



国药集团  
SINOPHARM

# China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)

## 2020

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# ABOUT THE REPORT

This is the 5<sup>th</sup> annual Environmental, Social and Governance (“ESG”) Report published by China Traditional Chinese Medicine Holdings Co. Limited (“China TCM” or the “Company”) (stock code: 570). It discloses the management approach and performance of the Company and its subsidiaries (collectively, the “Group” or “we”) in environmental and social aspects. The report is published in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail. For corporate governance section, please refer to the Corporate Governance Report on pages 50 to 67 of the Company’s Annual Report 2020.

The Board confirms that it has reviewed and approved this report and to the best of its knowledge, this report describes material issues and fairly presents the Company’s ESG management approach and related performance.

## REPORTING PERIOD AND SCOPE OF THE REPORT

The report discloses the Group’s ESG management approach and performance for the financial year from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

During the year, the Group determined the reporting boundary of environmental data based on the following selection criteria: i) China TCM has operational control over a subsidiary during the Reporting Period, that is, China TCM’s attributable equity interest in the subsidiary is 50% or more; ii) the subsidiary is a manufacturing enterprise; and iii) the subsidiary has been in production for two consecutive calendar years or longer. Unless otherwise stated, the environmental data in this report cover 32 subsidiaries that meet the three selection criteria for defining the boundary of the environmental data boundary, while the social data and all narrative information cover the entire Group, including business operations of traditional Chinese medicine (“TCM”) decoction pieces, concentrated TCM granules, TCM finished drugs, TCM healthcare complex and local TCM integrated operation business.

## REPORTING STANDARD

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and meets the disclosure requirements of the Core Option of the Global Reporting Initiative (“GRI”) Standards. This report is based on the reporting principles of “Materiality”, “Quantitative”, “Balance” and “Consistency”. Material data changes are reviewed and presented in a manner suitable for comparison on a year-on-year basis for review by stakeholders.



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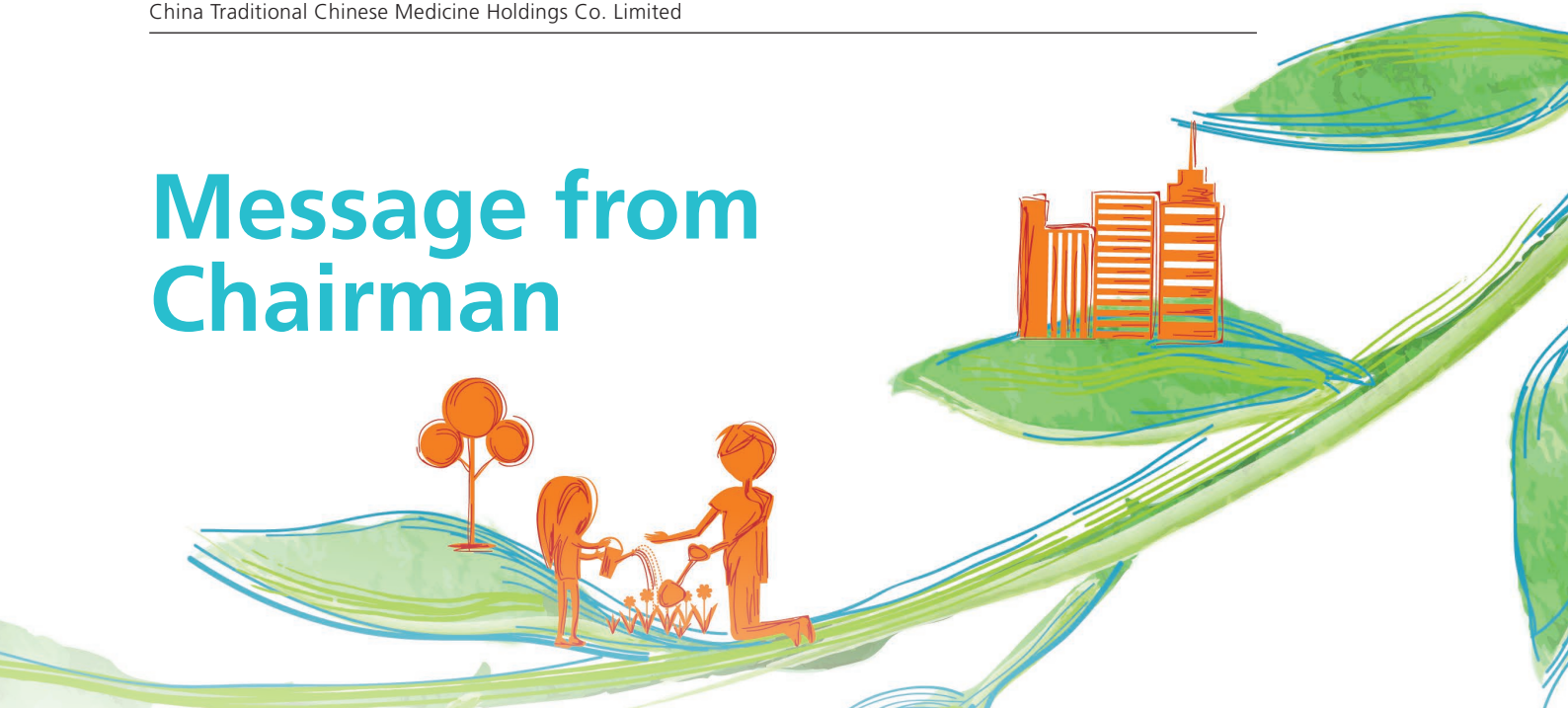
## FEEDBACK

Your comments and ideas can help us improve the contents of the report; please send your valuable opinions to:

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# Message from Chairman



Dear Stakeholders,

Since the the Coronavirus Disease 2019 (“COVID-19”) pandemic (the “pandemic”) across the globe, the Group, as the core platform of the modern Chinese medicine segment of China National Pharmaceutical Group Co., Ltd. (“CNPGC”), has gradually resumed work and production, and actively participated in charity works under its unified leadership. We donated pharmaceutical supplies worth of over RMB30 million to various sectors of the society, supplied over 95 million doses of concentrated TCM granules in China, and distributed concentrated TCM granules to 63 overseas countries and regions. We also set up an emergency command center to provide necessary drug supplies and medical services to the society, striving to implement pandemic prevention and control measures. Employees of various subsidiaries of the Group constituted the frontline of those working on anti-pandemic measures to fulfill their social responsibilities.

In response to the outbreak of the COVID-19, the Group committed to further improving the availability of medical and health services, assisting Guangzhou Eighth People’s Hospital in the preparation for the “Toujie Quwen Granules”, completing research, inspection and production in the shortest time, and putting preparations into application in the quickest way. We were also asked by the Guizhou Provincial Administration of Traditional Chinese Medicine to assist in the processing of “Chaigechangyuan mixture” and “Dayuan disinfectant mixture”, which were produced 24-hour continuously to ensure drugs were delivered to the frontline in two weeks.

Although the Group’s operations have been affected by the pandemic, I firmly believe that the pandemic has strengthened the confidence of the country, enterprises and medical institutions in accelerating the development of TCM, promoting the essence of TCM, adhering to the right path and fostering innovation. In response to this trend, during the year, we have accelerated the pace of R&D innovation and applied for 168 patents, while we were granted 95 patents, including 17 invention patents, overshooting the target. Meanwhile, the Group continues to conduct in-depth research on the standards of concentrated TCM granules and compounded preparation of classical formula. During the year, the Group submitted 34 national standards for concentrated TCM granules of new varieties and completed the establishment of 20 preliminary methods of classical formula. Among them, seven varieties have entered the stage of preparation research. In addition, we facilitated the transformation of scientific achievements, assisted in Huashi Baidu Granules being granted the marketing authorisation, leading to wider application of TCM achievement for the well-being of human health in the world.



## Message from Chairman

The foundation of innovation lies in talent cultivation. The Group continues to improve its talent development system. During the year, training coverage rate was 100%, total training hours were over 700,000 hours and average training hours were 42 hours per person, representing a significant increase as compared to 2019. The Group adheres to ethics and transparency, and a series of anti-corruption and business ethics policies have been extended to all subsidiaries, and the Discipline Inspection Committee is responsible for supervising verifications of compliance, implementation of integrity related measures, and investigating and dealing with violations including corruption.

During the year, the Group invested over RMB40 million in environmental protection projects such as the construction and improvement of wastewater and waste discharge facilities, including a comprehensive inspections of hazardous waste handling and disposal. We also reduced the impact of our operations on the environment by strengthening our governance structure, transforming our boilers, setting environmental targets and promoting the construction of green factories.

The Group continues to fulfill its corporate social responsibility. During the year, we invested over RMB150 million in industry support and over RMB20 million in public welfare. The Group also actively participated in public welfare activities and a total of 643 employees rendered volunteer services for 41 times with a gross service time of over 1,000 hours.

The value of TCM has come into focus during the pandemic prevention and various treatment solutions, making us pay more attention to the development of TCM. Looking ahead, the transformation and upgrading of TCM will be accompanied by both opportunities and challenges under the unprecedented changes in centuries. We will continue to adhere to the mission of “inherit the culture of traditional Chinese medicine, promote the essence of traditional Chinese medicine and build up the health of human beings”. We are committed to building the whole industrial chain of TCM healthcare, becoming a leader in the TCM industry, and promoting the development of high-quality TCM in China through innovative practices and public welfare activities. I would like to take this opportunity to express my sincere gratitude to all stakeholders for their continuous support and attention to the Group.

**Wu Xian**  
*Chairman*

Hong Kong, 21 April 2021



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# OUR SUSTAINABLE DEVELOPMENT

The Group integrates the concept of sustainable development into its daily operations and management, and responds to concerns of its stakeholders in a timely manner and the call of the United Nations to promote sustainable development.

## SUSTAINABLE DEVELOPMENT GOALS



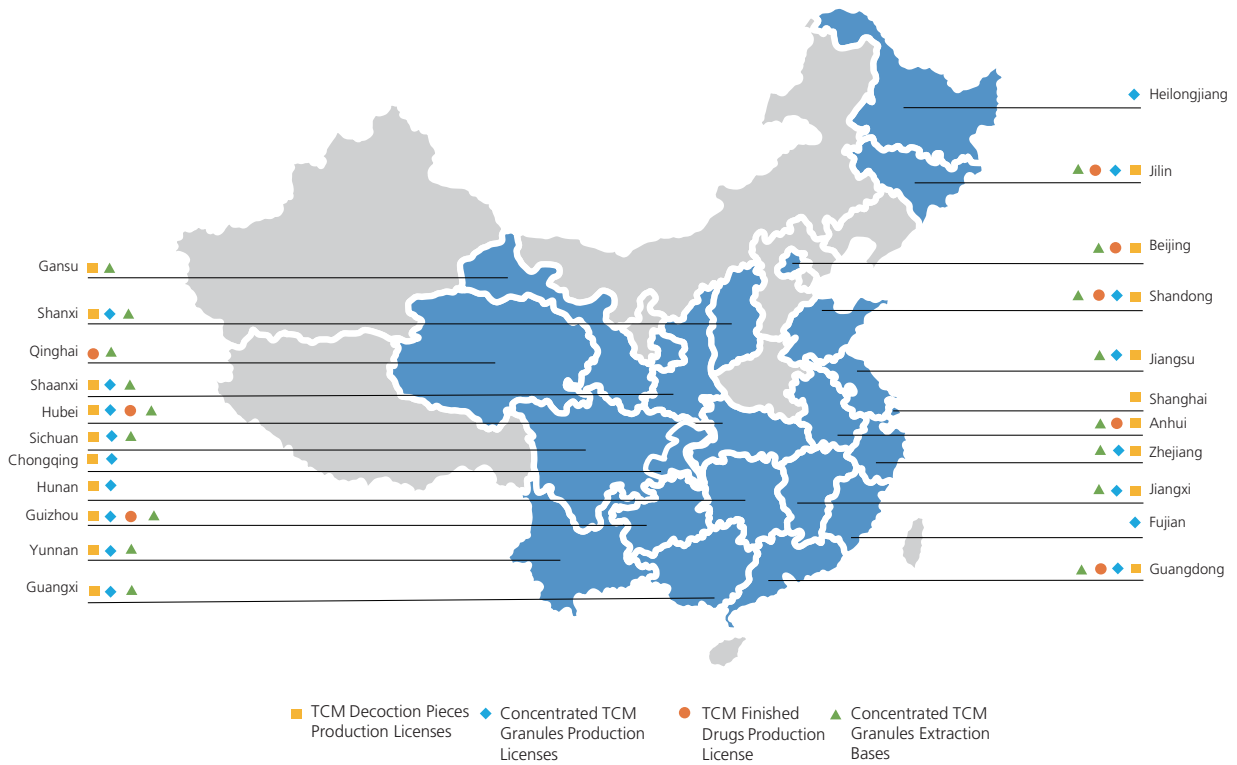
## ABOUT CHINA TCM

As the core platform of the CNPGC TCM business segment, the Group has a well-established chain of TCM healthcare complex that integrates scientific research, manufacturing and sales, covering all related fields including TCM plantation and procurement, TCM decoction pieces, concentrated TCM granules, TCM finished drugs and TCM healthcare complex.

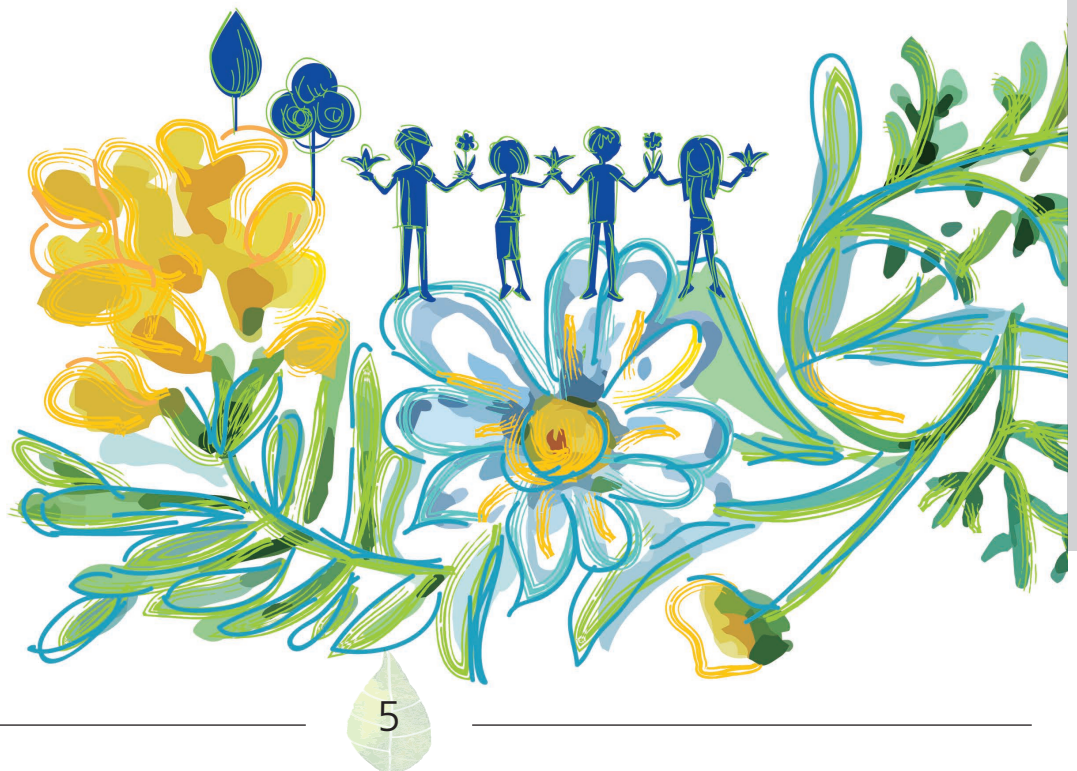
### Our Industrial Layout

Headquartered in Foshan, Guangdong, the Group has established a nationwide presence of the whole TCM healthcare industry chain. As at the end of 2020, the Group had a total of 21 enterprises with TCM decoction pieces production licenses, 20 concentrated TCM granules extraction bases, 17 with concentrated TCM granules production licenses and 11 with finished drugs production license.

# Our Sustainable Development



We have abundant resources and have ten exclusive products on the National Essential Drug List (the "NEDL"), more than 1,200 product specifications (of which approximately 280 product specifications were included in the 2018 version of the NEDL), more than 700 single medicinal herbs of concentrated TCM granules and more than 400 classical compounded concentrated TCM granules (for export only). The Group has a large number of high-quality brands, including three Chinese Time-honoured Brands, five Chinese Well-known Trademarks and four National Intangible Cultural Heritages.



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## Our Sustainable Development

### Philosophy, Core values, Mission and Vision

We always insist on quality as the core, industry as the main force and technology as the principal support. We also vigorously develop the medicinal materials resources industry, striving to become a leader in the TCM industry and serving for a healthier life for the general public.

**Philosophy:** Caring for life and attending to health

**Core values:** Integrity, concentration, perseverance and pursuit of excellence

**Mission:** Inherit the culture of traditional Chinese medicine, promote the essence of traditional Chinese medicine and build up the health of human beings

**Vision:** Build a TCM platform worth RMB10 billion, become a leader in the traditional Chinese industry, and let employees live a prosperous, healthy and dignified life

## SUSTAINABILITY MANAGEMENT

The Group is gradually combining the concept of sustainable development with its development strategy, while considering the impact of its operations on the environment and the society. It constantly adjusts specific strategic plans accordingly, which not only promotes sustainable development of the Group, but also creates value for the society.

### Sustainability Management Structure

The Group's vice president leads the reporting and supervision of environmental and social issues, and various departments jointly participate in ESG management, including Office of the Board, Party-masses Work Department, Discipline Inspection Office, Office of President, Human Resources Center, Production and Safety and Environmental Protection Center. Each department performs its own duties, conducts regular management of issues that it is responsible for, and collects ESG data and information on a regular basis.

### Stakeholders Communications

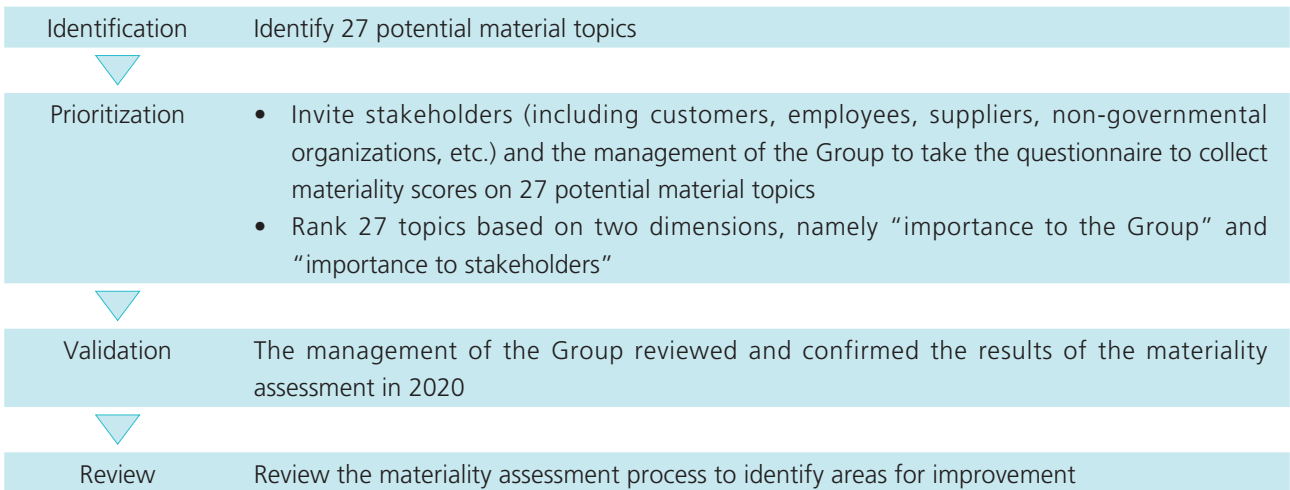
We maintain close communication with stakeholders through different communication channels to understand their needs and ideas and take into account their opinions in daily operations and decision-making process to respond to their concerns in a timely manner.

## Our Sustainable Development

Consumers	Sales partners	Employees	Government	Shareholders and Investors	Suppliers	Communities
<ul style="list-style-type: none"> <li>• Consumer satisfaction survey</li> <li>• Wechat official account</li> <li>• Email</li> <li>• Telephone</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars</li> <li>• Trainings</li> <li>• Reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Employees satisfaction survey</li> <li>• Staff forum</li> <li>• Newsletter</li> <li>• Trainings</li> <li>• Social media platform</li> </ul>	<ul style="list-style-type: none"> <li>• On-site inspection</li> <li>• Attend trainings organized by the government</li> </ul>	<ul style="list-style-type: none"> <li>• Investors meeting</li> <li>• Annual general meeting</li> <li>• Company's interim report and annual report</li> <li>• ESG report</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars</li> <li>• Trainings</li> <li>• Visiting suppliers</li> <li>• Annual audit</li> </ul>	<ul style="list-style-type: none"> <li>• Visiting underprivileged families</li> <li>• Volunteer teaching activities</li> <li>• Community caring activities</li> <li>• Public health talk</li> </ul>

### Materiality Assessment

In order to follow the reporting principle of “materiality” and to identify the topics that have a significant impact on the Group and its stakeholders, the Group conducted an assessment of material ESG topics during the year and identified the most material ESG topics to China TCM through four steps, namely identification, prioritization, validation and review.

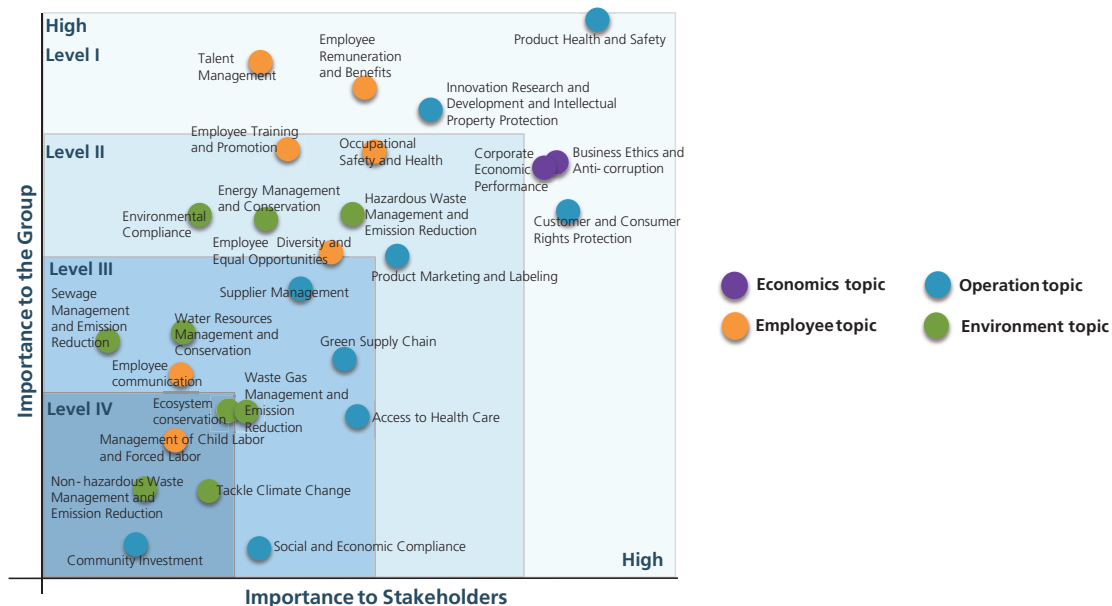


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## Our Sustainable Development

### Materiality Matrix

The material topics in the materiality matrix are divided into four levels. In the first level are topics that are material for the Group in 2020, namely “Corporate Economic Performance”, “Business Ethics and Anti-corruption”, “Product Health and Safety”, “Customer and Consumer Rights Protection”, “Innovative Research and Development and Intellectual Property Protection”, “Talent Management” and “Employee Remuneration and Benefits”. These topics may have a significant impact on both the Group and its stakeholders, or one of these two parties.



### Response to Stakeholders

In order to respond to stakeholders’ concerns in a timely manner, we maintain close communication with them through different communication channels. The following table summarizes the actions taken by the Group during the year.



## Our Sustainable Development

Material Topics	Highlights/Key Performance in 2020	Corresponding Chapter
Corporate Economic Performance	<ul style="list-style-type: none"> <li>Revenue: RMB14,806,168,000</li> <li>Gross profit: RMB9,126,075,000</li> <li>Earnings per share : RMB33.03 cents</li> </ul>	China TCM 2020 Annual Results Announcement
Business Ethics and Anti-corruption	<ul style="list-style-type: none"> <li>During the year, the Inspection Leading Group conducted regular inspections of 10 subsidiaries directly managed by China TCM</li> <li>During the year, an appraisal system was formulated for the persons-in-charge of discipline at the subsidiaries, and the appraisal results were linked to remuneration of the person-in-charge of the discipline</li> <li>During the year, a total of 71 sessions of publicity and education programs on integrity were held, with 7,110 employees participating in discipline education</li> <li>Daily integrity dialogue with the management and those in key positions</li> </ul>	Creating an Atmosphere of Integrity and Honesty
Product Health and Safety	<ul style="list-style-type: none"> <li>Continuous improvement of GACP<sup>1</sup> management system</li> <li>The subsidiaries regularly report on quality to the China TCM Quality Management Department on a monthly basis</li> <li>Inspection of all products</li> <li>Conducted internal quality inspection at 34 subsidiaries</li> </ul>	Improving the Whole TCM Healthcare Industry Chain
Customer and Consumer Rights Protection	<ul style="list-style-type: none"> <li>Proper handling of complaints received during the year</li> <li>Timely response to consumer enquiries received during the year</li> <li>Accurate communication of drug information to consumers</li> <li>Regular review of qualifications of drug sales partners, sales policies, advertising and promotion, etc.</li> <li>Professional skills training for pharmacy sales personnel</li> </ul>	Improving the Whole TCM Healthcare Industry Chain

<sup>1</sup> GACP refers to "Good Agriculture and Collection Practices for Medicinal Plants", stipulates cultivation, wild collection, post-harvest processing, quality assurance and other matters of medicinal plants.

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## Our Sustainable Development

Material Topics	Highlights/Key Performance in 2020	Corresponding Chapter
Innovative Research and Development and Intellectual Property Protection	<ul style="list-style-type: none"> <li>Facilitate the transformation of scientific achievement of the innovative TCM drugs, and Huashi Baidu Granules was approved for marketing</li> <li>Submitted national standards for 34 new varieties of concentrated TCM granules to the Chinese Pharmacopoeia Commission</li> <li>Continue to promote research on 35 classical formulas</li> <li>Continue to promote evidence-based pharmaceutical research on core Chinese patent medicine products</li> <li>Completed the development, research or launch of various Chinese healthcare products</li> <li>A total of 168 patents were applied for and a total of 95 patents were granted</li> <li>Assessment of existing patents and patent maintenance</li> </ul>	Improving the Whole TCM Healthcare Industry Chain
Talent Management	<ul style="list-style-type: none"> <li>Developed annual recruitment plan to attract talents</li> <li>Targeted recruitment of various high-end management and technical talents</li> <li>Vigorously develop school-enterprise cooperation programs, recruit and train outstanding fresh graduates</li> <li>Conducted annual talent review and examine employees' work quality, leadership and other aspects</li> </ul>	People-oriented Approach
Employee Remuneration and Benefits	<ul style="list-style-type: none"> <li>Competitive remuneration and benefits based on macro factors, industry standards and internal development</li> <li>The welfare management system covers 100% of regular employees</li> <li>Provision of statutory benefits, caring benefits and incentive benefits to employees</li> <li>Organized various staff activities</li> <li>Supported 32 employees in need through the Caring Fund platform</li> </ul>	People-oriented Approach

## Our Sustainable Development

## Honors and Achievements in 2020

During the year, the Group has received numerous awards, some of which are listed below:

Classification	Awarded Enterprise/Product	Award Name/Achievement
<b>Brand Value</b>	China Traditional Chinese Medicine Holdings Co. Limited	“Brand Pioneer Award” in the PRC pharmaceutical retail market in districts and counties  The 5 <sup>th</sup> Golden Hong Kong Stocks Awards for the Best Pharmaceutical and Medical Company of the Year
	Guangdong Yifang Pharmaceutical Co., Ltd.	2020 “Excellent Brand Demonstration Enterprise in Guangdong Province”
	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	Top 10 Pharmaceutical Enterprises in Guizhou Province
<b>Technological Innovation</b>	Guangdong Yifang Pharmaceutical Co., Ltd.	Second Prize of “Guangdong Science and Technology Progress Award”  First Prize of “China Standard Innovation Contribution Award”  China Patent Excellence Award
	Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.	“Jiawei Shenghua Granules” Science and Technology Award Certificate
	Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.	National High-tech Enterprise
	Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd.	High-tech Enterprise
	Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.	Beijing Intelligent Manufacturing Benchmark Enterprise (Intelligent Engineering)
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	First Prize of “2019 Employee Technology Innovation Achievement”
	Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.	China Patent Excellence Award

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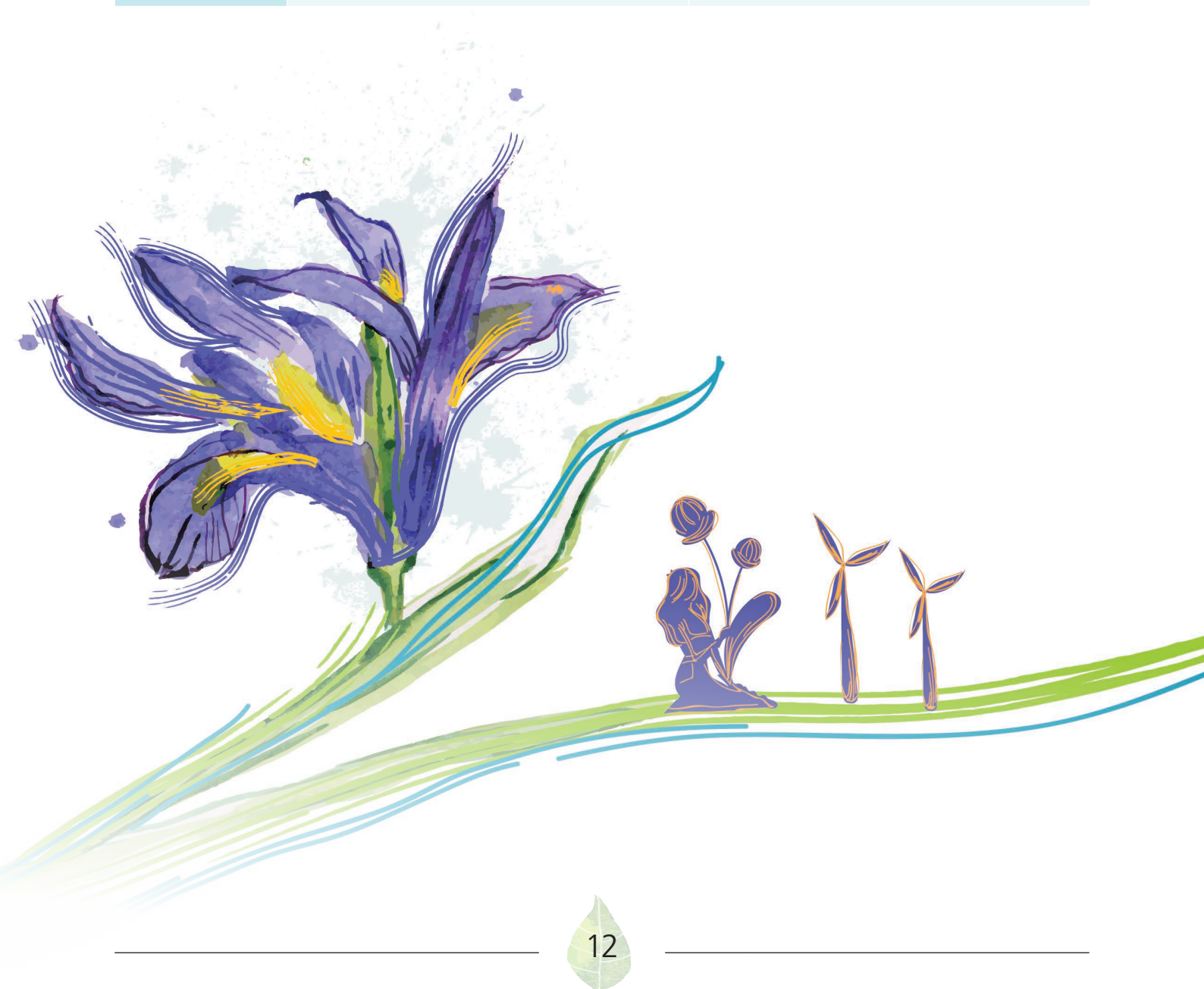
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## Our Sustainable Development

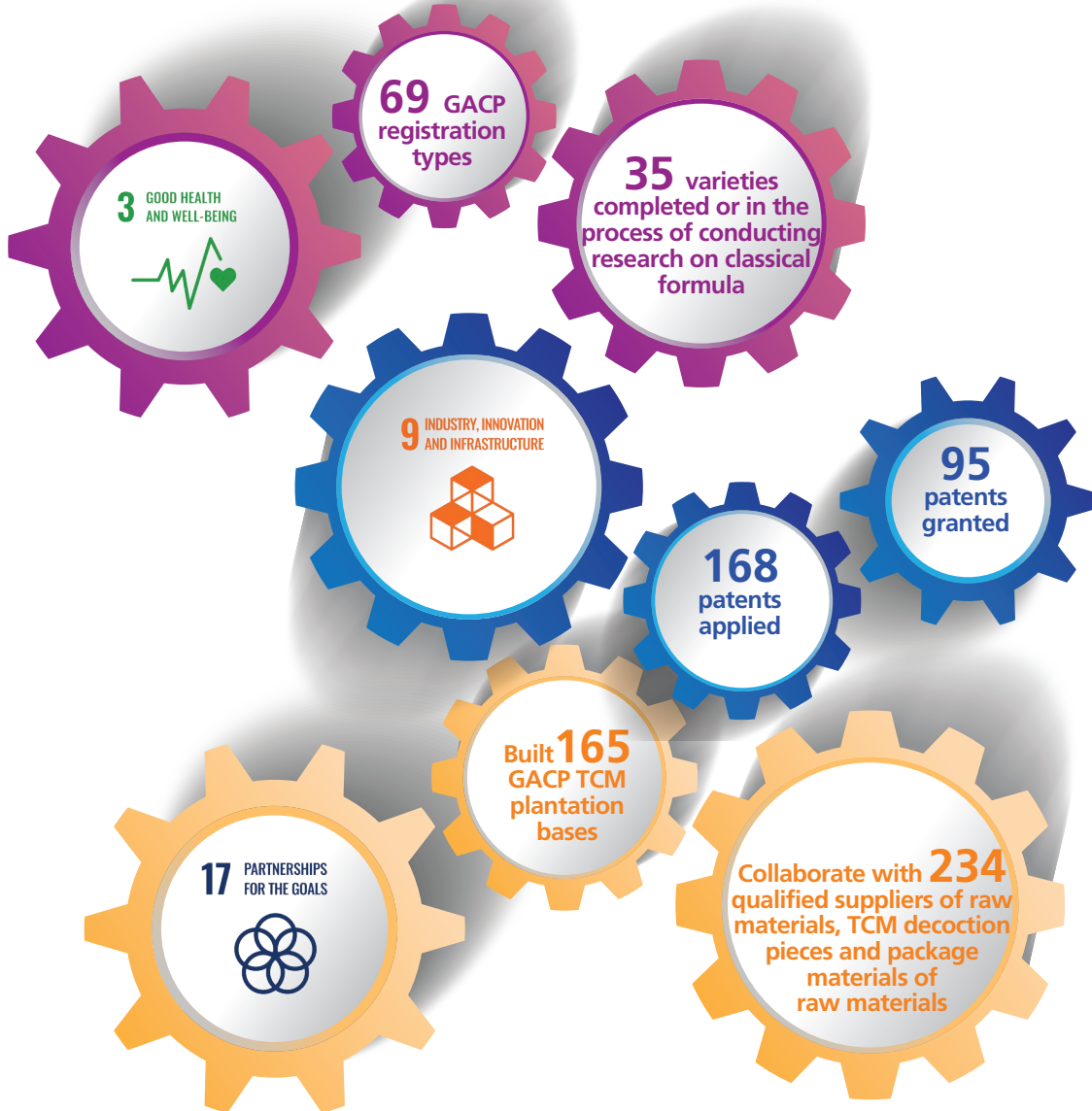
Classification	Awarded Enterprise/Product	Award Name/Achievement
<b>Product Quality</b>	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	2020 Jiangsu Province Governor Quality Award
	Yu Ping Feng Granules	2020 CPMC Pharmacy Health Products Brand Gold List
<b>Social Image</b>	China Traditional Chinese Medicine Holdings Co. Limited	2020 Top 100 Enterprises in Foshan
	Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.	Enterprise of Observing Contract and Valuing Credit for 19 Consecutive Years
	Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.	Key Enterprise for Pandemic Prevention and Control in China



# IMPROVING THE WHOLE TCM HEALTHCARE INDUSTRY CHAIN

The Group continues to improve the construction and management of the whole TCM healthcare industrial chain, and is committed to providing high-quality and safe pharmaceutical services to the public and improving accessibility of healthcare.

## KEY PERFORMANCE INDICATORS:



## ACCESS TO HEALTHCARE

The Group assumes the responsibility of improving accessibility of healthcare, and strives to provide quality pharmaceutical products and medical services to more people by improving the availability, affordability and accessibility of pharmaceutical products and helping to raise public awareness of healthcare.

### Improve Access to Healthcare

During the year, the Group carried out four R&D projects in response to COVID-19 and accelerated the transformation of R&D and innovation achievements, contributing to the fight against COVID-19.

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## Improving the Whole TCM Healthcare Industry Chain

### Case 1:

At the beginning of 2020, Guizhou Provincial Administration of Traditional Chinese Medicine entrusted Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (“Tongjitang Pharmaceutical”), a subsidiary of the Group, the task of processing “Chaigechangyuan mixture” (柴葛暢原合劑) and “Dayuan disinfectant mixture” (達原消毒合劑) to meet clinical needs. In order to develop preventive and therapeutic drugs and ensure the quality of drugs as soon as possible, Tongjitang Pharmaceutical conducted research on the preparation process and quality standards to ensure that the quality of the final drugs is stable and controllable. In the face of the problem of large demand and tight time schedule, Tongjitang Pharmaceutical resumed production quickly and worked 24 hours for uninterrupted production. From the first batch of products entering the production stage to the completion of production, Tongjitang Pharmaceutical only took two weeks to deliver the drugs to the frontline of pandemic prevention.

### Case 2:

At the beginning of 2020, Guangdong Yifang Pharmaceutical Co., Ltd. (“Guangdong Yifang”) established a joint research team to complete the research, inspection and production process in the shortest time after receiving the notice to assist Guangzhou Eighth People’s Hospital to use the concentrated TCM granules for the preparation of the “Toujie Quwen Granules”(透解祛瘟顆粒) (formerly known as “No. 1 formula for pneumonia” ) application for hospital preparation, so as to apply the preparations to the frontline in the fight against the pandemic.

### Increase Healthcare Affordability

The ability of the consumer’s affordability is one of the key factors that the Group takes into account when pricing pharmaceutical products. For prescription drugs, we determine the bidding price based on factors such as production costs, operating costs of the sales personnel, and “whether the daily medical expenses of patients are within their affordability range”. For OTC products, in addition to considering the production costs, operating costs of sales personnel and prices of similar products in the market, we also assess consumers’ acceptance of the price of such medicines.

### Expand Healthcare Availability

The Group is developing “Sharing of TCM Intelligent Distribution Center” project to receive prescription in real time and provide a one-stop TCM decoction delivery service to patients. In addition, the Group has launched online diagnosis and treatment services and intelligent cloud pharmacy services during the year, and provided online medical and health services for patients by taking advantage of the wide coverage of the Internet and the fast transmission speed. Both the “Sharing of TCM Intelligent Distribution Center” project and the online medical services can facilitate timely access to medical and health services.

## Improving the Whole TCM Healthcare Industry Chain

During the pandemic, China TCM immediately established an emergency supply command center to provide necessary pharmaceutical supply and timely medical services to the society while striving to help pandemic prevention and control. The Group's concentrated TCM granules segment focuses on the reserve and supply of products that disperse wind-heat, clear body heat and detox the body. The TCM finished drugs segment worked overtime to produce medicines for the pandemic. We also set up outpatient emergency plans in various TCM clinics, communicated and coordinated with local health committees to establish a mechanism for the transfer of patients with fever.

### Raising Public Health Awareness

Proper healthcare awareness is of great significance to improve the health of the public. The Group actively carried out a number of public health education projects, among which, the TCM finished drugs segment fully used new media to continuously deliver knowledge to the public through WeChat, TikTok and other platforms. In addition, we have joined hands with "Family Doctor", an authoritative medical science publication, to provide information of pulmonary care and distributed it to the public in pharmacies.



**Women's Health Care Special Lectures**

Shanghai Tongjitang Pharmaceutical Co., Ltd. ("Shanghai Tongjitang") held special lectures on women's health, explaining a variety of common diseases in profound but simple ways, and answering female workers' questions about health.



**Colorful Chinese Medicine – TCM Health Culture Festival**

The Group led its subsidiaries to launch a series of cultural activities. In addition to organizing discussions, specific training and other activities, we also took the opportunity to offer free medical consultation to patients to improve the public's medical and health awareness.

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## Improving the Whole TCM Healthcare Industry Chain

### R&D AND INNOVATION

The Group attaches great importance to R&D and innovation. Focusing on the strategic deployment of “two major categories and dual core driver<sup>2</sup>”, the Group makes full use of its research advantages in the standard for single medicinal herbs for concentrated TCM granules and resources covering the whole TCM industry chain. We promote research on the standards for classical formula materials, accelerate the research on national standards of concentrated TCM granules and actively participate in the research on international standards.

#### Development of R&D Capabilities

We are pursuing R&D in eight directions and have set up eight R&D centers to ensure that R&D and innovation work covers the entire industry chain. Meanwhile, we continue to build R&D platforms, expand R&D teams and strengthen R&D equipment configuration, laying a solid foundation for the Group’s R&D and innovation work. The Group also cooperates with a number of external research institutions, including Chinese Academy of Chinese Medical Sciences, Peking University School of Pharmaceutical Sciences, China Pharmaceutical University, Nanjing University of Chinese Medicine, etc.

R&D Platform	R&D Team	R&D Equipment	Eight R&D Directions
<ul style="list-style-type: none"> <li>• 3 CNAS Laboratories</li> <li>• 1 National Enterprise Technology Center</li> <li>• 1 TCM Master’s Studio</li> <li>• 9 Provincial Enterprise Technology Centers</li> <li>• 7 Provincial Engineering and Technology Centers</li> <li>• 4 Postdoctoral Research Stations</li> <li>• 2 Academician Research Stations</li> </ul>	<ul style="list-style-type: none"> <li>• Specialty involves pharmacy, traditional Chinese medicine, pharmacy, pharmacology, analysis, medicine and other fields</li> <li>• Doctor, master and staff with senior technical titles accounted for nearly 60%</li> </ul>	<ul style="list-style-type: none"> <li>• Have the domestic advanced scientific research equipments</li> <li>• All kinds of pilot equipments</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D on Classical Formulas</li> <li>• R&amp;D on Concentrated TCM Granules</li> <li>• R&amp;D on TCM Resources</li> <li>• R&amp;D on TCM Decoction Pieces</li> <li>• Secondary R&amp;D on TCM Finished Drugs</li> <li>• R&amp;D on TCM Healthcare Products</li> <li>• R&amp;D on TCM Information Services</li> <li>• R&amp;D on TCM Quality Evaluation</li> </ul>

<sup>2</sup> “Two major categories” refers to the product R&D and standard R&D. “Dual core drivers” refers to the two core drivers developed by the R&D of traditional Chinese medicine classic formula and national standards for concentrated TCM granules.



## Improving the Whole TCM Healthcare Industry Chain

### R&D Achievements

The Group promotes R&D and innovation in an orderly manner and has achieved a series of R&D results during the year.

In respect of research on standards for concentrated TCM granules, we actively carried out research on adaptability and review of standards for drafting national standards for concentrated TCM granules which have been published by the Chinese Pharmacopoeia Commission. We continue to promote research on standards and development of the remaining concentrated TCM granules varieties. During the year, we submitted 34 national standards for concentrated TCM granules of new varieties to the Chinese Pharmacopoeia Commission, with a total of 300 varieties submitted. In addition, we actively promoted internationalization of concentrated TCM granules and participated in the application of ISO/TC249 Chinese Medicine International Standards, the United States Pharmacopoeia standards, Hong Kong compound formulas registration, etc.

In respect of the research on compounded preparations of classical formulas, the Group is now conducting comprehensive research on 35 classical formulas in various aspects, including the preparation of herbs, material benchmarking, preparation techniques and safety assessment studies.

In respect of TCM finished drugs, the Group continued to promote evidence-based research on core products. Due to the impact of the COVID-19 pandemic, the progress of a number of research projects has been delayed. As of the end of 2020, the Group commenced 19 clinical research projects on 10 core products, including Xianling Gubao Capsules (仙靈骨葆膠囊), Jingshu Granules (頸舒顆粒), Yu Ping Feng Granules (玉屏風顆粒), of which 12 projects have been completed.

For TCM healthcare products, Guangdong Yifang completed the development of 34 products. Jiangyin Tianjiang Pharmaceutical Co., Ltd. ("Jiangyin Tianjiang") has completed the production and launching of one liquid beverage, preparation of two pilot samples of beverage and has carried out accelerated stability studies of three liquid beverage, and has also completed the filing record of the food production license and marketing of 15 products.

In respect of promoting transformation of scientific research achievements, Guangdong Yifang obtained the clinical trial approval documents, patents and drug registration certificate for the new drug, "Huashi Baidu Granules" (化濕敗毒顆粒). According to the relevant requirements of "Clinical Trial Permission for the Huashi Baidu Granules", Guangdong Yifang systematically conducted research on the material base, process amplification, production verification, quality standard, product stability test, safety evaluation and clinical trial research to further consolidate the source of TCM raw material, refined process parameters, improved quality standards, and better guaranteed product quality and stability. On the basis of the summary of previous clinical observation data, Guangdong Yifang clarified the characteristics of the drug, carried out clinical observation research for new indications of drugs, provided technical support for obtaining the drug registration certificate for "Huashi Baidu Granules", achieved product marketing and sales, and provided reference for the research and development of new anti-viral TCM. In March 2021, Huashi Baidu Granules were approved for marketing.

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## Improving the Whole TCM Healthcare Industry Chain

### Protection of Intellectual Property Rights

The Group has formulated and documented a series of internal policies and systems related to intellectual property management, including the “Intellectual Property Risk Management Procedures” (《知識產權風險管理程序》). We have urged our subsidiaries to follow the intellectual property management system (GB/T29490-2013), so as to improve the overall intellectual property management level of the Group and to mitigate intellectual property risks. Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. (“Guangdong Medi-World”) has passed the certification of intellectual property management system.

During the year, the Group applied for 168 patents, including 82 invention patents, and was granted 95 patents, including 17 invention patents. The number of patents applied and granted is much larger than the Group’s annual application and acquisition targets.

In order to fully understand the value of patents, the Group conducted an assessment of the invention patents granted for more than five years and the new utility model patents and appearance patents granted for more than three years by Guangdong Medi-World and identified that it is necessary to maintain the annual fee payment procedures for authorized patents. Subsidiaries like Guangdong Yifang and Jiangyin Tianjiang also conducted patent assessments and maintenance in accordance with the relevant management regulations.

### SUPPLIER MANAGEMENT

High-quality TCM medicinal herbs guarantee the Group’s supply of the good-quality products. During the year, we revised the supplier management system to further standardize the selection and access, evaluation and management and daily communication with suppliers to ensure stable supply and quality of raw materials used for production. As at the end of 2020, there were a total of 234 suppliers of raw materials, TCM decoction pieces and packaging materials of raw materials, all of them are located in Mainland China.



# Improving the Whole TCM Healthcare Industry Chain

## Supplier Selection and Access

The Group adheres to the principles of fairness and impartiality in supplier development. In order to ensure stable supplies, we develop multiple suppliers for each type of raw materials and formulate plans in advance based on expected procurement needs. We develop potential suppliers through online information, local site investigation and industrial exhibitions, and give priority to suppliers equipped with cultivation bases to cooperate the Group’s raw material traceability efforts. In addition to examining the basic qualifications of suppliers, we also require them to obtain relevant certifications<sup>3</sup>. Suppliers who pass the preliminary information assessment are subject to on-site audits by the Chinese Medicinal Herbs Resources Center and the Quality Management Department. In addition, newly introduced suppliers are required to sign various agreements with the Group to ensure that they will comply with the Group’s ESG requirements such as quality and integrity.

### Certification Required for Suppliers

- GMP certification
- GSP certification
- GAP certification

### Agreement to be Signed by the Supplier

- Quality agreement
- Integrity agreement
- Supply agreement
- Letter to suppliers

## Supplier Assessment and Evaluation

The Group conducts supplier audits from time to time, including inspections of suppliers’ warehouses, production equipment and testing equipment to ensure that they have stable supply capacity and production processing capacity. In addition, we conduct semi-annual and annual assessments on suppliers, covering quality, delivery and services. The results of the audit and assessment determine whether the Group continues to work with them. We give priority to suppliers with outstanding performance, while the suppliers with poor performance are required to rectify or terminate the cooperation, as appropriate.

### Environmental Protection Requirements

We ask suppliers to comply with the national environmental protection requirements. For suppliers who need to dry and roast medicinal herbs, we pay attention to whether the energy used by them will have a negative impact on the environment.

<sup>3</sup> The relevant certifications include GMP, GSP and GAP, which are:  
 GMP refers to Good Manufacturing Practice. The World Health Organization defines GMP as a regulation that guides the production and quality management of products, drugs and medicinal products.  
 GSP refers to the Good Supply Practice of Pharmaceutical Products, is a unified quality management standard for pharmaceutical companies.  
 GAP refers to Good Agricultural Practice, it is a method and system to ensure food safety and quality through economic, environmental and social sustainability measures.

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## Improving the Whole TCM Healthcare Industry Chain

### Supplier Engagement and Training

We communicate with suppliers through calls, visits and meetings. Each subsidiary of the Group has a supplier manager to explain in detail the Group's requirements for suppliers to newly admitted suppliers. We have also set up a training system for medicinal herbs suppliers, whereby our subsidiaries conduct pre-project orientation for local suppliers, including integrity promotion and guidance on cultivation, to help suppliers improve quality management and foster long-term relationship.

### PROMOTING INDUSTRY CHAIN TRACEABILITY

In recent years, the Chinese government is promoting the fulfillment of traceability responsibilities of the Chinese medicinal herbs producing and operating companies along with the standardization of the Chinese medicinal herbs supply chain. The Group strictly complies with the national requirements and adheres to the management concept of "traceable sources, traceable directions, processes controllable and responsibility accountable", and constantly improves the GACP management system. We have established a set of clear objectives and directions to guide the GACP management system, with a total of 29 management documents and 52 reference documents, and through the establishment of integrated and visualized dashboard for the GACP file information and traceability management, we provide guidance for the establishment of GACP management system at production bases. In addition, the Group has organized 14 specific training on seed quality, fertilizer, plant protection and other related aspects of Chinese medicinal herbs cultivation and production, covering 319 people. As at the end of 2020, we have built 165 GACP bases covering 69 varieties of medicinal herbs with a planting area of over 90,000 mu.

#### TCM Quality Control and Traceability Management Integrated Platform

During the year, we cooperated with Ping An International Smart City Technology Co, Ltd. of Ping An insurance (Group) Co, Ltd. to gradually build an integrated management platform for quality control and traceability relying on its core technologies such as artificial intelligence, blockchain and cloud computing, covering information on each stage from seeds sowing to sales of TCM, to strengthen our traceability capability for TCM products. This platform facilitates the quality control of our medicinal herbs bases and helps farmers to improve their expertise in the cultivating process.

### QUALITY MANAGEMENT

The Group understands that the quality of TCM products is closely related to the health and safety of consumers. Through establishing a sound quality management system and building a professional quality management team, the Group is committed to providing consumers with safe and reliable TCM products. By the end of 2020, Jiangyin Tianjiang, Guangdong Yifang and Anhui Fengliaoxing TCM Decoction Pieces Technology Co., Ltd. ("Anhui Fengliaoxing") has obtained ISO9001 Quality Management System Certification. Jiangyin Tianjiang has obtained ISO10012 Measurement Management System Certification during the year.

## Improving the Whole TCM Healthcare Industry Chain

China TCM has established a Quality Management Department, which is responsible for coordinating quality management at the Group level and its subsidiaries, improving the quality management system and conducting internal quality audit. We have a monthly reporting system, and subsidiaries regularly report their quality work to the quality management department on a monthly basis, including production volume of the products, existing quality problems, product passing rate and the inspection conducted by the medical products administration. In addition, we also require subsidiaries to sign a quality target responsibility statement, and require 100% of our products to be inspected and pass the tests before entering the market.

During the year, in respect of subsidiaries producing anti-pandemic drugs, the Quality Management Department timely adjusted the quality control methods, required subsidiaries to report the daily quality information online, and conducted on-site inspections on the subsidiaries located in Guangdong, and to strengthen the online communication with the subsidiaries outside Guangdong, to master the quality management of the subsidiaries and control quality risks.

During the year, the Quality Management Department organized internal quality auditors<sup>4</sup> to conduct internal audit in 34 subsidiaries, with a focus on reviewing the procurement, acceptance, inspection, storage, maintenance and production and use of Chinese medicinal herbs and TCM decoction pieces. Through these internal quality audits, we identified a total of 488 potential quality risks and completed rectification of all potential risks during the year.

In order to improve the emergency response capability for major quality accidents, the Group established a Quality Management Committee led by the president of China TCM in 2019. In the event of a major quality accident, the Committee, together with the Production, Safety and Environmental Protection Center, R&D Center and other departments, respond to the situation arising from the quality accident.

The Group attaches great importance to the improvement of ability of the quality management team. During the year, the Group carried out special training for internal quality auditors, including audit skills and precautions, quality management status, quality internal audit work, quality defects of subsidiaries and problem analysis, etc.

### RESPONSIBLE MARKETING

The Group practices responsible sales, timely responds to consumer enquiries and demands, strictly regulates the authenticity of drug information, and is committed to ensuring consumers' medication safety.

#### Regulating Drug Information

The Group has documented the relevant system for approval and management of drug advertisements and sales policies in line with market standards and selects quality drug sales partners for strategic cooperation, so as to ensure medication safety of consumers during the drug sales process and avoid unreasonable medication of consumers due to sales errors.

<sup>4</sup> "Internal quality auditors" refers to a team of quality management professionals established by the Group in 2019, which is composed of well-qualified employees recommended by our subsidiaries. They will work together with the China TCM Quality Management Department to carry out some quality management work.

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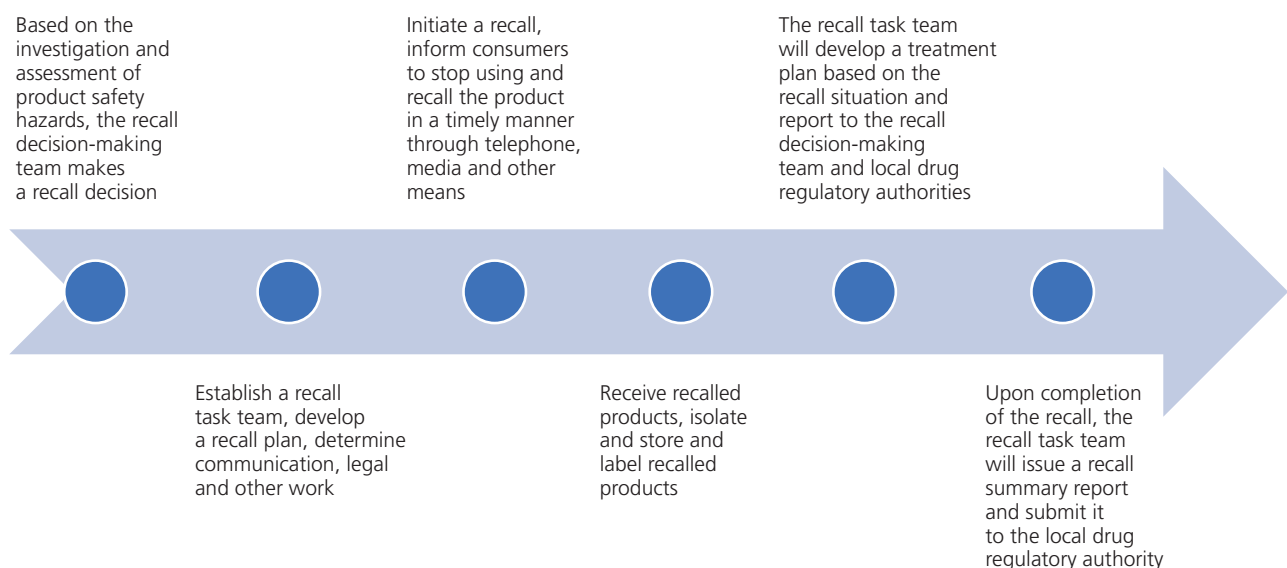
During the process of drug advertising and sales, the Group ensures that the information consumers received is strictly based on the drug labeling and relevant expert opinions. For prescription drugs, we advertise only in medical and pharmaceutical professional publications, content of which is jointly formulated by the Health Administrative Department under the State Council and the National Regulatory Authority. The content of the advertisements must be approved by the drug regulatory department before they can be published. In addition, we display medication contraindications and the possibility of any adverse reactions at prominent positions on the advertising page. For OTC medicines, we remind consumers to use the medicines reasonably according to the drug instructions or consulting pharmacists.

The Group's Finished Drugs Marketing Center has a Market Inspection Department which is responsible for regularly reviewing the standardization of the marketing process. Through on-site visits and questionnaire surveys, the Company reviews the qualifications, sales policies, advertising and other aspects of drug sales partners, and proposes rectification plans for the identified problems to ensure the quality of drug distribution process and sales process, and rational use of consumers.

In order to improve professional skills of pharmaceutical sales personnel, the Finished Drug Marketing Center and relevant industry associations and institutions provide re-education and training on professional skills, and improve the service level of sales personnel in terms of professional knowledge and service capabilities.

### Product Recall Mechanism

We have established the Product Recall Control Procedures (《產品召回控制程序》), and in the event that a product sold in the market may cause safety and health hazards to the public, we immediately take recall measures to ensure that all affected products are identified and traced. For recall incidents, we investigate the root causes of the incidents and formulate corrective and preventive measures to prevent recurrence of similar incidents. In addition, the Group conducts mock recalls at least once every two years to ensure that recall actions can be carried out in a timely manner when necessary.



## Improving the Whole TCM Healthcare Industry Chain

### Optimizing Grievance Redressal Mechanism

In order to receive and respond to consumer feedback in a timely manner, each subsidiary has a channel for addressing consumer inquiries and complaints. Consumers can provide us with feedback through our telephone hotline and email. To take TCM finished drugs as an example, when a complaint is received, the quality management department of each subsidiary reports it to the Quality Management Department of the Group within two hours, and the relevant situation will be delivered to the Finished Drug Marketing Center, which is responsible for assisting the quality management department of each subsidiary to handle the complaint, and timely reporting the handling results to the complainant.

During the year, we received a total of 283<sup>5</sup> complaints about our products and services, most of which were properly handled after communication and explanation. We also properly handle other complaints by way of compensation, return and exchange. In addition, we actively respond to consumers' inquiries on side effects, usage and price of drugs to ensure that consumers' medication safety.



<sup>5</sup> During the year, the Group adjusted the complaint incident collection channels and required each subsidiary to report the collected complaint information on a regular basis. Compared with the collection channels in previous years (which were only covered the data reported by Finished Drug Marketing Center), the adjusted channels provided more comprehensive and accurate information, and therefore the number of complaint incidents received in 2020 increased significantly compared with that in 2019.



## CREATING AN ATMOSPHERE OF INTEGRITY AND HONESTY

*The Group is committed to creating an honest and clean working environment for employees through measures such as construction of systems and cultural promotion.*

### KEY PERFORMANCE INDICATORS:



### STRENGTHENING INTEGRITY SYSTEM

The Group has established a series of internal policies on anti-corruption and business ethics that cover all subsidiaries. Under the guidance of the Discipline Inspection Committee, the Discipline Inspection Office is responsible for overseeing and inspecting the Group's compliance with regulations, the implementation of integrity business practices, the construction of an integrity culture, and the investigation and handling of violations of regulations and discipline, including corruption. Under the guidance of China TCM, the secretary of the Discipline Inspection Committee or the branch secretary is the first person in charge of supervising the integrity construction work of the subsidiaries.

In addition, China TCM has an Inspection Leading Group, which is responsible for inspection of subordinate units. The Group formulated China Traditional Chinese Medicine Holdings Co. Limited Party Committee Inspection Work Plan (2019-2022) (《中國中藥控股有限公司黨委巡察工作規劃(2019-2022)》) in 2019, and plans to conduct regular inspections on all directly managed subsidiaries by the end of 2021, covering the construction of integrity organizations and integrity ideological of subsidiaries. It is planned that during the period from 2021 to 2022, subsidiaries that have completed regular inspections will be re-inspected from time to time, with a focus on reviewing the rectification and identifying new problems, so as to maintain continuous supervision of the subsidiaries. During the year, the Inspection Leading Group completed regular inspections of ten directly managed subsidiaries.

## Creating an Atmosphere of Integrity and Honesty

In order to evaluate the achievements of integrity construction and strengthen the management of the person-in-charge of integrity construction, we have formulated an assessment system for the person-in-charge of discipline inspection work of subsidiaries during the year to evaluate the effectiveness of their work in the implementation of relevant systems and promotion of integrity culture. The appraisal results are linked to the remuneration of the person-in-charge of discipline inspection.

### PROMOTING INTEGRITY

The Group continues to deepen the education on integrity and compliance and has set up publicity and education programs such as “ABC on Integrity” and “Micro Corruption Warning Record” on the Wechat official accounts and OA platform. During the year, we launched a total of 71 anti-corruption publicity and education programs, with 7,110 employees participating, helping the normalization of integrity training. We focus on integrity education for the management and key positions. We communicate with the management personnel holding key positions about integrity on a regular basis, convey the concept of integrity in operations to such personnel, and timely identify integrity risks during the interview. The Chairman of the Board and the management signs the “Letter of Responsibility for Anti-corruption Construction” (《廉政建設工作責任書》) or “Letter of Commitment for Integrity” (《廉潔承諾書》), which specifies the requirements of the management for integrity.

### WHISTLEBLOWING POLICY

We encourage employees to report violations of laws and regulations, including corruption. Employees can report using their real names or anonymously through reporting, accusation reception room, telephone reporting, etc. Based on the actual situation of feedback on the reported incidents, the Group adopts measures such as “conclude”, “under discussion and inquiry”, “preliminary verification” and “case accepted and under review” to deal with the incidents. In order to protect the whistle-blowers, the Group complies with the “Regulations of the Supervision Department of the Central Commission for Discipline Inspection on the Protection of Whistle-blowers” (《中央紀委監察部關於保護檢舉、控告人的規定》) and protects their rights of reporting and accusation. Personal information of the whistle-blowers is kept strictly confidential, and the policy prohibits any entity or individual from investigating the whistle-blowers without authorization and retaliation against the whistle-blowers.



## Creating an Atmosphere of Integrity and Honesty

### Conclude

- Repeated reports with clear conclusions, reports that clearly do not exist, and reports that have no substance may be "closed"

### Under discussion and inquiry

- When the incident is minor, minor sanctions or exemption from accountability may be imposed once it is confirmed, or if the credibility of the incident is low, further communication should be conducted with the relevant personnel

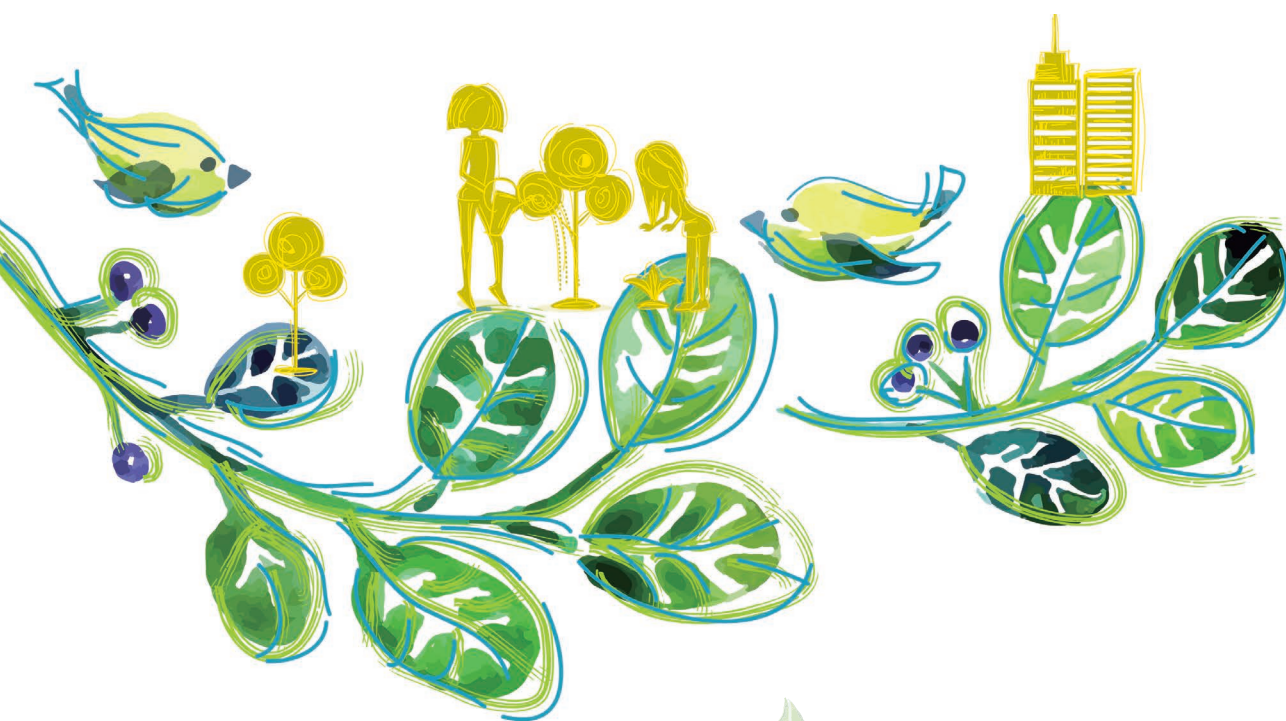
### Preliminary verification

- When the incident is likely to happen and is traceable, and could lead to disciplinary offence or at least some minor punishment once it is confirmed, then preliminary verification should be conducted

### Case accepted and under review

- If the preliminary verification confirms the existence of serious disciplinary problems, the case will be examined and an examination report will be formed, and the Disciplinary Inspection Committee will make recommendations for disciplinary action based on the examination results and submit them to the party committee for consideration and decision

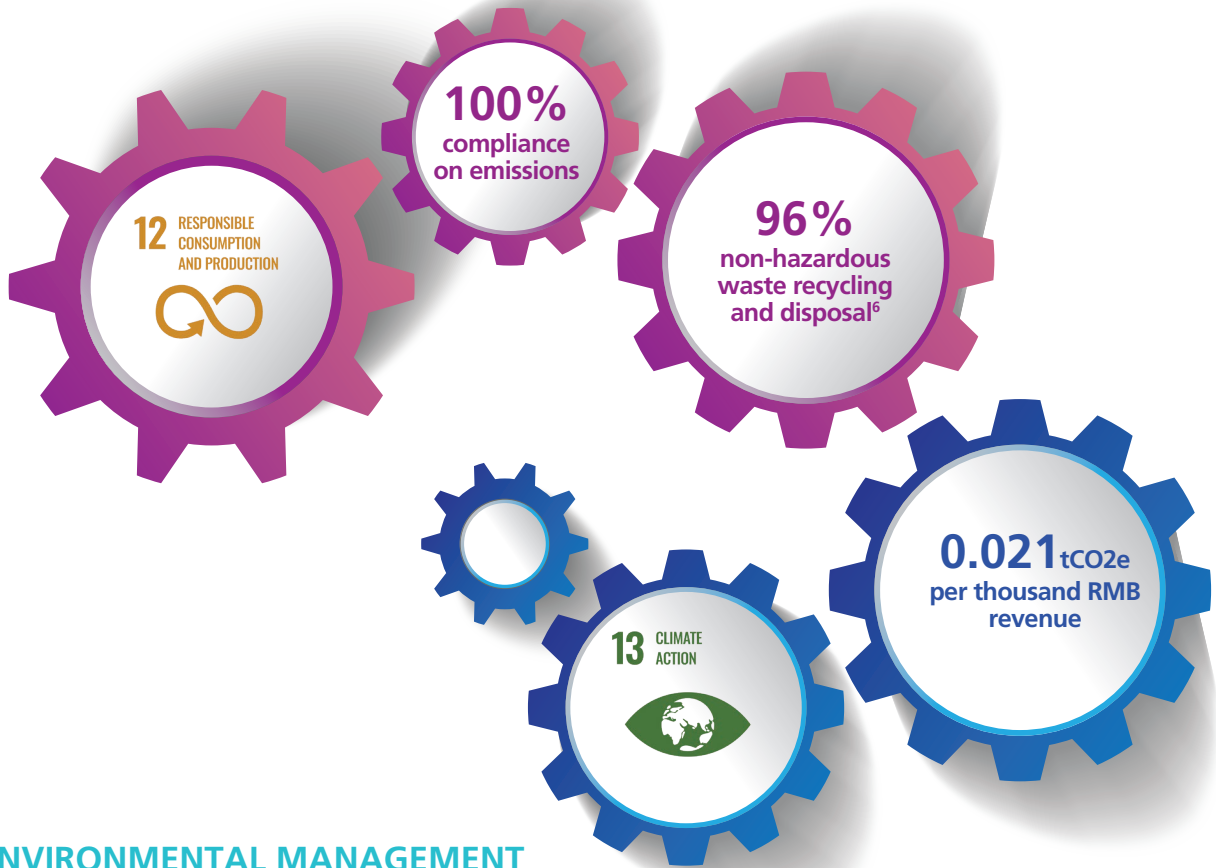
### *Whistleblowing Procedure*



# FULFILLING ENVIRONMENTAL RESPONSIBILITY

The Group is committed to energy conservation and emissions reduction and fulfills its environmental protection responsibilities by pollutants treatment, supervision and inspection of energy conservation and environmental protection measures, besides publicity and education of energy conservation and environmental protection.

## KEY PERFORMANCE INDICATORS:



## ENVIRONMENTAL MANAGEMENT

The Group strictly complies with the relevant national laws and regulations and continuously improves the environmental management of the Group based on the actual situation of the TCM industry. We have established a series of environmental management systems, including the “China Traditional Chinese Medicine Holdings Co. Limited Energy Conservation and Emission Reduction Management Measures” (《中國中藥控股有限公司節能減排管理辦法》), to minimize the impact of production and operations on the environment through a sound and effective environmental management system. During the year, the Group invested a total of RMB42,764,000 in environmental protection projects such as construction and improvement of wastewater recycling and waste discharge facilities.

A total of six subsidiaries of the Group have obtained ISO14001 Environmental Management System Certification, seven subsidiaries<sup>7</sup> have passed the clean production audit, and Guangdong Yifang and Qinghai Pulante Pharmaceutical Co., Ltd. have been selected as national green factories. We plan to expand the number of subsidiaries passing ISO14001 Environmental Management System Certification to ten by the end of 2021.

<sup>6</sup> Non-hazardous waste that has been recycled by a third party or treated by incineration or used as fertilizer.

<sup>7</sup> Among them, Zhejiang Yifang Pharmaceutical Co., Ltd., Tongjitang Pharmaceutical and Guangdong Medi-World passed the audit in 2020, and the remaining subsidiaries passed the audit before 2020.

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## Fulfilling Environmental Responsibility

**ISO14001 Environmental Management System Certification**

- Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.
- Jiangyin Tianjiang Pharmaceutical Co., Ltd.
- Guangdong Yifang Pharmaceutical Co., Ltd.
- Anhui Fengliaoqing TCM Decoction Pieces Technology Co., Ltd.
- Jiangsu Jiangkang Pharmaceutical Co., Ltd.
- Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.

**Clean Production Audit**

- Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.
- Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.
- Guangdong Yifang Pharmaceutical Co., Ltd.
- Longxi Yifang Pharmaceutical Co., Ltd.
- Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.
- Zhejiang Yifang Pharmaceutical Co., Ltd.
- Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.

During the year, we strengthened the structure of China TCM leading group for energy conservation and emissions reduction, with the president of China TCM as the group leader, the vice president of China TCM as the deputy group leader, and heads of Office Of President, Strategy And Operations Management Department, Human Resources Center, Finance Center, Government And Legal Affairs Department, Production, Safety And Environmental Protection Center and Engineering Project Construction Management Center as the group members. Among these, the EHS<sup>8</sup> Management Department under the Production and Safety Management Center is responsible for daily management of safety and environmental protection.

### EMISSIONS MANAGEMENT

The EHS Management Department is responsible for closely monitoring emissions of pollutants such as exhaust gas, wastewater and waste to ensure that the emissions comply with local laws and regulations. At the same time, we commission qualified third-party institutions to regularly inspect the pollutants generated from our operations. During the year, the Group commissioned third-party organization to conducted 83 environmental monitoring activities, the scope of which includes atmospheric pollutants from boilers, wastewater pollutants, etc. The test results were in compliance with the relevant national and local concentration limits of pollutants and there was no non-compliance incident during the year.

At the beginning of 2020, we set an annual emissions target, under which the EHS management department was made responsible for supervising the completion of the targets of each subsidiary and implementing on-site supervision on subsidiaries with large pollutants emissions. In addition, China TCM plans to set the pollutant emission target for the following year based on the emission data in 2020 and break down the plan to each subsidiary. During the year, the pollutants generated by the Group were all discharged and disposed in compliance with relevant laws and regulations.

<sup>8</sup> EHS is the abbreviation of Environment, Health and Safety.



## Fulfilling Environmental Responsibility

	Number of Companies	Proportion
<b>Wastewater Pollutants</b>		
COD Online Monitoring System	11	39% <sup>9</sup>
NH <sub>3</sub> -N Online Monitoring System	10	35% <sup>10</sup>
<b>Exhaust Pollutants</b>		
SO <sub>2</sub> Online Monitoring System	2	67% <sup>11</sup>
NO <sub>x</sub> Online Monitoring System	2	67% <sup>12</sup>

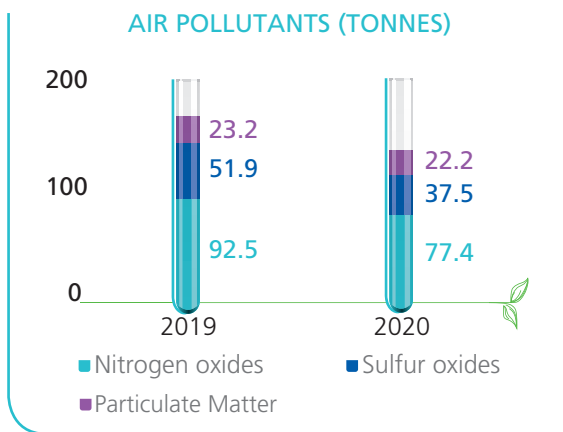
### New Online Pollutant Monitoring System in 2020

### Air Pollutants

The exhaust gases emitted by the Group were mainly sulfur oxides, nitrogen oxides and particulate matter (“PM”) from fuel combustion and vehicle exhaust gas emissions. During the year, the Group recorded 37.5 tonnes of SO<sub>x</sub>, 77.4 tonnes of NO<sub>x</sub> and 22.2 tonnes of PM of air pollutant emissions. Emissions of sulfur oxides and nitrogen oxides decreased as compared with the preceding year, mainly due to the upgrade of some of the Group’s boilers, resulting in a decline in emissions of air pollutants.

**Boiler Retrofit**

In response to the government’s policy and call, Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd. (“Dezhong Pharmaceutical”) carried out “ultra-low emission” transformation on some coal boilers during the year. After the transformation of the process line, the emission concentration of smoke and dust, sulfur oxides and nitrogen oxides were reduced, and the monthly emission of sulfur oxides and nitrogen oxides could be reduced by approximately 0.12 tonnes and 1.48 tonnes respectively, as compared to that before the transformation.



<sup>9</sup> The proportion of companies with COD online monitoring system among those with wastewater treatment stations that are already in operation.  
<sup>10</sup> The proportion of companies with NH<sub>3</sub>-N online monitoring system among those with wastewater treatment stations and in operation.  
<sup>11</sup> The proportion of companies using gas boilers that have installed SO<sub>2</sub> online monitoring systems.  
<sup>12</sup> The proportion of companies using gas boilers that have installed NO<sub>x</sub> online monitoring systems.

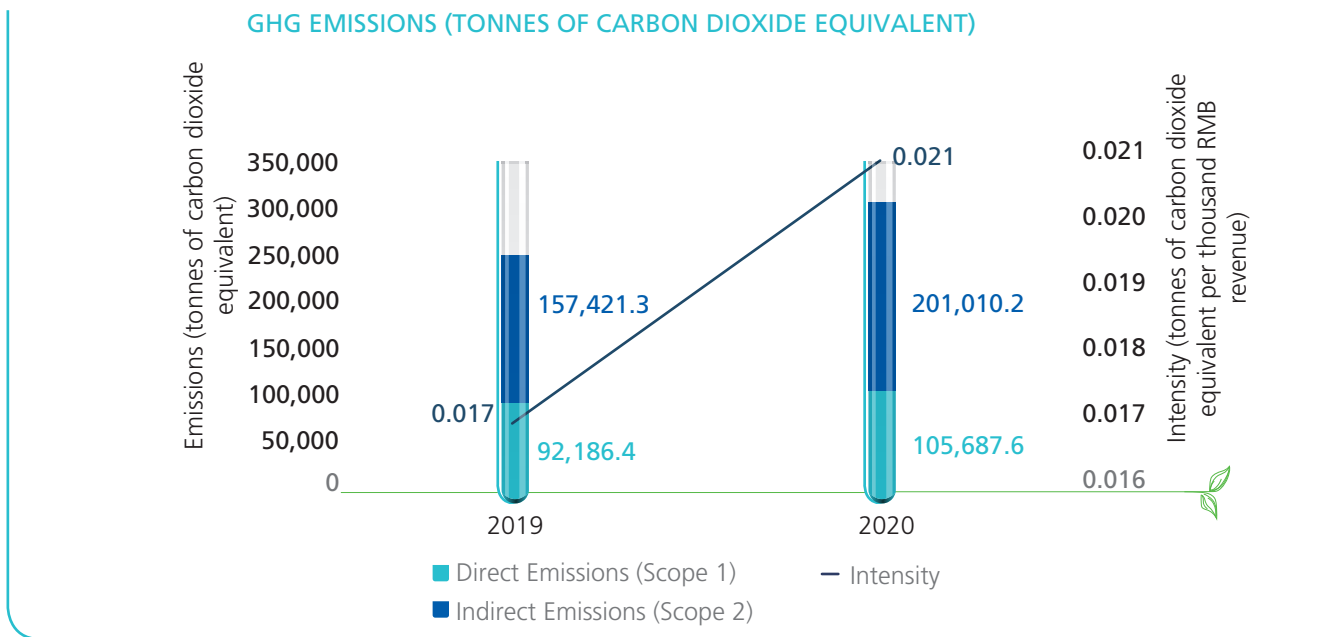
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## Fulfilling Environmental Responsibility

### Greenhouse Gas

During the year, the Group’s direct greenhouse gas (“GHG”) emissions (Scope 1) were 105,687.6 tCO<sub>2</sub>e, mostly from boiler combustion and vehicle fuels, and indirect emissions (Scope 2) were 201,010.2 tCO<sub>2</sub>e from purchased steam and electricity, resulting in a total emission of 306,697.8 tCO<sub>2</sub>e and an emission intensity of 0.021 tCO<sub>2</sub>e per thousand RMB revenue. The total GHG emissions increased by approximately 23% as compared to 2019<sup>13</sup>.



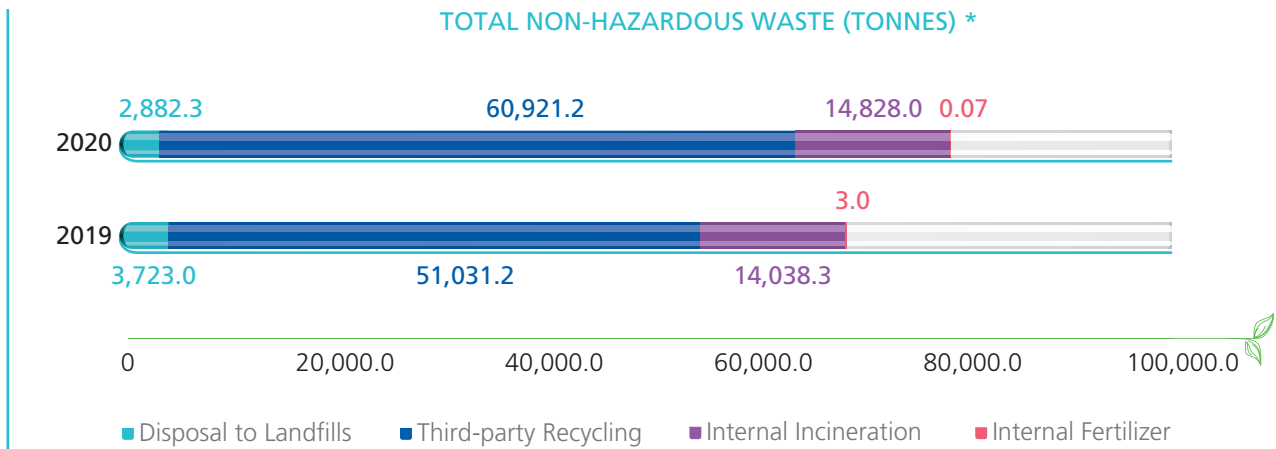
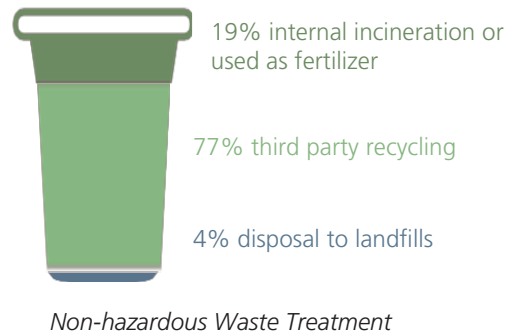
<sup>13</sup> Carbon Emission Calculation Methodology: Emission factors are adjusted compared to those disclosed in 2019 report, and GHG emissions for 2019 are recalculated and revised in the above table. The calculation of GHG emissions is based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) published by the Environmental Protection Department. Emission factors are referenced from the 2019 Emission Reduction Project China Regional Grid Baseline Emissions Factor (《2019 年度减排項目中國區域電網基準線排放因子》) and “How to Prepare Environmental, Social and Governance Report – Appendix II: Reporting Guidance Environmental KPIs” published by HKEX. The global warming potential is referenced from the “Fifth Assessment Report” published by the Intergovernmental Panel on Climate Change (IPCC).

## Fulfilling Environmental Responsibility

### Waste

In 2020, we launched a three-year action plan for targeted rectification of production safety and implemented a targeted rectification of hazardous waste safety. We carried out detailed inspection of hazardous wastes, clarified the nature of various types of hazardous wastes, and collected, stored, transported and disposed various types of hazardous wastes separately. In addition, we perfected the existing hazardous waste handling system ranging from generation to disposal, and formed a comprehensive regulatory system covering the entire process of hazardous waste generation, collection, storage, transfer, transportation and disposal. During the year, the hazardous wastes generated from our production and operation were mainly reagent bottles, waste drugs and laboratory drugs, which were handled by qualified third-party contractors. A total of 425.5<sup>14</sup> tonnes of hazardous wastes were transferred during the year, with an intensity of 0.029 kg of hazardous wastes per thousand RMB revenue.

During the year, the Group generated a total of 78,631.5 tonnes of non-hazardous waste, mainly including domestic waste, construction waste and dry and wet herbal residue, with an intensity of 5.31 kg of non-hazardous waste per thousand RMB revenue. Non-hazardous waste is sorted, stored and recycled by qualified recycling companies, and part of the drug residue is internally incinerated or used as fertilizer.



\* The data of non-hazardous waste disposed at landfills in 2019 was revised from 30,205.0 tonnes to 3,723.0 tonnes

<sup>14</sup> The increase in waste generation in 2020 as compared to 2019 was mainly due to: 1. Tongjitang Pharmaceutical retained drug samples according to GMP requirements when it commenced production in 2016. These drugs expired in 2020 and were treated as hazardous waste; 2. the Sinopharm Group Zhonglian Pharmaceutical Co., Ltd. (the "Zhonglian Pharmaceutical") which was newly included in the reporting boundary, handled 85 tonnes of waste drugs during the year.

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## Fulfilling Environmental Responsibility

### Wastewater

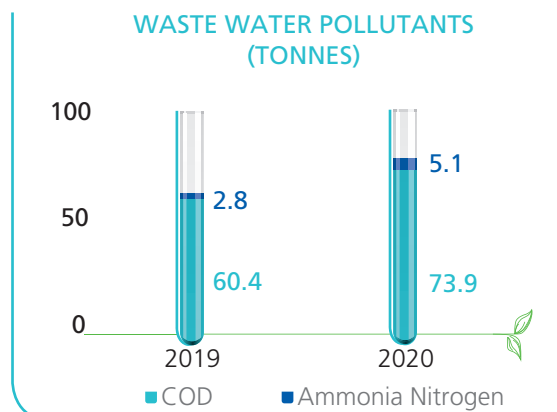
Our pharmaceuticals production operations generate wastewater containing TCM organic ingredients. During the year, the Group discharged approximately 73.9 tonnes of Chemical Oxygen Demand (“COD”) and 5.1 tonnes of ammonia nitrogen wastewater pollutants.

## RESOURCE CONSUMPTION

### Energy

We set an energy consumption target at the beginning of the year to reduce carbon emissions by improving energy efficiency. In order to successfully achieve the goal, China TCM organized meetings with its subsidiaries focusing on key energy conservation and environmental protection initiatives in 2020, and signed “Energy Conservation and Environmental Protection Agreement”(《節能環保協議書》) with 36 subsidiaries to specify corresponding goals and responsibilities. Each subsidiary shall report its own energy consumption and pollutant emission data to the “Sinopharm Group Energy Conservation and Emission Reduction System”. At the beginning of the year, the EHS Management Department released an inspection plan for energy conservation and environmental protection, under which the energy conservation and environmental protection related data of each subsidiary was collected quarterly, and reviewed for the completion status of targets of each stage. Through our joint efforts, we surpassed our target by the end of 2020.

The main energy sources of the Group are coal, natural gas, diesel and petrol (direct energy), and purchased steam and electricity (indirect energy). During the year, the Group consumed 801,742.0 MWh of energy, with an energy consumption intensity of 54.1 kWh per thousand RMB revenue. The total energy consumption increased by approximately 20% as compared with previous year, mainly due to the expanded boundary of environmental data in this report as compared with 2019.



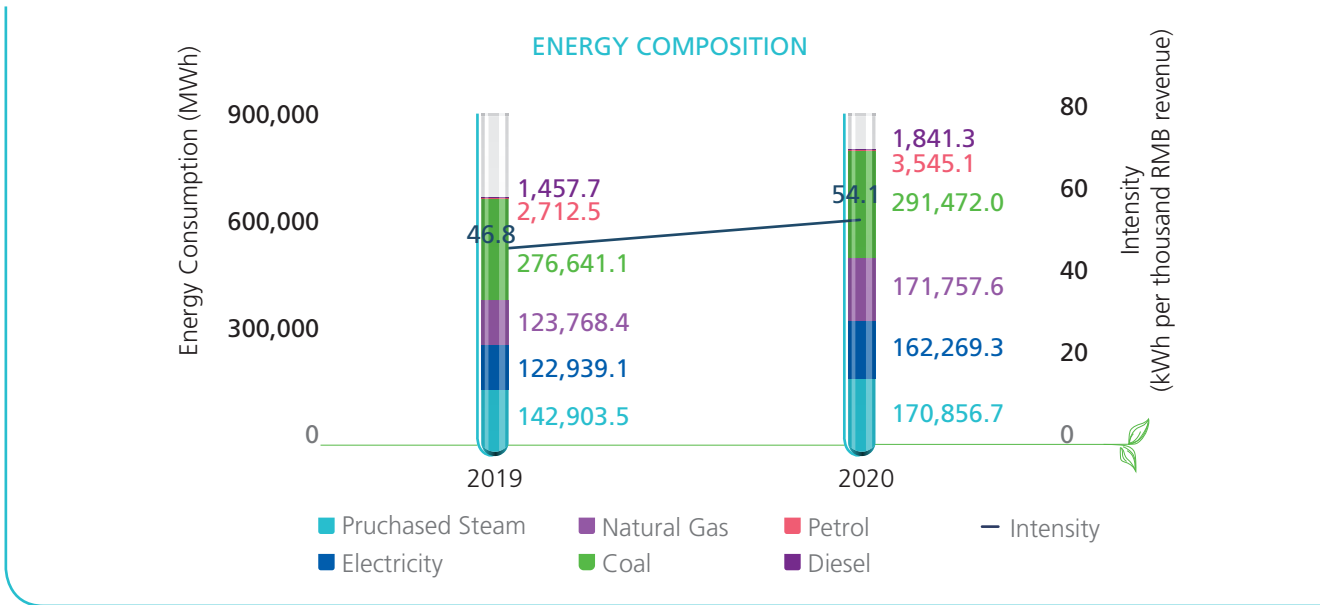
### Energy Consumption Target of the Group in 2020:

Energy Consumption per RMB10,000 of value-added was 1,383.91 kWh

### Achievement of objectives:

Energy Consumption per RMB10,000 of value-added was 1,185.88 kWh

## Fulfilling Environmental Responsibility



We encourage our subsidiaries to reduce energy and resource consumption through process optimisation and introduction of energy-saving technologies, so as to apply the concept of sustainable development in the actual production and operation process.



Guangdong Yifang installed power-saving equipment in early February 2020. The equipment is expected to save the Guangdong Yifang 600,000 kWh electricity each year. The program is planned to be promoted to its subsidiaries.



Jiangyin Tianjiang carried out frequency conversion transformation of air-conditioning water-cooled centrifugal chillers to reduce energy consumption. The project was officially put into use in March 2020, saving approximately 670,000 kWh of electricity each year.



Anhui Tianxiang Pharmaceutical Co., Ltd. ("Tianxiang") installed a highvacuum heat pump double-effect concentrator in the concentration area of the extraction workshop. After it is put into use, it can save 2,600 tonnes of steam each year.

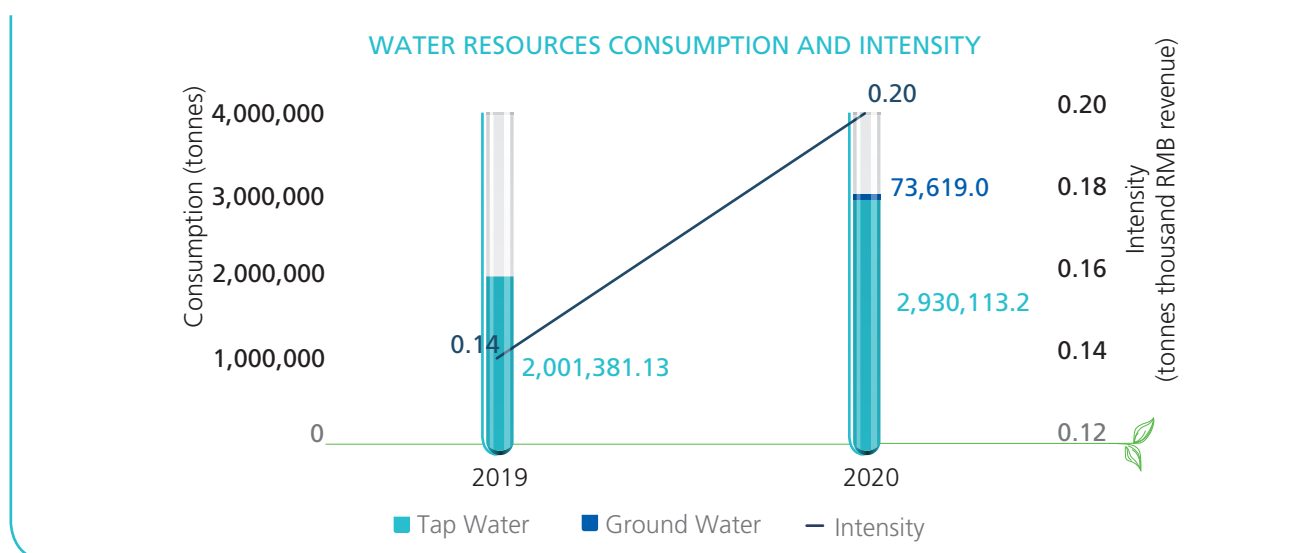
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## Fulfilling Environmental Responsibility

### Water Resources

Our water consumption includes domestic water and production water, of which production water is mainly used for steam generation, TCM decoction cooking, and equipment cleaning, etc. The Group consumed a total of approximately 3,003,732.2 tonnes of water, with a consumption intensity of 0.20 tonnes per thousand RMB revenue. The water consumption increased by approximately 50% as compared to last year, mainly due to expansion of the boundary of environmental data during the year. There was no issue in sourcing water that fit for the purpose during the year.

Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. recycled and reused the condensate water from the extraction workshop and the complex preparation workshop and resolved water leakage issue, improving the lifespan of the boiler while saving water resources.



### Packaging materials

Packaging materials consumed by the Group's production and operation mainly include plastic, paper products, composite film, metal and glass, etc. The total consumption was 26,876.2 tonnes, which was similar to last year, with an intensity of approximately 0.002 tonnes of packaging materials per 1,000 RMB revenue. During the year, we followed the principle of recycling and reducing packaging materials consumption to minimize the use of unnecessary packaging materials, and utilized recyclable packaging as much as possible during the production and delivery of products to customers to avoid waste of packaging materials and reduce the use of packaging materials.

Packaging Materials Consumption (tonnes)	2019	2020
Plastics	14,581.0	<b>14,516.2</b>
Paper products	7,249.4	<b>8,341.9</b>
Composite film	3,530.3	<b>3,304.4</b>
Glass	330.1	<b>543.1</b>
Metal	254.5 <sup>15</sup>	<b>151.6</b>
Others	56.8 <sup>16</sup>	<b>19.0</b>

<sup>15</sup> The amount of metal packaging materials in 2019 was revised from 431 tonnes to 254.5 tonnes.

<sup>16</sup> The amount of other packaging materials in 2019 was revised from 290 tonnes to 56.8 tonnes.









## Fulfilling Environmental Responsibility

### BUILDING A GREEN CULTURE

#### Green Action

We actively respond to the call for energy conservation and emissions reduction in office operations, strive to create a green office atmosphere, cultivate employees' awareness of energy conservation and consumption reduction, and protect and improve the ecological environment.

 <p>Encourage employees to take appropriate amount of food when eating, dine with proper etiquette, participate in the Clear Plate Campaign, and eliminate waste</p>	 <p>Encourage employees to share vehicles when going out on business trip</p>
 <p>Turn off computers, lights and other electrical appliances when leaving</p>	 <p>Advocate double-sided printing, avoid color printing unless it is necessary</p>
 <p>Procurement of environmentally friendly office supplies as much as possible, and reclaim used office supplies</p>	 <p>Regularly check the faucet, water pipe, etc. to avoid water leakage</p>

In addition, we also actively encourage our subsidiaries to carry out environmental protection related training and other activities to enhance employees' awareness of energy conservation and environmental protection and apply low-carbon lifestyles. During the World Environment Day 2020, we organized our subsidiaries to carry out publicity and education activities around the theme of "Beautiful China, I am an action taker". A total of 25 subsidiaries participated in the event offline, with a total of approximately 4,620 participants, while other subsidiaries participated in the event online. At the same time, we actively responded to the call and policy of the National Energy Saving Promotion Week and the International Low carbon Day and organized all subsidiaries to participate in the "2020 National Energy Saving Promotion Week Energy Saving PK Contest" organized by the WeChat official account of the "National Energy Saving Promotion Platform".

#### Ecological Conservation

All new construction, improvement or expansion projects of China TCM are in strict compliance with requirements of relevant laws and regulations, and documents such as the "Environmental Impact Assessment Report/Report Form" (《環境影響評價報告書/報告表》) and the "Water and Soil Conservation Plan" (《水土保持方案》) were prepared before the construction of the project to ensure that the project is carried out in compliance with relevant laws and regulations.

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## Fulfilling Environmental Responsibility

In respect of plantation of Chinese medicinal herbs, we formulated the relevant procedures and seek approvals from the national government or the authority for rare species. For plants that affect the ecological environment, we cooperate with the research institutes to conduct project research to avoid the impact on the surrounding ecological environment caused by the plantation of medicinal herbs.

### Emergency Management

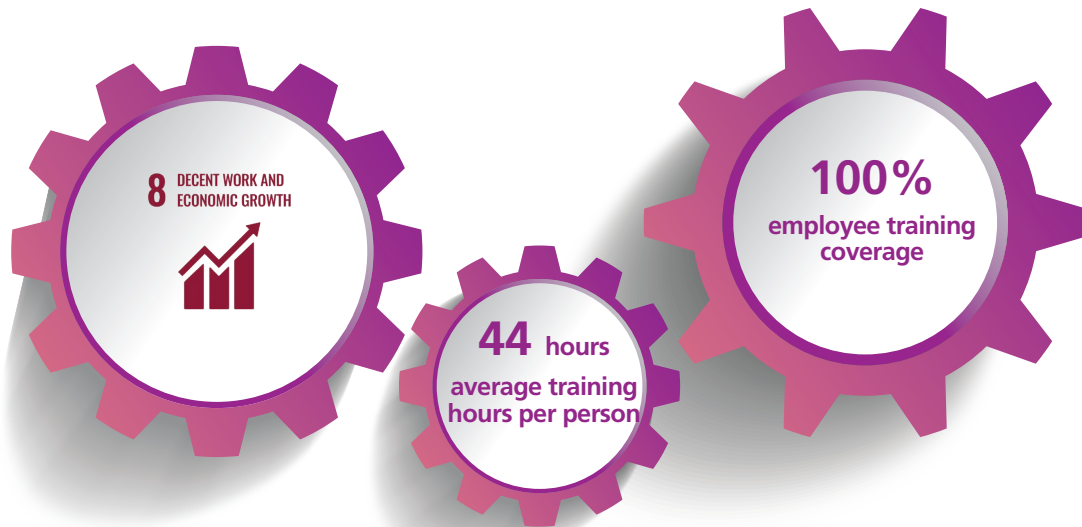
We have formulated an “Emergency Plan for Heavy Pollution Weather” (《重污染天氣應急預案》) and an “Emergency Plan for Environmental Emergencies” (《突發環境事件應急預案》), which set out the procedures for handling environmental emergencies, effectively prevent and control environmental emergencies, improve employees’ safety awareness and prevent and control pollution. In case of environmental emergency, subsidiaries are required to file details with the environmental department of the local government and take appropriate measures to prevent deterioration of environmental pollution, and report relevant information to the safety production supervision department and upper management companies.



# PEOPLE-ORIENTED APPROACH

*The Group provides its employees with a fair and impartial remuneration and benefits system, training and development opportunities, and a safe and healthy living and working environment, with an aim to enhance employees' satisfaction and sense of belonging.*

## KEY PERFORMANCE INDICATORS:



## EMPLOYEE RIGHTS AND BENEFITS

The Group attaches great importance to building of a talent team. In the process of recruitment, provision of welfare, career development, reward and punishment, the Group treats each employee fairly and equally regardless of race, ethnicity, color, religion, gender and nationality, and strictly complies with relevant laws and regulations to protect rights and benefits of employees.

### Remuneration and Benefits

In order to fully mobilize the enthusiasm of employees and treat each employee fairly and equally, China TCM provides employees with competitive remuneration and benefits based on the level of economic development, the remuneration level of the industry and region, and the internal development of the Group in accordance with the "Guidelines for Employees Benefits Management of China Traditional Chinese Medicine Co. Limited" (《中國中藥控股股份有限公司總部薪酬績效管理辦法》).

In order to regulate and protect the rights and benefits of employees, the Group has established a competitive and protective benefit system to enhance the work well-being of employees. The Group has formulated sound benefit management measures covering all regular employees. The employee benefit system consists of three parts, namely statutory benefits, caring benefits and incentive benefits.

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## People-oriented Approach

<b>Statutory Benefits</b> Follow local laws and regulations	<b>Caring Benefits</b> According to the economic performance and level of consumption	<b>Incentive Benefits</b> Based on the actual situation and positions distribution
<input type="checkbox"/> Social insurance <input type="checkbox"/> Housing fund <input type="checkbox"/> Statutory holidays, etc.	<input type="checkbox"/> Meal allowance <input type="checkbox"/> High-temperature allowance <input type="checkbox"/> Health checkup <input type="checkbox"/> Labor protection fee, etc.	<input type="checkbox"/> Transportation subsidies <input type="checkbox"/> Communication subsidies <input type="checkbox"/> Rental subsidies <input type="checkbox"/> Commercial supplementary insurance <input type="checkbox"/> Enterprise annuity <input type="checkbox"/> Local benefits, etc.

### Employee Care

The Group has established a sound employee communication system, maintaining effective and close communication with employees through regular special meetings, forums, telephone hotlines, emails, WeChat and other channels to understand and respond to the needs of employees in a timely manner. During the year, the labor union held a number of employee forums to propose rectification measures for democratic management, aiming to provide better benefit for employees.

During the year, China TCM focused on enhancing the brand influence of “Colorful TCM”, consolidating the team cohesion, and promoting enterprise culture through innovative activities. We organized about 100 events with more than 9,200 participants including fun sports games, live online activities and skill competitions to integrate corporate culture and employees’ life.



Fun Activity



Chorus



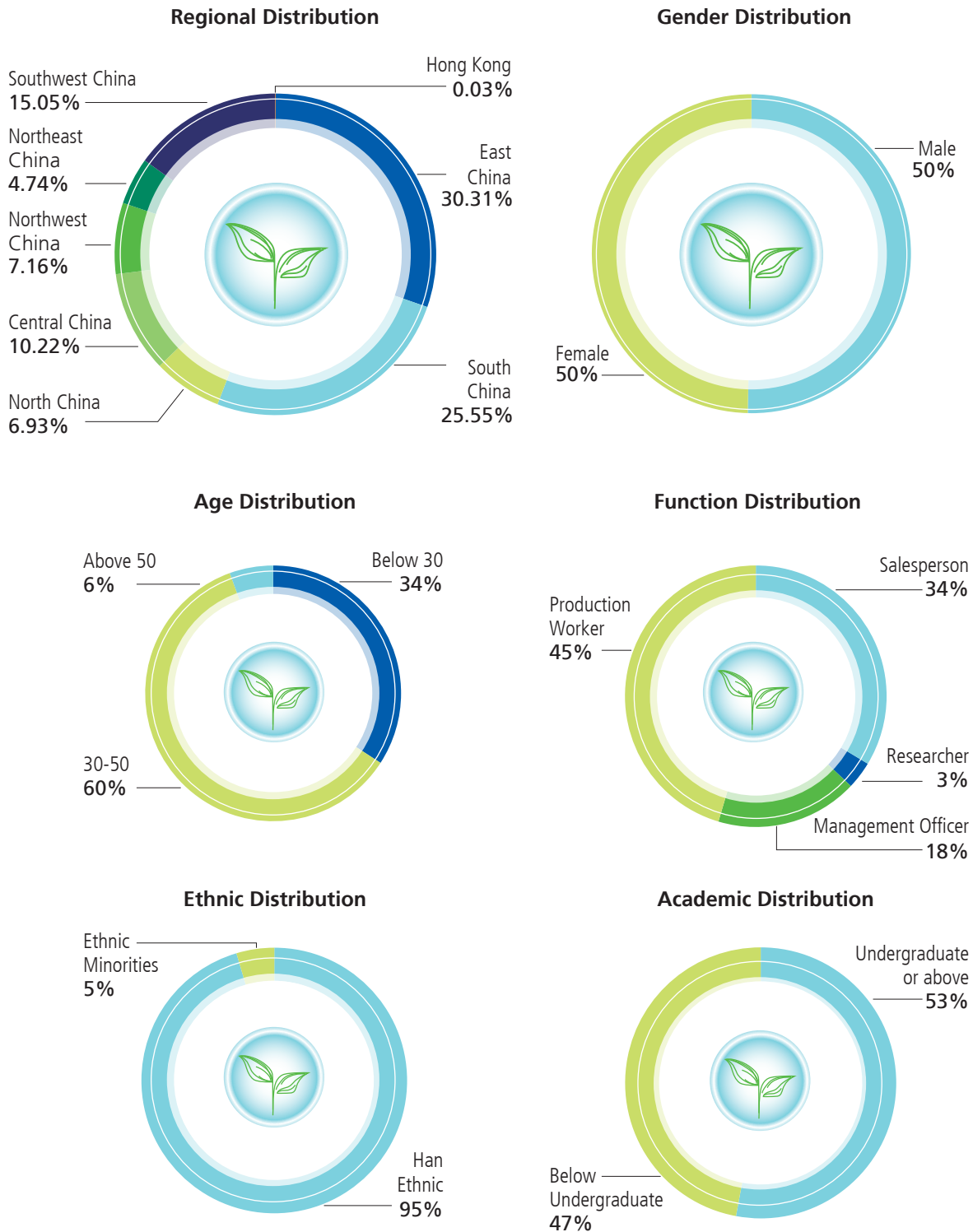
Recitation Contest

In addition, adhering to the principle of “helping those in need or injured and building a platform for love and care”, the Group has set up the care fund for continuously helping employees in difficulties. As at the date of 31 December 2020, a total of 57 subsidiaries have joined the care fund with 9,000 members, and 32 employees have benefited from the fund during the year.

## People-oriented Approach

### Employee Distribution

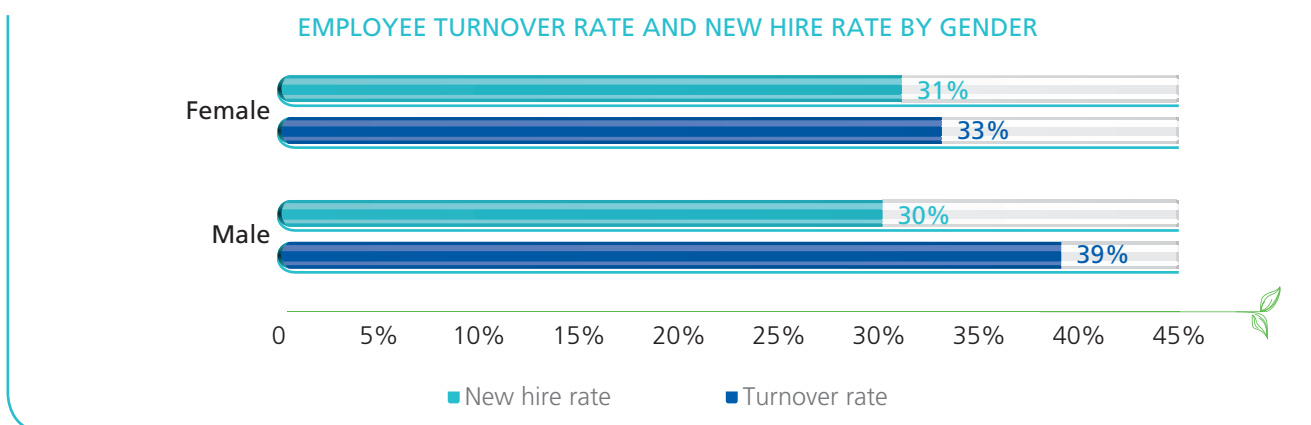
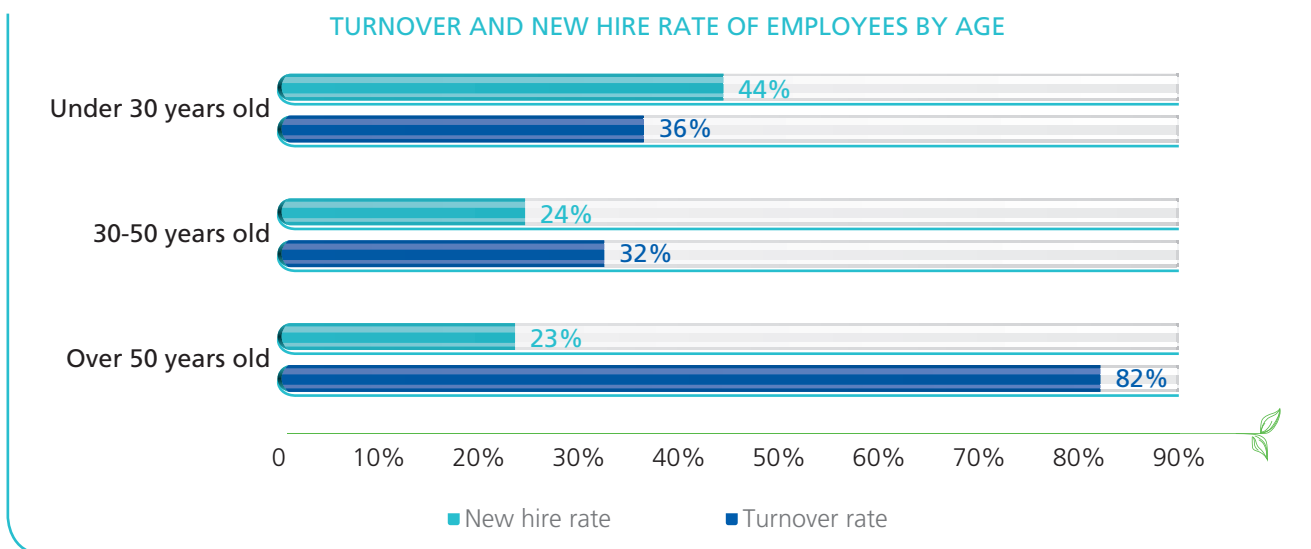
As at the end of 2020, the Group had a total of 16,286 employees. During the year, we further attracted more ethnic minority employees. As of the end of 2020, the Group had a total of 749 minority employees, accounting for 5% of the total.



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## People-oriented Approach

During the year, the overall employee turnover rate<sup>17</sup> of the Group was 36% and the new hire rate<sup>18</sup> was 31%. The employee turnover and new hire rates by age, gender and region are shown below:



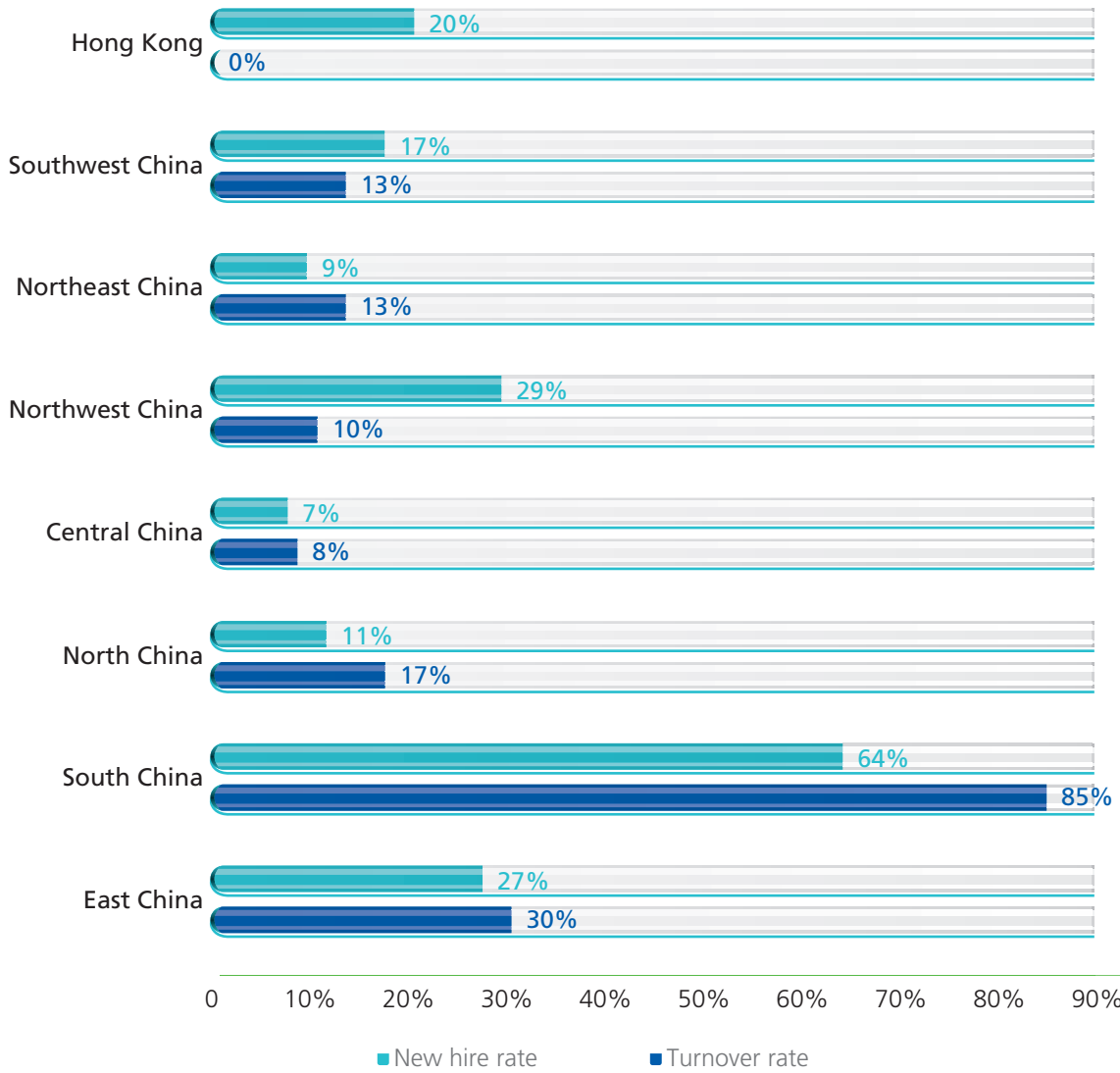
<sup>17</sup> Overall turnover rate of employees = total number lost during the year/total number of employees at the end of the year

<sup>18</sup> Overall new hire rate of employees = total number of new hires during the year/total number at the end of the year



# People-oriented Approach

EMPLOYEE TURNOVER RATE AND NEW HIRE RATE BY REGION



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## People-oriented Approach

### TALENT ATTRACTION AND DEVELOPMENT

The Group hires and nurtures outstanding talents according to its development strategy. We follow the principle of optimised allocation and merit-based recruitment and establish a comprehensive talent training program. Through multi-dimensional development methods, employees can explore different career development paths and grow with the Group.

#### Talent Recruitment

We prepare an annual recruitment plan based on external market and internal development needs, such as operations and management situations, talent reserve, employee turnover forecast and other factors. Based on the annual recruitment plan, we quickly meet the talent gap through a variety of external recruitment channels such as campus recruitment, media channels, headhunting or intermediary recommendation, as well as internal recruitment methods. To ensure the recruitment effect, we track and evaluate all aspects of the recruitment process based on the recruitment cycle, recruitment success rate, employer satisfaction, recruitment cost, etc., so as to improve the recruitment efficiency and the quality of talents recruited. In addition, during the recruitment process, we verify the authenticity of personal information and employment experience to avoid improper recruitment of child labor.

The Group continues to promote the introduction of high-end talents, and explores various high-end management and technical talents. We also vigorously develop school-enterprise cooperation programs, recruit and train outstanding graduates, organize internship programs for students, and provide targeted trainings for students, so as to help students to be familiar with the business operations of the Group. The Group will determine whether to recruit them after comprehensive consideration.

#### Talent Cultivation

The Group continues to improve the internal talent development system, customized comprehensive ability enhancement and training programs for new employees and interns, general employees, professional and technical talents and senior management, and continuously strengthens the building of its talent team. We also encourage our employees to pursue further studies and provide incentives or priority for promotion to employees who meet the degree requirements or obtain professional titles. During the year, the training coverage rate of the Group was 100%, with a total of 724,088 training hours and an average of 44 training hours per person.

The Group continues to improve its training programs, and provides diversified and targeted training for all employees, including new employees, junior employees, management and professional and technical talents, by means of live webcasts, lectures given by internal and external lecturers, etc., according to the division of functions and job requirements.

## People-oriented Approach

### Fresh Graduates and New Employee Training Program

- Including pre-job training, on-the-job training and intensive training
- Assist employees to quickly familiarize themselves with the strategy and culture of the Group, and strengthen the integration between new and old employees
- For fresh graduates majoring in Chinese medicinal materials resources, implement entry-level rotational internship training methods to enable them to have an in-depth understanding of first-line production conditions

### Senior Management Comprehensive Management Ability Improvement Training Program

- The management talent training system covers the improvement of primary professional quality, primary management ability, and intermediate management ability
- During the year, a third-party professional organization was entrusted to carry out the first phase of comprehensive management ability improvement training for senior executives, with a total of more than 50 participants. In accordance with the Group's strategic planning and other reshaping leadership models, the project organizes senior executives of various subsidiaries to conduct leadership assessments, identify shortcomings and deficiencies, and provide targeted training

### Professional and Technical Personnel Training Program

- Formats including discussion of professional issues, internal communication, on-the-job training, etc.
- The instructor formulates a targeted training plan for professional and technical talents, aiming to improve basic ability, professional ability, performance, etc.
- Encourage professional and technical personnel to obtain higher education or professional qualification certification
- Some subsidiaries and headquarters R&D centers jointly develop courseware, share and communicate
- During the year, carry out the exchange and sharing meeting on the application and management of science and technology projects to realize cross-unit exchange

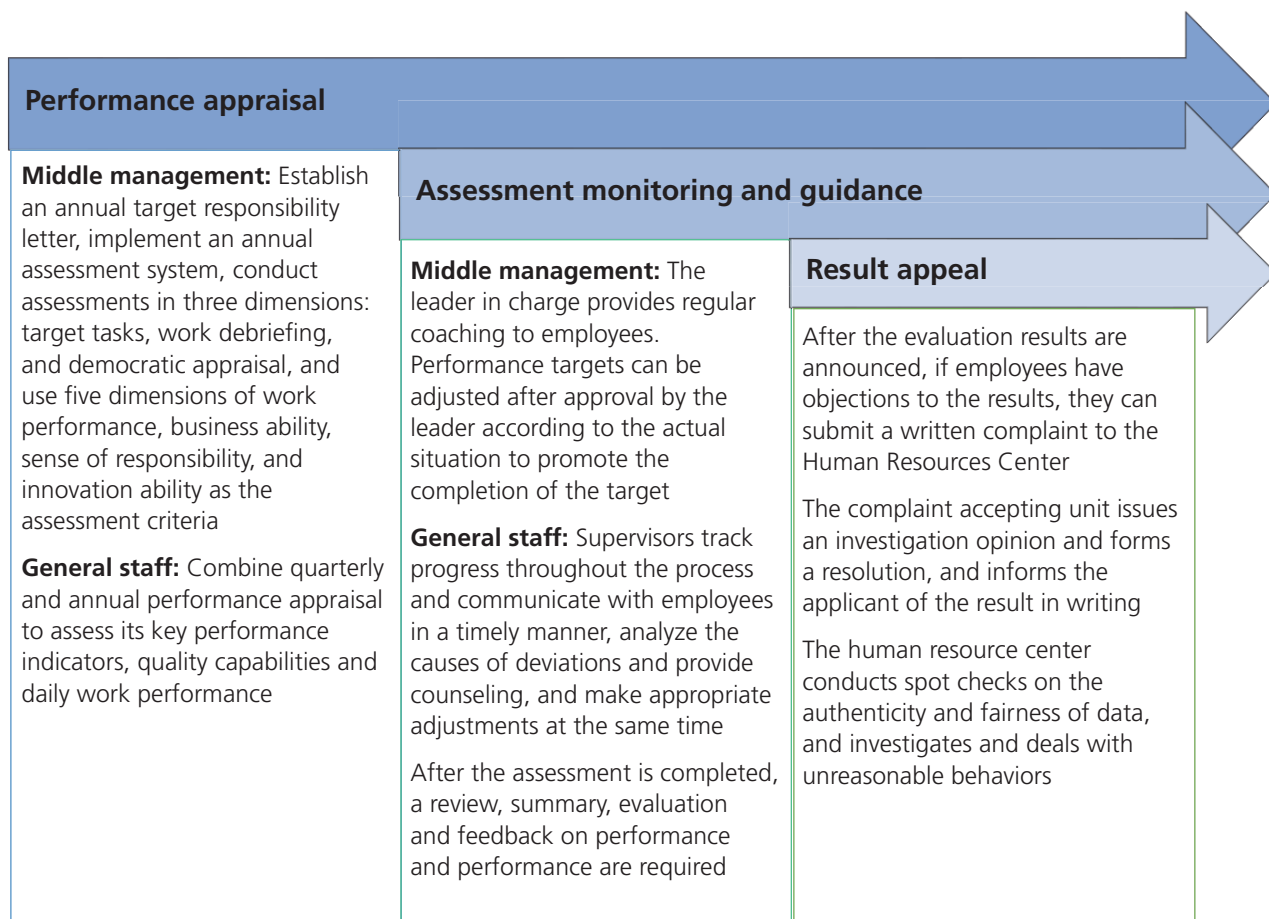
*Major training programs in 2020*

### Development Evaluation and Performance Management

The Group has established a staff development evaluation system. We check our employees' leadership through an annual talent review and determine their future career development direction based on the assessment results. At the same time, we have implemented a performance management system to evaluate the business ability and performance of employees in their positions through quarterly and annual performance appraisals, so as to achieve fair and open distribution.

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## People-oriented Approach



*Performance evaluation process for middle management and general staff of China TCM*

## OCCUPATIONAL HEALTH AND SAFETY

In order to thoroughly implement the concept of safety production, the Group adheres to the principle of “safety first, prevention-oriented and comprehensive governance” and strictly complies with relevant laws and regulations to ensure the health and safety of employees and the smooth business operations. During the year, we further strengthened the occupational health and safety (OHS) system, and actively promoted the certification of safety production standardization. At the same time, we have invested in various resources, including manpower and equipment, so as to improve the management structure and build a healthy and safe working environment. As at the end of 2020, 19 subsidiaries of the Group have passed the Safety and Production Standardization Certification.

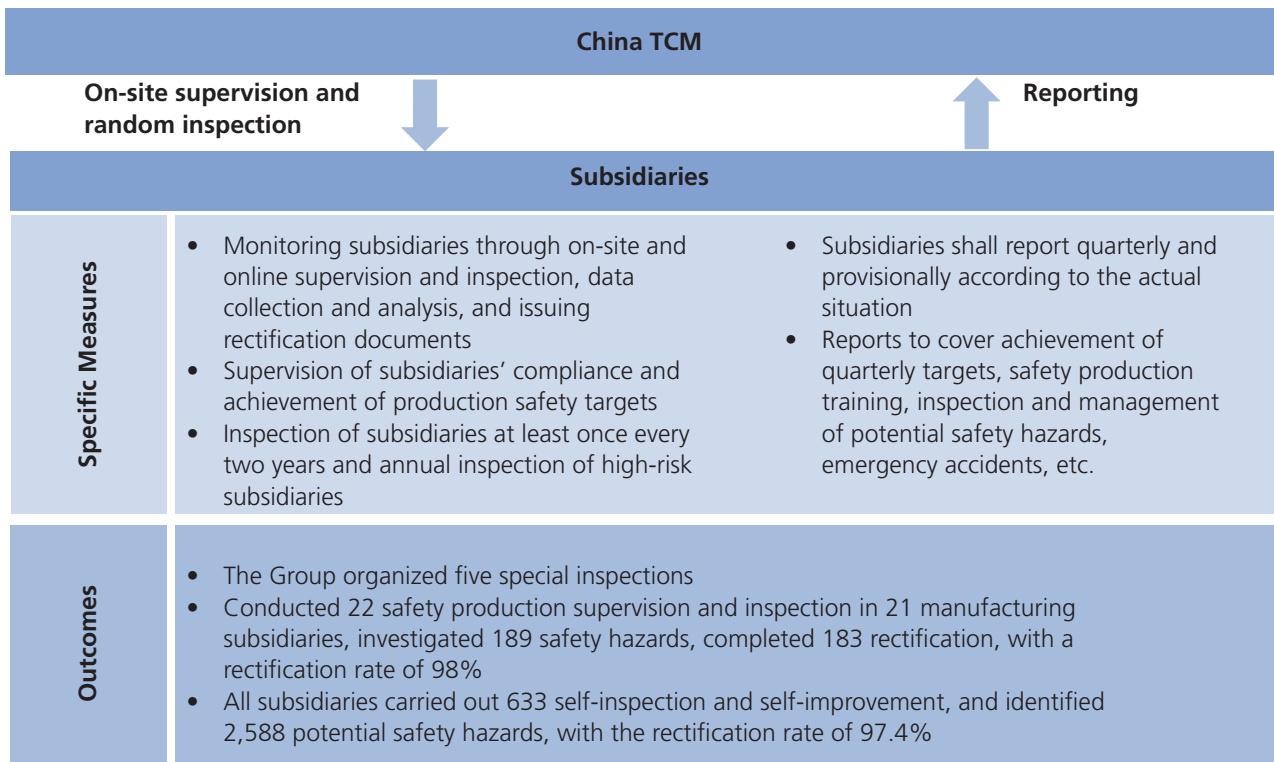
## People-oriented Approach

### Safety Management System

The EHS Management Department of the Group is responsible for the daily safety management, supervision and management of each subsidiary of the Group, and assisting the subsidiaries to rectify the existing safety risks. During the year, some subsidiaries of the Group increased investment in human resources in view of the shortage of safety professionals. Among them, Guangdong Yifang has established an EHS department consisting of full-time safety and environmental protection personnel, and will gradually improve OHS management system. We have set annual production safety targets covering all subsidiaries and achieved 100% targets during the year.

#### Safety Production Targets

- No production safety accidents with serious injuries
- No occupational disease accident
- Work-related injury rate ≤ 5‰
- Direct loss due to production safety accidents < RMB10 million
- Compliance in production safety



*Safety Production Management Measures and Outcomes*

### Occupational Safety Risk Management

Occupational hazards of the Group mainly include physical and chemical factors such as noise, high temperature, laboratory benzene series, etc. We have adopted a number of measures to prevent and control occupational diseases, including pre-assessment of occupational disease hazards, modification of technologies and equipment, physical examination, distribution of protective equipment, etc.

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## People-oriented Approach

### Specific Rectification Cases of Fire Safety and Hazardous Chemicals

- Ten subsidiaries of the Group actively carried out fire safety and hazardous chemicals treatment, replaced plastic ethanol barrels with stainless steel explosion-proof barrels
- Tongjitang Pharmaceutical completed the renovation and upgrading of the fire protection system in the plant, including setting up a fire pump room and pool, improving the spray system and water pipeline, etc.
- Guangdong Yifang installed electric vehicle charging system and regulate parking to prevent fire

As of the end of 2020, all manufacturing subsidiaries of the Group that have been put into production completed the evaluation of prevailing situation and occupational hazards control. During the year, there were a total of 2,104 employees involved in occupational disease hazard positions and a total of 2,237 employees were provided occupational health examinations, before and after taking up their respective positions. No cases of occupational diseases or similar occupational diseases were reported.

	2018	2019	2020
Number of work-related fatalities (person)	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work (days)	1,066	284	92

### Occupational Health and Safety Training

OHS training is a crucial way to raise employees' awareness of safety and health. Our OHS training covers pre-job, special and professional safety production management training. During the year, the Group conducted a total of 712 safety production training activities, covering fire safety and safety of hazardous chemicals, with a total of 42,902 person times and a total of 85,804 training hours. Due to the pandemic, the number of safety training activities and the length of each training activity have decreased during the year as compared to previous years.

In addition, the Group organized 61 emergency drills with subsidiaries, covering comprehensive, special and on-site emergency drills with various professional fields such as machinery, fire and electricity.



#### Guangdong Yifang Safety Knowledge Competition

- Carried out safety related fun activities to equip employees with safety skills such as first aid, fire fighting and identification of hidden dangers
- Carried out safety production and environmental protection video conference with more than 140 participants



## People-oriented Approach



### Tongjitang Pharmaceutical Fire and Gas Drill

- With the assistance from fire brigade, the Safety and Environmental Protection Office organized the 2020 safety production fire drills with nearly 50 participants
- The realistic drill of gas boiler leakage accident led to remarkable results

### Pandemic Prevention and Control

The COVID-19 pandemic has had an impact on the Group's operations and employees' health, thus we reasonably adjusted our production tasks and strengthened the monitoring of safety risks. The Group has established a leading taskforce led by the Chairman for response to the COVID-19. The taskforce was responsible for overall management of pandemic prevention and control work and improvement of the prevention and emergency control mechanism. We have established a series of requirements and adopted various control measures, including the establishment of employee information files, regular disinfection and the provision of protective equipment for employees, in workplace, production process, and logistics support, etc. As of the end of 2020, the Group did not experience any COVID-19 infection, and its ability to cope with occupational safety risks was further strengthened.



Temperature measurement



Cleaning and disinfection



Canteen Supervision

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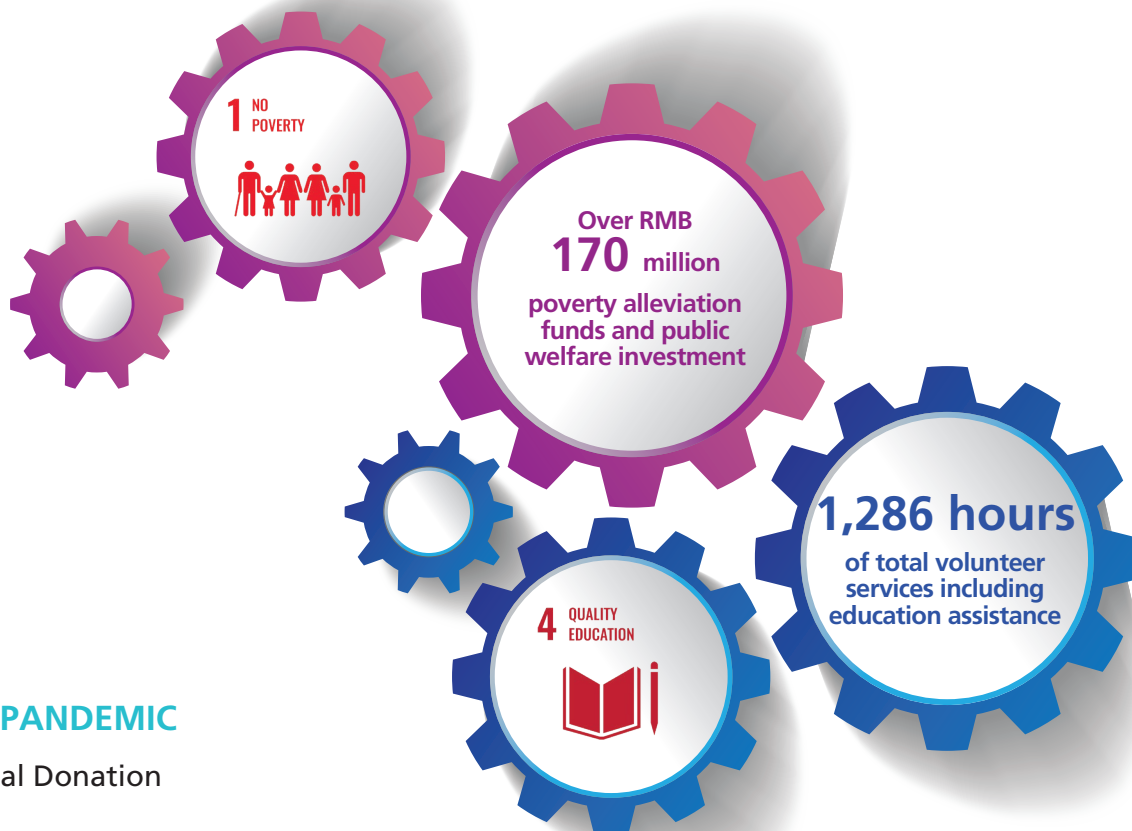
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# CONTRIBUTING TO THE COMMUNITY

As a member of the community, the Group actively explores various ways to give back to the community while consuming social resources. We have carried out targeted poverty alleviation, cared for public health, and actively undertaken the social responsibility of pharmaceutical enterprises during the anti-pandemic period.

## KEY PERFORMANCE INDICATORS:



## ANTI-PANDEMIC

### Material Donation

In the face of the sudden outbreak of COVID-19, the Group is committed to fulfilling its responsibilities as a pharmaceutical company. During the year, the Group donated a total of over RMB30 million to provide over 95 million doses of concentrated TCM granules to domestic customers on an emergency basis, and provided concentrated TCM granules to 63 overseas countries and regions.



Donated anti-pandemic drugs and materials to the Chinese Red Cross



Supported Italy to fight against the pandemic



Donated health products to the community

## Contributing to the Community

### Fight in the Frontline

Employees of several subsidiaries of the Group actively fought against the pandemic in the frontline to fulfill their responsibilities with practical actions.

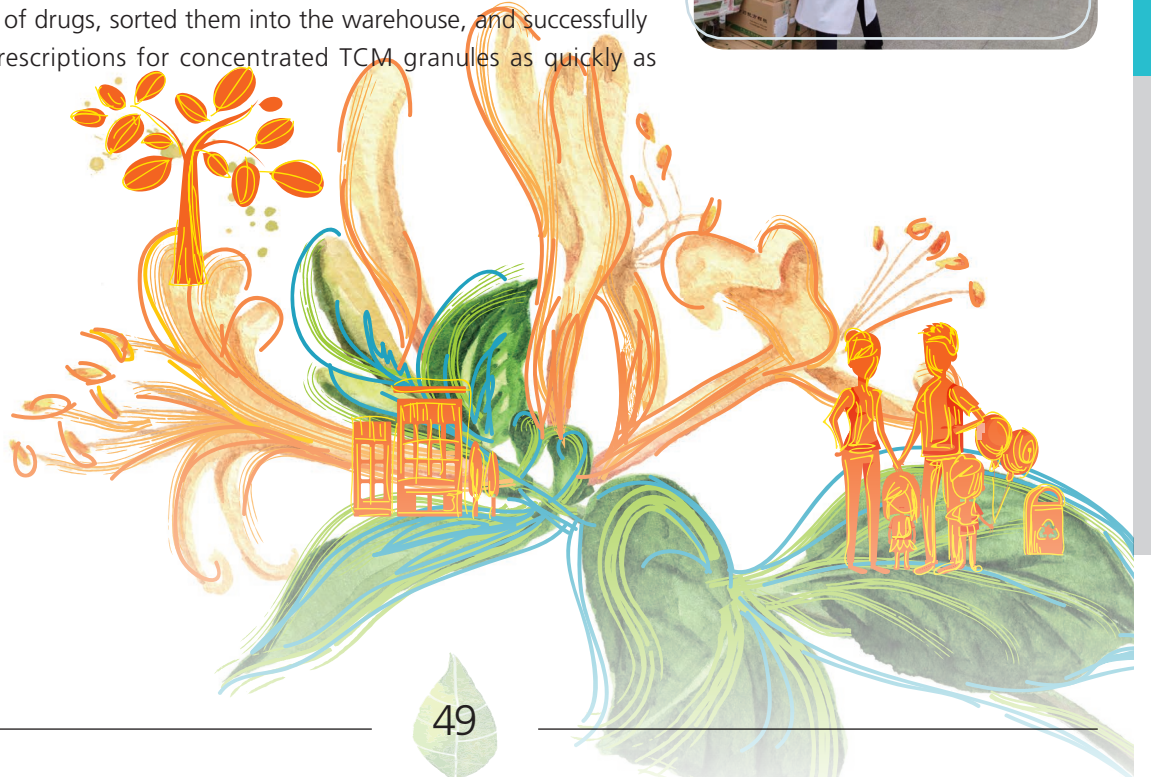
In order to ensure timely and accurate medication for patients, two employees of Tongjitang Pharmaceutical followed the Guizhou medical team to support Ezhou Leishan Hospital with TCM decoction pieces, and insisted on the last patient leaving the hospital, demonstrating the spirit of social responsibility.



As a time-honored enterprise in Wuhan, Zhonglian Pharmaceutical has actively participated in anti-pandemic work. Within 8 hours upon receipt of order of anti-pandemic material from local government, Zhonglian Pharmaceutical sent more than 800 pieces of drugs for pandemic prevention to the front line workers of pandemic prevention and control in Wuhan in a timely manner, and resumed production in advance on the third day of Lunar New Year and provided supplies to frontline medical staff within a short period of time.



After receiving the notice to provide concentrated TCM granules to Wuhan Jinyintan Hospital, Guangdong Yifang quickly organized personnel to Wuhan to engage in the treatment of COVID-19. In the absence of handling personnel and tools at the scene, two employees from Guangdong Yifang, together with the hospital staff, counted several sets of equipment and nearly 400 boxes of drugs, sorted them into the warehouse, and successfully dispensed the prescriptions for concentrated TCM granules as quickly as possible.





## Contributing to the Community

### TARGETED POVERTY ALLEVIATION

2020 was the final year of comprehensively winning the battle against poverty. Leveraging on its own advantages in the industry, the Group continued to carry out poverty alleviation work in three dimensions, namely industry, employment and education. During the pandemic, the Group mobilized its employees to solve the problem of unsalable agricultural products and helped to consume agricultural products worth RMB 256 thousand. Our education assistance team also delivered anti-pandemic supplies to teachers and students in poor mountainous areas. During the year, we invested a total of RMB 150 million in industrial poverty alleviation. In addition, Guangdong Yifang signed a strategic cooperation agreement on targeted poverty alleviation with the government of Nanxiong County in Guangdong and research institutes, aiming to promote local economic development through scientific industrial poverty alleviation.

### COMMUNITY CARE

The Group continues to organize community activities and actively participate in public welfare activities. During the year, we organized a total of 643 employees to carry out 41 volunteer services with 1,286 volunteering hours.



Caring the elderly

The volunteer service team of Shaanxi Yifang Pingkang Pharmaceutical Co., Ltd. visited the nursing home, donating living materials, and sending warmth to the elderly



Civilised traffic promotion activities

Volunteers from Shanghai Tongjitang and the traffic police promoted traffic safety through publicity signs, brochures, etc.

# LAWS AND REGULATIONS

For different aspects of sustainable development, the Group strictly complies with applicable laws and regulations of the PRC as shown below:

Aspect	Applicable Laws and Regulations	Compliance Statements
<b>Emissions</b>	<ul style="list-style-type: none"> <li>• Law of the PRC on the Prevention and Control of Air Pollution</li> <li>• Law of the PRC on the Prevention and Control of Water Pollution</li> <li>• Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste</li> <li>• Soil Pollution Prevention and Control Law of the PRC</li> <li>• Cleaner Production Promotion Law of the PRC</li> <li>• Directory of National Hazardous Wastes</li> <li>• Integrated Emission Standard of Air Pollutants</li> <li>• Integrated Wastewater Discharge Standard</li> <li>• Standard for Pollution Control on Hazardous Waste Storage</li> <li>• Emission Standard of Air Pollutants for Boiler</li> </ul>	<p>During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.</p>
<b>Resources Consumption</b>	<ul style="list-style-type: none"> <li>• Energy Conservation Law of the PRC</li> <li>• Recycling Economy Promotion Law of the PRC</li> </ul>	
<b>The Environment and Natural Resources</b>	<ul style="list-style-type: none"> <li>• Law of Environmental Protection of the PRC</li> </ul>	
<b>Employment</b>	<ul style="list-style-type: none"> <li>• Labor Law of the PRC</li> <li>• PRC Labor Contract Law</li> <li>• Prohibition of Child Labor Provisions</li> <li>• Law on the Protection of Minors of the PRC</li> <li>• Employment Ordinance in Hong Kong</li> </ul>	<p>During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, prevention of child labor and forced labor and other benefits and welfare.</p>

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## Laws and Regulations

Aspect	Applicable Laws and Regulations	Compliance Statements
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• Production Safety Law of the PRC</li> <li>• Labor Law of the PRC</li> <li>• Special Equipment Safety Law of the PRC</li> <li>• Law of the PRC on Fire Prevention</li> <li>• Regulation on Work-Related Injury Insurance</li> <li>• Law of the PRC on the Prevention and Control of Occupational Diseases</li> </ul>	<p>During the year, the Group was not aware of any significant non-compliance with laws and regulations relating to the provision of a safe working environment and employee protection from occupational hazards. There were also no recorded cases of work-related fatalities or occupational illness.</p>
<b>Labor Standards</b>	<ul style="list-style-type: none"> <li>• Prohibition of Child Labor Provisions</li> <li>• Law on the Protection of Minors of the PRC</li> </ul>	<p>During the year, no cases of employment of any child or forced labor were found.</p>
<b>Product Responsibility</b>	<ul style="list-style-type: none"> <li>• Good Operation Practice for Pharmaceutical Products</li> <li>• Good Manufacturing Practice for Pharmaceutical Products</li> <li>• Law of the PRC on Product Quality</li> <li>• Tort Law of the PRC</li> <li>• Pharmaceutical Administration Law of the PRC</li> <li>• Patent Law of the PRC</li> <li>• Trademark Law of the PRC</li> <li>• Copyright Law of the PRC</li> <li>• Contract Law of the PRC</li> </ul>	<p>During the year, the Group was not aware of any violations of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services and remedial measures.</p>
<b>Anti-corruption</b>	<ul style="list-style-type: none"> <li>• Criminal Law of the PRC</li> <li>• Anti-Unfair Competition Law of the PRC</li> <li>• Prevention of Bribery Ordinance of Hong Kong</li> </ul>	<p>During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering nor was involved in any corruption cases.</p>



# PERFORMANCE DATA SUMMARY

		Unit	2020	2019
<b>1. Environment<sup>19</sup></b>	<b>Resources Consumption</b>			
	Electricity	kWh	<b>162,269,331.0</b>	122,939,122.3
	Petrol	Kg	<b>296,321.7</b>	226,727.6
	Diesel	Kg	<b>155,508.8</b>	123,110.7
	Natural gas	m <sup>3</sup>	<b>15,882,650.5</b>	11,445,024.0
	Coal	Tonnes	<b>40,203.0</b>	38,157.4
	Purchased steam	Million KJ	<b>615,083.9</b>	514,452.7
	Total energy consumption	MWh	<b>801,742.0</b>	670,422.3 <sup>20</sup>
	Total energy intensity	kWh/thousand RMB revenue	<b>54.1</b>	46.8
	Water	Tonnes	<b>3,003,732.2</b>	2,001,381.1
	Water consumption intensity	Tonnes/thousand RMB revenue	<b>0.20</b>	0.14
	<b>Greenhouse Gas<sup>21</sup></b>			
	Total GHG emissions	tCO <sub>2</sub> e	<b>306,697.8</b>	249,607.7
	Direct emission (Scope 1)	tCO <sub>2</sub> e	<b>105,687.6</b>	92,186.4
	Indirect emission (Scope 2)	tCO <sub>2</sub> e	<b>201,010.2</b>	157,421.3
	Emission intensity	tCO <sub>2</sub> e/thousand RMB revenue	<b>0.021</b>	0.017
	<b>Air Pollutants</b>			
	Nitrogen oxides	Tonnes	<b>77.4</b>	92.5
	Sulphur oxides	Tonnes	<b>37.5</b>	51.9
	Particulate matters	Tonnes	<b>22.2</b>	23.2
	<b>Wastewater Pollutants</b>			
Chemical oxygen demand	Tonnes	<b>73.9</b>	60.4	
Ammonium	Tonnes	<b>5.1</b>	2.8	

<sup>19</sup> Relevant intensity data for 2019 were revised.

<sup>20</sup> The number of total energy consumption was revised from 670,423 MWh to 670,422.3 MWh in 2019.

<sup>21</sup> Carbon Emission Calculation Methodology:

Emission factors are adjusted compared to those disclosed in 2019 report, and GHG emissions for 2019 are recalculated and adjusted in the above table. The calculation of GHG emissions is based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) published by the Environmental Protection Department. Emission factors are referenced from the 2019 Emission Reduction Project China Regional Grid Baseline Emissions Factor (《2019年度减排项目中國區域電網基準線排放因子》) and the HKEX's How to Prepare Environmental, Social and Governance Report – Appendix II: Reporting Guidance Environmental KPIs. The global warming potential is referred to in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

## Performance Data Summary

		Unit	2020	2019
<b>1. Environment</b>	<b>Waste</b>			
	Hazardous waste	Tonnes	<b>425.5</b>	59.3
	Hazardous waste intensity	Kg/thousand RMB revenue	<b>0.029</b>	0.004
	Non-hazardous waste	Tonnes	<b>78,631.5</b>	68,795.5
	Third-party recycling	Tonnes	<b>60,921.2</b>	51,031.2
	Disposal to landfills	Tonnes	<b>2,882.3</b>	3,723.0 <sup>22</sup>
	Internal incineration	Tonnes	<b>14,828.0</b>	14,038.3
	Internal fertilization	Tonnes	<b>0.07</b>	3.0
	Non-hazardous waste intensity	Kg/thousand RMB revenue	<b>5.31</b>	4.8
	<b>Packaging Materials</b>			
	Paper	Tonnes	<b>8,341.9</b>	7,249.4
	Plastics	Tonnes	<b>14,516.2</b>	14,581.0
	Composite film	Tonnes	<b>3,304.4</b>	3,530.3
	Glass	Tonnes	<b>543.1</b>	330.1
	Metal	Tonnes	<b>151.6</b>	254.5 <sup>22</sup>
	Others	Tonnes	<b>19.0</b>	56.8 <sup>23</sup>
Total	Tonnes	<b>26,876.2</b>	26,002.1	

		2020	2019
<b>2. Employees</b>	<b>Total Number of Employees</b>	<b>16,286</b>	17,090
	<b>Gender Distribution</b>		
	Male	<b>8,204</b>	8,615
	Female	<b>8,082</b>	8,475
	<b>Functional Distribution</b>		
	Salespersons	<b>5,478</b>	7,526
	Production workers	<b>7,390</b>	6,096
	Management officers	<b>2,862</b>	2,802
	Researchers	<b>556</b>	667
	<b>Age Distribution</b>		
	<30	<b>5,560</b>	5,825
	30-50	<b>9,830</b>	9,653
>50	<b>896</b>	1,612	

<sup>22</sup> The landfill disposal of non-hazardous waste data was revised from 30,205 tonnes to 3,723.0 tonnes, the total volume of non-hazardous waste generated was revised from 95,277.5 tonnes to 68,795.5 tonnes, and the non-hazardous waste intensity was revised from 10.33 kg/thousand RMB revenue to 7.44 kg/thousand RMB revenue in 2019.

<sup>23</sup> The amount of metal packaging materials was revised from 431 tonnes to 254.5 tonnes in 2019.

<sup>24</sup> The amount of other packaging materials was revised from 290 tonnes to 56.8 tonnes in 2019.

## Performance Data Summary

		2020	2019
<b>2. Employees</b>	<b>Reginal Distribution</b>		
	<b>Mainland China</b>	<b>16,281</b>	17,086
	Eastern China	<b>4,937</b>	5,303
	Southern China	<b>4,161</b>	4,129
	Northern China	<b>1,129</b>	1,194
	Central China	<b>1,665</b>	2,048
	Northwest China	<b>1,166</b>	1,158
	Northeast China	<b>772</b>	852
	Southwest China	<b>2,451</b>	2,402
	<b>Hong Kong</b>	<b>5</b>	4
	<b>Educational Background Distribution</b>		
	Undergraduate or above	<b>8,620</b>	6,878
	Below undergraduate	<b>7,666</b>	10,212
	<b>Ethnicity Distribution</b>		
Han	<b>15,537</b>	16,351	
Minority ethnicity	<b>749</b>	739	
<b>3. New Hire Rate</b>	<b>Gender Distribution</b>		
	Male	<b>31%</b>	44%
	Female	<b>30%</b>	48%
	<b>Age Distribution</b>		
	<30	<b>44%</b>	65%
	30-50	<b>24%</b>	40%
	>50	<b>23%</b>	15%
	<b>Reginal Distribution</b>		
	Eastern China	<b>27%</b>	47%
	Southern China	<b>64%</b>	40%
	Northern China	<b>11%</b>	45%
	Central China	<b>7%</b>	40%
	Northwest China	<b>29%</b>	34%
Northeast China	<b>9%</b>	49%	
Southwest China	<b>17%</b>	66%	
Hong Kong	<b>20%</b>	25%	

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## Performance Data Summary

		2020	2019
<b>4. Turnover Rate</b>	<b>Gender Distribution</b>		
	Male	33%	18%
	Female	39%	19%
	<b>Age Distribution</b>		
	<30	36%	28%
	30-50	32%	14%
	>50	82% <sup>25</sup>	9%
	<b>Reginal Distribution</b>		
	Eastern China	30%	15%
	Southern China	85% <sup>26</sup>	18%
	Northern China	17%	27%
	Central China	8%	15%
	Northwest China	10%	10%
Northeast China	13%	19%	
Southwest China	13%	27%	
Hong Kong	0%	0%	
<b>5. Training Performance</b>	<b>Training Performance – By Gender</b>		
	<b>Total Training Coverage Rate</b>		
	Male	100%	100%
	Female	100%	100%
	<b>Average Training Hours</b>		
	Male	48	12
	Female	41	12
	<b>Training Performance – By Function</b>		
	<b>Total Training Coverage</b>		
	Salespersons	100%	100%
	Production workers	100%	100%
Management officers	100%	100%	
Researchers	100%	100%	

<sup>25</sup> More employees came of the legal retirement age during the year, thus the turnover rate of employees above 50 of 2020 is higher than that of previous year.

<sup>26</sup> More salespersons of southern China resigned during the year, thus the turnover rate of salespersons is relatively high.

## Performance Data Summary

		2020	2019
<b>5. Training Performance</b>	<b>Average Training Hours</b>		
	Salespersons	82 <sup>27</sup>	7
	Production workers	16	8
	Management officers	48	29
	Researchers	33	36
<b>6. Occupational Health and Safety</b>	<b>Occupational Health and Safety Training</b>		
	Total training person-time	42,902	40,860
	Total training hours	85,804 <sup>28</sup>	124,736
	<b>Occupational Health and Safety Performance</b>		
	Work-related incidents	1	4
	Word-related injuries	1	4
	Lost days due to work injury	92	284
Work-related fatalities	0	0	
<b>7. Supplier Distribution<sup>29</sup></b>	<b>Mainland China</b>	234	207
	Eastern China	68	72
	Southern China	26	44
	Northern China	34	25
	Central China	31	26
	Northwest China	23	18
	Northeast China	16	5
	Southwest China	36	17

<sup>27</sup> The Group provided training for all salespersons during the pandemic.

<sup>28</sup> Due to the pandemic, the number of safety training activities and the total training hours have decreased by comparing that in 2019.

<sup>29</sup> Supplier data only cover qualified suppliers of raw materials, decoction pieces, and packaging raw materials in mainland China.

## Performance Data Summary

		2020	2019
<b>8. Product Quality</b>	<b>Number of Products Recycled<sup>30</sup></b>		
	<b>TCM Finished Drugs</b>		
	Quality	<b>0.00018%</b>	–
	Safety	<b>0%</b>	–
	<b>Concentrated TCM Granules</b>		
	Quality	<b>0.00044%</b>	–
	Safety	<b>0%</b>	–
	<b>Total Number of Complaints(times)</b>	<b>283</b>	27
	Quality	<b>130</b>	13
	Packaging and appearance	<b>36</b>	12
	Misleading production description	<b>63</b>	1
	Adverse reactions	<b>23</b>	–
	Others <sup>31</sup>	<b>31</b>	1
<b>9. Community</b>	Volunteer hours	<b>1,286</b>	1,020
	Investment in Industrial Poverty Alleviation (RMB 10,000)	<b>15,095</b>	53,023
	Public welfare investment (RMB10,000)	<b>2,330</b>	1,529

<sup>30</sup> There were no product recycling incidents due to product quality and safety, TCM finished drugs and concentrated TCM granules excluded.

<sup>31</sup> Other complaints in 2020 were about too much chips in decoction pieces and the color of drugs. Other complaints in 2019 were about taste.



# CONTENT INDEX

The content index of this report includes the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the Environmental, Social and Governance Reporting Guide as described in Appendix 27 of the Listing Rules (ESG Guide).

Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
<b>General Disclosure</b>				
Organizational Profile	102-1		Name of the organization	About the Report
	102-2		Activities, brands, products and services	About China TCM
	102-3		Location of headquarters	Foshan, Guangdong
	102-4		Location of operations	About China TCM
	102-5		Ownership and legal form	About China TCM
	102-6		Markets served	About China TCM
	102-7		Scale of organization	About China TCM
	102-8	B1.1	Information on employees and other workers	Employee Distribution
	102-9	B5	Supply chain	Supplier Management
	102-10		Significant changes to the organization and its supply chain	No significant changes
	102-11		Precautionary principle or approach	Fulfilling Environmental Responsibility
	102-12		External initiatives	About China TCM
	102-13		Membership of associations	About China TCM
Strategy	102-14		Statement from senior decision-maker	Message from Chairman
Ethics and Integrity	102-16		Values, principles, standards and norms of behavior	About China TCM
Governance	102-18		Governance structure	Sustainability Management
Stakeholder Engagement	102-41		Collective bargaining agreements	Not applicable in locations where we operate, but comply with relevant laws and regulations
	102-42		Identifying and selecting stakeholders	Sustainability Management
	102-43		Approach to stakeholder engagement	Sustainability Management
	102-44		Key topics and concerns raised	Sustainability Management

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Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Reporting Practice	102-45		Entities included in the consolidated financial statements	Annual Report
	102-46		Defining report content and topic Boundaries	About the Report
	102-47		List of material topics	Sustainability Management
	102-48		Restatements of information	Performance Data Summary
	102-49		Changes in reporting	No significant changes
	102-50		Reporting period	About the Report
	102-51		Date of most recent report	June 2020
	102-52		Reporting cycle	About the Report
	102-53		Contact point for questions regarding the report	About the Report
	102-54		Claims of reporting in accordance with the GRI Standards	About the Report
	102-55		GRI content index	Content Index
	102-56		External assurance	There is no external assurance for the ESG report temporarily
<b>Material Topics</b>				
<b>Economic</b>				
Corporate Economic Performance	103		Report how the organization manages the material topic and its impacts	Annual Report
	201-1		Direct and indirect economic value generated and distributed	Annual Report
Business Ethics and Anti-corruption	103	B7	Report how the organization manages the material topic and its impacts	Creating an Atmosphere of Integrity and Honesty
	103	B7.2	Report how the organization manages the material topic and its impacts	Creating an Atmosphere of Integrity and Honesty
	205-3	B7.1	Confirmed incidents of corruption and actions taken	Integrity and Honesty
<b>Social</b>				
Product Health and Safety	103	B6	Report how the organization manages the material topic and its impacts	Improving the Whole TCM Healthcare Industry Chain
	416-2	B6.1	Non-compliance with laws and regulations in the social and economic area	No non-compliance event during the year

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Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Consumer Rights Protection	103	B6	Report how the organization manages the material topic and its impacts	Improving the Whole TCM Healthcare Industry Chain
	417-3	B6.1	Incidents of non-compliance with regulations concerning the health and safety impacts of products and services	No non-compliance event during the year
Innovative Research and Development and Intellectual Property Protection	103	B6.3	Description of practices relating to observing and protecting intellectual property rights	Improving the Whole TCM Healthcare Industry Chain
Talent Management	103	B1	Report how the organization manages the material topic and its impacts	People-oriented Approach
	401-1	B1.2	New employee hires	People-oriented Approach
Employee Remuneration and Benefits	103	B1	Report how the organization manages the material topic and its impacts	People-oriented Approach
	401-2	B1	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees	People-oriented Approach
<b>Other Topics</b>				
<b>Environment</b>				
Environmental Compliance	103	A1	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
	307-1	A1	Non-compliance with environmental laws and/or regulations	
Energy	103	A2	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
	302-1, 302-3	A2.1	Total fuel consumption and intensity	
	302-4	A2.3	Amount of reductions in energy	
Water Resources	103	A2	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
	303-1	A2.2	Total volume of water withdrawn	
		A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	

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Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Emissions	103	A1	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
	305-1	A1.1, A1.2	Direct (Scope 1) GHG emissions	
	305-2	A1.1, A1.2	Energy indirect (Scope 2) GHG emissions	
	305-4	A1.2	GHG emissions intensity	
	305-5	A1.5	GHG emissions reduction	
	305-7	A1.1	Significant air emissions for NOx, SOx, and other emissions	
Sewage and Waste	103	A1 A3	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
	306-1	A1.1	Total volume of planned and unplanned water discharge	
	306-2	A1.3, A1.4, A1.6	Total weight of waste and its disposal method	
Packaging Material	103	A2.5	Report how the organization manages the material topic and its impacts	Fulfilling Environmental Responsibility
The Environment and Natural Resources		A3	Total volume of planned and unplanned water discharge	Fulfilling Environmental Responsibility
		A3.1	Total weight of waste and its disposal method	
<b>Social</b>				
Health and Safety	103	B2	Report how the organization manages the material topic and its impacts	People-oriented Approach
	103	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	People-oriented Approach
	403-2	B2.1 B2.2	Types of injury, injury rate, occupational disease rate, lost day rate, absentee rate	
Training and Development	103	B3	Report how the organization manages the material topic and its impacts	People-oriented Approach
	404-1	B3.2	Average training hours per year per employee	People-oriented Approach
	404-2	B3	Type and scope of programs implemented and assistance provided to upgrade employee skills	People-oriented Approach

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Material Aspects	GRI Indicator	ESG Guide	Description	Section/Remark
Child Labor	103	B4	Report how the organization manages the material topic and its impacts	People-oriented Approach
	408-1	B4.1	Operations and suppliers considered to have significant risk for incidents of child labor	People-oriented Approach
Local Community	103	B8	Report how the organization manages the material topic and its impacts	Contributing to the Community
	413-1	B8.1	Operations with implemented local community engagement, impact assessments, and/or development programs	Contributing to the Community
		B8.2	Resources contributed to the focus area	

- Comply or explain provisions set out in Appendix 27 of the Listing Rules
- Recommended disclosures in Appendix 27 of the Listing Rules

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