Arranged induction training for new pharmacovigilance specialists, covering laws and regulations such as pharmacovigilance quality management standards, departmental management systems such as handling of adverse drug reaction reports, practical training and assessment, to ensure the orderly process of pharmacovigilance work.

Product Recall Mechanism

The manufacturing bases of the Group have developed and implemented the *Procedure for Products Recall* and *Standard Management Regulations for Recall Management*, according to the *Regulations on Drug Recall, Good Manufacturing Practice (2010)* and *Good Manufacturing Practice* of European Union and other laws and regulations, specifying the organization, levels and procedures for product recall, to ensure the lawful, accurate and quick recall of drugs with quality problems or potential safety risks marketed by the Group. During the reporting period, there was no event requiring product recall by the Group.

Product Recall Procedures



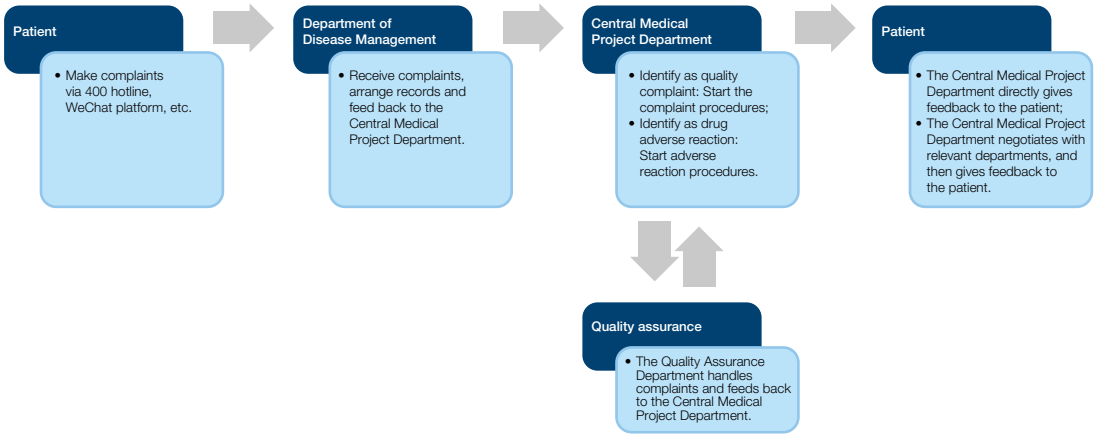
The Group conducts mock product recalls at least once every three years. During the reporting period, the manufacturing bases of the Group have conducted mock recall exercises, covering the sales end of the bases to hospitals, drugstores and retailers, and 100% products were recalled within the required period, demonstrating the effectiveness of the recall system of the bases.

Handling Client Complaints

The Group plays high importance on services for patients, and has established the user communication channels to form a comprehensive client service system through the Group's 400 hotline, WeChat platform and brand service hotlines of third-party calling centers as well as regular patient visits, to offer timely and efficient solutions.

Each manufacturing base has formulated the *Standard Management Procedures for Handling User Complaints*, *Standard Management Procedures for Complaint Management*, and *Complaint Management Procedures* to regulate the investigation, handling and analysis procedures of client complaints. Upon receiving any client complaint, the Group will immediately commence in-house communication according to the in-house client complaint handling procedures, to offer a satisfactory reply and solution to the client. During the reporting period, the Group received 78 client complaints for products and services, with a 100% complaint handling rate.

Procedure for Handling Client Complaints



3.3 Responsible Marketing

Upholding the business philosophy of "Integrity, Standardization, Transparency and Fairness", the Group promotes drugs and medical knowledge in an ethical, scientific and objective manner; strictly observes national laws and regulations on product labeling and advertisement, and ensures that regulators, medical professionals, and patients have access to authentic and rigorous products and academic information. The Group formulated the *Procedure for Approving Promotional and Educational Materials*, requiring all information for marketing or statements to be accurate, clear and transparent. In addition, the Group has established a regular audit mechanism for "responsible marketing", and conducts internal audits of "responsible marketing" at a frequency of once every three years.

Three Major Principles of Marketing

Accuracy: Promotional information or statements should be in line with the tags approved by the government, and no advertising or promotional materials may be used without proper authorization

Clearness: All product information for public communication should be complete and clear and contain no misleading narrative

Transparency: Full description of product safety should be offered; there should be no exaggeration of a product or technology or hiding of potential risk to prevent misunderstanding in any form

Procedure for Approving Promotional and Educational Materials

Material making

- Generally, the product manager or medical manager is in charge of material making.

Filing for approval

- All promotional and educational materials can be used only after they are approved.
- Promotional and educational materials for products involving third-party cooperation can be used only after they are approved by both the Group and the competent departments of the partner.

Printing and filing

- The Procurement Department will print materials approved by the authorities with the issued approval number and validity period.

Validity management

- All employees should only use approved materials within the validity period for promotional and educational activities.
- Departments using the materials should file for a new round of approval for the materials prior to the expiry of the validity period.

Recall and destruction

- When a decision for recalling promotional and educational materials is made, the relevant employees should be notified via the Group's OA system or e-mail, and distribution of the materials outside the Group should be immediately terminated.
- The product manager should make a list of materials to be destroyed and document the list for record filing.

The Group arranges responsible marketing training for all employees at least once a year, and further determines the coverage and training frequency of responsible marketing training for key positions:

- For all new employees, at least three training sessions on responsible marketing topics such as product promotion specifications within 90 days after joining the Company;
- For new regional managers and area managers, at least two to three training sessions per year;
- For all employees in the marketing line, at least one training session per year.

During the reporting period, the Group conducted targeted compliance training and education for new employees, new managers, high-risk personnel and all employees, including 951 training sessions for the Marketing Center, with 25,341 participants, representing a 100% training coverage rate.

In addition, Sunshine Guojian, a subsidiary of the Group, has provided training on product label management systems, such as *Standard Operating Procedures for Material Distribution, Standard Operating Procedures for Material Storage and Location, Standard Operating Procedures for Design, Review and Approval of Printing and Packaging Materials, and Packaging Introduction*, covering the requirements for management and use of labels and printed packaging materials, with training covering all production employees.

4. Employee Development Responsibility

4.1 Employees' Rights, Interests and Welfare

Employment and Basic Rights and Interests of Employees

The Group always adheres to legal employment, strictly abides by the *Labor Union Law of the People's Republic of China, Special Provisions on Labor Protection of Female Employees, Labor Law of the People's Republic of China* and other laws and regulations, and signs the labor contract with all the employees in accordance with laws and regulations. Following the Employee Manual, the Guidelines for Employee Dismissal, the Guidelines for Employee Attendance and Leave, and other policy documents, the Group regulates recruitment, working hours, promotion, remuneration and welfare of employees; strictly implements equal employment, to ensure that no employee is discriminated on the basis of race, religion, gender or other factors; and respects and protects the personal privacy of employees. The Group verifies the age of job candidates during recruitment, and strictly prohibits the use of child labor or forced labor. In case of violation, the Group will take legal actions.

Overview of Employee Recruitment and Their Basic Rights and Interests

Recruitment, dismissal and promotion	Working hours and leaves	Remuneration and welfare
• **Recruitment:** The Group follows the principle of employment equality and prohibits the use of child labor and forced labor • **Dismissal:** The Group introduced the *Guidelines for Employee Dismissal* to regulate and improve management on employee dismissal • **Promotion:** Employees will receive their year-end bonus or get promoted or demoted based on the result of their performance evaluation; the Group offers a clear career growth path to employees in terms of professional development and management development based on their personal willingness	• **Working hours:** Employees of standard working hours work 40 hours a week; employees of comprehensive working hours work and rest according to the actual situation of their departments • **Overtime:** Employees can apply for compensatory leave accordingly if they have overtime work. • **Leave:** The Group provides paid annual leave, marriage leave, bereavement leave, maternity leave, sick leave, etc., in accordance with national regulations	• **Remuneration:** The payments are in line with laws and regulations; implementing a payment system combining employees' position, performance and competence; researching remuneration and welfare provided by peer pharmaceutical companies and those in other industries to provide a reference for employees' payment adjustment; offering personalized remuneration adjustment to outstanding employees • **Commercial insurance:** The Group provides all employees aged 18 to 60 with commercial policies, including accident insurance, critical illness insurance and insurance for out-patient and hospitalized services • **Enterprise annuity:** Sunshine Guojian has established an enterprise annuity system

The Group provides commercial insurance for regular employees, re-employed retirees and dispatched labors, including the insurance for employee accidental death and disablement, death by disease, accidental medical treatment, critical illness, outpatient emergency and inpatient medical service insurance and maternity benefit insurance for women. It also provides accidental medical insurance for part-time employees.

In addition, the Group is committed to building a diversified employee structure and an inclusive corporate culture. The Group has formulated the *Labor Management Policy* to ensure that the Group practices the principles of diversity and equality in recruitment and career development, and eliminate any discrimination. The Group provides training on diversified and equal employment for all employees at least once a year, sets the diversified performance indicators such as "no illegal events in employee diversity management" and "the proportion of employees participating in diversified training every year", as well as the target of gender diversity, and provides support for the fulfillment of such targets. As at the end of the reporting period, the proportion of female employees was over 50% among new employees of the Group in the past two years, and the percentage of female senior executives was nearly 40%.

Target of Gender Diversity:	Supporting Measures for Gender Diversity:
• There should be at least one candidate with the diversified background in the interview list of positions above the director level; • The percentage of new female employees each year should not be less than 40%.	• Formulate the recruitment policies based on gender equality, implement gender equality review mechanism and strengthen gender equality training and publicity, so as to ensure fairness and justice in the recruitment process; • Establish the incentive system and encourage all departments to pay attention to the training of female talents, to promote the gender balance within the enterprise; • The senior officers of the Group regularly check the recruitment data and gender ratio, and supervise and rectify the departments that fail to meet the standards, to ensure that the gender ratio of employees in enterprises meets the requirements.

The Group is committed to protecting employees from discrimination and unfair treatment at work. The Group incorporates anti-discrimination contents into publicity and implementation of the corporate culture, and regularly arranges anti-discrimination training, in the forms of online courses, offline lectures, seminars and case studies to improve employees' understanding of discrimination issues, enhance team cohesion and create a fair and harmonious working environment.

4. Employee Development Responsibility

The Group continues to cooperate with the China Disabled Persons' Federation and third-party suppliers to build a legal employment system for persons with disabilities. The suppliers assist the Group in the recruitment of persons with disabilities (with valid disability certificates), the interviewing and onboarding process, and the Group completes formal employment and pays social security and payroll. Moreover, the Group entrusts suppliers to provide more pre-employment vocational training to people with disabilities to improve their work skills. During the reporting period, the Group has successfully completed the first phase of the employment project for the disabled, and will continue to arrange the employment projects for the disabled every year thereafter.

3SBIO Inc. Employment Project for the Disabled (Phase I)

Project duration:	June 2020 – May 2023
Target:	People with disability certificate
Employment:	During the reporting period, the Group has employed 35 disabled persons (422 persons-months in total), and provided them with 60 training sessions, including product production, manual skills, behavior rehabilitation exercise and lectures on health science, etc. Employed an average of more than 30 disabled persons per year since the Project was launched, and has provided comprehensive protection for each of them in terms of wages and social security in the course of employment in strict accordance with labor laws.

Communication with Employees

The Group has built the diversified platforms for democratic communication, including the Staff and Workers' Representative Congress, online communication platform and employee grievance channels, to ensure employees' rights to know, participate, express and supervise. All manufacturing bases of the Group have established the labor unions. Shenyang Sunshine, Sciprogen, and Sunshine Guojian negotiated and signed collective contracts and collective wage negotiation agreements with labor unions, and Sciprogen included provisions for the protection of female employees in the collective negotiation agreements. Shenyang Sunshine and Sunshine Guojian signed the collective wage negotiation agreement, and the agreement for the protection of female employees with the labor union.

The labor unions of the Group actively play a key role in employee communication and organize various forms of employee communication activities. During the reporting period, the Labor Union of Sciprogen organized two employee discussion meetings to listen to the employees' opinions and suggestions on the work of the union.

The Group has established the formal employee grievance channel and the comprehensive employee grievance handling mechanism, with the grievance handling procedures, and protects the privacy of grievants through anonymous grievances. For the incidents reported or appealed by employees, the Group will establish the working group for investigation actively, to ensure the objectivity and impartiality of the investigation, face up to the problems and resolve them in a timely manner from the source, instead of evading the conflicts and focuses involved. Meanwhile, the Group will promptly communicate with the employees regarding the results of handling and caring for their legal labor rights from a practical point of view. The whistleblowers' personal information and the tip-offs will be kept completely confidential. Those violating against the confidentiality provisions will be severely punished by the Group. For those who commit a crime, the Group will pursue legal responsibilities against them according to law. Additionally, those retaliating against whistleblowers or related witnesses will face the consequences based on the severity of their behaviors, including but not limited to removal from the post, termination of labor contracts, and transfer to judicial authorities.

In case of compliance problems, the employees can report the problems to their superiors, labor unions, the Human Resources Department and Compliance Department. In case of incidents that may be suspected of disciplinary violations, they can report via OA, email, phone or to the Audit Department. The Group has informed employees of the grievance mechanism and channels during training of new employees.

3SBIO Compliance Complaint and Reporting Channel

- Hotline: 4008445110
- Email: fxhgb@3sbio.com

The employee satisfaction survey is another important channel for the Group to listen to employees' voices and get to know their perception and opinions on the operation of the Group. The Group conducts the employee satisfaction survey among all the employees once a year. During the reporting period, the Group conducted a satisfaction survey for employees of all age groups including the "post-00s", "post-90s", "post-80s", "post-70s", etc., with over 2,000 participants in total. The results showed that more than 80% of the employees surveyed strongly supported the working atmosphere of the team, more than 85% of the respondents approved of the management style, personal charisma of the leaders and career development prospects and opportunities within the Group, and more than 85% of the respondents said they would recommend their friends to join the Group.

During the reporting period, the Group received the "2023 Excellent Employer Award" issued by HRoot and the "2023 China BOLE Value Employer of the Year" by Bole Club.

4. Employee Development Responsibility

Care for Employees

The Group implements the comprehensive employee care initiatives, providing care and benefits for employees, including holiday benefits, employee assistance, solicitude for female employees, etc., covering all employees (including re-employed retirees and dispatched labors). The Group also supports cultural and sports activities for employees to help them achieve the work-life balance. In addition, the Group has set up the medical fund for employees with major illnesses to aid all employees in difficulties. The Group also cares for female employees by providing nursing rooms and breastfeeding leave to address the practical difficulties of breastfeeding employees.

Employee Care Activities of Each Manufacturing Base in 2023 (Partial)

Shenyang Sunshine	• Set up the love fund, employee hospitalization solatium, and solatium for the death of immediate family members of employees. • Built a caring room orientated to the needs of female employees, which was graded as a provincial level caring room for female employees • Provided holiday gifts to female employees on March 8th Women's Day • Provided employees with housing rental subsidies, seniority allowance, birthday gifts, holiday activity fees, and set up the 10-year, 20-year and 30-year long-term service awards • Arranged family activity days and employee tours
Sunshine Guojian	• Set a special budget of RMB110,000, in conjunction with the Pudong New Area Federation of Trade Unions, to subsidize eligible employees and their families with targeted aids for schooling, major diseases, and the New Year's Day and Spring Festival • Distributed holiday gifts to 396 female employees on March 8 Women's Day • Continuously expanded the service contents of the "nursing rooms", including publicity posters, breastfeeding tips, maternity magazines and display shelves, mother and baby care treasure box and other supporting measures • Provided birthday gifts to employees • Distributed holiday packages on Dragon Boat Festival, Mid-Autumn Festival and Spring Festival • Distributed high-temperature labor protection products and high-temperature subsidies in summer • Held "Family Day" activities

Sunshine Mandi	• Visited employees suffering from critical diseases according to the Sympathy System for Employees and Families in Significant Misfortune • Arranged "Cool Summer" activities in summer, preparing and sending cooling beverages to front-line employees • Arranged Mid-Autumn Festival family banquet for non-local resident employees • Organized birthday parties for employees on a monthly basis and distributed birthday gratuities • Added the solatium for critical diseases and significant family misfortunes of employees or relatives, and parental leave • Distributed holiday gifts to female employees on March 8 Women's Day, and organized cultural activities
Sciprogen	• Provided birthday cash gifts to employees • Visited sick and hospitalized employees and female employees who have given birth to children • Provided holiday gifts and shopping cards to employees on holidays • Distributed welfare materials to employees with difficulties, outstanding employees with excellent performance during the epidemic, and employees who persistently performed their duties during holidays • Distributed red envelopes, telephone coupons, movie tickets and other membership benefits of Shenzhen Federation of Trade Unions to employees • Distributed holiday gifts to each female employee on March 8 Women's Day • Provided maternity care gifts and breastfeeding leave for female employees • Paid attention to the improvement of professional and technical knowledge of female employees, conducted occasional interviews, understood the needs of female employees for improving vocational skills, and submitted technical training applications to higher-level labor unions

To make the life more colorful, and ensure the work-life balance of employees, the Group encourages all employees to participate in clubs and festive activities actively, and provides financial support for them. During the reporting period, the Group held the 30th anniversary celebration, including a photo contest and a speech contest for front-line executives. Through customized curriculum design and several rounds of online and offline competitions, the contestants participated in 621 hours of cultural activities, and submitted a total of 2,795 works, receiving 7,547 likes. Shenyang Sunshine also arranged team building activities to celebrate the 30th anniversary of the Company, organizing a three-day hiking and visits to Benxi, for more than 500 employees to promote their physical and mental health.

The Group arranged a variety of club activities, aiming at promoting exchanges, improving team cohesion and enriching spare time life of employees. The Group has set up sports clubs for basketball, football, badminton, table tennis, etc., and regularly organizes activities and training, and various internal and external competitions for employees at unfixed intervals, providing opportunities for them to learn skills and enhance their relationship. Take the basketball club as an example: During the reporting period, the basketball club organized 13 weekend leagues, including 9 group matches and 4 elimination matches, which attracted many basketball fans to participate. Shenyang Sunshine established the photography club, dance team and other hobby clubs; and Sunshine Mandi has built a staff activity center with comprehensive functions, integrating basketball court, badminton court, table tennis court, reading room, etc. providing software and hardware support for employees for diversified spare time activities.

In addition, Shenyang Sunshine and Sunshine Guojian arranged the Family Day activities, inviting employees and their families to the Company to participate in the activities and helping their families understand the corporate culture and working atmosphere.

4.2 Occupational Health and Safety

Safe Production

The Group adheres to the occupational health and safety and environmental (EHS) policy of "People-oriented, green management, safe and law-abiding, and sustainable development" and sets occupational health and safety objectives.

4. Employee Development Responsibility

The Group has established the Safety Production Management Committee responsible for developing EHS work policies and objectives, supervising the development of EHS rules and regulations, studying and reviewing the production safety responsibility system, supervising EHS publicity and education, etc. The Group has formulated the safety management mechanism, including the *Production Safety Management Regulations*, the *Safety Inspection Management Regulations*, the *Safety Hazards Detecting and Correcting Regulations*, and the *Emergency Rescue Regulations*, to guide its work on safety management.

In addition, the manufacturing bases have developed and implemented the *Regulations for Hazardous Chemicals Management* and *Regulations for Highly Toxic Products* for hazardous chemicals such as ethanol and hydrochloric acid involved in production and business operation. These regulations specify the procedures for warehouse management, and the responsibilities of the personnel for purchasing, using and management of hazardous chemicals, to ensure safety in using hazardous chemicals. During the reporting period, the Group updated several systems, including changing the document *Regulations on Management of Hazardous Chemicals* from the offline format to the bilingual format in DMS system, and improving the contents to support FDA certification.

By the end of the reporting period, Shenyang Sunshine, Sunshine Guojian, Sunshine Mandi and Sciprogen have passed the certification for Level 3 enterprises of national work safety standardization.

Under the guidance of the Safety Production Management Committee, each manufacturing base regularly carried out the evaluation of the current status of safe production, identified and managed safety hazards in the workplace, and implemented measures such as identification and rectification of potential safety hazards, identification and classified control of hazard sources, regular safety training and emergency drills, to ensure the safety of the personnel and workplace with all efforts.

4. Employee Development Responsibility

Production Safety Work of Each Manufacturing Base in 2023 (Partial)

Shenyang Sunshine	• Conducted 2 emergency drills, i.e. 1 emergency drill for production safety accidents and 1 emergency drill for pressure vessels • Provided 1 session of training on hazardous waste disposal for the departments producing hazardous waste, covering the requirements and principles for disposal of hazardous wastes, daily collection considerations, emergency response, etc. • Invited professional occupational hazard testing institutions to conduct occupational hazard testing and inspection in the factory. Conducted special inspections for purification positions, liquid dispensing positions and lab technician positions involving occupational hazards in the Company. Inspected on-site protection facilities, ventilation facilities, labor protection equipment and use, safety signs layout, etc.
Sunshine Guojian	• Conducted emergency drills for chemical leakage once every six months, and emergency drills for fire escape once a year • Arranged the knowledge contest in the Safety Month, with 200 participants • Identified hazard sources, with 1,332 dangerous sources identified, including 13 high-risk sources • All employees signed the production safety responsibility letter, covering the safety target indicators, safety responsibilities, safety rewards and punishments of the Company, departments and individuals at all levels in 2023
Sunshine Mandi	• In the hazardous chemical warehouse, tank farm, production workshop and other areas, increased the detection and alarm points for combustible gas and oxygen concentration, improved the interlinking emergency exhaust function, and independently arranged the centralized control gas detection and alarm system, to improve the safety in storage and use of hazardous chemicals • Checked the condition of employees wearing labor protection products every month, corrected the behavior of not wearing labor protection products according to regulations, and communicated with employees during the inspection process on the protective effect of labor protection products and the convenience in operation, and determined the reasonable replacement and addition of labor protection products

Sciprogen	• Enhanced the safety supervision and tracking of the whole process of hazardous chemicals, and assigned special personnel for safety management of the whole process of procurement, transportation, storage, use and abandonment of hazardous chemicals • Arranged the Safe Production Month and Fire Safety Month activities, and voluntary fire fighting training activities • Conducted fire safety assessment for the reconstruction area of the packaging production line • Updated the fire evacuation plan • Carried out a series of safety transformation work, such as "Anti-static epoxy self-leveling floor treatment, equipotential renewal and connection, and adding combustible gas alarm device in the Alcohol Precipitation and Centrifuging Room of the Drug Substance Workshop", "adding automatic pre-filling packaging production line to improve automatic production efficiency", "engaging external testing institutions to test the safety of secondary circuit in the factory", etc. • Hazard identification was carried out twice, with a total of 758 items identified, and a series of risk control measures such as elimination, substitution, engineering control, system, training and emergency response were taken to effectively reduce the number of hazardous sources and lower the risk level

No safety accidents such as fire and explosion, chemical poisoning, injury from occupational diseases occurred, nor death of employees of the Group due to work-related injuries during the reporting period.

4. Employee Development Responsibility

Occupational Health

Committed to creating a healthy and safe working and living environment for its employees, the Group has formulated the *Manual for Environmental and Occupational Health and Safety Management* and the *Regulations on Occupational Health Management* in strict accordance with national and local laws and regulations, and established the occupational health management department, to improve the management of employee occupational health continuously. By the end of the reporting period, all the manufacturing bases of the Group in China (Shenyang Sunshine, Sunshine Guojian, Sunshine Mandi and Sciprogen) have passed the certification and review for ISO 45001:2018 occupational health and safety management system.

The risks of occupational diseases involved in manufacturing bases include dust, noises, acid and alkali corrosion. The Group has strengthened the warning notices and daily inspection patrols at the production site, and continually regulates the production processes, and provides employees with full sets of protective measures for occupational diseases and labor protection articles. The manufacturing bases conduct the on-site detection of occupational hazardous elements, and publish the results on a regular basis. and for employees working in the positions with the risks of occupational disease, provide adequate protective articles and arrange annual physical checkups for occupational diseases, to ensure their occupational health. During the reporting period, the Group provided health checkups for employees in positions involving occupational disease risks, and no occupational disease hazards occurred.

Occupational Health Work of Each Manufacturing Base in 2023 (Partial)

Shenyang Sunshine	• Provided one session of training on environmental safety for all employees, mainly covering the knowledge of environmental safety, emergency response, occupational health prevention and other contents, to improve the employees' understanding on the knowledge of safety and health management system, occupational hazards and occupational health. • Invited professional occupational hazard testing institutions to enter the factory for occupational hazard testing and inspection, and conducted special inspections for purification positions, liquid dispensing positions and lab technician positions involving occupational hazards, and checked the setting of on-site protective facilities, ventilation facilities, labor protection equipment and use, and safety sign layout.

Sunshine Guojian	• Conducted the assessment of the present condition of occupational disease hazards, and completed the Assessment Report on Present Condition Occupational Disease Hazards of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. • Provided training once a month for in-service employees, 2 hours each time (24 hours in total for the year), and six times a year for each in-service employee in functional departments, 2 hours each time (12 hours in total for the year), mainly covering EHS policy, objectives and responsibilities; hazard identification and evaluation; safety emergency plans; occupational health and safety management programs; occupational health and safety related laws and regulations; and occupational health and safety target indicators, etc.
Sciprogen	• Conducted regular detection of occupational disease hazard factors. • Uniformly purchased and distributed labor protection appliances to employees in positions at risk of occupational diseases. • Confirmed that raw materials meet environmental protection, safety and occupational health requirements before purchasing them. • Regularly educated and assessed all employees in positions at risk of occupational diseases and required and supervised their correct wearing of labor protection appliances during operation. • Reasonably arranged work periods and supported work efficiency improvement of employees in positions at risk of occupational diseases to ensure production while minimizing the duration of their exposure to occupational disease risks. • Frequently conducted occupational health and safety training for all employees; during the Work Safety Month in 2023, invited the local labor union to conduct first aid training for safety officers from various departments.
Sunshine Mandi	• Conducted regular detection of occupational disease hazard factors. • Arranged special physical examinations for employees in positions at risk of occupational diseases. • Equipped employees with labor protection appliances and required them to use the appliances. • Conducted special training in the prevention and treatment of occupational diseases. • Carried out occupational health week activities to promote occupational health and safety-related laws and regulations through the distribution of brochures, posters, multimedia scrolling, etc.

During the reporting period, the Group carried out a series of employee health activities. It provided free 7*24-hour medical consultation services for employees and their families to help them quickly obtain online consultation services during difficult times. To ensure the mental health of employees, it opened the "Diligent Heart" public welfare hotline to provide employees with professional external support.

4.3 Talent Development and Retention

Talent Introduction and Retention

The Group is gradually expanding its talent pool through external talent recruitment and internal training. In the meantime, it gives full consideration to employees' individual career growth demands and wishes, provide them with counseling and personal development platforms and give priority to the possibility of promotion or rotation of internal employees when there are suitable job vacancies.

Externally, the Group actively expands talent sources through headhunter recruitment, university-enterprise cooperation, etc. During the reporting period, the Company gained five new headhunter recruitment channels in R&D and clinical directions to expand the absorption of medical talents; established talent cultivation bases through university-enterprise cooperation to discover e-commerce and new media talents; and comprehensively upgraded the recruitment system to achieve online visual management throughout the process and improve recruitment efficiency.

The Group actively develops its talent pool by cooperating with colleges and universities to recruit fresh undergraduates and postgraduates every year. During the reporting period, the Group attracted 96 fresh graduates to join us through online and offline recruitment. Meanwhile, the Group maintains good cooperation with institutions of higher learning, including the East China University of Science and Technology, Shenyang Pharmaceutical University, Guangdong Medical University and Zhejiang University of Technology. For instance, the Group has established and awarded the "Industry-University-Research Practice Base" with the East China University of Science and Technology and co-built the "Practice Education Base" with Shenyang Pharmaceutical University for three consecutive years, and regularly carries out internship activities with these colleges. This provides a good interactive platform for enterprises and college students, helps to deliver cutting-edge science and technology to campus, allows students to realize the organic combination of what they learn and what they use, and provides more development space for college students' internship, practice and employment.

The Group has introduced a series of diversified incentives to retain employees, including setting up the "Talent Scout Award" to commend internal recommendations of excellent talents, offering the "Talent Retention Award" and "Long-term Service Award" to affirm and reward employees who remain loyal to the Company, and implementing an equity incentive plan so that employees share the fruits of company growth and strengthen employees' sense of belonging. The Group conducts in-depth analysis and study on departing employees so as to continuously optimize its talent management system and ensure that its talent resources form an important and lasting force driving the Group's development.

Employee Retention Measures of 3SBIO

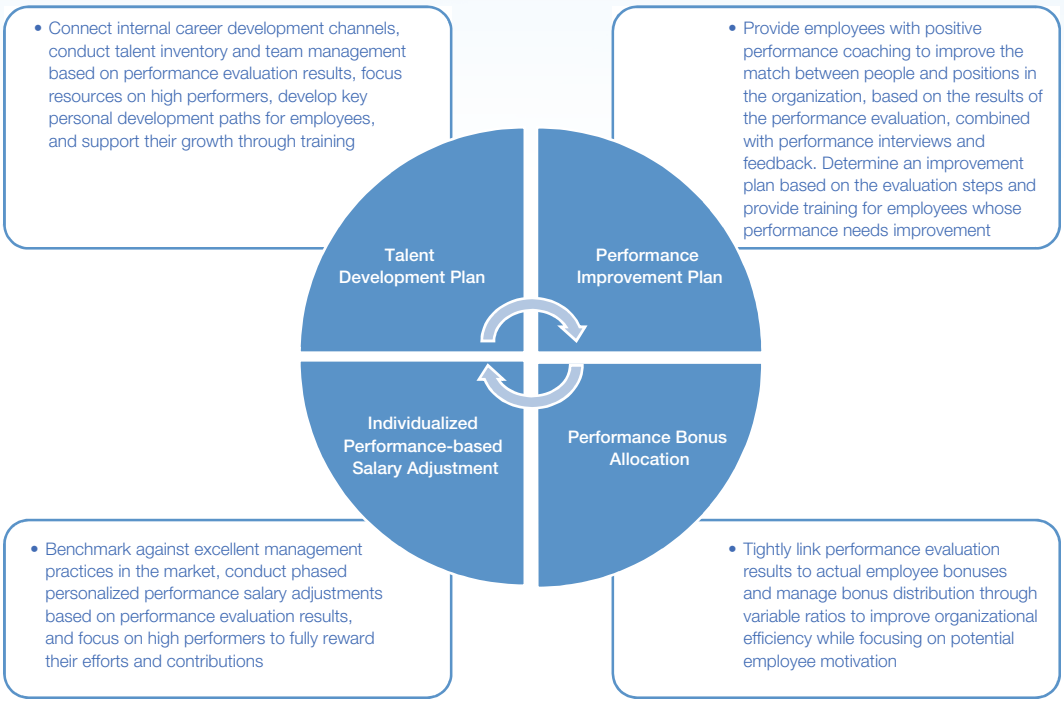
Measure	Main contents	Progress in 2023
Talent Scout Award	• The Group's Research & Development Center ("**R&D Center**") sets up the "Talent Scout Award" to encourage employees to recommend outstanding professionals. All employees from the R&D Center can recommend candidates based on job descriptions. After the candidates are recruited and pass the probationary period, the one recommending the new recruitment will be eligible for the "Talent Scout Award".	• A total of 20 employees won the "Talent Scout Award".
Talent Retention Award	• To retain core employees, the Group has introduced a talent retention program. Over a three-year period, employees in the program will receive bonuses equivalent to 30%, 30%, and 40% of their salary for each additional year of service, respectively.	• A total of 42 employees won the Talent Retention Award.
Long-term Service Award	• Every year, the Group awards long-term service incentive prizes to employees who have served in the Group for 10 and 20 years.	• A total of 104 employees won the "Long-term Service Award".
Equity incentive	• The Group has established an equity incentive mechanism, granting equity to executives, middle-level management personnel, and key employees in crucial positions within the Group.	• The number of the Group's equity incentive grants was 400, accounting for 7.4% of all employees, mainly covering R&D and manufacturing positions.
In-depth analysis of departing employees	• Every year, the Group selects departing employees from different sectors, analyzes the reasons for their departure, and implements improvement measures.	• Leavers in the Sales sector were sampled for analysis, and interviews were conducted to understand the the underlying reasons for their departure, and improvement measures were carried out based on the reasons in order to retain the existing outstanding talents.

4. Employee Development Responsibility

Employee Selection and Promotion

The Group adopts an integrated performance management system to standardize talents selection management, and the performance appraisal is carried out fairly and transparently. The entire Group participates in performance target setting, and each system customizes performance appraisal methods according to business characteristics, including monthly, quarterly, semi-annual and annual appraisals. The appraisal results are taken as the basis for bonus distribution and job promotion. During the reporting period, the Group conducted performance appraisals of all employees, communicated one-on-one with them after the appraisals, summarized work and formulated a development plan to promote their personal growth.

Performance Improvement Plan of 3SBIO in 2023



The Group makes clear career growth plans for employees who are free to choose to pursue a career in a professional area or in management. Manufacturing bases formulate the *Measures for Job Promotion*, making clear promotion principles and career growth paths so as to provide a strong guarantee for employees' career growth and development.

The Group has developed a succession plan to identify potential candidates for key positions through job and talent evaluations. It carries out "post evaluation" by dividing organizational levels, identifying post value contributions, judging post-problem-solving processes and other processes, and carry out "person evaluation" from the perspectives of strategic thinking, compatibility of values with corporate culture, performance appraisal, leadership and other perspectives to select and promote talents suitable for the Group's strategy and culture.

During the reporting period, the Group used a nine-zone grid framework to review 2,130 employees and held the second phase of the "Emerging Extraordinary Talent Development Program", created 3SBIO talent portraits based on SHL online assessments and interviews, and conducted selection and potential assessment through performance rankings, internal recommendations and customized assessment scales to select a group of high-potential talents for customized training, so as to strengthen the Group's talent team building and successor reserve.

Talent Training and Support

The Group pays close attention to talents training and regards employees' development as an essential driving force for business growth and an essential part of its corporate social responsibility. The Group has established a 3S (Standard, Specific, Self-management) training system covering all employees, including those from contractors. Under the system, standard, specific and self-management personalized training programs are offered to employees through online and offline channels.

Employee Training System of 3SBIO

Training for New Employees	Training for Employee Growth	Management Training
• Germination Initiative: Public courses, position basic knowledge (including EHS and quality management) training, etc. • Outreach training for new graduates • Welcome Day	• Daily Courses for Personal Growth: Improving employees' management and leadership capacities • Office professionals • Training tailor-made by departments	• Project Management Training • Mini-MBA program by China Europe International Business School • Dawn Leadership Training • King's Wings Boot Camp • Marketing Strategy Boot Camp

During the reporting period, the Group significantly increased the frequency and coverage of training, with 196 training sessions implemented, 31,851 people trained and a training coverage rate of 100%.

4. Employee Development Responsibility

Training Activities for 3SBIO Employees in 2023 (Partial)

Type of training	Description	Training content and coverage
Leadership improvement	The Group, based on business needs and system planning, internalizes and iteratively refines internal leadership courses designed for personnel from to-be-promoted front-line employees to medium and senior executives to meet the training needs of different levels. During the reporting period, besides regularly conducting systematic training for front-line business personnel and the management, the Group focused on conducting management-level practical programs and talent training programs.	• **"Shining Star" Mid-level Leadership Program:** Improving employees' core capabilities of regional marketing planning and coaching leadership through training and one-on-one mentoring, which covered 178 trainees; • **"Newcomer" TBU Program:** Strengthening and improving the regional market management capabilities of supervisors and managers, with a total of nine sessions of the first phase of *Market Thinking* training completed, which covered 234 trainees; • **Phase II of "Emerging Extraordinary Talent Development Program":** Selecting and training the best new talents in line with the goals of the Group's talent strategy level by level based on 3SBIO exclusive talent portraits, with 473 participating in the selection and eventually 66 new talents selected.
Professional skill improvement	With the actual needs of business departments as the focus, the Group conducts online professional skill improvement programs to help business departments quickly improve professional skills in a complex and changeable environment and meet the needs of Group development and personal growth.	• **Training content:** Technical sharing sessions, anti-monopoly compliance system, adverse event reporting and Good Clinical Practice (GCP) training, examination and certification training, etc. online, which covered 26,662 trainees • **Levels:** Employee-level/department-level/group-level training divided according to the applicable targets

Type of training	Description	Training content and coverage
General competence programs	The Group improved employees' speaking skills in its 30th-anniversary corporate culture activities.	• **Training content:** *3SBIO and Me* Photography Contest and *Tributes to 3SBIO's 30th Anniversary* Front-line Employee Speaking Skill Improvement Program • **Results:** Received 569 videos and held 30 online and offline training sessions and competitions, with total duration of more than 180 hours and covering 978 participants

In response to digitalization and intellectualization trends, the Group is committed to empowering employee training with high technology. During the reporting period, the Group upgraded and iterated its online learning platform, included digital human technology in its online courses, actively tried advanced technologies such as intelligent AI coaching and created a digital knowledge cycling hub centered on business empowerment and talent development. The upgrade content included the adoption of more user-friendly visual design, the addition of gamified scenarios to motivate employee learning, the establishment of a knowledge interaction community that takes the self-service learning mode, and the improvement of the On-the-Job Training (OJT) functionality.

Sunshine Guojian has built the Boya Academy. The academy has several training classrooms and more than 1,000 square meters of teaching area and is equipped with professional teaching equipment such as computers, projectors, audio and page-turning laser pens. Sunshine Guojian invites part-time training teachers with professional expertise to share their work experience and knowledge with employees. During the reporting period, the Boya Academy completed a total of 27 training courses and trained a total of 5,935 people online and offline.

The Group pays attention to the growth and development of new employees and actively promotes their rapid integration into their positions. The Group has established a growth system for management trainees and invites all entry-level management trainees to participate in a gamified learning platform. The Company's gamified learning platform sets up a total of 364 courses and 14 module question banks, covering sales, marketing, R&D and other aspects of training content. Through immersive learning and gamified breakthroughs, it helps management trainees quickly understand corporate culture and master job knowledge. During the reporting period, the Group's gamified learning platform updated 14 systems and iterated 364 courses, with 608 employees participating in platform training and a total of 4,178.36 hours of learning completed.

4. Employee Development Responsibility

In order to introduce and cultivate excellent talents that meet the Group's strategic development needs, the Group has launched a management trainee program in the hair and dermatology field. After selecting excellent university talents, the program trains them according to a "3+4 training plan (3-month internship + 4-month probationary period)" and implements rotation training and a mentoring system, serving as an exclusive training and promotion channel for talents with high potential.

Furthermore, the Group supports employees to upgrade their academic and vocational skills, opens up a channel for all employees including part-time employees and employees dispatched to apply for financial assistance from the academic and vocational skill upgrade program and supports and funds employees to obtain academic upgrading or vocational skills certificates.

Academic/Vocational Skill Certificate Support Measures of 3SBIO

Project type	Support measure
GCP certificate examination	• The Group encourages employees who have been employed for more than three months to participate in the GCP certificate examination. The Human Resources Department is responsible for preparing the list of participants, and employees can also apply to the Human Resources Department to register for the examination. The Group reimburses the examination fees, and the Human Resources Department is responsible for compiling detailed certification steps and materials and presenting them to business departments, to help employees successfully obtain certificates. A total of 339 people of the Group participated in the examination, and the pass rate was 73% as of the end of the reporting period.
Continuing education	• **Education funding program:** The Group collaborates with Shenyang Pharmaceutical University to fully waive the tuition of the top 10 students by entrance examination results. By the end of the reporting period, 19 employees were successfully admitted to Shenyang Pharmaceutical University through the adult college entrance examination. • **Industry-university-research cooperation program:** Through industry-university-research cooperation with the School of Pharmacy, Guangdong Medical University, the Group introduces the university's education resources to provide employees with on-the-job continuing education, covering diploma education, degree education and program degree education such as the Master of Engineering program. In addition, the university also offers classes for advanced studies of postgraduate courses and short-term training to meet employees' diversified learning and teaching needs.

Project type	Support measure
Professional title evaluation	• Shenyang Sunshine actively participates in the "through train" service for professional title evaluation provided by the Shenyang Municipal Human Resources and Social Security Bureau, with dedicated personnel designated to be responsible for the applications of the Group's employees for senior professional titles and initial evaluations of junior and intermediate professional titles in the pharmaceutical industry of the engineering series as well as skilled worker professional titles in the engineering series in Liaoning Province. During the reporting period, among the employees of Shenyang Sunshine, 1 was evaluated as professorate senior pharmacy engineer, 8 as senior pharmacy engineer, 1 as intermediate mechanical engineer, 1 as intermediate electrical engineer, 3 as junior mechanical engineer and 1 as junior electrical engineer, 23 were initially evaluated to possess junior professional titles and 3 were initially evaluated to possess intermediate professional titles.
Vocational skill level certification	• Sunshine Mandi fully utilizes governmental resources to apply for independent recognition of vocational skill levels in accordance with the *Measures of Zhejiang Province for the Pilot Program of Vocational Skill Level Certification by Enterprises*. After the application is approved, Sunshine Mandi will have the authority to independently arrange the professional skill level certification of employees every year.

5. Environmental Protection Responsibility

5.1 Environmental Management System

The Group mainly consumes electricity, steam, heat, natural gas, LNG, gasoline and diesel directly or indirectly in its production and business operation. It uses water from the municipal water supply system and there are no risks in seeking appropriate water sources. Main discharges and emissions by the Group include effluents, waste gases, solid waste and greenhouse gases. The Group works strictly in accordance with the requirements of the emission permit, and pollutants such as effluents, waste gases and noise at the factory boundary are discharged in accordance with the requirements of the emission permit.

The Board of Directors of the Group performs the responsibility of supervising environmental management. Under the guidance of the Board of Directors, the Group has set up a leading group for environmental protection, headed by the Senior Vice President (also a Board Director) of the Group. To complete environmental management tasks smoothly, the Group has incorporated environmental performance assessment indicators in the salary assessment and incentive system for the head of the leading group for environmental protection, accounting for 20% of the total. The Group follows the GMP requirements to establish and continuously improve the environmental management system, which manages and implements the environmental protection agenda. The leading group directs the environmental management of each manufacturing base under the guidance of the *Environmental Management Regulations*.

The Group's manufacturing bases, which are responsible for implementing environmental protection measures, set up EHS departments, put in place guidelines for the environmental management of manufacturing bases, and formulate regulations, including the *EHS Management Manual,* the *Regulations on Hazardous Waste Management* and the *Contingency Plan for Emergency Response*.

During the reporting period, each manufacturing base conducted its own annual environmental monitoring, and the pollutant emissions were in compliance with national environmental protection requirements. Based on ISO 14001 management requirements, all of the Group's manufacturing bases in China (Shenyang Sunshine, Sunshine Guojian, Sunshine Mandi and Sciprogen) conduct third-party audits covering all operational aspects at a frequency of no less than once every three years. As of the end of the reporting period, all the manufacturing bases of the Group in China with stable operation and certification qualifications had passed the ISO 14001:2015 environmental management system certification. Guangdong Sunshine, a new base, energetically develops the environmental system according to ISO 14001 requirements and plans to apply for ISO 14001:2015 environmental management system certification within 2024.

The Group conducts environmental impact audits on manufacturing bases every year and targeted audits based on management demands of different projects. Meanwhile, each manufacturing base actively conducts training related to environmental protection for all employees to enhance their environmental compliance awareness and their ability to handle environmental emergencies.

Environmental Training of Each Manufacturing Base in 2023 (Partial)

Shenyang Sunshine	• Provided all employees with environmental safety training that mainly introduced environmental safety knowledge, emergency response, occupational health prevention and other content • Provided hazardous waste disposal training for hazardous waste production departments, covering hazardous waste disposal requirements, disposal principles, daily collection considerations, emergency disposal, etc.
Guangdong Sunshine	• Organized hazardous waste knowledge training for safety officers • Organized environmental protection awareness training for new employees • Organized environmental protection management personnel to participate in the environmental management training organized by the local regulator
Sunshine Guojian	• Organized environmental factor training for all employees • Organized training in environmental management system-related documents for all employees
Sciprogen	• Organized training in safety knowledge about pollution prevention and control facilities • Organized capability improvement training for environmental protection officers • Organized environmental protection training in wastewater and waste gas treatment for related operators • Organized training in standard management of hazardous waste for related department personnel
Sunshine Mandi	• Collected typical environmental penalty cases and organized education and training for employees, in which the cases were used in the explanation of related environmental protection laws and regulations • Organized employees to participate in training in emergency plans for environmental accidents such as hazardous chemicals leakage and practical drills

During the reporting period, the Group continued to conduct environmental management around the established goals for water resource utilization, energy utilization, hazardous waste discharge and greenhouse gas emission.

ESG management goals for 2025	Unit	Progress in 2023
Reducing water consumption per revenue unit by 30% by 2025, compared to 2017	m^3/RMB million of operating revenue	126.09
Reducing energy consumption per revenue unit by 40% by 2025, compared to 2017	kWh/RMB million of operating revenue	19.75
Reducing hazardous waste per revenue unit by 30% by 2025, compared to 2018	kg/RMB million of operating revenue	130.25
Reducing greenhouse gas emissions per revenue unit by 20% by 2025, compared to 2017	Mt of CO_2e/RMB million of operating revenue	7.76

Note: The Group sets ESG quantitative goals based on data from manufacturing bases that operate continuously and stably. The Group may adjust the goals in the future owing to business expansion needs.

5.2 Pollutant Reduction

Wastewater Management

Wastewater generated by the Group mainly includes domestic sewage, industrial effluents and production wastewater. Among them, production wastewater is small in amount and is not toxic. After treatment with alkali, it can be discharged by manufacturing bases in accordance with the requirements. Domestic sewage and industrial effluents can be discharged into the civil pipeline system after they are treated in the wastewater treatment center of the factory or industrial park and reach discharge standards.

In line with emission standards, manufacturing bases issue internal pollutants discharge and emission control standards. They control pollutants both at the workshop and in the effluent treatment center to reduce the discharge of effluents and pollutants. On the basis of meeting national and regional discharge standards, manufacturing bases work to reach even higher standards they set for themselves on major pollutant indicators.

Wastewater Discharge Standards and Major Control Indicators

Discharge Standards	Major Control Indicators
Discharge Standards of Water Pollutants for Pharmaceutical Industry Bio-Pharmaceutical Category (GB21907-2008) *Integrated Wastewater Discharge Standard* (GB8978-1996) *Shanghai Municipal Discharge Standard of Pollutants for Bio-pharmaceutical Industry* (DB31/373-2010) *Liaoning Provincial Integrated Discharge Standards for Wastewater* (DB21/1627-2008) *Guangdong Provincial Discharge Limits of Water Pollutants* (DB44/26-2001) *Wastewater Quality Standards for Discharge to Municipal Sewers* (GB/T31962-2015) *Indirect Discharge for Emission Limitation of Nitrogen and Phosphorus for Industrial Wastewater* (DB33/887-2013) *Self-monitoring Technology Guidelines for Pollution Sources – Pharmaceutical Industry Chinese Traditional Medicine Category, Biological Pharmaceutical Products Category, Chemical Pharmaceutics Preparations Category*	Five-day biochemical oxygen demand (BOD_5), chemical oxygen demand (COD), suspended solids, ammonia nitrogen, nitrogen, phosphorus, animal and vegetable oil, PH, etc.

Wastewater Discharge Reduction Measures of Each Manufacturing Base in 2023

Sunshine Mandi	• Implemented a sewage dosing system transformation project by adding agent level alarms and incorporating existing reflux pump and fan operation status information into the scope of monitoring alarms to ensure the normal operation of the sewage treatment system. • Implemented sludge filter press transformation by increasing the capacity from about 200 kg per frame to about 500 kg per frame to improve sludge pressing efficiency and discharged water quality.
Sciprogen	• Controlled the source of workshop cleaning wastewater discharge and reduced the rinsing and drainage frequency in the cleaning procedure by changing the process flow of cleanroom garment cleaning equipment. • Changed the cleaning procedure of instrument cleaning equipment, separately cleaned instruments not in contact with protein and eliminated alkaline-containing wastewater generated by alkaline washing.
Guangdong Sunshine	• Implemented a drainage pipeline renovation project by adjusting the discharge method of disinfection water in the water preparation room from pipeline discharge to the sewage treatment center to discharge into the condensate collection device, which then enters the boiler room for recycling, so as to reduce sewage discharge while saving water. • Optimized the CIP cleaning process of each workshop to the optimum state, to reduce water consumption and wastewater discharge.

Waste Gas Management

The main line of business of the Group is biopharmaceutical. The chemical drugs and Chinese patent medicine produced by Sunshine Mandi are a small part of its business. Waste gases from the biopharmaceutical business line come from the small amount of odor generated from nutrient solution discharge and replacement in biopharmaceutical production through fermentation. The waste gases, mainly comprising ammonia and steroid substances, contain an extremely low number of pollutants after infiltration and purifying, thus generating little adverse impact on the external environment. Waste gases from the chemical drugs production line are mainly non-methane hydrocarbon and effluvium, and the Group has entrusted a third-party agency with testing the two indicators, ensuring they are emitted up to standards. In addition, the Group uses boilers that generate waste gases, including nitric oxide and sulfur dioxide.

Waste Gas Emission Standards and Major Control Indicators

Discharge Standards	Major Control Indicators
Emission Standard of Air Pollutants for Pharmaceutical Industry (GB37823-2019) *Integrated Emission Standard of Air Pollutants* (GB16297-1996) *Emission Standards for Odor Pollutants* (GB14554-1993) *Emission Standard of Cooking Fume (Trial)* (GB18483-2001) *Air Quality – Determination of Odor – Triangle Odor Bag Method* (GB/T14675-93) *Shanghai Municipal Emission Standard for Air Pollutants from Boilers* (DB31/387-2018) *Guangdong Provincial Emission Standard of Air Pollutants for Boilers* (DB44/765-2019) *Guangdong Provincial Emission Limits of Air Pollutants* (DB44/27-2001) *Hangzhou Municipal Emission Standards for Major Industrial Enterprises' Volatile Organic Compounds* (DB3301T 0277-2018) *Discharge Standard of Pollutants for Bio-pharmaceutical Industry* (DB31/373-2010)	Non-methane hydrocarbons, odor, particulate matter, hydrogen sulfide, etc.

Waste Gas Emission Reduction Measures of Each Manufacturing Base in 2023

Sciprogen	• Adjusted the evaporator steam supply in real time based on production plan requirements and operated two evaporators alternately to reduce waste gas emissions. • Regularly maintained evaporator equipment to reduce the failure rate and the waste of steam and balance the amounts of steam and waste gas produced.
Guangdong Sunshine	• Reduced the concentration of nitrogen oxide emissions by replacing the low NOx burner of one 2T Devotion steam boiler, optimizing the swirling wind vanes of two 5.3 t/h KLD boilers and transforming the burner control system and the furnace mouth, to make the nitrogen oxide content of boiler waste gas emissions lower than 50 mg/m_3, achieve the purpose of low nitrogen transformation and meet current environmental emission standards.

Solid Waste Management

Non-hazardous solid wastes generated by the Group include domestic wastes, wasted packaging generated in production, wasted rubber plugs, wasted aluminum caps, and a small amount of wasted active carbon produced in water-making and treatment centers. Hazardous wastes include wasted organic solutions, dregs of a decoction, wasted penicillin bottles, harmful sludge generated in water treatment centers, raw and auxiliary materials passing expiration date and wasted phenol. During the reporting period, the Group generated 130.25 (kg/RMB million of operating income) of hazardous waste per revenue unit, a decrease of 10.88% year-on-year.

Major Measures for Solid Waste Treatment

Non-hazardous solid waste	• Domestic waste: handed over to the sanitation department • Other solid wastes generated in production (e.g., wasted silica sand, wasted aluminum foil, wasted paperboard and uncontaminated packaging) are collected and handed over to qualified facilities for unified treatment according to the requirements of environmental protection regulations
Hazardous solid waste	• Hazardous solid wastes (e.g., waste drugs produced in production and inspection processes, medicines passing the expiration date, toxic wasted packaging) are handed over to qualified facilities for unified treatments

5.3 Responding to Climate Change

Climate Change Governance

The Group keeps a close eye on the global climate change situation and has included climate change mitigation and adaptation in its corporate social responsibility. The Group identifies risks and opportunities related to climate change referring to the International Financial Reporting Standard for Sustainability Disclosure No.2-Climate-related Disclosures (IFRS S2). Accordingly, it improves its management and reduces greenhouse gas emissions in business operations so as to mitigate its impact on climate change. The Group found that it mainly generates indirect greenhouse gas emissions out of outsourced power supply.

Management System for Climate Change

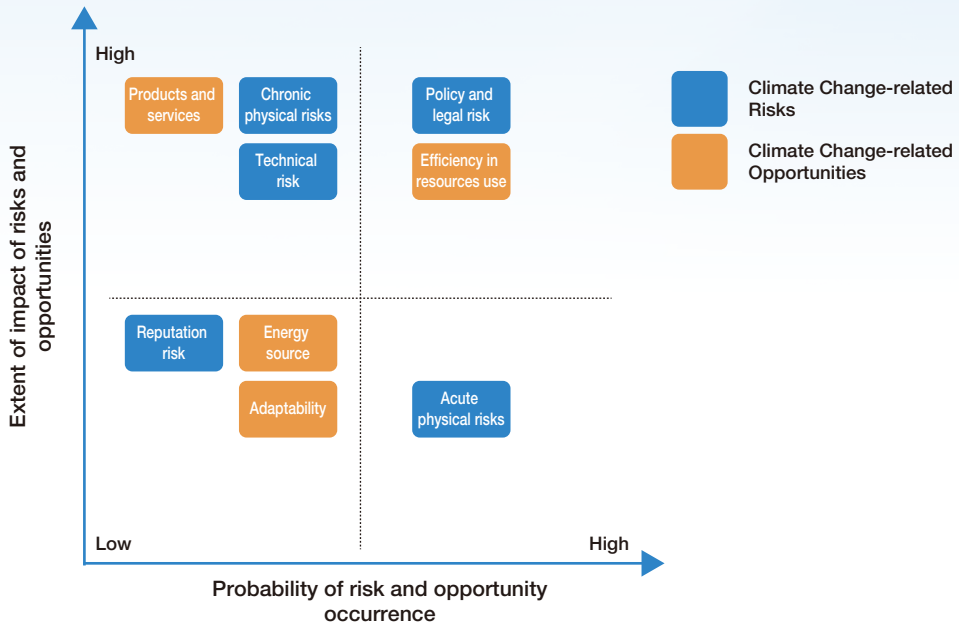
Governance	• Include climate change in the Group's ESG agenda. • Make climate change mitigation and adaptation one of the priorities of all relevant business units and EHS departments. • Communicate climate change as a priority issue with stakeholders through channels such as ESG reports.
Strategy	• Plan to incorporate climate change risks and opportunities as part of overall operational risk management in response to the significant risks and opportunities identified. • Improve energy use efficiency through equipment technology renovation, use of energy-saving lighting, etc., as detailed in the "Energy Management" section. • Optimize the warehousing logistics system and reduce energy consumption during warehousing logistics by reasonably arranging branch warehouses and planning transportation routes. During the reporting period, the Group built a Northeast branch warehouse, adjusted the transportation mode from direct delivery from Shenzhen to customers in the three northeastern provinces to centralized allocation to the Northeast branch warehouse and then distribution, which cumulatively reduced 1,265 times of trunk line transportation from Shenzhen to the Northeast, and the Group reduced 755 tons of carbon emissions through warehousing logistics optimization. • Implement a green packaging project and reduce carbon emissions from discarded packaging through methods such as packaging reduction and recycling. During the reporting period, the Group optimized the packaging design of multiple-bottle products of Mandi by eliminating PS sheet trays and reducing the size of paper packaging materials, which cumulatively saved a total of 34 tons of PS sheets and 16 tons of paper packaging materials, and the Group reduced 187 tons and 17 tons of carbon emissions by reducing the use of plastics and paper packaging materials, respectively. • Purchase clean electricity and increase the percentage of clean electricity usage. During the reporting period, Shenyang Sunshine purchased 2,460 MWh of wind power, with clean power use accounting for 17.93% of the base's total electricity consumption.
Risk Management	• Identify potential risks and opportunities for operational activities, the results of which are detailed in the "Risks and Opportunities in Climate Change" section. • Track relevant regulations and policies annually to be able to respond to requests as and when they arise. • Establish emergency plans and conduct annual emergency drills to deal with the impact of emergencies.
Indicators and Targets	• Disclose the amount and intensity of greenhouse gas emissions in its annual ESG report, evaluate the Group's performance on climate change mitigation and make plans for improvement.

5. Environmental Protection Responsibility

Risks and Opportunities in Climate Change

To better deal with potential risks and opportunities related to climate change, the Group identified related risks and opportunities in its business operation through policy studying, alignment with peer businesses and consulting experts. It also evaluated the impacts of these risks and opportunities on its financial conditions.

Matrix of Climate Change Risks and Opportunities Identified



Financial Impacts of Climate Change Risks and Opportunities Identified by the Group

Climate Change-related Risks and Opportunities Identified	Potential Financial Risks
Policy and legal risk The Group's manufacturing bases located in the two pilot cities, namely Shanghai and Shenzhen, may be the first to be required to participate in the carbon emissions trading market.	Increase in operational costs
Technical risk If laws and regulations demand the deployment or use of clean energy, writing off existing assets or scrapping them in advance and using/designing new operation procedures might increase operational costs.	Increase in operational costs
Reputation risk As a company listed on the Stock Exchange of Hong Kong, the Group is required by the Exchange to disclose greenhouse gas emission data and emission reduction measures. Therefore, this information is public to customers and investors, and when it is lower than the expectations of customers and investors, it will be detrimental to the corporate reputation.	Adverse impact on workforce management and planning (like employee recruitment and retention)
Acute physical risks The Group's manufacturing bases in Shanghai and Shenzhen are more susceptible to extreme weather typhoons, which may cause power outages and waterlogging and result in safety incidents or forced production suspensions.	Increase in operational costs Decrease in the value of fixed assets

Climate Change-related Risks and Opportunities Identified	Potential Financial Risks
Chronic physical risks Persistent scorching weather due to climate change may lead to an abnormal power supply. Climate change affects human health and may lead to more uncertainty, more adverse reactions, or require faster iterations of drugs produced by the Group.	Increase in operational costs Decrease in operating revenue
Resource Efficiency Opportunities Increased efficiency in energy and water resource use will lower the operational cost.	Decrease in operational cost
Energy Source Opportunities More low-emission or clean energy use will lower the risk of a future energy price increase.	Decrease in operational cost
Product and Service Opportunities Climate change is likely to enhance the incidence rate of some diseases; if the Group solves the diseases through R&D innovation, it would be able to improve its competitive edge and increase earnings.	Increase in operating revenue
Adaptability Opportunities By adopting measures for improving energy use efficiency and selecting eco-friendly suppliers, the Group will be more adaptable to climate change.	Decrease in operational cost

5.4 Efficient Use of Resources

Energy Management

The Group follows the principle of green development and is committed to continuously optimizing the energy structure in its production operations, actively promoting the recycling of energy, vigorously developing new energy sources and accelerating the innovative application of clean technologies. It actively implements various energy-saving projects to comprehensively improve the energy utilization efficiency of all manufacturing bases under the Group and achieve sustainable development and efficient operations.

During the reporting period, the Group's energy consumption per revenue unit was 19.75 (MWh/RMB million of operating revenue).

Energy Management Measures for Each Manufacturing Base in 2023

Shenyang Sunshine	• Adopted a waste heat recovery system that supplies heating with part of the waste heat.
Sunshine Guojian	• Used a total of 4,205 LED lights for replacement in the production building, which saves about RMB600,000 electricity fees annually.
Sciprogen	• Continuously reduced the consumption intensity of major energy sources through measures such as optimizing the workshop production structure, reasonably adjusting the operating hours of energy-consuming equipment, improving the maintenance of steam generators and power supply systems and continuing to train and publicize energy conservation and consumption reduction awareness among employees, as a result of which, the Group reduced gas consumption and electricity consumption per 10,000 pieces of products by about 18% and about 10%, respectively, during the reporting period. • Implemented a project to improve the conservation of gas used for industrial steam, reduced no-load losses by operating one boiler during valley periods and two during peak periods and regularly maintained boiler furnaces to improve steam generation efficiency. • Implemented a project to improve the heat exchange efficiency of water chillers by cleaning the liners of the heat exchangers thereof.
Sunshine Mandi	• Conducted an electricity storage capacity expansion transformation to upgrade the energy consumption level to Level II. • Conducted a street light energy-saving transformation by changing them to solar street lights to save electricity for lighting. • Conducted a centralized air supply transformation of air compressors by changing from requiring multiple units to operate at night to requiring only one air compressor to operate at night, to save energy.
Guangdong Sunshine	• Conducted air conditioning condensate recovery: recovered air conditioning steam condensate of about 50°C to the boiler room for deoxygenation and then reheated and put it into the boiler for use, to save water and natural gas consumption. • Optimized zone control of air conditioning: changed air conditioning of rooms on different floors and equipment rooms from centralized to independent control and turned off the corridor air conditioning to save electricity. • Provided hot water for washing of employees in the dormitory building and for dining hall use through the solar water heating system. Calculated based on heating one ton of tap water from 15°C to 55°C, it originally required 48.96 kWh of electricity, and after using the solar water heating system, calculated based on the annual use of about 20 tons of water, it saves about 239,904 kWh of electricity annually. • Provided lighting for outdoor public roads in the factory area using solar panels, which saves about 23,652 kWh annually.

5. Environmental Protection Responsibility

Water Resources Management

The Group pays attention to the conservation and utilization of water resources and reduces water consumption through water recycling and water-saving technology renovation. During the Reporting Period, the Company's water consumption per revenue unit was 126.09 (m^3/million yuan of operating revenue).

Water Management Measures for Each Manufacturing Base in 2023

Shenyang Sunshine	•	The circulating water was about 7,200 m^3; 4.26% of the total water of the base.
Sciprogen	•	Supplied treated sewage that meets discharge standards for internal landscaping irrigation, hazardous chemical warehouse sprinkling and cooling and various external cleaning purposes after temporary storage. During the reporting period, the cumulative amount of water recycled was 10,122 m^3, accounting for 13.18% of the total water consumption of the base; the water resource consumption per 10,000 pieces of products was reduced by about 12%.
Sunshine Mandi	•	Renewed old ABS water pipes to effectively reduce current phenomena of water running, spraying, dripping and leaking and prevent long-term leakage of concealed pipes.

6. Supply Chain Responsibility

The Group classifies its suppliers into strategic suppliers, preferred suppliers, relationship maintenance suppliers and general suppliers based on the principles of materiality and substitutability in terms of their impact on business. The Group focuses on the quality, safety and stability of its supply chain, continues to strengthen the environmental compliance and social responsibility management of suppliers and is committed to building a resilient and sustainable supply chain.

6.1 Resilient Supply Chain

In terms of supplier quality management, the Group has built a sound supplier quality management system, and it continues to optimize and improve the supplier quality management mechanism through effective measures such as strengthening system construction, implementing strict quality audits, conducting regular quality reviews and empowering suppliers, thereby effectively ensuring the stability of supply chain product quality.

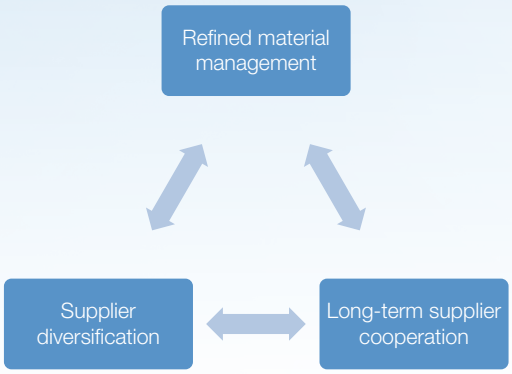
Management Dimension	Management Method
System Construction	The Group signs quality agreements with strategic suppliers to ensure product quality by agreeing on quality responsibilities. As of the end of the reporting period, the Group had signed quality agreements with all its 243 strategic suppliers. Manufacturing bases formulated the *Standard Management Procedures for Supplier Management,* the *Management Procedures for Supplier Audit* and the *Standard Operating Procedures for On-Site Quality Inspection* to manage the quality of products provided by suppliers. Suppliers' promise to the Group in quality can stand the test of authoritative certification and professionals from the Group, therefore ensuring the safety of medicine products.
Quality Audit	The Group has built a quality audit system that covers new and existing suppliers: • For new suppliers, the Group audits their qualifications and strictly reviews their business qualifications and quality standards for raw materials to ensure conformity with the standards for quality and technology in production. The Group reviewed 25 new supplier qualifications during the reporting period. • For suppliers in partnerships, regular and random quality inspection operations are conducted, including written and on-site inspections. The inspection focuses both on suppliers' production management and quality control and on their procurement standards, their audit mechanisms for their secondary suppliers and the list of their qualified suppliers, among others. In response to any quality problems identified during such inspections, the Group will issue a Quality Improvement Notice to relevant suppliers for their quality improvements. The Group completed a total of 148 written inspections and 96 on-site inspections during the reporting period.

6. Supply Chain Responsibility

Management Dimension	Management Method
Quality Review	The Group conducts annual quality evaluations on material suppliers in terms of the percentage of pass and deviation rate. Those failing the evaluation will be removed from the Group's suppliers list. The Group implements annual review of material suppliers regarding their delivery service, product inspection pass rate, and deviation/complaint rate and prepares a review report. Those failing the evaluation will be removed from the Group's suppliers list.
Supplier Empowerment	**Supplier training** The Group regularly provides quality training to qualified suppliers requiring GMP management and new suppliers every year by means of online training, offline information delivery by correspondence, and on-site inspection guidance in conjunction with management needs, and the frequency of training is no less than once a year to achieve simultaneous improvement of suppliers' quality management capabilities. In addition, manufacturing bases launch training sessions for suppliers from time to time and offer training sessions on quality control in transportation to suppliers of cold-chain transportation. During the reporting period, Sciprogen provided training for two logistics transporters on the knowledge of regulations, safety and site operation points related to pharmaceutical cold chain logistics. Shenyang Sunshine conducted annual online quality training for all suppliers, covering more than 140 participants, which promoted the improvement of suppliers' quality system. Sunshine Guojian rendered an online training on material delivery to suppliers of production and R&D materials in an effort to help suppliers establish more standardized material delivery, including about 200 suppliers present. **On-site guidance** The Group provides on-site guidance and training to new suppliers during the qualification review, in order to help them correct and prevent quality problems promptly. **Suppliers' capability enhancement** The Group and manufacturing bases offer regular on-site guidance to local suppliers, give them suggestions on quality, production, equipment management, and plant layout in response to their problems found, and supervise their rectification in a bid to enhance their quality management capabilities and increase quality management results.

6. Supply Chain Responsibility

To further enhance supply chain resilience and reduce the risk of inventory disruption and stagnation, the Group has set up a Material Committee, which is responsible for promoting coordination and fine management of materials, as well as the development of secondary suppliers and domestic suppliers in each manufacturing base, so as to reduce risks in material supply and ensure business stability.



With regards to the fine management, the Group has formulated the *Procedure for Cost Control of Raw Material for Products under Development* to manage the costs of raw materials in ongoing projects starting from the material selection from the platform until product launching and post-marketing change. For the manufacturing stage, the Group has developed procedures for production needs management and sluggish materials management to ensure strengthened internal communication and regular exchange of dynamic data such as order lead time and material delivery time, so as to identify potential short-supplied materials in advance and communicate with suppliers. To further promote the efficiency of material data processing, the Group has built the Material Requirement Planning Business Intelligence (MRP BI) model to process and import offline data such as Bill of Material (BOM) and Master Production Schedule (MPS), achieving the automated data processing. Owing to the above measures, the Group did not experience any work and production suspension due to material supply disruptions during the reporting period.

In respect of supplier diversification, the Group continued the development of a second supply source and substitution with domestic suppliers in each manufacturing base, and shortened the supply cycle of materials and reduced the risk of material import supply by increasing the number of backup suppliers and localization substitution, to ensure the timely delivery of products and protect the rights and interests of customers.

In terms of long-term cooperation with suppliers, the Group has clearly stated the regulations for establishing long-term supply agreements with important suppliers in the *Manual for Procurement Management* and the *Quality Assurance Agreement* of the GMP system to ensure stable production of the Group. In addition, the Group has initiated supply chain finance projects to provide financial support to supply chain partners and ensure their stable cash flow, establishing a sound foundation for long-term partnerships with suppliers.

6.2 Responsible Supply Chain

The Group has formulated the *Manual for Procurement Management*, the *Standards for Production Material Suppliers Management* and the *Standard Procedure for On-site Audit on Suppliers* to regulate the suppliers' social and environmental risk management. Since 2018, the Group has required all suppliers to sign and deliver the *Supplier Compliance Statement* (upgraded to the *Code of Conduct for Suppliers* during the reporting period), which imposes responsibility requirements on suppliers in terms of environmental protection. The EHS department of each manufacturing base has a veto right on suppliers based on audit checks in terms of environmental protection.

The Group regularly assesses and scores our suppliers in terms of product quality and safety, environmental protection and social responsibility every year to achieve the concept of supply chain compliance, quality and safety, environmental protection and sustainable development responsibility requirements. During the reporting period, the Group evaluated 87.44% of our suppliers in terms of environmental, labor and ethical assessments.

The Group entrusted Dun & Bradstreet to conduct due diligence on our suppliers. Dun & Bradstreet used the system provided by Risk Raider to conduct due diligence investigations and monitor risks on 165 core suppliers. Its monitoring is on a monthly basis. For suppliers with high risk, the system will monitor them for several consecutive months to master their risk changes. The system delivers the following types of risk profile: "normal", "concern", "general warning" and "special warning". For suppliers with "special warning", the Group will conduct risk assessment, list those with high risk in the compliance review, implement thorough reviews and require them for rectification and feedback. During the reporting period, various suppliers were subject to a cumulative number of 11,125 Risk Raider monitoring activities.

The Group has established a two-way communication mechanism with our suppliers. The Procurement Department explains the significance of abiding by law, labor and environment requirements via telephone or e-mail on a regular basis. Suppliers give feedback to designated contact from the Procurement Department and get knowledge of laws, labor and the environment from the contact, thus facilitating the Group's guidance on our suppliers.

While meeting GMP standards, the Group pays attention to environmental protection and conveys the principle to suppliers, encouraging suppliers to adopt an eco-friendlier approach to production, packaging and transportation.

- The Group established the SRM system (3SBIO procurement platform) to improve the overall operational efficiency of the supply chain through 12 management modules and reduce the use of paper and waste generation through electronic procurement.

- The Group replaced oil-based ink with water-based ink for color printing boxes, in a bid to reduce the VOC (volatile organic compound) content in the ink, and lessen pollution to the environment. Also, while maintaining the same dimensions, a lighter weight box material design was adopted.

- The Group required suppliers to install environmental protection equipment to reduce environmental pollution. During the reporting period, the Group required a supplier to install an environmental protection absorber worth RMB3 million for medicinal acetate, a tail gas absorber worth RMB6 million for isopropanol and other organic products, and a deodorant factor system for ammonia water.

- The Group required the suppliers of pharmaceutical cold-chain transportation to transport pharmaceutical products with recyclable insulated containers to reduce the use of disposable ones. During the reporting period, the Group used a cumulative number of about 25,521 recyclable insulated containers.

- The Group purchased a business travel system to facilitate the centralized management of employees' reimbursement of business travel. The electronic business travel system can save more than 60,000 sheets of printing paper such as air tickets, hotel orders or car orders throughout the year, thus reducing carbon emission of about 54.6 kg.

7. Social Contribution Responsibility

7.1 Supporting Healthcare Development

R&D Innovation and IPRs Protection

The Group boasts a professional R&D team of over 600 experienced scientists and the national engineering research center of antibody medicine approved by the National Development and Reform Commission. With four R&D Centers in Shenyang, Shanghai, Shenzhen, and Hangzhou, the Group has established a dual biological and chemical drug platform, covering the whole process of drug development ranging from basic R&D, pre-clinical research, clinical trials to new drug registration for marketing. Its subsidiaries Shenyang Sunshine, Sunshine Mandi, Sunshine Guojian, NERC and Sciprogen have been recognized as "National High-Tech Enterprises".

As of the end of the reporting period, the Group had 29 products under development, 25 of which were developed as innovative drugs in the Chinese mainland, covering areas such as nephrology, oncology, autoimmune diseases, dermatology and ophthalmology. Sunshine Guojian's innovative anti-HER2 monoclonal antibody, Cipterbin® (Inetetamab for Injection), was included into the list of the first recommended batch of innovative drugs and medical devices in Pudong New Area.

The Group attaches importance to intellectual property rights (IPR) protection. Upholding the principle of "Innovation-driven research and development, future-oriented management" in IPR management, the Group has put in place various regulations, including the *Guidelines for IPR Management,* the *Guidelines for Commercial Secrets Management* and the *Manual for Business IPR Management*. While effectively managing and protecting IPRs, including patents, trademarks and commercial secrets, these regulations have protected the Group's competitive advantages and brand reputation and prevented infringement on others' IPRs. On the basis of implementing the Group's regulations, Sunshine Guojian and NERC introduced the *Guidelines for Patent Management* and the *Guidelines for Trademarks Management* to manage their own IPRs better.

The Group carries out due diligence on IPR when reviewing projects. The Group checks the patent application and legal status of products or key technologies involved in a new project before the project is launched. The Group then issues a patent investigation report and alerts as to risks. After a project is launched, the Group will keep tracking the patent conditions of products or key technologies involved in order to protect the Group's IPRs. During the reporting period, the Group's patent and trademark applications and licenses are shown in the table below, with domestic, foreign and PCT (Patent Cooperation Treaty) international patent application data, and domestic and foreign trademark data.

3SBIO Patent and Trademark Applications and Grants in 2023

Field	Progress in 2023
Patent	• 53 patent applications
	• 26 patents granted
Trademark	• 14 trademark applications
	• 10 trademarks registered

Helping Biopharmaceutical Industry to Develop

The Group also takes an active part in revising industry standards and various studies to boost the development and progress of the biopharmaceutical industry. During the reporting period, the Group participated in the preparation of the guidelines for pharmaceutical research of low molecular weight heparin generics organized by the China Biochemical Pharmaceutical Industry Association (CBPIA), the preparation and stability study of national standards for the system suitability of the EPO charge variant, and the methodology validation of the cIEF method and the standardization of reference standards for the system suitability organized by the Shanghai Institute for Food and Drug Control. In the meantime, a number of the Group's products have been included in various medical guidelines as recommended drugs.

Inclusion of 3SBIO Products in Medical Guidelines as Recommended Drugs in 2023

Product names	Guidelines
Inetetamab	• Recommended in the *Guidelines for the Diagnosis and Treatment of Breast Cancer (2023)* of the Chinese Society of Clinical Oncology (CSCO)
	• Recommended in the *Guidelines and Standards for the Diagnosis and Treatment of Breast Cancer* of the Chinese Anti-Cancer Association (CACA) (2024 Edition)
	• Recommended in the *Guidelines for Rational Drug Use of Breast Cancer (Second Edition)* of the National Health Commission
	• Recommended in the *Chinese Expert Consensus on the Diagnosis and Treatment of Targeting HER2 Breast Cancer (2023 Edition)*

Product names	Guidelines
Recombinant human thrombopoietin	• Recommended in the *Expert Consensus on the Diagnosis and Treatment of Primary Immune Thrombocytopenia in Pregnancy* • Recommended in the *CSCO Guidelines for the Management of Toxicity Related to Immune Checkpoint Inhibitors 2023* • Recommended in the *Chinese Expert Consensus on the Diagnosis and Treatment of Tumor-Related Anemia (2023 Edition)* • Recommended in the *Chinese Guidelines for the Diagnosis and Treatment of Adult Autoimmune Hemolytic Anemia (2023 Edition)* • Recommended in the *Chinese Expert Consensus on the Diagnosis and Treatment of Tumor Drug-Related Thrombocytopenia (2023 Edition)* • Recommended in the *Chinese Expert Consensus on Clinical Diagnosis and Treatment of Sepsis-Induced Thrombocytopenia* • Recommended in the *Chinese Expert Consensus on Clinical Management of Liver Disease-Associated Thrombocytopenia* • Recommended in the *Expert Consensus on Perioperative Thrombocytopenia* • Recommended in the *Chinese Expert Consensus on Clinical Application and Management of Thrombopoietin Drugs*

To encourage more young Chinese physicians to contribute to basic research and clinical application in the area of THROMBOCYTOPENIA (TCP), the Group launched "Sunshine TCP R&D Fund for Young Physicians" jointly with Shenyang Pharmaceutical University in 2015 to encourage more basic research and clinical applications.

The Group persisted with innovative exploration in research directions and application fields. Regarding TCP fund projects, 27 high-quality articles were published. During the reporting period, 9 research topics among the projects of the third TCP Fund were completed. The research results of the "Sunshine TCP R&D Fund for Young Physicians" have obtained important clinical references and scientific data in the areas of ITP therapeutic applications in pregnancy, pre-transplantation stem cell mobilization and post-transplantation platelet implantation recovery. A study presented at the Conference of the Asian Pacific Association for the Study of the Liver enables new possibilities for liver regeneration after liver transplantation and partial hepatectomy, and for the treatment of acute and chronic liver injury.

Introduction to the Research Topics of Sunshine TCP R&D Fund for Young Physicians (Partial)

Research Topics	Main Role
Study of Recombinant Human Thrombopoietin for Secondary Prevention of Thrombocytopenia Induced by Apatinib in Combination with Docetaxel for Advanced Osteosarcoma	The study was carried out to observe the preventive effect of rhTPO on thrombocytopenia induced by combined chemotherapy based on the targeted drug apatinib. The results show that secondary prevention of rhTPO significantly can reduce the number of patients with grade 1-2 and grade 3 thrombocytopenia.
Optimization of Clinical Protocol of Recombinant Human Thrombopoietin for Prevention of Thrombocytopenia Induced by Gemcitabine-based Chemotherapy	The study was carried out to explore how to optimize the frequency of secondary prevention use. The dosing was optimized from Days 2, 4, 6, and 9 of the chemotherapy cycle to Days 3, 4, and 6 of the chemotherapy cycle, which still achieved good efficacy. The wide application of rhTPO will also bring more optimized prevention and treatment modalities and provide a better cost-effect ratio.
Clinical and Mechanism Study of rhTPO for the Treatment of Secondary Poor Graft Function after Allogeneic Hematopoietic Stem Cell Transplantation	The study was carried out to explore the efficacy of continuous rhTPO treatment in patients with secondary poor graft function, and rhTPO treatment resulted in a significant increase in platelet count and megakaryocytes in bone marrow. Further exploration of rhTPO in transplantation may also lead to higher efficiency and better survival rates for patients.
Study on the Therapeutic Effects and Mechanism of TPO Pretreatment on Perioperative Thrombocytopenia of Liver Transplantation in Cirrhotic Patients with Hypersplenism	The study was carried out to observe the therapeutic effects of TPO pretreatment on perioperative thrombocytopenia after liver transplantation in cirrhosis-hypersplenism mouse models. The results suggest that preoperative administration of rhTPO can significantly improve perioperative thrombocytopenia in liver transplantation of mice with cirrhosis and hypersplenism and greatly enhance the preoperative liver function, and reduce postoperative liver inflammation and necrosis of liver cells.

7. Social Contribution Responsibility

Research Topics	Main Role
Role of Platelets and Thrombopoietin in Acute-on-Chronic Liver Failure Associated with Hepatitis B and the Effects on Liver Regeneration	The study was carried out to explore the effects of rhTPO on the platelet level and prognosis in patients with acute-on-chronic liver failure (ACLF). The results show that rhTPO can significantly increase the platelet count in patients with ACLF, reduce the occurrence of bleeding events, and promote the recovery of liver function.
A Prospective Randomized Controlled Study of Recombinant Human Thrombopoietin at Different Intervention Timings for the Prevention and Treatment of Thrombocytopenia after AI-Based Chemotherapy Regimen in Bone and Soft Tissue Tumors	The study was carried out to observe the effects of adriamycin in combination with ifosfamide on sarcoma patients. The results show that a rapid decrease of more than 40% in platelet count within 3 days after chemotherapy can prelude a prophylactic administration of rhTPO, and rhTPO treatment can significantly reduce the probability of grade 4 thrombocytopenia without additional adverse reactions.

Meanwhile, the Group took an active part in medical academic exchanges, and actively held and participated in various academic conferences and forums to promote the development of the biopharmaceutical industry. During the reporting period, the Group participated in a total of 4 international conferences and 254 domestic conferences, covering rheumatology, oncology, nephrology, hematology, hepatology, ICU, orthopedics, gynecology, surgery, radiotherapy, dermatology and other fields, where it actively shared and exchanged industry experience with domestic and international counterparts.

Progress of Academic Exchanges in 2023 (Partial)

Conferences	Achievements
2023 CBCS Guidelines Lecture Tour of the Chinese Anti-Cancer Association, Committee of Breast Cancer Society	• 3SBIO supported and participated in the lecture tour (Guangzhou, Jiujiang, Jinan, Shanghai, Fuzhou, Nanjing, Dalian, and Shiyan), and interpreted topics, such as *2023 Updates of CBCS Guidelines, Innovation in China: New Options for Anti-HER2 Treatment, 2023 SABCS Progress of Early Breast Cancer Research*, and *2023 SABCS Progress of Advanced Breast Cancer Research*. In addition, 3SBIO also gave 7 youth lectures on CBCS guidelines, and one presidium lecture.
The 6th CSCO Annual Conference on Supportive and Rehabilitative Cancer Care and the 19th National Conference on Cancer Rehabilitation and Palliative Medicine	• 3SBIO held a symposium and invited Professor Wang Jiejun, Director of the Expert Committee on Supportive and Rehabilitative Cancer Care, CSCO, to serve as the chairman of the meeting, and Professor Wang Liwei, Director of CSCO, and Professor Gao Jin, Member of Standing Committee of the Chinese Society of Nasopharyngeal Carcinoma, Chinese Anti-Cancer Association, to act as the moderators. Professor Liu Bo from the Shandong Cancer Hospital shared ideas on the *Interpretation of CSCO Guidelines for Diagnosis and Treatment of Thrombocytopenia Induced by Tumor Treatment*. Professor Zhu Lingjun from the Jiangsu Province Hospital shared ideas on the *Clinical Benefits of CTIT Treatment under the New Medical Insurance Policy*. As special guests, Professor Li Chenghui from the Anqing Municipal Hospital and Professor Cao Yuejiao from the Hangzhou Linping District Hospital of Traditional Chinese Medicine had a heated discussion on the two topics, and shared their clinical practical experience and medication experience.
2023 First and Second Plenary Sessions of the 11th Youth Group, Chinese Society of Hematology, Chinese Medical Association	• **First plenary session:** 3SBIO exclusively organized a symposium to interpret the Progress in the Diagnosis and Treatment of Vascular Immunoblast Lymphoma, the Clinical Observation of Full-Dose rhTPO for the Treatment of ITP, and the Cytokine Regulation of Immune Tolerance for Prevention and Treatment of GVHD. • **Second plenary session:** 3SBIO held a symposium and invited experts to share ideas on the *Clinical Management of Thrombocytopenia Induced by Chemotherapy for Lymphoma*.

7.2 Enhancing Accessibility to Medicines and Medical Services

Adhering to the professional competence and the spirit of assistance in the pharmaceutical field, the Group has incorporated "health care accessibility" into our long-term strategy for development. In addition, the Group also supports the *Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health* and the provisions of the *Patent Law of the People's Republic of China* for compulsory licensing of relevant drug patents for purposes of public interest or in cases of emergency.

As the highest responsible body for the issue of health care accessibility, the Board of Directors is responsible for supervising the implementation of the health care accessibility strategy in the Group, and the ESG Committee is responsible for daily management of this issue. The Group is committed to improving the accessibility of healthcare by means of R&D innovation, social donations, training of primary care physicians, and fair pricing, to advance the realization of inclusive health care.

Public Donation of Products, Benefiting More Patients

To deliver safe, effective and high-quality products to more patients, the Group donates products and medical services to patients in need through cooperation with Beijing Bethune Charitable Foundation.

In order to ensure that the drug donation program is carried out in a compliant and orderly manner, the Group has formulated the *Volunteer Violation Management System* to improve the audit and supervision mechanism for volunteers, and regularly conducted training work for volunteers of public welfare projects by the Foundation. The Group optimized the process of the drug donation program, further simplifying the application process, compressing the review and delivery time, and ensuring that patients can receive their medicines as early as 48 hours through online paperless applications, new project pharmacies, and dedicated personnel to follow up on drug delivery and dispatch.

Public Welfare Project on Medicine Donation

Description	Start time	Progress in 2023
"Benefit + Hope" – Bethune – YISAIPU® Donation Program	2015	• Coverage: 150 cities nationwide • Targeted patients: patients suffering from rheumatoid arthritis, ankylosing spondylitis (AS), or psoriasis • Action in 2023: The Group donated 33,047 drugs worth RMB4,036,250 and the funds of RMB1,364,476 to benefit 11,581 patients.

Besides, the Group stays concerned about the impact of drug pricing on the affordability and accessibility of pharmaceutical products. As of the end of the reporting period, TPIAO®, EPIAO®, Cipterbin®, and YISAIPU® of the Group have been included in the National Reimbursement Drug List (NRDL). For patients, the inclusion in NRDL brings the drugs closer to accessibility.

Meanwhile, the Group developed different pricing strategies based on factors such as the purchase and payment capabilities in locations where pharmaceutical products were sold, the speed of disease spread, and the regions involved, with the aim to provide fair and affordable pharmaceutical products and services for patients. Drug pricing complies with the international pricing standards of CBP and MRP. The Group takes into comprehensive consideration the price of brand-name drugs and other factors in pricing of biosimilar products, and the retail prices in China, local purchasing power and other factors in pricing of innovative pharmaceutical products.

Supporting Development of Primary Care

Centered on the vision of becoming a leader of global biopharmaceutical industry, the Group has been committed to promoting the sustained improvement of medical services in China. The Group has implemented the Ankylosing Spondylitis-Based Healthy Village Program nationwide and actively fulfilled our social responsibilities, giving impetus and contribution to the development of national healthy villages.

During the reporting period, the Ankylosing Spondylitis-Based Healthy Village Program got the following achievements:

- 139 new designated treatment hospitals
- 142 additional physician training sessions, with 9,471 trainees;
- 179 additional charity screening and treatment sessions, with 4,907 screened patients and 4,854 treated patients;
- Additional grants for medical treatment: RMB4,750,172.41

To further promote the early screening and treatment of ankylosing spondylitis (AS) patients in rural areas, the Group sustained training activities for grassroots doctors, mainly village doctors, under the Ankylosing Spondylitis-Based Healthy Village Program. As of the end of the reporting period, the Group has conducted 849 training and charity screening and treatment sessions on a cumulative basis. Training was conducted in terms of the introduction of the Ankylosing Spondylitis-Based Healthy Village Program, knowledge of AS, how to screen suspected AS patients, how to carry out the screening of AS, and submission of suspected AS patients, with the aim to improve the knowledge of grassroots doctors about AS.

During the reporting period, the Group, together with the Youth Group of the Chinese Society of Rheumatology, Chinese Medical Association, launched the program of "Care for Ankylosing Spondylitis at Grassroots", deployed the leading young experts in rheumatology and immunology from all provinces to participate in the program activities, and provided professional technical support. In addition, the Group recruited more program volunteer service teams and selected the 2023 Outstanding Program Volunteer Service Team and the 2023 Outstanding Volunteer. The winners were encouraged and praised by the China Rural Development Volunteer Service Promotion Association.

Based on this program, the Group officially launched the *Real World Study on the Effectiveness and Economy of Interventions for Patients with Active Ankylosing Spondylitis (AS) in China Based on the "Ankylosing Spondylitis-Based Healthy Village Program"* in 2022. As of the end of the reporting period, the Group has sustained the real-world study and completed 200 case entries. The entry of study cases will be accelerated in the future.

8. Appendix

8.1 Performance Data

Compliance

The Group takes compliance as the cornerstone of sustainable enterprise development. In 2023, the Group reported no confirmed irregularities or wrongdoings in respect of product quality and client services, employment, occupational health and safety, child and forced labor, anti-corruption and ethics, IPR protection and responsible marketing.

Field	Name of Main Laws and Regulations
Anti-corruption and Ethics	*Anti-Unfair Competition Law of the People's Republic of China, Anti-Monopoly Law of the People's Republic of China, Interim Provisions on Prohibiting Commercial Bribery, Welfare Donations Law of the People's Republic of China, and Regulations on Recording Commercial Bribery in Pharmaceutical Purchases and Sales*
Intellectual property rights (IPRs) protection	*Patent Law of the People's Republic of China, Rules for the Implementation of the Patent Law of the People's Republic of China, and Trademark Law of the People's Republic of China*
Product Quality	*Law of the People's Republic of China on the Administration of Drugs, Pharmacopoeia of the People's Republic of China* (2020 Revision), *Good Manufacturing Practice, Measures for the Supervision over and Administration of Pharmaceutical Production* (enacted in 2020), *Provisions for Drug Registration* (enacted in 2020), *Regulations for Drug Recording and Data Management (Trial)* (enacted in 2020), *Regulations for the Administration of Post-Marketing Drug Changes (Trial)* (enacted in 2021), *Drug Good Laboratory Practices, Good Clinical Practice, Provisions for Drug Insert Sheets and Labels, ICH-Q10 Pharmaceutical Quality System, U.S. FDA Guidance for Industry Quality Systems Approach to Pharmaceutical CGMP Regulations, and EU Guidelines for Good Manufacturing Practice for Medicinal Products for Human and Veterinary Use*
Responsible marketing	*Advertisement Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Anti-Monopoly Law of the People's Republic of China, Provisions for Drug Advertisement Examination, Law of the People's Republic of China on the Administration of Drugs, and Standards for Drug Advertisement Examination*

Field	Name of Main Laws and Regulations
Employee's Rights, Interests and Welfare	*Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Special Provisions on Labor Protection of Female Workers, Provisions on Social Endowment Insurance, and Social Insurance Law of the People's Republic of China*
Employee Health and Safety	*Law of the People's Republic of China on Work Safety, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Fire Prevention Law of the People's Republic of China, and Regulations on the Safety Administration of Dangerous Chemicals*
Supply Chain Responsibility	*Good Manufacturing Practice, Contract Law of the People's Republic of China, and Sarbanes-Oxley Act*
Environmental Protection	*Environmental Protection Law of the People's Republic of China, Solid Waste Pollution Prevention and Control Law of the People's Republic of China (2020 Revision), Water Pollution Prevention and Control Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Promoting Clean Production, and Regulations on the Administration of Construction Project Environmental Protection*
Community Investment	*Welfare Donations Law of the People's Republic of China, and Charity Law of the People's Republic of China*

8. Appendix

Anti-corruption

Performance Indicators	Unit	2021	2022	2023
Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	/	0	0	0
Anti-corruption training coverage for employees	%	–	100	100
Anti-corruption training hours for employees per capita[1]	Hour	0.50	1.07	1.11
Anti-corruption training coverage for Board directors	%	–	100	100
Anti-corruption training hours for directors per capita[2]	Hour	–	0.50	0.50

Notes:

1. The number of hours of anti-corruption training per employee = Total number of hours of anti-corruption training received by employees/Number of employees participating in anti-corruption-related training × 100%.

2. The number of hours of anti-corruption training per director = Total number of hours of anti-corruption training received by directors/Number of board members participating in anti-corruption-related training x 100%.

Products and Client Service

Performance Indicators	Unit	2021	2022	2023
Percentage of products sold subject to recalls for safety and health reasons	%	0	0	0
Number of product – and service-related complaints received[1]	/	59	67	78
Handling rate for product – and service-related complaints	%	100	100	100
Total number of irregularities arising from health and safety, labeling, and customer privacy of products and services	/	0	0	0

Note:

1. In 2023, the Group saw an increase in the number of complaints regarding products and services mainly due to the growth in sales of Mandi products.

Employee Employment

Performance Indicators	Unit	2021	2022	2023
Employee Employment[1]				
Total number of employees	Person	5,292	5,213	5,411
Number of male employees	Person	2,570	2,466	2,569
Number of female employees	Person	2,722	2,747	2,842
Number of employees under labor contracts	Person	5,216	5,148	5,365
Number of employees subject to labor dispatching[2]	Person	58	53	38
Number of part-time employees	Person	6	5	5
Other forms of employment[3]	Person	14	7	3
Number of employees aged below 30	Person	2,061	2,003	2,131
Number of employees aged 30-50	Person	3,079	3,066	3,126
Number of employees aged above 50	Person	152	144	154
Number of employees from the Chinese mainland	Person	5,199	5,118	5,309
Number of employees from Hong Kong, Macao, Taiwan and foreign countries	Person	93	95	102
Number of grass-roots employees	Person	4,243	4,291	4,394
Number of employees at middle management level	Person	893	770	869
Number of employees at senior management level	Person	156	152	148
Employee turnover rate[4]	%	27.78	19.71	16.11
Turnover rate of male employees	%	30.48	21.89	17.40
Turnover rate of female employees	%	25.03	17.66	14.91
Turnover rate of employees aged below 30	%	31.37	24.07	19.65
Turnover rate of employees aged 30-50	%	25.97	16.84	13.67
Turnover rate of employees aged above 50	%	8.33	14.29	12.99
Turnover rate of employees from the Chinese mainland	%	28.13	20.01	16.35
Turnover rate of employees from Hong Kong, Macao, Taiwan and foreign countries	%	1.06	0.00	0.97
Employee Health and Safety				
Number of working days lost due to work injury[5]	Day	120	609	424
Work-related death toll	Person	0	0	0

8. Appendix

Performance Indicators	Unit	2021	2022	2023
Employee Training				
Employee training coverage	%	100	99.81	99.67
Training coverage of male employees	%	100	99.88	99.84
Training coverage of female employees	%	100	99.75	99.51
Training coverage of grassroots employees	%	100	99.74	99.64
Training coverage of middle management	%	100	100	99.88
Training coverage of senior management	%	100	99.34	99.32
Training time per employee[6]	Hour	14.37	18.09	20.90
Training time per male employee	Hour	13.49	19.27	19.46
Training time per female employee	Hour	15.30	17.02	22.49
Average hours of training for grassroots employees	Hour	13.65	14.58	19.91
Average hours of training for middle management[7]	Hour	18.42	41.28	26.87
Average hours of training for senior management	Hour	10.69	13.46	15.24

Notes:

1. Employee employment statistics are all consistent with the scope of the current year's consolidated financial statements.

2. To provide employees with a better development platform, the Group converted some outstanding employees dispatched into employees under labor contracts in 2023, resulting in a significant reduction in the number of dispatched employees.

3. Other forms of employment are mainly temporary employees. In 2023, employees in some other forms of employment switched to direct employment with the Company. Therefore, the number of employees in other forms of employment decreased.

4. The turnover rate of employees in a category = number of employees in that category lost during the reporting period/(number of employees in the category at the end of the reporting period + number of employees lost in the category during the reporting period) × 100%.

5. The number of working days lost due to occupational injuries decreased significantly in 2023, as employees who were on medical leave in 2022 returned to work in 2023 and the Group strengthened safety education to reduce occupational injuries.

6. Training hours per employee in a category = hours of training received by employees in that category/number of employees.

7. In 2023, the Group adjusted its training strategy to focus on grassroots training to promote frontline business development. Meanwhile, it rationalized the training content for middle management and encouraged the integration of training with practical work scenarios. As a result, there was a decrease in the average number of training hours for middle management.

Environmental Responsibility

Performance Indicators	Unit	2021	2022	2023
Use of resources				
Power consumption[1] (indirect energy)	MWh	66,584.92	52,875.43	70,960.72
Power consumption intensity	MWh/RMB10,000	0.10	0.08	0.09
Natural gas consumption (direct energy)	m^3	2,935,875.00	3,270,718.00	5,244,289.00
Natural gas consumption intensity	MWh/RMB10,000	0.0498	0.0515	0.0726
Steam consumption	ton	36,272.86	30,448.71	32,694.80
Steam consumption intensity[2]	MWh/RMB10,000	0.0438	0.0342	0.0323
Heat consumption[3]	MWh	27,954.88	24,067.70	25,795.80
Heat consumption intensity	MWh/RMB10,000	0.044	0.035	0.033
Gasoline consumption of self-owned vehicles for official use	L	78,700.40	68,663.62	75,788.63
Gasoline consumption intensity of self-owned vehicles for official use	MWh/RMB10,000	0.0011	0.0009	0.0009
Diesel consumption of self-owned vehicles for official use	L	18,681.34	12,266.63	13,473.80
Diesel consumption intensity of self-owned vehicles for official use	MWh/RMB10,000	0.0003	0.0002	0.0002
Consumption of liquefied natural gas	ton	–	5.55	8.45
Consumption of liquefied petroleum gas[4]	L	–	1,705.00	0
Comprehensive energy consumption	MWh	126,215.62	113,166.48	154,393.82
Comprehensive energy consumption intensity	MWh/RMB10,000	0.20	0.16	0.20
Water consumption[5]	ton	779,970.90	764,245.29	985,475.00
Water consumption density[6]	Ton/RMB10,000	1.22	1.11	1.26
Total circulating water	m^3	24,376.00	36,659.00	46,651.00
Proportion of water circulation and recycled water to the total water consumption	%	3.13	4.80	4.73
Total packaging material used for finished products	ton	1,461.63	1,911.70	2,050.61
Emissions				
Waste gas emissions[7]	m^3	39,753,486.80	38,927,315.77	58,678,432.78
Industrial wastewater discharge	m^3	422,431.30	438,140.00	496,217.00
Chemical oxygen demand (COD) emissions[8]	ton	6.56	11.35	6.75
Ammonia nitrogen (NH3-N) emissions[8]	ton	0.16	0.37	0.34
Total hazardous waste	ton	1,019.28	1,003.46	1,018.02
Hazardous waste intensity	Kg/RMB10,000	1.60	1.46	1.30
Total non-hazardous waste[9]	ton	326.16	342.79	504.93
Non-hazardous waste intensity	Kg/RMB10,000	0.51	0.50	0.65

8. Appendix

Performance Indicators	Unit	2021	2022	2023
Greenhouse gas emissions[10]	Ton of CO_2 equivalent	50,274.94	45,896.56	60,649.53
Scope I GHG emissions	Ton of CO_2 equivalent	6,587.77	7,257.23	11,663.45
Scope II GHG emissions	Ton of CO_2 equivalent	43,687.17	38,639.33	48,986.08
GHG emission intensity	Ton of CO_2 equivalent/ RMB10,000	0.079	0.067	0.078

Notes:

1. In 2023, the Company pooled data from Guangdong Sunshine Pharmaceutical Co., Ltd., leading to a significant increase in energy consumption, including electricity and gas, which subsequently caused an increase in GHG emissions. Additionally, through data tracking, the Company has adjusted the data for power consumption in 2021.

2. Shenyang Sunshine and Sunshine Mandi are involved in using steam. During the reporting period, the Company uniformly referred to the Steam Heat Calculation Method (GB/T 34060-2017) and retroactively adjusted the specific enthalpy values used in the steam heat calculation from 2021 to 2022. As a result, the steam consumption density, Scope II GHG emissions, greenhouse gas emissions, and greenhouse gas emission density were adjusted simultaneously. Among them, Shenyang Sunshine uses saturated steam with a pressure value of 0.3~0.85MPa, and takes the maximum value of 0.85MPa, so the calculated specific enthalpy value is 2,779.76 kJ/kg; Sunshine Mandi uses saturated steam at a temperature of about 168°C, so the calculated specific enthalpy value is 2,765.89 kJ/kg.

3. The heat consumption is the sum of steam and hot water consumed. Shenyang Sunshine purchased hot water. The consumption of purchased hot water is converted based on price and the conversion coefficient between the heating cost and heat consumption of Shenyang Sunshine is determined to be RMB95.16/GJ according to applicable documents such as the Notice on Adjusting Heating Prices (SJSP [2008] No. 92) and the Notice on Adjusting Residential Heating Prices (SJF [2015] No. 25).

4. In 2023, the reason for the zero consumption of liquefied petroleum gas by the Company was that Sunshine Mandi accessed the natural gas pipeline and no longer used liquefied petroleum gas.

5. In 2023, data from Guangdong 3SBIO Pharmaceutical Co., Ltd. was collected, resulting in a significant increase in water consumption and total circulating water consumption.

6. In 2023, data from Guangdong 3SBIO Pharmaceutical Co., Ltd. was collected, resulting in an increase in water consumption density. If calculated on the original basis in 2022, the water consumption density is 1.03 tons/RMB10,000, a year-on-year decrease of 7.74%.

7. The increase in waste gas emissions in the year 2023 is mainly due to the increase in the emissions of Sunshine Guojian. In 2022 and before, Sunshine Guojian's waste gas emission statistics only included exhaust gas data from three boilers. In 2023, according to the requirements of the environmental statistics authority, exhaust gas data from five new outlets (three in the production building, one in the research building, and one in the sewage station) were added, resulting in a significant increase in the total amount.

8. In 2023, the Company saw a decrease in COD emissions mainly because the concentration of sewage discharge detected in Shenyang Sunshine decreased and the total amount of sewage discharge from Sunshine Mandi decreased. The actual environmental statistics for Shanghai had not yet been generated during the data collection for the previous year's COD emissions and ammonia nitrogen (NH_3-N) emissions from Sunshine Guojian. This resulted in a discrepancy between the disclosed values and reality. After data tracing, the Company updated the data of COD emissions and NH_3-N emissions for 2022 based on the actual environmental statistics of Sunshine Guojian.

9. In 2023, Sunshine Mandi's non-hazardous waste production increased significantly due to regular product scrapping, increasing the Group's total non-hazardous waste.

10. The GHG emissions were the sum of Scopes 1 and 2.

The greenhouse gas-related parameters for Scope 1 and Scope 2 come from the Accounting Method and Reporting Guidelines of Corporate GHG Emissions Power Generation Facilities and the China Energy Statistical Yearbook (latest released version). In the calculation of Scope 2 GHG emissions, the steam emission coefficient came from the Accounting Methods and Reporting Guidelines for GHG Emissions of Industrial Enterprises in Other Industries (Trial) (2015) issued by the National Development and Reform Commission of China. The Group selected 0.5810 kg CO_2 equivalent/KWh (the latest value from the Accounting Method and Reporting Guidelines of Corporate GHG Emissions Power Generation Facilities (Revised in 2022)) for the electricity emission factors in 2021. Also, the Group selected 0.5703 CO_2 equivalent/KWh (according to the Ministry of Ecology and Environment's Update of the Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry from 2023 to 2025) for the electricity emission factors in 2022 and 2023.

In addition, referring to the national level greenhouse gas emission intensity data released by the European Environment Agency (https://www.eea.europa.eu/data-and-maps/daviz/co2-emission-intensity-14/#tab-googlechartid_chart_41), Italy's greenhouse gas emission intensity in 2010 and 2022 were 0.339 and 0.252 tons of CO_2 equivalent/MWh, respectively. Based on this data, the Company has made retrospective adjustments to the greenhouse gas emissions data for Sirton Scope 2.

Supply Chain Responsibility

Performance Indicators	Unit	2021	2022	2023
Total number of suppliers[1]	/	2,269	2,570	3,017
Number of suppliers from the Chinese mainland	/	1,839	2,120	2,639
Number of suppliers from Hong Kong, Macao, Taiwan and foreign countries	/	430	450	378
Number of suppliers subject to evaluation in terms of environment, labor and ethics	/	1,816	2,152	2,638
Number of suppliers passing evaluation in terms of environment, labor and ethics	/	1,816	2,152	2,638

Note:

1. With the expansion of the Group's business in 2023, the number of subsidiaries and manufacturing bases increased, and the number of suppliers in the Chinese mainland increased significantly.

8. Appendix

Social Contribution Responsibility

Performance Indicators	Unit	2021	2022	2023
Charitable donations[1]	RMB 10,000	4,081.73	2,218.00	2,162.90
Number of people contributing to volunteer services	/	400	400	200
Total hours of volunteer services[1]	Hour	6,100	400	200

Note:

1. The amount of charitable donations refers to the Charity Law, and the actual amount of donation invoices obtained by the Group is used as the data caliber. There is a difference between the time limit for obtaining donation invoices and the actual donation behavior, and the actual donation behavior in the current year shall prevail.

   Volunteer service duration is calculated as "Service duration = Number of volunteers * Average service times * Average service duration per person". Before 2023, the main form of employee volunteer service was participation in public welfare drug donation projects. In 2023, the Company mainly improved access to medicines for patients by participating in volume-based procurement organized by the Healthcare Security Administration, resulting in a decrease in the amount of charitable donations and the duration of volunteer service for public welfare drug donation projects.

8.2 Description of Topics of High Materiality

Based on the screening thresholds and impact assessment of the material topics for 2023, the Group has identified topics of high materiality to 3SBIO for 2023 (see the "Analysis of Material Topics" for details). The Group has explained the definition and boundaries of these topics in the table below and indicated the location of relevant information in the report. Among them, "material topic boundaries" refer to the links that may have a significant impact on the Group's value chain, which can be tentatively divided into three links: "supply chain", "production and operation", and "service".

Topics of High Materiality	Topic Description	Topic Boundary			Location
		Supply Chain	Production & Operation	Products and services	
R&D innovation	The Group's innovations and R&D achievements in drug discovery and biotechnology.			√	Supporting Healthcare Development
Product quality and safety	The Group ensures that its products or services comply with laws, regulations and industry standards and that its products meet the requirements for human health, personal safety and property protection, including management systems and measures. User services, user complaints and handling, including disclosure of data relating to user satisfaction, user services and complaints.		√	√	Product quality and safety
Compliance operation	The Group strictly complies with laws and regulations in the conduct of its business and operations.		√		Compliance and Risk Management
Supply chain resilience	The Group's assessment and management of suppliers' environmental, labor and social performance. The Group's efforts to improve the stability of the supply chain, such as increasing the proportion of local suppliers.	√	√		Resilient Supply Chain Responsible Supply Chain

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Topics of High Materiality	Topic Description	Topic Boundary: Supply Chain	Topic Boundary: Production & Operation	Topic Boundary: Products and services	Location
Medical inclusion and health care accessibility	The Group takes innovative steps to provide access to medicines and products for poor patients in both developed and developing countries. The Group benefits from these steps, thereby expanding its reputation, corporate and product brands, and market penetration of its products and services.			√	Enhancing Accessibility to Medicines and Medical Services
Occupational health and safety	The Group provides a safe working environment and the necessary protective measures for its employees, including establishing an occupational health management system, conducting risk assessment and identification, and providing safety training.		√		Occupational health and safety
Industry development	The Group strengthens cooperation, including participation in the formulation of industry standards and industry conferences, with companies in the same industry or upstream and downstream of the industry.			√	Supporting Healthcare Development
Information security and privacy protection	The Group standardizes its data processing activities, including management methods, management measures, etc., to ensure data security.		√		Information security and privacy protection
Intellectual property rights (IPRs) protection	The Group's management system, management measures and results in protecting its intellectual property rights and not infringing the intellectual property rights of others.		√		Supporting Healthcare Development

Topics of High Materiality	Topic Description	Topic Boundary: Supply Chain	Topic Boundary: Production & Operation	Topic Boundary: Products and services	Location
Corporate governance	The Group establishes an effective governance structure of "General Meeting of Shareholders, Board of Directors, Board of Supervisors, and Senior Management" and promotes the diversity and independence of the Board of Directors to ensure the standardized operation of the Group and scientific, standardized and transparent corporate governance		√		Corporate Governance Framework
Climate change mitigation and adaptation	The Group's management methodology and data disclosure regarding carbon emissions management of its own operations and carbon footprint management of its products.	√	√		Responding to Climate Change
Business ethics	The Group's actions and results in the prevention of commercial bribery, corruption, fraud, extortion and conspiracy.		√		Business ethics and anti-corruption
Emissions management	Classification and treatment of the Group's wastewater, air emissions, hazardous waste and non-hazardous waste, and reduction of the Group's wastewater, air emissions, hazardous waste and non-hazardous waste, including management methods and emission data.		√		Pollutant Reduction

8.3 Index to the *Environmental, Social and Governance Reporting Guide* of the Hong Kong Stock Exchange (the version effective since December 31, 2023)

Aspects, General Disclosure, Key Performance Indicators (KPIs)	Chapters
A. Environmental	
A1. Emissions	Environmental Management System Pollutant Reduction
A1.1	Performance Data
A1.2	Performance Data
A1.3	Performance Data
A1.4	Performance Data
A1.5	Environmental Management System Pollutant Reduction Climate Change Governance
A1.6	Pollutant Reduction
A2. Use of resources	Environmental Management System Efficient Use of Resources
A2.1	Performance Data
A2.2	Performance Data
A2.3	Environmental Management System Efficient Use of Resources
A2.4	Environmental Management System Efficient Use of Resources
A2.5	Performance Data
A3. Environment and Natural Resources	Environmental Management System Efficient Use of Resources
A3.1	Environmental Management System Efficient Use of Resources
A4. Climate Change	Climate Change Governance
A4.1	Climate Change Governance
B. Society	
Employment and Labor Practices	
B1. Employment	Employees' Rights, Interests and Welfare Talent Development and Retention
B1.1	Performance Data

Aspects, General Disclosure, Key Performance Indicators (KPIs)	Chapters
B1.2	Performance Data
B2. Health and Safety	Occupational Health and Safety
B2.1	Performance Data
B2.2	Performance Data
B2.3	Occupational Health and Safety
B3. Development and Training	Talent Development and Retention
B3.1	Performance Data
B3.2	Performance Data
B4. Labor Guidelines	Employees' Rights, Interests and Welfare
B4.1	Employees' Rights, Interests and Welfare
B4.2	No Violations
Operating Practices	
B5. Supply Chain Management	Supply Chain Responsibility
B5.1	Performance Data
B5.2	Supply Chain Responsibility
B5.3	Supply Chain Responsibility
B5.4	Supply Chain Responsibility
B6. product liability	Product responsibility
B6.1	Performance Data
B6.2	Product responsibility Performance Data
B6.3	Supporting Healthcare Development
B6.4	Product responsibility
B6.5	Information Security and Privacy Protection
B7. Anti-corruption	Business ethics and Anti-corruption
B7.1	Performance Data
B7.2	Business ethics and Anti-corruption
B7.3	Business ethics and Anti-corruption
Community	
B8. Community Investment	Social Contribution Responsibility
B8.1	Social Contribution Responsibility
B8.2	Social Contribution Responsibility Performance Data

8.4 About the Report

The ESG report is the eighth released by 3SBIO. It discloses to key stakeholders the actions the Group has taken in promoting sustainable economic, environmental and social development and the achievements it has made.

Basis of the Report

The report is prepared in line with the *Environmental, Social and Governance Reporting Guide* of the Hong Kong Stock Exchange (the version effective since December 31, 2023).

Scope of the Report

Organizational coverage: This report covers 3SBIO and its subsidiaries, consistent with the coverage of consolidated financial statements in the annual report. Among them, environmental performance data come from the subsidiaries mainly engaged in manufacturing and R&D, excluding subsidiaries mainly engaged in investment holding and project management.

Time Scope: January 1, 2023 to December 31, 2023.

Full and Short Names of Affiliates in the Report

Major Subsidiaries	Name in Short
Shenyang Sunshine Pharmaceutical Company Limited	Shenyang Sunshine
Guangdong Sunshine Pharmaceutical Company Limited	Guangdong Sunshine
Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd.	Sunshine Guojian
National Engineering Research Center of Shanghai Antibody Medicine	NERC
Zhejiang Sunshine Mandi Pharmaceutical Co., Ltd.	Sunshine Mandi
Shenzhen Sciprogen Bio-pharmaceutical Co., Ltd.	Sciprogen
Sirton Pharmaceuticals S.p.A.	Sirton

Notes:

1. In 2024, the Group's subsidiary, Zhejiang Wansheng Pharmaceutical Co., Ltd. (referred to as "Zhejiang Wansheng") was renamed to "Zhejiang Sunshine Mandi Pharmaceutical Co., Ltd." (referred to as "Sunshine Mandi").

2. As NERC is a subsidiary of Sunshine Guojian, the information disclosed in this report in regard to Sunshine Guojian include the information of NERC.

Data Description

Data and cases in this report come from the original records of business operation or financial reports of the Group.

Financial data in this report are denominated in RMB. In the event of any discrepancy in financial data between this report and the Group's annual financial statements, the latter shall control.

Principles of Reporting

The report follows the reporting principles of the *ESG Reporting Guide* by the Hong Kong Stock Exchange. They include:

- **Materiality Principle**

  In line with the principle, the report determines ESG issues that should be responded to in reporting through surveys on stakeholders and analysis of materiality. ESG issues that are sufficiently important to investors and other stakeholders are highlighted in the report.

- **Quantitative Principle**

  By this principle, the report discloses KPIs which are accompanied by a narrative, explaining the calculation basis and assumptions.

- **Balance Principle**

  By this principle, the report provides an unbiased picture of the Group's performance, with both positive and negative indicators.

- **Consistency Principle**

  By this principle, the report explains the KPI numbers as well as the corresponding calculation basis and assumptions. Meanwhile, it manages to use consistent KPIs in different reporting periods to reflect the performance trend.

Reporting Responsibility and Assurance

The Board of Directors of the Company has overall responsibility for ESG strategy and reporting of the Company. To the best knowledge of the management, there are no falsified information, nor material misleading statements or material omissions in this report.