



**2019**

**Environmental, Social and  
Governance Report**

# CONTENT

## 01 ABOUT THIS REPORT

Scope of The Report  
Standard of Reporting  
Information and Feedback

## 02 CHAIRMAN'S STATEMENT

## 03 ABOUT THE GROUP

Introduction of The Group  
Concept and Vision

## 04 ANNUAL EVENTS

## 06 ESG APPROACH

ESG Governance  
Stakeholder Engagement  
Materiality Assessment

## 11 PRODUCT AND SERVICE QUALITY

Quality Management  
Product Marketing and Promotion  
Customer Service Management

## 20 RESEARCH AND INNOVATION

Research, Development and Innovation  
Protection of Intellectual Property Rights

## 25 OPERATIONAL EXCELLENCE

Sustainable Supply Chain Management  
Work and Information Security

## 30 OPERATION WITH INTEGRITY

Building a Culture of Integrity  
Anti-corruption

## 33 BEING PEOPLE-ORIENTED

Talent Attraction  
Employee Management  
Training and Development  
Care for Employees  
Occupational Health and Safety

## 47 CONTRIBUTION TO SOCIETY

Facilitating the Development of the Pharmaceutical Industry  
Giving Back to Society

## 53 GREEN DEVELOPMENT

Making Good Use of Resources  
Emission Treatment  
Green Operations  
Environmental Key Performance Indicators

## 72 APPENDIX

Content Index of ESG Reporting Guide



## ABOUT THIS REPORT

The United Laboratories International Holding Limited (the “Company”) (Stock Code: 03933.HK) issued the Environmental, Social and Governance (“ESG”) Report elaborating various works and performance of the Company and its subsidiaries (collectively “The United Laboratories” or the “Group” or “We”) from 1 January, 2019 to 31 December, 2019 (the “Year”) in the aspect of supporting sustainable development.

### SCOPE OF THE REPORT

The ESG Report mainly elaborates the environmental and social policies of the Group in pharmaceutical research and development, production and sales business, as well as its performance on environmental and social aspects during the Year. The key performance indicators disclosed for the Year are mainly based on the production plants in The United Laboratories (Inner Mongolia) Co., Ltd. (“Inner Mongolia Company”), excluding its fossil-fuel power station in Inner Mongolia. The Group will gradually involve other subsidiaries when disclosing its environmental indicators. For further details of corporate governance, please refer to the Corporate Governance Report on pages 29 to 35 of the Company’s Annual Report.

### STANDARD OF REPORTING

The ESG Report was prepared in accordance with the Appendix 27 of the Environmental, Social and Governance Reporting Guide under the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

### INFORMATION AND FEEDBACK

For further details regarding the Company’s environmental and corporate governance, please refer to the official website of The United Laboratories International Holdings Limited (<http://www.tul.com.cn/>) and the Annual Report. If you have any opinions or suggestions regarding this report, please feel free to contact us through email: [tulir@tul.com.hk](mailto:tulir@tul.com.hk).



## CHAIRMAN'S STATEMENT

Under the Country's cultivation of an ecologically civilized system, facing the reinforcement of the institutional reform in medical and healthcare in recent years and the continuous integration and optimization of pharmaceutical circulation, The United Laboratories insists on advancing with the times. This is achieved by implementing sustainable development strategies, actively participating in charity affairs, and practising corporate mission and responsibility. Together, we strive to build an excellent national pharmaceutical brand.

In line with the corporate objective of "Producing First-class Products and Providing First-class Services", we continue to improve the quality of products and services with the help of a scientific management system, and improve every aspect of production and sales in pursuit of excellence. The Group has established a comprehensive quality management system for pharmaceutical products, from pharmaceutical raw materials and semi-finished products to finished products, so as to ensure product quality. At the same time, we attach great importance to customer evaluation and have established a comprehensive service management system to ensure the patients' safety when administering pharmaceuticals.

We adhere to the business principle of "Friendship, Equality, and Mutual Development", continuously strengthen supply chain management, and are committed to advocating integrity. We understand the importance of talents for corporate development and abide by the principle of "People-oriented". On the basis of protecting employees' safety, health and legal rights, we have created a diversified employee development system to help employees to comprehensively upgrade their professional skills and integrative capabilities to mutually develop with the Group.

While pursuing the development of the enterprise itself, we adhere to the corporate philosophy of "Love China, For China" and actively participate in charity affairs. We have established "The United Laboratories Scholarships" in many colleges and universities across the Country to promote the development of medical education. At the same time, we have participated in the organization of a number of medical academic activities to provide a learning platform for medical workers to communicate with each other. In addition, we also focus on social welfare such as disaster relief, poverty alleviation and elderly care, and we give back to society with real actions to fulfill our corporate social responsibilities.

Adhering to the sustainable development philosophy of "Priority for Environmental Protection", The United Laboratories continuously creates value for society while sustaining the long-term development and operation of the Group. Upholding a high sense of social responsibility, we put the environmental impacts caused by our production and operation into our overall consideration. We have been making an effort to construct an environmentally-friendly circular economic system, so as to create a national green factory.

Through the publication of the ESG report, The United Laboratories hopes to deliver the Group's vision of "Making Life More Valuable" and demonstrate the Group's efforts in fulfilling its corporate social responsibilities. In the future, we will, as always, cooperate with customers to create a win-win situation, create value with shareholders, and seek mutual development with employees to create benefits for society. We sincerely invite you to read this report, share your views with us, and walk hand in hand with The United Laboratories.

**Tsoi Hoi Shan**  
Chairman



# ABOUT THE GROUP

## INTRODUCTION OF THE GROUP

The Group is a comprehensive and modernized pharmaceutical enterprise engaging in the research and development, production and operation of intermediate products, bulk medicines and finished products. The Group currently has six major production sites, namely The United Laboratories (Hong Kong) Co., Ltd., Zhuhai United Laboratories Co., Ltd. ("Zhuhai Company"), Zhuhai United Laboratories (Zhongshan) Co. ("Zhongshan Company"), Guangdong Kaiping Kingly Capsule Co., Ltd., The United Laboratories (Inner Mongolia) Co., Ltd. ("Inner Mongolia Company"), and The United Animal Healthcare (Inner Mongolia) Co., Ltd. ("The United Animal Healthcare"), with a total of approximately 13,000 employees.

## CONCEPT AND VISION

Since its establishment, the Group has been dedicating to the production of high-quality pharmaceuticals. All our factories have passed the certification of China Good Manufacturing Practice ("GMP"), and multiple products have obtained official certifications such as the Certification of Suitability to the Monographs of the European Pharmacopoeia Organization and the US Food and Drug Administration ("FDA"). We adhere to independent innovations and possess strong research and development capabilities. Our products cover multiple fields including antibacterial drugs, diabetes drugs, nervous system drugs, ophthalmology drugs, topical dermatology drugs and other pharmaceuticals. Many scientific and technological achievements of the Group have obtained national patents.

Talents are the primary productive force of an enterprise. The Group emphasizes high-quality workforce construction, continuously improves human resource management, establishes and improves our talent training, selection and cultivation mechanism, and has gradually formed a "Friendly, Responsible, Hardworking and Highly-Efficient" workforce. We always adhere to the philosophy of "Making Life More Valuable" to promote the development of environmental protection and the charity sector with a high sense of social responsibility. As for environmental protection, we have made huge investment in creating a green enterprise. We actively support charities in multiple fields such as education, disaster relief and social welfare. Our efforts have been recognized by all walks of society, which reflected our responsibilities and missions as a modern enterprise.

In the future, the Group will continue to dedicate its efforts to the creation of an outstanding national pharmaceutical brand, promote the development of the national medical and healthcare industry, and create more high-quality and highly effective pharmaceuticals.

## ANNUAL EVENTS

1 The United Laboratories was awarded "Zhuhai Civilized and Harmonious Enterprise" in 2018.

The United Laboratories was honored "Golden Hong Kong Stocks – Most Valuable Pharmaceutical and Medical Stock Company".

2 The United Laboratories was honored "Medical Technology Innovation Advanced Company of Zhuhai for 2018".

3 The United Animal Healthcare passed the "High-Tech Enterprise" certification.

The United Laboratories was further listed as one of the "China Top Ten Member Exporters of APIs".

4 The United Laboratories Clinical Department (Guangzhou branch) was established.

5 "The United Laboratories Medical Education Scholarship" was presented in Fujian Medical University.



6 Inner Mongolia Company's Amoxicillin bulk medicine passed the on-site inspections performed by Germany BVG Hamburg.

The United Laboratories was awarded "Quality Suppliers and Partners in the International Market" issued by China Chamber of Commerce for Import & Export of Medicines & Health Products.

7 The United Laboratories was listed among "2018 China Pharmaceutical Industry Top 100 Companies" and ranked 25th.

Powder injection of "Amoxicillin and Clavulanate Potassium for Injection", a veterinary product developed by The United Animal Healthcare was approved for marketing.





**8** The United Laboratories was awarded “2018 China Pharmaceutical Industry Top 100 Companies” by China National Pharmaceutical Industry Information Center.

**9** Insulin degludec injection of The United Laboratories was approved for clinical trial.  
Zhuhai Company was listed in the fourth batch of national green plant models issued by the Ministry of Industry and Information Technology



**10** Zhuhai Company was awarded “2019 China Pharmaceutical Industry Top 100 Companies with Comprehensive Strength” (ranking the 18th) by China Pharmaceutical Industry Association.

**11** “Consistency of Quality and Efficacy Evaluation research of Amoxicillin Capsule (0.25g) and Cefuroxime Axetil Tablet (0.25g)” was included in the 2019 Zhongshan Health Industry Development Special Project and received financial subsidies.

The Quality Control Center of Zhuhai Company passed the certification of China National Accreditation Service for Conformity Assessment (CNAS) for a second time.

**12** Zhuhai Company was awarded the “2019 Quality Improvement Excellence Project” and received the “2019 Outstanding Quality Manager Award” by the Guangdong Food and Drug Technology Association for Evaluation and Certification.

The project of “Technology Development of New Drugs for Rheumatoid Arthritis Treatment” was selected as the fourth batch of Specially Technology Development Funds of Zhongshan in 2019 and granted financial subsidies.

# ESG APPROACH



 **ESG GOVERNANCE**

The Group actively fulfills its social responsibility, and understands that excellent ESG governance results in better investment value, delivering sustainable returns to the Group and its investors. The Board is responsible for developing and approving ESG governance policies and programmes, while the management practises, leads and supervises its policy according to the ESG approach, which are then implemented by the unit during operational processes.

Through meetings, the Board of Directors reviews and revises the Group's sustainable development policy to ensure that it effectively meets the expectations and needs of stakeholders. In addition, the Group has delegated a third-party professional body to prepare the ESG report and has arranged internal audits to ensure the authenticity of this report and to provide data and direction for improving ESG governance.

**ESG WORKING GROUP**

The Group has put an ESG working group on trial in Inner Mongolia Company, which is responsible for supervising, inspecting and reporting on the occupational health, safety and environmental protection, labor security and quality safety of Inner Mongolia Company. The ESG working group has more than 20 members, including representatives of various departments of Inner Mongolia Company and relevant persons in charge and liaisons of the Group, so as to effectively

cover, supervise and report on various ESG-related areas. The Group plans to establish a sustainable development working group, which aims at covering all production bases and functional departments of the Group to ensure close connection between the working group, the Group and the board of directors to achieve effective ESG governance.

 **STAKEHOLDER ENGAGEMENT**

The Group is aware of the close link between stakeholders and the development of the Group's business. This ESG report has been prepared with the participation of different stakeholders, enabling the Group to better understand its current level of management in the environmental and social aspects. We

attach great importance to our communication with various stakeholders, and we use a variety of channels to understand their views and needs, so as to review and improve our performance at ESG level.

Stakeholders	Requirements and Expectations	Means of Communication and Response
 <p>Government and Regulatory Authorities</p>	<ul style="list-style-type: none"> <li>• Compliance with national policies, laws and regulations</li> <li>• Facilitating local economic development</li> <li>• Promotion of local development</li> <li>• Regular fulfillment of tax obligations</li> <li>• Production safety</li> <li>• Fulfillment of emission standards</li> <li>• Energy saving, emission reduction and ecological protection</li> </ul>	<ul style="list-style-type: none"> <li>• Regular information submission</li> <li>• Regular conversation with regulatory authorities</li> <li>• Dedicated reports</li> <li>• Inspection and supervision</li> <li>• Communication with local environmental departments</li> <li>• Report submission</li> <li>• Investigation and inspection</li> </ul>
 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> <li>• Investment returns</li> <li>• Operation in compliance</li> <li>• Rise in company value</li> <li>• Information transparency and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>• General meeting</li> <li>• Announcements</li> <li>• Email, telephone and Company's website</li> <li>• Dedicated reports</li> <li>• On-site inspections</li> </ul>
 <p>Suppliers and Partners</p>	<ul style="list-style-type: none"> <li>• Operation with integrity</li> <li>• Fairness and openness</li> <li>• Compliance with laws and fulfillment of agreements</li> <li>• Mutual benefits and achievements</li> </ul>	<ul style="list-style-type: none"> <li>• Review and assessment meetings</li> <li>• Business communication</li> <li>• Discussion and exchange of opinions</li> <li>• Negotiation and cooperation</li> </ul>
 <p>Customers</p>	<ul style="list-style-type: none"> <li>• Quality products and services</li> <li>• Health and safety</li> <li>• Compliance with laws and fulfillment of agreements</li> <li>• Operation with integrity</li> </ul>	<ul style="list-style-type: none"> <li>• Customer service centre and hotline</li> <li>• Customer opinion survey</li> <li>• Customer meetings</li> <li>• Social media platforms</li> <li>• Return visits</li> </ul>
 <p>Industry Associations</p>	<ul style="list-style-type: none"> <li>• Formulation of industrial standards</li> <li>• Facilitating industrial development</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in industrial forums</li> <li>• Mutual visits and inspections</li> </ul>
 <p>Employees</p>	<ul style="list-style-type: none"> <li>• Protection of rights</li> <li>• Occupational health</li> <li>• Remunerations and benefits</li> <li>• Career development</li> <li>• Caring for employees</li> </ul>	<ul style="list-style-type: none"> <li>• Online questionnaires</li> <li>• Employee meetings</li> <li>• Company's internal publications and intranet</li> <li>• Mailbox for employees</li> <li>• Training and workshops</li> <li>• Activities for employees</li> </ul>
 <p>Community and Public</p>	<ul style="list-style-type: none"> <li>• Improvement on community conditions</li> <li>• Participation in charity affairs</li> <li>• Information transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with local residents</li> <li>• Company's website</li> <li>• Announcements</li> <li>• Media interviews</li> <li>• Social media platforms</li> </ul>



## MATERIALITY ASSESSMENT

During the Year, the Group conducted a materiality assessment to identify the important ESG issues. The materiality assessment helps the Group to ensure that the business objectives and direction of development can meet stakeholders' expectations and needs.

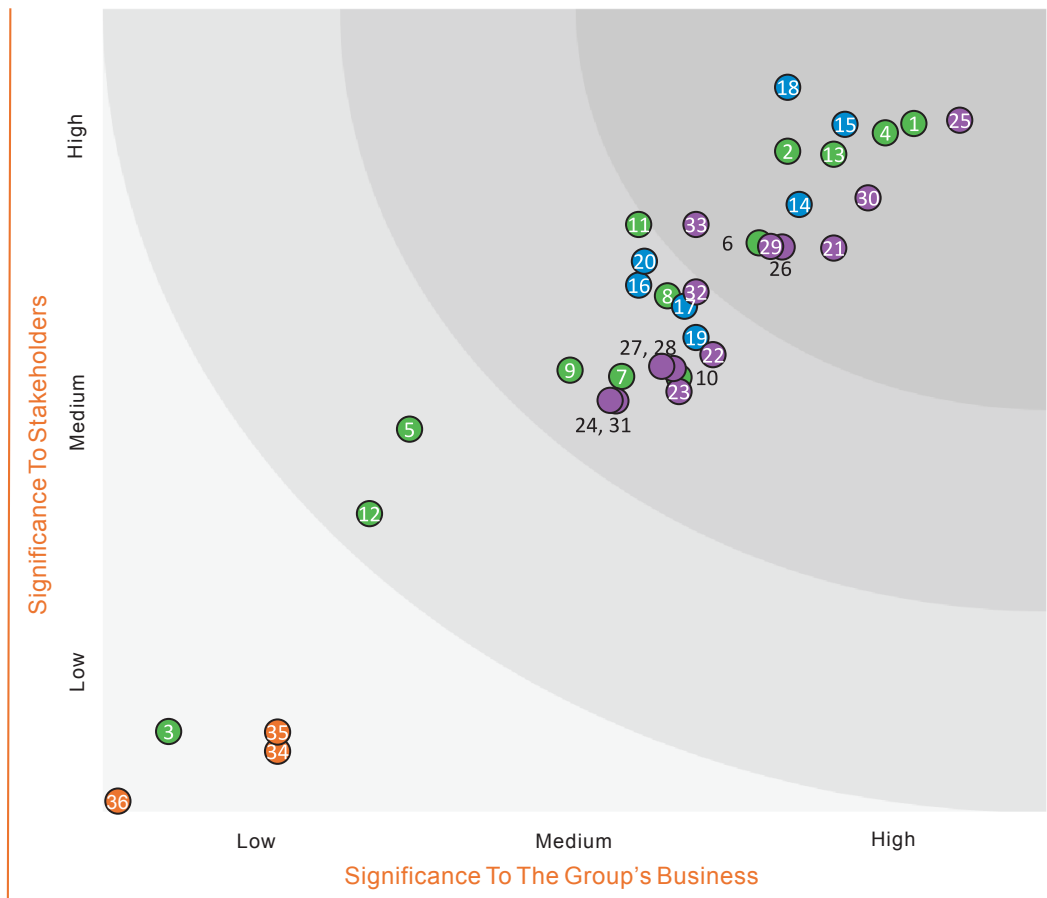
The materiality assessment is carried out in three main phases:

- i. Establish a number of ESG-related issues that carry potential impacts on the business or stakeholders based on the industry and

business nature of the Group

- ii. Conduct a survey by inviting the internal and external stakeholders of the Group to complete a questionnaire, so as to gather the information showing the level of importance that each stakeholder attaches to ESG-related issues and understand their expectations for the Group's response and disclosure of ESG issues

- iii. Analyze the results of 1884 valid questionnaires and draw the following importance matrix to establish the priority of ESG-related issues.



Environment	Labour Practices	Operation Practices	Community Investment
1. Environmental Compliance	14. Employment Compliance	21. Operational Compliance	34. Charity
2. Exhaust Gas Management	15. Employees' Remuneration and Benefits	22. Managing Environmental Risks of Supply Chain	35. Promotion of Community Development
3. Fleet Emissions Management	16. Employees' Working Hours and Rest Period	23. Managing Social Risks of Supply Chain	36. Poverty Alleviation
4. Wastewater Management	17. Diversity and Equal Opportunity	24. Procurement Practices	
5. Greenhouse Gas Emission	18. Occupational Health and Safety	25. Quality Management	
6. Waste Management	19. Training and Education	26. Customer Health and Safety	
7. Energy Consumption	20. Prevention of Child Labour and Forced Labour	27. Responsible Sales and Marketing	
8. Use of Water Resources		28. Customer Service Management	
9. Green Energy Project		29. Protection of Intellectual Property	
10. Use of Raw Materials and Packaging Materials		30. Research and Development	
11. Ecological Protection		31. Information Security	
12. Responding to Climate Change		32. Customer Privacy Protection	
13. Prevention and Handling of Environmental Incidents		33. Anti-corruption	

Through the above materiality assessment process, the Group finally identified 14 important ESG issues. The following table

lists the major ESG issues determined based on the assessment conducted by the Group and their corresponding sections in the report.

Perspectives	Material Issues	Corresponding
 Environment	1. Environmental compliance 2. Exhaust gas management 4. Wastewater management 6. Waste management 13. Prevention and Handling of Environmental Incidents	Green Development – Emission Treatment; Green Operations Green Development – Emission Treatment Green Development – Emission Treatment Green Development – Emission Treatment Green Development –Green Operations
 Labour Practices	14. Employment Compliance 15. Remuneration and Benefits 18. Occupational Health and Safety	Being People-Oriented – Talent Attraction; Employee Management Being People-Oriented – Talent Attraction; Care for Employees Being People-Oriented – Operational Health and Safety
 Operational Practices	21. Operational Compliance 25. Quality Management 26. Customer Health and Safety 29. Protection of Intellectual Property 30. Research and Development 33. Anti-corruption	Product and Service Quality – Quality Management; Product Marketing and Promotion Operational Excellence – Sustainable Supply Chain Management Product and Service Quality – Quality Management Product and Service Quality – Quality Management; Customer Service Management Research and Innovation – Protection of Intellectual Property Rights Research and Innovation – Research, Development and Innovation Operation with Integrity – Building a Culture of Integrity; Anti-corruption

# PRODUCT AND SERVICE QUALITY



# ANNUAL HIGHLIGHTS



The United Laboratories was awarded "2019 China Pharmaceutical Industry Top 100 Companies with Comprehensive Strength".

The United Laboratories was awarded "Quality Suppliers and Partners in the World Market (TOP 60)".

The United Laboratories was awarded the "2019 China Pharmaceutical Industry Biochemical Products Outstanding Brand" and the "2019 China Pharmaceutical Industry Anti-Infective Products Outstanding Brand".

Zhuhai Company was awarded the "2019 Quality Improvement Excellence Project" by Guangdong Food & Drug Technology Association for Evaluation and Certification.

Zhuhai Company was awarded the "Advanced Improvement Award" and "Outstanding Group Committee" by GuangDong Pharmaceutical Association.

The United Laboratories participated in the Convention of Pharmaceutical Ingredients (CPHI) in Frankfurt, Germany.

The Quality Inspection Centre of Zhuhai Company passed CNAS's on-site assessment.

Inner Mongolia Company passed the European Good Manufacturing Practices (GMP) reinspection.

## QUALITY MANAGEMENT

As a professional pharmaceutical manufacturer, the Group understands the importance of pharmaceutical quality and its impacts on public health. The Group has always considered quality assurance to be one of the top priorities in its business. In order to achieve the highest level of quality assurance, the Group strictly complies with the relevant laws and regulations on pharmaceutical management. We have established a comprehensive quality management system while abiding by the law, which helps realize effective quality control

procedures through composition test, sample test, label and packaging inspection, transportation and storage management as well as strict control and testing over every process from raw and auxiliary materials, unfinished products to finished products. Through our vertically integrated production and operation model, every production process and quality control procedure, starting from the entry of raw materials to the export of finished products, is traceable so as to ensure all the products meet relevant standards.

Category	Relevant Laws, Regulations and Guidelines
Pharmaceutical Quality	<p><i>The Pharmaceutical Administration Law of the People's Republic of China</i>  <i>Regulations for the Implementation of the Drug Administration Law of the People's Republic of China</i>  <i>Good Laboratory Practice for Non-Clinical Laboratory Studies</i>  <i>Good Manufacturing Practice for Pharmaceutical Products</i>  <i>Measures for the Supervision over and Administration of Pharmaceutical Production</i>  <i>ICH Guidelines</i>  <i>Guidelines of Quality System Approach to Pharmaceutical cGMP Regulations</i> by the FDA  <i>Guidelines of Good Manufacturing Practices for Drug</i> by the European Union</p>
Pharmaceutical Description and Labelling	<p><i>Provisions on the Administration of Pharmaceutical Directions and Labels</i></p>

## QUALITY MANAGEMENT SYSTEM

Each of the Group's production sites has established a comprehensive quality management system, which is led by a quality officer. Under the lead of the quality officer, the Quality Management Department coordinates the work of quality assurance, quality inspection, pharmacovigilance, GMP information regulations, drug registration, etc.



Quality Authorized Person





The Group's quality management system was implemented in accordance with *the national Quality Management System Requirements*. The management system includes a series of comprehensive procedures, such as the warehousing, storage and distribution procedures of raw and auxiliary materials and finished products, so as to implement strict quality control of all types of raw and auxiliary materials and finished products. During the acceptance of raw and auxiliary materials, the acceptance personnel must confirm that the supplier is a qualified supplier, and shall check the completeness of the packages, batch number, specifications, storage condition and production date of the batch of raw and auxiliary materials item by item. To ensure the

In addition, we have set up procedures for the transfer of products. The procedures stipulated that only raw materials, semi-finished and finished products that have passed quality tests could be passed to the next procedure to avoid the use of any raw materials, semi-finished and finished products that are non-conforming to standards and specifications for production or sale. For non-conforming raw materials and finished products, we will identify, investigate, return or

health and safety of raw materials, we would sign quality assurance agreements with suppliers and require them to provide relevant safety evaluation reports. Storage of materials is also an important step in the production process. To ensure proper storage of materials, the Group has also formulated relevant regulations on warehouse storage, temperature and humidity control, etc., so as to arrange a suitable storage environment according to the features of materials. As for transportation, we have signed quality assurance agreements with the commissioned logistic company to guarantee the quality and compliance of products upon delivery to market.

collectively destroy them based on the relevant management procedures for non-conforming products. In order to further improve quality management, the Group would conduct annual review of product quality every year, and carry out evaluation and propose improvement methods for all the quality indicators, deviations in production process and changes of production equipments. This helps to continually refine the Group's quality management system.



## QUALITY CERTIFICATION AND AWARDS

The obtainment of a credible quality certification can ensure the pharmaceuticals contribute to customers' health and increase customer's confidence in the products. The Group is a leading comprehensive pharmaceutical enterprise in China that has obtained the integrative GMP certification. We always strictly comply with the relevant requirements to continuously meet the related standards in the certification. Besides, the Group's multiple products of bulk medicines have obtained certifications from official authoritative institutions, such as China Quality Certification Centre, CNAS, Certificate of Suitability to the Monographs of the European Pharmacopoeia, FDA, Germany BVG Hamburg and Mexico COFEPRIS. We

attach great importance to quality-certification-related work and have conducted preparations of various quality certification review and passed a number of relevant inspections in the Year. For example, Zhuhai Company held a mobilisation and work arrangement meeting for the FDA reinspection to ensure successful completion of the reinspection, Amoxicillin bulk medicine of Inner Mongolia Company passed the GMP on-site inspection performed by German BVG Hamburg, the newly constructed production plant of Zhongshan Company obtained GMP certificate, and the laboratory of the Quality Centre of Zhuhai Company passed the on-site inspection performed by CNAS, etc.

"Be a Quality Enterprise, Prosperous and Strong" is the Group's production philosophy. We guarantee the quality of our medicines contributes to the development of Chinese pharmaceuticals, and have won widespread praise in the industry and society. During the Year, the Insulin Glargine Injection and the Recombinant Human Insulin Injection of The United Laboratories were awarded the "2019 China Pharmaceutical Industry Biochemical Products Outstanding Brand", and the Piperacillin Sodium and Tazobactam Sodium for Injection and the Amoxicillin Capsules were awarded the "2019 China Pharmaceutical Industry Anti-Infective Products Outstanding Brand", proving the high quality of pharmaceuticals developed by the Group again.

Leveraging its outstanding performance, contributions and reputation in the pharmaceutical industry, The United Laboratories was awarded the "Quality Suppliers and Partners in the International Market (Top 60)", "Special Contribution Award for the 30th Anniversary of China Chamber of Commerce for Import & Export of Medicines & Health Products". In addition, the Group has been continuously commended as an excellent chemical and pharmaceutical enterprise, and received various awards such as ranking 18th in "2019 China Pharmaceutical Industry Top 100 Companies with Comprehensive Strength", and being honoured with the "2019 Leading Export Brand of APIs of China's Pharmaceutical Industry".

## QUALITY MANAGEMENT TRAINING

Professional quality management personnel are an important part of the Group's quality assurance of pharmaceuticals. The Group regularly organizes various types of quality management training to familiarize quality management personnel with the operation and foci of different procedures, enhance their professionalism in quality control, and strengthen the integrity of quality management. The scope that the training

covers is comprehensive, which includes production, quality, product inspection and release. The trainings are mainly conducted in a teaching format, with oral or written test as the assessment method, so as to ensure that the quality management personnel are equipped with the required knowledge, and safeguard the standard of the Group's quality management.



## ACTIVITY LOG

On March 22, 2019, Mr. Defu Liu, the Quality Director of The United Laboratories, presided over the special training on “Pharmaceutical Regulations are the Root and Top of the Sustained Health of Pharmaceutical Manufacturers”. Nearly 300 people from various departments such as quality management system, production plants, engineering and equipment department participated in the training.

Director Liu gave detailed explanation on the relationship between pharmaceutical laws and pharmaceutical production.

His explanation covered five aspects, including changes on processes, consistency evaluation, associated review and the system of the holders of drug marketing licenses, with particular emphasis on process changes. He analyzed the possibility of modification, current regulations, supplementary applications, pending approval, equivalence research, etc. item by item, and imparted relevant experience of the National Medical Products Administration's diversified policies, rational use of resources, and consistency of document content and requirements to employees under training.

## PRODUCT LABELLING AND DESCRIPTION

The Group has formulated and implemented relevant management systems for label packaging materials in accordance with laws and regulations. All package inserts and labels comply with the requirements in the *Provisions on the Administration of Pharmaceutical Directions and Labels* and are subject to examination, filing and approval by the National Medical Products Administration.

The Group has formulated internal policies, stipulating that pharmaceutical labels and package inserts must meet relevant requirements. Pharmaceutical labels must itemize the drug name, ingredients, use of drug, directions and dosage, production date and other relevant information to let users understand the usage and risks of the pharmaceuticals. Apart from pharmaceutical labels, the Group also formulates requirements for packaging labels on transportation, storage use and active pharmaceutical ingredients. For example, such packaging labels must indicate the pharmaceutical name, number of packages, expiration date, storage and transportation precautions and other necessary information to avoid incidents affecting drug quality due to

improper transportation and storage. Besides, package inserts must contain details of the pharmaceutical's directions, data and information showing its safety, effectiveness and adverse drug reactions, so as to guide users to take the pharmaceuticals correctly and reasonably. The Group will constantly monitor the use of the pharmaceuticals, and will submit applications to the National Medical Products Administration to amend package inserts when necessary, so as to provide users with the best pharmaceutical information and description.

At the same time, the Group has also set up management procedures for plate making, printing, and acceptance of product labels, manuals, and printed packaging materials. The Quality Management Department will carry out acceptance and inspection work at every step, from the drafting, sample printing to printing of product labels, manuals and packaging materials. This ensures that all the materials will be put into the factories for use without errors, and minimizes the possibility of product quality problems caused by printing errors.

## PRODUCT MARKETING AND PROMOTION

Pharmaceutical sale is a key sector of the Group's business, while requirements for pharmaceutical promotion information are much higher and more stringent than those of general commodities. In light of this, the Group regulates the distribution and promotion of pharmaceuticals in strict accordance with relevant laws and regulations such as the *Advertising Law of the People's Republic of China*, the *Standards for the Examination and Publication of Drug Advertisements* and the *Measures for the Examination of Drug Advertisements*.

The Group has formulated relevant systems that clearly enumerate the Group's advertising requirements, application procedures of advertisement and propaganda data feed, precautions for use, etc. All pharmaceutical promotion information released by the Group is based on scientific evidence, complies with the principles of accuracy, objectivity and completeness, and contains corresponding package inserts to clarify the correct medication methods. All these comply with legal requirements. In order to ensure that the Group's advertisements comply with relevant laws and regulations, the samples of the advertising materials must be submitted to the Group's Audit and Legal Affairs Department for review before being released.

The Group has established a finished products sales distributor management system, which is implemented by the Credit Risk Management Department to reduce the risk of bringing a negative reputation to the

Group during the process. When selecting new distributors, the Group will evaluate the company's qualifications, storage conditions, business scope permits and other criteria, and sign sales contracts with qualified distributors. The storage conditions of distributors must strictly comply with the pharmaceuticals' storage conditions and requirements stated in the manuals for storage and use. At the same time, when quality problems emerge, they must cooperate with the Group to report and investigate the problem, collect evidence, and carry out follow-up work to guarantee the quality of products. The Group will establish archives with the cooperating distributors to completely record information, such as corporate qualification documents, signed contracts and inventory turnover. The collected data will be used for analyzing, evaluating and rating distributors to effectively manage product sales.

When conducting product sales activities, we require all staff at all departments to abide by relevant laws and regulations and ethics of the industry. All sales personnel must sign the Letter of Commitment for working according to laws and be committed to complying with national regulations as well as the regulations and rules of the Group in order to eradicate any violation of regulations regarding sales and promotion. The Group's sales team spread all over the Country, and the management of sales personnel, including recruitment, performance appraisal, training and occupational safety are collectively handled and supervised by the Group's Head Office. This ensures that the related management personnel and frontier promotion personnel have received necessary training, and all the sales personnel have reached the same professional level so as to provide customers with the best service.



## CUSTOMER SERVICE MANAGEMENT

Users' opinions are the source of the Group's continuous improvement and advancement. Therefore, we attach great importance to users' feedback and suggestions, take users' complaints seriously, and follow the established procedures to respond and

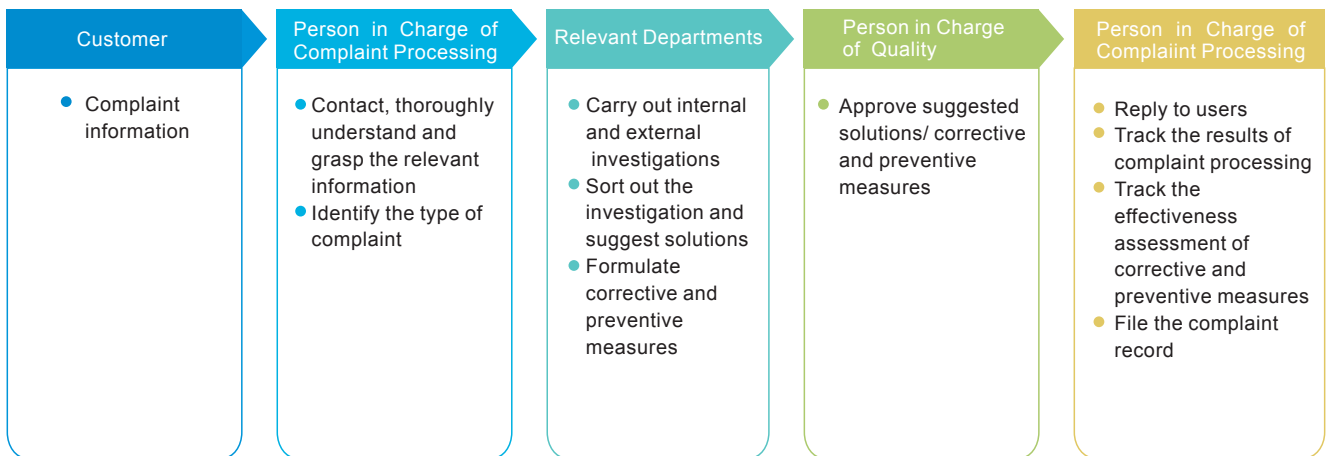
improve. If we encounter adverse drug reactions and other incidents, the Group must deal with it in strict accordance with relevant regulations and systems to protect the health and safety of users.

### USER FEEDBACK

We have established a comprehensive user complaint system based on the related handling procedures to enable various departments to coordinate the acceptance, communication, evaluation and response of the complaints. After receiving complaints from users, the person in charge of complaint processing will first contact, understand and grasp the complaint information to identify the type of complaint. Relevant departments then carry out internal and external investigations, sort out the investigation to decide the

subsequent investigation directions, such as inspecting the production record, quality situation of raw and auxiliary materials, and environmental factors of manufacturing process, and hence formulate corrective and preventive measures to be approved by the person in charge of quality. Upon completion of complaint processing, the person in charge of complaint processing must reply to the customer, track the results of the complaint processing, and file the complaint record.

### USER COMPLAINT PROCESSING PROCEDURES



## PRODUCT RECALL REQUIREMENTS

The Group strictly complies with *the Administrative Measures for Drug Recalls* issued and implemented by the National Medical Products Administration, and has established a drug recall system in accordance with laws and regulations to understand the safety of drugs, investigate or

evaluate pharmaceuticals that may cause potential safety risks, and recall pharmaceuticals with relevant problems. The Group implements strict safety supervision on the manufactured pharmaceuticals to ensure the safety of medicines used by the public.

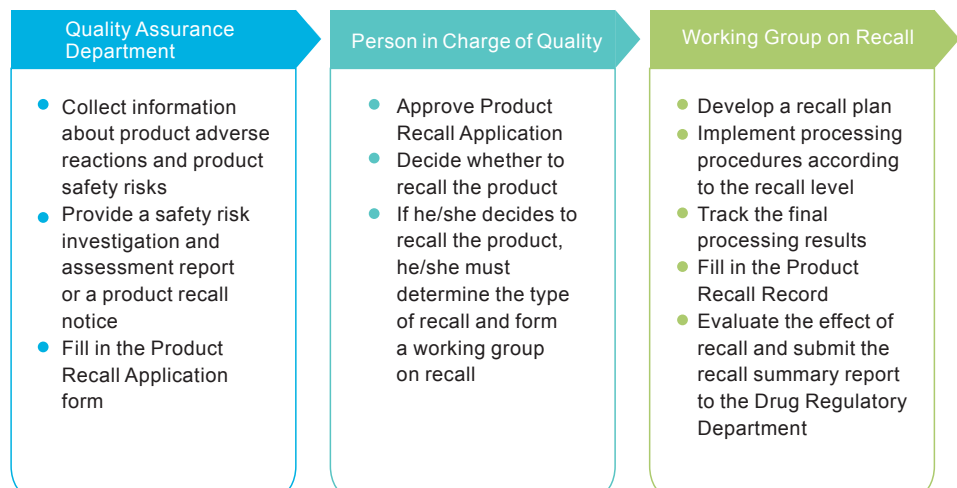
## REPORTING OF ADVERSE DRUG REACTIONS

According to the *Measures for the Reporting and Monitoring of Adverse Drug Reactions* issued by the Ministry of Health of the People's Republic of China, the Group has set up relevant reports and monitoring management systems to deal with adverse reactions caused by different drugs to individuals. The Quality Management Department are responsible for handling adverse drug reaction events. The concerned processing personnel have relevant expertise in medicine and statistics. They can scientifically analyze the adverse drug reactions, and undertake the Group's reporting and monitoring of adverse drug reactions. As for adverse drug reaction events, the Group will record, analyze and handle them in detail, and report to the

national drug adverse reaction supervision information agency or the drug supervision and management department and the department of public health administration within the prescribed time according to the impact of the event. If serious adverse drug reactions or group adverse events emerge, the Group will carry out drug recall, publish and submit a drug recall summary report to the public to protect the safety and health of the general public.

During the Year, the Group was not involved in any adverse reaction events due to drug quality defects. Therefore, the Group has not conducted any drug recall in the Year and did not need to submit adverse drug reaction reports or drug recall summary reports.

## PRODUCT RECALL PROCEDURES



# RESEARCH AND INNOVATION





## RESEARCH, DEVELOPMENT AND INNOVATION

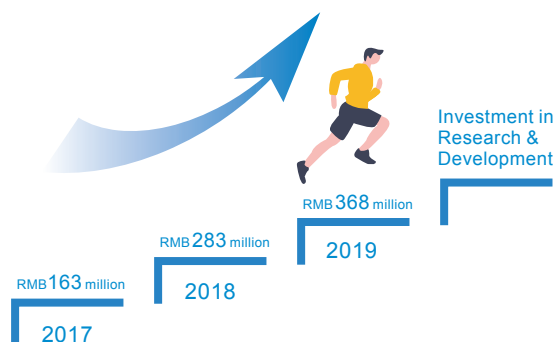
The Group adheres to research, development and innovation and continues to invest a lot of resources in it. The direction of research and development includes new drugs, high-value generic drugs, drug preparation and optimization of production processes. Key research and development areas involve endocrine medications, autoimmune disease medications, ophthalmic medications, veterinary medicines, etc. During the Year, the Group's research and development

achievements in diabetes medicines were approved by the National Medical Products Administration and approved for clinical trials. At the same time, The United Animal Healthcare's achievements in the research and development of veterinary medicines have been recognized by the Ministry of Agriculture and Rural Affairs, and the independently developed new veterinary medicines have been approved for listing.

The Group has established the Chemical Research Institute, the Biological Research Institute and the Clinical Department to cooperate in research and development. The research institute is equipped with research talents and advanced equipment. Taking the Biological Research Institute as an example, there are nearly 150 research and development personnel, and the proportion of personnel with master's degree or above exceeds 30%. At the same time, it is equipped with more than 100 large-scale research and development equipment with leading technologies in the Country and abroad. The investment in assets exceeds RMB160 million, which is conducive to the research and development of the Group. The Clinical Department is responsible for the design, organization, implementation, quality

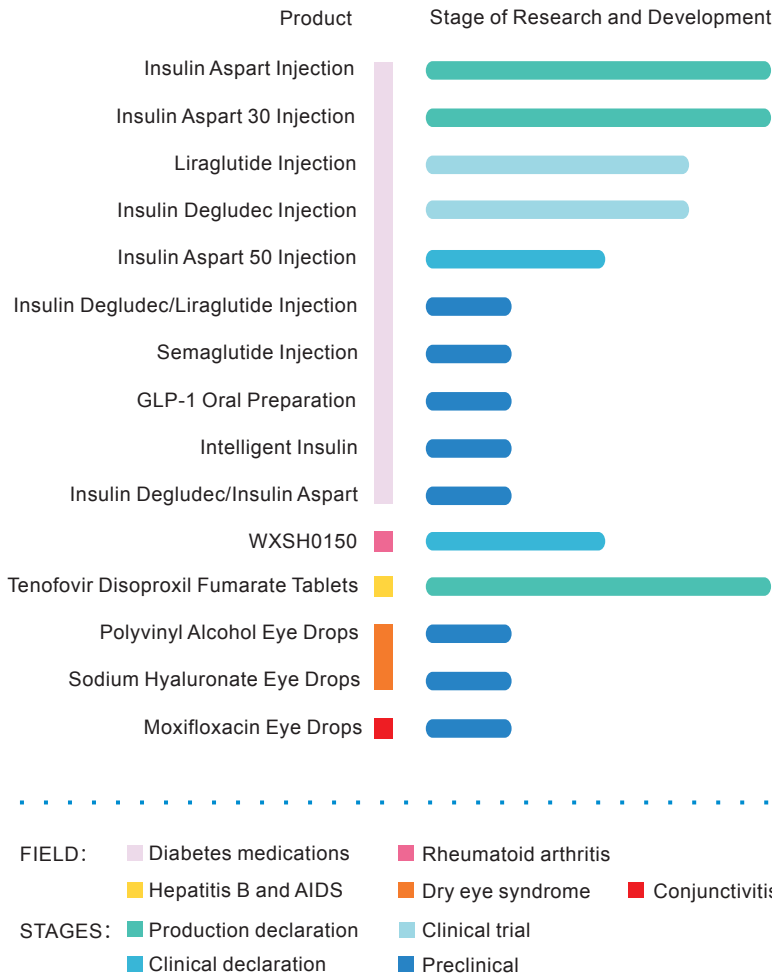
management and compliance and related work of all clinical trial projects. It also closely cooperates with more than 100 domestic institutions with national drug clinical trial qualifications and authoritative treatment in related fields. Under the guidance of well-known experts in the Country and abroad, we have organized and completed more than 70 clinical trials of pharmaceuticals. At the same time, the Group's Department of Research and Development also cooperates with universities to carry out research and development work to achieve better research and development results. Pharmaceutical production processes and production technology are also a part of our research and development directions, and we commit to using better technology to provide customers with the finest pharmaceuticals.

## RESEARCH AND DEVELOPMENT INVESTMENT AND ACHIEVEMENTS



The Group adheres to innovative research and development, continues to invest a lot of resources, and gradually increases investment in research and development. Investment in research and development during the Year was RMB368 million, which accounting for 10.5% of the sales revenue of finished products.

## Major R&D Pipeline



As of December 31, 2019, the Group had a total of 29 generic drugs and new drug projects under research, including 14 chemical drugs and 15 biologics, 4 of which were pending approval for production and 2 were in clinical stage, 2 were pending clinical approval, and 21 were in the preclinical research stage. In addition, the Group actively responded to the *Consistency of Quality and Efficacy Evaluation for Generic Drugs* and

carried out 17 consistency evaluation projects in progress. The Group currently has a variety of key research and development products. The product treatment areas and the corresponding stages of research and development are as above (Major R&D Pipeline). It is expected that these products will lay a good foundation for the Group's sustainable development in its future operations.

## DIABETES DRUG RESEARCH AND DEVELOPMENT ACHIEVEMENTS

Insulin Degludec Injection is a long-acting insulin analogue with a similar acting mechanism to insulin, producing the same pharmacodynamic effects as human insulin, and is incorporated in the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance, and Maternity Insurance (2019 Edition). At present, this product has not been listed on any domestic enterprises. During the development process of Insulin Degludec, the Group insisted that the product quality has to be consistent with

the original ground medicine, constantly optimized and improved it, and finally established its preparation process and injection prescription process, which was approved by the National Medical Products Administration for clinical trials in the Year. The research and development and exploration of the Group's Degludec Insulin Injection will effectively fill the vacancy of the domestic new generation of basic insulin products.

## VETERINARY MEDICINE RESEARCH AND DEVELOPMENT ACHIEVEMENTS

During the Year, the new veterinary pharmaceutical "Amoxicillin Sodium Clavulanate Potassium for Injection" lyophilized powder independently developed by The United Animal Healthcare passed the registration approval of the new veterinary pharmaceutical of the Ministry of Agriculture and Rural Affairs of China, obtained the certificate in new veterinary drug, and was approved for listing. The drug can be widely used to treat infections caused by Gram-negative and positive bacteria, can solve the drug resistance and residual problems of related drugs in the market, bring technical innovation, and better achieve the effect of rapid treatment of livestock under African swine fever conditions.

With a professional research and development team, strong technical skills, abundant resource investment, continuous innovation capabilities and scientific enterprise management, The United Animal Healthcare has continued to develop and innovate on the application of veterinary pharmaceuticals, and has reached a high level in transforming science and technological achievements. The United Animal Healthcare was awarded the "High-tech Enterprise Certificate" in the Year. Currently, in the aspect of veterinary medicines research and development, it has obtained two second-class new veterinary drug certificates, three patents, and multiple new national veterinary drug approvals and clinical trials in veterinary pharmaceutical research and development.



## PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group has made continual breakthroughs in the research and development of pharmaceuticals and innovative production technologies, hence the protection of our commodities' patents and intellectual property rights become an indispensable part. In order to promote the Group's management of intellectual property rights and to fully develop the benefits of patented commodities and assets, we have formulated *the United*

*Laboratories Methods of Intellectual Property Management* in accordance with relevant laws and regulations to regulate the patent application and maintenance work. For new technologies, new processes, new formulas, utility models and product packaging designs, the Group will carry out comprehensive patent rights application and maintenance to create favorable conditions for the group's research, development and innovation.

Realm	Relevant Laws and Regulations
Intellectual Property Management	<p><i>Patent Law of the People's Republic of China</i>  <i>Trademark Law of the People's Republic of China</i>  <i>Copyright Law of the People's Republic of China</i>  <i>Anti-Unfair Competition Law of the People's Republic of China</i></p>

The Group has established the intellectual property affairs department, specializing in the management of intellectual property, application and management of patents and intellectual property logos, supervision of related units in stopping, reporting and obtaining evidence for the various infringement behaviors found, as well as the coordination with the government in cracking down infringement behaviors. While protecting the Group's own intellectual property rights, we never infringe the copyrights of the commodities of other individuals or enterprises. The establishment of the intellectual property affairs department has strengthened the motivation for innovation of the Group's technology, process, formulation

and other patented technologies.

In terms of trademark management, the legal affairs and auditing department of the Group will be responsible for related registration, renewal management, authorization and protection of rights. The use of trademarks must be reviewed by the general manager or chairman of the audit and legal affairs department to effectively manage and control the use of the Group's trademarks. When printing materials with trademarks, such as product packaging, the Group will only cooperate with reputed printing houses and destroy all defective and obsolete trademarks to prevent their loss and use by unscrupulous manufacturers.

## PATENT PROTECTION AND ACHIEVEMENTS

The Group owns a chemical research institute, a biological research institute and a clinical department. The production processes and technologies developed by the Group are all independently developed. We will apply for patents for all self-developed projects. Before proceeding with a new patent application, relevant departments will search and check for new information to fully understand the intellectual property status of the technology or product. The intellectual property affairs department will also carry out corresponding

patent and trademark search work when registering for intellectual property rights, to enhance the efficiency of patent and trademark registration, and ensure its compliance with laws and regulations and effectiveness.

The Group had obtained a total of 57 patents, including 34 invention patents, 3 utility model patents, and 20 design patents. All patents help to protect the interests of the Group.



20 Design Patents



3 Utility Model Patents



34 Invention Patents

# OPERATIONAL EXCELLENCE



## SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Superior supply chain management is the basis for production enterprises to maintain stable and efficient production. The United Laboratories sees sustainable operation of the

supply chain as a prerequisite for ensuring business operations, and it is also seen as a great opportunity to boost productivity.

### PRINCIPLES OF SUPPLY CHAIN MANAGEMENT

The Group has been persistent in optimizing the supply chain system, procurement process, and supplier development, supervision, evaluation, and management. Through the implementation of material supplier management procedures, it maintains a healthy and sustainable supply chain system. In terms of contract management, the

Group's procurement contracts will enumerate items such as quality requirements of goods, delivery standards, delivery terms, intellectual property rights, and integrity clauses to guarantee the quality of suppliers' supply and lower the legal and social risks of the supply chain.

Realm	Relevant Laws and Regulations
Supply Chain	<i>Good Manufacturing Practice for Pharmaceutical Products</i> <i>Measures for the Supervision over and Administration of Pharmaceutical Production</i> <i>Contract Law of the People's Republic of China</i> <i>Measures for the Supervision and Administration of Circulation of Pharmaceuticals</i>

The Group has established a vertical integration of production and operation mode of "pharmaceutical intermediates – bulk medicines – finished products". Inner Mongolia Company purchases major raw materials for the production of pharmaceutical intermediates and active pharmaceutical

ingredients, and then delivers them to the Group's other production sites for the production of active pharmaceutical ingredients and preparation products, which are finally sold to end users through various channels.

### PRODUCTION AND OPERATION MODE





This production and operation model helps the Group to reduce the external demand for raw materials and materials in the production process, lower the risk of unstable supply and market price fluctuations on the supply chain, so that we can effectively control production costs and ensure the quality of products. In addition, full control of the supply chain also helps the Group to retroactively manage the production process, so as to find the root cause of potential problems, continue to

explore room for improvement, and enhance the sustainability of the supply chain.

In addition, as a raw material supplier for many antibiotic companies, the Group has been giving quality the highest priority. The intermediate products and bulk medicines produced by the Group have passed many authoritative certifications such as Chinese GMP, EU CEP, and US FDA.

## SUPPLIER QUALIFICATION

When selecting new suppliers, we conduct a comprehensive evaluation on the suppliers' industrial standard, reputation, product price, quality of samples, etc. based on the internal principles of "5S", namely proper price, proper place, proper quality, proper quantity and

proper time, so as to ensure the overall quality and material quality of the supply chain. Only the suppliers who meet the related requirements can be included in the list of qualified suppliers.

Supplier Selection Principles	Contents
"5S" Principles	Proper price, proper place, proper quality, proper quantity and proper time
Environmental Protection Principles	Observes the principle of proximity during procurement Purchases energy-saving products and environmentally-friendly products promoted by the Country

Besides, we will regularly conduct written or on-site auditing on the cooperating suppliers. The audit content includes qualification certificates, personnel qualifications, environment and factories, equipment quality, material management, production management, product transportation and

quality management. In addition, the Group will confirm whether the suppliers have established health records for their employees and whether they have verified the air purification equipment to manage the social and environmental risks of the supply chain.

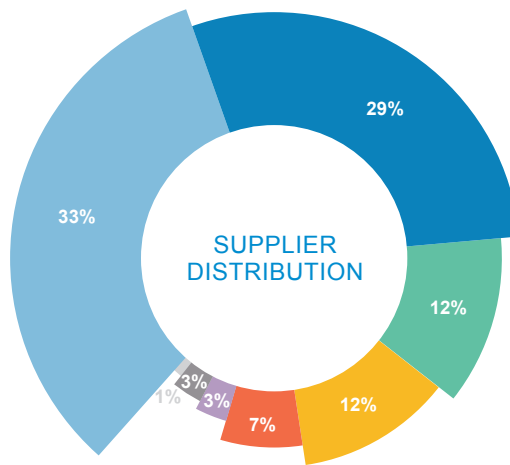
Regular audits help the Group to further determine the performance and service standard of its suppliers, eliminate inappropriate suppliers, so as to avoid any suppliers without related qualifications or with unstable product quality from entering the supply chain of the Group and affecting the product quality of the Group. In terms of environmental protection, the Group observes the principle of proximity during procurement.

The suppliers cluster in the nearby provinces, which can effectively reduce transportation cost and carbon emissions during transportation. At the same time, the Group encourages the selection of suppliers that provide energy-saving products and environmentally-friendly products promoted by the Country to lessen the impacts on the environment.

## SUPPLIER DISTRIBUTION

During the Year, the Group's main suppliers totaled 218, providing the Group with raw

materials, auxiliary materials, packaging, equipment and other materials.



## WORK AND INFORMATION SECURITY

Information security construction is an important method for the Group to protect its internal information and customer privacy. Leakage of an enterprise's confidential information or customer information would lead to adverse effects and loss to the enterprise itself, customers and other stakeholders. The Group has established the *Patient Personal Information Protection*

*System* and *The United Laboratories Information Confidentiality System* in accordance with relevant laws and regulations such as *the Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and the *Cybersecurity Law of the People's Republic of China* to maintain different parties' confidence in the operation and service of the Group.

## INFORMATION MANAGEMENT

According to *The United Laboratories Information Confidentiality System*, all the information of the Group is classified into five categories by their level of importance, namely Top Secret, Secret, Confidential, Internal and Public. All personnel need to pass different levels of approval procedures according to the importance level of the information when accessing the information.

Regarding employees, the employee confidentiality system implemented by the Group requires all the employees to bear confidentiality obligations on our business secrets such as information on technology and operation, and not to allow any third parties to know our business secrets in form of disclosure, release or publishing. In order to further secure the interests of the Group and stakeholders, all employees should bear his/her confidentiality obligations for three years after resignation. On the other hand, when cooperating with suppliers, customers and other partners, the Group shall sign confidentiality agreements with them to ensure that the information of both parties are not disclosed, and the privacy rights are not infringed.

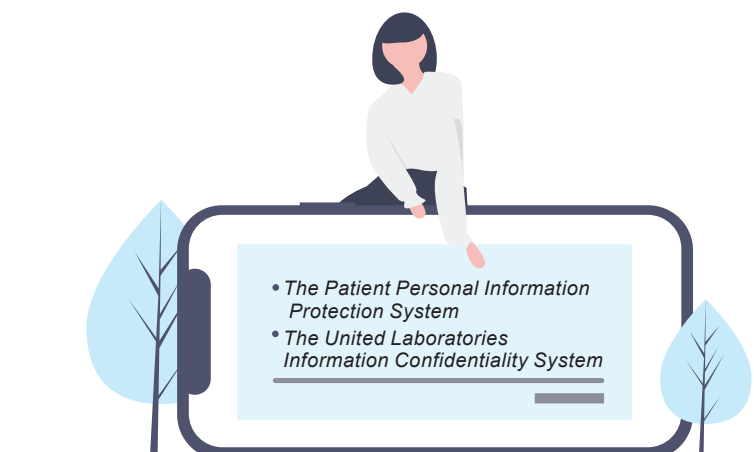
The use of different information, such as information for internal use, advertising and promotion, medication instruction and after-sale service, is subject to the relevant regulations regarding the use of product information. The purpose and target of the use of information is subject to strict requirements and limitations under related systems.

In order to improve the efficiency of information management more effectively, the Group relied on Mobile Internet, Internet of Things, big data and other technologies to build a mobile office platform system "Smart United Laboratories" during the Year. The system integrates a variety of functions. Among them, big data management allows data utilization and analysis to be fully popularized among staff and be mobile. The patient data micro-file system effectively strengthens patient data management, making it easier for customers to pay return visits and use information more securely.

## PRIVACY PROTECTION

In the process of business operation, the Group's employees of various departments will be in contact with different personal

information such as information of customers, shareholders, employees and employment candidates, thus there is a risk of personal information and privacy leakage. In order to reduce the relevant risks, the Group has formulated *the Patient Personal Information Protection System* and *The United Laboratories Information Confidentiality System* to ensure the Group legally obtains and uses personal information, protects the legal rights and interests of information providers, as well as prevents the risks incurred from improper management of personal information. The system has regulated the methods on collection, use, transmission and storage of personal information, lowered the risks of employees violating relevant laws when processing personal information, and avoided bringing negative impacts to stakeholders.



## OPERATION WITH INTEGRITY

The Group has always been striving to establish a high-integrity and law-abiding corporate culture, and holds a “zero tolerance” attitude towards illegal behaviors such as bribery, extortion, fraud and money laundering. We strictly comply with *the Criminal Law of the People’s Republic of China*, *the Anti-unfair Competition Law of the People’s Republic of China* and other related laws and regulations. We have entered into a statement of integrity, and have relevant rules and regulations for practising integrity.



## BUILDING A CULTURE OF INTEGRITY

The development of The United Laboratories is inseparable from the sincere support of all partners. The United Laboratories advocates the business principles of friendship, equality and mutual development, and expects to establish a fair and just cooperative relationship with all partners. We believe that commercial bribery not only violates the law, but also violates basic business principles, disrupts the market economic order, brings about unfair competition and waste of

resources, hinders the healthy development of both parties and seriously affects both parties' credibility in their respective industries. At the same time, commercial bribery also fuels corrupt practices, triggers economic crimes, and corrodes the foundations of corporate employees and corporate development. Therefore, we expect employees and partners to abide by the law and strictly adhere to business principles, and hereby we make the following statement:

- 1 Advocate a "Friendly, Responsible, Hardworking and Highly Efficient" team atmosphere, maintain a clean and healthy working environment, and encourage employees to abide by the laws and behave morally and honestly.
- 2 Employees are required to abide by the relevant work ethics regulations such as the *Employee Handbook* and *The United Laboratories Employees' Code of Honesty and Self-Discipline* to ensure fairness, impartiality and transparency in the cooperation process.
- 3 Employees are forbidden from setting up of barriers, or collecting "service fee" and other illegal operations involving commercial bribery, unfair competition or seeking personal improper benefits. The partners of The United Laboratories have the responsibility to resist and report the Group's employees' violations of the declared behavior.
- 4 Encourage polite behavior in business interactions and resolutely oppose commercial bribery that imposes or attempts to improperly affect the relationship between the parties through the provision of gifts or commissions or other form of private benefits.
- 5 Partners are required to abide by the laws and regulations related to anti-corruption and anti-unfair competition and the Integrity Cooperation Agreement, and firmly oppose the provision of products or services, or preferential treatment in competitions, and the transmission of improper benefits. If there is a violation, the cooperative relationship will be immediately terminated and the company will be blacklisted.

Furthermore, in order to effectively enhance employees' awareness of integrity, the Group has established *The United Laboratories Employees' Code of Honesty and Self-Discipline* in accordance with laws, regulations and the Company's own circumstances. The Code clearly defines improper conduct and itemizes the declaration of interest and filing procedures of operating business or commercial activities. We have also established a clean supervision mechanism and penalties to reduce the

possibility of employees performing misconduct when operating business or commercial activities. Before participating in business or commercial activities, employees need to report to their superiors and obtain their superiors' consent. If the receipt of gifts cannot be rejected during the event, the employee must report to their superiors, and the received items should be handed over to the Administrative Department for registration and storage, and handled in accordance with the system.

In order to enhance employees' awareness of anti-corruption and fraud, the Group conducted compliance training for the Group's headquarters, the China Sales Department's headquarters and certain regions during the

Year, which involve Heilongjiang, Guangdong, Hainan, Yunnan, Guangxi and other regions. The total number of trainees reached about 700 people.

## ANTI-CORRUPTION

In addition to building an incorruptible culture and encouraging employees to be self-disciplined and abide by the laws, the Group has also established *The United Laboratories Anti-Fraud and Complaint Reporting Management System* to combat all potential fraud in the Company. The Group's Audit and Legal Affairs Center is the anti-corruption department responsible for organizing the Group's corruption risk assessment, establishing maintenance reporting channels, and accepting and investigating corruption cases. When reports or clues on corruption matters are received, the Group will arrange investigators for analysis, evaluation and

investigation, and penalize the employees involved based on the investigation results and opinions on its handling. In order to enhance deterrent effect, for any employees that are associated with malpractice behaviors, the management shall impose corresponding internal economic and administrative disciplinary penalty regardless of the degree of criminal offence it has reached. If the case is serious, the Group reserves the right to terminate the labor relationship and pursue criminal responsibility according to law. During the Year, the Group was not involved in any cases of corruption litigation.

The Group provides various channels for employees or any of the Group's partners to report corruption and malpractice, such as direct phone calls, e-mails, post, or to the lawyers of the Group's Audit and Legal Affairs Center in the form of real name or anonymity to directly report immoral and dishonest behaviors. During the Year, we even released *The United Laboratories Anti-Fraud and Complaint Reporting Management System* in the newly

established system "Smart United Laboratories", and opened complaint reporting channels for clients. As for the partners, the Group requires both parties to sign the Incorruptible Cooperation Agreement, which itemizes the integrity compliance that both parties shall comply with, and provides telephone, email and post complaint reporting methods to effectively reduce the risk of corruption and ensure the interests of both parties.

Realm	Relevant Laws, Regulations and Guidelines
Anti-Corruption	<i>Criminal Law of the People's Republic of China</i> <i>Anti-Unfair Competition Law of the People's Republic of China</i> <i>The United Laboratories Employees' Code of Honesty and Self-Discipline</i> <i>The United Laboratories Anti-Fraud and Complaint Reporting Management System</i> Statement of Integrity <i>Anti-corruption Agreement</i>

## BEING PEOPLE-ORIENTED

Since its establishment, the Group has always been adhering to the philosophy of “People-oriented”. We recruit talents, value and understand the importance of talents to the development of the Group. The Group strictly abides by the laws and regulations that are relevant to employees' rights and interests, and strives to protect employees' legal rights, safety and health. We also provide our employees with attractive welfare and benefits, training and development, so as to enhance their ability and competitiveness, and mutually prosper with the Group.





## TALENT ATTRACTION

The core competitiveness of the Group is its innovative patent research and development and high-quality products. In order to maintain the Group's competitive advantage, apart from a sound management system, employees' knowledge level, creativity and job performance also have a significant influence.

In order to attract newcomers and retain talents, the Group strictly abides by relevant laws and regulations, has a comprehensive recruitment and employee management system, protects employees' legal rights and benefits, and places emphasis on employee development and safety.

Realm	Relevant Laws and Regulations
Protect Legal Rights	<i>Labour Law of the People's Republic of China</i> <i>Labour Contract Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Protection of Women's Rights and Interests</i> <i>Special Rules on the Labour Protection of Female Employees</i> <i>Regulation on Special Protection of Juvenile Workers</i> <i>Labor Dispute Mediation and Arbitration Law of the People's Republic of China</i> <i>Trade Union Law of the People's Republic of China</i>
Employee Welfare	<i>Order of the Ministry of Human Resources and Social Security</i> <i>Social Insurance Law of the People's Republic of China</i>

The Group has a comprehensive recruitment system for recruitment via various channels, including the Company's website, recruitment websites, and job fairs in tertiary institutions. In order to establish a talent base with excellent quality, we have preliminary examination, written examination and re-examination on candidates based on the requirements of different positions. We also implement practical operating test when necessary, so as to ensure that our employees have reached a certain knowledge and technical level, and meet the requirements of corresponding positions, such as education background, work experience, skills, psychological quality, health condition and professional ethics.

The Group attaches great importance to human rights, forbids any discrimination in the aspects of gender, age, race, religion, disability, marital status, etc., so as to ensure all the candidates are entitled to fair, justified and open employment opportunities. We protect the legal rights and interests of all employees in accordance with laws and

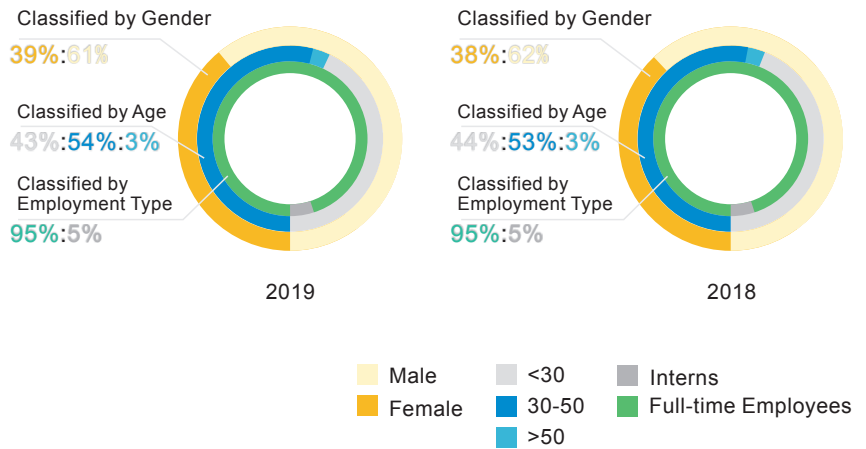
strictly abide by relevant laws and regulations. We have laid down strict regulations that all employees working at any position must be aged 18 or above, and child labor with an age below 16 is forbidden. Therefore, during the recruitment process, the Group will require applicants to provide identification documents to verify their age and avoid hiring child labor by mistake. Employees must sign a labour contract before being employed. The contract clearly enumerates the employee's job duties, salary, insurance, welfare, working hours and holidays to avoid any circumstance of forcing employees to work. In case of misemployment of child labour or forced labour, the Group will immediately suspend the work of the relevant person, take remedial measures and find out the causes to prevent the recurrence of similar situation. Any employee proposing a resignation shall make an application based on related procedures, so the Group could understand his/her reasons of leaving in detail and provide proper resignation arrangement, such as salary payment.

## TALENT DATA

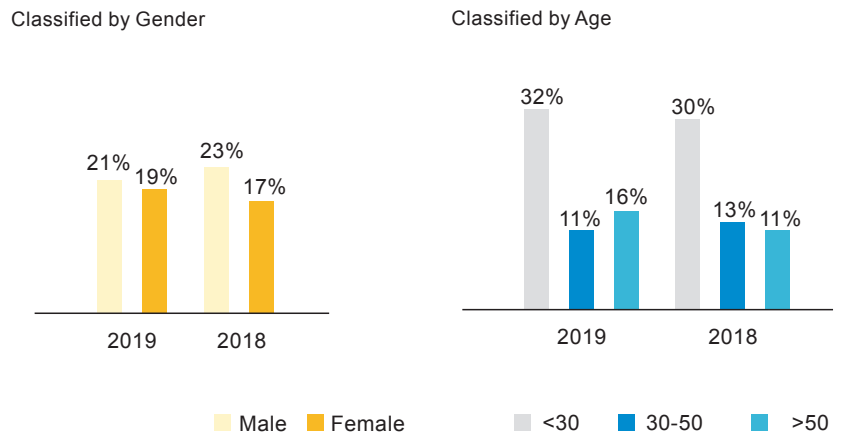
During the Year, the Group employed approximately 13,000 employees. The proportion of employees classified by age,

gender, region and employment type, and the employee turnover rate classified by age and gender are as follows:

### Proportion of Employees



### Employee Turnover Rate





## EMPLOYEE MANAGEMENT

In order to boost employees' motivation at work and facilitate employees' career development, the Group has established a comprehensive performance appraisal and promotion system. Under the performance appraisal system, the Group will regularly conduct comprehensive evaluations on employees' work performance, training records, personal qualities, etc. to adjust employees' remuneration and make promotion or position adjustments based on the appraisal results and the Company's performance. The Group does not tolerate any

kind of discrimination and offers employees rewards and promotion opportunities that they deserve in a fair and just manner. The Group has built a career development platform for its employees, which provides employees with promotion opportunities and a stable working environment, and allows them to select a suitable promotion path according to their personal abilities. We also provide bonus to employees with outstanding performance or employees who have made special contributions to the Group to strengthen their enthusiasm for work.

In order to retain professional personnel and strengthen employee promotion management, the Group has established a dual-channel promotion management system. Under the two-way management system, employees can select management or professional function channels based on their career development direction, which helps to improve the matching of employees' positions and give full play to employees' values. The main consideration for promotion via the management channel is the ability of the management personnel,

including but not limited to team management, judgment and decision-making, communication and coordination. Promotion via professional function channel focuses on seniority, professional knowledge and experience, including but not limited to job performance, level of professional knowledge, experience and seniority. When there is a vacancy in a corresponding position at the same level, cross promotion can be carried out if the employee meets the requirements of the corresponding position.

Each department of the Group will provide suitable employees with promotion opportunities based on development needs. Upon application for promotion, employees will undergo relevant promotion assessments such as job qualification review, comprehensive evaluation of professional and technical skills or interviews according to his/her grade and promotion channel. Employees will be promoted after he/she passes the promotion assessment and his/her application is approved.

function channel, work performance can effectively reflect the professionalism of employees. Therefore, each branch of the Group has established a performance management system. Under the performance management system, a performance appraisal leading group led by the general manager is responsible for formulating performance management policies, handling related disputes and appeals, and monitoring the effectiveness of performance appraisals in accordance with the principles of performance appraisal.

For employees promoting via the professional



### PRINCIPLES OF PERFORMANCE APPRAISAL

Principle of Openness	The appraiser must explain the standards, procedures, methods, time, etc. of the appraisal to the appraisee, so that the appraisal becomes transparent.
Principle of Objectivity	Evaluate the appraisee according to the data or facts to avoid making subjective and emotional assumptions.
Principle of Open Communication	The appraisers will communicate with the appraisee during the appraisal, and the appraisal results should be disclosed to the appraisee in a timely manner, point out the limitations, and suggest areas of improvement to the appraisee.
Principle of Impartiality	Formulate reasonable measuring standards according to the job duties of the appraisee.
Principle of Fairness	Use the same performance evaluation standards for employees in the same position.
Principle of Regularity	Managers must give correct performance guidance, evaluation and improvement to their subordinates in their daily work.
Principle of Development	The appraisers and appraisees should aim at passing the performance appraisal and improving their own performance, so as to promote the development of individuals and teams.
Principle of Timeliness	Performance appraisal is a comprehensive evaluation of job performance during the performance appraisal period.
Principle of Consistency	There will be no major changes in the content and standards of performance appraisal in a continuous period of time to maintain the consistency of the appraisal.

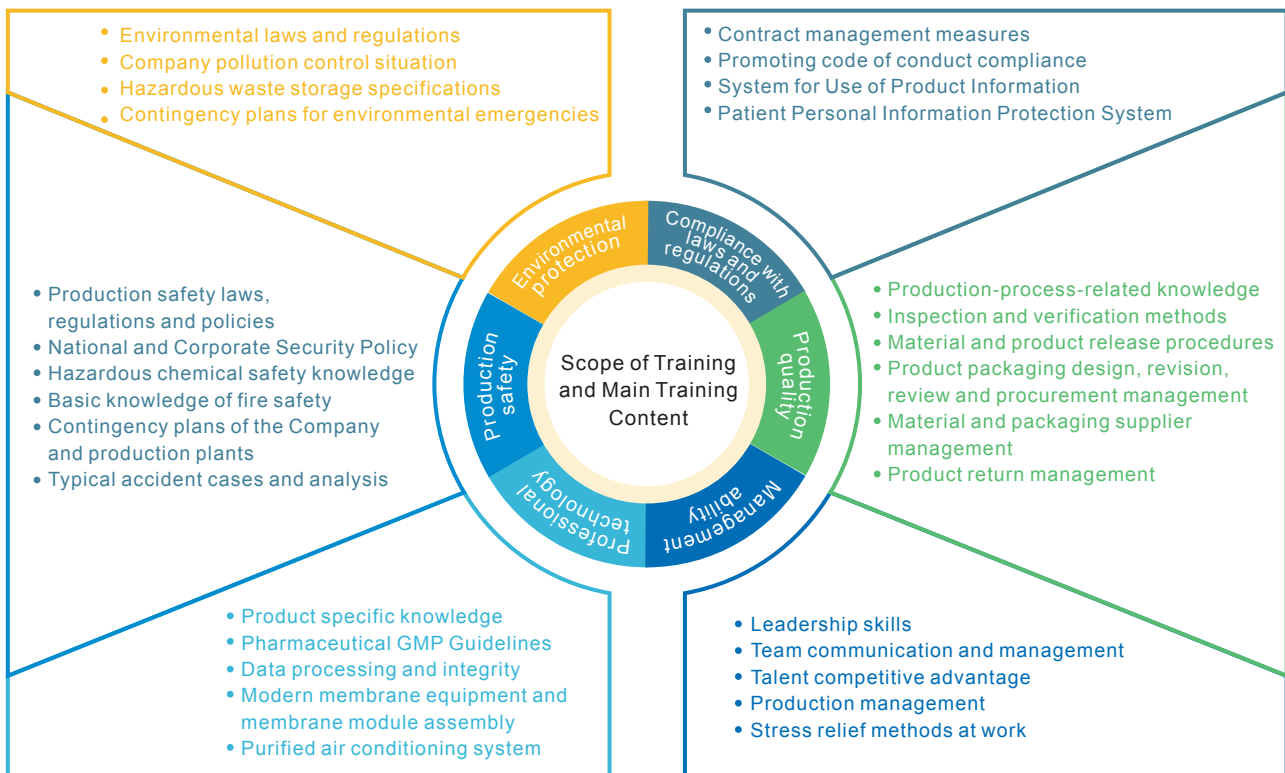
The performance appraisal leading group organizes and formulates the target value of each index every year, and each department reports the degree of achievement of the relevant index every month according to the department's responsibilities, which acts as

the assessment basis of each appraisee. Employees' performance appraisal results will be used as the main reference basis for evaluating the employee's ability to take up the post, personal salary adjustment, job promotion, etc.

## TRAINING AND DEVELOPMENT

Talent cultivation and development are the bases for the continued progress of The United Laboratories. Therefore, the Group has established a comprehensive and diversified employee training system and integrated internal and external training to form the most suitable training plans for the employees in different departments, positions and levels, so as to strengthen employees' working capabilities and enhance the Group's operational efficiency.

Every year, each branch of the Group formulates training programs for its employees. The training content encompasses different areas, such as production safety, environmental protection, production quality, management ability and professional technology, aiming to provide comprehensive training for employees of all levels and positions of the Group.



The Group will conduct training for employees according to their positions and levels. During the Year, trainings were provided to new employees and managers according to their

needs. Targeted training will help enhance the work ability of employees and facilitate the development of the Group.

TRAINING FOR NEW EMPLOYEES

New employees are significant members that enable an enterprise to achieve sustainable development. Therefore, the Group holds new employee training every year to provide new employees with training in corporate policies, management systems, production safety, etc. Apart from

traditional theoretical lessons, the training also encompasses outward bound, production plant visits, etc., so that new employees can understand the corporate culture as soon as possible and blend in the working environment.



Systematic Training

Arranged courses on production safety, rules and regulations, job knowledge, etc., and conducted a written assessment.



Induction Outward Bound

Trainings simulated a large-scale earthquake in a city, volunteers were selected from new employees to participate in rescue activities through various team outward bound activities.



Learnt from the Visit to Production Plants

New employees visited the production plants and related departments.



Corporate Culture Training

The Group's Culture and Publicity Department displayed the corporate culture to new employees according to the Group's development history and social contributions.



Military Training Activities

New employees underwent various physical trainings under the guidance of factory guards.



Symposium

Management personnel organized symposiums with new employees and held an Induction Training Closing Ceremony for them.



Sharing of Experience in the Workplace

The Group's Culture and Publicity Department did a sharing on the theme "Respect, Perseverance, Accumulation, and Diligence" to encourage new employees to develop their strengths and keep moving forward.



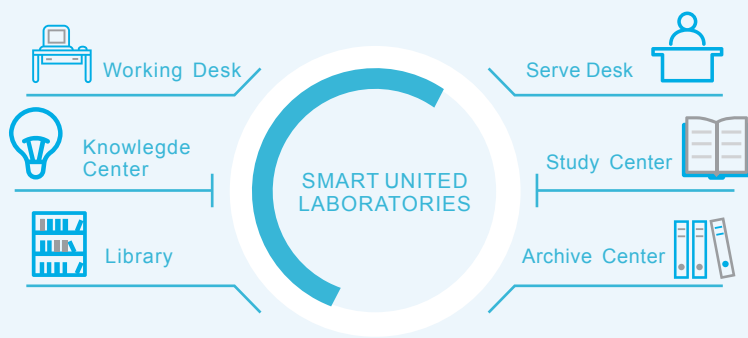
Outward Bound

Participated in outward bound activities and training courses, and cultivated a cooperative spirit through team outward bound projects.

“SMART UNITED LABORATORIES” ONLINE TRAINING

During the Year, in addition to the traditional training methods, the Group also set up a learning center in the online mobile office platform system "Smart United Laboratories" to allow employees to conduct online learning with the help of online videos and documents. The Group's Human Resources Center has set up the "Micro-Five Classes" and "A Lesson A Day" columns to provide training courses on areas such as interpersonal skills and business etiquette. The Audit and Legal Affairs Center has set up a "Legal Training" column to provide training courses on

relevant laws and regulations in daily operations. The Marketing Department, Information Center of the Group and other departments have also held training courses on product and information security. All departments of the Group can upload and share the training courses in the learning center after review. This will help promote mutual understanding among departments, widen the horizons and deepen the knowledge base of employees, and create a good atmosphere for employees to learn independently.



TRAINING FOR MANAGEMENT PERSONNEL

Management personnel are important decision makers in various matters of the enterprise, and they must exert good leadership, communication, learning, coordination, etc. in the team. Therefore, regular training for management personnel is essential. During the Year,

Inner Mongolia Company held a training event for middle-level management personnel. A group discussion training method was used to enhance employees' management capabilities through discussions.



## ACADEMIC PROMOTION AND PROFESSIONAL QUALIFICATION



As a pharmaceutical company, the professionalism of employees is an important factor for the Group to meet the high production demand. In order to enhance the professionalism of employees, the Group assists employees to participate in re-education programs to upgrade their academic qualifications, such as upgrading from secondary specialty to diploma, or from diploma to undergraduates. For example, Zhuhai Company cooperated with several universities to organize courses, so as to provide quality, production, and equipment-related employees with re-education opportunities in pharmacy, electromechanics, equipment, and automation. During the Year, 66 employees aiming to promote from diploma to undergraduate and 38 employees aiming to promote from

secondary specialty to diploma were studying. In addition, Inner Mongolia Company also cooperated with vocational colleges to provide 108 employees with continuing education to improve their academic qualifications.

Apart from encouraging and facilitating the upgrade of academic qualifications, the Group also assists employees in obtaining professional and technical qualifications to enhance their professionalism. During the Year, Zhuhai Company subsidized the training courses on electrician and welder skills, helping 13 employees to obtain electrician certificates and 8 employees to obtain welder certificates. Inner Mongolia Company also assisted 291 employees to obtain professional technical qualifications.

## CARE FOR EMPLOYEES

Employees are the key to success of an enterprise. The Group has been treating employees by aligning itself with the principle of "Equality, Care and Mutual Development" to guarantee that our employees are entitled to corresponding benefits and welfare and care for their well-being. While providing quality

career development opportunities and working environment for our employees, we also put emphasis on employees' physical and mental development, encourage employees to actively participate in various types of cultural and sports activities held by the Group and enrich their spare time.

## BENEFITS AND WELFARE

The Group applies a five-day work week and eight-hour work day, except for employees working in specified production plants. To guarantee employees' attainment of work-life balance, the Group does not encourage overtime work. In case of necessary overtime work, the Group restricts the maximum overtime hours per day and the overtime wages will be paid strictly according to the related regulations. All employees are entitled to statutory holidays and leaves, such as annual leave, sick leave, marriage leave, maternity leave, compassionate leave and work injury sick leave, in accordance with the requirements of laws and regulations. The Group also provides employees with the "Five Social Insurance and One Housing Fund" and allowance for high temperature according to the laws and regulations to fully protect employees' basic welfare.

Apart from the statutorily required basic welfare, in order to care for the employees and enhance employee cohesion, the Group provided the following benefits to employees during the Year:

- Annual comprehensive free health examination;
- Provided free meals;
- Provided birthday cake coupons for employees; and
- Distributed festive (such as Chinese New Year, Women's Day, Mid-Autumn Festival) gifts;
- Regularly issued the enterprise journal, *The TUL's People* and *The TUL's Pictorials* as well as updated the enterprise's Weibo account, WeChat Public Account, etc., enabling employees to keep abreast of the latest news of the Group at all times.



## CULTURAL AND SPORTS ACTIVITIES

Cultural and sports activities help enhance the physical and psychological quality of employees, establish the teamwork spirit among employees, increase their sense of belonging to the Group, and hence promote our cohesion. Therefore, the Group, including its various production sites and subsidiaries, has established the cultural activity teams, and regularly organized employee activities. The Group has organized many cultural and sports activities during the Year, such as sports competitions, cookery courses and competitions, staff travelling, choral contests, filming activities, festival activities and social gatherings. The Group will continue with the good corporate culture of having employees actively participating in activities, enabling all

employees to attain work-life balance and stay both physically and mentally healthy.

To celebrate the 70th anniversary of the founding of the People's Republic of China, the Group held activities with special themes in the Year to let all employees celebrate the 70th anniversary of the founding of the motherland. Various departments and production plants of Zhongshan Company formed 16 choral teams to conduct choral competitions under the theme of National Day. Inner Mongolia Company organized a series of theme shooting activities, allowing all members and production plant workers to take a group photo with the national flag at places they work at.

## OCCUPATIONAL HEALTH AND SAFETY

The United Laboratories adheres to the objective of "Safety First, Prevention Upmost", sees production safety as our operational focus, carefully enforces and implements occupational-health-and-safety-related regulations and systems, and strives to reduce the occurrence of safety accidents. The Group has formulated a comprehensive occupational health and safety management system and obtained the OHSAS18001:2007 certification. Inner Mongolia Company has also passed the level two production safety standardization review. With the management system, all

departments have to strictly comply with the relevant laws and regulations and related internal regulations, regularly analyze the condition of work safety and figure out the dangerous factors and potentials risks, and hence to formulate improvement measures. At the same time, the person in charge of the Production Department or safety management personnel are responsible for conducting regular safety inspections and enforcing safety education to strengthen employees' awareness of safety and lower the possibility of safety accidents.

Realm	Relevant Laws and Regulations
Safety Regulations	<i>Production Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases Fire Control Law of the People's Republic of China Code of Building on Fire Protection and Prevention</i>
Management of Hazardous Chemicals and Work-related Injuries	<i>Regulation on the Safety Management of Hazardous Chemicals Regulation on Work-Related Injury Insurances</i>

In regard to the management of hazardous chemicals, the Group strictly complies with laws and regulations of hazardous chemical management, and highly values the risks and damages brought by the maltreatment of hazardous chemicals. The Group has formulated strict regulations in the areas of warehouse management, material safety management in warehouse and upon entering and leaving to monitor the storage and transportation of various types of chemicals. Inner Mongolia Company has also introduced strict hazardous waste collection facilities and procedures for hazardous waste treatment. Each type of hazardous waste has to undergo

harmless treatment to secure the health and work safety of employees. The Group has also developed treatment procedures for the issues of safety and work injuries, to equip employees with sufficient knowledge in case of injuries, and enable them to promptly respond in an effective manner, so as to minimize the casualties and financial loss. For the injured employees, the Group strictly enforces the relevant provisions of wages, subsidies and fees related to work injury to protect the basic rights and interests of our employees. During the Year, there were no fatal accidents due to work at the production sites of the Group.

## SAFETY MAINTENANCE

In order to secure the safety standard of the production site, Inner Mongolia Company carried out large-scale safety overhauls during the Year. With the joint efforts of guardians and construction personnel, the employees strive to improve the production plants' performance in terms of safety, energy saving and quality, and protect the

occupational safety of the production personnel in the production plants. During the overhaul, the construction personnel will set up safety warning signs, safety warning lines, etc. at each maintenance site to ensure that employees are fully secured while performing maintenance work.

## FIRE STATION

Inner Mongolia Company established a miniature fire station in 2014. It is now equipped with 18 professional firefighters and a foam fire truck. A 24-hour execution system has been implemented, so that fire remedy can be conducted once there is an emergency in the Company and neighbouring companies to protect the Company's assets and employees' safety. Inner Mongolia Company was awarded the title of "Key Unit for Advanced Fire Safety". The fire station

actively cooperated with all the production plants and departments to carry out integrative fire emergency drills. There are more than 20 fire drills every year, which effectively enhances employees' capability to handle and evacuate in fire emergencies. Through daily drills and training, fire station personnel can effectively respond to fire accidents and mitigate the impacts brought by fire accidents.

## PRODUCTION SAFETY MONTH ACTIVITIES OF INNER MONGOLIA COMPANY

In response to the national policy and theme of "Preventing Risks, Uprooting Potential Danger and Impeding Accidents" formulated by the Country for production safety, the Group held a series of Production Safety

Month activities in various departments and factories during the Year to strengthen the publicity and education work of production safety, so as to enhance and strengthen employees' safety awareness.



### "LOYAL GUARDIAN OF SAFETY DEVELOPMENT" SPEECH CONTEST

Employees participating in the competition were required to give a speech on safety technology or safety management under the theme of "Loyal Guardian of Safety

Development", and incorporate the main elements of Guideline of China Occupational Safety and Health Management System in the speech.

### FIRE FIGHTING SKILLS COMPETITION

A total of 29 departments and 174 employees participated in the event. The Administration of Work Safety of Kaifu Region and Red Cross of Linhe District were cordially invited to oversee the activity. The activity trained and strengthened each participant's emergency rescue ability, evacuation ability and fire extinguishing ability through timed competitions on different subjects such as

wearing labour protection supplies correctly, plugging pipes that simulate leakage, wearing air respirators, transporting the injured or performing cardiopulmonary resuscitation, entering evacuation tents to evacuate, extinguishing simulated early fires and using hoses.

### FIRE HANDLING AND EVACUATION EMERGENCY DRILLS

The situation of an uncontrollable large fire in the storage area of the production plant was simulated. Employees must organize specific emergency drills according to the drill accident scenario designs and specific

division of labor, organize on-site drill assessments, record the problems and limitations found in the drills, and collect all kinds of information and data that the drill assessment required.

## PRODUCTION SAFETY MONTH ACTIVITIES OF ZHUHAI COMPANY

**Emergency Rescue Training**

Gathered around 100 safety and ambulance-related personnel to conduct training on emergency rescue knowledge. The training combined theory and real practice to enable employees to learn the knowledge and

skills of emergency rescue in various emergency situations, popularized and strengthened employees' emergency rescue knowledge, and improved their emergency rescue and self-rescue abilities to cope with emergencies.

**Special Training on Hazardous Chemicals**

Gathered around 150 safety officers and production plant team leaders to conduct training on *the Production Safety Law of the People's Republic of China, Regulations on the Safety Administration of Dangerous Chemicals* and other laws and regulations. Typical

accident cases of hazardous chemical enterprises were also incorporated into the training, so as to improve employees' understanding of hazardous chemicals, knowledge of operational safety and enhance their management standard.

**Special Emergency Rescue Drills**

Conducted fire drills according to the emergency rescue plan, so that employees could be more familiar with emergency handling procedures and their ability to cope with fires and other emergencies could be enhanced. At the

same time, Zhuhai Company made a record of the drills and tested the practicability and reliability of the emergency rescue plan for further improvement.

**Examinations for Part-time Safety Officers**

Arranged all part-time safety officers to take examinations, and those who passed the exam received Safety Production Knowledge and Management Ability Assessment Qualification certificates issued by the

Safety Management Department. This ensured that all part-time safety officers have the knowledge required for the position, and secured production safety of Zhuhai Company.

**Prize-giving Quiz on Production Safety**

A prize-giving quiz on production safety knowledge was held, with more than 600 employees participating in it. In the activity, random questions were asked and participants need to give answers, in which various aspects of safety

knowledge were covered. Zhuhai Company also distributed safety production knowledge leaflets at the event site, so that employees can acquire more safety knowledge while participating in the event.

**Fire Hose Connection Skill Competition**

A total of 35 teams participated in the competition. The fire hose connection competition enabled the fire emergency personnel of Zhuhai Company to better grasp the skills, test

the quality of the fire emergency personnel and improve fire emergency teams of various factories and departments' capabilities of fire fighting.



## CONTRIBUTION TO SOCIETY

The United Laboratories is committed to building an excellent national pharmaceutical brand, promoting the development of China's medical and health industry, and creating more high-quality medical products for the society. While providing quality pharmaceuticals for the society, the Group is also actively engaged in charity work, fulfilling its corporate social responsibilities. The Group participates in academic projects and provides scholarships to facilitate the development of the national pharmaceutical industry. We also arrange employees to participate in activities showing care to the elderly and the community, and foster poverty alleviation work, care about the needs of different people in the society, and actively promote environmental protection and healthy lifestyles in the region to drive positive development of the community.





## FACILITATING THE DEVELOPMENT OF THE PHARMACEUTICAL INDUSTRY



The Group is committed to promoting the development of the pharmaceutical industry. Through academic projects and scholarships, it facilitates the promotion of pharmaceutical academic knowledge and


information, encourages more talents to devote themselves to the pharmaceutical industry, and contributes to the sustainable development of the pharmaceutical industry.

## ACADEMIC PROJECTS

During the Year, the Group organized, supported and participated in various medical-related academic projects, such as training courses and forums. By participating in academic promotion, the Group provided various medical personnel, including

grassroots medical personnel and hospital managers with opportunities for learning and exchanging ideas, enhanced the level of medical governance and pharmaceuticals, and improved hospital management to benefit more patients.

Educated Grassroots Medical Staffs

 nearly **8000**

**1**

“Double Excellence Action” – Training Course on Diabetes Prevention and Treatment at the Grassroots level

**Cooperation Agency**

- Diabetes Medical Committee of Chinese Research Hospital Association

During the Year, the “Double Excellence Action” launched a total of 21 sessions in 20 cities, training nearly 8,000 medical personnel. The training objective was to provide guidance to and educate the grassroots medical staff, in order to let them learn more about the national guidelines for the prevention and control of diabetes at the grassroots level, enhance the prevention and treatment management standard of diabetes at the grassroots level, and reduce the family and social burden caused by diabetes.

Pharmaceutical Forum



**2**


Summit on the Reform and Development of Hospital Pharmacy under the Reform of Medical and Health Institutions

**Cooperation Agency**

- Science and Technology Development Center of Chinese Pharmaceutical Association
- GuangDong Pharmaceutical Association

The Group learnt from and exchanged ideas with pharmaceutical experts coming from different regions at the summit to learn about the latest industry knowledge. At the conference, a number of experts interpreted, shared and lectured on the pharmaceutical realm, including pharmaceutical service models, drug safety, and reform progress in the pharmaceutical realm. This academic forum enabled pharmaceutical workers to brainstorm and facilitated the development of hospital pharmacy under the new situation.

Trained Grassroots Medical Staffs

 over **160**

**3**


Training Course on Cognitive Impairment

**Cooperation Agency**

- Diagnosis and Treatment Centre of Alzheimer Disease, Shanghai Jiaotong University

The event provided training for over 160 medical staff from grassroots hospitals who work in the cognitive field. The training helped to improve the diagnosis and treatment of dementia by grassroots medical staff and benefit more patients.

Medical Experts

 total of **170**

**4**

Huashan Hospital Field Visit and Exchange

**Cooperation Agency**

- The Editing Committee of Chinese Medical Association's *China Medical News*

The field visit and exchange learning activity was held at Huashan Hospital affiliated to Fudan University, Nanjing Drum Tower Hospital, Xiangya Hospital and West China Hospital of Sichuan University. A total of 170 medical experts from all over the Country conducted field visits to exchange management experience, learn from each other, enhance the management standard of hospital managers, and facilitate the reform and development of public hospitals.



## SUPPORT FOR EDUCATION

The United Laboratories has actively assisted students to master scientific and cultural knowledge for many years. Since the establishment of the "The United Laboratories Medical Education Scholarship" in 1998, it has benefited nearly 50,000 students from more than 50 colleges and universities, and has distributed a total of nearly RMB50 million of scholarships. During the Year, the Group

donated RMB120,000 and RMB255,000 of scholarships to outstanding students of Fujian Medical University and Central South University respectively, encouraging students to study hard and master the necessary knowledge, so as to facilitate the development of medical education and the medical industry in the future.

## GIVING BACK TO SOCIETY

Since its establishment, The United Laboratories has been adhering to the corporate philosophy of "Love China, For China", bearing social responsibilities in mind while pursuing economic development, and actively participating in charity activities, so as to give back to the society. The Group held a number of charity events during the Year, and

strongly encouraged employees to participate in the events. Target of service activities include the elderly and the poor. Apart from charity work, the Group focuses on solving social problems and actively participates in regional environmental protection education to drive positive development in the community.

## CARE FOR THE ELDERLY

Caring for the elderly is a key objective of the Group's charity affairs. The "Re-feeding Swallows" – a charity activity that shows care to the elderly hosted by Zhuhai Company, aiming at "Paying Close Attention to the Elderly and Giving Back to the Society". During the Year, the Company arranged its employees to visit the elderly service center in Yulin Village, Sanzhao Town and the elderly service center in central Sanzhao Town,

Zhuhai. The elderly in the service center showed their talents to the employees, while the employees expressed their care for the elders, which created lots of opportunities for both parties to communicate and interact with each other. Furthermore, employees presented gifts such as fruits and beverages to the elderly, so they can have more daily necessities and their health and physical quality could be improved.

## TARGETED POVERTY ALLEVIATION

Poverty alleviation needs to be jointly cultivated by different sectors in society, thus The United Laboratories has insisted on participating in community poverty alleviation work for years. During the Year, Zhuhai Company was awarded the title of "Enthusiastic about Charity, Warming Jinwan" in the "Millions of Enterprises Helping Millions of Villages" Targeted Poverty Alleviation activity. The title was issued by the Zhuhai Jinwan District Federation of Industry and Commerce to commend employees for their

selfless dedication to society and poverty alleviation in the past. In line with the concept of "Passing on Warmth, Passing on Happiness, and Passing on Love", the Group calls on employees to donate unnecessary clothing to the needy. Since 2017, Zhuhai Company has donated a total 3,000 pieces of clothing. During the Year, Zhuhai Company donated 800 pieces of clothing to the Zhuhai Charity Federation to help the people in need in the society and facilitate poverty alleviation.

## CARE FOR THE COMMUNITY

Considering the needs of the community is an important part in leading the enterprise towards sustainable development, hence we always regard the subsidiaries and the communities in which the production sites are located at as important stakeholders of the Group. The Group has been paying attention to the medical needs of the community. In addition to our unremitting efforts in developing and popularizing various types of drugs, we are also enthusiastic about the community's voluntary blood donation, in

which we encourage our employees to help those in need in the community. During the Year, over 80 employees participated in the unpaid blood donation activity held by Zhongshan Company, with a cumulative blood donation of more than 20,000 mL. Besides, over 95 employees joined the voluntary blood donation activity held by Zhuhai Company, with a cumulative blood donation of more than 29,950 mL. It is a loving act performed by the employees of the Group to care about others and give back to the society.







## PROMOTING ENVIRONMENTAL PROTECTION

In order to strengthen the environmental awareness of the general public, advocate the concept of "Improving Environmental Quality and Promoting Green Development", and publicize environmental protection to the community, Inner Mongolia Company participated in a series of promotional activities of Bayannur's "5th June World Environment Day" during the Year. With the theme "A Doer for Beautiful China", the Environment Day calls on all sectors of society to jointly practise the philosophy of green development and fulfill environmental protection responsibilities. Inner Mongolia Company provided consultations on environmental protection to the public by distributing brochures and on-site explanations at the event, and publicized the Group's environmental protection work and effectiveness. The publicity campaign promotes environmental awareness such as green consumption, low-carbon travel, and the disposal of disposable items while raising corporate reputation, hoping to build a green and harmonious home with the community, and integrate environmental protection concepts into daily life.



## CULTIVATING A HEALTHY LIFESTYLE

As a pharmaceutical manufacturer, the Group attaches the greatest importance to public health. The Group has established a number of associations such as the Badminton Association, Basketball Association, Mountaineering Association, and organized a number of internal sports events, athletics and other activities to promote a sporty and healthy culture within the Company. For example, Zhuhai Company organized the "Flying Swallow Cup" badminton tournament, "Ping Ping with Happiness and Brilliance" table tennis team competition; Zhongshan Company organized the "United Cup" badminton team competition and basketball competition; Inner Mongolia Company

organized a tug of war competition, billiards contest and other sports competitions to encourage employees to develop a good habit of loving sports, health and life. In addition, the Group also actively participated in various sports activities and competitions in the community. For example, the basketball team of Zhuhai Company participated in the Tenth Employee Basketball Tournament of the Jinwan District Federation of Trade Unions, and Inner Mongolia Company arranged employees to join the 2019 Bayannur International Marathon to encourage the public to develop healthy habits.

# GREEN DEVELOPMENT

A good ecological environment is an important principle for achieving sustainable development. In recent years, China has comprehensively strengthened ecological and environmental protection, paid attention to the concept of ecological civilization, promoted pollution prevention, and reinforced environmental protection construction year by year to consolidate ecological protection policies.



In 2019, in order to strengthen the responsibility for ecological and environmental protection and promote the construction of ecological civilization, the Central Government implemented the inspection system for ecological and environmental protection and carried out environmental protection supervision on organizations and enterprises at all levels. At the same time, in order to accelerate the modernization of the ecological environment governance system and governance capabilities, the Country has further promoted the reform of the ecological and environmental science and technology system, and stimulated the vitality of technological innovation.

In order to build an important ecological security barrier in the north, Inner Mongolia focuses on building a new pattern of ecological space, constructing a new system of green economy, creating a new sample of ecological governance, and establishing a new system of ecological civilization. The Inner Mongolian government has gradually carried out ecological and environmental protection construction, and facilitated urban sewage treatment to improve its quality and efficiency, performed comprehensive remediation of “poorly managed – and polluting – small enterprises”, special remediation of industrial solid waste, and green park construction.

As the production base with the largest scale and the greatest production of the Group, the operation and development of Inner Mongolia Company is closely related to the above policies. Therefore, the Group always sees environmental protection as the top priority, and continues to implement the corporate environmental policy of “Law-

abiding Integrity, Preventive Control, Environmental Protection, Continuous Improvement, and Harmonious Development”, actively responds to the national environmental protection policies, and strengthens the operation and production process of environmental protection work during the Year. We reduce emissions, save energy, and lessen the negative impacts on the environment, so as to meet the increasingly stringent environmental protection policy requirements.

Inner Mongolia Company is a modern comprehensive pharmaceutical factory integrating pharmaceutical intermediates and active pharmaceutical ingredients into one. Since the establishment of the plant, environmental protection has been the first priority. It has continuously introduced new environmental protection technologies and new equipment to treat wastewater and exhaust gas generated during the production process, and implemented a number of key environmental protection projects during the Year to fully support the construction of ecological civilization. Inner Mongolia Company has passed the ISO14001:2015 *Environmental management system - Requirements with guidance for use* certification. All construction projects have obtained environmental assessment approval and passed the environmental protection completion acceptance. Over the past decade, the cumulative investment in environmental protection has reached nearly RMB2.1 billion. Environmental protection has always been regarded as the lifeline of enterprises, and environmental protection investment has been continuously increased to improve the ecological environment.







## KEY ENVIRONMENTAL PROTECTION PROJECTS IN 2019

### WATER SAVING AND EMISSION REDUCTION – RECLAIMED WATER REUSE PROJECT

#### BACKGROUND

According to the national "Thirteenth Five-Year Plan", Bayannur City, where Inner Mongolia Company is located at, has made every effort to foster the integrative management of Ulansuhai Nur according to the comprehensive management ideas of "Ecological Water Replenishment, Pollution Control and Reduction at Source, Restoration and Treatment, Resource Utilization, and Sustainable Development". In the past, the wastewater generated by Inner Mongolia Company was discharged into the industrial park centralized sewage treatment plant for further treatment after internal treatment (pre-treatment + hydrolytic acidification + UASB/IC

+ CASS + catalytic oxidation + secondary sedimentation tank), and was then discharged into Ulansuhai Nur after meeting the discharge standard through the further treatment. Inner Mongolia Company, as a major drainage company in Linhe District, implements the philosophy of "Ecology First, Strive for Green Development". Since the second half of 2017, it has actively carried out reclaimed water reuse work to achieve the goal of zero wastewater discharge to control and reduce pollution at source. This project is a water-saving and environmentally-friendly project. After the implementation, sewage discharge and fresh water intake can be reduced.

#### PROJECT STATUS

Inner Mongolia Company has completed three phases of the reclaimed water reuse project with handling capacity up to 37,000 tonnes/day. The first phase is a 10,000 tonnes/day project with raw water coming from the acidic wastewater of the MVR evaporator condensate project; the second phase is a 10,000 tonnes/day project with raw water coming from the treated wastewater from the company's first, second and third sewage

treatment station; the third phase is a 17,000 tonnes/day project with raw water coming from the treated wastewater from the company's fourth and fifth sewage treatment station. The final test of the project was completed in the end of 2019, and the whole project will be fully put into use in 2020. The reclaimed water generated will be used to replenish the circulating water in the company's cooling tower and in some production processes.



Estimated Annual Water Saving



about **6.83** million tonnes

#### OBJECTIVES AND EFFECTIVENESS

The maximum daily treatment capacity of reclaimed water reuse project is 37,000 tonnes, which is expected to reduce wastewater discharge by approximately 12.21 million tonnes per annum. The reclaimed water reuse project can increase the utilization rate of water resources, reduce the amount of sewage discharged, and minimize wastewater discharge while reducing the amount of fresh water intake. This enables us to tap more

water sources, reduce drainage, and implement wastewater recycling. Being benefited from the reclaimed water reuse project, Inner Mongolia Company plans to basically achieve the goal of zero wastewater discharge in 2020, and reduce the annual amount of outsourced water by 56%, which can save about 6.83 million tonnes of water per annum.

## ENERGY – SAVING AND ANTI – POLLUTION – ACIDIC WASTEWATER MVR RECONSTRU – CTION AND EXPANSION PROJECT

### BACKGROUND

Based on the special properties of the pharmaceuticals produced, the acidic wastewater generated during the production process in Inner Mongolia Company has the characteristic of high chemical oxygen demand (COD) and high sulfate content. The acidic wastewater is likely to have an impact on the biochemical system in the sewage treatment system, reducing the processing efficiency of the biochemical system.

MVR technique is an energy-saving and environmentally-friendly technology that compresses the flash steam produced by the system itself to increase thermal energy, and circulates heat to the evaporation system to

reduce the demand for steam production. Inner Mongolia Company invested in the MVR evaporation concentration project to deal with the crystallization mother liquor and high-concentration wastewater like acidic wastewater generated during the production process, to reduce the concentration of wastewater entering the wastewater treatment system and to improve the efficiency of sewage treatment and safeguard the effectiveness of the biochemical system. During the Year, Inner Mongolia Company carried out renovation and expansion on the original highly-concentrated acidic wastewater MVR deep processing project.



### PROJECT STATUS

Inner Mongolia Company has completed two phases of MVR projects, which applied effective acidic wastewater pre-treatment technology, with comprehensive system designs, stable operation and high degree of automation. Inner Mongolia Company produces a total of 10,000 cubic meters of acidic wastewater per day. The original acidic wastewater MVR system has a processing capacity of 7,500 cubic meters per day, which

is insufficient to fully process the acidic wastewater. During the Year, Inner Mongolia Company renovated and expanded the acidic wastewater MVR system. After the renovation and expansion, the capacity of treating acidic wastewater reached 12,000 cubic meters per day, and acidic wastewater generated in the production process can be completely treated.

### OBJECTIVES AND EFFECTIVENESS

The renovation and expansion project performed evaporation and concentration of acidic wastewater to reduce the chemical oxygen demand (COD) of acidic wastewater from 15,000 mg to 1,500 mg per litre, the decline reached 90%. The burden on the subsequent sewage biochemical treatment equipment can be effectively reduced, which

is conducive to the reuse of reclaimed water and stable up-to-standard discharge. The project reduces the malodorous exhaust gas generated by wastewater, and realizes the treatment and reuse of condensate, which can reduce the use of fresh water by about 4,200 cubic meters per day.

## AIR PURIFICATION – ORGANIC EXHAUST GAS TREATMENT PROJECT

### BACKGROUND

Inner Mongolia Company needs to use volatile organic solvents in the production process, including butyl acetate, acetone and ethyl acetate. During the production process, a very small part of the volatile organic solvents will be emitted to the surrounding atmosphere, affecting air quality. In order to effectively reduce the impacts of the volatile organic matter on the environment, Inner Mongolia Company has configured exhaust gas treatment facilities in each project. In

some production plants, the process of "condensate recovery + activated carbon adsorption" was originally installed to treat exhaust gas. However, the process involves organic solvents adsorbed on activated carbon that cannot be recycled, waste activated carbon that is easily volatilized under saturation, activated carbon that requires frequent replacement, poor safety, and other issues.

### PROJECT STATUS

Inner Mongolia Company continued to carry out environmental improvement work during the Year to introduce a set of butyl acetate exhaust gas activated carbon adsorption regeneration device, an acetone exhaust gas activated carbon adsorption regeneration device and an ethyl acetate exhaust gas activated carbon adsorption device in relevant production plants. The regeneration devices can recycle the volatile organic solvent adsorbed in the activated carbon, and at the same time reduce the loss caused by volatilization.

In addition, Inner Mongolia Company built a secondary alkali spray tower on the base of the original alkali spray tower to enhance the efficiency of dust treatment. The dust generated in the production plants needs to be processed through the low-efficiency non-woven fabric filter, medium-efficiency chemical fibre non-glue cotton material filter, and the new alkali spray tower to further prevent pollution to the surrounding atmosphere.



### OBJECTIVES AND EFFECTIVENESS

Three sets of organic exhaust gas treatment facilities reduce the impacts of volatile organic compounds on the environment and solve the problems of the original waste gas treatment facilities. The condensate recovery and activated carbon recovery devices adopted in the organic exhaust gas treatment project can recover up to 90% of the volatile organic matter, and the recycled butyl acetate, acetone and ethyl acetate can be applied for production. While treating volatile organic

exhaust gas, the economic benefits generated are expected to be RMB1 million per year.

The newly built secondary alkali spray tower is connected in parallel with the original alkali spray tower system to form two secondary alkali spray towers, which effectively increases the collection and treatment rate of exhaust gas. The current dust treatment efficiency is as high as 95%.

## STRENGTHENING WASTE MANAGEMENT – FLY ASH AND WASTE SALT STORAGE PROJECT

### BACKGROUND

Industrial solid wastes such as fly ash, slag, desulfurization gypsum, inorganic sludge, and waste salt are produced during the production process and power generation of Inner Mongolia Company. Such wastes can be partly sold to local brick factories and cement factories as raw materials, while the remaining wastes are stored in the company's power

station fly ash storage yard as required by laws and regulations. At present, the industrial solid waste surplus of Inner Mongolia Company is increasing, so it is necessary to build a fly ash and waste salt storage yard project to unify the storage of solid waste and avoid causing environmental pollution.



### PROJECT STATUS

The newly built solid waste storage yard project has specific air pollution prevention and treatment measures, wastewater pollution prevention and treatment measures and ecological environmental protection measures. Around the yard, there are fences, wind and dust suppression nets, ceilings, alcohol and water spraying equipment for dust suppression, greening isolation belts and various air pollution prevention measures to

prevent air pollution. The major wastewater produced by the project is leachate, which is collected and undergoes sedimentation in the leachate collection tank, and all the leachate collected is reused for alcohol and water dust suppression in the storage area. The bottom sludge is transferred back and stacked up in the solid waste yard to avoid polluting the surrounding environment.

### OBJECTIVES AND EFFECTIVENESS

Inner Mongolia Company entrusted a qualified third-party enterprise to undertake the project's environmental impact assessment work, and conducted a fair analysis and evaluation of the project's environmental impacts through on-site data collection and investigation. The evaluation conclusion was approved by the Environmental Protection Authority as the basis for environmental management of this project. The newly

constructed fly ash and waste salt storage yard project is an industrial solid waste storage yard that strictly adheres to laws and regulations. It is equipped with specific atmospheric and wastewater pollution prevention and treatment measures and ecological environmental protection measures, which can safely store fly ash and waste salt.



## HARMLESS TREATMENT OF LIQUID WASTE – NEWLY BUILT INCINERATOR PROJECT

### BACKGROUND



In order to fully deal with the harmful concentrated solution produced by the MVR system, Inner Mongolia Company built a new 100 tonnes/day liquid waste incinerator on top of the original 20 tonnes/day liquid waste incinerator to harmlessly treat the harmful concentrated solution. The liquid waste

incinerator destroys the molecular structure of harmful substances through a high-temperature chemical reaction process, and can convert the harmful concentrated solution into harmless components to turn the waste into harmless and reduce the possibility of polluting the environment or harming people.

### PROJECT STATUS

The liquid waste incinerator utilizes natural gas to incinerate the concentrated solution at a high temperature of 1100°C, the hazardous solid waste then undergoes harmless treatment without producing additional hazardous waste during the process. At the same time, the flue gas generated during

incineration will be treated with "SNCR denitration + flue gas quenching device + venturi scrubber + wet electrostatic precipitator" to reduce the amount of air pollutants generated during the incineration process.

### OBJECTIVES AND EFFECTIVENESS

The treatment capacity of the liquid waste incinerator project is 100 tonnes per day, and the concentrated solution being processed by the incinerator will cause less harm to the environment. The flue gas generated during

the incineration process will undergo multiple treatments to minimize the possibility of air pollution. The use of liquid waste incinerator can also reduce Inner Mongolia Company's need for wastewater treatment.

## MAKING GOOD USE OF RESOURCES

Inner Mongolia Company puts environmental protection in the first priority, and strives to use resources efficiently at every production and operation process, improve production efficiency, and reduce waste of resources. In terms of electricity and water consumption, the Company improves production and operation processes in various ways, including internal policies, technological improvements and environmental protection projects, to

effectively reduce energy consumption while safeguarding production quality. Inner Mongolia Company's products are mainly pharmaceutical raw materials and require less packaging materials. Inner Mongolia Company actively reduces the use of packaging materials and makes good use of resources under the prerequisite of meeting relevant packaging requirements.



Cumulative investment in environmental protection is nearly **RMB2.1 billion**



Reached the energy saving target value of **3,900 tonnes** of standard coal



The annual amount of water saved by the reuse of reclaimed water is expected to reach **6.83 million tonnes**

## ENERGY CONSERVATION

Energy consumption is crucial to pharmaceutical enterprises, and the derived environmental impacts cannot be ignored. In production and daily operations, Inner Mongolia Company needs to use different energy sources, including purchased electricity, steam, and motor vehicle fuel. In response to the Country's implementation of energy conservation in major industrial segments, Inner Mongolia Company has improved energy efficiency to achieve sustainable development according to *the Energy Conservation Law of the People's Republic of China*. In order to effectively manage energy consumption, Inner Mongolia Company has formulated a comprehensive energy management system according to the *Energy Management System - Requirements and Energy Management System - Implementation Guide*, including the electricity consumption management system and steam consumption management system. Inner Mongolia Company has also set up an enterprise energy management organization to coordinate each production plant's or department's energy consumption

and energy conservation measures. In the meantime, Inner Mongolia Company has formulated control indicators of energy consumption, so that targets and plans of energy conservation can be delivered to production plants, teams and even individual positions, prompting all plant employees to jointly perform energy-saving work

In terms of power management, Inner Mongolia Company has specially set up a demand side management platform for power, installed with electricity monitoring devices at the distribution network gateway, power distribution cabinet and main power equipment to collect data in power strength and power quality indicator to monitor electricity consumption. Inner Mongolia Company will analyze the data collected by the management platform to understand the overall situation of electricity consumption and sources where power is wasted, so as to optimize the distribution network and power consumption facilities, hence reduce electricity consumption and save energy.

## CORPORATE ENERGY MANAGEMENT ORGANIZATION





Under a well-established energy management system, Inner Mongolia Company implements energy conservation work from different aspects every year. Through regular inspections of the factories' machinery operation, investigation of the feasibility of various technological updates and transformations and practical implementation of energy conservation measures, the efficiency of energy

consumption has been enhanced. During the Year, apart from continuing the strict implementation of regular energy conservation measures in factories and offices, Inner Mongolia Company also implemented different types of energy-saving optimization projects to improve energy efficiency and provide new ways of reducing consumption and conserving energy.

## ENERGY CONSERVATION MEASURES IN PRODUCTION PLANTS

- Innovated the production processes to reduce energy consumption
- Through analysis of energy consumption in production plants, we formulated feasible and rigorous performance assessments, and refined the Company's energy saving and consumption reduction assessment and reward mechanism
- Incorporated energy consumption indicators into the annual assessment of each production plant
- Acknowledged the production plants or individuals with outstanding performance in carrying out energy conservation work

## ENERGY CONSERVATION MEASURES IN OFFICES

- Prioritized the purchase of the energy conservation equipment or products with national certifications, adopted environmentally-friendly and energy-saving electrical appliances and equipment, and gradually eliminated the equipment with high energy consumption and low efficiency
- Reduced the power consumption of lighting equipment, turned on lighting only when necessary, and no lighting was turned on persistently, under the absence of workers, or during daylight
- Set computers, printers, copiers and other office equipment to low-consumption sleeping mode automatically when they were not in use, so as to reduce standby power consumption
- Made requirements on the operating temperature of the air conditioner, and not turning on air conditioning during holidays or when there were only few people working overtime

## ENERGY CONSERVATION OPTIMIZATION PROJECTS OF THE YEAR

- Optimized the water production processes of the purified water system to eliminate excessive water production and reduce power consumption of facilities
- Secondary use of high-pressure exhaust in the production plant to reduce demand for steam
- Reconstructed the expansion vessel and used the hydraulic jet pump to recycle the original waste gas
- Increased the raw material concentration by optimizing the process, reduced the equipment load of the production plant and lowered electricity consumption
- Reconstruction and expansion of acidic wastewater MVR project, which further compressed steam to circulate heat and reduced demand for steam



## REDUCTION IN WATER CONSUMPTION

Linhe District, where Inner Mongolia Company is located at, has a diverse natural ecological environment, and ecological environment care and remediation has always been the main task of the provincial government. The comprehensive aquatic ecology governance action is an important part of the construction of ecological environment protection in Inner Mongolia. Inner Mongolia Company actively coordinates with the policy to reduce water consumption and the impacts on water resources in every step of its production and daily operation in different ways. Due to the extremely strict production conditions of pharmaceutical products, it is difficult to make large adjustments to the use of water resources. Therefore, Inner Mongolia Company thoroughly understands the details

of the use of water resources and strives to reduce the consumption or waste of water resources in every detail.

In order to promote water conservation work, Inner Mongolia Company completed the testing and construction work of key environmental protection projects for reuse of reclaimed water, and the reconstruction and expansion of key environmental protection projects of acidic wastewater MVR during the Year. At the same time, Inner Mongolia Company implemented water conservation measures in production plants and offices and carried out water conservation optimization projects in the plants, bringing an increase in water reuse rate and reduction in unnecessary water consumption.

## WATER CONSERVATION MEASURES IN PRODUCTION PLANTS

- Innovated the production processes to reduce water consumption
- Incorporated consumption reduction indicators into the annual assessment of each production plant

## WATER CONSERVATION MEASURES IN OFFICES

- Strengthened the management of regular maintenance of water equipment to prevent leakage or dripping, so as to practise turning the faucet off at will

## WATER CONSERVATION OPTIMIZATION PROJECTS OF THE YEAR

- Completed the 37,000 tonnes/day reclaimed water reuse project to put recycling of wastewater into practice. It is estimated that the amount of water purchased can be reduced by around 56%, and the annual amount of water saved would be about 6.83 million tonnes
- Completed the acidic wastewater MVR reconstruction and expansion project to improve wastewater treatment capacity and achieve treatment and reuse of condensate, saving about 4,200 tonnes of water per day
- Collected used water and steam, including squeezed water, hermetic centrifugal water, deaerator exhaust, highly concentrated salt water and condensate, and reused it after filtration, pressurization and other processes to reduce fresh water consumption
- Replaced the originally used drinking water for production processes with by-products such as steam condensate and dialysate
- Optimized the water production process of the purified water system to eliminate excessive water production

## EMISSION TREATMENT

While making good use of resources, Inner Mongolia Company also pays attention to emission reduction and proper handling of emissions generated in production and daily operations. The Group strictly abides by the relevant laws and regulations on air pollution,

water pollution and solid waste, and has established an internal emission management system to systematically manage and reduce emissions to reduce the impacts on the environment.

Category	Relevant Laws, Regulations, Guidelines and Technical Specifications
Wastewater Treatment	<i>Law of the People's Republic of China on the Prevention and Control of Water Pollution</i> <i>Integrated Wastewater Discharge Standard</i> <i>Technical Guidelines for Environmental Impact Assessment – Groundwater Environment</i>
Exhaust Gas Treatment	<i>Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution</i> <i>Emission Standard of Air Pollutants for Thermal Power Plants</i> <i>Emission Standard of Air Pollutants for Pharmaceutical Industry</i> <i>Standard for Fugitive Emission of Volatile Organic Compounds</i> <i>Technical Guidelines for Environmental Impact Assessment – Atmospheric Environment</i>
Waste Treatment	<i>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste</i> <i>Technical Code for Seepage Prevention in Petrochemical Engineering</i> <i>Technical Guidelines for Solid Waste Treatment and Disposition Engineering</i> <i>Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes</i>

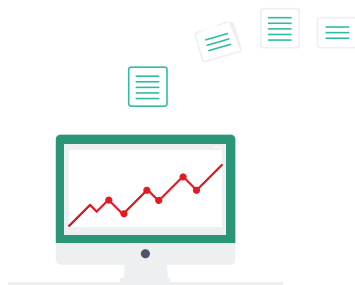
## WASTEWATER TREATMENT

The complicated production process of pharmaceutical intermediates and active pharmaceutical ingredients involves different kinds of emissions. As such, Inner Mongolia Company has implemented sewage treatment system that integrates biochemical, physicochemical, aerobiotic, and anaerobic feature to handle different wastewater produced such as acidic wastewater, cloth washing water, phenylacetic acid wastewater, crystallized mother liquor, circulating cooling water, and equipment cleaning water. Since 2007, Inner Mongolia Company has built a sewage treatment station, and has been expanding and renovating it according to the demand during operation, covering a total area of 500 acres. Through the treatment process of “pretreatment + hydrolytic acidification + Upflow Anaerobic Sludge Blanket (UASB) + Cyclic Activated Sludge

System (CASS) + catalytic oxidation + secondary sedimentation tank”, the sewage treatment station can effectively treat various water pollutants generated during the production processes in Inner Mongolia Company. The sewage treatment station is operated by professional technicians, and the system can treat nearly 50,000 cubic meters of wastewater per day. The quality of treated water can reach the legal discharge standard to avoid causing impacts on the environment. According to the relevant national regulations, Inner Mongolia Company has signed an agreement with a legally-established sewage treatment company, so that Inner Mongolia Company can send the treated water that meets the contractual requirements to the sewage treatment company for further treatment.

During the Year, in addition to maintaining an automatic monitoring system for waste water discharge, Inner Mongolia Company continued to commission a third-party institution to monitor wastewater on a quarterly basis, and no excessive wastewater discharge was reported. Through an online monitoring system, Inner Mongolia Company strictly monitored the discharge of wastewater, lowered the possibility of exceeding standard

limits, and prevented underground water pollution triggered by the “running, emitting, dropping and leakage” of wastewater during the production process. Inner Mongolia Company also acquired new technologies and introduced advanced equipment to treat high-concentration wastewater such as acidic wastewater, and strived to lower the parameter value of wastewater pollution and minimize detriments to the environment.



### ONLINE MONITORING SYSTEM ON WATER POLLUTANTS

Inner Mongolia Company has established a comprehensive pollutant monitoring system to prevent excessive discharge or improper treatment of pollutants, and reduce the risk of environmental disasters. An online monitoring system is set at the general outlet of wastewater to monitor the chemical oxygen demand (COD) and ammonia nitrogen (NH-N) concentrations of the wastewater. The relevant data would be uploaded to the website of the Urban Environment Information Monitoring Center in real time, and would be released on designated information platform at fixed time to ensure the transparency of wastewater discharge from Inner Mongolia Company.

Inner Mongolia Company's reclaimed water reuse system will be fully operational in 2020, with a maximum daily treatment capacity of 37,000 tonnes. It is expected to reduce wastewater discharge by approximately 12.21

million tonnes per year. Through the recycling of wastewater, the project can help Inner Mongolia Company to achieve the basic goal of zero wastewater discharge starting from 2020.

## EXHAUST GAS TREATMENT

Inner Mongolia Company generates air pollutants in the production process, including exhaust gas with a peculiar smell generated from sewage treatment process, exhaust gas generated from production process, phenylacetic acid exhaust gas generated from the fermentation process of phenylacetic acid recycling, smoke of coal-fired boiler and the exhaust gas emitted by the used motor vehicles. In regard to the various types of exhaust gas, Inner Mongolia Company has set corresponding treatment facilities and systems to undergo recycling or purification treatment, so as to ensure that all exhaust gas

have reached the national emission standard before being emitted. In order to ensure that the amount of emission does not exceed the legal standard, Inner Mongolia Company has formulated systems relating to pollutant monitoring. In addition to maintaining the automatic monitoring systems for relevant exhaust gases, the company has also commissioned a third party monitoring institution to regularly monitor the gas from pollution sources in every month or quarter. During the Year, all gas emission of Inner Mongolia Company did not exceed the standard limit.

## EXHAUST GAS TREATMENT FACILITIES AND SYSTEMS



For the exhaust gas with peculiar smell generated in the sewage treatment process, the factories adopt a measure to collect the odor source in a sealed way. The collected exhaust gas is deodorized through the process of “multi-level alkali spraying + ozonation” to reduce the impacts on the surrounding environment.



In regard to the technical processes of different factories and the exhaust gas released, Inner Mongolia Company handle them by adopting treatment measures such as active carbon regeneration adsorbing, active carbon fiber absorbing, low-temperature plasma, alkali spraying and catalytic oxidation, so as to greatly reduce the emission of pollutants.



In order to control the phenylacetic acid generated from fermentation plants and the peculiar odor emitted from the phenylacetic acid recycling process, Inner Mongolia Company adopts treatment processes such as the “cooling + alkali spraying + carbon fiber absorbing” to effectively prevent peculiar odor from spreading.

## WASTE TREATMENT

The Group has strict monitoring and control on the wastes generated during the production process. Apart from complying with the national laws and regulations, Inner Mongolia Company also formulates management measures and emergency plans for handling different types of wastes. The wastes generated by Inner Mongolia Company could be classified into two types, namely non-hazardous wastes and hazardous wastes.

The non-hazardous wastes include waste diatomite, sludge and glass generated by Inner Mongolia Company during production, as well as the general garbage generated in daily operation. Inner Mongolia Company considers recyclable wastes as resources, and collects and delivers them to the qualified units for reuse, so as to effectively minimize the amount of wastes disposed. For example, waste diatomite and sludge could be used to produce organic fertilizer and waste glass could be used for recycling.

During the Year, the Country issued the *Guiding Opinions on Improving the Environmental Supervision Ability, Utilization and Disposal Ability and Environmental Risk Prevention Ability of Hazardous Waste* to

further strengthen the supervision of hazardous waste. To coordinate with relevant policies, Inner Mongolia Company has formulated stricter treatment procedures to handle hazardous wastes, including hyphae slag, waste activated carbon, waste enzyme, concentrated solution of phenylacetic acid, used mineral oil and concentrated liquid in Mechanical Vapor Recompression (MVR). In order to reduce the amount of waste discarded, Inner Mongolia Company has reused the recyclable hazardous wastes, such as concentrated phenylacetic acid, for production. During the Year, Inner Mongolia Company recycled all concentrated phenylacetic acid after undergoing several tests. For the hazardous wastes that could not be recycled, such as waste activated carbon, waste enzyme, and concentrated liquid in MVR, treatment for turning them into harmless wastes was made through the boiler comprehensive treatment system of Inner Mongolia Company. The used mineral oil, which was sealed in barrels to ensure zero leakage, was transferred to the unit qualified for hazardous waste treatment for subsequent treatment. The fermented fungi residue was delivered to the qualified unit to produce organic fertilizers.

## CLEANER PRODUCTION

In order to better manage the Group's sewage discharge process, reduce pollutant emissions and avoid causing adverse effects to the environment, Inner Mongolia Company has developed cleaner production management

measures to further improve cleaner production and energy conservation and consumption reduction strategies, which include four foci:

- Incorporate the results of cleaner production audit into the daily management of the Company, and integrate the cleaner production awareness and methods into the Company's production and quality management.
- Through the implementation of performance appraisal and post duty system, we will establish a cleaner production incentive mechanism, and link the reward and punishment measures such as employee bonuses, wage distribution, criticism and recognition to cleaner production performance, so as to enhance employees' eagerness to participate in cleaner production.
- Establish a special fund for cleaner production of enterprises, and devote the economic benefits generated by the implementation of cleaner production for cleaner production in the future, so as to secure the source of funds for cleaner production. This can continuously facilitate the work of cleaner production.
- Establish long-term cleaner production planning, and further reduce material consumption and energy consumption according to the specific conditions of the enterprise, and hence gradually recycle various energy and waste generated in the production process. Production, energy conservation and environmental protection can be equally valued.

Inner Mongolia Company insists on strictly implementing clean production management methods, and maintaining production quality while gradually reducing resource consumption and pollution. We also raise

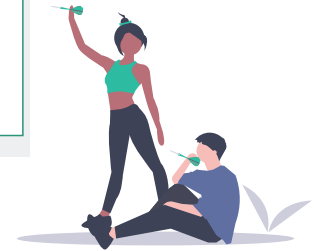
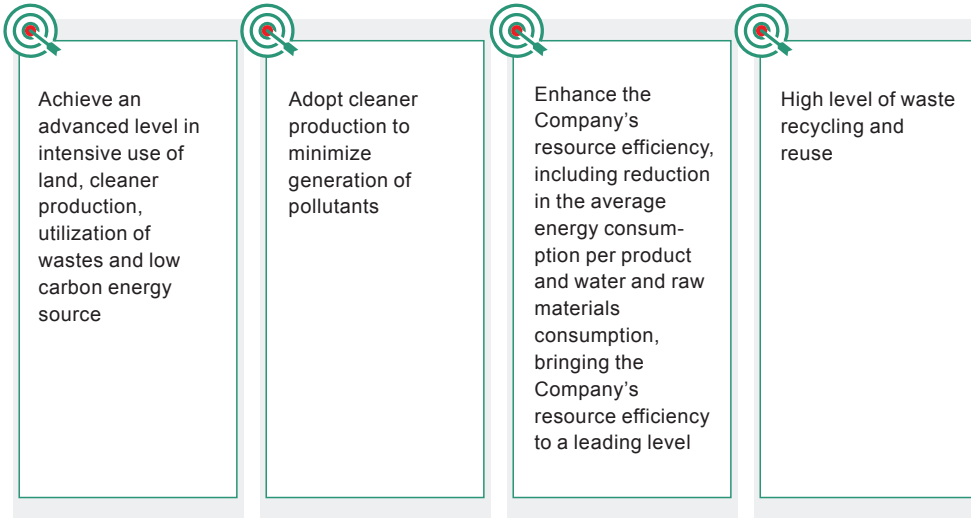
employees' awareness of cleaner production, and incorporate relevant awareness into daily operations to reduce the impacts on the environment.

## GREEN OPERATIONS

The Group always keeps in mind the environmental impacts triggered by each action in the course of business operations and production, so as to conceive corresponding response strategies and implement effective solutions to reduce the impacts. The Group attaches great importance to the performance of Inner Mongolia Company in environmental governance and strongly supports Inner Mongolia Company to conform to the corporate environmental policy and promote the construction of ecological and environmental protection. Inner Mongolia Company has adopted an environmental management system verified by

ISO14001:2015, executed the environmental protection policies and achieved higher environmental goals. Inner Mongolia Company has become a national "Green Factory" and actively promoted green production. The Group also realizes the recycling of resources through the circular economy industrial chain. To cope with climate change, the Group has strengthened the prevention and control measures for extreme weather events, strengthened environmental education and training to enhance the Group's resilience, and to establish the Company's overall environmental culture at the same time.

## GREEN FACTORY



Overall Objectives of Green Factory

Inner Mongolia Company is a national "Green Factory", which vigorously promotes cleaner production, improves production processes, formulates emergency plans for environmental emergencies and provides environmental training. It actively promotes environmental protection, and gradually incorporates the concept of green production into its corporate culture. Inner Mongolia Company has established an implementation plan for the construction of green factories. It has invested a lot of resources in the realms of "intensive land use, turning raw materials into harmless, cleaner production, waste recycling, and low-carbon energy" to systematically formulate corresponding work measures and targets, normalize green factory operation mode and

green development management, hoping to reach the advanced level of the industry in the objectives of various green factories. In order to effectively manage and maintain the characteristics of green factories, the Company has implemented assessment and reward methods for employees to carry out green environmental protection work in an orderly and efficient manner. The Group will guarantee the investment of funds in Inner Mongolia Company, strengthen technological innovation, and ensure that production technology, equipment, inputs of energy resources, products, environmental protection emissions, performance, etc. all meet the standards of national green factories.

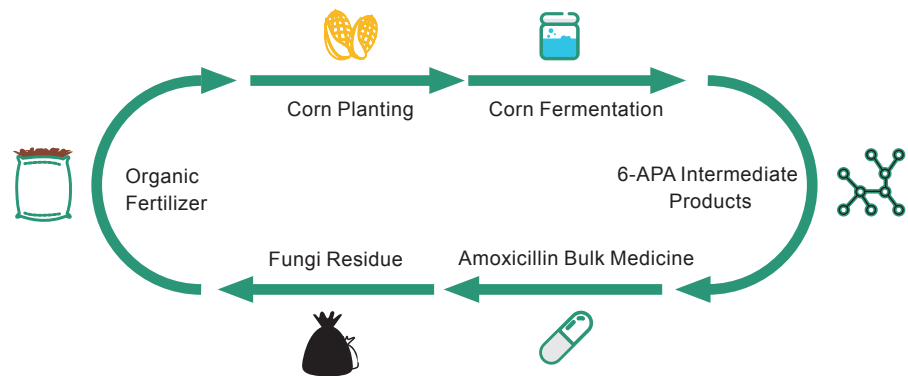
## CIRCULAR ECONOMY INDUSTRIAL CHAIN

The adoption of the "Corn fermentation— 6-APA intermediate products— amoxicillin bulk medicine" circular economy industry chain has always been an important operational strategy of the Group. Our self-designed circular economy industrial chain converts the fungi

residue generated during production into organic fertilizers, and re-invests in corn planting to achieve resource recycling, which can simultaneously reduce the environmental impacts of resource consumption and waste disposal.

Inner Mongolia Company continues to conduct research and application of production technology optimization on the circular economy industrial chain, and strives to reduce resource consumption and enhance energy resource use efficiency while

increasing output. Regarding the 6-APA fungus growing, Inner Mongolia Company has gradually applied it to various plants, successfully shortened the fermentation cycle of the fungi, and reduced the energy and resource investment in the fermentation cycle.



## RESPONDING TO CLIMATE CHANGE

Greenhouse gas emission is the most important environmental issue in China and the world in recent years. Inner Mongolia Company responds to *the Paris Agreement*, fulfills its corporate social responsibilities, actively pays attention to the impacts of operations on the environment, takes the initiative to mitigate and adapt to climate change, reduces greenhouse gas emissions and formulates contingency plans for environmental emergencies. In the production and daily operations of the Group, the main sources of greenhouse gas emissions include (i) direct greenhouse gas emissions, including stationary combustion sources such as fuel combustion of boilers used for production and heating, mobile combustion sources like vehicle fuel combustion, and use of refrigerants; (ii) indirect greenhouse gas emissions of energy, including indirect emissions from purchased electricity, methane emitted from the disposal of waste paper, water and sewage treatment; and (iii) other indirect greenhouse gas emissions, including the carbon emissions generated when employees are taking aircrafts for business trips. The Group has been working together, striving to reduce greenhouse gas emissions. The energy-saving and water-saving measures implemented by Inner Mongolia Company, as well as various innovative energy-saving and emission-reduction

projects, can not only reduce energy consumption, but also minimize greenhouse gas emissions and help slow down the rate of global warming.

During the Year, *the Blue Paper of Climate Change 2019 in China* released by the China Meteorological Administration pointed out that the risk level of natural disasters in the flood season is relatively high, and extreme weather events such as typhoons, storm surges, and heavy rains are becoming more frequent. The contingency plan for environmental emergencies formulated by the Group can effectively handle related potential disasters and reduce the risk of loss to corporate operations due to climate change. The contingency plan itemizes precautionary measures during flood seasons, which can help combat floods and other disasters during the seasons. The plan also clearly stipulates the response plan corresponding units should take when extreme weather events hit, and the emergency rescue system and procedures corresponding units should implement to prevent the leakage of hazardous materials. If the sewage station is being flooded, relevant departments must immediately close the inlet and drain valves of the sewage station and stop the system from operating, so as to prevent large-scale pollution caused by sewage overflow.



In order to coordinate emergency rescue work, Inner Mongolia Company has established an emergency rescue command centre, which has strengthened Inner Mongolia Company's ability to cope with extreme weather events, crisis resolution, and response emergencies. For hazardous chemicals, Inner Mongolia Company has specially set up detailed treatment methods for hazardous chemical leakage to minimize

the risk of disasters. During the Year, Inner Mongolia Company organized the emergency treatment drills for hydrochloric acid tank truck leakage accidents and training in contingency planning for environmental emergencies, which enabled employees at all positions to understand and familiarize themselves with the procedures and responsibilities of emergency management.

## TRAINING IN ENVIRONMENTAL PROTECTION

Employees' awareness of environmental protection is an important part of the Group's efforts to maintain green operations. Therefore, Inner Mongolia Company attaches great importance to the environmental protection training of employees, and carried out environmental protection education and training according to the annual environmental protection training plan of the Year. This enabled employees to understand the environmental impacts that may be triggered by the Company's business and corresponding mitigation measures, and strengthened employees' awareness of environmental protection.

According to the plan, each new employee of Inner Mongolia Company will be arranged to receive new employee training in environmental protection knowledge, so as to let them acquire the most fundamental knowledge of Inner Mongolia Company's environmental issues. Inner Mongolia

Company has set special training for the environmental protection commissioners, which includes content such as interpretation of laws, pollution control situation, hazardous waste storage specifications and contingency plan for environmental incidents. Through written and oral examinations, Inner Mongolia Company can clearly understand the learning outcome of employees, and ensure employees can accurately master and apply the knowledge related to environmental protection. Upon completion of the training, Inner Mongolia Company will issue a training outcome evaluation questionnaire to employees to collect opinions and analyze the training content and impacts in order to make improvement on the course. During the Year, Inner Mongolia Company also arranged employees to visit Hohhot City for an energy manager training, allowing employees to gain multiple experiences and acquire knowledge to enhance their energy management capabilities and energy efficiency at work.



## ENVIRONMENTAL KEY PERFORMANCE INDICATORS

INDICATOR		STANDARD <sup>1</sup>	2019	2018	UNIT
Waste Water	pH	6-9	7.9	8.3	/
	Chemical oxygen demand (COD) <sup>2</sup>	<300	134.25	124.73	mg/L
	Ammonia nitrogen (NH <sub>3</sub> -N) <sup>2</sup>	<20	2.72	1.69	mg/L
Exhaust Gas	Nitrogen oxides (NOX)	820	506	524	tonnes
	Sulfur oxides (SOX)	805	338	356	tonnes
	Particulate Matter (PM)	246	70	80	tonnes
Waste	Total non-hazardous waste <sup>3</sup>	—	50,085	44,896	tonnes
	Total non-hazardous waste per tonne of products	—	1.21	1.13	tonnes
	Total hazardous waste	—	249,333	251,991	tonnes
	Total hazardous waste per tonne of products	—	6.00	6.35	tonnes
Greenhouse Gas Emission	Total emission of greenhouse gas	—	1,348,441	1,423,118	tonnes Co <sub>2</sub> e
	Scope 1 – direct greenhouse gas emission <sup>4</sup>	—	1,096,278	1,140,752	tonnes Co <sub>2</sub> e
	Scope 2 – indirect greenhouse gas emission of energy	—	248,702	279,320	tonnes Co <sub>2</sub> e
	Scope 3 – other indirect greenhouse gas emission	—	3,460	3,047	tonnes Co <sub>2</sub> e
	Total emission of greenhouse gas per tonne of products	—	32.46	35.86	tonnes Co <sub>2</sub> e
Energy Consumption	Total energy consumption	—	3,675,013	3,853,434	MWh
	Direct energy consumption	—	3,393,771	3,537,569	MWh
	Fuel combustion for stationary sources <sup>4</sup>	—	3,393,376	3,537,124	MWh
	Fuel combustion for vehicles	—	394	445	MWh
	Indirect energy consumption	—	281,242	315,865	MWh
	Purchased electricity <sup>5</sup>	—	281,242	315,865	MWh
	Total energy consumption per tonne of products	—	88.45	97.09	MWh
Water Consumption	Total water consumption <sup>6</sup>	—	7,213,652	6,364,595	m <sup>3</sup>
	Water consumption per tonne of products	—	173.63	160.35	m <sup>3</sup>
Packaging Materials Consumption	Total consumption of packaging materials				
	Plastic products	—	396	350	tonnes
	Paper products	—	2,002	1,928	tonnes
	Consumption of packaging materials per tonne of products				
	Plastic products	—	9.53	8.83	kg
Paper products	—	48.19	48.58	kg	

<sup>1</sup>The emission standard of wastewater follows the Wastewater Treatment and Acceptance Agreement signed with the Linhe Dongcheng District Sewage Treatment Co., Ltd. of Bayannur; the emission standard of exhaust gas follows the amount of air emission stated on the pollutant discharge license.

<sup>2</sup>Inner Mongolia Company has made greater efforts on energy conservation and emission reduction in the Year by recycling condensate and part of the low-concentration wastewater, which resulted in the reduction in wastewater amount but increase in wastewater concentration.

<sup>3</sup>Inner Mongolia Company upgraded the record keeping method of non-hazardous waste during the Year, thus the data of 2018 has been restated. Besides, following Inner Mongolia Company's greater efforts in saving energy and reducing emissions during the Year, the amount of sludge generated at the wastewater treatment plant has increased. Meanwhile, because of equipment maintenance, the amount of sludge digested has decreased. Both changes as mentioned led to the increase in the total amount of non-hazardous waste of the Year.

<sup>4</sup>Inner Mongolia Company upgraded the record keeping method of fuel combustion for stationary sources during the Year, which in turn included fuel consumption figures of another boiler used for production into the scope of record. The energy consumption of fuel combustion for stationary sources and the corresponding greenhouse gas emission data of 2018 have therefore been restated.

<sup>5</sup>The amount of purchased electricity decreased as Inner Mongolia Company was temporarily out of production due to plant maintenance and the operation time of certain production lines was reduced during the Year.

<sup>6</sup>The total product amount of Inner Mongolia Company of the Year has increased, which involved more of the production lines with a higher water intake, resulting in the increase in total water consumption.

## CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Chapter	Page
<b>Environment</b>			
A1 Emissions	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Treatment	64-67
A1.1	Types of discharges and related discharge information.	Emission Treatment Environmental Key Performance Indicators	64-67; 71
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	71
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	71
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	71
A1.5	Description of the measures to mitigate emissions and the results achieved.	Emission Treatment Green Operations	64-67; 67-70
A1.6	Description of the methods to handle hazardous and non-hazardous wastes, the measures to reduce output volume and the results achieved.	Emission Treatment Green Operations	64-67; 67-70
A2 Resource Use	General disclosure Policies on effective use of resources (including energy, water and other raw materials)	Making Good Use of Resources	59-63
A2.1	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).	Environmental Key Performance Indicators	71
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	71
A2.3	Description of energy use efficiency initiatives and results achieved.	Making Good Use of Resources	59-63
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Making Good Use of Resources	59-63
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Key Performance Indicators	71
A3 Environmental and Natural Resources	General disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Operations	67-70
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations	67-70
<b>Society</b>			
B1 Employment	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Talent Attraction Employee Management Care for Employees	34-35; 36-37; 42-43
B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Attraction	34-35
B1.2	Employee turnover rate by gender, age group and geographical region.	Talent Attraction	34-35

ESG Indicators	Overview	Chapter	Page
B2 Health and Safety	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	43-46
B2. 1	Number and rate of work-related fatalities.	Occupational Health and Safety	43-46
B2. 2	Lost days due to work injury.	No disclosure in the Year	
B2. 3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	43-46
B3 Development and Training	General disclosure Policies on improving employees' knowledge and skills for discharging job duties. Description of training activities.	Training and Development	38-41
B3. 1	Description of occupational health and safety measures adopted, how they are implemented and monitored.	No disclosure in the Year	
B3. 2	The average training hours completed per employee by gender and employee category.	No disclosure in the Year	
B4 Labour Standards	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Talent Attraction	34-35
B4. 1	Description of measures to review employment practices to avoid child and forced labour.	Talent Attraction	34-35
B4. 2	Description of steps taken to eliminate such practices when discovered.	Talent Attraction	34-35
B5 Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management	26-28
B5. 1	Number of suppliers by geographical region.	Sustainable Supply Chain Management	26-28
B5. 2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Sustainable Supply Chain Management	26-28
B6 Product Responsibility	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Quality Management Product Marketing and Promotion Work and Information Security	13-16; 17; 28-29
B6. 1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Customer Service Management	18-19
B6. 2	Number of products and service-related complaints received and how they are dealt with.	Customer Service Management	18-19
B6. 3	Description of practices relating to observing and protecting intellectual property rights.	Research, Development and Innovation Protection of Intellectual Property	21-23; 24
B6. 4	Description of quality assurance process and recall procedures.	Quality Management Customer Service Management	13-16; 18-19
B6. 5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Work and Information Security	28-29
B7 Anti-corruption	General disclosure on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Building a Culture of Integrity Anti-corruption	31-32; 32
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.	Building a Culture of Integrity	31-32
B7. 2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	32
B8 Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Facilitating the Development of the Pharmaceutical Industry Giving Back to Society	48-50; 50-52
B8. 1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Facilitating the Development of the Pharmaceutical Industry Giving Back to Society	48-50; 50-52
B8. 2	Resources contributed (e.g. money or time) to the focus area.	Facilitating the Development of the Pharmaceutical Industry Giving Back to Society	48-50; 50-52

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