



# China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)

国药集团  
SINOPHARM



**2021** ENVIRONMENTAL,  
SOCIAL AND GOVERNANCE REPORT

# ABOUT THIS REPORT

This is the 6th annual Environmental, Social and Governance Report (“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, social and corporate governance aspects. This report is published in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail. For more information on corporate governance, please refer to the Corporate Governance Report on pages 55 to 75 of the Company’s Annual Report 2021.

## Reporting Period and Scope

This report discloses the Group’s ESG management approach and performance during the financial year from 1 January 2021 to 31 December 2021 (the “Reporting Period”).

The Group’s environmental performance cover data of companies: i) controlled by China TCM (i.e. holding over 50% of equity); ii) that are manufacturing enterprises; and iii) that have been in operation for 2 or more consecutive calendar years. Unless otherwise stated, the environmental performance data of this report covers all the 31 subsidiaries that meet the criteria mentioned above, while the social data and all narrative information cover the entire Group. That means 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 Standards

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 complies with disclosure requirements of the Global Reporting Initiative (GRI) GRI Standards: Core disclosure requirements. This report is based on the reporting principles of “Materiality”, “Quantitative”, “Balance” and “Consistency”. Material changes in information are reviewed and presented in a manner conducive to year-on-year comparison for stakeholders’ review.

### Materiality

We identify ESG topics that have significant economic, environmental and social impacts arising from the Company’s operations and have significant impacts on stakeholders’ assessment and decision-making, through stakeholder communication, management interviews and materiality assessment.

### Quantitative

This report provides a full description of the data and calculation of data. Please refer to the “Performance Data Summary” of this report for the criteria deployed in calculation of environmental KPIs.

### Balance

We disclose the positive and negative impacts of the Group’s operations, in order to help review the positive and negative trends of performance on a year-on-year basis.

### Consistency

The Report clarifies any significant changes in information covered. The report content can be compared on a year-on-year basis.



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## FEEDBACK

Your opinions and ideas will help us improve the content of this report. You are welcome to provide your valuable opinions:

Address: Room 1601, Emperor Group Centre,  
No. 288 Hennessy Road, Wan Chai, Hong Kong  
Telephone: (852) 2854 3393  
Fax: (852) 2544 1269  
Email: IR@CHINA-TCM.COM.CN



# Chairman's Message



Dear Stakeholders,

In 2021, the Group continued to promote sustainable development, adhering to the corporate vision of “comprehensively building a sustainable, mutually synergistic and jointly developed TCM healthcare industry chain to create an industry-leading TCM healthcare industrial group”. We uphold the corporate philosophy of “caring for life and protecting health”, actively fulfilling our responsibility as a pharmaceutical enterprise. We continued to enhance overseas healthcare accessibility and strive to provide high-quality pharmaceutical services to more patients. Committed to ethics, transparency and compliance with relevant laws and regulations on anti-corruption, the Group has established a sound anti-corruption management structure and system from top to bottom, laying a solid foundation for sustainable and healthy development of the Group’s business.

The Group attaches great importance to R&D and innovation of pharmaceutical products. During the year, Huashi Baidu Granules, developed with the assistance of the Group, was the first innovative drug for treatment of COVID-19 to get clinical approval in China. It has been included in the National Reimbursement Drug List and successfully launched in the United Arab Emirates and Cambodia. With this foundation, we continue selection and research of concentrated TCM granules that can protect against COVID-19, paving the way for the subsequent R&D of new anti-virus TCM drugs, with a view to contributing to the fight against COVID-19.

The underpinning of innovation lies in talent cultivation. The Group adheres to the concept of “appointing people by abilities and putting equal stress on integrity and ability” and continuously strengthens the talent development system. The Company has improved its talent management mechanism by succession projects to strengthen the construction of talent teams. During the year, we carried out a number of professional training programs to help employees improve their capabilities. The training coverage reached 90.1%, and the total training hours exceeded 720,000 hours. We also continuously improve the working environment of employees, providing competitive remuneration and benefits to enhance employees’ satisfaction.



During the year, the Group invested a total of over RMB20 million in the construction, renovation and maintenance of various energy-saving and environmental protection facilities, further optimizing the environmental management system. Currently, 9 subsidiaries have obtained ISO14001 environmental management system certification, and we plan to expand this coverage to 14 in 2022. We actively take measures to tackle climate change. During the year, we completed various energy-saving transformations, exceeded the comprehensive energy consumption indicators, effectively reduced greenhouse gas emissions, actively built photovoltaic power generation facilities and expanded application of renewable energy.

2021 was the first year when we comprehensively promoted rural revitalization. Fulfilling our share of corporate social responsibility, we actively respond to the national call and take the procurement of traditional Chinese medicine as the starting point to promote the development of targeted rural industries. During the year, we issued the first tranche of panda bonds for rural revitalization in China, which would be used to support development of TCM medicinal herbs in Gansu, Yunnan and Sichuan. While providing financial support, we also paid attention to the physical and mental health of local children and learnt the living and learning needs of rural students through the "Colorful TCM Volunteer Teachers Team" with an aim to provide various types of assistance within our ability.

While we cherish the honor bestowed upon us for our work in Chinese medicine, we aim to shoulder more corporate responsibilities. Striving to live up to the mission of "implementing the national TCM development strategy to drive high-quality development of Chinese medicine industry", we will certainly increasingly focus on the pharmaceutical industry and practice social responsibilities, hoping to work together with people and organizations from all walks of life to promote sustainable development of the industry and the community.

Chairman  
WU Xian  
Hong Kong, 28 April 2022





# Our Sustainability

The Group integrates the concept of sustainable development into daily operations, continuously improves corporate governance, responds to the concerns of its stakeholders, adheres to the United Nations Sustainable Development Goals, and actively pursues sustainable development.

**This section:**

**About China TCM | Organization and Governance | Integrity Development | Sustainability Development Management**

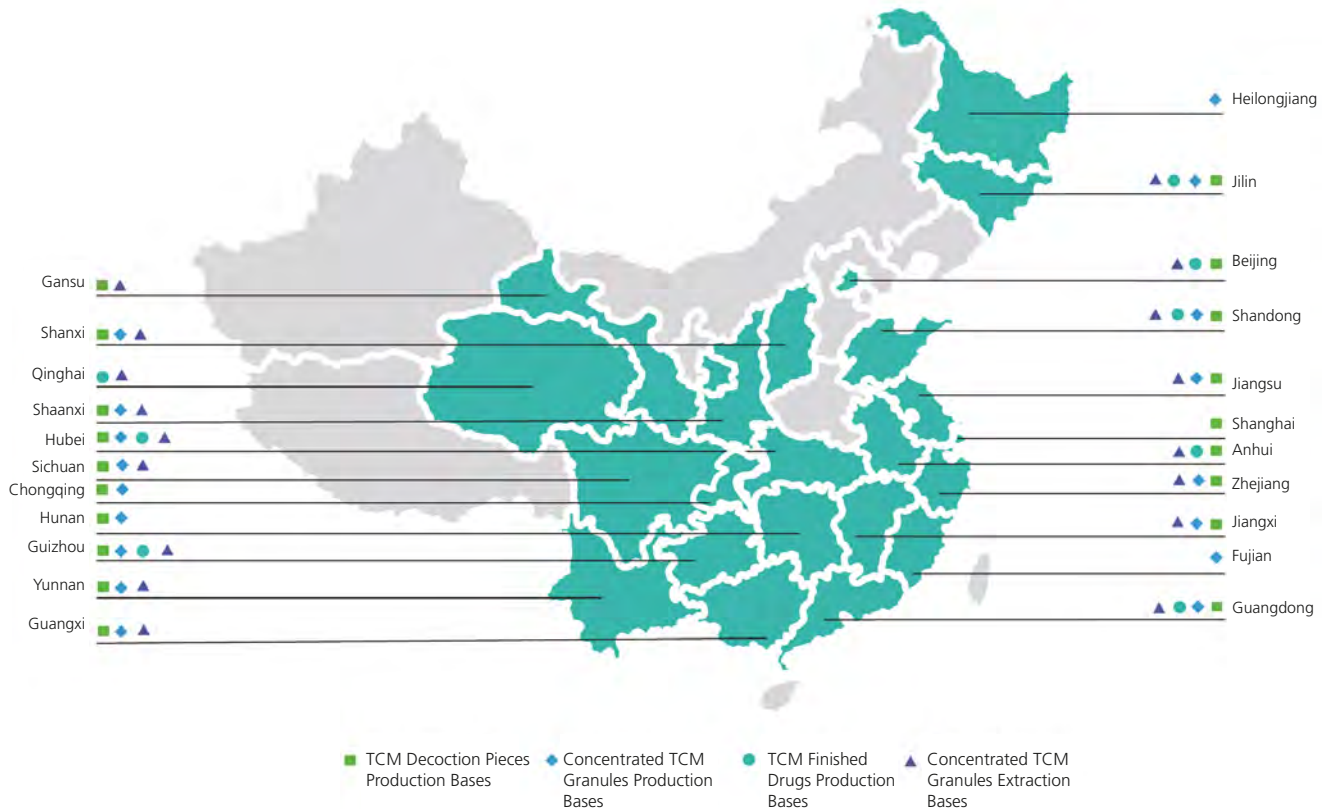
## OUR SUSTAINABILITY



## About China TCM

China TCM is the core platform for the modern TCM industry segment of China National Pharmaceutical Group Corporation (“CNPGC”). The Group has a well-established TCM healthcare complex and industry chain, which integrates scientific research, manufacturing and sales. Its business covers Chinese medicinal herbs plantation, traditional Chinese medicine (“TCM”) decoction pieces, concentrated TCM granules, TCM finished drugs, TCM healthcare complex and other related fields.

The Group has established nationwide presence of the whole TCM healthcare industry chain. As of the end of 2021, a total of 28 enterprises of the Group have obtained production licenses for TCM decoction pieces, 21 concentrated TCM granules extraction bases, 19 enterprises have obtained production licenses for concentrated TCM granules, and 10 enterprises have obtained production licenses for TCM finished drugs. In addition, we have ten exclusive national drug varieties, more than 800 established drug specifications, more than 700 single-flavor concentrated TCM granules varieties, and more than 400 classic compound concentrated TCM granules (exclusively for export). It has a number of high-quality brands, including three Chinese time-honored brands, five Chinese well-known trademarks and four intangible cultural heritage.





# Our Sustainability

## Philosophy, Mission, Vision and Values

2021 was the first year of the 14th Five-Year Plan of the People’s Republic of China. In response to the “Healthy China” strategic plan, China TCM adjusted its mission and vision, clarified that “implementing the national development strategy of TCM to lead the high-quality development of the TCM industry” is the Group’s mission, and “comprehensively building a sustainable, mutually synergistic and jointly developed TCM healthcare industry chain to create an industry-leading TCM healthcare industry group” is the Group’s development vision. We will promote and lead high-quality development of TCM industry.

**Concept** Caring for life and protecting health

**Core values** Integrity, dedication, perseverance and pursuit of excellence

**Mission** Practicing national TCM development strategy, leading the high-quality development of TCM industry

**Vision** Comprehensively build a sustainable, mutually synergistic and jointly developed TCM healthcare industry chain to create an industry-leading TCM healthcare industrial group

## “The 14th Five-Year Plan” Strategic Plan

The Group closely strives for the development goal of “comprehensively building a sustainable, mutually synergistic and jointly developed TCM healthcare complex industry chain and building an industry-leading TCM healthcare complex”. Taking into account the overall TCM industry and the various sub-segments involved in the Company’s business, the Group has formulated and comprehensively promoted a strategic plan that is in sync with “The 14th Five-Year Plan”.

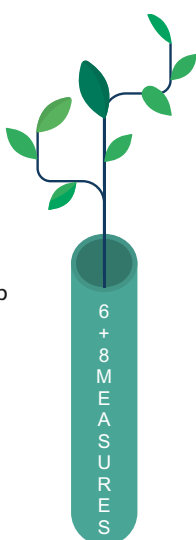
### “The 14th Five-Year Plan” Strategic Planning Division



**Corporate Mission**  
Practicing national TCM development strategy, leading the high-quality development of TCM industry

**Vision**  
Comprehensively build a sustainable, mutually synergistic and jointly developed TCM healthcare industry chain, to create a industry-leading TCM healthcare industrial group

- Six Strategic Goals**
- Leading economic benefits
  - Professional talents gathering
  - Prominent market position
  - Lean management improvement
  - Leading by technological innovation
  - Brand value doubled



Six Business Segments



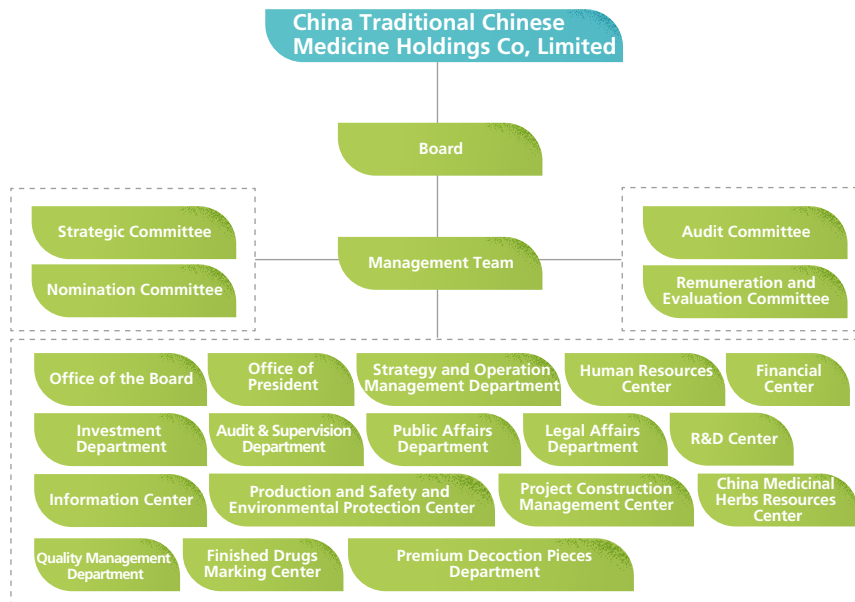
Eight Key Tasks



## Organization and Governance

### Organizational Structure

The Group has established a sound corporate governance system and optimized internal management in strict compliance with the Companies Ordinance (Section 622) and other relevant laws, regulations and regulatory documents. The Company has established the Strategic Committee, the Nomination Committee, the Audit Committee and the Remuneration and Evaluation Committee under the Board. Each committee is required to plan, manage and make decisions on significant matters and report to the Board on a regular basis. As of the end of 2021, the Company's organizational governance structure is as follows:



### Strategic Committee

As at the end of the Reporting Period, the Strategy Committee comprised two executive directors, one non-executive director and two independent non-executive directors. It is responsible for studying the Group's medium and long-term development strategies and major investment decisions and making recommendations to the Board. During the Reporting Period, the Strategy Committee reviewed the 14th Five-Year Plan of the Group and added ESG management functions to duties of the Strategy Committee (for details of ESG management functions, please refer to the sustainable development management section).

### Nomination Committee

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors, develop and formulate relevant procedures for nomination and appointment of directors. As at the end of 2021, the Nomination Committee comprised two executive directors, one non-executive director and four independent non-executive directors. During the Reporting Period, the Nomination Committee held two meetings to review, among other things, the structure of the Board and its subordinate committees and senior management.

### Audit Committee

The principal duties of the Audit Committee include reviewing the Group's financial information, overseeing the financial reporting system, internal control procedures and risk management system and reviewing the appointment of external auditors, including reviewing the audit scope and approving the audit fee. As at the end of 2021, the Audit Committee comprised one non-executive director and four independent non-executive directors. During the Reporting Period, the Audit Committee held four meetings in total to perform the above duties.

### Remuneration and Evaluation Committee

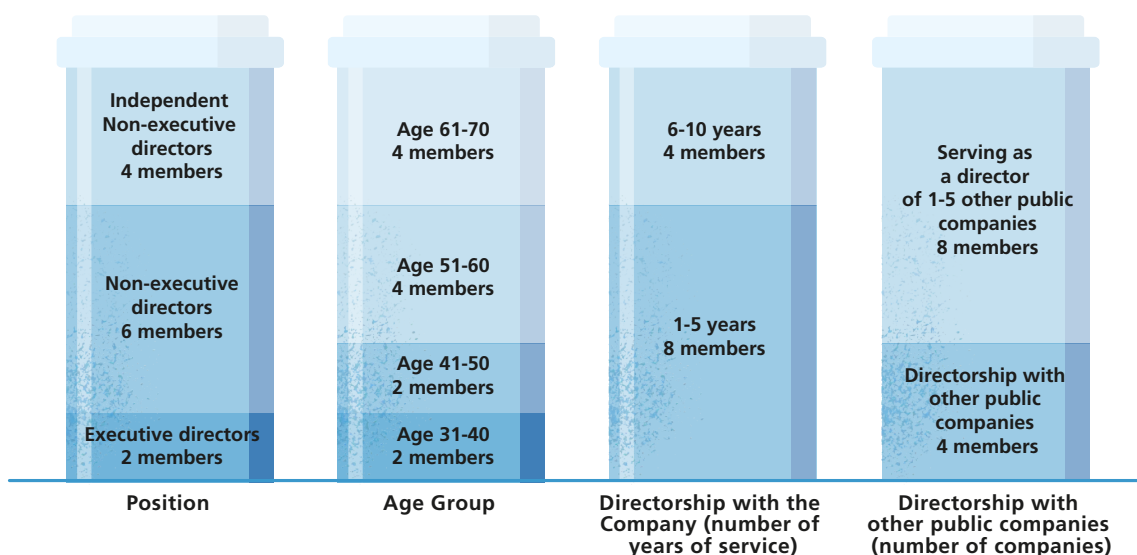
The primary duties of the Remuneration and Evaluation Committee include formulating and reviewing the remuneration policy and structure for directors and senior management, making recommendations to the Board, and reviewing the performance of directors and senior management. As on the date of this report, the Remuneration and Evaluation Committee comprises one non-executive director and four independent non-executive directors.





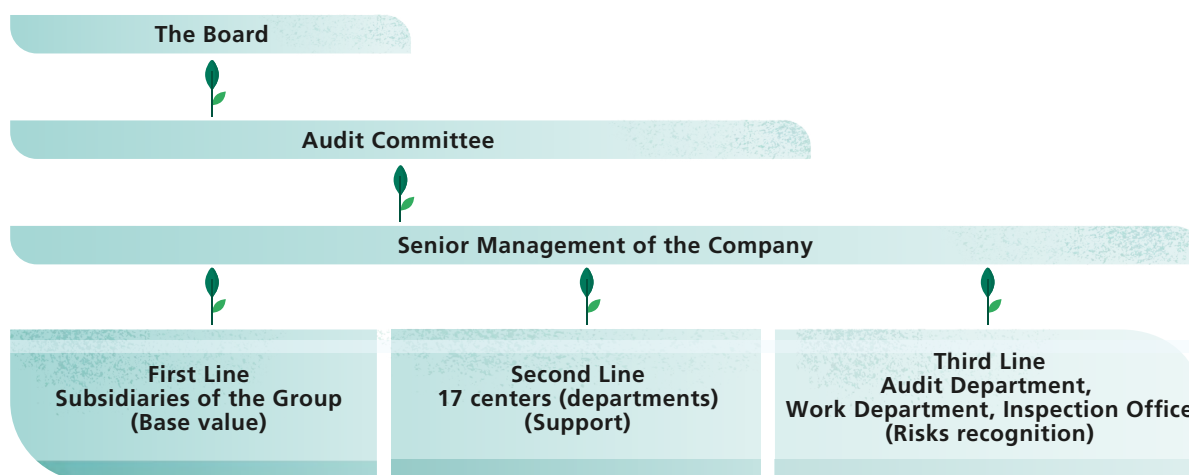
### Board Diversity

When nominating and appointing members of the Board, the Company considers a number of factors in accordance with the Board Diversity Policy, including but not limited to age, educational background, professional experience, skills and knowledge and length of service. As at the end of the Reporting Period, the analysis of the diversity of Board members is set out as below:



### Risk Management

The Group attaches great importance to corporate risk management and control, and has established a risk management structure under the guidance of the “three lines of defense” model. The Strategy and Operations Management Department is required to report regularly to the Audit Committee on the status of risk management and internal control during the previous reporting period on an annual basis and provide annual work report for review.



During the Reporting Period, the Group risk management work centered around various business processes and measures were formulated for control of each major risk. By strengthening internal control and audit supervision, the Company has gradually improved its risk management and particularly focused on special projects to prevent and resolve risks and improve the Company’s efficiency.

### Major risk control measures

- Improve the capability of managing government affairs, strengthen government communication, and actively respond to policy changes
- Promote simultaneous development of six major business segments, optimize the corporate management and control model, and improve the modern corporate system
- Strengthening quality system, regular self-inspection, and timely rectification and elimination
- Strengthen production safety control and improve production safety related management system
- Establish a maintenance system for environmental protection equipment, strictly control emission standards, and strengthen the supervision of disposal of industrial waste
- Strengthen capital management and control, expand financing channels and modes and strictly review and approve the quantum of credit financing availed by the Company
- Strengthen the concept of compliance, standardize brand management, and establish a professional promotion model under the new situation

### Strict Information Disclosure

The Group recognizes the importance of compliance of disclosure rules in corporate sustainable development. We disclose the Group's business information and activities in strict compliance with relevant laws and regulations. We maintain close contact with investors through general meetings, meetings with investors and analysts and publication of relevant reports to ensure timely, true, accurate and complete disclosure of information.



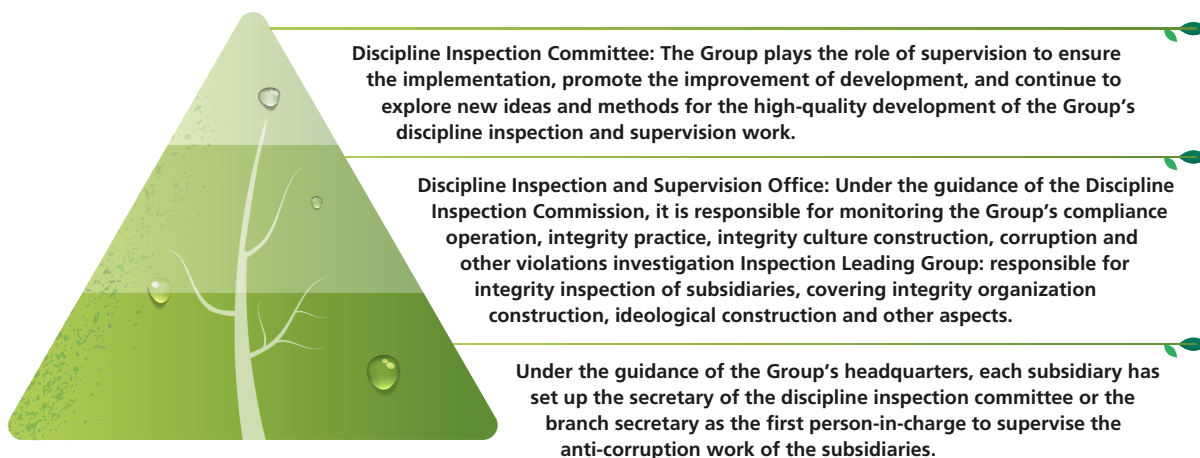
## Integrity Development

Guided by relevant anti-corruption laws and regulations, the Group has established a complete anti-corruption management structure and system from top to bottom, laying a solid foundation for sustainable and healthy development of the Chinese medicine business in China.

### Anti-corruption Governance

China TCM has established a Discipline Inspection Committee to lead the governance of anti-corruption matters, and set up a Discipline Inspection Office as the daily coordination department of the committee to oversee daily operations. In addition, China TCM has set up a leading group for inspection work, which is responsible for inspection of subordinate units. The Chairman and the management are required to sign the Letter of Responsibility for Integrity Construction and the Letter of Undertaking for Integrity, which clarifies the integrity requirements of the management, strictly follows the list of responsibilities for integrity construction, and jointly accepts duty performance supervision, democratic evaluation and integrity assessment.

In order to supervise the implementation of anti-corruption duties, the committee holds meetings quarterly to exchange and summarize the performance of anti-corruption work, discuss and promote the next work plan, and continuously improve the anti-corruption governance system. During the year, in accordance with the requirements of the China Traditional Chinese Medicine Holdings Co. Limited Measures for Assessment and Evaluation of the Persons in Charge of Discipline Inspection (Work) (Trial), the committee conducted performance assessment on the persons in charge of anti-corruption work at 28 subsidiaries under direct management. We adhered to the principles of seeking truth from facts, objectivity and fairness, and based on a number of scores, accurately evaluated the performance and effectiveness of the persons in charge in 2020, and the assessment results were linked to remuneration of the persons in charge.



The audit department of the Group strictly abides by the Company's system and carries out the audit process based on the principle of "seeking truth from facts, objectivity and fairness, case investigation, error correction, anti-corruption, corruption punishment, strict accountability, violation of laws and regulations, appropriate punishment to responsibility, and combination of education and punishment". In 2021, no case of corruption was found in the audit and no violation of regulations was found in transactions to transfer benefits.

### Anti-corruption Policies

In order to ensure that the anti-corruption policy covers 100% of all business operations of the Group, a series of anti-corruption and business ethics internal policies have been established at 28 subsidiaries and affiliated enterprises. During the year, six internal management policies were added, including “Certain Measures on Further Strengthening the Supervision of Top Leaders and Leading Team”, “Interim Provisions on Standardizing the Behavior of Leading Cadres and Spouses, Children and Their Spouses in Commercial Enterprises”, “Reward and Punishment Management Measures” and “Employee Disciplinary Regulations (Trial)”, to further standardize corporate behavior, strengthen the responsibility of functional supervision, to plug potential corruption loopholes, and promote the continuous improvement of corporate political ecology and clean development environment.

The Group has involved partners into anti-corruption management, formulated the Measures for Punishment of Marketing Personnel for Violation of Regulations and Discipline and the Implementation Measures for Accountability for Illegal Operations and Investment, strictly prohibited the transmission of improper benefits to related parties through illegal means, and urged the follow-up of engineering projects, bidding units and registered suppliers to sign the Integrity Agreement with the Group to jointly build a supervision platform and smooth supervision and complaint channels. In 2021, we signed a total of 1,000 integrity agreements.

### Inspection Mechanism

We focus on continuous improvement in the quality and efficiency of anti-corruption work by identifying problems during inspections and supervising the rectification work. Through continuous improvement of the communication and coordination mechanism with the supervision departments such as inspection office, audit department and financial center, we promptly handle the clues found in internal inspections, internal audits and financial inspections, and use big data analysis to timely verify the problems and provide feedback.

According to the inspection work plan, the Group conducts regular inspections at all directly-managed subsidiaries of China TCM, covering the construction of integrity organizations and integrity mindsets of the subsidiaries. It is planned that from 2021 to 2022, subsidiaries that have completed routine inspections will be re-inspected from time to time, focusing on review of rectification measures and identification of new problems to maintain continuous supervision of the subsidiaries. During the year, we steadily achieved the full coverage of inspections. The inspection leading group completed the regular inspections of 4 subsidiaries and 4 departments, second inspections of 6 departments, and quantitative assessment of the effectiveness of inspection and rectification for 8 departments.



### Strengthen the construction of inspection team

- Set up a “inspection talent pool” to build a professional inspection team
- Set up a specialised journal named “Inspection Practices” and a database of inspection learning, and carry out centralized training to continuously deepen theoretical practice and improve the capability and professional level of inspectors
- In 2021, the Company successively organized 12 pre-tour training and special training, with a total of 134 participants

### Improve work standardization

- We explored and formulated 7 supporting systems such as the Implementation Measures for Quantitative Evaluation of Inspection and Rectification Results, and gradually improved the “1 + 2 + N” inspection system
- Established and improved more than 40 supporting template forms which effectively enhance inspection efficiency and pertinence

### Implement “checklist” inspection

- Formulated the Guidelines for Key Inspection Tasks of Political Inspection to carry out inspection work in an accurate and efficient manner
- Focused on key areas, solidly carried out special inspections on illegal calls, and set up 18 inspection teams to carry out special inspections on illegal calls for domestic enterprises at all levels

### Consolidate inspection results

- Implemented a number of working mechanisms such as “side-by-side review”, “look-back” and “quantitative assessment of the effectiveness of rectification”, and solidly push forward problem rectification
- Carried out the specialised initiative of “rectify before inspection and optimize after inspection” against common issues identified in the inspection

### Follow up the problem rectification

- Continuously followed up on rectification of problems reported by the Group. Adhered to the mechanism of “quarterly report” and “meeting supervision” to follow up the rectification of problems reported during inspection

### Monitor the effectiveness of rectification

- Established a quantitative evaluation mechanism for the effectiveness of inspection and rectification; assigned the main responsibility of rectification, and ensured that the rectification work was implemented and achieved effective results



### Improve supervision mechanism

- Strengthened the integration of internal inspection and supervision with daily supervision of human resources, finance, law, etc., and reminded the relevant responsible persons based on the feedback from the inspection to strengthen the warning role

### Strengthen the integration of supervision and supervision

- Strengthened the top-level design of inspection work and built a working mechanism for information sharing, power sharing and rectification
- As of the end of the Reporting Period, the Inspection Office handed over 162 findings and clues to relevant departments to jointly supervise the rectification and improve the rectification results

## Anti-corruption Publicity and Education

The Group ensures full-coverage integrity and compliance publicity education for all employees and the Board of Directors regularly. We have formulated the Implementation Plan for China TCM to Strengthen the Construction of Integrity Culture and educated employees about integrity and compliance management through online publicity columns such as “ABC of Integrity Practice”, “TCM Integrity” and “TCM Integrity Knowledge” to strengthen anti-corruption culture. In addition, integrity management and anti-corruption work meetings are organized on a regular basis to communicate the concept of integrity to the management and personnel in key positions.



The Group organized integrity knowledge tests for leaders and cadres of enterprises at all levels and personnel in key areas, with a total of 2,337 participants and an average score of 94.5.



Integrity talks are required for new leaders and cadres to help them identify integrity risks in a timely manner and eliminate corruption thoughts.



The Company held an integrity warning education conference to report the handling of internal violations of regulations and disciplines, and give full play to the warning and education role of typical cases.



The Company organized enterprises at all levels to carry out anti-corruption learning, and required directors and employees participating in the learning to carefully analyze and reflect the thoughts. A total of approximately 2,000 people from 18 centers (departments) and 29 directly-managed enterprises completed the learning and submitted the learning experience to deepen the concept of anti-corruption.

## Whistle-blowing Channels and Whistleblower Protection

The Group has set up various reporting channels such as whistle-blowing, whistle-blowing reception rooms, letters and visits, and telephone whistle-blowing to encourage employees to report violations of laws and regulations, including corruption, disclosing real name or anonymously. Based on the actual situation and severity of the reported incidents, measures such as “conclude”, “under discussion and inquiry”, “preliminary verification” and “case accepted and under review” are taken for handling, and work discipline, integrity discipline and confidentiality discipline are strictly followed.

In order to protect the legitimate rights and interests of whistleblowers, the Group abides by the Regulations on the Protection of Whistleblower to safeguard the whistleblowers’ rights to report. In accordance with the requirements of the Administrative Measures for the Disposal of Clues in Chinese Medicine Holdings, the Group strictly abides by the confidentiality principles and discipline, keeps the personal information of whistleblowers confidential, and does not disclose the relevant information reflecting the clues at will. Any unit or individual is prohibited from investigating the whistleblowers and retaliating against the whistleblowers. Violations of confidentiality disciplines and relevant regulations will be handled in accordance with the law.

### Conclude

For repeated reports with clear conclusions, reports with obvious no existence and no substantive content, they can be directly “closed”.

### Under discussion and inquiry

If the incident is minor, it is found that the incident may be subject to less severe penalty or exempt from liability, or the credibility of the incident is low, further interview with the relevant personnel should be conducted to understand.

### Preliminary verification

The reported incidents are possible and detectable, and preliminary verification should be conducted if it is judged that they may cause disciplinary violations and at least be subject to light penalties.

### Case accepted and under review

If serious disciplinary violations are identified, the case will be filed for investigation and a report will be formed.



## Sustainability Development Management

The Group upholds the vision of “comprehensively building a sustainable, mutually synergistic and jointly-developed TCM healthcare complex industry chain to create an industry-leading TCM healthcare industry group”. The Group organically integrates the concept of sustainable development with its development strategy, considering the environmental and social impacts of its operations and strives to create value for the society while promoting the sustainable development of the Group.

## Board Statement

We have included environmental, social and governance topics in terms of reference of the Strategy Committee of the Group. The ESG management responsibilities of the Strategy Committee include but are not limited to:

- Regularly review the Company’s sustainable development strategies, policies, management systems, measures and goals, supervise the implementation, make suggestions for improvement, and report to the Board of Directors on major adjustments involved;
- Formulate the establishment, implementation and improvement of a sustainable Chinese medicine platform to ensure that the management and decision-making mechanism of sustainable development topics are in compliance with relevant laws and regulations and the requirements of stakeholders;
- To discuss and respond to demands of various stakeholders in respect of sustainable development topics, including but not limited to product quality, climate change, anti-corruption, etc., especially the scope of material topics that the stakeholders and the management of the Company prioritize;
- Identify and review the risks and opportunities related to sustainable development that have potential significant impact on the Company, and report to the Board.

With the assistance of the Strategy Committee, the Board is fully responsible for and leads the management of sustainable development and performs its duties in relation to sustainable development, including reviewing the process of identification and evaluation and prioritization of material issues. The Board acknowledges its responsibility for ensuring the truthfulness of this report and has reviewed this report. To the best of its knowledge, this report covers all relevant material issues and makes objective statements in respect of ESG performance, and confirms that its content is true and complete.

The Vice President of the Group leads the reporting and supervision of environmental and social topics. The Board Office, President’s Office, Human Resources Center, Production, Safety and Environmental Protection Center and other departments work together to participate in ESG management. Each department performs its own duties, ensures regular management of the issues it is responsible for, and collects ESG information and data on a regular basis.

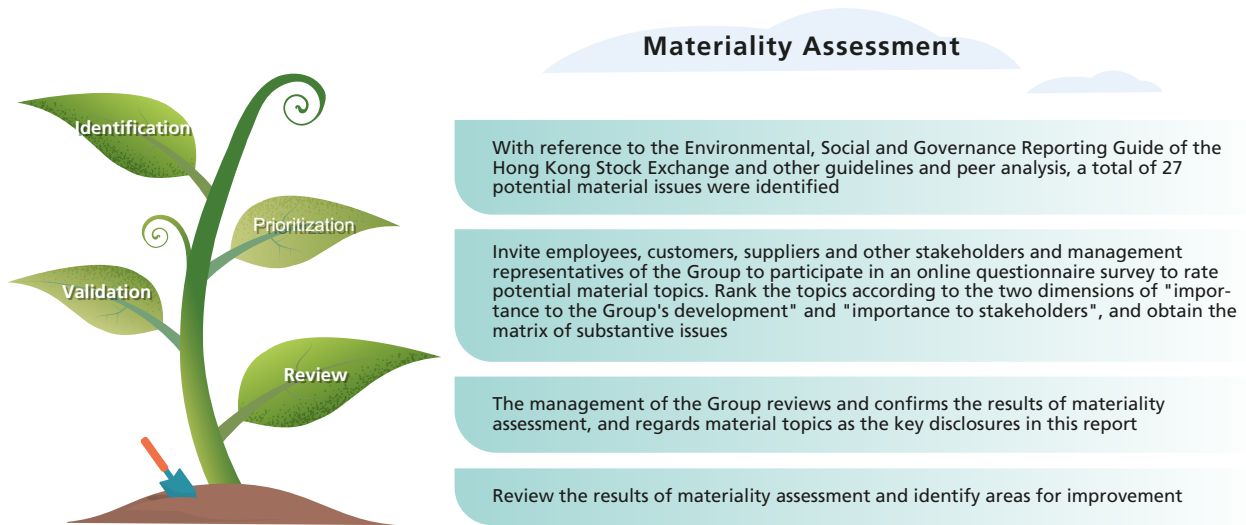
## Stakeholder Engagement

Communication with stakeholders is an important part of the Group’s sustainable development management. We maintain close communication with stakeholders through different channels to understand their expectations and ideas and take corresponding measures according to our actual situation to respond to their concerns.

Consumers	Partners	Employees	Government	Shareholders or Investors	Suppliers	Community
<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• WeChat official account</li> <li>• Emails</li> <li>• Telephone</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars</li> <li>• Training</li> <li>• Review</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Employee satisfaction survey</li> <li>• Staff forum</li> <li>• Internal newsletters</li> <li>• Training</li> <li>• Social platforms</li> </ul>	<ul style="list-style-type: none"> <li>• On-site inspection</li> <li>• Participation in government training</li> </ul>	<ul style="list-style-type: none"> <li>• Investor meetings</li> <li>• Annual General Meeting</li> <li>• Annual Report</li> <li>• ESG report</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars</li> <li>• Training</li> <li>• Supplier inspection</li> <li>• Annual audit</li> </ul>	<ul style="list-style-type: none"> <li>• Visits</li> <li>• Teaching support activities</li> <li>• Community care activities</li> <li>• Public health lectures</li> </ul>

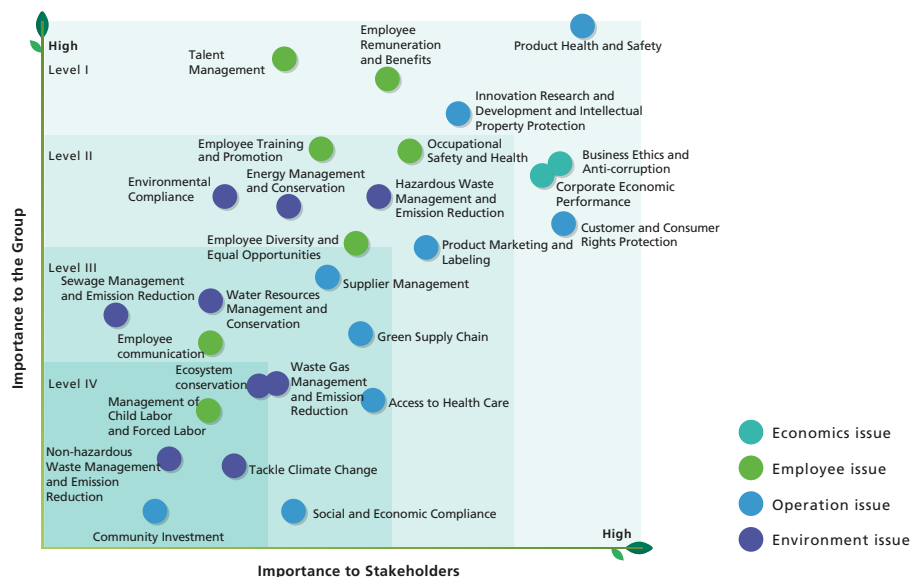
## Materiality Assessment

The Group conducts materiality assessment in accordance with the Global Reporting Initiative Sustainability Reporting Standards. Last year, we identified a total of 27 potential material topics with reference to various ESG reporting guidelines and peer disclosures and invited stakeholders and management representatives of the Group to participate in an online questionnaire. After prioritisation, validation and review, we identified the material ESG topics for China TCM. After review by the Board, the identified material topics remained valid. Our actions taken to address the relevant topics are disclosed in this report.



## Materiality Matrix

The seven topics at the first level are material topics for the Group, namely "Corporate Economic Performance", "Business Ethics and Anti-corruption", "Product Health and Safety", "Customer and Consumer Rights Protection", "Innovation Research and Development and Intellectual Property Rights Protection", "Talent Management" and "Employee Remuneration and Benefits". These topics have a material impact on both the Group and its stakeholders, or on either party.







## Response to Stakeholders

Material Topics	Highlights/Key Performance in 2021	Corresponding Section
Corporate Economic Performance	<ul style="list-style-type: none"> <li>• Revenue: approximately RMB19.053 billion</li> <li>• Gross profit: approximately RMB11.829 billion</li> <li>• Basic earnings per share: approximately RMB38.38 cents</li> </ul>	China TCM 2021 Annual Report
Business Ethics and Anti-corruption	<ul style="list-style-type: none"> <li>• During the year, we inspected the anti-corruption work leaders of 28 subsidiaries, and the assessment results were linked to remuneration</li> <li>• During the year, a number of integrity systems were revised to ensure the integrity management system is perfect</li> <li>• The Inspection Leading Group has completed regular inspections of 4 subsidiaries and reviews of 3 subsidiaries as planned</li> <li>• Strengthen the construction of inspection team: select key business personnel, carry out pre-inspection training on integrity, etc.</li> <li>• 1,000 integrity agreements signed</li> </ul>	Our Sustainability
Product Health and Safety	<ul style="list-style-type: none"> <li>• Continuously improve the construction of GACP<sup>1</sup> management system. As at the end of the Reporting Period, a total of 207 GACP Chinese herbal medicine bases were built</li> <li>• Continue to improve the integrated management of drug control and traceability, and 24 core varieties of Chinese medicinal herbs are registered in the integrated platform of product control and traceability</li> <li>• Two new enterprises obtained ISO9001 quality management system certification. As of the end of the Reporting Period, a total of 5 subsidiaries obtained such certification</li> <li>• Carry out a series of activities during the Quality Month; Building a quality knowledge database on the "Sinopharm Online Learning Platform"; Collected "QC Standard Operation" video</li> <li>• Conduct quality internal audit on 23 subsidiaries, and carry out daily supervision and inspection on 25 subsidiaries and 3 special inspections on traditional Chinese medicine (decoction pieces)</li> </ul>	Improving the Whole TCM Healthcare Industry Chain

<sup>1</sup> GACP Good Agriculture and Collection Practices for Medicinal Plants, the Good Practice for Medicinal Plants Planting and Collection, which specifies the requirements for cultivation, wild harvesting, post-harvest processing, quality assurance and other matters of medicinal plants

Material Topics	Highlights/Key Performance in 2021	Corresponding Section
Customer and Consumer Rights Protection	<ul style="list-style-type: none"> <li>• Properly respond to and handle consumer enquiries or complaints</li> <li>• Carry out a number of medical knowledge popularization activities to improve public awareness of medical health</li> <li>• Regularly review the qualifications of drug sales partners, sales policies, advertising, etc.</li> <li>• Improve the emergency response capabilities of the network security quasi-team and strengthen the ability to protect the privacy of the Company and customers</li> <li>• Awarded “Excellent Team” in cyber security drills</li> </ul>	Improving the Whole TCM Healthcare Industry Chain
Innovative Research and Development and Intellectual Property Protection	<ul style="list-style-type: none"> <li>• R&amp;D investment in 2021: RMB694 million</li> <li>• Completed research on 360 varieties of national standards for concentrated TCM granules and submitted research materials for 319 varieties</li> <li>• A total of 140 patents were applied for and 177 patents were granted</li> <li>• Assisted in getting marketing authorization of Hushi Baidu Granules</li> <li>• Carry out the “screening and research on concentrated TCM granules portfolio of anti-COVID-19” to lay a foundation for subsequent R&amp;D of new anti-virus TCM drugs</li> <li>• The consistency evaluation study of acetylphenol tablets has been completed and approved</li> </ul>	Improving the Whole TCM Healthcare Industry Chain
Talent Management	<ul style="list-style-type: none"> <li>• Optimize and adjust the talent echelon construction model and improve the training mechanism for management, professional and technical talents</li> <li>• Target high-end management and technical talents, and deepen college-enterprise cooperation to recruit students to provide long-term internship programs, and provide targeted training for students from comprehensive and transit colleges</li> <li>• During the Reporting Period, the employee training coverage was 90.1%, and the average training hours per employee was 42.6 hours</li> </ul>	People-oriented Approach
Employee Remuneration and Benefits	<ul style="list-style-type: none"> <li>• Amendments to a number of remuneration management systems</li> <li>• The welfare management system has covered 100% of regular employees</li> <li>• Establish and improve the welfare security system, and clarify the scope of non-compensation benefits for all subsidiaries</li> <li>• 27 employees in difficulties were supported through the caring fund platform</li> </ul>	People-oriented Approach



## Honours and Achievements In 2021

During the year, the Group received a number of awards, some of which are listed below:

Category	Award Enterprise/Product	Award Name/Achievement	
Technological innovation	Anhui Tianxiang Pharmaceutical Co., Ltd.	Anhui Intelligent Factory	
	Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.	High-tech Enterprise Certificate	
	Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.	Green Factory in Anhui Province	
	Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.	Intellectual Property Demonstration Enterprise in Guangdong Province	
	Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.	National High-tech Enterprise	
	Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.	Advanced Technology Enterprise of Foshan High-tech Industry Association	
	Guangdong Yifang Pharmaceutical Co., Ltd.	Advanced Enterprise in Technological Innovation	
	Zhejiang Yifang Pharmaceutical Co., Ltd.	National High-tech Enterprise	
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.		Second Prize of the MOE Science and Technology Progress Award
			Successful acceptance of the first national intelligent manufacturing new model project in the industry
		Annual Intelligent Manufacturing Advanced Enterprise	

Product quality	Guangdong Yifang Pharmaceutical Co., Ltd.	The Thin-layer Chromatography Team won the Second Prize of National Award
		Won two gold and one silver medal at the 2021 Guangdong Quality Association Unit Member QC Group Results Exchange Conference
		At the 42nd National Pharmaceutical Industry Quality Control (QC) Group Results Release Exchange Conference organized by the China Pharmaceutical Quality Control Association, three QC teams won the first prize.
	Longxi Yifang Pharmaceutical Co., Ltd.	The QC team of instrument analysis "reduced the abnormal rate of Allteach3300 evaporative light detector" was awarded the first prize of Gansu Quality Control Group Activities in 2021
		"Introducing Air Flow Hybrid Equipment" by the Pioneer QC Group won the third prize of Gansu Quality Control Group Activities in 2021
		Nomination Award of the 7th Gansu Provincial Government Quality Award
		2021 Excellent Promoter of Quality Management Group Activities in Gansu Province, and "Pharmaceutical City Craftsman"



## Our Sustainability

Product quality	Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.	Certification of Famous and Brilliant High-tech Product (Wan's Niu Huang Qin)
	Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd.	3 people won the special prize, second prize and third prize in the finals of the "2021 Guangdong Chinese Medicine Authentication Vocational Skills Competition"
		Guangdong Province Quality TCM decoction pieces (Fengliaoqing Dandouchi)
		Guangdong Province Quality TCM decoction pieces (Fengliaoqing Licorice Infused with Earthworm)
Social Image	China Traditional Chinese Medicine Holdings Co. Limited	2021 "Most Influential Employer 2022" by Haitou.com
		Excellent Panda Bond Issuer
	Guangdong Yifang Pharmaceutical Co., Ltd.	2021 China Best Employer, Most Innovative Digital Employer
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	2021 KNX Rising Award Human Capital Management Practice Competition-Excellent Case Award for Talent Development
		Human Resources Management Excellence Award
		Excellent Labor Relations Harmonious Enterprise in Jiangsu Province



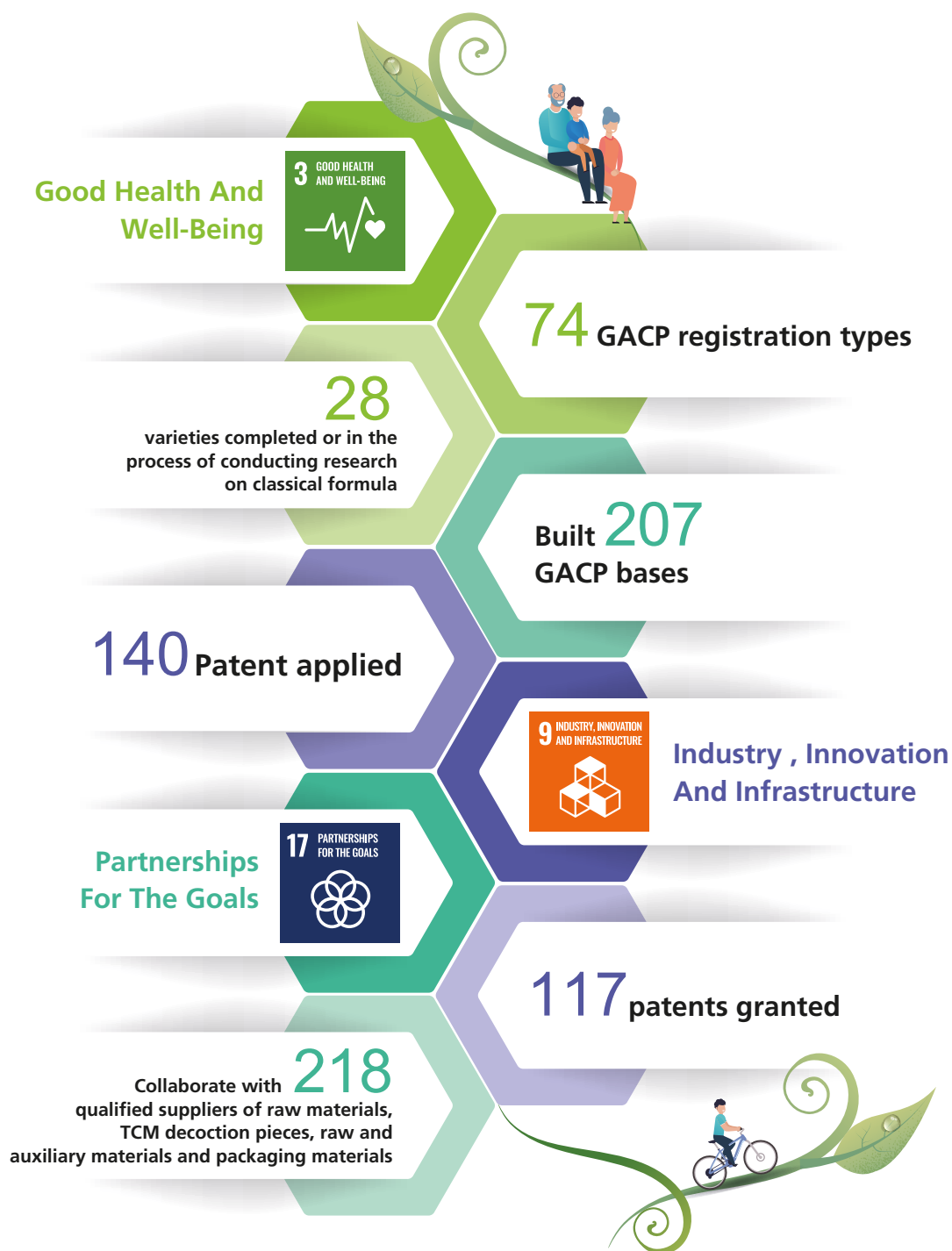
Brand Value	Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.	Guangdong Key Trademark Protection List
	Guangdong Yifang Pharmaceutical Co., Ltd. (“Guangdong Yifang”)	Most Promising Company
		2021 Southern Philanthropy Communication Award – Innovation Award
		2021 National Proud Foshan Brand Enterprise
		2020 Chinese National Medicine Top 100 Brand Companies List
	Shandong Zhongping Pharmaceutical Co., Ltd.	Key Leading Enterprise of Agricultural Industrialization in Linyi City
	Jiangyin Tianjiang Pharmaceutical Co., Ltd.	List of internationally renowned brands to be cultivated and developed in Wuxi City from 2021 to 2022
		Top 10 Foreign Invested Enterprises of the Year
		Advanced Unit of Integrity Construction in the Year
		Huading Award (Interior Design of the Technical Reform and Expansion Project of Chinese Medicine Formula Granules with an Annual Output of 6,000 Tonnes)

# Improving the Whole TCM Healthcare Industry Chain

The Group continues to improve the construction and management of the whole industry chain of TCM healthcare complex, gives full play to advantages of the whole industry chain of TCM healthcare complex, and is committed to improving medical and healthcare accessibility.

This section:

Access to Healthcare | R&D and Innovation | Supplier Management | Quality Management | Promoting Industry Chain Traceability | Customer Responsibility



### Access to Healthcare

#### Improving Accessibility to Healthcare

The Group is committed to promoting more safe and effective drugs internationally for the benefit of patients worldwide. During the Reporting Period, the Group exported TCM decoction pieces and medicinal herbs to the Netherlands, Russia, Australia, New Zealand, Hong Kong SAR and other countries and regions. Using the Netherlands as the gateway to the Euro zone, the Group exported TCM decoction pieces to Germany, France, Belgium, Italy and other regions, using various transportation routes such as air freight, Eurasian railway, sea freight, and land transportation, so as to ensure smooth supply chains in different countries and regions. The number of exported products increased from 9 in 2020 to 339 in 2021, and 549 decoction pieces specifications were won in 3 medical institutions in Hong Kong including the Hong Kong Hospital Authority, ranking first in terms of the total number of successful bids.

The Group also pays attention to accessibility of pharmaceutical products in developing countries. On the basis of covering developed countries such as Australia, the Netherlands, the United States, Switzerland, Japan and Singapore, Guangdong Yifang Pharmaceutical Co., Ltd. (“Guangdong Yifang”) actively promotes pharmaceutical services for developing countries such as Africa and Thailand, and focused on developing Cambodia and Vietnam in 2021. Considering the actual magnitude of spread of the pandemic overseas, Guangdong Yifang expanded its market reach by obtaining local legal certificates and registrations. During the year, we donated 24 boxes of Huashi Baidu Granules to Cambodia, 280 packs of Toujie Quwen Granules and 1,260 packs of Huashi Baidu Granules to Vietnam.

Jiangyin Tianjiang Pharmaceutical Co., Ltd. (“Jiangyin Tianjiang”) has been expanding its international business since its establishment. So far, it has successfully developed regional business markets such as North America, Europe, Hong Kong, Macau, Kenya and Zambia, and added five countries and regions in Macau, Thailand, Uganda, Chile and Serbia in 2021. In the future, Jiangyin Tianjiang will continue to focus on product registration and market development in developing countries, and actively work in Africa, Southeast Asian countries such as Vietnam, Indonesia and Malaysia to provide first-class pharmaceutical services.

In respect of research and development of drugs for special diseases, the Guangdong Yifang assisted the Chinese Academy of Chinese Medical Sciences to quickly realize the technological transformation of Huashi Baidu Formula into Huashi Baidu Granules, and obtained the drug registration certificate issued by the National Medical Products Administration. It successfully entered the National Reimbursement Drug List, becoming the first innovative TCM drug with clinical approval for the treatment of COVID-19 in China. Huashi Baidu Granules is an optimized combination of clinical practices and its efficacy has been examined by a large number of clinical efficacy observations. It has been found to have good efficacy in blocking the development of the disease and improving the symptoms, especially in shortening the course of the disease. It is the actual carrier of TCM’s anti-epidemic experience, and has been listed in the 6th, 7th, 8th and 9th versions of the “Diagnosis and Treatment Plan for COVID-19”. Currently, Huashi Baidu Granules have been approved for marketing in the United Arab Emirates, Cambodia and other overseas countries.



## Improving the Whole TCM Healthcare Industry Chain

In addition, Guangdong Yifang has formed a joint scientific research team with Guangzhou Institute of Respiratory Health and some other units to carry out the “selection and research of concentrated TCM granules portfolio against COVID-19” to lay a foundation for the subsequent R&D of anti-viral TCM drugs. Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd, (“Tongjitang Pharmaceutical”) also conducted research on the preparation process and quality standards of “Chaigechangyuan Mixture” and “Dayuan Disinfectant Mixture” for prevention of spread of COVID-19, with a view to contributing to public safety.

In December 2021, the Group, together with Professor Zhong Nanshan, an academican of the Chinese Academy of Engineering and a renowned respiratory expert, initiated the clinical efficacy and mechanism research of Yu Ping Feng Granules for the stable period of COPD (Chronic Obstructive Pulmonary Disease). Through the clinical evidence-based medical research, the Group further explored and constructed the product evidence chain, and explored the clinical efficacy and mechanism of action of classical ancient Yu Ping Feng COPD by using a new model of modern research. In particular, the Group explored the research mechanism from the perspective of combining respiratory bacteria and immunology, and explored the path of combining Western medical diagnosis and treatment and the traditional Chinese medicine defense therapy.

R&D of drugs for special diseases	
Clinical laboratory for the treatment of hypertension: “Qingda Granules”(清達顆粒)	Pharmaceutical research has been completed and clinical data have been submitted to the Evaluation Center
Clinical Prescriptions for Depression: “Yu Shuda Tablets (Wu Wei Huo Xiang Tablets)” (郁樞達片(五味藿香片))	Clinical trials of II b have been completed, and the Phase I clinical trials of Yu Shuda Tablets III is being carried out in accordance with requirements of Category 1.1 Chinese innovative drugs

## Improving Medical and Health Affordability

We are committed to providing affordable pharmaceutical products to a wide range of patients, and therefore the ability of consumers to pay is one of the key factors considered when pricing pharmaceutical products. For prescription drugs, we determine the bidding price based on factors such as production cost, operating cost of the sales team, and whether the daily medical expenses of patients are within their abilities. For over-the-counter drugs, in addition to considering production costs, operating cost of the sales team and prices of similar products in the market, we also assess consumers' acceptance of the price of the drug.

## Raising Public Awareness of Healthcare

The Group actively carries out a number of public health knowledge popularization activities to convey the correct medical and health awareness to the public. Last year, we made full use of new media and continuously delivered knowledge to the public through WeChat, TikTok and other platforms. In addition, we joined hands with the authoritative medical science publication "Family Doctor" to publish a special journal on lung maintenance and distributed it to the public in pharmacies.

During the year, Guizhou Tongjitang Pharmacy Chain Co., Ltd. Labor Union organized nearly 30 seminars on Chinese medicine health consultation jointly with Wudang District Federation of Labor unions, Kaiyang County Federation of Labor unions and Guiyang Tongjitang Hospital of Traditional Chinese Medicine, covering 2,000 employees in the district. Important and knowledgeable employees visited to help consumers understand Chinese medicine, and learn correct, safe and scientific knowledge for its proper use.



**Drug Identification  
Publicity Activities**

### Strengthen drug identification capabilities Improve public health quality

Guangdong Medi-World Pharmaceutical Co., Ltd. distinguished the popular science of traditional Chinese medicine decoction pieces from fake and inferior products in the market such as Panax ginseng and Dendrobium nobile Lindl. Through fun interactive games and professional explanations, it taught the public the ability to identify basic medicinal herbs, and further deepened their understanding of the same source of medicine and food as well as the prevention and control of the epidemic. In addition, the staff repeatedly reminded the public that most drugs would cause adverse reactions. They must be used scientifically, rationally and safely under the guidance of doctors, and cannot be used blindly. Guangdong Medi-World Pharmaceutical Co., Ltd.



## Improving the Whole TCM Healthcare Industry Chain

### R&D and Innovation

#### Research and Development

The Group attaches great importance to R&D and innovation. Focusing on the 8 R&D directions, the Group has established 8 R&D centers to ensure that the R&D and innovation work covers the entire industry chain. At the same time, the Group continues to build a R&D platform, expand the R&D team, and enhance allocation of funds for R&D equipment to lay a solid foundation for the R&D and innovation work. At the end of the reporting period, the Group's research and development centre has been approved to establish 4 CNAS laboratories, 3 national engineering laboratories, 1 national enterprise technology center, 2 TCM master's studios, 10 provincial enterprise technology centres, 7 provincial engineering and technology centres, 3 post-doctoral research stations and 2 academician research stations.

Currently, the Group has entered into strategic cooperation agreements with universities and institutions such as the Chinese Academy of Traditional Chinese Medicine, China Pharmaceutical University, The Chinese University of Hong Kong, Sun Yat-sen University, Jinan University, Hong Kong University of Science and Technology, Guangdong Pharmaceutical University, Disease Control and Prevention Center of Guangdong, Beijing University of Traditional Chinese Medicine, Guangzhou University of Traditional Chinese Medicine and Guangdong Institute of Traditional Chinese Medicine Engineering and Technology to explore the possibilities of research and development in the field of Chinese medicine.

The Group has always adhered to integrated innovation, market-oriented, technology-supported and policy-supported research and development concepts. Our research and development direction is modern Chinese medicines, concentrated TCM granules and classical formulas and we strive to become the leader in research and development and production of modern Chinese medicines and characteristic Chinese medicines in China.

#### R&D Work and Achievements

The Group has advanced its R&D and innovation work in an orderly manner and achieved a series of results during the year. In respect of the research and development of new TCM drugs, Huashi Baidu Granules has been approved for marketing and it has successfully entered into the National Reimbursement Drug List. At the "Seminar on Clinical Top-level Design of Huashi Baidu Granules" held in Beijing, the follow-up product foundation and clinical research direction were preliminarily determined based on the characteristics of Huashi Baidu Granules and its main function.

R&D Expenditure  
**RMB694 million**

In terms of the research on TCM compound preparations for classical formulas, we continued to conduct research of 35 classical formulas. As of the end of 2021, we have completed the preliminary methods of 8 classical formulas (28 in total), 11 classical formulas (18 in total) and 6 classical formulas (12 in total) completed the pilot production research. The non-clinical safety evaluation of two varieties under the national project, namely Taohe Chengqi Mixture (桃核承氣湯) and Banxia Baishu Tianma Mixture (半夏白術天麻湯), has been completed and these products have entered the acceptance stage.



## Improving the Whole TCM Healthcare Industry Chain

In terms of standard research on concentrated TCM granules, the Group has maintained its leading position in the concentrated TCM granules industry for a long time. Among the 196 national drug standards for concentrated TCM granules approved and promulgated by the National Medical Products Administration (NMPA), 102 were the standards drafted by the Group, ranking the first among 15 standard providers. As at the end of the Reporting Period, we have completed the national standard research on 360 varieties of concentrated TCM granules, submitted research materials for 319 varieties, and submitted more than 4,000 filings to 28 provinces (cities) at the same time, involving 190 non-repetitive varieties. 22 provinces (cities) have approved a total of 3,066 provincial-standard concentrated TCM granules, involving no duplication of 390 varieties, of which 176 are owned by the Group.

During the year, the consistency evaluation acetylphenol tablets was completed and it is the Group's first tablet product approved for consistency. By adhering to the research concept of "generic products are not generic standards", the Company conducted in-depth analysis of the original drugs, conducted research on the change of prescription process in strict accordance with the latest national technical requirements, simplified the production process and the types of auxiliary materials, which greatly reduced the cost of verification and management. In addition, by combining the characteristics of products, quality standards are improved and that also helps better control the quality of products.

In respect of the research and development of Chinese medicinal herb resources, Guangdong Yifang vigorously carried out research on Pinellia Ternata breeding and Pinellia Ternata chemical composition and quality standards in Xihe Industrial Park, strengthened the construction of the Pinellia Ternata GACP planting base, and cooperated with China National Traditional Chinese Medicine Co., Ltd. for pilot test research of Pinellia Ternata hydroponic industrial seedling cultivation. Tongjitang Pharmaceutical promotes the construction of the whole industry chain by declaring special projects on in-depth development of Epimedium product in the Department of Agriculture and Rural Affairs of Guizhou Province, and promoting Epimedium as one of the major project varieties of agricultural modernization in Guizhou Province.

Hunan Yifang Tianjiang Pharmaceutical Co., Ltd. established a demonstration base for ecological planting of authentic medicinal herbs (i.e. the Golden Wheel Shell) in Hunan Province  
Jiangxi Yifang Tianjiang has carried out the establishment and implementation of the GACP traceability system  
Li County Dahuang actively carried out research on key technologies for planting, production and processing of Dahuang medicinal herbs

No. 1 Guitong Jianye Epimedium of Tongjitang Pharmaceutical passed the certification of new varieties in Guizhou Province  
No. 1 and No. 2 Guitong Jianye, and No. 1 Guitong Roumao passed the preliminary review of plant new variety protection (new variety rights)





## Improving the Whole TCM Healthcare Industry Chain

### Intellectual Property Protection

The Group strictly abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations, and has formulated a series of internal policies and systems related to intellectual property rights management, including the Intellectual Property Risk Management Procedures. During the year, the Group added the China Traditional Chinese Medicine Holdings Co. Limited Patent Management Measures to further improve the Group's intellectual property management system. The system promotes technological innovation and formation of independent intellectual property rights, and strengthens the management, protection and utilization of intellectual property rights. During the Reporting Period, the Group had a total of 3 cases of intellectual property disputes, all of which have been settled by legal means.

We organize and urge all our subsidiaries to manage intellectual property rights in accordance with the Intellectual Property Management System (GB/T29490-2013) to improve intellectual property management and avoid intellectual property risks. Among them, Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guang Medi-World") has passed the intellectual property management system certification.

In order to fully grasp the value of patents and further improve quality and efficiency, the R&D Center evaluated the invention patents granted to Guangdong Medi-World for more than five years, utility model patents and design patents granted for more than three years, and carried out targeted patent maintenance work during the year. Other than that, Guangdong Yifang, Jiangyin Tianjiang, Sichuan Jiangyou Zhongbafuzi Technology Development Co., Ltd. and Tongjitang Pharmaceutical also evaluated and maintained patents in accordance with relevant management measures.

During the year, the Group applied for a total of 138 patents, including 73 invention patents. A total of 176 patents were granted, including 41 invention patents.

### Supplier Management

The quality of raw materials is an important factor in determining the quality of products. The Group continues to improve supply chain management and strictly requires suppliers to guarantee quality. In addition, the Group also incorporates environmental and social risks into the supplier evaluation system, and gradually promotes the construction of a responsible supply chain that guarantees safe, healthy and high-quality products. As of the end of 2021, there were a total of 218 suppliers of raw materials, TCM decoction pieces and raw and auxiliary materials and packaging materials, all of which were located in Mainland China.

### Supplier Responsibility Management

The Group's Chinese Medicinal Herb Resources Center is responsible for management of suppliers. During the year, the Group revised a number of internal supplier management policies, such as the GACP Base Selection Management Policy, to strengthen the requirements for sustainable development in supplier assessment, and to establish long-term and stable cooperation with suppliers. To ensure the stability of the supply chain, we formulate procurement plans in advance and develop multiple suppliers for each type of raw materials accordingly.

We require suppliers to strictly comply with requirements of the local environmental protection department, and focus on checking the pollution caused by medicinal materials during the supplier audit. For suppliers who fail to meet the requirements of the local environmental protection department, we terminate the cooperation.

## Supplier Evaluation and Audit

We develop potential high-quality suppliers through online information, local origin research, industry exhibitions and other channels, and environmental protection, integrity, employment, quality and other requirements into the evaluation and access system. Suppliers that pass the preliminary data assessment are further subject to on-site audits by the Chinese Medicinal Herbs Resources Center and the Quality Management Department, covering aspects such as personnel composition, social security payment, warehouse environment, production conditions and tax compliance. If the pre-approval process is successfully passed, new suppliers are required to sign an agreement with the Group to ensure that they understand and earnestly implement our code of conduct and requirements.

The Group conducts audits of suppliers from time to time, including warehouse, production equipment and equipment inspection at their production facilities to ensure that they have stable supply capacity and production processing capacity and meet our environmental and social requirements. During the year, we updated the frequency of supplier assessment from semi-annual or annual to quarterly assessment. The results of the audit and assessment directly affect whether the Group continues to cooperate with it. We give priority to suppliers with excellent performance. For suppliers with poor performance in the audit or assessment process, we require them to rectify or terminate the cooperation within a time limit, as the case may be.

## Supplier Communication and Training

Timely communication with suppliers is an important part of supply chain management. We communicate with suppliers through a combination of online and offline methods such as telephone and online visits to help them understand and learn the latest policy requirements of the Group in a timely manner. Each subsidiary of the Group has a supplier administrator to explain in detail the relevant management system for new suppliers. We also have a training system for medicinal materials suppliers. Our subsidiaries conduct pre-project publicity for local suppliers, including integrity publicity and guidance on planting materials, to help suppliers continuously improve quality management.

For updated procurement standards, we send procurement specialists to provide targeted guidance on the varieties reported by suppliers, and ensure that the product quality meets the latest requirements through sample confirmation or on-site inspection.

### Environmental protection requirements

In the supplier assessment, we require suppliers to comply with national environmental protection requirements. For suppliers who need air-drying raw materials, we pay attention to whether the energy used will have an impact on the environment.

### Certification Required for Suppliers

GMP certification  
GSP certificate  
GAP Certification

### Agreements to be Signed by the Suppliers

Quality Agreement  
Integrity Agreement  
Supply Agreement  
Letter to Suppliers



# Improving the Whole TCM Healthcare Industry Chain

## Quality Management

The Group ensures the quality of Chinese medicine products and health and safety of consumers through a comprehensive quality control system implemented by a professional quality control team. The Quality Management Department is responsible for coordinating the quality control work of the Group and its subsidiaries, improving the quality control system and conducting internal quality audit. Each subsidiary is required to report its quality work to the Quality Management Department on a monthly basis in accordance with China Traditional Chinese Medicine Holdings Co. Limited Quality Supervision and Management Measures, including product output, existing quality problems, product passing rate, and results of inspection by the Medical Products Administration. We also require our subsidiaries to sign a quality target responsibility statement, and require all products to pass the inspection before entering the market for sale, with a product inspection rate of 100%.

In order to enhance the ability to respond to major quality incidents, the Group established a Quality Management Committee in 2019, led by the president of China TCM. Whenever a major quality accident occurs, the committee cooperates with the production and safety and environmental protection center, research and development center and other departments to jointly respond to the event.

During the year, the Group updated two systems, namely China Traditional Chinese Medicine Holdings Co. Limited Internal Quality Audit Management Measures and China Traditional Chinese Medicine Holdings Co. Limited Internal Quality Audit Operation Procedures, to improve the product quality management system. Two new enterprises obtained ISO9001 quality management system certification. Up to now, a total of 5 subsidiaries have obtained this certification.

## Quality Inspection and Audit

In strict compliance with requirements of the Drug Administration Law of the People's Republic of China, the Group conducts quality inspection on drugs produced by its subsidiaries. Only after passing the quality inspection can the drugs be sold. In 2021, 33 types of pesticide residues were banned for quality testing purposes, to control quality risks from the source, and ensure return of unqualified medicinal materials.

The Group strengthened its internal audit on product quality. During the year, the Group completed internal audit of product quality at 23 subsidiaries, and carried out daily supervision and inspection on 25 subsidiaries and 3 special inspections on traditional Chinese medicines (decoction pieces). A total of 581 issues were identified, including 46 major defects and 535 general defects. All of them were rectified to the extent of 98.6% during the year. In addition, we also accepted various product quality spot checks and tests conducted by the NMPA, including a total of 616 batches of products and materials, involving 29 subsidiaries. No product quality problems were detected.

For subsidiaries that produce anti COVID epidemic drugs, the quality management department timely adjusts the quality control methods, requires such subsidiaries to report daily quality information online, conducts on-site inspections of subsidiaries in Guangdong Province, strengthens online communication with subsidiaries outside Guangdong Province, understands the quality management of subsidiaries, and controls quality risks.



## Quality Culture

The Group attaches great importance to the construction of a quality culture and carries out a series of activities such as “Quality Month” to enhance employees quality awareness. In order to establish a knowledge-based management team, realize the sharing of quality resources within the Group, and enrich the learning channels of pharmaceutical quality management knowledge, the Quality Management Department has built a quality knowledge database on the “Sinopharm Online Learning Platform” for relevant personnel of each subsidiary. In addition, we also collect “QC Standard Operation” videos from each subsidiary, and select excellent operation videos as quality training videos, which are used in the Group’s internal learning.

The Group holds a quality management summary meeting every six months. The key personnel of each subsidiary and leaders of the headquarters are required to participate in the meeting to summarize and report on the quality management work, and determine the focus and requirements of the next targets of quality management work. After the meeting, each subsidiary carries out quality management related training according to the actual situation. In 2021, the Group organized more than 900 internal training sessions with more than 28,600 participants.

### Main contents of the 2021 Quality Management Work Summary Meeting



### Main Activities in Quality Month 2021





## Improving the Whole TCM Healthcare Industry Chain

### Promoting Industry Chain Traceability

The selection of Chinese medicinal herbs bases directly affects the quality of Chinese medicinal herbs. We give priority to suppliers equipped with planting bases, and continuously improve the construction of GACP management system to standardize and strengthen the management of base selection and raw material traceability.

The Group has specified in the “Management System for the Selection of GACP Bases” the selection of the origin, environmental requirements, environmental protection requirements, survey requirements, etc. of the Chinese medicinal herbs production bases, and conducts regular audits of production bases to ensure compliance with relevant regulations. The “Standard Operating Procedures for the Introduction and Output of Seedlings of Traditional Chinese Medicine” stipulates that the environment of the place where the seedling is introduced should comply with the environmental requirements of the GACP base, and the potential suppliers need to provide details of usage of pesticides, fertilizers and other products during the management of the seedling.

#### GACP Base Selection Requirements

- Production bases should be free of pollution and far away from urban areas, and the site selection and construction should comply with national and local environmental protection requirements
- The soil of the base shall meet the GB15618 standard, and each test shall be lower than the specified risk screening value
- Irrigation water should be in compliance with GB5084 standard, and the industrial park can determine whether it is tested based on the necessity of the actual production process, and if not, risk assessment analysis should be provided
- The air must meet the requirements of GB3095 Class II, and can be selectively tested. If not, local meteorological information and surrounding air pollution sources information should be collected, and risk assessment should be provided
- Site selection and construction shall comply with national and local environmental protection requirements
- Medicinal animal breeding should select the base based on the animal’s behavior, adaptability and breeding scale, and water quality of the breeding base should comply with the national “Standards for Drinking Water Quality”

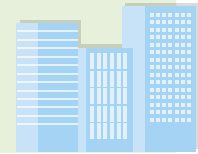


## Integrated management platform for drug control and traceability

By cooperating with Ping An Insurance (Group) Company of China, Ltd. and relying on core technologies such as artificial intelligence, blockchain and cloud computing, the Group has established an all-round integrated management platform for Chinese medicine control and traceability to conduct quality control, evaluation and assessment of medicinal herb bases, and also help farmers improve their professional knowledge and skills in Chinese medicinal herbs planting.

During the Reporting Period, 24 core varieties of Chinese medicinal herbs were listed on the integrated platform of quality control and traceability, with realized remote monitoring, and realized traceability management for all the GACP bases, varieties and process records of implementation, covering the information of each link from seed planting to sales of traditional Chinese medicine, which greatly enhanced our traceability ability of traditional Chinese medicine products.

In addition, we have established a market analysis system for Chinese medicinal herbs to master and analyze the market information of Chinese medicinal herbs, including the modules of traceability management.



In addition, in order to implement the specific requirements in the construction of the GACP system, the Group carried out 17 special training programs on planting and production of Chinese medicinal herbs, fertilizers, planting and other related aspects, covering 440 people. As at the end of the Reporting Period, we have built a total of 207 GACP Chinese medicinal herb bases in 23 provinces, municipalities or autonomous regions across the country, covering 74 varieties of medicinal herbs with a planting area of over 150,000 mu.

## Customer Responsibility

The Group practices responsible marketing, responds to consumer inquiries and needs in a timely manner, strictly regulates the authenticity of drug information, and is committed to ensuring safe use of drugs by consumers.

## Responsible Marketing

The Group strictly complies with the Drug Administration Law of the People's Republic of China and the Provisions on the Administration of Pharmaceutical Directions and Labels, and has formulated relevant systems for approval and management of pharmaceutical advertisements and sales policies in line with market trends and standards. The Group has set up a Market Inspection Department in the Finished Drug Marketing Center, which is responsible for regularly reviewing standardization of the marketing process. Through on-site visits, questionnaire surveys and other forms, we review the qualifications, sales policies, advertising and other aspects of drug sales partners, and put forward rectification plans for identified problems to ensure the quality of the drug circulation process and sales process and rational use of drugs by consumers.

We also provide professional skills training to drug sales personnel to improve their service standards by enhancing their professional knowledge and service capabilities.



## Improving the Whole TCM Healthcare Industry Chain

Drug labels and instructions are important ways to ensure proper use of drugs by patients. In the process of drug advertising and sales, the Group strictly follows the drug instructions and the opinions of relevant experts to correctly convey drug information to consumers. For prescription drugs, we advertise only in medical and pharmaceutical publications, jointly published by the health administrative department of the State Council and the drug administrative department of the State Council, and the content of the advertisements is approved by the drug administrative department before publication. In addition, we display medication contra indications and adverse reactions in prominent positions on the advertising page. For over-the-counter drugs, we remind consumers to use the drugs in accordance with instructions or consult pharmacists for rational use of the drugs.

### Product Recall Mechanism

When there is a probability of products that have been sold causing safety and health hazards to the public, the Group immediately takes recall measures in accordance with the Product Recall Control Procedures to ensure that all affected products are identified, traced and recalled. We investigate the root causes of the incidents and formulate corrective and preventive measures to prevent the recurrence of similar incidents. The Group conducts a simulated recall at least once every two years to ensure that recall actions can be carried out in a timely manner when necessary. During the Reporting Period, the Group did not recall any sold products due to product quality.



### Improving Grievance Mechanism

Each subsidiary of the Group has set up channels for receiving consumer enquiries and complaints so as to respond to consumer demands in a timely manner. Taking finished drug business as example, consumers can convey their opinions through telephone hotline and email. After receiving the complaint information, the quality management department of each subsidiary is required to report to the quality management department of the Company within two hours, and the relevant information is conveyed to the finished drug marketing center. The finished drug sales department is responsible for assisting the quality management department of each subsidiary to handle the complaint and give feedback on the results in a timely manner. We properly handle complaints through compensation, return and exchange. We also actively respond to consumers' inquiries on side effects, usage and price of drugs to ensure that consumers use drugs safely. During the year, we received a total of 267 complaints about our products and services. Most of the complaints were properly handled and were resolved after communication and explanation.

### Privacy Protection

China TCM actively strengthened network security management, improved the emergency response capabilities of the professional network security team, and won the "Excellent Team" award in the network security drill of Sinopharm Group Communication in 2021. At the same time, it also accelerated informatization and completed the construction of unified platform informatization of all subsidiaries.

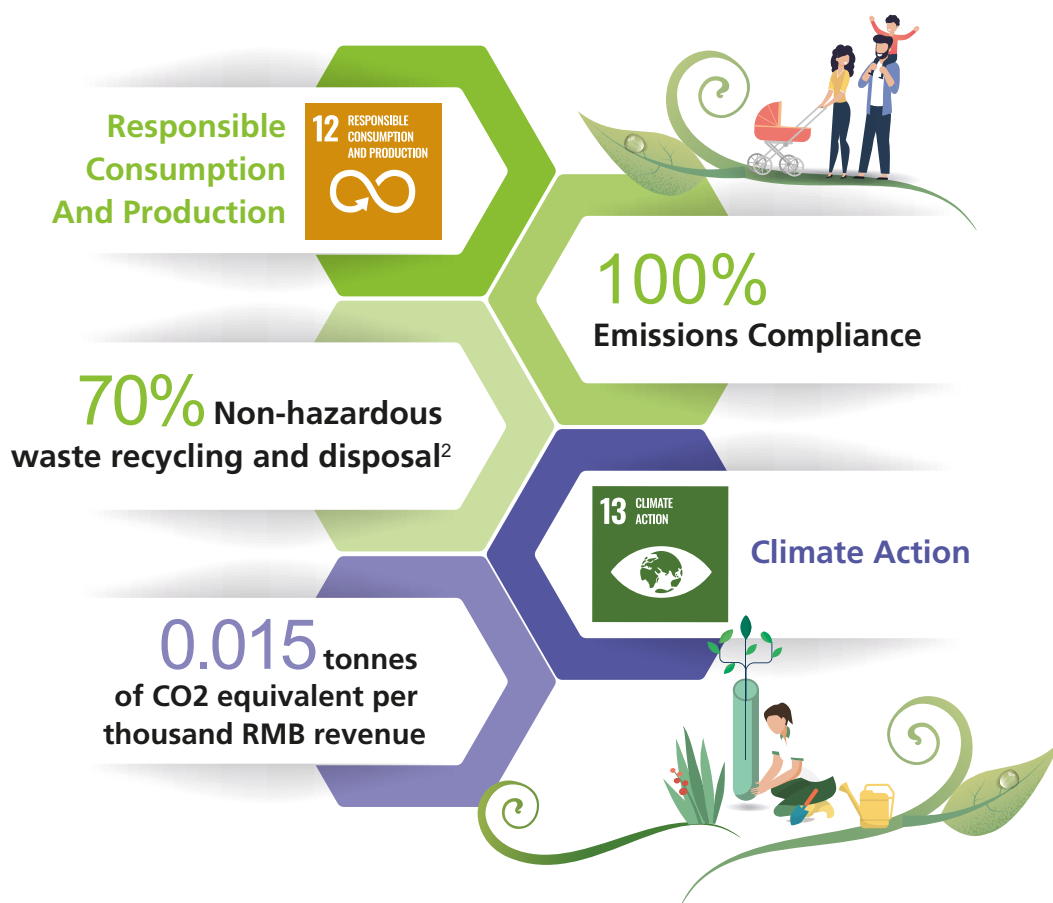
Some of the Group's businesses involve customer privacy. In this regard, we have formulated the Customer Archives Management Measures of Marketing Center and other system documents to properly manage customer information. We specify confidentiality in commercial contracts, set up exclusive files for customers, limit the access to such files, and assign file management specialists to manage customer information files. During the year, the Group did not have any incidents that damage customer privacy due to information leakage.

# 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.

This section:

Environmental Management | Emissions Management | Responding to Climate Change | Resources Consumption | Building a Green Culture




<sup>2</sup> non-hazardous waste recycled by third parties or treated by incineration or used as fertilizer

## Environmental Management

The Group pays attention to the harmony between production and the resource environment, strictly complies with the relevant national laws and regulations such as the Energy Conservation Law of the People’s Republic of China and the Environmental Protection Law of the People’s Republic of China, and actively implements environmental protection measures to reduce the impact of production and operations on the environment. In order to strengthen the supervision and management of energy conservation and emission reduction, we have formulated the China Traditional Chinese Medicine Holdings Co. Limited Energy Conservation and Emission Reduction Management Measures, and we earnestly implement various energy conservation and emission reduction measures. We have established and improved a scientific and standardized energy conservation and emission reduction management that helps statistical monitoring, assessment and deciding rewards and punishments. During the year, the Group invested a total of RMB20,002,400 in environmental protection, which was used in the construction, renovation, maintenance and operation of energy-saving and environmental protection facilities, environmental protection project evaluation, inspection and verification consulting services, and energy-saving and environmental protection publicity and education.

As of the end of 2021, a total of 7 subsidiaries have passed the clean production audit, 4 subsidiaries have obtained the green factory certification above the provincial level, and 9 subsidiaries have obtained the ISO14001 environmental management system certification. The Group plans to pursue the ISO14001 environmental management system certification for 5 subsidiaries in 2022.

ISO14001 Environmental Management System Certification	Clean Production Audit	Green Factory Certification
<ul style="list-style-type: none"> <li>• Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.</li> <li>• Jiangyin Tianjiang Pharmaceutical Co., Ltd.</li> <li>• Guangdong Yifang Pharmaceutical Co., Ltd.</li> <li>• Anhui Fengliaoqing TCM Decoction Pieces Technology Co., Ltd.</li> <li>• Jiangsu Jiangkang Pharmaceutical Co., Ltd.</li> <li>• Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.</li> <li>• Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.</li> <li>• Anhui Tianxiang Pharmaceutical Co., Ltd.</li> <li>• Qinghai Pulante Pharmaceutical Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.</li> <li>• Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.</li> <li>• Guangdong Yifang Pharmaceutical Co., Ltd.</li> <li>• Longxi Yifang Pharmaceutical Co., Ltd.</li> <li>• Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.</li> <li>• Zhejiang Yifang Pharmaceutical Co., Ltd.</li> <li>• Guizhou Tongjitang Herbal Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Qinghai Pulante Pharmaceutical Co., Ltd. (National level)</li> <li>• Guangdong Yifang Pharmaceutical Co., Ltd. (National level)</li> <li>• Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (Provincial level)</li> <li>• Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. (Provincial level)</li> </ul> 



## Fulfilling Environmental Responsibility

In order to ensure effective promotion and implementation of energy conservation and environmental protection work, we have set up a group responsible for energy conservation and emission reduction of China TCM, with the President as the group leader, the Vice President as the deputy group leader, and the heads of the President's office, the strategy and operations management department, the human resources center, the finance center, the government and legal affairs department, the production and safety and environmental protection center and the project construction management center as the group members. The EHS management department under the production and safety and environmental protection center is responsible for daily management of safety and environmental protection.

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 non-hazardous waste.

### Emission Management

The EHS management department of the Group is responsible for supervision and management of discharge of pollutants such as exhaust gases, wastewater and waste. We have entrusted a qualified third-party institution to conduct regular inspection on the pollutants generated from our production and operations to ensure that their discharge complies with local laws and regulations. During the year, the Group's subsidiaries engaged third-party monitoring agencies to conduct a total of 91 environmental monitoring activities, covering various environmental factors such as wastewater, exhaust gas and noise. The test results were within the relevant concentration limits stipulated by national and local authorities.

The Group sets up annual emission targets at the beginning of the year. The EHS Management Department regularly collects pollutant emission data of each subsidiary every quarter, supervises the achievement of objectives at each stage of each subsidiary, and conducts on-site supervision of subsidiaries with large pollutant emissions. During the year, the pollutants generated by the Group were discharged and disposed of in compliance with regulations.

	Number	Percentage
<b>Wastewater pollutants</b>		
COD Online Monitoring System	12 companies	41% <sup>3</sup>
NH <sub>3</sub> -N online monitoring system	11 suppliers	38% <sup>4</sup>
<b>Exhaust pollutants</b>		
SO <sub>2</sub> online monitoring system	3 companies	100% <sup>5</sup>
NOx Online Monitoring System	3 companies	100% <sup>6</sup>

2021 Online Monitoring System for Pollutants

<sup>3</sup> Proportion of enterprises that have installed COD online monitoring system in enterprises that have sewage treatment stations and have commenced operation

<sup>4</sup> Proportion of enterprises with NH<sub>3</sub>-N online monitoring system in operation with sewage treatment stations

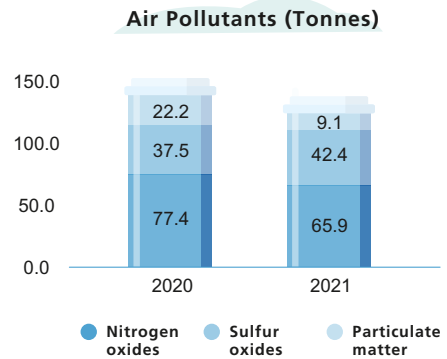
<sup>5</sup> Proportion of enterprises installing SO<sub>2</sub> online monitoring system in gas boiler enterprises

<sup>6</sup> Proportion of enterprises installing NOx online monitoring system in gas boiler enterprises



## Air Pollutants

The exhaust gas generated by the Group is mainly sulfur oxides, nitrogen oxides and particulate matter from boilers in factories and vehicle exhaust emissions. During the year, emissions of the air pollutants were 42.4 tonnes, 65.9 tonnes and 9.1 tonnes respectively, of which emissions of nitrogen oxides and particulate matter decreased as compared to last year. During the year, the Group implemented measures such as boiler renovation and oil fume purification system to reduce the emission of air pollutants.



**Boiler retrofit**

Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd. ("Dezhong Pharmaceutical") actively responded to the government's policies and calls. During the year, it carried out "ultra-low emission" transformation for some coal-fired boilers. After the transformation of the process lines, concentration of smoke and dust, sulfur oxides and nitrogen oxides decreased by approximately 0.12 tonnes of sulfur oxides and approximately 1.48 tonnes of nitrogen oxides per month.

**Fume purification**

Tongjitang Pharmaceutical ointment making workshop added a new oil fume purification system to the cream production workshop, and adopted special processes to purify and deodorize the exhaust gas in the cream production process. After treatment, it meets the environmental emission standards, with no obvious odor on site and no odor outside 10 meters from the discharge port.

## Waste

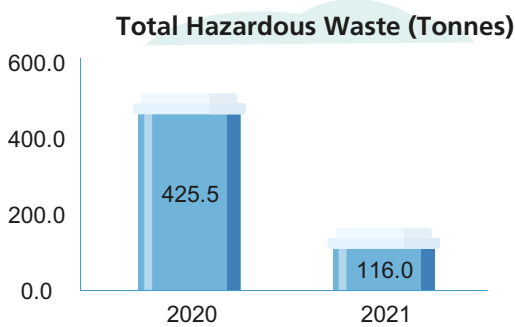
The Group generates hazardous waste and non-hazardous waste in its production operations. We pay attention to management and disposal of hazardous waste, and have implemented special rectification actions for hazardous waste safety during the year. Through comprehensive inspection of hazardous waste, the Company clarified the types of solid waste, and strictly investigated and eliminated illegal storage, random dumping, private filling of hazardous waste such as waste paint, hazardous chemical containers, waste engine oil, etc., to ensure the safety of hazardous waste storage, transportation and disposal. We have established and improved the joint order system for hazardous waste from generation to disposal, and established a supervision system covering the whole process of hazardous waste generation, collection, storage, transfer, transportation, utilization and disposal, so as to strictly control hazardous waste.



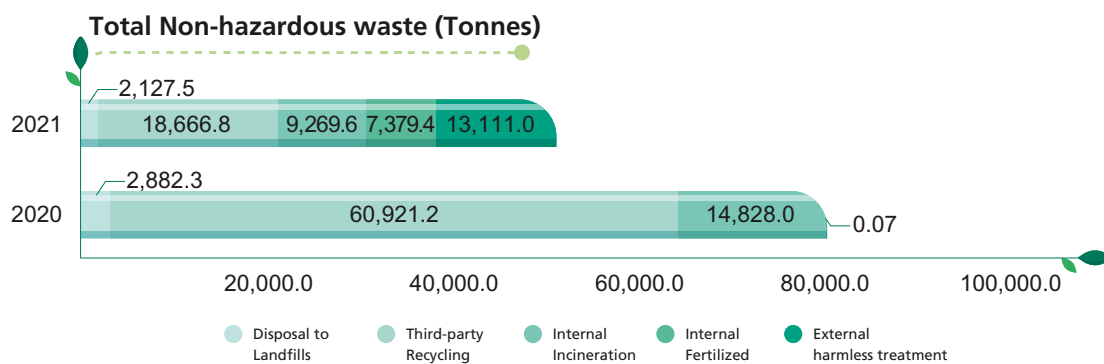
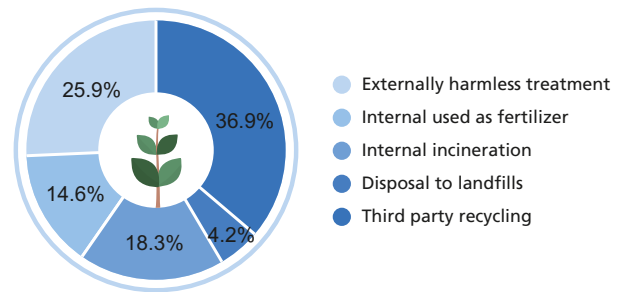
## Fulfilling Environmental Responsibility

The hazardous wastes generated during our production process and operations are mainly reagent bottles, waste drugs and laboratory liquid waste. During the year, we generated a total of 116.0 tonnes of hazardous waste, with an intensity of 0.006 kg per thousand RMB revenue. All hazardous waste was handled by qualified third-party contractors. The significant decrease in hazardous waste is due to the fact that toxic Chinese medicines are classified as hazardous waste according to the “National Register of Hazardous Waste (2021 Edition)” and the majority of the Group’s products is not classified as toxic Chinese medicines.

The non-hazardous waste generated by the Group mainly includes domestic waste, construction waste and dry and wet dregs. During the year, we generated a total of 50,554.4 tonnes of non-hazardous waste, representing a decrease of approximately 35.7% over last year, with an intensity of 2.65 kg of non-hazardous waste per thousand RMB revenue. We classify and store non-hazardous waste and deliver it to qualified companies for recycling and disposal. Some of the medicine residues are internally incinerated or used as fertilizer. The remaining non-hazardous wastes are externally treated for harmless treatment. In order to reduce the generation of solid waste, we use the dregs as fuel for coal-fired boilers after dehydration.



### Non-hazardous waste disposal methods



## Wastewater

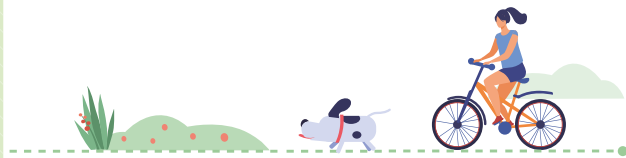
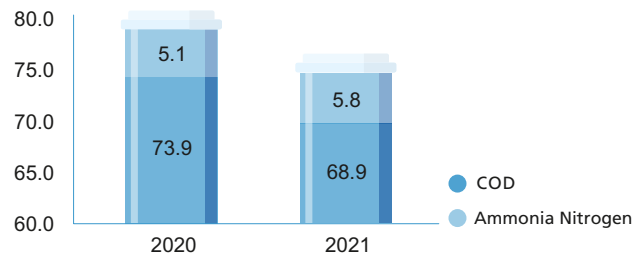
The Group generates wastewater containing organic ingredients of Chinese medicine during the pharmaceuticals manufacturing process. During the year, we discharged a total of approximately 68.9 tonnes of COD and 5.8 tonnes of ammonia nitrogen wastewater pollutants, which was lower than last year. In order to reduce the impact of production and operations on the environment, the Group's subsidiaries have renovated sewage stations to recycle, purify and reuse the sewage, and also installed air-soluble flotation machines to reduce the floating slag and suspended solids in the wastewater and ensure that the discharged sewage is compliant with stipulated rules.



Sichuan Tianxiang Pharmaceutical Co., Ltd. renovated the sewage station, cleaned the reclaimed water and used it for municipal road cleaning and primary cleaning of workshop medicinal materials, so as to reduce the use of fresh water. At present, the project has passed the acceptance test and has been put to use, and the recycled water consumption has reached 80%, meeting the environmental assessment requirements of the park where it is located.

Anhui Tianxiang Pharmaceutical Co., Ltd. ("Tianxiang") has added a gas-soluble flotation machine in the sewage station. The equipment is used to remove the float slag and suspended solids, which can enable stable operations of the sewage station, improve the treatment efficiency and meet the sewage discharge standards. At present, the project has passed the inspection and acceptance, which can reduce the amount of chemicals input and improve the wastewater discharge rate.

Wastewater Pollutants (Tonnes)

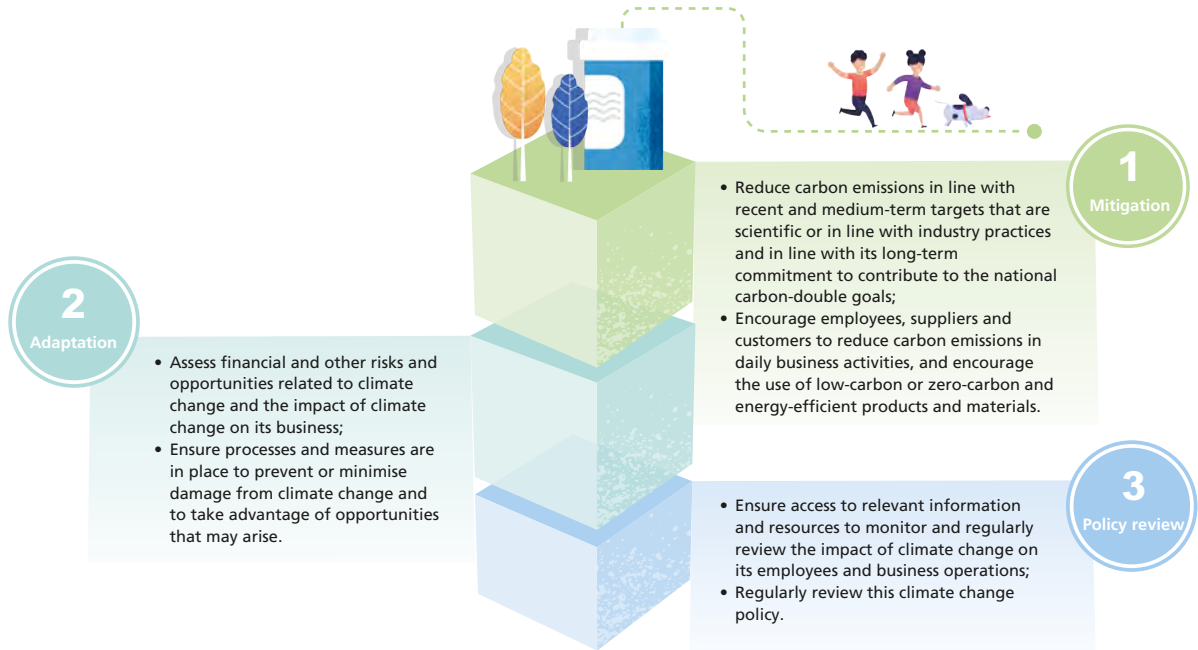




# Fulfilling Environmental Responsibility

## Responding to Climate Change

Climate change is one of the major issues that the international community is concerned about. The Group is actively committed to mitigating climate change. On the basis of energy conservation and emission reduction, we have formulated the Climate Change Policy during the year to manage climate-related risks and opportunities, and gradually achieved a strategy in line with global best practices to mitigate the impact of climate change on the Group's business.



## Energy Management

During the year, we set energy consumption targets to reduce emissions of air pollutants and greenhouse gases by reducing energy consumption. In order to achieve the goal, we asked all subsidiaries to hold meetings to take up key energy conservation and environmental protection work in 2021, and signed energy conservation and environmental protection responsibility letters with 48 industrial production subsidiaries to clarify the work direction and objectives for the year. At the beginning of the year, the EHS Management Department formulated an energy-saving and environmental protection inspection plan to supervise subsidiaries. It asked them to submit energy-saving and environmental protection related information to the "Sinopharm Management and Control Big Data Platform" on a quarterly basis, and reviewed the target progress through system data, and conducted on-site supervision and inspections of subsidiaries with high energy consumption. With joint efforts, we exceeded our target by the end of 2021.

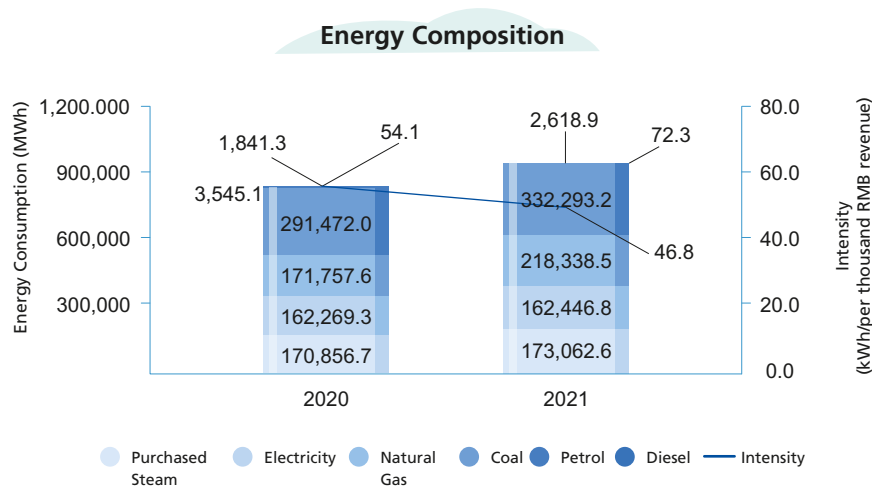
**The Group's 2021 energy consumption targets:**  
energy consumption is controlled at **0.0508** tonnes of standard coal/ten thousand RMB

**Target Achievement:**  
energy consumption is **0.0461** tonnes of standard coal/ten thousand RMB

SINOPHARM

## Fulfilling Environmental Responsibility

The Group mainly uses coal, natural gas, diesel, petrol (direct energy) and purchased steam and electricity (indirect energy). During the year, the Group's total energy consumption was 891,874.4 MWh, and the energy consumption intensity was 46.8 kWh per thousand RMB revenue, which was lower than last year.



We effectively monitor and control the use of energy by adopting emerging technologies. During the year, the Group entered into a strategic cooperation agreement with Mogulinker Technology Co., Ltd. Through the digital solutions provided by Mogulinker Technology Co., Ltd, the Group aims to reduce energy consumption of corporate public auxiliary systems by more than 10%. Currently, Guangdong Medi-World has cooperated with Mogulinker Technology in central air-conditioning and air compressors. Other subsidiaries will also negotiate cooperation plans with Mogulinker Technology successively.

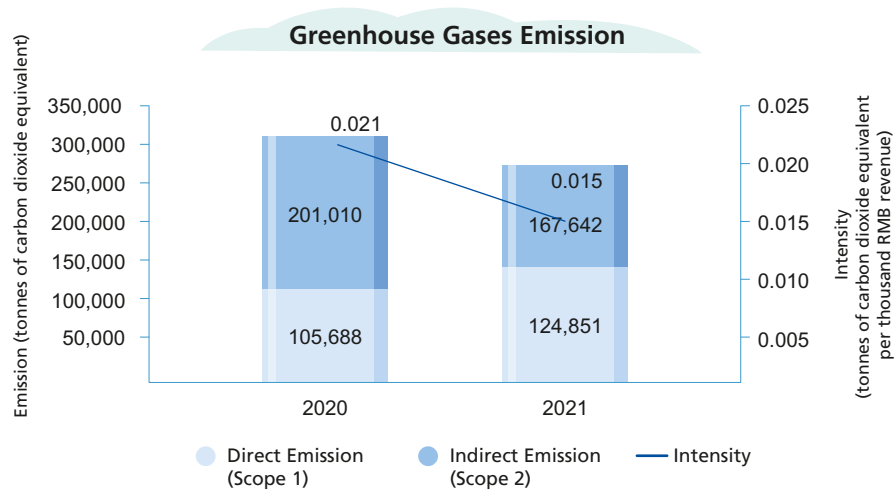
Tongjitang Pharmaceutical applied the smart energy cloud platform to business operations. Through multi-dimensional analysis of project operations historical data, it identified energy-saving space, assisted the management to clarify the overall energy use system, plan and objectives, promoted the implementation of energy-saving management and indicator requirements, and provided data support for indicator assessment. The application of the smart energy cloud platform has realized the transformation of energy consumption control from traditional personnel management to system self-decision-making, taking the enterprise management to a higher level.



# Fulfilling Environmental Responsibility

## Greenhouse Gases

The main sources of the Group’s greenhouse gas emissions include direct greenhouse gas emissions from consumption of fuel by boilers and gasoline consumed by vehicles (Scope 1), and indirect emissions from purchased steam and electricity (Scope 2). During the year, the Group’s total GHG emissions amounted to 292,943 tCO<sub>2</sub>e, of which Scope 1 and Scope 2 carbon emissions were approximately 124,851 tCO<sub>2</sub>e and 167,642 tCO<sub>2</sub>e respectively, with an emission intensity of 0.015 tCO<sub>2</sub>e per thousand RMB revenue. The total GHG emissions decreased by approximately 4.6% as compared to 2020.



## Energy Conservation and Emission Reduction

In order to conserve energy and reduce emissions and promote sustainable development, we encourage our subsidiaries to carry out technical renovation and transformation, eliminate high pollution and high energy consumption production technologies, processes and equipment, actively develop, promote and apply new technologies, new processes, new products and new materials, and try to improve energy efficiency, save resources and save production costs.

### 3500L Closed Road Dual Efficacy Concentration:

The Gaoming Branch of Dezhong Pharmaceutical implemented the 3500L closed-circuit dual-effect concentration project, and transformed the existing 3500L dual-effect thickener to achieve a recovery rate of over 95.5% of alcohol-containing recovery fluid. The steam consumption per tonne of production decreased from 0.7 to 0.43 tonne, and the energy saving rate was 38.6%. The project will continue to be promoted in the Group’s subsidiary with alcohol extraction.

### Compressed air waste heat recovery:

Guangdong Yifang launched the compressed air waste heat recovery project during the year. At present, the project has been completed and accepted. After the transformation, it is expected to save 1,640 tonnes of steam each year, and the steam consumption per tonne of production will decrease from 0.337 to 0.192 tonnes.





## Use of Clean Energy

We actively use clean energy in production to reduce greenhouse gas emissions and help mitigate climate change. Guangdong Medi-World and Guangdong Yifang are installing photovoltaic power generation projects.



### Guangdong Medi-World Photovoltaic Power Project

Cooperated with Foshan Qingfang Solar Energy Technology Co., Ltd. to carry out photovoltaic power supply project.

The maximum output of the photovoltaic system is 874Kwp/d, with a total of 3,745 photovoltaic panels installed, and the current power generation is 2,590.94 Kwh/d.

Under normal circumstances, photovoltaic power generation can be consumed basically. When the power load is low, the surplus power generated from photovoltaic power generation is sent to the local public power grid.

This project not only saves electricity consumption during peak production in daytime, but also reduces costs. At the same time, as the photovoltaic panels have a barrier to the sun, it cools the plant and reduce the energy consumption of air conditioning.

Adopt access in proximity, self-use self-generation and surplus power connection. The system efficiency of photovoltaic power stations is 82% with a daily maximum output of 950.4 kWp.

PV power generation can be consumed by itself under normal conditions. During holidays, the Company has a low power load, and the residue power will be sent to the local public power grid

### Guangdong Yifang Photovoltaic Power Project



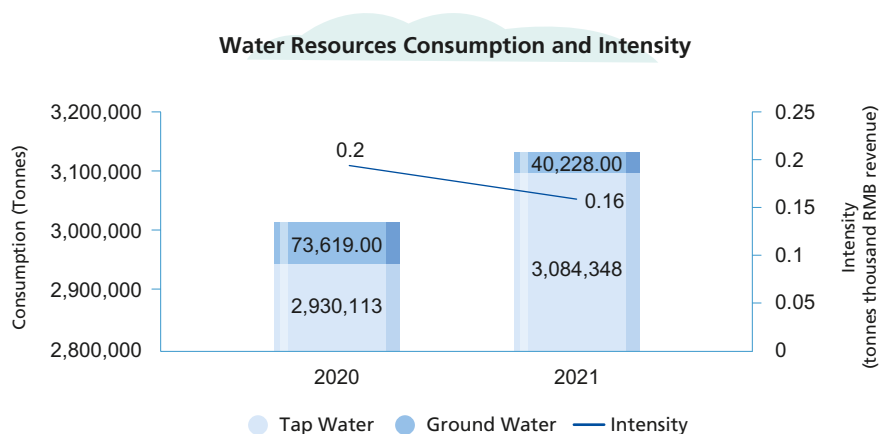


## Fulfilling Environmental Responsibility

### Resources Consumption

#### Water Resources

The Group's water consumption is mainly comprised of domestic water and production water, of which the production water is mainly used for steam generation, TCM decoction cooking and equipment cleaning, etc. During the year, we consumed a total of approximately 3,124,576.07 tonnes of water resources, with a consumption intensity of 0.16 tonnes of water resources per thousand RMB revenue. The water consumption increased by approximately 4.0% compared with last year. During the Reporting Period, the Group did not have any issue in sourcing water that fit for the purpose.



#### Packaging Materials

The major packaging materials used in the production and operation of the Group are plastic, paper products, composite film, metal and glass, etc. During the year, we consumed a total of 31,092.97 tonnes of packaging materials, with an intensity of approximately 0.06 tonnes of packaging materials per thousand RMB revenue. We encourage recycling of packaging materials to reduce unnecessary consumption and avoid waste of resources. We also use recyclable materials as possible from product production to delivery to customers to avoid waste of resources.

Packaging material consumption (tonnes)	2021	2020
Plastic	16,550.1	14,516.2
Paper Products	10,384.9	8,341.9
Composite film	2,372.8	3,304.4
Glass	925.1	543.1
Metals	818.2	151.6
Others	41.9	19.0

## Building a Green Culture

### Green Action

Green office is an important part of our sustainable development philosophy. We have created a green office atmosphere and we cultivate employees' awareness of energy conservation, thereby protecting and improving the ecological environment.



## Ecological Conservation

We have always attached great importance to protection of the ecological environment around the construction projects. Before commencement of new projects, renovation and expansion, we strictly comply with the requirements of relevant laws and regulations, and prepare documents such as the Environmental Impact Assessment Report/Report Form and the Water and Soil Conservation Plan to ensure that the projects are carried out in compliance with laws and regulations. We carry out project declaration and approval procedures, install pollution prevention and control facilities, implement the “three simultaneous” measures, including environmental impact assessment, acceptance and sewage declaration system, and also analysis of the impact on surrounding ecological environment. Based on this, we follow up and supervise the “three simultaneous” projects to ensure that they do not violate relevant laws and regulations.



## Fulfilling Environmental Responsibility

Chinese medicinal herbs plantation may involve issues such as rare species and impact the ecological environment. We actively respond to the national call and deal with such issues by category as required. For national governance or rare species, we go through relevant procedures in the early stage. For plants that affect the ecological environment, we cooperate with research institutes to carry out project research to avoid the impact of medicinal herbs planting on the surrounding ecological environment.

### Emergency Management

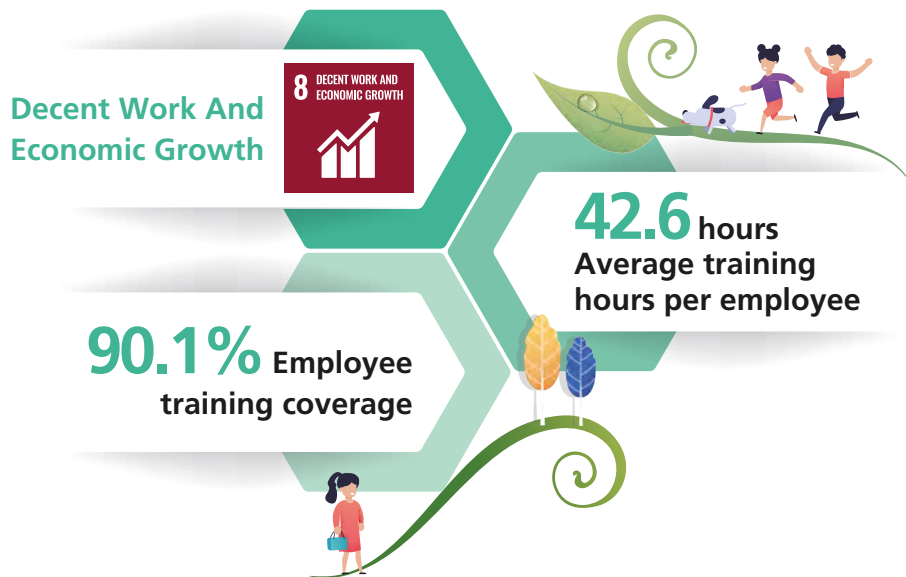
Environmental emergencies may lead to significant pollution or safety accidents. In order to prevent and control environmental emergencies, we have formulated the “Emergency Plan for Heavy Pollution Weather” and the “Emergency Plan for Environmental Emergencies” to clarify the procedures to be followed by the concerned employees, improve the safety awareness of employees, and prevent and control pollution. When an environmental emergency occurs, the subsidiary shall immediately file with the local environmental department and take appropriate measures to prevent environmental pollution from deteriorating, and report relevant information to the safety production supervision department and the superior company. In 2021, there were no environmental incidents or near-miss incidents.

# People-Oriented Approach

*The Group provides employees with a fair and equitable remuneration and benefits, training and development opportunities, as well as a safe and healthy working environment, aiming to enhance employees' satisfaction and sense of belonging.*

**This section:**

**Building a Talent workforce | Employee Rights and Benefits | Employee Composition | Employee Care | Occupational Safety and Health**





# People-Oriented Approach

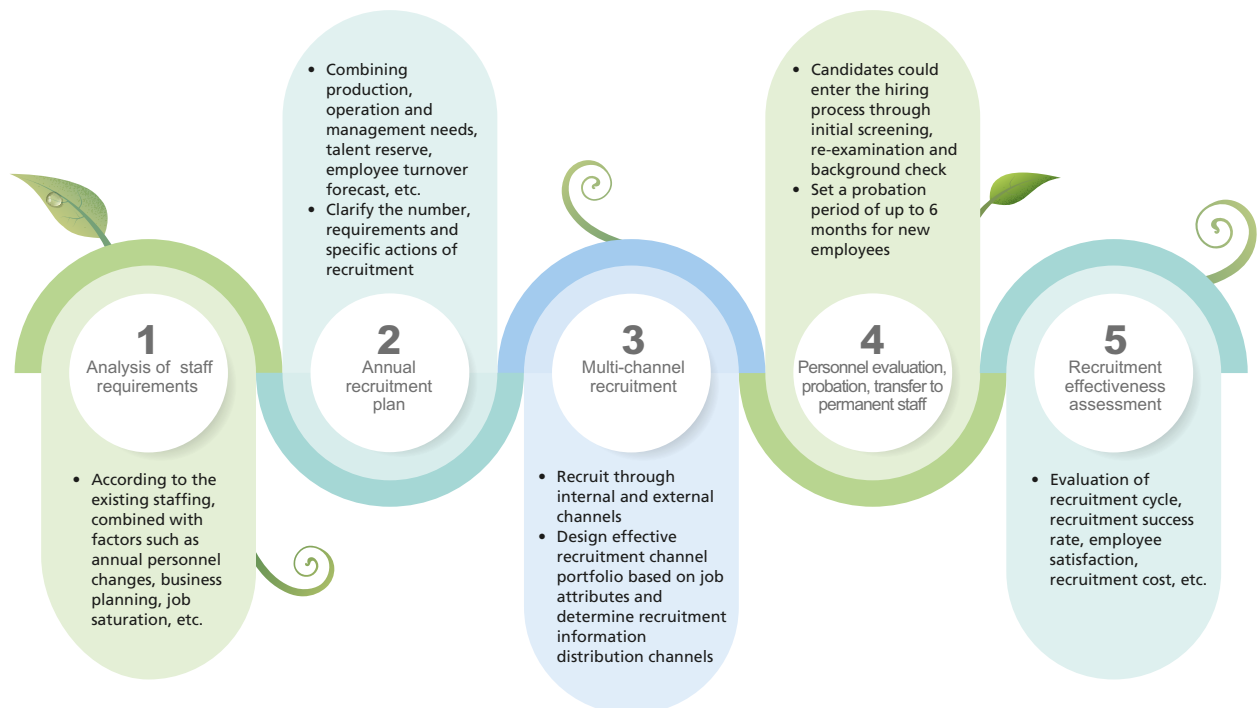
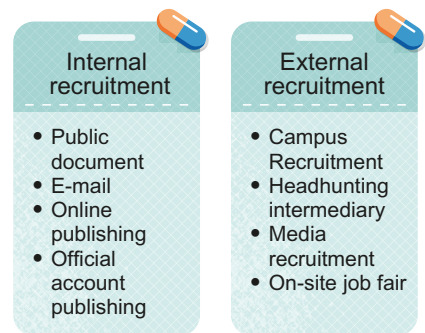
## Building a Talent Workforce

Based on its own development strategy, the Group recruits and trains outstanding talents, follows the principles of optimal allocation and merit-based recruitment. Following a viable talent training plan, employees can explore different career development channels through multi-dimensional and multi-directional development methods to develop together with the Group.

### Talent Recruitment

Recruiting talents in a fair and efficient manner is the first step in talent management. The Group adheres to the concept of "selecting talents based on their integrity and ability, regardless of their age, gender, nationality, and etc." and the recruitment principle of "legal and merit-based employment". The Group actively promotes scientific, standardized and professional recruitment to provide solid human resources for the development of the Company.

During the year, the Group revised the China Traditional Chinese Medicine Holdings Co. Limited Recruitment Management Measures, the China Traditional Chinese Medicine Holdings Co. Limited Headquarters Employment Management Measures and the Regulations on Serious Violations of the Company's Rules and Regulations. Among them, we clarify that the human resources center is responsible for coordinating, managing recruitment and optimizing recruitment processes and measures. At the end of each year, each department completes the analysis of staffing requirement, formulates an annual recruitment plan, and designs a combination of recruitment channels to ensure that the Group's talent allocation strategy needs are met. In addition, we regularly conduct internal evaluation on results of recruitment to continuously improve the process mechanism.



### Recruitment Management Process

During the year, the Group further developed the college-enterprise cooperation program to meet the needs of reserve management cadres and grassroots talents. We actively carry out activities such as on-campus job fairs, seminars and regular communication with schools. We recruit outstanding students and provide long-term internship programs, providing targeted training for students from integrated educational institutions and technical secondary school, and consider retention based on their internship performance. During the year, the Group recruited a total of 400 fresh graduates.

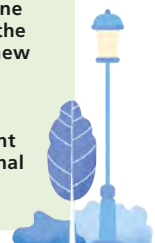
We have also continued to pay attention to the increasing volume and changing landscape of external talents, clarified the profile of target talents, expanded the scope of talent search, and conducted in-depth cooperation with Liepin.com and third-party headhunters to attract talents. As at the end of 31 December 2021, the Company has established contact with more than 30 key talents of the target, focusing on the acquisition of 5 high-end core talents for the legal affairs department, the human resources center and the premium decoction pieces department located at the Headquarters; and 50 core professional talents in succession such as the financial controller and scientific researchers of subsidiaries, as well as resources and procurement of TCM materials, production technology management, quality responsibility and marketing responsibility.

### Talent Cultivation

Talent is the internal driving force for enterprise development. We continue to improve the internal talent training system, carry out talent echelon project, improve the talent management mechanism, and continue to strengthen the talent team development. We encourage our employees to pursue further education and provide rewards or give priority in promotion to employees who meet the degree requirements or obtain professional titles.

#### Talent Echelon Project

- **The Company optimize and adjust the talent echelon construction model. With reference to the senior title evaluation mechanism, combined with the existing professional talent training mechanism, the Company focus on review of professional talents in research and development, Chinese herbal medicine resources, financial audit, information, safe production, marketing, general business, etc., improving the internal review and certification, and organizing the review and certification in accordance with the new model.**
- **Improving the training mechanism for management talents, professional and technical talents, and designing boutique training programs and online courses on management capabilities for management talents; Design subject research or practical tasks for professional and technical talents, arrange internal communication and sharing, organize job rotation or secondment, etc.**







## People-Oriented Approach

In 2021, the Group focused on talent training, fully integrated internal resources in accordance with the Company's development needs and built two types of specialised training programs for new employees and professional training to help improve employees' professional skills and performance. During the year, the Group's training coverage was 90.1%, with a total of 728,333 training hours and an average of 42.6 training hours per employee.

### New Employee Training Program

- Social recruitment training for new employees, including courses on enterprise introduction, safety education, business etiquette, etc., to gain a deep understanding of the Company's branding
- In addition to regular induction training courses, a graduate training programme called "Sailing with Dreams" is launched and it includes other professional quality courses such as quality development and career planning.

### Professional Training Programs: Leadership Programs

- The Company has refined the comprehensive management capability standards for management personnel of subsidiaries, customized the development capability evaluation system, supporting the evaluation report template and practical tasks, and carried out comprehensive management capability and management incentive evaluation to clarify the shortcomings and organize training
- Management talent training system covers role recognition ability, government public relations ability, practical ability, system construction ability

### Professional Training Program: Special Training on Human Resources Management

- Carrying out training on the theme of "Digital Human Resources Management" for human resources management personnel within the Group

### Professional Training Program: Bi-monthly Theme Training Sharing

- Organize the heads of relevant departments at the headquarters of the Group to give lectures on cutting-edge knowledge, business pain points or issues that need to be solved urgently
- Integrate existing lecturers and course resources, give full play to the professional advantages of professional and technical talents of various departments, promote the improvement of employees' professional skills and capabilities, and promote the Company to build a learning organization

## Major Training Projects in 2021

## Development Evaluation and Performance Management

The Group has a staff development evaluation system. We evaluate the leadership capabilities of employees through annual talent review and determine the paths of their future career development based on the evaluation results. We implements a performance management system to evaluate the capabilities of employees through quarterly and annual performance appraisals, so as to achieve fair and open job allocation.

### Performance appraisal process for middle management and general staff of China TCM

#### Performance Appraisal

**Middle management:** Set up annual target responsibility statement, implement annual assessment system, conduct assessment in three dimensions, namely target task, work report and democratic evaluation, and take five dimensions, namely work performance, business ability, responsibility and innovation ability as the assessment criteria

**General employees:** combining quarterly and annual performance appraisal to assess their key performance indicators, quality and capability and daily work performance

#### Assessment, monitoring and counseling

**Middle-level management:** The leaders provide regular guidance to employees. Performance targets may be adjusted based on the actual situation after approval by the leaders to facilitate the achievement of targets

**General employees:** Supervisors track the progress throughout the process and communicate with employees in a timely manner, analyze the reasons for deviation and provide guidance, and make appropriate adjustments

After the assessment is completed, the results and performance should be reviewed, summarized and evaluated

#### Result Grievance

After the assessment results are announced, employees can file a written complaint to the Human Resources Center if they have objections to the results

The complaint acceptance unit issues investigation opinions and forms resolutions, and notifies the applicant with written handling results

Human Resources Center conducts random checks on the authenticity and fairness of data, and investigates and punishes unreasonable behaviors



## People-Oriented Approach

### Employee Rights and Benefits

The Group attaches great importance to the construction of a talent team. In the process of recruitment, provision of benefits, career development, reward and penalty, we treat every employee fairly and equally regardless of race, ethnicity, skin color, religion, gender and nationality, and strictly abide by relevant laws and regulations to protect the rights and benefits of employees in accordance with the law.

### Remuneration and Benefits

In order to fully mobilize the enthusiasm of employees and improve their happiness, we attach importance to the establishment of a fair remuneration and welfare system. During the year, China TCM revised its internal documents to regulate relevant system processes and management measures. The Group provides employees with competitive remuneration in accordance with the China Traditional Chinese Medicine Holdings Co. Limited Headquarters Remuneration and Performance Management Measures, based on economic development level, industry and regional remuneration level, and internal development of the Group.

Internal Management System of the Group	
<b>Remuneration Management</b>	<ul style="list-style-type: none"> <li>• Administrative Measures for Filing of Total Wages of China Traditional Chinese Medicine Holdings Co. Limited (Trial)</li> <li>• Measures for the Administration of Total Wages of Subsidiaries of China Traditional Chinese Medicine Holdings Co. Limited (Trial)</li> <li>• China Traditional Chinese Medicine Holdings Co. Limited Reward and Punishment Management Measures</li> <li>• China Traditional Chinese Medicine Holdings Co. Limited Employee Disciplinary Regulations (Trial)</li> </ul>
<b>Welfare System</b>	<ul style="list-style-type: none"> <li>• China Traditional Chinese Medicine Holdings Co. Limited Guidance on Employee Welfare Management</li> <li>• China Traditional Chinese Medicine Holdings Co. Limited Headquarters Remuneration and Performance Management Measures</li> </ul>
<b>Staff Development</b>	<ul style="list-style-type: none"> <li>• China Traditional Chinese Medicine Holdings Co. Limited Occupational Qualification Evaluation Incentive Measures</li> </ul>

The Group establishes a sound and scientific welfare system with reasonable standards and transparent management, including three parts: statutory benefits, caring benefits and incentive benefits. A non-monetary benefits trial scheme is set up to cover all subsidiaries. Each subsidiary formulates targeted employee benefits within the scope of guiding opinions according to their own needs. In the future, we will actively explore mid-and long-term welfare policies such as employee tenure incentives, and link remuneration and benefits with the overall performance of employees.



In order to continuously improve employee satisfaction, the Group has improved the reward and punishment measures in terms of income and incentives, and rewarded employees with outstanding performance. We also continue to improve the office environment and supporting facilities. In terms of employee training, we provide professional allowances and encourage employees to obtain relevant professional qualifications through learning and examinations.

### Employee Rights and Diversity & Equality

The Group strives to promote a diverse and inclusive working atmosphere within the Group. All forms of discrimination or interference with the rights of employees is prohibited. The Recruitment Management Measures of China Traditional Chinese Medicine Holdings Co. Limited requires publication of recruitment information to be an open and transparent process. The recruitment conditions cannot contain any discriminatory content in terms of ethnicity, gender, age, race, religious belief, etc., and shall not include the learning experience and learning methods (part-time postgraduate, etc.) from colleges and universities or countries (regions) as restraining conditions.

We value the rights and status of female employees. During the year, the Group carried out a series of activities of “Vibrant Traditional Chinese Medicine • Caring for Women” to enhance “self-esteem, self-confidence, self-reliance and self-improvement” of female employees. In particular, the labor union of Traditional Chinese Medicine Holdings and the Youth League Committee jointly held the themed activity of “Demonstrating the strengths of female”. The female employee representatives from the Group’s headquarters and 19 subsidiaries shared their experiences and stories related to the epidemic, career development, self-improvement, life interests and role transformation. The subsidiaries of the Group also carry out activities according to the actual situation.



## People-Oriented Approach

### Sinopharm Tianjiang Pharmaceutical

- Organise female employees to learn to make the baskets and dumplings



### Jingfang Pharmaceutical

- Held 6.5 km hiking fitness activity for female employees



### Jiangyin Tianjiang

- Offline DIY Exclusive Oral Red, Online DIY Needle Embroidery Activity



### China TCM "Vibrant Traditional Chinese Medicine • Caring for Women" series activities

The Group listens to employees, actively cares for the physical and mental health of all employees and strives to build a living and working place full of sense of belonging, happiness and security for all employees. We establishes comprehensive employee communication channels, including regular seminars, specialised meetings, regular meetings, telephone hotlines, emails, WeChat, etc., to listen to employees' feedback and opinions in all respects. During the year, The Group focused on organizing two employee seminars to solicit opinions and suggestion, with the aim to improve employee satisfaction. In order to further promote communication and expression of employees, the Company is exploring the feasibility of a mechanism for implementation of employees' demands at the headquarters and sets up a hotline for employees to answer questions and solve difficulties for employees every Wednesday afternoon.

### 2021 Employee Forum

On 27 May 2021, the labor union of the Company held two employee symposiums, with a total of 35 employee representatives participating. The employee representatives of each center (department) put forward a total of 26 opinions and suggestions from 7 aspects, and sorted out and coordinated the communication with relevant departments in a timely manner to execute rectification measures.



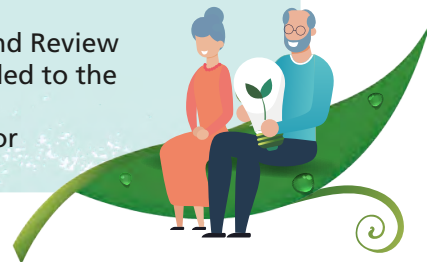
### Prevention of Child and Forced Labor

The Group strictly prohibits the use of child labor and forced labor in its operations. The China Traditional Chinese Medicine Holdings Co. Limited Headquarters Labor Management Measures and the China Traditional Chinese Medicine Holdings Co. Limited Headquarters Recruitment Management Measures have been documented and they strictly prohibit any illegal acts and labor risks.

During the recruitment process, we require candidates to provide personal information and details of work experience and conduct background checks before finalizing employment in order to avoid illegal employment of child or forced labor. When employees join, the Group obtains the corroborating materials for review and establishes a flower register system to ensure that all employees are over 16 years old, and most of them are over 18 years old. During the probation period, we require employees to be scored and those who fail to pass the probation period are not allowed to continue. In order to reduce employment risks, the Group also cooperates with third-party backhaul companies to objectively verify the background information of employees.

#### The circumstances under which a candidate will not be hired after his/her background check include but are not limited to:

- Under 16 years old
- Employees who have been dismissed by the Company or resigned without approval
- Persons deprived of civil rights
- Wanted person
- Those suffering from mental illness, infectious diseases and other serious illnesses
- Failure to pass the Company Background Review
- The documents and information provided to the Company are proved to be false, etc.
- Other situations that disqualify them for



If it is found that the relevant provisions of Articles 39 and 40 of the Labor Contract Law or the Regulations on Serious Violations of the Company's Rules and Regulations are involved or dismissal is required after thorough investigation, we dismiss the concerned person. In case of violation of national laws and regulations, the department in charge timely informs the Company's leaders and human resources center and transfers the suspected employees to the national judicial department for further action.

During the year, the Group did not violate any laws and regulations that have a significant impact on the Group relating to the prevention of child and forced labour, and there were no related cases of child and forced labour.

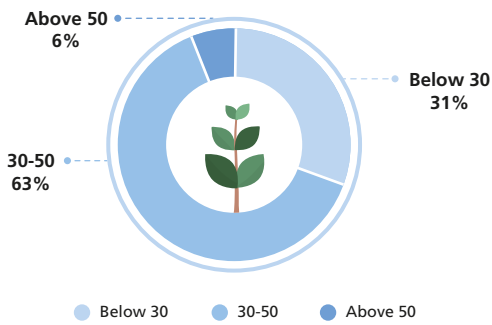


# People-Oriented Approach

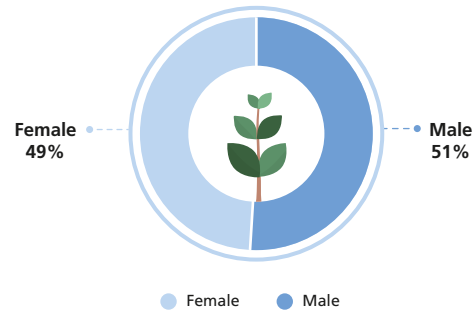
## Employee Composition

Employees are valuable assets that contribute significantly to corporate development and constitute the backbone for achieving sustainable development. As at the end of the date of 31 December 2021, the Group had a total of 17,098 employees in mainland China and Hong Kong, with a male-to-female ratio of nearly 1:1, of which 93% were full-time employees and 63% were aged 30-50.

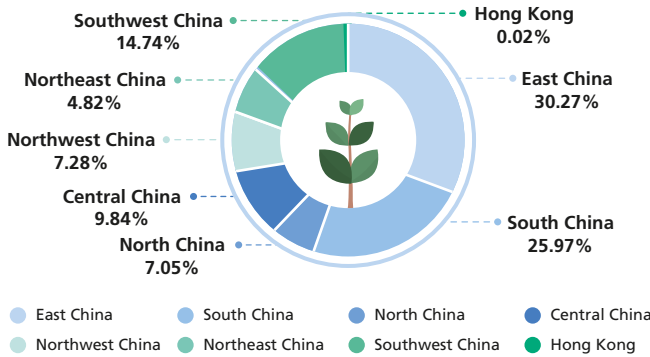
### Age Distribution



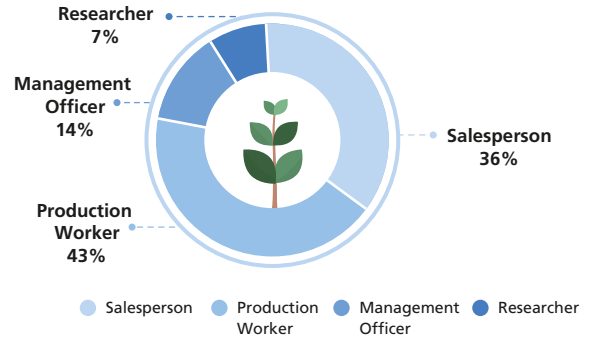
### Gender Distribution



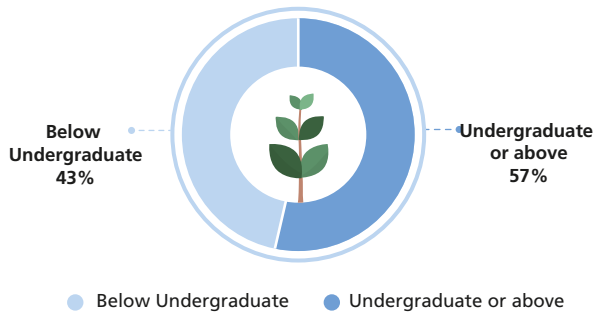
### Regional Distribution



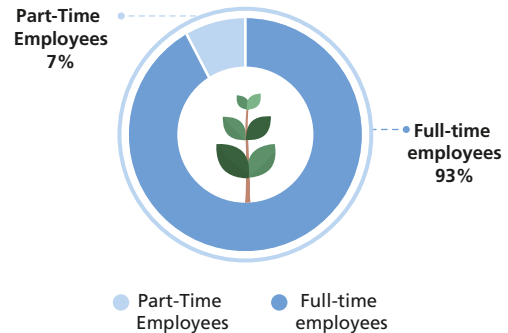
### Function Distribution



### Academic Distribution

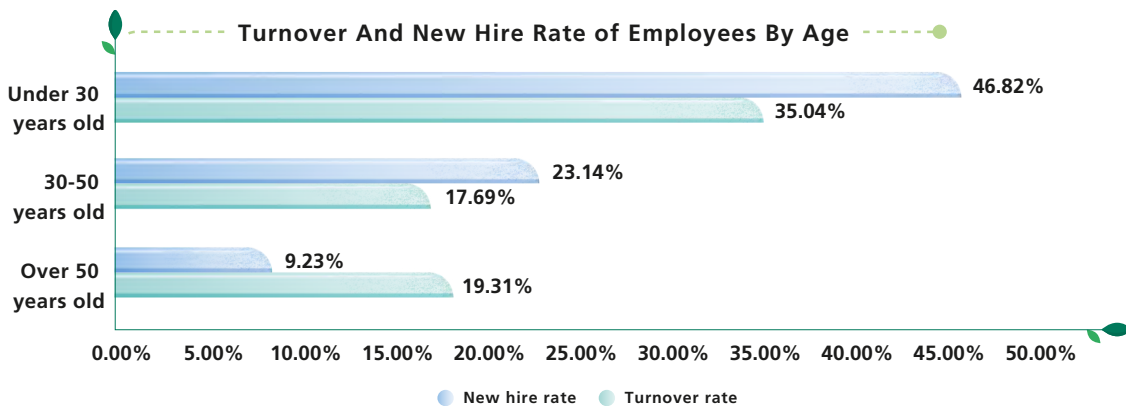
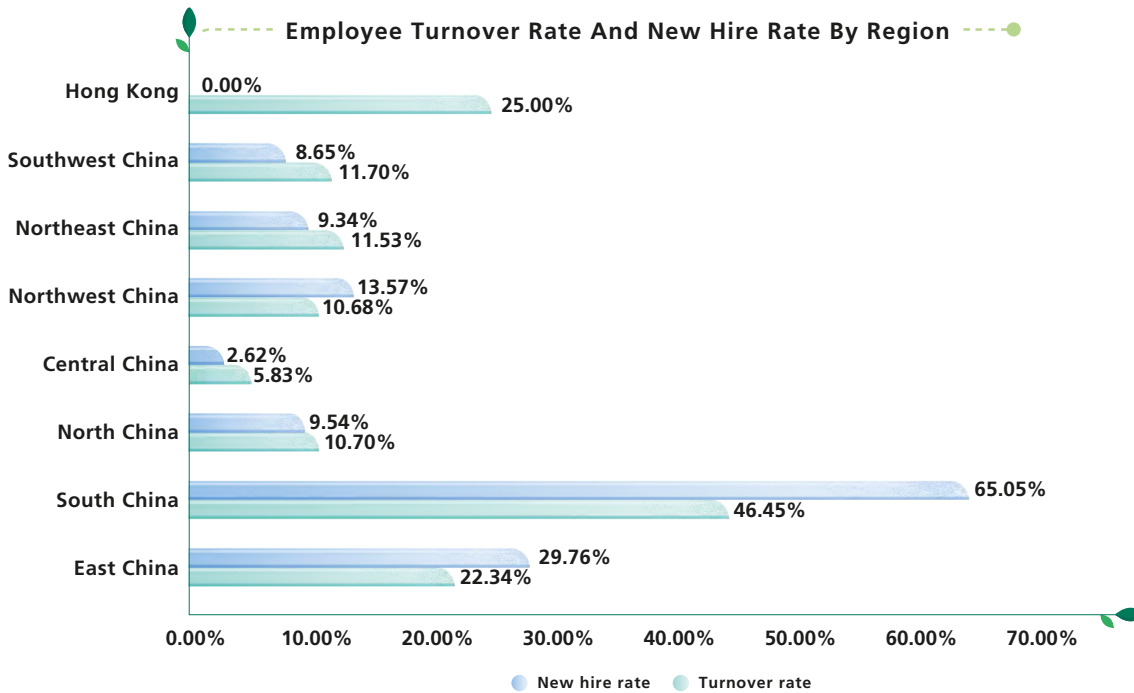
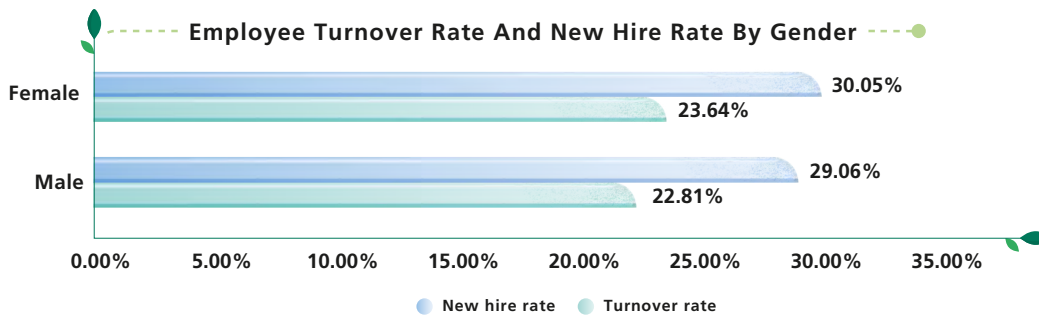


### Employee Type Distribution





During the year, the Group's total employee turnover rate was 23.22% and the new hire rate was 29.55%. Employee turnover and new hires by age, gender and region are shown in the following charts:



## People-Oriented Approach

### Employee Care

We strive to create a colorful workplace life for our employees. The Group actively organizes a series of themed activities around festivals such as Women's Day, Children's Day and Dragon Boat Festival and deepens the internal brand culture of "Colorful TCM" by integrating the Group's business operations and corporate culture through fun sports games, special lectures, traditional Chinese medicine skills competitions and other forms to enhance employees' sense of belonging and cohesion.

During the year, the Group focused on carrying out nearly 57 "Colorful TCM•Dynamic Tianjiang" series of brand activities, such as the "Lei Feng Spirit in My Heart•Model Power to Help Everyone", and "Colorful TCM•Green Promotion" theme activities, and nearly 14 "Colorful TCM•Volunteer Service Team" public welfare activities, with a total of more than 11,700 participants.

#### "Colorful TCM • Dynamic Tianjiang" First Staff Sports Day

In order to implement the national fitness and healthy China strategy, Jiangyin Tianjiang held the first employee sports meeting. A number of group projects such as "River Wars" and "Red Relay" were set up to integrate historical learning into the competition. More than 200 athletes from various departments participated.



#### "Colorful TCM • Green Promotion" Theme Activity

In order to continue to promote environmental protection culture, the Group launched a tree-planting activity on March 12. More than 20 employees of Tongjitang Pharmaceuticals planted dozens of seedlings, while Dezhong Pharmaceuticals provided seeds and simple pots. 207 employees participated in the planting.



#### "Lei Feng Spirit in My Heart • Model Power to Help Everyone" Youth League Day

In order to promote the spirit of Lei Feng in the new era, the Group carried out a themed group day in March 2021. Among them, the Youth League branch of Dezhong Pharmaceutical, the Youth League branch of Yunnan Tianjiang Yifang and other subsidiaries carried out activities such as watching the "Touching China" top ten figures, learning the keynote speech of Lei Feng spirit, civilized volunteer activities, factory cleaning, blood donation, and free medical consultation.



## Employee Assistance

The Group attaches great importance to providing assistance and care for employees in difficulties. Adhering to the tenet of “providing emergency assistance, building a caring and mutual assistance platform”, we continue to help employees in difficulties through the platform of the care fund, to improve employees’ sense of belonging and mission, and to create a harmonious and stable development environment and a healthy and positive corporate atmosphere.

In addition, during the Spring Festival, the Group visited old employees, employees in difficulties, and sent sincere greetings to them.

As of the end of 2021,  
the Care Fund:

- 57 subsidiaries joined
- Nearly 9,000 members
- 27 employees were subsidized during the year



### Greetings for employees before Spring Festival



With the unremitting efforts of all units of the Group, our employee management has achieved phased results. During the year, the Group won 5 awards related to employee management. For details, please refer to the section headed 2021 Honors and Achievements.

## Occupational Safety and Health

In order to thoroughly implement the concept of safe production and development, the Group adheres to the principle of “safety first, prevention-oriented and comprehensive management” and strictly complies with relevant laws and regulations to ensure health and safety of employees and normal operation of the Company’s daily business. During the year, we further strengthened the construction of occupational safety and health system and actively promoted certification of safety production standardization. At the same time, we invested in various resources, including manpower, working equipment, etc., to improve the system structure and build a healthy and safe working and production environment. As of the end of 2021, 23 of our subsidiaries completed the safety production standardization certification.



## People-Oriented Approach

### Safety Production Management System

The Group has established the Safety Production Committee (the “Safety Committee”), which is the decision-making body of the Group’s safety production policy and strategy. An office has been set up in the Production and Safety and Environmental Protection Center, which is a permanent establishment of the Safety Committee and is responsible for supervising daily work. The Safety Committee also holds regular meetings to review and approve the work plan for work safety, analyze the work safety situation, and study and solve major issues related to work safety.

The Group strengthens the management of employees’ safety and health by introducing ISO45001 certification. In 2021, Guangdong Yifang obtained the ISO45001 Occupational Safety and Health Management System certification.

#### Safety Production Management Structure and Responsibilities

##### Safety Production Committee

**Composition:** Senior management and relevant department heads of the Company

**Main duties:**

- Implement the production safety responsibility system, the national production safety policies, laws and regulations, and the work deployment and requirements of the competent departments, and determine the production safety plan and phased work arrangements
- Organize the construction of safety production responsibility system and implement safety production risk prevention, supervision and inspection and hidden danger investigation, and organize the construction of safety production emergency rescue system
- To listen to the report on the implementation of the annual safety production responsibility statement and consider rewards and punishments for annual safety production work performance

##### Safety Committee Office

**Director:** Vice president in charge of production and safety and environmental protection center

**Deputy Director:** Head of Production and Safety and Environmental Protection Center

**Members:** Personnel of EHS Management Department of Production Safety and Environmental Protection Center

**Main duties:**

- Implement the requirements of the Safety Committee and carry out work in accordance with relevant laws and regulations and requirements of superior competent departments
- Organize the drafting of preliminary plans and opinions on major issues such as safety production planning, management system, major hidden danger rectification and accident rectification, and submit them to the Safety Committee for review
- Prepare and convene regular meetings of the Safety Committee and work safety meetings
- Establish a safety production account and make a summary of safety production work in a timely manner

In 2021, we added two management systems, namely the Regulations on the Reporting, Investigation and Disposition of Production Safety Accidents of China Traditional Chinese Medicine Holdings Co. Limited and the Working System of the Work Safety Committee of China Traditional Chinese Medicine Holdings Co. Limited, to further improve the construction of the production safety system. In addition, the Group satisfies production safety requirements by setting employee health and safety objectives. During the year, the Group has achieved 100% of its employee health and safety objectives.

**Safety Production Targets**

**No serious injury or above**

**No occupational disease accident**

**Annual work-related injury rate  $\leq$  3%**

**Direct losses due to production safety accidents < RMB5,000,000**

**Performance of production safety compliance obligations**

**Occupational Safety Risk Management**

The Group needs to address occupational hazards which mainly include physical factors and chemical factors such as noise, high temperature, laboratory benzene series, etc. We actively prevent the occurrence of potential risks by regularly carrying out safety production supervision and inspection, preparing the list of classified hazard sources, and clarifying the level of hazards and the corresponding control measures. In 2021, the Production and Safety and Environmental Protection Center of the Group’s headquarters conducted safety supervision and inspection on 15 subsidiaries, including Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd., Tianxiang Pharmaceutical, Anhui Fengliaoqing TCM Decoction Pieces Technology Co., Ltd and Shanghai Tongjitang Pharmaceutical Co., Ltd. A total of 130 hidden dangers were identified, and 120 rectifications have been completed. Work on the rest is continuing. Each subsidiary carried out self-inspection and self-correction on issues such as inadequate sense of responsibility, inadequate red line awareness, and inadequate monitoring of key risks of hazardous chemicals. A total of 3,378 potential safety hazards were identified, and the rectification rate reached 97%.

	2019	2020	2021
Number of work-related fatalities (person)	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury (days)	284	92	216



## People-Oriented Approach

In addition, we take a number of measures to prevent and control occupational diseases, including supervising the implementation of occupational health surveillance for personnel exposed to hazards in our subsidiaries, implementing pre-job, on-the-job and off-the-job occupational health examinations, and providing labor protective supplies that meet the national or industrial standards to minimize the risk of occupational disease and compliance risks. In 2021, the Group had a total of 2,505 employees exposed to occupational hazards and 2,836 employees participated in occupational health examinations (including pre-employment and departure). No cases of occupational diseases or similar occupational diseases were reported and confirmed by customers.

### Specialised rectification cases of fire safety and safety hazards

- The fire protection system of the cool warehouse in Anhui Fengliaoqing was renovated to meet the fire safety requirements.
- Adding a ventilation system to the reagent storage room in Jiangyou to eliminate the risk of accumulation of toxic and flammable substances.
- Tongjitang Pharmaceutical renovated and upgraded the fire protection system of the original powder workshop of the Xiuwen Factory, and installed an automatic fire alarm system and sprinkler system.
- Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd. installed color steel tiles on the roof of the electric vehicle charging room.
- The rusted and corroded colour steel panels were repaired, replaced and reinforced in the Dezhong Pharmaceutical production plant in Gaoming.





## Occupational Safety and Health Education

Occupational safety and health education is an important way to enhance employees' awareness and trigger initiatives. The content of occupational safety and health training covers safety production management training for pre-job, special and professional personnel. During the year, we carried out various safety education and training activities such as mechanical safety, hazardous chemical safety, fire safety and occupational health protection, covering 37,453 employees with a total of 74,906 training hours, effectively improving the safety awareness and safety skills of all employees.



### Life is of paramount importance — learn General Secretary Xi Jinping's important statement on safety product

In order to thoroughly study and implement the spirit of General Secretary Xi Jinping's important remarks on safety production, the Chinese Medicine Holding Head Office organized to watch the TV feature film "Life First – Learning General Secretary Xi Jinping's important remarks on safe production".



### Accident warning education



### "Dual Prevention Mechanism" video training



### Beijing Huamiao Special training on "Responsibility System for Safety Production"



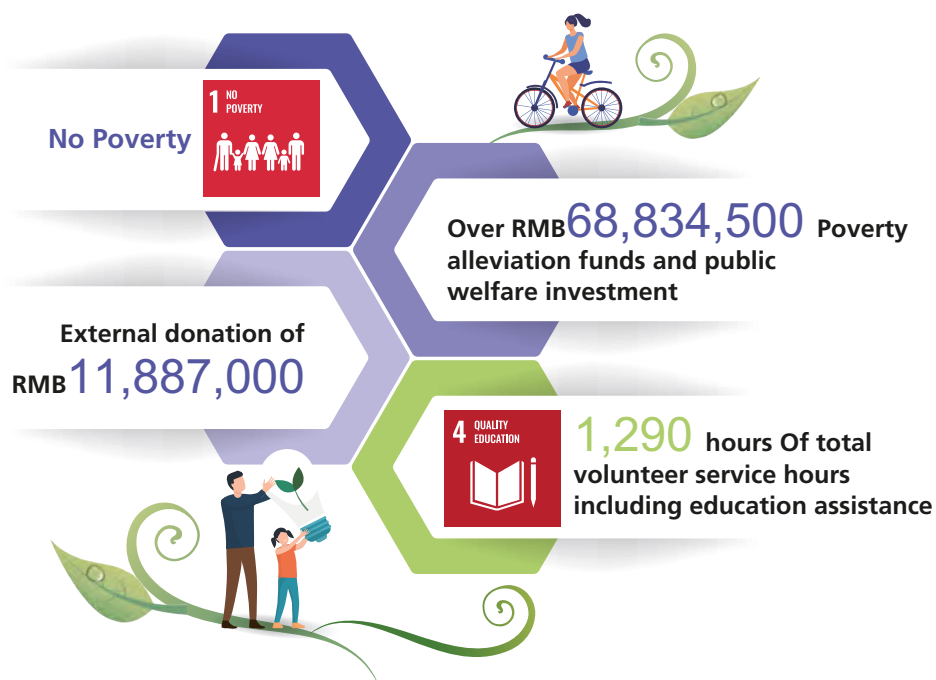


# Contributing To Society

As a member of the community, the Group actively explores various ways to give back to the society, carries out targeted poverty alleviation programs, cares for the health of the public, and actively assumes the social responsibility of pharmaceutical companies during the anti-epidemic period.

This section:

Rural Revitalization | Community Care | Combating COVID-19



## Rural Revitalization

2021 was the first year to comprehensively promote rural revitalization. Based on the industrial bases launched all over the nation, the Group reinforced industrial construction and made continuous efforts to promote implementation of rural revitalization. The Group facilitated the whole system to engage in rural revitalization, covering multiple aspects, such as industry layout, infrastructure construction and mass education. By adopting measures suiting local conditions, new functions could be activated in rural areas, and rural industry could be upgraded. The Group would actively participate in helping rural areas break through hard point in economic development, and work to enable rural areas getting better access to the modern markets.

### Issuance of the First Tranche of Panda Bonds for Rural Revitalization in China

During the year, the Company issued the 2021 first tranche of super&short term commercial paper for rural revitalization. The proceeds from the issuance was used for rural revitalization in Gansu, Yunnan and Sichuan to support local Chinese medicinal herbs plantation. At the same time, this was the first tranche of panda bonds for rural revitalization in China, demonstrating our efforts in serving national strategy in the capital market.

### Engaging in Paired Assistance

In 2021, the Group made a payment to Jingyu county in Jilin with an aggregate amount of RMB400 thousand as the special funds for paired assistance, among which, Guangdong Yifang was appointed to pay RMB200 thousand as the "Emergency Relief" special funds, and Jiangyin Tianjiang was appointed to pay RMB200 thousand as the special funds for construction of Chinese medicinal herb seed resource base in Jingyu county. Meanwhile, the Group stepped up efforts to assist rural areas and drive industry development through TCM medicinal herbs purchase, and made a minimum purchase of Chinese medicinal herbs worth of 2 million.

### "Government-Enterprise Co-construction to Fortune Road" Theme Activity

Longxi Yifang Pharmaceutical Co., Ltd. went to Hekou Village, Yongji Township, Longxi County to conduct on-site inspection and help build an 8-kilometer field road, effectively solving the problems of production and planting and cultivated land shortage of poor villagers. The activity greatly enhanced the enthusiasm and motivation of the general public for production and living, and actively fulfilling corporate social responsibility by helping rural revitalization and resolving issues for the general public.

### "Vibrant Chinese Medicine Volunteer Teaching Team"

Tongjitang Pharmaceutical's "Vibrant Traditional Chinese Medicine Volunteer Teaching Team" and Daying Middle School in Ziyun County, Guizhou Province carried out targeted education. Through in-depth visits and understanding, it was found that students in some mountainous areas lacked good psychological counseling and spiritual guidance, resulting in insufficient self-confidence and low ability to resist setbacks.

- We conducted four volunteering teaching activities, invited well-known psychological counseling lecturers and writers to carry out psychological development activities and inspirational lectures.
- Bring the children out of the mountain to the Changzheng Road Experience Hall in Guiyang, Tongjitang Smart Workshop and Seedling Base to let the children receive historical education, understand the development of their hometown, and encourage them to study and build their hometown.
- We deeply understand the learning status, living needs and future planning of students in mountainous areas, and patiently answer students' questions. Through various teaching methods, students in mountainous areas are able to strengthen their ideals and beliefs and make continuous efforts to pursue their dreams.

## Contributing To Society

### Colorful TCM Volunteer Teaching Team



### History Education



### Visits



### Rural Revitalization



### Pairing for Poverty Alleviation



## Community Care

During the year, we organised 433 staff to participate 27 activities, recording a total volunteering hours of 1,290.



### Caring for the wellbeing of sanitation workers; sending warmth and positive energy

Winteam Pharmaceutical joined hands with the Public Utilities Service Office of Shiwan Town to carry out the theme day activity of "Caring for the Health of Sanitation Workers and Spreading Positive Energy". The representatives of the Group expressed their gratitude to the sanitation workers for their hard work in cleaning the community environment, and reminded them to pay attention to drinking water and heatstroke prevention and cooling in high temperature in summer. At the same time, they sent condolences such as Yu Ping Feng Granules, Chongcao Qingfei Capsules, Yao Shen Herbal Paste, Yuan Jilin Ganhe tea.

## Combating COVID-19

During the Reporting Period, the Company actively responded to the call of the Organization Department of the Foshan Municipal Committee of Guangdong Province, mobilized its employees in Foshan to take the lead, quickly set up a volunteer service team, actively participated in the prevention and control of the epidemic in the community, and effectively carried out practical work for the public. The employees of Guangdong Medi-World, Feng Liao Xing Pharmaceutical Co., Ltd., Feng Liao Xing TCM Decoction Pieces Technology Co., Ltd. and Health Industry spontaneously reported to the community and worked on the front line of epidemic prevention. They actively participated in nucleic acid testing, helped relieve the work pressure of medical staff and community personnel, and contributed to efficient development of nucleic acid testing. The Fengliao Xing TCM Intelligent Distribution Center worked around the clock and produced 2,600 pieces of “No.1 Yue Kang” decoction, offering protection for front line medical staff responsible for nucleic acid testing.



**The group's volunteers are involved in the fight against COVID-19**



**Participation in the fight against COVID-19**



**The Group donates decoction**





# Laws and Regulations

For different sustainability aspects, the Group strictly complies with applicable national laws and regulations, which are listed in the table below:

Aspects	Applicable Laws and Regulations	Compliance Statement
Emission	<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 non-hazardous waste.</p>
Resources Consumption	<ul style="list-style-type: none"> <li>• Energy Conservation Law of the PRC</li> <li>• Circular Economy Promotion Law of the PRC</li> </ul>	
The Environment and Natural Resources	<ul style="list-style-type: none"> <li>• Environmental Protection Law of the PRC</li> </ul>	
Employment	<ul style="list-style-type: none"> <li>• Labor Law of the PRC</li> <li>• Labor Contract Law of the PRC</li> <li>• Provisions on the Prohibition of Using Child Labour</li> <li>• Law of the PRC on the Protection of Minors</li> <li>• Employment 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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare.</p>

Aspects	Applicable Laws and Regulations	Compliance Statement
Health and Safety	<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>• Fire Protection Law of the PRC</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 non-compliance of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. There were no cases of work-related fatalities or occupational diseases.</p>
Labor Standards	<ul style="list-style-type: none"> <li>• Provisions on the Prohibition of Using Child Labour</li> <li>• Law of the PRC on the Protection of Minors</li> </ul>	<p>During the year, the Group did not have any cases of child labour and forced labour.</p>
Product Responsibility	<ul style="list-style-type: none"> <li>• Good Supply Practices for Pharmaceutical Products</li> <li>• Good Manufacturing Practices for Pharmaceutical Products</li> <li>• Product Quality Law of the PRC</li> <li>• Tort Liability Law of the PRC</li> <li>• Drug 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 non-compliance with 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 provided and methods of redress.</p>
Anti-Corruption	<ul style="list-style-type: none"> <li>• Criminal Law of the PRC</li> <li>• Anti-Unfair Competition Law of the People's Republic of China</li> <li>• Prevention of Bribery Ordinance of Hong Kong</li> </ul>	<p>During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.</p>



# Performance Data Summary

## 1. Environmental Data<sup>7</sup>

	Unit	2020	2021
<b>Resources Consumption</b>			
Electricity	kWh	162,269,331.0	<b>162,446,834.4</b>
Petrol	kg	296,321.7	<b>260,328.9</b>
Diesel	kg	155,508.8	<b>221,181.9</b>
Natural gas	m <sup>3</sup>	15,882,650.5	<b>20,190,039.5</b>
Coal	tonnes	40,203.0	<b>45,833.5</b>
Purchased steam	Million KJ	615,083.9	<b>623,025.3</b>
Total energy consumption	MWh	801,742.0	<b>891,874.4</b>
Total energy intensity	kWh/thousand RMB revenue	54.1	<b>46.8</b>
Water consumption	tonnes	3,003,732.2	<b>3,124,576.1</b>
Water intensity	tonnes/thousand RMB revenue	0.20	<b>0.16</b>
<b>Greenhouse gases<sup>8</sup></b>			
Total greenhouse gas emissions	tonnes of tCO <sub>2</sub> e	306,697.8	<b>292,492.3</b>
Direct emissions (Scope 1)	tonnes of tCO <sub>2</sub> e	105,687.6	<b>124,850.7</b>
Indirect emissions (Scope 2)	tonnes of tCO <sub>2</sub> e	201,010.2	<b>167,641.6</b>
Emission intensity	tCO <sub>2</sub> e/thousand RMB revenue	0.021	<b>0.015</b>
<b>Exhaust pollutants</b>			
Nitrogen oxides	tonnes	77.4	<b>65.9</b>
Sulphur oxides	tonnes	37.5	<b>42.4</b>
Particulate matter	tonnes	22.2	<b>9.1</b>
<b>Wastewater</b>			
Chemical oxygen demand	tonnes	73.9	<b>68.9</b>
Ammonia nitrogen	tonnes	5.1	<b>5.8</b>

<sup>7</sup> Calculation method of environmental KPIs:

The environmental key performance indicators disclosed in the Report are based on "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

<sup>8</sup> Description of carbon emission calculation methods:

The calculation of greenhouse gas emissions is based on the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises for Power Generation Facilities issued by the Ministry of Ecology and Environment of the PRC in 2021.



## Performance Data Summary

	Unit	2020	2021
<b>Waste</b>			
Hazardous waste	tonnes	425.5	<b>116.0</b>
Intensity of hazardous waste produced	kg/thousand RMB revenue	0.029	<b>0.06</b>
Non-hazardous Waste	tonnes	78,631.5	<b>50,554.4</b>
Third-party recycling	tonnes	60,921.2	<b>18,666.8</b>
Landfill disposal	tonnes	2,882.3	<b>2,127.5</b>
Internal incineration	tonnes	14,828.0	<b>9,269.6</b>
Internal Fertiliser	tonnes	0.07	<b>7,379.4</b>
External harmless treatment	tonnes	–	<b>13,111.0</b>
Intensity of non-hazardous waste produced	kg/thousand RMB revenue	5.31	<b>2.65</b>
<b>Packaging material consumption</b>			
Paper products	tonnes	8,341.9	<b>10,384.9</b>
Plastic	tonnes	14,516.2	<b>16,550.1</b>
Composite membrane	tonnes	3,304.4	<b>2,372.8</b>
Glass	tonnes	543.1	<b>925.1</b>
Metals	tonnes	151.6	<b>818.2</b>
Others	tonnes	19.0	<b>41.9</b>
total	tonnes	26,876.2	<b>31,093.0</b>



## Performance Data Summary

### 2. Employee Data

	2020	2021
<b>Total number</b>	16,286	<b>17,098</b>
<b>Gender Distribution</b>		
Male	8,204	<b>8,690</b>
Female	8,082	<b>8,408</b>
<b>Function distribution</b>		
Marketing personnel	5,478	<b>6,198</b>
Production staff	7,390	<b>7,252</b>
Management	2,862	<b>2,430</b>
R & D personnel	556	<b>1,218</b>
<b>Age Distribution</b>		
< 30	5,560	<b>5,243</b>
30-50	9,830	<b>10,804</b>
> 50	896	<b>1,051</b>
<b>Geographical distribution</b>		
<b>Mainland China</b>	16,281	<b>17,094</b>
Eastern China	4,937	<b>5,175</b>
Southern China	4,161	<b>4,441</b>
Northern China	1,129	<b>1,206</b>
Central China	1,665	<b>1,682</b>
Northwest China	1,166	<b>1,245</b>
Northeast China	772	<b>824</b>
Southwest China	2,451	<b>2,521</b>
Hong Kong	5	<b>4</b>
<b>Education background</b>		
University or above	8,620	<b>9,829</b>
Below university degree	7,666	<b>7,269</b>
<b>Ethnicity Distribution</b>		
Han	15,537	<b>16,323</b>
Ethnic Minorities	749	<b>775</b>

## 3. Employee New Hire Rate

	2020	2021
<b>Gender Distribution</b>		
Male	31%	<b>29%</b>
Female	30%	<b>30%</b>
<b>Age Distribution</b>		
< 30	44%	<b>46%</b>
30-50	24%	<b>23%</b>
> 50	23%	<b>9%</b>
<b>Geographical distribution</b>		
Eastern China	27%	<b>30%</b>
Southern China	64%	<b>65%</b>
Northern China	11%	<b>10%</b>
Central China	7%	<b>3%</b>
Northwest China	29%	<b>14%</b>
Northeast China	9%	<b>9%</b>
Southwest China	17%	<b>9%</b>
Hong Kong	20%	<b>0%</b>



## Performance Data Summary

### 4. Employee turnover rate

	2020	2021
<b>Gender Distribution</b>		
Male	33%	<b>23%</b>
Female	39%	<b>24%</b>
<b>Age Distribution</b>		
< 30	36%	<b>35%</b>
30-50	32%	<b>18%</b>
> 50	82%	<b>19%</b>
<b>Geographical distribution</b>		
Eastern China	30%	<b>22%</b>
Southern China	85%	<b>46%</b>
Northern China	17%	<b>11%</b>
Central China	8%	<b>6%</b>
Northwest China	10%	<b>11%</b>
Northeast China	13%	<b>12%</b>
Southwest China	13%	<b>12%</b>
Hong Kong	0%	<b>25%</b>

## 5. Employee Training Performance

	2020	2021
<b>Employee Training Performance-By Gender</b>		
<b>Training coverage</b>		
Male	100%	<b>100%</b>
Female	100%	<b>80%</b>
<b>Average training hours per employee</b>		
Male	48	<b>48</b>
Female	41	<b>37</b>
<b>Employee Training Performance-By Function</b>		
<b>Training coverage</b>		
Marketing personnel	100%	<b>81%</b>
Production staff	100%	<b>96%</b>
Management	100%	<b>100%</b>
R&D personnel	100%	<b>84%</b>
<b>Average training hours per employee</b>		
Marketing personnel	82	<b>38</b>
Production staff	16	<b>25</b>
Management	48	<b>108</b>
R & D personnel	33	<b>41</b>

## 6. Occupational health and safety

	2020	2021
<b>Occupational Safety and Health Training</b>		
Total number of trainees	42,902	<b>37,453</b>
Total training hours	85,804	<b>74,906</b>
<b>Occupational Safety and Health Performance</b>		
Number of work-related injuries	1	<b>8</b>
Number of work-related injuries	1	<b>8</b>
Lost days due to work-related injury	92	<b>216</b>
Number of work-related fatalities	0	<b>0</b>



## Performance Data Summary

### 7. Distribution of suppliers<sup>9</sup>

	2020	2021
Mainland China	234	<b>218</b>
Eastern China	68	<b>64</b>
Southern China	26	<b>27</b>
Northern China	34	<b>29</b>
Central China	31	<b>31</b>
Northwest China	23	<b>22</b>
Northeast China	16	<b>15</b>
Southwest China	36	<b>30</b>

### 8. Product quality

	2020	2021
<b>Percentage of products recalled<sup>10</sup></b>		
TCM finished drugs		
Quality	0.00018%	<b>0.00008%</b>
Safety	0%	<b>0%</b>
Concentrated TCM granules		
Quality	0.00044%	<b>0.00017%</b>
Safety	0%	<b>0%</b>
<b>Total number of complaints</b>		
Quality	130	<b>24</b>
Packaging appearance	36	<b>177</b>
Non-conformity of product information	63	<b>17</b>
Adverse reactions	23	<b>24</b>
Others	31	<b>25</b>

<sup>9</sup> Supplier data only cover qualified suppliers of raw materials, decoction pieces, and packaging raw materials in mainland China.

<sup>10</sup> There were no product recycling incidents due to product quality and safety, TCM finished drugs and concentrated TCM granules excluded.

**9. Community**

	2020	2021
Volunteer work (hours)	1,286	<b>1,290</b>
Investment in industrial poverty alleviation (RMB ten thousand)	15,095	<b>6,883</b>
Public welfare investment (RMB ten thousand)	2,330	<b>1,189</b>





# Content Index

This report content index includes the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and Appendix twenty-seven Environmental, Social and Governance Reporting Guide (ESG Guide) of the Main Board Listing Rules of the Hong Kong Stock Exchange.

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
<b>General Disclosure</b>				
Organizational Profile	102-1		Name of organization	About This Report
	102-2		Activities, brands, products and services	About China Chinese Medicine
	102-3		Location of headquarters	Foshan, Guangdong
	102-4		Location of operations	About China Chinese Medicine
	102-5		Ownership and legal form	About China Chinese Medicine
	102-6		Markets served	About China Chinese Medicine
	102-7		Scale of the organization	About China Chinese Medicine
	102-8	B1.1	Information on employees and other workers	Staff Composition
	102-9	B5	Supply Chain	Supplier Management
	102-10		Significant changes to the organization and its supply chain	No Significant Change
	102-11		Precautionary principle or approach	Fulfilling Environmental Responsibility
	102-12		External initiatives	About China Chinese Medicine
	102-13		Membership of associations	About China Chinese Medicine
Strategies	102-14		Statement from senior decision-maker	Chairman's Message
Ethics and Integrity	102-16		Values, principles, standards and norms of behavior	About China Chinese Medicine
Governance	102-18		Governance Structure	Sustainable Development Management
Stakeholder Engagement	102-41		Collective bargaining agreements	Not applicable and comply with relevant laws and regulations
	102-42		Identification and selection of stakeholders	Sustainable Development Management
	102-43		Approach to stakeholder engagement	Sustainable Development Management
	102-44		Key topics and concerns raised	Sustainable Development Management

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
Reporting Practice	102-45		Entities included in the consolidated financial statements	Annual Report
	102-46		Defining report content and topic boundaries	About This Report
	102-47		List of Material Issues	Sustainable Development Management
	102-48		Restatements of information	Performance Data Summary
	102-49		Changes in reporting	No significant change
	102-50		Reporting Period	About This Report
	102-51		Date of most recent report	2021 April
	102-52		Reporting Cycle	About This Report
	102-53		Contact point for questions regarding the report	About This Report
	102-54		Claims of reporting in accordance with the GRI Standards	About This Report
	102-55		GRI Content Index	Content Index
102-56		External Assurance	No external assurance has been sought for this ESG Report	
<b>Material Issues</b>				
<b>ECONOMY</b>				
Company Economic Performance	103		Report how the organization manages the material topic and its impact	Annual Report
	201-1		Direct economic value generated and distributed	Annual Report
Business ethics and anti-corruption	103	B7	Report how the organization manages the material topic and its impact	Our Sustainability
	103	B7.2	Report how the organization manages the material topic and its impact	
	205-3	B7.1	Confirmed incidents of corruption and actions taken	
	205-2	B7.3	Description of anti-corruption training provided to directors and employees	



## Content Index

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
<b>SOCIETY</b>				
Product Health and Safety	103	B6	Report how the organization manages the material topic and its impact	Improving the whole TCM healthcare industry chain
	416-2	B6.1	Incidents of non-compliance concerning the health and safety impacts of products and services	No incident of non-compliance during the year
		B6.4	Description of quality assurance process and recall procedures	Improving the whole TCM healthcare industry chain
Customer and Consumer Rights Protection	103	B6	Report how the organization manages the material topic and its impact	Improving the whole TCM healthcare industry chain
		B6.1	Incidents of non-compliance concerning marketing	No incident of non-compliance during the year
	418-1	B6.2	Number of products and service related complaints received and how they are dealt with	Improving the whole TCM healthcare industry chain
	103-2, 103-3(a-i)	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	
Innovative R & D 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 impact	People-Oriented Approach
	401-1(b)	B1.2	New employees and employees turnover rate	People-Oriented Approach
Employee remuneration and benefits	103	B1	Report how the organization manages the material topic and its impact	People-Oriented Approach
	401-2	B1	Benefits provided to full-time employees that are not provided to temporary or part-time employees	People-Oriented Approach
<b>Other topics</b>				
<b>ENVIRONMENTAL</b>				
Environmental Compliance	103	A1	Report how the organization manages the material topic and its impact	Fulfilling Environmental Responsibility
	307-1	A1	Non-compliance with environmental laws and regulations	

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
Energy	103	A2	Report how the organization manages the material topic and its impact	Fulfilling Environmental Responsibility
	302-1, 302-3	A2.1	Energy consumption and energy intensity within the organization	
	302-4, 302-5	A2.3	Reduction of energy consumption	
Water resources	103	A2	Report how the organization manages the material topic and its impact	Fulfilling Environmental Responsibility
	303-5	A2.2	Water withdrawal by source	
	303-1	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	
Emission	103	A1	Report how the organization manages the material topic and its impact	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 emission intensity	
	305-5	A1.5	Reduction of greenhouse gas emissions	
	305-7	A1.1	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	
Sewage and waste	103	A1, A3	Report how the organization manages the material topic and its impact	Fulfilling Environmental Responsibility
	303-4	A1.1	Water discharge by quality and destination	
	306-3(a), 306-3(a)	A1.3, A1.4,	total weight of waste generated in metric tons, and breakdown of this total by consumption of the waste	
	306-4, 306-5	A1.6	Waste diverted from disposal;Waste directed to disposal	
Packaging materials	303-1	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Fulfilling Environmental Responsibility



## Content Index

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
The Environment and Natural Resources	103	A3	Policies on minimising the issuer's significant impact on the environment and natural resources	Fulfilling Environmental Responsibility
	303-1, 304-2, 306-1, 306-2	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	
Climate Change		A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Fulfilling Environmental Responsibility
	201-2	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	
<b>SOCIETY</b>				
Health and Safety	103	B2	Report how the organization manages the material topic and its impact	People-Oriented Approach
	403-1, 403-3, 403-5, 403-7	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	
	403-9, 403-10	B2.1, B2.2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism	
Development and Training	103	B3	Report how the organization manages the material topic and its impact	People-Oriented Approach
	404-1	B3.2	Average hours of training per year per employee	
		B3.1	The percentage of employees trained by gender and employee category(e.g. senior management, middle management)	

Topics	GRI Indicators	ESG Guide	Description	Section/Remarks
Child Labor	103	B4	Report how the organization manages the material topic and its impact	People-Oriented Approach
	408-1(c), 409-1(b)	B4.1	Operations and suppliers at significant risk for incidents of child labour	
	408-1(c), 409-1(b)	B4.2	Description of steps taken to eliminate such practices when discovered	
Local Communities	103	B8	Report how the organization manages the material topic and its impact	Giving Back to Society
	203-1(a)	B8.1	Operations with local community engagement, impact assessments, and development programmes	
	201-1(a-ii)	B8.2	Resources contributed to the focus area	
Supplier Management	103	B5	Managing Environmental and Social Risks of Supply Chain	Improving the whole TCM healthcare industry chain
	102-9	B5.1	Number of suppliers by geographical region	
	303-1(c), 308-1, 308-2, 414-1, 414-2	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	
	303-1(c), 308-1, 308-2, 414-1, 414-2	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	
	306,308	B5.4  B3.1	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	