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

na Frank



2024 Sustainability Report

& Environmental, Social and Governance (ESG) Report

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About this Report

This report is the 15th Sustainability Report (known as Social Responsibility Report prior to 2020) issued by Shanghai Pharmaceuticals Holding Co., Ltd., hereinafter referred to as "SPH", "the Group", "the Company", "Company" or "We". The report provides details on the environmental, social and governance ("ESG") practices and performance of the Company and its subsidiaries in 2024. This is an annual report. The previous one was published in March 2024.

Important Notice

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

Reporting Scope

This report covers the period from January 1, 2024 to December 31, 2024 (the "Reporting Period"). Some contents and data may touch on a period beyond this timeline. The scope of this report aligns with the consolidated financial statements of the Company. There have been no significant changes compared with the Company's Sustainability & Environmental, Social and Governance Report from 2023.

Reporting Standard

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Exchange"), Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies— Sustainability Report (Trial) (the "Guidelines"), the ESG Indicator System for Listed Companies Controlled by Shanghai State-Owned Enterprises issued by the State-owned Assets Supervision and Administration Commission of Shanghai, as well as some indicators specified in the GRI Sustainability Reporting Standards and Chinese Academy of Social Sciences Guidelines on Sustainability Reporting for Chinese Enterprises (CASS-ESG 6.0).

Reporting Principles

This report is produced with the following principles: "materiality", "quantitative", "balance" and "consistency" as indicated in the ESG Guide.

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

Report Availability

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

Sustainability & Environmental, Social and Governance Report from 2023.

Report Preparation Process



Definition

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

"SPH" , "the Group" , "the Company" or "We" $% \mathcal{S}^{(1)}$	Shanghai I
SHAPHAR	Shanghai I
SPH Sales	SPH Drug S
SPH Research Institute	Central Res
SPH Sine	Shanghai S
SPH SBPC	SPH No. 1 I
SPH TCM	Shanghai ⁻
SPH Leiyunshang	Shanghai
SPH Changzhou Pharma	SPH Chang
SPH New Asia	Shanghai
SPH Zhongxi Sunve	Shanghai I
SPH Techpool	Techpool E
SPH Qingchunbao	Chiatai Qir
SPH Growful	SPH Qingd
SPH Herbapex	Liaoning S
Huqingyutang Pharma	Hangzhou
SPH Zhonghua Pharma	Shanghai 2
SPH XTCM	Xiamen Tra
SPH Kony	Shanghai
SPH SMICC	Shanghai
SPH SunwayBio	Shanghai S
SPH Import & Export	Shanghai I
SPH-BIOCAD	SPH-BIOCA
SPH RD	Shanghai S
Biopharma Evolution	Shanghai I
A-shares	Domestic Stock Exch
H-shares	Overseas s Stock Exch

Pharmaceuticals Holding Co., Ltd.

i Pharmaceutical Co., Ltd.

Sales Co., Ltd.

esearch Institute of Shanghai Pharmaceuticals Holding Co., Ltd.

SPH Sine Pharmaceutical Laboratories Co., Ltd.

Biochemical & Pharmaceutical Co., Ltd.

Traditional Chinese Medicine Co., Ltd.

Leiyunshang Pharmaceutical Co., Ltd.

ngzhou Pharmaceutical Co., Ltd.

SPH New Asia Pharmaceutical Co., Ltd.

i Zhongxi Sunve Pharmaceutical Co., Ltd.

Bio-Pharma Co., Ltd.

ngchunbao Pharmaceutical Co., Ltd.

dao Growful Pharmaceutical Co., Ltd.

SPH Herbapex Pharmaceutical (Group) Co., Ltd.

u Huqingyutang Pharmaceutical Co., Ltd.

i Zhonghua Pharmaceutical Co., Ltd.

raditional Chinese Medicine Factory Co., Ltd.

i Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.

Medical Instruments Co., Ltd.

i Sunway Biotech Co., Ltd.

i Pharmaceutical Import & Export Co., Ltd.

CAD (HK) Limited

SPH Rare Disease Co., Ltd.

Biomedical Frontier Industry Innovation Center

c shares of the Company, which are listed on the Shanghai hange and traded in CNY

s shares of the Company, which are listed on the Hong Kong hange and traded in Hong Kong dollars

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

The year 2024 marks the 75th anniversary of the People's Republic of China and a pivotal year for achieving the objectives of the "14th Five-Year Plan". As a state-owned pharmaceutical leader, SPH upholds its responsibility as a dominant force in the pharmaceutical value chain, prioritizing national imperatives while staying true to our mission of "Committed to Improving Health and Quality of Life." By aligning with national strategic priorities and contributing to Shanghai's broader development agenda, SPH has delivered a compelling response to the "Healthy China" initiative, bringing high quality growth to society.

Foundations for High-Quality Growth

We remain unwavering under the comprehensive leadership of the Communist Party of China (CPC), leveraging high-caliber Party-building efforts to drive highguality development. Through the strategic framework of "solidifying foundations, strengthening core capabilities, and achieving innovation breakthroughs," we have further concentrated efforts on principal responsibilities and core operations. The systematic implementation of the "Three Horizontal, Three Vertical" strategic initiative ensures steady, robust, and impactful progress. Rigorous compliance and internal controls, embedded within our organizational culture, serve as cornerstones for healthy and sustainable development. In 2024, SPH continued to grow, climbing to the **411th** position on the Fortune Global 500 list while retaining its standing among the Top 50 Global Pharmaceutical Companies and Top 25 Most Valuable Pharmaceutical Brands.

Serving Strategic Imperatives to **Develop New Quality Productive Forces**

We are methodically reforming our R&D organizational structure to cultivate the "Biopharma Evolution" initiative, integrating innovation ecosystems across industry, academia, research, healthcare, and capital. By fostering deep synergies between innovation chains, industrial chains, capital flows, and talent pipelines, we have established a "one-table" collaboration mechanism to create an open-source innovation ecosystem transcending traditional boundaries. To forge an "innovation model" for industry-academia-research collaboration, we have deepened resource-sharing, cross-appointments of talent, joint platform development, and shared research outcomes with leading universities. Through a dualappointment mechanism, we have recruited pioneering talents and innovation teams to co-establish the National Key Laboratory of Innovative Immunotherapy, in a drive to address the "first mile" of breakthrough research and the "last mile" of commercialization. Simultaneously, we have advanced into the new frontier of cell and gene therapy with the establishment of Shanghai Kangjiansheng Cell Technology Co., Ltd. Notable progress has been achieved in CD19/CD22 dual-targeted CAR-T therapies, with original research in cellular therapies presented at international academic conferences.

Deepening Operational Excellence to Safeguard Public Health

With a people-centric health mission, we harness the integrated industrial-commercial-investment-R&D model to safeguard public health. Through strategic optimization, we advance holistic commercial integration, expanding our collaborative network and scaling contract sales organization (CSO) operations to provide fulllifecycle services for innovative drugs. Our vision is to establish a national-grade pharmaceutical supply chain service platform. We enhance operational efficiency through targeted interventions in core products, critical technologies, and priority areas, thereby driving industrial marketing transformation, structural optimization, and advanced intelligent manufacturing. In 2024, SPH was recognized with 61 national-level guality awards and **106** provincial/municipal-level quality accolades. We remain committed to preserving the traditional Chinese medicine (TCM) heritage through innovative formulations while promoting its global integration. Simultaneously, we have elevated Shanghai-Hong Kong collaboration to new heights, steadily expanding our international market presence.

Putting People First to Unlock Talent Potential

We uphold a development philosophy that prioritizes human capital as our most valuable asset. This commitment translates into robust safeguards for employee rights, meticulous attention to their well-being, and the cultivation of a workplace characterized by openness, inclusivity, fairness, equity, harmony, and health. Employee development is prioritized through comprehensive training programs, diversified career pathways, and digital learning platforms, enabling personal fulfillment and professional growth. In 2024, SPH was once again recognized as a "Top Graduate Employer" and listed among "Employer Excellence of China (Top 100)," with 13 staff members honored as "Shanghai Craft Masters."

> Seizing the Moment, We Set Sail Anew. The year 2025 marks the conclusion of the "14th Five-Year Plan" and the inauguration of the "15th Five-Year Plan". Let us join hands to forge ahead, pioneering new chapters in high-quality healthcare development. Together, we will build a robust foundation for advancing China's modernization and national rejuvenation through healthcare excellence.

Focusing on Core Operations to Build

2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

Message from the Chairman

About SPH

Sustainable Development Special Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations . Through Shared Virtue

Pioneering New Pathways to Build a Healthy China

Pursuing High-guality Development in HR Working Together to Promote Industrial Upgrading Effort from All Parties

. Management with Collective

Outlook for 2025

Appendix

Championing Green Development to Realize the Beautiful China Vision

We remain steadfast in implementing the "ecological civilization philosophy" and advancing green manufacturing systems. As of the end of the reporting period, SPH operated **11** national-level Green Factories, **10** provincial/municipal-level Green Factories, 8 Zero-Waste Facilities, **5** Water-Saving Enterprises, and **2** Green Supply Chain Demonstration Enterprises. 32 subsidiaries hold ISO 14001 certification, and 26 hold ISO 50001 certification.

Fulfilling Corporate Social Responsibility to Co-Create Prosperous Lives

Guided by our corporate philosophy of "serving the public through heartfelt philanthropy," we integrate corporate growth with national welfare priorities and push ahead corporate social responsibility initiatives. Addressing the unique needs of rare disease patients, we have intensified R&D in orphan drugs and become one of China's leading enterprises with the most approved rare disease drugs. In response to unpredictable flood disasters, we leveraged our nationwide pharmaceutical distribution network to deliver aid promptly. We continued to advance the "100 Enterprises Helping 100 Villages" program, ensuring seamless integration between the consolidation of poverty alleviation achievements and the broader rural revitalization initiative. In Yunnan and Xizang, we supported safflower and Tibetan saffron cultivation projects through "Pioneer Red" and "Hui'ai Saga" initiatives. In 2024, our total philanthropic contributions amounted to CNY 21,009,900, with CNY 2,053,700 invested to support rural revitalization.



005 | SPH

About SPH

2024 Sustainability Report & Environmental, Social and

SPH is a vertically-integrated and diversified pharmaceutical group. The Company has dual listings on the stock exchanges in Hong Kong (02607) and Shanghai (601607). With a registered capital of CNY 3,703 million, our core business spans pharmaceutical manufacturing, distribution, and retail.

Message from

the Chairman

Special

Coverage

Through decades of evolution, SPH has remained true to its founding mission. From producing China's **first** penicillin batch shortly after 1949, when the People's Republic of China was founded, to establishing the first Sino-U.S. joint venture pharmaceutical manufacturer during reform and opening-up, and later pioneering the world's first oncolytic virus therapy, SPH subsidiaries have consistently demonstrated patriotic dedication and social responsibility though our country's history, making new contributions in the modern age.

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

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

The Company's main business covers pharmaceuticals and pharmaceutical services. These include biological products, chemicals, Traditional Chinese Medicine (TCM), nutrition and supplements, orphan drugs, pediatric drugs, distribution and retail. SPH aims to achieve integrated, efficient and coordinated development, provide safe and effective drugs for patients, and meet public health needs, contributing to China's "Healthy China 2030" national strategy.

R&D and Manufacturing

Our manufacturing division ranks among the top 50 global pharmaceutical companies. SPH offers a robust portfolio of products, with multiple medications certified by WHO, FDA, EU, and other international standards and distributed in overseas markets. Guided by principles of quality prioritization, cost efficiency, green development, and intelligent manufacturing, we drive operational excellence and smart production through systemic capabilities, in a bid to advance the transformation and upgrade of the entire industrial value chain.

The Company has a strategy for innovative development. It has increased investment in R&D, optimized its R&D platforms and transformed its R&D model. Furthermore, in-house research, import and incubation efforts have been made for innovative drugs, modified new drugs, orphan drugs and secondly-developed TCM. An R&D system for domestic and foreign new drugs is in place, covering early drug discovery, preclinical and clinical research to BD cooperation. Through "in-house R&D + external collaboration", SPH is building a state-of-art product portfolio to meet unmet clinical needs.

We continue to strengthen core operations of our TCM segment, which now comprises 8 key TCM subsidiaries, 9 core TCM brands, and a portfolio of clinically valuable and market-differentiated herbal products. Generating nearly CNY 10 billion in revenue, this segment benefits from deep brand heritage and a strong foundation leading to sustained growth of our TCM business in recent years.

SPH diligently advances its efforts in the development of pharmaceuticals for rare diseases. To date, SPH boasts a portfolio of **51** products for rare disease treatment, addressing **67** distinct medical indications. This positions it as one of the foremost pharmaceutical manufacturers in China with the broadest range of rare disease drugs currently in production. Annually, SPH supplies medicines to 150,000 patients afflicted with rare diseases.

Upholding Integrity with Steadfast Action, Forging Developmental Foundations hrough Shared Virtue

Pioneering New Pathways to Build a Healthy China

Working Together to Promote Industrial Upgrading

Pursuing High-guality Development in HR . Management with Collective Effort from All Parties

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

Sustainable Development Special Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China

Pursuing High-guality Development in HR Working Together to Promote Industrial Effort from All Parties

Management with Collective

Distribution and Retail

With a distribution and retail network spanning all administrative divisions nationwide, SPH is China's second-largest national pharmaceutical distributor and a premier platform for imported medicines, and is gradually evolving into a "technologydriven health services enterprise."

About SPH



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

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

SPH's mission is "Committed to Improving Health and Quality of Life" and its vision "An Internationally Trusted and competitive Biopharmaceutical and Healthcare Provider". The Company's core values are "Innovation, Integrity, Cooperation, Inclusiveness and Responsibility". The Company ranks second in China's pharmaceutical industry and has made the Fortune Global 500 and the Pharm Exec 50 lists for five consecutive years. It is included in the constituent stocks of the SSE 180, CSI 300 indices and MSCI.

As China's pharmaceutical industry undergoes structural transformation and market differentiation, SPH proactively adapts to regulatory and market dynamics. We enhance operational efficiency, elevate industry standing, uphold stringent social responsibility standards, and improve services to meet evolving public health needs.

Core Brands

Upgrading



Appendix

June 15 SPH was listed among the global top 50 pharmaceutical companies for the fifth consecutive year with a ranking of No. 42.

SPH partook in the "OASES Partnership

Signing Ceremony" as part of its

commitment to support the development

of Hong Kong's innovation and technology

September 10

Biopharma Evolution was officially opened, introducing a "one-table" collaboration mechanism to foster an open innovation hub and expedite the implementation of an open-source innovation ecosystem.

November 6

SHAPHAR debuted as an exhibitor at the 7th China International Import Expo, signing strategic partnerships with numerous domestic and international enterprises.

December 1

SPH's linaprazan glurate capsule (Project X842) received marketing authorization approval from China's National Medical Products Administration. • April 15

During an official visit to SPH, Secretary of CPC Shanghai Municipal Committee Chen Jining emphasized the need for SPH to focus on its principal responsibilities and core operations and accelerate the strengthening of its competitiveness.

August 5

SPH was included on the Fortune Global 500 list for a fifth consecutive year with a ranking of No. 411.

September 10

SPH officially inaugurated Shanghai Kangjiansheng Cell Technology Co., Ltd. and signed a quadrilateral strategic cooperation agreement with Ruijin Hospital Affiliated to Shanghai Jiao Tong University School of Medicine, Shanghai Children's Medical Center, and China Stem Cell Group to jointly advance cell therapy innovation.

November 7

SPH deepened comprehensive strategic collaboration with Shanghai Jiao Tong University to co-establish a National Key Laboratory of Innovative Immunotherapy. Additionally, both parties launched a "dual-appointment" universityenterprise cooperation model to ratchet up initiatives to develop new quality productive forces. Annual Honors

411th on the Fortune Global 500 list in 2024

Fortune Magazine

20th

on the Top 25 Pharmaceutical Companies with Global Brand Value List in 2024

Brand Finance UK, a brand valuation consultancy

105th

among the Top 500 Chinese Enterprises in 2024

Shanghai Enterprise Confederation, China Enterprise Confederation

3rd

among the Top 100 Chinese Chemical & Pharmaceutical Companies in 2023

MENET

Top 10 China's Innovative BigPharma Companies in 2023

MENET

Annual Events

ecosystem.

March 20

About SPH

•

2024

Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Working Together to Pathways to Build a Promote Industrial Healthy China Upgrading Pursuing High-quality Development in HR Management with Collective Effort from All Parties

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42nd on the Top 50 Global Pharmaceutical Companies List in 2024

PharmExec, a U.S. Magazine

Top 100 Pioneers ESG Listed Companies in China 2024

China Media Group

43rd

among the Top 500 Chinese Manufacturing Enterprises in 2024

Shanghai Enterprise Confederation, China Enterprise Confederation

3rd

among the Top 100 Shanghai Manufacturing Enterprises in 2024

Shanghai Enterprise Confederation, China Enterprise Confederation

152nd

on the 2023 List of China's Top 500 Companies on New Media

SASAC News Center & Tsinghua University Center for Journalism Studies

5.75%

YOY Growth

20.82%

YOY Growth

About SPH

Sustainable Development Coverage Governance System

CNY 221.209m

Total Assets

12

6.133

67

Green Belt exam

Professionals

LSS Black Belt-Certified

CNY 7.327m

Total Paid-In Taxation

ISO 9001-certified subsidiaries

Employees who passed LSS

Special

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Statistics and Facts for 2024

Q	Economic	Performance

CNY 275,251 m	
Operating Revenue	

CNY 4.553m Net Profit Attributable to Shareholders

O Quality Management

61 National Quality Awards

106 Provincial and Municipal Quality Awards

41.000+ participants

779

Quality Campaigns

1.044

LSS Green Belt-Certified Professionals

Employees who passed LSS black Belt exam

246

1.465

Lean projects

O R&D and Innovation

CNY 2.818m

R&D Investment

New that received clinical

applications or entered the

follow-up clinical research

R&D Team Members

1.772

15 new varieties (16 specifications)

Passed the consistency evaluation of quality and efficacy

1.982

Cumulative Number of Granted Patents

varieties (103 74 specifications) in total

Passed the consistency evaluation of quality and efficacy

O Employees

49.402

Total Number of Employees

36.82 Hours Average Hours of Training

(per employee)

CNY 29.881.800

50.69%

Training Costs

O Environmental Protection

 $CNY \sim 118 m$ Investment in Environment Protection

11 National Green Factories

32 ISO 14001-certified subsidiaries

26 ISO 50001-certified subsidiaries

Enterprise" status

8

Entities adopting clean production practices

Entities honored with "Green Supply Chain Demonstration Enterprise" title (including 1 national-level demonstration enterprise)

8

5

Entity named "China's Top Runner for Industrial Carbon Peaking"

Entities recognized as local "Zero-Waste Factory"

O Public Welfare

CNY **21,009,900**

Total Public Welfare Expenditures

Total Rural Revitalization Investment

CNY 2.053.700

54

stage

2

Outlook for 2025

Appendix

Percentage of Female

849.966

Training Participants

100%

Safety Training (%)

10

Provincial and Municipal Green Factories

4

New entities implementing solar photovoltaic green energy projects

Entities awarded provincial/ municipal "Water-Saving

Entity recognized as "Shanghai Water Efficiency Leader"

Entity certified as "Shanghai Zero-Carbon Factory"

1.670.5 Hours

Total Volunteer Service Hours

Organization Standards"

Accolades Received by SPH Health Commerce in 2024 G 6 Ö Listed among Listed among Listed among "China's Top 100 Pharmacies by "Shanghai Key Service Unicorn "China Future Healthcare (Potential) Enterprises" Rankings 2024 - Top 100 Medical Value' Services Companies" 6 6 6 Listed among Listed among Recognized as "2023-2024 China's Top 100 Chain "2023 Top 20 Chinese "2023-2024 Best Pharmaceutical Pharmacies by Comprehensive Pharmaceutical Retailers by Total Services Case for Pharmaceutical Retailers" Strength" Sales" 6 6 Ranked Selected as Listed among 14th among "2023 Top 100 "Digital Transformation Excellence "2024 Top 100 Pharmaceutical **Retailers in the Pharmaceutical** Case & Popularity Case" in the Retailers by Comprehensive Competitiveness Index" Distribution Industry" selection of "2024 National Pharmaceutical Industry Digital Transformation & Innovation Cases" Ranked 6th in Listed among Listed among "2024 Shanghai Top 10 Cases "2024 Chinese Healthcare Front "2023-2024 Pharmaceutical for Best Practices in Social Runners - Top 100 Digital Health Industry Statistics - Top 50 Chain

Companies"

Pharmacies by Revenue"

Over the past decade, SPH Health Commerce has continuously upgraded its digital services and internet platforms, offering specialized solutions such as digital marketing, patient care, innovative payment models, and internet hospital operations to governments, medical institutions, R&D firms, pharmaceutical companies, and payment providers. By establishing online hospital platforms and disease-specific treatment systems, SPH delivers integrated medical solutions encompassing diagnosis, medication, insurance, and case management.

Special Coverage

Advancing Technology-Driven Healthcare Innovation Partnering for the Shared Vision for Health

Message from

the Chairman

The advancement of innovative drugs is pivotal to the growth of the pharmaceutical industry and the well-being of the population. In 2024, the State Council Executive Meeting approved the Comprehensive Implementation Plan for Supporting Innovative Drug Development, calling for strengthened policy support across the entire value chain to collectively propel breakthroughs in innovative drug development.

SPH Health Commerce, a subsidiary of SPH, is China's leading integrated service provider for the innovative drug outpatient market. Since its founding in 2015, SPH Health Commerce has aligned its operations with the "Healthy China" initiative by consistently prioritizing patients' needs, promoting the commercialization of innovative drugs, and enhancing patients' access to medications, services, and payment solutions, in addition to supporting healthcare system reforms by pioneering China's specialized pharmacy model for prescribing-dispensing separation huh?.

Accelerating End-to-End Integrated Commercialization of Innovative **Drugs to Enhance Healthcare Accessibility**

SPH Health Commerce has established a prescription drug service brand centered on the "Always Choose Yiyao Pharmacy for New Specialty Drugs" motto. Through comprehensive, end-to-end services, the platform rapidly delivers advanced domestic and foreign innovative therapies to Chinese patients. Presently, the nationwide network of Yiyao Pharmacy exceeds 200 locations, spanning 25 provinces and 66 cities. Collaborating with over 300 multinational corporations (MNCs) and domestic innovative drug manufacturers, Yiyao Pharmacy provides end-to-end supply chain solutions, charitable aid programs, patient education, and innovative payment models such as city-level healthcare insurance, positioning itself as the premier gateway for cutting-edge global therapies entering China. The platform secures roughly 80% of first-order collaborations for newly launched specialty drugs and holds over 70% market share in CAR-T therapies, having served over 6 million patients.

SPH Health Commerce continues to set new benchmarks in speed-to-market for innovative drugs. Leveraging SPH Health Commerce's supply chain capabilities, Dizal Pharma's inaugural commercial product, Shuvozertinib Tablets, achieved a new industry benchmark with its "first prescription dispensed in four days" from a third-party manufacturing facility.

Yiyao: The Preferred Platform for National First-Order Launches of Innovative Drugs

300 +80% + Partnering MNCs & First-Order Collaborations for Chinese Innovative Drug Manufacturers New Specialty Drugs

Patients Served

Building a Commercialization-Driven, Full-Lifecycle Service Ecosystem for Innovative Drugs



Governance System

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6 Million+

90% +

Covered

Innovative Drugs



Yiyao Pharmacies

End-to-End Pharmaceutical Services System for Comprehensive Support of Patients' Health Needs

SPH Health Commerce provides a solution for patients and hospitals in an all-round way - it represents a deep commitment to addressing patients' complex needs. As a pioneering pharmacy model in China epitomizing end-to-end operations across the entire commercialization lifecycle of innovative drugs, SPH Health Commerce remains steadfast in its patient-centric approach and continuously enhances the capabilities of its DTP pharmacies through precision-driven services, specialized care models, and superior quality. By integrating online hospital platforms, disease-specific care systems, and seamless online-offline service models, SPH Health Commerce optimizes service workflows and quality, delivering convenient, efficient, and professional end-to-end pharmaceutical management services. This approach significantly elevates patients' medication procurement experiences and enhances treatment accessibility.

About SPH

Precision-Driven Services

SPH Health Commerce's comprehensive pharmaceutical services cover pre-sale, in-sale, and post-sale stages, incorporating cold-chain distribution, specialized infusion services, patient education, and charitable drug donation management.

Specialized Care Models Organized by disease category,

SPH Health Commerce's vertical management framework enables the delivery of specialized pharmacist services tailored to rare diseases, CAR-T cell therapies, and other niche medical needs



Quality Excellence

Q

Partnerships with various stakeholders enable SPH Health Commerce to deliver integrated healthcare services encompassing diagnosis, medication, insurance, and case management.

Pioneering New Pathways to Build a

Working Together to Promote Industrial Upgrading

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📻 Case Study

Development of a Digital Pharmaceutical Knowledge Repository

In 2024, the company initiated the creation of a digital pharmaceutical knowledge repository, integrating AIpowered pharmacist assistant software to deliver enhanced precision and efficiency in pharmaceutical services. This initiative equips pharmacists with intelligent Q&A capabilities, data analytics tools, and professional pharmaceutical recommendations, boosting the professionalism and intelligence of pharmaceutical services delivery. By the close of 2024, the repository encompassed 13 core medical departments, 66 common disease categories, and featured nearly 200 initial medication counseling cards for rare and specialty conditions, alongside **50** authoritative disease guidelines. A knowledge base of **nearly 5,000** clinically validated medication Q&A pairs was curated to serve as the foundational dataset for AI-driven healthcare applications.

As of the End of 2024

SPH Health Commerce

- Maintained a professional pharmacist team exceeding 400 members.
- Expanded coverage to over 130 major diseases and chronic conditions.
- recognized as a High-Tech Enterprise (Certificate No. GR202431002422) by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance, and Shanghai Municipal Tax Service of State Taxation Administration.
- Secured four software copyrights for its Yiyao Patient Management System (V2.0), Yiyao Pharmacist Al Assistant (V1.0), and Yiyao Membership & Patient Information Platform (V1.0).

In 2024

Yiyao Pharmacy conducted a variety of patient education initiatives, including:

- 250+ patient education sessions with 3,600+ participants;
- 12 collaborative events with lymphoma patient organizations, engaging 360+ patients;
- 3 partnership programs with lupus patient groups, involving 100+ participants.

Guangzhou Baiji

Capacity Building for Pharmacists

- The Pharmacy Department developed 70+ specialized training modules and produced 300+ medication counseling
- materials, conducting 200+ pharmacist training sessions throughout the year;
- The Pharmacy Department completed development of 300+ product-specific medication guides, and a grand total
- of 900+ guides;
- Implemented medication therapy management protocols for 27 priority products. Patient Education & Health Literacy Initiatives
- Published 700+ health literacy articles, infographics, and videos online, generating 30 million views;
- Hosted 50+ patient education events both online and offline, engaging over 1,000 participants.

2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

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Healthy China

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• Its digital health technology subsidiary, SPH Health Commerce Digital Technology (Shanghai) Co., Ltd., was formally

Special About SPH Coverage

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Pursuing High-guality Development in HR Working Together to . Management with Collective Promote Industrial Effort from All Parties

"Internet +" Medication Delivery - Bridging the Last-Mile Access Gap

Yiyao Cloud Pharmacy, as the flagship platform under SPH Health Commerce's "Internet +" healthcare ecosystem, has created an innovative business model. By decentralizing access to quality medical services and ensuring medication availability at the point-of-need, the initiative resolves the critical "last-mile" challenge in pharmaceutical accessibility.



SPH Health Commerce leads the industry in outpatient prescription fulfillment by integrating with hospital information systems (HIS) to retrieve prescription data. Through its "Yiyao Electronic Prescription" platform, SPH Health Commerce processes orders efficiently, with each prescription verified via the "Yiyao Cloud Pharmacy" to ensure accuracy before medications are dispensed and delivered directly to patients.

Yiyao Cloud Pharmacy operates as a centralized distribution hub, leveraging optimized logistics and a sprawling transportation network to ensure consistent and efficient service delivery. Its nationwide network facilitates seamless pharmaceutical distribution, guaranteeing patient access to high-quality care while resolving complex delivery challenges. In Shanghai, most medications are delivered to patients within half a day or by the next day, with dedicated customer service teams standing by to assist with any questions or concerns. Hospital prescriptions are transmitted to the Cloud Pharmacy for dual verification by hospital pharmacists and specialized reviewers, with QR code-enabled traceability ensuring medication safety throughout the journey.

• Offering efficient and professional pharmaceutical delivery services

for 340+ hospitals nationwide, including 79 tiered hospitals and

260+ community health centers;

• Collaborating with 600+ DTP pharmacies across China.



Innovating Healthcare Payment to Assist in Building a Multi-Tiered **Medical Security System**

The "Healthy China 2030" initiative formally advocates for the establishment of a multi-tiered medical security system. Since 2017, SPH Health Commerce has pioneered innovations in insurance payment models and pharmaceutical benefits, leveraging digital transformation to empower healthcare providers, pharmaceutical manufacturers, and insurers while fostering integrated "Medicine + Insurance" service paradigms. Building on its nationwide pharmacy network and digital capabilities, SPH Health Commerce delivers a seamless "Specialty Drug Direct Payment + DTP Pharmacy" solution, ensuring efficient drug distribution and streamlined reimbursement for patients who have been diagnosed, underwritten, and approved for coverage. The standardized "Yiyao E-Services" direct payment workflow enhances efficiency, guality, and control, shortening the traditional post-purchase reimbursement cycle for out-of-hospital medications.



The multi-payment module of Yiyao Pharmacy expands access to innovative therapies, enabling more patients to afford critical treatments. A specialized advisory team offers end-to-end support—including product education, insurance guidance, reimbursement counseling, and personalized care—thereby elevating drug accessibility and satisfaction with health insurance.

Furthermore, recognizing challenges in financing treatments for pre-existing conditions and rare diseases, Yiyao E-pharmacy continues to address patient pain points by collaborating with leading pharmaceutical manufacturers, with joint efforts focusing on optimizing payment structures for oncology specialties, rare disease therapies, and charitable aid programs.

- Nationwide coverage spanning 29+ provinces and 200 cities, serving nearly 3 million patients.
- Strategic partnerships with 60+ insurers, positioning Yiyao Pharmacy in 60+ cities with mainstream government-sponsored insurance schemes.

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Uniting Expertise to Propel High-Quality Industrial Development

In advancing the full-cycle commercialization of innovative drugs, SPH Health Commerce continuously expands the boundaries of its specialty pharmacy ecosystem. By actively spearheading the commercialization process of innovative drugs, SPH Health Commerce forges deep strategic partnerships with renowned global and domestic pharmaceutical innovators, healthcare institutions, and other partners. These alliances collectively drive growth across the industry's value chain.

About SPH

Case Study SPH Health Commerce's Debut at CIIE

On November 9, 2024, SPH Health Commerce had a successful debut at the 7th China International Import Expo (CIIE). Under the theme "Accelerating End-to-End Integrated Commercialization of Innovative Drugs through New Quality Productive Forces," it showcased its platform's advantages and forward-looking strategic vision in innovative drug commercialization, garnering widespread attention and acclaim from global industry peers.

The event marked a historic moment as SPH Health Commerce joined government agencies in co-initiating a blueprint for exceptional patient care services. Through partnerships with domestic and international



pharmaceutical leaders, healthcare providers, and other stakeholders, multiple high-profile signing ceremonies were held. These agreements further deepened resource coordination and integration within the healthcare sector, vitalizing the drive for innovation and enhancing pharmaceutical management services for healthcare providers, patients, and pharmaceutical manufacturers while driving high-guality development of the broader healthcare sector.

Advancing Industry Standardization

- SPH Health Commerce is a pioneer in establishing standardized service guality systems for the DTP model. In 2023, it spearheaded the release of the "Directives for the Construction of Service Quality System for Drug DTP Model—a social organization standard issued under the auspices of the Shanghai Pharmaceutical Trade Association (SPTA). A case study on its refined patient journey management model was ranked 6th in the "2024 Shanghai Top 10 Cases for Best Practices in Social Organization Standards" . SPH Health Commerce remains the sole specialty pharmacy operator to receive this distinction, thereby establishing itself as the new industry standard.
- Over 200 Yiyao Pharmacy outlets, as first-batch entities implementing the Directives, champion standardized specialty pharmacy operations. This initiative contributes to accelerating high-quality development within Shanghai's biopharmaceutical sector.

Spreading Kindness and Hope Through Charitable Activities

SPH Health Commerce actively aligns with national policies, balancing corporate growth with steadfast commitment to social responsibility. Remaining dedicated to addressing the needs of rare disease patient communities, SPH Health Commerce has achieved remarkable progress over the past years in developing specialized programs for charitable aid and rare diseases. These efforts have cultivated a distinct ecosystem advantage.

- One of China's largest general contractor organizations for charitable aid projects;
- Managing 70+ national-level general contractor projects;
- Facilitating annual drug donations exceeding CNY 10 billion in value.

📻 Case Study

Building on its comprehensive strengths in professional pharmaceutical services and innovative payment solutions, Yiyao Pharmacy collaborates with multiple stakeholders to expand access to cutting-edge global therapies. This endeavor creates an efficient, orderly, and compassionate patient services ecosystem. As a bridge linking patient groups with social organizations, SPH Health Commerce organized multiple patient care initiatives through Yiyao Pharmacy in 2024.





Launch of the 3rd World Lupus Dav Patient Conference and Yivao Butterfly Home initiative

Case Study

"Yunxiaoyi" Charity Initiative

SPH Health Commerce launched the "Yunxiaoyi" initiative in 2024 to further its corporate social responsibility, enhance public well-being, and promote philanthropic values. This initiative institutionalizes a culture of corporate giving, encouraging employee engagement in charitable activities. By partnering with NGOs and charitable foundations and building a multi-tiered, dedicated funding system, the initiative focuses on precision support for rare disease patients, critically ill children, and medical aid for underserved regions, in a bid to contribute to modern philanthropic endeavors.

Guided by its patient-centric mission, SPH Health Commerce continues to explore innovative service models with an open mindset, innovative thinking, and pragmatic actions. The company is fully committed to empowering the healthcare industry's "golden triangle" by enhancing both the capabilities and efficiency of specialty pharmacies and building up the hospital-adjacent healthcare service ecosystem. Amidst the rapid transformation of the global healthcare landscape and evolving patient needs, SPH Health Commerce remains committed to upholding market agility and strategic foresight. By joining forces with global partners to pioneer breakthroughs in pharmaceutical research and healthcare delivery, it is determined to play a greater role in advancing China's "Healthy China 2030" goals.

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Yiyao Pharmacy as a Bridge for Charitable Activities



Commemoration of the 6th anniversary of the Hematology Volunteer Team at "Yiyao Integrated Flagship Store"



Celebration of the 3rd anniversary of the Glioma Care Community



Shanghai Chapter of the "Yunxiaoyi" Initiative



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Sustainable Development **Governance System**

- ٠ **Stakeholder Identification & Communication**

governance capabilities.

China Media Group

Fortune China

2024 Fortune China ESG Impact List

China Association for Public Companies

Companies"





Outlook for 2025

- Sustainable Development Governance Model
 - **Double Materiality Assessment**

Alignment with the United Nations Sustainable **Development Goals (SDGs)**

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

Highlights of 2024

- Top 100 Pioneers ESG Listed Companies in China 2024 Top 50 Pioneers ESG Listed Companies in Yangtze River Delta 2024
- Included in "2024 Outstanding Practices in Sustainability among Listed

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Sustainable Development Governance Model

Governance Philosophy



Governance Model



ESG Governance Structure

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

Declaration of the Board of Directors

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

In 2024, the Board of Directors held multiple discussions on ESG matters. During the Reporting Period, the Board reviewed and approved the Company's "2023 Sustainability Report & Environmental, Social, and Governance Report". Through presentations of the "ESG Work Summary for 2024 and ESG Work Plan for 2025", the Board conducted a comprehensive evaluation of the formulation, implementation, and performance of ESG objectives, strategies, policies, and plans. In 2024, to enhance oversight and governance of ESG efforts, the ESG Working Group periodically submitted briefings to the Board, detailing emerging trends, updates, and milestone achievements. A total of three ESG briefings were presented during the Reporting Period, addressing topics such as evolving regulatory requirements, ESG rating, and operational progress. Each year, the Company conducts performance evaluations on quality control, safety management, and environmental management, with the results directly linked to the performance-based compensation of management teams across subsidiaries.

ESG Disclosure

Proactively responding to stakeholder expectations, SPH diligently showcases its efforts and performance in environmental, social, and governance aspects. The Company has released annual corporate social responsibility reports (upgraded to ESG sustainability report in 2021) for 15 consecutive years, demonstrating its commitment to and vision for sustainable development.

External Recognition of ESG in 2024

For its demonstrated leadership in sustainable development, SPH received multiple accolades in 2024. As of the end of 2024, SPH had maintained an "A" rating or higher for three consecutive years in both MSCI (Morgan Stanley Capital International) and Wind ESG assessment frameworks.

Appendix



Board of Directors

Governance Framework



Included in 2024 Fortune China ESG

Impact List

Fortune China

Honored with 2024 ESG Responsible

Enterprise Award

CPHI

Included in Research Report on ESG of Listed

Companies Controlled by Shanghai State-Owned

Enterprises (2024)

Shanghai SASAC

Included in the Blue Book of Win-Win Development

for 100 Enterprises and 1,000 Villages

Alliance of Chinese Business in Africa for

Social Responsibilities (ACBASR)

Rare Disease Business Case featured in

the Global Platform of China Cases

CEIBS Case Center

Included in 2024 Outstanding Practices in Sustainability among Listed

Companies China Association for Public Companies

Honored with the "Exemplary

Enterprise Award" in CBN's 2024 China

Corporate Social Responsibility Ranking

CBN Weekly

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China Media Group

China Media Group

JIEMIAN

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Upgrading

. Management with Collective

Included in "Top 100 ESG Pioneers **Stakeholder Identification & Communication** among Listed Companies in China" Stakeholders' participation is critical to promote the Company's sustainable development. SPH attaches great importance to communication with stakeholders. Through various communication channels, the Company has obtained stakeholders' expectations and suggestions on sustainable development. Included in "Top 50 ESG Pioneers among Listed Companies in Yangtze River Delta" List 2024 Included in JIEMIAN "Gold Medal" ESG Practices of the Year 2024

Included in 2024 WIND List of Top 100 Best ESG **Practices among Chinese Listed Companies** Wind Included in Top 100 ESG Ratings for Chinese-funded Hong Kong-listed Companies Phoenix TV & CCXGF Honored with the "Most Socially Responsible Listed Company" Award in the 14th Reputation

Ranking of Listed Companies (2024) National Business Daily

Honored with "Leading Model Award (2024)" for Sustainable Development (ESG) in Pudong New Area **Based Chinese- and Foreign-funded Enterprises** Pudong Headquarters Economy Shared Service Center (Platform)

ESG Capacity Building

To embed the principles of sustainability into its culture and management practices, the Company invited professional ESG institutions to carry out two specialized training sessions during the Reporting Period to provide insights about the latest policies and trends. The ESG Working Group, functional departments at SPH headquarters, and relevant personnel from subsidiaries were updated with the latest ESG developments. They strengthened their understanding of ESG, learned about the latest regulatory requirements, identified ways to improve ESG, and learned to draft ESG reports. The ESG Working Group also partook in external ESG training to deepen understanding of ESG theories and practices.

ESG Ecosystem Construction

During the Reporting Period, the ESG Working Group engaged in multiple ESG forums, seminars, and dialogues organized by The Stock Exchange of Hong Kong Ltd., Shanghai SASAC, Shanghai Municipal Commission of Commerce, and leading media outlets.

Stakeholder Identification	Stakeholders' Concerns	Communication Channels
Shareholders and Investors	 Professional training and career development Corporate governance and operational compliance Protections of Shareholders' rights R&D 	 Shareholders' General Meeting Performance conferences Roadshows and reverse roadshows Announcements on the website Investors' meeting Investment strategy meeting Site investigation Hotline for investors E-interaction Platform
Governments and Regulatory Authorities	 Pollution and waste management Energy management Employees' salary and welfare R&D 	 Information disclosure Document exchange Supervision and examination
Directors and Senior Management	 Risk management Corporate governance and operational compliance Protection of Shareholders' rights Quality of products and services Professional training and career development 	 Board of Directors
Middle Management	 Professional training and career development Employees' salary and welfare R&D 	 Employees' Representatives Conference Employees' activities Online communication
General Employees	 Employees' salary and welfare Professional training and career development Employees' health and safety 	 Online communication Employees' Representatives Conference Employees' training Employees' activities Intranet and internal publication Employee engagement survey
Customers	 Quality of products and services Pollution and waste management Satisfaction and complaints Privacy protection 	 Online communication Customer service center and hotline Customer visit Customer satisfaction survey Promotion of rational drug use Academic research
Suppliers/Service Contractors	 Supply chain management Energy management Pollution and waste management Materials management and circular economy R&D 	 Examination and assessment Suppliers' training Suppliers' website Regular communication
Communities	 Greenhouse gas emissions management Response to climate change Charity events 	 Organization of charity events Volunteer activities Communication and interviews Official website and social media
Media	 Open and transparent information Pollution and waste management Employees' health and safety 	 Media open day Interviews and feature stories Social media
Industry Associations/Industry Professionals	 R&D Pollution and waste management Professional training and career development Development of the industry Exchange and cooperation 	 Fora and summits Visits Surveys
Academic Institutions/Research Organizations	 R&D Exchange and cooperation 	 Visits Experience exchange and sharing Industry-academia-research collaboration and talent development
Charitable Organizations/NGOs	Energy managementCommunity services	 Environmental education and advocacy Charity events

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Double Materiality Assessment

In 2024, building on prior assessments, we conducted a double materiality assessment of key issues from both financial and impact dimensions. This assessment included internal interviews, external expert consultations, and the findings from the 2023 ESG stakeholder survey.

Workflow of Double Materiality Assessment

Contextual Understanding of Operations and Business Relationships

Assessment of Internal Activities and Commercial Relationships: Evaluate core business operations, business plans, primary products, geographic footprint, and business partnerships.

Assessment of External Environment: Examine relevant legal and regulatory frameworks, media coverage, industry analyses, and research reports to contextualize SPH's operational landscape.

Stakeholder Identification: Analyze existing stakeholder engagement mechanisms, map stakeholder groups based on business activities, products and services, and prioritize specific issues.

Issue Repository Development

Based on the 22 foundational issues outlined in the ESG Reporting Guide, we have identified additional financially or high-impact material issues and developed a repository by taking into account national policy orientations, domestic/ international ESG disclosure frameworks, ESG rating agencies' evaluation systems, industry-specific nuances, stakeholder expectations, and SPH's development strategies and plans.

Materiality Assessment and Validation

Guided by the operational context and industrial characteristics of SPH, we have employed a multi-dimensional assessment framework integrating stakeholder feedback, internal departmental interviews, and external expert evaluations. We evaluate both the impact materiality and financial materiality of respective issues, subsequently synthesizing the results of double materiality assessment to: (1) determine the composite materiality of each issue; (2) determine their materiality ranking; and (3) determine the priority of each issue. For material issues, we conduct further assessments of their actual and potential risks and impacts on business operations, analyzing short-term, medium-term, and long-term effects to ultimately form a double materiality matrix.



Issue Disclosure

We disclose the analytical processes and results of materiality assessments, with emphasis on the comprehensive disclosure of issues determined to be material in our reporting.

Results of Double Materiality Assessment

Highest Priority

Impact Materiality

With Impact Materiality:

Digital development **Risk management** Ethical practices in technology Management of intellectual property Responsible marketing Development of the industry Customer rights protection Improve the accessibility to

Information securi protection Environmental ma Water resources m Energy manageme Response to clima Community and ch Rural Revitalization

Biodiversity conservation

Lowest Priority

healthcare

Financial Materiality

Note: In 2024, some issues' names and categories were merged to align with the Shanghai Stock Exchange's Sustainability Reporting Guidance.

Environmental	Sc	ocial
 Environmental management Pollution control Energy management Response to climate change Biodiversity conservation Water resources management 	 R&D Product quality and safety Improving healthcare accessibility Employees Information security and privacy protection Management of intellectual property rights 	 D indu Sumai Ru Cu Ru Cu Provide tech

	With Dual Materiality:
ity and privacy	Operational compliance
	Product quality and safety
anagement	R&D and Innovation
nanagement	Employees
lent	Supply chain management
ate change	Pollution control
harity	
n	
	, , Lliabast Driavit
	Highest Priority

- Development of the dustry
- Supply chain
- anagement
- Responsible marketing
- Community and charity
- Rural revitalization
- Customer rights
- otection
- Ethics in science and
- chnology

Governance

- Operational compliance
- Risk management
- Digital development



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Alignment with the United Nations Sustainable Development Goals (SDGs)

SDGs	Material Issues	Our Contributions
15 1494	Social contributions Rural revitalization	 We leveraged our industrial expertise to drive rural revitalization through initiatives such as the "100 Enterprises Helping 100 Villages" program and the "Hearts United for Sagya - Saffron Cultivation Project". We teamed up with diverse social sectors to establish an open and cooperative public welfare platform, thereby fostering the healthy development of social welfare initiatives. We worked in tandem with our subsidiaries to sustain engagement in public welfare activities, with total donations reaching CNY 21,009,900 in 2024.
3 	Health accessibility Employees' health and safety	 We harnessed our integrated business, investment, and R&D capabilities to drive technological innovation, expand distribution networks, and deploy digital tools, thus providing the public with enhanced access to high-quality, affordable, and efficient medical products and services, ultimately contributing to the realization of the "Healthy China" strategy. We focused on the needs of patients with rare diseases, establishing accessible frameworks for rare disease drugs to ensure their pharmaceutical needs are fulfilled. We strived to expand our international market presence, delivering an increased variety of high-quality pharmaceuticals to patients around the world. We protected the health, safety and interests of employees, with the objective of "Five 100%" in occupational health management.
4 ====	Industry development Rural revitalization Employee development & training	 By strengthening university-industry cooperation, we established ongoing strategic alliances with higher education institutions to develop skilled professionals for the sector. Through our affiliation with Shanghai Pharma University (SPU) and the use of digital tools, we have established a robust training system aimed at boosting employee capabilities. We continued to optimize education resources of paired assistance regions, providing support and guarantee of funding and resources for basic education and talent development.
°≣ ©	Equality and diversity	• We upheld principles of fairness and equity, fostering a diverse and inclusive workplace. In 2024, female employees made-up 50.69% of our workforce.
6 terner T	Water resources management	• We promoted water conservation and enhanced scientific water management practices, urging subsidiaries to maximize water-saving opportunities. During the Reporting Period, five subsidiaries were awarded the "Water-Saving Enterprise" designation at the provincial and municipal levels, while one subsidiary was honored with "Shanghai Water Efficiency Leader".
, 	Energy management Response to climate change	• We advanced green manufacturing and developed green logistics, undertaking comprehensive efforts in energy conservation, emissions reduction, and sustainable development. In 2024, our photovoltaic projects achieved a total capacity of 13.36 MWp .
8 M	Employee development Employee rights and benefits	 We ensured compliant employment practices and democratic management, protected employee rights, and offered a diverse range of competitive compensation and benefits packages. We fostered an inclusive and equitable workplace culture while ensuring a safe and healthy working environment for employees. We offered diverse career development opportunities.

SDGs	Material Issues	
9 	R&D and innovation	 Aligned with national s have established an ope independent R&D, strated approach enables the cre and leverages technolog We fostered collaborat capital, in a drive to establish
10 ===	Equality and diversity	 SPH consistently uphole recruiting based solely or discrimination. In 2024, th
n=====	Waste management Response to climate change	 We rigorously impleme minimize pollutant emiss ecosystems. We also enco status. We strengthened our re
N N N N N N N N N N N N N N N N N N N	Green operation Safe production Responsible marketing Product quality and safety	 We stayed committed t green manufacturing fragen We prioritized the impro- systems to guarantee a h We carried out marketing requirements and maintagen We implemented a con- entire product lifecycle, e
	Response to climate change	 We have developed rol events. We strengthened energy conservation and consurtation and con
15 and 	Biodiversity conservation	 We purchased medicin protecting wild vegetatio To achieve species co and explored new semi-v We have conducted a c endangered animals in C
16	Operational compliance Business ethics	 We established a comp for listed companies and ensure operational comp We advanced the deve and are implementing a control system that integ
n	Coordination of the industry Stakeholder communication	 As a flagship enterpr become a dominant for chain. We have developed c committed to addressing

Our Contributions

al strategic objectives and centered on patient needs, we open and multifaceted innovation ecosystem that integrates ategic acquisitions, and the incubation of new ventures. This e creation of a product portfolio that addresses clinical demands logical advancements.

oration across industry, academia, research, healthcare, and stablish a R&D hub without boundaries.

nolds principles of fairness and equity in its hiring practices, y on job requirements and strictly prohibiting workplace 4, the Company employed **49** individuals with disabilities.

mented pollution prevention and control measures, strived to nissions, and reduced our environmental footprint to protect encouraged subsidiaries to achieve "Zero Waste Factory"

Ir resilience to fight climate change.

- ed to green development by advancing the establishment of a framework.
- provement of our safety and occupational health management a healthy and safe workplace.
- eting activities in full compliance with legal and regulatory intained stringent oversight of pharmaceutical labeling.
- comprehensive quality management system that spans the e, ensuring the safety of our pharmaceuticals.

robust management protocols to address extreme weather

lergy management and continued to promote energy sumption reduction, and set carbon emission reduction targets.

cinal materials from lawful and compliant sources while ation;

conservation, we have built standardized raw material bases ni-wild cultivation to grow ginseng;

a groundbreaking research on medicinal substitutes for in China.

mprehensive governance structure aligned with best practices ind are dedicated to refining our internal control systems to mpliance.

evelopment of a "four-responsibility coordination" mechanism g a three-year plan to establish an integrity risk prevention and egrates institutional frameworks with technological solutions.

rprise in Shanghai's biopharmaceutical sector, we aspire to force fostering synergistic development across the entire value

d diverse mechanisms for stakeholder engagement and are ing their concerns effectively.



Development Coverage Governance Syste

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SPH in:



Driving Advances through Party Building

Implementing Robust Corporate Governance

Adhering to Compliant Operations

Extending Digital Operations

An effective corporate governance system serves as the foundational cornerstone for an enterprise's high-quality development, and a critical prerequisite for the realization of modern business management practices and enhancement of corporate competitiveness. In alignment with the strategic deployment of the comprehensive reform of state-owned assets and enterprises, SPH embraces the principle of "consistent adherence" across both Party leadership and corporate governance, focusing on advancing the "Three Horizontal, Three Vertical" strategic initiatives to enhance its governance practices. This approach consolidates the governance foundation, stimulates organizational vitality, strengthens endogenous development capabilities, and promotes compliant, healthy, and sustainable development.

Highlights of 2024

China Association for Public Companies included

"2024 Outstanding Board Practices among Listed Companies" "2024 Best Board Office Practices among Listed Companies"

2024 Sustainability Report & Environmental, Social and

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. Management with Collective

Driving Advances through Party Building

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

About SPH

Adhering to the Leadership of Party Building

Guided by its development strategy, SPH's Party Committee unwaveringly strengthens its foundational principles, forges ideological cohesion, and reinforces political leadership. The Committee maintains a sharp focus on principal responsibilities and primary operations, enhances core competencies, intensifies efforts in reform and operational efficiency, systematically advances talent development, and strengthens organizational functions. By improving the compliance framework and risk management, and fostering a people-centric culture, the Committee leverages highquality Party building to steer and secure SPH's high-quality development.

S Improved Corporate Governance

During the Reporting Period, SPH refined the delineation of powers and responsibilities among the Party Committee, Board of Directors, and management. It established clear protocols for Party organizations to engage in preliminary discussions on significant operational and management issues, embedding Party leadership across all facets of corporate governance. SPH disseminated detailed guidelines and checklists for the Party Committee's preliminary reviews and mandated that eligible subordinate Party organizations develop similar frameworks. Additionally, SPH updated its "Three Major Matters and One Large-scale Decision-Making" protocols, encouraging Party organizations at every tier to tailor their policies and checklists to their specific contexts. This initiative standardizes power-responsibility delineation and decision-making processes, leading to high-quality decisions across the organization. Furthermore, holding fast to the principle of "twoway entry and cross-appointment", SPH promptly restructures leadership teams at all levels whenever necessary to fortify its operation and management team.

S Emphasizing Exemplary Demonstrations

In 2024, SPH's Party Committee remained steadfast in cultivating model examples, highlighting best practices, and driving continuous improvement. It systematically advanced the "Five Strengths and Five Capabilities" initiative for grassroots Party organizations and the "Four Strivings and Four "Strengthenings" " development program for Party members and cadre teams. A second round of the "Red Pioneer" recognition series was conducted, commending 6 Flagship Party Organizations, 41 Advanced Grassroots Branches, 130 Outstanding Party Members, and 31 Exemplary Party Workers for their contributions. Through dedicated columns in the Company's WeChat official account and the Shanghai Medical & Pharmaceutical Journal, 18 features on "Red Pioneer" exemplars amplified their inspirational and demonstrative impact.

📻 Case Study

"July 1st" Thematic Meeting & Party Committee Central Group (Expanded) Study Session Convened by SPH's Party Committee

On the afternoon of June 26, 2024, SPH's Party Committee convened its "Honor the Mandate, Embrace Responsibility, Lead as Pioneers, Contribute with Excellence" thematic meeting celebrating the July 1st anniversary, alongside the Party Committee Central Group (Expanded) Study Session. The event recognized outstanding achievements, facilitated experience-sharing, and fully utilize the benchmark and leadership effect of role models, thereby mobilizing collective energy underpinning corporate growth.



During the Reporting Period:

- The Group was honored as an "Advanced Unit in Ideological and Cultural Development (2020-2024)" by China Pharmaceutical Employees' Ideological and Political Work Research Association.
- The Group's guality culture case study, "Prevail Through Quality, Cultivate Through Culture: Co-Creating a 'Concentric Circle' of Excellence," earned recognition as a "Model Case of Integrated Corporate Culture and Brand Building" by China Corporate Culture Institute.
- 3 essays, including "Shanghai Pharma: Crafting a 'Red Formula' for Deepening Reform and Innovation-Driven Development" and "Party Building Leading Synergized Efforts and Innovation Empowerment: Providing Robust Support for High-Quality Business Growth", secured First Prizes in the 2020-2024 Outstanding Papers/Essays Competition hosted by China Pharmaceutical Employees' Ideological and Political Work Research Association. 2 additional essays received Second Prizes, with 2 employees of the Group named "Advanced Workers in Ideological and Cultural Development (2020-2024)"
- 2 research projects— "Dual Integration of Party Members' Spiritual Cultivation and Psychological Development in State-Owned Enterprises" and "Mechanisms for Normalizing and Sustaining Long-Term Effectiveness in Party History Education" —were respectively awarded Level 1 Research Findings and Grade A Academic Achievements by China Corporate Culture Institute.

Implementing Robust Corporate Governance

Shareholders' General Meeting

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



Organizational Structure of SPH Headquarters



Sustainable Special Development Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China Working Together to Promote Industrial Upgrading Pursuing High-quality Development in HR Management with Collective Effort from All Parties

Committees	Members of Committee	Authority of Committees	Work Report
Remuneration Committee	The Committee is presently comprised of Mr. Wang Zhong (Independent Director), Mr. Yang Qiuhua (Executive Director), and Mr. Gu Zhaoyang (Independent Director), with Mr. Wang Zhong acting as the convener.	The Remuneration Committee is a specialized group under the Board of Directors, mainly responsible for evaluating the Company's directors, presidents, and other senior executives, and formulating policies for their remuneration.	2023 annual performance appraisal repo of the Company's senior executives, th 2024 annual performance appraisal and th
Audit Committee	The Committee is presently comprised of Mr. Gu Zhaoyang (Independent Director), Mr. Huo Wenxun (Independent Director), and Mr. Wang Zhong (Independent Director), with Mr. Gu Chaoyang acting as the convener.	The Audit Committee is a specialized group under the Board of Directors, mainly responsible for the relationship between the Company and external audit institutions, reviewing the Company's finances, supervising its financial reporting system, risk management, and internal monitoring systems. It also reviews and discusses corporate ESG matters.	matters, including the Company's period reports, related-party transactions, audit wo

Internal Control and Risk Management

For internal control, SPH has established a corporate legal person governance structure and organizational structure that is in line with the Company's business scale and operational needs, enhancing and optimizing its internal control system.

Internal Control

In accordance with the *Company Law, Securities* Law, and other pertinent regulations of the People's Republic of China, SPH has established its Articles of Association and a governance structure which include the Shareholders' General Meeting, Board of Directors, Supervisory Board, and Management. Rules of procedure for these bodies and for administrative meetings cover decision-making, execution, and supervisory responsibilities, ensuring an effective system of checks and balances. Each entity operates within its designated scope, maintaining standardized practices. The Board of Directors includes an Audit Committee, supported by specific implementation rules.

Aligned with its operational needs and organizational framework, SPH has instituted key functional departments, including the Office of the Board of Directors, the Department of Strategic Development, the Department of Operation and Management, and the Department of Investment and Development. These units possess distinct mandates, collaborate seamlessly, and exercise mutual oversight to uphold operational integrity.

The Audit Center, serving as the executive arm of the Audit Committee, conducts independent audits under frameworks such as the "Internal Audit Policy," ensuring autonomy and effectiveness in its processes. It communicates audit findings and corrective recommendations to Management through established channels and provides regular updates to the Audit Committee and the Board of Directors.

To strengthen the independence, authority, and efficacy of internal audits and to expedite the formation of a "top-down" supervision model, SPH has set up an Audit Center supported by its Audit Department, in a bid to enhance the oversight function within the organization.

Guided by the "Basic Standards for Enterprise Internal Control" and directives from the Ministry of Finance and other authorities, SPH refines its internal control system across five dimensions: control environment, risk assessment, control activities, information and communication, and supervision mechanisms. In alignment with risk management requirements, internal control frameworks, and industry best practices, the Company conducts thorough examinations across procurement, sales, inventory, R&D and asset management processes of its operations and high-risk domains, ensuring comprehensive oversight of its operations and management.

As of the disclosure date of this Report, the Company's Board of Directors has a total of nine members, including four independent directors, which constitutes more than one-third of the total Board membership. Pursuant to Rule 13.92 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Company has adopted a policy concerning diversity of board members. When evaluating candidates for the board, the Company will take into account a number of factors, which include but are not limited to gender, age, educational background, professional experience, and length of service, to achieve an appropriate balance. The Board has conducted a review of the implementation and effectiveness of the Board Member Diversity Policy during the Reporting Period and has implemented appropriate measures accordingly. Consequently, the Board deems the policy to remain effective. The Board has substantially met the anticipated objectives outlined in the Member Diversity Policy, thereby preserving an appropriate equilibrium in its membership structure, with further details provided in the diagram below:

About SPH



SPH places significant emphasis on gender diversity and is committed to ongoing initiatives aimed at fostering gender diversity across all tiers of the organization, with particular focus on the Board. Furthermore, the Company is dedicated to offering career advancement and training opportunities to employees who possess the requisite experience, skills, and knowledge, with the aspiration that they may ascend to senior management positions or directorships. Additionally, the Company pledges to uphold gender diversity in the recruitment of middle and senior-level employees, thereby nurturing a pipeline of potential successors for the Board.

SPH's Board of Directors includes a Nomination Committee, a Strategy Committee, a Remuneration Committee, and an Audit Committee, and has formulated the terms and implementation rules of each specialized committee. In 2024, SPH held 2 Shareholders' General Meetings, leading to the approval of **30** proposals; **11** board meetings, leading to the approval of **50** proposals; and **6** supervisory meetings, leading to the approval of **10** proposals.

Committees	Members of Committee	Authority of Committees	Work Report
Nomination Committee	The Committee is presently comprised of Mr. Huo Wenxun (Independent Director), Mr. Shen Bo (Executive Director), Mr. Gu Zhaoyang (Independent Director), and Ms. Wan Jun (Independent Director), with Mr. Huo Wenxun acting as the convener.	The Nomination Committee is a specialized group under the Board of Directors, mainly responsible for researching the candidates, setting the selection criteria, and deciding on nomination procedures. The Nomination Committee has the same responsibilities as above for senior executives.	for Executive Directors to the Eighth Board of Directors" and the "Proposal for the
Strategy Committee	(Executive Director), Mr. Zhang Wenxue (Non-Executive Director), and Mr. Wang Zhong (Independent	The Strategy Committee is a specialized research group under the Board of Directors. It is mainly responsible for future research, evaluation, and suggestions on the Company's development strategy and related affairs.	During the Reporting Period, the Strategy Committee convened a single meeting to examine the "Report on the Innovation and Reform Work Plan and Its Implementation Progress at SPH."



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Risk Management

SPH prioritizes risk prevention and control, embracing the philosophy of "building a solid foundation for sustainable growth" and upholding the principle of "compliance and risk management first." The Company ensures full compliance with key legal frameworks, including the Company Law and Securities Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Basic Standards for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control, and the Corporate Governance Code. Drawing inspiration from the Comprehensive Risk Management Guidelines for Central State-Owned Enterprises and the Comprehensive Risk Management Guidelines (Trial) of Shanghai Industrial Investment (Holdings) Co., Ltd., SPH tailors these standards to its unique context, refining its risk management framework with precision. During the Reporting Period, the Company revised its Comprehensive Risk Management Policy, introduced the Risk Management Implementation Rules, and crafted a 2024-2025 Work Plan for Implementing Risk Management Guidelines, establishing robust mechanisms for risk reporting and control.

The Company has constructed a tiered risk management structure, encompassing the Board of Directors, the Supervisory Board, the management team, the Risk Management Task Force, operational and administrative departments, branches, and subsidiaries. This structure operates under a three lines of defense model: the first line includes all organizational units; the second line is the Risk Management Task Force; and the third line is the Audit Committee. Positioned as a specialized body under the Board, the Audit Committee oversees the Company's risk management and internal control systems. The Risk Management Task Force is comprised of domain-specific leaders, lead departments and supporting units. Lead departments include the Department of Operation and Management, the Audit Center, the Legal Department, and the Compliance Department. It manages risk through upward reporting and downward supervision, ensuring comprehensive coverage across the Company and its subsidiaries. General managers of subsidiaries serve as the primary individuals accountable for risk management and lead dedicated risk management teams, with performance evaluations of subsidiaries incorporating risk management related metrics.

In addressing risks inherent to its operations—such as strategic, market, credit, financial, operational, public opinion, compliance, and legal risks—SPH engages in precise identification, careful assessment, continuous monitoring, and prompt response and mitigation. Through evaluations, inspections, and audits, the Company strengthens risk controls before, during, and after relevant events. For significant risks outlined in the Major Risk Evaluation Standards (Trial Draft), specialized teams are established to tackle each issue individually, ensuring early identification, thorough analysis, and swift resolution. During the Reporting Period, SPH conducted **eight** specialized risk assessments.

Risk Management Initiatives

- **Daily Work:** Establish clear roles and responsibilities for each department within the Risk Management Task Force, alongside detailed monthly, quarterly, and annual objectives and workflows, and ensure systematic implementation of these plans.
- Major Controls: Develop criteria and quantitative benchmarks for identifying major risky events, continuously monitor and assess these events, deliberate on resolution strategies, and report findings to the responsible leadership.
- **Specialized Tasks:** Implement targeted inspections for debt defaults, supervise and report on key areas, address potential operational risks, investigate anti-monopoly cases, and provide feedback on comprehensive risk alerts.

/ Information Disclosure

Information disclosure serves as the principal avenue for investors to gain insights into SPH's operational progress. SPH keeps meeting investors' demand and compliance requirements. In accordance with *China Securities Regulatory Commission's Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 - Contents and Formats of Annual Reports, Shanghai Stock Exchange's Industrial Information Disclosure Guidelines for Listed Companies No. 6 - Pharmaceutical Production and Notice on Further Improving Listed Companies' Disclosure on Poverty Alleviation Work, and the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide, the Company discloses relevant information in innovative ways and in a timely and transparent manner.*

SPH Honored with Multiple Galaxy Awards

 At the Galaxy Awards, an annual report competition organized by the esteemed international evaluation body MerComm, Inc., SPH was honored with several accolades for its "2023 A-Shares Annual Report," including the Gold Award for "Art Illustration," Gold Award for "Unique Presentation," Silver Award for "Gold Foil Design," and Silver Award for "Mainland Traditional Annual Report." This recognition underscores the Company's exemplary standards in information disclosure and is evidence of the high esteem in which SPH is held by professional evaluators.

Investor Communication

The Company maintains an Office of the Board of Directors tasked with investor relations, integrating these communications into performance evaluations. With a central objective of "serving investors and enhancing corporate value," the Office engages in comprehensive discussions with a diverse range of investors about business operations, corporate governance, and environmental and social considerations. To cater to various investor categories, the Company has established multifaceted communication channels, ensuring transparent and equitable access to information. These channels include performance presentations, investor open days, roadshows and reverse roadshows, strategy sessions, dedicated investor hotlines, and Shanghai Stock Exchange's E-interaction platform. Furthermore, the Company has instituted a feedback mechanism to solicit and consider investor suggestions. To further ensure equitable access to information, quarterly performance presentations are simultaneously broadcasted via the Shanghai Stock Exchange Roadshow Center, and investor communication records are periodically disclosed.

Highlights of Investor Engagement by Office of the Board of Directors In 2024:



21

questions from small and medium investors answered in the E-interaction Platform of the Shanghai Stock Exchange Outlook for 2025

Appendix

In 2024, the Company issued four periodic reports, 107 temporary announcements for A-shares, and 120 for H-shares.

2 Corporate Open Days

~560

telephone or email communications with investors

~50

investment strategy meetings

~2,030

investor interactions in total



Sustainability Report & Environmental, Social and Governance (ESG) Report

Message from the Chairman About SPH

Sustainable Development Special Coverage Governance System Upholding Integrity with Steadfast Action, Forging **Developmental Foundations** Through Shared Virtue

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Working Together to Promote Industrial Upgrading

Pursuing High-guality Development in HR . Management with Collective Effort from All Parties

In 2024, SPH received the following recognitions:

"2024 Outstanding Board Practices among Listed Companies" by the China Association for Public Companies 🚄

"Best Capital Market Communication Award" at the 7th China IR Annual Awards

"2024 Best Board Office Practices among Listed Companies" by the China Association for Public Companies 🚣

"Excellent Investor Relations Team Award" at the 2024 Capital Power Event organized by Stockstar.com

Adhering to Compliant Operations

Governance

SPH has established a comprehensive Compliance Management Framework including a basic policy, several specialized policies, and a series of special guidelines, to ensure compliant operations.

The Compliance Department overseas SPH's compliance management initiatives, while each functional department shoulders primary responsibility within its respective domain. The Compliance Department strives to create a thorough, efficient, and synergistic compliance management system across the organization, fostering seamless collaboration among compliance management departments and personnel at all levels to identify, address, and monitor diverse compliance risks. Guided by the principle of "targeted breakthroughs with progressive coverage," it ensures business operations align strictly with legal statutes, regulatory requirements, and industry standards, thereby supporting the Company's sustained, healthy, and stable growth.

Compliance Managemer			
Category	Basic Policy	Specialized Policies	Special Guidelines
Function	Serves to define the overarching objectives, institutional duties, operational mechanisms, performance evaluations, and oversight and accountability frameworks of compliance management.	Establishes the organizational structure, compliance policies, supervisory approaches, disciplinary actions, and fundamental processes and requirements for compliance management in critical focus areas.	Emphasizes risk alerts and response strategies including interpretations of laws and policies compliance risk notifications, dissections of representative cases, and practical compliance guidance.
Policy Names (Partial)	Compliance Management Policy	Compliance Inspection Management Measures Compliance Guidelines for Preventing Commercial Bribery Risks Anti-Monopoly Compliance Guidelines Anti-Commercial Bribery Management Measures Anti-Monopoly Management Measures, etc.	Compliance Risk Identification and Assessment Key Points for Compliance Review: Busines Entertainment Expenses Key Points for Compliance Review: Academic Visits Key Points for Compliance Review: Lecture Fees Special Guide: Compliance Risk Alerts for Pharmaceutical Retail List of Compliance Obligations, etc.

Strategy **Risks**

Potential Impact Analysis In the pharmaceutical industry, laws and regulations evolv constantly and govern the entire operational process Failure to remain informed about and comply with thes requirements in a timely manner may expose SPH regulatory sanctions, such as fines, product recalls, productio halts, or license revocations. These consequences could resu in substantial economic losses and jeopardize SPH's surviva Furthermore, legal proceedings may demand significant tim and resources, undermining SPH's reputation. Should compliance issues come under media scrutiny, trus among the public, healthcare providers, and investors coul erode rapidly. This loss of confidence might prompt consume Damage Risk to reduce purchases and medical institutions to seve partnerships, leading to diminished market share, stock pric instability, and damage to brand image and competitivenes:

Opportunities

Legal Compliance

Risk

Reputation

	Potential Impact Analysis	Actions	Impact Time Frame
Brand Enhancement Opportunities	and ethical business practices cultivates trust and recognition from consumers, healthcare providers, investors, and other stakeholders, strengthens brand visibility and	Participate in developing and promoting industry compliance standards; establish SPH as a model of regulatory excellence and elevate its influence within the sector. Disseminate its compliance achievements and initiatives through corporate websites, social media, and industry reports to bolster public perception and goodwill. Enhance communication with stakeholders to address their concerns and expectations, fostering enduring collaborative relationships.	Medium and long term
Market Expansion Opportunities	Conformity with domestic and international regulatory standards facilitates market access, enabling SPH to penetrate global markets, compete internationally, and capture additional business opportunities.	Fully understand regulatory frameworks in target markets and develop proactive compliance strategies. Enhance compliance management to ensure that products and services meet the standards and quality expectations of relevant markets. Establish close partnerships with domestic and international collaborators to exchange insights on compliance requirements and practices across diverse markets.	Medium and long term

Impact, Risk, and Opportunity Management

SPH manages compliance risks by conducting regular risk assessments, inspections, and targeted rectifications. These initiatives identify and address risks in the Company's business operations, safeguarding against potential threats. Through surveys and inspections, the Company pinpoints weaknesses in its control systems and establishes a comprehensive list of compliance obligations. It collects data on compliance risks through risk identification and violation reporting mechanisms. By integrating compliance reviews and responses with internal control processes, SPH mitigates or eliminates these risks. System assessments evaluate and refine the effectiveness of compliance management. Ultimately, the formulation of policies strengthens compliance governance, creating a closed-loop management framework. In 2024, the Compliance Department spearheaded efforts with subsidiaries to conduct specialized risk assessments targeting anti-monopoly and anti-commercial bribery ("Dual-Anti") issues, effectively identifying and mitigating compliance risks in these domains. Through these selfassessments, SPH urged subsidiaries to promptly rectify issues and continuously improve their anti-monopoly and anticommercial bribery systems and management mechanisms. The Compliance Department conducted thorough inspections, delving into business operations to identify risk and prevent crises.

	Actions	Impact Time Frame
ve ss. to on ult al.	Establish a specialized compliance team tasked with continuously monitoring and interpreting changes in laws and policies. Build a compliance training system to ensure regular education for all employees. Set up a multi-tiered review mechanism to guarantee adherence to regulatory standards across all operations.	Short, medium, and long term
ust ild ers er ce s.	Swiftly deal with crises and proactively engage with external stakeholders to address concerns. Identify and rectify management deficiencies, while providing transparent updates on progress to relevant parties.	Short, medium, and long term



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Metrics and Targets

During the Reporting Period, SPH issued six compliance policies. Both SPH headquarters and subsidiaries conducted extensive compliance training, totaling 826 hours and reaching 34,000 individuals.

Note: In 2024, the scope of compliance training statistics expanded to encompass training organized or attended by compliance teams at SPH headquarters and subsidiaries. In 2023, the scope was limited to training conducted by the Compliance Department.

Anti-Commercial Bribery

SPH integrates ethical Party culture with operational risk management to address all facets of business operations. We are developing a "four-responsibility coordination" mechanism and are implementing a three-year plan to establish an integrity risk prevention and control system that integrates institutional frameworks with technological solutions. We also bolster compliance structures in marketing and prioritize integrity risk prevention, fostering a culture where corruption is neither dared, feasible, nor desired.

Institutional Framework

During the Reporting Period, SPH formulated and implemented the "Anti-Commercial Bribery Management Measures" and the "Compliance Guidelines for Preventing Commercial Bribery Risks" . These documents categorize bribery risks by business scenarios and outline the management structure, responsibilities, prevention mechanisms, and reporting and investigation processes for commercial bribery risk management.

The management oversees anti-commercial bribery initiatives, cultivating and refining SPH's anti-commercial bribery culture while directing the development of a comprehensive internal control system that includes bribery prevention measures.

The Compliance Department leads anti-commercial bribery efforts, executing management directives and organizing, coordinating, and advancing related activities.

Functional departments and subsidiaries implement anti-commercial bribery measures.

Heads of functional departments and subsidiaries assume primary responsibility for preventing commercial bribery risks within their organizations, overseeing anti-commercial bribery efforts related to their duties.

Furthermore, the Audit Center performs comprehensive compliance audits in marketing, procurement, and supply chain processes each year, ensuring coverage of all subsidiaries at least once every three years.

Selected Compliance Risk Management Initiatives During the Reporting Period

- The Compliance Department, guided by relevant laws and regulations, identified 46 specific compliance obligations in areas such as anti-monopoly and anti-commercial bribery, establishing a policy foundation and direction for risk assessments
- The Compliance Department orchestrated multiple specialized risk assessments across all subordinate units.
- The Compliance Department led and partnered with relevant functional departments to execute targeted rectification actions addressing "Dual-Anti" concerns. Through meticulous review and identification of potential risks and management gaps in anti-monopoly and anti-commercial bribery across all subordinate units, the Department implements measures to ensure strict adherence to regulatory standards in all business activities.

Conducting Compliance Training

Cultivating a culture of compliance serves as a vital mechanism for mitigating risks. SPH remains dedicated to fostering this culture, increasing employee awareness and embedding compliance promotion and education into routine operations. The Compliance Department crafts training programs tailored to the distinct needs and roles of various employee groups, focusing on themes such as anti-unfair competition, anti-commercial bribery, and anti-monopoly. Through diverse training approaches, these programs bolster employees' compliance awareness, fortify the compliance safety framework, and underpin SPH's stable and sustainable operations.

- \rightarrow SPH organizes regular compliance training sessions, engaging industry experts and legal professionals to interpret the latest laws and policies while disseminating internal marketing compliance standards and expectations.
- → Compliance courses stream live on SPH's online learning platform, keeping all employees well-informed.
- \rightarrow Sessions for sharing and discussing compliance cases leverage real-world examples to underscore the critical importance of adherence.



On August 5, 2024, to enhance subsidiaries' ability to identify and mitigate monopoly risks and ensure the smooth execution of "Dual-Anti" risk assessments, the Compliance Department conducted anti-monopoly compliance training for compliance officers and relevant personnel from subsidiaries, in hybrid online- offline sessions.



On September 20, 2024, Shanghai Pharma University (SPU), in collaboration with the Compliance Department and SPH Sales, held an opening ceremony for a specialized series of strategic development courses, delivering compliance training (online) to over 1,000 participants, including marketing division management teams, compliance and related department staff, and key personnel from enterprises outside Shanghai. The training covered "Regulatory Trends and Marketing Compliance Key Points in the Pharmaceutical Industry" "Anti-Monopoly in the Pharmaceutical Industry", and "Anti-Commercial Bribery in the Pharmaceutical Industry"





Development Special Coverage Governance System

Sustainable

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Report & Complaint Management

investigation, and case closures.

Whistleblowing Channels **O**

. Management with Collective

- The "Anti-Commercial Bribery Management Measures" and the "Compliance Guidelines for Preventing Commercial Bribery Risks" establish standards and requirements for scenarios such as academic exchanges, gifts and hospitality, outsourcing services, donations, and sponsorships.
- All employees are required to study the "Employees' Handbook" upon joining SPH. The handbook explicitly states that those engaging in embezzlement, bribery, or other serious breaches of integrity that harm corporate interests will face disciplinary measures.
- SPH signs integrity and compliance terms with all suppliers during the procurement and manages the integrity and compliance obligations in the supply chain through the "Supplier Integrity and Compliance Management Measures".

Risk Assessment and Identification

SPH integrates and utilizes various supervisory resources by establishing a regular consultation mechanism among functional departments such as discipline inspection, audit, finance, legal, operations, and compliance. This mechanism ensures timely communication of critical information and facilitates joint efforts in inspections, thereby fostering synergy and enhancing supervisory effectiveness. The Company continuously develops its integrity risk prevention and control systems, focusing on areas with concentrated power, resources, and funds, such as marketing, fixed asset investment, tendering and procurement, and expense management. By identifying risks, weak links, and integrity risk points, SPH clarifies preventive measures and responsibilities, thereby establishing a long-term management mechanism.

In 2024, the Compliance Department led subsidiaries across marketing, industrial, commercial, and R&D segments in conducting self-assessments for "Dual-Anti" risks, effectively identifying and mitigating compliance risks in these domains. Through these self-assessments, SPH urged subsidiaries to promptly rectify issues and continuously improve their antimonopoly and anti-commercial bribery systems and management mechanisms. During the Reporting Period, there were zero concluded corruption-related legal proceedings brought against the Company or its employees.

6.000 +

Party members and cadres partook in cautionary education sessions

participation rate in anti-corruption training for directors was 100%.

~900

integrity talks held for Partymember leaders

Anti-Corruption Education

~5,100 executives from subsidiaries signed

integrity agreements ~190

SPH promotes a culture of integrity within the organization, striving to create a clean and upright business environment.

During the Reporting Period, the Company conducted anti-corruption training at both headquarters and subsidiaries

to enhance the integrity awareness and professional ethics of all employees. Furthermore, SPH's Discipline Inspection Committee engages Party-member executives in various forms of regular disciplinary education and cautionary education.

Through multifaceted approaches including studying Party regulations and laws, reviewing cautionary cases, delivering

integrity lectures, discussing integrity insights, and analyzing integrity risks, the Company has deepened case-based

warnings and reform initiatives to instill awareness of discipline, sustain anti-corruption vigilance, and uphold ethical

standards among Party-member executives. During the Reporting Period, the Compliance Department, Discipline Inspection

Committee, SPU, relevant business departments, and subsidiaries actively organized anti-corruption training programs. The

pre-appointment integrity talks

held for newly promoted leaders



individuals received integrity notification letters

Anti-Unfair Competition

SPH strictly adheres to the provisions of the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China, and other relevant laws and regulations. The Company has developed and refined its anti-monopoly management systems and mechanisms to strengthen the regulation and compliance oversight of competitive behaviors. During the Reporting Period, SPH incurred no significant administrative penalties resulting from unfair competition practices.

Institutional Framework

SPH's senior management is responsible for organizing and leading anti-monopoly initiatives, ensuring the necessary support for effective management. The Compliance Department serves as the lead unit for anti-monopoly compliance management, implementing the directives of senior management and coordinating the overall anti-monopoly compliance efforts. Subsidiaries are tasked with implementing, refining, and perfecting their own anti-monopoly compliance management policies. Heads of functional departments and subsidiaries assume primary responsibility for anti-monopoly work within their organizations, overseeing anti-monopoly compliance management related to their duties. During the Reporting Period, the Compliance Department led the formulation of specialized anti-monopoly policies, including the "Anti-Monopoly Compliance Guidelines" and the "Anti-Monopoly Management Measures"

SPH has established a robust framework for managing complaints and reports, ensuring open and accessible channels for both internal and external stakeholders to raise concerns. The Company's "Anti-Commercial Bribery Management Measures" outline a clear mechanism for reporting and investigating complaints, with stringent protections for whistleblowers' personal information and the content of their reports. Access to complaint information is tightly controlled, and any form of retaliation against whistleblowers is strictly prohibited. Individuals found to have disclosed whistleblower information or engaged in retaliatory actions will face severe disciplinary measures in accordance with internal policies.

SPH's Discipline Inspection Committee handles petitions and reports from Party members and the public. In accordance with the Work Rules for Supervision and Discipline Enforcement by Discipline Inspection Organs of the Communist Party of China and the Work Rules for Handling Accusations and Complaints by Discipline Inspection and Supervision Organs, SPH implements a centralized management of petitions and reports related to corruption and fraud, which are addressed through various methods, including interviews, letter inquiries, preliminary verifications, temporary suspensions pending further





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Responsible Marketing

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

SPH strictly abides by the Anti-Unfair Competition Law of the People's Republic of China, the Drug Administration Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Measures for the Administration of the Recordation of Medical Representatives, the Measures for the Administration of Internet Advertising, and other pertinent laws and regulations. Upholding the principles of "systematic organization, independent operation, full participation, and strict execution," SPH champions fair competition, advocates honesty and integrity, and operates in strict compliance with the law. With a core focus on providing high-quality products and services, SPH prohibits all forms of corruption, bribery, and other improper conduct. All employees must strictly observe the following standards when conducting marketing activities: advertisements for all products requiring promotion must undergo review to ensure compliance with legal and regulatory requirements; all materials used in promotional interactions must be pre-approved by authorized personnel within their respective units in accordance with the delegated approval management system to ensure the objectivity and truthfulness of the content.

Centered on the training principles of "timeliness, diversity, and effectiveness", SPH trains its employees on laws and regulations, industry rules and regulations, and internal compliance requirements. During the Reporting Period, the Compliance Department, SPH Sales, and the marketing teams of subsidiaries, in collaboration with internal and external experts, conducted marketing compliance training tailored to various groups, including executives, compliance personnel, sales staff, and new employees. The training covered topics such as intellectual property, anti-monopoly compliance, prevention of duty-related crimes, contract management, and internet advertising management.



Pharmaceutical Labeling Management

SPH's pharmaceutical manufacturing subsidiaries strictly comply with the requirements of the Drug Administration Law of the People's Republic of China, the Provisions on the Administration of Pharmaceutical Directions and Labels, and other relevant laws and regulations. These subsidiaries have established standard operating procedures for the design, review, and approval of printed packaging materials (including directions and labels), ensuring that the printed content aligns with the approvals granted by pharmaceutical regulatory authorities. A dedicated documentation system is maintained, preserving signed and approved original samples of packaging materials. Packaging materials are printed by gualified suppliers, inspected upon receipt, stored in designated areas, and managed by designated personnel. Materials are issued in accordance with documented requirements and demand, with measures in place to prevent mix-ups and errors, ensuring the accuracy of packaging materials used in pharmaceutical manufacturing. Expired or obsolete printed packaging materials are collected, destroyed, and recorded in accordance with established procedures.

Information Security

SPH attaches great importance to information security and protection. It strictly abides by the laws and regulations related to information security and privacy protection in the countries or regions where it operates, including but not limited to the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. The Company upholds a data security policy that prioritizes clearly defined responsibilities, judicious authorization, standardized procedures, and the integration of technological and managerial controls. To this end, SPH has instituted comprehensive management frameworks such as the "Data Security Management Measures of Shanghai Pharmaceuticals Holding Co., Ltd." and the "Data Classification and Grading Guide of Shanghai Pharmaceuticals Holding Co., Ltd.", which collectively safeguard the secure and uninterrupted operation of SPH's information systems, thereby facilitating the seamless execution of all business activities. During the Reporting Period, SPH did not experience any information security incidents.

SPH has established a robust information security management architecture which includes dedicated units, leaders and personnel across its headquarters and subsidiaries, who are responsible for cybersecurity, data security, and informatization.

As the department responsible for SPH's information security and IT compliance, the Information Technology Center has implemented the SPH Information Security Planning Project since 2017 and developed a strategic blueprint for information security along with a detailed implementation roadmap. Presently, the Center is advancing to the next phase with Network Security Planning 2.0 and comprehensive Data Security Planning initiatives.

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

System Construction

01SHAPHAR, a subsidiary of the Group, further improved the ISO 27001 and other information security systems in 2023, continuing to improve its information security management.

SPH continues to carry out advance, and implement the national network security classification protection system. At present, the important information systems of the Group's headquarters, SHAPHAR, SPH Sine and SPH TCM have passed the security evaluation and filing process.

Case Study

Cybersecurity Training

SPH conducts regular training sessions to bolster employee awareness of cybersecurity. In 2024, leveraging the SPH E-Academy platform, the Company organized an extensive cybersecurity training program from May 1 to October 31, engaging a total of **43,063** participants.

Furthermore, from October 28 to November 1, 2024, SPH hosted a "Cybersecurity Publicity Week" specifically for headquarters staff to enhance their understanding of cybersecurity. This initiative featured a series of interactive activities, including phishing email simulations, WeChat-based guiz competitions with prize draws, and the continuous display of cybersecurity videos and electronic posters.

02

Since 2022, SPH headquarters SHAPHAR and other entities have jointly built a cybersecurity situational awareness platform, which improved the monitoring and handling capabilities.



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Ethics in Science & Technology

SPH's scientific research and technological development activities primarily focus on life sciences, in new drug development and cell therapy, alongside the integration of artificial intelligence in fields such as AI-assisted drug design and medical big data analysis.

Management Structure

The Company complies with pertinent laws and regulations governing ethics and experimentation, including the Good Clinical Practice (GCP), the Helsinki Declaration, the CIOMS International Ethical Guidelines for Health-Related Research Involving Humans, the Universal Declaration on Bioethics and Human Rights, and the Measures for Ethical Review of Life Sciences and Medical Research Involving Humans. To showcase this commitment, SPH has instituted specialized ethical management frameworks, including the "Charter of the Institutional Animal Care and Use Committee (IACUC) of SPH Research Institute", the "Guide for Ethical Review of Laboratory Animal Welfare", the "Standard Operating Procedures for Laboratory Animal Husbandry and Management", and the "Protection of Subject Privacy". These frameworks precisely delineate the ethical principles and behavioral standards that govern the entire scientific research and technological development process, from project inception and execution to the application of outcomes.



Centered on its strategic priorities in pharmaceutical development and research workflows, the Company has formed three specialized committees: the R&D Pipeline and Product Portfolio Decision Committee, the Early Research and Early Development Management Committee, and the Clinical Development Operations and Pre-Commercialization Management Committee. These committees consist of experts in life sciences, medicine, ethics, and law, bringing a multidisciplinary perspective that ensures the scientific precision and professionalism of the R&D management process. This also enables thorough ethical evaluations of scientific activities from diverse standpoints. Each committee has established comprehensive review procedures and criteria, conducting both initial and continuous ethical assessments of internal research initiatives. Before a project begins, the committees meticulously assess the research proposal, potential risks, and ethical considerations, offering recommendations or adjustments. Throughout project execution, consistent monitoring ensures alignment with ethical mandates.

The Company has also designated specific supervisory positions or teams to perform regular inspections and unscheduled audits of research projects, swiftly identifying and addressing any emerging ethical concerns. Ethical reviews constitute an essential element of both project application and completion stages, guaranteeing adherence to ethical standards. During the Reporting Period, SPH recorded no breaches of scientific ethics.

Ethical Animal Tests

SPH strictly adheres to the "Guide for Ethical Review of Laboratory Animal Welfare" and the "Regulations on the Administration of Laboratory Animals," along with other pertinent provisions. In accordance with standards such as Laboratory Animal Institutions—General Requirements for Quality and Competence (GB/T 27416-2014) and Laboratory Animal—Guideline for Ethical Review of Animal Welfare (GB/T 35892-2018), the Company ensure humane treatment of laboratory animals throughout all procedures: transportation, daily care & management, environmental enrichment, experimental operations, and humane endpoints.

The Company has established the Institutional Animal Care and Use Committee (IACUC) of SPH Research Institute, which review applications for internal laboratory animal ethics assessments and monitors the implementation of animal welfare and ethics review policies across relevant departments. IACUC has developed the "Regulations for Laboratory Animal Management" to standardize laboratory animal management and experimental procedures, safeguard personnel safety, and uphold laboratory animal welfare. Prior to initiating animal experiments, research project teams must submit the "Ethical Review Form of Laboratory Animal Welfare". Following approval by IACUC, experiments must proceed strictly within the confines of the approved plan. The ethical review process for laboratory animals addresses specific considerations, including the use of analgesics and sedatives to minimize discomfort and pain in laboratory animals without compromising experimental integrity, performing procedures that may cause discomfort or pain only when essential, and employing appropriate euthanasia methods for laboratory animals.

Animal Welfare Management Initiatives

- In designing animal experiment protocols, the Company steadfastly applies the "3R principles" —Reduction, alternative methods or using lower-order animals instead of higher-order ones to achieve identical objectives.
- The Company refines experimental procedures to alleviate or reduce animal pain and distress, while enhancing the technical expertise and ethical awareness of personnel to prioritize animal welfare in awareness and practice.
- In managing laboratory animal husbandry, SPH Research Institute's animal facility employs high-standard play, thereby enhancing their psychological well-being.

Ethical Clinical Trials

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

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

Clinical trials must meet all criteria to be approved in accordance with GCP requirements. Firstly, the clinical trial protocol is rigorously designed based on scientific and ethical rationales. Then, the clinical trial is strictly implemented as per the protocol, the quality of clinical research is controlled, and protocol violations and deviations are avoided or reduced. Materials for ethical review must be submitted in a timely and standardized manner. SPH examines clinical trials in strict accordance with the standards and conducts follow-up reviews of all approved clinical trials until its conclusion.

Replacement, and Refinement. This approach involves securing equivalent experimental data with fewer animals or maximizing data output from a fixed number of animals, as well as substituting animal experiments with Individually Ventilated Cage (IVC) systems to maintain optimal environmental conditions and appropriate stocking densities. Animals receive hygienic, nutritionally balanced, palatable, and sufficient feed, complemented by sterile drinking water. The housing environment incorporates toys in each cage to fulfill the animals' needs for activity and





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Training on Ethics in Science & Technology

The Company conducts regular internal training sessions and seminars to impart knowledge of tech ethics and convey its ethical expectations to employees. These initiatives enhance employees' awareness and understanding of tech ethics issues, ensuring that they conscientiously adhere to ethical norms in their work.

- Internal Training: In 2024, the Company organized multiple internal training sessions on tech ethics. Tailored to the diverse roles and professional backgrounds of employees, these sessions included specialized courses such as "Ethical Issues and Responses in Life Sciences Research" for R&D personnel and "Data Privacy Protection and Ethical Standards in Artificial Intelligence" for data management staff. Through expert-led lectures, case studies, and group discussions, these courses deepened employees' comprehension of tech ethics.
- External Training: The Company encourages employees to participate in tech ethics training and seminars hosted by external organizations. Notable examples include industry association events such as the "Pharmacovigilance Practical Training Course," the "Specialized Training on Safety Assessment and Risk Management in Pharmaceutical Clinical Trials," and the "2024 Annual Meeting of Chinese Society of Clinical Oncology (CSCO)." These opportunities enable employees to stay abreast of the latest scientific developments and industry requirements.
- Science Popularization: During the Reporting Period, the Company conducted a distinctive science popularization event focused on the 2024 version of the Helsinki Declaration.

Extending Digital Operations

The Third Plenary Session of the 20th CPC Central Committee underscored the imperative to "accelerate the establishment of systems and mechanisms that promote the development of the digital economy," "advance the digital transformation of traditional infrastructure," "promote the digitalization of education," and "foster innovation in digital trade." Obviously, as a new strategic sector, the digital transformation of the pharmaceutical industry is a necessity, because it is a crucial step not only to build a healthy China and improve people's well-being, but also to adapt to industry changes and reduce social costs.

Amid this digital transformation wave, SPH has seized the opportunity to build new developmental advantages, steadily advancing its initiative of "Comprehensive Digital Transformation for SPH" This endeavor has cultivated a robust development framework characterized by strategic guidance, business leadership, and data support. To spearhead these efforts, the Company established the "Digital 3.0" Joint Working Group, which comprises the Department of Strategic Development, Information Technology Center, and Department of Operation and Management. This Group focuses on key business sectors—R&D, manufacturing, marketing, and commerce—as well as Group-wide functions. It continually refines the foundational and business platform architecture, deepens the integration of digital technology with production and operational processes, and leverages digital tools to enhance operational management efficiency, thereby further improving data interconnectivity. By embracing digital transformation, the Company is accelerating its evolution toward integrated R&D, intelligent manufacturing, digital marketing, agile services, and industrial ecosystem development.



Digital Transformation Highlights of the Year

- ightarrow SPH was recognized as a 2024 Model Factory for Intelligent Pharmaceutical Manufacturing.
- → SHAPHAR secured 2 Benchmark Case Awards and 3 Excellence Case Awards in the "2024 National Campaign of Soliciting Innovative Digital Transformation Cases in the Pharmaceutical Industry" organized by the China Pharmaceutical Business Association.
- → SPH Xingling's "Creation and Practice of the Intelligent Lighthouse Factory Production and Operation of a High-Quality Full-Process Traceability System for Decoction Pieces Empowered by Digital Technology" Governance Innovation Cases Compilation," earning first and second prizes, respectively.
- by the Shanghai Municipal Commission of Economy and Informatization.
- Industry and Information Technology.
- → SPH Qingchunbao was designated the first "Future Factory" in Zhejiang Province's pharmaceutical sector.



Management System for Traditional Chinese Medicine" project and SPH TCM's "Construction and Application project were selected for the Shanghai Federation of Industrial Economies' "2024 Shanghai Corporate

→ SPH Sine's Microecological Smart Factory was included in the "2024 List of Municipal Smart Factories" issued

→ SPH Xingling's "Smart Factory" received the inaugural "National Excellence" title from the Ministry of



the Chairman

Message from About SPH

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Pioneering New Pathways to Build a Healthy China

- Improving Health Accessibility

R&D Investment of CNY 2,818m



Upholding Innovation-Driven Development

Ensuring Quality Excellence

Providing Exceptional Service Experiences

Guided by the service philosophy of "ensuring the public has access to effective and affordable medicine" and "enhancing patients' medication experience," SPH uses its integrated business, investment, and R&D capabilities to drive technological innovation, expand distribution networks, and deploy digital tools, providing the general public with enhanced access to high-quality, affordable, and efficient medical products and services and in turn contributing to the realization of the "Healthy China" strategy.

Highlights of 2024 -

An R&D Team of

1,772 employees

The Company owns a distribution network covering 31 provinces, municipalities and autonomous regions across the country, with its wholly-owned subsidiaries dotted around 25 provinces, municipalities and autonomous regions.

As of the end of 2024, it boasts a portfolio of 51 products for rare disease treatment, addressing 67 distinct medical indications.

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Upholding Innovation-Driven Development

Governance

SPH complies with domestic and international laws, regulations, and industry standards, including the Drug Administration Law of the People's Republic of China. The Company has instituted frameworks such as the "R&D Project Management Measures" to ensure compliance in its R&D processes, thereby elevating both efficiency and quality.

SPH is developing an open and multifaceted innovation ecosystem that integrates independent R&D, strategic acquisitions, and the incubation of new ventures. The Company strengthens partnerships with universities, research institutes, medical institutions, and innovative enterprises. In a strategic alliance with Shanghai Jiao Tong University, SPH fosters resource sharing, talent exchange, joint platform development, and mutual gains from research outcomes. This collaboration exemplifies an

"innovative model" for industry-academia-research integration. Through a "dual-appointment" approach, the Company recruits leading talents and innovation teams, co-establishes a national key laboratory of innovative immunotherapy, and collaborates on critical technology research. These efforts aim to uncover and nurture a pipeline of original drugs, technologies, and therapies, driving the transition of academic innovations into industrial applications. Anchored in the "SH INNO" initiative, SPH unites innovation drivers across industry, academia, research, healthcare, and capital. Through deep collaboration with research institutes, medical institutions, and translational medicine centers, the Company accelerates the integration of exceptional domestic and international projects. This involves joint development, technical assistance, experimental support, equity investments, and the provision of premier laboratory facilities, equipment, and operational services. These initiatives speed-up the incubation and transformation of innovative projects, cultivate a cohort of novel drugs, and establish a series of cutting-edge technology platforms.

SPH is dedicated to assembling a world-class scientific and technological innovation workforce, prioritizing strategic talent planning and the recruitment of industry leaders. The Company consistently refines incentive structures, providing mediumto long-term rewards to core management and key R&D personnel to ignite their innovative potential.

🔁 Case Study Official Unveiling of the National Key Laboratory of Innovative Immunotherapy

To ratchet up the promotion of "source innovation + achievement transformation" in Shanghai's biopharmaceutical industry, on November 7, the signing ceremony for strategic partnership between Shanghai Jiao Tong University (SJTU) and SPH, along with the unveiling ceremony of the National Key Laboratory of Innovative Immunotherapy, was held at Shanghai Biomedical Frontier Industry Innovation Center ("SH INNO").

SITU and SPH will synergize their respective strengths and resource sharing, deepen their comprehensive strategic cooperation. Together, they will build the National Key Laboratory of Innovative Immunotherapy and create an efficient, full-chain immunotherapy innovation platform that integrates industry, academia, research, healthcare, and capital. Additionally, SJTU and SPH aim to cultivate a high-caliber talent team with international competitiveness in immunology research and clinical transformation.

Strategy

Aligned with national strategic objectives, SPH puts a sharp focus on patient needs and clinical value, strives to strengthen its "One Institute, Four Centers" innovation system, and builds an open and multifaceted innovation ecosystem that integrates independent R&D, strategic acquisitions, and the incubation of new ventures. This approach accelerates the accumulation, collaborative research, and industrialization of cutting-edge technologies while building up the ecosystem leadership of SH INNO to serve SPH's innovation-driven transformation. Focusing on the new track of cell and gene therapy, SPH emphasizes both independent R&D and clinical transformation, as well as process innovation and capacity building. By playing to its strengths, seizing opportunities, and taking the lead in trials, SPH

aims to build a national-level innovation center for the clinical transformation and industrialization of cell and gene therapy, in a bid to foster new quality productive forces. Regarding existing key and pipeline products in cardiovascular, cerebrovascular, digestive, rheumatology, immunology, and anti-infective therapeutic areas, SPH strives to strengthen the foundation of its chemical and biological drug segments and enhance its technical capabilities. Through "selfresearch + introduction," SPH enriches its innovative drug pipeline in the fields of immunity, psycho-neurology, and oncology, enhancing its innovative competitiveness.

Risks

	Potential Impact Analysis	Impact Time Frame	Actions
Technical Risk	The pharmaceutical industry is characterized by rapid technological advancements, with new R&D techniques and methods continuously emerging. Should SPH fail to keep pace with these technological strides, it risks a decline in R&D success rate and a subsequent loss of product competitiveness.	Short, medium, and long term	Keep abreast of cutting-edge industry technologies; enhance collaborations with universities and research institutions through regular technical exchanges and training; and foster internal technological innovation.
Market Risk	Inadequate market research can result in an inaccurate understanding of market demand and the competitive landscape.	Short to medium term	Enhance market research efforts by conducting in-depth market surveys and technical feasibility analyses prior to R&D initiation, thereby providing robust support for determining the direction of R&D efforts.
Intellectual Property Risk	Failure to promptly apply for patents or improper patent strategizing during R&D can render research outcomes vulnerable to imitation, resulting in the loss of market exclusivity. Additionally, unintentional infringement of others' patents may lead to litigation, substantial compensation claims, and adverse effects on both R&D and product promotion.	Short to medium term	Implements rigorous intellectual property management by planning patent applications in advance; conduct regular patent searches and analyses to prevent infringement and adjust R&D directions accordingly; and enhance employee training on patent-related matters.
Talent Loss Risk	R&D innovation relies heavily on highly skilled researchers. Intense industry competition may result in talent being poached by competitors, leading to the leakage of critical technologies and R&D strategies, and consequently, delays in R&D project timelines.	Short, medium, and long term	Establish competitive incentive systems and career development plans; and cultivate a positive corporate culture and work environment to enhance employees' sense of belonging.

Opportunities

	Potential Impact Analysis	Impact Time Frame	Actions
New Product Launch Opportunities	A success in developing innovative drugs can address unmet medical needs, thereby filling market gaps, rapidly capturing market share, and elevating SPH's standing within the industry.	Medium and long term	Conduct market promotion and marketing planning in parallel with product development and proactively establish sales channels; strengthen communication with medical institutions and insurance authorities to expedite the inclusion of products in the National Reimbursement Drug List.
Technical Opportunities	Mastering advanced R&D technologies and innovative methodologies enables SPH to set technological benchmarks within the industry, attract more collaboration opportunities and top talent, and drive sustainable innovation-driven growth.	Long term	Increase investment in R&D and apply for technology patents to protect proprietary intellectual property; and maximizes the value of technologies through technology transfers and collaborative R&D.
Brand Opportunities	Consistent achievements in R&D innovation contribute to establishing a brand image of innovation and professionalism, thereby enhancing trust and recognition among consumers, investors, and partners.	Medium and long term	Promote R&D innovation outcomes and innovation philosophy through corporate websites, social media, industry conferences, and other channels; and participate in public welfare R&D projects to bolster an image of social responsibility.
Industrial Upgrade Opportunities	R&D innovation propels pharmaceutical companies to transition from traditional manufacturing to innovative drug development, optimizing the industrial structure, aligning with the high-quality development trends in the pharmaceutical industry, and enhancing pharmaceutical companies' resilience to risks.	Long term	Formulate strategic transformation plans on gradually increasing investment in innovative R&D and strengthen integration across the industry chains to expand business domains.



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📕 Impact, Risk, and Opportunity Management

Strategic Planning	SPH conducts in-depth research on industry trends and its unique strengths to formulate a development strategy. The Company focuses resources on core areas, proactively identifies risks and opportunities, and ensures that investments in technology and new product development efficiently translate into market advantages and enhanced industry standing.
Project Initiation	SPH has established a Technical Expert Evaluation Committee to assess the rationale, feasibility, and future market demand of new drug development projects, thereby developing preemptive measures to address potential risks and capitalize on opportunities.
Execution Management	SPH creates clear and comprehensive development plans, monitors project progress on a monthly basis to ensure alignment with expectations, and promptly adjusts plans in response to issues encountered during execution.
Milestone Review	Based on market needs and potential technical risks, SPH sets practical and achievable milestone criteria during both the project initiation and execution phases, rigorously evaluates project development against these standards, summarizes challenges and lessons learned in a timely manner, and provides valuable insights for future project development.

Metrics and Targets

In 2024, the Company's CNY 2,818 million investment in R&D resulted in outstanding achievements in the R&D of biological products, chemicals, Traditional Chinese Medicine (TCM) and rare disease drugs.

Case Study Project I001

1001 (also known as SPH3127, a Class 1 chemical drug) is a next-generation oral non-peptide small molecule renin inhibitor, with three indications currently in the mid-to-late stages of clinical trials. The New Drug Application (NDA) for its hypertension indication was accepted by the Center for Drug Evaluation (CDE) in April 2024, promising to offer a broader range of treatment options for patients with mild to moderate hypertension.

Case Study Projects B001 & B007

Independently developed as globally innovative anti-CD20 antibody drugs, B001 (intravenous injection) and B007 (subcutaneous injection) are highly humanized antibody therapeutics being actively explored across multiple rare disease areas. B001 injection, intended for the treatment of neuromyelitis optica spectrum disorder (NMOSD), officially entered pivotal clinical trials in 2024, with the potential to provide more effective treatment options for rare disease patients in China. B007 injection addresses clinical challenges associated with traditional intravenous CD20 monoclonal antibodies, such as prolonged administration times, low patient satisfaction, and complex nursing requirements.

Given its convenient administration, potentially lower immunogenicity, and superior safety profile, B007 was studied in 2024 for three indications: membranous nephropathy, myasthenia gravis, and pemphigus. This development aims to deliver clinically advantageous treatment options to these patients at an earlier stage.





2 First Prizes in National Science Progress Awards

3 Second Prizes in National Science Progress Awards

 \diamond

33 high-tech enterprises*

6 "Little Giant" Enterprises with Expertise, Specialization, Differentiation, and Innovation

19 SMEs with Expertise, Specialization, Differentiation, and Innovation

Management of Intellectual Property

Intellectual property (IP) makes pharmaceutical companies competitive and enhances brand strength internationally. In recent years, SPH's efforts to protect IP rights have closely focused on strategic goals driven by scientific and technological innovation. Upholding the strategy of empowering R&D innovation with IP, the Company builds effective intellectual property barriers to protect R&D innovation.

SPH strictly adheres to national laws and regulations, including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. The Company has established a full-fledged IP management system that encompasses standardized patent management, strategic patent planning and implementation, patent database and early warning platform, and patent enforcement. This system is underpinned by a series of IP management policies, such as the "Intellectual Property Management Measures", "Patent Risk Management Measures", and "Patent Application and Granting Incentive Measures", forming a robust framework for IP governance.

Promoting Low-Carbon Development and Co-Creating a Green Future

Composing a Symphony of Harmony to Craft Our Ideal World

Outlook for 2025

Appendix





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

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

Challenging First-to-file Patents for Generic Drugs

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

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

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

- → SPH's Intellectual Property Management System (IPMS) was certified to comply with the national standard GB/T 29490-2013 (Enterprise Intellectual Property Management).
- → SPH was recognized as a National Advantaged Enterprise in Intellectual Property.
- → SPH Research Institute was selected as a project undertaker for the 2023 Shanghai High-Value Patent Cultivation Center.

Improving Health Accessibility

SPH is the **second largest** pharmaceutical distributor & a leading drug importer in China. It is dedicated to building an innovative and comprehensive system for the entire drug lifecycle and providing modern medical and pharmaceutical supply chain services to hospitals, patients, and partners. SPH harnesses the power of "Internet +" to further advance the growth of its innovative drug business.



Building an Innovative Drug Full-Life-Cycle Service Platform

As one of the largest service providers of imported drugs and vaccines in China, SPH meets patients' needs, and has committed to building an innovative drug service platform. SHAPHAR, a core subsidiary of SPH, is a national modern pharmaceutical supply chain service provider dedicated to pharmaceutical health services. Upholding the strategic vision of "becoming a world-class, high-tech, high-caliber tech-driven health service provider," SHAPHAR prioritizes value creation and service innovation, and is committed to establishing a national-level pharmaceutical supply chain service platform and accelerating its development into a world-class tech-driven health service provider.

SHAPHAR provides global pharmaceutical companies with full-lifecycle, one-stop services in four major spheres: pre-marketing cooperation, import and export services, nationwide distribution, and value-added innovation. Our goal is to accelerate the introduction of global innovative drugs and enable Chinese patients to have access to high-guality drugs domestically.

In 2024, SHAPHAR further sharpened its capabilities in import services and industry solutions for innovative drugs, with the addition of 25 new imported general agency product specifications spanning 20 pharmaceutical companies.

Case Study SHAPHAR's Participation in the 7th China International Import Expo

In 2024, SHAPHAR made its debut as an "exhibitor" at the 7th China International Import Expo to present its pharmaceutical supply chain digital technology solutions, with an aim to forge deeper connections between global industry chain partners and the Chinese market and foster shared development opportunities. Over the fiveday exhibition, SHAPHAR secured cooperation agreements with numerous multinational pharmaceutical companies and Chinese innovative drug manufacturers, in a drive to jointly accelerate the market introduction and accessibility of new drugs and contribute to the "Healthy China 2030" initiative. Throughout the event, SHAPHAR successfully secured 73 collaborative agreements, with a cumulative contracted value of CNY 10.382 billion. It also participated as the sole domestic distribution service provider in signing centralized procurement contracts for pharmaceuticals and medical consumables, finalizing agreements totaling CNY 2.16 billion.

Developing Diverse Payment Solutions to Support the Building of a 1+3+N Multi-Tiered Healthcare Security Framework

Founded in 2017, Meditrust Health is a company that offers advanced medical services and diverse payment solutions. Upholding the mission of "making quality healthcare accessible to every family," it promotes the deep integration of healthcare and insurance industries, incorporating technology and innovation into every service. The company is committed to providing Chinese families with more comprehensive, higher-quality, and more accessible healthcare coverage and services.

In persistently fostering high-quality synergy among pharmaceuticals, healthcare, and insurance sectors, Meditrust Health strives to build a value-driven integrated healthcare ecosystem. The company develops diverse payment solutions with commercial health insurance at the core. Through various payment schemes—including inclusive insurance, commercial medical insurance, and insurance for individuals with pre-existing conditions—it aids in establishing a "1+3+N" multi-tiered healthcare security framework that accelerates the stratified application of advanced therapies and innovative medical devices, ensuring universal access to convenient, efficient, and affordable premium medical services. By the end of 2024, Meditrust Health's healthcare security services had cumulatively reached nearly 100 million Chinese households, with its Huiminbao insurance scheme covering over 160 cities. Its diversified payment solutions have saved Chinese patients nearly CNY 4.5 billion in medical expenses.





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Accolades Received by Meditrust Health in 2024

- → Honored as "Exemplary Case of Business Integrity in Shanghai"
- → Listed among "Chinese Healthcare Front Runners Top 100 Digital Health Companies"
- → Listed among "Yangtze River Delta Biopharmaceutical New Quality Leadership Ranking Top 10 Digital Healthcare Industry Leaders"
- -> Honored with "Jingiao Prize Innovative High-Quality Pharmaceutical and Healthcare Company of the Year"
- → Honored as "Best Enterprise in Smart Healthcare"
- → Featured on the "China Insurance Summit List Outstanding Products for Coverage Quality"
- → Honored as an "Outstanding Example of Digital Transformation in the Insurance Industry"

Establishing a "Diverse Payment Hub" to Enhance Accessibility of Innovative Drugs

In 2024, leveraging its pioneering efforts in diverse payment models, Meditrust Health introduced the "Diverse Payment Hub" on its "One-Code Direct Payment" platform. This initiative aims to bridge the gap in patient access to innovative drugs and high-guality medical care. The hub consolidates a range of drug payment solutions, including Huiminbao, commercial medical insurance, self-funded patient drug payment scheme, charitable drug donations, and financial installment options. It offers comprehensive support throughout the medication process, from discovery to usage and payment. Initially, the platform will host more than 200 types of new specialty drugs, addressing critical illnesses such as cancers, rare diseases, and Alzheimer's disease, thereby facilitating the efficient and rapid dissemination of global innovative drugs to Chinese patients.

Facilitating the Launch of Hububao to Enhance the Quality and Coverage of Inclusive Insurance

In 2024, the Medical Insurance Personal Account Service Section in Shanghai's Suishenban app introduced a new product named Hububao ("Shanghai Supplementary Insurance"). The five innovative medical devices covered by Hububao, showcased at the China International Import Expo but not yet available in mainland China, are all urgently needed imported devices, including cochlear implant body, absorbable implantable balloon, and disposable multielectrode radiofrequency ablation catheter system for renal arteries. The other 10 high-value drugs covered all fall within the scope of Shanghai's new and excellent drugs and devices. Through delivering specialty drug support services for Hububao, Meditrust Health has not only advanced the localized application and accessibility of innovative medical resources but also diversified insurance coverage options for citizens.

Launch of the "Brain Health Memory Care Initiative" to Enhance Protection for the Elderly Population

In response to the challenges in preventing and treating Alzheimer's disease, Meditrust Health has partnered with multiple stakeholders to develop the "Brain Health Memory Care Initiative." This initiative focuses on establishing a comprehensive "early screening, early diagnosis, and early treatment" support system for Alzheimer's disease. It directly benefits patient families by providing assistance in early screening, online consultations, offline medical treatment, and medication payment. Not only does it offer genetic testing and screening services, but it also facilitates appointments for PET/CT scans or cerebrospinal fluid examinations at top-tier hospitals and provides access to online consultation services with experts from these hospitals.

Furthermore, Meditrust Health has successfully advocated for the inclusion of innovative Alzheimer's medications in the Huiminbao program, further reducing the financial burden on patients and offering diversified, multi-layered medical security services for Alzheimer's patients and their families.

Fulfilling the Needs of Special Populations

"Creating an Accessible Model for Rare Disease Pharmaceuticals and Becoming an Industry Leader with Chinese Characteristics in Rare Disease Drugs"

As a core subsidiary under SPH focusing on rare diseases and pediatric pharmaceuticals, SPH RD has always adhered to the core values of "Care, Responsibility, Innovation, and Collaboration." The company serves national strategies by focusing on unmet clinical needs and "bottleneck" projects, and drives the development and commercialization of rare disease drugs, thereby contributing to meeting patients' pharmaceutical needs. SPH RD works to create an accessible model for rare diseases in China and accelerates the development of new quality productive forces in the biopharmaceutical sector.

Accelerating the Research, Development, and Market Launch of Rare Disease Drugs (RDDs)

Targeting the clinical needs of rare disease treatment, SPH has created a complete RDD ecosystem with a patientcentric approach. Through both independent and cooperative R&D, SPH has added new products to the catalog of drugs for rare diseases and children. Four years into its incorporation, SPH RD has fully committed to advancing the R&D of 16 new drug projects, achieving notable milestones. In 2024, SPH RD secured three drug production approvals for Methotrexate for Injection, Macitentan Tablets, and Cetirizine for Injection, with one Class 1 innovative drug applying for and receiving approval for the U.S. Orphan Drug Designation (ODD). The company actively promoted the commercialization of innovative drugs, with one Class 1 innovative drug entering phase III clinical trials and another Class 1 innovative drug, alongside two Class 2 innovative drugs, progressing through preclinical research. These efforts expand treatment options for rare disease patients and enhance medical accessibility.

Ensuring Drug Supply for Existing RDDs

Leveraging the strengths of its complete industrial chain consisting of R&D, production and sales, SPH RD enhanced quality management and integration of supply and marketing, which led to a stable supply of relevant RDDs. In 2024, SPH RD released 209 batches of rare disease drugs and processed nearly 1.52 million drug traceability code applications. The company sustained a steady supply of rare disease drugs available for sale, securing access for 150,000 patients throughout the year. This commitment delivers reliable and safe medications to individuals affected by rare diseases.

Fostering Diverse Collaborations to Expand the Rare Disease Ecosystem and Foster Academic Development

SPH RD partners with rare disease academic institutions, such as China Alliance for Rare Diseases, Peking Union Medical College Hospital, Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine, and Huashan Hospital affiliated to Fudan University. The company organized 20 themed academic exchange activities, blending online and offline formats. It also collaborated with premier universities, leading research institutions, and medical facilities to establish joint laboratories, thereby facilitating the transformation of scientific research into clinical treatments. Together with ecosystem partners, SPH RD progressed in the rare disease domain.

Composing a Symphony of Harmony to Craft Our Ideal World

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SPH participated on invitation in the "Inauguration Ceremony of the Peking Union Medical College Hospital Institute for Rare Disease Diagnosis, Treatment, Innovation, and Development and the Forum on Translational Medicine Development" on February 29, 2024, which marked the 17th World Rare Disease Day. The Company also coordinated a series of events to commemorate the World Rare Disease Day.



During the First Plenary Session of the Second Membership Conference of Beijing Rare Disease Diagnosis, Treatment, and Support Society, China Alliance for Rare Diseases presented certificates to its branches and members units that have made significant contributions in the field of rare diseases. SPH RD, as a corporate representative, was awarded the honorary title of "Outstanding Member" for 2023-2024.



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SPH RD partners with research institutions, pharmaceutical developers, and universities to host the "SPH Frontier Academic Seminar on Rare Diseases." The company regularly invites leading technical experts and policy research specialists within the industry to deliver keynote addresses and engage in panel discussions, broadening the dissemination of professional knowledge in the rare disease sphere.

In the years ahead, SPH RD will integrate the principles in the Outline of the Healthy China 2030 Plan into its operations, embedding "care, responsibility, innovation, and cooperation" within its mission. The company strives to establish itself as a key national innovation and R&D base for rare disease drugs, a globally influential translational base for rare disease drugs, a high-end international production base for rare disease medications, and a supply base for urgently needed rare disease drugs. It aspires to become an industry leader distinguished by Chinese characteristics in the sphere of rare diseases, ensuring that a greater number of patients gain timely access to safe, reliable, and life-saving medications.

Upholding Traditional Principles While Fostering Innovation in TCM

SPH's TCM segment covers Traditional Chinese medicinal materials and their decoction pieces, R&D, production and sales of TCM preparations, as well as TCM-based health products. Boasting rich TCM resources, SPH has formed an industrial chain covering the full lifecycle of TCM from herbal planting to decoction pieces and preparations. During the Reporting Period, SPH's TCM subsidiaries collectively achieved an industrial revenue of CNY 9.571 million. The Company will capitalize on growth opportunities within the TCM industry, drawing on its exceptional TCM resource endowment to pursue its strategy of developing major varieties and brands. Presently, SPH oversees eight directly managed TCM subsidiaries and nine core TCM brands, all of which operate in harmony with the SPH main brand.

> The research project "Development and Implementation of A Technological Innovation and Support System for Quality Control Across the Entire Traditional Chinese Medicine (TCM) Industrial Chain," in which SPH Xingling participated

earned the First Prize of Shanghai Science and Technology **Progress Awards in 2023**

The project "Development and Implementation of a TCM Diagnosis and Treatment System for Rheumatoid Arthritis," in which SPH Herbapex participated

earned the First Prize of TCM Science and Technology Awards from the China Association of Chinese Medicine in 2024

SPH is strategically expanding its TCM operations in Hong Kong, aligning with Hong Kong's Chinese Medicine Development Blueprint. By harnessing Hong Kong's distinct strengths in TCM testing, verification, and technological research and development, and strengthening partnerships with Hong Kong universities, SPH seeks to establish and nurture its TCM operations in the region. Positioning Hong Kong as a springboard, the Company accelerates its global outreach, exploring innovative models for the high-quality globalization of TCM.

Case Study

SPH and Its Eight TCM Subsidiaries Shone at the 11th Symposium on Collaborative Development and Resource Sharing of Traditional Chinese Medicine (TCM) Herbal Materials

The 11th Symposium on Collaborative Development and Resource Sharing of Traditional Chinese Medicine (TCM) Herbal Materials, themed "Quality Leadership, Standard Improvement, was held from May 24 to 26 at the National Convention and Exhibition Center (Tianjin). This event brought together leading figures in the TCM industry to examine the elevated, sophisticated, and high-quality evolution of the entire TCM industry chain. SPH, accompanied by its eight TCM subsidiaries—SPH TCM, SPH Qingchunbao, Huqingyutang Pharma, SPH Growful, SPH Herbapex, SPH XTCM, SPH Zhonghua Pharma, and SPH Leiyunshang—took center stage, underscoring the Company's distinguished standing and unwavering commitment to the TCM domain.





2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

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Building Modern Logistics to Bridge the Last Mile of Drug Supply

During the "14th Five-Year Plan" period, SPH Logistics intensified its efforts to strengthen the digitalization and informatization of logistics, as well as the construction of a standardized logistics system. The goal is to improve service quality, customer satisfaction, and operational efficiency by promoting broader coordination among multiple warehouses, expanding third-party logistics and value-added services, and ratcheting up national logistics integration, thereby catering to the needs of both upstream and downstream customers in the supply chain.

About SPH

SPH Logistics boasts over **1,300,000** square meters of warehouse space and operates more than **140** logistics centers across China. Its sprawling network of logistics centers directly serves **25** provinces and municipalities (this includes the logistics facilities of SPH KDL Health). SPH Logistics has built one of the first modern logistics comprehensive experimental bases in Shanghai, and is the first logistics company to pass the acceptance for national medical logistics service standardization pilot project. SPH Logistics is also making strides in smart logistics. By progressively implementing full GPS tracking and utilizing the Transport Management System (TMS) for complete visual management, it is able to enhance its "last mile" medical logistics coverage. This is achieved through faster delivery speeds and more flexible service capabilities, all enabled by its multiple system platforms.

Case Study SPH Logistics' "Unmanned Specialty Drug Warehouse"

In November 2024, SPH Logistics officially launched its "Unmanned Specialty Drug Warehouse," which integrates multiple cutting-edge technologies.

Advanced, intelligent, and environmentally friendly, the unmanned specialty drug warehouse leverages IT-enabled capabilities to comprehensively elevate safety management competencies. It achieves automation in drug picking from receipt to dispatch, informatization in circulation, paperless operations, and unmanned and intelligent storage, thereby minimizing human contact with psychoactive and anesthetic drugs during warehousing.



Currently, the four-story specialty drug warehouse accommodates temperature zones of 2°C -8°C, 10°C -20°C, and 15 °C -25 °C, meeting the storage requirements for various specialty drugs. The warehouse features unmanned automated facilities such as de-palletizing robotic arms, automated guided vehicles (AGVs), autonomous mobile robots (AMRs), and four-way pallet shuttles, which replace highly repetitive and physically demanding manual labor.

Additionally, the new specialty drug warehouse is equipped with world-leading warehouse management system (WMS), warehouse control system (WCS), and transportation management system (TMS). The digital intelligence system shifts warehousing operations online, enabling clear tracking of drug circulation paths within the warehouse. The visualized sharing of operational status replaces traditional paper-based document circulation, reducing human errors and enhancing picking accuracy.

A Step Towards Global Impact

SPH strives to expand its international market presence, delivering an increased variety of high-quality pharmaceuticals to patients around the world. In 2024, the Company successfully completed the registration of Rosuvastatin Calcium Tablets in the Philippines and finalized the establishment of a Philippine subsidiary by year-end, with local launch of the product imminent. SPH Thailand has already accomplished the local registration and sales of a series of domestic dental medical devices and will continue to advance the local registration and sales of pharmaceuticals. SPH plans to develop three major product pipelines focused on oncology, diabetes, and cardiovascular diseases, with over **40** product projects slated for overseas registration in the future.

Ensuring Quality Excellence

Governance

SPH has established a Quality Management Committee to oversee major quality management matters. This includes approving the Company's quality policy and objectives, reviewing opinions on the handling of major quality incidents, and regularly receiving reports on the state of quality management. The Quality Management Department, as one of its standing units, is responsible for daily quality management. Through a series of management policies such as the Quality Manual, Quality System Management Review Standard, and Regulations on Quality Information Direct Reporting Management, the department oversees quality control and supervision throughout the product life cycle. With a particular focus on "Quality Assessment," "Information Direct Reporting," and "Key Personnel Management", the department guides and encourages member entities to continuously improve their quality management systems.

SPH's subsidiaries have established their own quality management framework and QMS as per the Company's system requirements as well as relevant national laws and regulations, quality management standards and other requirements, and obtained relevant permits such as "Drug Manufacturing License", "Drug Supply License", "Medical Device Manufacturing License", and "Medical Device Supply License". They organize production and business activities in compliance with laws and regulations.

In order to further define the main responsibility of each subsidiary, SPH has prepared the 2024 Quality Assessment Rules. The completion of priorities related to quality management is evaluated and included in the performance assessment.

As of the End of the Reporting Period,

- → SPH's subsidiaries obtained 48 Drug Manufacturing Licenses;
- → 12 subsidiaries were ISO 9001 certified;
- \rightarrow 8 subsidiaries were CNAS approved.

Strategy

SPH holds the line on quality and safety, and adheres to its quality policy of "prioritizing people, creating health; winning with quality, pursuing excellence". It strictly abides by relevant laws and regulations such as the Drug Administration Law of the People's Republic of China, Regulation on Drug Registration, Good Manufacturing Practice for Drugs, Measures for the Supervision and Administration of Drug Production, Administrative Measures on Drug Post-marketing Changes (Trial), Good Operation Practice for Drugs, and Good Pharmacovigilance Practice. It has established a Quality Management System (QMS) covering the entire life cycle of products, standardizing drugs and medical devices production and operations. The Company continues to improve the QMS to maintain its self-sufficiency and effectiveness and ensure product safety and a stable market supply. It also strives to demonstrate to customers and other related parties the ability to continuously and stably provide products and services that meet the requirements of applicable laws and regulations and fulfill its corporate social responsibility as a listed pharmaceutical group.

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Impact, Risk, and Opportunity Management

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

The Company has established its Quality Information Reporting Management System, and emphasized the principle of risk management, requiring all subsidiaries to report relevant quality information in time to ensure its effective communication and timely feedback, and lower potential quality risks.

Additionally, in order to tighten up the control of quality risks, SPH strictly adheres to its quality audit policies and conducts ongoing guality audits and management reviews. The Company convenes regular risk assessment meetings to discuss and analyze potential risks, issue risk warning letters, and distribute special rectification notices. Dedicated personnel oversees specific tasks, ensuring that all subsidiaries investigate quality risks, elevate quality management standards, and assess the suitability, adequacy, and effectiveness of their drug quality management systems for ongoing improvement. Senior executives are urged to enhance the quality management system through strategic resource allocation and other initiatives. The Quality Management Committee holds regular meetings on the quality management situation of all subsidiaries, in order to analyze the regulatory dynamics, raise risk alerts, strengthen the awareness of guality, laws and regulations, and integrity, and effectively control and prevent quality risk.

During the Reporting Period,		
 29 quality management system (GMP/GSP) inspections, including u audits, and management reviews, were conducted; 6 quality work meetings and 1 risk assessment meeting were held; 12 audits of key quality personnel were completed. 		

Metrics and Targets

SPH has established quality objectives, defining qualitative and quantitative management indicators across three dimensions: product objectives, management objectives, and customer satisfaction objectives. These targets drive continuous improvements in product quality, safeguarding public health.

The Company introduced the "2024 Quality Assessment Rules," which outline key annual quality tasks for subsidiaries engaged in pharmaceutical R&D, production, and operations. These tasks align with annual quality management requirements and subsidiary-specific risk priorities. SPH regularly evaluates progress on these critical quality management activities. Additionally, the Company sets restrictive indicators, including violations of pharmaceutical or medical device regulations, the number of major defects identified during regulatory inspections, and delays in reporting quality information. These are graded by severity and integrated into the operator's annual performance assessment. Product quality-related indicators for 2024 are detailed in the "Appendix - Key Performance Indicators."

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	Potential Impact Analysis	Impact Time Frame	Actions
Legal Compliance Risk	Should pharmaceutical quality fail to meet standards, SPH may face regulatory penalties, including substantial fines, product recalls, production suspensions, or even revocation of production licenses. Such outcomes could inflict significant economic losses and disrupt normal operations.	Short to medium term	Monitor quality regulations and policies in target markets, refine its quality management system to ensure product compliance; and conduct regular quality training to reinforce quality awareness among all employees.
Reputation Damage Risk	Quality-related public sentiment can erode trust, tarnishing SPH's brand image. This may lead to a loss of confidence among clients and partners, a decline in market share, and a weakening of long-term competitiveness.	Short, medium, and long term	Establish a robust reputation management and crisis communication system and developed pertinent contingency plans; and enhance brand image in daily operations through charitable activities and corporate social responsibility initiatives.
Health and Safety Risk	If pharmaceuticals exhibit quality deficiencies, patients may not achieve anticipated therapeutic outcomes, potentially exacerbating their conditions or endangering lives.	Short, medium, and long term	Implement a comprehensive quality management system that adheres to standards such as Good Manufacturing Practice (GMP) from raw material procurement to final product dispatch; and strengthen quality testing and monitoring to ensure consistent and reliable product quality.
Market Competition Risk	Recurrent severe quality issues could result in the loss of partners, business opportunities, and investor trust, potentially causing financing challenges, financial strain, and impediments to future development.	Short to medium term	Establish a risk assessment and early warning mechanism to conduct regular evaluations of quality risks.

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Opportunities

	Potential Impact Analysis	Impact Time Frame	Actions
Brand Enhancement Opportunities	Rigorous quality control fosters a positive brand image, strengthens trust among clients and partners, and boosts brand loyalty. This enables SPH to distinguish itself and expand its market share.	Medium and long term	Promote its quality philosophy and product advantages through diverse channels, such as industry exhibitions and patient education initiatives.
Market Expansion Opportunities	High-quality products confer a competitive advantage, facilitating expansion into domestic and international markets and enhancing economic performance.	Medium and long term	Capitalize on product quality strengths to actively explore new markets.
Innovation Development Opportunity	Stringent quality demands drive SPH to increase R&D investment, refine production processes, elevate quality management standards, and foster technological innovation and sustainable growth.	Long term	Increase R&D investment, collaborate with universities and research institutions on joint industry-academia-research projects, and leverage quality and innovation as core competitive strengths to propel business growth.
Industry Leadership Opportunity	A focus on product quality aligns with industry regulatory trends and development trajectories, facilitates alignment with international standards, enables participation in global competition, and establishes SPH's reputation and influence within the industry.	Long term	Engage with industry associations and quality alliances, share quality management expertise, advocate for the elevation of industry quality standards, and enhance SPH's influence and voice within the sector.

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including unannounced checks, follow-up reviews, special



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Quality Awards

As of the end of the Reporting Period, SPH was recognized with 167 quality awards, including 61 national-level honors and 106 provincial/municipal-level accolades.

Some of the Quality Awards Received in the Reporting Period

SPH

The initiative "SPH Comprehensively Promoting Quality Culture and Brand Building" earned recognition as a "Model Case of Integrated Corporate Culture and Brand Building"

Its Subsidiaries

- SPH Xingling earned the "First Prize of Shanghai Science and Technology Progress Awards," while SPH New Asia received the "Second Prize of Shanghai Science and Technology Progress Awards."
- SPH New Asia and SPH Xingling were honored with the title of "Shanghai Quality Benchmark (2023-2024)".
- SPH Herbapex was awarded the "Silver Prize of Governor's Quality Awards," and SPH XTCM received the "Nomination Prize of Provincial Government Ouality Awards."
- One employee was honored as "Shanghai Quality Craftsman" by Shanghai Association for Quality in 2024 and named "Shanghai Craftsman" by Shanghai Federation of Trade Unions. Another employee earned the title "Qingdao Craftsman" from Qingdao Federation of Trade Unions in 2024.
- SPH Leiyunshang received the "Professional Level Prize" in the national lean site management improvement campaign (conferred by China Association for Quality).
- Several subsidiaries were distinguished as outstanding QC groups or trustworthy guality teams in the national pharmaceutical industry, and were recognized by Shanghai Association for Quality for outstanding performance in "Site Management Innovation Initiative," "Customer Satisfaction Service Star Innovation," and "Outstanding **Quality Management Innovation Evaluation.**"



Quality Culture Building

SPH consistently fosters a quality culture by establishing a distinctive "1+6+16 Concentric Circles" quality culture framework. This framework guides the comprehensive advancement of guality initiatives, with annual Quality Month activities serving as a platform for specialized quality training. These efforts enhance SPH's quality awareness and capabilities, ingraining the principle of "Ouality First" across the organization.

Each subsidiary has established management regulations and standard operating procedures for training, and has designated personnel responsible for training management and regular evaluation of training effectiveness. This ensures every employee undergoes guality-focused training prior to starting work. SPH's headquarters initiates a variety of gualitycentric activities each year. In 2024, a total of 779 guality-focused campaigns were carried out across the Company, engaging over 41,000 participants.

Quality Training System

Online general training programs to instill quality consciousness among frontline staff

Seminars on deviation management strategies and inspection case analyses to strengthen quality management proficiency among key personnel across the entire value chain

Case Study

Quality Month Campaign

In 2024, guided by its "Concentric Circles" culture, SPH organized a diverse array of quality activities from September to November. These initiatives fostered a robust quality culture, heightened quality awareness among all employees, and reinforced quality support systems. During Quality Month, SPH's Department of Quality Management, in collaboration with Party Committee, Administrative Department, Labor Union, and Communist Youth League Committee, meticulously planned and executed a series of quality-focused events. These activities ensured that personnel at all levels-from senior management to frontline staff—deeply understood and followed through the "Quality First" philosophy, thus cultivating an environment where everyone prioritizes, values, and actively engages in quality assurance.



Launch of Quality Month Campaign

Training on key instrument knowledge and various topics to enhance the professional competence of the quality inspection arm

Online learning sessions on the ICH Q system to broaden the international perspective of all employees and benchmark against global best practices



SHAPHAR: Launch of Quality Month Campaign


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📕 Lean Management

Leveraging its Manufacturing Management Center as a governance platform, SPH adheres to the foundational principles of prioritizing quality, optimizing costs, promoting green development, and advancing intelligent manufacturing. Driven by systemic capabilities, the Company aims to achieve operational excellence and intelligent manufacturing by benchmarking, upgrading, and innovating across the entire industrial manufacturing value chain. This commitment ensures the continuous provision of top-tier, safe, and effective pharmaceuticals to the public. In 2024, SPH focused on six key areas to drive cost reduction and efficiency enhancement: optimizing production layout, improving technical and economic indicators, implementing comprehensive lean management, expanding centralized procurement, increasing personnel efficiency. and intensifying energy conservation and consumption reduction. Additionally, the Company persistently refines its lean management system and strengthens its lean talent pool.



Ouality Inspection

Quality inspection stands as the final critical safeguard before pharmaceuticals leave the factory. Its testing capabilities directly shape the precision of product quality assessments and serve as a cornerstone of SPH's commitment to social responsibility.

SPH ensures that laboratory personnel, facilities, and equipment across all subsidiaries align fully with the nature of the products and the scale of production. All inspection staff hold relevant qualifications and complete practical training tailored to their testing responsibilities, with competence confirmed through assessment. Laboratories maintain essential reference materials, such as pharmacopoeias and standard spectra, and uphold written procedures for the thorough testing of raw materials, intermediates, and finished products. These protocols guarantee that all pharmaceuticals undergo comprehensive testing in strict accordance with registered and approved methods. Each laboratory also maintains robust procedures for investigating out-of-specification results, ensuring that any deviations trigger a meticulous investigation and detailed documentation per standard operating guidelines.

SPH's subsidiaries all achieve 100% testing coverage for self-produced products and conduct annual systematic reviews of testing outcomes and trends to swiftly identify potential issues and implement preventive actions.

The Company adopts laboratory information systems to boost inspection efficiency and data integrity. Over the years, we have consistently engaged in laboratory proficiency testing programs organized by regulatory authorities, securing commendable results in every instance. Presently, 16% of our laboratories hold CNAS accreditation.



Logistics Quality Management

SHAPHAR conducts regular audits of the guality management systems governing the storage and distribution of drugs and medical devices entrusted to its logistics partners (wholly-owned subsidiaries of SHAPHAR). These audits adhere to legal frameworks, including the Drug Administration Law, Good Supply Practice for Pharmaceutical Products, Regulations on the Supervision and Administration of Medical Devices, Measures for the Supervision and Administration of Medical Device Operations, and Good Supply Practice for Medical Devices. Through these assessments, SHAPHAR evaluates the adequacy, suitability, and effectiveness of its logistics partners' systems, pinpointing opportunities for enhancement and necessary adjustments. This process confirms that their operations and daily activities meet both regulatory mandates and SHAPHAR's standards for entrusted storage and distribution. The audit team meticulously examines shortcomings, issuing corrective or preventive action notices as required. Logistics partners promptly address and resolve these issues, with the audit team tracking progress and verifying the effectiveness of corrective measures.

SHAPHAR has established a computer system that meets the requirements of management and quality control of the whole operation process, and all business systems, with real-time data exchange, mutual verification and mutual supplementation, make-up a complete modern information management framework. Its ERP system integrates seamlessly with the Warehouse Management System (WMS) and Transportation Management System (TMS) of its logistics partners, facilitating real-time data exchange and ensuring system alignment for dynamic, real-time business oversight. Furthermore, SHAPHAR closely collaborates with logistics partners via an Office Automation (OA) system, enabling traceable workflows for critical business reviews and ensuring prompt, effective feedback on product quality matters.

In order to meet the needs of upstream and downstream customers and for its own development, SHAPHAR boasts five cutting-edge technologies:

- Innovative SPD (supply, processing and distribution) technology for hospital supply chain management and service:
 - AGV (automated guided vehicle) goods-to-person storage and picking system and automatic dispensing machine for intelligent sorting;
- 360-degree Automatic Scanning and Identification System for inbound and outbound logistics to improve drug traceability;
 - 4. chain system;
- Standardized documentation system for pharmaceutical logistics services to boost its capabilities in **5**. logistics management.

To meet business needs, SPH is equipped with warehousing facilities (including hardware and software), temperature and humidity monitoring equipment, transportation vehicles and other facilities. The Company has adopted a series of modern information systems, including ERP system for enterprise resource planning, OA system for office collaboration and approval, CRM system for customer relationship management, Cloud School for online employee training, and EBS system for financial and business integration, to digitally manage procurement, distribution, storage and operation. It boasts automated equipment, intelligent operations and digitalized decision-making, taking the lead in the full-lifecycle pharmaceutical supply chain management.

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

Pharmaceutical cold chain transportation and warehousing technologies to form a leading cold

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Recall and Disposal of Substandard Medicines

SPH strictly adheres to the provisions of Article 83, Paragraph 4 of the Drug Administration Law of the People's Republic of China in managing substandard drugs. It has signed agreements with service providers qualified for hazardous waste disposal, and declared on the "Shanghai Hazardous Waste Management Information System". The substandard drugs are transported by vehicles (with special identification for hazardous waste) to the designated site, while special drugs are destroyed under the supervision of drug regulatory authorities.

Upon the receipt of goods, the accompanying certifications are verified to ensure the consistency of the invoice, account and product, and a lot-by-lot acceptance inspection is conducted according to GSP requirements, to prevent substandard drugs from being put into storage. Drugs are properly stored and maintained according to warehouse conditions, external environment and guality characteristics of drugs, and their shelf life are automatically tracked and monitored for early warning of products near their expiry date and automatic locking of products beyond their labeled expiration date, to prevent the sale of expired medications. All refrigerated and frozen goods are delivered according to the cold chain management requirements. The transport contractors are audited and required to sign an agreement with which their quality responsibilities are clarified and their performance overseen. The Company strengthens the management of returned goods to ensure the quality and safety of drugs and prevent falsified drugs. It has set up a reporting mechanism for pharmacovigilance (PVG), a drug recall mechanism and a system for the management and destruction of substandard products to ensure rapid response and provide effective guarantee and process traceability for safe medication.



Drug Recall

All SPH manufacturing subsidiaries have established a product recall system, to ensure fast and accurate recall of any batch of products with potential safety hazards. Recall-related management procedures and SOPs are in place for complaint registration, evaluation, investigation and effective recall handling. Dedicated personnel are responsible for organizing and coordinating the recalls while relevant departments have duties to enable immediate recall at any time.

All subsidiaries of the Company have established a drug traceability system, using an electronic supervision code system for rapid access to drug shipment records. Recalled products are identified and stored separately and properly, pending final disposal decisions. The progress of the recalls is recorded and reported, including the number of products shipped, the quantity recalled, and the balance. The recalls are reported to the drug regulatory authorities on time. The complaint records are regularly reviewed and analyzed to identify areas of focus, and take appropriate measures for continuous optimization and improvement. In addition, the effectiveness of the recall system is continuously evaluated through campaigns such as mock recalls and annual self-inspections. SPH has always attached great importance to customer feedback, and achieved 100% complaint response rate and 100% resolution rate in 2024. During the Reporting Period, the percentage of products sold or shipped by SPH that required recall due to quality issues was 0.002%*.

All SPH pharmaceutical manufacturing subsidiaries have established drug safety incident response plans and conduct regular training and emergency drills. These measures ensure comprehensive coordination in addressing significant safety incidents related to the guality of marketed drugs. The plans outline effective response strategies, enhance emergency management capabilities, and ensure proper handling of medical treatment, compensation, and other necessary actions for affected individuals while preventing further escalation of harm.

*Note: In 2024, three subsidiaries of SPH received a total of three administrative penalties related to product quality. In accordance with the "Drug Recall Management Measures" and a strong commitment to patient responsibility, these subsidiaries proactively initiated Level 3 recalls for the affected batches.

Pharmacovigilance (PVG)

In compliance with Article 12 of the Drug Administration Law, which mandates the establishment of a national pharmacovigilance system to monitor, identify, assess, and control adverse drug reactions and other medication-related harms, SHAPHAR officially established its Pharmacovigilance Department on January 13, 2020. This department conducts PVG activities focused on drug distribution safety, aiming to minimize drug safety risks within its scope of responsibility and safeguard public health.

The Pharmacovigilance Department of SHAPHAR maintains a clear organizational structure, with designated leadership and dedicated PVG specialists. The company has developed a comprehensive PVG guality management system, encompassing policies, standard operating procedures, management responsibilities, and supporting documentation. This framework ensures well-defined roles and responsibilities and the standardized execution of PVG activities.

SHAPHAR remains vigilant in implementing the latest PVG laws and regulations. It collaborates with marketing authorization holders to collect drug safety information in a timely manner and supports drug regulatory authorities, municipal and district monitoring bodies, and marketing authorization holders in conducting risk communication, risk control, and other PVG activities. Additionally, SHAPHAR accommodates the specific PVG needs of project partners, including regular data reconciliation and internal training, thereby fulfilling its responsibilities in the PVG domain with professional expertise.

Providing Exceptional Service Experiences

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

Customer Experience Improvement

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

SHAPHAR conducts annual satisfaction surveys among its medical institution clients, supplier clients, and commercial and retail clients to gather feedback. During the Reporting Period, the survey results indicated that satisfaction levels across all three client categories have surpassed previous benchmarks, with overall satisfaction consistently rising year over year. This has earned SHAPHAR unanimous praise from its upstream and downstream partners.

Customer Privacy Protection

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



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. Management with Collective

SHAPHAR has established the "Data Security Management Measures". Customers' private data is managed in accordance with SHAPHAR's data management standards. Firstly, at the system design level, SHAPHAR controls the scope of information collection across all business operations, minimizing the acquisition and storage of customer data. Secondly, at the system permissions level, SHAPHAR adheres to the principle of least privilege, ensuring the security of data access and usage. Lastly, at the storage level, SHAPHAR can engage in customized development for specific privacy content based on customer requirements.

SHAPHAR National Information Technology Center

• At the system storage level, private data from the supply chain collaboration platform and ERP system is encrypted within the database.

• At the system application level, access controls and data encryption are implemented for users with varying permissions and for reports.

 A centralized antivirus management platform has been established for all system platforms, enhancing server antivirus capabilities.

• The private cloud platform and supply chain collaboration platform have achieved Level 3 protection under the Classified Protection of Cybersecurity and undergo annual re-evaluations.

SPH Health Commerce

 Personal information protection clauses have been incorporated as essential terms in standard texts to safeguard the interest and privacy of SPH Health Commerce, its employees, patients, suppliers, and their employees and other individuals.

• In relevant projects, the Informed Consent Forms are signed with customers, explicitly outlining the purpose and methods of collecting and using personal information, with strict limitations on the scope of personal information collection.

 Security measures and methods are adopted throughout the entire data lifecycle, including encryption, secure transmission, and data access control, to ensure data security.

• Apps and mini-programs under SPH Health Commerce display the "User Service Agreement" and "Privacy Policy" on the login interface, strictly limiting the scope of customer personal information collection to the minimum necessary, and obtaining customer consent to ensure the legality and legitimacy of personal information collection and use.

Huashi Pharmacy

 Only anonymized member information is used for operations, and internal employees are bound by the Information Security Non-disclosure Agreements.

• Personal information of insured persons is protected.

• Each pharmacy participating in medical insurance signs an annual performance agreement with the Medical Insurance Center, which includes strict management requirements for user privacy.

 Confidentiality agreements have been signed with external third-party platforms that may access end-customer privacy data. Internally, access to relevant privacy materials and files requires prior approval.

Customer Complaint Management

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

To further elevate customer service quality and deeply embody its corporate culture of "service with honor," SHAPHAR has established a comprehensive after-sales service system, with a dedicated team managing after-sales complaints exclusively. The Customer Service Department of SHAPHAR's National Operations Management Center has formulated and implemented the "Call Center Position Responsibilities and Standards," enhancing service guality through standardized management.

In service channel development, SHAPHAR has constructed a multidimensional system encompassing telephone, email, and a cloud customer service platform, offering customers convenient channels for lodging complaints. The Customer Service Department employs a work order system to track and record each after-sales complaint throughout its lifecycle. A designated individual oversees the process, ensuring a complete service loop from issue acceptance to feedback, thus achieving full traceability of customer concerns.

To sustain the professional growth of its service team, the Customer Service Department has instituted a robust incentive mechanism and a systematic talent development framework. These initiatives elevate the professional competence and service standards of the customer service team, laying solid groundwork for the ongoing enhancement of the company's customer service capabilities.



SPH Health Commerce

 Special complaint channels have been set up to promptly respond to customer complaints. Email: compliance@sphcchina.com Customer service hotline: 4009200036

Telephone: 021-32096606

Huashi Pharmacy

- Operates customer service hotlines for its dual brands: Huashi Pharmacy at 4008818580 and Leiyunshang
- Pharmacy at 8008200632, addressing customer needs and complaints promptly.
- 4008891700.
- Provides a "Customer Feedback Book" in physical stores to facilitate the timely resolution of customer complaints.

Maintains online customer service teams across multiple e-commerce platforms, with an after-sales hotline at



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Appendix

Working Together to Promote Industrial Upgrading

Serving National Strategy

Promoting Coordinated Industrial Development

Strengthening Supply Chain Management

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

Highlights of 2024

SH INNO officially commenced operations during the Reporting Period, welcoming 15 partners and innovative enterprises.

SPH has hosted the Pujiang Pharmaceutical and Health Industrial and Financial Innovation Development Summit for seven consecutive years.

2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

Message from the Chairman Special About SPH Coverage

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Serving National Strategy

Accelerating the Development of a Global Biomedical Industry Hub in Shanghai

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

Shanghai Biomedical Frontier Industry Innovation Center

Established in August 2024 through the integration of Shanghai SPH Biopharmaceutical Co., Ltd. and Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd., SH INNO emerged under the support of the Shanghai Municipal Government. Led by SPH, with participation from Shanghai Jiao Tong University School of Medicine, Fudan University, Zhangjiang Group, and other entities, SH INNO was inaugurated in Zhangjiang in September 2024 and kicked off operations in October. As a responsible state-owned enterprise, SPH leverages SH INNO to forge an innovative consortium where leading enterprises, academic institutions, and diverse innovation entities collaborate synergistically. The "one-table" mechanism accelerates the aggregation of resources across industry, academia, research, healthcare, and capital, fostering deep integration of innovation, industry, capital, and talent chains. This approach cultivates an innovation system without borders, expediting the development of an open-source innovation ecosystem.

During the Reporting Period, the construction and operation of the Zhangjiang Accelerator advanced smoothly. The park currently hosts **15** partners and innovative enterprises, including key projects and innovators such as the Shanghai Biomedical Innovation Guidance Fund and Bayer AG. SH INNO successfully organized major events, including the 23rd Pujiang Interdisciplinary Forum and the 7th Pujiang Summit, enhancing the park's visibility and influence significantly.

📻 Case Study

Opening Ceremony of SH INNO and Unveiling Ceremony of Shanghai Kangjiansheng Cell Technology Co., Ltd.

On September 10, 2024, the grand opening ceremony of SH INNO and the unveiling ceremony of Shanghai Kangjiansheng Cell Technology Co., Ltd. took place at the SH INNO Park, 88 Zhangjiang Road, Pudong, Shanghai. SPH, in partnership with Ruijin Hospital affiliated to the Shanghai Jiao Tong University School of Medicine, Shanghai Children's Medical Center affiliated to the Shanghai Jiao Tong University School of Medicine, and China Stem Cell Group Co., Ltd., signed a four-party strategic cooperation agreement to explore new avenues in cell therapy.



Ribbon-cutting and Unveiling Ceremony of SH INNO



Signing of the Four-Party Strategic Cooperation Agreement for the Kangjiansheng Cell Therapy Innovation Consortium

SHAPHAR Lingang New Area Medical & Big Health International Industrial Park

To build Shanghai into an innovation hub for biomedicine and expediting the development of Lingang New Area, SPH initiated the construction of the SHAPHAR Lingang New Area Medical & Big Health International Industrial Park in Zhuqiao Town, Pudong New Area in Shanghai. With an investment of approximately **CNY 2 billion**, this project covers a land area of **126,600 m²** and a gross floor area of **200,000 m²**, consisting of **six** logistics buildings and ancillary services facilities.

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

Once operational, this project will enhance service to the pharmaceutical industry's development needs across Lingang, Shanghai, and the Yangtze River Delta region. In collaboration with the Lingang Special Area Administrative Committee, it will establish the "Lingang New Area Global Pharmaceutical and Medical Device Import and Export One-Stop Service Base." This endeavor seeks to harness government-enterprise collaboration to elevate the Lingang biopharmaceutical brand, strengthen resource allocation capabilities within the international biopharmaceutical sector, and bolster the international competitiveness and influence of Shanghai's biopharmaceutical industry.



SPH Jinshan Green Pharmaceutical Excellence Base

Nestled within the Carbon Valley Green Bay Industrial Park of Jinshan District, Shanghai, SPH Jinshan Green Pharmaceutical Excellence Base spans approximately **5.23 hectares** with an investment of **CNY 518 million**. Put into operation in December 2024, this facility represents SPH's newly constructed high-end API production base. As a dominant force in Shanghai's biopharmaceutical industry, SPH remains dedicated to elevating the public's health and quality of life. By establishing a presence in Jinshan, the Company aims to cultivate new quality productive forces, seize opportunities in high-end, intelligent, and green development, and spearhead industrial transformation through technological innovation. Guided by the digital and intelligent blueprint for the Base, the project will construct a premium active pharmaceutical ingredient (API) production base to lead the transformation of the API industry and enhance SPH's core competitiveness. By capitalizing on its technological and resources strengths, the base will forge a novel model of integrated API and formulation production. It will focus on its principal responsibilities and primary operations, reinforce its essential functions, and fulfill its mission. With a steadfast commitment to excellence, it will produce reliable medicines to safeguard public health.

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Upgrading

Project Positioning

Premium API Production Base

- Designated as SPH's high-value-added and premium API production hub
- Facilitates the commercialization of SPH's newlydeveloped products

Public Platform for the API Industry

• A public platform for the industrialization of APIs of small-molecule innovative drugs in Shanghai



Shanghai-Hong Kong Synergy: Charting New Frontiers

SPH, a core platform for advancing comprehensive healthcare operations under Shanghai Industrial Investment (Holdings) Co., Ltd. (SIIC)—a Chinese state-owned enterprise headquartered in Hong Kong, diligently aligns with China's "innovationdriven development" strategy. SPH actively responds to the "14th Five-Year Plan," bolsters Hong Kong's growth and its evolution into an international innovation and technology hub, and seamlessly integrates into the "Guangdong-Hong Kong-Macao Greater Bay Area" development framework. During the Reporting Period, SPH inaugurated its Hong Kong headquarters, subsequently refining its operational mandate and instituting a dedicated task force for TCM development in Hong Kong. This strategic move underscores SPH's commitment to leveraging Hong Kong as a pivotal gateway for the globalization of TCM.

Prioritizing the "industry-academia-research" nexus, SPH proactively fosters exchanges and collaborations with Hong Kong-based universities and research institutions. Its mission is to enhance value chain synergies, steered by clinical imperatives and anchored in evidence-based medical research. This approach facilitates project development, technological breakthroughs, product launches, and commercialization. By harmonizing the "research, production, and sales" triad, SPH achieves numerous benefits, enriching the public's access to superior TCM offerings. SPH also champions the amalgamation of industrial resources, stimulating production through financial capital and forging a symbiotic blend of industry and finance. This leads to an ecosystem that unifies "government, industry, academia, research, healthcare, and capital," fostering an environment where the complementary facets of Shanghai-Hong Kong collaboration converge. This allows the advancement of TCM in both regions, infusing the Shanghai-Hong Kong biopharmaceutical partnership with renewed vitality.



SPH participated on invitation in the "OASES Partnership Signing Ceremony'

重点企业分享 SCHOLDER N

SPH gave a presentation as a featured enterprise at the 2024 Hong Kong Investment Promotion Conference

Promoting Coordinated Industrial Development

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

Contributing to the Development of Industry Standards

In the Reporting Period, SPH hosted and participated in the formulation and revision of major technical standards:

Standard

Specification for Hospital Integrated Logistics Service (WB/T 1142-2024)

Requirement and Implementation Guidance for Quality Risk Management of Ph Manufacturing Enterprises (T/CQAP 4001-2024)

Guidelines for Quality Credit Rating of Pharmaceutical Distributor (T/SHSPTA 002

Quality Management Specifications for Pharmacovigilance Activity Delegat 024-2023)

Grade Quality Standards for Wild-Simulated Ginseng (T/SHATCMI 0006-2024)

Technical Specification for Primary Processing of (Fresh-Cut) Chinese Medicinal CATCM 029-2024)

Quality Management Specification for Traditional Chinese Medicine Decoctio 0001-2024)

Technical Requirements of Digital Traceability in the Whole Process of Drug Laboratory Management (T/SHQAP006-2024)

Technical Requirements of Digital Traceability in the Whole Process of Drug Warehouse Management (T/SHQAP007-2024)

Technical Requirements of Digital Traceability in the Whole Process of Drug Document Management (T/SHQAP008-2024)

Technical Requirements of Digital Traceability in the Whole Process of Drug Quality Management (T/SHQAP009-2024)

Guidelines for GMP in the Design of Standardized Factory Buildi Biopharmaceutical Industry (T/SHQAP 017-2024)

Package Integrity Testing of Parenteral Products - Microbial Challenge Test: Re Testing by Immersion (T/ZJPA 002-2023)

	Category	Standard- Formulating Entities
	Industry Standard	SHAPHAR
harmaceutical	Social Organization Standard	SPH
)2-2024)	Social Organization Standard	SHAPHAR
tion (T/SHPPA	Social Organization Standard	SPH Sine, SPH New Asia
	Social Organization Standard	SPH TCM
al Materials (T/	Social Organization Standard	SPH Hua Yu
on (T/SHATCMI	Social Organization Standard	SPH Hua Yu
9 Production—	Social Organization Standard	SPH Sine, SPH New Asia, SPH SBPC
9 Production—	Social Organization Standard	SPH Xingling, SPH Zhongxi Sunve
Production—	Social Organization Standard	SPH New Asia, SPH Xingling, SPH RD
Production—	Social Organization Standard	SPH SBPC
lings for the	Social Organization Standard	SPH Sine
equirement for	Social Organization Standard	SPH Qingchunbao



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Participating Industry Associations

SPH has joined the following associations:

Organizations / Associations

- China Pharmaceutical Enterprises Association
- China Pharmaceutical Industry Association
- China Food & Drug Administration
- China Food and Drug Corporation Quality and Safety Promotion Association
- China Association of Scientists
- China Pharmaceutical Innovation and Research Development Association
- China Shippers' Association
- China Medicinal Biotechnology Association
- China Association of Pharmaceutical Commerce
- China Association of Traditional Chinese Medicine
- Price Association of China
- China Association of Ouality
- China Pharmaceutical Association of Plant Engineering
- China Enterprise Confederation & China Enterprise Directors Association
- China-Africa Business Council
- China Association for Public Companies
- China Pharmaceutical Enterprises Association
- Pharmaceutical Committee of the Price Association of China

- Shanghai Pharmaceutical Industry Association
- Shanghai Traditional Chinese Medicine Trade Association
- Shanghai Pharmaceutical Trade Association
- Shanghai Medical Insurance Association
- Shanghai Biopharmaceutics Industry Association
- Shanghai Pudong Biopharmaceutics Industry Association
- Shanghai Pharmaceutical Association
- Shanghai Association for Quality
- Shanghai Trade Investment Development Association
- Shanghai Industrial Internet Association
- Shanghai Young Entrepreneurs Association
- Shanghai Association of Plant Engineering
- Shanghai Association of Food and Drug Safety
- Shanghai Medical Instrument Trade Association
- Shanghai Synthetic Biology Industry Association
- Shanghai Enterprise Confederation & Shanghai Enterprise Directors Association
- Shanghai Information Network Security Administration Association
- Shanghai Enterprises and Institutions Security Association
- International Cooperation Committee of Shanghai Federation of Industry and Commerce (General Chamber of Commerce)
- Shanghai Promotion Association of Tech-Transfer (SPAT)
- The Listed Companies Association of Shanghai
- Shanghai Contract Credit Promotion Association
- Shanghai Corporate Counsel Association
- Shanghai-Hong Kong Economic Development Association

Hosting Industry Summits

Case Study

2024 China Conference on Rare Diseases

Co-sponsored by the China Alliance for Rare Diseases, the Office of the National Network for Diagnosis and Treatment of Rare Diseases and more than 60 other organizations nationwide, the "2024 China Conference on Rare Diseases" was successfully held in Beijing on October 18-20, 2024 with substantial support from SPH. The conference was designed to offer insightful recommendations for fostering new quality productive forces in the rare disease domain. Bringing together diverse stakeholders, it sought to advance the industry's capacity



for groundbreaking scientific and technological innovation in rare diseases across China, thereby elevating the standards of prevention and care for rare diseases.

📻 Case Study

Pujiang Healthcare Summit 2024

On December 20, 2024, the 7th Pujiang Healthcare Industry & Finance Integration and Innovation Summit ("Pujiang Healthcare Summit"), guided by SIIC and coorganized by SPH, Shanghai Healthcare Capital, and SH-INNO, convened at SH-INNO. The event attracted over 300 attendees and engaged more than 10,000 viewers online. Themed "Connecting the Future," the Summit explored the pharmaceutical industry's trajectory, fostering dialogue among scientific, industrial, and investment communities. It highlighted the value of a comprehensive ecosystem supporting innovative drug development, emphasizing the integration of capital, technology, talent, and institutional frameworks. The Summit served as a platform for industry leaders, academics, and entrepreneurs to collaboratively shape and strategize the future of China's biomedical innovation landscape.

Case Study SPH at the 22nd CPHI China

Positioned as a premier event uniting the pharmaceutical supply chain, the 22nd CPHI China, alongside the 17th PMEC China, was held at the Shanghai New International Expo Centre in Pudong from June 19 to 21, 2024. This exhibition created a comprehensive procurement platform, forging strong connections between upstream and downstream sectors, thus propelling the Chinese pharmaceutical industry toward new horizons. SPH participated in CPHI China 2024, showcasing its R&D expertise and competitive standing in the global market for active pharmaceutical ingredients (APIs) and pharmaceutical intermediates.

Cultivating Industrial Talent

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

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

New University-Enterprise Cooperation Projects in 2024

In 2024, SPH hosted a week-long social practice summer camp for students and teachers from a consortium of esteemed universities, including Tsinghua University, Peking University, Fudan University, Shanghai Jiao Tong University, Zhejiang University, Tongji University, East China Normal University, Shanghai University of Finance and Economics, East China University of Science and Technology, Shanghai University, China Pharmaceutical University, Shanghai University of Traditional Chinese Medicine, and Shanghai University of Medicine & Health Sciences. SPH initiated the "Elite Engineer Joint Training Program for the 2025 Academic Year", aiming to cultivate 2 doctoral and 12 master's degree candidates in partnership with prestigious institutions such as Fudan University, Shanghai Jiao Tong University, East China University of Science and Technology, and China Pharmaceutical University.

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Strengthening Supply Chain Management

Governance

Suppliers are important partners for SPH's sustainable development. Following the "guality first, reasonable price, mutual benefit, and win-win cooperation" principle, SPH has formulated "Procurement Bidding Management Measures".

About SPH

"Supplier Integrity and Compliance Management Measures", "Centralized Procurement Management Measures", and "Raw/Auxiliary Material and Packaging Outsourcing Management Policy". These documents are designed to optimize the supply chain management system, and improve centralized procurement to ensure that products meet quality standards and the process is in compliance with relevant regulations. They also ensure the long-term and stable production of safe and effective drugs, in cooperation with suppliers, to fulfill SPH's social responsibility.

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

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

Strategy

Risks

	Potential Impact Analysis	Actions	Impact Time Frame
Supply Disruption	Natural disasters or economic difficulties may interrupt the supply of raw materials or pharmaceuticals. This could halt production for pharmaceutical manufacturers and impede pharmaceutical distributors, ultimately straining customer relationships, tarnishing reputation, and eroding market share.	Diversify the supplier base to lessen reliance on individual sources, secure long-term contracts with key suppliers (incorporating emergency provisions), and routinely evaluate suppliers' operational resilience.	Short to medium term
Quality Issues	Subpar raw materials may undermine pharmaceutical quality, resulting in inconsistent efficacy, product recalls, and diminished trust in the brand. For pharmaceutical distributors, sourcing defective products could trigger customer dissatisfaction and regulatory sanctions.	Assess supplier credentials, perform regular on-site quality audits, and enforce rigorous inspection protocols to reject non-compliant materials.	Long term
Compliance Risk	Suppliers breaching environmental or labor regulations could implicate the pharmaceutical company, exposing it to public criticism and regulatory scrutiny, thus jeopardizing sustainable business growth. Likewise, non-compliant sales channels employed by suppliers might entangle pharmaceutical distributors in legal conflicts.		Short to medium term

	Potential Impact Analysis	Actions	Impact Time Frame
Cost Optimization	Strategic supplier management can cultivate enduring partnerships with high-caliber suppliers, securing advantageous procurement and payment terms to lower costs. Streamlined supplier collaboration can also reduce inventory and logistics expenses, boosting operational efficiency.	Partner with suppliers to identify cost-saving initiatives, and refine supply chain logistics for optimal performance.	Medium and long term
Innovative Cooperation	Engaging suppliers can introduce cutting-edge technologies, processes, and materials to pharmaceutical manufacturing. For pharmaceutical distribution, such partnerships can enhance sales models and services, improving product accessibility and market competitiveness.	Create platforms for innovation collaboration, promote creative initiatives, and facilitate exchange programs.	Long term
Brand Enhancement	Effective supplier management, rooted in sustainable development, can elevate brand reputation, drawing interest from customers and investors alike.	Publicize management policies and successes to underscore accountability; engage in supply chain sustainability assessments to boost brand prominence; and weave supplier management achievements into marketing efforts to reinforce brand identity.	Medium and long term

Impact, Risk, and Opportunity Management

Promoting Supply Chain Stability

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

R&D and Manufacturing

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

Distribution and Retail

• Quality Risk Management: SPH has developed a robust risk management framework and contingency plans to pinpoint potential supply chain vulnerabilities and devise response strategies, ensuring stability and continuity.



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• Supply Chain Transparency: SPH maintains visibility across logistics and distribution phases by adopting technologies, such as upgraded smart Transport Management System (TMS), to track raw material and product flows in real-time, enabling swift issue resolution.

- Supplier Diversification: SPH partners with multiple logistics providers and distributors to avoid dependence on a single entity, thus enhancing supply chain adaptability and resilience.
- Technological Innovation: SPH harnesses advanced tools like artificial intelligence and the Internet of Things to elevate supply chain efficiency and responsiveness, minimizing disruption risks.
- Capacity Building: SPH conducts regular training to sharpen employees' risk management skills and awareness, preparing them to adeptly navigate supply chain challenges.

Quality Management of Procurement

In order to strengthen quality control, the Company implemented a comprehensive quality control in the approval, audit, and assessment of suppliers.



Metrics and Targets

Supplier management related indicators are detailed in the "Appendix - Key Performance Indicators."

Sustainable Supply Chain

SPH cares about suppliers' environmental, social and governance performance and is committed to building a sustainable supply chain. All suppliers are required to sign an Integrity Compliance Agreement with the Company. SPH's Measures for Supplier Integrity and Compliance requires suppliers to obey laws, regulations, departmental rules, and other regulatory documents related to anti-corruption and anti-unfair competition.

Our subsidiaries are actively building green supply chains. We encourage suppliers to complete certification and include EHS (Environment, Health, and Safety) compliance as a key assessment item. Suppliers who complete the certification are included on the list of preferred suppliers. At present, some suppliers have passed the certification of forest production and marketing chain, social responsibility certification, and laboratory CNAS certification.

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

Case Study

Development Plan (2022-2025) of Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.", outlining the definition, scope, goal, vision, fundamental approaches, plans, and basic measures for its green supply chain management.

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

Supplier Empowerment

SPH's subsidiaries tailor training, support, and guidance to suppliers based on their unique business characteristics, thereby enhancing their proficiency in areas such as quality management, safety management, and production management. This concerted effort promotes sustainable development among suppliers. During the Reporting Period, SPH's subsidiaries including SPH SBPC, SPH XTCM, SPH Herbapex, SPH Techpool, and SPH Xingling—conducted training sessions for suppliers. These sessions addressed integrity and compliance, environmental, EHS standards, and quality benchmarks.

Case Study SPH Xingling and Its Supplier Co-Developed a GAP Base

To ensure consistent quality of ginkgo leaf raw materials, SPH Xingling entered into a partnership with Yunnan Ximeikang Ginkgo Leaf Planting Base in 2024. Through financial and technical support, the collaboration established a Good Agricultural Practices (GAP) base for ginkgo leaves. Building on this foundation, the partnership expanded into scientific research, creating a modernized information platform. This platform employs environmental, soil, and video monitoring equipment to track planting conditions in real-time. Data collected integrates into an Internet of Things (IoT) management system, which connects to SPH Xingling's information platform, forming a comprehensive digital system spanning the entire supply chain from source to product. This initiative secures product quality from the outset, strengthening SPH Xingling's brand reputation.

Equal Treatment of Small and Medium-Sized Enterprises (SMEs)

As of the end of the Reporting Period, SPH's accounts payable, including notes payable, exceeded CNY 30 billion, without surpassing 50% of total assets, and no overdue payments were recorded. Additionally, both the Company and its subsidiaries strictly comply with national laws and regulations. No instances of overdue payments to SMEs appear in disclosures via the National Enterprise Credit Information Publicity System.

About SPH

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

Striving to build a green supply chain, SPH Sine has developed the "Green Supply Chain Management



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Pursuing High-quality Development in HR Management with Collective **Effort from All Parties**

- ٠
- **Occupational Health Protection**
- Improving Employee Care and Benefits

the enterprise.

Total Number of Employees

49,402

Proportion of . Female Employees

50.69 %



- **Compliant Employment Management**
- **Empowering Talents to Grow**
- **Diversified Employee Salary and Welfare**

SPH upholds a development philosophy that prioritizes human capital as its most valuable asset. This people-centric philosophy translates into the cultivation of a workplace characterized by openness, inclusivity, fairness, equity, harmony, and health, fostering mutual growth for employees and



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Governance

Human Resource Management System

SPH designates its Department of Human Resources as the central authority for human capital management, with Shanghai Pharma University (SPU) serving as the primary platform for talent development. The Company has instituted a robust human resource management framework, encompassing recruitment and staffing, training and development, performance management, and compensation and benefits. This system upholds employees' legal rights and interests. The Human Resources team holds regular meetings to review work plans, strategic priorities, and progress, consistently advancing talent empowerment and organizational development.

Safe Production Management System

SPH has instituted a production safety responsibility system that adheres to the principles of shared responsibility between the Party committee and administrative organ, dual responsibilities for one position, joint management, and accountability for negligence. This system emphasizes the "three musts" principle (i.e. safety management, which mandates that safety must always be taken into account amid the management of industry, business operations, and production).

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

SPH regularly upgrades its production safety responsibility and evaluation systems, and has established a complete set of Management Standards and Systems of Production Safety, including 43 systems, such as Safe Production Management Standards, Safe Production Classification and Grading Measures, Performance Assessment of Safety Management and Environmental Management, and Accident Accountability System of Safe Production and Environmental Protection. These policies apply universally to all categories of employees, including dispatched workers and interns.

Strategy

SPH views talent as the fundamental driver of progress. In alignment with the Group's strategic development, the Company has devised the 2024-2026 "Talent Enhancement" three-year action plan. This initiative seeks to build organizational capabilities and a high-caliber talent pool that support SPH's strategic ambitions. As a Responsible Employer, SPH upholds the core values of "innovation, integrity, cooperation, inclusiveness, and responsibility". The Company is open and inclusive, and provides fair opportunities and a safe environment, as well as diversified incentive mechanisms and development opportunities.



In order to ensure safe production, SPH consistently upholds a people-centric approach, prioritizing the well-being and safety of people above all else. SPH adopts a proactive strategy with prevention at its core and addresses potential major safety

risks at the source. SPH reinforces safety accountability through joint leadership, role-based duties, and systemic oversight, mandating safety integration in all operations.

Risks

Risks	Potential Impact Analysis	Impact Time Frame	Actions
Policy and Legal Risk	Non-compliance with labor regulations may trigger labor disputes, incur regulatory penalties or litigation, and undermine SPH's compliance-driven growth trajectory.	Short, medium, and long term	Monitor updates to local labor laws and regulations, conduct periodic training sessions on labor compliance, and implement rigorous employment compliance protocols, including audits of employee management practices to safeguard worker rights.
Reputation Risk	Poor employee satisfaction or negative incidents could damage brand image, erode stakeholder trust, reduce market share, and compromise future talent acquisition efforts.	Short, medium, and long term	Establish structured communication channels with employees, conduct regular employee satisfaction surveys, and promptly addresses grievances to protect employee interests; and take an active part in corporate social responsibility (CSR) initiatives to project a positive public image and enhance reputational standing.
Operation Risk	Attrition of critical personnel may disrupt R&D projects, destabilize production workflows, and impair supply chain reliability. Skill gaps among employees could hinder SPH's ability to meet evolving operational demands, threatening long- term sustainability.	Short to medium term	Develop a strategic workforce succession plan with multi-tiered talent pipelines; reinforce employee training frameworks to bridge competency gaps; and offer competitive compensation packages, professional development opportunities, and clear career progression paths to attract and retain talent.

Opportunities

Opportunities	Potential Impact Analysis	Impact Time Frame	Actions
Operational Opportunities	Employees enhance professional expertise and skills through continuous training and learning, empowering organizational development and boosting competitiveness. A diverse workforce fosters innovation-driven management and promotes efficient cross-departmental communication and collaboration.	Medium and long term	Develop comprehensive employee training programs, encourage staff to propose innovative ideas and solutions, implement diverse hiring practices, and cultivate an inclusive corporate culture.
Market Opportunities	High levels of employee engagement and satisfaction amplify positive corporate branding, elevating brand awareness and reputation.	Long term	Prioritize employee well-being to strengthen their sense of belonging and satisfaction, and conduct regular cultural training to deepen alignment with organizational values.

Impact, Risk, and Opportunity Management

SPH leverages employee feedback and HR analytics to promptly identify workforce-related risks and opportunities, formulating talent development strategies centered on compliant hiring, career growth, compensation and benefits, occupational health, and employee support. Ongoing efforts ensure robust management of these risks and opportunities, safeguarding employee rights while fostering mutual growth.



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Metrics and Targets

Holding steadfast to lawful employment practices, SPH maintained a flawless record during the Reporting Period without any incidents involving child labor or forced labor. 100% of our employees have signed an employment contract. Workplace safety initiatives fully achieved annual objectives, ensuring stable and controlled security conditions. During the Reporting Period, SPH did not experience any incidents that contravened relevant laws and regulations pertaining to occupational health and safety. Employee related indicators for 2024 are detailed in the "Appendix - Key Performance Indicators."

About SPH

Safety Responsibility Goals



Occupational Health Goals

SPH has established the objective of "Five 100%" to protect the health, safety and interests of employees. The Company is dedicated to achieving full occupational hazard management and ensuring that no work-related illnesses occurred throughout the year.



Compliant Employment Management

Compliant Recruitment and Employment

SPH strictly adheres to labor laws and regulations in jurisdictions where it operates, including the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Minors, and Regulations on the Prohibition of Child Labor. The Company has established the "SPH Recruitment Management Measures" and implemented internal policies for recruitment, contracts, attendance, and other areas across SPH headquarters and subsidiaries to ensure compliance and safeguard employee rights. SPH conducts age confirmation in the recruitment process to prohibit child labor. The Company signs labor contracts with all employees, documents attendance and time-off and eliminates forced labor. The Company has also established labor unions to protect the rights and interests of employees and provide a communication platform for their feedback and complaints.

Diversity and Equal Opportunities

SPH complies with the Labor Law of the People's Republic of China, Law on the Protection of Women's Rights and Interests of the People's Republic of China, and Regulations on Employment of Persons with Disabilities, upholding fairness, equality, diversity, and inclusivity. Hiring decisions are based on job requirements and candidate capabilities, with strict prohibitions against workplace discrimination. The Company does not discriminate based on education, religion, nationality, marital status, gender, health conditions, or ethnicity.

SPH adheres to market-oriented employment mechanisms and promotes open recruitment and merit-based selection processes to create premium job opportunities and foster a favorable employment environment. In 2024, SPH hired 7,586 new employees, including 49 persons with disabilities. By establishing a unified recruiting management platform and standardized recruiting management procedures, the Company continuously strengthens its staffing and talent reserve through diversified talent acquisition methods such as social media recruitment, campus recruitment, internal recommendation, and internal transfers. SPH focuses on attracting high-guality talents in the fields of technological innovation, advanced manufacturing, quality management, marketing, and internationalization.

For campus recruitment, SPH actively promotes annual hiring drives for fresh graduates through online/offline presentations, school-enterprise partnerships, and other channels to ensure timely access to job information and support for student employment. In 2024, SPH was once again honored as "China's Most Attractive Employer among College Students" and was recognized as one of "2024 China's Top 100 Model Employers" and "2024 Top 100 Exemplary Employers for Diversity and Inclusion"



Honored Employer



2024 Top 100 Exemplary Employers for Diversity and Inclusion 51 Job.com



²⁰²⁴ China HR Sirius Award for **Best Digital HR Practices** Moka

Outlook for 2025

Including 49 Individuals with Disabilities









2024 Best Practices Award in Leadership Development NormStar



093 | SPH

SPH advocates a performance culture and creates multiple methods to incentivize employees. During the Reporting Period, the Company further optimized its performance appraisal system and compensation/benefit packages to enhance employee motivation. The Company consistently refines incentive structures, providing medium- to long-term rewards to core management and key R&D personnel to ignite their innovative potential. The third long-term incentive scheme is now in progress.

Employee Communication

Talent Incentivization

SPH has established open communication and feedback mechanisms to actively listen to employee input, and continuously enhances management practices and service quality to foster employee satisfaction and well-being. SPH has been

Every year, SPH reviews and refines its employee career advancement and performance evaluation processes. The Company offers diversified career development pathways, including both managerial and professional tracks, while supporting employees in expanding their career horizons through cross-functional roles, short-term project-based learning, and other opportunities. Employees are encouraged to explore innovative approaches within their current roles to maximize value, with access to cross-organizational project collaborations that align personal growth with corporate strategic objectives.

SPH conducts annual individual work objective setting and performance appraisals, systematically assessing and iteratively improving employee performance to ensure alignment with organizational goals. Regular feedback and communication mechanisms are in place to drive professional development and operational efficiency.

Appraisal and Promotion

SPH's Job Grading System larketing Technical R&D Services Production

Empowering Talents to Grow

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

SPH strictly abides by the Personal Information Protection Law of the People's Republic of China to protect the security of

employees' personal information and prevent the intentional or unintentional disclosure of private information to non-related



people. As for recruitment, assessment and salary, only authorized personnel can access employees' information.

Annual employee conferences at subsidiaries Performance-focused dialogues Satisfaction surveys for employee services (e.g., cafeteria, café)

previous cycle, indicating positive trends in retention.

Labor Union and Employees' Representatives Conference (see the section of "Democratic Management")

Talent Development

849.966

Training Participants in 2024

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

SPH adheres to four basic principles: special attention, service strategy, comprehensive coverage, and integrated support. With Shanghai Pharma University (SPU) as the core, we have designed a scientific and systematic training program and courses for employees at all levels and positions. Employees may choose training courses according to their own development goals and job requirements. These efforts help both employees and the Company in their growth journeys.

In 2024, SPU executed its educational plan with precision, strengthening the Group's framework as a learning organization. Focusing on eight key segments encompassing 25 training categories, SPU delivered 143 project sessions through a combination of online and offline channels. These efforts resulted in 941,640 learning hours and engaged 110,242 participants, achieving an average of 8.54 hours per individual. The annual training investment reached CNY 3.72 million, supporting critical initiatives such as leadership development for young and middle-aged reserve cadres, onboarding for new employees, micro-courses on pharmaceutical knowledge, comprehensive cybersecurity training, and safety education for all personnel. These programs propelled the digital transformation of educational activities and expanded access to learning resources across the organization.

"SPH E-Academy" Digital Learning Platform

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

Privacy Protection

Message from the Chairman About SPH

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conducting engagement surveys for years and consistently acts upon the findings to make corrections. In 2024, the Company achieved an overall engagement score of 85%, surpassing both the national average in China and industry benchmarks for the healthcare sector. The survey results reflected a 5-percentage-point increase in engagement score compared to the



1,818,845 Hours Total Training Hours in 2024

36.82 Hours

Average Hours of Training per Employee



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Strategic Planning

- Centered around the mission and functional positioning of SPU
- Aligned to Shanghai's strategic plan for fostering pharmaceutical talent
- Export a course system to cement SPH's dominant position in the industry

System Construction

- Build a comprehensive training and learning environment that combines online and offline learning methods
- Complement internal self-developed courses with external premium courses and build a strong team of internal lecturers
- Create learning maps for trainees in key positions and assist in course development
- Build an internal learning operation system and create an enabling learning and sharing atmosphere

Business Support

- Build the SPH Digital Learning Platform to achieve full-life-cycle management of training processes
- Establish full-fledged management procedures and business norms and integrate training data across the entire Group
- Improve the digital human resources system

Cultivation of Technicians

SPH is one of the national models excelling at the integration of production and education. The Company actively promotes the cultivation of high-skilled personnel and has gradually built a mature training system. Throughout 2024, the Company sustained its technician training programs, leveraging structured education and mentorship to cultivate a cadre of skilled professionals excelling in frontline operations. As of the end of 2024, the Group has cultivated 105 "Master Craftsmen" through its dedicated selection program, with 13 employees honored as "Shanghai Craftsman", 12 individuals certified as "Shanghai Chief Technicians", and 3 studios accredited as "Shanghai Skill Master Studios"

SPH also pays attention to the cultivation of high-skilled teams. The Company organized the 2024 SPH Group Vocational Skills Competition for four groups: pharmaceutical preparation workers (Levels 2&3), and drug inspectors (Levels 2&3). 185 contestants from SPH subsidiaries took part in the competition. Before the competition, the Company carried out targeted theoretical and operational training sessions for contestants. Through the competition, the Company enhanced training and practice. In the future, SPH will continuously improve the skills of front-line employees, and train high-skilled teams adept at learning and innovating, providing support for the development of Shanghai's biomedical industry.

Diversified Employee Salary and Welfare

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





Occupational Health Protection

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

- CNY 136.12m invested for employees' health and production safety
- 30 subsidiaries have passed ISO 45001 Occupational Health and Safety Management System certification
- 789 emergency drills conducted, involving 46,554 participants
- 100% of employees received physical examinations
- 100% safety training coverage
- work-related deaths
- Cases of occupational diseases
- 14 subsidiaries earned designation as provincial and municipal safety culture development demonstration units, with 4 also securing national recognition in this category

Composing a Symphony of Harmony to Craft Our Ideal World

Outlook for 2025



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- SPH received the "Excellent Organization Award" in Shanghai's Best Practices Initiative for Establishing Hazard Reporting Incentive Mechanism in Industrial & Commercial Entities.
- SPH Zhongxi Sunve and SPH SBPC attained the status of 2023 Shanghai Enterprise Health Promotion Demonstration Units.
- The Jiading Team, of which SPH Zhongxi Pharma was a member, won first prize in the enterprise group category at Shanghai's inaugural "Occupational Health Expert" Skills Competition.
- SPH Sine General Factory earned the "Excellent Nomination Award" in Shanghai's Best Practices Initiative for Establishing Hazard Reporting Incentive Mechanism in Industrial & Commercial Entities.
- Shandong Sine garnered the "Excellent Organization Award" in the 2024 Shandong Provincial Summer Work Safety Competition of "Three Inspections & Three Protections"
- Five subsidiaries—SHAPHAR, SPH Zhongxi Sunve, SPH SMICC, SPH Kony, and Changzhou Pharmaceutical Factory implemented new digital intelligence systems for safety management, enhancing operational efficiency.
- 14 subsidiaries including SHAPHAR and SPH TCM have published articles related to outstanding management experiences in provincial safety production associations and professional academic journals.
- Nantong Changyou contributed as a deputy editor to the compilation of Chemical Process and Safety Technology.
- Management cases from four subsidiaries—SPH Growful, SPH SBPC, SPH Sine Wanxiang, and Nantong Changyou—were included in the "2024 Pharmaceutical Enterprise EHS Management Excellent Cases" by China Pharmaceutical Enterprises Association.

Safety Risk Identification and Management

In strict adherence to the Production Safety Law and relevant regulations and guidelines, SPH and its subsidiaries manage risk and handle hazardous situations. The Company tightly controls production safety risks, clamps down on common violations, persistently strengthens emergency response and fire safety measures, and closely manages rental properties. Following directives from the General Office of Shanghai Municipal Work Safety Commission, Shanghai Municipal State-owned Assets Supervision and Administration Commission, and higher-level companies, the Group and its subsidiaries have identified major safety hazards, conducted safety inspections on the use of gas, electric bicycles and dangerous chemicals, and issued 31 special rectifications documents. The Company maintains rigorous safety inspections and specialized assessments during major holidays and events, transitions to new year, and periods requiring high-temperature, typhoon, and flood preparedness.

SPH urges its subsidiaries to implement corrective actions and develop improvement measures for any safety hazard. During the Reporting Period, all subsidiaries achieved a 100% inspection rate, 100% reporting rate, and 100% rectification rate of all identified safety hazards. In 2024, the Security Department conducted nearly 300 online and offline routine safety inspections for 96 entities (premises), achieving a 100% review of 1,300+ special operations reported by 45 entities.

Emergency Management

SPH has developed and continually improves the Comprehensive Emergency Response Plan, and strives to enhance the emergency response capabilities of its employees through various safety drills. In 2024, through activities such as "Production Safety Month" and "Fire Safety Month", SPH's subsidiaries held 789 effective full-staff emergency drills as per the requirements of their contingency plans, involving more than 46,554 participants. Additionally, nearly 170 skills training sessions on self-rescue and mutual aid among employees were held, covering over 3,600+ staff, to remind all personnel to remain vigilant about their safety responsibilities and be familiar with escape routes and disaster mitigation plans.



On September 30, 2024, SPH Zhongxi Sunve participated in a comprehensive emergency drill for production safety accidents, themed "Enhancing Fire Safety Awareness and Focusing on Fire Safety," organized by the Shanghai Fengxian District Emergency Management Bureau.

Employees' Health & Safety and Safety System Certification

SPH encourages its subsidiaries to promote production safety, occupational health, and a safety management system, to improve the systemic management. As of the end of the Reporting Period, 69 subsidiaries maintained full coverage of standardized production safety management; and 30 subsidiaries were ISO 45001-certified or reviewed.



Safety Culture

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





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📻 Case Study

"Production Safety Month" Activities in 2024

About SPH

Following the Group's directives, all subsidiaries kicked off their respective "Production Safety Month" activities for 2024 under the theme of "Everyone Talks About Safety, Everyone Can Respond to Emergencies". They reviewed important instructions given by President Xi Jinping on production safety, building a distinctive safety culture, promoting safety culture across teams, participating in the "Ankang Cup" competition, and competing for the honor of "Model Posts of Production Safety" .





Safety Lecture (SPH SBPC)



Fire Drill (SPH Leiyunshang)



Safety Knowledge Competition (SPH Growful)



Fire Drill (SPH KDL Health, Chongqing Branch)

Safety Management Training

Aligned with management requirements, SPH has established an annual EHS training program. This initiative aims to strengthen the capabilities of all employees through a comprehensive series of training sessions focused on safety, occupational health, and environmental protection. Additionally, it seeks to foster a robust safety culture by encouraging full employee participation in related activities. In 2024, the employees subject to statutory training were 100% certified and 100% of the new employees were trained. Over 45,000 individuals participated in training sessions on 5 major safety themes organized by SPH.



Management of Special Drugs

Promote Industrial

Upgrading

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

Hazardous Chemicals Management

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

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

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

Occupational Health

During the Reporting Period, SPH increased investment, with 53 subsidiaries investing nearly CNY 12.5 million to protect employees' occupational health.

Seven Measures for Bolstering Occupational Health



Organize regular health check-ups and maintain comprehensive occupational health records to monitor



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Management with Collective



About SPH

SPH Growful has adopted sealed transfer carts to replace the traditional plastic barrels used for material handling in fluidized bed equipment. These carts integrate seamlessly with the fluidized bed and mixing systems, ensuring that the entire process—discharge, transportation, weighing, and mixing—occurs within a fully enclosed environment. This approach effectively isolates dust sources. Furthermore, upgrades to the vacuum feeding system have shifted noise-generating elements outside operational areas, reducing noise exposure and easing the physical burden on workers.



In the crushing section of the solid preparation workshop, SPH Sine Wanxiang has introduced a low-noise hammer mill. This advanced equipment sustains an 8-hour equivalent sound level of 80 decibels and features built-in dust filtration and cooling systems.

Employee Labor Protection

SPH steadfastly reinforces its commitment to employee labor protection by refining a multi-level supervisory network underpinned by grassroots labor unions, achieving 100% adoption across all subsidiaries. The Company consistently implements a comprehensive monthly accident reporting system (including both incident and zero-incident reports), paired with a prompt notification mechanism. This has secured 100% compliance among labor unions in Shanghai-based subsidiaries with efforts underway to extend coverage to subsidiaries outside Shanghai. SPH has streamlined its participation in the "Three Simultaneous" review process for new, renovated, and expanded construction projects, embedding safety considerations from the outset, with grassroots labor unions achieving a 100% participation rate in these assessments. The Company actively conducts the "Ankang Cup" initiatives to promote widespread engagement in workplace safety and labor protection, while intensifying the "Post Woodpecker" campaign to pinpoint and address safety risks. Notably, 2 SPH teams earned recognition in the national "Ankang Cup" competition. Additionally, SPH mobilized employees to partake in the inaugural national online workplace safety knowledge contest for the chemical and pharmaceutical industries, earning the "Excellent Organization Award"

Improving Employee Care and Benefits

Rooted in a people-centric philosophy, SPH is devoted to enhancing democratic management and nurturing harmonious labor relations. The Company establishes platforms for employees to excel and contribute, thereby supporting their skill development and professional growth. By addressing employees' essential needs and urgent challenges, SPH strives to elevate their guality of life. Through an extensive range of cultural and recreational activities, the Company enriches employees' spiritual and cultural experiences, markedly enhancing their sense of achievement, satisfaction, and happiness.

Democratic Management

Upgrading

In accordance with relevant laws, including the Trade Union Law of the People's Republic of China and the Constitution of the Chinese Trade Unions, SPH consistently involves employees in corporate development decisions through democratic processes. The Company refines its democratic management policies centered on the Employees' Representatives Conference, and pursues collective bargaining and wage negotiations. These measures ensure transparent communication and meaningful employee participation. Embracing the belief that "Happiness Stems from Effort," SPH inspires employees to collaborate in building, deliberating, and sharing the organization's success, with an aim to create a "harmonious enterprise." This approach strengthens labor relations and promotes SPH's healthy development.

Employees' Representatives Conference

In strict compliance with laws and regulations such as the Trade Union Law of the People's Republic of China, Labor Law of the People's Republic of China, Provisions on the Democratic Management of Enterprises, and the Regulations of Shanghai Municipality on Employees' Representatives Conference, SPH enhances its multi-level institutional system for the Employees' Representatives Conference, which clearly defines the roles, powers, and procedures for each level of the Conference, thereby promoting democratic management and protecting employees' rights. The Group and its 72 direct subsidiaries in Shanghai and beyond have fully adopted the mechanism of Employees' Representatives Conference. By adhering to the "Three-Report" mechanism— annual previews, timely updates, and post-conference summaries—SPH ensures the regular, standardized, and orderly functioning of Employees' Representatives Conference at all levels. This approach strengthens the conference' practical impact and elevates the standard of democratic management within the organization.

Case Study

Employees' Representatives Conference

On July 30, SPH held its 2024 mid-year work conference alongside the third session of its Third Employees' Representatives Conference. Over 200 employee representatives from various departments and grassroots units attended, engaging with reports on administrative work, the three-year development plan, workplace safety and occupational health, and other key areas, collectively strategizing for future growth.



Open Factory Affairs

SPH is dedicated to promoting the establishment and improvement of democratic management systems at all levels of the Group, in addition to strengthening organizational structures and leadership and work institutions. Following an open and

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transparent principle, SPH strives to ensure that employees have the right to information and supervision. The Company discloses significant business decisions, regulations concerning employees' immediate interests, hot issues of public concern, development of the leadership team, and the state of Party conduct and integrity following procedures. This allows employees to provide feedback and exercise oversight. SPH continuously improves its public disclosure channels such as employees' meetings, Party-administration joint meetings, meetings of team leaders, and factory press conferences. It also expands these channels with the WeChat official accounts, public boards, LED displays, enterprise OA, and internal newspapers. A broad spectrum of employees participates in democratic decision-making, management, and supervision in accordance with relevant laws and regulations. As of the end of the Reporting Period, 100% of the state-owned and statecontrolled subsidiaries under the Group have established an institutional framework for factory affairs disclosure.

Fostering Harmonious Labor Relations

Capitalizing on the organizational strengths of its Labor Union, SPH gives full play to the bridging role it plays in fostering harmonious labor relations. Upholding a "people-centric" philosophy, the Company engages in equitable negotiations to establish collective agreements addressing critical aspects such as compensation, working hours, leave entitlements, occupational safety and health, and social security benefits. These measures safequard employee rights while invigorating their work ethic and innovative spirit, creating a symbiotic relationship where the enterprise and its workforce thrive together, sharing in the fruits of progress and ensuring SPH's harmonious and healthy development. As of the end of the Reporting Period, 100% of the directly-owned and state-controlled subsidiaries under the Group have signed a collective contract, and conducted an annual wage-specific collective bargaining. SPH's Labor Union persistently provides guidance and optimization services to grassroots labor unions in building harmonious labor relations, executing a triennial guidance initiative that encompasses all directly affiliated secondary and tertiary labor unions in SPH's pharmaceutical operations.

- More than 20 subsidiaries within SPH's pharmaceutical labor union network have earned recognition as harmonious labor relations exemplars at or above the provincial/municipal level.
- SPH Zhongxi Sunve was commended as an exemplary enterprise during the 2024 National Pharmaceutical Industry Conference on Building Harmonious Labor Relations, hosted by the China Energy Chemical and Geological Workers' Union, where it shared its best practices.

Engaging Employees in Technological Innovation Activities

Aligned with the Group's strategic objectives and operational targets, SPH prioritizes the advancement of its industrial workforce through reform initiatives. By addressing critical challenges and leveraging them as catalysts for labor union activities, SPH promotes mass participation in economic and technological innovation. This includes organizing labor competitions, skill enhancement contests, and soliciting rationalization proposals, all designed to cultivate an environment of innovation, elevate employee competencies, and bolster SPH's position as a dominant force in Shanghai's biopharmaceutical landscape.

Kicking off Skills Competitions

In line with the Group's "14th Five-Year Plan", SPH intensifies its labor competition initiatives, focusing on pivotal processes, flagship products, and challenging tasks. By emphasizing tangible outcomes, team collaboration, exemplary achievements, and the spirit of dedication, these competitions galvanize employees to actively engage and excel in their roles. This concerted effort amplifies project impact and underscores the workforce's pivotal role as the backbone of SPH.

Providing an Innovation and Creativity Platform for Employees

SPH highly respects the inventive ingenuity of its employees, unlocking their creativity and urging them to innovate from their respective positions. Through the "My Job, My Innovation" continuous improvement suggestion program, the Company empowers its workforce to take center stage in driving innovation, encouraging them to assume leadership roles and shoulder

significant responsibilities in SPH's innovative endeavors. 26 projects from 10 grassroots entities were recommended for the "Shanghai Outstanding Achievements in Rationalization Suggestions and Advanced Operational Methods," securing 4 innovation awards for rationalization suggestions and 2 for advanced operational methods. 8 projects from 5 secondary subsidiaries were recommended for the 36th Shanghai Outstanding Invention Selection Contest, with 1 project receiving the Bronze Award. 12 projects from 5 secondary subsidiaries were recommended for the Innovation Achievement Awards of Chinese Energy and Chemical Workers' Union.

Enhancing Employee Skills and Competencies

SPH is committed to elevating employee skills and gualities in alignment with the Group's strategic goals for talent development and industrial growth. Through practical training centered on key operational roles and skill competitions, SPH fosters a multi-tiered, broadspectrum approach to skill enhancement, driving the reform of its industrial workforce.

In August 2024, SPH hosted a Skill Enhancement Camp for Outstanding Team Leaders and a Practical Case Competition for Production Teams, engaging 68 employees from the Group's manufacturing subsidiaries.



Group Photo from the Skill Enhancement Camp for Outstanding Team Leaders

In September 2024, seven employees from three of SPH's secondary subsidiaries competed in the finals of the Third National Traditional Chinese Medicine Skills Competition, taking home one first prize, five second prizes, and **one** consolation prize.



Group Photo of Winners

Enriching the Life of Employees

Championing the integration of socialist core values with its corporate culture, SPH holds a diverse array of vibrant and uplifting cultural and sports activities. These initiatives provide platforms for employees to showcase their talents, elevate their spirits, and deepen their sense of belonging and achievement, in addition to fostering collective momentum for business growth and advancing cultural development.



Practical Case Competition for Production Teams



Shanghai Regional Selection Competition





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SPH organized the "Showcasing Talents: United Toward the Future" talent competition to celebrate the 75th anniversary of the People's Republic of China. 20 teams from directly affiliated entities participated in the event.

The 2024 "SPH Zhonghua Pharma Cup" Employee Badminton Tournament saw participation from 30 subsidiaries both within and outside Shanghai, with nearly 230 badminton enthusiasts competing.

Improving the Employee Service System

SPH is dedicated to enhancing employee welfare, with a focus on ensuring security, strengthening support networks for those in difficulty, and establishing comprehensive employee service platforms to drive high-quality business growth through superior employee services.

Elevating Employees' Living and Working Standards

 Centered on employee needs, subsidiaries at all levels have improved infrastructure such as canteens, dormitories, bathrooms, and changing rooms..

• SPH prioritizing employee well-being, the company has expanded care cabins, reading areas, cafés, and gyms, achieving 90% coverage of core facilities..

Building a Comprehensive Support Network

• SPH has further refined its tiered support system through labor unions, ensuring seamless integration and targeted assistance from upper to lower tiers.

• Leveraging the strengths of established programs like compassionate aid, autumn scholarship initiatives, and festive visits, SPH continues to broaden the scope of assistance and refine its ongoing support for disadvantaged or povertystricken employees, providing consistent warmth and aid.

• SPH has pushed labor unions at all levels for the establishment of precise and sustainable mechanisms for hardship relief efforts.

• The "Love Donation Day" saw participation from 29 secondary subsidiaries and 16,113 employees, raising a total of CNY 1,263,000.

• SPH has intensified its efforts to support employees in difficulty, distributing CNY 966,000 in various forms of aid to 737 individuals.

• SPH also conducted surveys on low-income employee groups in four entities across eight positions and implemented a "Vegetable Basket" project benefiting 362 low-income employees.

Strengthening Employee Support and Services Systems

- SPH has developed a multi-lavered employee medical insurance system, supplemented by mutual aid support and in collaboration with commercial insurance, with corporate medical assistance serving as a safety net.
- SPH has enrolled 19,886 members in the Member Exclusive Security Plan B+, disbursing CNY 1.988 million in security funds and processing claims for 63 individuals totaling CNY 1.2 million.

• 19,122 employees from 78 subsidiaries participated in the basic security plan of the Employee Mutual Aid Association, with total premiums amounting to CNY 2.972 million.

• The Group's Labor Union deepened its "Love and Help" medical relief plan, aiding 59 individuals with over CNY 1.24 million.

• 3,079 members participated in SPH Labor Union's Members Wellness Retreat Initiative, with the Labor Union subsidizing CNY 1.64 million. SPH also promoted the "Enjoy Shanghai: Blessed Four Seasons" series of activities organized by the Shanghai Federation of Trade Unions, allocating activity subsidies to multiple subordinate labor unions

• SPH demonstrates care and concern for dispatched temporary agency employees by advancing their enrollment in the labor unions. As of the end of 2024, over 70% of dispatched temporary agency employees joined the labor unions, up 11.6% YoY.

🔁 Case Study

On January 26, 2025, SPH hosted the "2024 SPH Symposium for Cadres" Dispatched to Different Locations." Over 40 cadres from the SPH headquarters and its secondary and tertiary subsidiaries gathered both online and offline to celebrate the upcoming Spring Festival and discuss collaborative development. The Company is committed to enhancing communication and fostering the growth of its cadre teams stationed in remote locations.

📻 Case Study **Caring for Disabled Employees**

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

- It has established a dust-free clean workshop with moderate labor intensity suitable for disabled employees. • It has increased salaries for disabled employees for consecutive years.
- It holds an annual symposium on National Disability Day to listen to the needs and suggestions of disabled employees.
- It conducts various welfare activities to boost job satisfaction.
- In June 2024, it organized an event themed "Assisting the Disabled with Technology: Sharing a Better Life" to mark the National Disability Assistance Day. The event featured inspirational stories from successful individuals with disabilities, showcased technological innovations such as voice recognition watches, and included interactive games like "Pictionary." This initiative underscored the company's dedication to caring for and respecting its disabled employees.

SPH Symposium for Cadres Dispatched to Different Locations





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- ٠
- **Ramping up Pollution Control** ٠
- ٠
- **Green Operation** ٠
- ٠

CNY ~1
11 National Greer
32 ISO 14001-cert
26 ISO 50001-cert





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Outlook for 2025

Appendix

Promoting Low-Carbon Development and Co-Creating a

- **Environmental Management Improvement**
- Response to Climate Change
- **Resources Management Optimization**
- **Biodiversity Conservation**

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



- 18m invested in environmental protection
- en Factories 10 Provincial & Municipal Green Factories
- tified subsidiaries
- tified subsidiaries

2024	Sustainability Report
	& Environmental, Social and

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Highlights

- CNY ~118m invested in environmental protection
- 11 National Green Factories & 10 Provincial and Municipal Green Factories
- 32 ISO 14001-certified subsidiaries
- 26 ISO 50001-certified subsidiaries
- 4 more entities implementing solar photovoltaic green energy projects
- 8 entities adopting clean production practices
- 5 entities awarded provincial/municipal "Water-Saving Enterprise" status and 1 entity recognized as "Shanghai Water Efficiency Leader"
- ٠ Honored with "ESG Responsible Enterprise Award" at CPHI China 2024 for outstanding contributions to green and low-carbon production and environmental protection
- 2 entities honored with "Green Supply Chain Demonstration Enterprise" title (including 1 national-level ٠ demonstration enterprise)
- ٠ 1 entity certified as "Shanghai Zero-Carbon Factory"
- SPH Zhongxi Sunve honored as "China's **Top Runner** for Industrial Carbon Peaking"
- 8 entities recognized as local "Zero-Waste Factory", with 3 new additions compared to 2023



Note: This report's energy consumption and pollutant emission data encompass 42 industrial subsidiaries under SPH. Compared to 2023, the number of ISO 50001-certified subsidiaries has decreased due to the merger or cessation of operations of certain subsidiaries. For a detailed list, please refer to the "Appendix - Key Performance Indicators."

Environmental Management Improvement

Environmental Management System

In compliance with local laws and regulations, and industry standards related to environmental protection, (e.g., Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste), SPH has established a sound environmental management system, including the Environmental Protection Responsibility System, the Environmental Events Reporting System, the Measures for Safety Management and Environmental Management Performance Assessment, the Accountability System for Safety Production and Environmental Protection Accidents, and the Energy Information Management Measures for Energy-Using Enterprises, and prepared a series of normative documents such as the Basic Requirements for Annual Enterprise Environmental Protection and the Memorandum on Annual Enterprise Environmental Management. All subsidiaries are required to abide by these regulations and company requirements, to minimize the impact of operations on the environment. The Company complies with laws and regulations such as the Environmental Protection Tax Law of the People's Republic of China and fully pays all relevant environmental protection taxes and fees. During the Reporting Period, SPH received no penalties for environmental violations, or excessive or illegal pollutant discharges.

SPH has established a full-fledged organizational structure to coordinate environmental and energy management efforts. The Group's Security Department is responsible for the Company's environmental and energy management, formulating relevant management systems, and implementing daily supervision. The subsidiaries strive to meet various energy conservation and environmental protection management requirements in daily production and operation, and regularly summarize and report the progress on energy saving and environmental protection. The Security Department has set up 6 specialized teams to assist in SPHs environmental management efforts, i.e., Policy and Regulation Team, Environmental Management Team, Engineering and Technology Team, Training and Education Team, Policy and Procedure Team, and Support Team (hereinafter referred to as the "Specialized Teams"). These teams work together to effectively bolster SPH's environmental management capabilities.

Environmental Management and Supervision Measures



Outlook for 2025

Sign a yearly environmental responsibility agreement to fulfill our primary responsibility for

Assist subsidiaries in improving their annual environmental work plans by clarifying green objectives

Track work progress regularly by conducting monthly environmental risk inspections, submitting monthly work summaries, studying new regulations, and implementing self-examinations and self-

Conduct special campaigns such as "Cleaning House", "Revisiting Lessons Learned" and "Self-

Refine environmental management as required by the Specialized Teams, elevating the

Assess the annual environmental work of each subsidiary through semi-annual audits and yearend performance evaluations. This process identifies potential environmental risks, ensuring the



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Environmental Management Targets

To enhance environmental management, SPH sets comprehensive goals and focuses on pollution control and energy conservation, in addition to urging subsidiaries to formulate corresponding annual environmental management targets based on their business. During the Reporting Period, SPH formulated and issued documents such as the 2024 Environmental Protection Accountability Agreement and the 2024 Memorandum on Environmental Management Work for the Group and Its Subsidiaries, specifying environmental management targets and requirements for 2024 and providing a clear roadmap for subsidiaries. By the end of 2024, all environmental management targets were been achieved.

SPH's Annual Environmental Responsibility Targets



100% of new projects implemented in line with the "three simultaneous" principle



100% proper operation rate of pollution control equipment and facilities

operation processes

Statutory requirements met for all production and



100% compliant solid waste disposal rate

monitoring

100% annual compliance

rate of pollution emission

Environmental Management System Certification

SPH encourages its subsidiaries to establish and improve their ISO 14001 Environmental Management System certifications. In 2024, a total of 32 subsidiaries obtained an ISO 14001 Environmental Management System certification.



Environmental Emergency Plan

Upgrading

SPH conducts annual risk assessments for sudden environmental incidents, refines preventive measures, identifies and addresses environmental safety hazards, formulates and registers emergency response plans, and strengthens the capacity for emergency preparedness. In accordance with the requirements of the "Corporate Contingency Plan for Environmental Emergencies", SPH subsidiaries actively organize emergency drills and training activities. Through regular drills for sudden environmental incidents, the feasibility and effectiveness of the contingency plan are verified, the coordination and efficiency in the response and handling process are enhanced, and the emergency awareness and skills of participants are improved, laying a solid foundation for ensuring the safety of employees and the environment. During the Reporting Period, SPH experienced no major environmental incidents.

Environmental Protection Training

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

In 2024, the Policy and Regulation Team compiled **six** bi-monthly policy and regulation briefings. Additionally, the Training and Education Team shared monthly articles on environmental management, technology, and new regulatory standards within the environmental management workgroup, providing continuous learning resources for team members.



Some Environmental Management Training Courses at SPH in 2024

Category	Training Theme	
Pre-job Training	National regulations and standards; and pollution prevention and control measures and management requirements for companies	
Regular Training	Training on Waste Water & Gas Pollution Control for Equipment Operators	
Special Training	Solid Waste Management and Disposal	
	Promotion of the "Pollutant Discharge Permit Management Measures"	
	Rain Water Management	
	Environmental Recordkeeping and Electronic Archive Management	





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Environmental Protection Publicity

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

Case Study **World Environment Day**

In April 2024, SPH's Security Department issued the "Notice on Carrying Out the June 5th Environment Day Advocacy Activities for 2024," urging subsidiaries must prioritize raising awareness of ecological civilization through targeted campaigns. Subsidiaries were encouraged to organize diverse activities for World Environment Day, fostering greater awareness of conservation, low-carbon practices, and environmental protection among employees. SPH headquarters hosted an environmental knowledge competition, engaging 176 employees. Subsidiaries conducted a variety of themed activities through both online and offline channels, broadening reach and participation.



"World Environment Day" Campaign at SPH Techpool



"World Environment Day" Campaign at Nantong Changyou

Ramping up Pollution Control

Governance

In adherence to the Law of the People's Republic of China on Noise Pollution Prevention and Control, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, SPH stringently controls emissions of pollutants such as exhaust gas, waste water, solid waste, and noise during production and operations, and strives to reduce emissions through pre-control, continuous monitoring, self-examination and self-correction, thereby minimizing its negative environmental impact and protecting the environment.

- All manufacturing subsidiaries have obtained national pollutant discharge permits or been registered as per the Classification Management Catalogue to Pollutant Emission Permit for Stationary Sources of Pollution.
- The subsidiaries have monitored and reported pollutant discharge permit implementation in accordance with regulatory requirements.

 According to the self-monitoring plan, all subsidiaries have entrusted qualified third-party monitoring agencies for annual monitoring of all discharge outlets, to ensure stable and compliant pollution emissions.

Strategy

SPH proactively identifies risks and opportunities in pollution prevention, formulating strategies around organizational support, resource allocation, technological upgrades, and process optimization. These efforts are designed to safeguard the environment and public health.

Risks

	Potential Impact Analysis	Impact Time Frame	Actions
Compliance Risk	The ever-evolving environmental laws and regulations present a formidable challenge. Should SPH fail to promptly assimilate and adhere to emerging standards, it risks breaching protocols governing pollutant emissions and waste management. Such non-compliance could lead to financial penalties, mandated production suspensions, and disruptions to regular business operations.	Short, medium, and long term	Establish a dedicated regulatory monitoring team to track local and national environmental policy developments, ensuring timely dissemination of updates across the organization; Institute a robust internal compliance audit framework to periodically evaluate and refine production and operational practices; Proactively communicate with environmental authorities to resolve policy uncertainties, aligning corporate activities with statutory obligations.
Reputation Risk	Inadequate pollution control measures during production—such as unauthorized discharges of novel contaminants—could inflict significant damage to SPH's brand integrity, undermining consumer confidence in its offerings.	Short, medium, and long term	Formulate a comprehensive crisis communication protocol to promptly and openly address environmental incidents, articulating corrective measures to the public; Highlight its pollution prevention actions and achievements through official channels, reinforcing its status as a responsible, eco-conscious entity; Participate in environmental stewardship programs to elevate its corporate social responsibility credentials.
Cost Risk	Meeting progressively stringent pollution prevention mandates necessitates considerable investments in advanced environmental equipment, innovative treatment methodologies, and employee training, thereby pushing up operational costs.	Medium and long term	Conduct thorough cost-effectiveness assessments to strategically allocate resources, prioritizing pollution abatement projects with optimal returns; Pursue collaborative ventures with environmental technology firms to co-develop or procure cutting-edge, cost-efficient pollution management solutions; Refine production processes to curtail pollutant generation at the source, reducing downstream treatment costs.

Opportunities

	Potential Impact Analysis	Impact Time Frame	Actions
Green Market Opportunities	Amid tightening environmental regulations, preemptive investment in sustainable production practices and tangible pollution prevention outcomes can markedly enhance SPH's brand equity. Such efforts bolster trust among consumers and business partners, drawing in a clientele and investor base increasingly attuned to ecological priorities.	Short, medium, and long term	Establish green and zero-waste facilities integrating clean production principles; Develop a green supply chain to elevate the competitive positioning of its products in the marketplace.
Technological Innovation Opportunities	Technological innovation in pollution prevention can yield highly efficient green production techniques, resolving internal environmental challenges while opening avenues for commercializing proprietary technologies.	Medium and long term	Forge alliances with universities and research institutes to spearhead pioneering technological advancements; and engage in industry technical symposia to assimilate progressive concepts, adapting them to its unique operational framework for innovative deployment.

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Impact, Risk, and Opportunity Management

Hazardous Waste Management

Hazardous waste generated by the Company includes residues and organic liquids from production as well as contaminated packaging materials. SPH actively manages hazardous waste generated through its operations. Following the Standard for Pollution Control on Hazardous Waste Storage (GB 18597) and the Technical Specification for Setting Identification Signs of Hazardous Waste (GB 1276), SPH had mandated that its manufacturing subsidiaries establish comprehensive hazardous waste management policies, including the formulation of management procedures and operating guidelines, designation of responsible persons, and definition of relevant processes. Manufacturing subsidiaries are also required to provide secure storage facilities that adhere to the "Six Protections" principle for hazardous waste storage, in addition to placing clear signboards, zoning signs, and labels in hazardous waste storage areas and on transport containers, specifying the nature, hazard level, and relevant cautionary information. Hazardous waste is treated by qualified entities, with the transfer process completed using inter-company transfer documents, and records archives. In 2024, the Company and its subsidiaries strictly adhered to and implemented all regulations governing the standardized management of hazardous waste, ensuring the safe, compliant, and environmentally responsible disposal of such materials.

General Solid Industrial Waste Management

The Company has formulated and issued the Notice on Further Regulating General Industrial Solid Waste Management, requiring subsidiaries that generate general industrial solid wastes to: strengthen internal management; execute the discharge permit management system; establish a system of responsibility for pollution prevention and control of the entire process from waste generation, collection, storage, transportation, and utilization to disposal; prepare documentation for waste management; record the type, quantity, flow direction, storage, utilization, disposal and other information for traceability; and take measures to prevent polluting the environment. During 2024, all subsidiaries adhered to these management requirements, ensuring the compliant disposal of general industrial solid waste.

Waste Gas Management

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

Wastewater Management

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

Measures of Wastewater Management

Steps	Measures
Wastewater Transmission	 Production wastewater, domestic sewage, and rainwater shall be transported separately. There shall be accurate, detailed and up-to-date sewage network maps. Sewage pipelines that transport wastewater containing toxic or corrosive substances shall be laid above ground or in dedicated trenches, with leak-proof or corrosion-resistant measures taken for ditches and sewage wells. Sewage pipelines that are laid underground must undergo professional inspections every year to ensure that sewage does not pollute soil and groundwater.

Steps	
Wastewater Disposal	 Waste water treatment facilities shall be built or requirements. Wastewater or waste gas that contains active before being discharged from the workshop.
Wastewater Monitoring	 Online monitoring devices for major pollutants The effectiveness of wastewater treatment mu up in accordance with the Technical Specification pollutant emission standards. Monitoring tests must be completed followed b
Wastewater Discharge	 The number of discharge outlets must comply points must meet requirements and wastewater r

Noise Management

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

Zero Waste Factories

SPH supports its subsidiaries to transform into "Zero Waste Factories." By the end of 2024, a total of 8 subsidiaries have been designated as "Zero Waste Factory" by local authorities, with **3 new additions** compared to 2023.

Zero Waste Factory of Zhejiang Province Chiatai Qingchunbao Pharmaceutical Co., Ltd.

> **Zero Waste Factory of Tianhe** District, Guangzhou City Techpool Bio-Pharma Co., Ltd.

Zero Waste Cell of Fengxian District, Shanghai Municipality

Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd./

Zero Waste Factory of Qingpu District, Shanghai Municipality

Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.

Outlook for 2025

Appendix

Measures

or installed in accordance with regulatory and environmental assessment

pharmaceutical ingredients must be undergo pretreated or inactivated

such as COD must be installed.

ust be tracked and monitored. Monitoring & sampling points shall be set ions for Surface Water and Wastewater Monitoring (HJ/T91) and relevant

by formal reports.

ly with the requirements of environmental impact assessment. Sampling r must be discharged in compliance with relevant requirements.



Zero Waste Factory of Pudong New Area, Shanghai Municipality Shanghai SPH New Asia Pharmaceutical Co., Ltd. 🪄



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Metrics and Targets

Solid Waste Disposal Objectives

• The disposal of solid waste must • Gaseous waste discharge must comply comply with national and local laws and regulations throughout the classification, storage, transportation, and disposal stages.

• The disposal of solid waste must gaseous waste must comply with prevent any pollution to soil, water, and air environments, and avoid negative air pollutants. impacts on ecosystems.

 Resource recovery and waste reduction should be encouraged to minimize waste generation and curb resource consumption.

Gaseous Waste Discharge Objectives

Objectives for "Three Wastes" Management

with requirements of environmental impact assessment and discharge permits

• The concentration of discharged national, industry and local standards for

• Annual gaseous waste emissions and major pollutant emissions must conform to the total emission control targets approved by the ecological and environmental authorities or outlined in the discharge permits.

Wastewater Discharge Objectives

 Wastewater discharge must comply with requirements of environmental impact assessment, discharge permits, drainage permits, and relevant agreements.

 The industrial wastewater and domestic sewage must be discharged into the urban drainage system only when their water quality meets the relevant standards for discharging into the city sewer.

 Annual sewage discharge and major pollutant emissions must also meet the total emission control targets outlined in the discharge permits.

During the Reporting Period, SPH and its subsidiaries fully met emission standards for exhaust gases and wastewater, both in concentration and total volume. All solid waste was disposed of in accordance with regulatory requirements, with no significant administrative penalties or criminal liabilities arising from environmental incidents imposed by environmental or other relevant authorities. Emission related indicators are detailed in the "Appendix - Key Performance Indicators."

Response to Climate Change

Governance

Climate change represents a global concern, and SPH recognizes its potential negative impacts on the Company's operations and financial performance. The Company actively confronts these climate challenges, endorses the "Dual Carbon" objectives, and consistently advances green, low-carbon development.

Protocols to Address Extreme Weather Events

Through a comprehensive set of institutional documents such as the "Key Work Plan for Production Safety, Environmental Protection, and Public Security" and notices pertaining to workplace safety in summer— SPH has proactively established measures to mitigate heatstroke, regulate temperatures, and address flood and typhoon risks.

Organizational Mechanism for Disaster Resistance and Relief

The Company has refined its emergency protocols to prevent workplace safety incidents triggered by natural disasters, conducted drills to prepare for such events, and preemptively arranged responses to severe weather conditions, including flood prevention. SPH also ensures comprehensive material preparedness for all emergency response operations.

Green Transformation and Active Response to the "Dual Carbon" Strategy

The Company champions the development of energy-saving and environmental protection frameworks, fosters robust green manufacturing systems, promotes new energy adoption, and takes measures to conserve energy and reduce consumption. Ongoing clean production audits and enhanced scientific water management further equip SPH to tackle climate change challenges comprehensively.

Strategy

SPH aligns with the "Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)" and the Hong Kong Stock Exchange's "Environmental, Social and Governance Reporting Code" to assess climate-related risks and opportunities. This process illuminates the implications of climate change for the Company's production and operational activities.

Grounded in its operational framework, the Company adopts proactive measures—including energy conservation, emission reductions, and the use of digital tools to boost efficiency—to strengthen its capacity and resilience in adapting to climate change.

Risks

	Identification of Climate Change Risks	Potential Financial Impact
Policy and Legal Risk	Climate-related laws and policies will continue to be updated, putting forward stricter requirements for environmental management compliance.	Increased operating costs
Technical Risk	The development and use of new energy technologies and equipment upgrades will increase production costs in the short term and weaken product competitiveness.	Increased operating costs
Reputation Risk	Under the Dual-Carbon goal, the Company is actively answering the call to adapt to climate change and low-carbon emissions. The result of this transformation will affect the Company's image for investors and the public. SPH's reputation may be negatively affected if this transformation fails.	Decreased operating revenue
Market Risk	The market's increasing focus on the environmental friendliness of products and services may affect the demand for certain products and services.	Increased operating costs Decreased operating revenue
Acute Physical Risks	Extreme weather conditions (e.g. typhoons, floods) may result in company shutdowns, asset damage, and casualties; Potential detrimental impact on the yield and quality of herbal medicines; Potential disruption to pharmaceutical logistics, further affecting drug quality and supply.	Increased operating costs Decreased operating revenue
Chronic Physical Risks	Continued hot weather and intense heat may cause the Company to suspend production and pose a health risk to employees; Potential detrimental impact on the yield and quality of herbal medicines.	Increased operating costs Decreased operating revenue

Opportunities

	Identification of Climate Change Opportunities	Potential Financial Impact
Products & Services	Climate change has widespread impacts on human health, increasing illness, death and injury, and raising the demand for certain medical treatments. The Company develops and manufactures targeted drugs, which will enhance the competitiveness of its products while meeting health needs.	Increased operating revenue
Energy Source	The development and use of new energy technologies will help achieve the dual carbon goal and reduce energy costs in the long run.	Decreased operating costs
Resource Efficiency	The application of energy-efficient technologies will cut emissions, reduce resource consumption expenditures, and mitigate climate change.	Decreased operating costs
Resilience	The Company's continuous efforts in reducing energy consumption will improve its climate change resilience.	Decreased operating costs



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Impact, Risk, and Opportunity Management

R&D and Manufacturing

In response to the "carbon peak & carbon neutrality" targets, SPH has called for its industrial subsidiaries to achieve its "carbon peak" goal by 2030. Key energy-intensive subsidiaries consuming over 5,000 tons of coal equivalent (tce) per year have completed energy audits and formulated "carbon peak" strategies.
SPH promotes energy conservation and consumption reduction, with precise objectives established for emission reduction. Energy-saving technical renovation projects are being implemented to curtail carbon emissions (see the "Energy Management" section for details).
Subsidiaries with significant energy consumption actively conduct carbon audits. During the Reporting Period, six subsidiaries finalized their annual carbon assessments. Through meticulous analysis of carbon emission data, these efforts provide robust support for SPH's carbon mitigation plans and green development strategies.
Three subsidiaries are included in Shanghai's carbon emission quota management list. They engage proactively in carbon market trading, facilitating SPH's transition to a low-carbon operational framework.
A comprehensive management policy for responding to extreme weather events has been established and refined, complemented by effective disaster prevention and response mechanisms. Utilizing meteorological data, proactive deployments mitigate safety risks posed by severe weather conditions.
A dedicated team has been established to monitor and implement national dual-carbon strategies and climate change policies. Training sessions are organized to enhance the competence of managerial personnel in advancing "dual carbon" initiatives.
Key energy-consuming subsidiaries have established tiered energy monitoring platforms to track energy consumption in real- time.
Construction projects strictly adhere to energy assessments and integrate energy-efficient designs. This includes the adoption of green lighting and high-efficiency equipment, alongside the promotion of recycling, waste heat utilization, and high-efficiency heat pump technology. Photovoltaic projects and clean energy applications are advanced, while green carbon sequestration and intelligent metering systems are enhanced to ensure a comprehensive approach to energy conservation.

Distribution and Retail

• Paperless Circulation

The Advanced Shipping Notice (ASN) for SHAPHAR's specialty drugs inbound logistics has shifted from paper documentation to an electronic system, where suppliers input data directly enabling automatic conversion into digital records. Reception and inspection procedures now utilize screens and iPads to display product information.

• Smart Scheduling

In 2024, SPH Logistics developed an efficient and intelligent urban transportation vehicle scheduling system, equipped with predictive and real-time tracking capabilities. This innovation drives the intelligent transformation of logistics management and opens new pathways for energy conservation and emission reduction.

Introduction of New Energy Vehicles

SPH Logistics replaced some diesel vehicles within its fleet with new energy vehicles and reassigned some diesel routes to new energy vehicles, thereby reducing diesel consumption.



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

Deployment of Distributed Renewable Environmental Monitoring Energy

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

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

Metrics and Targets

Greenhouse gas emission related indicators are detailed in the "Appendix - Key Performance Indicators."



SPH Zhongxi Sunve honored as "China's Top Runner for Industrial Carbon Peaking"

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Low-Carbon Logistics Parks Built by SPH Logistics



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

• Carbon Emissions Management

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

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Six Energy Management Responsibility Goals

Resources Management Optimization

Energy Management

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

About SPH



Energy Management Objectives

Every year, SPH devises an energy work plan that includes a green task list, yearly total energy consumption targets, and energy consumption and intensity control targets for key energy-consuming entities.

• SPH defined six primary annual responsibility goals by releasing the "2024 Key Work Plan for Production Safety, Environmental Protection, Energy Management, and Public Security", reinforcing its dedication to outstanding energy management.

• Energy-consuming subsidiaries were required to compile the "2023 Energy Management Work Summary and 2024 Energy Management Work Plan." Focusing on nine key areas, this document establishes energy-saving targets and measures for the upcoming year, serving as a practical guide to ensure continuity and efficiency in respective management tasks.

• SPH issued the "2024 Energy Management Tasks" and the "2024 Total Energy Consumption Targets" to delineate energy consumption limits and conservation tasks for each energy-consuming subsidiary.

SPH subsidiaries have responded proactively and embraced a diverse array of measures such as energy audits, energy benchmarking, technological upgrades, phasing-out of inefficient equipment, establishment of energy centers, adoption of energy management contracts, promotion of clean production, and the development of photovoltaic projects. SPH has periodically evaluated the energy-saving achievements and green progress of all energy-consuming entities to ensure they meet their targets.

01
Eliminating the use of outdate and obsolete equipment

02

ted Using energy-effic saving appliances Company

04 Taking energy efficiency to an advanced level

05 Increasing the usa energy every year

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

Energy Management System Certification

The Company has mandated that Class A subsidiaries develop and implement the ISO 50001 energy management system for efficient management and improvement of energy efficiency. In 2024, a total of 26 subsidiaries obtained ISO 50001 Environmental Management System certification.

Energy Saving and Emission Reduction

Energy Audits

In Shanghai, four subsidiaries executed four energy conservation initiatives, yielding economic gains of approximately CNY 1,482,500 and energy savings of 533.62 tce annually. Outside Shanghai, two subsidiaries carried out three energy conservation initiatives, resulting in economic gains of approximately CNY 2,954,400 and energy savings of 457.63 tce annually.

Using Clean Energy

SPH has actively installed photovoltaic systems across all viable locations. In 2024, fourteen production and sales subsidiaries finalized their photovoltaic green energy projects, four more than the previous year. The aggregate installed capacity reached 13.36 MWp, generating 13.395 million kWh annually and achieving energy savings of 2,752 tce per year.

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cient and water- s throughout the	03 Equipping energy meter devices that comply with legal requirements	
age of green	06 Achieving carbon peak by 2030*	



Energy-saving Diagnoses

In Shanghai, six subsidiaries executed eleven energy conservation initiatives, yielding economic gains of approximately CNY 1,009,600 and energy savings of 722.29 tce annually. Outside Shanghai, five subsidiaries carried out nine energy conservation initiatives, resulting in economic gains of approximately CNY 601,500 and energy savings of 91.49 tce annually.

Clean Production Audits

SPH conducts ongoing clean production audits to meet the objectives of resource conservation, pollution mitigation, and enhanced profitability. In 2024, eight subsidiaries embarked on clean production initiatives, with four successfully completing the acceptance phase. These efforts culminated in economic gains of CNY 4,339,300, alongside annual reductions in electricity consumption by 1.7556 million kWh, steam usage by 314 tons, VOC emissions by 0.46 tons, and hazardous waste by 4.3 tons.



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Selected Technical Renovation Projects in the Reporting Period

Name of Enterprise	Technical Renovation Project
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	Photovoltaic Power Generation Initiative: An investment of CNY 8.6 million was allocated to this project. Upon completion, it is projected to conserve 3.6 million kWh of electricity annually, resulting in cost savings of approximately CNY 2.808 million per year.
SPH Sine Pharmaceutical Laboratories Co., Ltd., General Factory	Water Source Heat Pump Phase-II Project: This endeavor is anticipated to yield annual steam reductions of 11,351 tons and energy savings of 506.5 tce, with projected annual cost savings of CNY 3.3 million.
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	High-Efficiency Data Center Construction: With an investment of CNY 4.5 million, this project is designed to achieve annual electricity savings of approximately 1.36 million kWh, translating to cost savings of around CNY 1.23 million per annum.
SPH Qingdao Growful Pharmaceutical Co., Ltd.	Relocation of Extraction Cooling Tower: This project, undertaken with a CNY 1.5 million investment, is expected to result in annual electricity conservation of 110,000 kWh and energy savings of 13.52 tce, thereby reducing costs by CNY 100,000 each year.
SPH (Benxi) Northern Pharmaceutical Co., Ltd.	Utility System Optimization for Raw Material Workshop 1's Pilot-Scale Testing Section: An investment of CNY 250,000 was directed towards enhancing the communal utilities in the R&D pilot-scale testing section of Raw Material Workshop 1. Post-implementation, annual savings of CNY 270,000 in electricity and gas expenditures and 70 tce in energy consumption are anticipated.
SPH (Benxi) Northern Pharmaceutical Co., Ltd.	Insulation Enhancement for Raw Material Workshop's Explosion Venting Walls and Plant's Shared Equipment Room Pipelines: With an investment of CNY 300,000, this project aims to increase the thermal insulation of the walls in the raw material workshop. Upon completion, it is projected to yield annual savings of CNY 160,000 in natural gas expenses and 54 tce in energy consumption.
SPH (Benxi) Northern Pharmaceutical Co., Ltd.	Integrated Operation of Chilled Water Systems for Phases I and II: With an investment of CNY 300,000, this project facilitates the interconnected functioning of the refrigeration stations from both phases. It is anticipated to result in annual savings of CNY 300,000 in electricity cost and 50 tce in energy consumption.
SPH New Asia Pharmaceutical (Minhang) Co., Ltd.	Chiller Unit Replacement: With an investment of CNY 480,000, a Carrier variable frequency chiller was acquired to supplant the 2006 Trane fixed frequency model. This upgrade is expected to generate annual electricity cost savings of CNY 68,000 and energy conservation of 19.56 tce.
Shanghai Dehua Traditional Chinese Medicines Co., Ltd.	Renovation of Non-Specialized Steam Generators: With an investment of CNY 310,000, two existing non-specialized steam generators were upgraded to supplement the steam requirements for production. Post-renovation, annual savings are projected at 133 tons of steam, 12.9 tce in energy, and CNY 46,000 in operational costs.
Zhejiang SPH Jiuxu Pharmaceutical Co., Ltd.	Phase II Photovoltaic Development: SPH Jiuxu collaborated with a third-party by providing the premises for implementing the second phase of its photovoltaic project. The electricity produced will be primarily utilized by SPH Jiuxu, with billing at rates below market value. Upon completion, the project is forecasted to generate 600,000 kWh annually, resulting in energy savings of 73 tce.

Water Resources Management

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



🔁 Case Study

SPH's Active Participation in World Water Day Awareness Initiatives

In March 2024, on World Water Day, SPH's industrial subsidiaries in Shanghai engaged in a series of water conservation awareness initiatives in alignment with directives from the Shanghai Water Conservation Promotion Center. This included the dissemination of posters, screening of educational videos, publication of informative articles on social media platforms, and organization of knowledge-based competitions. The aim was to cultivate an organizational culture that values water conservation, protection, and stewardship.

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Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.

"Water-Saving Exemplary Enterprise of Shanghai Municipality"

Shanghai Sine Tianping Pharmaceutical Co., Ltd.

"Shanghai Water Efficiency Leader'

SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.

Selected Water Saving Projects in the Reporting Period

 SPH Growful undertook a project to relocate the extraction cooling tower, incorporating an additional public water tank to enhance operational efficiency and advance water conservation techniques. This initiative resulted in an annual water conservation of 2,000 tons.

• Shandong Sine implemented a system to collect primary filtered water from the purification unit, redirecting it to the circulating water pool for reuse in production processes. This measure

• Huiyuan Qinglong acquired water tanks, pipes, and booster pumps to collect cooling water from the calcining machine. The recycled water is cooled in the tank and recirculated via the booster pump for repeated use, leading to an annual saving of **120 tons** of tap water.

 Chifeng Arker completed the renovation of heating and bathing facilities, utilizing recovered waste steam for bathing, reducing steam and water consumption. Post-implementation, the facility saves 15 tons of groundwater and 2 tons of steam daily during the heating season.

 SPH Hua Yu executed bathroom renovations and replaced showerheads with water-saving models. These showerheads employ flow restriction devices that limit water flow, mix air, and increase water pressure to achieve conservation. The project is expected to save 50 tons of

• Sichuan SPH Shendu replaced all toilet flushers in the company with water-saving models to address high water consumption and wastage. The upgrade is anticipated to yield annual



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📕 Green Packaging

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

Green Packag	ing Initiatives
Creenrackag	
Use of	• SPH Qingchunbao has replaced plastic trays with biodegradable paper-based ones for
Environment-	injectable products in its workshops.
friendly Materials	• Kraft paper cartons instead of colored cartons are purchased to promote the use of greener packaging materials.
Packaging Reduction	 Huqingyutang Pharma has minimized the packaging volume for health supplements such as Herba Dendrobium Grain, Propolis Capsules, Qiangli Tablets, and Dual-Ginseng Capsules. In 2022, the social organization standard for the Reduction of Pharmaceutical Packaging for Tablets and Capsules was officially released. As a participating research entity in the development of this Standard, Shanghai Sine Tianping proposed multiple sensible suggestions for pharmaceutical packaging reduction, adjusted the packaging dimensions of a specific product to comply with the Standard, and consistently applied the principle of packaging minimization in designing and modifying single-box packaging for new products.
Packaging Recycling	• SPH Herbapex recycles the paperboard outer packaging of plastic bottles for reuse by suppliers.

Green Operation

Green Office

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



Green Factory

Staying committed to the path of "sustainable and green development," SPH advances the development of its green manufacturing system. By the end of 2024, a total of 21 subsidiaries have received the distinction of "Green Factory", including 11 national-level green factories and 10 provincial/municipal-level green factories, with 2 new national-level green factories added compared to 2023.

Biodiversity Conservation

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



- conservation base operated by SPH Shenxiang achieved official certification for organic products.
- Prior to the commissioning of its standardized ginseng planting demonstration base in Huanren County, Liaoning Province, SPH (Liaoning) TCM Resources Co., Ltd. undertook a two-year soil remediation project, effectively degrading various harmful residues and reducing heavy metal content in the soil. The company focuses on ecoensuring a dual reduction in pesticide application and residual levels in both ginseng production and the natural environment.
- SPH has established a 3,333-hectare plantation of Taxus chinensis, a nationally listed first-grade rare and endangered protected plant, in Dali City, Yunnan Province.
- SPH TCM participated in the "Research and Industrialization of Synthetic Musk" project spearheaded by the Ministry of Health, employing biomimetic methods to successfully develop synthetic musk. The project received the of substitutes for rare and endangered animal medicinal materials in China.

friendly cultivation methods, substituting biodegradable organic fertilizers for chemical fertilizers, thus continuously

"First Prize of National Science and Technology Progress Award" in 2015, marking a breakthrough in the research



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• Taking Part in Philanthropy and Charity

Contributing to Rural Revitalization

SPH is committed to charitable causes to promote social equality, achieving common prosperity and strengthening social security. Guided by its "Commitment to Improving Health and Quality of Life", SPH, as a stateowned enterprise, actively fulfills its social responsibilities. Over the years, SPH has engaged in philanthropic endeavors, established charitable platforms, and held signature charity events to give back to society, the

Highlights of 2024

Total Volunteer Service Duration: CNY 21,009,900 1,670.5 hours

Total Rural Revitalization Investment:



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Our Actions

Science, Education, Culture and Sports

📻 Case Study

The China Shanghai International Arts Festival, hosted by the Ministry of Culture and Tourism and organized by Shanghai Municipal People's Government, stands as a national-level comprehensive international arts festival and the most influential of its kind in the Asia-Pacific region. The 23rd edition of this festival took place from October 18 to November 17, 2024. SPH, serving as a strategic partner, made a significant contribution by donating CNY 25 million over five years through the Shanghai Cultural Development Foundation. This funding was pivotal in establishing the "Arts Festivals & Art Fashion Special Fund," which financially supports major cultural events. This innovative model exemplifies the successful implementation of initiatives to expand the international influence of cultural festivals and marks a transformative shift in the Festival's operational strategy after more than two decades.

SPH and its subsidiaries—including SPH Sine, SPH Leiyunshang, SPH Qingchunbao, Huqingyutang Pharma, SPH Dragon&Tiger, and SPH Shenxiang—donated a total of CNY 5 million to the Festival. This contribution facilitated the exclusive sponsorship of several premier domestic and international performances, fostering the growth and prosperity of Shanghai's cultural sector. These efforts align with SPH's commitment to enhancing community well-being and supporting Shanghai's vision of becoming a modern and globally influential socialist international metropolis.

• SPH Sales

Representing its historic brands Sine and Dragon & Tiger, SPH Sales donated CNY 2 million to sponsor the Alexandre Kantorow Piano Recital and the dance drama The Reunion of Oasis.



SPH Qingchunbao, **Hugingyutang Pharma**

SPH Qingchunbao and Huqingyutang Pharma each donated CNY 500,000 to back the original Chinese cultural production Game in Game.



Forging ahead into a sustainable future with good deeds Serving the Public with Heart-Warming Charity Nitiatives

About SPH

Taking Part in Philanthropy and Charity

Standardizing the Management of Charitable Programs

SPH is dedicated to exploring sustainable ways to manage its charitable programs. In strict adherence to the Charity Law of the People's Republic of China and the Law of the People's Republic of China on Public Welfare Donations, SPH has introduced the Interim Measures of SPH for the Management of Charitable Programs and launched the OA Approval/ Registration Process for Charitable Programs. Through effective means such as categorization, budgeting, hierarchical approval, and record-keeping, the Company has established a mechanism for managing charitable donations in a proactive, sustainable and standardized manner., Currently, SPH's charitable programs encompass categories such as health, science, education, culture and sports, social welfare, disaster relief, and rural revitalization.



Promoting Low-Carbon Development and Co-Creating a Green Future

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SPH's Strategic Support for China Shanghai International Arts Festival





 SPH Shenxiang SPH Shenxiang donated CNY 1 million to support the Teodor Currentzi & MusicAeterna Orchestra Concert.

 SPH Leiyunshang SPH Leiyunshang donated CNY 1 million to sponsor the Rafal Blechacz Piano Recital.







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📻 Case Study

SPH Sponsored MISA for the Eighth Consecutive Year

About SPH

From July 1 to 15, 2024, the 15th Music in the Summer Air Festival (MISA) was held under the theme "Take Me to Shanghai: SPH Invites You to Gather in Shanghai." The Festival featured 24 live performances in different venues from the Shanghai Symphony Hall to the Shanghai City Lawn Music Square, attracting over **30,000** attendees. Additionally, **26** online concerts and livestream events garnered more than **12 million** views.



As a staple of the annual MISA outdoor performances, SPH has, for the **eighth consecutive year**, distributed products from its brands such as Huashi, Dragon&Tiger, Lei's, and Yutianshi to provide citizens with cooling,

health, and beauty benefits, getting closer to the public through its "pharmaceutical approach"

Furthermore, in the newly launched "SSO Across the City" series, SPH collaborated with the Shanghai Symphony Orchestra (SSO) to take musicians beyond the concert hall, bringing music to various corners of the city, including popular commercial districts, cultural spaces, and street gardens. Through "Harmony in Medicine and Joy," we bridge healing and culture, making Shanghai's spirit resonate globally.

🙀 Case Study

SPH Growful's Endeavors to Promote Traditional Chinese Medicine Culture

SPH Growful is dedicated to promoting and disseminating the traditional Chinese medicine (TCM) culture. Building on its "one industrial park + one culture museum" setup, the company meticulously designed distinctive courses such as "Traveling with the Solar Terms," "The Magic of Mugwort," and "Inheriting Traditional Culture, Carrying Patriotic Sentiments." Through approaches like "inviting in" and "going out," SPH Growful conducted **seven** volunteer service activities, including "Red Scarf Learning TCM Culture," "TCM Culture in Schools," "Traditional Culture Nurturing Young Minds," and the "May Fourth Subway Cultural Science Exhibition."



Health

SPH Dedicates Efforts to Rare Disease Philanthropy

SPH is committed to philanthropy for rare diseases, in a drive to benefit the community in a more comprehensive manner. In 2024, through initiatives such as public advocacy, charitable donations, and educational outreach, SPH endeavored to elicit profound societal concern for rare disease patients, assist them in overcoming challenges, and provide them with hope and comfort.



🔁 Case Study

Upholding its core values of "Care, Responsibility, Innovation, and Collaboration", SPH RD assisted in organizing 14 philanthropic activities related to rare disease patients in 2024, including the "2024 Global ALS/MND Awareness Day" and a handicraft charity sale. In May, the company completed the manuscript solicitation for its narrative medicine series on rare diseases, titled Love Has Strength. Additionally, SPH RD released six educational videos, which received widespread acclaim across various media platforms.



👿 Case Study

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

To alleviate the life-threatening crises and suffering of rare disease patients in China, enhance treatment adherence for diabetes insipidus, and reduce the financial burden on patients, SPH Shangke provided pharmaceutical assistance valued at CNY 64,000 to diabetes insipidus patients financially affected by their condition. This aid facilitates access to standardized treatment, improves treatment accessibility, alleviates the burden on patients' families and society, enhances patients' quality of life, extends their lifespan, and contributes to the creation of a more harmonious and prosperous society.

📻 Case Study

SHAPHAR, as the exclusive philanthropic supporter of the "Silver Snake Award" series—the highest honor for young talents in Shanghai's healthcare system—has been actively engaged in related charitable initiatives since the inception of the "Silver Snake Home" in 2009. The company collaborates with the Shanghai Foundation



for Eminent Youth Award of Healthcare System to deliver a diverse array of health services, extending Shanghai's premium medical resources to communities nationwide. With SHAPHAR's backing, the Foundation has orchestrated numerous medical service and academic exchange activities in regions such as Qinghai, Tibet, Yunnan, Xinjiang, Inner Mongolia, Dabie Mountain, Fujian, and Guizhou. These endeavors, led by past "Silver Snake Award" laureates under the banner of "Giving Back to Society and Serving the People," have received high praise. The award-winning experts have emerged as a pivotal force within Shanghai's medical and health workforce.

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SPH RD's Support for Rare Disease Philanthropy and Education

SHAPHAR's Exclusive Support for the "Silver Snake Award" Series





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Case Study

SPH KDL Health's Active Participation in the "Tongxin: Co-building Chinese Hearts" Aba Tour

About SPH

The "Tongxin: Co-building Chinese Hearts 2024 Aba Tour" commenced on October 25 in Aba Tibetan and Qiang Autonomous Prefecture, Sichuan Province. 200 experts, philanthropists, and media representatives from 29 medical institutions in Beijing provided medical services to over **15,000** individuals across four counties, complemented by academic lectures and public health education. SPH KDL Health's Beijing Branch contributed materials valued at CNY 80,000, with its staff working closely with the medical team to offer patients guidance on



medication use and ensure the precise distribution of medicines to each individual in need, displaying warmth and compassionate care.

📻 Case Study

SPH Keyuan Xinhai's Ongoing Involvement in the "Tongxin: Co-building Chinese Hearts" Initiative

SPH Keyuan Xinhai has been a steadfast participant in the large-scale medical charity event "Tongxin: Co-building Chinese Hearts" for over a decade. In 2024, the company donated CNY 100,000 to the Beijing Tongxin Gongzhu Foundation. During the activities from July 7 to 15, 2024, its team traveled to Tibetan regions to distribute medicines to local communities. Through



active contributions to the pharmaceutical economic sector, SPH Keyuan Xinhai strongly supports national rural revitalization efforts, thereby cultivating a commendable corporate image within the medical industry.

SPH Qingchunbao's Execution of Over 60 "Health for All" Events Case Study

SPH Qingchunbao's "Health for All" initiative is designed to elevate health literacy and awareness in communities through professional public health lectures. These sessions advocate for scientific, healthy, and environmentally sustainable lifestyles and habits. Concurrently, the initiative aims to amplify the company's social influence and enhance its brand reputation through philanthropic engagement.

By the close of 2024, the "Health for All: Inclusive Health for Communities" campaign had conducted 62 such lectures, reaching approximately 4,000 beneficiaries.

The lectures encompassed a broad spectrum of topics, including cardiovascular disease prevention, depression education, insomnia management, Alzheimer's disease prevention, gastritis prevention and treatment, and TCMbased health preservation in four seasons. These efforts were met with unanimous acclaim from community residents.



📻 Case Study

SPH Growful's Participation in the "Qingdao Quality Products" Xizang **Tour and Various Brand Charity Activities**

The year 2024 commemorates the 30th anniversary of the central government's initiative to support Xizang. In alignment with the strategic directives for paired assistance to Xizang, SPH Growful took an active part in the "Qingdao Quality Products" Xizang Tour initiative organized by Qingdao Administration for Market Regulation. The company donated pharmaceutical products valued at CNY 30,000 under the "Qingdao Quality Products" label, including Yangxinshi tablets, Xiao'er Feire Kechuan granules, and Ku Gan granules, to schools, hospitals, and

other institutions in Shigatse.

Capitalizing on its strengths in the TCM sector and service capabilities, SPH Growful, through its Lily Party Member Volunteer Service Team, conducted activities focused on "Serving Community Health" in multiple subdistricts and communities across Qingdao. In August 2024, the company mobilized 191 volunteers to visit 55 chain pharmacies, where they carried out movie screening volunteer services, bringing citizens relief amid the heatwave.



📻 Case Study

in Charitable Activities

SPH Leivunshang has consistently mobilized medical resources to participate in Fengxian District's "Silver Lining for Seniors" initiative, visiting centenarians to show respect for the elderly and showcasing achievements in elder care. Additionally, the company organized free medical consultations, TCM culture courses, and public welfare promotions on topics such as the 24 solar terms in relation to TCM and Shanghai's intangible TCM cultural heritage across multiple subdistricts. These efforts have collectively reached over 400,000 individuals.

Its subsidiary, SPH Xingling, has also been proactive in charitable engagements. The company mobilized party members and young volunteers to provide communitybased consultations on cardiovascular disease medications as part of initiatives like "Promoting the Spirit of Lei Feng: Traditional Chinese Medicine for Community Health" and "Promoting TCM Culture: Cardiovascular Disease Prevention

in Communities" organized by the Xianghuaqiao Subdistrict in Qingpu District. SPH Xingling further contributed by donating anti-infective medicines valued at CNY 1.55 million (specifically Jing Yin granules) to provinces including Hunan, Heilongjiang, Yunnan, and Jilin, supporting routine medical prevention efforts in remote areas.

Outlook for 2025

SPH Leiyunshang and Its Subsidiary SPH Xingling's Active Engagement





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Social Welfare

Case Study

SPH Zhonghua Pharma's Contributions to Charitable Causes Through Multiple Donations

In May 2024, SPH Zhonghua Pharma donated daily essentials valued at approximately CNY 120,000, including cooling ointment and essential balm, to the Shanghai Charity Foundation.

In July, SPH Zhonghua Pharma contributed 6,000 pieces of Dragon & Tiger Panacea, essential balm, and mosquito repellent water valued at CNY 210,000, to the Shanghai Senior Citizens Foundation. Concurrently, the company donated 2,500 pieces of Dragon & Tiger Panacea, essential balm, and mosquito repellent water to Yutiancheng Pharmacy's "Love Relay Station for Outdoor Workers" to help outdoor workers mitigate the effects of high-temperature operations.

In August, SPH Zhonghua Pharma participated in the launch ceremony of the "Walking with Kindness: Warming the Elderly" series in Songjiang District, contributing to the "Filial Piety and Respect for the Elderly" charitable cause. During the same month, to express concern and support for workers enduring high temperatures, such as drivers and couriers, the company visited STO Express and ZTO Express, donating 1,000 pieces of heatstroke prevention and cooling supplies to frontline employees. Additionally, SPH Zhonghua Pharma donated 3,000 pieces of heatstroke prevention supplies to the Elderly Care Committee of Shanghai Service Federation (SSF) for distribution to affiliated elderly care communities and institutions.

In September, through the Labor Union of Shanghai Landscaping & City Appearance Administration Bureau and the Qingpu District Representative Office of Shanghai Charity Foundation, SPH Zhonghua Pharma provided 8,300 pieces of care and comfort supplies to frontline sanitation workers in Jing'an and Qingpu districts.



Case Study

SPH Growful Organized Activities to Care for the Elderly and Children with Autism

SPH Growful, through its grassroots youth league organizations, conducted themed visits and consolation activities such as "Caring for the Disabled: Happy Warm Winter" and "I Help the Lonely Elderly in Need Buy New Year Goods." Additionally, the company organized **four** volunteer service events, including "Children of the Stars" to care for children with autism and "Respect for the Elderly Month" . SPH Growful also arranged on-site public welfare clinics for the groups and distributed New Year gift packages and family medicine kits.



📻 Case Study

Through the Party-building guided pairing support program, SPH XTCM regularly sends volunteers to visit and assist the widowed elderly. On the occasion of the Double Ninth Festival, SPH XTCM and the Xiamen Time-honored Brand Association jointly held a "Double Ninth Festival Charity" public welfare activity, sending holiday care and warmth to the elderly at Ding'an Nursing Home. This not only provided material assistance but also spiritual comfort to the elderly.

😴 Case Study

Initiative

In January 2024, SPH New Asia actively heeded the call of the "Warmth for Families in Need" initiative in Caolu Town, Pudong New Area, Shanghai. The company conveyed love and care by donating CNY 50,000 to the People's Government of Caolu Town, Pudong New Area, bringing warmth and hope to families in need.

Disaster Relief

👼 Case Study

County of Huludao City for Post-Disaster Reconstruction

In mid to late August 2024, western Liaoning Province was hit by heavy rainfall, causing severe flooding in multiple villages and towns in Jianchang County, Huludao City. Infrastructure such as water conservancy facilities and farmlands was damaged, bringing great difficulties to the lives of local residents. To ensure the basic needs of the affected people

are met, SPH Liaoning Pharmaceutical immediately deployed a material support operation with medical supplies such as disinfectants and antipyretics, as well as daily necessities like instant noodles and bottled water, with a total value of CNY 69,176.4. A team

of seven volunteers from the company delivered the materials to Yangmadianzi Township in Jianchang County and Huludao Charity Federation's material storage site helping Jianchang County with post-disaster epidemic prevention and reconstruction work to accelerate the return to normal life. Given the severe disaster situation in Huludao City, Liaoning Province, at the end of September, SPH Herbapex donated CNY 500,000 in cash and CNY 1.5 million in materials to the Huludao Charity Federation for postdisaster reconstruction and other public welfare initiatives.

Outlook for 2025

Appendix

SPH XTCM Co-hosted "Double Ninth Festival Charity" Event



SPH New Asia's Active Participation in the "Warmth for Families in Need"

SPH Liaoning Pharmaceutical and SPH Herbapex Rushed to Aid Jianchang



About SPH

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Contributing to Rural Revitalization

According to the report of the 20th National Congress of the CPC, China will comprehensively promote rural revitalization, prioritize the development of agriculture and rural areas, consolidate and expand the results of poverty eradication, and promote the revitalization of rural industries, talents, culture, ecology and organizations. At the beginning of 2025, CPC Central Committee and the State Council issued the "Plan for All-around Rural Revitalization (2024-2027)," proposing to improve the long-term mechanism for promoting all-around rural revitalization and consolidate and expand the achievements of poverty alleviation.

In 2024, SPH continued to follow the deployment of CPC Shanghai Municipal Committee and Shanghai Municipal Government on east-west collaboration, counterpart support, and rural revitalization work. Under the leadership of Shanghai SASAC and SIIC, SPH adhered to the main theme of "Five Major Revitalizations," with industrial revitalization as the lead, and projects as the starting point. SPH comprehensively promoted industrial, talent, cultural, ecological and organizational revitalization, and the construction of a healthy China, striving to advance the development of rural areas.

During the Reporting Period, the Company's rural revitalization program "United for Harmonious Countryside: Integrated Efforts to Revitalize Rural China" received the award of "Outstanding CSR Programs by Chinese **Pharmaceutical Enterprises**" at China Pharmaceutical Industry Information Annual Conference.

Steering Collaborative Efforts to Boost Organizational Revitalization through Party Building

SPH upholds the principle of leveraging Party building to drive high-quality development in its assistance initiatives. The Company maximizes the pivotal role of Party building as a catalyst, steering assisted villages toward the swift path of rural revitalization. By fostering stronger unity between subsidiaries and the grassroots Party organizations in target villages, SPH pinpoints precise intervention areas for assistance programs, contributing to rural revitalization.

Case Study **SPH TCM**

SPH TCM extended financial support for the renovation of the Party Member Activity Center in Kanglang Village and contributed a collection of Party-building books, enhancing the learning environment and enriching educational resources for Party members. The activity center renovation concluded in June 2024. The General Party Branch of SPH TCM Headquarters in Shanghai and the General Party Branch of Kanglang Village in Yunnan integrated Party discipline education into joint study sessions



conducted via video-conference in the newly upgraded space. This approach marks an innovative step in Partybuilding guided rural revitalization through collaborative efforts.

Additionally, the General Party Branch of SPH TCM Headquarters entered into the fifth phase of an urban-rural Party organization pairing assistance (co-construction) agreement with the General Party Branch of Chenxi Village in Chenjia Town, Chongming District. This phase of assistance extends until 2027, spanning a four-year collaboration. The partnership encompasses Party-building guided co-construction, rural revitalization services, charitable support, and joint governance initiatives.

📻 Case Study **SPH Sine**

Through Party-building collaboration with Shijia Village, SPH Sine assisted the "three leads and two transformations" framework: leading people, leading resources, leading industries, transforming perspectives, and transforming the village's landscape. This strategy pragmatically addresses the pressing and complex challenges facing impoverished communities.

Strengthening the Leadership of Industrial Revitalization Anchored in Sustainable Development

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

SPH selects Chinese herbal medicine varieties with great market potential, stable yields and secured benefits; deepens industrial cooperation in the cultivation of Chinese herbs; boosts the development of competitive industries according to local conditions; coordinates production and sales of local agricultural products; signs purchase agreements for local agricultural products; and accelerates the market access and precise coordination between production and sales to increase the income of the local people.

In 2024, SPH established two new subsidiaries in Yunnan, focusing on forest musk deer breeding and the processing of TCM decoction pieces. To date, SPH's subsidiaries in Yunnan have accumulated total assets of CNY 1.48 billion and generated operating revenues of CNY 1.926 billion. In 2024, SPH executed consumer assistance projects, purchasing agricultural products, fruits, and other goods from paired assistance areas, with a total value of CNY 202,800.

🔁 Case Study

"Pioneer Red" Medicinal Herb Cultivation Project in Xianfeng Village, Juli Town, Yunnan Province

In October 2023, SHAPHAR launched the "Pioneer Red" Medicinal Herb **经股税运送 建国际产业运送 國**國民黨強 Cultivation Pilot Project in Xianfeng Village, Juli Town, Midu County, Yunnan Province. Collaborating with SPH TCM and Yunnan Academy of Agricultural Sciences, the initiative established a 200-mu (approximately 13.3 hectares) pilot planting base for "Yunhong No. 7" in Xianfeng Village. In April 2024, the targeted procurement of safflower yielded approximately CNY 800,000 in economic benefits for local farmers, signaling the successful completion of the first phase. In November, SHAPHAR supported Xianfeng Village in initiating the second phase, with plans to expand the planting area to 1,200 mu (approximately 80 hectares), anticipating a prosperous harvest in the forthcoming year.

👿 Case Study

Yunnan Province

SPH Sine bolstered black goat breeding in Shijia Village, Micheng Town, Midu County, Yunnan Province, by investing CNY 380,000 to facilitate the construction of a breeding base. The project broke ground on July 3, 2024.

Outlook for 2025

Appendix



"Black Goat" Breeding Base Project in Shijia Village, Micheng Town,





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📻 Case Study

"Safflower + Angelica" Medicinal Herb Cultivation Project in Kanglang Village, Niujie Township, Yunnan Province

About SPH

SPH TCM harnessed its professional expertise to devise a "high-low pairing" cultivation strategy tailored to the land and climate of Kanglang Village in Niujie Township, Midu County, Yunnan Province, i.e., cultivating safflower at lower elevations and angelica at higher altitudes. Through targeted procurement of these two medicinal crops from Kanglang Village, SPH TCM mitigated risks



for farmers and secured a stable market for their produce. In recent years, meticulous cultivation, coupled with periodic training sessions offered free of charge by institutions such as Yunnan Agricultural University, Yunnan Academy of Agricultural Sciences, and Dali Prefecture Academy of Agricultural Sciences, has shaped a burgeoning medicinal herb cultivation industry in the village, yielding substantial economic gains.

In 2024, SPH TCM invested CNY 490,000 in seeds and seedlings. During the April safflower harvest, the company purchased 10 tons of safflower from Kanglang Village and Xianfeng Village, injecting CNY 1.2 million into the local economy and supporting 475 households. Additionally, angelica cultivation in Kanglang Village spanned 235 mu (approximately 15.7 hectares), producing 235 tons of fresh angelica, which was processed into 58.75 tons of dried product, boosting farmers' incomes by over CNY 2 million. From 2018 to the end of 2024, SPH TCM's cumulative investments in seeds and seedlings reached CNY 1.069 million, while the economic benefits from acquiring farmers' medicinal herbs totaled CNY 22.45 million.

Case Study

Forest Musk Deer Breeding Project in Dacang Town, Weishan County, Dali Prefecture, Yunnan Province

In August 2022, SPH XTCM teamed up with local partners and experienced breeders to establish Babaodan Musk Industry Technology Dali Co., Ltd. in the Dianzhong Industrial Park of Dacang Town, Weishan Yi and Hui Autonomous County, Dali Prefecture. This initiative launched a forest musk deer breeding base dedicated to artificial breeding. The project occupies 55 mu (approximately 3.7



hectares), with designated areas for breeding (2 ha.), production support (0.2 ha.), and feed forest greening (0.86 ha.). By April 2024, the base had introduced 82 forest musk deer with superior genetic lineage, and the facility achieved full operational status.

📻 Case Study

"Hearts United for Sagya" Saffron Cultivation Project in Sakya County, Shigatse, Xizang

Historically, Xizang's challenging climate and limited production technologies have precluded the large-scale cultivation of saffron. The saffron team from SPH TCM conducted comprehensive on-site evaluations in Sakya County, Shigatse, Xizang, to develop a cultivation model suited to the region's highaltitude climate and soil. By overcoming challenges such as intense sunlight,



significant temperature variations, arid weather, and dry soil, the team adapted cultivation techniques for saffron, successfully completing a pilot cultivation cycle by May 2024. Since commencing in 2023, the project has cultivated 7 mu (approximately 0.47 hectares) of land, creating 5,500 employment opportunities. The output value exceeded CNY 250,000 in 2023 and rose to over CNY 400,000 in 2024. On August 27, 2024, Shanghai Mayor Gong Zheng visited the saffron cultivation base during a study tour of the city's delegation to Shigatse.

🔁 Case Study

Prefecture, Yunnan Province

In 2023, SPH formalized an investment agreement with the Weishan County Government in Dali Prefecture, Yunnan Province. Under this accord, SPH subsidiaries—Chongging Huiyuan and SHAPHAR Yunnan Branch together with Dali Prefecture Medical Investment Management Co., Ltd., invested CNY 20 million to establish "SPH Dali TCM Industry Co., Ltd." within the Weishan Industrial Park. The new company focuses on processing

premium TCM decoction pieces.

Production began by the end of 2024, utilizing authentic Yunnan-grown medicinal herbs such as poria, safflower, angelica, and polygonatum. The facility aims to achieve an annual production and storage capacity of 2,000 tons of high-guality decoction pieces, with an estimated output value of CNY 180 million, while providing employment for approximately 80 local residents.

Harnessing SPH's Distinctive Strengths to Advance the Healthy **China Initiative**

Aligned with the "Plan for All-around Rural Revitalization" which calls for strengthening rural healthcare and establishing a robust medical and health service system, SPH has launched the Yunnan Rural Health Clinic Construction Project through the Shangyuan Charity Special Fund. To date, this initiative has undertaken the construction and renovation of 15 health clinics, including **3** new facilities in Dali's Weishan County and **5** new clinics alongside 7 refurbished ones in Yuxi's Xinping County. With a total investment of CNY 2.86 million, two of these clinics have commenced operations, while the remaining projects are still ongoing.

In the first half of 2024, SHAPHAR mobilized a "Spring Warmth" volunteer service team to conduct a health clinic event in Xianfeng Village. The team provided on-site services such as blood pressure and blood sugar monitoring, distributed the

"Safe Medication Popular Science Knowledge Manual" along with heat-relief supplies and TCM sachets, and offered health consultations to over 100 villagers. Efforts to standardize and upgrade the village's health clinic, as well as to establish a TCM pavilion, remain underway.

In August 2024, SPH Sine United, in collaboration with SPH 144499 Dragon & Tiger, responded to national directives by donating pharmaceuticals—including Lansoprazole and Sodium Bicarbonate Capsules and Dragon & Tiger Cooling Nasal Inhaler—alongside daily necessities to Zhiduo County Red Cross Society of Yushu Prefecture, Qinghai Province. This contribution supports the "Oinghai Rural Revitalization Tour" initiative.

High-Quality Decoction Pieces Processing Project in Weishan County, Dali



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Fostering Livable, Productive, and Aesthetically Pleasing Rural **Communities to Bolster Ecological Revitalization**

About SPH

To enhance living conditions in the paired assistance areas and cultivate rural communities that are both livable and conducive to employment, SHAPHAR, SPH Sine, and SPH TCM have spearheaded multiple infrastructure projects. These include the standardization and upgrading of the health clinic in Xianfeng Village, the "Pioneer Picturesque" road greening and hardening initiative in Xianfeng Village, the azalea-themed characteristic village construction in Shifoshao Village, the drainage ditch project in Shijia Village, the convenience service center in Shijia Village, and the renovation of the Party member activity center in Kanglang Village. These efforts aim to improve the villagers' living environments and communal spaces.



SPH Kyuan has established a partnership with Gaijiadian Village in Longchang Town, Balin Left Banner, Chifeng City, Inner Mongolia. The company donated materials valued at CNY 20,000 to support 105 households in need and contributed CNY 60,000 toward the construction of agricultural irrigation infrastructure, enhancing the villagers' quality of life.



Integrating Financial Aid and Academic Scholarships to Foster **Talent Revitalization**

The healthy development of education is of great significance to rural revitalization. SPH remains steadfast in its commitment to optimizing educational resources in its paired assistance areas, providing substantial financial and material support for foundational education and talent development to ensure the seamless execution of its initiatives.

• SPH TCM

In June 2024, SPH TCM donated CNY 240,000 to Midu County Red Cross Society to upgrade the student cafeteria at Kanglang Primary School. The company also awarded CNY 15,000 in "Yuanzhi Scholarships" and "Yizhi Scholarships" to 55 students.

• SPH Sine

Through the "Golden Idea Project" in Shijia Village, SPH Sine hosts annual commendation ceremonies honoring the "Most Beautiful Village Official" and "Most Beautiful Villager." Additionally, the company supports students by providing bursaries to 10 underprivileged students and scholarships to 5 outstanding performers in 2024, totaling CNY 20,000.

• SPH XTCM

SPH XTCM allocated CNY 2,000 in scholarships to schools within its paired assistance areas, primarily to cover students tuition, textbooks, and living expenses.





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Outlook for 2025

Positioned at the threshold of a new development phase, SPH will follow industry trends with deep insight, seize opportunities in challenges, and forge innovative pathways amid shifting dynamics. By mastering disruptive technologies such as artificial intelligence, we will strengthen our capabilities to support pharmaceutical operations. We will reinforce our industrial foundation, amplify the value derived from traditional Chinese medicine, live biotherapeutics, and the general health sectors, and deepen collaboration between production and distribution. Additionally, we will enhance our in-house research structure, establishing a comprehensive R&D and industrial technology system anchored by "One Institute + Four Centers". Drawing on the development of SH-INNO, we will refine an open innovation ecosystem that blends autonomy, collaboration, and integration, while boldly advancing into the realm of cell and gene therapy to foster new quality productive forces.

SPH remains committed to a development strategy defined by "solidifying foundations, strengthening core capabilities, and achieving innovation breakthroughs." We will focus on increasing organizational resources and innovation capacity across industrial research, production, and distribution. By strengthening the "Three Horizontals" —production, R&D, and distribution and securing the "Three Verticals" through rigorous financial, compliance, and audit transparency, we will bring into being a dynamic "Three Horizontals + Three Verticals" framework, sharpening our core competitiveness.

Enhancing Corporate Governance

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

Deepening Innovation-driven Development

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

Enhancing Medical Accessibility

Dedicated to producing, selling, and delivering quality medicines, we will build an exceptional manufacturing system, and safeguard product safety and quality. We will advance the development of major pharmaceutical bases and strategic logistics hubs to ensure drug supply stability. We will acquire information and digital technologies to help patients enjoy smarter, more efficient, and convenient healthcare services.

Protecting the Ecological Environment

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

Strengthening Talent Development

We will resolutely pursue our "talent-driven growth" strategy, assembling a cadre of high-caliber, specialized professionals. We will heighten efforts to cultivate and appoint exceptional young managers while perfecting systems to attract and develop expertise in technological innovation, specialized techniques, and high-skill disciplines, laying a strong talent foundation for the Company's sustained highquality growth.

Giving Back to the Society

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

Long as the journey is, we will reach our destination if we stay the course; difficult as the task is, we will get the job done if we keep working at it. In 2025, propelled by technological innovations and market-oriented mechanisms, we will steadfastly implement key business priorities to improve people's health.



Composing a Symphony of Harmony to Craft Our Ideal World

for 2025

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Key Performance Indicators

Economic Performance

Indicator	Unit	2022	2023	2024
Operating Revenue	CNY 100m	2,319.81	2,602.95	2,752.51
Net Profit Attributable to Shareholders	CNY 100m	56.17	37.68	45.53
Total Assets	CNY 100m	1,981.35	2,119.73	2,212.09
Total Tax Payment	CNY 100m	79.00	74.98	73.27

Social Performance

Indicator	Unit	2022	2023	2024					
Number and Distribution of Employees									
Total Number of Employees	Person(s)	47,877	48,164	49,402					
Employment Type									
Contract Employees	Person(s)	41,217	41,342	42,973					
Other Employees	Person(s)	6,660	6,822	6,429					
Gender	·	·							
Male	Person(s)	23,795	23,826	24,360					
Female	Person(s)	24,082	24,338	25,042					
Age	·								
50 and Above	Person(s)	7,971	7,771	7,404					
30-49	Person(s)	31,176	31,634	32,899					
30 and Below	Person(s)	8,730	8,759	9,099					
Educational Background	<u>`</u>								
Master's Degree and Above	Person(s)	2,026	2,288	2,516					
Bachelor's Degree	Person(s)	14,156	14,978	16,730					
Associate Degree	Person(s)	14,611	14,322	14,595					
Others	Person(s)	17,084	16,576	15,561					
Percentage of Employees by Age Group									
50 and Above	%	16.7	16.1	14.99					

Indicator	Unit	2022	2023	2024
30-49	%	65.1	65.7	66.59
30 and Below	%	18.2	18.2	18.42
Percentage of Employees by Location				
Mainland of China	%	98.7	98.7	98.66
Hong Kong, Macao, Taiwan and Abroad	%	1.2	1.2	1.34
Employee Turn	over Rate ¹			
Turnover Rate	%	13.5	12.0	14.06
Turnover Rate by Gender				
Male	%	13.0	12.6	14.57
Female	%	14.1	11.4	13.50
Turnover Rate by Age				
50 and Above	%	12.1	17.7	23.19
30-49	%	11.0	8.1	9.27
30 and Below	%	24.0	20.8	23.60
Turnover Rate by Location				
Mainland of China	%	13.6	12.0	14.18
Hong Kong, Macao, Taiwan and Abroad	%	3.7	4.8	5.20
Employee Rights	and Benefits			
New Hires During the Reporting Period	Person(s)	8,081	8,476	7,586
Individuals with Disabilities Hired	Person(s)	450	438	389
Labor Contract Signing Rate	%	100	100	100
Social Insurance Coverage	%	100	100	100
Employee Satisfaction	%	80	80	85
Employees'	Training			
Percentage of Trained Employees	%	89	88	90
Training Attendees	Person-times	554,210	577,136	849,966
Training Hours	Hour(s)	114,904	1,574,970	1,818,845
Average Training Hours	Hour(s)	24	33	36.82
Employee Training Expenses ²	CNY'0,000	-	-	2,988.18



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Indicator	Unit	2022	2023	2024
Percentage of Trained Employees by Gender				
Male	%	90	83	92
Female	%	89	93	89
Percentage of Trained Employees by Position	I		I	
Managerial and Professional Personnel	%	100	100	97
Technicians and Others	%	85	84	92
Average Training Hours of Employees by Gender	I	· ·		
Male	Hour(s)	25	33	35.92
Female	Hour(s)	24	32	37.70
Average Training Hours of Employees by Position		·		
Managerial and Professional Personnel	Hour(s)	52	64	44.34
Technicians and Others	Hour(s)	14	21	36.29
Occupational Heal	th and Safety ³		I	
Health and Safety Investments	CNY'0,000	13,668	15,202.5	13,612
Manufacturing Accidents ⁴	Time(s)	7	7	-
Number of Work-Related Deaths (Accident of Production Safety)	Person(s)	0	0	(
Work-related Deaths (%)	%	0	0	(
Days Loss due to Work-Related Deaths	Day(s)	320	56	19
Investment in Work Injury Insurance	CNY'0,000	-	-	2,379.56
Coverage of Work Injury Insurance	%	-	-	100
Investment in Work Safety Liability Insurance	CNY'0,000	-	-	109.38
Coverage of Work Safety Liability Insurance	%	-	-	18
Safety Training Coverage ⁵	%	100	100	100
Safety Training Attendees	Time(s)	-	-	214,639
Number of Safety Drills	Time(s)	587	927	789
Number of Participants in Safety Drills	Person(s)	24,379	24,411	46,554
Physical Examination Rate	%	100	100	100
Number of People Completing Physical Examination	Person(s)	5,581	5,886	6,16
Employees with Work-related Illnesses	%	0	0	(
Incidence Rate of Work-related Illnesses	%	0	0	(

Indicator
Reported Rate of Occupational Hazards
Detection Passing Rate of Occupational Hazards
Notification Rate of Occupational Hazards
R&D and Inn
Number of Patent Applications in the Current Year
Number of Invention Patent Applications in the Current Year
Cumulative Number of Granted Patents
Number of Granted Patents in the Current Year
Cumulative Number of Trademark Applications
Cumulative Number of Trademark Registrations
R&D Investment
R&D Expenditure
R&D Personnel
Ratio of Researchers to Total Number of Employees
Supplier Man
Total Number of Suppliers
Number of Suppliers by Place
Mainland of China
Hong Kong, Macao and Taiwan
Overseas
Number of Suppliers by Material Type
APIs
Excipients
Primary Containers
Outer Packaging Materials
Number of Suppliers by Significance
Strategic/Exclusive Suppliers
Important Suppliers
Common Suppliers
Supplier Quality

Promoting Low-Carbon Development and Co-Creating a Green Future to Craft Our Ideal World

Composing a Symphony of Harmony

Outlook for 2025

	Unit	2022	2023	2024
	%	100	100	100
	%	100	100	100
	%	100	100	100
n	ovation ⁶			
	#	187	135	236
	#	144	122	130
	#	1,365	1,489	1,982
	#	160	124	164
	#	779	936	2,382
	#	1,075	1,385	2,457
	CNY 100m	28.00	26.02	28.18
	CNY 100m	21.12	22.04	23.94
	Person(s)	1,539	1,666	1,772
	%	3.21	3.46	3.59
n	agement ⁷			<u>.</u>
	#	659	670	698
	#	626	655	689
	#	1	1	1
	#	32	14	8
				<u>.</u>
	#	171	151	166
	#	260	280	306
	#	96	114	102
	#	132	125	124
	#	61	105	53
	#	244	270	284
	#	354	295	361



ge from airman About SPH Sustainable Special Development Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China Working Together to Promote Industrial Upgrading Pursuing High-quality Development in HR Management with Collective Effort from All Parties

Indicator	Unit	2022	2023	2024
Number of Suppliers with GMP Certification	#	174	128	116
Number of Suppliers with Certification of Quality Management System	#	244	224	380
Number of Suppliers with Certification of Occupational Health and Safety Management Systems	#	133	112	186
Number of Suppliers with Certification of Environmental Management system	#	152	129	185
Number of Suppliers with Open Cooperation Agreement, Letter of Commitment, or Integrity Compliance Agreement	#	659	670	698
Number of Suppliers' Employees in Trainings				
Clean Procurement	Person(s)	223	703	371
Environmental Protection	Person(s)	63	58	142
Occupational Safety	Person(s)	63	58	143
Other Training Topics	Person(s)	37	31	57
Hours of Training for Suppliers				
Clean Procurement	Hour(s)	143.5	528.5	276.5
Environmental Protection	Hour(s)	24.5	23	131.5
Occupational Safety	Hour(s)	22.5	21	131.5
Other Training Topics	Hour(s)	11	4	18
Suppliers' Annual Evaluation				
Total Number of Suppliers' Annual Evaluation	#	575	629	612
Including: Suppliers' Annual Evaluation on APIs	#	170	151	185
Including: Suppliers' Annual Evaluation on Excipients	#	191	241	279
Including: Suppliers' Annual Evaluation on Primary Containers	#	93	112	101
Including: Suppliers' Annual Evaluation on Outer Packaging Material	#	116	125	109
Including: Number of Disqualified Suppliers	#	5	1	3
Product Quality				
	Box	0	0	93,992
Quantity of Products Recalled for Safety and Health	kg ⁸	0	0	26.16
Percentage of Products Subject to Recalls for Safety and Health in Total Products Sold or Shipped	%	0	0	0.002
Number of Product and Service Complaints ⁹	#	431	513	510
Customer Complaint Response Rate	%	100	100	100

Indicator	Unit	2022	2023	2024
Customer Complaint Resolution Rate	%	100	100	100
Philanthropy a	and Charity			
Public Welfare Activities	#	154	142	84
Volunteer Services	Person-times	6,070	624	640
Volunteer Services Duration	Hour(s)	31,087.5	1,331	1,670.50
Total Donation Amount	CNY'0,000	5,019.4	3,804.1	2,100.99
Including: Health	CNY'0,000	3,932.45	2,087.15	862.20
Including: Rural Revitalization	CNY'0,000	402.3	232.34	205.37
Including: Science, Education, Culture and Sports	CNY'0,000	387.3	980.38	522.49
Including: Disaster Relief	CNY'0,000	169.41	56.91	206.92
Including: Social Welfare	CNY'0,000	123.6	372.27	304.02
Including: Others	CNY'0,000	4.31	111.97	0

Note:

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

2. "-" indicates disclosures starting from 2024.

3. The scope of occupational health and safety data for 2024 encompasses 30 secondary SPH subsidiaries, consistent with the 2023 statistics.

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

5. Calculated as the ratio of the number of actual trainees to the number of personnel to be trained.6. In 2024, the statistical scope for trademarks and patents was expanded to include the pharmaceutical commerce sector and SH-INNO.

7. Supplier management data for 2024 covers suppliers of raw, auxiliary and packaging materials for key products listed by SPH and its subsidiaries.

8. The recalled decoction pieces are measured in kilograms (kg) and separately listed.9. Product quality data for 2024 encompasses SPH's 48 pharmaceutical manufacturing subsidiaries. In 2024, the majority

Outlook for 2025



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Message from the Chairman About SPH Sustainable Special Development Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

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Pursuing High-quality Development in HR Management with Collective Effort from All Parties

Environmental Performance

Usage of Key Packaging Materials

Dosage Form	Packaging	Material	Unit	2022	2023	2024
	Primary Containers	Plastic bottles, aluminum foil, hard films, aluminum films, etc.	kg	1,579,276	1,084,345	1,009,756
	IFU	Paper	kg	341,385	385,328	347,453
Tablet	Pack	Paper	kg	1,783,815	2,059,150	2,095,277
	Box	Gold cardstock	kg	14,624.70	36,905	20,800
	Bottle Labels	Paper and adhesive labels	kg	2,771	8,273	18,777
	Carton	Cardboard	kg	874,870	825,020	624,354
	Primary Containers	Plastic, aluminum film	kg	194,076	685,071	949,631
Capsule	IFU	Paper	kg	19,767	117,761	150,879
Capsule	Pack	Paper	kg	157,734	2,096,055	948,629
	Carton	Cardboard	kg	102,606	344,585	485,991
	Primary Containers	Glass, tube-type bottles, aluminum- plastic caps with rubber stopper, etc.	kg	2,093,159	3,150,054	1,351,576
	IFU	Paper	kg	43,959	76,266	43,089
Capsule	Bottle Labels	Coated Paper	kg	3,209	68,954	10,838
·	Pack	Paper	kg	295,489	336,748	198,105
	Box	Paper	kg	-	30,588	133,128
	Carton	Cardboard	kg	214,391	337,190	104,759
	Primary Containers	Polypropylene, polycarbonate, aluminum foil, plastic, etc.	kg	90,227	93,352	103,327
Pill	IFU	Paper	kg	11,603	13,051	9,089
	Pack	Paper	kg	151,284	121,571	203,152
	Carton	Cardboard	kg	50,489	57,623	54,022
	Primary Containers	Polyester, aluminum, polyethylene, glass, plastic, etc.	kg	334,556	233,057	974,957
	IFU	Paper	kg	24,340	25,133	15,713
Other Dosage	Pack	Paper	kg	166,498	107,013	277,376
Forms	Label	Paper	kg	1,367	6,398	25,619
	Box	Paper	kg	9,770	-	7,070
	Carton	Cardboard	kg	105,453	121,600	190,627
	Primary Containers	Plastic bags, PE	kg	6,105	5,390	171,612
APIs	Barrels	Paper, aluminum	kg	4,018	12,585	72,017

Emissions & Energy Consumption

The scope of emissions and energy consumption performance data for 2024 differs from that of 2023. Shanghai SPH New Asia Pharmaceutical Co., Ltd. Pioneer Pharmaceutical Factory and Shanghai SPH New Asia Pharmaceutical Co., Ltd. New Asia Pharmaceutical Factory have merged into a single entity—Shanghai SPH New Asia Pharmaceutical Co., Ltd. Production previously managed by Chongqing Huiyuan Pharmaceutical Co., Ltd. has shifted to Chongqing Huiyuan Qinglong Pharmaceutical Co., Ltd., and is therefore excluded from this disclosure. Furthermore, Liaoning Meiya Pharmaceutical Co., Ltd. has halted operations, while Shanghai Fuda Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., and Guangzhou Baotian Biotechnology Co., Ltd. have ceased activities entirely. The following SPH companies disclosed relevant information:

	No.	Name of enterprises directly under the Group	
	1	Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1-1 Ge 1-2 1-3 1-4 1-5 1-6 1-7 1-8 1-9
	2	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	2-1
	3	Shanghai SPH New Asia Pharmaceutical Co., Ltd.	3-1 3-2
	4	Shanghai Traditional Chinese Medicine Co., Ltd.	4-1 4-2 Lin 4-2 Lin 4-2 4-6 4-6
	5	Shanghai Leiyunshang Pharmaceutical Co., Ltd.	5-1 5-2 5-3 Ltc 5-4
	6	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	6-1 6-2 6-3
	7	Shanghai Zhonghua Pharmaceutical Co., Ltd.	7-1 7-2
	8	Shanghai Sunway Biotech Co., Ltd.	8-1

Outlook for 2025

Name of subsidiaries of drug manufacturers directly under the Group

-1 Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd., eneral Factory

- -2 Shanghai Sine No.2 Pharmaceutical Laboratories Co., Ltd.
- -3 Shanghai Harvest Pharmaceutical Co., Ltd.
- -4 Shanghai Sine Tianping Pharmaceutical Co., Ltd.
- -5 Shanghai Sine Yanan Pharmaceutical Co., Ltd.
- -6 Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.
- -7 Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.
- -8 Shandong Sine Pharmaceutical Co., Ltd.
- -9 Tianjin Jinjin Pharmaceutical Co., Ltd.

-1 SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.

-1 Shanghai SPH New Asia Pharmaceutical Co., Ltd.

- -2 SPH New Asia Pharmaceutical (Minhang) Co., Ltd.
- -1 Shanghai Dehua Traditional Chinese Medicines Co., Ltd.
- -2 Shanghai Yutiancheng Chinese Herbal Medicine Company mited
- -3 Shanghai Huapu Chinese Herbal Medicine Company mited
- -4 Shanghai SPH Shenxiang Health Pharmaceutical Co., Ltd.
- -5 Chongqing Huiyuan Qinglong Pharmaceutical Co., Ltd.
- -6 Sichuan SPH Shendu Traditional Chinese Medicine Co., Ltd.
- -7 SPH (Liaoning) TCM Resources Co., Ltd.
- -1 Shanghai Leiyunshang Pharmaceutical Co., Ltd.
- -2 Shanghai Leiyunshang Fengbang Pharmaceutical Co., Ltd.
- -3 Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., td.
- -4 Zhejiang SPH Jiuxu Pharmaceutical Co., Ltd.
- -1 Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.
- -2 Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.
- -3 Shanghai Jinhe Bio-Pharmaceutical Co., Ltd.
- -1 Shanghai Zhonghua Pharmaceutical Co., Ltd.
- -2 Shanghai Zhonghua Nantong Pharmaceutical Co., Ltd.
- -1 Shanghai Sunway Biotech Co., Ltd.



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Message from the Chairman About SPH Sustainable Special Development Coverage Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China Working Together to Promote Industrial Upgrading Pursuing High-quality Development in HR Management with Collective Effort from All Parties

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

Note: For detailed emissions and energy consumption performance from 2022 to 2023, please refer to the Company's 2022 and 2023 Sustainability & Environmental, Social, and Governance Reports, where data was formerly presented at the subsidiary level. Beginning in 2024, we will report these metrics at the consolidated Company level. Greenhouse gas emissions are calculated with reference to the Guidelines for Reporting of Performance Indicators of Environmental Key Data and Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industrial Enterprises.

Indicator	Unit	2024
Emissions		
Wastewater Discharged	10,000t	332.07
Amount of COD in Wastewater Discharged	t	228.97
Amount of N-NH3 in Wastewater Discharged	t	7.02
Total Amount of Non-Methane Hydrocarbon in Exhaust Gas Emitted	kg	39,267.23
Amount of Sulfur Dioxide in Exhaust Gas Emitted	kg	4,502.81
Amount of Nitrogen Oxide in Exhaust Gas Emitted	kg	29,809.44
Amount of Particulate Matter in Exhaust Gas Emitted	kg	11,164.79
Amount of Others in Exhaust Gas Emitted	kg	4,365.03
Greenhouse Gas Emissions	tCO2e	379,551.78
Direct Greenhouse Gas Emissions	tCO2e	84,024.45
Indirect Greenhouse Gas Emissions	tCO2e	295,527.33

Indicator
Greenhouse Gas Emissions Directly Reduced (Scope 1)
Greenhouse Gas Emissions Directly Reduced (Scope 2)
Greenhouse Gas Emission Intensity
Amount of General Solid Waste Produced
Amount of General Solid Waste Disposed
Amount of General Solid Waste Utilized
General Solid Waste Discharge Density
Amount of Hazardous Waste Produced
Amount of Hazardous Waste Disposed
Hazardous Waste Discharge Density
Energy Cons
Total Water Consumption
Water Consumption Rate
Comprehensive Energy Consumption
Energy Intensity
Electricity Consumption
Purchased Thermal Power Consumption
Coal Consumption
Liquid Petroleum Gas Consumption
Gasoline Consumption
Diesel Fuel Consumption
Natural Gas Consumption
Wind Energy Consumption
Solar Energy Consumption

Outlook for 2025

tCO2e810.22tCO2e/CNY10,000 output value1.2,352.36tCO2e/CNY10,000 output value0.1848tt3.0,418.44tt5,306.92t/t12.5,098.03t/CNY10,000 output value0.0148t/CNY10,000 output value0.0148t/tt7,520.53t/tt7,520.53t/tt/t0.0037t/t10,000 output value0.0037sumption10,000t/CNY10,000 output value0.0002tce/CNY10,000 output value0.00645tce/CNY10,000 output value0.00645tce/CNY10,000 output value0.0645tce/CNY10,000 output value0.0645tce/CNY10,000 output value0.0645tce/CNY10,000 output value1.3,081.24tce11,000 kWh32,986.35tt3.5,85.36tt3.6,82.81t10,000m³1.910.46t10,000m³1.910.46		Unit	2024
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10,000m³ 1,910.46 MWh 3,682.81		t	371.65
MWh 3,682.81		t	586.36
		10,000m ³	1,910.46
MWh 19,369.39		MWh	3,682.81
		MWh	19,369.39

2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

Message from the Chairman About SPH

Sustainable Special Development Coverage Governance System

Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China

Working Together to Promote Industrial Upgrading

Pursuing High-quality Development in HR Management with Collective Effort from All Parties

List of Enterprises Certified by ISO 14001 **Environmental Management Systems**

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

31 Techpool Bio-Pharma Co., Ltd.

32 Chongqing Huiyuan Qinglong Pharmaceutical Co., Ltd.

List of Enterprises Certified by ISO 50001 Energy Management Systems

1Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd., General Factory2Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.3Shanghai Sine Tianping Pharmaceutical Co., Ltd.4Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.5Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.6SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.7Shanghai SPH New Asia Pharmaceutical Co., Ltd.8SPH New Asia Pharmaceutical (Minhang) Co., Ltd.9Shanghai Zhonghua Pharmaceutical Co., Ltd.10Shanghai Leiyunshang Pharmaceutical Co., Ltd.11Shanghai SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.12Shanghai Jinhe Bio-Pharmaceutical Co., Ltd.13Hangzhou Huqingyutang Pharmaceutical Co., Ltd.14Changzhou Pharmaceutical Factory Co., Ltd.15Shandong Sine Pharmaceutical Co., Ltd.16Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.17SPH Qingdao Growful Pharmaceutical Co., Ltd.18Xiamen Traditional Chinese Medicine Factory Co., Ltd.19Nantong Changyou Pharmaceutical Co., Ltd.20Chiatai Qingchunbao Pharmaceutical Co., Ltd.21Tianjin Jinjin Pharmaceutical Co., Ltd.22SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.23Chifeng Arker Pharmaceutical Technology Co., Ltd.	No.	Name of Enterprise
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23 Chifeng Arker Pharmaceutical Technology Co., Ltd.	21	Tianjin Jinjin Pharmaceutical Co., Ltd.
	22	SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.
	23	Chifeng Arker Pharmaceutical Technology Co., Ltd.
24 Chifeng Mysun Pharmaceutical Co., Ltd.	24	Chifeng Mysun Pharmaceutical Co., Ltd.
25 Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	25	
26 Techpool Bio-Pharma Co., Ltd.	26	Techpool Bio-Pharma Co., Ltd.

List of Enterprises Awarded the "Green Factory" Designation

No.	Honor	
1	National Green Factory	Shanghai S
2	National Green Factory	SPH No. 1 B
3	National Green Factory	Shanghai S
4	National Green Factory	SPH New As
5	National Green Factory	Shanghai Z
6	National Green Factory	Shanghai S
7	National Green Factory	Liaoning SP
8	National Green Factory	SPH Qingda
9	National Green Factory	Changzhou
10	National Green Factory	Shanghai S
11	National Green Factory	Shanghai S
12	Green Factory of Zhejiang Province	Hangzhou I
13	Green Factory of Shandong Province	Shandong S
14	Green Factory of Liaoning Province	SPH (Liaoni
15	Green Factory of Shanghai Municipality	Shanghai S
16	Green Factory of Shanghai Municipality	Shanghai S
17	Green Factory of Shanghai Municipality	Shanghai Z
18	Green Factory of Shanghai Municipality	Shanghai Ji
19	Green Factory of Huzhou City	Chiatai Qing
20	Green Factory of Chongqing Municipality	Chongqing
21	Green Factory of Jinhua City	Zhejiang SF
	1	

Composing a Symphony of Harmony to Craft Our Ideal World

Outlook for 2025

Name of Enterprise

SPH Sine Pharmaceutical Laboratories Co., Ltd.

Biochemical & Pharmaceutical Co., Ltd.

SPH New Asia Pharmaceutical Co., Ltd.

sia Pharmaceutical (Minhang) Co., Ltd.

Zhongxi Sunve Pharmaceutical Co., Ltd.

SPH Zhongxi Pharmaceutical Co., Ltd.

PH Herbapex Pharmaceutical (Group) Co., Ltd.

lao Growful Pharmaceutical Co., Ltd.

u Pharmaceutical Factory Co., Ltd.

Sine Wanxiang Pharmaceutical Co., Ltd.

SPH Xingling Sci. & Tech. Pharmaceutical Co., Ltd.

Huqingyutang Pharmaceutical Co., Ltd.

Sine Pharmaceutical Co., Ltd.

ing) TCM Resources Co., Ltd.

Sine Jinzhu Pharmaceutical Co., Ltd.

Sine Tianping Pharmaceutical Co., Ltd.

Zhonghua Pharmaceutical Co., Ltd.

inhe Bio-Pharmaceutical Co., Ltd.

ngchunbao Pharmaceutical Co., Ltd.

Huiyuan Qinglong Pharmaceutical Co., Ltd.

SPH Jiuxu Pharmaceutical Co., Ltd.



 Message from
 Sustainable

 the Chairman
 About SPH
 Coverage
 About SPH Coverage Governance System

Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Working Together to Development in HR Pathways to Build a Promote Industrial Management with Collect Healthy China Linguagias Upgrading

Management with Collective Effort from All Parties

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2024 Sustainability Report & Environmental, Social and Governance (ESG) Report

Message from the Chairman

Special About SPH Coverage

Sustainable Development Governance System Upholding Integrity with Steadfast Action, Forging Developmental Foundations Through Shared Virtue

Pioneering New Pathways to Build a Healthy China Upgrading

Pursuing High-guality Working Together to Development in HR . Management with Collective Promote Industrial Effort from All Parties

Rating Report



Rating Report for the 2024 Sustainability Report & Environmental, Social and Governance (ESG) Report of Shanghai Pharmaceuticals Holding Co., Ltd.

At the behest of Shanghai Pharmaceuticals Holding Co., Ltd., an expert rating panel was assembled by the Chinese Expert Committee on CSR Report Rating to undertake the evaluation of the "2024 Sustainability Report & Environmental, Social and Governance (ESG) Report of Shanghai Pharmaceuticals Holding Co., Ltd." (the "Reports").

I. Rating Criteria

The evaluation was grounded in the Guidelines on Sustainability Reporting for Chinese Enterprises (CASS-ESG 6.0) released jointly by China Enterprise Reform and Development Society and CSR Cloud, alongside the Rating Standards for Sustainable Development Reports of Chinese Enterprises (2025) established by the Chinese Expert Committee on CSR Report Rating.

II. Rating Process

1. The rating panel closely reviewed and endorsed the "Enterprise Sustainability Report Procedural Assessment Confirmation Letter" and associated supporting documentation presented by the Reports' drafting team

2. Subsequently, the panel conducted an exhaustive assessment of the Reports' composition and content before drafting a rating report.

3. The final rating report underwent rigorous joint review and endorsement by the Vice-Chairperson of the Committee, the Head of the Rating Panel, and the Expert Member of the Rating Panel.

III. Rating Conclusions

Process Orientation ($\star \star \star \star \star \star$)

SPH has established a top-down and well-defined ESG management structure consisting of the Board of Directors, the Audit Committee and the ESG Working Group. The Company has formed an ESG Working Group tasked with compiling the Reports and coordinating interdepartmental collaboration to uphold their guality. The Reports serve as a vital instrument to elevate ESG management standards, promote a responsible brand image, disclose corporate accountability details, meet regulatory disclosure requirements, and address stakeholder expectations. with their functional value clearly defined. Drawing on national macroeconomic policies, authoritative domestic and international ESG standards, industry-specific regulations, and exemplary report benchmarks, the Company employs internal and external interviews and questionnaires to perform a double materiality assessment, showcasing a leading process.

Materiality ($\star \star \star \star \star$)

The Reports systematically outline critical industry issues, encompassing climate change mitigation, management of hazardous emissions, waste disposal, energy and resource conservation, pharmaceutical R&D, adherence to scientific ethics, product and service safety and quality, improvement of drug accessibility, occupational health and workplace safety, career development and training, sustainable governance structures, and efforts to counter commercial bribery and corruption. Its comprehensive and detailed narrative demonstrates exceptional materiality

Completeness ($\star \star \star \star \star$)

The Reports' core content addresses 90.34% of the industry's essential indicators, structured around themes such as "Upholding Integrity with Steadfast Action, and Forging Developmental Foundations Through Shared Virtue", "Pioneering New Pathways, United in Building a Healthy China", "Working Together to Promote Industrial Upgrading", "Aspiring to Excel, United in Forging Talent's Epic" "Promoting Low-Carbon Development and Co-Creating a Green Future" "Composing a Symphony of Harmony, United in Crafting Our Ideal World". This thorough disclosure reflects outstanding completeness.

Balance (★★★★☆)

The Reports transparently disclose negative metrics, such as the "Number of Work-Related Deaths" and "Days Loss due to Work-Related Deaths", while noting the absence of information security incidents, breaches of scientific ethics, or violations of occupational health and safety laws during the Reporting Period. This transparency establishes a leading standard of balance.

The Reports disclose comparative data across three consecutive years for 117 key indicators, such as "Operating Revenue", "Total Tax Payment", "Total Number of Employees", "Employee Satisfaction", "Greenhouse Gas Emissions" and "Wastewater Discharged" . Additionally, the Reports distinguish SPH's accomplishments through lateral comparisons, highlighting its five-year tenure on the Fortune Global 500 (ranked 411th) and its consistent placement among the Top 50 Global Pharmaceutical Companies (ranked 42nd) over the same period. These comparisons elevate the Reports' comparability to an exceptional standard.

Readability ($\star \star \star \star \star \Rightarrow$)

Comparability ($\star \star \star \star \star$)

Organized logically, coherently and thoroughly detailed, the Reports unfold across six chapters that articulate SPH's efforts in governance, environmental stewardship, and social responsibility, affirming its dedication to accountability. The cover incorporates authentic, industry-specific imagery, fostering immediate recognition. Each chapter begins with a narrative introduction and highlights standout achievements, providing readers with a clear and concise entry point. Enriched with various case studies, the Reports excel in readability.

Innovation ($\star \star \star \star \star$)

A dedicated section, titled "Advancing Technology-Driven Healthcare Innovation; Partnering for the Shared Vision for Health." showcases SPH's trailblazing initiatives in pharmaceutical innovation, reflecting its commitment to social responsibility. The "Statistics and Facts for 2024" section presents key annual performance metrics, enhancing reader engagement and underscoring the Reports' pioneering edge in innovation.

Overall Rating (★★★★☆)

Upon thorough evaluation by the rating panel, the "2024 Sustainability Report & Environmental, Social and Governance Report of Shanghai Pharmaceuticals Holding Co., Ltd." receive a rating of Five Stars, distinguishing the Reports as a stellar example of corporate sustainability reporting.



SPH's ESG Report Receives a Five-Star Rating for the First Time

IV. Recommendations for Improvement

1. Strengthen engagement with internal and external stakeholders to refine the procedural management of the Reports

2. Incorporate case studies addressing areas of underperformance to enhance the Reports' balance.

3. Refine the processes and institutional framework for disclosing sustainability information to advance the Reports' innovative management.



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



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Reader Feedback Form

Report. In order to promote our work regarding environmental, social and governance matters and improve the quality of our ESG report, we welcome your feedback.

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Very Good	🗆 Good	□ Ave

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