



China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)  
(Stock code: 00570)

# 2022

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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## About the Report

This is the 7th annual Environmental, Social and Governance Report (the "ESG Report") independently released by China Traditional Chinese Medicine Holdings Co. Limited ("China TCM" or the "Company"). In the spirit of openness and transparency, this report discloses the management approach and performance of the Company and its subsidiaries (collectively the "Group" or "we") in environmental, social and governance aspects.

### Release Cycle

As an annual report, this report is released regularly every year.

### Reporting Period

This report discloses the Group's ESG management approach and performance during the financial year from January 1, 2022 to December 31, 2022 (the "Reporting Period"). Some contents may surpass the above scope.

### Organizational Scope

The entity of this report is China TCM and its subsidiaries, with the operations of various business segments of Chinese medicinal herbs integration business, traditional Chinese medicine ("TCM") decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health products, TCM medical institutions, and so on.

### Data Description

The information and data in this report are from the official documents and statistical reports of the Group. The Group's environmental performance cover data of companies: that are controlled by China TCM (i.e., holding 50 percent of equity or above); that are manufacturing enterprises; and that have been in operation for two or more consecutive calendar years.

Unless otherwise stated, the environmental performance data of this report covers all the 35 subsidiaries that meet the criteria mentioned above, while the social data and all narrative information cover the entire Group.

All currency amounts in this report are in RMB unless otherwise stated.

### Reporting Standards

Sustainable Development Goals ("SDGs") of the United Nations ("UN")

ISO 26000 – Guidance on Social Responsibility of the International Organization for Standardization ("ISO")

GRI Standards of the Global Reporting Initiative ("GRI")

Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0) of the Chinese Academy of Social Sciences ("CASS")

### Quality Assurance

Following the reporting principles of "Quantitative" "Balance" "Materiality" and "Consistency" all contents and data disclosed in this report are reviewed by relevant departments of the Company and released after being deliberated and approved by the board of directors.

The Company guarantees that there is no false record, misleading statement or material omission in this report, and shall be responsible for the authenticity, accuracy and completeness of the contents in this report.

### Report Release

This report is published in both traditional Chinese and English. In case of any discrepancy between the two versions, the traditional Chinese version shall prevail.

This report is available to stakeholders and the public in the form of PDF format at the official website of the Stock Exchange (<https://www.hkex.com.hk>), or the official website of the Company (<https://www.china-tcm.com.cn>).

If you have any comments or suggestions regarding this report, please feel free to contact us:

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## Message from the Chairman

In 2022, China TCM, facing complicated and challenging circumstances both in and outside of China, kept the corporate mission of "practicing national TCM development strategy, leading the high-quality development of TCM industry" firmly in mind, focused on its goals, and persevered with its efforts. China TCM comprehensively built a sustainable, mutually synergistic and jointly-developed whole industry chain of TCM, made a series of landmark advances, and witnessed new momentum in high-quality development.

**Carrying on the essence of TCM while pursuing innovations, and focusing on main business.** Over the past year, we continued to increased investments in scientific research, and intensified efforts to build an industry-leading platform for scientific and technological innovation. China TCM took a leading position in the country in terms of the formulation of national standards for concentrated TCM granules, and achieved major breakthroughs in the research and development of Yu Shu Da Tablets, Qing Da Granules, and other new TCM drugs. We steadily promoted the business establishment of Chinese medicinal herb seeds and planting bases, and accelerated the development of TCM decoction pieces. We boosted the diversified development of comprehensive TCM healthcare services, and gradually built the world's most complete industry chain of comprehensive TCM healthcare services. China TCM played the "national team" role in promoting the high-quality development of TCM industry.

**Insisting on green and low-carbon development and safeguarding ecosystem.** Over the past year, we adhered to the concept of green development, constantly improved environmental management systems, promoted energy-saving and consumption reduction, intensified efforts to prevent and address pollution, enhanced green operations, and protected biodiversity. In response to the concerns of the international community on the risks of climate change and the national call for "carbon peaking and carbon neutrality", we identified and disclosed the risks of climate change and its impact on corporate business in accordance with the framework of Task Force on Climate-related Financial Disclosures ("TCFD"), and proposed our counter-measures, providing guidance for future technology application, product innovation and operation model optimization in the green and low-carbon field.

**Putting people first and working together for common development.** Over the past year, we gave full play to the strengths of corporate businesses and resources, enhanced supplier management, carried out responsible procurement, continued to expand and deepen the cooperation and exchange with the government, enterprises, research institutions, and other partners in various fields. We built a new ecosystem for business development, and worked with partners to jointly promote the high-quality development of the industry. We deepened reform on talent management systems, protected the rights and interests of employees, and established a complete remuneration and benefits system and a perfect development and promotion mechanism for employees. We enhanced employee care, provided safe and healthy working environment and warm working atmosphere for employees, and improved their sense of happiness and belonging.

**Focusing on improving people's livelihood and contributing to society.** Over the past year, we gave full play to the advantages of industry chain and supply chain, focused on Huashi Baidu Granules, Jinye Baidu Granules, Yu Ping Feng Granules, and other key varieties of TCM products, and tried the best to ensure better medical care and medicines supply, safeguarding the health of the people. Relying on Chinese medicinal herbs planting, we strengthened cooperation and synergy with the government to make new progress in rural revitalization and in modernizing agriculture and rural areas. In 2022, the Group's investments in public welfare initiatives reached RMB14.3381 million in total, and that in rural revitalization amounted to RMB31.6626 million. The Group provided 1,280 hours of volunteer services throughout the year. Those efforts fully highlighted the responsibilities and duties performed by China TCM.

**Upholding fundamental principles, reinforcing the foundation, and pursuing operational excellence.** Over the past year, we adopted a goal-, problem-, and result-oriented approach, continuously refined the top-down design of operation and management, enhanced the effectiveness of lean management, and constantly improved the capabilities of operation and management. We strengthened integrity management, improved our conduct, and consolidated the foundation of operation and management. In order to comprehensively respond to the concerns of investors and stakeholders, we worked hard to refine the ESG management systems and mechanisms, and took the initiative to build future-oriented sustainability.

Let's seize the day and embark on a new journey. In 2023, we will continue to forge ahead with firm determination and resolve, open up the future, contribute the society and benefit the humankind. We will take the initiative to implement the ESG concept, and accelerate to build China TCM into a world-class TCM enterprise. We will work hard to promote the high-quality and sustained development of TCM and make greater contribution to the building of a healthy China.

# About China TCM

## Corporate Profile

China TCM, formerly known as China Medicinal Materials Company, which was founded in 1995, is the core platform established by China National Pharmaceutical Group Co., Ltd. ("Sinopharm") for the modern TCM segment. With the headquarters in Foshan, Guangdong Province, China TCM is a red-chip company listed on the main board of the Stock Exchange (stock code: 00570).

Insisting on the preservation and innovative development of TCM, China TCM has intensified its efforts to accelerate the building of the whole industry chain of comprehensive TCM healthcare services in a deep-going way. With the integration of scientific research, manufacturing and sales, the Company has been committed to building the largest TCM industry cluster in China, with six business segments of Chinese medicinal herbs integration business, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health products, and TCM medical institutions. As of the end of 2022, the Company has had 86 wholly-owned and holding subsidiaries, with total assets of RMB35.6 billion and 17,662 employees.

**Qinghai**  
Concentrated TCM Granules  
Extraction Base: 1  
TCM Finished Drugs  
Production Base: 1

**Gansu**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Sichuan**  
TCM Decoction Pieces  
Production Base: 3  
Concentrated TCM Granules  
Extraction Base: 2  
Concentrated TCM Granules  
Production Base: 1

**Guizhou**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 1

**Guangdong**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 2  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 3

**Fujian**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Hubei**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 1

**Yunnan**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Guangxi**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

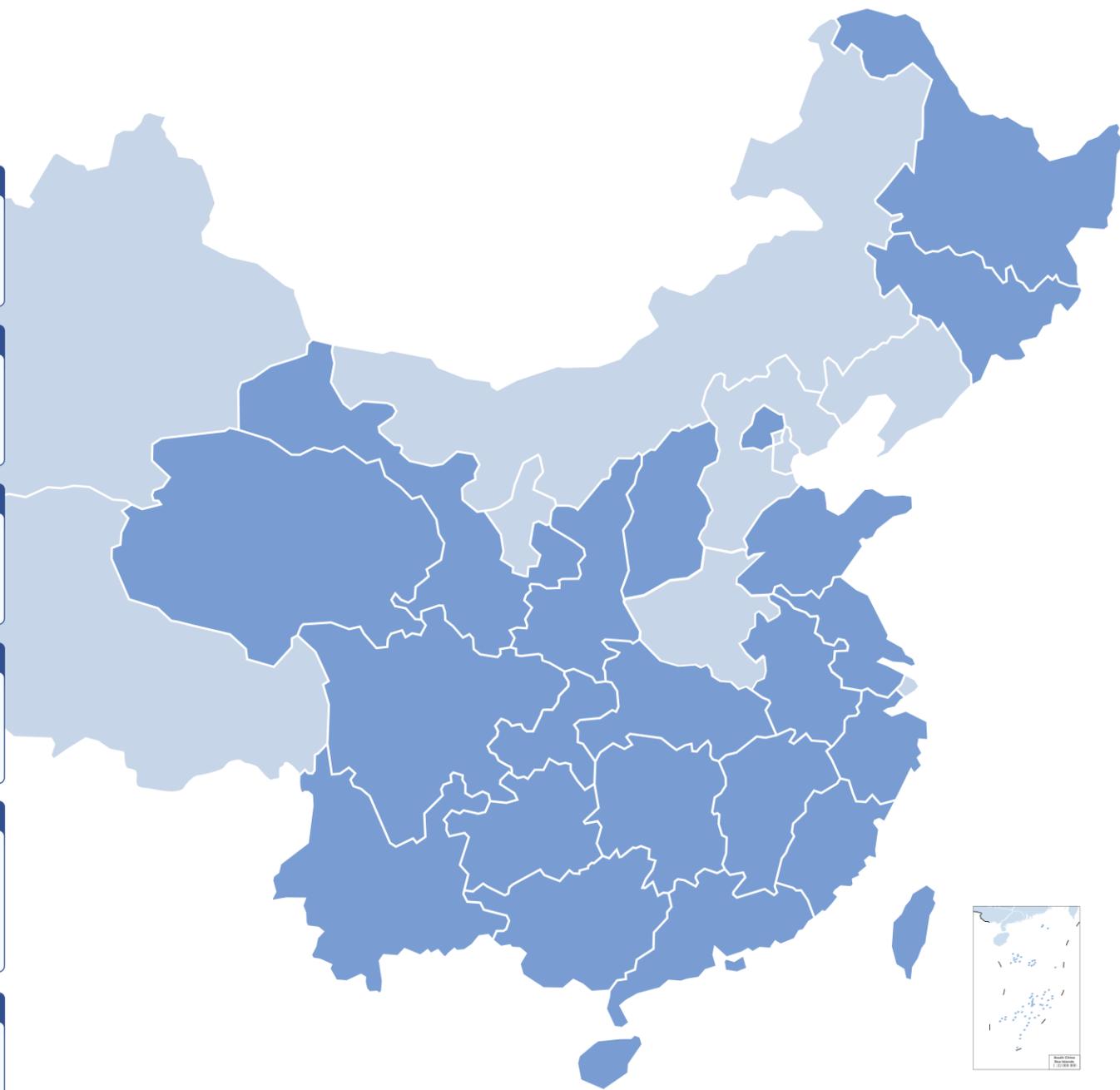
**Hunan**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Shanxi**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Jilin**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 1

**Beijing**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
TCM Finished Drugs  
Production Base: 1

**Shandong**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 1



**Shanghai**  
TCM Decoction Pieces  
Production Base: 1

**Anhui**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 2  
Concentrated TCM Granules  
Production Base: 1  
TCM Finished Drugs  
Production Base: 1

**Zhejiang**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Shaanxi**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Jiangxi**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Chongqing**  
TCM Decoction Pieces  
Production Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Jiangxi**  
TCM Decoction Pieces  
Production Base: 2  
Concentrated TCM Granules  
Extraction Base: 1  
Concentrated TCM Granules  
Production Base: 1

**Heilongjiang**  
Concentrated TCM Granules  
Production Base: 1

As of the end of 2022



TCM Decoction Pieces  
Production Bases

29



Concentrated TCM Granules  
Extraction Bases

21



Concentrated TCM Granules  
Production Bases

19



TCM Finished Drugs  
Production Bases

11

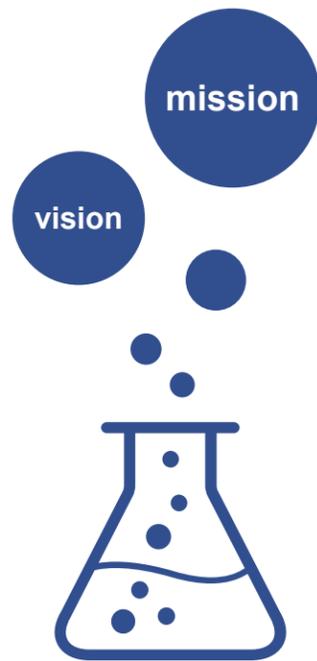


With a profound historical heritage and rich brand resources, China TCM boasts one core brand of "Sino-TCM", three China Time-Honored Brands of Tongjitang, Anning, and Feng Liao Xing, four Intangible Cultural Heritages of Tongjitang TCM Culture, Feng Liao Xing Fengshi Dieda Medicinal Liquor, Shaolin Dieda Zhitong Herbal Paste, Yuanjilin Herbal Tea, and several well-known brands such as Yifang Pharmaceutical, Tianjiang Pharmaceutical, and Dezhong.

As for products, China TCM has over 800 specifications of drugs, among which Xianling Gubao Capsules, Jing Shu Granules, Fengshi Gutong Capsules, Qi Li Capsules, Anti-Itching Capsules, Zaoren Anshen Capsules, Yu Ping Feng Granules, Bi Yan Kang Tablets, Jinye Baidu Granules, and Trionycis Bolus are national exclusive essential medicines. As the "national team" and a leader of TCM industry, China TCM has deepened the layout of the whole industry of comprehensive TCM healthcare services in an all-around manner, China TCM has established national leading industrial advantages, ranking No.1 in terms of business layout and primary processing capacity of Chinese medicinal herbs bases, No. 1 in terms of the business model of "TCM sharing – intelligent distribution center", No. 1 in terms of scientific research strength, production capacity, and market size of concentrated TCM granules, No.1 in terms of TCM finished drugs product echelon, production capacity and number of variety included in NEDL, and so on. The Company has the capability to produce and supply all varieties of TCM decoction pieces and concentrated TCM granule, fully meeting the clinical needs of differentiated medication of TCM.



## Cultural Philosophy



### Corporate mission

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

### Corporate vision

All-round construction of a sustainable, mutually synergistic, and jointly developed TCM healthcare industry chain to create an industry-leading TCM healthcare whole industry chain group



## Corporate Brands

China TCM has built a brand cultural corridor consisting of one "Sino-TCM" brand, three China Time-Honored Brands, four Intangible Cultural Heritages, and several well-known brands, with "Sino-TCM" at the core, to promote the brand culture to be fully integrated into the production and operation of subsidiaries at all levels in an all-around way, covering product packaging, business development, marketing, academic promotion, publicity materials, and so on. China TCM has combined all its efforts to build the brand of "Sino-TCM" and shape the brand image of "Sino-TCM".

In 2022, the Company continued to refine the brand management systems, clarified the brand management systems, optimized the brand management structures at all levels, completed the authorized value evaluation of "Sino-TCM" and a number of sub-brands, further improved the brand licensing management process, strengthened brand protection, constantly fought against infringements, and safeguarded the rights and interests of brands, thus ensuring the brands of "Sino-TCM" to be embraced by the people.



## Development Strategy

China TCM has been committed to realizing the development goal of comprehensively building a sustainable, mutually synergistic and jointly developed the whole industry chain of comprehensive TCM healthcare services and creating an industry-leading comprehensive TCM healthcare group, formulated the general strategy of intensifying efforts to develop the whole industry chain of TCM healthcare, worked out and advanced the strategic plan for the 14th Five-Year Plan period, and implemented the "6+8" strategic measures, promoting and leading the high-quality, regulated and standardized development of China's TCM industry.



## Sustainable Development Management

China TCM has grounded its efforts in the new development stage, applied the new development philosophy, and pursued high-quality development. Insisting on the corporate mission of "practicing national TCM development strategy, leading the high-quality development of TCM industry", we have comprehensively built a sustainable, mutually synergistic and jointly developed the whole industry chain of comprehensive TCM healthcare services, taken the initiative to build future-oriented sustainability, and promoted to the building of a development pattern featuring harmonious coexistence, mutual benefit and win-win results between China TCM and stakeholders.

## Sustainable Development Management and Organization

China TCM has gradually established and improved the systems and mechanisms for sustainable development management, promoted the effective implementation of sustainable development initiatives in a deep-going way, and integrated the work relating to environmental, social, and governance into the terms of reference of the strategy committee of the Company. With the support of the Strategic Committee, the board (the "Board") of directors (the "Director") of the Company conducts the sustainable development work in a unified manner, deliberates corporate sustainable development strategies, and identifies and reviews the material issues that are important to the Group and stakeholders. The vice president of the Company is responsible for reporting and monitoring environmental and social issues, the office of board of directors, the president's office, the human resources center, the safety and environmental protection departments, and other functional departments work together and jointly participate in the sustainable development work. They are responsible for the management of various issues, as well as the collection and arrangement of the materials and data relating to sustainable development in a regular manner.

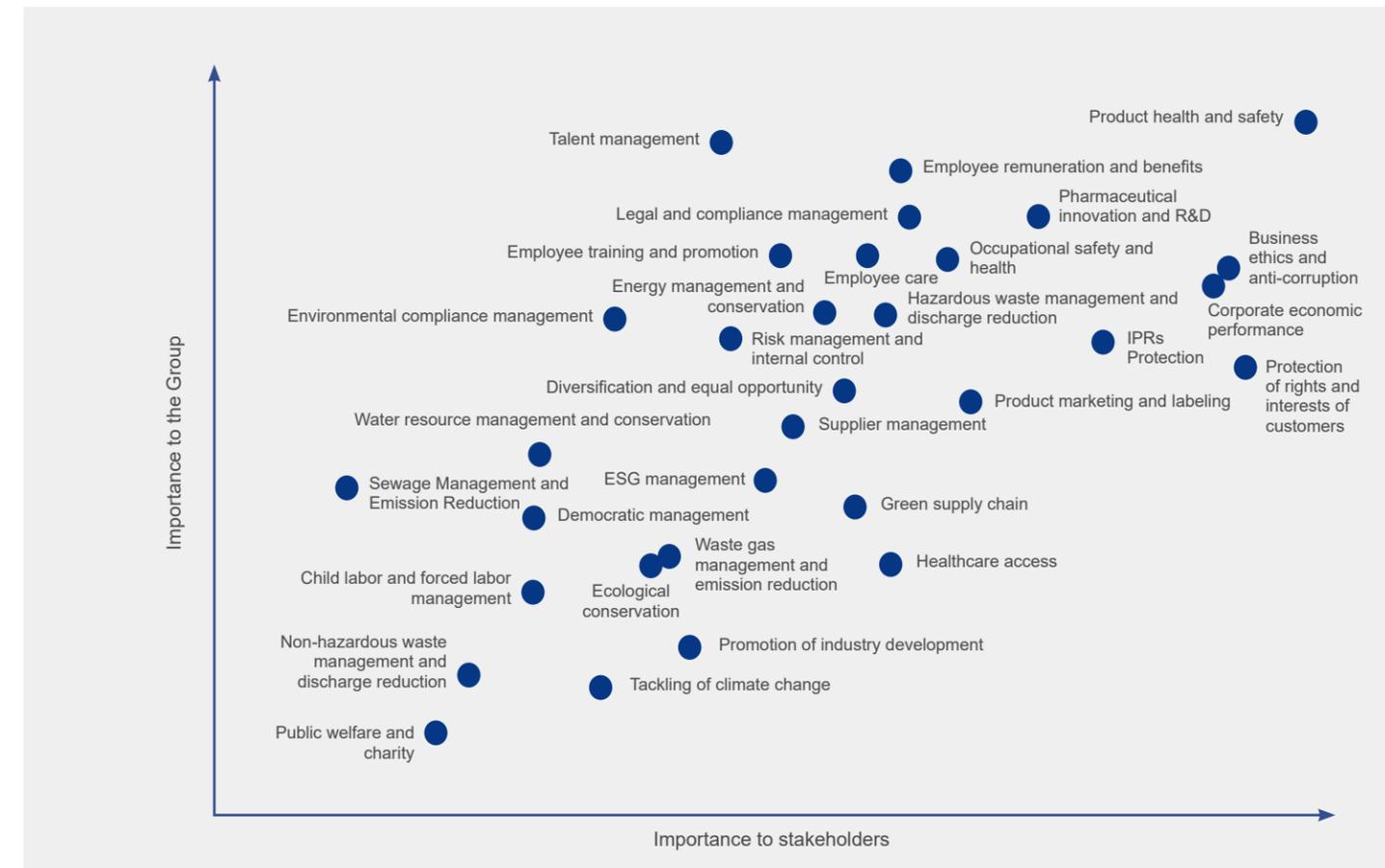
## Material Issues

In order to comprehensively respond to the focus and important demands of the stakeholders inside and outside of the Group and guarantee the effective implementation of ESG work, China TCM has constantly promoted the identification and assessment of key ESG issues. During the preparation of the ESG report, China TCM screens out the ESG issues that are highly related to the stakeholders inside and outside of the Group and closely related to China TCM through conducting investigation and research on the development background of pharmaceuticals industry both at home and abroad, analyzing the work priorities of China TCM throughout the year, benchmarking outstanding reports of the industry, carrying out material issue investigation, and other approaches. Those identified ESG issues are the key contents to be disclosed in the ESG report.

### Identification Process of Material Issues



### Material ESG Issue Matrix of China TCM

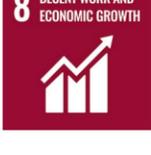


## Communication with Stakeholders

China TCM has always attached great importance to the communication with stakeholders, learned the expectations and demands of stakeholders through diversified communication channels, and made active response accordingly, aiming at enhancing and improving the sustainable development management and realizing cooperation and win-win results with stakeholders.

Stakeholders	Expectations and demands	Communication channels	Response of China TCM
 Government and regulators	Legal compliance and risk management Deepen reform and promote innovation Serve national strategy	Regular work reporting Routine communication Information reporting	Consolidate foundation of operations Stimulate reform vitality Serve national overall interests Pay taxes actively
 Investors	Prudent operation Innovation in operation model Return on investment	Release interim and annual report Hold meeting of board of directors Information disclosure	Promote industrial integration and upgrading Accelerate the optimization of business layout Inspire vitality for innovation and creation
 Customers	Improve service system Promote innovation in service and product Ensure product safety Protect legal rights and interests	Information transparency Customer investigation and research Product traceability	Enhance quality control of products and services Improve customer experience Protect rights and interests of customers
 Suppliers and partners	Open competition Good faith cooperation Industrial progress Business ethics	Project cooperation Routine communication Exchanges and cooperation	Build responsible supply chain Conduct strategic cooperation Transparent procurement Execution of agreements and contracts in good faith
 Employees	Protection of rights and interests Employee development Sense of happiness of employees Guarantee work safety and occupational health	Exchange meeting Opinion collection Visits and tours	Enhance management of remuneration and benefits Conduct employee care activities Improve training system Guarantee working environment Conduct mental health services
 The community and the public	Community development Public welfare activities Create job opportunities	Public welfare activities Volunteer service Charitable donations Local employment	Visits and tours to the community Pandemic control Contribute to rural revitalization
 Environment	Tackling of climate change Energy-saving and emission reduction Biodiversity protection	Environmental impact assessment Enhance environmental management Conduct green operation Conduct green production	Emission compliance Reduction of resource consumption Environmental training for employees

## Our Sustainability

UN SDGs	Actions of China TCM
 1 NO POVERTY	China TCM actively responded to the call for rural revitalization. Through industrial-based poverty alleviation, consumption-oriented poverty elevation, financial assistance and other approaches, the Company continued its efforts to promote the development of the areas lifted out of poverty and comprehensively revitalize rural areas, consolidated the effective link between poverty alleviation and rural revitalization, and strived to improve the people's living standards.
 2 ZERO HUNGER	Developing agriculture helps eradicate hunger. Through publicity with online platforms, as well as on-site procurement, China TCM facilitated the integrated development of the whole industry chain of agricultural products processing, e-commerce and logistics, which are dominated by Chinese medicinal herbs and helped enterprises and farmers in need sell agricultural products.
 3 GOOD HEALTH AND WELL-BEING	China TCM paid attention to the occupational health and mental health of employees, provided them with pre-job, on-job and off-job occupational health examinations, as well as personal protective equipment that meet the national and industrial standards. China TCM regularly monitored and improved the working environment of employees, identified major elements of occupational hazards such as noise, high temperature and dust, and used advanced technologies to minimize hazards.
 4 QUALITY EDUCATION	China TCM established the "Colorful TCM" volunteer teacher team to bring distinctive courses such as medical and health knowledge, TCM culture and mental health counseling to children in a number of poverty-stricken areas including Huishui, Luodian, Longli, Xingyi, Ziyun and Jiangkou, southwest China's Guizhou Province. Cooperated with nearly 50 colleges and universities, we have cultivated about 1,000 talented personnel.
 5 GENDER EQUALITY	China TCM insisted on equal employment, ensured that women enjoy equal and fair employment opportunities and career development opportunities, and that men and women receive equal pay for equal work, and expanded the recruitment of female employees year by year. The proportion of women in management has increased in 2022.
 6 CLEAN WATER AND SANITATION	China TCM emphasized the sustainable ecological concept in of the process of product production; promoted green and environmental ideas in corporate production and operations; adhered to on-demand water withdrawal and reduced water consumption; and enhance the management and recycling of water resources.
 7 AFFORDABLE AND CLEAN ENERGY	Environmental pollution and climate change have become important issues of global concern. In order to minimize greenhouse gas emissions, China TCM strengthened energy management and control, carried out energy-saving transformation, and promoted clean energy.
 8 DECENT WORK AND ECONOMIC GROWTH	China TCM provided broad career development platforms and smooth career promotion channels for employees, and established sound personnel promotion systems, employee incentive systems and diversified raining systems. It fully guaranteed the rights and interests of employees, insisted on democratic management, protected the privacy of employees, and established a fair and impartial remuneration system and a people-centered benefits system.
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	China TCM attached great importance to the building of innovation system, constantly increased investments in R&D, created the innovation culture, and encouraged collaborative innovation. Through establishing cooperation relations with the academic circle, suppliers and research centers, China TCM constantly developed innovative technologies and products.
 10 REDUCED INEQUALITIES	China TCM actively explored the new model of industrial integration. Taking the plantation of Chinese medicinal herbs as the fundamental priority, China TCM supported poverty-stricken areas to develop plantation bases of Chinese medicinal herbs, aiming at improving the living standards of the people there.
 11 SUSTAINABLE CITIES AND COMMUNITIES	China TCM attached great importance to the emissions of pollutants and the utilization of resources. Through saving energy and resources, reducing emissions of pollutants and other approaches, China TCM facilitated the improvement of community environment and the realization of "carbon peaking and carbon neutrality" goals, contributing to the sustainability of the city and the community.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	China TCM advanced the building of supply chain, and regulated its operations. Through improving ESG review process, China TCM enhanced the on-site audit of the environment, safety and other aspects of production workshops, warehouses and other areas of the newly admitted suppliers. It strengthened the integrity and anti-corruption supervision over suppliers, and required the new admitted suppliers to sign the <i>Integrity Agreement (Procurement Business) in Key Areas</i> . It intensified efforts to promote communication with suppliers. It also prepared the <i>Letter to Suppliers</i> in accordance with the priorities and focused problems of suppliers and corporate requirements, and issued the letter to suppliers annually.
 13 CLIMATE ACTION	China TCM took the initiative to tackle climate change, abided by international standards, relevant laws and regulations, as well as internal rules and regulations relating to environmental protection, implemented energy-saving and emission reduction in all of its businesses covering R&D, production and sales, and promoted the reuse of resources. It conducted scientific research on plants that affect the ecological environment to avoid the impact of plantation of Chinese medicinal herbs on the surrounding ecological environment.
 15 LIFE ON LAND	China TCM attached great importance to environmental responsibility, enhanced environmental management, took initiative to strengthen ecological conservation, promoted the underwood planting method of the Chinese herbs including <i>Coptis chinensis</i> and <i>herba epimedii</i> , built a mutually developed ecosystem, and boosted biodiversity.
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	China TCM constantly updated and improved the management systems in the fields of, among others, open competition, IPRs protection, consumer protection and anti-commercial bribery, and disclosed information regularly, ensuring the transparency and compliance of its social responsibility performance.
 17 PARTNERSHIPS FOR THE GOALS	China TCM actively built a development model of win-win cooperation and strengthened support and effective communication with suppliers. It enhanced its competitiveness through enhancing the competitiveness of suppliers. It also intensified its efforts to establish cooperation relations with the government, colleges and universities, and research institutions and develop a long-term exchange platform for industries, colleges and universities, and research institutions.

# Achieving Prudent and Excellent Operations with Integrity Management

- Organization and Governance
- Legal Compliance and Internal Control
- Integrity Management and Anti-Corruption

# 01



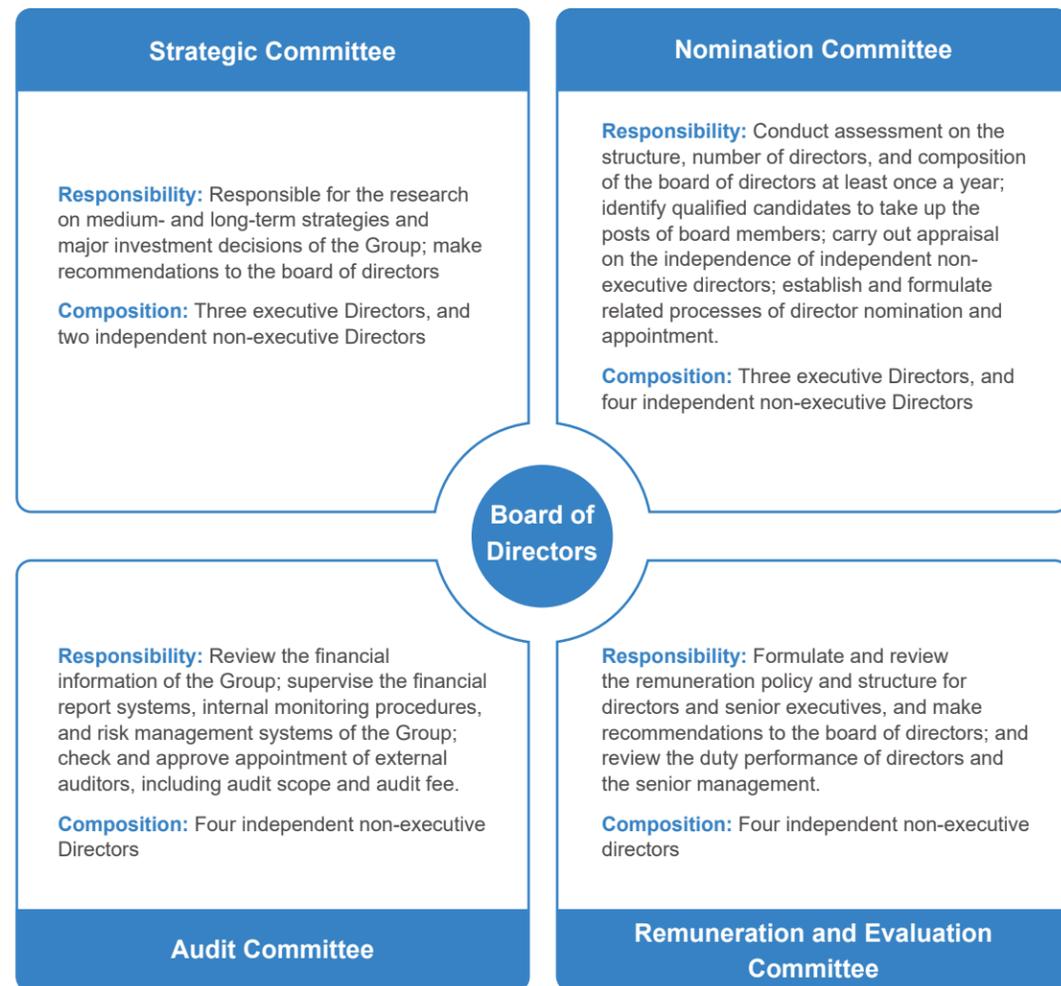
## Organization and Governance

China TCM has strictly abided by the *Companies Ordinance* of the Hong Kong SAR, *the Rules Governing the Listing of Securities* of the Stock Exchange and other laws and regulations, as well as the requirements of relevant normative documents, persistently improved the modern corporate organizational system, constantly advanced the building of board of directors, and clarified the governance structure and the supervision and checks and balances mechanisms, ensuring effective and prudent governance.

### Governance Structure

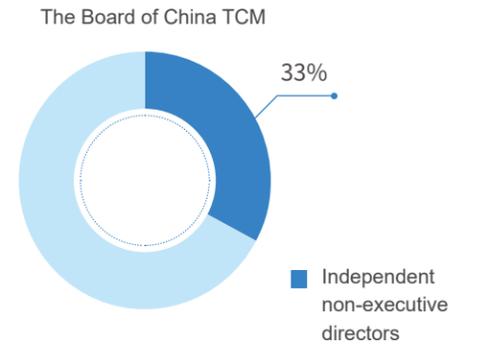
The Group has been committed to facilitating the establishment of the Board, and given the core decision-making role of the Board to lead corporate development. We have established four special committees under the Board, regulated the functions and responsibilities of the Board and its committees, as well as the management, established the rules and procedures for the selection and appointment of directors, and guaranteed the independence of decision-making of the Board. We have supervised the Company's compliance with domestic and abroad regulatory requirements and implementation of internal governance systems in a regular manner, promoted directors to participate in various professional programs and trainings, and constantly improved the corporate governance level.

During the Reporting Period, China TCM held annual general meeting, four formal meetings of the Board, three interim meeting of the Board, and three written resolutions of the Board. It also held five meetings of the audit committee, three meetings of the nomination committee, three meetings of remuneration and evaluation committee, and one meeting of the Strategic Committee.

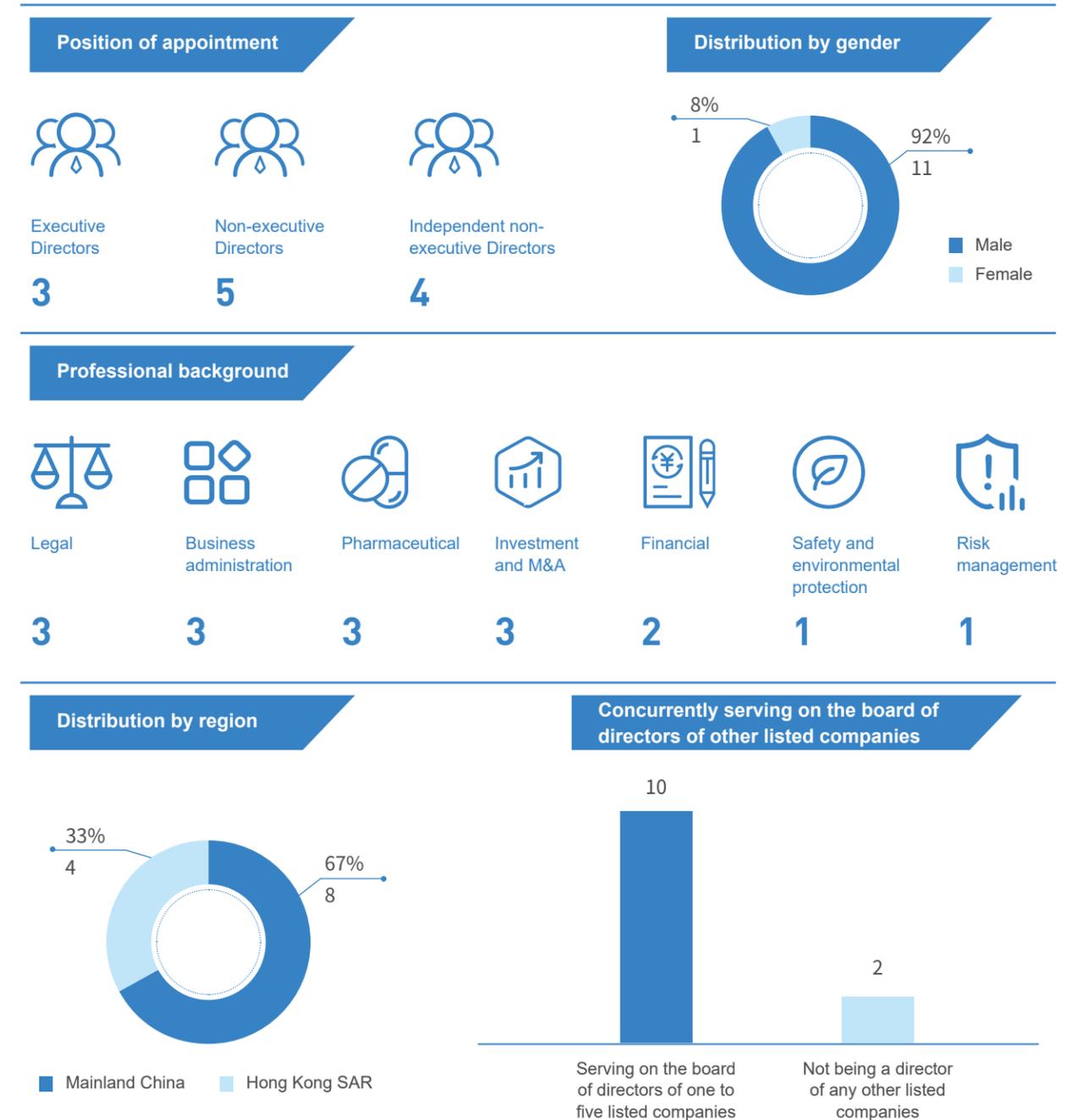


## Diversity of the Directors

China TCM has paid attention to the diversity and professionalism of the Directors, and all appointments of the Board are on the basis of merit. Insisting on the board diversity policy, China TCM has objectively considered candidates from gender, age, educational background, professional experience, skills and knowledge, length of service and other aspects to ensure the scientific decision-making of the Board. As of the end of 2022, the Board had 12 Directors, including four independent non-executive Directors, with a proportion of 33%.



### Diversity of the Board of China TCM



## Legal Compliance and Internal Control

Insisting on integrity management and compliance operations, China TCM has constantly improved internal control systems, refined management mechanisms of risk identification, laying a solid foundation for steady corporate development.

### Compliance Operations

China TCM has advocated all of its member enterprises and all the staff to strictly abide by the laws and regulation of China, the laws and regulations of the countries and regions where the business is conducted, as well as international conventions, treaties and practices. Insisting on the concept of integrity and compliance operations, China TCM has formulated and revised the implementation measures and rules of accountability. The supervision department of China TCM has strictly inspected the integrity and compliance operations and urged relevant departments to sign the management responsibility agreement. China TCM has taken the initiative to conduct compliance training and integrated integrity and compliance into the whole process of corporate production and operations.

### Internal Audit and Internal Control

China TCM has constantly improved internal audit and internal control systems to reduce operational risks, and formulated and revised internal control systems and administrative measures for internal control evaluation and rectification. The effectiveness of the rectification of issues identified in audit is linked to, among others, the assessment of the business performance of the audited entity, the appointment and removal of leading personnel, and rewards and punishments for employees. China TCM has taken measures to ensure that all internal controls were evaluated and has also conducted self-evaluation of internal control, laying a solid foundation for high-quality corporate development.

During the Reporting Period, China TCM organized various centers, departments and offices at the headquarters and 78 subsidiaries to conduct self-examination and self-evaluation of internal control and completed the *2021 Self-Evaluation Report of Internal Control*. The completion rate of defect rectification reached 100%.

#### Internal Audit and Internal Control Actions

- During the Reporting Period, China TCM organized various centers, departments and offices at the headquarters and **78** subsidiaries to conduct self-examination and self-evaluation of internal control
- During the reporting period, the completion rate of defect rectification reached **100%**.
- The completion rate of rectification by the due date of the issues identified in audit reached **100%**.



#### Working Mechanism of Internal Audit

In China TCM, the chairman is the leader in direct charge of the internal audit work, while the vice president is responsible for this work.

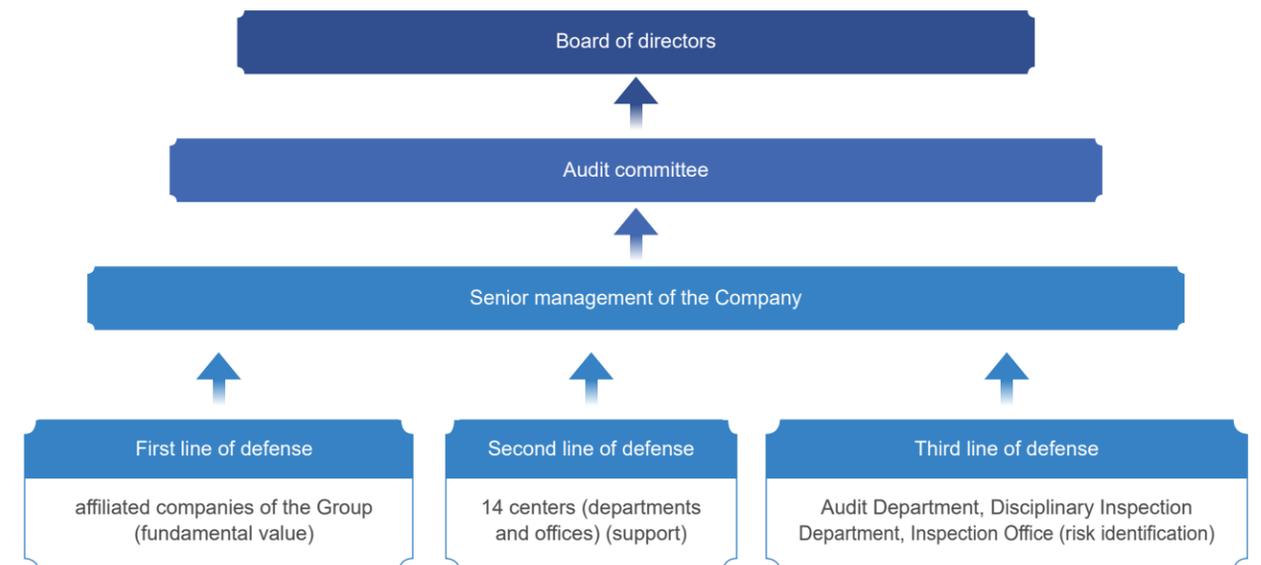
- **The Board:** responsible for the unified leadership of internal audit, and determines the institution setting of internal audit and the person in charge
- **Audit committee:** manages and guides the internal audit work of China TCM, and reports the relevant situation to the board of directors in a timely manner.
- **Audit department:** audits and supervises the financial revenues and expenditures, economic benefits, internal control, economic responsibility and other business activities of subsidiaries at all levels; identifies issues or risks in a timely manner; forms the audit report, puts forward recommendations and suggestions; urges relevant departments to rectify the issues identified in audit; and establishes the working mechanism of internal audit that the audit department at a higher level is responsible for the audit work of subordinate organizations.



## Risk Management

China TCM has established the risk management structure with the guidance of the “three lines of defense” model. China TCM has conducted risk management work with the focus on various business processes, and analyzed and assessed the major risks the Group faced through the integrated application of risk assessment and analysis forms and risk assessment coordinates. The Company has established risk management and internal monitoring systems, reported the Group’s risk management and internal monitoring situation regularly, and ensured the effective operation of its risk management and internal monitoring systems.

#### “Three Lines of Defense” Model for Risk Management



## Information Disclosure

China TCM has actively fulfilled the responsibility of information disclosure, and formulated the *Administrative Measures for Information Disclosure* to establish guidelines and procedures for internal information disclosure and ensure that all market users have equal, accurate, timely and clear access to corporate information. During the Reporting Period, the Company released 46 announcements including the annual, interim and quarterly reports and relevant documents, the announcements of the shareholder meeting and the board of directors, and other interim announcements on the designated information disclosure platforms. There was no violation of fair disclosure of information.

China TCM has focused on enhancing the communication with investors, and built a public relations management system. Through shareholder meetings, investor and analyst meetings, phone calls, emails, online platform (<https://www.china-tcm.com.cn>) and other channels and approaches, China TCM has maintained effective communication with shareholders and investors, and established a good image. During the Reporting Period, the Company held and participated in nearly 200 investor meetings in total.

## Integrity Management and Anti-Corruption

China TCM has adopted a zero-tolerance policy against all forms of bribery and corruption, and established a relatively complete management system of anti-corruption and business ethics. The Company actively carried out anti-corruption training, constantly smoothed the whistleblowing channels and improved the whistleblower protection mechanism, and tried its best to build a clean China TCM.

## Business Ethics

Sticking to business ethics and standards of business conduct, China TCM has strictly abided by the requirements of laws and regulations including the *Criminal Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, constantly enhanced the internal management of business ethics, opposed all forms of commercial bribery, money laundering, monopoly and unfair competition, and participated in market competition in accordance with laws and regulations. The Company has required its partners to follow the policies and regulations relating to business ethics, and been committed to building a good business partnership featuring win-win cooperation. During the Reporting Period, there were no illegal or unlawful business practices that have a significant impact on the Company such as money laundering, fraud and unfair competition in China TCM.

## Anti-Corruption Governance

China TCM has strictly abided by the *Supervision Law of the People's Republic of China*, the *Prevention of Bribery Ordinance*, and other relevant laws and regulations, formulated, refined and implemented the regulations and measures of anti-corruption and anti-bribery. The Company has constantly improved the anti-corruption and anti-bribery supervision system, established a leading body and formulated detailed rules; and linked the performance assessment results of anti-corruption leading personnel with remuneration. No acts of corruption were found in the Group's audit in 2022.



### Anti-Corruption Actions in 2022

- **Signing written pledges:** Organized to sign over **80** pieces of *Written Pledge for Professional Integrity* in 2022 to enhance professional integrity management level by level.
- **Inspection, prevention and control:** Focused on organization and personnel, project construction, bidding and procurement, and other key fields, as well as key posts; inspected and sorted out integrity risk points and formulated prevention and control measures accordingly; realized the integration of the supervision and the prevention and control.
- **Publicity and education:** In 2022, over **50** pieces of articles were published on the official WeChat account, and **15,320** person-times of employees participated in the online tests with the focus on professional integrity knowledge.
- **Arrangements for important holidays and festivals:** During the Reporting Period, more than **90** supervision and inspection tours were conducted before and after important holidays and festivals in the whole system of the Company; over **100** enterprises were inspected on-site cumulatively.
- **Open discussions:** Actively carried out on-site supervision and inspection, as well investigation and research tours, held seminars, conducted internal inspection, organized appointment talks, etc. More than **500** person-times of employees participated in open discussions in 2022.

## Whistleblowing and Whistleblower Protection

China TCM has established the reception office for whistleblowing and employee complaints, as well as a number whistleblowing channels including complaint letters and visits, hotlines and emails. Special personnel have been arranged to take charge of whistleblowing and employee complaints. The Company has regulated the disposal procedures of whistleblowing cases, strictly abided by the principle of confidentiality and discipline, and followed the *Regulations on the Protection of Whistleblowers and Accusers* to protect the legal rights and interests of the people who file reports or accusations of wrongdoing. It has carried out strict confidentiality management for whistleblowers and accusers, as well as the contents they report, encouraged employees to file real-name reports or anonymous reports. Relevant disposal procedures and legal actions have been in place in accordance with the actual situation and severity of the reported issues.

### Disposal Procedure of Whistleblowing Cases



# Safeguarding the People's Health with Medical Expertise and Benevolence

Relying on the specialized advantages in the field of TCM healthcare services, China TCM has focused on the needs of patients, promoted inclusive healthcare, strengthened quality management, and provided high-quality services, committing to safeguarding the people's health and offering more accessible, higher-quality and more trustworthy products and services to patients and customers.

- Healthcare Access
- Quality Management
- Pharmacovigilance and Recall
- Customer Responsibility

# 02



## Healthcare Access

### Improving Drug Access

### Expanding Patient Treatment Areas

Focusing on the needs of customers, we have been committed to making high-quality medicines available to patients in different areas. In order to explore and improve the clinic value of TCM in treating depression, Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. ("Tongjitang Pharmaceutical") has intensified efforts to promote the relaunch of Yu Shu Da Tablets, a new TCM drug for depression (1.1 category), and carried out pharmaceutical research on the improvement of finished product quality standards, the transfer of process and analysis methods, and the process validation of three batches of mass production. In August 2022, Tongjitang Pharmaceutical officially launched the Phase III clinical trials on the efficacy and safety of Yu Shu Da Tablets in the treatment of mild and moderate depression, and completed case enrollment of 41 patients.

### Enhancing Access to Medicine

At present, the TCM finished drugs of the Group covers more than 2,000 tertiary medical institutions, more than 6,000 secondary medical institutions, and more than 160,000 medical institutions at primary-level or below, as well as more than 200,000 chain drug stores and independent drug stores. With nearly 1,800 commercial companies across China, a sales network covering China has been established. Those efforts have strengthened drug supply at the community level and in remote areas, and improved the access to medicine.

As the first export enterprise of concentrated TCM granules in China and a member enterprise of the Group, Jiangyin Tianjiang Pharmaceutical Co., Ltd. ("Jiangyin Tianjiang") has established a sales network covering more than 30 countries and regions around the globe. It has donated and provided pandemic prevention and control products for overseas Chinese and local residents in nearly 20 countries, benefiting more than one million person-times of people. Guangdong Yifang Pharmaceutical Co., Ltd. ("Guangdong Yifang"), a member enterprise of the Group, has established a sales network covering more than 60 countries and regions including the United States, Canada and Australia. Huashi Baidu Granules, the first innovate TCM finished drug for COVID-19 Infection in China, has been approved for registration and sale in Macau SAR.

The TCM finished drugs of the Group covers more than



2,000

tertiary medical institutions



6,000

secondary medical institutions



160,000

medical institutions at primary-level or below

### Reducing Burden of Patients

Insisting on the principle of fair pricing, China TCM has always been committed to providing affordable high-quality medicines. In line with the requirements of the Notice on Issuing the *Opinions on Pushing Forward the Pharmaceutical Pricing Reform* of the National Development and Reform Commission ("NDRC") and *Opinions on Effectively Carrying out Drug Price Administration* of the National Healthcare Security Administration, we have evaluated factors such as the affordability of patients and the consumer price acceptability to determine bid prices. Pricing of various medicines is conducted in strict accordance with the bid-winning price formed by the provincial online medicine procurement mechanism.

## Health Knowledge Popularization

China TCM has actively carried out free clinical programs and health knowledge popularization activities to improve the health consciousness of the public, serve the people's well-being, and facilitate the building of a healthy China.

During the Reporting Period, the Group and the People's Daily Health Client jointly planned the public welfare live interview program themed "how to make personal protection against COVID-19 at home" providing emergency science for the public and answering questions on current public concerns about pandemic prevention. The live program was broadcasted simultaneously on multiple media platforms, with more than 1.2 million views.



Case

### Zhonglian Pharmaceutical conducts free medical lecture

On July 15, 2022, Sinopharm Group Zhonglian Pharmaceutical Co., Ltd. ("Zhonglian Pharmaceutical"), together with Pfizer, conducted a free clinical activity for the public, including the on-site test of blood sugar, blood lipid and uric acid. The activity also invited the chief physician with the Department of Cardiovascular Medicine of Wuhan No. 1 Hospital to conduct an on-site lecture on cardiovascular knowledge and interpret examination reports, aiming at reminding the public of the daily precautions for diseases and improving their health consciousness.



## Quality Management

### Quality Management System

Sticking to the concept of quality first, the Group has strictly abided by the *Regulation on the Administration of Annual Reports on Drugs*, *Good Agricultural Practice for Chinese Crude Drugs*, and other applicable quality regulations and standards. The Group has established a sound quality management system for pharmaceutical products, and formulated the *Administrative Measures for Quality Supervision*. It has established the Quality Management Committee, and clarified the responsibilities and duties of committee members and the frequency and requirements of quality information reporting. Quality work performance assessment and policies of reward and punishment have also been in place.

The Group formulates and signs the *Written Pledge for Quality Management Objectives* with its directly managed subsidiaries every year. Assessment by objectives is conducted in the aspects of completion of key quality work programs, reporting of quality information, external sampling inspection of products, and quality announcements. All products are required to be tested and qualified before they can be sold in the market, and the product testing rate is 100 percent. During the Reporting Period, the affiliated production and operation subsidiaries of the Group all passed the production or operation permit inspections, and conducted business in accordance with the requirements of the Production Permit and the Operation Permit. In terms of quality and safety, the Group obtained multiple authoritative certifications.

### Quality and Safety Certification of Production and Operation Subsidiaries of China TCM in 2022

Member enterprises	Quality and Safety Certification
Guangdong Yifang	Passed the 10th recertification of the Therapeutic Goods Administration ("TGA") of Australia Passed the annual review of the ISO 9001 quality management system
Jiangyin Tianjiang	Passed the official certification and inspection of the TGA of Australia and obtained the certificate for the first time Passed the recertification of Kosher Passed the annual review of the ISO 9001 and ISO 14001 quality management systems
Tongjitang Pharmaceutical	Passed the ISO 9001 quality management system certification
Anhui Tianxiang	Passed the annual review of the ISO 9001 quality management system
Guangxi Yifang Tianjiang	Passed the ISO 9000 quality management system certification
Sinopharm Group Guizhou Healthcare	Passed the ISO 9001 quality management system certification Passed the ISO 22000 food safety management system certification

### Quality Inspection and Audit

Quality inspection and audit is another line of defense for China TCM to guarantee the quality safety of products. We have established internal systems for quality audit, formulated and constantly improved the *Administrative Measures for Internal Quality Audit* and *Operational Process Internal Quality Audit*. Internal control and routine inspections on product quality of subsidiaries have been conducted at irregular intervals, aiming at finding and rectifying the potential quality risks. During the Reporting Period, there was no major quality violations in the Group, and the pass rate of products reached 100%.

During the Reporting Period, the Company completed the 18 routine supervision and inspection of 17 subsidiaries, internal quality audit of 25 subsidiaries, special inspection on Chinese medicinal herbs of three subsidiaries, and special inspection on specialty drugs of 6 enterprises, and a total of 518 hidden problems were identified. Of those hidden problems, 463 involved Good Manufacturing Practices ("GMP") clauses (24 major deficiencies and 439 general deficiencies), and 54 involved Good Storage Practices ("GSP") clauses (28 major deficiencies and 26 general deficiencies), and one violated the relevant regulations of China TCM, and the rate of rectification completed within the year reached 100 percent. All subsidiaries were subjected to various types of sampling inspection, such as sampling inspection by medical products administration authorities, evaluative sampling inspection, national sampling inspection, provincial sampling inspection and special sampling inspection. The sampling inspections involved 1,512 batches of products and the materials used by 33 subsidiaries, and 4 batches of products and the materials used received non-conformance reports.

### Quality Culture Building

China TCM has attached great importance to quality culture, and holds the work summary meeting on quality management every six months. The backbone personnel of various subsidiaries and the leaders of the headquarters are required to participate in the work summary meeting, which summarizes and reports the quality management work and the next plans. China TCM has actively conducted training programs on quality management to improve the quality safety consciousness and capability of employees.

In addition, we have also carried out diversified quality activities at irregular intervals to strengthen the building of talent team, promote all staff to participate in the construction of quality culture, and improve the consciousness of quality, responsibility and risk of employees.

#### Training Programs on Quality in 2022

- Conducted over **1,000** trainings on quality totally
- Over **30,000** person-times of employees participated in the trainings

#### Major Quality-Themed Activities in 2022

- Organized employees to participate in the 2022 **TCM Lab Skills Contest** of Sinopharm
- Constantly improved the question bank of quality management knowledge, conducted online question bank exercise, and organized four sessions of the exercise
- Made the video courseware themed "**QC standard operation**" during the "**Quality Month**" campaign
- Conducted online salon live broadcasting activity themed "**experience sharing of quality management work**", and more than **1,000** person-times of employees participated in the activity

## Pharmacovigilance and Recall

### Pharmacovigilance

The Group has attached great importance to pharmacovigilance management, strictly abided by the relevant requirements of the Good Pharmacovigilance Practice. All subsidiaries have developed documents on pharmacovigilance system, and established the drug safety committees and pharmacovigilance departments. The head of pharmacovigilance department and the persons specially assigned for pharmacovigilance management are responsible for the routine work. The functional structure of pharmacovigilance management has been improved and self-examination on pharmacovigilance has been conducted in a regular manner in accordance with the *Guidelines for Pharmacovigilance Inspection*.

In 2022, the pharmacovigilance departments of various subsidiaries of the Group collected and summarized the information of adverse drug reaction through multiple channels. Through data analysis and evaluation, the Group revised product specifications in a timely manner to inform the public of the type and severity of adverse reactions, ensuring public safety in the use of drugs. At present, a number of product specifications have been revised.

During the Reporting Period, the Group, in strict accordance with national requirements and internal regulations, reported the adverse drug reaction information to the national adverse drug reaction direct reporting system, and the rate of qualified reporting reached 100 percent. In 2022, we received 30 adverse drug reaction complaints, all of which were effectively solved.

### Product Recall

The Group has closely monitored the marketed drugs, strictly abided by the relevant requirements of the newly revised *Administrative Measures for Drug Recalls*, and formulated the *Management Regulation for Product Quality Information*, and *Emergency Plan for Product Quality Incidents*, which clarifies the definition and classification level of quality incidents, the composition and responsibilities of the emergency team, the emergency handling process, the loss assessment, and the follow-up work procedures. The subsidiaries all have formulated their own emergency plans for product quality incidents and the administrative measures for drug recalls. Once a defective product appears, it will be immediately identified and traced and then investigated and evaluated, and corrective and preventive measures will be formulated to ensure the safety of medicine for the people.

The Group conducts a mock recall at least once every two years to ensure that all drugs can be recalled in a prompt and orderly manner in case of emergency. During the Reporting Period, the Group had four product recalls.

#### Product Recall Process

Based on the investigation and assessment of product safety hazards, the recall decision-making team makes recall decisions

Set up a recall task force to formulate a recall plan and clarify the product name, batch number and quantity involved

Initiate recall, inform consumers to stop using and recall products by telephone, media, etc.

Receive recalled products, store them separately and label the recalled products, and record the recalled products

The recall task force formulates treatment plans based on the recall situation and reports to the recall decision-making team and local drug regulatory authorities

## Customer Responsibility

### Responsible Marketing

Insisting on promoting and marketing the products in a responsible manner, China TCM has strictly abided by the *Measures for the Administration of Medical Advertisements*. We ensure the accuracy of information transfer in the marketing process, and false and exaggerated contents are strictly prohibited. In addition, we have established the market inspection department at the marketing center for reviewing the standardization of marketing process. Through on-site visits, questionnaire survey and other approaches, we have reviewed the qualification, sales policies and advertising practices of product sales partners. We have proposed corrective actions to the partner based on the identified problems, so as to ensure the quality of drug in circulation and sales processes and the rational use of drug by consumers.

The Group has regularly conducted professional skills training for drug sales personnel to improve their service level from the aspects of, among others, professional knowledge and service ability. During the Reporting Period, the Group carried out 30 training and test activities totally, and the number of participants reached 8,398 person-times. In 2022, there were no violations of advertising practices that were investigated and punished by the regulatory authorities, and there was no violations of product and service labeling in the Group.

### Communication with Customers

The Company and all its subsidiaries have established the department of inquiries and complaints for consumers, aiming at improving customer experience, collecting suggestions and timely responding to customer needs. We have actively responded to consumer inquiries about drug side effects, usage, prices, and so on, while properly handling complaints through compensation or the changing or refunding of products. Taking the business of TCM finished drugs as an example, after receiving the complaints, the quality management department of each subsidiary shall report to the quality management department of the Company within two hours and convey the relevant situation to the marketing center of TCM finished drugs; the sales personnel of the marketing center then assist the subsidiaries to deal with the complaints and give feedback of the results in a timely manner.

We have set up the “400” hotline to answer consumer inquiries relating to products. During the Reporting Period, we received more than 2,000 inquiries, of which 206 complaints were about products and services, down 37.38 percent from 2021. And the resolution rate of customer complaints was 100 percent.



the resolution rate of customer complaints was

**100%**

### Information and Privacy Security

The Group has strictly abided by the *Cybersecurity Law of the People's Republic of China*, *Personal Information Protection Law of the People's Republic of China* and other laws and regulations, and established completed information security management systems. Through rectification programs on information security, the Group has enhanced the security protection of information systems. The archival filing of multi-level protection has been implemented to ensure the Company's important information systems comply with the national regulations for security protection of computer information systems and guarantee the information security of the Company's data of production systems and the user data.

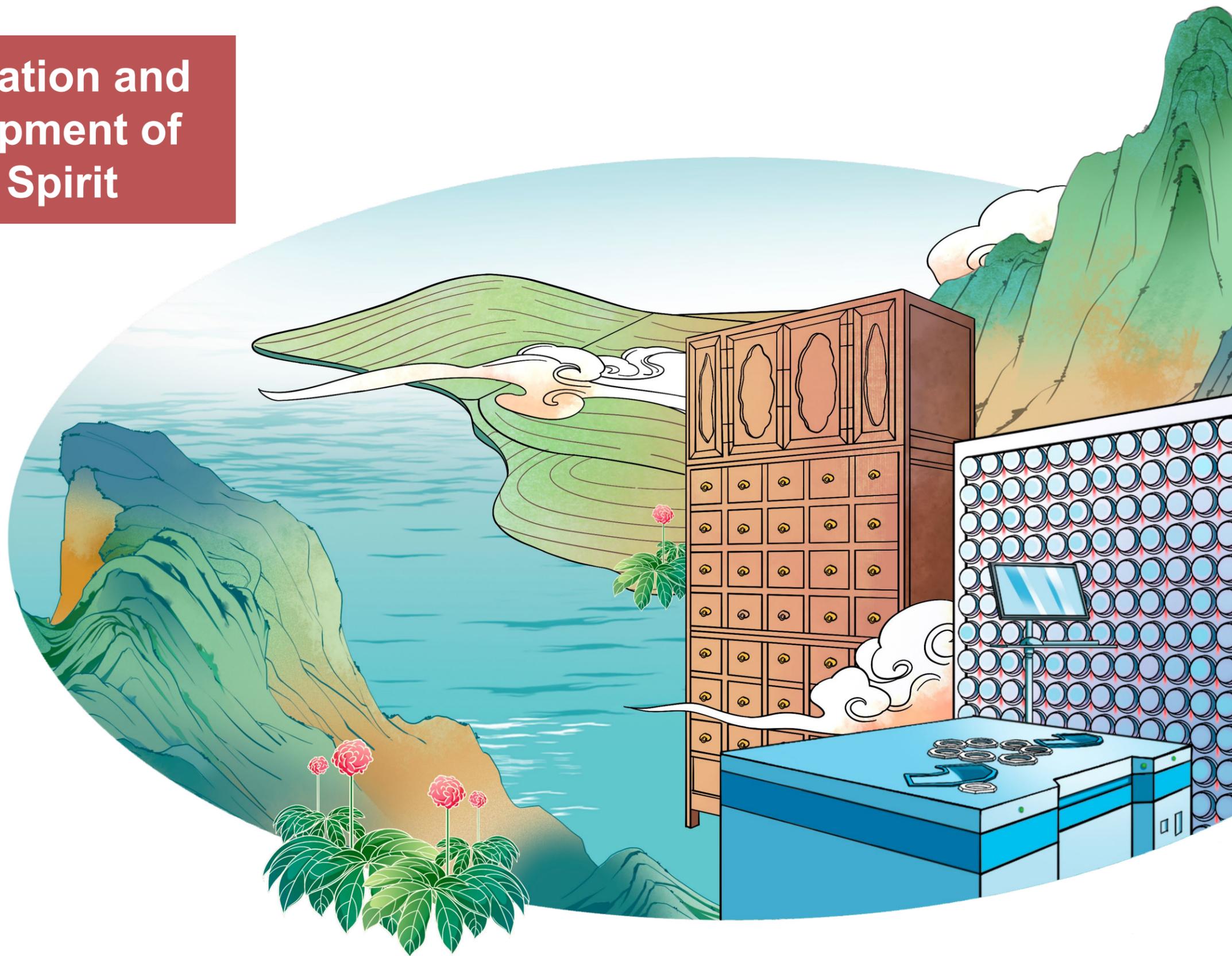
The Group has attached great importance to the protection of customer privacy, and formulated the *Administrative Measures of the Marketing Center for Customer Files* to manage customer information properly. We have set confidentiality agreements in business contracts, set exclusive files for customers, assigned view permissions, and arranged specialists to manage customer information files. In 2022, there was no incident that compromises customer privacy due to information leakage in the Group.

# Fostering Preservation and Innovative Development of TCM with Striving Spirit

China TCM has been grounded in science, forged ahead with determination, and focused on R&D and innovation, constantly improving the core competitiveness of drug products. The Company has taken the initiative to protect IPRs, promoted the building of Good Agricultural and Collection Practices ("GACP") Chinese medicinal herbs bases, developed the whole process traceable quality control system, and facilitated to achieve sustained high-quality development.

- R&D and Innovation
- Building of Chinese Medicinal Herbs Bases

# 03



# R&D and Innovation

## R&D and Innovation System

China TCM has always focused on promoting R&D and innovation. Centering on the strategic plan of “two categories and dual driving models” for scientific research, China TCM, in line with the requirements of the *Administrative Measures for Science and Technology*, has improved innovation management systems, established the TCM research institute, and set up eight R&D centers covering the whole chain; established the committee of scientific and technological experts to develop scientific and technological plans, and conduct scientific project consulting and assessment, scientific project establishment, and strategic decision-making; and taken the initiative to build scientific research management platform. China TCM has enhanced the institutional guarantee of R&D and innovation, revised and enlarged the *Administrative Measures for the Scientific Research of Postdoctoral Workstation*, and revised the *Administrative Measures for the Research and Development of Classical TCM Prescriptions (2022 Edition)*; intensified efforts to improve innovation performance and incentive systems, and formulated the *Administrative Measures for Special Incentives of R&D Projects* to inspire the vitality of innovation; and, held the 2022 scientific and technological conference, planned and arranged the work priorities during the 14th Five-Year Plan period, and adopted various measures to inspire creativity, thus leading the high-quality development of the TCM industry and the comprehensive TCM healthcare services.

### Scientific Innovation System with a “Three Horizontal and Eight Vertical” Matrix

China TCM has established the scientific innovation system with a “three horizontal and eight vertical” matrix, given full play to the advantages of information channels, resources and talented people, organically integrated the scientific research resources of the whole industry chain, deepened internal sharing and interconnectivity, actively conducted innovation in external cooperation, and promoted scientific breakthroughs in key fields with partners.

- **Three horizontal levels:**

Decision-making level of innovation system, R&D level of products and technologies, and technical support and technological achievements transformation level.

- **Eight vertical directions:**

TCM resources, TCM decoction pieces, concentrated TCM granules, innovative TCM finished drugs, classical TCM prescriptions, TCM health products, TCM information services, and TCM quality evaluation and quality evaluation and testing.

## Eight R&D Centers

### 01 Center for R&D of TCM resources

Focusing on the seed breeding of endangered medicinal herbs, the new variety breeding of Chinese medicinal herbs, standard setting, and research of alternative technology, the center is committed to the sustainable and healthy development of TCM resources.

### 02 Center for R&D of TCM decoction pieces

The center focuses on the preservation and innovative development of the processing technology of TCM decoction pieces, conducts distinctive processing technology research, and promotes the standardization of TCM decoction pieces.

### 03 Center for R&D of concentrated TCM granules

The center conducts research on quality standards of concentrated TCM granules, and promotes upgrading and transformation of industrial technologies, as well as the optimization and upgrading of key varieties of concentrated TCM granules.

### 04 Center for R&D of innovative TCM finished drugs

The center focuses on the development of innovative TCM finished drugs, the evidence-based clinical research of large varieties of TCM, the secondary development of famous and high-quality TCM finished drugs, the upgrading and transformation of technologies, and the development of ethnic medicines.

### 05 Center for R&D of classical TCM prescriptions

The center systematically conducts the research of quality standards and pharmaceutical technologies of compound TCM preparations of ancient classical prescriptions, and establishes research paths and regulations to accelerate the research of classical TCM prescriptions.

### 06 Center for R&D of TCM health products

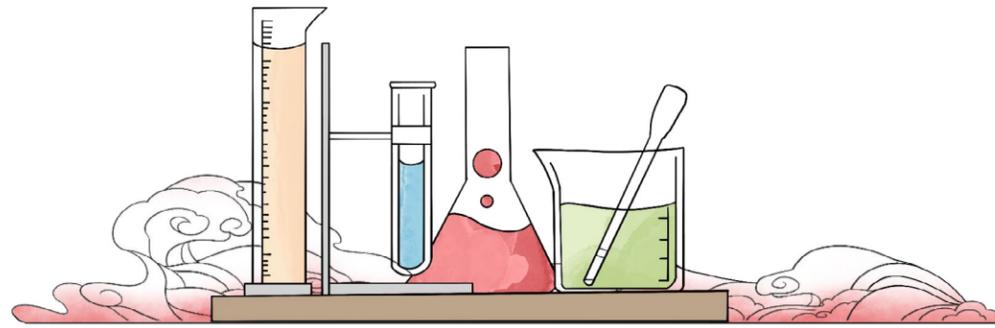
Based on the TCM theories, court and civil practices, and the distinctive resources, the center conducts the development of the so-called “affinal drug and diet” products and other health products, committing to improving people’s sub-health and physical conditions, as well as their health and fitness.

### 07 Center for R&D of TCM information services

Taking the TCM resources as the starting point, the center focuses on the whole industry chain of TCM, collects scientific information of TCM, shares technologies and processes, and promotes scientific and technological achievements, advances the research and application of TCM quality traceability system, facilitating the healthy development of the industry.

### 08 TCM quality evaluation and testing center

Committed to building an authoritative quality analysis and testing institution, the center focuses on applying sophisticated testing technologies, conducts quality analysis, and provides professional quality evaluation of Chinese medicinal herbs, seeds and seedlings, and TCM decoction pieces.



Investments in R&D RMB

**635** million

Ratio of R&D investments to operating revenue

**4.82%**



### Innovation platforms

**2**

national enterprise technology centers

**2**

TCM master's studios

**7**

provincial engineering technology centers

**2**

provincial key laboratories

**3**

postdoctoral workstations

**5**

CNAS laboratories

**2**

academician workstations

**13**

provincial enterprise technology centers



### Innovation teams

**25**

technology experts

**3**

experts enjoying the special government allowance

**1,263**

R&D personnel

**1**

leading professional of technology entrepreneurship in the National High-Level Personnel of Special Support Program

## Achievements of R&D and Innovation System

Insisting on the innovation-driven development strategy, China TCM has achieved fruitful results in the field of R&D and innovation. In 2022, the R&D of Yu Shu Da Tablets, a new TCM drug, achieved phased results; the number of national and provincial standards of concentrated TCM granules set by the Group took a leading position in the industry; accelerated the research of classical TCM prescriptions in a collaborative and sharing manner; conducted and completed the (consistency evaluation) process certification of nifedipine extended-release tablets (I), a generic drug; comprehensively carried out the clinical test and pharmacodynamical research of Huashi Baidu Granules with medical institutions and universities including Guangdong Provincial Hospital of Chinese Medicine, Shanghai University of Traditional Chinese Medicine, and General Hospital of PLA Northern Theater Command, and the research achievements reached a new higher level.

### Research on national standards for concentrated TCM granules

Completed the research of **424** national drug standards cumulatively

Among the **69** publicly released national standards in 2022

**37** were contributed by China TCM

### Research on classical TCM prescriptions

Completed the reference sample research of **28** classical TCM prescription cumulatively

Completed the research of pilot-scale production of **15** classical TCM prescription cumulatively



### Research on TCM decoction pieces

Completed the classification and grading of Cinnamomi Ramulus and other seven Daodi medicinal materials ("DMMs"); successfully developed donkey-hide gelatin beads, alcohol-based propolis extract, and fine decoction pieces of Exocarpium Citri Grandis

### Awards and Honors

- ▶ "Establishment of the national standard system of concentrated TCM granules and the innovative application of key technologies", a project jointly completed by Guangdong Yifang, Jiangyin Tianjiang, Guangdong Medi-World, Dezhong Pharmaceutical, and Tongjitang Pharmaceutical, as well as other scientific research institutions, won the first prize of Guangdong Provincial Scientific and Technological Progress Award;
- ▶ "Targeted analysis and key technology for quality control of the whole chain of Lingnan famous and excellent TCM and its industrialization", a project with the participation of Guangdong Yifang and Feng Liao Xing Pharmaceutical won the second prize of Guangdong Provincial Scientific and Technological Progress Award;
- ▶ "Construction and application of standardized production technology system for high-quality Radix Aconiti Lateralis Preparata (Radix Aconiti), a project with the participation of Beijing Huamiao and Jiangyou Zhongba Fuzi, won the second prize of Sichuan Provincial Scientific and Technological Progress Award;
- ▶ "Interpretation of the scientific connotations and the application of raw and cooked Rhubarb", a project with the participation of Jiangyin Tianjiang, won the second prize of Jiangsu TCM Science and Technology Award;
- ▶ "Key technology for industrialization of concentrated TCM granules", a scientific project independently conducted by Guangdong Yifang, was honorably included in the list of Leading Technologies of 2021 Innovation China;
- ▶ "Nifedipine extended-release preparations and the methods of preparation", a patent independently developed by Guangdong Medi-World, won the excellent patent prize of the 23rd China Patent Award;
- ▶ Clinical research results of treating recurrent respiratory tract infection in children with Yu Ping Feng Granules was published in *Pediatric Investigation*, a fully open access and international journal disseminating the cutting-edge knowledge on clinical observations of pediatric research.

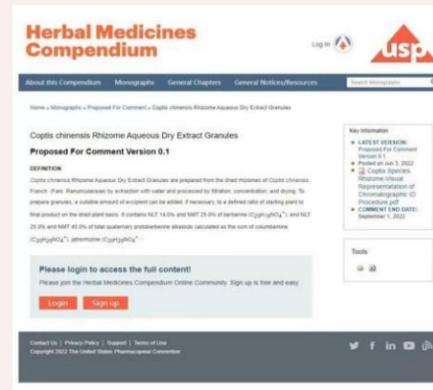


### Jiangyin Tianjiang selected in “national team” of enterprise technology centers with continuous scientific research and innovation achievements

On February 23, 2022, NDRC and other departments jointly issued the *Notice on the List of Newly Identified and All National Enterprise Technology Centers in 2021 (28th Batch)* (NDRC High-Tech [2022] No.158). Jiangyin Tianjiang, was selected in the list of national enterprise R&D platform, which was the first of its kind in Wuxi, east China’s Jiangsu Province, during the 14th Five-Year Plan period.

Jiangyin Tianjiang is China’s first “national pilot unit for the reform of TCM decoction pieces” approved by National Administration of Traditional Chinese Medicine, and one of China’s first batch of “pilot production enterprises of concentrated TCM granules” approved by China Food and Drug Administration. It has undertaken more than 30 national or provincial scientific research projects including the “National Key Science and Technology Special Projects” and the “National Key Technology Research and Development Program” of the Ministry of Science and Technology, and the key scientific research projects funded by the National Administration of Traditional Chinese Medicine, and boasts more than 30 core technology patents of the industry. It has established the first academian workstation in the industry, a TCM Master’s Studio, and a postdoctoral workstation. It has been certified as the Application Platform for New Model of Intelligent Manufacturing by the Ministry of Industry and Information Technology, and is the first CNAS certification and testing platform in the industry.

Jiangyin Tianjiang has taken the lead to conduct scientific research. It has drafted more than 200 national and provincial standards of concentrated TCM granules, among which 48 were publicly released by the National Medical Products Administration and the Chinese Pharmacopoeia Commission as formal standards. It has taken the initiative to apply the research projects of compound standards in Hong Kong SAR including Xiao Chai Hu Tang. It has completed and submitted the draft quality standard of concentrated TCM granules consisting of dandelions, wolfberries and spina date seeds in accordance with the United States Pharmacopeia. The draft standard of *Coptis chinensis Rhizome Aqueous Dry Extract Granules* has passed the technical review of the United States Pharmacopeia, and has been published in the Herbal Medicines Compendium, hoping to be the first variety of concentrated TCM granules to be listed in United States Pharmacopoeia.



The draft standard of *Coptis chinensis Rhizome Aqueous Dry Extract Granules* was published in the Herbal Medicines Compendium

### IPRs Protection

China TCM has supported, encouraged and actively stepped up the work on intellectual property rights (“IPRs”). The Company has strictly abided by the *Copyright Law of the People’s Republic of China*, and other laws and regulations, and formulated the *Administrative Measures for Patents* to manage the patent application, transfer and other patent-related affairs in a strict manner. The Company has launched and operated the IPRs management system to realize the total lifecycle management of IPRS and effectively guarantee the security of IPRs. In 2022, Guangdong Yifang and Guangdong Medi-World successfully passed the recertification of standard implementation, and Tongjitang Pharmaceutical passed the standard implementation supervision; Guangdong Medi-World obtained the certificate of intellectual property management system.



Obtained **209** authorized patents in 2022 among which **79** were patents for invention



Applied **13** PCT patents cumulatively among which **2** were authorized by the United States and **2** were authorized by the Republic of Korea

## Building of Chinese Medicinal Herbs Bases

In order to achieve the strategic goals of the production and operation of Chinese medicinal herbs during the 14th Five-Year Plan period, China TCM has accelerated the improvement of the production and operation institutions and systems of Chinese medicinal herbs, strengthened the operation management of Chinese medicinal herbs, and advanced the construction of demonstration bases for standardized production. In line with relevant laws and regulation, as well as the actual situation of the Company, China TCM has formulated the *Administrative Measures for the Production and Operation of Chinese Medicinal Herbs, Guidelines for the Construction of Standardized Production Technology Bases of Chinese Medicinal Herbs, Variety Catalogue for the Construction of Standardized Production Technology Bases of Chinese Medicinal Herbs (1st Batch)*, and *Administrative Measures for the Financial Support for the Construction of Standardized Production Technology Bases of Chinese Medicinal Herbs*.

According to the latest Good Agricultural Practice (“GAP”) and the requirements and standards of production base construction of Chinese medicinal herbs in 2022, China TCM has taken the lead to prepare and release the *Administrative Measures for Production Quality Management Practices of Chinese Medicinal Herbs* to guide its affiliated bases to carry out the work on GAP in advance; formulated and released the *Administrative Measures for Product Buyback of Chinese Medicinal Herbs Production Bases* to clarify the process and key elements of product buyback of the base; revised 29 standards in the 2022 version of Chinese medicinal herbs production bases, and formulated the enterprise standard for technical specifications of standardized production of key varieties of Chinese medicinal herbs of the first batch of 30 companies, thus comprehensively improving the capability of China TCM in supplying high-quality Chinese medicinal herbs.



**38** subsidiaries have been included in the resource management segment of Chinese medicinal herbs among which **30** have applied to build Chinese medicinal herbs bases.

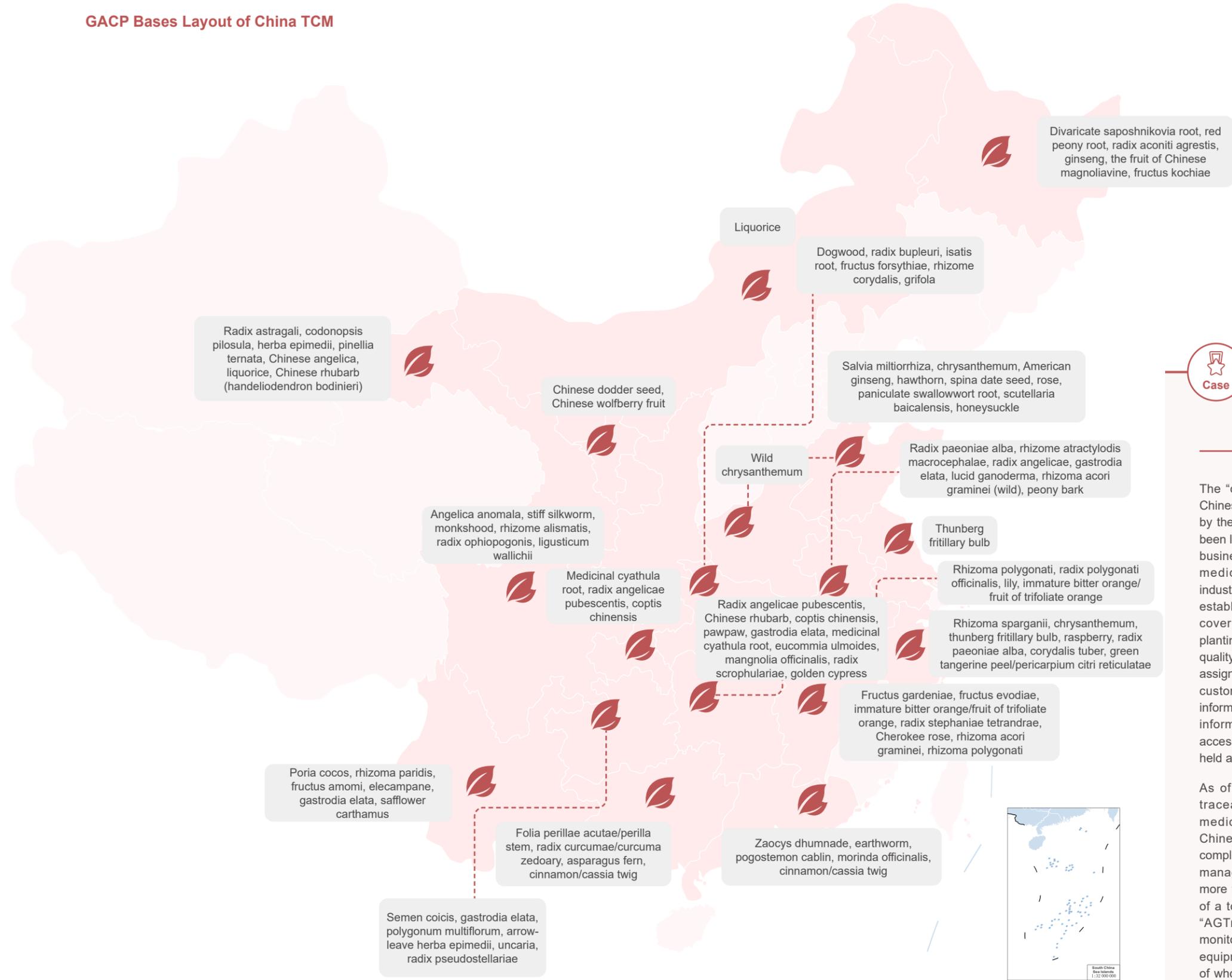


The number of Chinese medicinal herbs planted at the GACP bases in accordance with the standardized construction requirements have reached **91** varieties up about **23%** year-on-year



The verified area of the GACP bases of Chinese medicinal herbs has reached more than **250,000** mu, up about **67%** year-on-year

### GACP Bases Layout of China TCM



#### Quality traceability management system for Chinese medicinal herbs launched

The “quality traceability management system for Chinese medicinal herbs” independently developed by the Chinese medicinal bases of the Group has been launched. Through the digitalization of various business links such as the resources of Chinese medicinal herbs, transactions and logistics, industrial manufacturing, and sales, the Group has established a whole process traceability system covering, among others, seeds and seedlings, planting, primary processing, logistics, production, quality inspection, and sales. With the approach of assigning item codes to finished products, patients, customers and regulators can learn the product information. Those efforts have gradually made the information of product source and whereabouts accessible, and also allowed liable persons to be held accountable.

As of the end of December 2022, the Quality traceability management system for Chinese medicinal herbs had covered 80 varieties of Chinese medicinal herbs, among which 52 had completed the assignment of traceable item codes; managed 179 plantation bases with an area of more than 150,000 mu; completed the installation of a total of 209 monitoring equipment including “AGTrace” devices, cameras, pest and insect monitoring equipment, and panoramic monitoring equipment for 14 bases, thus realizing the goals of whole process traceability of Chinese medicinal herbs and their quality control.

## Building Industry Ecosystem with Concerted Efforts

China TCM has given full play to its strength in business resources, tried the best to build a responsible supply chain, and constantly expanded and deepened strategic cooperation and exchanges. Through developing a new ecosystem for business development, China TCM has promoted win-win industrial cooperation.

◉ Supplier Management

◉ Deepening of Cooperation and Exchanges

# 04



## Supplier Management

While maintaining good cooperation with suppliers, China TCM has strengthened ESG management of suppliers, and enhanced the risk management and control of whole industry chain. The Company has strictly required that the incoming cargo transport vehicles are clean, hygienic and pollution-free. Organic and inorganic solvents, inflammable and explosive products and other chemicals, as well as pesticides, veterinary drugs, rodenticides, cockroach exterminators and other drugs are not allowed. The Company has improved the ESG review process, strengthened the on-site audit of the environment, safety and other aspects of the production workshop, warehouse and other areas of the newly admitted suppliers; intensified efforts to supervise the integrity operation and clean management of suppliers, strictly prohibited commercial bribery, and set up channels for supervision and feedback; required the newly admitted supplier to sign the *Integrity Agreement (Procurement Business) in Key Areas*; promoted communication and exchanges with suppliers; prepared the *Letter to Suppliers* in accordance with the priorities and focused problems of suppliers and corporate requirements, and issued the letter to suppliers annually.

During the Reporting Period, China TCM had a total of 199 suppliers in mainland China. There was no procurement or use of medicinal materials of unknown origin, and no major breach of laws and violations of suppliers. The number of suppliers whose cooperation was suspended or rejected due to non-compliance operations was zero.



### Case Jiangyin Tianjiang realizes transparent and convenient procurement with materials inquiry platform

Jiangyin Tianjiang developed an online “materials inquiry platform” with the functions of, among others, supplier management, inquiry management, contract tracking management, and file management of raw materials. With the platform, Jiangyin Tianjin has effectively achieved the quality and efficiency improvement, ensured the traceability of the whole procurement process, and truly realized sunshine and convenient procurement.

#### • Supplier management:

Jiangyin Tianjiang manages the registered suppliers on the platform who upload the qualification certificate. After the approval, the supplier can bind the varieties on the platform and receive the inquiry information of the corresponding varieties later. A qualification expiration reminder function has been developed to send information 15 days in advance to the supplier whose qualification will expire.

#### • Inquiry management:

With the approval by the person in charge, the platform uploads the demands, sets the deadline for quotation, and sends it to registered suppliers. After receiving the information, the supplier clicks the link and logs in the quotation page. After the quotation is completed, the price is negotiated. With the negotiation completed, the purchase form is automatically generated. And, with the approval by the person in charge, the contract is automatically generated.

#### • Contract tracking management:

The supplier logs in to the system, prints the contract, and then seals the original contract and sends it back for filing; logs in to the platform to make an appointment for arrival of materials, and delivers the materials after approval. The arrival data of the contract will be input later, and the arrival status will be set for later inquiry.

#### • File management of raw materials:

Maintenance and management of basic materials such as raw materials for concentrated TCM granules, TCM decoction pieces and food.

## Deepening of Cooperation and Exchanges

Insisting on the concept of mutual benefit, China TCM has enhanced the multi-dimensional cooperation and exchanges with the government, enterprises, research institutions, colleges and universities, and partners in other fields, aiming at achieving synergy and sharing of resource advantages, and high-quality development of the industry through joint contribution and win-win cooperation.

### Government-Business Cooperation

Government-business cooperation is an important model for promoting the high-quality development of the industry. In 2022, China TCM received government officials at provincial level, as well as city-, district- and country-level for more than 50 times for visits, inspections and talks, which effectively promoted the plantation of Chinese medicinal herbs and the development of comprehensive healthcare services, advanced the establishment of business layout, and boosted the government-business cooperation in eastern and western China. China TCM signed strategic cooperation agreements with the People's Government of Tongren City, the People's Government of Baishan City, and the People's Government of Jiangyin City respectively, continuously deepening implement of the cooperation agreements with local government, promoting the establishment of business layout, and exploring the new model for government-business cooperation.



In 2022, China TCM received government officials at provincial level, as well as city-, district- and country-level for more than **50** times for visits, inspections and talks



Li Bingjun, Deputy Secretary of the CPC Guizhou Provincial Committee and Governor of Guizhou Province, and his delegation conducted an investigation and research tour to China TCM



China TCM signed a strategic cooperation agreement with the People's Government of Tongren City



Jing Junhai, Secretary of the CPC Jinlin Provincial Committee, and his delegation conducted an investigation and research tour to a China TCM-assisted plantation base of Chinese medicinal herbs



Government officials of the People's Government of Jiangyin City visited China TCM

## Industry Exchanges

China TCM has paid attention to cooperation and exchanges with industry partners and worked with them to create value. The Group has focused on the exploration and exchanges for high-quality development; participated in the 2022 China International Fair for Trade in Services, TCM Exhibition at Beijing's Olympic Village, BRICS High-Level Forum for Sustainable Development, the Belt and Road Forum for Traditional Chinese Medicine Development, the Annual Conference of China Hospital CEO, and other international and domestic conferences; and, strengthened the cooperation with other enterprises and the internal industry chain-based cooperation. Seven key affiliated enterprises of the Group have jointly established a scientific and technological innovation consortium. The Group has won the bidding of the "technical service platform for the quality of Chinese traditional medicine of the whole industry chain" project of the Ministry of Industry and Information Technology. Nine upstream and downstream enterprises of the industry chain have jointly undertaken the "public service platform for the guarantee of the supply of Chinese medicinal herbs" project of the Ministry of Industry and Information Technology, contributing to the eco-friendly development of the industry.



In September, China TCM participated in China International Fair for Trade in Services in 2022. Ali Obaid Al Dhaheri, Ambassador of the United Arab Emirates to the People's Republic of China, and his delegation, accompanied with Liu Jingzhen, chairman of CNPGC, visited the exhibition hall of CNPGC to learn the concentrated TCM granules and the intelligent allocation system.

Chen Yinglong, chairman of China TCM, attended the Annual Conference of China Hospital CEO upon invitation and delivered a speech

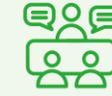


Lan Qingshan, vice president of China TCM, attended the Belt and Road Forum for Traditional Chinese Medicine Development upon invitation and delivered a keynote speech



## Cooperation with Universities and Research Institutions

China TCM has comprehensively promoted the collaborations between businesses, universities, and research institutions, and maintained close cooperation relations with dozens of well-known scientific research institutions, colleges and universities including the Institute of Chinese Materia Medica of China Academy of Chinese Medical Sciences, Hong Kong University of Science and Technology, Macau University of Science and Technology, and Nanjing University of Chinese Medicine, aiming at jointly conducting the research and development of key and major projects covering ancient classical TCM prescriptions, concentrated TCM granules, and in-hospital preparations, accelerating the transformation of scientific achievements, and achieving win-win cooperation. In 2022, China TCM established six new organizations with the collaborations between businesses, universities, and research institutions, and the number of those organizations reached 12 cumulatively.



In 2022, China TCM established **6** new organizations with the collaborations between businesses, universities, and research institutions

the number of those organizations reached **12** cumulatively

### Newly established organizations with the collaborations between businesses, universities, and research institutions in 2022

- Jiangyin Tianjiang and academician of Chinese Academy of Engineering Liu Liang jointly established the "Academician Liu Liang-Jiangyin Chinese Traditional Medicine Industry Research Center"
- Tongjitang Pharmaceutical and the 2nd Affiliated Hospital of Guizhou University of Chinese Traditional Medicine jointly established the "Guizhou Provincial Demonstration Center of Traditional Chinese Medicine Preparation"
- Guangdong Yifang and Guangzhou University of Chinese Medicine signed cooperation agreement to establish a key laboratory of TCM resources (joint construction)
- Shandong Yifang Pharmaceutical Co., Ltd. ("Shandong Yifang") and Shandong Agricultural University jointly established the "Teaching, Scientific Research, Practice and Education Base"

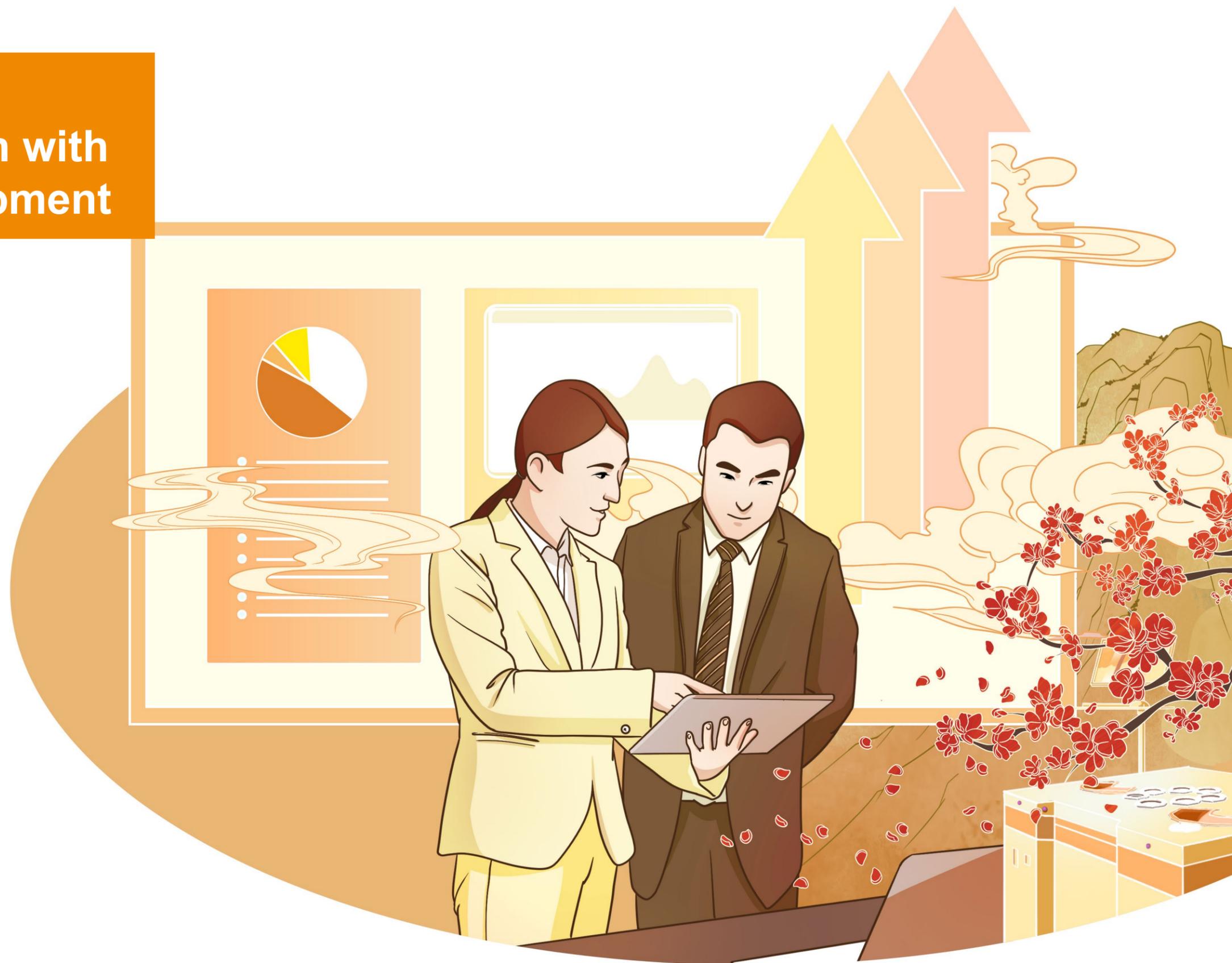


# Empowering Employee Growth with Common Development

The Group has always paid attention to the talent work, formulated the human resources plan for the 14th Five-Year Plan period, improved the talent introduction mechanisms, and built distinctive talent cultivation models, deepened reform on talent management systems. It has established a complete remuneration and benefits system and a perfect mechanism for employee growth and promotion, provided a safe and healthy working environment and a warm working atmosphere for employees, and strived to achieve common growth and development with employees.

- Recruitment and Development
- Rights & Interests and Benefits
- Employee Care
- Health and Safety

# 05



## Recruitment and Development

In line with the employment demands and corporate development situation, the Group has constantly recruited and cultivated talented people, and created suitable development paths for employees, thus achieving mutual promotion between employee growth and corporate development.

### Talent Recruitment

Talented people are the primary resource for corporate development. China TCM has vigorously promoted the strategy of developing enterprise by talent management. The recruitment plan of the year is developed in accordance with its talent development plan and the demands of corporate operations and management, as well as the corporate requirements of establishing a reserve talent team. Through the combination of internal and external recruitment, as well as online and offline recruitment, China TCM has intensified its efforts to recruit talented people in line with an open and impartial principle and the policy of appointing people on their merits.

### Recruitment Management

The Group has formulated and refined the *Administrative Measures for Recruitment Management*, *Administrative Measures for Labor Employment*, and *Administrative Measures for Labor Contract Management*, as well as other rules and regulations relating to recruitment. The Group has launched an online recruitment management system and established a professional interviewer team to ensure efficient recruitment.

### Recruitment Measures

Introducing new talent recruitment model with “Live Recruitment”: The two live recruitment activities held by China TCM attracted more than 80,000 person-times of viewers, and received over 3,000 resumes, which highlighted the popularity, reputation, influence and attractiveness of the Group as an employer brand.

Exploring the new model of collaborations between businesses, universities, and research institutions: China TCM established cooperation relations with well-known domestic universities including Peking University, Tongji University, and China Pharmaceutical University through cooperative training programs for master and doctoral candidates, thus forming joint force for innovation.

Building employer brands: In 2022, China TCM won the “China Talent Management Culture Exemplary Award” of Beisen, the “2022 Recruitment Operation Benchmarking Enterprise Award” of Yonyou Dayee, the title of “2022 Influential Employer” of Enfovia, the title of “2022 Most Influential Employer” of haitou.cc, and other awards and honors; Jiangyin Tianjiang won the “Excellent Case Award” of Human Resources Development of China, and the title of “National Demonstration Enterprise for Establishing Harmonious Labor Relations”; Guangdong Yifang won the “Innovation Case Award” of Human Resources Development of China, showing the continuous improvement of the employer brand image.



China TCM won a number of awards and honors as an employer brand

### Recruitment Arrangement

- **Introduction of key and core personnel with strategic significance**

Targeted introduction of key and core personnel with strategic significance through the headhunting agency; introduced eight key and core personnel from other leading enterprises, with specialties in, among others, strategic management, legal affairs, safety and environmental protection, audit, and Chinese medicinal herbs.

- **Introduction of professionals**

Introduced more than 40 professionals, with appointed positions in Chinese medicinal herbs center and others.

- **Campus recruitment**

Through the integrated utilization of on-site recruitment fair, “cloud recruitment”, mutual-selective recruitment, live streaming-based recruitment, seminar, and so on, China TCM organized 30 subsidiaries conduct “Spring Campus Recruitment” activities, offering more than 600 job opportunities and attracted more than 2,000 graduates; China TCM enhanced the cooperation relations with 12 key universities in terms of graduate recruitment.

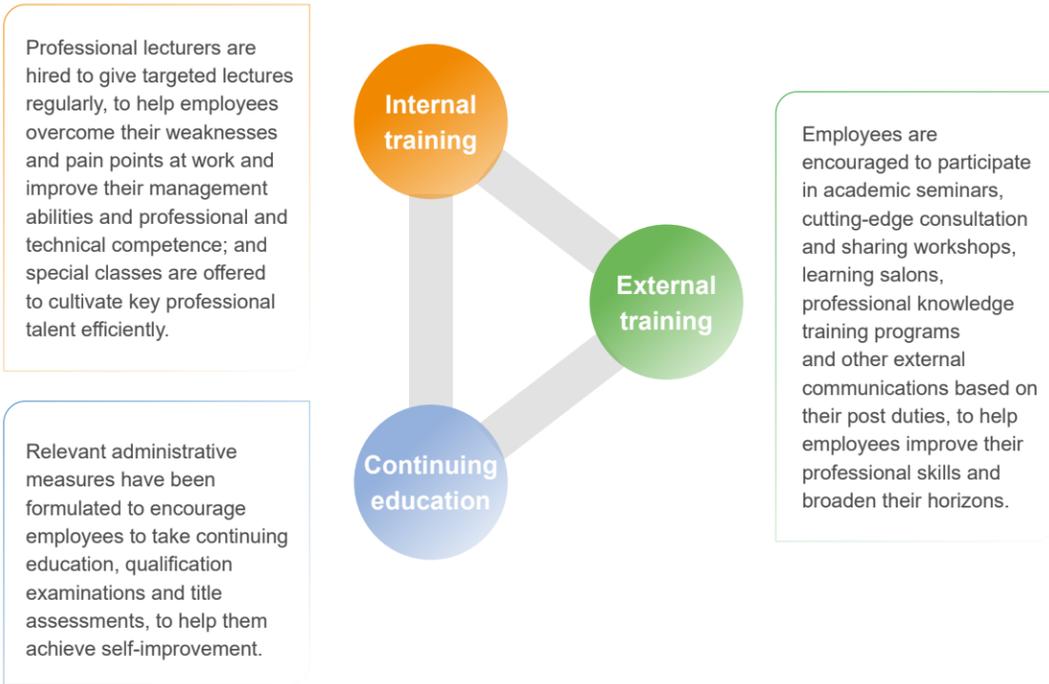
- **Institutionalization and standardization of background investigation**

Integrated the regulated process of background investigation into the recruitment management systems, and promoted subsidiaries at all levels to effectively implement the background investigation of the personnel to be hired, thus ensuring the strictness, efficiency and security of the recruitment work.

## Talent Cultivation

The Group has conducted the employee training work in accordance with the 14th Five-Year Plan for human resources, and released the *Administrative Measures for Training Management*, formulated the administrative measures for internal trainers, and given full play to the role of management personnel, professionals and technical personnel. Efforts have been made to realize the sharing and popularization of internal knowledge. Through adopting diversified training approaches, the Group has built a platform for employees to comprehensively exert their abilities.

In 2022, China TCM conducted 3,862 training activities, and the number of participants reached 132,384 person-times.



### Training for production and management personnel of Chinese medicinal herbs

Through integrating the teaching resources of internal and external experts and lecturers, China TCM developed a knowledge system of Chinese medical herbs industry chain, which covers five course topics and more than 40 courses, with diversified training forms such as online and offline teaching, on-site visits, and practices.



## GMP training

The training program is customized for the personnel of the Group who are engaged in pharmaceutical manufacturing; the training contents cover GMP, appendix of TCM production, drug administration law, TCM law, relevant policies, latest regulation reforms, and so on; aiming at deepening the understanding of employees on the basic knowledge of pharmaceutical manufacturing.



## Train-the-Trainer (TTT) program

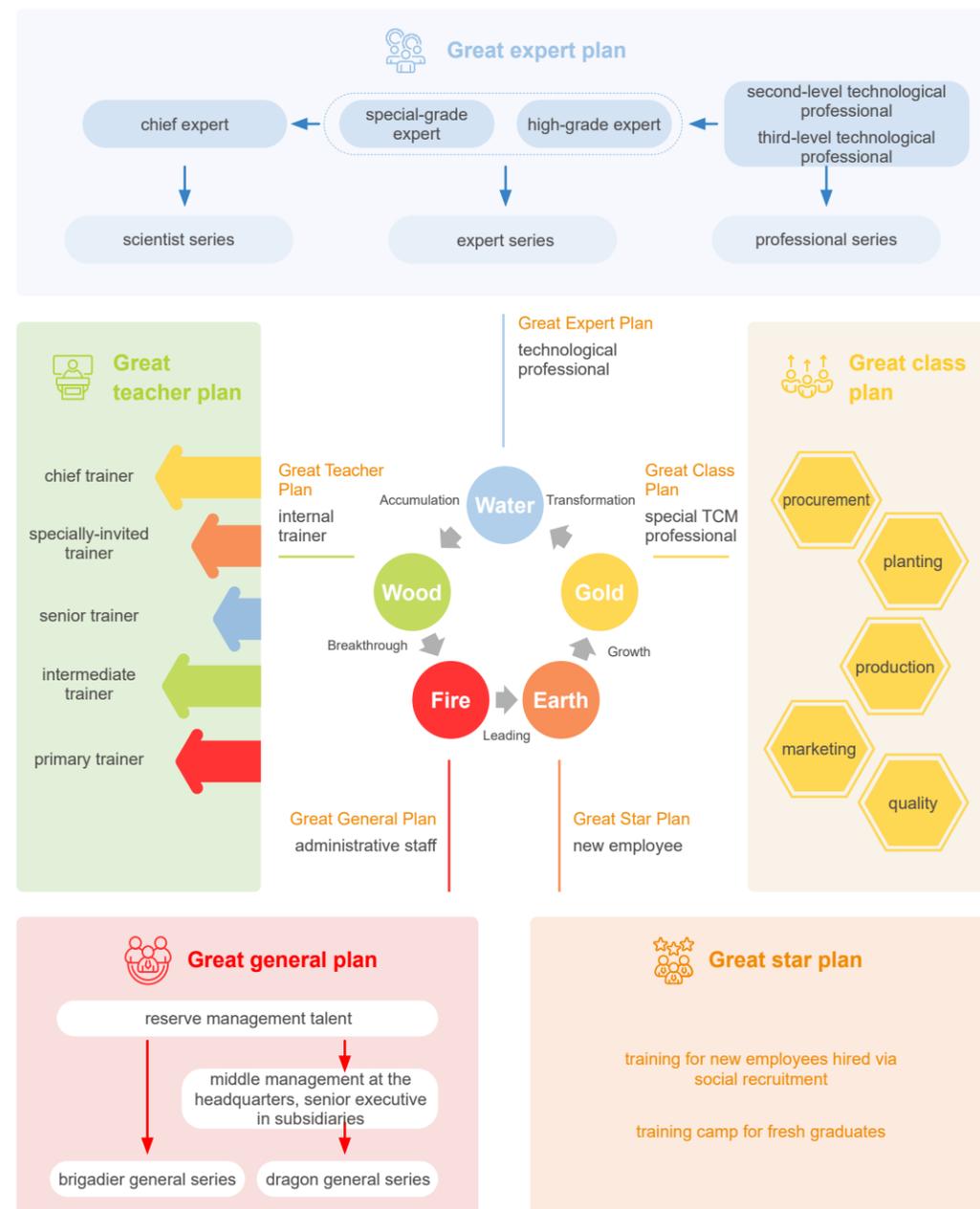
Through self-introduction, theoretical knowledge, language practice, speech by drawing questions, self-breakthrough, group-based course making and so on, the program enhances internal trainers' speech and teaching skills.



## Talent Development

China TCM has been committed to creating a fair and rational promotion mechanism and a reasonable development channel for employees. The Company has updated and revised the *Administrative Measures for Appointment and Dismissal of Management Personnel* and other rules and regulations of talent development. In line with the analysis and assessment results of the quality of each and every employee, the Company has built complete career development paths, qualification systems, promotion mechanisms, and remuneration adjustment mechanisms. Based on the actual situation of talent development, China TCM has also created the talent development system of "Five-Element & Great-Plan" that takes the training for new employees as the basis, the distinctive courses as the key, and the building of internal trainer team as the support, and focuses on the improvement of technical expertise and comprehensive management capabilities, trying the best to build a platform for its employees to achieve self-fulfillment.

"Five-Element & Great-Plan" Talent Development System



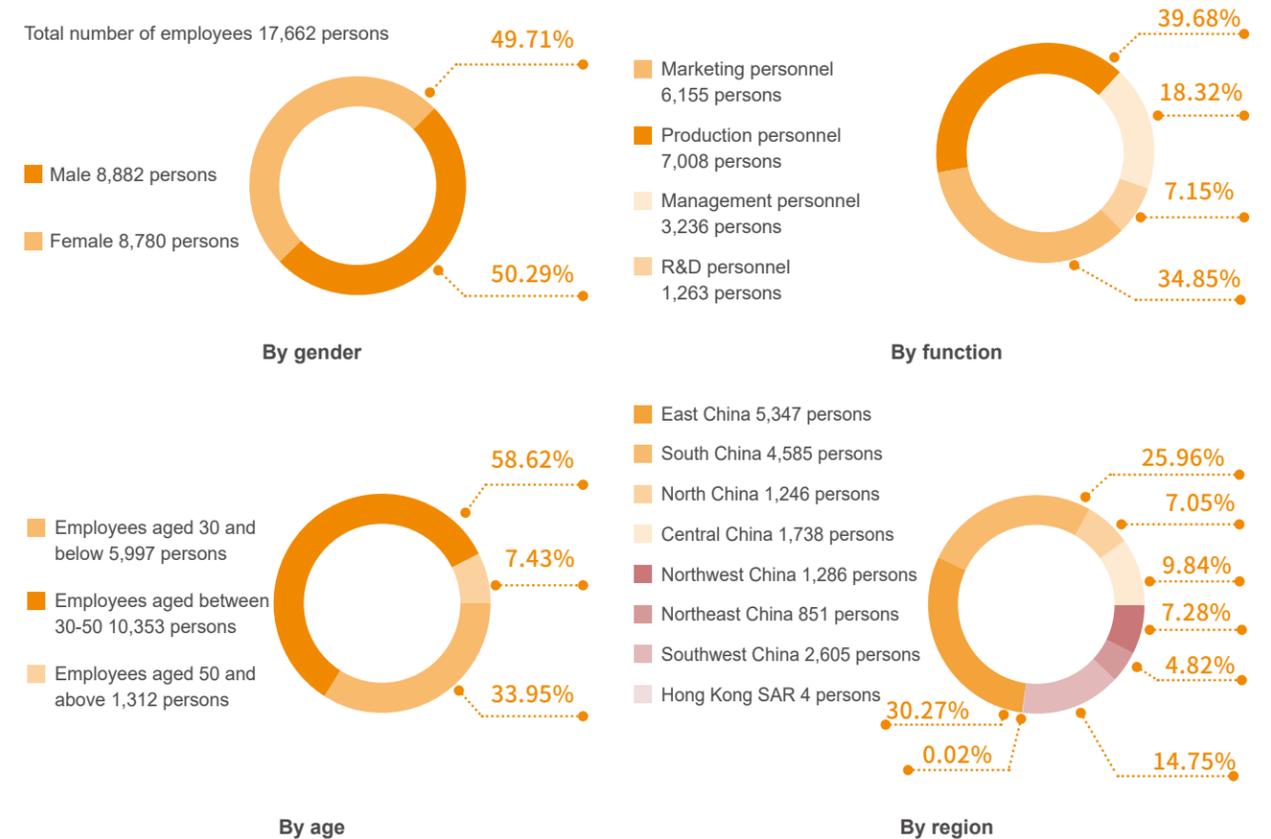
## Rights & Interests and Benefits

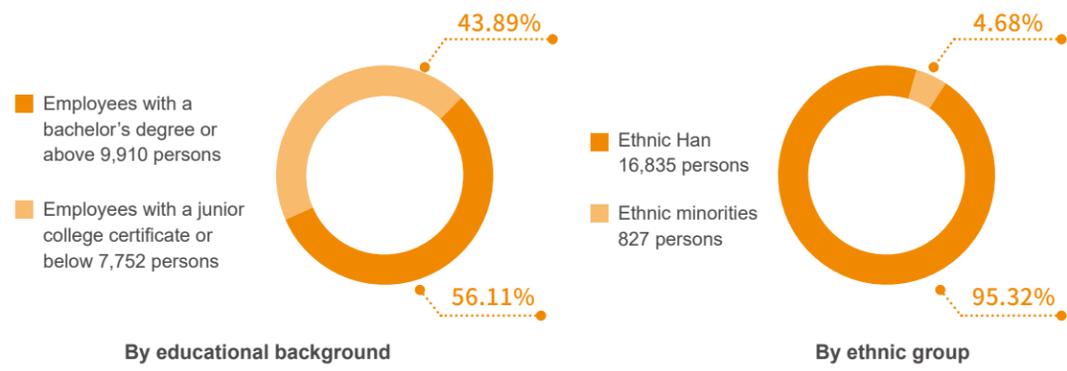
The Group has fully guaranteed legitimate rights and interests of every employee, and earnestly listened to the voice of employees. It has been committing to building a people-oriented work and life model and a fair and reasonable remuneration and benefits system to ensure the sense of gain of employees.

### Equal Employment

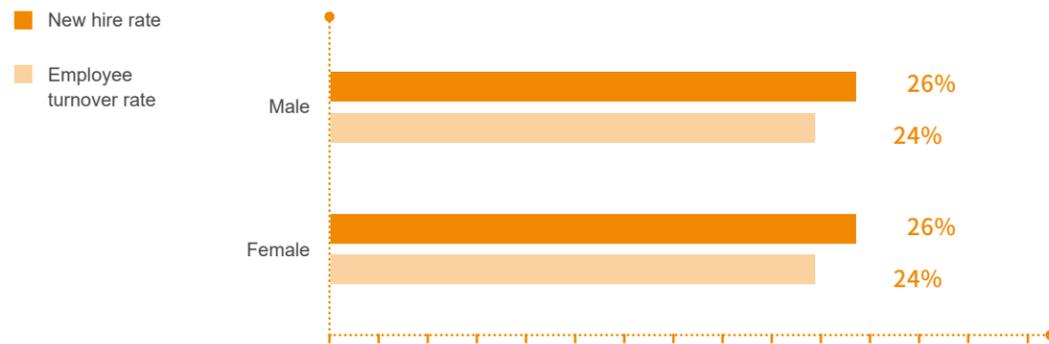
We have strictly abided by the *Provisions on the Prohibition of Using Child Labor*, *Law of the People's Republic of China on the Protection of Minors*, and other relevant laws and regulation. We have promoted the institutionalization and standardization of the background investigation work, and integrated it into the recruitment management systems, aiming at preventing the violations of labor standards. During the Reporting Period, there were no cases of child labor and forced labor in the Group.

The Group has conducted employment management in accordance with the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Employment Ordinance of the Hong Kong SAR*, and other relevant laws and regulations, and insisted on the principle of equal employment, with 100 percent of signing rate of labor contracts. The Group has abided by the policy of workforce diversity, and provided equal employment opportunities for people of different genders, from different regions and with different cultural backgrounds. During the Reporting Period, the proportion of female employees in management was 38.2 percent, and the number of disabled employees was 117 people.

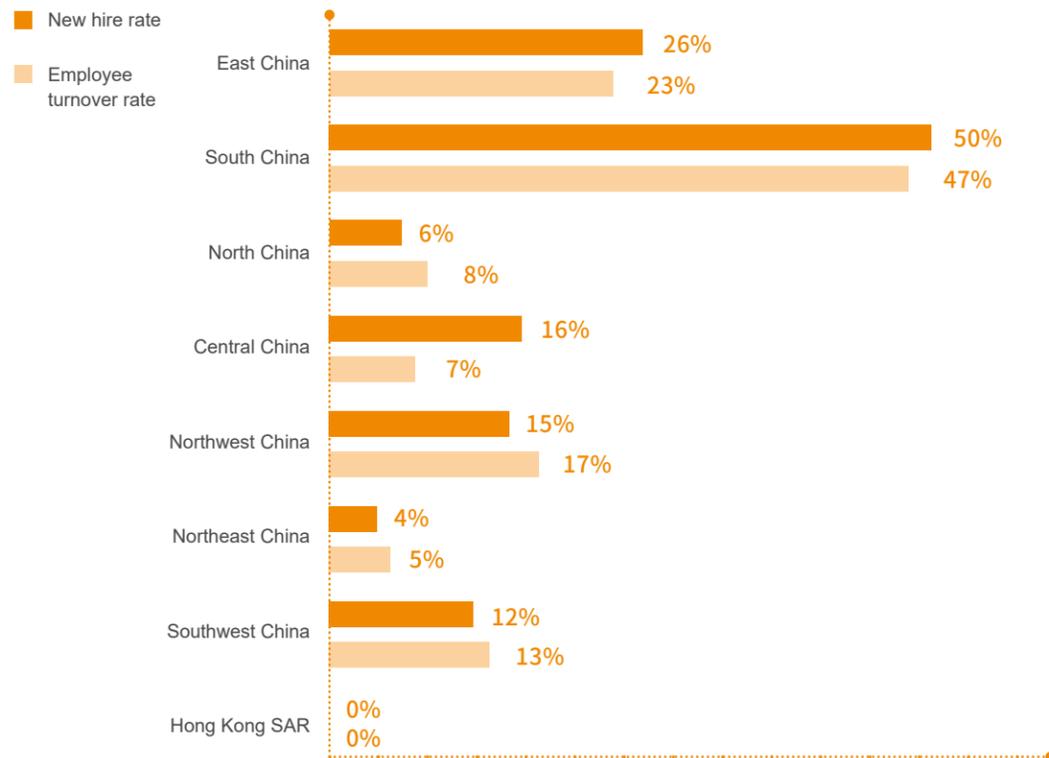




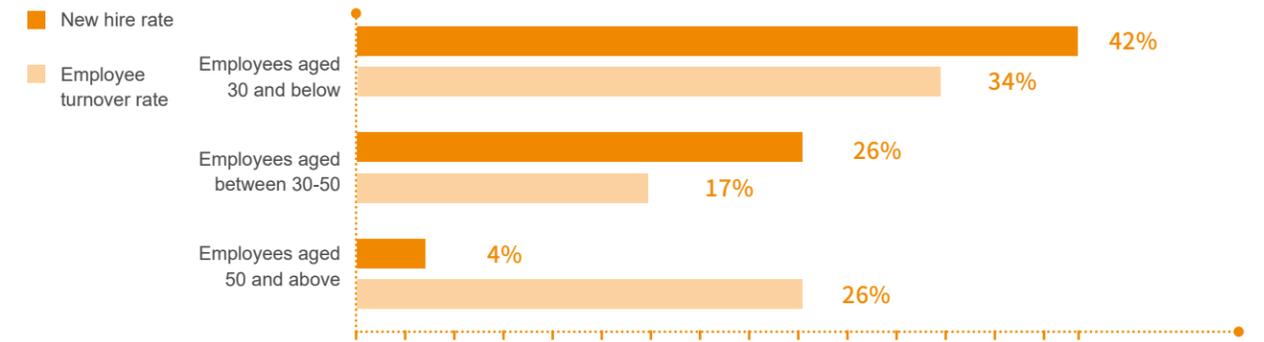
Employee Turnover Rate and New Hire Rate By Gender



Employee Turnover Rate and New Hire Rate By Region



Employee Turnover Rate and New Hire Rate By Age



### Remuneration and Benefits

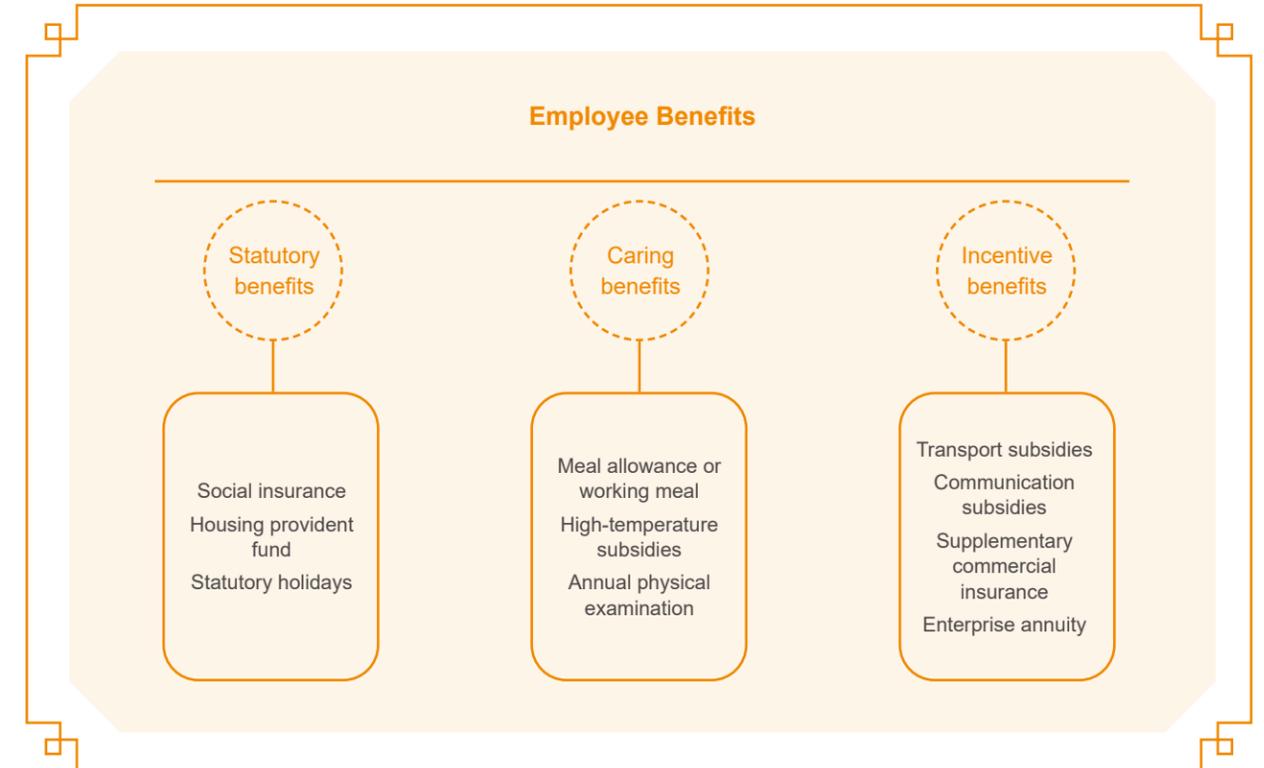
The Group has focused on building a fair and impartial remuneration system and a people-oriented benefits system to motivate employees and enhance their sense of happiness. Efforts have been made to ensure that salaries are paid on time and in full and that men and women are paid equally for equal work, and optimize and improve the mechanisms for sharing excess profits to fully motivate employees. The Group has released the *Guiding Opinions on Benefits Management*. And in line with the Guiding Opinions and actual situation, the Group provides employees with statutory benefits, caring benefits and incentive benefits, and so on. In 2022, the number of paid leave days per capita was 6.2 days.



In 2022, the number of paid leave days per capita was

**6.2** days

### Employee Benefits



## Democratic Management

In order to improve the sense of belonging and enhance satisfaction of employees, the Company has insisted on democratic management, strengthened the building of the trade union, which has 46 primary-level trade union organizations. The Company has taken the initiative to promote employees to participate in the decision-making of corporate policies, rules and regulations. Suggestions of employees have been collected through investigation and research and questionnaire survey, and the results of analysis of those suggestions have been used for policy adjustment and system improvement. The Company has organized democratic reviews for middle and senior management, and listened to evaluation of employees at all levels comprehensively.

## Employee Care

We have been committed to creating a warm and people-oriented working atmosphere. The Trade Union of China TCM has established the "Employee Mutual Aid Fund" to promoted the trade unions of subsidiaries at all levels to conduct regular visit and solve difficulties. As of the end of the Reporting Period, a total of 60 subsidiaries had joined the mutual aid fund, with members of nearly 10,000 people. In 2022, the mutual aid fund provided financial assistance for 31 employees in need, with an amount of RMB320,000; and, paid visits to employees in need, illness, injury, bereavement, marriage, and childbirth for 731 times, with an amount of RMB380,000 of solatium.

The Company has conducted colorful and diversified employee activities. In 2022, the Group held 372 "Colorful TCM" series activities in total, with 28,143 person-times of participation.



In 2022, the trade unions at various levels held

**372** "Colorful TCM" series activities

**28,143** person-times of participation



Outdoor outreach activity organized by Jingfang Pharmaceutical



Activity held to honor the International Women's Day at the headquarters



Employee basketball game held by Dezhong Pharmaceutical



Workers Club built by Feng Liao Xing Pharmaceutical



Parents-child activity held by Guangdong Medi-World



Yunnan Tianjiang held a birthday party for employees

## Health and Safety

The Group has always put safety management and employee occupational health in an important position, and constantly improved health and safety systems, striving to providing a reassuring and comfortable working environmental for each and every employee.

## Employee Health

The Group has been dedicated to keeping its employees safe and health at work, and kept improving its vocational health management systems. We have provided employees with pre-job, on-job and off-job occupational health examinations, with 98.03 percent of all its employees taking physical examination in 2022. We have offered personal protective equipment that meet the national and industrial standards to employees; regularly identified, monitored and treated noise, high temperature, dust and other hazardous factors to let employees work at a better workplace; identified 816 points where hazards exist and used advanced technologies to minimize danger; put vocational health into the scope of training and assessment, with 100 percent of the employees at relevant posts receiving vocational health and safety training for 80,492 hours in total and 40,246 person-times of participation in 2022. During this Reporting Period, no work-related death or occupational disease occurred in the Company.



**98.03%** of all its employees taking physical examination in 2022



identified **816** points where hazards exist and used advanced technologies to minimize danger



**100%** of the employees at relevant posts receiving vocational health and safety training



**40,246** person-times of participation in 2022



safety training for **80,492** hours in total

## Work Safety

Work safety matters the most. Adhering to the concept of putting the people and their lives above all else, the Group has taken safety as the most important factor at work and required zero-death in the workplace. The Group has promoted various tasks in an orderly manner, such as identification and treatment of hidden hazards, safety training and education, safety standardization, implementation of team safety standards, vocational health management, and improvement of the emergency management system, and have developed the safety and environment information system to supervise and manage work safety dynamically and improve its incident prevention abilities and intrinsic safety level.

### Work Safety Management

Following the “13349” targeted approaches, the Group has maintained a warning line for work safety, and stressed the importance of never sacrificing safety for the sake of development. A total of 11 new rules and regulations have been formulated, including the administrative measures for work safety accountability system, and the administrative measures for the screening, identification and control of accident hazards. The Group has kept improving its work safety accountability system. The Group has increased investments in work safety, with a total amount of 14.2747 million in 2022. Those efforts have further enhanced the management of work safety.



The Group has increased investments in work safety, with a total amount of RMB **14.2747** million in 2022

### “13349” Targeted Approaches for Work Safety

- One goal: zero death;
- Center on the three lines of building a dual mechanism for risk management and hidden hazard identification and control, promoting the standardization of work safety towards lean and procedure-based management, and effectively improving the occupational health management level
- Strictly implement the three responsibilities of job safety, safe development, and Party's leadership for work safety;
- Advance the four fundamental management tasks of enhancing safety foundation, promoting safety education and training, increasing safety investments, and strengthening the building of a safety culture
- Focus on nine key priorities including on-site management and control, construction projects, stakeholders, emergency rescue, building of safety supervision team, and team safety.

### Safety Emergency Management

China TCM has earnestly implemented the *Measures for the Administration of Emergency Plans for Work Safety Incidents*, and improved the corporate emergency plan and rescue systems in line with industry standard guidelines. The subsidiaries have revised a total of 72 pieces (excluding on-site disposal plans) of emergency plans for work safety incidents, and effectively allocated various kinds of emergency rescue resources. In 2022, all enterprises carried out comprehensive emergency drills and special emergency drills for on-site emergency treatment of mechanical injuries in view of prone accidents, effectively training the emergency response ability of emergency command and rescue personnel and all employees.

### Safety Emergency Drills

Number of emergency drills for work safety **130** times

Number of employees participating in work safety emergency drills **38,658** person-times

Coverage of work safety emergency drills **100%**



Safety emergency exercise

### Screening, Identification and Control of Accident Hazards

The Group has regularly organized and carried out safety inspection and supervision, systematically and comprehensively analyzed the safety risks, and then conducted tiered, classified management and control accordingly. The *Classification and Code for the Hazardous and Harmful Factors in Process* has been used to assess danger sources as reference. The Company has developed a list of major hidden hazards to supervise the progress of rectification on a regular basis. During the Reporting Period, the storage of all hazardous chemicals did not reach the threshold value of major hazard sources; the subsidiaries screened and identified 1,417 hidden hazards, with a completion rate of rectification of 92 percent.

the subsidiaries screened and identified **1,417** hidden hazards, with a completion rate of rectification of **92%**

### Safety Culture Building

China TCM has established the “four-in-one” safety culture system covering safety concept, safety behavior, safety institution, and safety environment. In line with the *Administrative measures for Safety Education and Training*, China TCM has formulated safety training plan of the year to conduct pre-post safety training for new employees, special equipment safety training for professional technicians, specialized training for special operation personnel, training for fire control equipment operation, and other employee training programs. The field operators must be trained and qualified before they are allowed to work, and the rate of special work permits must reach 100 percent.

The Group and its affiliated companies have taken the “Work Safety Month” as the opportunity to conduct rich and colorful safety culture building and enhancement activities. During the Reporting Period, the headquarters of the Group held five safety education and training activities, with more than 2,800 person-times of participation. The subsidiaries held 747 work safety education and training activities covering, among others, onboarding safety training, mechanical safety training, fire safety training, special training for the “Work Safety Month” hazardous chemical safety training, and electricity safety training, with 40,246 person-times of participation.



Cautionary education conference on safety incidents



On-site safety exercise of the labor competition

# Safeguarding Lucid Waters and Lush Mountains with Green Practices

China TCM has constantly improved environmental management systems, taken the initiative to promote affiliated companies to obtain certification of environmental management systems. The Company has effectively advanced ecological civilization, and intensified its efforts to facilitate sustainable development.

- ◉ Environmental Management
- ◉ Resource Utilization
- ◉ Emission and Discharge Management
- ◉ Tackling of Climate Change
- ◉ Green Operations
- ◉ Ecological Conservation

# 06



## Environmental Management

Adhering to the concept of green development, China TCM has constantly optimized the structure of environmental protection organization, promoted environmental management system certification, carried out energy conservation and environmental protection to prevent hidden hazards, and effectively implemented environmental impact assessment on projects. In order to enhance environmental risk prevention and control and boost the construction of ecological civilization, the Company has formulated emergency plans to cope with environmental emergencies and practically improve the environmental governance level of the enterprise. In 2022, there were no penalties from related competent authorities due to energy conservation or environmental protection issues, and no major environmental incidents or public sentiment events in the Group.

Indicator	Unit	2022
Total investments in environmental protection	RMB10,000	1,723.8
Number of inspections by environmental protection authorities	time	38
Issues to be rectified	nos.	14
Completion rate of rectification	%	100

## Establishment of Organization Structure

In order to implement energy conservation and environmental protection work in all aspects, China TCM has continuously optimized the working system and supervision system of energy conservation and environmental protection, helping realize the goal of environmental management.

 <p>Adjustment on leading body of environmental protection</p>	 <p>Splitting the functions of original Production, Safety and Environmental Protection Center</p>	 <p>Specific managers taking responsibility</p>
<p>"Leading Group of Energy Conservation and Emission Reduction" has been renamed as "Leading Group of Energy Conservation and Environmental Protection".</p>	<p>Independent Safety and Environmental Protection Department has been set up to further strengthen supervision and management on safety and environmental protection.</p>	<p>Fulltime and part-time managers taking responsibility for energy management and environmental management have been assigned in each subsidiary to manage energy conservation and environmental protection of the subsidiary.</p>

## Environmental Management System Certification

China TCM has proactively promoted subsidiaries to establish sound and independent environmental management mechanisms for targeted management on environmental impacts referring to international and national environmental management systems and standards. In 2022, seven subsidiaries completed ISO 14000 environmental management system certification. Anhui Tianxiang completed annual review on environmental management system. Guangdong Yifang (Heshun), Anhui Jingfang, and Jiangyin Tianjiang completed environmental management system recertification. Zhonglian Pharmaceutical and Anhui Tianxiang completed energy management system certification. Zhonglian Pharmaceutical also passed green factory review of provincial level.

### Certification of Environmental Management Systems of China TCM



ISO 14001 environmental management system certification

- Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.
- Jiangyin Tianjiang Pharmaceutical Co., Ltd.
- Guangdong Yifang Pharmaceutical Co., Ltd.
- Anhui Fengliaoqing TCM Decoction Pieces Technology Co., Ltd.
- Taizhou Tianjiang Pharmaceutical Co., Ltd.
- Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.
- Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.
- Anhui Tianxiang Pharmaceutical Co., Ltd.
- Qinghai Pulante Pharmaceutical Co., Ltd.
- Sichuan Tianxiang Pharmaceutical Co., Ltd.
- Guizhou Tongjitang Herbal Co., Ltd.
- Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.
- Zhejiang Yifang Pharmaceutical Co., Ltd.
- Sichuan Jianguo Zhongba Fuzi Technology Development Co., Ltd.



Clean production audit

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



Green factory certification

- Qinghai Pulante Pharmaceutical Co., Ltd. (National Level)
- Guangdong Yifang Pharmaceutical Co., Ltd. (National Level)
- Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (Provincial Level)
- Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. (Provincial Level)
- Sinopharm Group Zhonglian Pharmaceutical Co., Ltd. (Provincial Level)



Energy management system

- Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.
- Anhui Tianxiang Pharmaceutical Co., Ltd.

## Prevention and Treatment of Hidden Hazards

China TCM has attached great importance to the governance of hidden hazards in energy conservation and environmental protection. It has formulated emergency plans to cope with environmental emergencies, and carried out emergency drills to improve its rescue ability in unexpected environmental incidents. In 2022, China TCM carried out 27 emergency drills for energy conservation and environmental protection, with a total of 1,026 person-times of participation.

China TCM has actively implemented evaluation on environmental factor identification and environmental hidden hazard identification to enhance the control on environmental risks. The Company has supervised and urged all its subsidiaries to carry out identification and evaluation on environmental factors including the three wastes from enterprise (wastewater, waste gas, waste residue) and noise. In 2022, a total of 34 industrial enterprises identified 880 environmental factors mainly from boiler exhaust emission, chemical leakage, sewage discharge, dust discharge, and noise emission, among which there were 770 general environmental factors and 110 important environment factors. Effective control measures have been developed based on classified management principle.



In 2022, China TCM carried out **27** emergency drills for energy conservation and environmental protection with a total of **1,026** person-times of participation

## Construction Project Management

China TCM has continued to strengthen the whole process environmental management of the construction projects of Shaanxi Yifang Pingkang, Tongjitang Herbal, Shandong Zhongping, Shanghai Tongjitang, Gaoming Branch of Dezhong Pharmaceutical, and "Feng Liao Xing Material & Slices". The Company has carried out feasibility investigation and appraisal of construction projects in a strict manner, and implemented inspection and countersign of foundation designs, driving the enterprises to strictly satisfy the requirements of project environmental assessment and approval and to complete project closeout and acceptance check of environmental protection on time. As a result, the environmental protection compliance rate of new projects reached 100% all year round.

## Resource Utilization

### Energy Management

China TCM has strictly abided by the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, and other laws and regulations, and conducted standardized management of environmental protection related work. In 2022, China TCM revised and released the *Administrative Measures for Energy Conservation and Ecological and Environmental Protection* to regulate the contents and requirements of the management on energy conservation and environmental protection. The Company also promoted affiliated companies to revise environmental management systems, and to conduct effective control and management on environmental factors. Dezhong Pharmaceutical, Feng Liao Xing Pharmaceutical, Dezhong Pharmaceutical Machinery, and Qinghai Pulante formulated or revised their own energy conservation and environmental protection systems in accordance with the *Administrative Measures for Energy Conservation and Ecological and Environmental Protection*.

In 2022, China TCM accelerated the replacement of processes and equipment with high energy consumption and high pollution by using new energy-saving and low-carbon technologies and processes and optimizing production technologies. China TCM took multiple measures to promote energy conservation and consumption reduction of water and electricity, in order to improve energy conservation level and circular resource utilization level. As a result, the comprehensive energy consumption of RMB10,000 of output value was controlled within 0.0478 tons of standard coal equivalent while CO<sub>2</sub> emission of RMB10,000 of output value was controlled within 0.1738 tons of CO<sub>2</sub>e.



### Implementaion of energy-saving transformation

Anhui Tianxiang completed the upgrading and transformation of heat exchanger in 1# extraction workshop to improve heat exchanging effect and save five tons of steam per day. Anhui Tianxiang completed the Phase II transformation of circulating water and chilled water in refrigerating machine, making it possible to flow outdoor natural wind into cooling tower to lower the temperature of chilled water in springs and winters. To calculate by 90 days, around 180,000 kWh of electricity can be saved.



save **5** tons of steam per day

To calculate by **90** days

around **180,000** kWh of electricity can be saved



### Promotion of clean energy

The PV power generation project of Zhejiang Yifang has commenced construction and is expected to come into service in 2023. After completion, the project is expected to create RMB50,000 benefit by saving electricity annually.





### Enhancement of energy management and control

The AI-based energy-saving intelligent control system for the central air-conditioning power utilization of Zhonglian Pharmaceutical was under transformation. This project will apply on-demand cooling capacity control mode + centralized energy consumption monitoring + intelligent automatic monitoring platform to replace existing control mode and extensive energy consumption management mode by centralized management and control on the operation of central air-conditioning system, realizing systematic energy-saving operation with an estimated energy-saving rate of over 15%.



Energy Consumption of China TCM, 2020-2022

Item	Unit	2022	2021	2020
Natural gas	m <sup>3</sup>	22,077,276.7	20,190,039.5	15,882,650.5
Coal	tonne	36,066.5	45,833.5	40,203.0
Purchased electricity	kWh	175,290,038.307	162,446,834.4	162,269,331.0
Purchased steam	million kJ	729,885.5	623,025.3	615,083.9
Total energy consumption	MWh	1,250,184.3 <sup>1</sup>	891,874.4	801,742.0
Energy consumption intensity	kWh/RMB1,000 of operating revenue	87.40	46.8	54.1

<sup>1</sup> In 2022, increased small batch production resulted in a significant increase in the unit consumption of products as the frequent site clearance. In addition, the industrial output was unstable, and the equipment was in low- or medium-load operation, which further increased the unit consumption. Although the production plan was adjusted and centralized production was arranged as much as possible, the expected results were still not achieved.

Greenhouse Gases (GHG) Emissions of China TCM, 2020-2022

Item	Unit	2022	2021	2020
GHG emissions	tonne of CO <sub>2</sub> e	377,850.7	292,492.3	306,697.8
Direct emissions (scope 1)	tonne of CO <sub>2</sub> e	122,799.1	124,850.7	105,687.6
Indirect emissions (scope 2)	tonne of CO <sub>2</sub> e	255,051.6	167,641.6	201,010.2
GHG emissions intensity	tonne of CO <sub>2</sub> e/RMB1,000 of operating revenue	0.026	0.015	0.021

### Utilization of Water Resources

China TCM has attached great importance to water resources issues and been committed to reducing water use and protecting water resources with practical actions. Current waste water from enterprise comes from the washing effluents generated in production process, production environment, and staff's cleaning process. During the Reporting Period, we took multiple measures to save water, such as steam condensate recycling, cooling water recycling, and rainwater recycling. Within the year, we used about 3,876,991.7 tonnes of water resources with a consumption intensity of 0.27 tonnes of water resources per RMB1,000 of operating revenue.



### Steam condensate recycling

The steam condensate recycling and reusing project of Anhui Fenglixing has been completed. It is expected to save 10-15 percent of steam, save 550 cubic meters of water, and reduce 300 tonnes of standard coal equivalent with CO<sub>2</sub> emission reduced by 675 tonnes per year. Anhui Jingfang has completed the condensation recycling project in extraction workshop, and can save about eight tonnes of water resources per day with excess heat equivalent to 46 cubic meters of natural gas and over RMB50,000 saved on cost every year. Shandong Yifang recycles steam condensate for cleaning, saving 50 cubic meters of water per day.



Steam condensate recycling and reusing project



### Cooling water recycling

The Recycling and Reusing of Wine-Processed Propolis Cooling Water project of Hunan Yifang has been put into use, saving 1,200 cubic meters of water every year.



Recycling tank



### Rainwater recycling

The Fengxi factory of Shaanxi Yifang Pingkang has completed the Rainwater Collection for Re-Watering Project, and used the rainwater collected in collection pool for fire control water storage, annually saving 2,000 cubic meters of tap water.



Irrigating trees with recycled rainwater

### Water Consumption of China TCM, 2020-2022

Item	Unit	2022	2021	2020
Water consumption	tonne	3,876,991.7	3,124,576.1	3,003,732.2
Water consumption intensity	tonne/RMB1,000 of operating revenue	0.27	0.16	0.20
Cycling use of water	tonne	14,607,194.7	-	-

### Packaging Reduction

Packaging materials used by the Group for production and operation mainly include plastic, paper products, composite membrane, metals, and glass. We have actively promoted green packaging management and stuck to the minimization and recycling principle in order to reduce unnecessary packaging and "excessive" packaging as much as possible. We have also proactively used recyclable packaging materials, making contribution to reducing the utilization and consumption of resources.

### Packaging Material Consumption of China TCM, 2020-2022

Item	Unit	2022	2021	2020
Paper products	Tonne	5,178.0	10,384.9	8,341.9
Plastic	Tonne	3,008.0	16,550.1	14,516.2
Composite membrane	Tonne	2,295.0	2,372.8	3,304.4
Glass	Tonne	691.0	925.1	543.1
Metals	Tonne	114.0	818.2	151.6
cotton thread, cloth	Tonne	4.3	-	-
Others	Tonne	18.6	41.9	19.0
Total	Tonne	11,308.9	31,093.0	26,876.2



## Emission and Discharge Management

China TCM has strictly abided by the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and other relevant laws and regulations. The Company has taken whole process supervision and control measures from production side, transportation side, and storage side to disposal at end terminal. It has carried out reasonable treatment and reduced the discharge of wastewater, waste gas, hazardous and harmless waste through technical innovation and equipment upgrading. It has also entrusted qualified third-party organizations to test the pollution generated in production and operation at regular intervals, ensuring the discharge conforms to laws and regulations.

### Waste Gas

China TCM has strictly abided by the relevant waste gas emission standards, and implemented management according to the Regulation on Environmental Protection Management. The Company has carried out troubleshooting and governance on the nine procedures of disposing waste gas and volatile organic compounds (VOCs) generated in daily operations: Organic liquid storing in tank, loading and unloading, open liquid level, leak detection and repair (LDAR), waste gas collection facilities, organic waste gas bypass, organic waste gas treatment facilities, and abnormal working condition, guaranteeing the emission compliance of waste gas.

Waste Gas Emissions of China TCM, 2020-2022				
Item	Unit	2022	2021	2020
NO <sub>x</sub>	tonne	173.2	65.9	77.4
SO <sub>x</sub>	tonne	59.2	42.4	37.5
PM	tonne	0.2	9.1	22.2

### Wastewater

The wastewater of China TCM mainly comes from sanitary sewage, wastewater generated in research, development and production, and circulating cooling system drainage. China TCM has strictly followed the requirements of relevant laws and regulations, and transformed the sewage stations to recycle, purify, and reuse wastewater. By installing dissolved air flotation facilities, China TCM has also reduced dross and suspended solids in wastewater to realize compliant sewage discharge. Water discharged from circulating cooling system can be reused through steam condensate recycling. In 2022, China TCM discharged 189 tonnes of COD and 12 tonnes of ammonia nitrogen in wastewater in total.

Wastewater Discharge of China TCM, 2020-2022				
Item	Unit	2022	2021	2020
COD	tonne	189.0	68.9	73.9
Ammonia nitrogen	tonne	12.0	5.8	5.1



### Wastewater reuse

Qinghai Plateau has expanded sewage station scale and added the reuse of reclaimed water. Daily sewage treatment capacity has been improved from 60m<sup>3</sup>/day to 300m<sup>3</sup>/day with effluent quality reaching the first-grade A standard of Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002). Part of the wastewater is used for impounding reservoir and green plant watering with a recycling utilization rate of 50 percent. The rest wastewater reaching the standard is discharged into city pipe network.



Sewage station scale expansion project with reuse of reclaimed water (under construction)

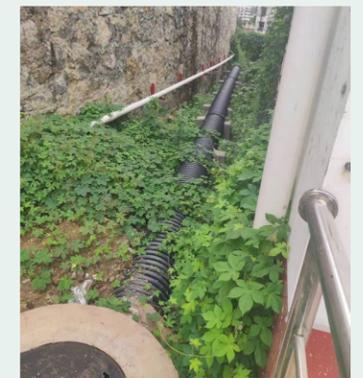


### Wastewater treatment

Tongjitang Pharmaceutical has completed the transformation of the pollution discharge outlet into river of the Xiuwen factory, with paving of exposed conduits. It has made great efforts to improve the on-site management level of pollution management facilities and reduced sewage treatment cost by 20% through the measures of establishing related operation specifications for water quality test, formulating equipment operation specifications, and reducing the use amount of sewage treatment drug.



reduced sewage treatment cost by **20%**



Pollution discharge pipe transformation project

## Waste

Hazardous waste from China TCM mainly includes biological waste and medical waste generated in R&D and test, such as reagent bottle, waste drug, and laboratory liquid waste. In order to reduce the generation of hazardous waste, China TCM has established a sound system to manage the process of all procedures from hazardous waste generation to final disposal, and has built an improved system to supervise and control the complete process of hazardous waste generation, collection, storage, transfer, transport, usage, and final proposal based on the “minimization” “hazard-free treatment” and “resource recycling” principles, implementing strict management and control on hazardous waste treatment. In 2022, China TCM generated 293.3 tonnes of hazardous waste with an intensity of 115 tonnes receiving compliance treatment out of 0.02 kg hazardous waste per RMB1,000 of operating revenue, reaching a disposal rate of 95 percent.

Non-hazardous waste generated by China TCM mainly includes household waste, building debris, dry and wet decoction dregs, and so on. China TCM makes classified storage of the generated harmless waste and transfer to qualified recycling companies for recycling and disposal. Part decoction dregs can be used as chemical fertilizer through internal incineration disposal, and other non-hazardous waste is mainly recycled and reused by third-party organizations after external bio-safety disposal while the remaining is disposed as garbage by sanitation department. In 2022, the Company generated 86,198.8 tonnes of non-hazardous waste in total with an intensity of 6.03 kg of non-hazardous waste per RMB1,000 of operating revenue.

In 2022, China TCM generated **293.3** tonnes of hazardous waste with an intensity of **0.02** kg hazardous waste per RMB1,000 of operating revenue with an intensity of **115** tonnes receiving compliance treatment out

In 2022, the Company generated **86,198.8** tonnes of non-hazardous waste in total with an intensity of **6.03** kg of non-hazardous waste per RMB1,000 of operating revenue

Waste Discharge of China TCM, 2020-2022

Item	Unit	2022	2021	2020
Hazardous waste	tonne	293.3	116.0	425.5
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.02	0.06	0.029
Non-hazardous waste	tonne	86,198.8	50,554.4	78,631.5
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	6.03	2.65	5.31
Third-party recycling	tonne	17,480	18,666.8	60,921.2
Landfill disposal	tonne	3,892.0	2,127.5	2,882.3
Internal incineration	tonne	9,752.5	9,269.6	14,828.0
Internal fertilizer	tonne	4.34	7,379.4	0.07
External harmless treatment	tonne	68,797.7	13,111.0	-

## Tackling of Climate Change

Under current international background in which high attention is given to the risks and opportunities in climate change, China TCM has given active response to the national call of hitting peak emissions before 2030 and for carbon neutrality by 2060, and taken the initiative to perform environmental responsibilities. According to the recommendations of TCFD, China TCM has assessed the impact on corporate business brought by various climate change risks, and proposed corresponding measures to provide guidance on the future technology application, product innovation, and operation model optimization in green and low-carbon field.

Climate Change Risk Identification of China TCM under TCFD Framework

	Risk type	Risk description	Corresponding Measures
Transformation risks	<b>Policy and legal risks</b>	More strict obligations and compliance requirements on emissions reporting	<ul style="list-style-type: none"> <li>Pay close attention to national policies and the latest regulatory requirements; well understand the major national development guidelines; and use clean energy and develop energy-saving technology.</li> <li>Establish complete energy and carbon emission data management mechanism to form a normalized data collecting and disclosing system.</li> </ul>
	<b>Technical risks</b>	Transformation cost towards low-carbon discharge technologies	<ul style="list-style-type: none"> <li>Actively seize the opportunities of new energy to continuously optimize energy structure and improve the utilization rate of renewable energy sources.</li> </ul>
	<b>Market risks</b>	Increased procurement costs	<ul style="list-style-type: none"> <li>Analyze the changing trend of raw material price; effectively control the risk of procurement cost increase through communication with suppliers and resource integration.</li> </ul>
	<b>Reputation risks</b>	Stakeholders' concerns about negative information	<ul style="list-style-type: none"> <li>Actively identify, monitor, and manage the disclosure requirements relating to sustainable development and climate change; timely disclose the progress of ESG work and establish a responsible brand image.</li> <li>Pay continuous attention to and participate in international and domestic green environmental protection activities with high recognition or applicability to improve competitiveness in the industry.</li> </ul>
Physical risks	<b>Acute physical risks</b>	Extreme climate events including typhoon, flood, drought, and cold weather	<ul style="list-style-type: none"> <li>Pay close attention to weather forecast in order to guarantee related staff's safety and make adequate preparation.</li> </ul>
	<b>Chronic physical risks</b>	Impacts from temperature change, precipitation change, sea level rise, etc.	<ul style="list-style-type: none"> <li>Formulate emergency plans to cope with the impacts on production bases and operating locations brought by weather incidents.</li> <li>Conduct forward-looking risk identification and assessment on chronic physical risks and include the results in the consideration of production base construction planning.</li> </ul>

## Green Operations

### Promoting Green Culture

China TCM has strengthened the publicity and education on environmental protection, and organized and participated in various public advocacy activities for environmental protection. By developing special environmental protection activities and organizing related training, China TCM has strived to popularize and promote the knowledge and culture of energy conservation. The Company has fully motivated the employees' initiative to participate in the publicity, education, and practice of energy conservation, thus to create a good energy-saving atmosphere, establish the correct energy-saving awareness, and develop good energy-saving habits. In 2022, China TCM carried out 170 trainings on energy conservation and environmental protection, with a total of 13,005 person-times of participation.



#### Series activities of “World Environment Day” “Energy Conservation Publicity Week” and “National Low-Carbon Day”

In 2022, the Group had organized a series of activities including “June 5th World Environment Day” “Energy Conservation Publicity Week” and “National Low-Carbon Day”. All subsidiaries carried out 79 activities with 5,994 person-times of participation, 6,170 audience watching the themed videos, 3,152 audience watching the lecture series videos, and 3,338 participants answering the questions, creating a rich atmosphere of energy conservation and carbon reduction for the employees to improve energy-saving and carbon reduction awareness.



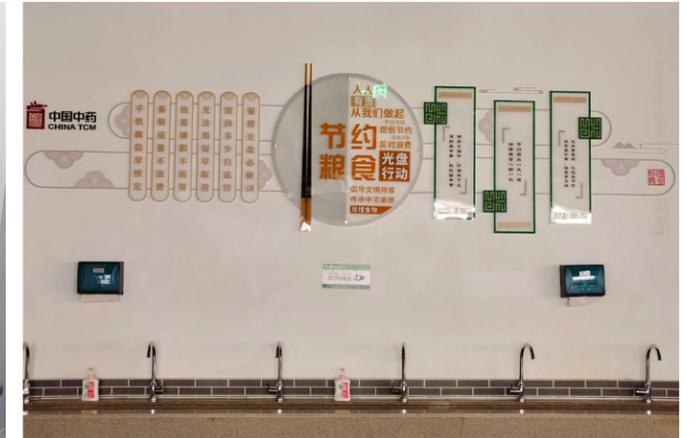
“Implementing carbon peaking and carbon neutrality and jointly building a beautiful homeland” activity conducted by Longxi Yifang

## Implementing Green Offices Practices

China TCM has carried out paperless office and improved paperless technologies such as electronic insurance policy, electronic invoice, and electronic archive to advocate online meeting and strictly control offline meeting. The safety and environmental protection department has implemented visualized management and posted green office stickers in the office area at the headquarters, including “Printing on both sides” stickers in photocopy rooms, “Save water” stickers in places to use water, and “Save electricity” stickers around switches.



Reminder of “Print on both sides, saving paper”



Reminder of “Save Water”

## Ecological Conservation

China TCM has determined the protected medicinal materials involved in production and formulated the list of protected animals and plants according to the *List of National Key Protected Wild Plants in China*, *List of National Key Protected Wild Animals in China*, *List of National Key Protected Wild Medicinal Material Species in China*, *List of National Key Protected Terrestrial Wild Animals with Important Ecological, Scientific, and Social Value in China*, *National Breed List of Livestock and Poultry Genetic Resources*, *Appendices of Convention on International Trade in Endangered Species of Wild Fauna and Flora*, and so on. The list has been distributed to procurement department, quality department, and production department to clarify the protected animal and plant species, and to require the suppliers to provide home-planting or breeding certifications of corresponding medicinal material species, guaranteeing all involved protected species come from legal sources, implementing the protection on wild animals and plants, and completely eradicating medicinal materials from illegal sources to enter the Group. For protected medicinal material species with multiple base sources, the Group prefers the base source(s) excluded in wild animal and plant protection as medicinal material source.



#### China TCM intensifies efforts to protect biological diversity

Honey is an important ingredient for the Big Honey Ball (Da Mi Wan) produced by the Group. In 2022, about 180 tonnes of honey was used for production. In *Pharmacopoeia of the People’s Republic of China* (2020 Edition), the base sources include honey ripened by *Apis cerana* Fabricius or *Apis mellifera* Linnaeus among which *Apis cerana* Fabricius belongs to “protected animal species with ecological, scientific, and social value”. Hence, the Company gives preference to use the honey ripened by *Apis mellifera* Linnaeus from the breeding base of Guangxi Wuzhou Tianmijia Bee Industry Co., Ltd. as the medicinal material source to implement the protection on biological diversity.

# Contributing to a Harmonious Society with Uplifting Energy

As a corporate citizen, China TCM has taken the initiative to fulfill social responsibility, and been committed to public welfare cause. Based on its advantages as a pharmaceutical enterprise, China TCM has devoted itself into the pandemic prevention and control, rural revitalization, and community development, contributing to the building of a harmonious society. In 2022, the investments for public welfare reached RMB14.3381 million, and that for rural revitalization reached RMB31.6626 million; and, the volunteer service time amounted to 1,350 hours.

- Pandemic Prevention and Control
- Rural Revitalization
- Community Care

# 07



# Pandemic Prevention and Control

In 2022, China TCM, facing the severe challenges resulted from the resurgence of COVID-19, enhanced the production and supply guarantee of anti-pandemic medicines, and actively participated in community work of pandemic prevention and control, building a strong line of defense for the life safety and physical health of the public.

## Production and Supply Guarantee of Medicines

In 2022, in order to relieve the intense situation of medicine use and supply throughout the country, we overcame numerous difficulties, rushed to deliver anti-pandemic materials, built a “connecting bridge” of pandemic prevention and control with love, and actively arranged affiliated pharmaceutical enterprises to ensure supply and increase production 24 hours per day, trying our best to improve medicine production to the greatest extent. We produced and supplied 42.58 million boxes of anti-pandemic TCM finished drugs, mainly including 28.72 million boxes of Huashi Baidu Granules, Jinye Baidu Granules, and Yu Ping Feng Granules in total. We also produced and supplied 90 million bags of various concentrated TCM granules for treatment and prevention, and supplied 17.5 million of TCM decoction pieces through prevention prescription and treatment prescription. The medicines were delivered to all provinces (autonomous regions/municipalities) throughout the country.

A total of 14 TCM finished drugs produced by the Group including Huashi Baidu Granules, Jinye Baidu Granules, and Yu Ping Feng Granules have been respectively listed on the therapeutic schedule and prevention plan of *Guidelines for Chinese Medicine Intervention at Home for People Infected with COVID-19* issued by National Administration of Traditional Chinese Medicine (NATCM). Moreover, according to statistics, a total of 16 TCM finished drugs produced by the Group have been listed in 44 national/provincial-level prevention and treatment plans published successively, making great contribution to protecting the life and health of millions upon millions of people.

- **Feng Liao Xing Material & Slices** established an emergency support team and arranged employees from all functional departments to form a temporary production force in the frontline of production, ensuring the sufficient supply of anti-pandemic TCM decoction pieces and TCM decoction with high quality.
- **Shanghai Tongjitang** temporarily arranged two function rooms and several large boiling facilities to improve daily production of anti-pandemic decoction to 200,000 bags per day, contributing all efforts to satisfying the anti-pandemic requirements in Shanghai.
- **Guangdong Medi-World** enhanced, accelerated, and improved production and supply with all strength to ensure 24-hour full-load operation of production lines. The frontline employees in workshops and the inspection groups took three shifts per day to improve the daily production of Yu Ping Feng Granules from 1.2 million bags per day to 2.7 million bags per day.



Guangdong Yifang donated materials to help Shanghai fight the pandemic



Zhonglian Pharmaceutical donated materials to help Ezhou fight the pandemic



### Case Guangdong Yifang boosts production of Huashi Baidu Granules to combat the pandemic

As the situation of regular COVID-19 prevention and control changes, people's demand for preventive drugs has increased dramatically. As a key supplier of COVID-19 drugs, Guangdong Yifang responded to the call of the government. Guangdong Yifang established a supply guarantee team to intensify its efforts to boost the production of Huashi Baidu Granules in a systematical and well-arranged manner, so as to guarantee the people's demand for pandemic drugs and protect their health.



Production lines to guarantee the supply



### Case Fighting with full strength! Jiangyin Tianjiang produces 2,000,000 bags of anti-pandemic drugs per day

At the end of 2022, demand on medicine against fever and cough increased rapidly across the country. As one of the key enterprises to guarantee national pandemic prevention and control, Jiangyin Tianjiang urgently established a special team and applied the pattern of “general mobilization to all employees + system of specially-assigned person taking responsibility + continuous 24 hours of running without stop” to remold equipment and adjust production lines immediately. All the six production lines were used to produce the Qingfei Paidu Decoction and the No.1 Prevention Prescription which were used to prevent and treat COVID-19. Jiangyin Tianjiang improved production capacity by more than twice with daily production of two million bags of anti-pandemic drugs, able to greatly satisfy the medicine demand of the public.



## Pandemic Prevention and Control of the Community

Facing the sudden outbreak of COVID-19, China TCM has reached out to assist communities and help residents prevent and control the pandemic. The Company has spread the great love spirit by practical actions of fighting hand in hand with the public and uniting all strength for the common victory.

- **Anhui Jingfang** assisted the High-Tech Development Zone of Xuancheng City to set up nucleic acid test stations, and offered volunteer service groups to help complete the six rounds of nucleic acid test with a total of 15,600 person-times of residents being tested.
- **Dezhong Gaoming** set up volunteer service teams and organized 11 local enterprises in Foshan with about 800 employees to complete the large-scale nucleic acid test.
- **Jiangyin Tianjiang** set up “anti-pandemic volunteer service teams” to help local pandemic control and prevention, assisted nucleic acid test, registered the information of people returning to Jiangyin City, distributed anti-pandemic brochures, and carried anti-pandemic materials.



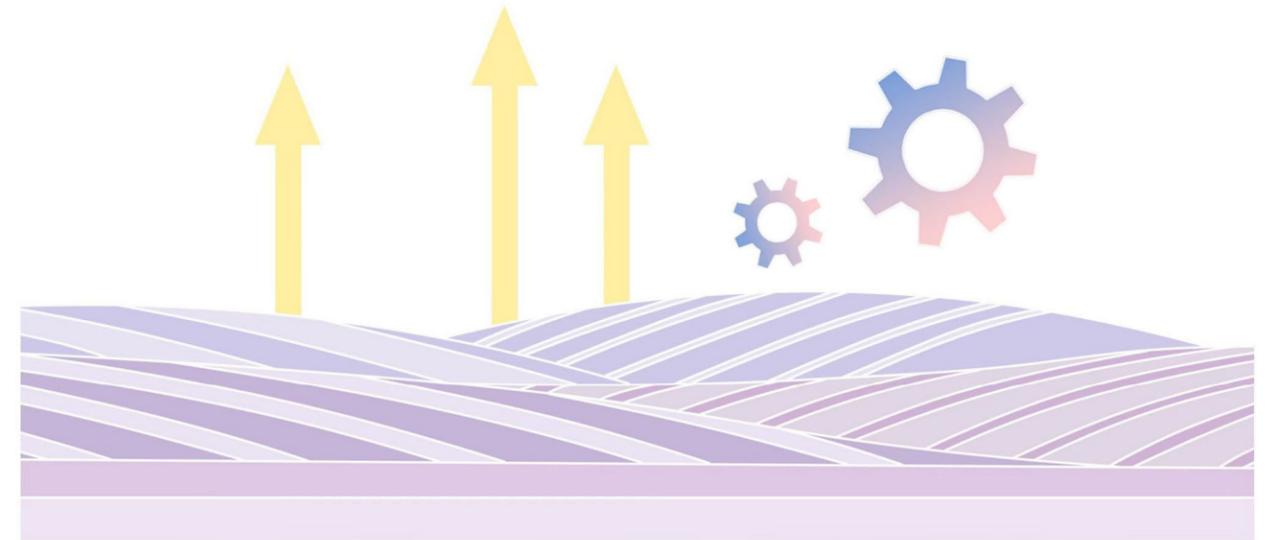
Zhonglian Pharmaceutical distributed anti-pandemic drugs to the public for free



Dezhong Gaoming conducted volunteer service for nucleic acid test



Feng Liao Xing Material & Slices volunteer service team members mobilized community residents to take COVID-19 vaccine



## Rural Revitalization

China TCM has taken the opportunity from Chinese medicinal herbs industry to enhance collaboration with the government, and actively participated in rural revitalization. By boosting rural development, promoting rural construction, and improving rural governance, China TCM has taken multiple measures at the same time and made great efforts to promote the new progress in rural revitalization, helping advance the new step in the modernization of agriculture and rural areas. In 2022, the Group invested a total of RMB31.6626 million in rural revitalization.



In 2022, the Group invested a total of RMB **31.6626** million in rural revitalization

## Boosting Rural Development

The Group has made organic connection between Chinese medicinal herbs base construction and rural revitalization strategy to drive the integrated development of local industry. During the reporting period, the Group signed demonstration plantation base strategy and alliance agreements with local governments, and took the working pattern of “company + cooperative + farmer household” to work with farmers and lead farmers to drive the construction of standardized plantation bases of Chinese medicinal herbs. The Group has taken region selection, species selection, technology selection, and standard selection as the starting points to establish customized production bases of Chinese medicinal herbs for long-term stable operation, striving to promote the dynamic integration between corporate development and farmer household’s income increase, and to realize common prosperity for all.



Lixian Dahuang Technology Co., Ltd.



Xihe Banxia Technology Co., Ltd.



### Longxi Yifang boosts production and help farmers increase income with standardized plantation bases

China TCM (Longxi) Industrial Park insists on the development of whole industry chain and the improvement of whole value chain. Since 2020, the Industrial Park has started the construction of standardized Chinese medicinal herbs bases in Fuxing Township, Longxi County, northwest China's Gansu Province. It takes the industrial development pattern of "leading enterprise + village Party branch + standardized base + standardized workshop + agricultural and industrial workers", and integrates the unified seed and seedling sources, plantation technology, storage standards for preliminary processing after picking, sales channels, and traceable whole process quality control model. The demonstration base area has increased from 124 mu in 2020 to over 3,000 mu in 2022, leading more than 800 farmer households to develop plantation, with over 600 tonnes of high-quality medicinal herbs available for buyback.

Two preliminary processing workshops were built in Pangjiacha Village and Peijiawan Village of Fuxing Township in 2022. The workshops are equipped with complete processing equipment and facilities, able to satisfy the preliminary working demand on products planted in the bases with the capacity to purchase and process Chinese medicinal herbs of over 600 tonnes every year. During slack seasons, local farmers can be employed to work in the workshops, changing the role from farmer to worker. It can help increase farmers' income with an average increase of more than RMB3,000 per household.



### China TCM promotes targeted assistance with "Wuzhai Model"

China TCM has taken Sinopharm Wuzhai Tianjiang Pharmaceutical Co., Ltd. as the principal entity to create a comprehensive industrial park with "medicinal material purchasing, TCM decoction piece processing, Internet + intelligent delivery" integrated as whole. On one hand, China TCM has used "five-unification" plantation model to build a special Daodi crude drug base. It has promoted chrysanthemum plantation area of 1,712 mu and can increase income by RMB3,000 per mu with over RMB5 million as the total increased income. On the other hand, China TCM has taken multiple cooperation models and provided plantation technology guidance to lead more than 1,000 farmers to develop plantation. China TCM has also hired 16 local employees. In 2022, Wuzhai County published the special report on *China News of Traditional Chinese Medicine: China TCM Creates "Wuzhai Model" of Poverty Elimination and Rural Revitalization – Targeted Assistance Provided by NATCM in Wuzhai County of Shanxi Province for 28 Years.*



Sinopharm Wuzhai Tianjiang

## Promoting Rural Construction

Rural construction is an important task in carrying out rural revitalization strategy. By developing infrastructure construction and donating assistance funds, China TCM has strived to support rural revitalization, improve living environment of rural areas, and build a beautiful countryside that is desirable to live and work in.

Guangdong Yifang has proactively participated in the "ten-thousand-enterprise revitalizes ten-thousand-village" campaign, and signed village-enterprise paired assistance agreement with Maxu Village and Dayi Village of Maxu Township, Deqing County, Zhaoqing City, south China's Guangdong Province to promote the "installing street lamps to warm people's heart, lighting up the path of rural revitalization" project and negotiate the construction of public fitness facilities.



## Improving Rural Governance

China TCM has actively assisted the construction of primary-level organizations of rural areas and the promotion of spiritual civilization by taking multiple measures including education support in villages to offer "theoretical study" and "cultural education" in villages.



### "Colorful TCM" volunteer teacher team warms schools in poverty-stricken rural areas

Based on the theme of promoting green development with industrial strength, the "Colorful TCM" volunteer teacher team of Tongjitang Pharmaceutical has been to Heba Primary School in Jiangkou County, Tongren City, southwest China's Guizhou Province to provide volunteer teaching for the children, and has invited teacher and student representatives to visit the company's Chinese medicinal herbs plantation base for better understanding the development of the industry, devoting more vitality into the education development in impoverished mountainous areas of Guizhou with practical actions.



"Colorful TCM" volunteer teacher team at Daying Middle School



"Colorful TCM" volunteer teacher team at Heba Primary School

## Community Care

China TCM cares about community building and community residents. The Company has encouraged employees to participate in volunteer services, and provided various kinds of benefits for communities to spread the ethics and value of China TCM of caring about society, serving for others, and willing to contribute, establishing a good corporate image. In 2022, we organized 416 volunteer service activities, with total service time of 1,280 hours.



Anhui Tianxiang conducted volunteer service activity on Children's Day



Blood donation activity themed "Yifang, contributing to society with love"



Guangxi Yifang conducted activity themed "caring about students in poverty-stricken mountainous areas"



Zhonglian Pharmaceutical conducted activity themed "bringing tangible benefits to people"

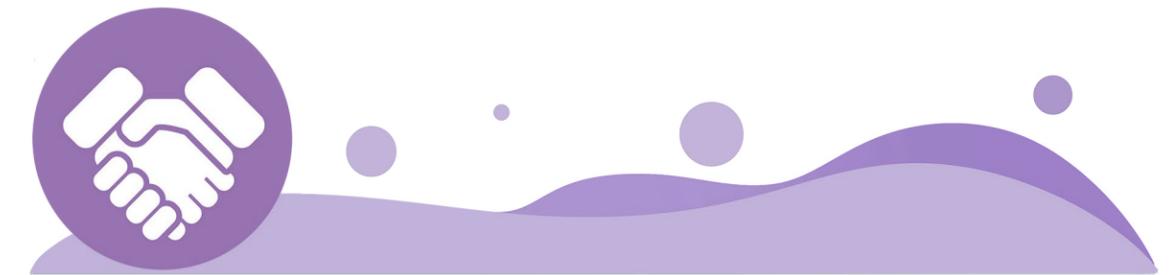


### China TCM headquarters cares about the disabled

The headquarters of China TCM worked with Shiwan Sub-District in Chancheng District to hold the activity themed "celebrating the Mid-Autumn Festival, passing on the love of TCM" at Aijiayuan Disabled Rehabilitation Center, and sent festival gifts to the disabled in the center, passing on the beautiful festival blessings.



China TCM held a care activity for the disabled



# Appendix

## 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 People's Republic of China on the Prevention and Control of Atmospheric Pollution</li> <li>• Law of the People's Republic of China on the Prevention and Control of Water Pollution</li> <li>• Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste</li> <li>• Law of the People's Republic of China Soil Pollution Prevention and Control</li> <li>• Law of the People's Republic of China on Promoting Clean Production</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>	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.
Resources Consumption	<ul style="list-style-type: none"> <li>• Energy Conservation Law of the People's Republic of China</li> <li>• Circular Economy Promotion Law of the People's Republic of China</li> </ul>	
Environmental and natural resources	<ul style="list-style-type: none"> <li>• Environmental Protection Law of the People's Republic of China</li> </ul>	
Employment	<ul style="list-style-type: none"> <li>• Labor Law of the People's Republic of China</li> <li>• Labor Contract Law of the People's Republic of China</li> <li>• Provisions on the Prohibition of Using Child Labor</li> <li>• Law of the People's Republic of China on the Protection of Minors</li> <li>• Employment Ordinance of the Hong Kong SAR</li> </ul>	During the year, the Group was not aware of any non-compliance of relevant laws and regulations that have a significant impact on the Group relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare.

Aspects	Applicable laws and regulations	Compliance Statement
Health and safety	<ul style="list-style-type: none"> <li>• Work Safety Law of the People's Republic of China</li> <li>• Labor Law of the People's Republic of China</li> <li>• Special Equipment Safety Law of the People's Republic of China</li> <li>• Fire Control Law of the People's Republic of China</li> <li>• Regulation on Work-Related Injury Insurance</li> <li>• Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</li> </ul>	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.
Labor standards	<ul style="list-style-type: none"> <li>• Provisions on the Prohibition of Using Child Labor</li> <li>• Law of the People's Republic of China on the Protection of Minors</li> </ul>	During the year, the Group did not have any cases of child labor and forced labor.
Product Responsibility	<ul style="list-style-type: none"> <li>• Good Supply Practice for Pharmaceutical Products</li> <li>• Good Manufacturing Practice for Pharmaceutical Products</li> <li>• Product Quality Law of the People's Republic of China</li> <li>• Drug Administration Law of the People's Republic of China</li> <li>• Specifications for Pharmacovigilance Quality Management</li> <li>• Regulation on the Administration of Annual Reports on Drugs</li> <li>• Administrative Measures for Drug Recalls</li> <li>• Good Agricultural Practice for Chinese Crude Drugs</li> <li>• Patent Law of the People's Republic of China</li> <li>• Trademark Law of the People's Republic of China</li> <li>• Copyright Law of the People's Republic of China</li> </ul>	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.
Anti-corruption	<ul style="list-style-type: none"> <li>• Criminal Law of the People's Republic of China</li> <li>• Anti-Unfair Competition Law of the People's Republic of China</li> <li>• Prevention of Bribery Ordinance of Hong Kong SAR</li> <li>• Oversight Law of the People's Republic of China</li> <li>• Law of the People's Republic of China on Administrative Discipline for Public Officials</li> </ul>	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.

## Performance Data Summary

### Environmental Data

Indicator	Unit	2020	2021	2022
<b>Energy consumption</b>				
Purchased electricity	kWh	162,269,331.0	162,446,834.4	175,290,038.3
Gasoline	kg	296,321.7	260,328.9	154,738.8
Diesel	kg	155,508.8	221,181.9	174,049.5
Natural gas	m <sup>3</sup>	15,882,650.5	20,190,039.5	22,077,276.7
Coal	tonne	40,203.0	45,833.5	36,066.5
Purchased steam	RMB million kJ	615,083.9	623,025.3	729,885.5
Total energy consumption	MWh	801,742.0	891,874.4	1,250,184.3
Energy consumption intensity	kWh/RMB1,000 of operating revenue	54.10	46.80	87.40
Water consumption	tonne	3,003,732.2	3,124,576.1	3,876,991.7
Water consumption intensity	Tonne/RMB1,000 of operating revenue	0.20	0.16	0.27
<b>GHG</b>				
Total GHG emissions	tonne of CO <sub>2</sub> e	306,697.8	292,492.3	377,850.7
Direct emissions (scope 1)	tonne of CO <sub>2</sub> e	105,687.6	124,850.7	122,799.1
Indirect emissions (scope 2)	tonne of CO <sub>2</sub> e	201,010.2	167,641.6	255,051.6
Emission intensity	tonne of CO <sub>2</sub> e/RMB1,000 of operating revenue	0.021	0.015	0.026
<b>Waste gas</b>				
NO <sub>x</sub>	tonne	77.4	65.9	173.2
SO <sub>x</sub>	tonne	37.5	42.4	59.2
PM	tonne	22.2	9.1	0.2

Indicator	Unit	2020	2021	2022
<b>Wastewater</b>				
COD	tonne	73.9	68.9	189.0
Ammonia nitrogen	tonne	5.1	5.8	12.0
<b>Waste</b>				
Hazardous waste	tonne	425.5	116.0	293.3
Intensity of hazardous waste	kg/RMB1,000 of operating revenue	0.029	0.06	0.02
Non-hazardous waste	tonne	78,631.5	50,554.4	86,198.8
Intensity of non-hazardous waste	kg/RMB1,000 of operating revenue	5.31	2.65	6.03
Third-party recycling	tonne	60,921.2	18,666.8	17,480
Landfill disposal	tonne	2,882.3	2,127.5	3892
Internal incineration	tonne	14,828.0	9,269.6	9,752.5
Internal fertilizer	tonne	0.07	7,379.4	4.34
External harmless treatment	tonne	-	13,111.0	68,797.7
<b>Packaging material consumption</b>				
Paper products	tonne	8,341.9	10,384.9	5,178.0
Plastic	tonne	14,516.2	16,550.1	3,008.0
Composite membrane	tonne	3,304.4	2,372.8	2,295.0
Glass	tonne	543.1	925.1	691.0
Metals	tonne	151.6	818.2	114.0
Cotton thread, cloth	tonne	-	-	4.3
Others	tonne	19.0	41.9	18.6
Total	tonne	26,876.2	31,093.0	11,308.9

## Employee Data

Indicator	Unit	2020	2021	2022
Total number of employees	person	16,286	17,098	17,662
<b>By gender</b>				
Male	person	8,204	8,690	8,882
female	person	8,082	8,408	8,780
<b>By function</b>				
Marketing personnel	person	5,478	6,198	6,155
Production personnel	person	7,390	7,252	7,008
Management personnel	person	2,862	2,430	3,236
R&D personnel	person	556	1,218	1,263
<b>By age</b>				
< 30	person	5,560	5,243	5,997
30-50	person	9,830	10,804	10,353
> 50	person	896	1,051	1,312
<b>By region</b>				
Mainland China	person	16,281	17,094	17,658
East China	person	4,937	5,175	5,347
South China	person	4,161	4,441	4,585
North China	person	1,129	1,206	1,246
Central China	person	1,665	1,682	1,738
Northwest China	person	1,166	1,245	1,286
Northeast China	person	772	824	851
Southwest China	person	2,451	2,521	2,605
Hong Kong SAR	person	5	4	4

Indicator	Unit	2020	2021	2022
<b>By educational background</b>				
Employees with a bachelor's degree or above	person	8,620	9,829	9,910
Employees with a junior college certificate or below	person	7,666	7,269	7,752
<b>By ethnic group</b>				
Ethnic Han	person	15,537	16,323	16,835
Ethnic minorities	person	749	775	827
<b>Others</b>				
Number of disabled employees	person	81	125	117
Proportion of female employees in management	%	36.5	36.5	38.2

## Employee New Hire Rate

Indicator	Unit	2020	2021	2022
<b>By gender</b>				
Male	%	31	29	26
Female	%	30	30	26
<b>By age</b>				
< 30	%	44	46	42
30-50	%	24	23	26
> 50	%	23	9	4
<b>By region</b>				
Mainland China	%	31	30	26
East China	%	27	30	26
South China	%	64	65	50
North China	%	11	10	6
Central China	%	7	3	16
Northwest China	%	29	14	15
Northeast China	%	9	9	4
Southwest China	%	17	9	12
Hong Kong SAR	%	20	0	0

## Employee Turnover

Indicator	Unit	2020	2021	2022
<b>By gender</b>				
Male	%	33	23	24
Female	%	39	24	24
<b>By age</b>				
< 30	%	36	35	34
30-50	%	32	18	17
> 50	%	82	19	26
<b>By region</b>				
Mainland China	%	38	23	24
East China	%	30	22	23
South China	%	85	46	47
North China	%	17	11	8
Central China	%	8	6	7
Northwest China	%	10	11	17
Northeast China	%	13	12	5
Southwest China	%	13	12	13
Hong Kong SAR	%	0	25	0

## Employee Training Performance

Indicator	Unit	2020	2021	2022
Investments in employee training	RMB10,000	402.6	494.8	1,064.98
Number of employees participating in trainings	person-time	115,017	114,722	132,384
Number of employees trainings	time	5,644	5,287	3,862
<b>Employee training performance – by gender</b>				
<b>Training coverage</b>				
Male	%	100	100	94.07
Female	%	100	80	93.43
<b>Average training hours per employee</b>				
Male	hour	48	48	21.70
Female	hour	41	37	37.82
<b>Employee training performance – by function</b>				
<b>Training coverage</b>				
Marketing personnel	%	100	81	93.60
Production personnel	%	100	96	97.18
Management personnel	%	100	100	91.41
R&D personnel	%	100	84	90.08
<b>Average training hours per employee</b>				
Marketing personnel	hour	82	38	20.38
Production personnel	hour	16	25	20.32
Management personnel	hour	48	108	50.02
R&D personnel	hour	33	41	31.72

## Occupational Health and Safety

Indicator	Unit	2020	2021	2022
<b>Occupational health and safety training</b>				
Total number of employees participating in trainings	person-time	42,902	37,453	40,246
Total training hours	hour	85,804	74,906	80,492
<b>Occupational health and safety performance</b>				
Number of work-related accidents	nos.	1	8	2
Number of work-related injuries	person	1	8	5
Lost days due to work-related injuries	day	92	216	258
Number of work-related fatalities	person	0	0	0
Number of newly added occupational diseases	nos.	0	0	0

## Distribution of Suppliers

Indicator	Unit	2020	2021	2022
Mainland China	nos	234	218	199
East China	nos	68	64	56
South China	nos	26	27	27
North China	nos	34	29	27
Central China	nos	31	31	29
Northwest China	nos	23	22	18
Northeast China	nos	16	15	9
Southwest China	nos	36	30	33

## Product Quality

Indicator	Unit	2020	2021	2022
Product qualification rate	%	100	100	100
Qualification rate of drug sampling and testing	%	-	100	99.74
Number of defects identified by internal quality audit	nos.	488	581	518
Rectification rate of defects identified by internal quality audit	%	100	98.6	100
<b>Percentage of products recalled</b>				
<b>TCM decoction pieces</b>				
Quality	%	0	0	0.04
Safety	%	0	0	0
<b>Concentrated TCM granules</b>				
Quality	%	0.00044	0.00017	0.00006
Safety	%	0	—	0
<b>TCM finished drugs</b>				
Quality	%	0.00018	0.00008	0.00002
Safety	%	0	0	0
<b>Total number of customer complaints</b>				
Quality	time	130	24	32
Packaging appearance	time	36	177	105
Non-conformity of product information	time	63	17	1
Adverse reactions	time	23	24	30
Others	time	31	25	38
Resolution rate of customer complaints	%	100	100	100

## Community

Indicator	Unit	2020	2021	2022
Investments in public welfare	RMB10,000	2,330	1,189	1,433.81
Number of employees participating in volunteer services	person-time	—	433	416
Volunteer service time	hour	1,286	1,290	1,280
Investments in industrial poverty alleviation	RMB10,000	15,095	6,883	—
Investments in rural revitalization	RMB10,000	—	—	3,166.26

<sup>1</sup> In 2022, increased small batch production resulted in a significant increase in the unit consumption of products as the frequent site clearance. In addition, the industrial output was unstable, and the equipment was in low- or medium-load operation, which further increased the unit consumption. Although the production plan was adjusted and centralized production was arranged as much as possible, the expected results were still not achieved.

## Content Index

The content index of this report includes the United Nations Sustainable Development Goals, the GRI Standards, and the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange.

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	Development Strategy			
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## Suggestions and Feedback

Dear readers,

Thank you for reading the *2022 Environmental, Social and Governance Report of China Traditional Chinese Medicine Holdings Co. Limited*. We value and look forward to hearing your suggestions and feedback on this report, as they are important basis for us to continue to promote ESG management and practices. You may copy and fill in the form below and send feedback to us via email or fax. Your valuable suggestions are very welcome and sincerely appreciated!

### Multiple choice questions (Please tick (✓) the most appropriate option)

1. Do you think this report reflects the significant economic, social and environmental impact of China TCM?

Yes  Fair  No

2. Do you think the analysis of the stakeholders identified in this report and their relationship with China TCM is accurate and comprehensive?

Yes  Fair  No

3. Do you think the information disclosed in this report is comprehensive?

Yes  Fair  No

4. Do you think the information disclosed in this report is readable?

Yes  Fair  No

### Open-ended questions

1. What other information do you think you are concerned about is not disclosed in this report?

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2. What else do you think can be improved in this report?

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