



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)



2020

Environmental,
Social and Governance Report

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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I. ABOUT THIS REPORT

Sino Biopharmaceutical Limited (the “**Company**” or “**Sino Biopharmaceutical**”), together with its subsidiaries (collectively, the “**Group**”), is a leading, innovative research and development (“**R&D**”) driven pharmaceutical conglomerate in the People’s Republic of China (“**China**” or “**PRC**”). Our business encompasses a fully integrated industrial chain in pharmaceutical products which covers an array of R&D platforms, intelligent production lines and a strong sales system. The Group’s products have gained a competitive foothold in various therapeutic categories with promising potentials, comprising a variety of biopharmaceutical and chemical medicines for treating tumors, liver disease, orthopedic diseases, infections and respiratory system diseases. In order to enhance our sustainable competitiveness, the Group attaches great importance to R&D breakthroughs and is positioned as an industry leader in terms of R&D expenditures and product innovation. The Group also actively builds up co-operations with leading domestic and overseas pharmaceutical institutes and enterprises, to bring about the ecological commercialization of world-frontier R&D results to benefit mankind. To take advantage of the development in technology and policy changes and capitalize on opportunities arising from extension of our principal business, the Group adopts a comprehensive strategic development plan in the greater healthcare field. Meanwhile, the Group actively utilizes new technologies in Big Data, Artificial Intelligence and Financial Technology to continuously enhance the efficiency of the management, R&D, manufacturing and sales activities.

Sino Biopharmaceutical hereby issues its environmental, social and governance report for the year ended 31 December 2020, which covers the Company and its subsidiaries including Chia Tai – Tianqing Pharmaceutical Group Co. Ltd. (“**CT Tianqing**”), Lianyungang Runzhong Pharmaceutical Co., Ltd. (“**LYG Runzhong**”), Nanjing Shunxin Pharmaceutical Co., Ltd. (“**Nanjing Shunxin**”), Lianyungang Chia Tai Tianqing Medicines Co., Ltd., Beijing Tide Pharmaceutical Co., Ltd. (“**Beijing Tide**”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“**NJCTT**”) to report the practices, performance and development of the Group in corporate social responsibility in 2020 to our shareholders, staff, clients, partners and other stakeholders.

This report was prepared in compliance with the requirements set out in the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The content has been determined in accordance with a set of established procedures, which include: identifying and prioritizing key stakeholders, identifying and ranking material environmental and social responsibility issues, collecting relevant materials that form the report, reviewing the qualitative and quantitative data disclosed in the report, etc. The qualitative and quantitative information used in this report is derived from publicly available information, as well as internal documents and statistical data of the Group.

Except where otherwise specified, this report covers the period from 1 January to 31 December 2020 (the “**Reporting Period**”) and focuses on aspects of the Group’s environmental and social performance. For information relating to corporate governance, please refer to the Company’s 2020 Annual Report.

The Board confirms that it has reviewed and approved this report. To the best of its knowledge, this report describes material topics and fairly presents the ESG management implementation and performance of the Group.

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II. STRATEGY AND MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

With continuous development and expansion of the scale of the enterprise and promotion of the internationalization process, the Group is progressively integrating sustainable development strategy into its overall development strategy system.

Our mission: Based on continuous innovation in research and development with improvement of quality, while providing customers with quality products and services to improve the quality of life, we will strive to maximise the investment return to shareholders and satisfy personal development needs of staff, and take up more social responsibility to contribute our development results to society.

Our objective: By working with industrial elites, we will make efforts to promote the development of social responsibility in the healthcare industry and make the Group a respected corporate citizen in the industry.

Our strategy: We will integrate the philosophy of sustainable development into our overall corporate development plan to fulfill social responsibility, to make the Group a leading enterprise with sense of social responsibility and philosophy of sustainable development in the healthcare industry, and at the same time integrate our sense of social responsibility and philosophy of sustainable development into every business segment of the Group to make it the basic principle of the behaviour of our staff.

The Group is gradually integrating the concept of sustainable development with its development strategy, constantly reviewing the potential impact of its operations on the environment and the society, and dynamically adjusting the implementation of its strategic plans accordingly, so as to create value for the society while promoting sustainable development.

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2.1. Participation of stakeholders

Based on the actual operation of the Company, our stakeholders are mainly governmental and industrial regulators, investors, customers, suppliers, employees, community, industry peers, media and the general public. In 2020, in order to better understand the environmental, social and governance matters relating to our business, the Group maintained close communication with its stakeholders through various channels to understand their needs and ideas, considers stakeholders' opinions in the day-to-day operational decision-making process, and takes timely actions to address their concerns.

The following table sets out the channels of engagement for different stakeholders:

Stakeholders	Channels of Communication	Top Concerns
Governmental and industrial regulators	Government visits, supporting government projects, participation in policy development, industry collaboration	Compliance, product quality and safety, sewage management, business ethics
Investors	Board of directors, information disclosure, conferences, ordinary visits, website, mail, telephone	Compliance, product quality and safety, product R&D and innovation, patents and intellectual property protection
Customers	Academic seminars, new product launch conferences, customer services, telephone consultation, complaint handling	Product quality and safety, customer satisfaction, anti-corruption
Suppliers	Standardized supplier management system, improved procurement tender mechanism, annual evaluation	Compliance, supply chain management, anti-corruption
Employees	Trade union, employee congress, training, safety management, cultural and sports activities, health examination, paid annual leave	Employees' health and safety, career development and training, staff benefits, equity and inclusion
Community	Community activities, charitable organizations, volunteer work	Charitable donations, volunteer activities, energy saving
Industry peers	Trade organizations, forums and conferences	Regulatory policies and environment of the industry, patents and intellectual property protection
Media and general public	Information disclosure, public opinion monitoring, media communication mechanism, website	Product responsibility, energy saving, business ethics

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2.2. Importance assessment and determination of key areas

According to the core business model and operation procedures of the Company, and statutory requirements for information disclosure, we initially determined each environmental and social responsibility issue, and at the same time, combined with the attention of various stakeholders, we had made materiality analyses and prioritised each issue, determined the importance and urgency thereof. The followings are the high importance issues in relation to the Group's environmental and social responsibility. The Group will give priority to such issues as the key areas for supporting its sustainable development.

Scope	Aspects
Environment	Strengthening construction of environment, health and safety management system Reducing the use of resources Reducing the impact on the environment
Society	Improving staff development and training Facilitating the health and safety of employees Strengthening supply chain management Paying particular attention to product responsibility Committed to contribution to society

Other issues identified as moderate to low importance include: safety production, operation with integrity, intellectual property protection, climate change mitigation and adaptation, customer information and privacy protection, business ethics, etc.

There was no significant change in our business compared with the last year. The Group reviews the key environmental, social and governance issues faced by peer companies during the Reporting Period and assesses whether its own priorities in relation to the industry require any commensurate adjustment. After evaluation, the Group believes that the results of the above-mentioned importance analysis and the important areas of environmental, social and governance determined last year can continue to be used and can serve as the basis for the preparation of this report.

III. ENVIRONMENTAL PROTECTION

In pursuing economic development, to maintain sustainable development of the country and the enterprise by protecting the environment and realizing ecological civilization are also our concerns. The Group attaches great importance to energy conservation, emissions reduction and environmental protection, and will continue to put more efforts to protect the environment.

3.1. Construction of environment, health and safety (“EHS”) management system

■ EHS Management System

Major subsidiaries of the Group have established their own relatively comprehensive EHS management organizations. The environment management affairs are handled by the safety production divisions which are equipped with special environmental protection personnel responsible for environment impact assessment of construction projects and “Three Simultaneous” (note) completion acceptance, environmental protection facility operation, environment monitoring, handling of environmental pollution incidents and other routine environmental protection related matters.

(Note: Article 41 of the Environmental Protection Law of the People’s Republic of China requires that the design, construction and production of the anti-pollution equipment should be done simultaneously with the main body of any construction project)

Meanwhile, the subsidiaries have formulated environmental management systems to have effective control and management on their environmental factors, so as to ensure the effective operation of environmental protection work. They have strictly controlled the emission of waste from production through a series of measures such as enhanced production process, technology advancement and adoption of environmental protection facilities, so as to eradicate the adverse impact on staff and the environment.



Case Study: Green Factory

In 2020, CT Tianqing actively responded to the Industrial Green Development Plan (2016-2020) of China by organizing staff to conduct self-evaluation on the company's infrastructure, management system, energy and resource input, environmental emission, and other aspects, achieving intensive land use, harmless raw materials, clean production, waste recycling and low-carbon energy. CT Tianqing was included in the fifth green manufacturing list announced by the Ministry of Industry and Information Technology of the PRC (MIIT) and honored with the title of "Green Factory" at the national level. This is full recognition of CT Tianqing's adherence to the concept of sustainable development and its insistence on green development.

3.2. Use of resources

As a pharmaceutical enterprise, water, electricity and steam are the major resources consumed by the Group. The Group strives to improve the environmental protection management system, effectively manage and control environmental factors, increase investment in environmental protection, and improve energy efficiency and reduce environmental impact by adopting energy-saving equipment, technological innovation, and reasonable planning and design.

■ Energy consumption

The Company requires its subsidiaries to establish an energy-consumption equipment account and energy consumption account for each department to enhance energy measurement, detailing tertiary measurement and comprehensively collecting and sorting out energy utilization data.

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■ Energy conservation

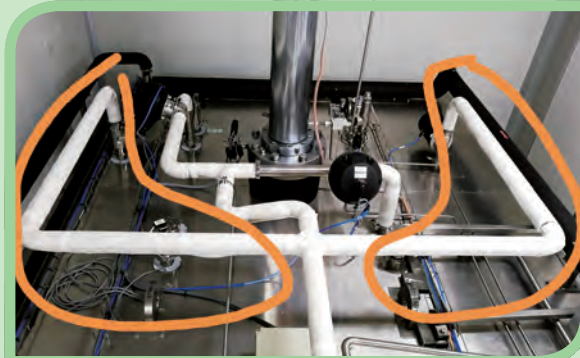
The energy consumption of the Group's subsidiaries in the process of production and operation is reduced through measures like adjusting product mix, eliminating backward energy-intensive products, using energy saving equipment and adopting rational energy-saving technology.

Case Study 1: Grid - connected photovoltaic power stations



In June 2020, a photovoltaic power station with an investment of RMB6 million and an average annual power generation capacity of over 1.4 million kilowatt-hours was connected to the grid, marking a new step in the construction of green energy by CT Tianqing. The photovoltaic power station is installed in the idle area of the workshop and the roof of the elevated warehouse at the Haizhou workshop. The electricity generated by solar energy can save almost 500 tonnes of coal per year. This is of great significance to the construction of a green factory and the realisation of green development.

Case Study 2: Modification of the freeze dryer cleaning method



Freeze-dried preparations are one of the most common types of pharmaceutical preparations. During the Reporting Period, CT Tianqing has modified its freeze-dryer cleaning methods by adding two valves to each freeze-dryer, separating the tank cleaning and slab cleaning lines, with each inlet controlled independently by a valve. After the renovation, the water consumption per freeze-dryer for a cleaning has been reduced from 12 tons to 8.4 tons. Based on each freeze-dryer being cleaned approximately 170 times per year, the water saving per freeze-dryer is approximately 612 tons and the total water saving for 5 freeze-dryers is approximately 3,060 tons per year.

Case Study 3: Energy-saving refurbishment of wind turbines and pumps of chiller units



In 2019, the equipment division of LYG Runzhong carried out a pilot energy-saving refurbishment of the wind turbines and pumps of chiller units in Building J of the park. In 2020, the energy-saving refurbishment was extended to other buildings. Energy-saving control cabinets were successively installed in the newly installed chiller system in Buildings R, L and F. During the Reporting Period, the newly installed energy-saving facilities saved a total of approximately RMB80,000.

3.3. Environmental impact

The impact of the Group's operation on the environment mainly come from the consumption of energy and raw materials as well as the production of waste water, exhaust gas and solid waste (“**Three Wastes**”) in the process of production and operation. While taking various energy-saving measures, the Group also keeps lowering the impact on environment by strengthening the construction of environment management system, improving production technology, adopting advanced equipment, using clean energy and raw materials, conducting clean production knowledge training, maintaining a green office, etc.

■ Emissions reduction measures

In respect of waste water discharge, the waste water produced by the main production factories of the Group include that coming from production, cleaning, testing, air conditioners and domestic sewage. The composite waste water produced in the factories is processed by the sewage treatment station of the factories to meet the standard and then discharged into the municipal sewage pipe network, and finally discharged outside after centralized processing in the sewage disposal plant.

The types of the solid waste include sludge, waste activated carbon, waste drugs, waste packaging materials, and household garbage, which are all collected by category, and entrusted to relevant unit for treatment. Of these wastes, hazardous solid wastes are all entrusted to local units with business license qualified for the collection and treatment of hazardous wastes to reduce any adverse impact on the environment.

In respect of exhaust gases, exhaust gases are produced from the smashing process in some workshops, with a small amount of dust from the packing section and water vapour from the drying section, which are all collected by the workshop pipeline for high-altitude emission via exhaust funnels. Of the exhaust gases, dust-laden exhaust gas will undergo high-altitude emission after being processed through cloth bag dusting system.

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Examples of disposal measures for the Three Wastes during the Reporting Period:

CT Tianqing	<p>The wastewater station at the Haizhou plant has been operating steadily since its expansion last year, discharging wastewater with COD well above the required emissions standards. In order to strengthen supervision, in 2020, electricity monitoring and COD online monitoring were added to carry out 24-hour continuous monitoring of the operation of the wastewater treatment facilities, ensuring the wastewater discharge standards are met.</p> <p>While the environmental protection requirements have been met, the hazardous waste warehouse has been provided with additional epoxy flooring to enhance anti-leakage to prevent hazardous waste from leaking and polluting the environment. Additional waste gases collection and treatment facilities were also installed to better meet the need for temporary storage of hazardous waste.</p>
LYG Runzhong	<p>The Dapu plant has successively renovated its waste gas treatment facilities on the west side of Buildings J and K, provided with additional return air supply device to regulate the flow of disorganized waste gases, improving the collection of waste gases. Through the cooperation with the School of Environment, Nanjing University, scientific and reasonable waste gases treatment facilities were employed to increase significantly the waste gases removal rate.</p>
Nanjing Shunxin	<p>The Jiangning plant has completed the renovation of 3 steam boiler burners, leading to a stable NOx emissions of less than 30mg/m³; The hazardous waste depot was upgraded and renovated, further improving the facilities such as flammable gas alarms and enhancing compliance. With the introduction of the “5S” management system, the management of hazardous waste store was greatly improved.</p>

■ Green office and travel

The Group integrates the concept of green development into every line of corporate operation. The Group actively promulgates relevant systems to advocate ways of office work and travel that have minimal impact on the environment and reduce carbon footprint starting from saving water, electricity, office supplies and printing materials, and reducing oil consumption, which not only can save energy, improve energy efficiency and reduce pollution, but also is conducive to health.

In addition, the Group has fully implemented digitalization. The standardisation, integration and mobility of the IT system of various business areas has become normal. Measures such as holding more meetings by means of telephone and video, developing mobile business platform, using operation data from multiple areas for analysis and management aim at realising digital control of R&D, production, marketing and back office management so as to reduce resource consumption and enhancing efficiency in an orderly manner.

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The resource consumption data for the Reporting Period is as follows:

Type of resources ^(Note)	Consumption		Consumption intensity (per RMB10,000 production value)	
	2020	2019	2020	2019
Total water consumption	2,445,062 cubic meters	2,186,194 cubic meters	1.2874 cubic meters	1.0377 cubic meters
Total electricity consumption	157,378,826 kWh	125,663,884 kWh	82.8625 kWh	59.6492 kWh
Steam	234,479 tons	252,815 tons	0.1235 ton	0.1200 ton
Packaging materials	16,423 tons	13,748 tons	0.0086 ton	0.0065 ton

The pollutant data for the Reporting Period is as follows:

Type of emissions ^(Note)	Emission/discharge		Emission/discharge intensity (per RMB10,000 production value)	
	2020	2019	2020	2019
Water discharged	802,326 cubic meters	702,375 cubic meters	0.4224 cubic meter	0.3334 cubic meter
Chemical oxygen demand (COD) discharged	86 tons	79 tons	0.00005 ton	0.00004 ton
Solid hazardous waste disposed	537 tons	599 tons	0.0003 ton	0.0003 ton
Solid non-hazardous waste disposed	3,845 tons	3,622 tons	0.0020 ton	0.0017 ton
Greenhouse gases emission	221,656 tCO ₂ eq	189,506 tCO ₂ eq	0.1167 tCO ₂ eq	0.0900 tCO ₂ eq
Exhaust gases (Nitrogen oxides) emission	49 tons	40 tons	0.00003 ton	0.00002 ton

(Note: The data are from subsidiaries including CT Tianqing, LYG Runzhong, Nanjing Shunxin, Lianyungang Chia Tai Tianqing Medicines Co., Ltd., Beijing Tide, NJCTT. As a percentage of revenue, these subsidiaries contributed over 80% of the Group's consolidated revenue in 2020.)

During the Reporting Period, the Group strictly complied with relevant laws and regulations of China such as the Environmental Protection Law, Law on the Prevention and Control of Environmental Pollution by Solid Waste, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Atmospheric Pollution, Law on the Prevention and Control of Soil Pollution and Law on the Prevention and Control of Environmental Noise Pollution, and there were no incidents of non-compliance with the relevant environmental regulatory requirements that had a material impact on the businesses of the Group.

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IV. STAFF DEVELOPMENT AND PROTECTION OF THEIR RIGHTS AND INTERESTS

Adhering to the principle of people first, the Group continually optimizes its talent management system, respects and recognizes the personal value of its staff at all times, and provides a platform for self-development and self-enhancement of staff. We value the sustainable development of talents and through a variety of research and staff caring activities, we can understand the trends and needs of staff in-depth. We also provide various types of consultation, counseling, and training to help staff to improve performance and achieve career growth, and open up career development channels for staff, providing them with equal growth opportunities. We have strengthened the construction of an echelon of talents to pool together outstanding personnel. We will persistently care for staff and practise democratic management, protect the health and safety of staff and foster good labour relation as well as positive corporate culture.

4.1. Employment

■ High-caliber, dynamic and talented team

As at 31 December 2020, we had a total of 24,108 employees, of which, 55.7% were male and 44.3% were female. The vast majority of employees are working in the country (over 99%) and are full-time employees (over 97%). The composition of our staff is characterized by relative balanced gender, younger age and high level of education.

Age structure of employees	Percentage	
	2020	2019
below 30	58%	57%
30 to below 40	31%	31%
40 to below 50	8%	9%
50 to below 60	3%	3%
above 60	<1%	<1%

Academic qualification of employees	Percentage	
	2020	2019
Doctor	1%	1%
Master	11%	10%
Bachelor	49%	47%
Others	39%	42%

Grade structure of employees	Percentage	
	2020	2019
Senior Management	<1%	<1%
Middle Management	12%	8%
Basic Staff	88%	92%

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Ratio of employee turnover to all employees (1)	Percentage	
	2020	2019
below 30	16%	16%
30 to below 40	6%	6%
40 to below 50	1%	1%
50 to below 60	1%	<1%
above 60	<1%	<1%

Ratio of employee turnover to all employees (2)	Percentage	
	2020	2019
Male	14%	14%
Female	10%	9%

■ Protection of the rights and interests of staff

During the Reporting Period, the Group strictly complied with the Labour Law, the Labour Contract Law, the Social Insurance Law, the Trade Union Law and other relevant laws and regulations of the China.

Both the Company and its subsidiaries have signed labour contracts with all of their staff, which have stipulations on prior notice period regarding consultation and negotiation and other relevant clauses. Prior notice will be given to staff when material operational changes that may have a significant impact on staff are to be implemented.

The Group has always laid emphasis on protecting the legitimate rights and interests of its staff with assured labour rights and interests from remuneration package, recruitment and promotion, development and training, health and safety, working environment and corporate culture as well as anti-discrimination, with an aim to fostering harmonious labour relation. It has been a consistent policy of the Group to fight against discrimination and advocate fair competition. Men and female employees enjoy equal pay for the same work. Female employees will have their jobs retained when they are in their pregnancy and lactation period. According to the law of the country, maternity leave is provided to female employees as well as male employees whose spouse has given birth. In addition, the Group does not tolerate child labour and forced labour, the principles and requirements of which were stipulated in the labour policies.

The remuneration systems are established through a scientific and reasonable design, by taking reference to the local market and industry standard of the subsidiaries, the value of the post in concern and the performance of the staff. We strive to align personal income with enterprise benefits effectively, give full play to the role of salary protection and incentives, and promote the healthy and stable development of enterprise. The remuneration level of staff has an obvious competitive edge in the industry and the place where the enterprise is located.

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■ Absorption of talents

The Group offers ample room for career development of its staff through human resource management measures such as improving the talents absorption mechanism, establishing platform for career development, and regulating incentive and promotion mechanism.

In respect of talent recruitment, our subsidiaries continue to bring in domestic and foreign talents through various channels such as large recruiting websites, job fairs, campus seminars and head-hunting agencies. In 2020, facing the impact of the COVID-19 epidemic, the Group adjusted its recruitment strategy by shifting the recruitment work from offline to online, leveraging on the advantage of its employer brand to strengthen its recruitment on platforms such as universities, and mainstream recruitment websites, so as to reach out to the target population in various contexts as far as possible and enhance the recruitment efficiency; at the same time, the Group optimized its internal referral incentive system, and re-employment system, effectively mobilized the enthusiasm of all employees in the subsidiaries.

Case Study 1: Online recruitment securing Spring recruitment

In early 2020, the traditional recruitment schedule was disrupted by the COVID-19 epidemic, with offline recruitment shut down and some school recruitment postponed. In order to ensure the steady progress of recruitment, the Group shifted the recruitment work from offline to online, building close ties with universities and channel suppliers, using their online recruitment platforms to carry out student recruitment, and changing offline interviews to online interviews, with remarkable results.

Case Study 2: Optimization of internal referral system

During the Reporting Period, CT Tianqian upgraded its internal referral system and optimized the process of employee certification, resume recommendation, award payment, etc., significantly enhancing the convenience of internal referrals. During the year, a total of 2,806 internal resume recommendations were received and 393 people were employed, representing an acceptance rate of 14.0%, and awards of RMB308,000 were paid.

In determining the path of talents promotion, the Group strives to create a fair and open competition mechanism, build development platforms such as administrative sequences, technical sequences, and sales sequences, and set up corresponding hierarchies in each sequence to clarify the criteria of talent promotion and ensure each type of talents can get enough room for development in the enterprise.

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4.2. Development and training

As an innovation driven pharmaceutical enterprise, the Group attaches great importance to nurturing high quality staff. We continue to improve and optimize the training system, enrich training programs and content, so as to enhance the professional skills and overall quality of employees at all levels.

The percentages of employee who received training as a proportion of all employees and the average number of hours of training completed by each employee during the Reporting Period are as follows:

Percentages of employee received training (1)	Percentage	
	2020	2019
Senior management	<1%	<1%
Middle Management	12%	11%
Basic Staff	60%	55%

Percentages of employee received training (2)	Percentage	
	2020	2019
Male	40%	36%
Female	32%	30%

Average number of hours of training completed by each employee (1)	Percentage	
	2020	2019
Senior Management (hour)	42	32
Middle Management (hour)	22	21
Basic Staff (hour)	29	23

Average number of hours of training completed by each employee (2)	Percentage	
	2020	2019
Male (hour)	26	22
Female (hour)	30	24

Talents are the driving force behind the innovation and development of the Company. The Group highly values the enhancement of the knowledge and skills of its employees and greatly supports the personal development of its employees by formulating reasonable annual training plans and development programs for its business needs. It covers employees at different levels and principally focuses on the following four aspects: (1) new employees training – we help new employees to integrate into the working environment rapidly; (2) occupational training – combined with the development of the “internal trainer” team, we actively develop professional capability training and general skills training; (3) leadership training – by taking leadership training as the core, training programs are designed with specific targets and focus on middle management staff; (4) online enterprise school – it provides comprehensive online training resources and creates a good learning atmosphere. The training programs provide employees with a good foundation for career development and help them realize their self-worth while helping the business expansion of the Company.

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After years of promotion, the Group's online learning platform has been gradually developed, and several online series of courses have been developed according to the training needs of business departments (including non-sales new employee induction series, finance series, human resources management series, pharmaceutical R&D series, etc.) to help the enhancement of skills of talents.

In addition, regarding compliance as the cornerstone of its sustainable development, the Group has formulated a comprehensive compliance management system and requires employees to strictly comply with the relevant national laws and regulations to ensure the compliance of products and services. Compliance training has become an essential part of staff training and is integrated into all programmes of staff training, aiming to raise employees' awareness of compliance with the law to protect the healthy operation of the enterprise.

Case Study 1: Leadership Stars – Star Youth

From September to December 2020, the School of Leadership of Tianqing University launched the “Leadership Stars – Star Youth” campaign. With cultivating young staff's capability as the core, discovering talents as the goal, passing on culture as the link, the campaign aims at developing positive thinking, courage to challenges, innovation and teamwork among young people. Through working with empowerment coaches on project practice, it enhances the problem identification and problem-solving capabilities of the Star Youths.

The campaign attracted more than 1,100 staff members, 485 of whom entered the second round of learning, 311 of whom passed the test, 122 young staff members entered the recruitment interview, and 96 Star Youths were finally officially enrolled in the camp and matched with 57 department managers or above grades as the empowerment coaches. Through the offline training camps, project practices, practice results defense report, and other sessions, 61 individual topics and 7 organizational topics were selected. 10 Shining Stars, 20 Practice Stars, and 30 outstanding practice topics were finally selected for the growth reporting.



Case Study 2: Ivy League Middle-Level Leadership Phrase I training program

With the objective of “empowering management and enhancing the organizational effectiveness” and covering middle-level cadres in multi-business systems such as R&D, production, quality, finance, informatization, the “Ivy League Middle-Level Leadership Phrase I” training program of NJCTT was officially launched in June 2019 and ended successfully in November 2020 after a set of an 18-month learning journey.

During the one-and-a-half-year learning journey, with the guidance and assistance of corporate senior management and external coaches, 30 students formed 5 groups, attended the course for a cumulative 234 person/days, conducted 105 group meetings during non-working hours, and devoted a conservative estimate of over 6,000 hours to their individual projects. Focusing on the two major topics of “dual-enhancement on R&D efficiency and production efficiency”, 5 key projects have been produced as a result of the in-depth implementation of the lessons learned. The final 5 project teams presented their projects to corporate senior management in the form of a mock investment roadshow from various aspects such as project development, result output, real-work performance, long-term planning, investment needs, etc., and received inquiries from the senior management to compete for the awards such as the “Most Valuable Investment Award” and the “Best Team Award”. The leadership development program will have a profound and positive influence on the participants’ improvements in management skills, business continuity, and potential development, as well as the company’s talent development!

4.3. Health and safety

The Group is proud to provide employees with a safe working environment. We have always paid attention to the health and safety of employees, focusing on working protection and management of production safety, and consistently complied with relevant laws and regulations of China such as the Production Safety Law. We have used leading production equipment in the industry to regulate strictly the operation process under the pharmaceutical production quality control standards, and strengthened the training of production operation, training of production safety and safety inspection to provide a safe operating environment for employees. At the same time, we are concerned about the occupational health of employees and keep enhancing the labour protection awareness of staff.

■ Showing concern for employees’ occupational health

The Company requires its subsidiaries to improve the construction of the occupational health management system by optimising the assessment of dangerous and harmful factors, protection of occupational health, health checkup, file management and so on. In each year, local qualified hospitals are selected to provide general health checkup for all employees and specific health checkup for female staff. In view of possibility of staff of the production department having exposure to occupational hazards in the course of work, the enterprise provided physical examination of occupational hazards for such employees. The above measures help employees understand their own health situation in time and avoid health risks as soon as possible.

Case Study 1: Continuous improvement of occupational health management system

In 2020, CT Tianqing had continuously improved its occupational health management system by establishing 7 occupational health files and passed the ISO45001 occupational health and safety management system supervision and audit, making occupational health management more systematic, institutionalized and standardized. It was also awarded with the title of the “Occupational Health Management Health Enterprise of Lianyungang”.

Meanwhile, continuous training was provided to employees on occupational health-related knowledge and skills, including modern occupational disease protection, emergency care, health protection in the use of hazardous chemicals, as well as the wearing and maintenance of labor protective equipment. In 2010, 3 specialized occupational health training sessions were organized, with a total of 720 participants.

Case Study 2: Publication of the “Occupational Disease Prevention and Control Act” handbook

Nanjing Shunxin took the opportunity of the 18th Occupational Health Week to publish a handbook on the Occupational Disease Prevention and Control Act to popularize the knowledge of occupational disease prevention and control and to raise the awareness and ability of employees to protect themselves. In addition, on the basis of a systematic approach to assess the occupational hazards to which each production position may be exposed and to consider the actual risk of exposure, a personal occupational health file of employees will be gradually established and an occupational hazard notification will be signed.

The subsidiaries equip their staff with standard protective gear, and through technical improvements, have succeeded in reducing and controlling such workplace hazards as dust, chemicals and noise. Through such improvements in operating conditions, the health of employees can be assured. The subsidiaries carry out occupational hazard knowledge training regularly, urge employees to standardize the wearing of labor protection instruments, and raise employees’ awareness of labor protection.

The newly built production workshops will strictly implement the “three simultaneous” management system for occupational health, with occupational disease protection facilities designed, constructed and put into use at the same time as the projects are complete.

■ Adhering to safe production

The Group strives to establish long-term safe production mechanism with the final goal of having zero incidents, constantly optimise safety management system, and enhance corporate execution capacity and safety quality of employees.

All major subsidiaries of the Group have a sound safety production management system, so that all safety production activities have rules to follow; and continue to revise and improve the safety management regulations and management system file structure at all levels, focusing on sorting out risk operation systems such as hazardous operations and special equipment safety management, hazardous chemicals safety management, etc. At the same time, EHS management at the production site is continuously strengthened, process monitoring is enhanced, and more efforts are put on safety inspections to rectify hidden dangers.

Case Study 1: Safe Production Month

June 2020 is the 19th national “Safe Production Month”. To further strengthen the safe production publicity and education, investigation on potential hazards, emergency management, etc., CT Tianqing organized and launched the Safe Production Month campaign in several factories with the theme of “eliminating hidden accident hazards, building up a safety defense”. The campaign included “Safe Production Publicity and Warning Education”, “Safety Education and Knowledge Training”, “Safety Inspections and Hidden Hazards Investigation”, “Safety Knowledge Competition” and other sessions. In particular, it had conducted a comprehensive investigation on safety hazards in various areas and promptly rectified the identified safety hazards, so as to strictly prevent and firmly curb the occurrence of safety incidents.

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Case Study 2: Fire Safety Month

In November 2020, CT Tianqian launched the “Fire Safety Month” campaign. The campaign was divided into five phases, namely publicity and activation, fire safety training, fire safety fun sports day, emergency drills, and safety hazard investigation and governance.

Through a series of activities, the Fire Safety Month principally aims to enhance the ability to inspect and eliminate fire hazards, extinguish the initial fire, and organize execution, to promote the development of fire safety capabilities in the company, as well as to raise employees’ awareness of fire safety.



The number and rate of work-related fatalities of the Group occurred in each of the past three years and the lost days due to work injury are as follows:

	2020	2019	2018
Number of work-related fatalities (person)	1	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury (day)	645	1,797	889

4.4. Democratic management and caring for employees

Worker representatives congresses are set up in all major subsidiaries of the Company to provide protection of collective negotiation rights for employees. The workers representatives congress is an important manifestation of enterprise democratic management, so that employees can participate in the management process, having the right to know, participate in, consult and decide upon the company's management affairs. This will not only strengthen the sense of ownership of our staff, and enhance their sense of responsibility and corporate spirit, but also capture the wisdom of employees to promote healthy growth of the company.

In addition to providing employees with competitive salary, state-based paid leave and transportation subsidies, meal subsidies, special post allowance, high-temperature subsidies and festive gifts, the Group has also established a number of personalized benefit programs which can benefit the staff themselves or their families such as medical aid mechanism for critical illness. Meanwhile, we actively improve the working and living conditions of employees. For example, some subsidiaries have set up kindergartens to solve the employees' problem of childcare and staff libraries with dedicated management to enrich the cultural life of employees.

Case Study 1: Medical aid for critical illness

The "Medical aid for critical illness" project is a caring initiative for all employees of CT Tianqing, aiming to ease the financial burden of employees with critical illness. Since the establishment of the project in 2011, 1,013 people have been aided, and a total of RMB3.25 million has been granted as a relief. To join the project by paying a monthly membership fee of RMB10, employees can apply for aid from the subsidiary when they incur hospitalization expenses due to critical illness. The base of the aid amount is RMB5,000, and the base multiplied by the number of natural years in which the dues are paid is the upper limit of the aid amount that can be applied for in that year. As of the end of 2020, the project had over 10,000 members. During the Reporting Period, a total of 240 people have applied for aid.

Case Study 2: Tianqing-Chunhui Kindergarten

In order to help employees solve the problem of childcare, in 2014, CT Tianqing reached an agreement with Chunhui Kindergarten, a well-known kindergarten education group in Lianyungang, to establish the Tianqing-Chunhui Kindergarten, with all childcare fees for employees' children paid by the company. In 2019, CT Tianqing entered into an agreement with Aizhi Kindergarten of Jiangning District, Nanjing. During the agreement period, the company will bear the education and childcare fees for Tianqing's kids during their admission. In 2020, CT Tianqing reached another agreement with Chunhui Kindergarten to add three cooperative parks, namely Zhongsheng Main Park, Zhongsheng Babe Park, and Zhongsheng Happy Park in Lianyungang, providing more choices of kindergartens nearby for employees' children to enroll in. As of September 2020, a total of 1,909 children of employees have enrolled in the kindergartens, and the company has borne a total of RMB10.62 million.

During the Reporting Period, the Group did not have any significant incident of non-compliance with the requirements under relevant laws and regulations in relation to equal opportunities, discrimination, harassment, occupational health and safety, child labour and forced labour. The Group strictly complies with laws such as Production Safety Law, Occupational Safety and Health Ordinance and Fire Protection Law of the PRC.

V. OPERATING PRACTICES

5.1. Supply chain management

■ Strengthening supply chain management

To guarantee the purchase and use of raw materials and services with stable and reliable quality and timely delivery, the Group tracks and coordinates the whole process of procurement. All of the Group's principal subsidiaries have established strict management systems on suppliers to standardize the selection principles, audit and appraisal methods and approval procedures on suppliers (including suppliers of materials, distributors, and providers of transportation services), and established a supplier information database, systematically managing information including supplier classification, supplier capability survey, supplier credit records, etc.

The Group continues to strengthen the management on the purchase of supplies. Based on the requirements of the new version of the Good Manufacturing Practice ("GMP") and the past performance of suppliers, it conducts classified and hierarchical management on suppliers. Major supplies used for production are purchased from large and professional manufacturers.

Our quality departments have led the establishment of a quality audit group comprising procurement supplies usage and other departments to conduct appraisal on new suppliers by strictly examining their business qualifications, certifications, and production quality to ensure that the products they supply meet the Group's production quality and technical standard requirements. Environmental and social factors will also be included in the supplier evaluation process, and the Group actively encourages and prefers subsidiaries to choose suppliers with green environmentally friendly concepts or relevant qualification certification. The procurement agreements entered into with suppliers have clear specifications on product quality and delivery timelines and include anti-bribery clauses to ensure the integrity of supply. Under the principle of fairness and impartiality, subsidiaries are required to strictly enforce the procurement tender system for procurement with large volumes and long cooperation periods, with multiple departments participating in the evaluation and selection of suppliers to prevent and control possible corruption risks in the tendering process.

For existing suppliers, the quality audit group conducts regular and irregular quality audits (at least once a year for each supplier) to assess the suppliers' quality (based on indicators such as inspection pass rate and deviation rate) and the timeliness of past supply, as well as their effectiveness of existing production management, quality control, and waste disposal system, through on-site inspections and statistical analyses to assess whether the suppliers are still qualified and whether they shall continue to be selected.

The Group undertakes control on its processes of incoming goods inspection, data entry, inventory placement, and "to be inspected" labelling. Goods that have passed the inspection shall be cleared in time, and only after passing the inspection can they be taken for use. For products procured but do not meet the standard requirements, re-inspection will be carried out to exclude inspection errors; if the products are still unqualified in re-inspection, a failure report will be issued and the supplier will be notified promptly for return. For supplier who fails to meet the requirements for a number of times within a year or if there is greater risk of quality failure, procurement from that supplier will be suspended immediately and the supplier will be disqualified.

As of the end of 2020, there were over 3,300 suppliers (including material suppliers, distributors, transportation service providers, etc.) of which, 570 suppliers were hired through a tender process and 99% of the suppliers were located in Mainland China.

5.2. Product responsibility

As a large pharmaceutical group integrating R&D, production and sale of pharmaceuticals, our business system covers the entire process from production of raw materials to sale of products. From the raw materials entering our plants to the processing of materials and the completion of product manufacturing, we conduct strict inspection on each segment and process with corresponding quality standards on internal control higher than national standards and all processes have to pass such inspection. In order to be responsible for our products and improve the availability of health products, we consistently improve product workmanship and management process while ensuring quality, so as to further reduce manufacturing cost and alleviate the burdens of patients.

■ Continue to increase efforts on R&D and innovation

The Group has always been focusing on R&D and innovation and considered them as the lifeblood for the development of the enterprise. It has increased the investment in R&D and concentrated on the rapid industrialization of R&D results for new products.

➤ Expanding the R&D layout

During the Reporting Period, the Group's total R&D expenditure amounted to RMB2.85 billion, representing approximately 12.1% of the Group's revenue.

In 2020, R&D achievements of Sino Biopharmaceutical were outstanding:

- Results of the “2020 Top 100 Chinese Chemical Pharmaceutical Enterprises – Comprehensive Strength” (二零二零中國化學製藥行業工業企業綜合實力百強榜) were announced during the “China ChemPharm Annual Summit 2020” held in October 2020. 6 member companies of the Group made it to the top 100 list, including CT Tianqing which ranked 5th, NJCTT and Beijing Tide which ranked 37th and 38th, respectively, Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. which ranked 68th, as well as CP Pharmaceutical (Qingdao) Co., Ltd. and Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. which ranked 97th and 99th, respectively.

Results of the “2020 Outstanding Innovative Corporate Brand of China's Chemical Pharmaceutical Industry” (二零二零年中國化學製藥行業創新型優秀企業品牌) were also announced during the Summit, and 3 member companies of the Group were included in the list. They were CT Tianqing, NJCTT and Beijing Tide, which ranked 4th, 14th and 18th, respectively.

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The Group's new Chemicals Category I drug Anlotinib received the "2020 Innovative Drug Special Award in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業創新藥特設獎); its Kaina (Beraprost Sodium Tablets) won the "2020 Outstanding Product Brand-Blood and Hematopoietic System in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業血液及造血系統類優秀產品品牌) and its Debaining (Lidocaine Cataplasm) obtained the "2020 Outstanding Generic Drug Special Award in China's Chemical Pharmaceutical Industry" (二零二零年中國化學製藥行業優秀仿製藥特設獎). CT Tianqing and NJCTT also won 19 other product awards.

- CT Tianqing, has been ranked 16th on the list of "Top 100 Pharmaceutical Enterprises in China in 2019", by China National Pharmaceutical Industry Information Center. It has also been named "Chinese Pharmaceutical Enterprise with the Best Drug Pipeline in 2020". CT Tianqing has thus achieved a top 20 ranking on the "Top 100" list for the sixth consecutive year. Beijing Tide also was placed on the list, ranking 62nd.
- Sino Biopharmaceutical has been ranked 2nd on the "Top 100 Chemical Pharmaceutical Enterprises" among the "2019 Top 100 Series of Pharmaceutical Industries in China", which was announced during the "2020 National Pharmacy Week, China Pharmaceutical Industry Top 100 Annual Conference, and China Pharmaceutical Internet Economy Annual Conference".
- During the Reporting Period, the Group obtained 35 approvals for drug registration and 47 approvals for Consistency Evaluation. It submitted 41 applications for clinical trial, and completed production filing after clinical trials for 25 products. 12 applications for Consistency Evaluation were made. The Group obtained 191 patent approvals.

➤ Valuing the protection of patents

The Group also places emphasis on the protection of intellectual property rights. It encourages its subsidiaries to apply for patent applications as a means to enhance the Group's core competitiveness. Each of its major subsidiaries has formulated a series of internal policies and procedures relating to intellectual property management to effectively evaluate and maintain intellectual property rights, and strive to pass the intellectual property management system certification, in order to enhance the overall intellectual property management of the company and mitigate intellectual property risks. During the Reporting Period, the Group has received 191 authorized patent notices (158 invention patents, 8 utility model patents and 25 apparel design patents) and filed 614 new patent applications (604 invention patents, 3 utility model patents and 7 apparel design patents). Cumulatively, the Group has obtained 924 invention patent approvals, 31 utility model patents and 115 apparel design patents, making it a leader among pharmaceutical companies in China in terms of the number of patents.

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■ Improving intelligent production

The production plants of the Group's principal subsidiaries are designed and constructed based on international standards such as those of the Food and Drug Administration (the "FDA") of the United States and the EU GMP. The Group adopts world-class equipment for drugs production which makes up efficient and environment-friendly intelligent production lines to provide essential hardware safeguard for stable product quality and safety.

➤ Establishment of new high standard projects

With more new products and new dosage forms coming onstream, the Group is actively conducting expansion and constructing new high standard projects to satisfy its production needs.

Case Study: Delivery of the integrated preparation workshop at Haizhou plant

With a total investment of RMB300 million, CT Tianqing's integrated preparation workshop at Haizhou plant has a floor area of 11,000 square meters and accommodates multiple production lines, including the large volume infusion production line, the sterile powdered medicine production line, the three-in-one blow-fill-seal production line, and the small volume injection production line. The key equipment of the workshop are provided by international or domestic first-class suppliers. Upon full commissioning, it is estimated that its annual production capacity of large volume infusion products, powdered medicine products, blow-fill-seal products and small volume injection products will amount to 10 million, 10 million, 200 million and 20 million units, respectively.



■ Continuously improve product and service quality management

➤ Adhere to the quality bottom line

The product quality management system of the Group covers all processes from products R&D to technological transformation and from materials supply to production, manufacturing and products circulation. With the deepening of internationalization strategies, the Group's principal subsidiaries continue to perform international certification for various products. Continuous improvements were made on plant facilities, quality control and workmanship according to the international standards of GMP of the EU and FDA of the United States.

We adhere to the bottom line of quality and produce high quality drugs that patients can trust. During the Reporting Period, the Group continued to promote the improvement of our quality control and quality system construction, bring our quality control standards into conformity with international standards, and strive to upgrade the technical level of all quality control personnel. We carried out preparations for the launch of new products in time to ensure the smooth progress of production and inspection, providing a strong support for the rapid launch of new products. In respect of products under Consistency Evaluation, we actively organized work such as methodology validation, process validation, dissolution curve comparison research and stability inspection research.

Case Study 1: Quality Month

In October 2020, CT Tianqing has launched the 7th "Quality Month" campaign and successively carried out activities such as "Quality Control and Regulatory Knowledge Training", "Regulatory Examination", "Knowledge Competition", and "Evaluation on Risk Management".

- Quality Control and Regulatory Knowledge Training: Carrying out studies on quality control documents and laws and regulations on drug management specifically for employees of various departments, such as workshop, inspection and warehousing.
- Regulatory Examination: The question selection is in line with the actual working situation. It is based on fundamental knowledge to popularize the requirements of laws and regulations, as well as to raise the enthusiasm of all employees in learning applying the laws, so as to ensure that quality control will be performed in compliance with the applicable laws and regulations.
- Knowledge Competition: To focus on the "Law of the People's Republic of China on the Administration of Pharmaceuticals", the "Management Measures for the Production and Supervision of Drug", the "Management Measures for Drug Registration", etc., employees' understanding towards the regulations have been strengthened.
- Evaluation on Risk Management: Each department has formulated a number of risk themes based on its actual working situation to carry out risk identification, analysis and evaluation, and ultimately formulated corresponding control measures.

Case Study 2: Winning awards at the National Pharmaceutical Industry QC Teams Results Presentation

The Group has always been putting its quality control (“QC”) teams as an important means to carry out comprehensive quality control management and effective implementation on quality improvement. They search for the main causes of quality issues through scientific activity procedures, propose improvement plans through analysis of main causes, and ultimately solve key issues during production and R&D processes through implementation of countermeasures and effect inspection, so as to achieve the goal of cost reduction and efficiency enhancement, as well as technical improvement. In order to ensure the safety of patients’ medication, CT Tianqing has launched various activities through its QC teams, focusing on process improvement, quality enhancement and process optimization to continuously improve the quality of medication.

In September 2020, the video conference of the 41st National Pharmaceutical Industry QC Teams Results Presentation concluded in Jinan, Shandong, with 673 QC teams from 18 provinces and cities, 20 pharmaceutical enterprise groups and over 200 pharmaceutical enterprises participating in the results presentation.

A total of 12 projects of CT Tianqing received first prizes at the activity, including the “Improving the efficiency of water sampling for pharmaceutical production” and the “Establishment of a new method for the detection of insoluble particles in A product”. 2 QC teams projects of NJCTT production system, the “Enhancing cleaning efficiency of the D103 workshop preparation system” and the “Improving the cooling effect of water-cooled screw air compressors”, also ultimately won the first prize after the provincial and municipal evaluations.

Such honors are both high praise for the companies’ active grassroots innovation activities and recognition of their continuous pursuit of quality, excellence and commitment to providing quality and efficient medicines and services to the community.

Case Study 3: Strengthening quality management and successfully passing multiple domestic and overseas inspections

In 2020, the Group took risk management as the cornerstone, strengthened the awareness of quality control of the production teams through self-inspection, self-correction as well as special inspections, and formulated timely corrective and preventive control measures for the problems found, thus ensuring the smooth passing of domestic and overseas inspections. Throughout the year, the Group organized and completed various domestic and overseas inspections, such as GMP compliance inspection of production lines, registration and verification of new drugs, on-site inspection of Consistency Evaluation, follow-up inspection of bid-winning products in centralized drug procurement, overseas customer audits, etc.

During the Reporting Period, a number of the Group’s products were successfully sold overseas – Fulvestrant Injection was exported to Europe and the United States, Fosaprepitant Dimeglumine freeze-dried powder injection was exported to the Europe Union, Rivaroxaban Tablet and other products were sold in Central Asia. We strictly review the production and inspection of each batch of products, and keep the gatekeepers at all levels to ensure that the launched products are safe, effective, and of controlled quality.

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➤ Optimizing the customer service system

The Group is committed to practicing compliance and responsible sales, responding to consumers' inquiries and requests in a timely manner, and strictly regulating the truthfulness of product information to protect the safety of consumers' drug use.

In terms of production and service promotion, the Group strictly complies with the relevant national laws and regulations to engage in pharmaceutical marketing campaigns in a compliant manner, and attaches great importance to good customer service by establishing comprehensive and professional academic publicity system, sales network and service system. When formulating publicity policies and promotion plans and selecting distributors, as well as when implementing product promotion programs or communicating with medical and health professionals and medical groups by its academic promotion personnel and business representatives, the subsidiaries shall adhere to our internal code of conduct and standard operating procedures for drug promotion to ensure that regulatory authorities, medical and health practitioners, and patients receive timely, truthful, and rigorous academic and product information to protect the safety of patients' drug use and prevent the risk of non-compliance. The subsidiaries will provide various regular training to academic promotion personnel and business representatives, including training on product knowledge update and professional skills enhancement to improve the service capability of employees, as well as training on compliance marketing to help employees understand the requirements of relevant national laws and regulations and the internal rules and regulations of the company.

By utilizing Internet technology, the Group has realized the digitalization of all channels of pharmaceuticals. It can collect, count and analyze the relevant data through the big data platform to grasp the information on the circulation and inventory of pharmaceuticals in a timely and effective manner (i.e. clear and reliable data records are available at every step throughout the entire process from production to delivery to the consumer's end of the drugs), realizing a drug management system that provides early warning and analysis afterwards, providing better services for patients' health and ensuring a more reliable technical support for drug use.

In order to receive and respond to customers' inquiries in a timely manner, each of our major subsidiaries has a customer inquiry and complaint channel. Customers may make inquiries, provide comments, and report on adverse reaction to us through communication channels such as customer service hotline, quality consulting hotline, and online consulting platform. The corporate liaison offices and academic promotion personnel throughout the country also carry out information transmission, communication and feedback in the market, professionally delivering information of the company's products to medical personnel, and collecting and sending feedback on the clinical use of the company's products. For the customer complaints received, the company will start internal communication for the complaint promptly through the internal customer complaint handling process, and provide the customer with a reply and a proper solution. During the Reporting Period, we received approximately 2,100 complaints or enquiries about our products and services. Most of the complaints were properly resolved after communication and explanation, and the customers' inquiries regarding the price, usage and side effects of drugs answered without delay.

We also place great importance on protecting the privacy of our customers and partners, and explicitly require employees to strictly adhere to the principle of confidentiality of non-public information on third parties, such as customers and distributors. The Group's pharmaceutical channel big data platform is subject to strict authority management, and different levels of users are set with different data access rights. Any information relating to customers and distributors is restricted to access and use within the system and shall not be exported in any form.

The major subsidiaries of the Group have established a product recall management process with detailed regulations on recall levels and procedure. The recall procedure includes recall activation, transportation arrangements, receipt, isolation, investigation, transfer or destruction of the product, etc. If a product that has been launched for sales is found to pose a safety and health risk to the public, we will immediately take recall action to ensure that all affected products are identified and traced. In response to the recall, we will investigate the root cause of the incident and formulate corrective and preventive measures to prevent the recurrence of similar incidents. In addition, the company

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will conduct a mock recall at least once every two years in accordance with the requirements of the “Administrative Provisions on Recall of Pharmaceuticals” to ensure that recall actions can be initiated in a timely manner when necessary. In 2020, the Group did not have any product recalls due to product quality problems.

■ Improving the availability of drugs

In order to improve the accessibility of our products and services, we have built an efficient commercial network covering 31 provinces and municipalities across China, hiring more than 14,000 academic promotion personnel and business representatives to conduct drug information transmission, communication and feedback, making our products and services more accessible to patients in a wider area.

During the COVID-19 epidemic, the Group made good use of various emerging online platforms to organize a large number of online academic exchanges and various forms of academic activities with remarkable results. The Group has been actively exploring and investing in new modes of marketing, academic activities and academic services based on the Internet platform, holding nearly 80,000 online academic activities, covering nearly 30 million customers and patients; making efforts to open up and straighten out the connection with the sales terminals, working closely with more than 60,000 pharmacies and serving nearly 2 million patients.

Case Study: Remarkable results from online promotional campaign

Under the impact of the epidemic, the “diligence and professionalism” of the Group’s marketing team became more evident. Through a series of online promotional campaign such as new product launch meetings, academic seminars and exchange meetings, we have been leading the academic trends, increasing awareness of the Group’s products and enhancing its influence.

Since the implementation of the National Drug Centralized Procurement Policy, the Group has been actively responded to the call of the national policy by participating in the second, third and fourth batches of the national drug centralized procurement in 2020 with a number of products winning the bid. Through technological innovation, lean production, quality improvement and efficiency enhancement, we have improved the production and operation efficiency, reduced production costs, and secured production quality and market supply, thus continuously improving drug accessibility, benefiting patients and giving back to the society.

The Group strictly complied with laws and regulations which materially affect its product safety, advertising, labeling, etc., including Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law, Product Quality Law, the Administrative Measures for the Registration of Drugs, the Administrative Measures for the Supervision and Supervision of Drug Production, and the Law on the Protection of Consumer Rights and Interests, and it did not commit any significant non-compliance on product safety during the Reporting Period.

5.3. Anti-corruption

The Group operates with the highest business ethical standards, highly values the building of integrity and is committed to eliminating commercial bribery and corrupt practices. Based on the relevant laws and regulations against corruption, extortion and fraud, we have established an anti-bribery management system to curb corruption and fraudulent behaviours in any forms. Meanwhile, we actively infuse the staff with the integrity and law-abiding concept and require our staff to keep high ethical standards and strictly abide by current laws, regulations and relevant practice requirements.

Integrity, law-abiding and anti-corruption clauses with binding effects have been set out in the employment contracts of our staff. The staff manual also sets out the Group's aspiration and guidance on preventing corruption and fraudulent practices by the staff. The Group also requires all frontline and management-level staff of sales and marketing department to sign the "Undertaking on the Regulation of Academic Promotion Practices" (the undertakings include: to strictly comply with industry regulations and the provisions of the "Management Measures of Pharmaceutical Representative Filing" of China; to abide by professional ethics and refrain from acts of commercial bribery that violates national laws and regulations) so as to further raise employee' awareness on commercial bribery and other issues.

We encourage employees to directly report any behaviors breaching professional ethics to the senior management or the person-in-charge of the human resources department of the subsidiaries through direct line or email, and accept reports on any bribery or extortion from third party business partners such as suppliers, customers, distributors, etc. to the general manager or senior management of the subsidiaries. The information of the whistleblower will be kept strictly confidential to ensure that the he/she will not be subject to ostracism or retaliation. Reported incidents will be directly investigated and handled by senior management of the subsidiary together with the person-in-charge of human resource department and internal audit department in accordance with the established anti-commercial bribery management process. Persons involved and those with conflict of interest are required to recuse themselves from the investigation to ensure those involved will be fairly treated and the matter will be fairly handled. If improper commercial conduct is found and proven, the employee will be warned and his/her assessment and promotion will be affected. If it is a serious conduct, he/she will be dismissed. Relevant human resources and marketing management systems have set up regulations on the accountability of employees for violations of laws and disciplines. Through internal system requirements and voluntary pledges by employees, ethical awareness of employees has been strengthened and anti-corruption management of the Group has been further improved.

The Group has established and thoroughly implemented an anti-corruption training system, which includes anti-corruption related content in its marketing compliance trainings, introduction trainings for new employees, and continuing education courses for directors, and provides regular training on anti-corruption and commercial ethics for all employees. At the same time, through a combination of internal regular training and specialized compliance training provided by external lawyers, a training and publicity framework on anti-commercial corruption for enterprises has been established.

The Group's principal subsidiaries have established stringent systems on the purchase of supplies, which stipulate the principles for selecting and evaluating suppliers and the approval procedures on purchasing. We make use of the bidding and tendering processes to ensure fairness and openness of purchasing. When entering into procurement agreements, our subsidiaries require suppliers to strictly comply with applicable laws and regulations, including those relating to commercial ethics. For the sale of products, the subsidiaries have prepared detailed code of conduct on the promotion of drugs by the sales staff, which provides clear guidance on the communication and promotion activities of the staff with professionals on pharmaceuticals and health, academic specialists and other external parties to completely eradicate any inappropriate or illegal activities. Anti-commercial bribery and integrity clauses are also included in the sales contracts entered into with customers.

In addition, the Group has set up an internal audit department. If any suspected fraudulent case is detected in the course of regular and special audits, further investigation will be carried out and the case be reported to the head of the subsidiary.

During the Reporting Period, we were not aware of any significant non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

VI. CONTRIBUTION TO SOCIETY

As a responsible corporate citizen fulfilling the enterprise objectives of “benefit the country, benefit the general public and benefit the enterprise”, in addition to relying on the provision of quality products and services to the society and solving the life and health issues of countrymen, the Group is committed to continuously improving the social welfare platform and actively participating in social welfare activities to make contribution to the society.

■ Overcoming difficulties and fighting against the epidemic together

For people who do not have the supply to fight against the epidemic, we shall share ours with them. In the beginning of 2020, right after the outbreak of the COVID-19 epidemic in China, the Company donated RMB10 million to the Chinese Academy of Medical Sciences affiliated to the National Health Commission to jointly advance the special research on emergency prevention and control to help fight the battle against coronavirus. Subsequently, the Group promptly activated its support in combating the epidemic by securing the internal medicine supply, making safety prevention and control in all aspects, providing emergency assistance to frontline medical personnel, and launching a series of donations of funds, supplies (including protective clothing, masks, medical gloves and other protective materials), medicine (including respiratory system drugs, anti-infective drugs, analgesics and other urgently needed anti-epidemic drugs), donation of negative pressure ambulance and other actions, contributing to the fight against the epidemic. Starting from January 2020, the Company and its subsidiaries have made 18 donations of funds, medicine and supplies for a total amount of RMB22 million. In addition, while strictly complying with the epidemic prevention and control measures of China, the Group resumed work and production as soon so possible to secure the production for medicine urgently needed for the epidemic as well as meeting the market demand for other general medicines.

Case Study: Beijing Tide awarded the title of “Top Ten Public Welfare Enterprises”

Beijing Tide awarded the honor of “Top Ten Public Welfare Enterprises” by the 2020 China Health Charity Star at the 6th Medical Doctor Summit hosted by the “MDWeekly” (《醫師報》) of the China Medical Doctor Association.

After the outbreak of the epidemic, Beijing Tide actively responded by launching the “Fight against the Epidemic” campaign immediately, securing the internal medicine supply, preventing and controlling the safety in all aspects, providing emergency assistance to the external frontline, and launching a series of continuous donations of supplies, medicines and funds. The company’s prevention and control of safety was in place with smooth operation in all aspects. The honor is a high recognition of the company’s work in combating the epidemic.

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■ Establishing community service platforms and performing responsibilities of a corporate citizen

The Group's principal subsidiaries have made contributions to the community in recent years through donations to students, earthquake relief, local poverty relief and other charitable activities. Meanwhile, they have actively established and improved platforms for community work, continued to care about the people's livelihood and the vulnerable groups, and carried out poverty alleviation, medical assistance and education assistance activities.

Case Study: Supporting Talent Cultivation

In order to support the cultivation of talents, CT Tianqing established the "CT Tianqing Education Subsidies" in Shandong University, China Pharmaceutical University, Lanzhou University, Shenyang Pharmaceutical University, Nanjing Medical University, Nanjing Tech University and other universities. During the Reporting Period, CT Tianqing provided a total of RMB1 million in subsidies to 288 students. During 2011 to 2020, CT Tianqing cumulatively provided over RMB5 million in subsidies to more than 1,700 students.

In addition to its ongoing efforts in university-enterprise cooperation, promoting talent cultivation in the pharmaceutical industry and the transformation of scientific research results, NJCTT also donates funds directly to universities. In September 2020, NJCTT donated RMB1 million to the Lanzhou University Education Development Fund for the development of key academic subjects, intelligent system construction and other aspects.

■ Focusing on hepatitis and improving the prevention and treatment of hepatitis in China

CT Tianqing, a subsidiary of the Company, has been a leader in drugs for hepatitis in China and accumulated rich product lines and technical resources in the field of liver disease treatment. Apart from providing patients with safe and effective products, it also takes active steps for improving the prevention and treatment of hepatitis in China. It has launched the "CTTQ Liver Disease Research Fund" and the "Hepatitis B Elimination Clinical Research Platform in China" since 2011 to create more social benefits in the diagnosis and treatment of hepatitis.

Case Study 1: Tianqing Liver Disease Research Fund

2020年度天晴肝病研究基金科研课题专家评审会



CT Tianqing has successively donated a total of RMB22.5 million to the Chinese Foundation for Hepatitis Prevention and Control. Since its establishment in 2011, it has received 2,299 project applications, funded 248 projects, assisted 84 projects, and has become a public welfare scientific research project with a large number of applications, big influence and wide coverage in the field of liver disease in China.

Case Study 2: Hepatitis B Elimination Clinical Research Platform in China

The “Hepatitis B Follow-up and Clinical Research Platform” was initiated by the National Health and Family Planning Commission under auspices of the Chinese Foundation for Hepatitis Prevention and Control. The Hepatology Branch of the Chinese Medical Association is responsible for its operation, with CT Tianqing providing exclusive support. The platform plays an important role in the standardization of hepatitis B prevention and treatment, promotion of resource sharing and improving the quality of medical care, and has a positive significance in strengthening the public health service function of public hospitals and promoting the integration of medical and prevention.

As of the end of 2020, the platform recorded a total of 292,699 registered patients and 783,436 follow-up visits.



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Environmental, Social and Governance Reporting Index

Indicators		Section	Page
A. Environmental			
Aspect A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.3. Environmental impact	10
KPI A1.1	The types of emissions and respective emissions data.	3.3. Environmental impact	10
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, when appropriate, intensity (e.g. per unit of production volume, per facility).	3.3. Environmental impact	10
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	3.3. Environmental impact	10
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	3.3. Environmental impact	10
KPI A1.5	Description of emissions target(s) set out and steps taken to achieve them.	3.3. Environmental impact	10
KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set out and steps taken to achieve them.	3.3. Environmental impact	10
Aspect A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2. Use of resources	8
KPI A2.1	Direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type in total and intensity.	3.2. Use of resources	8
KPI A2.2	Water consumption in total and intensity.	3.2. Use of resources	8
KPI A2.3	Description of energy use efficiency target(s) set out and steps taken to achieve them.	3.2. Use of resources	8
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set out and steps taken to achieve them.	3.2. Use of resources	8
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.2. Use of resources	8
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.3. Environmental impact	10
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3. Environmental impact	10
Aspect A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.3 Environmental impact	10
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.3 Environmental impact	10

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Indicators		Section	Page
B. Social			
Aspect B1 Employment and labor practices			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	4.1. Employment 4.4. Democratic management and caring for employees	13 21
KPI B1.1	Total work force by gender, employment type (e.g. full-time or part-time), age group and geographical region.	4.1. Employment	13
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Employment	13
Aspect B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3. Health and safety	18
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3. Health and safety	18
KPI B2.2	Lost days due to work injury.	4.3. Health and safety	18
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.3. Health and safety	18
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2. Development and training	16
KPI B3.1	The percentage of employees trained by gender and employee category.	4.2. Development and training	16
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.2. Development and training	16
Aspect B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1. Employment	13
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1. Employment	13
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1. Employment	13

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Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1. Supply chain management	22
KPI B5.1	Number of suppliers by geographical region.	5.1. Supply chain management	22
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1. Supply chain management	22
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Supply chain management	22
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Supply chain management	22
Aspect B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.2. Product responsibility	23
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2. Product responsibility	23
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	5.2. Product responsibility	23
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2. Product responsibility	23
KPI B6.4	Description of quality assurance process and recall procedure.	5.2. Product responsibility	23
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2. Product responsibility	23
Aspect B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3. Anti-corruption	30
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.3. Anti-corruption	30
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	5.3. Anti-corruption	30
KPI B7.3	Description of anti-corruption training provided to directors and staff.	5.3 Anti-corruption	30

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Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Contribution to society	34
KPI B8.1	Focus areas of contribution.	6. Contribution to society	34
KPI B8.2	Resources contributed to the focus area.	6. Contribution to society	34

KPI: Key Performance Index