



康臣药業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1681

2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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Building a flagship in nephrology and establishing a first-class pharmaceutical company that leads in multidiscipline

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About This Report

Welcome to the fifth Environmental, Social and Governance Report (“**ESG Report**” or this “**Report**”) issued by Consun Pharmaceutical Group Limited (the “**Company**”) and its subsidiaries (collectively referred as “**Consun Pharmaceutical**” or the “**Group**” or “**We**”). This Report is intended to provide environmental and social management approaches, performance and the latest developments of Consun Pharmaceutical in 2020. Relevant information will be disclosed in the following chapters of this Report.

Reporting Principle

This Report has been compiled in accordance with the four reporting principles of 2016 Edition of the *Environmental, Social and Governance Reporting Guide* (“**ESG Guide**”) under Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, namely materiality, quantitative, balance and consistency. This Report has also complied with the “comply or explain” disclosure obligations.

Reporting Scope

The reporting scope of this Report covers the main business of Consun Pharmaceutical, including its main subsidiaries: Guangzhou Consun Pharmaceutical Co., Ltd. (“**Guangzhou Consun**”), Consun Pharmaceutical (Inner Mongolia) Co., Ltd. (“**Inner Mongolia Consun**”) and Guangxi Yulin Pharmaceutical Group Co., Ltd. (“**Yulin Pharmaceutical**”). Unless otherwise stated, the reporting period of this Report covers 1st January, 2020 to 31st December, 2020 (the “**Reporting Period**”).

Access to the Report

This Report has been prepared in Traditional Chinese and English respectively, if there is any contradiction or inconsistency between the two versions, the Traditional Chinese version shall prevail. This Report has been published in electronic version, which can be downloaded from Consun Pharmaceutical’s website at www.chinaconsun.com.

Confirmation and Approval

The board of the Company (the “**Board**”) is responsible for evaluating and determining environmental, social and governance (“**ESG**”) related risks and ensuring that appropriate and effective risk management and internal control systems are in place. At the same time, the Board is responsible for the Group’s environmental, social and governance strategies and reporting. This Report was approved by the Board on 21st July, 2021.

Reader’s Feedback

If you have any comments or feedback about this Report, please contact the Group through:

Tel: (86) 20-82264529 E-mail: ir@chinaconsun.com

Address of the Headquarters: 71, Dongpeng Avenue, Eastern Section, Guangzhou Economic and Technological Development District, Guangzhou, the People’s Republic of China

Hong Kong Office: 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong

Chairman’s Message



Commitment to the Fundamental Mission

In 2020, there was an outbreak of COVID-19 globally. In face of the severe epidemic situation, economy and political environment, there were challenges and opportunities at the same time. Consun Pharmaceutical continued to deepen the marketing model of “brand + channel + terminal”, promoting the brand value, consolidating commercial channels, moving to the downstream of pharmaceutical industry value chain. We made peace with uncertainty by the mindset of back to square one and implementation of “Three Spirit” composed of cultivation, refinement and essence to achieve the growth in operation scale and profits in 2020 under the epidemic.

The achievement is the outcome of the commitment to the fundamental mission of Consun Pharmaceutical. Consun Pharmaceutical has been adhering to the mission of “inherit the traditions with innovation, benefit the society with good medicines”. Inheriting the traditions with innovation is the wisdom of pharmaceutical practitioners while benefiting the society with good medicines is the conscience of pharmaceutical practitioners. The fundamental mission of Consun Pharmaceutical is to bring health to everyone and every family and to create a better world full of happiness. Consun Pharmaceutical always bears its fundamental mission in mind and commits to it.

We commit to our missions through product research and development (“R&D”). Consun Pharmaceutical has always focused on the “1+6” product portfolio through expanding the secondary development of existing products to lengthen the product life cycle. We have developed new products to expand our existing product portfolio. We have invested in the acquisition of new products to rapidly expand our product lines. By seeking cooperation in the upstream and downstream of the value chain, we are able to expand our business to the entire value chain to enhance our risk tolerance. We continue to provide patients with high-quality medicines and gradually move from providing products to providing treatment solutions, fulfilling our mission of benefiting the society with good medicines.

We commit to environmental protection through green manufacturing. Consun Pharmaceutical has been devoted to transforming from “traditional manufacturing” to “green manufacturing” continuously by implementing measures such as technology improvement, equipment upgrading, management organization optimization, resources recycling and reusing and environmental education, so as to conserve energy, reduce consumption and emission and protect the environment.

We commit to industry development through academic promotion. Consun Pharmaceutical has been adopting an academic promotion mode in the pharmaceutical industry through holding academic conferences, organizing academic activities, conducting medical research projects and participating in industry forums to promote the spread of academic knowledge of its products and the development of the industry.

We commit to shared responsibility through stakeholder cooperation. Consun Pharmaceutical has always maintained close relationships with patients, employees, partners and shareholders to achieve mutual success and share the results. We provide all-rounded products and services to patients through patient education, patient visits and online platform building. We establish a work platform for employees to fulfill their goals through a comprehensive training system. We achieve win-win development through strengthening the cooperation with suppliers, retailers and partners. We give back to our employees and shareholders through outstanding business performance to drive the continuous and positive development of the Company.

We commit to corporate social responsibility through charity services. The corporate development of Consun Pharmaceutical brings health to patients while its development on charity services brings hope to the needy. Through the establishment of a specialized organization, we have been working in charitable projects in various fields such as support for patients, education, disabilities, community services and professional medical services to promote the development of charity services. In particular, in response to COVID-19, Consun Pharmaceutical actively donated funds and supplies to support the anti-epidemic work.

Since its establishment, Consun Pharmaceutical has managed the corporate from the view of corporate social responsibility to pursue its honorable mission of “inherit the traditions with innovation, benefit the society with good medicines”. We produce high-quality medicines to cure patients, committing fully to the fundamental mission.

Message from the Chairman

About Consun

Introduction of Consun

Consun Pharmaceutical (HK.01681) is a modern pharmaceutical enterprise mainly engaged in the R&D, production and marketing of modern Chinese medicines and medical imaging contrast mediums. Consun Pharmaceutical is founded in 1997 and got listed on the main board of the Stock Exchange of Hong Kong on 19th December, 2013. It owns subsidiaries that engage in R&D and production of medicines. It operates well-known pharmaceutical brands such as Consun and Yulin. It has three production bases located in Guangzhou, Guangdong Province, Tongliao, Inner Mongolia and Yulin, Guangxi Province.

Value Philosophy

- 
Our Mission
 - Inherit the traditions with innovation, benefit the society with good medicines
- 
Our Vision
 - Building a flagship in nephrology and establishing a first-class pharmaceutical company that leads in multidiscipline
- 
Our Core Value
 - People-oriented, sincere, responsible, sharing
- 
Our Spirit
 - Fueling dreams with passion, making achievements with hard work
- 
Our Management Philosophy
 - To be Tao-based, virtue-based, righteousness-based, and righteousness and benefit coexist

Service Philosophy Dedicating to perfection	Development Philosophy Striving for excellence with strength, seeking greatness with strength	Product Philosophy High technology, high efficiency, high quality
Distribution Philosophy Putting value as our top priority, sharing our career	Talent Philosophy Respect people, cultivate people, accomplish people	Team Philosophy Working together with one mind and one heart



Consun 2020

During the Reporting Period, Consun Pharmaceutical has continued to work diligently in the pharmaceutical industry in pursuit of its development philosophy. In 2020, various honors have been awarded to Consun Pharmaceutical demonstrating that our sustainable development mode has been recognized by the community.

On 10th May

The China Council for Brand Development held the "2020 China Brand Value Evaluation Press Conference" online. The brand value of Guangzhou Consun increased from \$4.04 billion last year to \$4.76 billion this year, ranked 12th in the medicine and health category.



On 24th April

The Group's imaging product, Kanglexian® lopamidol Injection, had its first official clinical application. After proactive preliminary preparation, the first user of Kanglexian® lopamidol Injection was in Hunan Province. Its application is highly appreciated by patients and doctors. In 2020, Kanglexian® lopamidol Injection has been launched in Shaanxi, Shandong, Guangxi, Hunan and other provinces.



On 26th March

The 14th China Pharmaceutical Industry Development Summit with All-China Federation of Industry and Commerce Medical and Pharmaceutical Commercial Association 2010-2020 10th Anniversary was held in Hainan. Consun Pharmaceutical was honored as one of the "2019 Top 100 National Medicine Brands in China", while Guangzhou Consun (Uremic Clearance Granules) and Yulin Pharmaceutical (Shiduqing Capsule) were also ranked 34th and 58th in the list respectively.



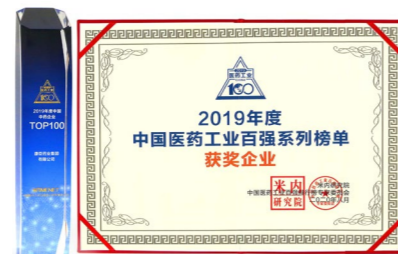
On 7th August

The "2020 13th China Pharmaceutical Industry Development Summit with 2019 China Pharmaceutical Industry Most Influential List Press Conference" was held in Nanchang. Guangzhou Consun ranked the top 100 Chinese pharmaceutical industries in 2019, and Inner Mongolia Consun ranked the top 50 growth Chinese pharmaceutical industry, affirming the Group's achievements, overall capability and leading position in the industry.



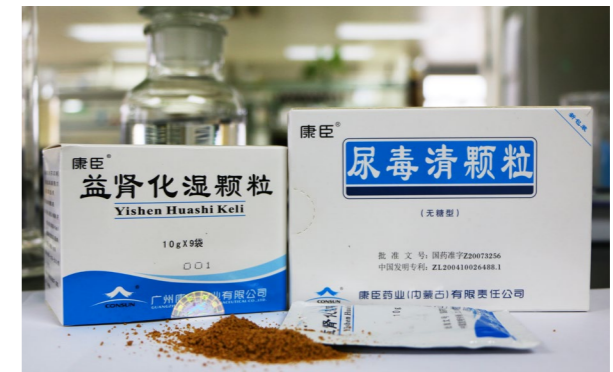
On 25th August

The 2020 National Pharmacy Week and the China Pharmaceutical Industry Top 100 Annual Conference with the China Pharmaceutical Internet Economy Annual Conference was held in Kunming. The Group ranked 32nd in the "2019 China Top 100 Chinese Medicine Enterprises List", a sub-list of the "2019 China Pharmaceutical Industry Top 100 List", based on its solid R&D and production foundation and robust marketing strategy.



In August

Yulin Pharmaceutical was entrusted to produce Uremic Clearance Granules held by Inner Mongolia Consun, achieving a new mode of three-base production capacity and local production and sale to enhance product production efficiency and efficiency in responding to market demand.



On 27th December

The first batch of 14 clinical application guidelines composed as the *Guidelines for Clinical Application of Proprietary Chinese Medicines for the Treatment of Prevailing Diseases*, were compiled by various medical institutions and research institutions, was officially released. The Group's product, Uremic Clearance Granules, became the only "highly recommended" Chinese medicine in the *Guidelines for the Clinical Use of Proprietary Chinese Medicines for Chronic Kidney Disease Stage 3-5 (non-dialysis) (2020)* among the first batch of 14 guidelines published, proving that the excellent therapeutic efficacy of Uremic Clearance Granules was highly endorsed by experts.



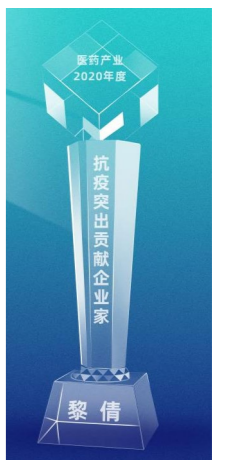
From 8th to 11st December

The "China Pharmaceutical Brand List 2020" organized by Minet.com was launched. The Group's product, Uremic Clearance Granules, was ranked on the "China Pharmaceutical Brand List" for the third consecutive year for its excellent market performance and brand influence, demonstrating the clinical value and brand strength of the product.



On 26th September

The "Influential People (Brands) in the Pharmaceutical Industry" of Guangdong Province was held and Guangzhou Consun was listed as the "Influential Brand of the Year in the Pharmaceutical Industry". Ms. Li Qian, vice chairlady of the Board and chief executive officer of the Group, was honored the "Enterpriser with Outstanding Contribution against COVID-19 of the Pharmaceutical Industry" and the "Outstanding Economic Figure of the Year of the Pharmaceutical Industry". These awards show appreciation for the Group's products, its excellent business model and its contribution to the fight against COVID-19.



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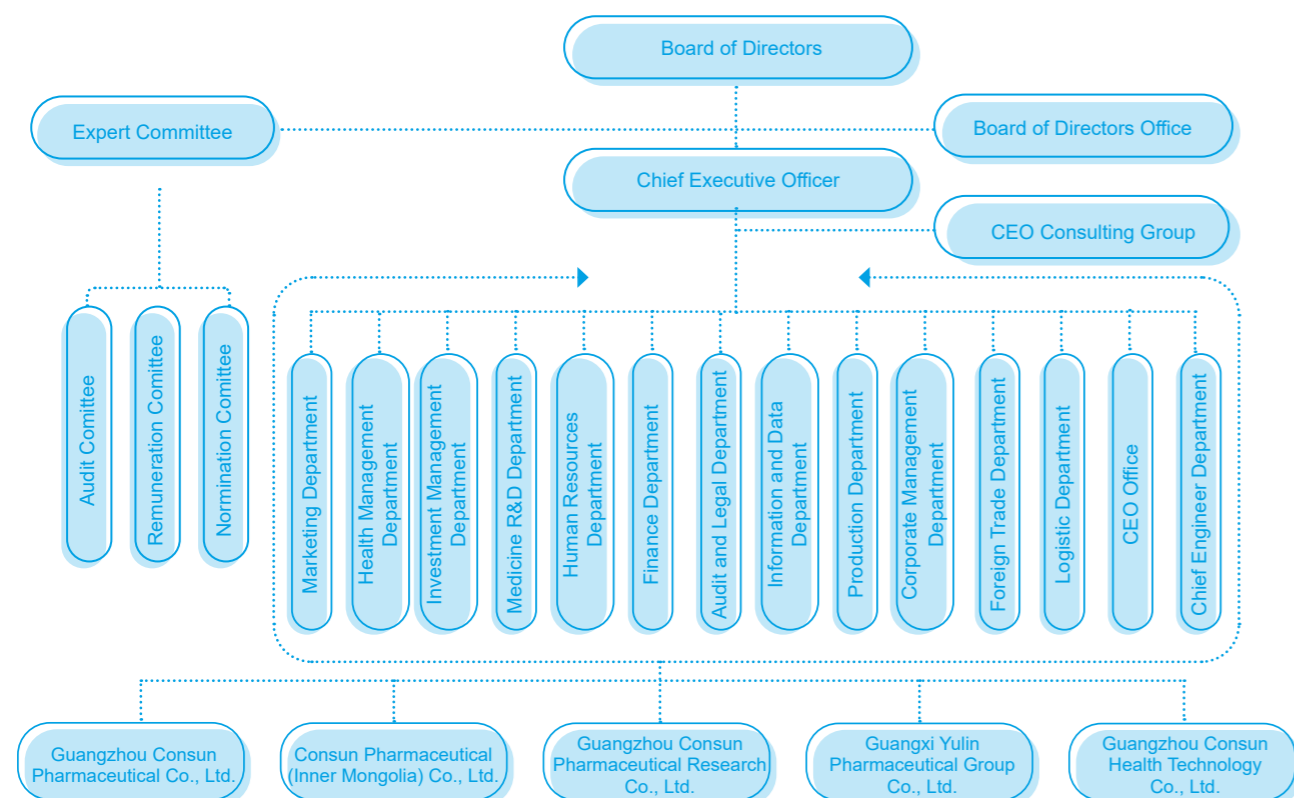
Responsible Governance



Consun Pharmaceutical highly values the management of ESG issues. The Board leads the planning of the ESG work of the Group, actively taking ESG aspects into account in its operation and management systems, in hope of creating value for the society by a sustainable business model.

CONSUN
康臣药业

Governance Structure



Risk Management and Control

An effective risk management system can help a corporation to identify, assess and manage the significant factors that can adversely affect its business. Therefore, risk management is an essential part of building a sound corporate governance system. The Board leads the risk management of the Group. The Board is responsible for ensuring that the Group maintains a sound and effective risk management and internal control system and reviewing its effectiveness at least once a year. The Audit Committee assists the Board in fulfilling its governance role over finance, operation, compliance, risk management and internal control of the Group. The Group's Audit and Legal Department assists the Board and the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control system on an ongoing basis. The Board is informed regularly on significant risks which may affect the performance of the Group.

Consun Pharmaceutical has also gradually incorporated ESG-related elements into the Group's risk management system to further manage its potential risks and opportunities. The Group has formulated the *Risk Management System*, which regulates the responsibilities of risk management, annual risk management procedures and daily risk control, strengthening risk management and control. Furthermore, the Group has actively considered internal and external ESG-related risk factors when identifying major risks and established an appropriate and effective risk monitoring system to safeguard the Group's operational stability

Internal Risks	External Risks
<ul style="list-style-type: none"> Human resources factors such as the professional ethics and professional competence of directors, managers and other senior management and employees in positions of resource control. Independent innovation factors such as research and development, technology investment and application of information technology. Operational safety, employee's health, environmental protection and other factors. Other relevant internal risk factors. 	<ul style="list-style-type: none"> Legal factors such as laws and regulations and regulatory requirements. Social factors such as security and stability, cultural traditions, social credit, education level and customer behavior. Science and technology factors such as technology advancement and improvement. Natural environmental factors such as natural disasters and environmental conditions. Other relevant external risk factors.

Stakeholder Engagement

Stakeholders' opinions provide a valuable reference for Consun Pharmaceutical's sustainability development. While ensuring stable operations, we strive to enhance stakeholder engagement and ensure that we listen to their opinions promptly. Therefore, we have established a diversified communication platform to understand their opinions and expectations.

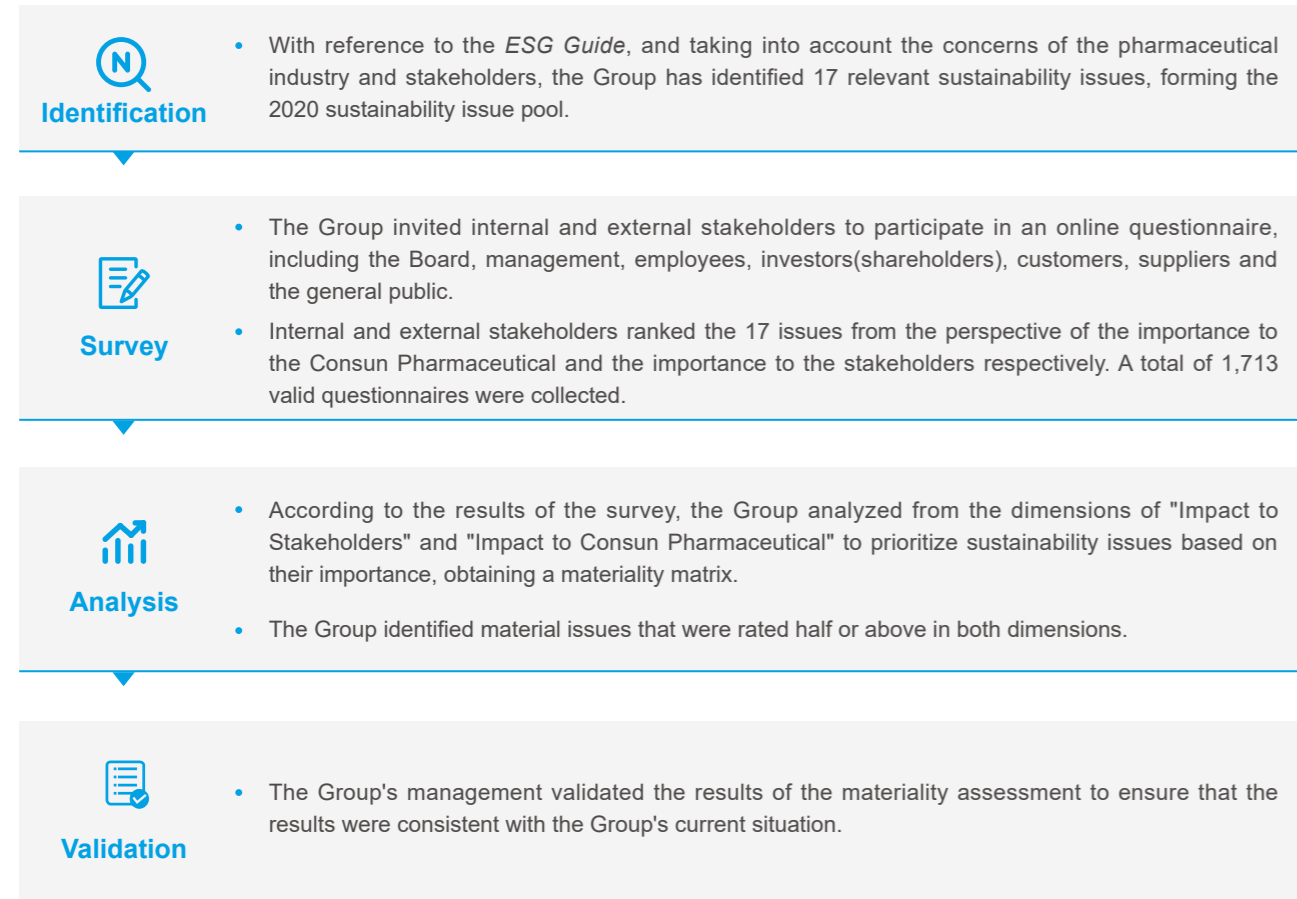
Establishing Communication Platforms

Considering the mutual influence between Consun Pharmaceutical and its stakeholders, Consun Pharmaceutical identifies the key stakeholders who are closely related to the Group's business operation and conducts communication in various ways and through various channels with the stakeholders to understand their expectations of the Group.

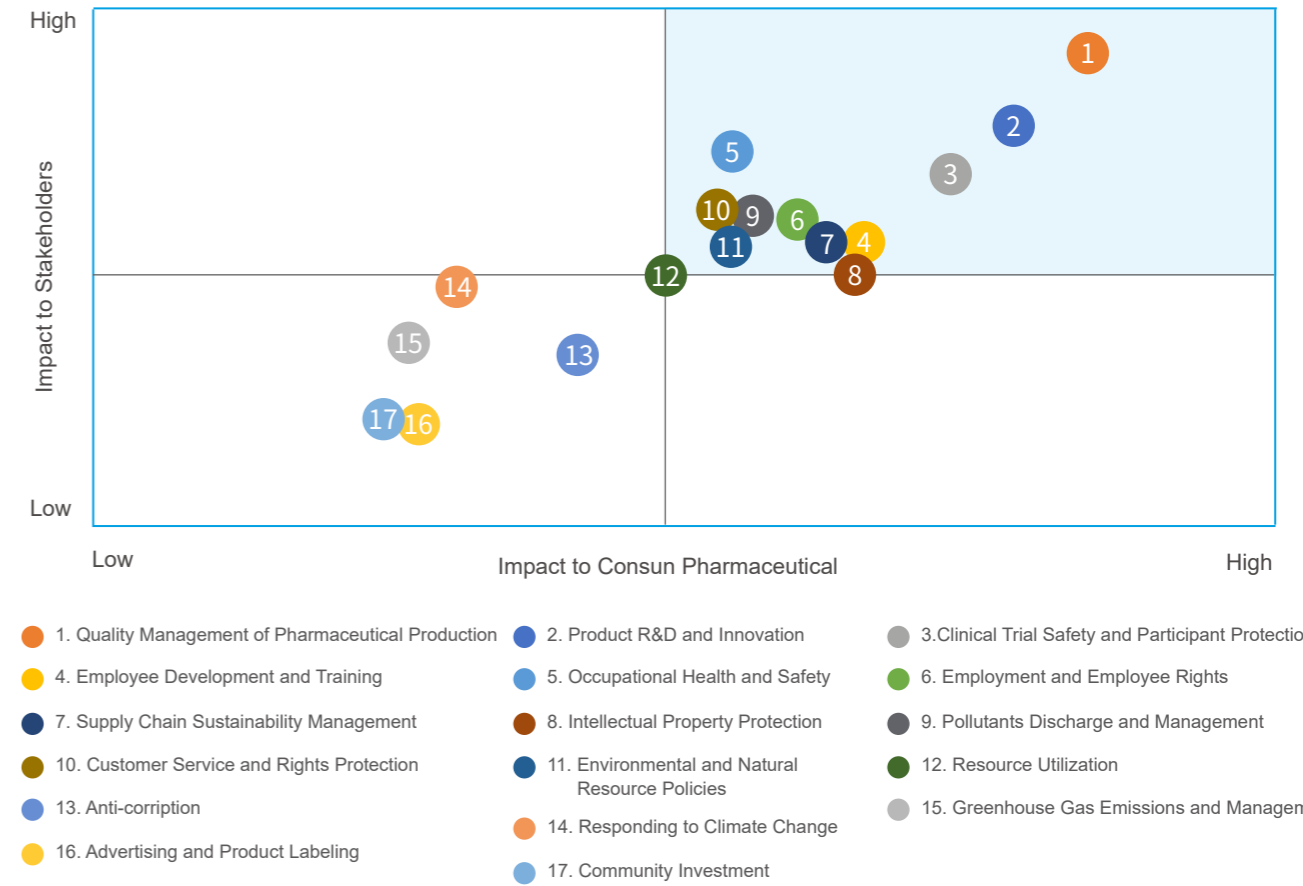
Key Stakeholders	Communication Channels of the Group	Expectations to the Group	Communication Frequency
Government and Regulatory Agencies	<ul style="list-style-type: none"> Participate in government projects Pass the qualification examinations Submit work reports 	<ul style="list-style-type: none"> Compliance with laws and regulations Strengthen research and development of drugs 	<ul style="list-style-type: none"> Regular or irregular
Investors (Shareholders)	<ul style="list-style-type: none"> Shareholders' general meeting Information disclosure Investor consultation Roadshows 	<ul style="list-style-type: none"> Good corporate operation management to reduce operational risks Good return on investment Transparent information disclosure 	<ul style="list-style-type: none"> Regular, irregular or permanent
Clients	<ul style="list-style-type: none"> Customer satisfactory survey Customer complaint management Daily customer communication 	<ul style="list-style-type: none"> Obtain safe and high quality medicine Affordable medicine Diversified medicine types Protect consumer rights 	<ul style="list-style-type: none"> Regular or irregular
Employees	<ul style="list-style-type: none"> Trade union Provide training and development platform The Group's publications Hold employee activities 	<ul style="list-style-type: none"> Good working environment Good career prospects 	<ul style="list-style-type: none"> Regular, irregular, ongoing or bimonthly
Suppliers	<ul style="list-style-type: none"> Formulate supplier management system Evaluation on suppliers 	<ul style="list-style-type: none"> Cooperate with mutual benefit 	<ul style="list-style-type: none"> Permanent
Peers	<ul style="list-style-type: none"> Participate in or hold industry forums Participate in industry association Visit and communicate with other companies 	<ul style="list-style-type: none"> Promote industry development 	<ul style="list-style-type: none"> Irregular
Community and the Public	<ul style="list-style-type: none"> Information disclosure Participate or organize community activities Social charity and poverty alleviation activities, volunteer activities 	<ul style="list-style-type: none"> Serve the community Charity 	<ul style="list-style-type: none"> Irregular or permanent

Materiality Assessment

In order to identify the Group's key focuses in the field of sustainability, the Group conducted a materiality assessment to understand the stakeholders' latest concerns on sustainability issues. The procedures of the materiality assessment are as follows:



Materiality Assessment of Sustainability Issues



We have incorporated materiality issues into the following chapters of this Report to specifically address the concerns of our stakeholders. In addition, the results of this materiality assessment have helped the Group identifying focus areas and enhancing monitoring and management in these areas. We are also considering incorporating materiality issues into our ESG management as a factor for corporate sustainability planning.

List of Material Issues (Importance is ranked from highest to lowest)	Responding Chapters in this Report
1. Quality Management of Pharmaceutical Production	Quality Management
2. Product R&D and Innovation	Product Research and Development
3. Clinical Trial Safety and Participant Protection	Product Research and Development
4. Employee Development and Training	Nurturing Talents
5. Occupational Health and Safety	Health and Safety
6. Employment and Employee Rights	Employee Management
7. Supply Chain Sustainability Management	Supply Chain Management
8. Intellectual Property Protection	Product Research and Development
9. Pollutants Discharge and Management	Emissions Management
10. Customer Service and Rights Protection	Premium Service
11. Environmental and Natural Resource Policies	Environmental Education



Practicing Integrity in Business

Consun Pharmaceutical upholds the best business ethics and regards maintaining an ethical business environment as its mission. The Group strictly complies with relevant laws and regulations that are relating to bribery, extortion, fraud and money laundering and have a significant impact on the Group, such as the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery* and has established internal control supervision mechanism.

Consun Pharmaceutical takes the establishment of systems as a starting point, followed by measures such as monitoring, whistleblowing and training, to combat corruption in all aspects and raise our employees' awareness on integrity.

During the Reporting Period

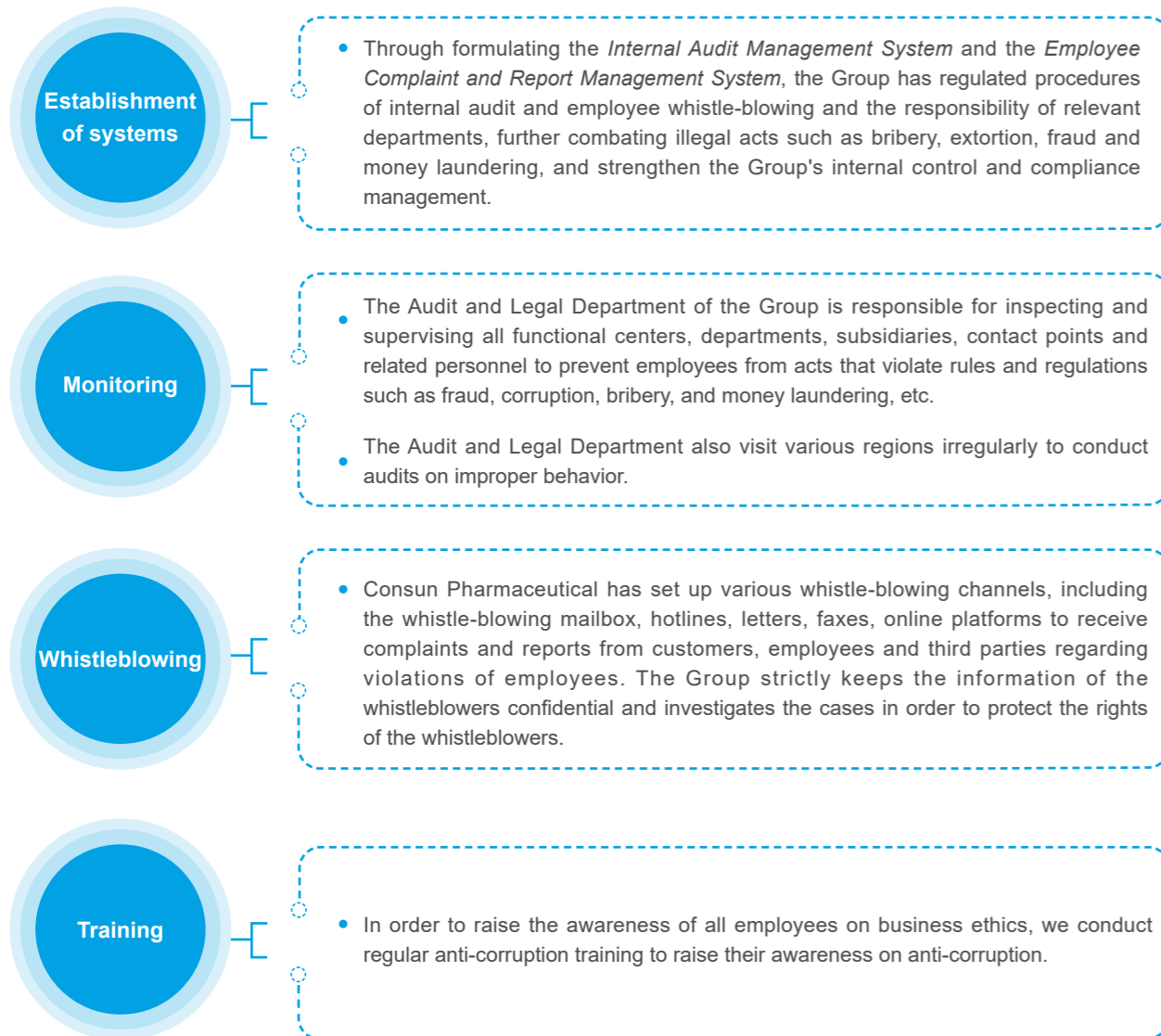
Number of employees who attended our anti-corruption training:

540



Number of cases received related to corruption lawsuit:

0



Case Study >>> Key Points on Marketing Compliance Management Training

On 9th July, 2020, the Group organized a training on *Key Points on Marketing Compliance Management* for employees from the Commercial Department and the Retail Department. The training mainly focused on compliance with internal requirements and requirements on laws and regulations relating to anti-corruption. The Group emphasized to our employees that we do not tolerate any illegal acts related to fraud and corruption, and further raised their awareness on compliance.



> Employees from the Commercial Department and the Retail Department participated the *Key Points on Marketing Compliance Management Training*

02


Safeguarding Health




Consun Pharmaceutical is committed to protecting the health of our patients and therefore have focused on the development and production of pharmaceutical products for years. Following the development strategy of " Operate Throughout Industry Chain and Internationalization ", we have continued to consolidate our cornerstone businesses and expand our business portfolio to cover the entire industry chain of the pharmaceutical industry. We have focused on the development of three major industry chains, namely "Renal Care + Kidney Care", "Bowen Therapy+ Pain Relief" and "Diagnosis and Treatment Integration". Our product lines cover various aspects such as the treatment of chronic kidney disease, imaging and pain relief. As of the end of 2020, the Group has a total of 147 medical products, of which 72 medicines have been included in the National Catalogue of Drugs Covered by the Medical Insurance. We ensure that our patients can have access to our pharmaceutical products at affordable prices and provide them with a wide range of pharmaceutical products selection to meet their needs.

Consun Pharmaceutical strives to improve the quality of its products and services. From the perspective of the whole life cycle, the Group continues to improve its quality management system in R&D, production and marketing, meeting the patients' needs on drug safety. The Group has "1+6" product lines including the nephrology series, the imaging series, the orthopedy series, the gynecology and pediatrics series, the gastroenterology series, the hepatobiliary series and dermatology series, a total of 63 types of Chinese medicines and 84 types of western drugs.


As of the end of 2020




the Group has a total of **147** medical products



72 medicines have been included in the National Catalogue of Drugs Covered by the Medical Insurance



The Group has **63** types of Chinese medicines



and **84** types of western drugs.



> Uremic Clearance Granules



> Iopamidol Injection



> Zheng Gu Shui



> Shiduqing Capsule



Product Research and Development

Research and Development-centered

广州康臣药物研究有限公司
肾病药物研究中心
 Institute of Consun Co. for Chinese Medicine in Kidney Diseases
 澳门科技大学中医药实验研究基地
 TCM of Macau University of Science and Technology

Adhering to the mission of "Inherit the Traditions with Innovation, Benefit the Society with Good Medicines", Consun Pharmaceutical is committed to the R&D of medicines for the sake of patients. Based on the R&D strategy of "Independent Research and Development, Supplemented by Market Acquisition", we have actively refined our R&D organization structure and well planned our new product lines for the medium to long term, which further consolidated our R&D strategy. We have increased our R&D investment, including the introduction of new R&D equipment and R&D personnel, to strengthen our R&D foundation.

At present, Consun Pharmaceutical has several internal R&D platforms, including two "Academician Expert Workstations", one "Postdoctoral Scientific Research Workstation", two provincial "Engineering Technical Research Centers" and three provincial "Enterprise Technical R&D Centers", supporting the steady development of the internal R&D projects. At present, Consun Pharmaceutical has 13 projects under the R&D stage, including three new R&D projects and focusing on nephrology and multidisciplinary product lines. Based on internal R&D, Consun Pharmaceutical has also continued to explore different areas of R&D through external collaborations such as the "University-Enterprise Collaboration" and has achieved remarkable results.

During the Reporting Period the number of R&D equipment increased by

18%



the number of R&D personnel increased by

44%



R&D investment over RMB

83,000 million



Internal R&D Achievements

- The trial production of a micro-bubble contrast medium was completed.
- The Phase II clinical trial of the self-developed and new medicine Astragali Powder Pellet of Class 6 Chinese medicine for the treatment of diabetic kidney disease was initiated.
- Lanthanum carbonate project has successfully completed the interim trial of raw material and small scale production trial according to the consistency evaluation requirements.
- The secondary development of Kidney Repair and Edema Alleviation Granules and Iron-dextrin has progressed well.

External Collaboration Achievements

- The operation of "Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration" that was established in collaboration with Shenzhen Institute of Advanced Technology under the Chinese Academy of Sciences has commenced.
- The Guangdong and Macau Innovative Joint Study on Frontier and Key Technology themed "Research on the Active Ingredients and Mechanism of Kidney Repair and Edema Alleviation Granules on Preventing Proteinuria in Diabetic Kidney Diseases" jointly applied with the Macau University of Science and Technology has obtained the approval from the Department of Science and Technology in Guangdong Province.
- The "Chinese Medicine Research Center for Renal Diseases" has been established with Hong Kong Baptist University to jointly carry out the secondary development and research on Kidney Repair and Edema Alleviation Granules.

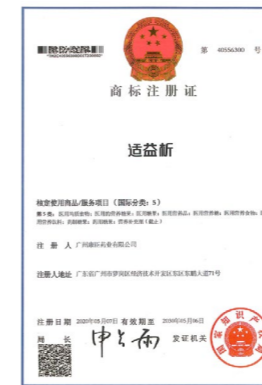


Case Study >>> “Guangzhou Consun-Shenzhen Institute of Advanced Technology under the Chinese Academy of Sciences” Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration has commenced

On 24th June, 2020, “Guangzhou Consun-Shenzhen Institute of Advanced Technology under the Chinese Academy of Sciences” Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration has commenced and achieved preliminary results. The achievement in 2020 includes the completion of production and characterization of drug micro-bubbles, validating their good capabilities on ultrasound imaging and tumor cell killing. The achieving rate of work progress reached 125%.



> The laboratory plaque



> Display on a trademark registration in 2020



> Display on a patent granted in 2020

During the Reporting Period the number of trademark registrations in 2020:

10

in 2020, we applied for **5** patents and granted **1** patent in China

the total number of trademark registrations :

197

a total of **43** domestic and international patents have been granted

Protecting Intellectual Property Rights

Regarding intellectual property rights as the motivation of innovations, Consun Pharmaceutical attaches great importance to the protection of intellectual property rights. The Group strictly complies with relevant laws and regulations that are relating to intellectual property rights protection and have a significant impact on the Group, such as the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*, etc. The Group has formulated the *Management System of Intellectual Property* to establish a systematic approach to guarantee the use, management and protection of intellectual property rights.

To further protect the Group's interests, we have implemented the following measures to protect the Group's intellectual property rights:

- To complete the administration work such as registration and renewal of the Group's intellectual property rights including trademarks, copyrights and patents promptly.
- To specify that intellectual property rights created by employees during their employment by using the resources of the Group belong to the Group.
- To continuously monitor the announcement of preliminary approval of trademarks, and submit objections to identical or similar trademarks in accordance with the prescribed time limit and conduct follow-ups.
- To monitor unfair competition such as the manufacturing and sale of counterfeit products of the Group, infringement of the rights of the Group of name and trademarks, and assist in the fight against counterfeit products and the right protection in the market.

Protecting Clinical Patients

As clinical trials are essential for the development of pharmaceutical products, the Group is highly concerned about the safety of clinical trials. The Group is committed to protecting the rights of clinical patients and strictly complies with the laws and regulations that have a significant impact on the Group during the progress of clinical trials, such as the *Pharmaceutical Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Registration*, and the *Good Clinical Practice for Drug Trial*, in order to ensure the trials are conducted under the fundamental conditions of compliance, high quality, high security, and R&D ethics.



All clinical trials of the Group have been approved by the research unit for examining ethical issues, and ensuring that the participants have the right to know and clearly understand the process, risk and benefits of the trials. The participants are free to choose whether to participate in the trials, and they have to sign the informed consent before participating in the trials.



The Group has purchased commercial insurance for all participants of clinical trials to further protect their rights and interests.



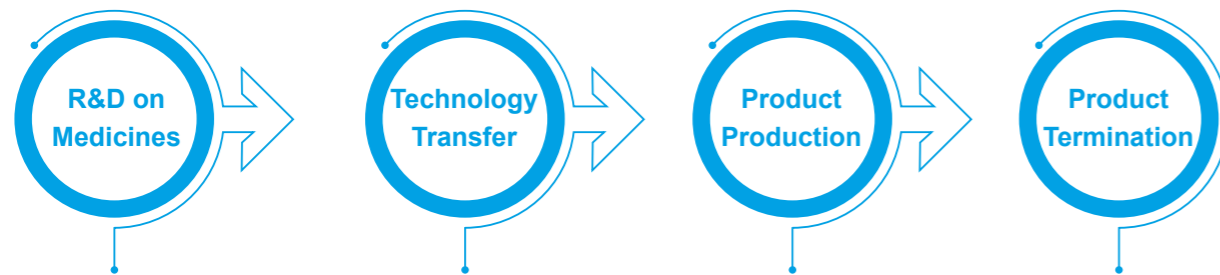
The Group has established a comprehensive safety monitoring system and a side effect reporting mechanism, and has allocated side effect specialist on pharmacovigilance to monitor the safety of the participants in real-time.

The Group has established an annual pharmacovigilance reporting system, conducting literature research regularly preparing update reports on drug safety and updating the instruction manuals as required.

Quality Management

Consun Pharmaceutical always prioritizes the health and safety of our patients to ensure the provision of high-quality medicines to our patients. The Group strictly abides by the laws and regulations relating to product safety and methods of redress and that have a significant impact on the Group, such as the *Pharmaceutical Administration Law of the People's Republic of China*, the *Regulations for the Implementation of the Drug Administration Law of the People's Republic of China*, and the *Good Manufacturing Practices for Pharmaceutical Products (GMP)*, to establish a strict pharmaceutical quality control system. The system documents include the *Administrative Regulations for Pharmaceutical Quality Management System*, the *Administrative Regulations for Pharmaceutical Quality Control System*, and the *Pharmaceutical Quality Risk Management Regulations*, etc.

We clarify the responsibility of the management in the *Administrative Regulations for Pharmaceutical Quality Management System* to establish a strict top-down management model for the pharmaceutical quality management system. The Group's management assumes fundamental responsibility for the quality management of pharmaceutical production. The management also provides an appropriate arrangement for the effective operation of the management system, including participation in its design, implementation, monitoring and maintenance, resource allocation, establishment of authority, establishment of effective communication processes, management performance review, etc. Meanwhile, we ensure that our pharmaceutical quality management system covers the whole life cycle of pharmaceutical products. By setting quality objectives at each product stage, we guarantee the effective operation of quality management measures.



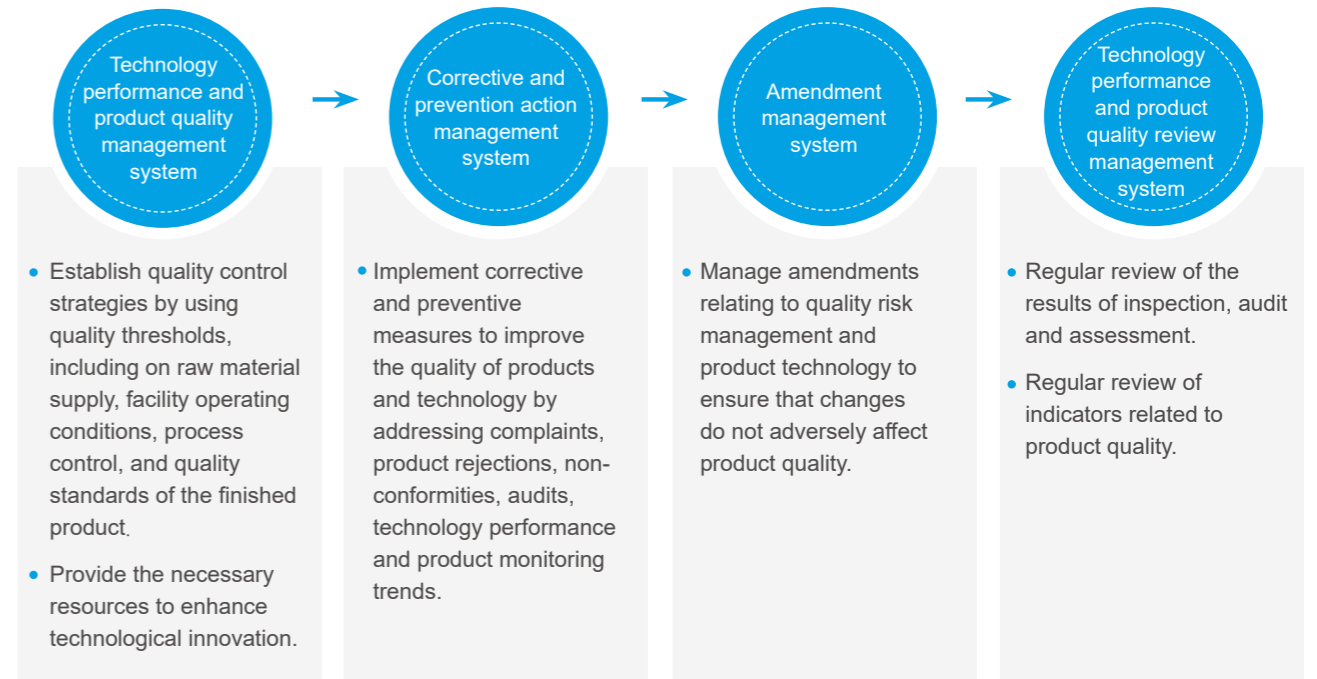
To ensure that products and the design of production technology meet the needs of patients and customers.

To complete the transfer of knowledge of product and technology from R&D stage to production stage and the transfer in the internal production areas to achieve product production.

To ensure that products are produced using appropriate technology which is in accordance with relevant quality requirements, and to continuously evaluate and improve production processes.

To manage the final stage of the product effectively through predefined approaches.

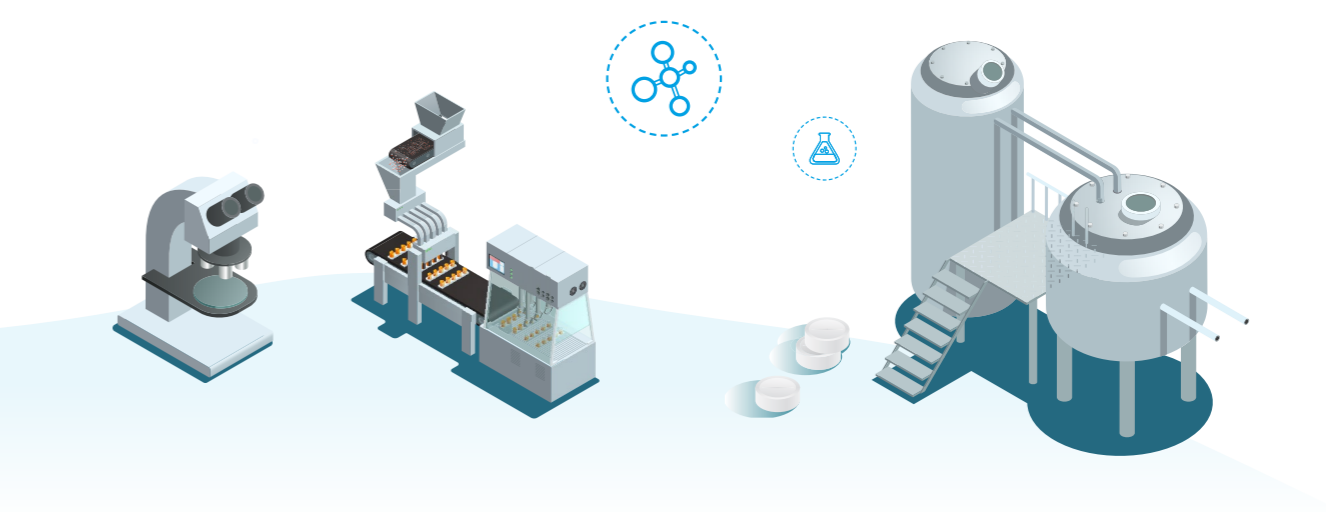
The establishment and maintenance of pharmaceutical quality management systems is the foundation to achieve the required pharmaceutical quality standards. We have established four pharmaceutical quality management systems to strengthen the control of our internal pharmaceutical quality management systems. We promote continuous improvement of the internal quality management system, to ensure that the requirements and control measures relating to pharmaceutical quality are up-to-date.



All production bases of Consun Pharmaceutical have strictly implemented pharmaceutical quality management systems and obtained valid GMP certificates. The Renhou production base of Yulin Pharmaceutical has also obtained the FDA certificate in the USA and TGA certificate in Australia. The following shows the GMP certificates for each production base of Consun Pharmaceutical:



> The GMP certificate of Guangzhou Consun
 > The GMP certificate of Inner Mongolia Consun
 > The GMP certificate of Yulin Pharmaceutical's Headquarter Production Base
 > The GMP Certificate of Yulin Pharmaceutical's Renhou Production Base



Case study >>> Inner Mongolia Consun Was Awarded the Second Mayor's Quality Award of Tongliu City

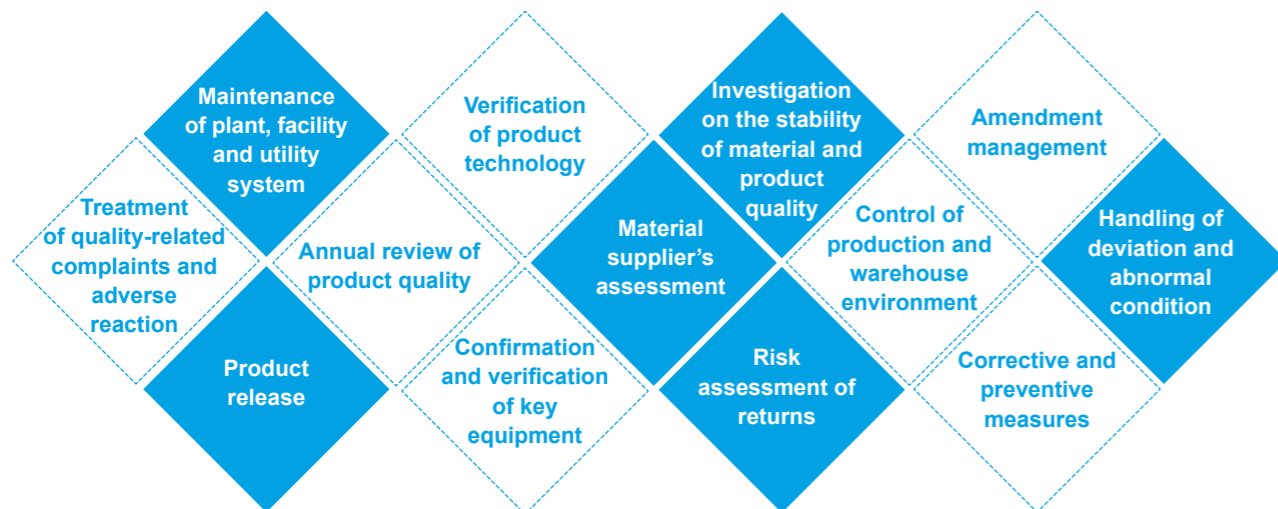
Inner Mongolia Consun has adhered to the concept of lean production, achieving a 100% completion rate of the production scheme on quality control and a 100% pass rate on product quality. As a result, Inner Mongolia Consun was awarded the second Mayor's Quality Award in 2020 and was rated as the best Class A pharmaceutical manufacturer in terms of quality and safety standards, acknowledging Inner Mongolia Consun's efforts in producing high-quality products.



> Production line of Inner Mongolia Consun

Quality Risk Management

Consun Pharmaceutical effectively identifies and prevents the quality risk associated with the whole life cycle of its products through quality risk management. The Group has established a quality risk management team to manage the quality risks involved in the R&D, production and marketing of pharmaceutical products, including the identification, assessment, control, overview and review of the results of the risk management procedures, ensuring that all risks have been eliminated or reduced to an acceptable level. Pharmaceutical quality risk management mainly involves the following areas:



Case Study >>> Yulin Pharmaceutical Organized Training on the New Version of the Pharmaceutical Administration Law of the People's Republic of China

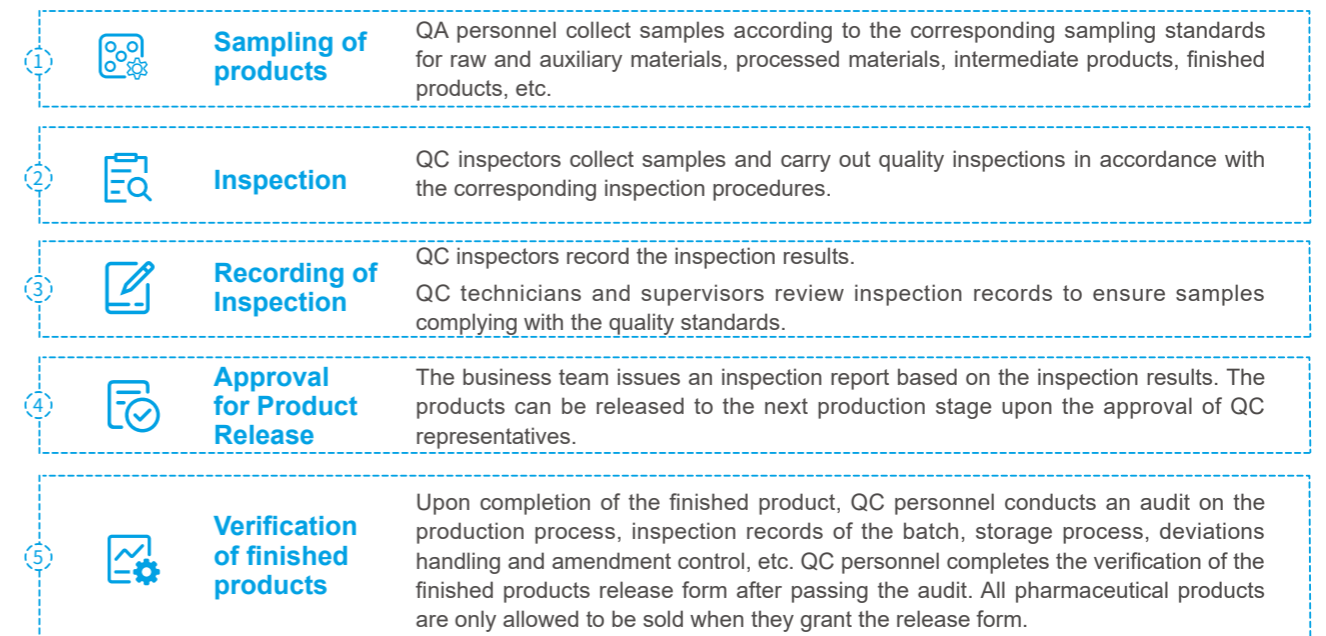
After the implementation of the new version of the *Pharmaceutical Administration Law of the People's Republic of China*, Yulin Pharmaceutical organized a training on the new provisions for a cumulative of 150 employees as of the end of the Reporting Period. During the training session, the lecturer explained the new legal provisions one by one, including the concept of risk management throughout the whole life cycle of pharmaceutical products, taking into account theories and practical situations. The employees achieved a pass rate of nearly 95% in the post-training examination, which proved that the training had improved their understanding of laws and regulations regarding the quality of pharmaceutical products and ensured that the quality management of pharmaceutical products was carried out in compliance with the regulations.



> Examination session of the training

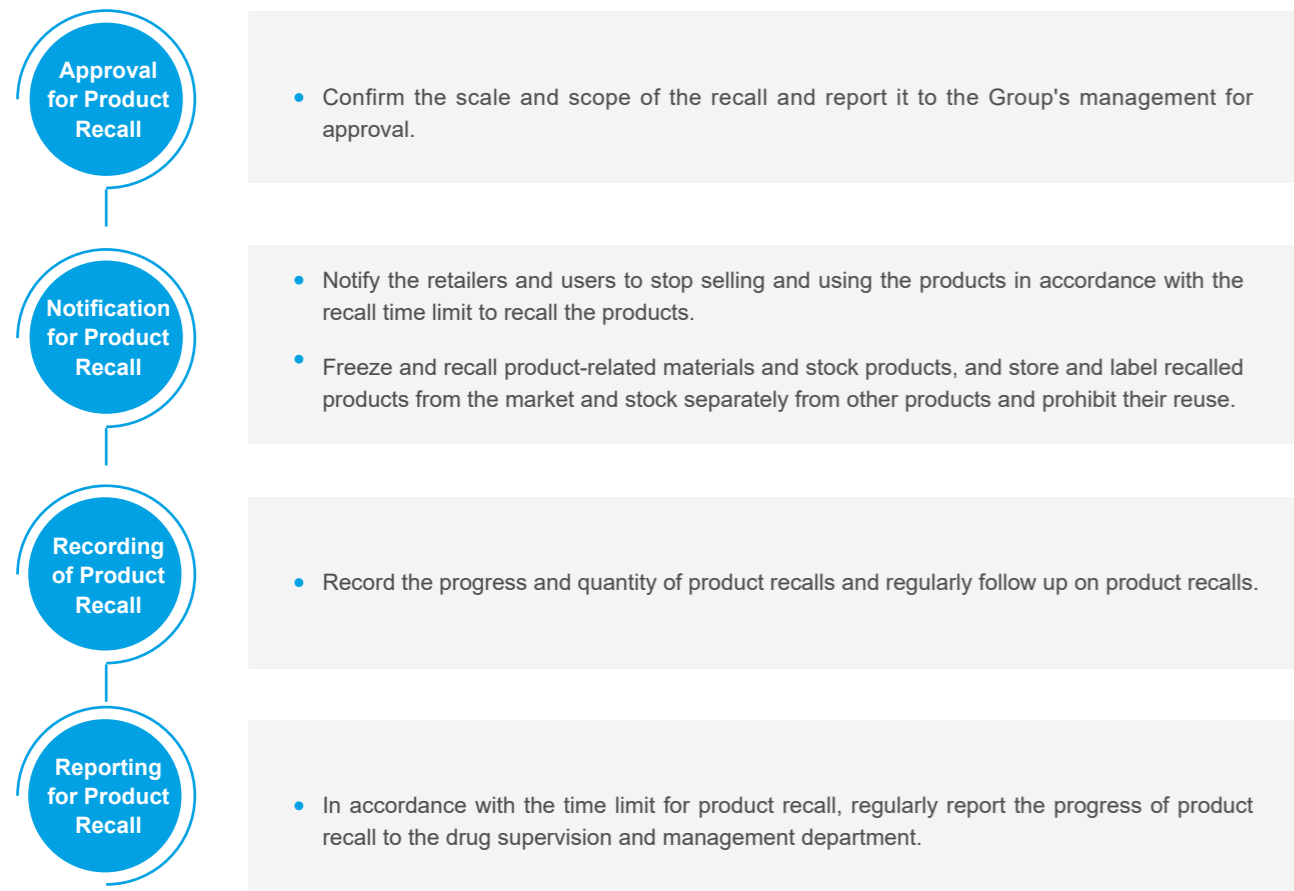
Quality Assurance and Verification

Quality Control (QC) and Quality Assurance (QA) are the parts of the quality management system that verify and guarantee the quality of pharmaceutical products. Yulin Pharmaceutical has formulated the *Standard Operating Regulations for the Release of Finished Products* and the *Regulations for the Inspection of Assured Products* to regulate the quality assurance of products, ensuring that all products distributed for sale meet the quality requirements.



Product Recall

To protect the health and safety of customers, the Group has established a product recall procedure to mitigate the impact of potential product safety risks. We have established policies such as the *Standard Operating Procedures for Pharmaceutical Products Recalls* to regulate the procedure and management methods of product recall, ensuring that the product recall is conducted in an orderly manner. Upon receipt of information regarding product safety and health, we will investigate and assess the safety risks and initiate a product recall when the relevant safety risks appear with the established factors:



During the Reporting Period, the Group had no product recalls due to product safety and health issues.

Premium Service

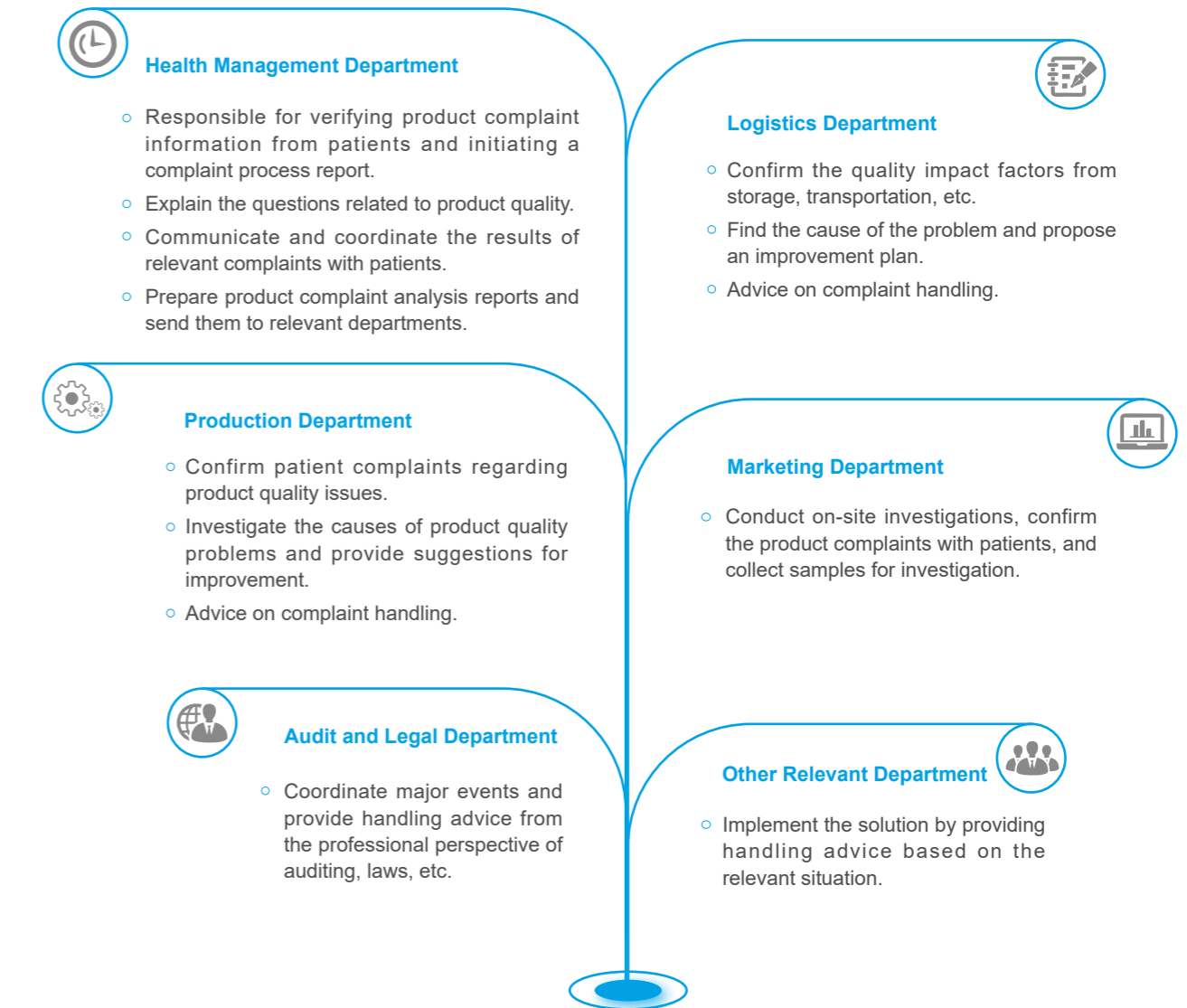
Consun Pharmaceutical always adheres to the service philosophy of "Dedicate for Perfection" and implements the marketing strategy of "In-depth Distribution, Market Segmentation, Classified Management". We have established more than 70 contact points, selling our products to more than 30 countries and regions and are committed to serving the customers for their health needs.

Consun Pharmaceutical is also committed to serving patients by actively utilizing the trend of digitalization and big data. The "Consun Family" phone application, a self-developed chronic kidney disease platform by Consun Pharmaceutical, provides personal health management services for patients with chronic kidney disease. At present, the number of participants has reached more than 6,000 and nearly 20,000 applications have been validated, successfully establishing a comprehensive and effective data collection process and analysis system. In the future, Consun Pharmaceutical is committed to building an integrated "Nephrology Big Data Center and Health Care + Medical" platform for the whole-course management of patients with chronic kidney diseases, creating new advantages on service strategy and optimizing service quality.

Listening to Our Customers

Consun Pharmaceutical has always valued the opinions of customers. In order to maintain a close relationship with customers, we have upgraded the "400" hotlines of chronic disease management and established WeChat groups to provide patients in the country with immediate services. We have also actively developed a chronic disease management platform and a public account based on the core concept of "Consun Family" to understand patients' conditions and opinions in a timely manner, so as to continuously improve the quality of our services, enhancing customers' trust and satisfaction with the Group.

The Group is highly concerned about the patient complaint on product quality. The Group has formulated the *Patient Complaint Handling Procedure* in accordance with the *Law of the People's Republic of China on Protection of Consumer Rights and Interests* and relevant rules and regulations, to standardize the response and handling process of complaints on product quality, thus ensuring a smooth process of patient complaints and safeguarding the brand image and reputation. The following is the scope of complaint handling duties of the Group's responsible departments:



During the Reporting Period, the Group had received 7 product complaints and had responded to them quickly, which solved the problems for customers smoothly.

Protecting Personal Privacy

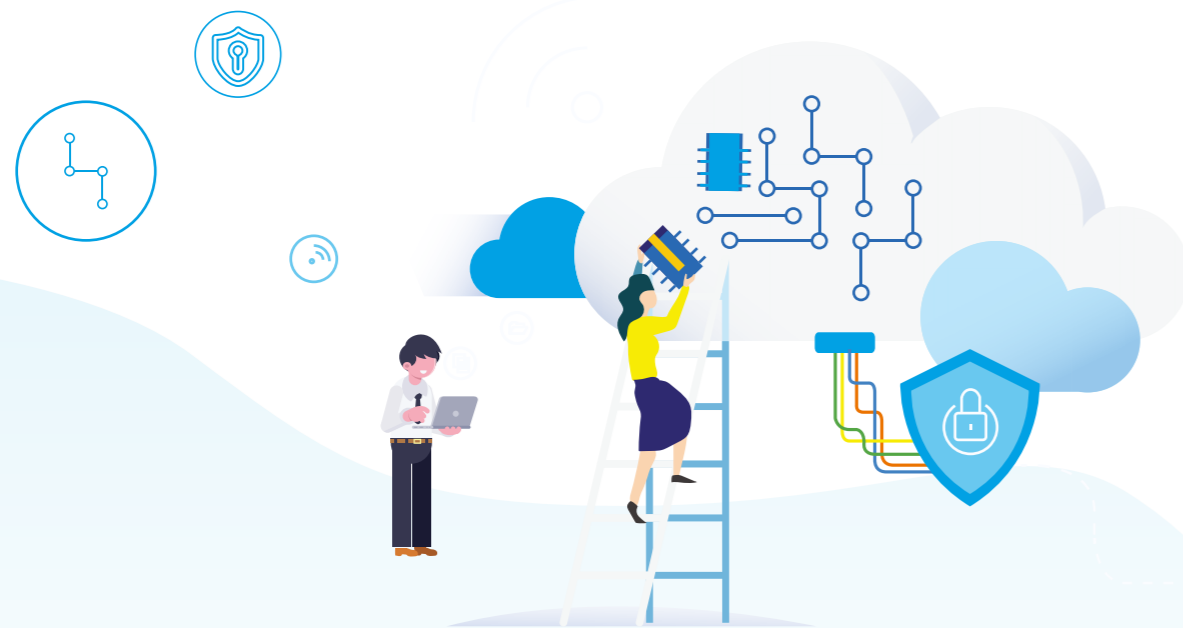
The Group respects and safeguards the privacy of its customers and patients and is committed to protecting their privacy. We have implemented various measures to establish confidentiality obligations of employees, preventing employees from the disclosing personal information of customers and patients. The Group strictly abides by the laws and regulations related to privacy matters and have a significant impact on the Group, such as the *Tort Law of the People's Republic of China*, etc. The Group also formulates the *Patient Information Management Procedure* and the *Behavior Management System for the Group's Employees* to standardize the management process of patient information and require all related employees to follow, avoiding leakage of personal information of patients. The Group monitors compliance of its employees by limiting access to patient information to authorized employees only.

To further enhance awareness on confidentiality of our employees and business partners, we sign confidentiality agreements with our employees at the commencement of their employment, requiring them to take responsibility for the protection of all confidential information during their employment. During a partnership, we sign a confidentiality agreement with the business partner or add a confidentiality clause to the contract to ensure that the partner is obligated to keep all known information confidential.

Advertisement and Product Labeling

The Group emphasizes the accuracy of advertising and product labeling in order to protect the rights of customers. The production of promotional materials and advertisements on the Group's products strictly abides by the laws and regulations that have a significant impact on the Group, such as the *Pharmaceutical Administration Law of the People's Republic of China*, the *Advertising Law of the People's Republic of China*, and the *Measures for the Examination of Drug Advertisements*, etc. Pharmaceutical-related advertisements are examined and approved by the provincial drug regulatory authorities to ensure compliance with laws and regulations. Yulin Pharmaceutical has formulated the *Measures for Supervision and Management of Advertisement Placement (Trial)* to regularly monitor the content of advertisements published through different channels to ensure the authenticity and integrity of all advertisements placed.

Meanwhile, the Group produces medicine labels in strict accordance with the *Pharmaceutical Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Registration*, the *Provisions on the Administration of Pharmaceutical Directions and Labels*, and other regulations, in order to eliminate unclear, misleading information or words. In addition, we have formulated the *Regulations on Packaging Materials* to standardize the management of packaging materials such as printing, labels and instructions, ensuring that all pharmaceutical information printed on the package should be correct.



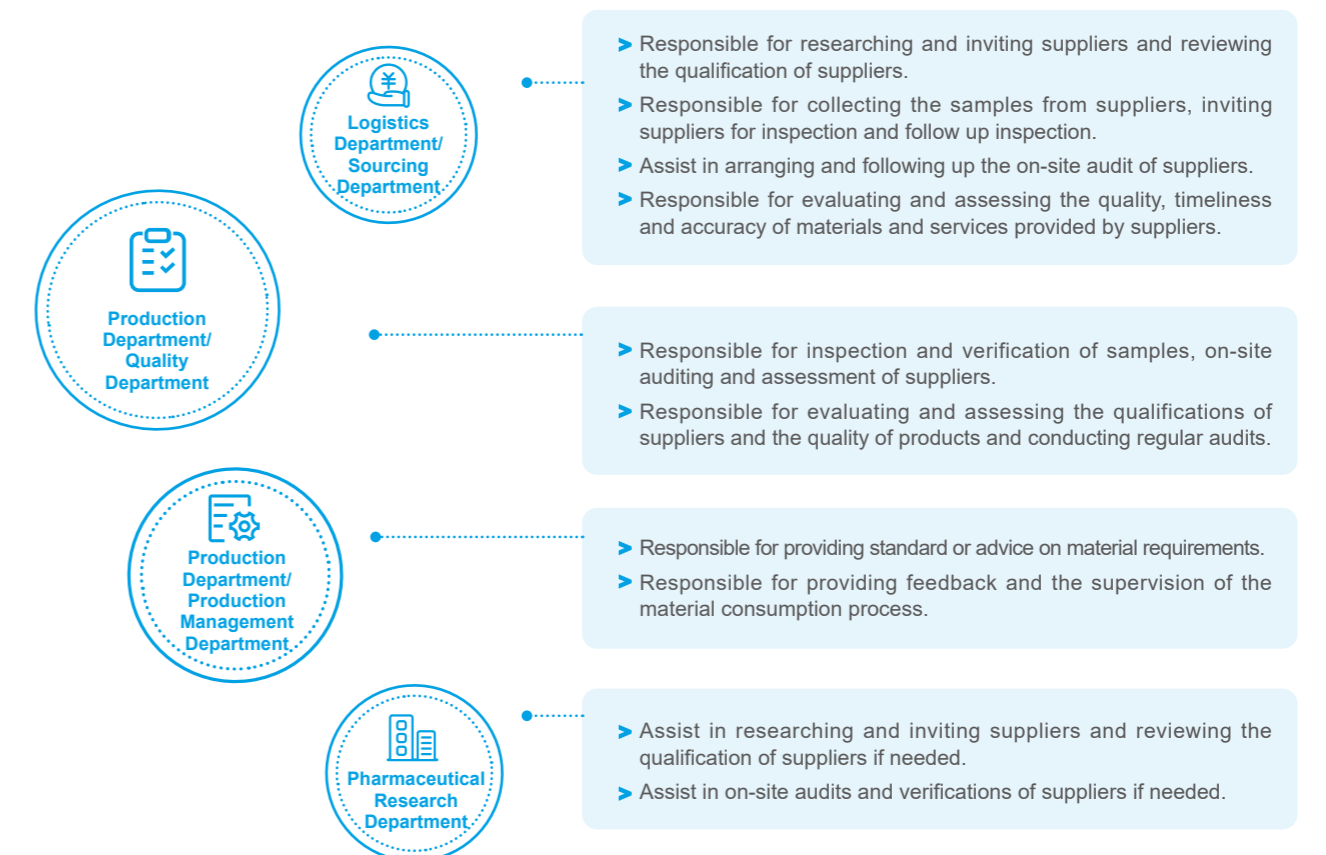
Supply Chain Management

We are able to maintain efficient product production and operation owing to the close cooperation with our suppliers. Therefore, we are committed to maintaining a win-win relationship with our suppliers. The Group has established a comprehensive supply chain management system to regulate the supply chain risk management and the selection and assessment of suppliers.

Stable and high-quality raw material supply ensures the sustainability of our business operations. The Group has formulated the *Procurement Risk Management System* to strengthen risk management in the procurement of raw materials. To ensure the quality of the Group's products and the stability of the supply chain, the Group conducts risk analysis and formulates relevant management measures on the following six identified procurement risks:



The Group has formulated the *Supplier Management Guidelines* to regulate the procurement management, specify the responsibility of each department in the procurement and establish procedures on the selection and supervision of suppliers. In addition to factors such as price and delivery time, we consider the environmental and safety factors related to the services and products provided by our suppliers and evaluate the factory environment, product safety and quality in compliance with relevant regulatory standards. The following shows the responsibilities of each functional department of the Group in supplier management:



The following is the workflow of the Group's supplier management process in relation to the selection, management and supervision of suppliers:



As of the end of the Reporting Period, the Group had a total of **144** suppliers and implemented the above selection and assessment practices for all suppliers.

The Number of Suppliers by Geographical Region



03

Caring Our Employees



康臣
益肾化湿颗粒
Yishen Huashidi Keli

Consun Pharmaceutical always regards "Respect People, Cultivate People, Accomplish People" as our human resource philosophy. We have built a diverse career development platform and implemented the idea of caring for our employees to organize a cooperative team and grow together with our employees.

Employee Management

Consun Pharmaceutical strictly complies with relevant laws and regulations that are relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare and preventing child and forced labor and have a significant impact on the Group, such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, etc. We have also formulated comprehensive human resources management systems such as the *Employee Handbook* and the *Employee Labor Contract Management System* to actively attract talents and build an efficient elite team.

Recruitment

- The Group has formulated management systems relating to recruitment, such as the *Recruitment Management System* and the *Recruitment and Allocation Management System*, etc, regulating the recruitment process. When the department raises the demand for recruitment, the Human Resources Department starts the recruitment process after approving the demand for human resources. We conduct recruitment activities through diversified recruitment platforms and select suitable candidates through interviews and other procedures. We sign labor contracts with hired employees to protect the rights of both the Group and employees.

Labor Standards

- The Group advocates the diversity of employees and provides equal job opportunities. Also, we prohibit any discrimination against employees based on race, ethnicity, nationality, religion, and gender.

- At the same time, the Group strictly follows the laws and regulations relating to labor standards, such as the *Provisions on the Prohibition of Using Child Labour*, prohibiting the employment of child labor. During the recruitment process, we scrutinize candidates for information such as identity cards in details to avoid the risk of recruiting child labor due to false information.

- Meanwhile, we sign labor contracts with every hired employee according to the *Employee Labor Contract Management System* to ensure that employees are employed on an equal and voluntary basis to avoid forced labor.

- As of the end of the Reporting Period, the Group had not been involved in any cases relating to child labor or forced labor.

Dismissal

- The Group has set out the conditions, requirements and procedures for the termination of the labor contracts in the *Employee Labor Contract Management System*. The Human Resources Department could deny the decisions of dismissal of employees that do not meet the requirements to protect the rights and interests of employees.

Remuneration

- The Group has formulated the *Remuneration and Welfare Management System* and other remuneration management policies. We combine the working performance with salary and bonus and set up quarterly and annual performance bonuses, to motivate, attract and retain outstanding employees, for laying a human resource foundation for the long-term development of the Group.

Working Hours and Rest Periods

- The Group has formulated the *Employee Handbook* and *Employees' Leave Management System* based on the actual situation, to regulate the working hours and leaves and fully protect the basic right of employees.

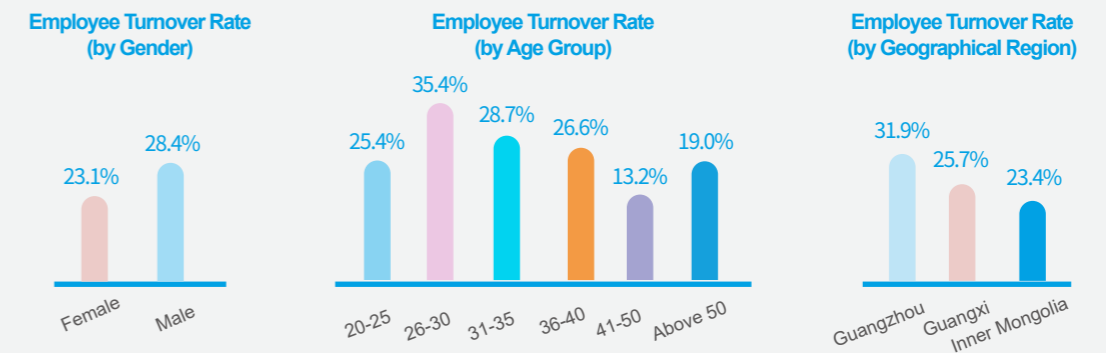
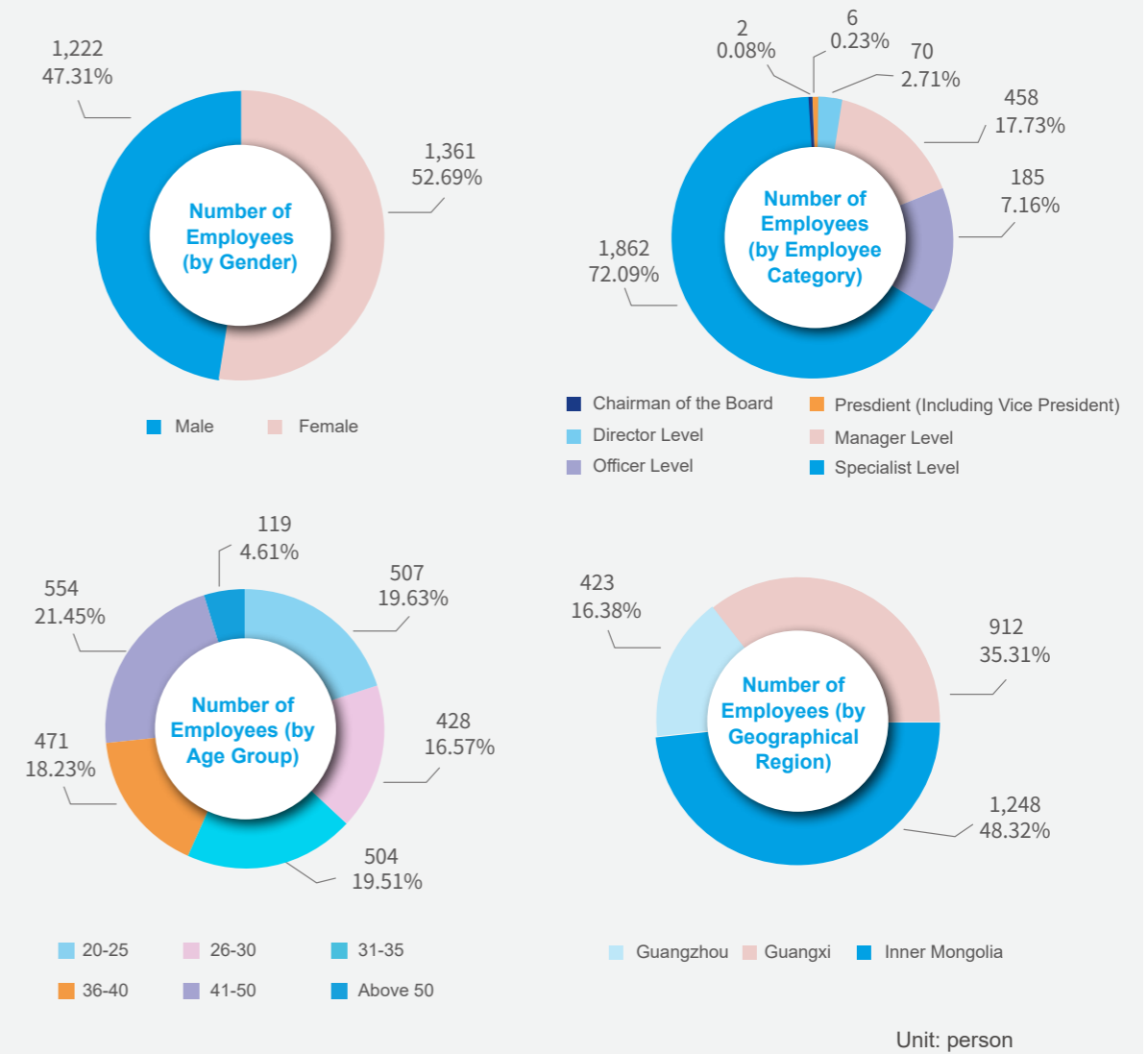
Working hours: five-day per week, eight-hour per day.

Leaves: public holidays, statutory leave, annual leave, marriage and compassionate leave, maternity leave, paternity leave, work-related injury leave, medical leave, sick leave, private affair leave, special leave, etc.

Promotion Ladder

- Taking employees' abilities as the leading factor and working performance as the standard, we provide equal promotion opportunities to our employees. We utilize the assessment method by combining key performance indicators and goal setting, to list those employees who have outstanding performance and ability as reserve leaders, prioritizing them for promotion and development.

During the Reporting Period, the Group had a total of 2,583 employees and all of them are full-time employees. The following shows the number of employees and turnover rate¹ by different categories:



¹ The calculation method of employee turnover rate: the number of employee in the specified category leaving employment/ the total number of employees in the specified category of the Group during the Reporting Period (including the left employees)

Employee Welfare

Consun Pharmaceutical advocates the team concept of “Intergrowth and Co-creation with One Heart and Mind” and adopts a variety of employee-friendly policies to establish the foundation of its corporate culture. We listen carefully to the concerns of our employees and provide them with a wide range of benefits and welfares, to foster a supportive and caring corporate culture. To actively unite our employees, we organize diversified employee activities to enhance the sense of belonging and team spirit of our employees.

The Group has established the *Regulations on the Administration of Welfare and Allowances* to provide employees with daily lunch allowances, transportation and communication subsidies, annual body check, medical mutual insurance, commercial accident insurance, festival prizes and other benefits. Meanwhile, we also implement a share option scheme for our employees, so that the team can form a closer community having the same interest with the Group, further motivating the enthusiasm and dedication on work of the employees.

Case study >>> Dragon Boat Festival Special Event and Birthday Party for Employees

On 23rd June, 2020, we held a birthday party for our employees with the theme of Dragon Boat Festival to celebrate the festival together with our employees and send birthday wishes to employees whose birthdays were in May and June. During the event, our employees assembled mini dragon boats, made festive scented bags, played group games and shared a birthday cake together. The employees were able to relieve their work pressure and enhanced their sense of belonging to the team through this interesting group event after work.



> Assembling dragon boat and various prizes

Case Study >>> Interim Incentive Travel for Marketing Employees

From 19th to 22nd July, 2020, the Group held a mid-term incentive travel in Anhui Province for marketing employees. During the four-day three-night trip, the employees visited Jiuhua Mountain, Hong Village, Chengkan Bagua Village, Huizhou Ancient City and other famous tourist attractions together, and enjoyed an amazing cultural trip. The incentive trip fostered the relationship between the marketing employees and strengthened the cohesion between employees and the Group.



> Incentive Travel

Case Study >>> Yulin Pharmaceutical Held the Seventh Reading Sharing Workshop

On 30th December, 2020, Yulin Pharmaceutical held the seventh reading sharing workshop, which attracted over a hundred employees to attend. During the workshop, six employees recommended good books to the participants and shared their book reviews. The reading sharing workshop promoted communication and sharing among employees and enriched their cultural life.



> Sharing of book reviews by employees

Nurturing Talents

Talent development is an indispensable foundation for the sustainable development of the Group. Therefore, the Group has established systems such as the *Training and Employee's Career Development Management System* and the *Internal Trainer Management System* to regulate the management of employee training of the Group, including departmental responsibility, training plan, activity budget, etc. The Human Resources Department is responsible for the overall management, while other departments such as Quality Department, Environmental, Health and Safety Department and Production Department, etc., assume training management responsibilities according to their functions. All functional departments and employees have the obligations to learn proactively and implement the training requirements.

The Group strives to encourage and provide employees the opportunity to develop their talents, we support them to join training according to their personal needs, duties, etc. The Group prepares training plans and activities annually in accordance with the development needs and the preferences of employees. The Group implements the concept of "Plan, Do, Check, Act" (PDCA) in its workflow of training management, regularly reviews and improves its training activities in order to provide up-to-date training activities to meet the development needs of the Group and its employees.

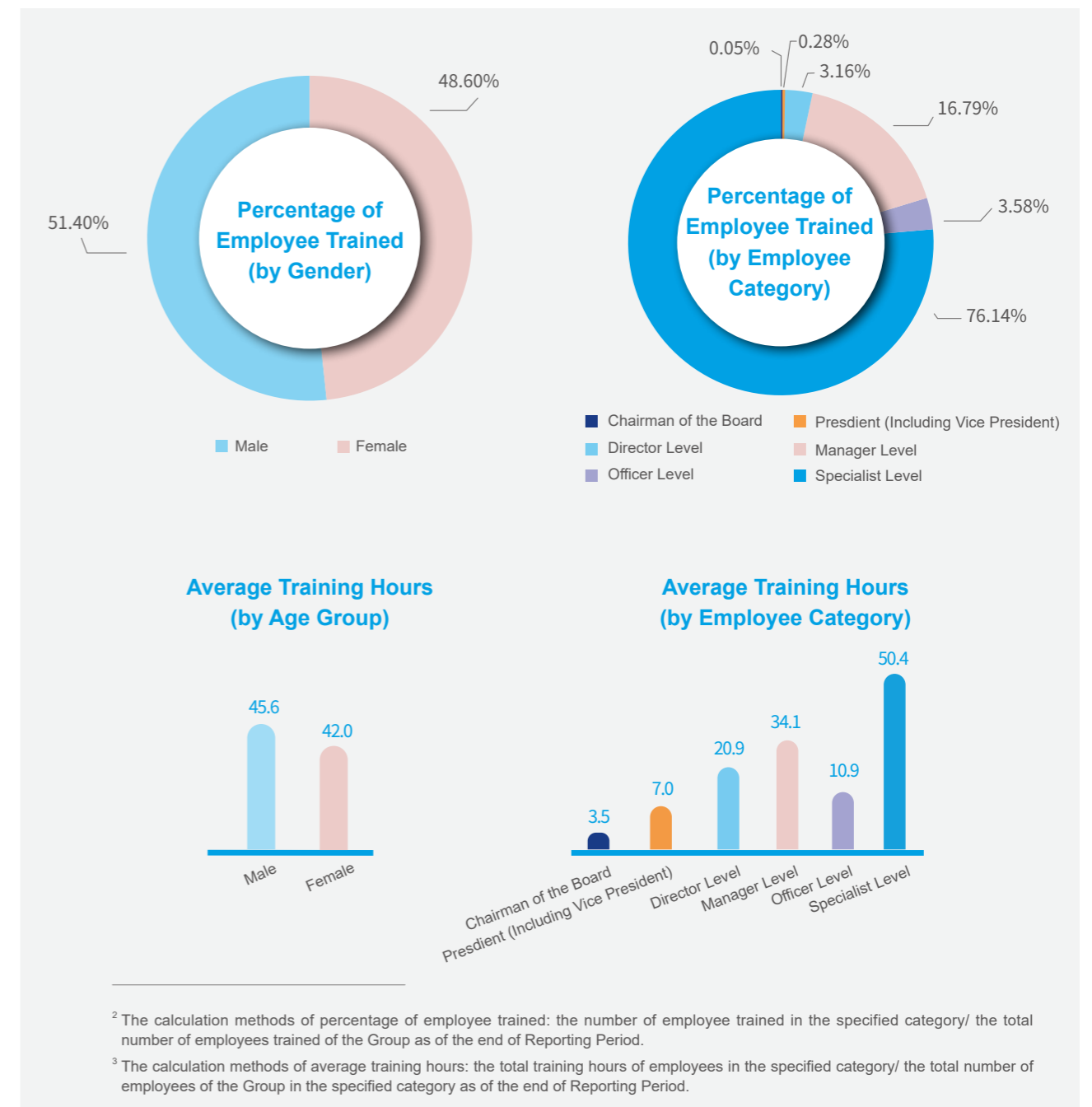


Through systematic planning and implementation of diversified training programs, including course training, outdoor development, job rotation, e-learning and other forms of learning activities, we continue to improve the vocational skills and competency of our employees, promoting a win-win model of corporate development and self-fulfillment. The Group's training programs are mainly classified into new employee orientation, position training, promotion training, compliance training and specialized training. The details are as follows:

Type	Training Programmes
New employee orientation	New employee orientation training, new employee departmental coaching and centralized training for new employees
Position training	Department in-house training and certification of Vocational certificate
Promotion training	Skill level promotion training and management level promotion training
Compliance training	Three-level safety education, Good Manufacturing Practices for Pharmaceutical Products (GMP)
Talent Development Training	Successor training and potential/competent personnel training
Specialized Training	Specialized training for management trainees, internal trainer training, marketing employee training and academic education

The Group utilizes external teaching resources and internal trainer teams to create a comprehensive training system for our employees. We further develop and optimize our internal training system. All functional departments of the Group have jointly developed employee learning maps in accordance with the requirement of the role of employees and their own development needs. The training covers area of vocational qualification, individual knowledge, business management and team management. Through the development and integration of internal training resources and materials, the Group has continually improved the quality of internal training. Meanwhile, the Group provides abundant learning resources to its employees through developing a mobile learning platform, purchasing external training courses and integrating internal training courses to support talent development.

During the Reporting Period, the Group's total training hours were approximately 112,964.4 hours and the average training hours per employee was 43.7 hours. The following shows a breakdown of the Group's percentage of employee trained² and the average training hours³ by gender and employee category.





Case Study >>> "The Big Name Lecture" Series

During the Reporting Period, the Group held three seminars under the "The Big Name Lecture " series. " The Big Name Lecture" series were conducted by the Group's management sharing the knowledge relating to corporate development and business operations with the employees, which effectively improved their overall working skills.



> The first seminar of "The Big Name Lecture"



> The second seminar of "The Big Name Lecture"



> The third seminar of "The Big Name Lecture"



Case Study >>> Innovative and Interesting Learning Approach - Yulin Pharmaceutical Held Knowledge/Skills Competitions

In order to stimulate employees' creativity and increase their motivation for training, Yulin Pharmaceutical held a "Fundamental of Lean Production" knowledge competition and a "Vocational Skills Competition" to provide training to its employees through innovative and interesting learning styles.



> "Fundamental of Lean Production" knowledge competition



> "Vocational Skills Competition"



Case Study >>> The 3rd New Employee Training for Marketing Employees in 2020

In order to help new employees adapt to the new environment and enhance their sense of belonging to the Group, the Group organized the third new employee training for marketing employees in two batches in August and September 2020. This training is conducted by various internal trainers outside the headquarters, covering knowledge related to our corporate and products and marketing skills. Through classroom learning, discussion and sharing with trainers and colleagues, and competitions, new employees continuously learn and acquire new knowledge, effectively enhancing their work skills and knowledge.



> The classroom learning of 3rd New Employee Training for Marketing Employees



> Graduation group photo of 3rd New Employee Training for Marketing Employees

Health and Safety

The Group regards safeguarding the health and safety of its employees as its top priority and strives to provide a safe working environment for its employees. The Group strictly complies with law and regulations such as the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Provisions on the Administration of Occupational Health at Workplaces*, etc. and implements safety measures during production and daily operation to protect the health and safety of its employees.

The Group's main operation sites include production lines, laboratories and offices. The Group has formulated a series of occupational health and safety policies to address different occupational health and safety risks, such as the *Safety Production Management System* and the *Safety Production Responsibility Management System*, in order to regulate the occupational health and safety issues during operation. The Group has formed a safe production leading group which is responsible for conducting production safety training for the employees in the Production Management Department, formulating the production safety rules and operating procedures, conducting safety supervision and inspections and implementing the safety instructions of the Group, in order to ensure production safety. The Group strictly abides by the relevant laws and regulations, and there was no accident of work-related fatalities during the past three reporting periods.

Meanwhile, the Group is highly concerned about the occupational health and safety of its employees and actively prevents occupational hazards by formulating policies such as the *Occupational Hazard Prevention and Control Responsibility System*, the *Occupational Disease Prevention and Control Planning, Implementation Plan and Scheme*, etc. The prevention and control measures of occupational disease of the Group is as follows:

Establish a comprehensive responsibility system for the prevention and control of occupational diseases

- Establish an occupational health management leading group to implement work related to prevention and control of occupational disease to ensure compliance with local laws and regulations.

Provide a workplace that meets occupational health requirements

- Install appropriate safety facilities in the workplace to reduce and control occupational hazards in the production process.
- Inspect and maintain the safety facilities regularly to ensure the normal operation of the safety facilities.
- Provide employees with personal protective equipment and educate them on the proper use of equipment to prevent occupational hazards.

Declare Occupational hazard

- Regularly report the occupational disease hazards of workplaces listed in the Occupational Disease Catalogue to the local production safety supervision and management department, and undergo supervision by the relevant departments.
- Submit pre-evaluation reports on occupational hazards of all construction projects promptly to relevant departments and grant their approval.

Establish a comprehensive occupational health management system

- Monitor and evaluate occupational hazards in the workplace regularly to ensure that the risk level of occupational hazards meets regulatory standards.
- Formulate emergency plans for accidents related to occupational hazards and organize regular drills for employees to ensure that they respond properly to accidents.
- Collect, classify and analyze documents related to the management of occupational health, such as inspection and evaluation reports, to ensure the accuracy and reliability of relevant documents.

Occupational Disease Reporting System

- Report promptly to the local government department if employees are found or suspected to be suffering from occupational diseases.

Set up warnings and notices related to occupational hazards and notice employees in the contract

- When signing contracts with employees, honestly inform them of the type, consequences and protective measures of occupational hazards involved in the work.
- Set up warnings and instructions in offices with potential occupational hazards, including the types, consequences, preventive measures and emergency measures of occupational hazards.

Occupational Health Training

- Provide occupational health training to employees who are in direct contact with occupational hazards or engaged in the prevention and control of occupational diseases once a year, to raise awareness and skills of employees on prevention of occupational hazards.

Safety Warnings



> Inner Mongolia Consun set up a hazard warning at production base



> Yulin Pharmaceutical set up a flammable warning at Renhou production base



Case Study >>> Conducting Fire Drills

During the Reporting Period, Guangzhou Consun, Inner Mongolia Consun and Yulin Pharmaceutical conducted fire drills at their production bases. During the fire drills, employees were familiarized with the use of fire-fighting equipment and rescue procedures, which improved their knowledge and ability on emergency response.



> The fire drill of Guangzhou Consun



> The fire drill of Inner Mongolia Consun



> The fire drill of Yulin Pharmaceutical



Case Study >>> Actively Control and Prevent Epidemic and Raise Employees' Awareness of Epidemic Prevention

In early 2020, there was an outbreak of COVID-19. During the crucial period of epidemic prevention and control, the Group set up an emergency epidemic prevention and control working group to implement a series of epidemic prevention measures, including disinfection of the public environment, distribution of epidemic prevention supplies and dining protection arrangements in the canteen, etc. to fully protect the safety of employees. In addition, in order to raise the awareness of epidemic prevention and control of employees, the Group has conducted online training and examinations for all employees on epidemic prevention and control.



> Yulin pharmaceutical implemented safe distance in canteen



> Guangzhou Consun disinfected public area



> Inner Mongolia Consun measured visitors' body temperature at the entrance

04

Protecting the Environment



The Group adheres to the concept of green development and strives to balance economic development and environmental protection to achieve a sustainable business model.

The daily operation sites of Consun Pharmaceutical are mainly production bases, laboratories and offices. The major environmental impacts of our operations include energy consumption, water consumption, greenhouse gas emissions, air pollutant emissions, hazardous and non-hazardous waste emissions, noise and chemical disposal. We have formulated environmental policies and implemented a variety of measures to specifically manage our environmental impacts. In addition, we raise the awareness on environmental protection of our employees and encourage them to work together with us to protect the environment.

During the Reporting Period, the Group has strictly complied with the following environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste and have a significant impact on the Group (including but not limited to):

- *Environmental Protection Law of the People's Republic of China*
- *Water Pollution Prevention and Control Law of the People's Republic of China*
- *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*
- *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*
- *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*
- *Energy Conservation Law of the People's Republic of China*

Energy Conservation and Emission Reduction

Energy consumption is a major source of greenhouse gas and air pollutant emissions of the Group. Therefore, the Group actively implements energy conservation and reduction measures to reduce its emissions and promote a green and low carbon emissions business model. The Group's energy consumption in the operation processes mainly includes the operation of production bases, electricity consumption of offices and use of vehicles.



For the management of energy consumption in production bases, the Group has formulated the *Energy Efficiency Monitoring and Measurement Management Procedures* and the *Energy Efficiency Assessment Management Procedures* to establish the total energy consumption quota and implement energy management from the overall management level to the departmental level, improving the management on energy saving and emission reduction. The management measures of energy conservation at the departmental and overall management levels are as follows:

Overall Management Level	Monitor Energy Efficiency	Regularly collect and consolidate energy consumption data to ensure that it truly and reliably reflects the energy consumption of the production sites.
		Regularly analyze energy consumption data and rectify abnormal and high consumption situations.
Departmental Level	Establish Energy Consumption Quota	Establish the energy consumption quota proposal with departments according to situations such as the past energy consumption and the industry performance, etc.
		Relevant departments organize and arrange duties in strict accordance with their energy consumption quotas.
	Evaluate Energy Efficiency	Establish documentation of energy consumption management, including original consumption records and statistical analysis files of the energy consumption.
		Assess the implementation of energy consumption quota of departments through quarterly assessment and daily sampling.

In order to reduce greenhouse gas and air pollutant emissions effectively, the production base of Inner Mongolia Consun has set goals on energy conservation. During the Reporting Period, Inner Mongolia Consun implemented energy conservation measures in strict accordance with the *Energy Conservation Target Management Regulations* and evaluated the energy conservation situation after the end of the year. In 2020, the electricity consumption intensity of Inner Mongolia Consun is reduced by 2.09 kWh per RMB 10,000 of product value, while its coal consumption intensity is reduced by 0.00023 tonnes per RMB 10,000 of product value, comparing to that of 2019. We recorded a decrease for the second consecutive year. The following are the energy conservation measures adopted by Inner Mongolia Consun:

Energy Conservation Measures

- Adopt advanced lighting technology with high efficiency and low energy consumption to reduce electricity consumption.
- Replace outdated electrical appliances and install frequency converters for high-power electrical appliances to reduce electricity consumption.
- Oversee the implementation of the measures.

Coal-saving Measures

- Achieve the objectives of coal-saving through analysis and exploration of projects that have higher coal-saving potential, according to the actual gas production and heat supply.
- Strengthen the management of coal usage to reduce unnecessary consumption. Inform gas supply departments to close valves after the use of steam.
- The water temperature of heat supply in winter should be adjusted based on the weather to reduce energy waste.

Although the energy consumption of the Group's offices is less than that of its production bases, the Group has devoted itself to promoting green office in order to take up its environmental responsibility. The relevant measures adopted include the application of the office automation (OA) system, paperless office and reduction in the consumption of office supplies. Meanwhile, we have issued information relating to green office to our employees, such as the "Green Office, Low-carbon Life" initiative and the *Notice on Electricity-saving*, which requires the implementation of below environmental management measures in the office.

Energy Conservation Measures of Offices

- ⦿ Avoid permanent lighting, reduce the use of lighting and make extensive use of natural light sources.
- ⦿ The temperature setting of air-conditioning should not be lower than 26°C in summer and higher than 20°C in winter. Advocate to reduce the operating hours of air-conditioning by 1 hour per day and postpone the operation of air-conditioning for 1 hour after work in summer.
- ⦿ Instruct the employees to use computers scientifically, such as turning off unnecessary computer programs, turning the monitors' brightness to medium, turning off power when computers are not being used.
- ⦿ Shut down a portion of office lights and office equipment during lunch breaks and overtime work. Turn off all office equipment and unnecessary electrical appliances in the office after work.

Water Resource Management

The wastewater produced during production processes is mainly industrial and domestic wastewater which consists of major pollutants such as chemical oxygen demand (COD), suspended solids, ammonia nitrogen, phosphorus, etc. In order to protect water resources effectively, we implement a variety of water management policies to regulate wastewater treatment and water conservation measures.

All production bases of the Group have installed wastewater treatment facilities to collect and treat wastewater, so as to ensure that treated wastewater meets local effluent discharge standards and can then be discharged to the local sewage treatment plant for centralized treatment through the municipal pipe network. Meanwhile, the production bases of the Group regularly entrust qualified agencies to conduct sampling tests on discharged wastewater, further strengthening the management and supervision of sewage discharge. The Group also actively considers the application of efficient wastewater treatment technologies to enhance the effectiveness of wastewater treatment. The production bases of the Group also formulate wastewater treatment policies, such as the *Management Regulations of Factory Sewage Treatment and Discharge*, to manage the industrial wastewater produced.

Industrial Wastewater Management Measures



- Set up sewage treatment facilities and prohibit the direct discharge of sewage into the municipal network.
- Randomly test the temperature, pH and COD of the discharged wastewater on a weekly basis to ensure that the treated wastewater meets the effluent discharge standards.
- Regularly maintain sewage treatment facilities to ensure their safe, reliable, normal and effective operation.
- The wastewater produced from the production and cleaning process by the production lines must be diverted to the wastewater treatment facilities through the sewage network of the factory to ensure that the wastewater is properly treated.

During the Reporting Period

We recycled and reused **39,319** tonnes of cooling water and condensate, including:

1,941 tonnes of condensate from the evaporation of medical liquid



6,124 tonnes of condensate from steam



31,254 tonnes of cooling water



We also actively allocate resources to the protection of water resources. Even though our production bases are located in areas that do not involve issues in access to water, we have also implemented water conservation measures to reduce the consumption of valuable water resources. Through technical reform, we efficiently recycle extracted, condensed, dried cooling water and condensate to enhance the efficiency of water usage and to reduce water consumption and sewage discharge. Moreover, we also adopted the following water conservation measures:

Water Conservation Measures

- Install secondary and tertiary water meters for water balance testing.
- Make daily records of water meters to monitor water usage. Conduct a water usage plan and implement an advanced reward and punishment system.
- Post water-saving slogans.
- Conduct water supply point inspections in the plant area and rectify water leakage problem.
- Carry out the reformation of extraction workshops by adding new model equipment and reforming production technologies.

Case Study >>> Yulin Pharmaceutical Renovated Wastewater Treatment Facilities

During the Reporting Period, Yulin Pharmaceutical carried out renovation and upgrade of the wastewater treatment facilities at the production base. The project has passed the inspection of the Yulin Environmental Protection Bureau and discharged effluent has met the standards. Furthermore, the wastewater treatment station has installed new online monitoring equipment, which can monitor the effluent indicators such as pH value and COD concentration in the sewage tank, further improving the wastewater treatment work.



> Sewage tank and monitoring equipment

Emissions Management

Air Pollutants Management

Air emissions generated during the Group's operations mainly derive from flue gases of coal-fired boilers and exhaust gases from production. In order to actively conduct pollution prevention, pollution control and emission reduction, the Group has formulated the *Management Regulation for Environmental Protection*, which regulates the relevant responsibilities and codes of practice of each department.

Air pollutant Management Measures

- The flue gases produced by coal-fired boilers need to go through dust removal, desulfurized and denitrified before discharging into the atmosphere.
- Test exhaust gases by qualified environmental monitoring agency quarterly.
- Ensure that the exhaust gas absorption system can operate safely, reliably and normally. Ensure that the system can operate efficiently, durably, safely and economically and also ensure that exhaust gases can meet the discharge standards by using the system's technical features.
- Recycle and properly dispose the exhaust gases and chemical substances produced in the production process. Prohibit direct emissions.
- Strictly control fugitive emissions and seal all storage containers with cover.

During the Reporting Period, the Group entrusted a professional agency to conduct tests on the flue gas emissions of boilers and regularly monitored the emissions of boilers. For dust-producing production lines, we install corresponding dust removal equipment to protect the health of the employees and maintain a clean working environment. For example, the pharmaceutical granulation production line of the Guangzhou production base is equipped with medium-efficiency filters and bag-type dust removal technology.

Case Study >>> The Use of Biomass Pellet Fuel

Yulin Pharmaceutical purchased steam produced from the pellet fuel. Pellet fuel is a new environmentally friendly energy that is renewable, low-polluting and has high calorific value. During the Reporting Period, Yulin Pharmaceutical's headquarter base purchased steam which burned 2,396 tonnes of pellet fuel, equivalent to burning 1,369 tonnes of coal. Comparing to coal, the use of pellet fuel reduces air pollutant emissions.



Waste Disposal

The Group's hazardous wastes mainly include waste liquid of the pharmaceutical research department, wasted fluorescent tubes, ink cartridges, etc. from daily operation. The Group's non-hazardous wastes mainly include medicine dregs, boiler residues and food wastes. The Group has established the *Medicine Dregs Treatment Management System* and the *Management Regulation for Environmental Protection* to standardize waste disposal practices. For instance, the medicine dregs at the production bases are handed over to professional agencies for clean-up, transport, and legal disposal. The production bases supervise the work status and quality of waste disposal conducted by the medicine dreg treatment companies and communicate with them promptly to ensure that the medicine dreg disposal is timely, standardized and reasonable.

Collection and Handling

- Classify the hazardous and non-hazardous wastes and store them in specific sites. In addition, labels must be placed on the storage site of hazardous waste.
- Hazardous wastes such as waste liquids generated by the pharmaceutical research department are entrusted to qualified recycling organizations for proper disposal.
- Clean and disinfect the non-hazardous waste regularly.

Waste Reduction

- Classify and recycle recyclable waste to reduce the impact of waste disposal on the environment.
- Reuse office paper and recycle paper, newspapers and books that have been fully utilized to reduce waste paper production.
- Promote the repair and recycling of office supplies and equipment to reduce the waste generated by the office.

The Group actively reduces the generation of various types of waste through recycling hazardous and non-hazardous wastes. For detailed data, please refer to the Environmental Performance Table in the Appendix.


Case Study >>> Waste Recycling and Reuse

During the Reporting Period, Guangzhou Consun entrusted qualified organizations for the recycling and reuse of medicine dregs for landscaping and planting, effectively turning 770.74 tonnes of drug dregs into valuable resources. Yulin Pharmaceutical's headquarter production base actively recycled waste, such as medicine dregs, industrial waste such as cardboard boxes, woven bags, sacks, plastic bottles, etc. Yulin Pharmaceutical successfully recycled 77,619 kg of waste, contributing to resource conservation.



Noise Management

The noise produced by the Group's production bases is mainly from production equipment, such as chiller units of air compressors, different types of fans and some mechanical rotating equipment in the production process. During the Reporting Period, the Group conducted regular noise inspections at the plant boundary to ensure that it complied with the requirements set out in the *Emission Standard for Industrial Enterprises Noise at Boundary*. The Group implemented the following noise management measures to reduce the impact on the surrounding area of the plant boundary:



Noise Prevention Measures

- In the layout of the plants, the noisier workshops are located far away from the plant boundary and office area.
- Select quieter equipment and machinery, and install vibration dampers and mufflers on the noise-producing equipment.
- Strengthen the maintenance of equipment to eliminate the problem of loud noise caused by the abnormal operation of equipment.
- Increase the greening area within the plant and set up green belts around the plant boundary for noise reduction.

Chemical Management

The Group is involved in the application of chemicals in its production process and R&D process. As chemicals are toxic, combustible and explosive, they can have significant impacts on the environment and natural resources, such as soil and water pollution in the event of leakage or improper disposal. We focus on managing and storing chemicals from safety and environmental perspectives to protect the ecological environment and our employees' health. We have formulated policies such as the *Management System for Reagents, Samples, Biological Materials and Specimens* and the *Yulin Pharmaceutical Chemicals Anti-leakage Measure*, in order to standardize the acquisition, storage, disposal after use, leakage prevention measures and relevant emergency measures of chemicals.

Chemical Management Measures

- Obtain chemicals from the official channel and store it according to the required storage conditions.
- Record storage information of chemicals to ensure proper storage and transfer of chemicals.
- Require the employees who are well-trained to handle chemicals.
- Manage chemical warehouses strictly.
- Implement prevention measures on the leakage of oil drums and chemical containers.
- Implement prevention measures on the leakage of chemicals stored in the open area.

Environmental Education

We are committed to promoting awareness of environmental protection among our employees and encouraging them to adopt environmentally friendly behaviors in their daily life to contribute to the protection of the environment and natural resources. We spread knowledge and skills on environmental protection by continuous promotion and education to raise the awareness on environmental protection of the employees. We post different types of signs that promote environmental protection in our plants, office areas and canteens to remind our employees on resource conservation at work. In addition, we also organize activities on environmental protection for our employees on an irregular basis, so as to protect the environment of the community together.

Case Study >>> Promotions on Awareness on Environmental Protection



> Inner Mongolia Consun Posted Posters Related to Environmental Protection



> Guangzhou Consun Posted Posters Related to Environmental Protection

Case Study >>> Yulin Pharmaceutical Held a Green Walk

On 10th May, 2020, the Yulin Branch of the Consun Charity Association organized a Green Walk, namely "Treasuring Bagui's Environment" in Yulin Hanshan Reservoir for its employees. During the walk, employees cleaned up the garbage on the roadside and promoted the green concept of "please do not litter" to protect our environment by practical actions.



> the Yulin Branch of the Consun Charity Association Organized a Green Walk

05

Contributing to Our Community



Bearing the interests of the community in mind, Consun Pharmaceutical practices its corporate social responsibility by assisting vulnerable groups. Over the years, Consun Pharmaceutical has been continuously involved in charitable activities such as helping the needy, helping the disabled, supporting the students and supporting the development of the pharmaceutical industry.

Featured

Consun Charity Association

The Group established the "Consun Charity Association" in 2018 to promote public welfare activities and volunteer services through an independent and non-governmental organization (NGOs) cooperation and encourage employees in participating voluntary services. The Group has established the *Operation and Management Regulations of Consun Charity Association* to regulate the structure, positions and project management of the Consun Charity Association. As of the end of the Reporting Period, Consun Charity Association has established 10 branches across China with more than 200 volunteers. In the future, the Group will continue to expand the number of branches to 20 in order to promote the development of charitable activities.



During the Reporting Period, we organized charitable activities for the patients, education industry, disabled and other community services and actively cooperated with NGOs that meet the objectives and missions of Consun Charity Association, improving the effectiveness of charitable services.

Serving the Patients

In 2020, the Group cooperated with Chunnuan Social Work Service Center of Longgang District, Shenzhen to carry out a renal patient caring programme, namely "Blue Ribbon". We co-organized the "Patient Training" activity and invited experts to give talks on health education for renal patients. The project also launched a drug donation campaign to reduce the financial burden of patients. Meanwhile, we also organized various activities for renal patients, such as the financial management learning group and "Wonderful Handicraft" workshop, to care for those who are suffering from illness.



> Financial management learning group for renal patients



> "Wonderful Handicraft" workshop

Serving the Education

On 13th October, 2020, the Guangzhou Branch of the Consun Charity Association donated medicines and conducted a talk on scientific knowledge in the Eastern District Secondary School in order to support the "Technology Week Series" organized by the school. We led the students to learn about Chinese medicine in a fun and interactive way to enhance their understanding of Chinese medicine. The Consun Charity Association donated a hundred medical packs including daily medicines such as Zheng Gu Shui, pain-relieving Tincture and band-aids, protecting the health of teachers and students in sports.



> Organized a talk on scientific knowledge



Serving the Disabled

In 2020, Consun Pharmaceutical continued to organize "Consun Knitting Class" to support disabled persons to learn knitting and sold their products through a charity sale in an online shop, "Charity and Happiness Workshop". 209 pieces of knitting were sold in the charity sale and the amount of the sale reached RMB 5,570 dollars, achieving the goal of the charity sale. At the opening ceremony, the president of the Changchun branch of Consun Charity Association donated RMB 10,000 dollars to Changchun Xinyu Volunteers Association in the hope of assisting disabled persons to realize their self-worth and reflecting our corporate spirit of serving the community.



> The Opening Ceremony of "Consun Knitting Class"



Caring the Elderly

In 2020, Consun Charity Association initiated a series of community services under the theme of caring for the elderly, including organizing elderly care activities and elderly home visits, as well as donating food, festive items, Zheng Gu Shui and Pain-relieving Tincture to the elderly, proactively showing our care for the elderly.



> "Celebrating Mid-Autumn Festival and National Day" Elderly Care Activity




> " Holding hands with the elderly, warming their hearts" Elderly Visiting Activity

Featured

Supporting the Fight Against the Epidemic

In 2020, the outbreak of COVID-19 has an unimaginable effect on the world. Upholding the core values of "People-oriented, Sincere, Responsible, Sharing", the Group provided anti-epidemic supplies to our community members around the world who needed help immediately. As of the end of the Reporting Period, the Group had donated a total of RMB2.32 million dollars in funds and medical supplies.

 the Group had donated a total of **RMB 2.32** million dollars

National Donation

At the beginning of the outbreak of COVID-19, there was a serious shortage of epidemic prevention supplies at the frontline. Taking advantage of the pharmaceutical industry, we donated personal protective equipment and disinfection supplies, such as disinfectant, protective clothing, and medical masks, etc., supporting 825 hospitals and community health centers, 2 schools, and 3 organizations to fight the epidemic together. We donated to the three provinces in which we operate and also specifically supported Hubei Province, where the epidemic is severe. We also supported anti-epidemic work carried by different foundations such as Beijing Bethune Charitable Foundation and China Foundation for Youth Entrepreneurship and Employment, etc.

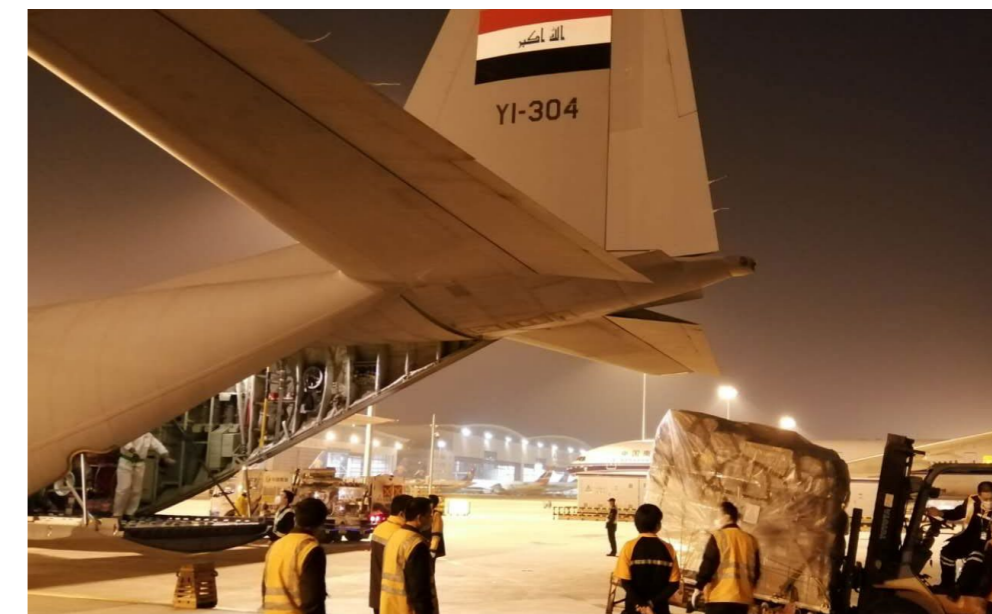
The donated supplies of the Group include:



> Donation Certificate

International Donation

As the epidemic spread overseas, we also assisted overseas to overcome the crisis. We supported the "International Humanitarian Aid Fund for the Fight against the Epidemic" of the China Red Cross Foundation to purchase supplies urgently such as infrared thermal imagers and ultraviolet disinfection vehicles, to assist the anti-epidemic work in Iraq.



> Military aircraft assisted in transporting epidemic prevention supplies

06

Collaborating with the Industry



The Group is committed to strengthening industry collaboration to strengthen the ability of the value chain of the pharmaceutical industry to serve patients. During the Reporting Period, the Group had in-depth communication and interaction with other partners in the pharmaceutical industry in order to promote the robust development of the industry.

Case Study >>> Yulin Pharmaceutical and Xinjiang Baicaotang Reach A Strategic Cooperation

On 24th June, 2020, Yulin Pharmaceutical and Xinjiang Baicaotang Medicine Chain Store Distribution Co., Ltd. ("Xinjiang Baicaotang") successfully held a strategic kick-off meeting and special skills enrichment training session in Xinjiang. During the meeting, representatives of both parties signed the strategic cooperation agreement, indicating the official initiation of the strategic cooperation. After that, Wen Yibo, a pharmaceutical industry marketing expert, delivered a special skills enrichment training session and taught the staff of Xinjiang Baicaotang about drug marketing skills and knowledge, thus enhancing the quality of cooperation between the two parties.



> Signing ceremony and special skills enrichment training

Case Study >>> Yulin Pharmaceutical Partners with Nepstar to Hold A Training Session



> Staff from Nepstar attended the training

In August 2020, Yulin Pharmaceutical cooperated with China Nepstar Chain Drugstore Ltd. ("Nepstar") to hold a training on products and Bowen Therapy in Chengdu, Sichuan for employees from Yulin Pharmaceutical and store managers and health consultants from more than 130 stores in Nepstar's Chengdu branch. The training helped the staff from stores to master the product knowledge more precisely, improving the level of professionalism and pharmaceutical service and helping to promote the development of the pharmaceutical industry.

Case Study >>> "CKD Classic Case Competition for Renal Care"

In order to promote the clinical standardization of chronic kidney disease in China and provide a platform for clinical experience exchange, the Group and the *China Medical News* co-organized the "CKD Classic Case Competition for Renal Care". On 15th December, 2020, the Group invited seven renowned experts in the field of nephrology to be the judges of the final. Over 23,000 audiences watched the competition online which successfully facilitated academic exchanges on nephrology treatment.



> Group photo of the winners



> Experts judged on site

Appendix

Environmental Performance Table

	Data in 2020	Data in 2019 ⁴	Unit
Resource Consumption			
Total Energy Consumption ⁵	81,643.70	73,458.97	mWh
Energy Consumption Intensity	0.47	0.43	mWh/RMB 10,000 of income ⁶
Total Purchased Electricity Consumption ⁷	11,513,885.53	10,533,903.00	kWh
Purchased Electricity Consumption Intensity	65.69	60.95	kWh/RMB 10,000 of income
Natural Gas Consumption	10.39	16.61	m ³
Natural Gas Consumption Intensity	0.000059	0.000096	m ³ /RMB 10,000 of income
Total Coal Consumption	7,282.07	7,030.16	Tonnes
Coal Consumption Intensity	0.042	0.041	Tonnes/RMB 10,000 of income
Total Purchased Steam Consumption	28,558.26	21,274.94	Tonnes
Purchased Steam Consumption Intensity	0.16	0.12	Tonnes/RMB 10,000 of income
Total Gasoline Consumption (Vehicles) ⁸	102,202.00	100,553.00	Liters
Gasoline Consumption Intensity (Vehicles)	3,097.03	3,142.28	Liters/gasoline-using vehicles
Total Diesel Consumption (Vehicles)	27,946.00	27,431.00	Liters
Diesel Consumption Intensity (Vehicles)	2,328.83	2,285.92	Liters/diesel-using vehicles
Total Water Consumption	338,704.00	339,444.00	Tonnes
Total Water Consumption Intensity	1.93	1.96	Tonnes / RMB 10,000 of income
Total Packaging Box Consumption	911.62	/	Tonnes
Packaging Box Consumption Intensity	0.0052	/	Tonnes / RMB 10,000 of income
Total Specification Consumption	67.04	/	Tonnes
Specification Consumption Intensity	0.0004	/	Tonnes / RMB 10,000 of income
Total Paper Box Consumption	415.24	/	Tonnes
Paper Box Consumption Intensity	0.0024	/	Tonnes / RMB 10,000 of income

⁴ The data marked with "/" in 2019 are the data started to collect from 2020. To improve comparability of data, the data related to natural gas, vehicle use and purchased electricity and their corresponding emission data for 2019 have been updated using the calculation method in 2020.

⁵ The calculation of total energy consumption includes purchased electricity, natural gas, coal, purchased steam, gasoline and diesel, the calculation methods are referenced from *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*, the *Gasoline for Motor Vehicles* (GB 17930-2016) and the *Automobile Diesel Fuels* (GB19147-2016).

⁶ The revenue of the Group in 2020 was RMB 1,752,830,000.

⁷ During the Reporting Period, the amount of the Group's pharmaceutical production increased compared to 2019 and therefore the consumption of electricity used increased compared to 2019. The total purchased electricity consumption has been amended in this Report. Please refer to this Report for purchased electricity and related emissions data in 2019.

⁸ As of the end of the Reporting Period, the Group owned a total of 33 gasoline vehicles and 12 diesel vehicles, adding one new gasoline vehicle compared to 2019.

	Data in 2020	Data in 2019 ⁴	Unit
Air Pollutants Emissions of Boilers⁹			
NO _x Emissions	4.92	4.75	Tonnes
SO ₂ Emissions	1.92	3.71	Tonnes
PM Emissions	1.91	1.35	Tonnes
Vehicle's Air Pollutant Emissions¹⁰			
CO Emissions	1,333.74	1,170.92	kg
NO _x Emissions	1,038.34	894.49	kg
SO ₂ Emissions	1.94	1.94	kg
PM _{2.5} Emissions	31.63	28.20	kg
PM ₁₀ Emissions	35.05	31.24	kg
Greenhouse Gas Emissions (Scope 1 and Scope 2)			
Total Greenhouse Gas Emissions	31,857.68	28,163.26	Tonnes CO ₂ e
Greenhouse Gas Emission Intensity	0.182	0.163	Tonnes CO ₂ e/ RMB 10,000 of income
Greenhouse Gas Emissions (Scope 1)	16,418.91	15,470.13	Tonnes CO ₂ e
Boiler Emissions ¹¹	15,084.88	14,563.04	Tonnes CO ₂ e
Vehicle Emissions ¹²	302.86	307.25	Tonnes CO ₂ e
Natural Gas Emissions ¹³	10.82	17.30	Tonnes CO ₂ e
Refrigerant Emissions ¹⁴	1,049.31	611.42	Tonnes CO ₂ e
Offset by Trees ¹⁵	(28.96)	(28.89)	Tonnes CO ₂ e
Greenhouse Gas Emissions(Scope 2)	15,438.76	12,693.13	Tonnes CO ₂ e
Purchased Electricity Emissions ¹⁶	7,024.62	6,426.73	Tonnes CO ₂ e
Purchased Steam Emissions ¹⁷	8,414.14	6,266.39	Tonnes CO ₂ e
Wastewater Discharge			
Wastewater Processed	193,639.02	170,306.98	Tonnes
Wastewater Processed Intensity	1.10	0.99	Tonnes /RMB 10,000 of income
COD Discharge	38.54	23.75	Tonnes
COD Discharge Intensity	0.00022	0.00014	Tonnes /RMB 10,000 of income

⁹ The calculation of air pollutant emissions from boilers includes only the boilers of the Inner Mongolia production bases, the calculation methods are referenced from the *Industrial Pollution Source Emissions Factor Manual*.

¹⁰ The calculation of air pollutant emissions of vehicles includes the vehicles of the Group owned and operated, the calculation methods are referenced from the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)*.

¹¹ The calculation of greenhouse gas emissions from boilers includes only the boilers of the Inner Mongolia production bases, the calculation methods are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*.

¹² The calculation of greenhouse gas emissions of vehicles includes the vehicles of the Group owned and operated, the calculation methods are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)*.

¹³ The calculation methods of greenhouse gas emissions of natural gas are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*.

¹⁴ The calculation methods of emissions of refrigerants are referenced from the *Global Warming Potential Values*.

¹⁵ The calculation methods of greenhouse gas offset by trees are referenced from the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong*.

¹⁶ The calculation methods of greenhouse gas emissions by purchased electricity are referenced the *Notice on the Development of the 2018 Annual Carbon Emissions Reporting and Verification and Emissions Monitoring Plan*.

¹⁷ The calculation methods of emissions of purchased steam are referenced from the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*.

Social Performance Table

	Data in 2020	Data in 2019 ⁴	Unit
Generation of Non-Hazardous Waste			
Total Amount	10,035.55	8,411.88	Tonnes
Generation of Medicine Dreg	8,866.07	7,298.00	Tonnes
Recovery of Medicine Dreg	8,866.07	7,298.00	Tonnes
Generation Intensity of Medicine Dreg	0.051	0.042	Tonnes /RMB 10,000 of income
Generation of Boilers' Residue	1,021.06	985.81	Tonnes
Recovery of Boilers' Residue	1,021.06	985.81	Tonnes
Generation Intensity of Boilers' Residue	0.0058	0.0057	Tonnes /RMB 10,000 of income
Generation of Waste Packaging Materials	140.92	121.50	Tonnes
Recovery of Waste Packaging Materials	133.18	63.39	Tonnes
Generation Intensity of Waste Packaging Materials	0.0008	0.0007	Tonnes /RMB 10,000 of income
Generation of Food Waste	7.50	6.57	Tonnes
Recovery of Food Waste	7.50	6.57	Tonnes
Generation Intensity of Food Waste	0.003	0.002	Tonnes /Employee
Generation of Hazardous Waste¹⁸			
Total Amount	4.81	/	Tonnes
Generation of Waste Laboratory Liquid ¹⁹	4.50	6.12	Tonnes
Generation Intensity of Waste Laboratory Liquid	0.00003	0.00004	Tonnes/RMB 10,000 of income
Generation of Waste Ink Cartridge	70.05	/	kg
Generation Intensity of Waste Ink Cartridge	0.0004	/	kg/RMB 10,000 of income
Generation of Waste Toner Cartridge	115.50	/	kg
Generation Intensity of Waste Toner Cartridge	0.0007	/	kg/RMB 10,000 of income
Generation of Waste Imaging Drum	69.00	/	kg
Generation Intensity of Waste Imaging Drum	0.0004	/	kg/RMB 10,000 of income
Generation of Waste Fluorescent Tubes	3.90	/	kg
Generation Intensity of Waste Fluorescent Tubes	0.00002	/	kg/RMB 10,000 of income
Generation of Waste LED Lightning	44.95	/	kg
Generation Intensity of Waste LED Lightning	0.0003	/	kg/RMB 10,000 of income
Generation of Waste Batteries	8.60	/	kg
Generation Intensity of Waste Batteries	0.00005	/	kg/RMB 10,000 of income

¹⁸ All hazardous waste is disposed of by a licensed third party. In order to improve management performance, we have been recording waste data such as waste ink cartridges, toner cartridges, imaging drum, fluorescent tubes, light-emitting diode lamps (LEDs), and batteries by weight since 2020.

¹⁹ During the Reporting Period, the amount of the Group's pharmaceutical testing conducted decreased compared to 2019, with a corresponding decrease in the waste liquid generated.

Safety			
Number of Fatalities	Employee	0	Person
Work Injury and Safety Accidents	Number of Accidents	2	Event
	Lost Days due to Injury	192	Day
Product Safety	Medicine Recalls Due to Safety and Health	0	%
Employees			
		Number of Employees	Turnover Rate
Total Employees		2,583	25.7%
By Gender	Male	1,222	28.4%
	Female	1,361	23.1%
By Employment Type	Full-time	2,583	/
	Part-time	0	/
By Age	20-25	507	25.4%
	26-30	428	35.4%
	31-35	504	28.7%
	36-40	471	26.6%
	41-50	554	13.2%
By Region	Above 50	119	19.0%
	Guangzhou	423	31.9%
	Guangxi	912	25.7%
	Inner Mongolia	1,248	23.4%
Employee Training			
		Percentage	Average Training Hours
By Gender	Male	51.40%	45.6
	Female	48.60%	42.0
By Employee Category	Chairman of the Board	0.05%	3.5
	President (Including Vice President)	0.28%	7.0
	Director Level	3.16%	20.9
	Manager Level	16.79%	34.1
	Officer Level	3.58%	10.9
	Specialist Level	76.14%	50.4

Product and Service Quality			
Product Complaint		7	Event
Number of Suppliers			
By Region	Guangdong	20	
	Guangxi	17	
	Anhui	16	
	Liaoning	16	
	Shandong	10	
	Zhejiang	8	
	Jilin	6	
	Jiangsu	6	
	Shanghai	5	
	Inner Mongolia	5	
	Beijing	5	
	Sichuan	5	
	Jiangxi	5	
	Hunan	5	
	Hebei	4	
	Hubei	4	
	Tianjin	2	
Chongqing	2		
Tibet	2		
Henan	1		
Integrity			
Legal Case of Corruption		0	Event

Content Index

A. Environmental			
Items		Descriptions	Reference Chapter
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	Protecting the Environment
KPI	A1.1	The types of emissions and respective emissions data	Environmental Performance Table
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance Table
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Table
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance Table
	A1.5	Description of measures to mitigate emissions and results achieved	Protecting the Environment
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions Management Environmental Performance Table
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources, including energy, water and other raw materials	Protecting the Environment
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility)	Environmental Performance Table
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Environmental Performance Table
	A2.3	Description of energy use efficiency initiatives and results achieved	Energy Conservation and Emission Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Water Resource Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Environmental Performance Table
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	Protecting the Environment
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Protecting the Environment
B. Social			
Items		Descriptions	Reference Chapter
Aspect B1: Employment			
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, anti-discrimination, and other benefits and welfare	Caring Our Employees
KPI	B1.1	Total workforce by gender, employment type, age group and geographical region	Employee Management Social Performance Table
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Management Social Performance Table
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	Health and Safety

B. Social			
Items	Descriptions	Reference Chapter	
KPI	B2.1	Number and rate of work-related fatalities	Health and Safety Social Performance Table
	B2.2	Lost days due to work injury	Social Performance Table
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Nurturing Talents	
KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Nurturing Talents Social Performance Table
	B3.2	The average training hours completed per employee by gender and employee category	Nurturing Talents Social Performance Table
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	Employee Mangement	
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour	Employee Mangement
	B4.2	Description of steps taken to eliminate such practices when discovered	The Group had not been involved in any cases relating to child labor or forced labor during the Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI	B5.1	Number of suppliers by geographical region	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Safeguarding Health	
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality Management Social Performance Table
	B6.2	Number of products and service related complaints received and how they are dealt with	Premium Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Research and Development
	B6.4	Description of quality assurance process and recall procedures	Quality Management
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Premium Service
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	Practicing Integrity in Business	
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	Practicing Integrity in Business
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Practicing Integrity in Business
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	Contributing to Our Society	
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Contributing to Our Society
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Contributing to Our Society



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