

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. About the Report

The Report is the fourth environmental, social and governance (“ESG”) report of CMS, dating from 1 January 2019 to 31 December 2019. The Report is disclosed annually.

### 1.1 Basis of Preparation

The Report is prepared as per *Appendix 27 Environmental, Social and Governance Reporting Guide of Main Board Listing Rules* issued by the Stock Exchange of Hong Kong Ltd.

The contents of the Report were formulated through systematic procedures, including: project kickoff, cross-functional communication, review of 2018 stakeholder questionnaires, review and ranking of the ESG material issues, setting of 2020 ESG management goals, determination of the disclosure scope of the Report, discussion and participation of the Board of Directors, collection of relevant information and data, review of the relevant information and data, preparation of the Report, Board of Directors’ review and final approval.

### 1.2 Scope of the Report

The Report discloses the ESG risks and performances of the Group conforming to the principle of “Materiality” mentioned in the *Environmental, Social and Governance Reporting Guide*. Unless otherwise indicated, the scope of the Report includes the Company, its wholly owned subsidiaries and majority owned subsidiaries (including pharmaceutical promotion and network management business, pharmaceutical production business, and agriculture and livestock business. During the Reporting Period, the products from agriculture and livestock business were only for internal consumption and did not contribute to the Group’s revenue).

### 1.3 Data Source and Reliability Statement

The materials and cases disclosed in the Report were extracted from the Group’s relevant reports and archives. The Group undertakes that the Report does not contain any false information or misleading statements, and is responsible for the content of the Report as to its authenticity, accuracy and completeness.

### 1.4 Confirmation and Approval

The Board of Directors and senior management team of the Group have approved the Report to ensure that there is no false information, misleading statements or major omissions in its content.

### 1.5 Obtaining the Report

The Report, as a part of the Group’s 2019 Annual Report, can be accessed and downloaded from the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Group’s website ([www.cms.net.cn](http://www.cms.net.cn)). For further consultation, any opinion or suggestion of the Report, please contact the Group via [ir@cms.net.cn](mailto:ir@cms.net.cn).

## 2. ESG Management

As a well-established, innovation-driven specialty pharma with a focus on sales and marketing in China, CMS is committed to offering competitive products and services to meet China’s unmet medical needs. The Group undertakes “carrying out the concept of environmental protection, achieving the value of social responsibility, being committed to becoming a leading sustainable pharmaceutical enterprise in China” as its goal of sustainable development, and fulfills the core values of “value creation for customers, global reach for innovation, dedication and perseverance, ethics and integrity, professionalism and entrepreneurship”.

### 2.1 ESG Governance

In order to continuously improve its overall ESG management level, CMS has formulated and gradually enhanced a three-tier ESG governance framework to carry out the ESG management as shown in Figure 1:

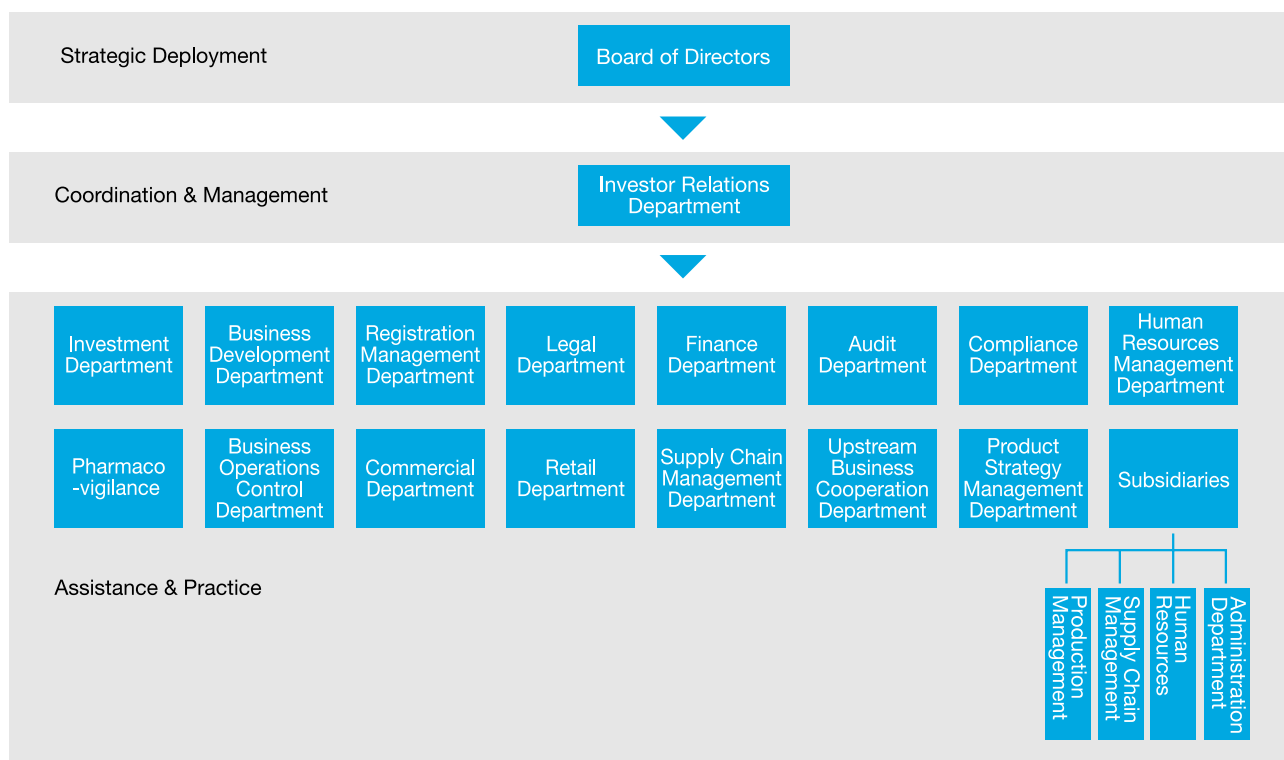


Figure 1 CMS's ESG Governance Framework

- At the top level, Strategic Deployment, the Board of Directors leads ESG management by strategy formulation, administrative system approval, ESG management goals and material issues discussion, and the review and approval of the ESG Reports and other ESG work deliverables, etc.;
- At the second level, Coordination and Management, the Investor Relations Department of the Group coordinates the implementation of ESG management by coordinating and arranging the annual ESG work for each relevant department and subsidiary, including coordinating ESG-related project improvement progress, report drafting and information disclosure, as well as reporting to the Strategic Deployment level about the ESG work progress and deliverables periodically;
- At the third level, Assistance and Practice, each department and subsidiary of the Group appoints its own ESG coordinator, whose job responsibilities include drafting and implementation of ESG related policies and provisions, collection and reporting of ESG information, and reporting of ESG work deliverables.

The Group's ESG management work follows a closed-loop process: first, setting the annual ESG management goals; then making the corresponding ESG management measures and plans based on the ESG management goals; conducting daily ESG management, monitoring dynamic ESG information and drafting annual ESG report based on the measures and plans; making and implementing supporting improvement plans for issues existing in ESG management practice based on the annual ESG report preparation workflow and in consideration of internal communication, internal audit and stakeholders' concerns; checking work performance at the end of the year, and making adjustments and formulating new goals in time according to the latest progress.

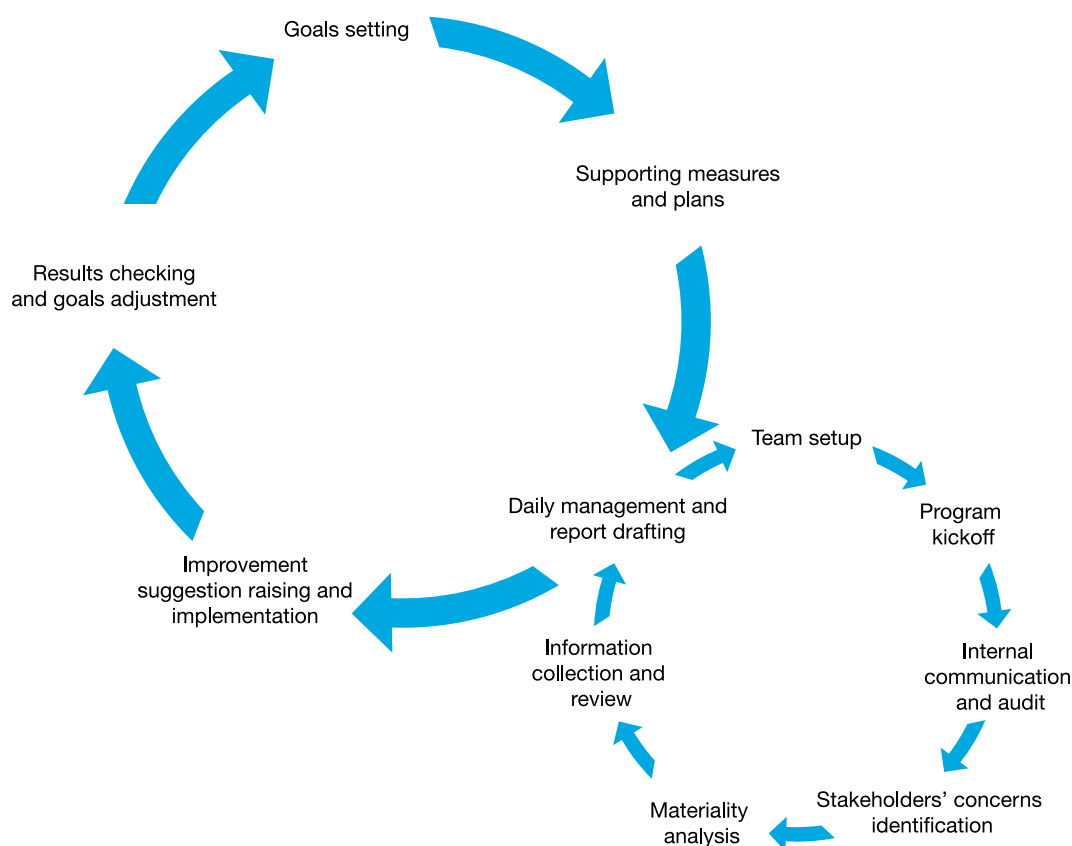


Figure 2 CMS's ESG Management Flow Diagram

## 2.2 ESG Goal

The Group attaches great importance to ESG goals management. In December 2019, the Board of Directors comprehensively reviewed the achievement of CMS's ESG goals for the year and formulated the ESG goals for the next year. See below for CMS's 2019 ESG management condition and 2020 ESG management goal.

Table 1 CMS's 2019 ESG Management Condition and 2020 ESG Management Goal

2019 ESG Management Condition	2020 ESG Management Goal
The Board of Directors participated in and discussed the ESG governance; had a definite ESG management framework, working group, and working process	Deepen the engagement of the Board of Directors in ESG governance; improve the ESG governance framework and mechanism, to further raise the attention of the concept of sustainable development within the Company and increase the number of ESG related training programs; further improve the ESG related management system and policies
Established relatively comprehensive compliance and anti-corruption related policies and management structure; implemented compliance management using digital technical platforms; further revised and clarified the anti-corruption system and whistleblower protection system	Further improve the rules and regulations on compliance management, practice compliance management and control by using abundant management tools, optimize risk management and internal control processes; improve and promote anti-corruption related systems, and increase management intensity, to achieve comprehensive management and control of compliance operations
Comprehensively controlled the procurement, production, storage, transportation, sales and other product quality related sections, and improved the traceability system; sought for innovative products with a global view and focused on unmet clinical needs in China	Uphold continuing quality improvement and quality first to improve product quality management constantly; strengthen the continuous construction and improvement of the intellectual property protection; constantly promote innovative research and development
Established good communication, cooperation and supervision mechanisms with suppliers	Further improve the hierarchical management of suppliers and the supervision and management of their environmental and social risks, formulate corresponding regulatory documents
Provided relatively comprehensive safety, health, development, training, compensation and welfare systems for employees	Deeply understand the demands of employees, constantly optimize organizational atmosphere; increase the number of training for the management and employees; improve the compensation and welfare system and the promotion mechanism to reinforce employee satisfaction
Implemented the concept of environmental protection through training; strengthened internal audit related to environmental protection, and controlled and managed emissions and utilization of resources	Enhance environmental awareness among all employees, expand the coverage of environmental protection training; and gradually formulate quantitative environmental goals to promote the Company's energy conservation and emission reduction

## 2.3 ESG Communication

According to stakeholder' demands, CMS has established a routine stakeholder communication system. The Group is committed to fulfilling the positive interactions with stakeholders via the targeted and diverse ways of communication, and making active response to their needs, pushing forward the implementation of sustainable development. CMS has established a connection with stakeholders via the following communication methods:

Table 2 CMS's Stakeholder Communication Methods

Stakeholder	Communication Appeal	Communication Method
Governmental and regulatory authority	<ul style="list-style-type: none"> <li>Compliance with laws and regulations, drug safety</li> <li>Compliance operation under supervision</li> <li>Taxation, employment creation</li> </ul>	<ul style="list-style-type: none"> <li>✓ Government-company seminar</li> <li>✓ Supervision and inspection</li> <li>✓ Work report and research</li> </ul>
Investor/Shareholder	<ul style="list-style-type: none"> <li>Standardized governance, rigorous risk control</li> <li>Stable operation, value creation</li> <li>Disclosure compliance, openness and transparency</li> </ul>	<ul style="list-style-type: none"> <li>✓ General meeting</li> <li>✓ Operation information, announcement and periodic report</li> <li>✓ Telephone, fax, email, internet-voting for general meeting</li> <li>✓ Company official website and WeChat official account</li> <li>✓ Investor visit, meeting and presentation</li> <li>✓ External road show</li> </ul>
Supplier	<ul style="list-style-type: none"> <li>Open and fair procurement</li> <li>Timely communication, win-win developments</li> </ul>	<ul style="list-style-type: none"> <li>✓ Face-to-face meeting and mutual visit</li> <li>✓ Work meeting and communication via telephone and email</li> <li>✓ Company official website</li> <li>✓ Industrial seminar</li> <li>✓ Public bidding</li> </ul>
Distributor	<ul style="list-style-type: none"> <li>Operation with integrity, compliant products</li> <li>Timely communication, win-win developments</li> </ul>	<ul style="list-style-type: none"> <li>✓ Work meeting and communication via telephone and email</li> <li>✓ Company official website</li> <li>✓ Customer service hotline</li> <li>✓ Face-to-face meeting and mutual visit</li> </ul>
Employee	<ul style="list-style-type: none"> <li>Protection of rights and interests</li> <li>Employees caring, respond of employee appeals</li> <li>Remuneration packages, training and development</li> </ul>	<ul style="list-style-type: none"> <li>✓ Occupational health and safety training</li> <li>✓ Team building activity</li> <li>✓ Feedback platform</li> <li>✓ Daily communication and meeting</li> </ul>
External practitioner in the pharmaceutical industry	<ul style="list-style-type: none"> <li>Product safety, protection of rights and interests</li> <li>Protection of privacy, business ethics</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disclosure of product label and other information</li> <li>✓ Academic conference</li> <li>✓ Processing of customer complaint and feedback</li> </ul>
General public	<ul style="list-style-type: none"> <li>Good interaction, information transparency</li> <li>Product safety, protection of rights and interests</li> <li>Privacy protection, business ethics</li> <li>Public welfare and charity</li> <li>Community development</li> <li>Social value</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disclosure of product label and other information</li> <li>✓ Handling of consumer complaint and opinion</li> <li>✓ Implementation of public service activities</li> <li>✓ Propaganda of medicine and health knowledge</li> <li>✓ Company official website</li> </ul>

## 2.4 ESG Materiality Analysis

Since CMS did not undergo material changes in its business operations or ESG management this year, the Group has invited professional consultants to review and assess issues on the sustainable development of the Group during the preparation of the ESG report this year. Based on the feedback of the stakeholders on the existing issues and the comparison with the list of ESG material issues of the peer companies, alongside the consideration of the analysis of the ESG material issues in the previous year, the Group has sorted, updated and summarized the material issues for the year concerning its sustainable development, which constitute the documentation basis of the Report.

### Materiality Assessment Procedure

- Construction on a library of issues: updated and enhanced the CMS 2019 ESG material issues list based on the *Environmental, Social and Governance Reporting Guide* of the Stock Exchange, the review of previous ESG related issues and the Group's conditions of the year, the development of the pharmaceutical industry and the stakeholders' concerns;
- Review and approval: submitted the materiality assessment report to the Board of Directors, who reviewed and approved it subsequently.

Based on the results of issue analysis, peer benchmarking, and discussions among the Board of Directors, the Group has ranked the materiality of each issue as follow:

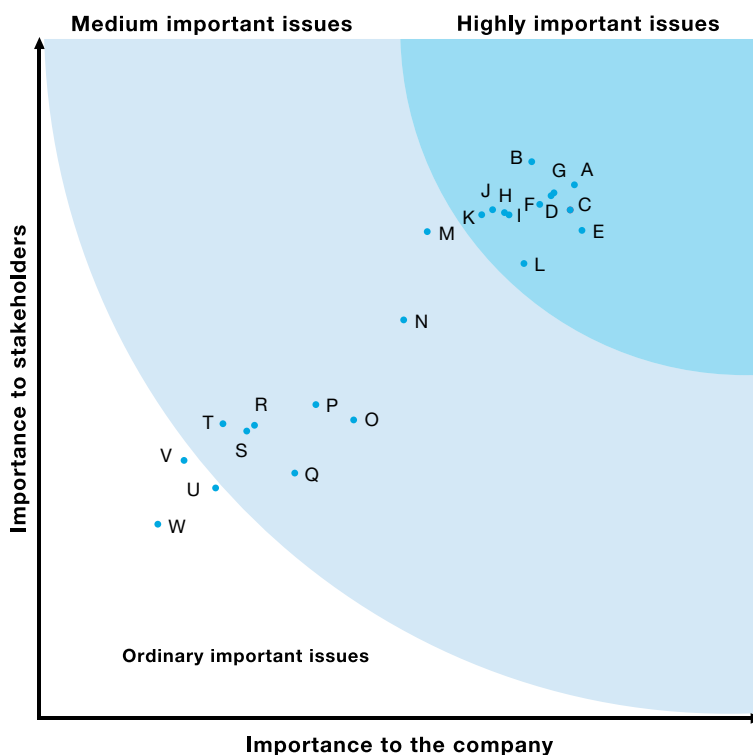


Figure 3 CMS's ESG Materiality Analysis Matrix

The materiality assessment of 2019 ESG issues for CMS found 12 highly important issues, 8 medium important issues and 3 ordinary important issues, the details of which are listed below:

Table 3 CMS's Materiality Analysis List

Importance of issue	Issue scope	Issue No.	Issue
Highly important issue	Company governance	A	Ensuring product and service quality
	Company governance	B	Caring about employee safety and health
	Company governance	C	Compliance operation
	Company governance	D	Improving the pharmacovigilance and drug recall mechanism
	Company governance	E	Providing competitive salary
	Company governance	F	Protecting of intellectual properties
	Company governance	G	Strengthening innovative research and development
	Company governance	H	Constructing a good company governance system
	Company governance	I	Employees training and development
	Company governance	J	Compliance employment
	Company governance	K	Protecting customer rights, interests and privacy
	Company governance	L	Improving the anti-corruption and anti-bribery system
Medium important issue	Company governance	M	Promoting the sustainable development of supply chain
	Social responsibility	N	Promoting the advancement of the medical progress
	Environmental protection	O	Proper treatment of solid waste
	Environmental protection	P	Making guidelines and setting goals for environmental protection work
	Environmental protection	Q	Pollutant emission and management
	Environmental protection	R	Energy conservation
	Environmental protection	S	Water conservation
	Social responsibility	T	Participation of public welfare charity, disaster relief activities and others
Ordinary important issue	Environmental protection	U	Saving packaging materials
	Social responsibility	V	Supporting community development
	Environmental protection	W	Reducing greenhouse gas emissions

Based on the assessment results, the Group has documented the ESG Report to respond to stakeholders' concerns in an orderly manner.

### 3. Compliance Operation

The Group always attaches importance to compliance management and strictly abides by the applicable laws and regulations, including but not limited to the *Law of the People's Republic of China on Anti-Money Laundering*, *Law of the People's Republic of China Against Unfair Competition*, *Criminal Law of the People's Republic of China*, *Interim Provisions on Banning Commercial Bribery* of the State Administration for Industry and Commerce, *Hong Kong Prevention of Bribery Ordinance*, etc. During the Reporting Period, the Group has introduced the 2019 version of the *CMS Anti-fraud Management Policy*, an updated version of the Group's *Anti-fraud Management Policy* issued in 2015.

The Group continues to promote its compliance management with comprehensive policy system, complete organizational structure, definite department positioning, and digital technology platform. The Group also attaches great importance to anti-corruption. It has established a relatively comprehensive anti-corruption behavior regulation system, training system and supervision system, and continuously improved the whistleblower protection system, optimized risk management and internal control mechanisms, so as to achieve comprehensive management and control of compliance operation.

#### 3.1 Compliance Marketing and Promotion

The Group has established a complete, top-bottom compliance management framework, including core elements such as compliance rules and regulations, compliance team, compliance training, compliance inspection, compliance communication and reporting. And the Group also has a smooth management process covering marketing and sales compliance and all the functional departments.





### 3.1.1 Compliance Rules and Regulations

The Group adheres to the concept of compliance marketing and sales, and operates business under strict ethics standards and professionalism. The Group has formulated relatively comprehensive internal compliance promotion rules and regulations, Standard Operating Procedures (SOPs), such as the *CMS Employee Code of Professional Ethics*, *Code of Promotional Conduct*, *Speaker Regulations*, and *General Specification on Market Activities* to achieve omni-directional compliance management.

### 3.1.2 Compliance Training

The Group is well aware of that strengthening and implementing the Group's compliance training system is an indispensable part of its compliance management. Accordingly, the Group has established a compliance training system covering all employees, including all promotional staff in each region. During the Reporting Period, a total of 28 online and offline compliance training programs were conducted. The Group's employees received specific modules of training program since they were hired. Online training has been conducted when the latest compliance-related policies were published, and the latest compliance information has been disclosed monthly on the internal communication platform as well. Moreover, the "I want to ask compliance questions" column has been established to publicize compliance laws and regulations, the Company's policies combined with practical cases.

### 3.1.3 Compliance Inspection, Communication and Reporting

The Group's Compliance Department periodically inspects compliance operation and conducts KPI assessments based on the results of each inspection. There are regional compliance teams and regional financial compliance officers in each region to carry out refined compliance management. Based on the existing Compliance Department, the Group has established the Compliance Committee during the Reporting Period for better coordination and management of compliance operation. Chaired by Mr. Lam Kong, the Chairman of the Group, the Committee is composed of ten other senior managers, including the Group's executive directors, the respective director of the Legal Department, the Compliance Department and the Marketing Division of Product Strategy Management Department. The responsibility of the Compliance Committee is to coordinate and supervise the Group's compliance management in operation. The reports on the overall performance of the Group's compliance work will be submitted by the Compliance Department and discussed at the Compliance Committee's quarterly meeting.

## 3.2 Anti-corruption

### 3.2.1 Anti-corruption Management

The Group provides a clear code of working behavior for each employee, forbidding employees to engage in any improper behavior such as bribery, corruption, extortion, fraud, or money laundering while interacting with internal and external stakeholders. When the employee is found with improper behaviors, the promotion of the employee will be affected. In serious circumstances, warning or dismissal will be considered.

The Group has established and strictly implemented an anti-corruption training system. The anti-corruption-related materials are provided to employees in the quarterly new employee training program and compliance training program. During the Reporting Period, a company-wide study of the *CMS Anti-fraud Management Policy* has been conducted from director to employee level. The number of participants has reached 3,278, and the learning program is still ongoing.

The Group has established a multi-dimensional behavior regulation and supervision system to prevent internal and external improper business practices. In addition to the Group's Compliance Committee and the Compliance Department, the Finance Department formulates financial management measures based on the compliance framework and strengthens process management via the intelligent cloud system. These initiatives are installed to enhance the transparency of expenses and the compliance of promotion activities of the departments engaged in sales and marketing. In addition, the Legal Department controls and prevents legal risks for the Group.

During the Reporting Period, the Group's rigorous and thorough anti-corruption system ensured that no corruption lawsuits against the Group. The Group did not violate any related laws or provisions that significantly impacted the Group in the aspects of anti-bribery, extortion, fraud and money laundering.

### **3.2.2 Whistleblower Protection**

The Group encourages employees to report and complain about corruption acts via phone and email. The Group has established a detailed reporting system and procedures. The reports will be discussed on a case-by-case basis and handled hierarchically. The employees involved are required to evade, ensuring fairness and impartiality of the cases processing. Definite responses and feedback will be given to the whistleblower within three business days after the completion of the investigation.

The latest *CMS Anti-fraud Management Policy* released by the Group further defined the whistleblowers protection system. The Group will take detailed confidentiality measures to protect the whistleblowing-related documents and the whistleblower's personal information. The Group will not disclose his/her identity without the consent of the whistleblower. Anyone who intends to inquire about any related information other than the whistleblower's personal information should register in the Compliance Department. The Group will ensure that employee who reports any of the above matters will not be subject to any form of intimidation, retaliation or inappropriate punishment. Harassing or harming the whistleblower will be considered as severe misconduct and punished seriously once confirmed.

## **4. Product Liability**

The Group strictly complies with the applicable national laws and regulations such as the *Drug Administration Law of the People's Republic of China*, *Regulations for Implementation on Drug Administration Law of the People's Republic of China* and is dedicated to providing competitive products and services. Guided by "Quality first, Consumer first, Procedure management, Continuous improvement", the Group continuously improves product quality management and customer service system to improve customer satisfaction. Based on evidence of evidence-based medicine and authoritative academic profile of drugs, the Group carries out market activities in a compliant, scientific, and responsible manner. The Group also comprehensively promotes innovative research and development to facilitate the progress of public health.

## 4.1 Quality and Safety of Products and Services

In terms of health and safety, advertising, labeling, privacy, intellectual property and remedial measures for products and services, the Group strictly abides by the applicable national laws and regulations including but not limited to: *Provision for Drug Registration, Provisions for Medical Device Registration, Good Manufacture Practice of Drugs, Measures for the Supervision and Administration of Drugs Production, Provisions for Supervision of Drug Distribution, Good Supplying Practice of Drugs, Administrative Measures for the Import of Drugs, Provisions for Adverse Drug Reaction Reporting and Monitoring, Provisions for Drug Insert Sheets and Labels, Advertisement Law of the People's Republic of China, Interim Measures on the Examination and Administration of Advertisement for Drugs, Medical Devices, Health Foods and Foods for Special Medical Purposes and the Law of the People's Republic of China on Safeguarding the Consumer Rights and Interests.*

In accordance with the laws and regulations and the requirements of Good Supply Practice of Drugs ("GSP"), the Group has established quality management system for drug production and operation. It adopts effective quality control measures in the entire drug production process and operation processes, including procurement, storage, transportation, sales, etc. to ensure product quality and safety. The drug quality management policy system of the Group includes *Regulations on Drug Procurement, Regulations on Drug Reception, Regulations on Drug Check and Acceptance, Regulations on Drug Storage, Regulations on Drug Maintenance, Regulations on Drug Transportation, Regulations on Drug Sale, Regulations on Quality Inquiry, Regulations on Quality Complaints, and Regulations on Drug Recall.* The whole process management was realized.

### 4.1.1 Safety and Quality Assurance

The finished products promoted and sold by the Group are mainly manufactured in countries of manufacturing origins (the suppliers) such as Germany, Denmark, the United Kingdom, France and China to ensure product quality maximally. A small fraction of the rest are self-produced (during the Reporting Period, self-produced products only accounted for around 4% of the Group's total sales excluding the effect of the "two-invoice system"). All products promoted and sold by the Group have been registered and approved by the NMPA. 100% of the subsidiaries with core business in pharmaceutical promotions and sales have been GSP certified with validity, and 100% of the subsidiaries with core business in pharmaceutical manufacturing have been Good Manufacturing Practices ("GMP") certified.

The Group has established job responsibilities, job requirements, and evaluation systems for employees engaged in drug procurement, storage, and quality inspection. The Group also conducts job-related knowledge training regularly. In 2019, the Group provided training in respect of the *Law of the People's Republic of China on Drug Administration* (amended in 2019) for the relevant employees. The training covered more than 3,000 attendances company-wide. All the measures ensure that drugs are always under safe and standardized management and control.

In the production process for self-produced products, the Group conducts strict inspection of the incoming raw materials, including information crosschecking and sampling. Only the raw materials that have passed the examination will be accepted, the whole process of which is monitored by the specialized staff. Equipment that meets the requirements is used for inspecting raw materials and finished products, and an Inspection Report will be issued when the examination has been passed. These initiatives are instituted to ensure compliance with the national standards for drugs. The Group establishes a traceable product and material database. In the case of unqualified raw materials or finished products, they will be handled according to the procedure on unqualified products management. At the same time, a special investigation team will be set up to investigate the cause and rectify it.

For the purchased finished drugs, the Group conducts strict inspection as per GSP requirement, and examines the inspection reports of the same batch (such as Import Inspection Report and/or Inspection Report of Manufacturer) to ensure quality compliance with national requirements. Once a quality deficiency is found, the Quality Management Department will report it in writing. When the products are confirmed as unqualified, the Storage and Logistics Division of Supply Chain Management Department will transfer the products to the “unqualified zone” for separate storage and special custody. And these products will be recalled and returned to the suppliers, or applied to be discarded or destroyed if necessary after evaluation. Usually the products in the “unqualified zone” will be destroyed annually.

The Group has 24 finished drug warehouses all equipped with corresponding storage facilities and equipments. The Group assigns drug maintenance staff to keep the drugs according to their quality characteristics strictly under requirements of the regulations including *Regulations on Drug Storage* and *Regulations on Drug Maintenance*. The maintenance staff constantly monitors the warehouse temperature and humidity and the storage condition of the drugs, conducts regular inspections on and maintenance of facilities and equipment, as well as conducts a summary analysis quarterly. Before the delivery and sales of the finished products, the Storage and Logistics Division of Supply Chain Management Department conducts a warehouse-out rechecking based on regulation requirements, to ensure package integrity and product safety. During the Reporting Period, the Storage and Logistics Division of Supply Chain Management Department also completed annual staff training on drug storage knowledge, combined with monthly inspections, to confirm the drugs’ storage safety. The Quality Management Department of the Group conducts at least one internal audit of warehousing per year, evaluating the status of warehouse hygiene, drug stacking, bulk goods storage and monitoring the improvement process.

The Group has self-built a computerized information management system that complies with GSP requirements to apply effective quality control in the processes of procurement, storage, sale, and transportation of drugs to ensure drugs’ quality.

#### 4.1.2 Handling of Consumer Complaints and Product Adverse Reactions

The Quality Management Department oversees product quality complaints. The Group has established the *Provisions for Quality Complaints* and *Operation Procedures for Quality Complaints*. The Group also provided specialized reporting channels and methods for drug quality complaints and adverse reactions/events. Customers can complain or report to the Group via telephone, fax, email etc. After receiving complaints, the Quality Management Department will timely record the relevant information in the complaint record system and handle the complaints hierarchically. Having gone through the process that includes investigation, timely follow-up, archive filling and others, the complaints will be effectively handled, and the feedbacks will be provided to the complainant timely.

The Group has set up a pharmacovigilance team for establishment and improvement of the pharmacovigilance system to fulfill the duty and obligation of pharmacovigilance. The team collects, handles and reports safety information about adverse reactions/events and abides by the applicable SOPs such as *Management Regulations on Drug Adverse Reaction Reporting and Monitoring* and *Operation Regulations on Drug Adverse Reaction Reporting and Monitoring* to implement the requirements of the regulatory authorities and fulfill the duties of the domestic and overseas drug/medical device marketing license holders (and/or pharmacovigilance agents designated by the domestic and overseas drug/medical device marketing license holders). After being informed of the adverse reaction/event, the pharmacovigilance team will follow the applicable management procedures and SOPs, to manage and monitor the adverse reaction/event with the digital pharmacovigilance system. It will timely and truthfully record adverse reaction/event, investigate, analyze, assess and summarize, then report to the regulatory authorities as required, fulfilling obligations of the security data exchange stated in the relevant agreement. The Group periodically evaluates product risks in accordance with the *Operation Procedures on the Preparation, Review, Submission and Tracking of the Report on the Periodic Safety Update of Drugs and the Annual Report on Adverse Reaction Monitoring* and *Operation Regulations on Drug Safety Signal Detection*, and conducts safety management of the product life cycle. The Group maintains close communication with the domestic and overseas drug/medical device marketing license holders and the regulatory authorities to ensure continued compliance of pharmacovigilance work and patients' medication safety.

During the Reporting Period, the Group received a total of 150 complaints. The Group has ensured that all complaints were effectively handled and responded, and has made relative improvement in time. Therefore, the Group maintained a complaint handling rate of 100% during the year.

#### 4.1.3 Product Recall

The Group has established and continuously improved the *Provisions on Drug Recall* and *Operation Procedures on Drug Recall* for the recalling of drugs with safety risks that are circulated in the market basing on the relevant regulatory requirements. If there is a potential safety hazard in product, the Group will immediately establish a recall work team to initiate the recall process. It includes full notification, submission of the relevant documents to the regulatory authorities, transportation of the circulated products, sealing of inventory, unified and isolated storage, full-inspection, full-process investigation, and written summary, etc. The Group has established a relatively comprehensive and mature recall mechanism and operating procedures, together with practicing simulated recall exercise, to ensure that defective products can be effectively recalled in an emergency, so that to protect customers' rights.

During the Reporting Period, the Group did not receive any sold and delivered product recalls due to safety and health reasons.

The Group's product and service quality data in 2019 is shown below:

Table 4 Product and Service Quality Data

	Unit	Year 2019
Response and handling rate for product and service quality related complaints	%	100
Percentage of sold and delivered product recalls due to safety and health problems	%	0

#### 4.1.4 Standardized Marketing and Promotion

The Group pays attention to marketing and promotion compliance and has established the *Speakers Regulations*, *Academic Promotion Materials Regulations*, *Drug Advertisements Regulations*, etc. to ensure the accuracy, professionalism and compliance of the promotional materials and the stringent compliance of advertising with the national rules and regulations. The contents of the Group's promotional materials are consistent with the instructions approved by the NMPA. They can only be published in professional magazines co-designated by the National Health Commission and the NMPA after being reviewed by related internal departments, and being approved by the Provincial Food and Drug Administration. At the same time, the Group has established the *Provisions for Label Control and Management* to ensure the drug classification and drug package labeling comply with the local laws and regulations, and *Operation Procedure of Design, Review and Approval of Printing Packaging Materials* has been formulated to ensure the label complying with registration approval requirements.

#### 4.1.5 Consumer Privacy Protection

The Group attaches great importance to consumer privacy protection and maintains the confidentiality of nonpublic information on behalf of customers and other stakeholders of the Group conforming to related laws and regulations as well as applicable contracts. Both the *CMS Employee Code of Professional Ethics* and *CMS Employee Manual* specify requirements on the third-party privacy protection. Through the confidentiality agreements, the importance of confidentiality duties and the legal consequences of confidentiality violation are also delivered and emphasized. Moreover, the Group's business management system manages customers' information access and maintenance with limited authorization. Non-authorized employees cannot use, export or copy any customer information.

#### 4.2 Protection of Intellectual Properties

The Group strictly abides by the applicable laws and regulations such as the *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China*, etc. External trademarks and patents of the third parties are used in strict accordance with the applicable laws and regulations and with authorization obtained for business operation to avoid infringing others' intellectual property rights. The Group effectively protects and manages the proprietary intellectual property rights of CMS by monitoring the usage of registered trademark. The Group obtains the assets or rights of patented products in China and some Asia-Pacific countries mainly through equity investments and license-in. The Group treats intellectual property (such as trademarks, patents, confidential information, production know-how, etc.) as important assets of the Group. Moreover, all the company names, logos, and products of the Group have registered trademarks, which are regulated by the *CMS Code of Trademark Use*. The in-house developed ERP system is protected with software copyright. During the Reporting Period, the Group commenced further enhancement of policies of intellectual property protection.

During the Reporting Period, the Group did not violate any related laws or provisions that significantly impact the Group in the aspects of health and safety, advertising, labels, privacy, intellectual property and remedial measures for its products and services.

### **4.3 Strengthening Innovative Research and Development**

The Group treats innovative research and development as its core strategy. Holding a global view, the Group has deployed innovative products clusters with a relatively high innovation level and sufficient potential to fulfill unmet medical needs in China pharmaceutical market. During the Reporting Period, the Group has accelerated the deployment of a number of innovative products covering different therapeutic areas such as anti-tumor, ophthalmology, and dermatology. The Group is committed to caring for patients in various disease fields and providing them with more efficient, convenient and cost-effective quality products. Meanwhile, the Group actively explores extensive cooperation with the domestic and overseas leading pharmaceutical companies and scientific research institutions, in order to contribute to the innovation transformation of the China pharmaceutical industry. During the Reporting Period, the Group acquired nine innovative products with sufficient competitive edges and can fulfill unmet clinical needs in China, expanding the number of innovative products to eighteen. The Group has been actively working on the registration related work of these products in China market and looking forward to benefiting patients and their families who suffer from related diseases as soon as possible.

## **5. People-oriented Practice**

In terms of employment (including remuneration, demission, recruitment, promotion, working hours, vacation, equal opportunity, diversity, anti-discrimination and other welfare and benefits), occupational health and safety as well as labor codes, the Group strictly conforms to the related national laws and regulations, which include but are not limited to the *Labor Contract Law of the People's Republic of China*, *Labor Law of the People's Republic of China* and *Regulations on the Implementation of the Labor Contract Law of the People's Republic of China*.

The Group deems its employees as the most valuable assets. The Group has established the *CMS Employee Manual* covering employment, performance, employee relations, remuneration and welfare to enhance employees' sense of responsibility and belonging. In accordance with laws and regulations, the Group ensures compliance employment, protects employee health and safety, promotes employee equality and diversity, constantly improves employee training and development systems, and provides a good working environment and atmosphere for employees. During the Reporting Period, the Group did not violate any applicable law and regulation that significantly impact the Group in terms of employment, occupational health and safety, and labor regulations.

## 5.1 Talent Management

### 5.1.1 Employment and Legal Compliance

The Group recruits employees legally and compliantly, complying strictly with the *Social Insurance Law of the People's Republic of China*, *Minimum Wage Provisions*, *Rules of the State Council on Working Hours of Workers and Staff Members*, *Special Rules on the Labor Protection of Female Employees*, *Special Rules on the Protection of Juvenile Workers*, *Provisions on the Prohibition of Child Labor* and *Law of the People's Republic of China on the Protection of Minors*, etc. The Group promises to sign, modify, rescind or terminate the labor contracts with employees as per the applicable national laws and regulations and its internal relevant rules and requirements. The employment relationship takes effect upon signing the labor contract out of free will and with agreement from both parties. The Group labor contract stipulates the authenticity of candidates' personal information. The Human Resources Management Department of the Group assures the legality of employment by checking the ID of each employee and other means. The Group conducts unified management with both regular and informal employees to ensure that they are treated fairly. During the Reporting Period, the Group employed no child labors or forced labors, and there was no downsizing as well.

The Group's employment and turnover data of employees in 2019 is shown as below:

Table 5 Employment Information

	Unit	Year 2019
Total employees	Person	4,052
- Number of male employees	Person	1,903
- Number of female employees	Person	2,149
- Number of contracted employees	Person	4,052
- Number of dispatched employees	Person	0
- Number of employees aged under 30	Person	2,150
- Number of employees aged 30-50	Person	1,782
- Number of employees aged over 50	Person	120

Table 6 Employee Turnover Rate

	Unit	Year 2019
Turnover rate of employees	%	18.6
- Turnover rate of male employees	%	19.9
- Turnover rate of female employees	%	17.3
- Turnover rate of employees aged under 30	%	20.1
- Turnover rate of employees aged 30-50	%	17.4
- Turnover rate of employees aged over 50	%	5.5



In addition, the Group strives for a fair, respectful and diversified working environment, and adheres to the principles of anti-discrimination and equal opportunity in human resources and recruitment decisions. The Group ensures that employees are not treated unfairly due to factors such as race, age, gender, religion, nationality, marital status, disability, etc. as per applicable national laws and regulations. The Group also establishes relevant complaint and punishment mechanisms for discrimination and harassment to ensure employees' rights. The Group has established the *Special Collective Contract for the Protection of the Rights and Interests of Female Employees* to protect the rights and interests of female employees. Female employees of the Group are entitled to statutory holidays during pregnancy, maternity and lactation, and are given reasonable care and consideration. The Group encourages equal-based communication. All employees may communicate with the management via the internal ERP platform, telephone and face-to-face dialogues. In addition, the Group conducts irregular employee satisfaction surveys. For instance, the Human Resources Management Department conducted employee satisfaction surveys in 2018 to understand employees' authentic concerns and working satisfaction. The timely feedbacks were submitted to the management with improvement made. The Group's subsidiaries also established their own labor unions to promote better protection of the employees' rights and interests, as well as increase joint channels for democratic communication.

### **5.1.2 Recruitment, Remuneration, Incentives and Promotion**

The Group has established the *Social Recruitment Process* and *Campus Recruitment Process*. New employees are recruited through various measures such as campus recruitment, internal recommendation and online recruitment, etc. Standardized process from contacting to hiring candidates has been established as well. To ensure the hiring of high-quality and suitable talents that fulfill the internal talent demand, the Group conducts recruitment via multiple channels, together with the use of ERP system to follow the just, fair and open recruitment process.

Based on the concept of "strivers-oriented", the Group has established a fair remuneration system which leans towards the "posts and people who creates value". The Group dynamically reviews the employees' remuneration level according to the Consumer Price Index ("CPI") and compares internal and external remuneration levels once a year based on the remuneration report from professional consulting companies to ensure that employees receive fair and competitive salaries and remuneration. During the Reporting Period, the Group reformed the remuneration system comprehensively based on the guidance of "post-based grading, grade-based remuneration, person-post matching, and synchronized change of post and remuneration" and has adjusted the posts, ranks and wages of employees on basis of individual's quality evaluation. The Group has established incentive policies such as the "Hall of Honor Awarding System" and "Annual Incremental Reward Plan" to provide staged incentives.

The employee promotion within the Group is competitiveness-oriented and follows the talent promotion principle of "internal selection, step-by-step promotion, classified training, spiral rise, and anomalous promotion in special period". Fair, just and open promotion channels and opportunities are available for all employees. Employees may apply for management posts through internal competition and recommendation. The Human Resources Management Department regularly announces personnel appointment and removal notice to ensure the fairness and effectiveness.

## 5.2 Training and Development

The Group attaches great importance to the training and empowerment of its employees, and encourages employees to continuously improve their professional abilities and enterprising spirit to realize self-worth. By organizing various training activities, the Group systematically assists employees to improve their professional competence to promote the co-development of the employees and the Company. The Group has established policies such as *CMS Employee Manual*, *Provisions on Employee Training and Career Development*, *Provision on Employee Training Process*, and *Provision on Internal Instructor Training*. Moreover, the Group has expressively provided internal and external training to support the rapid growth of employees. Driven by such policies, the Group has formulated various annual training programs and organized diverse training activities based on industry environment, policy change, the development strategy of the Group, and the needs of each department. Meanwhile, in order to provide a good and centralized training environment and atmosphere for employees, the Group has established a specific training base in Pingshan, Shenzhen. In addition, the employees could learn conveniently and effectively through digital mobile tools. During the Reporting Period, the Group's total training expenditure was about RMB2.9 million.

Table 7 Main Contents of Internal and External Employee Training

Internal training	External training
<ul style="list-style-type: none"> <li>New employee training: each new employee must receive this training and pass the assessment</li> <li>"Tutor System": a senior employee will be assigned as the tutor for the newly hired or transferred employee</li> <li>Internal training: GSP/GMP training, business skills, business etiquette, corporate culture training, etc.</li> <li>Compliance training: a deep understanding of compliance policies and rules, etc.</li> </ul>	<ul style="list-style-type: none"> <li>External training refers to the training course organized and managed by any external entity which the employees apply to participate in according to employee's needs of work. Such trainings mainly include qualification training, thesis seminar, forum, study tour and field visit. The Company will bear the relevant expense incurred</li> </ul>

The Group's training data in 2019 is shown below:

Table 8 Employee Training Data

	Unit	Year 2019
Total employees training expenditure	Million RMB	2.9
Coverage of employees training	%	83.0
- Training coverage of general employees	%	83.4
- Training coverage of senior management	%	35.3
Employees training duration per capita	Hours	34.1
- Training duration per capita for general employees	Hours	34.4
- Training duration per capita for senior management	Hours	3.2

## 5.3 Care for Employees

### 5.3.1 Occupational Health and Safety

The Group strictly abides by the laws and regulations on employee occupational health and safety, such as the *Work Safety Law of the People's Republic of China*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and *Regulations on Work-Related Injury Insurances*. The Group has established and kept enhancing the employee safety protection system which is driven by safety rules and regulations, and composed by safety record, safety training, safety inspection, safety protection, health check, fire drill and daily maintenance. The system is designed to ensure production safety and occupational health through various methods. During the Report Period, the Group has no work-related fatalities.

Occupational health and safety system	Related implementation and monitoring methods
Safety rules and regulations	The <i>Regulations on Governing Safety Prevention Responsibility, Environment and Fire Emergency Plan, Provisions on Safety Production, Provisions on Crises Management, CMS Office Building Emergency Plan, Provisions on CMS Site Safety, etc.</i>
Safety record	Establishment of historical occupational safety and health records for employees; completed safety assessments of the storage and use of hazardous chemicals and reported to the safety supervision authority
Safety training	Establishment of a production safety training system for all employees including new hires, specialized operation personnel, safety management officers; formation of teaching-assessment training mode participated by Administration of Work Safety, fire control experts and internal experts; specialized operation personnel must regularly participate in professional training and assessment
Safety inspection	Regular organization of various safety inspections; establishment of production safety leading groups in production subsidiaries to implement work safety accountability system; organization and implementation of the "Production Safety Month" program; regular conduction of safety inspection in office sites to prevent accidents
Safety protection	Setting of safety warning signs and first aid kits; provision of suitable personal protective device for the employees in risky positions. For example, the provision of dust masks and respirators for employees in dusty posts
Health check	Provision of annual health check for all employees. During the Reporting Period, 100% of employees had voluntarily participated in the annual health check
Fire drill	Conducting of fire safety emergency drills to make employees more familiar with evacuation routes, learn the use of fire extinguishers, and improve their self-protection capability
Daily maintenance	Daily trifles to reduce employees' health risks, such as changing drinking water filters on a regular basis, the air-condition system maintenance, carpet cleaning and disinfection, insect and rat extermination, etc.

The Group's employees' health and safety data in 2019 is shown below:

Table 9 Employees' Health and Safety Data

	Unit	Year 2019
Working days lost due to work-related injury	Day	338
Number of work-related fatalities	Person	0
Proportion of work-related fatalities	%	0
Proportion of employees with occupational health checks	%	100

### 5.3.2 Employee Welfare

The Group, abiding strictly by laws and regulations, provides employees with five statutory social insurance schemes (basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance) and housing funds for employees who have established an employment relationship with the Group. In addition, the Group provides annual family visit subsidies for employees, housing subsidies to help solve the housing problems for fresh graduates, as well as Taikang group accident insurance, health check, employee community activities, overtime dinners, sports venues (such as badminton halls and swimming pools), and holiday gifts and benefits, etc. for employees. The Group implements flexible working hours, allowing employees to work remotely, and provides convenience to its employees in various ways. During the Reporting Period, the Group's headquarter opened a gymnasium for employees for free and also provided employees with an annual cruise conference celebrating the eighteenth anniversary of the Group. During the Reporting Period, the Group's employee benefit coverage rate was 100%.

## 6. Cooperation and Mutual Benefits

The Group attaches importance to the effective cooperation and management with suppliers and distributors to ensure the sustainability and safety of the drugs' quality development. The Supply Chain Management Department of the Group is responsible for ensuring the efficient operation of all sections of the supply chain, and the Quality Management Department is responsible for supporting the supervision of suppliers, to form a relatively comprehensive supply chain management system. The establishment of an effective supply chain management system could reasonably reduce the Company's operating costs, ensure product and service quality, diminish cooperation risks and ultimately achieve a mutually beneficial cooperation and sustainable development with upstream and downstream enterprises.

The Group has established the *Regulations on First-time Supplier Qualification Review*, *Operation Provisions on Internal Quality Audit* to regulate supplier management. Moreover, the Group has developed the *Regulations on Drug Procurement*, *Regulations on Procurement Planning and Review*, *Regulations on Auditing Supplier Salesperson Qualification*, *Provisions for Material Suppliers Management*, *Operation Procedure of Material Supplier Evaluation and Approval*, *Provisions for Material Procurement*, etc. to guide and standardize material and drug procurement, ensuring that the procurement plan is consistent with the operational demands.

Through long-term communication and business contacts, the Group has built the sustainable and stable strategic relationships with its suppliers and distributors, and established good communication mechanism with open dialogue and mutual trust. During the cooperation, the Group has fully communicated problems that lie within a reasonable scope with suppliers and actively assisted in rectification and improvement to realize mutual benefits and risk-sharing.

## 6.1 Supplier Management

Finished drugs account for the majority of the Group's procurement. The main suppliers are professional pharmaceutical manufacturers from Europe and Mainland China. The Group strictly controls the admission standards of suppliers, and inspects including but not limited to the following aspects: company scale and history, industrial reputation and competitiveness, production conditions, product category, quality and prestige, after-sales service, environmental protection, compliance and social responsibility, etc. Suppliers are required to provide relevant qualification certificates, including Drug Production License or Drug Operation License and Business License to ensure the compliance of its operation and effectiveness of the cooperation.

The finished drugs that the Group promotes and sells are introduced through asset purchase or long-term sales agreement, and the production is mainly conducted by the original factories or designated manufacturers. Therefore, the Group has sustained long-term and stable strategic relations with upstream suppliers. For the drug procurement from the first-time supplier, the Group firstly reviews the completeness, authenticity, and legal validity of the company profile, and organizes a site inspection when necessary and evaluates the supplier's quality management system. Once the suppliers are selected, the Group will sign a long-term supply agreement with them and conduct annual quality review. It mainly covers the drug supply condition (batch of supply, qualified batch, passing rate and return rate of drugs), supply qualification, salesperson qualification, and implementation of the quality assurance agreement and the purchase contract, transportation conditions, etc. then form a *List of Qualified Suppliers*. 100% of the Group's finished drug suppliers are managed in accordance with this standard.

All production material suppliers are selected as per the *Operation Provisions on Assessment and Approval of Material Suppliers*. The list of qualified suppliers will be determined through on-site assessment and audit of their qualification, capacity, technology, quality management system and executives. According to the degree of importance of materials, the Group implements hierarchical management of qualified suppliers, classifying them into three categories, namely A, B and C, and conducts annual inspections based on the supplying quality. The suppliers of Category A who have a significant impact on drug quality and safety shall receive an extra annual on-site auditing. The Group timely updates the suppliers list based on the results of the annual inspection and maintains at least two qualified suppliers for any production material to ensure the supply of materials in emergency. 100% of the Group's material suppliers are managed in accordance with this standard.

If the materials provided by the qualified supplier do not conform to the Group's requirements in the official procurement, the Group shall first conduct the re-inspection of the sample. If the sample fails the re-inspection, a nonconformity report will be issued and delivered to the supplier in time, and the nonconforming goods will be returned. Suppliers whose services or products fail to meet the Group's requirements twice a year will be disqualified. If any severe defect or significant quality risk is found, the purchasing will be suspended. During the Reporting Period, there was no significant product supply delay from the Group's suppliers.

The Group has established a mutual visit mechanism to strengthen communication with suppliers. During the Reporting Period, the Group invited core overseas suppliers to visit the company as well as visited the suppliers' factories. Both sides reviewed the cooperation history, discussed the future cooperation direction, and formulated new cooperation strategies.

The Group's supplier data in 2019 is shown below:

Table 10 Supplier Data

	Unit	Year 2019
Total number of suppliers	Number	101
- Mainland suppliers	Number	81
- HK SAR, Macau SAR, TWN and overseas suppliers	Number	20

## 6.2 Distributor Management

The Group has established the *Regulations on Purchaser Qualification Review*, *Operation Procedures on Purchaser Qualification Review* and *Selection and Assessment System of Distribution Cooperative Partners* to support the management of distributors. The distributors' screening standards include basic criterias (such as GSP qualifications, storage capacity, distribution capacity, staffing, and working capital, etc.), cooperation willingness, distribution channel coverage, market control, brand image, etc., fully guaranteeing the distributor's qualifications and compliance level, and ensuring product quality and intactness during the distribution process.

## 6.3 Sustainable Development of Supply Chain

The Group takes into account human rights, environmental and social factors in its regular annual inspections of suppliers. The Group tends to select the suppliers with green environmental protection concepts or relevant qualifications. If the candidates are on a par, the one in closer proximity will be preferred for more convenient transportation, reducing the potential pollution to the environment during the shipment. The Group stipulates definite anti-bribery and anti-corruption clauses in the contract with suppliers to ensure their compliance operations, and also precisely requires them to comply with the local regulatory requirements for operations and production to prevent relevant social risks. In addition, the Group signs quality assurance agreements with suppliers, which clearly demand the integrity of product quality and supply to achieve management of procurement integrity.

The Group prefers large-scale distributors who located in broader market and with comprehensive distribution channel coverage to reduce the negative impact on the environment in the logistics operation. The Group conducts a series of management measures and systems, and strives to ensure compliance and safety management of the supply chain. Concurrently the Group implements the concept of environmental protection, and fulfills requirements and responsibility of sustainable development.

## 7. Environmental Protection

The Group always keeps the corporate social responsibility in mind, insists on protecting the ecological environment and reduces the impact on the surrounding environment in the process of operation and development. The Group strictly abides by the applicable laws and regulations on environmental protection, such as the *Environmental Protection Law of the People's Republic of China* and *Environmental Impact Assessment Act of the People's Republic of China*.

The Group has established and continuously improved the environmental management system, and environmental protection responsibilities are fully implemented from the Group to its subsidiaries. The Group has established the *Regulations on Environmental Protection*, *Environmental Emergency Plan* and *Regulations on Hazardous Waste*, covering the environmental protection management framework, storage and transportation of hazardous waste, identification and management of accident with environmental pollutant such as fire, explosion. The Group has instituted an emergency mechanism with detailed solutions and responsible units for various risks.

During the Reporting Period, the Group conducted an internal audit of environment management. The Audit Department of the Group has led and organized the audit over subsidiaries' energy consumption, pollutant emission, environmental protection project construction, payment of environmental protection taxes, etc. to ensure a standardized environmental management. On a daily basis, the subsidiaries of the Group regularly supervise, inspect and evaluate their sanitation, water and electricity consumption, etc. In addition, the Group also actively cooperates with local governments and authorities such as environmental protection and animal husbandry departments, to conduct regular environmental inspections, and push forward the implementation of environmental management in every aspect.

### 7.1 Emission Control

The business of the Group mainly includes pharmaceutical promotion and network management business, pharmaceutical production business, and agriculture and livestock business. Among them, pharmaceutical promotion and network management are main businesses. Pharmaceutical production business is mainly carried out by Kangzhe (Hunan) Medical Co., Ltd. ("Kangzhe Hunan"), Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Hebei Xili") and Pingshan Manufacture Base of Shenzhen Kangzhe Pharmaceutical Co., Ltd. ("Pingshan Factory") (where Pingshan Factory did not carry out any production during the Reporting Period, but mainly served as an employees' training base and for warehousing). The Group has small-scale pharmaceutical production business. During the Reporting Period, the sale of self-produced products only accounted for around 4% of its turnover after excluding the effect of the "two-invoice system". The agriculture and livestock business are mainly carried out by Hunan Kangzhe Agricultural and Livestock Development Co., Ltd. ("Hunan Agriculture and Livestock"). The products provided by Hunan Agriculture and Livestock are only for internal consumption and had no contribution to the Group's turnover during the Reporting Period. Due to the Group's business characteristic, the total amount of environmental pollutants produced was limited, and the impact on the environment and natural resources was insignificant. During the Reporting Period, the Group did not have any significant pollution incident.

### 7.1.1 Solid Waste Management

The Group strictly abides by the applicable laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, *Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes*, and *Standard for Pollution Control on Hazardous Waste Storage*, etc. The Group has also established the relevant internal management rules and regulations such as the *Procedures of Hazardous Solid Waste Management*, *Provisions on Quality-Control Laboratory Waste Management*, *Regulations on Toxic Products*, according to the applicability of the business type. During the Reporting Period, Kangzhe Hunan, a subsidiary of the Group, has revised the *Procedures of Hazardous Chemicals Management* to refine the qualification for the storage of hazardous products, established the ledger for the procurement and storage of hazardous chemicals, and continuously improved solid waste management rules and regulations.

Office waste	Pharmaceutical production waste	Agriculture and livestock waste
<ul style="list-style-type: none"> <li>✓ Actively advocating green office culture, and promoting green awareness of environmental protection and low-carbon life;</li> <li>✓ Continually implementing office waste classification, and regular handling of non-recyclable waste by the property company;</li> <li>✓ Recycling or reusing paper, metal, plastic, glass and other recyclable waste to reduce office waste.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Recycling the herb residues, which are mainly particle filter residues (lignin) and a small amount of insoluble extractives which are non-hazardous solid waste and are used for fuel or fertilizer;</li> <li>✓ Adopting a refined production management model. Ordering and using chemicals according to the needs to reduce hazardous waste generation amount;</li> <li>✓ Constructing oil separator and septic tanks for primary treatment of sludge to reduce impurities;</li> <li>✓ Handling of toxic and hazardous waste by a third party professional with treatment qualification.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Adopting automatic collection devices to collect animal excrement and making into organic fertilizers for crops through biological fermentation;</li> <li>✓ Providing storage tanks to receive the drug residues from Kangzhe Hunan and mixing and fermenting with organic fertilizer at a certain proportion to produce efficient fertilizer for crops, realizing the ecological and organic recycling of waste.</li> </ul>

The Group's solid waste data in 2019 is shown below:

Table 11 Solid Waste Data

	Unit	Year 2019
Hazardous waste	Ton	0.2
Hazardous waste intensity	Ton/million RMB	0.00003
Non-hazardous waste	Ton	1,676.8
- Herb residue	Ton	1,569.6
- Sewage sludge	Ton	11.7
- Household garbage	Ton	95.4
Non-hazardous waste intensity	Ton/million RMB	0.24



### 7.1.2 Air Pollutant Management

The Group strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, *Comprehensive Discharge Standard of Atmospheric Pollutants* and *Emission Standard of Boiler Air Pollutants*, and has established such internal management rules and regulations as the *Exhaust Gas Emission Management Procedures*, *Operation Regulations of Steam Boilers*, *Regulations of Boilers Management*, and *Operation Regulation of Exhaust Gas*, etc. to regulate the air pollutant treatment process and reduce the impact of exhaust emissions on the atmospheric environment.

During the Reporting Period, the Group continued to use clean energy for boiler operation: Kangzhe Hunan used natural gas and Hebei Xili used alcohol-based liquid fuel to run the boilers. At the same time, the Group continuously optimized its production plans to improve boiler operation efficiency to save energy and reduce emissions.

Kangzhe Hunan	Hebei Xili
<p>✓ The exhaust gas of the natural gas boiler is delivered to the activated carbon absorption device to remove Nitrogen Oxide, Sulfur Dioxide, and Particulate Matter, followed by wet-spraying. Normative exhaust gas is discharged at a specified altitude. Wastewater of wet sprinkler device flows to the self-built sewage treatment station for treatment and recycling.</p>	<p>✓ Entrusting a third-party professional testing agency for quarterly sampling of the exhaust gas emitted by steam boilers. The monitoring results for the whole year of 2019 show that the exhaust emissions have met the requirement of the <i>Emission Standard of Boiler Air Pollutants</i>.</p>

The Group's air pollutant emission data in 2019 is shown below:

Table 12 Air Pollutant Emission Data

	Unit	Year 2019
Sulfur Dioxide (SO <sub>2</sub> )	Kg	35.5
Nitrogen Oxide (NO <sub>x</sub> )	Kg	1,612.6
Particulate Matter (PM)	Kg	245.5

### 7.1.3 Green House Gas (GHG) Management

Climate change has been one of the global focuses in recent years. The Group also realizes that it will impact the company's production and operation profoundly and therefore it is necessary to identify the potential crisis in depth brought by climate change. The Group has been actively using clean and efficient energy sources and conducting a series of measures to reduce direct and indirect GHG emissions. During the Reporting Period, the Group's total GHG emission intensity was 1.42 Ton CO<sub>2</sub>e/million RMB, a decrease of 11.3% compared with the same period last year. The detail of relevant measures in GHG emissions reduction is written in the *7.2 Resources Management* section. The Group's direct GHG emissions mostly come from the energy consumption of natural gas, alcohol-based liquid fuels, gasoline, diesel oil, etc. and the indirect emission of the purchased electricity.

The Group's GHG emission data in 2019 is shown below:

Table 13 GHG Emission Data

	Unit	Year 2019
Direct GHG emission (Scope 1)	Ton CO <sub>2</sub> e	5,854.1
Indirect GHG emission (Scope 2)	Ton CO <sub>2</sub> e	3,952.2
Total GHG emission (Scope 1+2)	Ton CO <sub>2</sub> e	9,806.3
Total GHG emission (Scope 1+2) intensity	Ton CO <sub>2</sub> e /million RMB	1.42

#### 7.1.4 Wastewater Management

The Group strictly abides by the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, *Integrated Wastewater Discharge Standard*, *Wastewater Quality Standards for Discharge to Municipal Sewers*, *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants*, and established the *Operation Regulations of Wastewater*, *Operation Standards of Usage, Maintenance, and Repair of Sewage Facilities* and other internal rules and regulations on wastewater treatment according to the business type, in order to strengthen the sewage discharge management.

Kangzhe Hunan	Hebei Xili	Hunan Agriculture and Livestock
<p>✓ In 2019, a new wastewater treatment project with a capacity of 200 tons/day was built to prevent the drop in treatment effect in case of sudden production increase.</p>	<p>✓ After treatment of the Company's sewage treatment station, the qualified wastewater flows into municipal wastewater treatment plant.</p>	<p>✓ Actively grows turfs and other plants around animal house and parks to purify residual animal dung water outdoor. At the same time, artificial wetlands are under construction.</p>

The Group's wastewater discharge data in 2019 is shown below:

Table 14 Wastewater and Pollutant Components Data

	Unit	Year 2019
Wastewater	m <sup>3</sup>	57,536.7
Wastewater intensity	m <sup>3</sup> /million RMB	8.34
Ammonia Nitrogen (NH <sub>3</sub> -N)	Ton	0.1
Chemical Oxygen Demand (COD)	Ton	1.1

### 7.1.5 Noise Management

Regarding the noise generated by the machine operation during the drug production, the Group strictly manages the noise emission according to the *Emission Standard for Industrial Enterprises Noise at Boundaries*, monitoring regularly and requiring the likely susceptible employees to wear protective appliance. During the Reporting Period, the noise monitoring results met the requirements and did not have a significant negative impact on the staff's occupational health and the ecological environment.

## 7.2 Resource Management

The Group adheres to the implementation of energy conservation and the emission reduction in production and operation to build a sustainable low-carbon green enterprise actively. The Group reduces the consumption of natural resources, eradicates the resources-wasting behavior, and advocates the green environmental protection culture. The Group strictly abides by the *Law of the People's Republic of China on Conserving Energy*, *Law of the People's Republic of China on Promoting Clean Production*, and *Circular Economy Promotion Law of the People's Republic of China*, etc. and has established relevant internal management policies to ensure that the Company's operations always meet the national and local environmental protection requirements, reducing the impact on the environment and resources during operation.

### 7.2.1 Energy Conservation

The Group continuously improves energy management, strengthens energy conservation and efficient utilization, and promotes a series of relevant activities. Compared to 2018, the Group saved natural gas by 8% and diesel by 48% in 2019.

Electricity	Boiler fuel	Gasoline	Diesel oil
<ul style="list-style-type: none"> <li>✓ Requiring employees to turn off lights when leaving, posting relevant signs;</li> <li>✓ Using LED energy-saving lamps as much as possible in all lighting places;</li> <li>✓ Setting the air-conditioners at 26°C , regularly maintaining the air-conditioners to reduce energy consumption, installing shade curtains to reduce direct sunlight in summer for energy saving;</li> <li>✓ Conducting daily inspections on lighting and air-conditioners to make sure reasonable switching on/off;</li> <li>✓ Installing energy-saving lamps for streets and warehouses;</li> <li>✓ Adopting frequency control for engine with long stand-by time.</li> </ul>	<p>Boiler fuel is used for drug production:</p> <ul style="list-style-type: none"> <li>✓ Having regularized administration over the purchase, utilization and exhaust gas emission of boiler fuel;</li> <li>✓ Purchasing quality fuels, implementing fuel inspection to ensure efficient fuel utilization;</li> <li>✓ Strictly preventing the energy waste due to steam and liquid leakage or dripping, etc.;</li> <li>✓ Maintaining boiler regularly to ensure reasonable and efficient use of gas boilers.</li> </ul>	<p>Gasoline consumption mainly comes from office:</p> <ul style="list-style-type: none"> <li>✓ Establishing the <i>Regulations on Vehicle Management</i>, implementing vehicle registration and approval system for vehicle use, encouraging employees to travel together to reduce the frequency of vehicle use;</li> <li>✓ Regularly inspecting and maintaining the vehicle; requiring drivers to do mileage registration.</li> </ul>	<p>Diesel fuel consumption comes from greenhouses' insulation equipment and vehicles for the agricultural business, and emergency power generator for drug production business:</p> <ul style="list-style-type: none"> <li>✓ Using natural water from reservoirs for irrigation to reduce the frequency of diesel engines use;</li> <li>✓ Operating the diesel generators as per practical demand, and conducting regular maintenance.</li> </ul>

### 7.2.2 Water Conservation

The Group's water consumption includes: drug production and cleaning in drug plants, agricultural irrigation, livestock cultivation, and domestic use by employees. The Group strives to increase employees' awareness of water conservation and requires employees to turn off the taps after use to prevent any forms of waste such as "running and dripping", and the Group also strengthens water recycling in production.

Water for drug production and cleaning	Water for agricultural irrigation and livestock cultivation	Domestic water for employees
<ul style="list-style-type: none"> <li>✓ Comprehensively maintaining the water supply system in the factory to prevent water leakage;</li> <li>✓ Getting the domestic water and production wastewater to enter the self-built sewage treatment station for treatment and recycling.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Upgrading the livestock and poultry breeding water equipment to automatic water-saving equipment;</li> <li>✓ Replacing spray irrigation by drip irrigation in the greenhouse to reduce the waste of water;</li> <li>✓ Using reservoirs and pipeline ditches to collect rainwater, and basically realizing natural water irrigation for greenhouses.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Publicizing the act of water conservation and punishing the act of water waste;</li> <li>✓ Debugging the automatic flushing system in the office to shorten the automatic flushing time.</li> </ul>

### 7.2.3 Packaging Material and Paper Conservation

The Group has established the *Material Distribution Regulations*. The storage and logistics related departments have formulated packaging material procurement plans and purchased the materials on demand. The Group strictly controls the use of materials and introduces mechanized packaging to save the utilization volume of packaging materials. By means of delivering the products in the original packages, improving the packing mode of odds and ends, recycling the packaging boxes, etc., the Group aims to achieve reasonable utilization of packaging materials. In addition, the Group also raises environmental protection requirements to the packaging material manufacturers. For instance, Kangzhe Hunan required its cooperated packaging material manufacturers to provide environmental protection evaluation certificates and to submit material inspection certificates for packaging materials they produced.

The Group comprehensively implements paperless management, encourages video conferences, promotes the use of environment-friendly paper, demands double-sided printing and the diversified use of paper, and the secondary use of non-secret and nonconfidential paper, in order to reduce the consumption of office paper.

The Group's detailed energy and resources utilization data in 2019 is shown below:

Table 15 Energy and Resource Utilization Data

	Unit	Year 2019
Conversion of electricity for comprehensive energy consumption	kWh	30,443,173.8
- Outsourced electricity	kWh	7,010,258.4
- Natural gas	m <sup>3</sup>	875,788.0
- Alcohol-based liquid fuel	Ton	2,095.3
- Gasoline	Liter	80,272.9
- Diesel oil	Liter	1,616.9
- Liquefied gas	Kg	480.0
Conversion of electricity for comprehensive energy consumption intensity	kWh /million RMB	4,413.85
Total water consumption	m <sup>3</sup>	204,687.8
- Tap water	m <sup>3</sup>	65,168.8
- Underground water	m <sup>3</sup>	139,519.0
Total water consumption intensity	m <sup>3</sup> /million RMB	29.68
Total packaging material	Ton	659.3
- Paper products	Ton	356.0
- Glass bottle	Ton	175.0
- Plastics	Ton	128.2
Total packaging material intensity	Ton/million RMB	0.10
Office paper	Ton	8.0

### 7.3 Environment and Natural Resources

The Group focuses on developing employees' awareness of environmental protection, protects biodiversity during the production and operation, and works together to build for green, harmonious and sustainable development with various stakeholders. The Group's operating process does not involve the extraction and utilization of plenty of natural resources, and has a limited environmental impact.

Pharmaceutical promotion and network management business	Pharmaceutical production business	Agriculture and livestock business
<p>✓ Effectively managing the waste generated in daily life and promoting green office program to reduce resource consumption.</p>	<p>✓ Standardizing procurement to prevent environmental damage such as over-harvesting and destruction of biodiversity, strengthening greening project and protecting water and soil resources, treating production sewage by the sewage in treatment plant, and using the treated water for irrigation, sanitary, etc.</p>	<p>✓ Applying double-layer of protection in the breeding area to strictly prevent the environmental pollution, collecting and using natural precipitation for irrigation to reduce the use of purchased water.</p>

## 8. Community Dedication

The Group attaches great importance to social contribution of the medical and health field, and considers the effort in promoting medical advancement a driving force for its developmental momentum. And the Group pays attention to the community service and public service activities, and conducts a number of public service activities according to the demand.

### 8.1 Promoting Medical Advancement

During the Reporting Period, the Group participated in various re-education programs in the medical and health field. By informing primary physicians of advanced therapies and treatment methods, the Group has promoted medical advancement with good social recognition. During the Reporting Period, the Group also organized various activities to promote the medical advancement, including but not limited to:

- The 2019 “Health Walk” Hypertension Management Project: under the theme of “Caring for patient health, Antihypertensive treatment first”, it was a philanthropic lecture tour for the comprehensive management of hypertension patients. The lectures were conducted to exchange the latest diagnosis and treatment method in the field of hypertension, aiming to improve the clinicians’ standardized diagnosis and treatment level of hypertension.
- The 2019 “Training Class for the Management of Chronic Diseases in Tianjin Basic-level Medical Institutions”: it aimed to further improve the level of essential medical and public health services of basic-level medical staffs, strengthening the management and control of chronic diseases, and solidly promoting basic public health services.
- 2019 National Basic-level Cardiovascular Disease Comprehensive Risk Management Project: it aimed to standardize the diagnosis and treatment process of cardiovascular diseases in the basic level of society and improve the medical service of basic-level doctors.
- 2019 Geriatrics Hypertension Lecture Tour: it aimed to improve the clinicians’ level of diagnosis and treatment in common cardiovascular diseases such as hypertension and coronary heart diseases, especially for elderly patients.

## 8.2 Participation in Public Service Activities

While pursuing the long-term development of the enterprise, the Group has always regarded fulfillment of social responsibility as its internal driving force, and included philanthropy, especially support for education, into its long-term plan to give back to society. During the Reporting Period, the Group actively conducted the following public services activities, and encouraged and supported more employees to participate:

- The Group and the Shenzhen Social Welfare Center jointly organized the Children's Day and Media Open Day under the theme of "Growing Together and Flying with Childlike Hearts". The Group donated teaching materials, practice facilities, handicrafts materials, childcare clothes and other materials to the center and sponsored the stage construction and the activities with a total of 43 participants. And the Group was awarded a pennant and a crystal trophy by the welfare center.
- The Group participated in a community philanthropic event and donated a refrigerator for the "Urban Superman".
- Kangzhe Hunan, a subsidiary of the Group, sponsored two local welfare centers with agricultural products in a total value of about RMB36,000 and provided free agricultural technology guidance to the local farmer, as well as hired an annual average of about 5,000 local farmers, driving the re-employment of the local farmers in the neighborhood.
- Since 2003, Kangzhe Hunan, a subsidiary of the Group, has been donating within its ability to local students who need help or educational institutions every year. During the Reporting Period, it has sponsored local education bureaus and teachers with a total of RMB110,000. By the end of 2019, it had donated around a total of RMB0.9 million to the local education bureaus.

## ESG Reporting Appendix

### Appendix 1 CMS Environmental, Social and Governance Reporting Index

Environmental, Social and Governance General Disclosure and KPIs		Corresponding Chapter	
<b>Environmental</b>			
A1: Emissions	General Disclosure		7.1 Environmental Protection Emission Control
	A1.1	The types of emissions and respective emissions data	7.1 Environmental Protection Emission Control
	A1.2	GHG emissions in total and intensity	7.1 Environmental Protection Emission Control
	A1.3	Total hazardous waste produced and intensity	7.1 Environmental Protection Emission Control
	A1.4	Total non-hazardous waste produced and intensity	7.1 Environmental Protection Emission Control
	A1.5	Description of measures to mitigate emissions and results achieved	7.1 Environmental Protection Emission Control
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	7.1 Environmental Protection Emission Control
A2: Use of Resources	General Disclosure		7.2 Environmental Protection Resource Management
	A2.1	Energy consumption in total and intensity	7.2 Environmental Protection Resource Management
	A2.2	Water consumption in total and intensity	7.2 Environmental Protection Resource Management
	A2.3	Description of energy use efficiency initiatives and results achieved	7.2 Environmental Protection Resource Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	7.2 Environmental Protection Resource Management
	A2.5	Total packaging material used for finished products and with reference to per unit produced	7.2 Environmental Protection Resource Management
A3: The Environment and Natural Resources	General Disclosure		7.3 Environmental Protection Environment and Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	7.3 Environmental Protection Environment and Natural Resources



**Appendix 1 CMS Environmental, Social and Governance Reporting Index** -continued

Environmental, Social and Governance General Disclosure and KPIs		Corresponding Chapter	
<b>Social</b>			
B1: Employment	General Disclosure		5.1 People-oriented Practice Talent Management
	B1.1	Total workforce by gender, employment type, age group	5.1 People-oriented Practice Talent Management
	B1.2	Employee turnover rate by gender, age group	5.1 People-oriented Practice Talent Management
B2: Health and Safety	General Disclosure		5.3 People-oriented Practice Care for Employees
	B2.1	Number and rate of work-related fatalities	5.3 People-oriented Practice Care for Employees
	B2.2	Lost days due to work injury	5.3 People-oriented Practice Care for Employees
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	5.3 People-oriented Practice Care for Employees
B3: Development and Training	General Disclosure		5.2 People-oriented Practice Training and Development
	B3.1	The percentage of employees trained by employee category	5.2 People-oriented Practice Training and Development
	B3.2	The average training hours completed per employee by employee category	5.2 People-oriented Practice Training and Development
B4: Labour Standards	General Disclosure		5.1 People-oriented Practice Talent Management
	B4.1	Description of measures to review employment practices to avoid child and forced labour	5.1 People-oriented Practice Talent Management
	B4.2	Description of steps taken to eliminate such practices when discovered	5.1 People-oriented Practice Talent Management
B5: Supply Chain Management	General Disclosure		6.1 Cooperation and Mutual Benefits Supplier Management
	B5.1	Number of suppliers by geographical region	6.1 Cooperation and Mutual Benefits Supplier Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	6.1 Cooperation and Mutual Benefits Supplier Management

**Appendix 1 CMS Environmental, Social and Governance Reporting Index** -continued

Environmental, Social and Governance General Disclosure and KPIs		Corresponding Chapter	
<b>Social</b>			
B6: Product Responsibility	General Disclosure		4 Product Liability
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	4.1 Product Liability Quality and Safety of Products and Services
	B6.2	Number of products and service related complaints received and how they are dealt with	4.1 Product Liability Quality and Safety of Products and Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights	4.2 Product Liability Protection of Intellectual Properties
	B6.4	Description of quality assurance process and recall procedures	4.1 Product Liability Quality and Safety of Products and Services
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	4.1 Product Liability Quality and Safety of Products and Services
B7: Anti-corruption	General Disclosure		3.2 Compliance Operation Anti-corruption
	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	3.2 Compliance Operation Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	3.2 Compliance Operation Anti-corruption
B8: Community Investment	General Disclosure		8 Community Dedication
	B8.1	Focus areas of contribution	8 Community Dedication
	B8.2	Resources contributed to the focus area	8 Community Dedication

## Appendix 2 CMS Environmental KPIs<sup>1</sup>

KPIs	Unit	Year 2017	Year 2018	Year 2019
<b>Air pollutant<sup>2</sup></b>				
Sulfur Dioxide (SO <sub>2</sub> )	Kg	1,981.2	237.1	35.5
Nitrogen Oxide (NO <sub>x</sub> )	Kg	5,390.6	2,350.4	1,612.6
Particulate Matter (PM)	Kg	392.3	354.7	245.5
<b>Wastewater and Pollutant</b>				
Wastewater <sup>3</sup>	m <sup>3</sup>	83,689.5	86,539.4	57,536.7
Wastewater intensity	m <sup>3</sup> /million RMB	15.00	14.11	8.34
Ammonia Nitrogen (NH <sub>3</sub> -N)	Ton	Non-disclosure	0.1	0.1
Chemical Oxygen Demand (COD)	Ton	Non-disclosure	0.9	1.1
<b>GHG</b>				
Total GHG emission (Scope 1+2)	Ton CO <sub>2</sub> e	10,918.4	9,809.8	9,806.3
Total GHG emission intensity	Ton CO <sub>2</sub> e/million RMB	1.96	1.60	1.42
Direct GHG emission (Scope 1)	Ton CO <sub>2</sub> e	7,157.3	5,566.7	5,854.1
Indirect GHG emission (Scope 2)	Ton CO <sub>2</sub> e	3,761.1	4,243.1	3,952.2
<b>Solid Waste</b>				
Hazardous waste	Ton	0.3	0.2	0.2
Hazardous waste intensity	Ton/million RMB	0.00005	0.00003	0.00003
Non-hazardous waste	Ton	123.3	1,782.0	1,676.8
Non-hazardous waste intensity	Ton/million RMB	0.02	0.29	0.24

<sup>1</sup> All the intensity data of environmental indicators in 2017-2019 were calculated as per sales revenue, shown as following: total emissions and usage amount divided by sales revenue (million RMB) after excluding the "two-invoice system" in the Reporting Period.

<sup>2</sup> During the Reporting Period, the Group's subsidiaries effectively controlled the utilization of natural gas and further enhanced the quality of alcohol-based liquid fuel, which led to the reduction of air pollutants.

<sup>3</sup> During the Reporting Period, the Group further strengthened wastewater management. Kangzhe Hunan installed wastewater flow meter to accurately record the amount of wastewater, which was discharged after treated by self-built sewage station. Besides, the wastewater data of the Reporting Period no longer included the estimated amount of clean water, such as steam or condensate water, which caused a significant reduction compared with the previous year.

**Appendix 2 CMS Environmental KPIs** -continued

KPIs	Unit	Year 2017	Year 2018	Year 2019
<b>Energy</b>				
Conversion of electricity for comprehensive energy consumption	kWh	Non-disclosure	29,758,236.2	30,443,173.8
Conversion of electricity for comprehensive energy consumption intensity	kWh/million RMB	Non-disclosure	4,850.96	4,413.85
Outsourced electricity	kWh	6,462,835.1	7,079,280.2	7,010,258.4
Natural gas	m <sup>3</sup>	651,197.0	954,116.0	875,788.0
Alcohol-based liquid fuel	Ton	2,493.7	1,842.8	2,095.3
Gasoline	Liter	82,756.6	77,640.0	80,272.9
Diesel oil	Liter	3,896.0	3,111.6	1,616.9
Liquefied gas	Kg	Non-disclosure	480.0	480.0
<b>Water Resource<sup>4</sup></b>				
Total water consumption	m <sup>3</sup>	133,140.3	148,634.2	204,687.8
Total water consumption intensity	m <sup>3</sup> /million RMB	23.87	24.23	29.68
<b>Packaging Materials</b>				
Total packaging material	Ton	451.8	544.1	659.3
Total packaging material intensity	Ton/million RMB	0.08	0.09	0.10

<sup>4</sup> During the Reporting Period, the Group's subsidiaries washed the factory roads, and Kangzhe Hunan consumed larger amount of water during the trial operation of sewage station expansion, which led to a significant increase in water consumption.

### Appendix 3 CMS Social KPIs

KPIs	Unit	Year 2018	Year 2019
<b>Employment</b>			
Total employees	Person	Non-disclosure	4,052
Number of male employees	Person	Non-disclosure	1,903
Number of female employees	Person	Non-disclosure	2,149
Number of contracted employees	Person	Non-disclosure	4,052
Number of dispatched employees	Person	Non-disclosure	0
Number of employees aged under 30	Person	Non-disclosure	2,150
Number of employees aged 30-50	Person	Non-disclosure	1,782
Number of employees aged over 50	Person	Non-disclosure	120
<b>Employee Turnover</b>			
Turnover rate of employees	%	Non-disclosure	18.6
Turnover rate of male employees	%	Non-disclosure	19.9
Turnover rate of female employees	%	Non-disclosure	17.3
Turnover rate of employees aged under 30	%	Non-disclosure	20.1
Turnover rate of employees aged 30-50	%	Non-disclosure	17.4
Turnover rate of employees aged over 50	%	Non-disclosure	5.5
<b>Occupational Health and Safety</b>			
Number of work-related fatalities	Person	0	0
Proportion of work-related fatalities	%	0	0
Working days lost due to work-related injury <sup>5</sup>	Day	Non-disclosure	338
Proportion of employees with occupational health checks	%	100	100

<sup>5</sup> During the Reporting period, the Group's work-related injuries were caused by traffic accident on the way to work, machine collision or accidental fall.

**Appendix 3 CMS Social KPIs**-continued

KPIs	Unit	Year 2018	Year 2019
<b>Training and Development</b>			
Total employees training expenditure	Million RMB	Non-disclosure	2.9
Coverage of employees training	%	100	83.0
Training coverage of general employees	%	Non-disclosure	83.4
Training coverage of senior management	%	Non-disclosure	35.3
Employees training duration per capita	Hours	Non-disclosure	34.1
Training duration per capita for general employees	Hours	Non-disclosure	34.4
Training duration per capita for senior management	Hours	Non-disclosure	3.2
<b>Supplier Management</b>			
Total number of suppliers	Number	87	101
Mainland suppliers	Number	75	81
HK SAR, Macao SAR, TWN and overseas suppliers	Number	12	20
<b>Quality and Safety of Products and Services</b>			
Response and handling rate for product and service quality related complaints	%	100	100
Percentage of sold and delivered product recalls due to safety and health problems	%	0	0
Number of product and service quality related complaints	Number	Non-disclosure	150
<b>Anti-corruption</b>			
Corruption lawsuits	Number	0	0
<b>Participation in Public Service Activities</b>			
Total donation amount for public service activities	Million RMB	0.2	0.2