
All for Good Medicine
All for Mankind's Health



2023
Environmental,
Social and
Governance Report

2023
Environmental, Social
and Governance Report
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About this Report

Basis of Preparation

This report is the Environmental, Social and Governance (ESG) Report prepared by CSPC Pharmaceutical Group Limited (the Company) and its subsidiaries (hereinafter referred to as “CSPC Group”, or “CSPC”, or “we” or “the Group”), by referring to the Environmental, Social and Governance Reporting Guide promulgated by the Stock Exchange of Hong Kong Ltd. (the “SEHK”) and the Sustainable Development Reporting Guidelines issued by the Global Reporting Initiative (GRI). We hope to take this opportunity to report to the shareholders and stakeholders on the Group’s efforts made in relation to corporate social responsibility and sustainable development in Fiscal Year 2023. Please refer to the Corporate Governance Report in the 2023 Annual Report of CSPC for details of the corporate governance.

Reporting Period

This report is the yearly report for the year 2023, covering the period from 1 January 2023 to 31 December 2023.

Scope of this Report

CSPC regularly reviews the reporting scope to ensure that all material issues that have significant impact on the Group’s overall business have been covered in this report. The data of Environmental, Health and Safety (EHS) in this Report has covered all the Group’s production enterprises and the policies described and reporting scope of other data are consistent with that in the Annual Report. Unless otherwise specified, social and governance data shall be consistent with the scope of the Company’s consolidated financial statements.

Data Source and Reliability

The data and cases in this report are mainly sourced from internal statistical reports and relevant system documents of CSPC, and we are committed to ensuring the reliability of data presented in this report and that there are no false records or misleading statements. The amounts mentioned in this report are denominated in Renminbi (RMB) unless otherwise specified. This report is published in both Chinese and English versions, and the Chinese Version shall prevail in case of discrepancies between the two versions.

Confirmation and Approval

The Board of Directors and senior management team of the Company have approved this report, ensuring that it contains no false records, misleading statements, or major omissions therein. During the reporting period, the Board of Directors also regularly monitors the Group’s ESG matters and reviews the progress towards relevant targets.

Report Availability

This report can be accessed and downloaded from the website of the Hong Kong Exchanges and Clearing Limited (the “HKEX”) (www.hkexnews.hk) and the Company’s website (www.cspc.com.hk).

For further enquiries or any comments or suggestions on this report, please contact us by email at ir@cspc.hk or via our website.

Reporting Principles

Materiality	This report identifies key issues that need to be responded through stakeholder engagement and materiality assessment, and highlights the ESG issues that may have significant impacts on investors and other stakeholders.
Quantitative	This report discloses key quantitative performance indicators, and provides explanations of their meanings, basis and assumptions for calculation.
Balance	The content of this report reflects the objective facts by disclosing indicators that involve both position and negative information.
Consistency	This report is the eighth ESG report published by the Company. The Company has standardised the basis of reporting, improved information collection tools and provided a basis for maintaining reporting consistency, which facilitates comparison of data over multiple years.

Chairman's Message

Despite numerous uncertainties in the global economy in 2023, the improving innovation environment and industry initiatives have driven rapid and high-quality development of the biopharmaceutical industry.

Under the philosophy of "All for Good Medicine, All for Mankind's Health", the Group's research and development investments in 2023 maintained double-digit growth annually, reaching RMB4.83 billion. These investments were used for innovation in the fields of chronic diseases, major illnesses, and national health and safety.

We deeply understand that only relentless innovation can create greater social value. Innovation for good is the original intention and goal of all the practices of the Group. In response to COVID-19, the Group has actively participated in the development of mRNA vaccine and obtained emergency authorisation for the first mRNA vaccine to be used in China in 2023, quickly complementing the technological roadmap of China's COVID-19 vaccine. This not only brings China's mRNA technology on par with international standards, but also achieves the localisation of key raw materials and excipients, making a positive contribution to the prevention and control of COVID-19 and national strategy.

At the same time, to promote the development of "Healthy China" and truly realise the inclusive nature of innovation, the Group adheres to the satisfaction of clinical needs as the guiding principle, and aims to improve the accessibility of innovative drugs. We not only focus on the development of new technologies and targets for a wide range of needs, but also pay special attention to the minority groups, especially for the treatment of rare diseases. The Group has developed and launched eight drugs in 2023 for rare diseases, including Narlumobart for Injection, a national Class 1 new drug and the world's first IgG4 RANKL inhibitor, for the treatment of a rare disease: giant cell tumor of bone.

In terms of improving the affordability of medicines, the Group actively participates in national volume-based procurement encompassing 33 varieties and 49 specifications, with an average drug price cut of more than 50%. In 2023, six products were included in the new National Reimbursement Drug List (NRDL), including Duoenda (the world's first mitoxantrone nanomedicine) and Ouyuxin (the first generic and exclusive desvenlafaxine succinate extended-release tablets in China), making first-line innovative drugs accessible and affordable to patients.

Continuous innovation is the greatest social responsibility of pharmaceutical companies. In addition, under a well-established ESG management framework, the Group promotes the in-depth integration of new-quality productive forces and sustainable development through synergy with environmental, social responsibility, and corporate governance concepts.

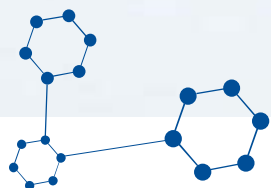
In the aspect of the environment, the Group actively responds to China's dual carbon targets of "reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060" and is committed to the construction of its environmental management system. The Group aims to develop a "green" industry development model by establishing green industrial chains and supply chains, building intelligent lighthouse factories, and promoting new energy technologies.

In terms of talent, based on a global employment structure, the Group has built a people-oriented and fair development culture, and established an employment system with diverse talent and systematic training. Through performance-based incentives, development platform, and care and welfare, the Group enables employees to develop together and share interests with the Company.

To further promote people's well-being, the Group donated RMB97.4 million in 2023 to carry out a series of assistance programs, including relief for the distressed patients with tumor and serious illness, and patient assistance projects for charitable medicine donation. In line with the pace of rural revitalisation, the Group provided medicines and other basic medical support for people in mountainous areas such as Zhangjiakou and Chengde. The Group also paid attention to the cultivation of medical talents and established the "Twilight Action-CSPC Student Financial Assistance" public welfare program for student assistance, with a view to promoting more people's well-being through its voice and actions.

In 2024, the Group will adhere to the concept of sustainable development, uphold green development, and truly achieve healthy and high-quality development, making our contribution to health and well-being of humanity and a healthy China.

CAI, Dongchen
Chairman





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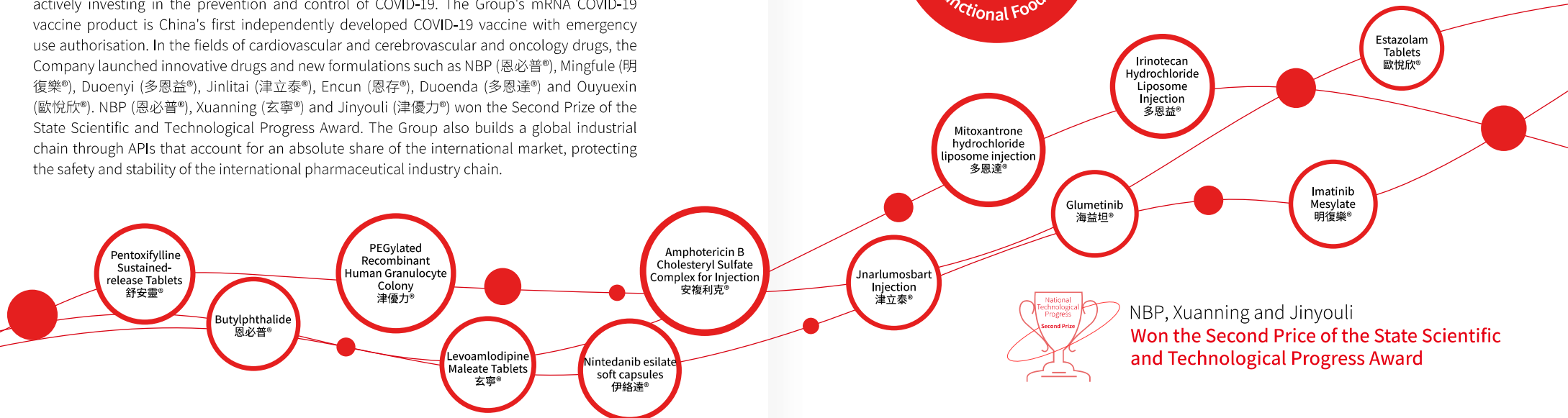
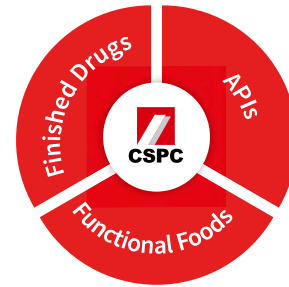
About CSPC



Introduction to CSPC

Under the philosophy "All for Good Medicine, All for Mankind's Health", CSPC Pharmaceutical Group Limited has achieved double-digit growth in its key operating indicators through innovative development and now developed into an international innovative enterprise with 23,500 employees.

CSPC has continuously provided better innovation results for human health through its worldwide participation in innovation. The Group has established a diversified product system with a focus on three major segments: finished drugs, APIs, and functional foods, and is also actively investing in the prevention and control of COVID-19. The Group's mRNA COVID-19 vaccine product is China's first independently developed COVID-19 vaccine with emergency use authorisation. In the fields of cardiovascular and cerebrovascular and oncology drugs, the Company launched innovative drugs and new formulations such as NBP (恩必普®), Mingfule (明復樂®), Duoenyi (多恩益®), Jinlitai (津立泰®), Encun (恩存®), Duoenda (多恩達®) and Ouyuexin (歐悅欣®). NBP (恩必普®), Xuanning (玄寧®) and Jinyouli (津優力®) won the Second Prize of the State Scientific and Technological Progress Award. The Group also builds a global industrial chain through APIs that account for an absolute share of the international market, protecting the safety and stability of the international pharmaceutical industry chain.



NBP, Xuanning and Jinyouli
Won the Second Prize of the State Scientific and Technological Progress Award

Corporate Culture



Mission:
All for Good Medicine, All for Mankind's Health

We are dedicated, attentive and persistent in making medicine. To make quality medicines is to make safe and reliable medicines of excellent quality good efficacy to meet the ever-growing needs of the society, and to continuously develop innovative drugs for meeting the unmet health needs. CSPC people aim to become the health ambassador for patients, protect their life and dedicate ourselves to promoting health.



We set an excellent benchmark for the industry by continuously improving our production, operation and management systems to be in line with international standards; constantly explore new heights in pharmaceutical science and stand at the forefront of the world's pharmaceutical innovation, in order to win more honor and dignity for the Chinese nation and become the pride of China.

With caring for human health as the original intention and improving the quality of human life as our mission, we not only provide safe and high-quality products to patients and customers worldwide, but also build a platform for employees to strive. We create value and rich returns for shareholders while sharing the results with stakeholders. We also serve and give back to the society more actively, making contribution to the cause of human health for all.



Vision:
Leading Innovation and Creating Excellent CSPC



Leading innovation: Taking technological innovation as our driving force, we take the lead in ideological innovation, management innovation, market innovation, R&D innovation, product innovation and talent innovation, to continue to iterate technologies and products through multi-wheel drive and multi-channel efforts, constantly establish new standards in industry segmentation, and promote the progress of the entire industry. Innovation represents endurance, strength, and doing what others cannot do. Innovation makes CSPC people always full of vigor and vitality.

Creating excellent CSPC: Upholding the concept of sustainable development, we always challenge ourselves to win the future. With a forward-looking vision, we build a pharmaceutical industry ecosystem, improve our operation and management system, cultivate a first-class team of talents, provide first-class products and services, and achieve first class performance to become a world-class pharmaceutical company, and an innovative pharmaceutical enterprise that is trusted, respected and everlasting.



Core Values:

Openness and Inclusiveness, Harmony and Friendship, Diligence and Pragmatism, Justice and Integrity, Teamwork and Sharing

We are zealous CSPC people.

Creating excellent CSPC is our common ideal. We have strong beliefs, keep our mission in mind and face the future with unswerving commitment.

We are responsible CSPC people.

Taking on goals and tasks seriously and responsibly, we courageously face difficulties, stand up against risks, and take responsibility for mistakes



We are hard-working CSPC people.

Always maintaining our curiosity and continuously exploring, we take proactive and lifelong learning approach, integrating learning with practical application, and diligently cultivating our thinking skill to achieve mastery through comprehensive studies.

We are CSPC people who dare to challenge.

In our work, we dare to challenge tradition, experience, authority, conventional thinking and higher target.

We are CSPC people determined to fulfil our mission.

Once our goals are set, we are fearless and resilient in the face of challenges, adhere to CSPC mission to bring happiness and health to people, and bring love and hope to life. We are CSPC people who strive for glory and dreams.

| ESG Performance Highlights of CSPC in 2023

✓ Standardised Governance

The board of directors consists of 15 members, including nine executive directors and one female director. Currently, the composition of the board of directors is balanced, with the proportion of independent directors exceeding 40%. All board members possess extensive industry experiences and have diverse expertise and backgrounds in fields such as economics, cell biology and genetics, business administration and pharmacy.

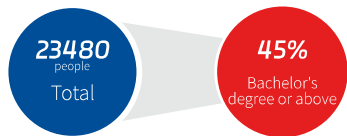
The Group attaches great importance to sustainable development and has established a three-tier management model with the board of directors as the highest decision-making body. The Group's ESG management system provides a structural foundation for implementing the concept of sustainable development, safeguarding shareholder rights and interests, and creating sustainable value for shareholders.

✓ Practices of Business Ethics

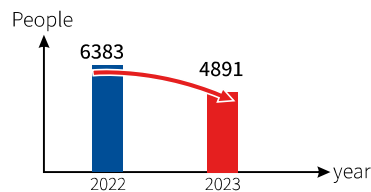
During the reporting period, the Group completed comprehensive business ethics training for all employees. The Group's subsidiaries conducted 865 anti-corruption training sessions, with the average training duration of 15 hours for management and 13 hours for employees. The total number and average training duration of training sessions both increased significantly from the previous year.

✓ Promoting Employment

As of the end of the reporting period, the total number of employees in the Group was 23,480, 45% of which have a bachelor's degree or above. In 2023, the number of employees who left the Group totaled 4,891, a decrease of 23% from the previous year.



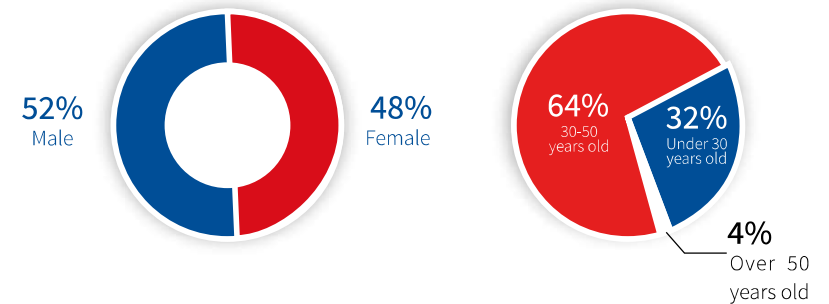
Total Number of Employees



The number of Leavers

✓ Gender and Age Structure of Employees

In 2023, 52% of employees are male and 48% are female, indicating a gender-balanced workforce and stable employee structure. Employees aged below 30 accounted for 32% and those aged 30–50 accounted for 64%, demonstrating an overall youth workforce.



✓ Employee Safety

The Group strives to create a healthy and safe working environment for its employees. Investment in production safety amounted to RMB 67.64 million in 2023, an increase of 77.09% from the previous year. In 2023, the Group achieved the "5 zero 1 low" (zero deaths, serious injuries, multiple injuries, occupational diseases and poisoning accidents, and low incident rate of minor injuries) occupational health and safety management targets. For many consecutive years, there have been no loss of working days due to serious injuries or work-related fatalities. The recordable accident rate per million working - hours fell to 0.29%, down 0.1 percentage point from the previous year, and loss rate per million working hours dropped to 64.8 hours, down 13.2 hours from the previous year.

✓ Supply Chain Security

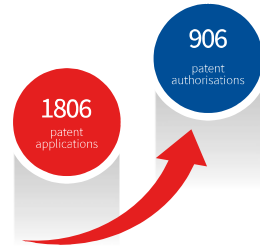
In 2023, the Group completed audits of 861 suppliers, including 395 on-site audits and 466 written audits, with an audit completion rate of 100%. As of the end of the reporting period, all suppliers that had business with the Group have signed the CSPC's Sunshine Cooperation Agreement, while all employees of the Centralised Procurement Centre have signed the Undertaking of Probity and Self-discipline for Procurement Personnel.

✓ Innovation-driven

The Group is committed to the research and development of innovative drugs to fill unmet clinical needs and provide innovative treatment solutions for a wide range of patients. The annual R&D investment in 2023 amounted to RMB 4.83 billion, with a compound annual growth rate of approximately 25% over the period of 2019–2023. The Group has established a R&D team with more than 2,000 professionals. Currently, there are more than 130 innovative drugs under development, including over 40 large molecule projects, over 40 small molecule projects, and 30 new-formulation projects. It is expected that approximately 50 innovative drugs and new formulations will be filed for marketing approval in the next 5 years, and these products will provide continuous growth momentum for CSPC.

✓ Intellectual Property

CSPC attaches great importance to patent protection. CSPC had 1,806 patent applications and 906 patent authorisations as of the end of 2023.



✓ Inclusive Healthcare

CSPC has a rich product pipeline focusing on six major therapeutic areas: oncology, anti-infectives, psychiatry and neurology, cardiovascular, immunology and respiratory, and digestion and metabolism. More than 320 products covering more than 750 specifications are sold online in 31 provinces and municipalities across China and the Xinjiang Corps. CSPC's products cover more than 35,000 medical institutions nationwide, with coverage rates over 90% in tertiary hospitals and 70% in secondary hospitals. The Group continues to increase investments in R&D for Drugs in rare diseases, and now has eight marketed drugs covering indications in rare diseases. CSPC has continuously provided better innovation results for human health through its participation in innovation worldwide, and improved drug accessibility and supply. In 2023, the CSPC's product sales covered 114 countries.

CSPC continues to improve the affordability of its products and establish reasonable product prices based on the number of patients and R&D investment in the product to benefit more patients. In terms of participating in national volume-based procurement, CSPC had 33 products and 49 specifications included in the national volume-based procurement as of the end of 2023, with an average drug price cut of more than 50%. A total of 280 products were included in the National Reimbursement Drug List, of which 122 in Category A and 158 in Category B.

✓ Employee Empowerment

CSPC has established a comprehensive training system, through a combination of both online and offline methods to provide employees with a vast amount of training resources, including Lecturer resources and course materials. The training covers various levels and categories of employees, such as new employee module, skilled personnel module, technical personnel module, and management cadre module, to ensure that every employee can receive training and development opportunities that match their career path. This not only contributes to the personal growth and career development of employees, but also provides a solid talent base for the long-term development and continuous innovation of the enterprise.

✓ Stringent Quality Control

CSPC focuses on enhancing product quality standards, implementing internationalisation strategy, and carrying out all quality management tasks in strict accordance with the requirements of various certifications. During the reporting period, the Group has successfully passed all 50 domestic official inspections, 13 foreign official inspections, 39 third-party audits and 503 domestic and foreign customer audits. In 2023, the Group carried out internal mutual inspections to supervise, inspect and guide each subsidiary, and conducted 17 system inspections and 27 unannounced/special inspections. There were no incidents of products sold or shipped by the Group requiring products to be recalled for safety or health reasons in 2023. During the year, the Group has a quality complaint rate of 0.13% , each of which was addressed in accordance with procedures.

✓ Green Development

Amid the national policy to "peak carbon emissions by 2030 and achieve carbon neutrality by 2060", CSPC continues to explore its own potential for energy-saving and emission-reduction to help achieve dual-carbon goals. In 2023, CSPC engaged an authoritative third-party institution to conduct comprehensive carbon verification on major emitting subsidiaries based on advanced international standards such as ISO14064-1:2018, and obtained greenhouse gas emission verification certificates.

In terms of environmental performance, CSPC has fully completed its phased emission reduction targets for 2019–2025 (using 2017 as the base year) in 2023, reducing greenhouse gas emissions per unit of revenue by 51%, non-hazardous waste emissions per unit of revenue by 71%, hazardous waste emissions per units of income by 26%, comprehensive energy consumption per unit of income by 57%, and water consumption per unit of revenues by 36%. Building upon this foundation, CSPC has established emission reduction targets and action plans for 2024–2030.

✓ Public Welfare and Charity

Adhering to the philosophy of "All for Good Medicine, All for Mankind's Health", CSPC actively participates in social welfare. In 2023, the Group donated a total of RMB 97.4 million to external parties and provided assistance to 121,000 people, with cumulative public welfare hours exceeding 60,000 hours.

I Major CSPC Honors

List of Major Honors Received by CSPC in 2023		
No.	Title	Issuing Authority
1	2022–2023 Top 100 Pharmaceutical Companies in China	All-China Federation of Industry and Commerce Medical and Pharmaceutical Chamber
2	Pioneer of Independent Innovation in the Pharmaceutical Industry	All-China Federation of Industry and Commerce Medical and Pharmaceutical Chamber
3	National Labor Award for May Day	All-China Federation of Trade Unions
4	No.7 among China's Top 100 Pharmaceutical Companies in 2022	China National Pharmaceutical Industry Information Center, MIIT
5	China Industrial Awards	China Federation of Industrial Economics
6	Best Corporate Media in National Pharmaceutical Industry in 2022	China News of Drug Information Association
7	Private Enterprises in Technological innovation	All-China Federation of Industry & Commerce
8	2023 Top 100 Enterprises in Shijiazhuang by Revenue	Shijiazhuang Enterprise Confederation, Shijiazhuang Entrepreneurs Association
9	Tax Service "Belt and Road" Demonstration Enterprises	Hebei Provincial Tax Service, State Taxation Administration
10	Stick Together Award	Shijiazhuang Enterprise Confederation, Shijiazhuang Entrepreneurs Association
11	Brands with Outstanding Contribution	China Council for Brand Development
12	Annual Top 10 Innovative Drug Companies	Securities Times – 3rd Pharmaceutical Innovation for Public Welfare Awards



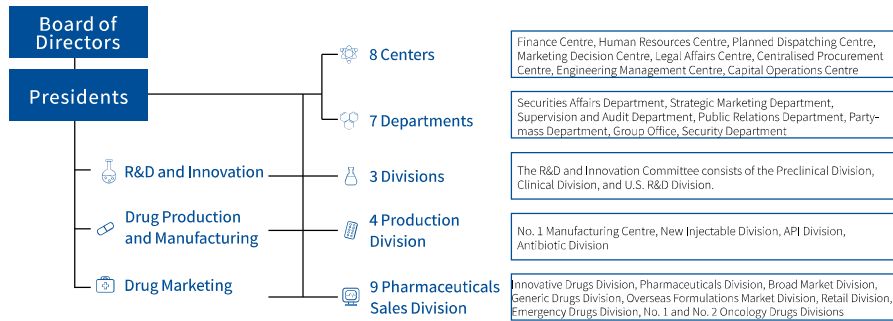


02

Standardising Governance, Enhancing High-quality Development

Corporate Governance Structure

CSPC strictly abide by the Company Law of the People's Republic of China (PRC), the Securities Law of the PRC, the Code of Corporate Governance for Listed Companies in the PRC and the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on the Stock Exchange (HKEX Listing Rules), as well as related laws and regulations, continuously improving the Group's corporate governance structure and internal control systems to enhance corporate governance standards. At the same time, the Group has established a sound regulatory system to protect interests and legitimate rights of shareholders and other stakeholders.



CSPC organisational Management System

Optimisation of Organisational Structure

To integrate marketing and business resources and establish a unified and efficient operating system, the Group further optimised its organisational structure in 2023, including the establishment of the Marketing Decision Centre and the splitting of Process and Information Centre.

Building an Efficient Operational System

In order to integrate market and business resources and establish a unified and efficient operational system, the Group has merged the management and support functions of the six pharmaceutical business marketing departments and the Patent and Government Affairs Department to form the Marketing Decision Center. This center comprehensively coordinates the marketing and market strategies of the Group. Following the principle of business similarity and information sharing, the Group has merged the Asset Management and Capital Operation Centers to establish the Capital Operation Center, which is responsible for the appreciation and preservation of assets and capital operations of the Group.

Promoting Digitalisation Construction

The Group has split the Process and Information Center. Functions related to the Group's information technology operation and maintenance have been transferred to the Group's Office, while operational management and process innovation functions have been transferred to the Marketing Decision Center, promoting high integration of digitalisation and informatisation with key businesses of the Group.

Optimizing the Structure of API Production and Sale System

To further support the growth and strengthening of segmented markets, a fully integrated Antibiotics Business Division, covering research and development, production, sales, and after-sales services, has been incubated from the API Business Division. Simultaneously, the Overseas Formulations Market Division has been established, focusing on expanding the overseas market. The No.1 Manufacturing Center has also spawned a new Injectable Business Unit, aiming for precise positioning and intensified efforts in infusion and water needle products.

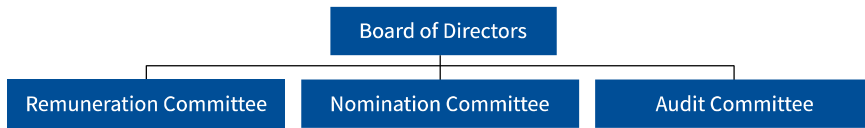
Establishing Strategic Marketing Department

The Strategic Marketing Department is primarily responsible for combing through CSPC's existing research and development pipeline and products, and integrating CSPC's research and development innovation advantages with clinical needs to lay out the research and development pipeline for the next 5-10 years. This process involves forming a strategic planning system for research and development pipelines through discussions and joint decision-making among various parties including market, research and development, and sales.

Diversified Organisational Governance System

Board of Directors

In strict accordance with the requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange and other relevant laws and regulations, the Group continues to improve corporate governance structure, consistently supervise and guide the compliance operation, and establish a sound supervision system to protect the interests and lawful rights and interests of shareholders and other relevant parties. To improve the functions of the board of directors and enhance decision-making efficiency, the Group has three specialised committees under the board of directors: the Audit Committee, the Nomination Committee, and the Remuneration Committee. The specialised committees diligently perform their duties in accordance with the powers and obligations conferred by the HKEX Listing Rules, the Articles of Association, and other implementation rules of the specialised committees.



Independence of the Board

We believe that the system of independent directors, as an important part of the corporate governance structure of a listed company, plays a crucial role in promoting the compliance operations and overseeing risk management and internal controls. It is a key factor in effectively avoiding risks to the development of the Group caused by individual decision-making errors. As of the end of the reporting period, there are a total of six independent non-executive directors, accounting for 40% of the total number of directors. Additionally, all members of the Audit Committee and the Remuneration Committee are composed of independent non-executive directors, with independent non-executive directors accounting for 67% of the total members of the Nomination Committee.

Board Diversity

In the current economic environment which is full of uncertainties and with corporate governance facing numerous sustainability challenges, a diverse composition of the board of directors is the cornerstone for promoting scientifically managed governance and the critical factor for the success and survival of the enterprise, ensuring a balanced mix of skills, experiences, and diverse perspectives within the board and serving as an important guarantee for the Group to achieve strategic goals and sustainable development. As of the end of the reporting period, the board of directors of the Group consists of 15 members, all of whom possess extensive industry experience and professional expertise and backgrounds in various fields such as economics, cell biology and genetics, business administration, pharmacy, and pharmaceuticals.

Number of Directors		
Job	6	9
	Independent Non-Executive Director	Executive Director
Education Level	5	6
	Undergraduate	Postgraduate
Gender	14	1
	Male	Female
Term of Service	15	
	12 months or more	

Distribution of the Board of Directors by Title, Education Level and Gender of CSPC

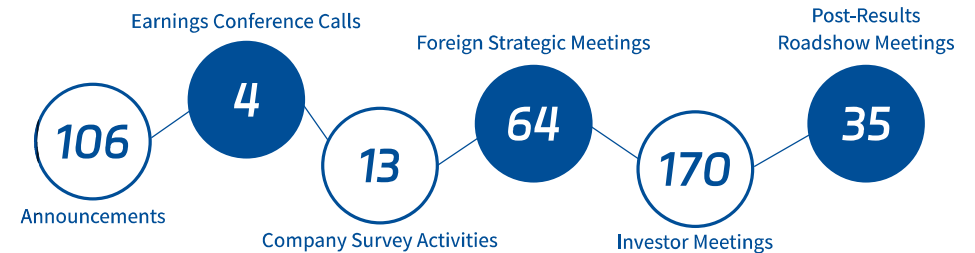
Shareholders' rights

With the expansion of business scale, the effectiveness of protecting shareholders' right is crucial for maintaining market stability and investor confidence. It is an important factor in promoting healthy corporate development and a sound corporate governance structure. The protection of shareholders' right can facilitate the healthy development of enterprises, enhance their competitiveness and market position. The Group actively safeguards shareholders' rights, holding three shareholders' meetings in 2023 with 10 resolutions reviewed and approved. There is no dual-class shares to and the Company has legally protect shareholders' rights.

Active Response to Capital Markets

Investor and Public Relations Management

The Group places great importance on maintaining good communication with investors and establishing a regular communication mechanism. Through company surveys, management roadshows, holding earnings conference calls, maintaining hotline responses, and online Q&A sessions, various communication channels are kept open. This ensures timely understanding of investor needs and dynamic collection of their opinions and suggestions. The Group continuously optimises communication methods to actively respond to investor concerns and ensure the steady and orderly progress of its various tasks. In 2023, the Group completed 106 announcements, held 4 earnings conference calls, conducted 13 company survey activities, organized 64 domestic and foreign strategic meetings, 170 investor meetings and 35 post-results roadshow meeting.



Core Figures for Investor Relations Management





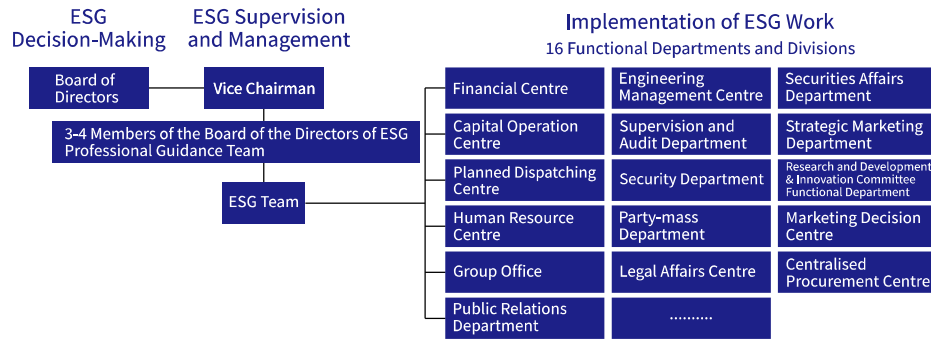
03

ESG Governance: Building a Foundation For Sustainable Development



ESG Management Structure

The Group attaches great importance to sustainable development-related work, integrates ESG management into daily business operations, and has established a three-tier management model with the board of directors as the highest decision-making body. The first tier is the board of directors responsible for ESG decision-making; the second tier is the ESG professional guidance team, including 3-4 board members and the ESG team responsible for ESG supervision and management; and the third tier is the 16 functional departments and business units responsible for the specific implementation of ESG work. The Group's ESG management objective is to build a sustainable enterprise and become an ESG leader in the pharmaceutical industry.



CSPC Group ESG management structure

Responsibilities of ESG Team

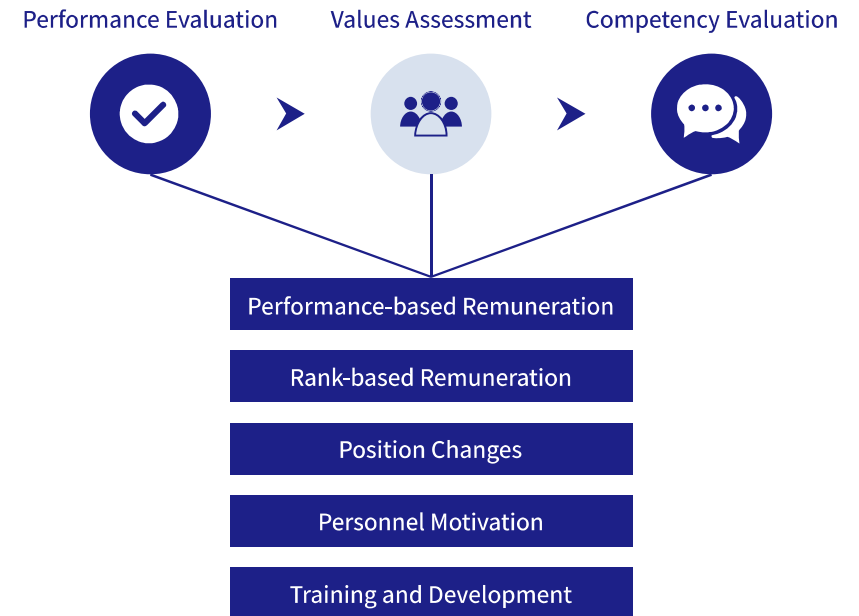
- ✔ Formulating ESG vision, goals, strategies, and governance framework, and monitoring the implementation measures;
- ✔ Identifying and prioritising the Group's key ESG issues; regularly collecting, analysing ESG performance data, and conducting periodic search for negative ESG information;
- ✔ Compiling the annual ESG report and making recommendations on specific implementation and decision-making for reference of the board of directors;
- ✔ Preparing regular reports and special reports on the progress and achievements of ESG work; and
- ✔ Identifying ESG risks relevant to the Group, assessing the impact of such risks on the Company, and providing recommendations to the board of directors on risk mitigation.

ESG Management Strategy

To institutionalise, streamline and standardise the ESG management, the Group published the Terms of Reference of CSPC's Environmental, Social and Governance (ESG) Team during the reporting period, clearly defining the ESG Team as a professional team under the leadership of the Group's Board of Directors, and formulating the composition, responsibilities, authorities, and rules of procedure of the ESG Team. According to such document, the Group's ESG working team convened three meetings during the reporting period and jointly determined the Group's ESG development targets and improvement initiatives.

ESG Performance Evaluation

We have incorporated ESG work into the performance evaluation of senior management, thereby evaluating senior management in three dimensions: performance evaluation, competency evaluation, and value assessment. The evaluation results are correlated with performance-based remuneration, rank-based remuneration compensation, position changes, personnel motivation, and training and development.

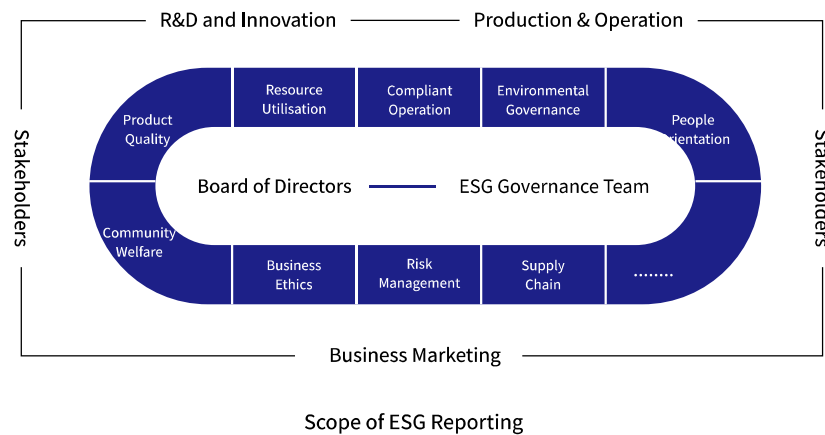


Improving ESG Data Collection System

To manage the ESG work more comprehensively, the Group has established an ESG indicator collection tool covering both domestic and overseas companies. This tool regularly collects the key quantitative disclosure indicators for all the "environmental" areas and some "social" areas as outlined in the ESG reporting guidelines, which are summarised throughout the year and ultimately disclosed in this report. For detailed data, please refer to each section of this report.

Material ESG Issues

This report covers all material aspects that have a significant impact on the Group's overall business. The Environmental, Health and Safety (EHS) data in this report has covered all of the Group's productive enterprises and the policy descriptions and the reporting scope of other data provided is consistent with that in the Annual Report. For the specific names of major R&D, production, and marketing companies, please refer to Appendix: Glossary.



Source of ESG Issues	Screening Criteria for ESG Issues
Suggestions of the Company' s Management	Contribution to Sustainable Development
Analysis and Suggestions of Internal and External Experts	Common Concerns of Stakeholders
Multimedia Information Analysis	Standards for Material Issues in the Guidelines Related to Social Responsibility
Industry Benchmarking Studies	Fulfilment of the Needs of the Company' s Strategic Development
ESG Guidelines	

Determination and Screening Criteria for ESG Issues



Determination of Substantive ESG Issues and Identification of Stakeholders



Stakeholder identification

The Group has always been listening to our stakeholders' views on ESG issues through various communication channels, and communicating with stakeholders on various ESG issues. We firmly believed that listening to the views of our stakeholders will enable us to assess the Group's ESG performance more objectively and comprehensively.

Based on our own business characteristics and drawing on the experience and practice of global peers, we have identified shareholders and investors, employees, customers and consumers, suppliers, communities and the public, and government and market regulators, etc. as our major stakeholders.



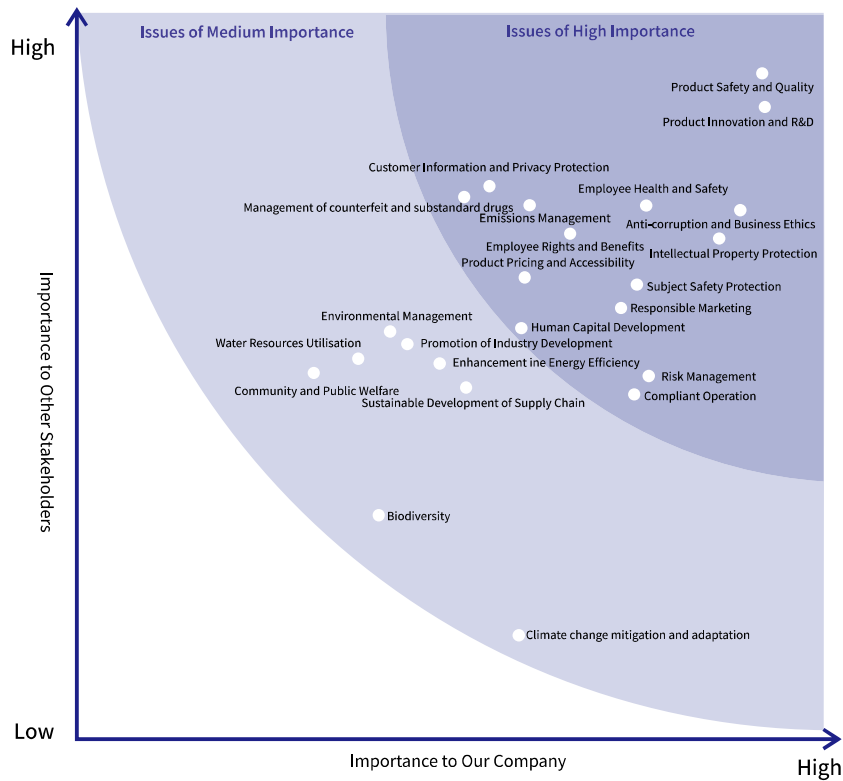
Stakeholder Communication

Category of Stakeholders	Stakeholders	Major Issues Concerned	Channels for Communication
Shareholders and investors	Investors who invest equities in the Company	Compliant operation Anti-corruption and business ethics Product quality and safety Product innovation and R&D	General meeting of shareholders Investor information session On-site survey Regular information disclosure of the listed company Visits and meetings with investors Inquiries via telephone and email
Employees	Company's employees	Employee health and safety Anti-corruption and business ethics Product quality and safety Protection of employees' rights and interests	Daily communication between employees and management Collection of employees' opinion Employment activities Internal training and learning
Customers and consumers	Pharmaceutical companies, research institutions, scientists, entrepreneurs, patients, hospitals, and doctors, etc.	Risk management Product and service quality Product innovation and R&D Intellectual property protection Responsible marketing Customer information and privacy protection Promotion of industry development Counterfeit and substandard drugs	Regular visits Forums Symposium Monthly sales analysis meeting Annual marketing seminar Surveys on customer satisfaction in the form of questionnaires Product complaint handling process Information exchange system
Suppliers	Suppliers of raw materials, equipment, and engineering, etc.	Product quality and safety Customer information and privacy protection Sustainable development of supply chain	Tender meeting Standardised supplier management process Annual supplier review system On-Site auditing Consulting and information disclosure
Partners	Industry partners	Product innovation and R&D Subject safety protection Responsible marketing Customer information and privacy protection Human capital development	Regular communication Correspondence by conferences and calls Company website
Community and the Public	Communities, society, the public and media at the place of operation.	Product innovation and R&D Product pricing and accessibility Sustainable development of supply chain Community and public welfare	Collaboration in organizing community activities Open Day of the Group
Governments and Regulatory Authorities	local governments, tax burea, environmental protection bureau, market regulator, etc.	Employee health and safety Emissions management Climate change mitigation and adaptation Enhancement in Energy Utilisation Water resource utilisation Biodiversity	On-site Inspection and Report on work Government visit and guidance Participation in formulation of government policy and recommendation Industry collaboration Consulting and information disclosure

Note: Sources of reference for the definition of issues: Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 - Regulated Operations, the Environmental, Social and Governance Reporting Guide of the SEHK, and GRI, etc;

Identification and Determination of Material ESG Issues

We conducted a comprehensive analysis of different ESG issues through materiality assessments. The materiality assessment is mainly based on the results of stakeholder surveys, benchmarking with peers and consultation with experts. We refer to the Environmental, Social and Governance Reporting Guide of the SEHK and the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI), and benchmark ourselves against leading players in the industry. To understand the key concerns of various stakeholders and respond to the major issues concerned by stakeholders in the Environmental, Social and Governance Report, we also identified policy hotspots at the national and industry levels, issues highly concerned by the rating agencies and issues of high interest to peers, and established a database of ESG topics related to CSPC as the basis for our quantitative survey this year. Here are 3 governance-related topics, 13 social-related topics and 7 environmental-related topics:



Analysis of Material ESG Issues of CSPC

According to the substantive issue analysis, the importance of issues to stakeholders and the Group is as follows:

Importance	Topic Content	
High Importance	Product Safety and Quality	Management of Counterfeit and Substandard Drugs
	Employee Health and Safety	Responsible Marketing
	Product Innovation and R&D	Risk Management
	Intellectual Property Protection	Anti-corruption and Business Ethics
	Customer Information and Privacy Protection	Compliant Operation
	Employee Rights and Benefits	Emissions Management
	Subject Safety Protection	Product Pricing and Accessibility
Medium Importance	Human Capital Development	
	Environmental Management	Biodiversity
	Sustainable Development of Supply Chain	Enhancement in Energy Efficiency
	Promotion of Industry Development	Water Resources Utilisation
	Community and Public Welfare	Climate Change Mitigation and Adaptation
Low Importance	Nil	

Identification of the Importance of Material Issues

Major changes in material issues for 2023: In addition to issues such as "product safety and quality" and "employee health and safety" that have been of high concern to stakeholders, we upgraded issues such as "human capital and development" and "emissions management" as the Group's material issues of high importance. We are keenly aware of the high level of concern that stakeholders place on the Group's compliance operations, employees, and product R&D, and doing a good job in these areas will be our top priority.



04

**Strictly Adhering to the
Bottom Line of Compliance,
Safeguarding Sustainable
Development**

Business Ethics

Construction of Anti-Corruption System

The Group has zero tolerance for violations of business ethics, strictly abides by the Interim Provisions on the Prohibition on Commercial Bribery, Notice on the Serious Investigation and Active Prevention of Job-related Crimes in the Field of Food and Drug Supervision and other national policies and regulations. The Group has also formulated the Whistleblowing Policy, Management System of Employees' Integrity and Self-discipline, Management System for Accountability for Dereliction of Duty, the Management System for Supervision of Whistleblowing, Reward and Punishment, and has established and improved the anti-fraud control and supervision mechanism, so as to effectively prevent and control the fraud risk of the Group through internal control, internal audit and anti-corruption systems.

Anti-Corruption Training

The Group actively carries out compliance training and has completed comprehensive business ethics training for all employees during the reporting period, including anti-corruption and anti-fraud trainings, integrity education trainings, integrity examinations, case studies, visits to education bases for warning education.

Compliance training indicators		Statistics in 2023	
Coverage of anti-corruption training	Unit	100%	
Training sessions for management	Times	865 (Accumulated by Various Companies)	
Average training hours of Management	Hours	15	
Average training hours of Employees	Hours	13	

Statistics On internal Anti-corruption Training In 2023

Whistleblowing Channels

In order to cooperate with internal and external parties to jointly monitor compliance and supervise the implementation of business ethics and create the atmosphere of operating with integrity, the Group has formulated the Management System for Supervision of Whistleblowing, Reward and Punishment, which clearly stipulates the requirements, reporting scope and investigation process of whistleblowing. All employees can report through any of the following methods, such as email, telephone, website, WeChat etc.

Reporting Hotline: +86-(0)18931872760(24 hours)
 Reporting E-mail: cspcjb@cspc.cn
 Postal Mail:The Supervision and Audit Department of the CSPC,
 Zhongshan East Road No.896, Hi-tech Zone, Shijiazhuang, Hebei Province.
 Postal Code:050035
 To make an appointment to visit and report:
 CSPC Pharmaceutical Integrity Education Platform – “I Want to Report”
 CSPC Pharmaceutical Integrity Wechat Platform
 WeChat report: cspclianjie



Protection of Whistleblower

To protect the whistleblowers to the greatest extent and prevent him/her from receiving unfair treatment or retaliation due to complaints, the Group strictly limits the access to view the whistleblower's identity information and contents in complaint, prohibits any person from disclosing the whistleblower's identity information, and forbids any retaliation against the whistleblower. If we find out any leakage of information or retaliation against the whistleblower which violates the law, we will transfer the violator to the judicial authorities for handling according to law.

At the same time, the Group will reward the employees who provide clues about the persons who receive bribes, offer bribes, accept kickbacks, gifts or improper donations that do not meet the compliance requirements, upon verification.

Anti-corruption Management System

The Group's management is responsible for monitoring the assessment of risk management and internal control and has reported to the Audit Committee and the Board on the effectiveness of the risk management and internal control systems for the year.

The Group's Supervision Department is a dedicated department authorised by CSPC to conduct investigations into corrupt conduct, which consistently implements the risk control concept of "prevention first, combination of prevention and control, dynamic management, and full coverage of risk systems". The Supervision Department is committed to promoting prevention, supervision, education and punishment with the goal of creating an efficient supervision system, improving risk control capability, and fostering a work environment that is clean, upright and focused on getting things done. The heads of units at all levels of the Group are the first persons responsible for the Group's integrity and self-discipline work. Each unit has the first person responsible for supervision, a dedicated person in charge of supervision and a supervisor to ensure that the all units are under comprehensive and effective supervision.



Anti-Corruption Management Structure of CSPC



Internal Supervision

The independent Supervision and Security Department established by the Group is committed to urging employees to perform their duties honestly and operate with integrity, and preventing corruption with its binding internal policies, so as to establish a clean corporate culture atmosphere of "being proud of integrity and ashamed of corruption". In addition, the dedicated Compliance Department pays close attention to the development of the Anti-Unfair Competition Law of the People's Republic of China and other relevant regulations in China to ensure that the business of various subsidiaries is carried out in compliance with laws and regulations.



Collaboration in Supervision

The Group joined two anti-fraud organisations: the Trust and Integrity Alliance and the Enterprise Anti-Fraud Alliance, and participated in multiple training and learning activities organised by these alliances throughout the year. By strengthening exchanges with external parties of supervisors and achieving information sharing, we are committed to benchmarking against advanced enterprises and timely learning from external advanced supervision experiences.



Conducting Inspection

The Group has established a comprehensive monitoring system for the whole process of internal operation, thereby preventing and mitigating various management risks. In 2023, the Group conducted inspections and tours of member enterprises, promptly urging rectification of problems identified during the inspections, and further standardizing relevant processes. Additionally, more specific requirements were proposed for the business skills of supervisory personnel to enhance their ability to identify and address issues during supervision and inspection processes.



Integrity Education

To strengthen integrity education and foster a culture of lawful operation and integrity, the Supervision and Audit Department conducted integrity education activities involving all employees within the Group, and also organised nine integrity education training sessions during the reporting period, aiming to establish and improve regulations on integrity and self-discipline for key positions. Furthermore, we required managers at all levels and personnel at key position to fortify their moral defense against corruption and arranged for senior executives, middle-level managers, and ordinary employees to sign the Undertaking of Integrity and Self-discipline.

Compliance Management

As a responsible enterprise, CSPC adheres to the principle of honesty and trustworthiness, conducts business activities in an ethical and professional manner, and ensures the continuous and standardised operation. In response to the national reform of the medical and health system and the plan for the development of medical and health care, the Group has built a sound corporate compliance and governance system, and integrates business development with the Group's core values, compliance requirements and expectations of various stakeholders, continuously improves its governance level and effectively protects the long-term interests of all stakeholders, thereby establishing a good corporate image and laying a solid foundation for the healthy and sustainable development of the Group.



Construction of Compliance System

The Group regards compliance management as a key task of corporate governance. In strict compliance with laws, regulations and regulatory requirements, the Group has established a sound and effective internal risk management system, formulated, and continuously optimised a series of internal control systems covering various business processes of the Group, to effectively supervise the matters related to business ethics such as anti-unfair competition and responsible marketing and avoid various improper, illegal and non-compliant acts, and prevent and control internal risks within the Group.

We continue to strengthen our system construction and have formulated various compliance management systems, including the Guidelines for Compliance Management of Anti-Monopoly and Anti-Unfair Competition Law of CSPC, the Measures for the Administration of Business Conduct of CSPC, and the Code of Business Conduct and Ethics of Promotion Service Providers of CSPC, which set detailed requirements for all employees and stakeholders of the Group in terms of business conduct, anti-monopoly and anti-unfair competition.

At the same time, we have established an independent internal compliance audit system that is compatible with the Company's development. We have formulated the internal compliance auditing system of the Management System for Compliance Audit and Unannounced Inspection of Market Activities of CSPC, which strictly regulates matters related to the audit of business ethics. We have also revised and improved the code of conduct for auditors, auditing standards, and risk management procedures and guidelines for different positions.

Compliance Management System

Compliance Supervision and Evaluation



CSPC Compliance Supervision and Management Process

Compliance Management Assessment Mechanism

The Group's Compliance Department conducts annual evaluations of the compliance management work within various functional department of each business units, various business unit of the marketing system, and the subsidiary companies.



Cultivation of Compliance Management Culture

CSPC has established a sound compliance training system and places great importance on the implementation of compliance work.



[Case]: Anti-unfair competition compliance requirements – part of the compliance requirements for prohibition of commercial bribery

Based on their own operations, various business units and professional departments of CSPC have established and improved an effective anti-bribery management system in a timely manner from the perspectives of high-level anti-corruption commitment and corporate culture, employee compliance training, reward and punishment incentive mechanism, third-party inclusion into the compliance system, confidential reporting and internal investigation, in accordance with ISO37001 "Anti-Bribery Management System Requirements and Guidelines for Use".

Each business department and specialised department shall not give property to state organs, state-owned companies, enterprises, institutions, people's organisations and their staff members for the purpose of seeking illegitimate interests. No rebate or service fee of any kind shall be given in violation of the national regulations.

Data Security and Privacy Protection

Management System

CSPC regards data security and privacy protection as an important responsibility in its corporate operations. At the institutional level, we have formulated information security and data protection systems such as the Network Information Security Management System, the Information Security Management Organisational Structure and Responsibilities, the Network and Information Security Incident Emergency Response Plan, the Office Terminal Security Network Access Management Standard, and the Data Classification and Hierarchical Security Management Standard (Trial Version) to build a comprehensive data protection and information security management system covering all business areas.

Each year, we conduct professional audits of the Group's information systems and information security systems through independent third-party institutions to comprehensively identify and assess potential risks, and actively promote rectification and improvement based on the audit results, to continuously strengthen the Group's information and data security lines.

We continuously work on the maintenance and improvement of information security from three dimensions: computer security, network security and data security. We deploy a data security protection platform, and do our best to prevent data leakage and other information security incidents through passive protection measures such as endpoint security management, unified identity management, zero-trust access control and data leakage prevention to ensure the likelihood of their occurrence is minimised.

We proactively detect the vulnerability of business systems and conduct risk point investigation activities on a regular basis to continuously enhance the ability of business systems to withstand external attacks. Meanwhile, we have defined the format and participants of the activities through the CSPC 2023 Network Information Security Activity Plan, and have conducted a security publicity campaign, a set of security awareness education and training, as well as training for managers of some business divisions to raise employees' awareness of data security and privacy protection.

Management Measures

Computer Security

Deploying a unified endpoint security management system and enterprise-level antivirus software to establish a standardised endpoint security environment.

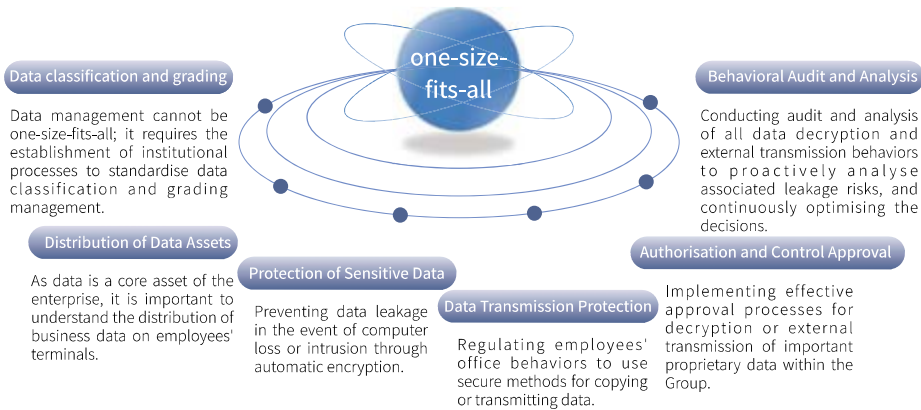
Network Security

The network security is equipped with an online access control system, zero-trust access control system, and mobile security management system. A unified internal and external network boundary security protection mechanism is established to protect endpoints from accessing internal information systems through identity authentication, access management, and endpoint security management. An IAM unified identity management system is deployed, with the Company's HR system as the authoritative data source, to build a central identity repository for CSPC. A unified application access gateway is established to achieve secure user authentication and convenient and fast access to applications.

Data Security

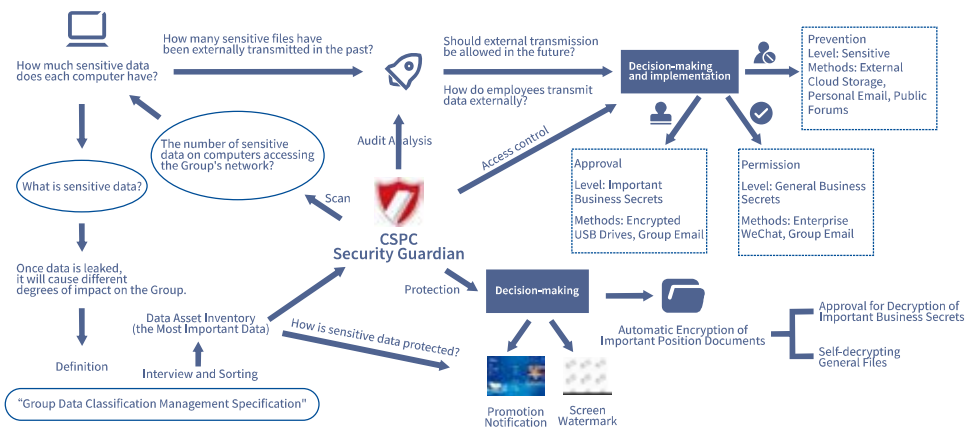
Based on core sensitive data of the business departments, refining the inventory of enterprise's sensitive data asset through interviews and surveys; deploying Data Loss Prevention (DLP) and encryption systems on data terminals to protect and manage the enterprise's important data assets based on sensitive data; strengthening control and audit on the behavior of transmitting documents in terminal in office scenarios, enhancing user security awareness education, and strengthening data traceability management capabilities to ensure no leakage of confidential information at the terminals.

Data Security Management and Protection



Data Security Classification and Grading Protection Logic Diagram

Computer terminals serve as the source of data usage, and data classification and grading are fundamental for implementing data audit and protection strategies.



Clinical Ethics

Regarding the protection and welfare of laboratory animals, laboratory animals have made significant contributions to the development of life sciences and human health. CSPC strictly abides by a series of regulations and guidelines promulgated and implemented by national and local ministries such as the Ministry of Science and Technology and the State Bureau of Quality and Technology Supervision, such as the Regulations on the Administration of Laboratory Animals, the Measures for the Administration of Laboratory Animal Licenses, the Guiding Opinions on the Kind Treatment of Laboratory Animals, and the Guidelines for the Ethical Review of Laboratory Animal Welfare. CSPC adheres to the scientific concept of harmony between humans and nature, establishing a complete legalised and standardised scientific management system, and strictly abides by national and local guidelines for the management and use of laboratory animals.

Treating laboratory animals kindly reflects the progress of human civilisation. To ensure the effective implementation of laboratory animal ethics and welfare, the Group has established an independent committee for management and ethics of laboratory animals, formulated standard operating procedures related to animal experiments, established a sound feeding management system and a professional veterinary healthcare team. Based on the theory of scientific, rational, and humane use of laboratory animals, the Group applies the currently internationally recognised "3R" principles and the "Five Freedoms" of animal welfare to its animal experimentation management system to reduce pain and mortality and respect animal life and rights.

Regarding the safety of clinical trials, CSPC strictly abides by the Civil Code of the People's Republic of China, the Regulations of the People's Republic of China on the Management of Human Genetic Resources, the Measures for the Ethical Review of Biomedical Research Involving Humans, the Declaration of Helsinki of the World Medical Association, the Code for Quality Management of Drug Clinical Trials and other relevant ethical norms, and conducts clinical trials in accordance with the highest ethical, professional and quality standards. We have formulated full-chain management, operation, and quality control documents for clinical trials, and set up strict supervision and accountability mechanisms. Based on effective management of various operational aspects of clinical trials, the safety evaluation of drug clinical trials should be carried out to resolutely ensure the safety of drug use by participants. In addition, we have adopted measures such as anonymisation, coding, and dedicated management to protect subjects' identities, diseases, and biological samples from leakage and infringement, and conducted and completed clinical trials legally and in compliance with the principle of avoiding non-compliance and non-essential access. During the reporting period, we did not have any incidents where we were required to terminate clinical trials due to violations of Good Clinical Practice (GCP) or other regulations.





05

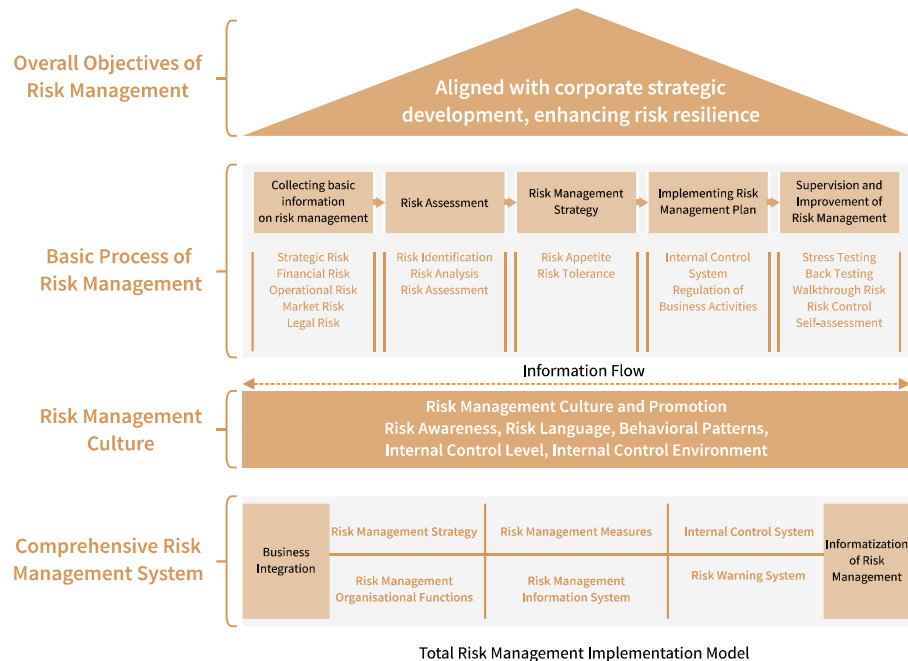
Risk Management

Risk Management System

CSPC manages the risks in a comprehensive manner based on the concept of "prevention first, combination of prevention and control, dynamic management, and full coverage of risk systems".

The Audit Committee under the Board of Directors of the Group is responsible for performing an independent review of the Group's risk management and internal control systems, and examining the issues related to anti-corruption and business ethics, while the relevant business management departments are responsible for the implementation of risk management policies and daily risk management.

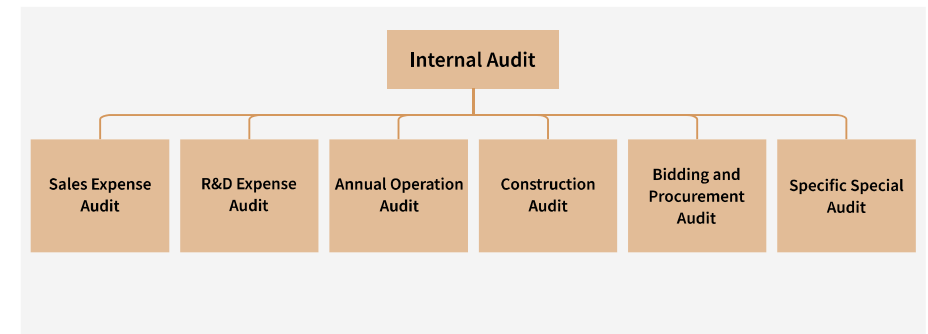
The Group has established an internal and external audit system and is committed to strengthening internal audit supervision and continuously improving the Internal Audit Management System, so as to realise objectives by reviewing and evaluating the appropriateness, legitimacy and effectiveness of business activities and internal control of the Company and its subsidiaries. In addition, the Company engages an independent auditor to conduct external audit on the consolidated financial statements and discloses them on the websites of SEHK and the Company.



Internal Audit Mechanism

The Group has established an internal audit department to carry out independent and objective supervision, evaluation and recommendation on the financial revenue and expenditure, operational activities, internal control, risk management, compliant marketing, business ethics and anti-corruption, as well as the performance of key personnel's financial responsibilities within the Group's headquarters and its subsidiaries, so as to facilitate the Group to improve governance and achieve objectives.

In 2023, the Internal Audit Department of the Group organised a total of 6 internal audits and carried out a total of 35 annual comprehensive audits and special audits according to the annual audit plan. The audits achieved full coverage of audit matters with sales, R&D, engineering, and procurement with the main focus on key audit areas and routine audits on routine items to strengthen audit supervision. According to the new market environment and regulatory requirements, the Internal Audit Department constantly update the monitoring procedures and supplemented the internal control measures. At the same time, by strengthening the breadth and depth of the audit business, the Internal Audit Department timely identifies control defects in the operation process and uncovers business risks. The effective internal audit system enhanced the overall risk response ability of the Group and ensured that all business activities are compliant and legal.



Scope of Organisational Audit and Supervision

The Group's organisational audit mainly includes sales expense audit, R&D expense audit, annual operation audit, construction in progress audit, bidding and procurement audit, and specific special audit.



06

Quality as the Source: Achieving Excellent Quality

Product Quality Management Regime

As a pharmaceutical enterprise with pharmaceutical innovation, R&D and manufacturing as the core business, CSPC regards quality as its lifeline and has always taken product quality as the first core competitiveness, adheres to the quality guideline of “ingenuous manufacturing with craftsmanship and high quality to create excellent CSPC”, complies with the quality concept of “manufacturing products with love and transmitting health” and carries forward the quality culture of “producing high-quality medicines with heart”.



Ingenuous manufacturing with craftsmanship and high quality to create excellent CSPC

Quality Guideline



Manufacturing products with love and transmitting health

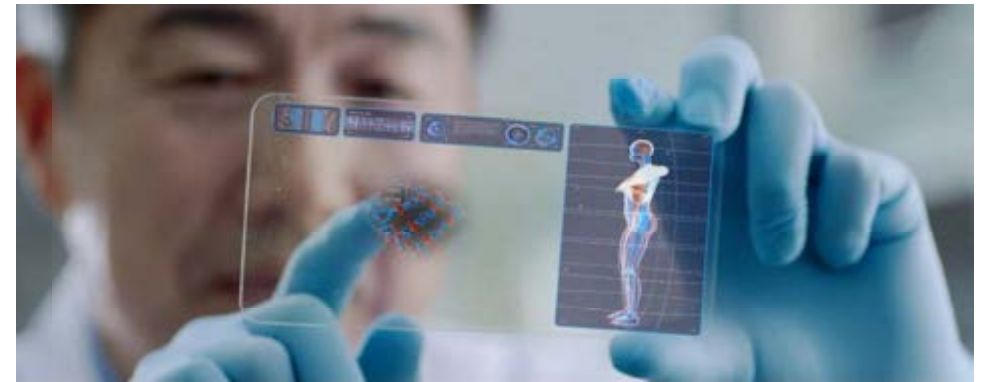
Quality Concept



Producing high-quality medicines with heart

Quality Culture

The Group’s quality management and inspection team consists of many management personnel with master’s degree and bachelor’s degrees or above, who can effectively perform various quality management work of the Group. To ensure the safety of medication and the interests of patients, we have always adhered to the following quality commitments:

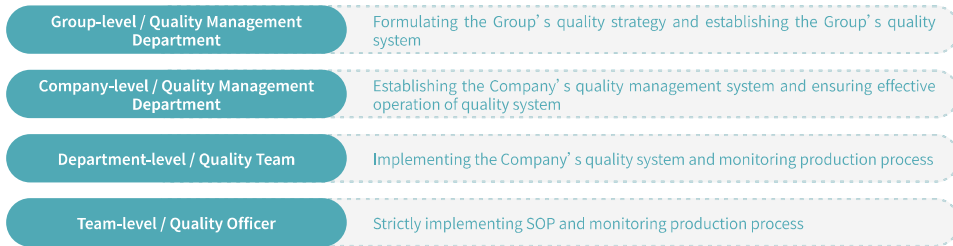


- 01 Strictly following and implementing the requirements of relevant laws and regulations, and ensuring the integrity in our business operations, abiding by laws with integrity and restraining from deceptive or fraudulent practices during production, processing, sales, brand promotion and after-sales service;
- 02 Establishing product quality standards according to the national pharmacopoeia of relevant products to ensure that the products comply with the quality requirements and with laws and regulations;
- 03 Constructing a sound quality management system which covers the whole product life cycle and continuously enhancing quality management standards through internal audit and management review;
- 04 Ensuring that the measurement tools, instruments, and equipment used for product inspection are calibrated by qualified calibration institutions, so that all quality inspection activities are stringent and effective, and relevant quality management records are traceable;
- 05 Implementing product traceability management with the help of ERP, SAP, MES, WMS, LIMS and other management systems and product traceability system; and
- 06 Focusing on customers’ needs, improving after-sales service management system, striving for excellent after-sales service, and taking customers’ satisfaction as the code of conduct of the Group.

Product Quality Management System

The Group has always strictly abided by the national laws and regulations on product quality and safety, such as the Law of the People’s Republic of China on the Administration of Drugs, the Measures for the Administration of Drug Registration, the Law of the People’s Republic of China on Product Quality, the Law of the People’s Republic of China on the Protection of the Consumer Rights and Interests, Good Manufacturing Practice for Drugs, Good Pharmacovigilance Practices (GVP) and other requirements, and has established a comprehensive quality management and whole-process traceability system with a focus on prevention, which ensures quality management of drugs during the whole life cycle.

The Group implements a four-level (group-level, company-level, department-level, team-level) quality assurance system and has a professional quality management team responsible for managing the quality control and assurance of each subsidiary.



Product Quality Management System

All the Group’s subsidiaries have established comprehensive quality management systems, covering six major systems of pharmaceutical production and operation. Each company has established a collection mechanism for laws, regulations and standards to timely collect the latest domestic and foreign laws, regulations and standards, and compile them into internal documents of the Company. The establishment and implementation of relevant systems can ensure that the quality management system complies with laws and regulations and provides guidance for the quality-related activities. At the same time, the Group and each subsidiary have also established quality risk management systems, based on which, the scientific quality risk assessment tools are applied to identify the potential risks affecting product safety and quality control from different dimensions, so that we can formulate control plans in advance to provide patients with high-quality and safe products.

Participation Rate of Quality Training	100%
Quality Analysis Meeting	112Times
Quality System Review	17Times

CSPC Quality Management Related Data

Product Quality Certification Management

In recent years, CSPC has focused on improving product quality standards, implemented the internationalisation strategy, and carried out the quality management of all processes in strict accordance with the provisions of the various certifications. The major domestic and international certifications passed in 2023 are shown below.

Certification Type	Certification Agency	Certification Situation
GMP compliance check/ registration check	National and Provincial Drug Supervision Administration Bureaus	Successfully passed 50 inspections of domestic regulatory authorities in 2023, including • GMP compliance checks/unannounced checks for 30 times; • Special check/follow-up checks for 16 times; • Registration checks for 4 times • mRNA COVID-19 vaccine passed EUA check
GSP compliance check	Provincial (Municipal) Drug Supervision Administration Bureaus	Successfully passed the on-site inspections for more than 10 times carried out by the drug supervision departments at all levels in the province or city in 2023
ISO9001 Certification	Third-party certification bodies	10 production enterprises of the Group, including Weisheng and CSPC Innovation, have obtained the certification
U.S. FDA Certification	U.S. Food and Drug Administration	Acquired FDA certification for a total of 21 times
EU Certification	Quality of Medicines & HealthCare of EU Members	Passed on-spot check of EU and its member states for a total of 8 times; Passed EU check on Acarbose in 2023
CEP Certification	European Directorate for the Quality of Medicines & HealthCare	Obtained CEP certificates for 13 products

Product Quality Internal Audit

In 2023, the Group selected inspectors from the internal inspector directory to conduct quality system inspection and mutual inspections of special projects among subsidiaries, and to supervise, inspect and provide guidance to subsidiaries. A total of 17 system inspections and 27 unannounced inspections were conducted. Meanwhile, the communication and sharing among subsidiaries of the Group were strengthened in terms of advanced quality management experience and typical problems found in internal and external inspections.

[Case] In 2023, the Group enhanced employees' quality awareness and encouraged employees to make quality improvement and innovation by carrying out Quality Month programme, various quality management team activities and quality breakthrough projects.



QualityControl Outstanding Enterprises



QualityControl Award-winning Group

Internal Quality-Related Honors Of The Group

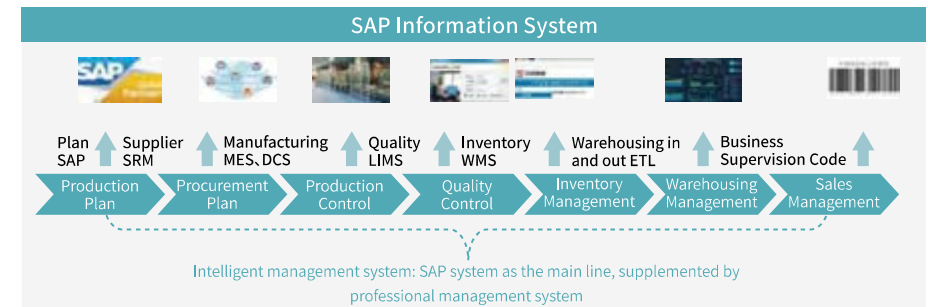


In 2024, the Group will continue to conduct various quality inspections based on the quality evaluation and grading results of its subsidiaries and based on the risk management principle to continuously improve the overall quality management of the Group.

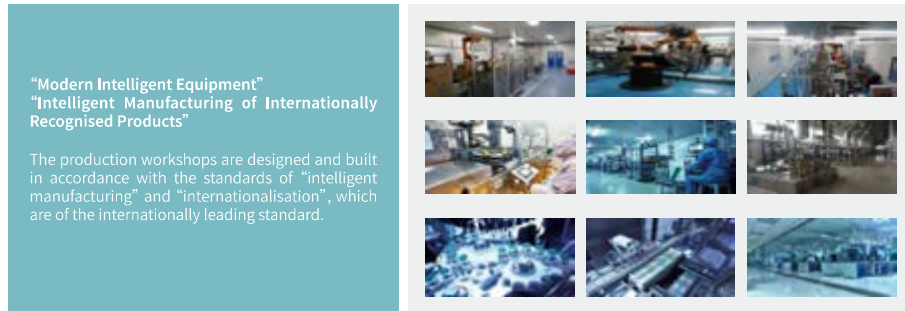
Production Quality Control

Improving Production Quality with the Aid of Intelligent Manufacturing

With the SAP system as the main line supplemented by a professional management system, the Group facilitates intelligent manufacturing through construction of information system. The Group have established a whole-chain management system from receipts of materials, production control, delivery of finished products to distribution. Combined with the establishment of an information system, effective management and continuous improvement of the product life cycle can be achieved. In terms of hardware, the production workshops are designed and constructed in accordance with the standards of "intelligent manufacturing" and "internationalisation", which are of the internationally leading standards. Through the combination of equipment and information software, the Group has achieved standardisation of production process, integration of workshop management, the real-time cost analysis, traceability of the manufacturing process, and efficiency maximisation.



The applications of advanced production equipment and information systems such as MES, WMS, LIMS, and traceability systems help the Group achieve intelligent manufacturing. In terms of software, each of the Group's subsidiaries has also established a series of management systems and operating procedures for production and process control to guide employees' operations, with the aim of avoiding confusion and errors and reducing the risk of contamination and cross-contamination. After receiving the materials, the workshop completes the production according to the process regulations and the standard operating procedures of each post; after the quality control department completes the sampling of finished product, the product is transferred to the warehouse for inspection. QualityControl laboratories use LIMS software to automatically manage data and reduce human errors. The automatic monitoring and alarm systems are installed for the pressure difference and temperature and humidity in the key production rooms, the temperature and humidity of the warehouse, the temperature and humidity of the refrigerator in the laboratory, and that of the stability box, which give alarms when the values exceed the standard thresholds, so as to reduce the delay caused by human judgment. Each batch of products has a unique batch number, which enables effective tracking during the product life cycle.

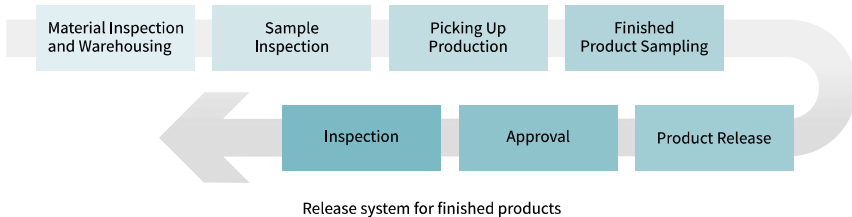


Material Management

Each subsidiary has established the Management System for Material Acceptance, Storage, and Distribution, which stipulates the process from inspection of incoming materials, warehouse storage management, and distribution to production and use: All materials shall be purchased from qualified suppliers, then warehoused after passing acceptance and stored according to the storage requirements. The materials to be inspected and allowed for delivery shall be clearly marked to effectively prevent errors. Unqualified materials shall be clearly marked and subject to safe isolation and storage measures to effectively avoid use in production. Only qualified materials approved by the Quality Management Department can be released to the workshop for production.

Release of Finished Products

The Group's subsidiaries strictly implement the system that the products can be only released by the drug production license holders. Where drug production involves entrusted production, the entrusting party and the entrusted party shall sign an entrusted production agreement and a quality agreement in accordance with the requirements of relevant laws and regulations to clarify the quality responsibilities of both parties in the management of drug production and release. Each batch of products shall be inspected in accordance with the established standards and reviewed by the quality authoriser of the drug production license holder before being released.

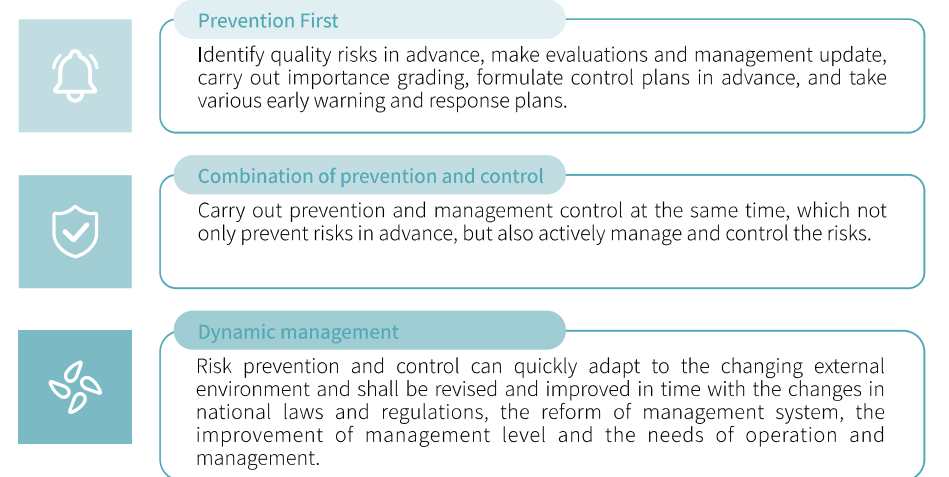


Quality Risk Management

The Group attaches great importance to patient medication safety and is committed to managing quality and safety risks well. The Group has established a sound pharmacovigilance system, and the drug safety committee management system and various processes are running smoothly in the preparation company.

Quality Management System

The quality risk management philosophy of the Group is "prevention first, combination of prevention and control, dynamic management". Based on the relevant requirements of ICH Q9 on quality risk management, the Group has established a risk control system and a Quality Risk Management System to identify risk points that may affect product quality during the life cycle of drugs. In the process of risk assessment, the Quality Management Department organises a team of experts to conduct risk assessment on various drugs and processes using assessment and analysis tools such as failure mode, influencing factor analysis and fishbone diagram, and implements hierarchical management to formulate corresponding countermeasures based on the assessment results.



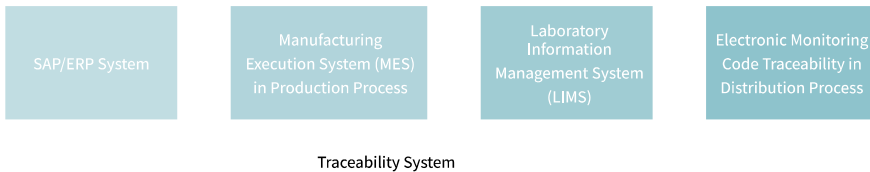
With the comprehensive quality risk prevention and control system, the Group has clearly established the assessment procedures and prevention measures for quality and safety risks, carried out risk management in the whole process from risk assessment, control and review, and consistently implemented risk prevention and control measures and management tools throughout the whole process.

After-Sale Product Quality Management

Drug Quality and Safety Traceability and Recall System

The Group is committed to providing the society with products of excellent quality, good curative effect, safety and reliability, and attaching great importance to quality and safety of medicines. We adhere to the concept of “quality comes from design” and use risk management tools to carry out life-cycle quality management from product R&D to commercial sales. At the same time, we have established a sound market monitoring mechanism. Furthermore, all subsidiaries have established customer complaint management system, product return management system, product recall management system as well as corrective and preventive measure management system so as to collect and analyse market feedback and formulate corrective and preventive measures for continuous improvement. Besides, all preparation production companies have established and improved the pharmacovigilance system and established the adverse drug reaction report and monitoring system to ensure the safety of patients.

The use of information infrastructure construction also helps the companies within the Group establish a traceability system in the whole life cycle of drugs, which can effectively track the process from receipt of materials, product delivery from factory to commercial distribution.

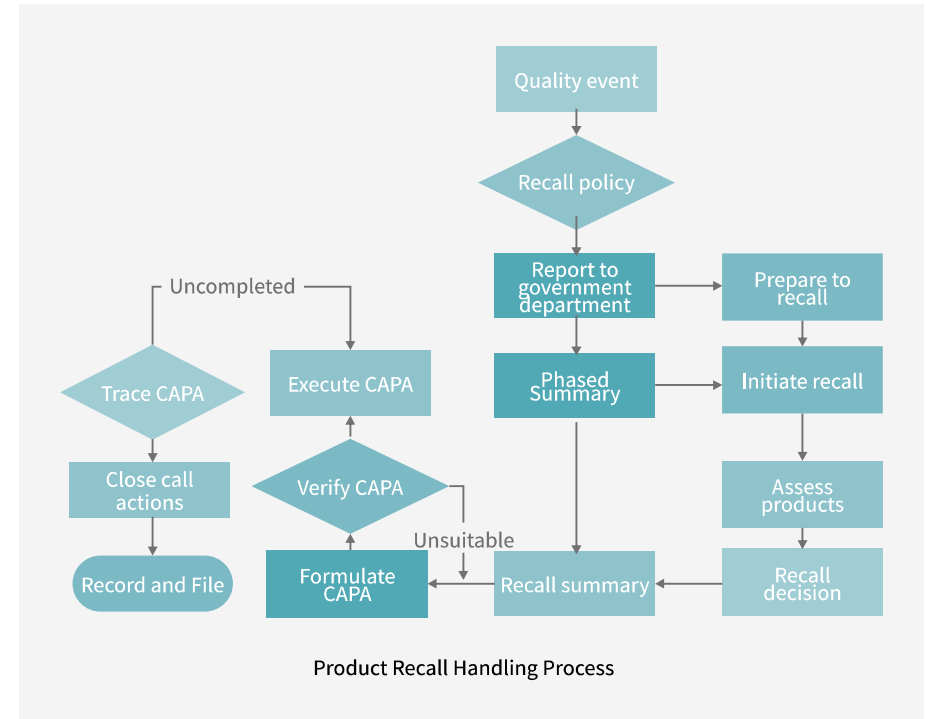


Pharmacovigilance System

The Group’s headquarter guides its subsidiaries enterprises to establish a sound pharmacovigilance management system in accordance with the Guideline on Good Pharmacovigilance Practices (GVP), and supervises the operation of pharmacovigilance system of each preparation company. The Group has also set up the Drug Safety Committee which is responsible for dealing with major drug safety incidents at group level, while each preparation company maintains and executes the pharmacovigilance system at company level, and clearly establishes and improves the collection, reporting and handling procedures of adverse drug reactions. In addition to appointing the Head of the Adverse Drug Reaction Monitoring Department, each subsidiary will also be assigned with full-time inspectors of adverse drug reactions according to the production scale to effectively implement the pharmacovigilance management system.

The effective execution of the pharmacovigilance management system, management system of Drug Safety Committee and emergency response system for major drug safety events in the Group ensures that emergency measures can be rapidly taken in case of mass and major adverse reaction events, and timely reported to the National Medical Products Administration, local provincial and municipal pharmacovigilance centres, and other relevant departments. At the same time, the relevant subsidiaries of the Group submits the annual pharmacovigilance report every year and updates the drug safety report regularly.

For the recall of defective products, each subsidiary has set up a Product Recall Management System, which clearly determines the responsibilities of quality and sales departments and establishes relevant processes of product recall. According to the degree of potential safety hazards, product recall is classified into level-I recall, level-II recall and level-III recall and product recall procedures have been established. The Quality Management Department of each company regularly organizes simulated product recall drills to ensure the effectiveness of the product recall system. In 2023, no product sold or shipped by the Group was recalled due to safety or health reasons.



Rational Use of Drug

In recent years, with the excessive and even misuse of antibacterial drugs, an increasing number of bacteria have evolved from being drug-sensitive to becoming superbugs resistant to multiple antimicrobial drugs. This poses significant challenges to clinical treatment.

CSPC has a series of anti-infective products covering three areas: bacteria, fungi and viruses. With a diverse range of product portfolio, we not only meet the different needs of patients but also place great emphasis on the rational use of antimicrobial drugs. For the company's series of products such as Amphotericin B Sulfate Complex for Injection, Ertapenem Sodium for Injection, Meropenem for Injection, etc., we strictly adhere to the Administrative Measures for the Clinical Use of Antibacterial Drugs and Notice on Further Strengthening the Management of Antimicrobial drugs and Curbing Antimicrobial Resistance, along with the Classification Management Catalog for Antimicrobial Drugs of various provinces. We continue to strengthen prescription management in the process of pharmaceutical operation and collaborate with medical institutions to carry out prescription management authority for antimicrobial drug classification management. In particular, the widespread use of Ertapenem Sodium for Injection, which requires only once-daily use, can have a positive impact on the management of antimicrobial drug use intensity in medical institutions.

CSPC has sponsored the adjustment of the Defined Daily Dose (DDD) value of Amphotericin B lipid formulations to promote the rational use in medical institutions.

Publication of Two clinical research results, namely Randomised Controlled, Open-Label and Multicenter Clinical Study on the Efficacy and Safety of Arbidol Tablets in the Treatment of Influenza-Like Illness and Clinical Effect Study on the Efficacy of Arbidol Hydrochloride Tablets in the Treatment of Uncomplicated Influenza, have once again confirmed the effectiveness and safety of Arbidol in the treatment of influenza and influenza-like cases equivalent to Oseltamivir, and providing strong evidence for clinical medication.

Customer First

We take "Customer First" as one of our codes of conduct. We are committed to exceeding customer expectations and creating maximum value for our customers with quality services. We implement the "Customers First" philosophy into the daily work of our employees.

The Group's Marketing Decision Centre has set up a customer service department to focus on sales services and consultation with customers. To closely track customer needs and make timely improvements, we conduct customer satisfaction surveys and apply measurable key performance indicators to improve our services. In response to the feedbacks from customer, we will deeply explore and trace the root cause to continuously improve our operations and services.

Customer Information and Privacy Protection

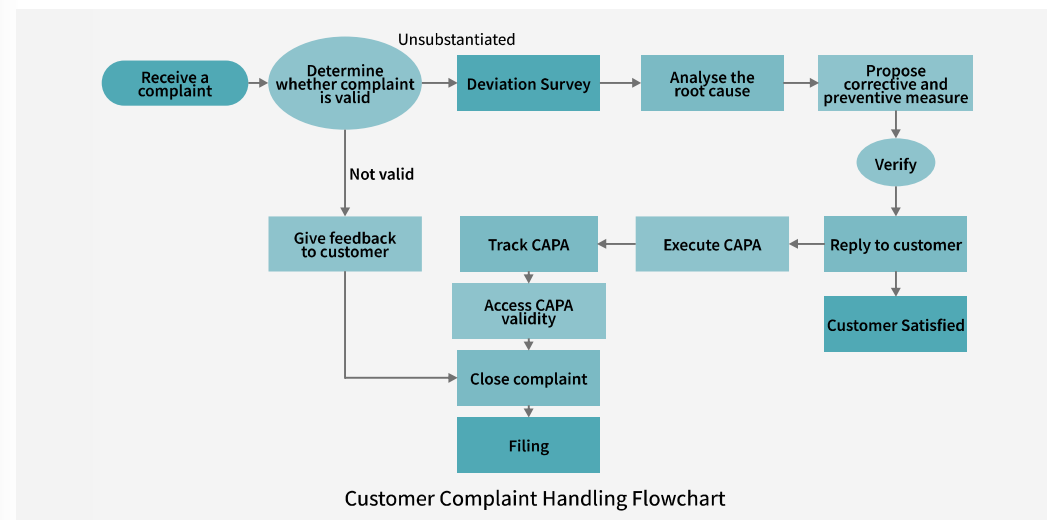
We also take the privacy of our customers very seriously and ensure that their information will not be lost or leaked during the sales process in accordance with the terms of the contract. In addition, the Group has formulated the comprehensive Information and Network Security Management System, Provisions on the Maintenance and Management of Customer Master Data and Confidentiality Management System, and has set up strict authority controls in the information system to ensure the best protection of customer information. During the reporting period, there was no violation of customer privacy and loss of customer data.

Customer Communication Mechanism

Each company under the Group has established a sound customer communication mechanism. According to the customer needs, the information is classified and relayed back to various functions of the related companies, and then converted into R&D direction, key technical requirements and service improvement goals to ensure the realisation of customer needs in the process of R&D, procurement, production, and sales.

With the continuous changes of national policies and external environment, customers' needs and expectations are also changing. Each company can regularly evaluate whether the scope, frequency, process, and project content of investigation for understanding customers' needs and expectations are scientific, practical, and effective through management review, business plan follow-up, and rationalisation proposals, and then analyses and improves.

To effectively monitor the quality of products on the market, the Company arranges salespersons to visit customers and take samples to observe and monitor product quality, and ensure the dual quality confirmation on samples kept by the Company and products on the market. The Group has also established a Customer Complaint Management System to clarify the types and handling procedures of complaints. Quality complaints are summarised and evaluated annually. In 2023, the Company's quality complaint rate was 0.13%, all of which have been responded timely and handled effectively.





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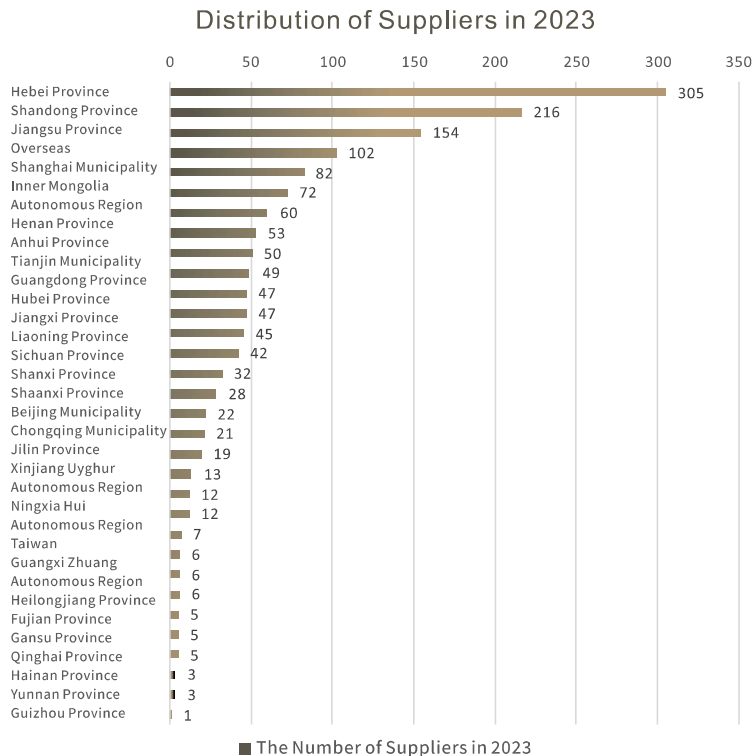
**Seeking Harmony and
Co-existence,
Building a Sustainable
Supply Chain**

By adhering to the procurement philosophy of “being professional and upholding integrity, achieving win-win in good faith and building a healthy supply chain”, and the procurement principle of “fairness, impartiality, green and transparency”, CSPC operates in good faith with an aim of achieving win-win cooperation and establishes relationship of mutual trust and benefit with upstream and downstream partners to achieve the sustainable stability, low-cost and low-risk operation of the whole supply chain.

Supply Chain Management

Distribution of Suppliers

In 2023, the total number of suppliers for CSPC was 1530, with 1,422 located in mainland China. The detailed distribution of suppliers in 2023 is as below:



Supplier Management System

In 2023, through the use of the Group's electronic Supplier Relationship Management platform (SRM), the Centralised Procurement Centre has established the system documents such as the Management System for Production and non-Production Suppliers of CSPC Centralised Procurement Centre, conducted management of the entire supplier lifecycle in terms of supplier onboarding, classification, auditing, evaluation, elimination, and quality management, promoted the concept of green and low-carbon procurement, gave priority to suppliers who have obtained certifications in environmental management, occupational health management, and social responsibility standards. Dynamic management of suppliers is conducted to continuously adjust and optimise the supplier structure.

(1) Supplier Onboarding Process

CSPC implemented a strict and standardised supplier onboarding process. In accordance with the procedures and requirements stipulated in the Management System for Production/Non-Production Suppliers of CSPC Centralised Procurement Centre, CSPC conducted a comprehensive evaluation and audit when selecting suppliers, including consideration of supplier qualifications, product quality, supply capability, and social responsibility. CSPC encouraged and advocated suppliers to obtain certifications for ISO14001 Environmental Management System and ISO45001 Health and Safety Management System, and the certification status is considered as one of the priority conditions in the supplier selection process.

(2) Classification of Qualified Suppliers

The Group's Centralised Procurement Centre divides suppliers into strategic suppliers, bottleneck suppliers, leveraged suppliers and general suppliers based on the type of procurement materials, procurement amount and risk of ensuring supply, and conducts classification management. By implementing measures such as signing long-term or annual cooperation agreements with suppliers and inviting bids annually, the Centralised Procurement Centre can reduce the risk of stockouts, enhance reliability of supply, and ensure smooth production, stable quality, and controllable costs of the Group's product.

(3) Supplier Audit

CSPC has deployed a supplier audit team comprising cross-disciplinary and high-level personnel to conduct on-site communicate with suppliers based on the issues identified during the supplier audit process, and made targeted improvement suggestions. We also invite suppliers to visit the Company to exchange and share our advanced production and management experience, helping suppliers in different fields such as chemicals, agricultural and sideline products, and packaging materials understand the pharmaceutical quality management standards and requirements for quality system construction, and suppliers, especially small- and medium-sized ones, improve their integrated management, to ensure the stable, low-cost, and low-risk operation of the supply chain.



(4) Supplier Evaluation

The Quality Management Department of each subsidiary, together with the user department and the Centralised Procurement Centre, conducts annual evaluation of suppliers, and the evaluation covers dimensions such as the product quality, price, delivery time, and EHS system construction of suppliers. Centralised Procurement Centre eliminate substandard suppliers based on evaluation results, collaborate with suppliers for adjustment and optimisation, promote continuous improvement among suppliers to reduce the risks of green supply chain.

First Pass Rate of Material Entering Factory	Timeliness of Suppliers' Delivery	Supplier Ethics
Quality Feedback	After-sales Service	Supplier EHS Performance in Energy Conservation and Environmental Protection
Supplier Prices	Supplier Risks	
Classification of Annual Comprehensive Assessment Results: 95+ points (excellent), 90-95 points (good), 80-90 points (passed), 80 or less (fail)		
By the end of 2023, the Group had eliminated 103 suppliers based on their performance evaluations.		

Supplier Evaluation Content

(5) Quality Management

CSPC implements quality management for suppliers based on classification of different materials in accordance with the Standards for Quality Management of Pharmaceutical Production, and encourages suppliers to continuously improve product quality and supply guarantee capabilities by signing quality assurance agreements, conducting quality training for suppliers, implementing quality audits, and strengthening quality inspection to ensure the continuous stability of supply chain and provide the Group with high-quality products and stable supply.

During the reporting period, the Quality Department of each subsidiary conducted 7 trainings or meetings related to quality assurance with suppliers.



Supply Chain Risk Management

To enhance the stability of the supply chain, the Group conducted whole-process supply chain risk management, covering risk prevention in advance, process control, and subsequent improvement, with participation of all staff.

The Group has established a Business Continuity Planning (BCP) with sustainable development of supply chain as the main context, through multi-tier suppliers, mutual trust in the supply chain, cooperation contracts, information sharing, with an aim to cope with the impact of climate environment, policies and regulations, quality, EHS, logistics, and capital on the supply chain.

Meanwhile, in order to standardise the management of procurement emergency plans, enhance their pertinence, practicability, and operability, and ensure supply security, the Centralised Procurement Centre has formulated the Procurement Emergency Plan Management System to supervise the implementation of the Procurement Department, and provide special training for managers closely related to the emergency plan. The induction training of new salespersons also includes the content of the emergency plan to ensure the effective implementation of the emergency plans.

Emergency events for procurement of materials include, but are not limited to, the followings:

- ① Insufficient inventory due to urgent production expansion or adjustment in the production area;
- ② Significant impact on the supply of materials due to adjustments in national or local policies;
- ③ Disruption in supply of materials due to accidents or other negative impacts on major suppliers, leading to production reduction or shutdown;
- ④ Major emergencies, natural disasters, epidemic control, etc. that have a significant impact on the production or transportation of materials;
- ⑤ Accidents occurred during the transportation of materials picked up by us affecting the safety of the materials;
- ⑥ Significant increase in prices or supply disruptions resulting from the impact of international financial and exchange rate, as well as international trade environment;
- ⑦ Problems arising from purchase of substandard materials, which affect the production and use;
- ⑧ Serious or mass adverse drug reactions occurring in the domestic and international sales of preparations, which are suspected to be related to material quality;
- ⑨ EHS impacts such as abnormal weather conditions, national environmental regulations and policies, labour and human rights, and business ethics.
- ⑩ Other emergencies that may have a significant impact on the supply of materials.

(2) Training on the Use of Information System

The Group places emphasis on communication, learning and mutual growth with suppliers. Through methods such as video training and online training, suppliers are trained to use the SRM system to achieve functions such as online maintenance of changes in supplier qualifications, receiving bid invitations, online quotation, online enquiry of bid results, receiving orders, generating pre-invoices and enquiring payment progress online. All information entered the SRM system is traceable, ensuring transparency and openness.

(3) Signing of Integrity Agreements

All suppliers need to pay attention to the WeChat Official Account of Lianjie CSPC at the beginning of cooperation, and sign documents such as CSPC Sunshine Cooperation Agreement and Notice of Integrity Transactions for Business Clients of CSPC. In the course of cooperation, suppliers are still required to read the Notice of Integrity Transactions for Business Clients of CSPC before each online quotation, with an effort to build a partnership with honesty and integrity.

As of the end of the reporting period, all suppliers conducting business with the Group have signed the CSPC Sunshine Cooperation Agreement.

(4) Establishment of Supervision Mechanism

 Establishment of Supervision Mechanism	CSPC has formulated the CSPC Dishonesty Blacklist Management System. For suppliers found to have engaged in violations, in addition to holding them accountable according to the standards stipulated in the Sunshine Cooperation Agreement, CSPC also imposes specific restrictions on these suppliers and any related companies of the supplier's legal representative, shareholders, or actual controllers in terms of new project cooperation across the entire Group. Furthermore, these entities are placed under close supervision and included in the Dishonesty Blacklist of the Group.
 Anti-corruption Audits and Improvements	CSPC continuously monitors the performance of suppliers to promptly identify and rectify any violations by suppliers. Annual anti-corruption audits are conducted on key material suppliers and key suppliers to evaluate their anti-corruption policies and measures, ensuring that they always meet the requirements and standards of the Group.
 Internal Employee Management	CSPC has formulated the CSPC Employee Integrity and Self-discipline Behavior Management System, the Procurement Conduct Standard and Responsibility Investigation Management System, and the Internal Control Audit Supervision Management System. Before entering their posts for the first time, the procurement personnel should receive integrity education and training, clarifying the requirements for the procurement personnel's code of conduct, and sign the Undertaking of Integrity and Self-discipline for Procurement Personnel and the Procurement Personnel Related Interest Report Form. According to the Undertaking, they should strictly abide by professional conduct, not accept any form of gifts, banquets, or commercial entertainment, and not seek improper interests in any manner. Centralised Procurement Centre formulates annual internal control audit plans and strengthens internal audit supervision to prevent procurement risks, plug management loopholes, and achieve ethical procurement.
 Establishment of Whistleblowing Mechanism	A whistleblowing mechanism for suppliers has been established to encourage suppliers to report internal irregularities and corruption. Suppliers can report through the only authoritative whistleblowing channel of CSPC to facilitate timely detection and resolution of internal integrity issues.

Supply Chain Integrity Training and Promotion

The Centralised Procurement Centre conducts anti-corruption training for employees to enhance their integrity awareness and moral qualities. Simultaneously, anti-corruption and integrity training and promotion are conducted for suppliers to ensure transparency, fairness, and compliance in the supply chain. Through training and publicity, suppliers can understand anti-corruption policies and business codes of conduct, strengthen self-discipline, and collectively maintain the health and stability of the supply chain.

Case



In June 2023, the Centralised Procurement Centre organised thematic training on anti-corruption and integrity for business representatives. The purpose is to clearly convey our integrity requirements, regulate supplier behavior, prevent the occurrence of commercial bribery and corruption incidents, and ensure synchronous education and promotion of anti-corruption both internally and externally.



In December 2023, the Group organised a special training on integrity education for all staff in the supply chain positions.



08

**Innovation-driven:
Benefitting People
All over the World with
Our Products**



CSPC Group is an innovative pharmaceutical enterprise that integrates research and development, manufacture and sales, and is one of the leading companies in the domestic pharmaceutical industry. Adhering to the corporate mission of "All for Good Medicine, All for Mankind" s Health." the Group is committed to researching and developing innovative drugs to address unmet clinical needs and provide innovative treatment options for patients worldwide.

R&D Investment

The Group has a leading high-tech drug incubation base in China, the CSPC Central Institute of Pharmaceutical Research, and research and clinical centres in Princeton, Texas, and New Jersey in the United States. With an annual R&D investment of about RMB4.83 billion in 2023, the compound annual growth rate of R&D investment from 2019 to 2023 reached approximately 25%. Currently, the Group has established a research and development team of 2,000 professionals, including thousands of highly educated talents with a master's or doctoral degree and a complete research and development system in areas such as innovative drugs, generic drugs, biological drugs, antibody drugs, etc., and has become a leading research and development pharmaceutical company in China. According to authoritative institutions' research in 2023, CSPC ranks 389th among the top 2,500 companies and 72nd among mainland Chinese companies, with investment in research and development of EUR539 million. It is noteworthy that among the top 100 R&D companies in mainland China, CSPC ranks 22nd with R&D intensity of 13% in terms of total R&D investment or R&D intensity and is in a leading position among the domestic enterprises.

R&D Philosophy

FOCUS, INNOVATION,
RESPONSIBILITY,
EFFICIENCY,
COLLABORATION



19.0%

Research and development expenses as a percentage of revenue from the finished drug business

48.3billion

The annual R&D investment is about

2000Professionals

R&D Team

300+

Projects under Development

300+

PhD and overseas high-end research and development talents

44Projects

Scientific and Technological Special Project for Significant New Drug Development

17Projects

National Science and Technology Support Program

3Projects

National High Technology Research and Development Program

6Projects

National Industrial Clusters Development Program

4Projects

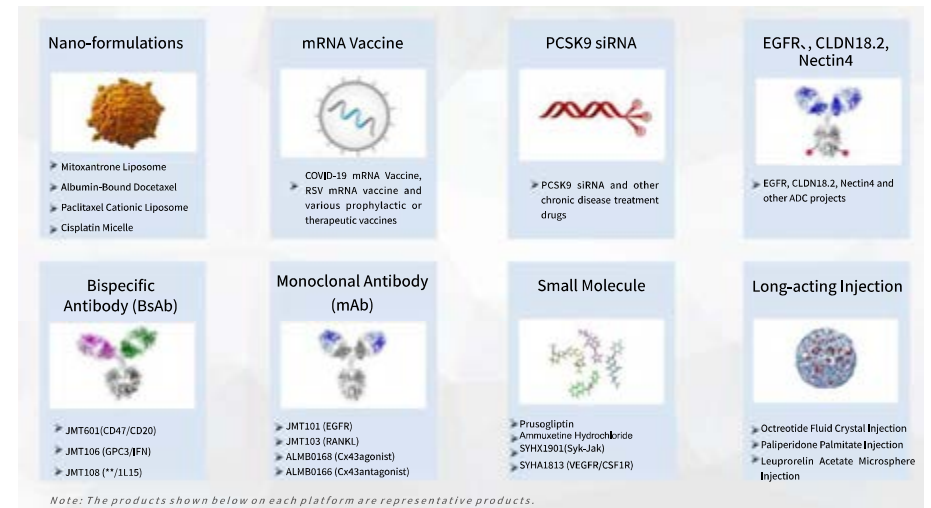
National Core Competitiveness Enhancement Program

4Projects

National Industrial Transformation and Upgrading Program

Core Technological Advantage

In the field of technology, the Group has cultivated eight major core innovative research and development platforms, providing various support for the research and development of innovative drugs. The RNA and siRNA platforms have been established for product research, development and production, and the mRNA platform has successfully obtained approvals for two mRNA Covid-19 vaccines. The nanotechnology platform has developed several core technologies, including lipid nanoparticles, the preparation of albumin nanoparticles, polymeric micelles, and lipid nanoparticles for the delivery of nucleic acid drugs and vaccines. The relevant pipeline layout is also in a leading position internationally.



Eight R&D Platform

Research and Development Pipeline

CSPC has a rich product line, focusing on six major therapeutic areas: oncology, anti-infectives, psychiatry and neurology, cardiovascular, immunology and respiratory, and digestion and metabolism.

CSPC Group currently has more than 130 innovative drug candidates, including over 40 biologics, over 40 small molecules, and over 30 new formulations. It is expected that nearly 50 innovative drugs will be submitted for approval in the next five years, providing a continuous source of development momentum for the Group.

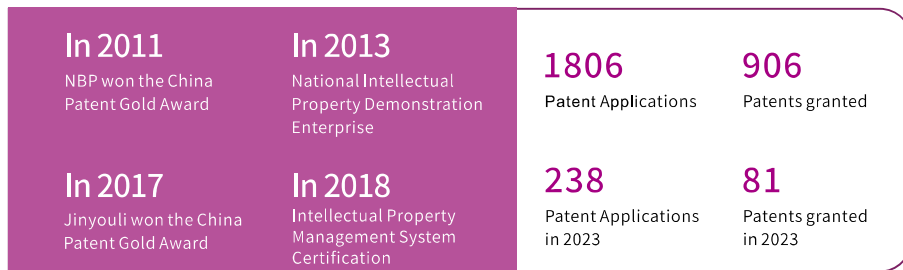
Intellectual Property Rights Protection

Intellectual property is the core strategic resource of an enterprise and a key element of comprehensive strength and competitiveness. Seizing the opportunities arising from the deepening of national medical and healthcare reform and the State's support on the development of independent innovation capability of the pharmaceutical enterprises, the Group capitalises on its own advantages in R&D resource to continuously improve the pharmaceutical R&D system that integrates generic and innovative drugs. At the same time, CSPC actively promotes the construction of an independent innovation system, striving to realise the leading role of intellectual property strategy in enterprise development, thereby enhancing R&D capabilities and core competitiveness.

The Group has a dedicated department for intellectual property management and actively lays out the plans for patents within the legal framework, protects R&D innovations, and avoids infringement of others' intellectual property rights. In accordance with the provisions of the Patent Law of the People's Republic of China, the Implementing Regulations of the Patent Law of the People's Republic of China, the Enterprise Intellectual Property Management Standard, the Patent Cooperation Treaty, the Paris Convention as well as the intellectual property laws and regulations of various countries.

The Group conducts comprehensive diagnosis and analysis of its intellectual property work from time to time, formulating and gradually improving strategies related to patent application, protection, and risk mitigation around core products. In the development of generic drugs, the Group resolves issues related to generic drug listing through various methods such as patent avoidance, patent challenges, listing after patent expiration, and seeking patent licenses.

CSPC attaches great importance to patent protection. As of the end of 2023, the Group has a total of 1806 patent applications and 906 patents granted.



| Inclusive Healthcare

Benefitting People All Over the World with Our Products

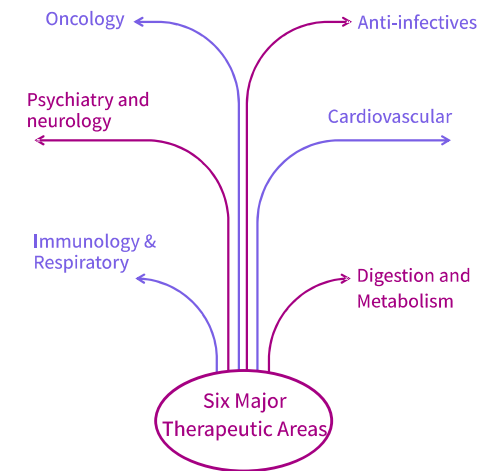
CSPC is committed to providing a wide range of high-quality medicines for patients. Upholding the corporate mission of "All for Good Medicine, All for Mankind's Health", the Group actively innovates to address unmet clinical needs, offering innovative treatment solutions to a broad spectrum of patients. Additionally, the Group continuously expands its market reach, increasing the accessibility of medicines both in terms of product variety and sales territories.

In terms of product categories, the Group has a rich product pipeline, focusing on six major therapeutic areas including oncology, anti-infectives, psychiatry and neurology, cardiovascular, immunology and respiratory, digestion, and metabolism, providing high-quality, safe, and effective products for patients with various diseases. By the end of 2023, CSPC had marketed over 320 products, involving more than 750 specifications, and was selling in 31 provinces, municipalities, and Xinjiang Production and Construction Corps across the country.

Finished Drugs were the core business of CSPC, accounting for approximately 80% of the total sales revenue. In the active pharmaceutical ingredients business, vitamin C bulk drugs has occupied 35% of the global market share, and Caffeine additives accounted for more than 50% of the global market share.

Since the beginning of 2023, eight generic drugs of the Group, namely Apremilast Tablets, Mirabeperon Extended-release Tablets, Paliperidone Extended-release Tablets, Tedizolid Phosphate for Injection, Rabeprazole Sodium Enteric-coated Tablets, Lenvatinib Mesilate Capsules, Desvenlafaxine Succinate Extended-release Tablets and Sacubitril Valasartan Sodium Tablets, have obtained drug registration approval, which contributed to the enhancement of the accessibility of the medication to the patients in China. In March 2023, Gumetinib Tablets, a national Class 1 New Drug commercialised by CSPC, was approved for drug registration, which will rapidly benefit more cancer patients with CSPC's strong commercialisation capabilities. In September 2023, Narlumsobart Injection, a national Class 1 New Drug and the world's first IgG4 RANKL Inhibitor independently developed by CSPC, was approved for marketing, which will bring patients with giant cell tumor of the bone more treatment options and hope for survival.

CSPC's products were distributed across more than 35,000 medical institutions nationwide, with coverage rates exceeding 90% in tertiary hospitals and 70% in secondary hospitals. The Group actively strengthened market penetration efforts, tapping into the potential of county-level markets to provide quality drugs to the grassroots.



Continuous Expansion in the International Footprint of CSPC

In 2023, the Group continued to expand its international footprint and strived to make effective medical products available to patients worldwide, adhering to the concept of "all for mankind's health" and achieving a series of positive developments. New customers were developed in Japan, South Korea, and Russia. In traditional markets, the Group completed the first sales in countries such as Azerbaijan, Iraq, Lebanon, and Saudi Arabia. In 2023, registrations for 170 products including Esomeprazole Magnesium Enteric-Coated Capsules, Ceftriaxone, and Meropenem were conducted in 50 countries such as Peru, the Philippines, the United Arab Emirates, and Colombia.

Currently, relying on an international quality system, CSPC has obtained 13 CEP certificates and 25 DMF registration numbers, with 25 products successfully passing FDA inspections in the United States. Meanwhile, the Group has established an internationalised BD ecosystem and extended pipelines through licensing, cooperation, and acquisitions, striving to benefit every life with its innovative capabilities.

Two independently developed COVID-19 mRNA vaccines were first included for emergency use in China.

In March 2023, the Group's independently developed the COVID-19 mRNA Vaccine (containing BA.5 key mutations), which was included for emergency use in China for the prevention of diseases caused by the novel coronavirus (SARS-CoV-2), also known as COVID-19.

This product utilises advanced production technology with proprietary intellectual property rights, offering stronger production capacity, better process reproducibility, ease of scalability, and excellent product stability, allowing long-term storage at 2-8°C. It was the first independently developed mRNA vaccine to receive emergency authorisation for use in China, making significant contributions to the domestic efforts in preventing and controlling the COVID-19 pandemic.

In December 2023, the Group's independently developed BIVALENT COVID-19 mRNA VACCINE (SYS6006.32) was also included in emergency use in China. SYS6006.32 is a bivalent mRNA vaccine against the novel coronavirus, developed based on the first-generation COVID-19 mRNA Vaccine (containing BA.5 key mutations), and includes the XBB.1.5 and BQ.1 variants. It targets the mainstream XBB.1.5 variant. Clinical trials have shown that this product not only exhibits high immunogenicity against the dominant variants EG.5 and XBB.1.5, with the levels of live virus neutralizing antibody levels 48 and 34 times higher than those before immunisation and 4.9 and 5.0 higher than those induced by Duentai, respectively, but also induces broad-spectrum cross-immunity against mutant strains including XBB.1.16, BA.5, XBB.2.3, and BA.2.86, indicating its effectiveness in protecting against current and future prevalent strains. This product demonstrates good safety and provides enhanced protection for the elderly population.

Through global innovation participation, CSPC continuously provided better innovative outcomes for human health, enhancing drug accessibility and availability. In 2023, CSPC's product sales covered 52 countries, mainly in the United States, Africa, Central Asia, and South America. In the field of active pharmaceutical ingredients (APIs), the Company also actively expanded its presence, deeply constructing the global industrial chain by occupying a significant share of the international market to safeguard the safety and stability of the international pharmaceutical industry chain.

Product Availability across the Globe



25 Products
passed the U.S.
FDA on-site
inspection

13
CEP
Certificates

25
DMF
Registration numbers

Investment in Rare Diseases

Drug accessibility is one of the core issues in the field of rare diseases, requiring concerted efforts of various sectors of society to promote. CSPC adheres to the concept of benefiting all mankind, actively responded to the national call by combining its own research and development pipelines and capabilities, continuously increasing investment in the research and development of drugs for rare diseases. The Group currently had 8 marketed drugs covering indications for rare diseases, including giant cell tumor of bone, progressive fibrosing interstitial lung disease, etc. Among the products under research and development, there were 8 innovative drugs such as octreotide long-acting injection for the treatment of acromegaly and SYHA1813 for the treatment of glioblastoma. Upholding the core philosophy of "All for Good Medicine, All for Mankind's Health", CSPC has actively laid out its research and development pipelines for rare diseases and strives to develop innovative drugs that were affordable and effective for more patients.



CSPC's Drug for Rare Disease—Narlumosbart for Injection

Giant cell tumor of bone (GCTB) is an intermediate bone tumor with characteristics of local invasiveness, osteolytic presentation, and rapid progression. It is more commonly seen in the young adults aged 20-40 years, with an annual incidence rate of 1.49-2.57 per million. As a rare tumor, despite its relatively low incidence rate, once diagnosed, it often leads to complete destruction of the affected bones, resulting in fractures, joint dysfunction, and even amputation. These young patients often require ongoing treatment for the rest of their lives, undoubtedly causing significant physical and psychological burden as well as endless suffering to both the patients and their families.

On September 5, 2023, CSPC independently developed Narlumosbart for Injection (brand name: Jinlitali), a national Class 1 new drug and the world's first IgG4 RANKL inhibitor, which obtained approval from the National Medical Products Administration (NMPA) for market launch. It is indicated for adult patients with giant cell tumors of bone who are ineligible for surgical resection or whose surgery may lead to severe functional impairment. Narlumosbart Injection has a uniform conformation, stable structure, and higher affinity to RANKL (2.5 times improvement in binding efficiency).

Clinical research results have shown that Narlumosbart has good clinical efficacy for such patients, with a tumor response rate as high as 93.5% and the advantage of rapid onset of action. Narlumosbart Injection also increases the proportion of GCTB patients eligible for surgical resection after treatment. Additionally, it relieves pain and improves the quality of life for GCTB patients. At the same time, Narlumosbart Injection demonstrates good safety and tolerability. Its approval will bring more treatment options and hope for survival to patients with giant cell tumors of bone.

Product Affordability

CSPC is committed to providing high-quality medications at reasonable prices to a wide range of patients. By ensuring that patients have access to high-quality and affordable innovative drugs, we continuously improve the market accessibility of our products to effectively alleviate the suffering of patients and set reasonable product prices based on the number of disease patients and research and development investments, benefiting more patients.

In terms of participating in national volume-based procurement, by the end of 2023, CSPC had a total of 33 products and 49 specifications included in the national volume-based procurement, with an average price reduction of over 50% for medications. CSPC actively participated in volume-based procurement for clinically used medications such as oncology drug: Keaili (克艾力®) (Paclitaxel for Injection (Albumin Bound)), antihypertensive drug: Yishuning (意舒宁®) (Nifedipine Controlled-release Tablets), and antiplatelet drug: Encun (恩存®) (Clopidogrel Bisulfate Tablets), significantly enhancing the affordability of these drugs by lowering their prices.

By the end of 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security issued the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance, and Maternity Insurance (referred to as the "Medical Insurance Catalog"). A total of 280 products from CSPC Pharmaceutical Group were included in the National Reimbursement Drug List, comprising 122 Class A products and 158 Class B products.

33

33 products and 49 specifications have been included in the National Volume-based Procurement, with an average price reduction of over 50%.

280

280 products have been included in the National Reimbursement Drug List, including 122 Class A and 158 Class B items.

The inclusion of multiple drugs in the National Reimbursement Drug List alleviates the financial burden on patients for medical treatment.

The Group's original and patented innovative drugs, NBP (恩必普®) (Butylphthalide and Sodium Chloride Injection and Butylphthalide Soft Capsules), are Class I new drugs, both of which were included in the National Reimbursement Drug List through negotiation in 2020. The NRDL price of Butylphthalide Soft Capsules has been reduced by over 55%, while that of Butylphthalide and Sodium Chloride Injection has been reduced by over 59%. This benefits millions of stroke patients, further reducing the burden of disease treatment for patients.

The national encouragement led to the successful inclusion of the generic drug, Ouyuexin (歐悅欣®) (Desvenlafaxine Succinate Extended-release Tablets), in the National Reimbursement Drug List through negotiation by the end of 2023, with a negotiated reduction of 65% in NRDL prices. Additionally, Duoenda (多恩達®) (Mitoxantrone Hydrochloride Liposome Injection) independently developed by CSPC was included in the National Reimbursement Drug List by the end of 2023, benefiting more patients while also saving on national medical insurance expenditure.



09

**People-oriented:
Winning the
Future Together**

In line with the talent concept of “valuing talents, being inclusive and achieving success”, the Group respects and cherishes all employees and protects their legitimate rights and interests. The Group has established a HR management system, covering personnel recruitment and change, working hours and leave, salary and welfare of employees, training and talent development etc. The Group also advocates equal and non-discriminatory employment policies to ensure that employees are not discriminated against due to race, religion, gender, age, marital status, disability, nationality and other factors. Moreover, the Group insists on employing workers according to laws without using child labour or forced labour.

Lawful Employment

Safeguarding the Legitimate Rights and Interests of Employees

The Group strictly abides by the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Special Provisions on Labour Protection for Female Employees and other relevant laws and regulations, so as to safeguard the legitimate rights and interests of employees according to law. Besides, the Group is committed to standardising the internal management system and methods, and revising the Labour Relations Management System, the Attendance and Leave Management System, and the Employee Resignation Management System on the basis of the above laws and regulations to build a harmonious and stable labour relationship with employees, thereby receiving awards of Mercer China Healthiest Workplace, Harmonious Labour Relations Enterprise in Hebei Province and China Talent Management Science and Technology Model Award. The Group’s subsidiaries have always adhered to the following employment principles to ensure that employees have the most comprehensive legislative protection:



Employing staff in accordance with the law, signing labour contracts and fairly negotiating compensation.

Employing staff aged 18 and above and strictly prohibiting the use of child labour

Protecting employees' rights to take leaves and timely receive remuneration and strictly prohibiting forced labour

The Group also complies with the conventions and regulations on the protection of minors in the United Nations Convention on the Rights of the Child, the Law of the People’s Republic of China on the Protection of Minors, the Provisions on Prohibition of Child Labour, etc. and prohibits the use of child labour. We will vigorously examine the register during the review on the employment of enterprises. For the new recruits under 18 years old, we will contact the governmental women and children’s institutions for proper placement and encourage them to continue to receive education.

Establishing Labour Unions and Staff and Worker Representative

Forbidding any form of human rights and labour discrimination

Protecting the legitimate rights and interests of female employees

Safeguarding the Rights and Interests of Employees

CSPC fully protects the basic rights of employees in terms of job change and resignation, working hours and leave, salary and welfare, and forbids forced labour.

Competitive Salary

01

Good Social and Company Welfare

02

Equal and Respectful Environment

03

Team Building and Employee Care

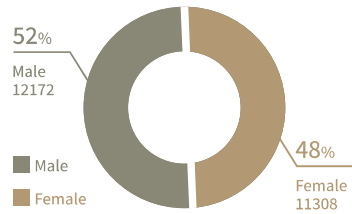
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Employee Diversity

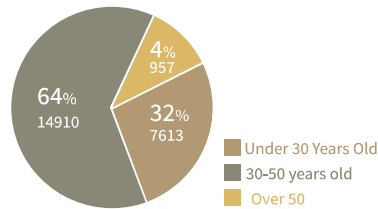
The diversity of talents is the driving force for sustained development of enterprises. The Group strengthens the employment and retention of the talents with diversified backgrounds, creates an inclusive and equal corporate culture. We insist on selecting and employing talents in a fair and equal way, adhere to the principle of non-discrimination and forbid discrimination against new recruits due to educational background, religion, nationality, working background, marital status, gender, nationality (or race) and other reasons.

As at 31 December 2023, CSPC had 23,480 employees in total, among which, males accounted for 52% and females accounted for 48%. The gender ratio of employees is balanced and the structure is stable. Employees below 30 years old and between 30 and 50 years old accounted for 32% and 64%, respectively, maintaining a young workforce overall.

We advocate for diversity and inclusivity by implementing measures that clearly specify the welfare of women. This includes providing maternity leave, breastfeeding breaks, and benefits on International Women's Day. Additionally, we have incorporated gynecological examinations for female employees during health check-ups to help them better understand their physical condition and raise self-care awareness. We also support female employees returning to work after childbirth by providing fully-equipped nursing rooms. Furthermore, we offer paternity leave for male employees and provide training opportunities specifically tailored for female employees. We give ample care and support to female employees, and better safeguard their health, thereby promoting workforce diversity.



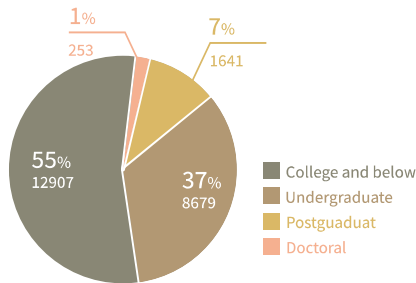
Gender Ratio



Age Distribution

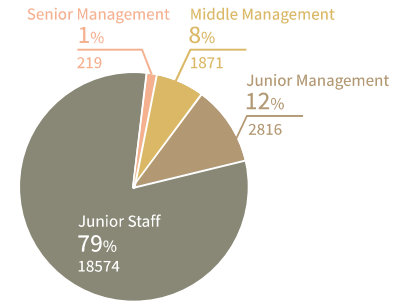
45% of the Group's employees hold bachelor's degree or above. The number of employees holding master's and doctoral degree has increased, with 1,894 personnel holding a master's degree or above which accounted for 7.49% of the total workforce. The proportions of senior management personnel, middle management personnel, junior management personnel and junior staff were 1%, 8%, 12% and 79%, respectively. The management ratio was approximately 1:4, and the management levels remain the same as the previous year.

Education level	2022		2023	
	Number of Employees	Ratio	Number of Employees	Ratio
Doctoral	233	1%	253	1%
Postgraduate	1575	6%	1641	7%
Undergraduate	8801	36%	8679	37%
College and below	14147	57%	12907	55%
Total	24756	100%	23480	100%



Distribution by Education Level in 2023

Rank	2022年		2023年	
	Number of Employees	Ratio	Number of Employees	Ratio
Senior Management	212	1%	219	1%
Middle Management	1868	8%	1871	8%
Junior Management	2761	11%	2816	12%
Junior Staff	19915	80%	18574	79%
Total	24756	100%	23480	100%



Distribution by Rank in 2023

Meanwhile, CSPC Group adopts a diversified employment approach to reduce overall labour costs, adapt to peak labour demand, alleviate management burdens, and mitigate employment risks. By dividing departments according to functions, it helps improve work efficiency, achieve specialised management, and provide opportunities for career development.

CSPC Group focuses on evaluating the actual abilities and potential of applicants rather than just considering their physical condition during the recruitment process. We are committed to finding disabled individuals who can adapt to job requirements and utilise their talents, and providing them with necessary support and training to ensure they are capable of performing their duties effectively.

In terms of talent structure and management, the Group attaches great importance to the continuous construction of talent echelons. We are committed to building a stable, sustainable, and dynamic talent structure that supports the rapid development of young talents with business backbones as the cornerstone.

Youthful Talent Echelon: We prioritise the cultivation of young talents and encourage and support more young individuals to take on core positions, injecting continuous stream of fresh blood into the Group's long-term development. In 2023, 76% of the Group's middle management personnel were under the age of 40.

Highly Educated Talent Echelon: As of the end of this reporting period, 45% of our personnel hold a bachelor's degree or higher. Among middle management personnel, approximately 90% hold a bachelor's degree or higher, providing strong support for the Group's comprehensive innovation and internationalisation strategies.

CSPC actively promotes talent mobility through diversified means. Employees can participate in internal job competitions through job postings released within the Company. Through this mechanism, employees can choose positions that better suit their abilities, interests, and career plans, providing them with a platform to showcase themselves and achieve career advancement.

Employee Retention

The Group attaches great importance to talent development and retention and is committed to retain employees through various means such as competitive salaries, good social and company welfare, equal and respectful environment, and team building. We consistently adhere to the talent philosophy of “valuing virtue and ability, embracing compatibility and achieving success together”, building a platform for talented individuals to showcase their abilities, and also striving to create a fair and competitive environment for employees to allow them to realise their self-worth while contributing to the continuous development of the Group. At the same time, we understand, analyse and summarise the specific reasons for resignation of employees, and regularly send feedback about the resignation rate of employees according to the Management Measures on Resignation of Employees, so as to provide suggestions for subsequent employee development and retention.

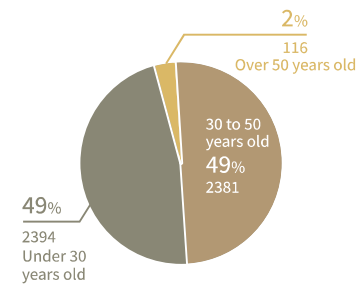
Employee Retention Measures			
Establishing a fair competition mechanism for employment to create a positive atmosphere for upward mobility.	Establishing an early warning system for employee turnover	Providing comprehensive onboarding training for new employees to quickly familiarise them with their job responsibilities and adapt to their new roles.	Identifying key talents and cultivating a pool for potential successors, prioritising them for promotion opportunities.
Providing competitive salary and benefits for employees.	Providing employees with training and development opportunities that align with their career paths.	Regularly conducting employee satisfaction surveys to analyse employee needs, and striving to meet them as much as possible.	Regularly organising employee meetings to understand the current work status of employees and their future plans.

A total of 4,891 people left in 2023, with the employee turnover rate categorised by gender, age, and region as follows:

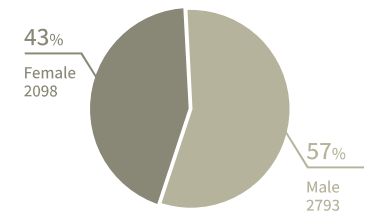
Turnover Rate	Unit	2022	2023
Turnover rate of employees	%	25.8	17.24
Turnover rate of male employees	%	14.29	9.84
Turnover rate of female employees	%	11.51	7.39
Turnover rate of employees under 30 years old	%	13.77	8.44
Turnover rate of employees aged	%	11.08	8.39
Turnover rate of employees over 50 years old	%	0.95	0.41
Turnover rate of employees from mainland China	%	25.7	17.16
Turnover rate of employees from regions outside mainland China	%	0.1	0.08

Age Distribution of Leavers	2022	2023	Growth Rate
30 to 50 years old	2737	2381	-13%
Under 30 years old	3415	2394	-30%
Over 50 years old	231	116	-50%
Total	6383	4891	-23%

Gender Distribution of Leavers	2022	2023	Growth Rate
Male	3537	2793	-21%
Female	2846	2098	-26%
Total	6383	4891	-23%



Age Distribution of Leavers



Gender Distribution of Leavers

Occupational Health and Safety

CSPC attaches high importance to employees’ safety and health, always adheres to the production safety principles of Safety first, Prevention Foremost and Comprehensive Management, and is committed to providing employees with a healthy and safe working environment. In 2023, CSPC continued to strengthen the construction of occupational health and safety management system and improve work environment while upgrading safety facilities ,comprehensively implementing safety inspection and raising awareness of safety among all employees to ensure their occupational health and safety.

Employee Safety and Health Management System

CSPC carries out environmental, health and safety (EHS) management under the guidance of its EHS cultural concept in accordance with the ISO14001 Environmental Management Systems – Requirements with Guideline for Use, ISO45001 Occupational Health and Safety Management Systems –Requirements with Guidance for Use, GB/T 33000-2016 Basic Norms for Work Safety Standardisation of Enterprises, etc.

In terms of the employee health management system, the Group complies with the provisions of the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, the Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance, the Technical Specifications for Occupational Health Surveillance (GBZ188-2014), the Regulations on the Administration of Occupational Health at Workplaces and the Measures for the Declaration of Projects with Occupational Hazards. The Group’s subsidiaries adhere to the laws and regulations related to health and safety in their respective operation locations, formulate the Occupational Health Management System and the Occupational Health Examination and Monitoring Plan, regularly carry out the detection of occupational hazard factors to ensure that the occupational hazard factors are within the national standards, and disclose the results of occupational hazard factor testing publicly to inform each employee. Also, the Group follows the occupational health surveillance cycle to conduct occupational health surveillance physical examination before, during and after work for every employee exposed to occupational hazards. The results of physical examination shall be informed to each employee in written form to safeguard the employee’s health and the right to know the results of physical examination. Employees’ personal files about occupational health surveillance are prepared, and trainings on the knowledge about prevention and control of occupational and personal protective equipment (PPE) are regularly organised.

The Group strictly implements the national requirements on “Three Simultaneities” of occupational health in construction projects, always adheres to the design and argumentation of occupational health protection facilities in workplaces and the new, reconstruction and expansion projects, strictly implements the acceptance of occupational health protection facilities in completed projects and strengthens the daily maintenance and management of occupational health-related protection facilities, striving to create a healthy and safe working environment for employees.

In 2023, based on standard construction, system evaluation, platform communication and key projects, the Group continuously improves and enhances EHS management. The Group’s subsidiaries have achieved the occupational health and safety management goal of “Five Zeros and One Low” (i.e. zero cases of death, serious injuries, multiple injuries, occupational disease, and poisoning accident as well as low incident rate of minor injuries), and there has been no loss of workdays due to serious injuries or occupational death for many years.

The safety and health achievements of the employees in the group in 2023



Occupational Safety and Health

CSPC has established detailed occupational safety management objectives as follows:

Zero incidents of minor injuries or above **01**

Zero incidents of higher-level fire safety responsibilities **02**

Less than 10 incidents resulting in economic losses exceeding RMB 50,000 **03**

Zero confirmed cases of occupational diseases **04**

The incidence rate per million working hours event less than or equal to 0.40 **05**

Employee Safety and Health Management Performance

Core Performance Data on Occupational Safety and Health for CSPC							
Year	The Number of Deaths	The Number of Serious Injuries	Total Working Hours (h)	Minor Injury Rate per Million Working Hours (h)	Lost Work Day per Million Working Hours	Recorded Incident Rate per Million Working Hours	Patients of Occupational Disease
2019	0	0	37.42 millions	0.5	214	0.54	0
2020	0	0	32.35 millions	0.33	183	0.36	0
2021	0	0	34.07 millions	0.29	156	0.32	0
2022	0	0	35.79 millions	0.22	78	0.3	0
2023	0	0	34.58 millions	0.23	64.8	0.29	0

Note: With the increase in digitalisation and the investment in high-end automated equipment by the Group in 2022 and 2023, the total working hours have shown a decreasing trend.



Employee Safety and Health Performance			
Year	Detection Rate of Occupational Hazard Factors	Average Safety Training (h)	Safety Production Investment (Million RMB)
2019	99.90%	33.18	5813.8
2020	100%	21.63	3389.19
2021	100%	23.69	3696.38
2022	100%	25.18	3819.63
2023	100%	28.64	6764.2

Note:

- The classification of incidents follows the Classification Standards for Enterprise Work-related Injury and Casualty Incidents and the international OSHA standard for incident definition. The data disclosed in this report includes Lost Workday Case according to the OSHA standard.
- The minor injury rate per million working hours is calculated as the number of minor injuries dividend by the total working hours multiplied by 1,000,000. The same calculation method applies to other types of incidents.
- Safety production investment is the sum of safety production expenses as specified in the Management Measures for the Extraction and Use of Enterprise Safety Production Costs.
- In 2023, for major and significant risks, the Group arranged special funds for equipment renewal and process control improvement, reducing and downgrading the major and significant risks in 53 locations.

Work Safety Management System

At the level of work safety management system, the Group strictly complies with the relevant laws and regulations, such as Work Safety Law of the People’s Republic of China, the Fire Protection Law of the People’s Republic of China. Under the framework of Occupational Health and Safety Management Systems-Requirements with Guidance for Use (ISO45001), the Group has established a sound and unified EHS management system, set up a safety management organisation and dedicated safety management personnel, promoted the implementation of effective integration of dual prevention mechanism, standardised work safety and clean production with EHS system, refined the work safety management, standardised management standards for personnel, equipment, processes, etc. and fully implemented the work safety responsibility system to promote the construction of EHS documents with the cultural characteristics of CSPC. By 2023, the Group’s subsidiaries have obtained OHSAS18001, ISO45001 and local certification of safety standardisation management system, as well as the title of provincial and municipal safety construction demonstration unit.



(1) Risk Prevention and Control

Under the framework of comprehensive risk management and EHS management system, the Group has established internal management systems such as Management System for Identification, Evaluation and Control of Safety Risks of CSPC, EHS Change Management System of CSPC, High-risk Management System, of CSPC and Incident Review, Evaluation and Verification System of CSPC, which identify and assess the dangerous and harmful factors existing in R & D process, production process, change and other operation activities by way of Job Hazard Analysis (JHA), Hazard and Operability Analysis (HAZOP) and Likelihood Exposure Consequence (LEC), etc., and take risk hierarchical control measures according to the assessment results.

Furthermore, based on safety thinking of risk management, the Group has formulated position-specific risk inspection checklists for individuals in those positions, team leaders, and technical personnel, regarding the positions with significant and high risks to effectively implement the daily management of high or significant risks.

The Group has established individual action plans for EHS for both senior and middle management, along with a system to ensure coverage of corresponding risk points. Major risks are managed by senior management of subsidiaries, intermediate risks are managed by middle management of subsidiaries, and low risks are managed by workshop/teams.

(2) Safety Inspection

Under the framework of the EHS management system, the Group’s subsidiaries have also formulated the management systems and standards related to EHS inspection and hidden hazard investigation, regularly evaluated, and reviewed the risk control measures based on the results of risk assessment, and formulated the Risk Troubleshooting Checklist for individuals in those positions, team leaders and technical personnel, i.e. "Three Checklists", to comprehensively test the effectiveness and stability of risk control measures.

During the reporting period, the Group’s subsidiaries conducted 1,023 EHS inspections and eliminated 3,312 hidden dangers with the rectification rate of 100%.

During inspections, each unit conducted "Safety Risk Control Status Reviews" twice, supplementing and improving 1,636 risk control measures, effectively reducing the occurrence of accidents and incidents.

Evaluation Dimensions of Safety Risk Control Status:

Compliance and advancement of engineering and technical measures, Compliance of management systems and operating procedures (process), Compliance of personnel qualifications and capabilities, Compliance of emergency equipment and materials.

(3) Safety Training

The Group’s subsidiaries have also established the EHS Education and Training Management System and prepared the annual EHS Training Plan in accordance with the requirements of the national regulation, such as the Work Safety Law of the People’s Republic of China and the Regulations on the Administration of Safety Training of Production and Business Units, and regularly organised activities like offline face-to-face training and knowledge competitions with rewards for employees. The Group has also set up “Xuanxing” information platform for training, through which each subsidiary can conduct online class and video trainings for employees. The training mainly includes three-level safety education for new employees, post-transfer training and trainings on safety operation procedures, fire and emergency knowledge, occupational health, and other related knowledge training. The subsidiaries persist in conducting pre-job training for employees, and providing training and explanations on the daily work tasks, risk analysis and EHS precautions.

[Case] Learning on Xuanxing Platform

With the assistance of the Group’s Party-mass Department and the Human Resources Department, the Planned Dispatching Centre organised and planned the use of the Xuanxing platform to launch six series of safety topics, including Electric Vehicle Safety, Traffic Safety, Office Safety, Electrical Safety, Fire Safety, and Gas Safety, with a total of 45,916 participants in these trainings.

[Case] EHS Management Case in 2023

In June 2023, the Group combined with the theme of the 22nd Safe Production Month, "Everyone Talks Safety, Everyone Is Prepared for Emergencies," to organise activities such as General Manager Talks on Safety, Expert Talks on Safety, Professional Talks on Safety, Employee Talks on Safety, All-Staff Safety Quiz, and Team Emergency Construction Creation, promoting continuous implementation and execution of safety management at the team and post levels.

(4) Management of Hazardous Chemicals

Each subsidiary of the Group has established a Hazardous Chemicals Management System in accordance with the requirements of the national regulation, namely the Regulations on Safety Management of Hazardous Chemicals, and established a management process for hazardous chemicals from procurement, storage, use to disposal. During the handling process of hazardous chemicals, automatic control systems such as Instrument Protection System (IPS), Safety Interlock System (SIS), Emergency Shutdown Device (ESD), High-Integrity Pressure Protection System (HIPPS), Fire & Gas Detection & Protection System (F&GS), Safety Monitoring System and Combustible and Toxic Gas Detection and Alarm System (GDS) are adopted to ensure the safety of hazardous chemicals and process.

(5) Safety Emergency Drill

Under the framework of the EHS management system, the Group has developed the Emergency Management System of CSPC, established a four-level emergency management system for the Group, subsidiaries, workshops, and teams and set up three standardised professional fire emergency teams, with a total of 50 personnel and 6 large fire engines. The subsidiaries have also set up emergency rescue teams, and established several miniature fire stations. At the same time, to strengthen the safety awareness and emergency rescue skills of all employees, the Group's subsidiaries have carried out various forms of emergency drills for various safety hazards, including comprehensive emergency drills, special emergency drills, fire drills, etc., thus effectively improving the ability of employees to deal with risks, prevent accidents and incidents from occurring, and minimise the impact of incidents.

In 2023, firefighters of various types enhanced their physical fitness, honed their technical skills, and promoted their professional abilities. They achieved 12 awards in various levels of firefighting skills competitions organised by the Government. They also successfully completed three missions under the instructions of local government firefighting and rescue commands.



The Group's Safety Emergency Drill



The Firefighting Team of Ouyi Participating in the Social Rescue Operations

Talent Development

The Group places high importance on the significance of talent and has formulated clear talent development strategies with a global perspective. We are committed to building an outstanding recruitment team by continuously expanding recruitment channels and strengthening the depth and breadth of collaborations between educational institutions and enterprises to enhance our capabilities of talent reserve. This, in turn, strengthens the core competitiveness of the Group.

The Group's recruitment and hiring adhere to the principles of fairness, impartiality, openness, and transparency, rejecting all forms of discrimination and bias. We treat all candidates equally, regardless of race, nationality, religion, gender, age, disability, pregnancy, family status, ethnicity, or social background. Candidates are selected and assigned based solely on job qualifications and capabilities. When posting recruitment information on our official website and major job recruitment platforms, we describe job qualifications and requirements without any discriminatory language or descriptions. We have also optimised our external recruitment information to promote the diversity, openness, and inclusiveness of CSPC, showcasing our rich benefits to attract and encourage more talent to apply.

Talent Acquisition Project

(1) Talent Mapping and Industry Intelligence Project:

During the reporting period, CSPC accumulated talent maps, systematically built an industry talent map in dimensions such as systems and positions, accumulated its own talent pool by adopting a headhunting mode, and continuously inventoried high-level talent resources in the industry to ensure their effective utilisation. Through multidimensional research and compilation of industry information, the Group obtained information about competitor companies and competitive products, enabling a thorough understanding of the industry landscape and providing references for business departments.

(2) Campus Recruitment Program:

During the reporting period, CSPC conducted hundreds of online and offline seminars targeting key universities, with tens of thousands of outstanding students actively submitting their resumes.

(3) High Potential Talent Pool Construction Project:

During the reporting period, CSPC established exclusive talent pools both internally and externally through an online system, reserving hundreds of thousands of high-quality talents in the industry.

Expansion of Talent Acquisition Channels

(1) Broadening Talent Acquisition Channels



The Group fully leverages its resource advantages in talent and technology projects, combines practical needs, and utilises diverse recruitment channels. By seeking wisdom from others, and actively plan to establish strategic partnerships, the Group aims to attract and gather more outstanding talent. Firstly, establishing a platform for school-enterprise cooperation: through joint training, internship programs, joint application for scientific research projects, school-enterprise exchanges, collaborative research, etc., the Group strengthens cooperation between schools and enterprises, and jointly builds a collaborative innovation platform integrating talent development and scientific research; secondly, expanding channels to flexibly attract talent and wisdom: the Group employs multiple channels and levels to tap into the intellectual resources of universities, governments, and other entities, establishing "talent special projects" to attract more high-quality talent and provide a broader development platform.

(2) Innovative talent acquisition methods



Firstly, optimising the recruitment methods: A comprehensive assessment of the existing recruitment work is conducted by taking into account the talent structure of the Group and gathering input from various departments within the company regarding talent strategy to improve recruitment methods based on their opinions. The autonomy of business departments in employment, when scientifically and reasonably set requirements for specialties, education, degrees, abilities, and past experiences. These requirements should not only meet the demands of business development but also align with the company's overall development strategy in selecting talents. Second, improving the mechanism for attracting talents based on actual performance: Innovative talent introduction, assessment, and inspection methods are used to introduce talents through more flexible methods such as performance appraisal.

(3) Multi-Channel Reserve of Professional Talent



The Group enriches its talent structure and strengthens the reserve of professional technical talents in key areas and urgently needed positions, with reserves of urgently needed talent as a strategic measure. Firstly, increasing efforts in attracting talents in the field of biopharmaceuticals: by expanding campus recruitment based on actual needs and proactively releasing recruitment information to renowned universities in advance, the Group signs agreements in advance with qualified candidates, offering recruitment and talent incentive policies, to gradually address the talent reserve for urgently needed positions; secondly, flexibly reserving experts in key areas: through methods such as internships and probation, the Group employs, attracts, and retains professional technical talents needed in key areas, forming an "expert team" and establishing an expert reserve pool.

[Case] The "Stone" Power Youth Student Challenge Organised by CSPC

In September 2023, the second "Stone" Power Youth Student Challenge organised by the Group officially kicked off. It set up three tracks: Research and Development, Production, and Sales. A total of 330 teams comprising 1,119 students from 153 well-known universities at home and abroad, including Tsinghua University, Fudan University, Nankai University, Tianjin University, Xiamen University, Jilin University, Shenyang Pharmaceutical University, China Pharmaceutical University, and New York University, registered for the competition. This marked a 38.7% increase in participation compared to the previous edition. The competition aimed to stimulate students' creative thinking, enhance their innovation capabilities, and encourage a spirit of challenge.



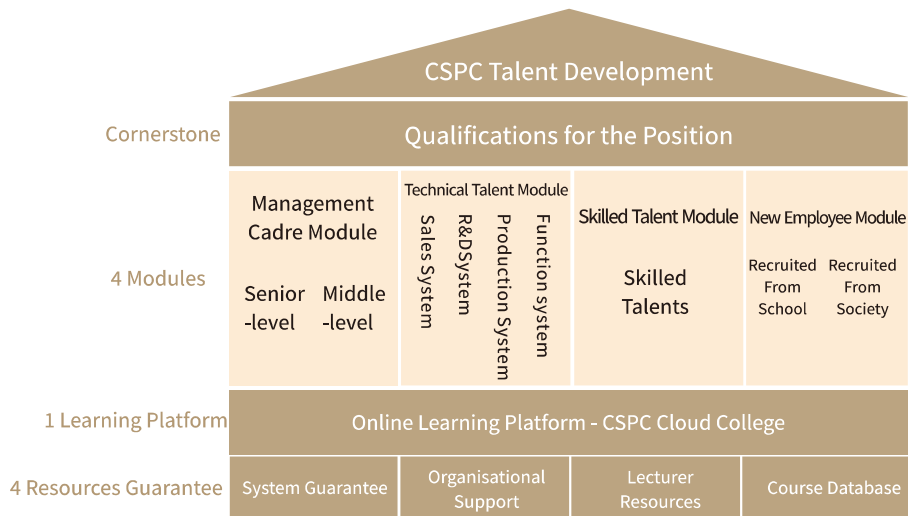
Employee Training

The Group fully recognises talent as our important strategy and attaches great importance to the training and growth of employees, constantly improving and optimising the training system and development programs to unleash the potential of employees and assist their growth. A series of system documents such as Training Management System, Internal Trainer Management System, Measures for the Administration of Curriculum Implementation were issued by the Group to ensure the smooth progress of training activities and improve employees' professional ability and comprehensive quality.

CSPC has established a comprehensive training system and adopted a combination of online and offline approaches. Through building an online learning platform of Cloud College, CSPC provides employees with a vast amount of training resources, including lecturer and course materials. The training covers various levels and categories of employees such as new employee module, technical talent module, skilled talent module and management cadre module, ensuring that every employee has access to training and development opportunities that align with their career paths. This not only contributes to the personal growth and professional development of employees but also provides a solid talent foundation for the long-term development and continuous innovation of the enterprise.

	Unit	2023	2022
Training coverage rate of employees	%	96	91
Training coverage rate of male employees	%	94	94
Training coverage rate of female employees	%	99	88
Training coverage rate of junior staff	%	96	88
Training coverage rate of middle management	%	100	100
Training coverage rate of senior management	%	100	100

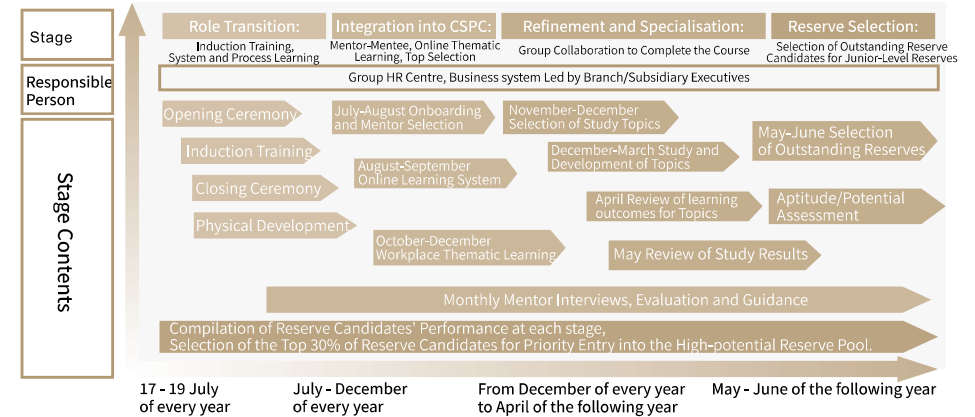
	Unit	2023	2022
Average training hours of male employees	Hour	78.5	31.98
Average training hours of female employees	Hour	86.4	36.04
Average training hours of junior staff	Hour	82.1	34.03
Average training hours of middle management	Hour	68.2	32.91
Average training hours of senior management	Hour	107.3	35.05



The Group matches its development needs of "strong innovation, strong teamwork, strong management, and stable growth", with job competency as the goal, to share a new ecology for talent development and achieve mutual growth for individuals and the company. Our training programs span across multiple levels, targeting new employees, high-potential junior staff, middle-level managers, and senior executives. This empowers employees to grow continuously from junior to management positions. We emphasise the cultivation of young cadres and build a talent ladder internally within the Group.

New Employee Induction Training (Shiyao Camp Program)

Employees are a vital force for the sustainable development of enterprises, and new employees are an important part of the Group's employees. In 2023, the Group launched the Shiyao Camp Program aimed at rapidly developing middle management from the pool of new employees. The Group has developed a one-year training program for new employees recruited from the schools, which through cultivation, promotes the cognitive shifting of personal role and deepen their understandings in their respective business areas on one hand, and comprehensively enhanced their overall competence on other hand to cultivate high-potential talents.



In 2023, our Group provided induction training for 556 new employees with bachelor's degrees or above recruited from universities. This training helped new employees understand the company overview, corporate culture, and their individual role positioning, enabling them to better integrate into the Company, work efficiently, and realise their self-worth. Additionally, the Group assigned mentors to new employees to conduct on-the-job training, cultivate practical skills, and support their continuous growth.



High-Potential Employee Training (TAP Training Camp)

For high-potential employees, two-tier management knowledge and skill training sessions were conducted to help cultivate their management abilities, support the establishment of a talent ladder, and create a pool of reserve talents for middle management.



Middle Management Training (Excellent Management Program)

In the marketing system, the focus for newly promoted front-line managers is on their role transition from being junior staff to managers. This transition requires a shift in mindset, improvement in management skills, and application of management tools. For second-line and higher-level managers, emphasis is placed on management capabilities and the creation of high team performance. They need to have strategic thinking and consider how to be effective leaders and pioneers for their teams.

In the production system, the "Excellent Production Management" training program has been developed. This program is a joint improvement and training initiative between CSPC Group and universities such as Hebei Medical University and Hebei University of Science and Technology. It covers more than 100 middle-level and above backbone personnel in the production system. The program consists of various modules including professional courses, expert lectures, and corporate salons, aiming to strengthen the middle-tier talent pool and further promote the production technology management and innovation of the Group. It also aims to enhance the professional competence and management capabilities of middle-level personnel.

Hebei University of Science and Technology (API Class)

Courses: Lectures, Salons and Seminars for Pharmaceutical Processing, Pharmaceutical Separation Engineering, Medicinal Chemistry, etc.

Hebei Medical University (Preparation Class)

Courses: Pharmacology, Medicinal Chemistry, Pharmaceutical Production Site Management, etc. Lectures: Quality Management, Efficiency Management, Lean Management, etc.



Senior Management Training (Shanze Business School)

For senior management, we emphasise the cultivation of comprehensive qualities and have designed courses related to leadership, financial management, human resources management, strategic management, and others. We have crafted high-quality courses, and in 2023, the leadership course has already been completed.



Diversified Professional Technical Training

The Group's training covers multiple dimensions of professional technical training horizontally. According to different needs of support systems, business systems, etc., we conduct various skill training, professional knowledge training, and cutting-edge industry information guidance to achieve precise and agile empowerment, enhance organisational competitiveness, and support organisational strategic development.

Through the Lingxiang Training Camp, we engage in learning about the medical industry's market information, combining external training, internal training, live courses, and other forms to disseminate cutting-edge professional knowledge from multiple perspectives and keep abreast of market developments. Through the Marketing Partner Program, we provide training tailored for different professional employees to meet their respective professional requirements and achieve precise empowerment.

Through the new apprentice training program, we provide training for skilled workers (frontline technical workers) to meet the needs of personnel-job matching and the hierarchical development of skilled talent teams. In 2023, the Group organised over 1800 frontline production workers to participate in the training, with training specialties including pharmaceutical preparation workers and organic synthesis workers. At the same time, we established a team of over 200 internal trainers who closely integrate practical work with hands-on teaching and assessment. Over 500 management personnel and skilled workers above the level of workshop team leaders are selected to form a "master-apprentice" and "practice-oriented" training mechanism.



Establishing an Internal Lecturer System

To meet the training needs of the Group, particularly in enhancing the professional capabilities of reserve talents, and fully utilise the talent resources of various subsidiaries, we have established an internal trainer team to promote the construction and improvement of the Group's training system. The project covers key systems such as production, research and development, and sales within the company.



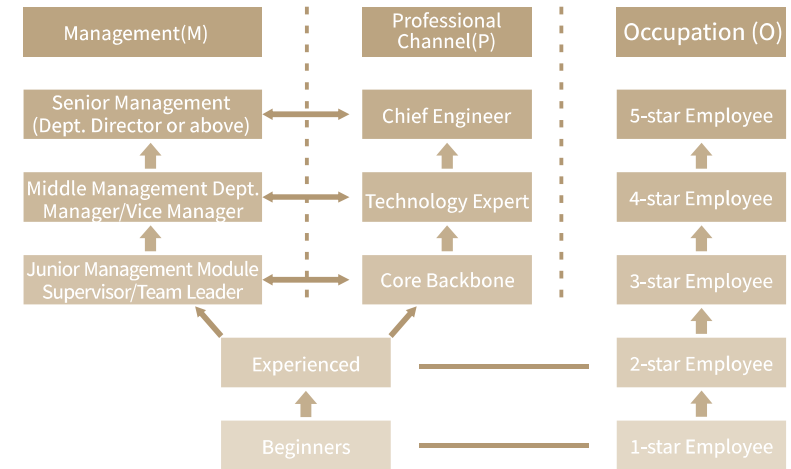
E-learning Online Learning Platform

The Group has utilised digital tools to integrate and share training resources. This platform includes key learning resources such as corporate culture, professional technical knowledge, and management skill enhancement. Through the platform, the Group has also conducted professional Q&A sessions, interactive question-and-answer features, and training assessments to meet the autonomous learning needs of employees, thus facilitating the development of a learning-oriented organisation.

Talent Echelon and Talent Promotion

According to the talent development deployment and requirements, the Group has established and improved the mechanism for selecting, cultivating, utilising, and eliminating talent reserves. Currently, the Group's talent reserve pools at the senior, middle, and grassroots levels have been preliminarily established and utilised.

Based on the development needs of its business globalisation, CSPC provides a clear and comprehensive competency development system with multiple channels for career development, including Management Channel focusing on enhancing management capabilities; Professional Channel focusing on in-depth development of technical fields, both of which allow development across functions and fields; and Occupation Channel tailored for frontline skilled workers, ensuring that every excellent skilled talent who relies on their skills, abilities, and innovation has the opportunity and channel to realise their personal value.



Professional Title Evaluation

In 2023, our Group conducted the first independent evaluation of professional titles in food and pharmaceutical engineering. To clarify the related workflow, particularly in strengthening the organisational management of senior title evaluations and the clarity of evaluation procedures, CSPC Title Reform Office formulated the 2023 Annual Plan for Senior Professional Title Evaluation in Food and Pharmaceutical Engineering and the Regulations for Senior Professional Title Evaluation in Food and Pharmaceutical Engineering in accordance with the requirements of the meeting, the evaluation conference for senior and middle-level professional titles in food and pharmaceutical engineering was held on November 18, 2023.

Through the evaluation practice for senior and middle-level professional titles, the CSPC Title Reform Office has accumulated a set of more mature and improved evaluation experiences and workflow. Each step strictly adhered to the relevant policies and disciplinary regulations of the province and city, ensuring that the evaluation work was smooth, fair, impartial, and transparent.

The Number of Individuals Passing Assessment and Evaluation	Senior	Deputy Senior	Intermediate	Junior
94	3	42	49	0
Statistics of Engineering Titles as of 2023				
Total	Senior	Deputy Senior	Intermediate	Junior
2553	40	247	802	1464

New Job Titles of the Engineering Series in 2023

I Remuneration and Welfare

Remuneration Management

(1) Respect for Employees' Basic Rights

The Group has been conducting industry salary surveys for an extended period, maintaining a high level of attention to the local and industry salary levels as well as the local economy, and striving to providing employees with competitive salary and benefits packages that align with industry and local standards. When determining and calculating employee compensation and related benefits, we adhere to the principle of fairness and ensure that they meet or exceed the minimum wage standards set by local regulations. This not only respects and protects the basic rights of employees, but also demonstrates our commitment as a responsible enterprise to ensure that employees receive appropriate economic rewards for their labour, thereby enhancing their sense of belonging and loyalty.

(2) Performance Orientation

The Group promotes the comprehensive and "performance-oriented" remuneration philosophy with limited resources tilting towards the top performing employees with high potential and in key positions to ensure that the bonus paid based on performance matches the comprehensive remuneration of the employee. This remuneration concept is both fair internally and competitive on the market. The unified management and unified performance results at group level provide unified basis and standard for talents' development across business divisions and regions. With the widening of grading scale to differentiate the employees' performance, we encourage employees with excellent performance, recognise those who meet performance standards, and help the underperforming staff to make improvement in a timely manner.

The Group has fully implemented its remuneration management philosophy and adopted diversified performance evaluation methods to keep pace with its development and trends. The performance evaluation is gradually transitioning from being primarily based on KPIs to being led by OKRs. According to the applicable performance evaluation methods for each function/subsidiary, the Group conducts employee evaluations monthly, quarterly, semi-annually, and annually, which serve as an important component of performance assessment, provide comprehensive feedback on employee status and timely and reasonable incentives and supervision, and form a more scientific performance evaluation management system.

The Group has created the overall remuneration assessment and incentives based on employee remuneration management, to evaluate and incentivise the total compensation of each function/subsidiary according to the Group's overall compensation management principles. This enhances the awareness of organisational teamwork and development, motivates each subsidiary to progress, promotes the overall achievement of stronger goals for the group, and strengthens employee sense of belonging, leveraging the motivating effect of the compensation evaluation mechanism on employees.

Each year, CSPC appropriately adjusts the remuneration and welfare level of employees based on the market salary level and performance results. In addition, through performance-related bonus and share incentive schemes, the Group fully mobilises the enthusiasm and initiative of employees and promotes their common development and benefit sharing with the Group.



Welfare and Care

In accordance with national and regional laws and regulations, the Group not only provides all employees with basic salary and bonus but also pays social insurance for them, to continuously improve various kind of welfare and fully protect the interests of employees. The Group studies and formulates dedicated welfare policies and systems that cover all employees. Through the internet and various innovative technologies, we provide better services for employees and constantly improves the distribution and publicity forms of innovative benefits. We utilise mobile application platform to disseminate information about employee benefits, allowing employees to access the mobile application platform at any time and inquire about all kinds of remuneration and welfare, as well as personnel policies, including but not limited to, heating subsidies, transportation allowances, birthday benefits and employee health check-ups so that they can live and work happily.

We ensure statutory leave benefits for employees, including annual leave, marriage leave, bereavement leave, maternity leave, paternity leave, breastfeeding leave, compensatory leave and sick leave, which are clearly defined and protected through institutional arrangements.



[Case] Help and care for needy groups

We pay close attention to employees facing difficulties due to serious illnesses, accidents, and other situations, and aids employees and their families. The "CSPC Family" assistance program was the first program at the inception of the foundation, always prioritizing employees, and effectively addressing difficulties faced by employees.

To provide better assistance to employees facing challenges due to serious illnesses, accidents, and other circumstances, the CSPC Puen Charity Foundation's "CSPC Family" project continued to advance in 2023. In 2023, a total of 81 employees and their families were assisted, with a total assistance amount of RMB 1.2 million distributed.



The "CSPC Family" program provided assistance of RMB 1.2 million

"CSPC Family" Assistance Program

Employee Communication and Feedback

Employee Satisfaction

CSPC highly values the feelings of every employee. To timely understand the sentiments of employees, continuously optimise the work environment and welfare benefits and enhance employee motivation and efficiency, the Group has established a system for employee satisfaction surveys. According to this system, the Group conducts regular employee satisfaction surveys every month to ensure a comprehensive and objective understanding of the work experiences and feelings of employees at different levels, departments, and positions.

During the survey process, the Group employs various methods and channels to collect employee feedback, such as questionnaire surveys, face-to-face communication, and group discussions, ensuring that every employee has the opportunity to express their opinions and suggestions. Additionally, the Group promptly analyses and summarises the survey results, identifying any issues and shortcomings, and formulating corresponding improvement measures and plans.

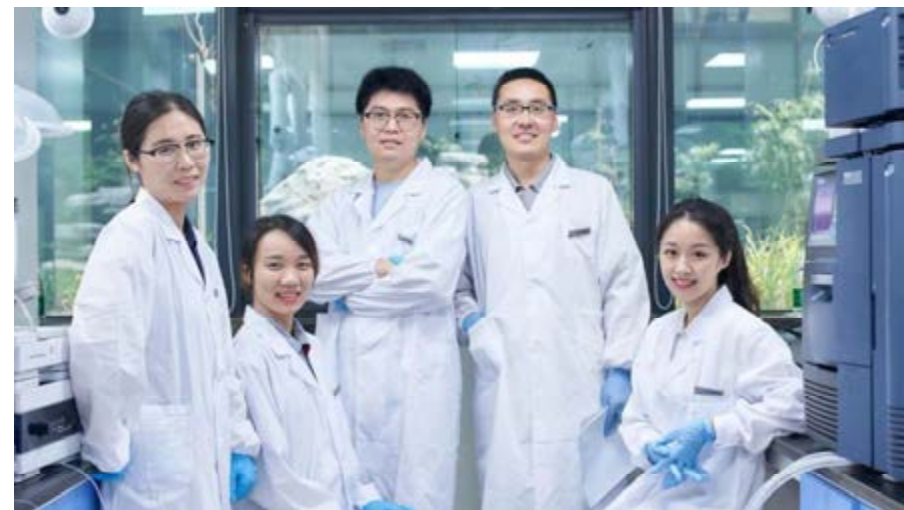
No.	Survey Method	Survey Content	Target Audience	Frequency	Results and Improvements
1	Chairman's Mailbox (Email)	Various issues in company operations, employee rights and interests	All employees	Anytime	Preliminary handling of emails, content investigation, process supervision, and result feedback
2	Symposium	Employee feedback on ideological dynamics and implementation of various group projects	Employee Representatives	Monthly	Feedback on survey results to relevant departments and subsidiaries, formulate corrective measures, and implement them
3	Worksite		All Employees		
	Face-to-face Communication				
4	Questionnaire Survey	Management style, corporate culture, work environment, etc.	All Employees		
5	Survey Star	Property services including workplace environment, cafeteria, landscaping, apartment management, etc.	All Employees	Quarterly	Providing feedback to the property management
6	Employee Representative Committee	Management systems or key issues related to the interests of employees in the operation of the Group	All Employees	Annually	Implementing based on deliberation results
7	Leadership Team Democratic Life Meeting	Engaging in criticism and self-criticism in aspects such as mindset, work, and work style to identify existing problems and gaps	Senior management	Annually	Issues that can be resolved during the meeting are immediately addressed with improvement measures; Issues requiring further discussion after the meeting are led by the responsible department to formulate improvement measures, and ensure their implementation and follow-up.
8	Management Analysis Meeting	Breakingdown departmental barriers and solving cross-functional, cross-departmental and collaborative issues in the operation of the Group	Senior management	Monthly	

Workers' Congress

The Group holds an annual workers' congress. Before the workers' congress, the labour union will submit to the worker representatives the matters requiring deliberation, approval, and election by the congress, including the annual operational report, management systems involving the personal interests of employees, collective contracts, and the list of worker supervisors, and solicit opinions from the worker representatives. During the congress, reports, systems and contracts are deliberated and approved, and relevant personnel are elected. After the congress, the results are publicly announced to all employees. During the recess of the congress, a joint meeting of worker representatives is organised to deliberate and approve related matters, and to propose confirmation at the next congress. Worker proposals are collected prior to the congress, and the labour union organises relevant departments of the respective companies to respond to the proposals.

The labour union establishes a Labour Dispute Mediation Committee. Employees with labour dispute issues can seek mediation through the labour union and the respective companies.

The labour union has procedures for unilateral termination of labour contracts by the company. If the Group intends to terminate an employee's labour contract, it must undergo review by the labour union and receive their approval before proceeding with the termination.





10

Low-carbon Development to Create a Green Enterprise



CSPC actively responds to China's dual-carbon strategic goal to "peak carbon emissions by 2030 and achieve carbon neutrality by 2060", adheres to the environmental management policy of "prevention first, emission reduction at source, continuous improvement, compliant operation, and construction of green factories". The Group carefully implements the development concept of "innovation, coordination, green, openness and sharing" and closely focuses on the development strategy of "green and sustainable development", thus leading the green and low-carbon transformation of the subsidiaries in the pharmaceutical industry, incorporating environmental protection and sustainable development into our corporate development strategies, actively reducing environmental loads, pursuing green manufacturing, and contributing to the green and sustainable development of the society.

Environmental Management Regime

The Group adheres to the core corporate philosophy of "All for Good Medicine, All for Mankind's Health", maintaining a balance between corporate development and environmental protection. It regards "green development, creating a better life" as its environmental protection philosophy, actively reducing its environmental impact, pursuing green manufacturing, and contributing to social sustainable development.

In accordance with regulations and standards on environmental management issued by governments at various levels, the Group has established and revised internal management systems and standards for environmental management, such as the Environmental Protection Responsibility System, the Control Procedures for Organisational Environmental Analysis and Impact on Stakeholder, and the Control Procedures for Identification and Evaluation of Environmental Factors. Each subsidiary fully implements the standardised management to reduce resource consumption and waste emissions and improve output efficiency, and strives to create an environmentally friendly, green and low-carbon enterprise.

During the reporting period, the Group did not incur significant penalties related to environmental protection, and there were no penalties received due to excessive and illegal emissions of pollutants throughout the year.



Environmental Management System

CSPC is committed to environmental management based on the principle of "prioritising in-process control over post control, prior control over in-process control, and whole-process control over prior control." With the strengthening of environmental impact assessment and management as the core, the Group promotes environmental protection management through the entire production process, focusing on the management of environmental assessment and testing, pollutant emission standard and total amount control, as well as energy conservation and emission reduction.

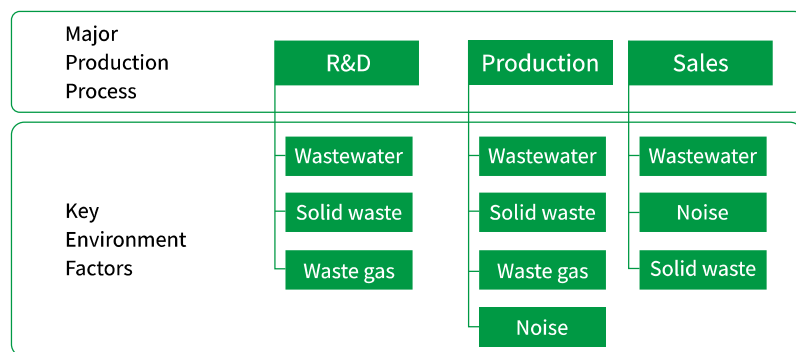
The Group strives to better identify and manage environmental protection risks and improve its performance in environmental protection through continuous assessment and review of various performance indicators. To better comply with the requirements of laws and regulations, the Group has consistently enhanced its awareness of existing laws and regulations, and developed deeper understanding and conducted comprehensive compliance assessment of the new and revised laws and regulations in a timely manner, to ensure that relevant systems and processes can be timely revised.



[Case] More than 10 factories of the Group's major subsidiaries have passed the Environment Management System Certification

Environmental Management Risk Control

The Group is committed to effectively identifying and managing environmental risks, and has established systems, such as Management System for Identification, Evaluation and Control of Hazard Sources and Environmental Factors, Environmental Protection Responsibility System, and Environmental Protection Management System, so as to enhance its environmental performance through continuous assessment and review of various performance indicators.



The Group has established an emergency response mechanism for environmental emergencies and formulated Emergency Response Plans for Environmental Emergencies based on the specific circumstances of each subsidiary. This ensures that all emergency response measures can be initiated quickly, efficiently, and orderly in the event of an environmental emergency, minimising the harm to the environment and the loss of business operations caused by the environmental emergencies.

Green Production and Operations

(1) Promoting Green Production

The Group continues to increase its investment in environmental protection and benchmark against the advanced enterprises and excellent standards in the industry, focusing on building green factories on areas such as environmental technology improvement, investment in new energy equipment, and iteration of high energy-consuming equipment.

In 2023, the Group invested RMB763 million in green factory improvement, green construction, and energy conversation and emission reduction projects, with RMB160 million allocated to the investment in upgrades and improvements of the environmental protection facilities.

Green factories of CSPC Baike and CSPC Yinhu have entered the application stage.



CSPC Green Factory

(2) Green Building Design

The basic essence of green buildings can be summarised as follows: reducing the environmental burden of buildings by conserving energy and resources; providing safe, healthy, and comfortable living spaces; being in harmony with the natural environment, achieving harmonious coexistence and sustainable development between people and buildings and the environment.

In 2023, the Group collaborated with design institutes on key projects such as the comprehensive office building of Megalith Biopharmaceutical and the 287 Lighthouse Project of No.1 Manufacturing, to fully incorporate concepts of green building design. Environmental factors were thoroughly considered and utilised during the design phase to minimise the impact on the environment during construction and to provide people with healthy, comfortable, low-consumption, and harmless spaces during the operational phase. Furthermore, measures were taken to minimise environmental harm during the demolition process. The planned design area reached 130,000 square meters.

(3) Establishment of Green Construction Site

The Group also strengthens on-site management for new projects during the construction phase, with the establishment of "green construction sites" as a starting point, introducing green construction technologies to reduce on-site cutting, welding, and masonry. Prefabricated fences are used on-site to reduce waste and construction emissions. Two sites under construction have been awarded the Government's "Green Construction Site" title.



Certifications Related to the Green Construction Sites of the Group

Environmental Management Achievements in 2023

In 2023, the Group has fully achieved the phased emission reduction targets for the period 2019-2025 (with 2017 as the base year).

In 2021, the Group reviewed the Environmental Protection Plan 2025 formulated in 2019, proposing higher development goals. At the same time, the targets were refined into three-year phases to strengthen process control and ensure the achievement of the overall goal by 2025.

Against the backdrop of the national policy to "peak carbon emissions by 2030 and to achieve carbon neutrality by 2060", CSPC continues to explore its own potential for energy conservation and emission reduction, contributing to the achievement of the dual-carbon goals. In 2023, CSPC engaged authoritative third-party institutions such as Bureau Veritas to conduct comprehensive carbon audits of major emitting enterprises based on international advanced standards such as ISO 14064-1:2018, and obtained greenhouse gas emission verification certificates. This marks an important step for CSPC in achieving carbon emission reduction, laying the foundation for exploring opportunities for greenhouse gas reduction in the next phase, and making positive efforts to address climate change.

2025 Target		2017	2022	2023	Actual Achievements
Reducing greenhouse gas emissions per unit of revenue by 50%; (T/RMB 100 million)		7,171.17	3,675.35	3,438.02	52.06% ↓
Reducing the emission of non-hazardous waste (general solid waste) per unit of revenue by 70%;(T/RMB 100 million)		288.09	109.41	84.26	71.58% ↓
Reducing the emission of hazardous (dangerous) waste per unit of revenue by 25% (T/RMB 100 million)		58.32	45.9	41.41	28.99% ↓
Reducing the comprehensive energy consumption per unit of revenue by 47%	Electricity (Kilowatt-hours/RMB 100 million)	407.52	288.76	261.83	57.81% ↓
	Steam (T/RMB 100 million)	8,367.35	2,786.45	2,251.88	
Reducing the water consumption per unit of revenue by 27% (m ³ /RMB 100 million)		47,245.22	30,971.79	29,597.24	37.35% ↓

Completion status of the phased emission reduction targets for the period 2019-2025

Environmental Management Goals (2024-2030)

Building upon the completion of 2025 emission reduction targets, CSPC has formulated emission reduction goals and action plans for the period from 2024 to 2030, integrating the Group's medium to long-term planning, optimisation of revenue structure, enhancement of energy and resource utilisation, advancement in product research and development, leadership in intelligent manufacturing, application of advanced technical equipment, and development of carbon sink resources.

Emission Goals		2024-2026 Goals	2027-2028 Goals	2029-2030 Goals
Greenhouse gas emissions per unit	Scope 1 and Scope 2	Reduce by 53%	Reduce by 56%	Reduce by 60%
Emission of non-hazardous waste (general solid waste) per unit		Reduce by 74%	Reduce by 76%	Reduce by 80%
Reduce the emission of hazardous (dangerous) waste		Reduce by 28%	Reduce by 30%	Reduce by 32%
Comprehensive energy consumption per unit		60%	62%	64%
Water consumption per unit		40%	44%	46%

The emission reduction targets for 2024-2030

Pathway to Achieve Environmental Management Goals

To achieve the emission reduction targets for 2024-2030, CSPC has conducted careful research and analysis, and planned to ensure the achievement of environmental management goals through eight major actions, including promoting green transformation of revenue structure, green production, and energy management and control.

(1) Promoting Green Transformation of Revenue Structure

Through research and development innovation, optimisation of industrial product structure, and green transformation, CSPC aims to become a large innovative pharmaceutical company by 2030, which specialises in biological preparations, chemical drugs, traditional Chinese medicines, specialised health products, medical packaging materials, and active pharmaceutical ingredients, and a national enterprise with complete industrial chain, rational product matrix, scientific governance structure, and a strong foundation in green practices, which will be highly trusted and respected by investors and consumers.

(2) Implementation of Source Reduction and Carbon Reduction Projects

Green Product Design: Starting from January 1, 2024, all ongoing projects must undergo green product design evaluation after pilot-scale experiments and before the commencement of pilot production. Projects that do not pass the green design evaluation will be required to undergo design optimisation to meet the criteria for green product evaluation.

Green Factory Certification: Building on the existing four green factories, from 2024 to 2026, push forward the application and certification of 2 additional green factories; from 2027 to 2028, achieve the application and certification of 2 green factories; from 2029 to 2030, realise the application and certification of 2 more green factories. By 2030, 10 factories of the Group will obtain green factory certification.

Green Building Design: From 2024 to 2026, implement 2 green building design projects covering a total area of 99,800 square meters. Starting from 2027, all building projects will undergo "green building design" during the design phase. By 2030, the total area of green buildings will reach 217,900 square meters.

Creation of Green Construction Sites: From 2024 to 2026, achieve the establishment of 2 or more "green construction sites". Starting in 2027, all new and ongoing construction sites within the Group will meet the standards for "green construction sites".

(3) Promoting Energy Transformation and Upgrading

Green Electricity Usage: From 2024 to 2026, the Group will achieve a 5% procurement and usage of green electricity. By 2027 to 2028, the proportion of green electricity procurement and usage will reach 10%. By 2030, it will reach 20%.

Green Steam: From 2024 to 2026, the Group will aim for a proportion of 10% for the adoption of biomass, biogas, and incineration heat energy for steam production. By 2027 to 2028, the proportion of self-produced green steam will reach 20%.

Promotion of Green Energy Technology Applications: From 2024 to 2026, the Group will promote the deployment of 6 sets of hydrogen-oxygen generators in 2 locations annually, resulting in the reduction of 45.9 tons of liquefied petroleum gas and 229.66 tons of liquid oxygen usage per year.

Photovoltaic Power Generation: In 2024, the No.1 Manufacturing Centre's flagship factory will utilise solar photovoltaic power generation on its building roofs and facades. The total installed capacity will reach 2.58 MW, generating electricity of 3.464 million kWh annually.

(4) Optimising Energy and Resource Efficiency

Heat Recovery and Utilisation: From 2024 to 2026, the Group will actively promote 8 projects for the reuse of residual heat from air compressors. From 2027 to 2028, there will be a concentrated effort to promote 6 projects for heat exchange in distillation systems (a total of 62 sets of distillation equipment in the Group). By 2029 to 2030, there will be 12 technology projects such as centrifugal drying heat recovery.

Reducing and Reusing Wastewater: Vigorous promotion of division of wastewater from clean water, wastewater reuse, and reduction of primary water consumption projects. From 2024 to 2026, the No.1 Manufacturing Centre will implement 2 projects for wastewater reuse, and the APIs Business Division will achieve 2 projects for wastewater reuse, bringing the total reused wastewater volume to 2.4 million cubic meters per year. From 2027 to 2028, the volume of reused wastewater will reach 3 million cubic meters per year. By 2030, the volume of reused wastewater will reach 4.6 million cubic meters per year.

Solvent Recovery Application: From 2024 to 2026, achieve solvent recovery of 24,000 tons per year; from 2027 to 2028, achieve solvent recovery of 21,500 tons per year; from 2029 to 2030, achieve solvent recovery of 19,850 tons per year. (Note: With the continued promotion and application of solvent source substitution, the total amount of solvent used shows a downward trend.)

(5) Enhancing Process Equipment Technology Level

Implementation of Upgrading Old Equipment: From 2024 to 2030, introduce and promote new equipment in pharmaceutical industry such as top-suspended centrifuges, flat-plate centrifuges, freeze dryers, sterile isolation devices, automatic feeding and discharging devices, and fully automated dispensing systems. Implement the replacement of old facilities to significantly reduce production energy consumption, enhance intrinsic safety, and reduce process emissions.

Promotion of Cutting-edge Technology Innovation: promote continuous manufacture of Gulonic acid by Weisheng and the chloroform recovery and concentration membrane developed by CSPC Innovation, promoting tube reactor and microchannel continuous flow technologies in larger hazardous experiments and pilot stages led by the Research and Innovation Committee and the No.1 Manufacturing Centre. This aims to enhance the intelligent control of the entire reaction process and improve the level of system intrinsic safety.

Deployment of Digitalisation Technology: From 2024 to 2030, the Group plans to undertake 8 digitalisation construction projects with a total investment of RMB 1.048 billion. For instance, the Huoxiang Zhengqi Compound Project of CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd. will utilise a digitalised Chinese medicine extraction production line. Similarly, Shiyao Packaging's high-end pharmaceutical packaging production base will establish a fully digitalised packaging production line. The flagship factory project of the No.1 Manufacturing Centre will adopt global Industry 4.0 standards, comprehensively integrating digitalisation with cutting-edge pharmaceutical industrial technology, thereby practicing, and leading the latest achievements in intelligent manufacturing equipment in the Chinese pharmaceutical industry.

(6) Enhancing End-of-Pipe Treatment Capability

Application of New Environmental Technologies and Methods: From 2024 to 2030, the Group will further increase its investment in environmental protection, with an annual investment of 80 million RMB to support the upgrading and renovation of environmental improvement facilities. This funding will primarily be used for the renewal of old fans, spray towers, anaerobic towers, odor control, optimisation of biochemical systems, improvement of exhaust gas collection and treatment facilities, enhancement of instrumentation and control systems for refining equipment, and comprehensive utilisation of solid waste harmless treatment.

Promoting the Implementation and Efficiency of Comprehensive Utilisation Projects for Hazardous Waste: The Group is constructing a "Comprehensive Utilisation Incineration Treatment Project for Hazardous Waste" in the Chemical Industrial Park of Ningjin County, Xingtai City, Hebei Province. This project is intended for the compliant disposal of hazardous waste generated by the Group and neighboring industrial enterprises. Currently, Hebei Zhongrun Huanbo Co., Ltd. has a designed and approved annual processing capacity of 10,000 tons of hazardous waste, meeting the disposal needs of the Group and nearby industrial parks. Additionally, through hazardous waste incineration, 80 tons/day of steam are generated for internal production use within the Group.

(7) Guiding the Green Transformation of the Supply Chain

Implementing Product Differentiation and Precision Management Based on the Characteristics of the Value Chain and Supply Chain: For key raw and auxiliary material suppliers, promote the establishment of carbon peak and carbon neutrality management objectives and strategies.

From 2024 to 2026, 60% of key raw and auxiliary material suppliers (fossil fuels and non-renewable resources) are required to provide carbon peak and carbon neutrality roadmaps and management plans. Each year, organise a sharing and exchange session carbon peak and carbon neutrality case studies for key fossil fuel suppliers.

From 2027 to 2028, the remaining 40% of key raw and auxiliary material suppliers (packaging materials and auxiliary materials) must also provide carbon peak and carbon neutrality roadmaps and management plans. From 2027 to 2030, conduct a round of green supply chain evaluations for key raw and auxiliary material suppliers.

By June 31, 2030, all key raw and auxiliary material suppliers must achieve carbon peak.

(8) Leading the Implementation of Green Office Initiatives:

1. Promoting green and environmentally friendly low-carbon travel: Based on the operation of official vehicles in 2023, the utilisation rate of new energy vehicles in the Group is 3.5%. In 2024, CSPC will actively follow the national policy on promoting new energy vehicles and implement the policy of oil-to-electricity transition for official vehicles with a plan to make replacement with 14 new energy vehicles, not only reducing the operating costs of company vehicles but also achieving green environmental protection and low-carbon travel.

2. Advocating and promoting electronic document and information management: Reduce the quantity of printing and implement paperless offices.

3. Properly layout documents that need to be printed, improve the review process and content standards, reduce basic errors, and avoid waste of paper and ink.

From 2024 to 2026, 100% of the Group's official documents will be generated and distributed through the EHR system; the prevalence of online meetings will reach over 50%.

The Group will achieve 30% coverage of training and assessment content delivered through the Xian Xing platform and 80% of subsidiaries will be covered by the Group's SAP system.

In 2027-2028, the prevalence of online meetings will reach over 60%. The Group will achieve 50% coverage of training and assessment content delivered through the Xuan Xing platform; 80% of subsidiaries will be covered by the SAP system.

By 2029-2030, the prevalence of online meetings will exceed 70%. The Group will achieve 70% coverage of training and assessment content delivered through the Xuan Xing platform; 100% of subsidiaries will be covered by the SAP system.

Energy Management

Intelligent Energy Management Systems

To achieve the emission reduction targets for 2024-2030, CSPC has conducted careful research and analysis, and planned to ensure the achievement of environmental management goals through eight major actions, including promoting green transformation of revenue structure, green production, and energy management and control.

Resource usage density					
Category	Unit	2020	2021	2022	2023
Purchased electricity	Ten thousand kWh/Revenue of RMB 100 million	245.02	256.08	288.76	261.03
Purchased steam	T/ Revenue of RMB 100 million	1,961	2,397	2,786	2,252
Water	m ³ / Revenue of RMB 100 million	33,560	27,978	30,972	29,597
Package Material	T/ Revenue of RMB 100 million	173	161	151	141

CSPC's Resource Utilisation

Note:

The statistical calibre of energy data includes various member enterprises of CSPC, excluding related companies of CSPC.

The statistical calibre is consistent with that of the Annual Report.

The statistics for gasoline and diesel are newly disclosed data for 2023, including only the fuel consumption of the Company's self-owned vehicles.

[Case] Green Electricity Usage - Intelligent Manufacturing Lighthouse Factory Project

The joint factory building of the OUYI Intelligent Manufacturing Lighthouse Factory incorporates photovoltaic panels in its main facility, which utilise clean and environmentally friendly solar energy as power source.



The Power Generation and Usage Plan for the Lighthouse Photovoltaic Panels

South-facing lead plate curtain wall	Excess energy goes to the grid	After the completion of the construction of the south-facing photovoltaic panels, it is possible that facilities like the distribution room in the lighthouse factory area may not be completed, making it temporarily unavailable for use in our park. The plan is to lay cables to Zone C. After communicating with the power utility, we were informed that the photovoltaic power generation in our factory area cannot be used across zones. Currently, only the excess electricity can be fed into the grid.
Rooftop	Lighthouse Park Self-use	It is recommended to carry out the rooftop photovoltaic construction after the workshop installation is completed. Otherwise, subsequent installation involving rooftop facilities such as absorption towers, fans, and pipelines may be significantly restricted if photovoltaic panels are installed first. After the workshop installation is completed, photovoltaic power generation can be directly connected to the low-voltage distribution cabinet. This can be used for low-voltage equipment such as water pumps, refrigerants, air compressors, and fans.

Photovoltaic investment and payback period situation

South-facing lead plate curtain wall	About 16.17 years	According to the architectural drawings, the area of the solar photovoltaic panels is approximately 2650 square meters, applied on the south facade. The estimated construction cost is RMB 2000 per square meter (including RMB 1000 for materials per square meter, RMB 300 for electrical components per square meter, and RMB 700 for installation and other expenses), with a total cost of about RMB 5.3 million. With a layout of 200 watts per square meter, the total installed capacity is 0.5 MW. Considering attenuation, it generates an average of 409,800 kWh of electricity per year. Assuming a reference electricity price of RMB 0.8 per kWh, it saves approximately RMB 327,840 annually.
Rooftop	About 4.06 years	The total area of the roofs of 3 workshops and 1 three-dimensional warehouse is 41784.69 square meters, excluding the roof of the elevated warehouse, which is 4253.4 square meters. Considering roof equipment foundations, machine rooms, cooling towers, smoke exhaust windows, etc., approximately 2/3 of the photovoltaic area is considered, which is about 24770 square meters. The construction cost is estimated at RMB 400 per square meter, with an investment cost of approximately RMB 9.91 million. Based on a rate of 200 watts per square meter and factors such as the tilt angle of the roof, the arrangement of misalignment, and the provision of maintenance access, conventional photovoltaic panels occupy about 60% of the total roof area. The total installed capacity is about 2.08 megawatts, considering attenuation, with an average annual generation of 3.0542 million kilowatt-hours. Electricity charges are based on RMB 0.8 per kilowatt-hour, resulting in annual savings of RMB 2.4433 million.

[Case] Resource Recycle

In 2023, the Group invested RMB 40 million to upgrade and transform the distillation systems of CSPC Innovation, Weisheng, OUYI, and Zhongrun. The annual recovery of various solvents reached 247,000 tons.
Yinhu Company purchased and put into operation three sets of oxygen generators this year, replacing liquefied petroleum gas and liquid oxygen. This resulted in an annual reduction of 37.9 tons of liquefied petroleum gas and 105 tons of liquid oxygen.

I Pollution Control

Air Pollution Prevention and Control

The air pollutants of the Group mainly include various exhaust gases generated in production process, odor from wastewater treatment process and the dust from dust related operations.

The Group actively controls the air pollutants generated in production process. In addition to collecting exhaust gas with enclosed method, the Group also sets up various advanced exhaust gas absorption devices to ensure that all subsidiaries can meet the requirements of exhaust gas emission standards for industrial enterprises. For example, the exhaust gas from boiler, industrial process and sewage treatment is generally treated by absorption method and catalytic combustion method; VOC is collected and treated by active adsorption method, combustion treatment method, absorption degassing method, condensation collection method, biological treatment method, etc. for unified collection and treatment, so as to reduce VOC emission and odor pollution in the factories. Carbon fiber adsorption, alkali spray and activated carbon adsorption as well as UV photocatalytic technology are adopted in the collection system.

The Group's subsidiaries are also required to apply for pollution discharge permits from the competent government departments and actively accept supervision from the government and third-party organisations. They must install online monitoring systems for major water and air pollutants and establish networked controls to monitor emissions in real-time. Solid waste management focuses on the declaration, monitoring, and treatment of hazardous waste throughout the entire process. The Group attaches great importance to the impact of production processes on the surrounding environment, striving to increase monitoring of air pollutants, wastewater, and industrial solid waste generated by each workshop. This allows for timely detection and feedback on any exceedance of emission standards, continuously reducing the total amount of pollutant emissions to alleviate pressure on end-of-pipe treatment.



Activated Carbon Adsorption



Catalytic Combustion



Spray Adsorption



Dust Collection



Closed Transportation of Materials



Online Monitoring

Water Pollution Prevention and Control

Water is the source of life and the basic resource of all things. Water is the material foundation on which the Earth depends for survival, and water resources are the primary condition for maintaining the sustainable development of the earth's ecological environment. The Group strictly complies with relevant laws and regulations, such as the Water Law of the People's Republic of China, the Administrative Measures for Industrial Water Conservation issued by the State Economic and Trade Commission, and the Opinions on Strengthening Industrial Water Conservation. The Group continuously optimises water resource management, actively practices and promotes water-saving technologies and equipment, improves the reuse rate of water resources, organises employees to carry out water-saving propaganda, education, and training to enhance the watersaving awareness of all employees, and strives to create a water-saving enterprise.

The Group actively implements water-saving management and upgrades and increases its research and investment in water-saving devices to reduce the costs of water-saving technologies and processes and improve the quality of water-saving equipment and products. This comprehensively enhances water resource utilisation efficiency and gradually forms a water-saving production mode. The Group's wastewater treatment mainly adopts biodegradation method, supplemented by physical method, chemical method, and combination of a variety of methods so as to select the best treatment method. Each subsidiary has established wastewater treatment centres and treatment stations which monitor the discharge of wastewater in real time to ensure that the sewage discharge meets the standard.



[Case] The No.1 Manufacturing Center saves 7,300 tons of water annually

The Group invested RMB21.98 million in 2022 to install and use a centralised industrial water system at the No.1 Manufacturing Center, replacing the original 26 production workshops. A total of 31 sets of purified water preparation systems and 15 sets of injection water preparation systems were installed. This solution addressed the issues of large workload, long verification and maintenance time, high maintenance and daily consumption costs, and water resource wastage associated with the original decentralised industrial water supply. It significantly reduced water resource consumption. The purified water system in the workshops adopted primary concentrated water recycling treatment technology, recycling primary RO concentrated water for membrane treatment to reduce raw water usage and minimise concentrated water discharge. This results in an annual water saving of 7300 tons.

According to the overall production and expansion plan of the No.1 Manufacturing Center and the Zhongrun Production Area, the COD production volume in each production area will exceed the designed treatment capacity of Area C environmental

protection station. In order to meet production needs, Area B environmental protection station will be upgraded and renovated.

Due to the significant differences in composition and concentration of waste gases generated by each unit in the wastewater treatment process, the waste gases from the "anaerobic section" and "aerobic section" are separated and treated separately to ensure that the waste gases meet the treatment standards, thereby reducing investment and operational costs. The desorption liquid of activated carbon is collected in a separate phase tank, collecting about 3 tons/month of waste toluene solvent, which is then entrusted to a qualified manufacturer for comprehensive recycling and reuse, reducing the concentration of toluene in high-concentration wastewater and decreasing the COD level of the high-concentration system by approximately 6 tons per month.

Industrial Solid Waste Management

Industrial solid wastes can be broadly categorised as non-hazardous wastes and hazardous wastes. Having always followed the principle of "reduction, recycling and detoxification", the Group firstly takes various measures to minimise the generation and emission of solid wastes at source and secondly recycles the reusable resources and energy as much as possible. Finally, detoxification treatment is carried out to reduce the hazardous pollution of solid wastes. Domestic and non-hazardous solid wastes are collected by the municipal environmental hygiene department.

Source of Solid Wastes	Treatment Measures
Firstly, bottles and cans, waste paper, waste packaging and other wastes generated from daily life and production are transferred to recycling companies for reuse through resource recycling.	We aim to reduce the final emissions to the environment through resource utilisation, and at the same time, strictly controls the process to reduce the generation of solid wastes.
Secondly for fermentation waste and activated sludge generated during production process, the fermentation waste is transformed into the raw material for production of organic fertiliser in collaboration with chemical fertiliser production enterprises and the activated sludge is returned to environmental protection facilities or transferred to professional enterprises for further treatment through dehydration.	

Source and Reduction of solid wastes

The Group has appointed dedicated personnel to manage hazardous wastes and put forward suggestions for further improvement of hazardous waste management from time to time according to the amendments to the National Catalogue of Hazardous Wastes. Each subsidiary regularly reports to the government authority and establishes hazardous waste warehouses to enhance the management and monitoring process of the storage of hazardous wastes. Hazardous wastes are transferred to qualified companies which will carry out centralised detoxification treatment to ensure the disposal of hazardous wastes is in compliance with local regulations.

Clean Production

The Group strictly adheres to the relevant provisions of the Law of the People's Republic of China on the Promotion of Cleaner Production and is committed to further reducing pollutant emissions and strengthening the control of industrial pollution sources. In 2023, the Group continued to actively promote clean production and enhance the prevention and control of industrial pollution, continuously improving production process design, using clean energy and raw materials, and adopting advanced technologies and equipment. The Group deeply understands that only by reducing pollution and improving resource utilisation efficiency from the source can we effectively reduce or avoid the generation and emission of pollutants in the production process, as well as mitigate or eliminate the harm to the local community environment and residents' health.

| Protecting Biodiversity

Biodiversity is the foundation of human survival and development, and the lifeblood and foundation of the Earth's community of life. The mountains, rivers, countless plants, and rare birds and animals all showcase the beauty of rich biodiversity. Adhering to the original intention of "All for Good Medicine, All for Mankind's Health," CSPC has always practiced the concept of "ecological priority, green development," promoting a high degree of integration between biodiversity conservation and business development. In terms of production area construction, the Group adheres to the original environmental characteristics of each park, actively preserves and cultivates native plants, regularly monitors and protects ecological spaces, fully utilises roof spaces for greenery to increase habitat space for wildlife, and has achieved positive results. So far, all CSPC's production and operation activities have not caused harm to biodiversity conservation, and all workplaces are not located within nature reserves or areas with rich biodiversity.



Advocating for the conservation of biodiversity culture

[Case] Promoting Garden Factory Construction

The green coverage rates of CSPC's subsidiaries, Baike, Mingfule, Yinhu, and Taizhou, all exceed 40%, with a total built green area of 74,000 square meters.

With its gentle breeze and the spectacle of the East Sea, Yantai Baike experiences distinct seasons and is lush with greenery. It has become a habitat for various bird species, serving as a breeding ground in spring and summer and a stopover point for migratory birds in autumn and winter.

Guangzhou Mingfule, nestled in the beautiful region of South Guangdong, has a green coverage rate of 56%, creating a pleasant environment where humans and nature coexist harmoniously and preserving the beauty of biodiversity.



Emphasising the Planning for Protection at the Source: Adhering to the concept of "ecological priority, green development", the Group considers site selection as a fundamental criterion during mergers, acquisitions and business expansions, with projects outside of biopharmaceutical industrial parks being rejected. Since 2015, all newly constructed factories of the Group, including Baike, Yinhu, Taizhou, Yinhu, Xingshi, and Jushi, are located within biopharmaceutical industrial parks. At the same time, efforts have been made to relocate factories such as Zhongrun and OUYI from existing areas to designated zones like the Shijiazhuang Economic and Technological Development Zone and commence full-scale production. Currently, all factories under the Group are included in the local government's planned environmental impact assessment access and encouraged projects. Particularly, the factories of CSPC Innovation, a subsidiary of the Group, was recognised as the Demonstration Enterprise for Key Monitoring Points in the Chemical Industry in Shijiazhuang in 2023, injecting new support into the upgrading and transformation of old growth drivers in CSPC Innovation.

Strengthening the Promotion of Scientific Education for All Employees: Every June 5th is "World Environment Day". Our group, along with each department and factory, organises a variety of thematic promotional activities, sharing stories from our surroundings, promoting environmental improvement, and safeguarding the beauty of biodiversity.



| Climate Risk

At the end of 2015, the Paris Agreement was officially adopted, becoming a new legally binding agreement on global greenhouse gas reduction following the Kyoto Protocol. In September 2020, President Xi Jinping delivered an important speech at the General Debate of the 75th Session of the United Nations General Assembly, pointing out that China shall scale up its intended nationally determined contribution, strive to peak carbon dioxide emissions by 2030, and achieve carbon neutrality by 2060.

As a listed company in the field of medicine and health, the Group pays attention to the impact of climate change on human health, actively identifies the risks and opportunities brought by climate change to its operation, and confirms the impact of its operation on climate and environment. In 2021, by reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of Financial Stability Board (FSB), CSPC has developed a climate change management system in four aspects (i.e. governance structure, strategy formulation, risk management and goal and performance preparation), identified the risks and opportunities related to climate change, continuously improved management, and minimised the carbon footprint generated by operation activities.

In 2023, the Group actively identified the possible impact caused by climate change. Concerning the possibility of production suspension, investment losses, and personnel injuries caused by extreme weather in some subsidiaries, the Group has also established an emergency response mechanism for extreme weather, formulated an emergency response plan for extreme weather, purchased emergency supplies, and set up an emergency rescue and response team to ensure the mobilisation of internal and external resources in extreme weather. At the same time, we identified potential safety risks caused by extreme weather, implement hazard control measures to reduce potential safety hazards caused by extreme weather.

Management Measures on Climate Change Issues

The Group's ESG Team is responsible for identifying climate change risks associated with its business each year, assessing the impact of such risks on the Group, and providing suggestions to the Board of Directors regarding those risks.

Governance	Strategy	Risk Management	Target & Performance
Climate change is considered as the material ESG issue of the Group. The Board of Directors can supervise and manage ESG issues, including climate change issues.	Identify the risks of climate change to the Group's operation and plan to integrate the risks and opportunities brought by climate change as part of overall operational risk management;	Carry out management in terms of resource conservation and reduction of greenhouse gas emission.	Regularly quantify and disclose the discharge volume and density of the greenhouse gas emissions, and assess the performance of the Company in coping with climate change.
The relevant functional departments and business department also incorporate the management of climate change into their daily work.	Actively identify the main sources of greenhouse gas emissions of the Group.		

Climate Risk Management System

Identification of Risks and Opportunities Brought by Climate Change

The Group has identified climate-related risks and opportunities relevant to its own operations through conducting policy research, benchmarking with peers and listening to experts' opinions, and then evaluated the impact of various risks and opportunities on its finance.

Category	Description
Identification	Prepare the framework according to the unified climate change information formulated by TCFD and identify the 6 climate-related risks and 5 climate-related opportunities.
Assessment	Assess the climate-related risks and opportunities based on the business and strategy of the Group and the experts' opinions.
Analysis	Construct a matrix of the climate-related risks and opportunities based on assessment results, and identify the substance of risks and opportunities in combination with their occurrence rate and impact.

Analysis of Climate-related Risks and Opportunities

Analysis of the Impact of Climate-related Risks on Finance

Through an analysis of the financial impact of climate-related risks, the Group has identified six climate-related risks and five climate-related opportunities, analysed the potential financial impact, and developed response measures and plans to guide its subsidiaries in formulating targeted plans and control measures, making relevant investments, and reducing or eliminating the risks arising therefrom.

Identification of the Major Risks and Opportunities Brought by Climate Change			Potential Financial Impact	Countermeasures	
Risks	High	Policy and legal risks	The Group may face the risk of being held legally liable or subject to regulatory measures, disciplinary actions, property damage or loss of business reputation due to noncompliance with climate-related policies or laws.	Reduction in operating income	Closely monitoring changes in relevant policies and regulations, and adjusting the Company's related rules and regulations in a timely manner based on industry development trends to meet policy requirements.
	Medium	Technology risk	In the process of low-carbon technology transformation, the development and application of energy-saving and environmental protection technologies such as renewable energy and new energy may have certain impacts on the operation and business of the Group.	Reduction in fixed asset value and increase in R&D investment cost	Reducing the use of high energy-consuming equipment, upgrades for old and outdated equipment to improve efficiency.
		Acute physical risks	Dramatic climate changes such as typhoons and floods will cause extreme weather or natural disasters, which may affect the normal operation of the Group in terms of medicine R&D and production, thus affecting the business.	Reduction of operating income, increase in operating cost and reduction in fixed asset value	Establishing a more refined emergency management plan to cope with extreme weather
		Chronic physical risks	The long-term shift in natural phenomenon such as rising of sea level and continuous high temperature may influence the normal operation of the Group.	Increase in operating cost and reduction in fixed asset value	Establishing a more refined emergency management plan to cope with extreme weather
	Low	Reputation risk	The public pays more attention to green operation. If the Group fails to meet the expectations of stakeholders, it may face reputation risk in its operation.	Reduction in operating income and increase in operating cost	Implementing carbon reduction projects at the source, specific measures include promoting the production of green products, constructing green factories, and obtaining green construction site certifications.
		Market risk	Considering the business characteristics of the pharmaceutical industry, the risk of business transformation caused by the increased demand of customers and consumers for green products and services has little impact on the Group.	Reduction in operating income	Establishing emission reduction targets and action plans for 2024-2030 to accelerate the green transformation projects.
Opportunity	High	Resource efficiency	Promote energy conservation and emission reduction by improving the use efficiency of resources and energy, which is conducive to reducing operating costs.	Reduction in operating cost	Using LED energy-saving lighting fixtures in operational activities to promote the implementation of green office practices.
		Energy source	Use clean energy and low-carbon energy to replace traditional high-carbon energy, which is conducive to significantly reducing the Group's energy expenditure in the future.	Reduction in operating cost	Promoting energy transformation and upgrade; by 2030, the proportion of green electricity procurement and usage reaches 20%; by 2027-2028, the proportion of self-produced green steam reaches 20%; promoting the application of green energy technologies and the use of photovoltaic power generation.
	Medium	Market opportunity	Against the backdrop of climate change, there may be more diseases without solutions. The pharmaceutical industry in which the Group is located will attract increased market attention.	Increase in operating income	Closely monitoring market dynamics of new technologies and models, continuously innovating through research and development, and expediting the launch of pharmaceutical products that meet market demand.
		Products and service	In the background of climate change, there may be more diseases without solutions. In the pharmaceutical industry where the Group is located, the R & D capacity may bring room for the growth of operating income.	Increase in operating income	Keeping pace with market environmental changes, developing more new products to meet market demand, and enhancing the accessibility of pharmaceuticals.
	Low	Adaptability	The Group can improve its climate change adaptability by taking energy efficiency measures and selecting environment-friendly suppliers and partners.	Increase in operating income and reduction in operating cost	Guiding the green transformation of the supply chain and implementing differentiated and precise management of suppliers; For key raw and auxiliary material suppliers, promoting the establishment of carbon peak and carbon neutrality management goals and strategies.

[Case] Digitally Empowering CSPC to Build a Benchmark in Pharmaceutical Smart Manufacturing

CSPC's 100 workshop has introduced informationised automatic control technology, enabling scientific, effective, and strict monitoring and control of pharmaceutical production processes and parameters. With no direct human involvement and the assistance of instruments, automation devices, and control systems, it operates according to standardised workflows and predefined parameters and procedures and automatically performs tasks such as information detection, process control, and fault diagnosis, realising the continuity and automation of drug production. This enhances production efficiency, product yield, reduces the generation of waste, and lowers production costs, making production more energy-efficient and environmentally friendly.



The workshop utilises an energy management system to comprehensively manage energy within the 100 workshop, meeting the requirements for energy conservation and consumption reduction during production processes, as well as the need for refined energy management. It also addresses overall requirements for rational energy allocation, energy utilisation rate, and energy balance analysis. Additionally, by deploying energy consumption collection devices, the workshop achieves real-time data collection and monitoring of energy consumption, as well as analysis and optimisation of energy data scheduling, thereby improving energy utilisation efficiency and reducing comprehensive energy consumption per unit of output. The three-dimensional model displayed on the large screen in the workshop's center specifically illustrates the current operation status of the 100 workshop and provides specific energy consumption values for each section.



The waste gas treatment adopts the "absorption-desorption + adsorption-desorption" process, which not only achieves the emission standards but also recovers ethanol. Utilising the characteristics of low-temperature absorption and high-temperature regeneration, a scientific and comprehensive heat exchange solution is employed to reduce operational energy consumption and achieve low-cost system operation. The desorbed absorption liquid is returned to the absorption tower for further absorption, realizing zero discharge of waste water and reducing waste water emissions by 5000 tons per year.



The workshop's purified water system adopts primary concentrated water recycling technology, wherein primary reverse osmosis (RO) concentrated water is treated and reused through membrane filtration. This reduces the original water usage in the workshop and decreases the discharge of concentrated water. It saves 7300 tons of water annually.





11

**Active Participating
in Public Welfare Activities,
Giving Back to the
Society with Heart**









Active Participating in Public Welfare Activities, Giving Back to the Society with Heart

Adhering to the development philosophy of "All for Good Medicine, All for Mankind's Health," CSPC actively participates in social welfare and promotes rural revitalisation. The Company deeply integrates corporate development goals with sustainable development perspectives, bravely undertakes social responsibilities, and gives back to society with gratitude and accountability. In 2023, the Group donated a total of RMB 97.4 million to external parties and provided assistance to 121,000 people, with cumulative public welfare hours exceeding 60,000 hours.

CSPC Welfare Activities Statistics in 2023							
Number	Project Name	Volunteers	Number of Aided Persons	Volunteer Service Content	Number of Volunteers	Duration of Each Public Welfare Activity (hours)	Total Duration of Public Welfare Activities (hours)
1	Patient Assistance Projects	Project Welfare Officer	59315	Assist patients in understanding project information and submit applications.	1	0.5	29657.5
		Project Pharmacist	59315	Verify patient information and distribute assistance medication to patients.	1	0.25	14828.8
2	CSPC Family	Project Volunteer	81	Assistance and Aid Activities	2	3	486
			17	Assistance and Aid for Distressed Workers	4	3	204
3	Tumor and Serious Illness Special Project		42	Patient Assistance and Aid	4	4	672
			5	Project Public Welfare Activities	4	5	100
4	Medical Assistance for Children in Difficulties		42	Assistance and Aid for Children in Distress	2	3	252
			10	Project Public Welfare Activities	10	5	500
5	Twilight Action		2024	Beneficiary Data Verification	2	3	12144
			7	Project Public Welfare Activities	20	4	560
6	Light Spring Rain		300	Assistance and Aid Activities	1	2	600
			1	Gansu Disaster Relief Activities	5	10	50
Total			121159				60054.3

Active Participating in Public Welfare Activities, Giving Back to the Society with Heart

CSPC's public welfare and charity activities are primarily conducted through Hebei CSPC Puen Charity Foundation (the "Foundation"). With the philanthropic mission of "helping others, being grateful, cultivating talents and benefiting the world", the Foundation has obtained many honors in the public welfare activities.

2019	2020	2020	2020	2021	2021
					
Awarded the "Outstanding Contribution Award for Charity by Zhanhuang County Government"	Received the "Contribution Award for Hope Project in Shijiazhuang"	Recognised as an Outstanding Contributing Unit in the "Action to Help Poverty Alleviation in the Beijing-Tianjin-Hebei Region by Social Organisations"	Awarded as an Outstanding Contributing Unit in Hebei Province's "Social Organisation Support for Poverty Alleviation"	Received the "Youth Contribution Award for Hope Project" in Shijiazhuang	Recognised as an Outstanding Contributing Unit in Hebei Province's "Support for Rural Revitalisation"

Charitable Honors of CSPC

Charitable Donations

Health is an essential requirement for promoting comprehensive human development and is a fundamental condition for economic and social development. To better adhere to China's strategic requirements of "Healthy China" and improve the health level of the people, Hebei CSPC Puen Charity Foundation carries out a series of assistance programs targeting the needy population with serious illnesses. These programs include assistance for distressed patients with tumor and serious illness and charity medication assistance, aiming to contribute to the realisation of the Healthy China goals



[Case] Assistance Program for Distressed Patients with Tumor and Serious Illness

The treatment cycle for tumors is long and expensive. Although the Government's medical insurance reimbursement policies address significant reimbursement issues, the overall cost remains a heavy burden, particularly for impoverished families, who face even greater economic pressures.

The "Assistance Program for Distressed Patients with Tumor and Serious Illness" is a charitable assistance project launched by the Hebei CSPC Puen Charity Foundation targeting patients from distressed families identified by the civil affairs department, including severely impoverished persons, families receiving minimum living allowances, and those on the verge of receiving such allowances. The program aims to help them through the difficult treatment stages and extend their life expectancy. In 2023, the Hebei CSPC Puen Charity Foundation assisted 42 needy patients from disadvantaged families, providing a total financial assistance of RMB 420,000.



[Case] Medical Assistance Project for Children in Distress

Focusing on children with leukemia and their families, the Foundation's "Medical Assistance Program for Children in Distress" brings hope of life to children suffering from leukemia.

Procedures such as hematopoietic stem cell transplantation and leukemia treatment are long and have high costs. For children in distress, high fees for surgery that are not affordable for families in distress often lead to missed opportunities for medical care and instances of treatment abandonment. To ensure timely treatment for children in distress, enabling them to lead healthy lives and alleviating the economic and psychological pressures on their families, the Foundation has launched the Medical Assistance Program for Children in Distress. In 2023, the program assisted a total of 42 children in distress, disbursing a total of RMB1.54 million.



[Case] Charitable Medication Assistance Program

The program has a wide coverage, with a large number of beneficiaries and a significant value of medication donations, providing substantial assistance to tumor patients in reducing treatment expenses and alleviating their burden.

Adhering to the common vision for China's healthcare industry, the Foundation launched a total of 8 tumor patient assistance programs in 2023, aiming to ensure patients to receive standardised treatment while saving on treatment costs for both patients and their families, thus alleviating the societal burden. The Foundation established an online platform to facilitate the submission of application materials by patients. Upon approval by the foundation, patients can visit designated pharmacies to receive assistance medication free of charge. In 2023, the program covered 592 project pharmacies across the country, assisting a total of 59,371 patients. A total of 77,193 boxes of medication were distributed, benefitting 59,315 patients.



CSPC's charitable medicine donation program

Rural Revitalisation

In 2023, CSPC closely followed the pace of the national poverty alleviation and rural revitalisation efforts, fully leveraging the role of social organisations as a supplementary force in the national rural revitalisation. The Foundation provided grassroots with medical support, including medication, totaling RMB370,000 to mountainous areas such as Zhangjiakou and Chengde.



Medication Donation Scene of the Light Spring Rain Project

Educational Support

High-quality development requires high-quality education. Technological innovation cannot be separated from innovative talents, and the cultivation of innovative talents cannot be separated from education. Developing high-quality education plays a very important role in promoting talent cultivation and technological innovation, and then promoting the practice of Chinese-style modernisation. Based on its own business characteristics and advantages, CSPC adheres to the corporate mission of "All for Good Medicine, All for Mankind's Health" to help the development of the pharmaceutical industry in Hebei, cultivate more outstanding talents in the pharmaceutical industry, and contribute to the implementation of Healthy China!

CSPC Foundation focuses on the development of college students, establishing the "Twilight Action – CSPC Student Financial Assistance" public welfare scholarship program. In 2023, a total of 2024 college students were supported, with a total assistance amount of RMB5 million.



Twilight Action – CSPC Student Financial Assistance Event Scene



12

Appendices

List of Laws, Regulations and Policies

List of Laws, Regulations and Policies (1)		
ESG Aspects	National Laws, Regulations and Policies	Systems and Procedures of CSPC
Corporate Governance	Company Law of the People's Republic of China	Articles of Association Rules of Procedures of the Board of Directors
	Securities Law of the People's Republic of China	Measures for the Administration of Information Disclosure by Listed Company
	Code of Corporate Governance for Listed Companies	Measures for the Protection of Secrets
	Companies Ordinance	Measures for the Administration of Meetings of the Board of Directors
	Listing Rules of SEHK	
ESG Management	Environmental Social and Governance Reporting Guide of SEHK	Terms of Reference of CSPC's Environmental, Social and Governance Team
	Sustainable Development Reporting Guidelines	ESG Work Liaison System of CSPC
Business Ethics & Compliance & Risk Management	Interim Provisions on the Prohibition of Commercial Bribery	Whistleblowing Policies
	Notice on the Serious Investigation and Active Prevention of Job-related Crimes in the Field of Food and Drug Supervision	Management System of Employees' Integrity and Self-discipline
	Anti-Corruption Management System Requirements and Usage Guide	Management System for Accountability for Dereliction of Duty
	Regulations on the Administration of Laboratory Animals	Management System for Supervision of Whistleblowing, Reward and Punishment
	Measures for the Administration of Laboratory Animal Licenses	Compliance Management System of CSPC
	Guiding Opinions on the Kind Treatment of Laboratory Animals	Guidelines for Compliance Management of Anti-Monopoly and Anti-Unfair Competition Law of CSPC
	Guidelines for Ethical Review of Laboratory Animal Welfare	Measures for the Administration of Business Conduct of CSPC
	Civil Code of the People's Republic of China	Code of Business Conduct and Ethics for Promotional Service Providers of CSPC
	Regulations of the People's Republic of China on the Management of Human Genetic Resources	Management System for Compliance Audit and Unannounced Inspection of Market Activities of CSPC
	Measures for the Ethical Review of Biomedical Research Involving Humans	Promotional Service Provider Management System of CSPC
Declaration of Helsinki of the World Medical Assembly	Guidelines for Compliance Management of Promotional Service Providers of CSPC	
Product Quantity	Measures for the Administration of Quality of Clinical Trials of Drugs	
	Law of the People's Republic of China on the Administration of Drugs	Management System for Material Acceptance, Storage, and Distribution
	Measures for the Administration of Drug Registration	Quality Risk Management System
	Law of the People's Republic of China on Product Quality	Good Pharmacovigilance Practice
	Law of the People's Republic of China on the Protection of Consumer Rights and Interests	Product Recall Management System
	Good Manufacturing Practice for Drugs Good Pharmacovigilance Practices	

List of Laws, Regulations and Policies (2)		
ESG Aspects	National Laws, Regulations and Policies	Systems and Procedures of CSPC
Customer Safety and Privacy		Information and Network Security Management System
		Provisions on the Maintenance and Management of Customer Master Data Confidentiality Management System Customer Complaint Management System
Supply Chain	Green Manufacturing-Green Supply Chain Management of Manufacturing Enterprises - Specifications for Assessment	Management System for Production and Non-production Suppliers of CSPC Centralised Procurement Centre
		Production and Non-production Material Procurement Management System Procurement Emergency Plan Management System Green Supply Chain Management and Evaluation System Supplier Integrity System Dishonesty Blacklist Management System of CSPC
Employee	Labour Law of the People's Republic of China	Labour Relations Management System
	Labour Contract Law of the People's Republic of China	Attendance and Leave Management System
	Special Provisions on Labour Protection for Female Employees	Employee Resignation Management System
	United Nations Convention on the Rights of the Child	Training Management System
	Law of the People's Republic of China on the Protection of Minors	Internal Trainer Management System
Provisions on Prohibition of Child Labour	Measures for the Administration of Curriculum Implementation	
Occupational Safety and Health	Environmental Management System - Requirements with Guideline for Use	Occupational Health Management System
	Occupational Health and Safety Management System - Requirements with Guidance for the Use	Occupational Health Examination and Monitoring Plan
	Basic Norms for Work Safety Standardisation of Enterprises	Management System for Identification, Assessment and Hierarchical Control of Safety Risks of CSPC
	Law of the People's Republic of China on the Prevention and Control of Occupational Diseases	EHS Change Management System of CSPC
	Measures for the Supervision and Administration of Employers' Occupational Health Surveillance	High-Risk Management System of CSPC
	Technical Specifications for Occupational Health Surveillance (GBZ118-2014)	Incident Review, Evaluation and Verification System of CSPC
	Regulations on the Administration of Occupational Health at Workplaces	EHS Education and Training Management System
	Measures for the Declaration of Projects with Occupational Hazards	Annual EHS Training Plan
Work Safety Law of the People's Republic of China Fire Protection Law of the People's Republic of China	Emergency Management System of CSPC	

List of Laws, Regulations and Policies (3)		
ESG Aspects	National Laws, Regulations and Policies	Systems and Procedures of CSPC
Occupational Safety and Health	Regulations on the Administration of Safety Training for Production and Business Units Regulations on Safety Management of Hazardous Chemicals Management System of Hazardous Chemicals	
Environmental Management	Law of the People's Republic of China on Energy Conservation Law of the People's Republic of China on the Prevention and Control of Air 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 Wastes Law of the People's Republic of China on the Promotion of Cleaner Production National Catalogue of Hazardous Wastes (2021 Edition)	Environmental Protection Responsibility System Control Procedures for Organisational Environmental Analysis and Impact on Stakeholders Control Procedures for Identification and Evaluation of Environmental Factors Management System for Identification, Evaluation and Control of Hazard Sources and Environmental Factors Emergency Response Plan for Environmental Emergencies EHS Incident and Accident Reporting, Investigation and Handling Management System EHS Assessment, Reward and Punishment System

ESG Key Performance & Indicators

Resource Usage Statistics of CSPC					
Uses of Resources	Unit	2020	2021	2022	2023
Power consumption	10,000 KWh	61,112.14	71,360.43	89,333.05	82,094.20
Annual steam consumption	T	489,145	667,921	862,041	708,220
Natural gas consumption	m ³	61,599,259.60	61,344,704.00	67,824,064.40	64,326,587.60
Gasoline consumption	L	/	342,149	300,594	216,382
Diesel consumption	L	/	214,738	192,629	134,581
Primary water consumption	m ³	8,370,682	7,796,483	9,581,774	9,308,364
Recycled water consumption	m ³	1,555,882	12,283	1,825,322	2,341,612
Proportion of total recycled water in water consumption	T	43,039	44,885	46,596	44,398

Note: In 2023, CSPC's official vehicles will be partially adjusted from diesel to electric, which has a good fuel-saving effect

Uses of Resources	Unit	2020	2021	2022	2023
Consumption density of natural gas	m ³ /RMB100 million Revenue	246,970.01	220,133.86	219,232.84	204,536.05
Consumption density of power	KWh/RMB100 million Revenue	245.02	256.08	288.76	261.03
Steam consumption density	T/RMB100 million Revenue	1,961	2,397	2,786	2,252
Consumption density of primary water	m ³ /RMB100 million Revenue	33,560.59	27,977.48	30,971.79	29,597.24
Proportion of recycled water in primary water consumption	%	18.59	0.15	19.05	25.16
Consumption density of packaging materials	T/RMB100 million Revenue	173	161	151	141

Emissions					
Greenhouse Gas Emission	Unit	2020	2021	2022	2023
Direct emission of greenhouse gas (Scope 1)	TCO ₂ e	348,756	580,318	564,429	663,224
Indirect emission of greenhouse gas (Scope 1)	TCO ₂ e	698,828	600,682	572,613	418,037
Total	TCO₂e	1,047,584	1,181,000	1,137,042	1,081,261
Density	TCO₂e/RMB100 million Revenue	4,200	4,238	3,675	3,438
Emission of sulfur dioxide	T	15.46	6.73	14.21	12.04
Emission of nitrogen oxide	m ³	35.88	37.13	65.92	63.17
Emission of industrial wastewater	10,000 m ³	681.48	779	957	876
Oxygen demand for chemicals	T	925	989	1,214	918
Emission of ammonia nitrogen	T	72	74	91	82
Hazardous waste discharge ²	T	17,446.68	13,453.61	14,198.62	13,023.1
Hazardous waste discharge density ²	T/RMB1 million Revenue	0.7	0.48	0.45	0.41
Discharge of non-hazardous waste ²	T	30,837.69	28,143.87	33,847.11	25,745.5
Discharge density of non-hazardous waste	T/RMB1 million Revenue	1.24	1.01	1.07	0.82

Employment						
	Unit	Quantities				
		2022	Percentage	2023	Percentage	
Total number of employees	people	24,837	100.0%	23,480	100.0%	
by gender	male	12,762	51.4%	12,172	51.8%	
	female	12,075	48.6%	11,308	48.2%	
by age group	50 years old and above	761	3.1%	957	4.1%	
	30 to 50 years old	13,834	55.7%	14,910	63.5%	
	Under 30 years old	10,242	41.2%	7,613	32.4%	
by academic qualification	PhD student	262	1.1%	253	1.0%	
	Master's Degree	1,600	6.4%	1,641	7.0%	
	undergraduate	8,816	35.5%	8,679	37.0%	
	Specialist and below	14,159	57.0%	12,907	55.0%	
by rank	Senior Management	225	0.9%	219	0.9%	
	Middle Management	1,911	7.7%	1,871	8.0%	
	Junior Management	2,764	11.1%	2,816	12.0%	
	Junior Staff	19,937	80.3%	18,574	79.1%	
by regions	Mainland China	24,756	99.7%	23,394	99.6%	
	Outside Mainland China	81	0.3%	86	0.4%	

Staff turnover			
Turnover rate	Unit	2022	2023
Turnover rate of employees	%	25.80	17.24
Turnover rate of male employees	%	14.29	9.84
Turnover rate of female employees	%	11.51	7.39
Turnover rate of employees under 30 years old	%	13.77	8.44
Turnover rate of employees aged between 30 and 50 years	%	11.08	8.39
Turnover rate of employees aged over 50 years	%	0.95	0.41
Turnover rate of employees from mainland China	%	25.70	17.16
Turnover rate of employees from regions outside mainland China	%	0.10	0.08

Employee Training			
Employee Training	Unit	2022	2023
Training coverage rate of employees	%	91	96
Training coverage rate of male employees	%	94	98
Training coverage rate of female employees	%	88	96
Training coverage rate of grass-roots employees	%	88	98
Training coverage rate of middle-level management	%	100	100
Training coverage rate of high-level management	%	100	100

Occupational Safety and Health							
Year	The number of deaths	The number of serious injuries	Total working hours (h)	The number of minor injuries per million working hours	Number of lost workdays due to occupational injury	Recordable accident rate per million working hours	Number of people diagnosed with occupational diseases
2019	0	0	37.42 million	0.50	214	0.54	0
2020	0	0	32.35 million	0.33	183	0.36	0
2021	0	0	34.07 million	0.29	156	0.32	0
2022	0	0	35.79 million	0.22	78	0.30	0
2023	0	0	34.58 million	0.23	64.80	0.29	0
Note: Total working hours have been falling in 2022 and 2023 as the Company increased investment in digital and high-end autonomous equipment.							
Year	Detection rate of occupational hazard factors		Average safety training hours per employee (h)		Safety and health investment(Rmb10,000)		
2019	99.90%		33.18		5813.80		
2020	100%		21.63		3389.19		
2021	100%		23.69		3696.38		
2023	100%		25.18		3819.63		
2023	100%		28.64		6764.20		
Note:							
1. Accident classification is based on the Classification Standards for Casualty Accidents of Employees and OSHA Accident Classification. This report includes occupational accidents under the OSHA standards.							
2. The number of minor injuries per million working ours equals the number of working hours of minor injuries multiplied by 1,000,000.							
3. The investment in safety production is calculated by adding safety production expenses based on the Measures for the Withdrawal and Uses of Safety Production Expenses.							
4. In 2023, in view of major and larger risks, the Group has uniformly arranged special equipment renewal and self-control improvement funds to reduce and downgrade 53 major and larger risks.							

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A: Environmental		Description	Chapter & section
Aspect A1: Emissions	General disclosures		10.2
	KPIA1.1	The types of emissions and respective emissions data	12.2
	KPIA1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	12.2
	KPIA1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	12.2
	KPIA1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	12.2
	KPIA1.5	Description of emissions target(s) set and steps taken to achieve them.	10.4
	KPIA1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	10.4
Aspect A2: Use of resources	General disclosures		10.3
	KPIA2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	12.2
	KPIA2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	12.2
	KPIA2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	10.3
	KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	10.4
	KPIA2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	10.3
Aspect A3: The Environmental and Natural Resources	General disclosures		10.2
	KPIA3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	10.1 10.2
Aspect A4: Climate Change	General disclosures		10.6
	KPIA4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them..	10.6

B: Social		Description	Chapter & section
Aspect B1: Employment	General disclosures		9.1
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	9.1
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	9.1
Aspect B2: Health Safety	General disclosures		9.2
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	No such situation
	KPI B2.2	Lost days due to work injury.	12.2
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	9.2
Aspect B3: Development and Training	General disclosures		9.3
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	9.3
	KPI B3.2	The average training hours completed per employee by gender and employee category.	9.3
Aspect B4: Labour Standards	General disclosures		9.1
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	9.1
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No such situation
Aspect B5: Supply Chain Management	General disclosures		7.1
	KPI B5.1	Number of suppliers by geographical region.	7.1
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	7.1
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7.1
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.1

Aspect B5: Supply Chain Management	General disclosures		6
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No recalls in 2023
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	6.6
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	8
	KPI B6.4	Description of quality assurance process and recall procedures.	6.5
Aspect B5: Supply Chain Management	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.6
	General disclosures		4
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No such cases during the reporting period
	KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	4.1
Aspect B5: Supply Chain Management	KPI B7.3	Description of anti-corruption training provided to directors and staff	7
	General disclosures		11
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	11
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	11

Glossary

Full Names	Abbreviations
CSPC OUYI Pharmaceutical Co., Ltd.	OUYI
CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.	Zhongnuo Pharmaceutical
CSPC NBP Pharmaceutical Co., Ltd.	NBP
CSPC Baike (Shandong) Biopharmaceutical Co., Ltd.	Baike
CSPC Weisheng Pharmaceutical (Shijiazhuang) Co., Ltd.	Weisheng
CSPC Yinhu Pharmaceutical Co., Ltd.	Yinhu
CSPC Zhongnuo Pharmaceutical (Inner Mongolia) Co., Ltd.	Zhongnuo Pharmaceutical (Inner Mongolia)
CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd.	Zhongnuo Pharmaceutical (Taizhou)
CSPC Shengxue Glucose Co., Ltd.	Shengxue
CSPC Innovation Pharmaceutical Co., Ltd.	CSPC Innovation
Hebei Union Pharmaceutical Co., Ltd.	Union Pharmaceutical
Hebei Zhongrun Huanbo Co., Ltd.	Zhongrun Huanbo
CSPC Taizhou Guoweikang Healthcare Products Co., Ltd.	Guoweikang Company
Eight Centres	Financial Centre, HR Centre, Planned Dispatching Centre, Marketing and Operation Centre, Legal Affairs Centre, Centralised Procurement Centre, Engineering Centre, Capital Management Centre
Seven Departments	Securities Affairs Department, Strategic Marketing Department, Supervision and Audit Department, Public Relations Department, Party-mass Department, Group Office, Security Department,
R&D Innovation-Three Divisions	Preclinical Division, Clinical Development Division, US Research and Development Division
Four Drug Production and Manufacturing Divisions	No. 1 Manufacturing Centre, New Injectable Division, API Division, Antibiotic Division
9 Preparation Sales Divisions	Innovative Drugs Division, Pharmaceuticals Division, Broad Market Division, Generic Drugs Division, Overseas Formulations Market Division, Retail Division, Emergency Drugs Division, No. 1 and No. 2 Oncology Drugs Divisions