



国药控股
SINOPHARM GROUP

2022

SINOPHARM GROUP CO. LTD.
Sustainability Report



88



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Definitions

In this Report, unless the context otherwise requires, the following terms shall have the following meanings.

“Company”, “Sinopharm Group” or “Sinopharm”	Sinopharm Group Co. Ltd.
“Group” or “we”	The Company and its subsidiaries
“CNPGC”	China National Pharmaceutical Group Co., Ltd.
“SASAC”	The State-owned Assets Supervision and Administration Commission of the State Council
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“ESG”	Environmental, Social and Governance
“ESG Reporting Guide”	The Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited
“KPI”	Key performance indicators
“TCFD”	Task Force on Climate-related Financial Disclosures
“Dual carbon goal”	China’s carbon peak and neutrality goals announced in 2020, that the nation’s carbon dioxide (CO ₂) emissions would peak before 2030 and carbon neutrality would be achieved by 2060
“CMDIC”	China National Medical Device Co., Ltd.
“GuoDa Pharmacy”	Sinopharm Holding Guoda Pharmacy Co., Ltd.
“Sinopharm Xingsha”	Sinopharm Xingsha Pharmaceuticals (Xiamen) Co., Ltd.
“Guorui Pharmaceutical”	China National Medicines Guorui Pharmaceutical Co., Ltd.
“Sinopharm Logistics”	Sinopharm Logistics Co., Ltd.
“Sinopharm Digital Technology”	Sinopharm Digital Technology (Shanghai) Co., Ltd.
“Taicang Hushi”	Taicang Hushi Reagent Co., Ltd.
“Wokai Biology”	Shanghai Wokai Biotechnology Co., Ltd.
“Sinopharm Chongqing”	Sinopharm Group Chongqing Co., Ltd.
“Sinopharm Le-Ren-Tang”	Sinopharm Group Le-Ren-Tang Medicines Co., Ltd.
“Sinopharm Jilin”	Sinopharm Group Jilin Co., Ltd.
“Sinopharm Chengdu”	Sinopharm Group Chengdu Medicines Co., Ltd.
“Discipline Inspection Committee”	Discipline Inspection Committee of Sinopharm
“Legal and Compliance and ESG Committee”	Legal and Compliance and Environmental, Social and Governance Committee of Sinopharm
“Sinopharm’s industrial enterprises”	Sinopharm’s subsidiaries which produce pharmaceutical products or chemical reagents, including Sinopharm Xingsha, Sinopharm Regent (Wokai Biology), Guorui Pharmaceutical, etc.

About this Report

Report Introduction

Sinopharm Group Co., Ltd. is pleased to release the 2022 Sustainability Report (hereinafter referred to as the “Report”). The Report is aimed to disclose the efforts and performance on the aspect of Environmental, Social and Governance of the Company and its subsidiaries in 2022, and respond to the key ESG issues concerned by stakeholders. The report is published in traditional Chinese and English versions.

Reporting Scope

Reporting Period: Unless otherwise specified, this reporting period of the report is from January 1 2022 to December 31, 2022 (hereinafter referred to as the “Reporting Period”).

Business Scope: Unless otherwise specified, the Report covers the principal businesses of the Group in 2022, including Sinopharm Group and its subsidiaries.

Reporting Guidelines

This Report is compiled strictly in accordance with the Environmental Social and Governance Reporting Guide Appendix 27 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited issued by the Stock Exchange of Hong Kong Limited. The Report followed the reporting principles of Materiality, Quantitative, Balance and Consistency, as well as “mandatory disclosure” requirement and the “comply or explain” provisions listed in the ESG Reporting Guide.

Materiality: The Group conducts materiality assessment to identify extent of impact of ESG-related issues on stakeholders, and ESG issues with high materiality have been responded and disclosed in this Report.

Quantitative: The Group presents ESG key performance indicators (KPIs) in a measurable manner where practicable, and this Report discloses the basis for calculating quantitative values and the statistical methodology.

Balance : This Report provides objective facts and discloses both positive and negative indicators to present the Group’s ESG performance in an unbiased manner.

Consistency: Unless otherwise stated, this Report uses the same statistical disclosure method as previous years, to ensure that the ESG data for this Reporting Period is comparable with historical data and future data. Changes in the statistical caliber of indicators will also be disclosed in the Report.

The preparation of this Report also abides by the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (“CASS-ESG5.0”) issued by China Academy of Social Sciences, and Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities issued by the State-owned Assets Supervision and Administration Commission of the State Council.

Report Assurance

The Board of Directors (hereinafter referred to as the “Board”) of the Company understand its responsibility for ensuring the authenticity and effectiveness of the information in the Report. The Board has reviewed the Report and confirmed that there are no false representations, misleading statements contained in this Report.

Access to the Report

This Report can be read and downloaded from the HKEX News websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), and the Investor Relations section of the Company’s official website (sinopharm.todayir.com).

Readers Feedback

If you have any comments or suggestions about this Report, please feel free to provide feedback through the official website of the Company (sinopharm.todayir.com) or the email address of the investor relations email (sinopharm@wsfg.hk or ir@sinopharm.com), help us to make continuous improvement.

Chairman's Statement



In 2022, the global geopolitical situation and the public health crisis have significantly impacted economic and industrial development, while the worsening climate disasters have brought severe challenges to human survival. In the face of this complex and turbulent external environment, Sinopharm has kept pace with the times by driving high-quality transformation and continuously advanced innovation to upgrade our medical services. We strive for changes amidst steady development, and seize opportunities in times of crisis. Following the philosophy of "All for Health, Health for All", we steadily promote sustainable development goals, take innovation and environmental initiatives as the guiding principles, so as to deliver high-quality pharmaceutical products and services and contribute to society's health, harmony, and environmental progress.

The Company has internalized the concept of sustainable development and established a standardized and rigorous governance system. Sinopharm has fully integrated ESG into its strategy and governance processes, continuously strengthened the accountability of the Board, professional committees and business lines, and promoted the implementation of sustainable development strategies. Through strengthening of its compliance management system and risk control capabilities, the Company is committed to enhancing its corporate governance, compliance management, and business ethics.

With innovation as its business driving force, the Company is dedicated to offering high-quality and accessible medical and health services. As a leader in China's pharmaceutical distribution industry, Sinopharm fully leverages the advantages of its entire network, continuously strengthens national logistics integration, and ensures stable and efficient supply of pharmaceutical resources. Moreover, we actively promote digital transformation strategies, explore reformative operational modes and use innovation to enhance the high-quality development of medical services that safeguard people's health.

We strive to accelerate the pace of green transformation to effectively address the challenges and opportunities presented by climate change. To address the transition risks posed by climate change, Sinopharm has established green development strategic goals and is actively pursuing a path to green transformation for our pharmaceutical logistics operations. The Company aims to seize the opportunities within these risks and integrate its business development with low-carbon transformation. We actively carry out energy-saving upgrading in our buildings and equipment facilities, and implement photovoltaics, new energy vehicles and other clean projects, coordinating the promotion of carbon reduction and pollution reduction and supporting the development green ecological civilization.

We adhere to win-win cooperation and mutual benefit, and aim to create greater value for stakeholders. Sinopharm actively fosters a diverse and inclusive culture, strives to create a safer and more comfortable workplace for employees. We prioritize talent development and career growth opportunities for our employees, ensuring that they grow along with the Company. Additionally, we are dedicated to public health and the well-being of the people. We take our responsibilities seriously in ensuring drug supply, supporting the national medical security system, leading the way as a central state-owned enterprise, and promoting social harmony and stable development.

Looking forward, we will continue to leverage our advantages in the pharmaceutical and healthcare fields and constantly improve our corporate governance practices. We will also advance innovative initiatives, promote green and low-carbon transformation, fulfill our social responsibilities to create mutual value for stakeholders, and firmly move forward towards the vision of becoming a premium technology-driven and innovative global pharmaceutical and healthcare service provider.

Yu Qingming
Chairman & Executive Director

2022 ESG Highlights

ESG Governance

- Revise the responsibilities of the Legal and Compliance and ESG Committee, established ESG Working Group
- Established the Board Diversity Policy and targets
- Formulated the **Whistleblowing Policy** and **Listed Company Information Disclosure Management System** to enhance transparency

100%

Anti-corruption training coverage



Green Development

- Formulated a **green logistics development strategic plan**

28

Number of subsidiaries obtained the ISO14001 certification



40%

Year-on-year decrease in industrial wastewater pollutants discharge



Quality Management



4,081

Number of internal audits on drug quality



100%

Coverage of suppliers implemented internal regulations

100%

Quality training coverage



RMB **79.58** million

Safety production investment



Humanistic Workplace



25.58%

Percentage of female management



100%

Occupational training coverage

Initiated the **Employee Assistance Program (EAP)**



57.3 hours

Average training hours per person



Innovation and Digital Transformation



RMB **647** million

Innovation Investment (including RMB 354 million in digital transformation)



160,000 pieces

Drug data on the master data management platform

80

Number of acquired authorized patents



99%

Coverage in the drug master data database



Social Contributions



4 billion pieces

Pandemic prevention materials supplied



27,723 hours

Total hours in voluntary activities

883

Number of "dual channel" qualified stores



About the Company

Company Profile

Sinopharm Group Co. Ltd. is a core subsidiary of China National Pharmaceutical Group Co., Ltd., which was established in January 2003, and listed on the Stock Exchange of Hong Kong Limited (Stock Code: 01099. HK) in September 2009. Sinopharm Group has become the largest wholesaler and retailer of pharmaceutical, medical devices and healthcare products, and a leading supply-chain services provider in China.

The Group is mainly engaged in pharmaceutical and medical devices distribution business. Leveraging on its nationwide distribution and delivery network, the Group provides comprehensive distribution, delivery and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and consumables and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions. Meanwhile, the Group manages its network of retail drug stores chain in major cities of China via direct operations and franchises to sell pharmaceutical and healthcare products to end customers. It has become a leader in China's pharmaceutical retail industry. Furthermore, the Group is also engaged in the production and sale of pharmaceutical products, chemical reagents and laboratory supplies, and actively engaged in the innovation of pharmaceutical, medical services and other health-related industries, to explore the synergistic development of its diversified businesses.

Taking advantage of its superior economies of scale, customer resources, network platforms and brand position, the Group will fully leverage on China's pharmaceutical and healthcare market, which shows steady and healthy growth, and capture opportunities arising from healthcare reform to further consolidate and enhance its market leadership, actively striving to become an efficient pharmaceutical supply chain organizer and a comprehensive industry service solution provider.

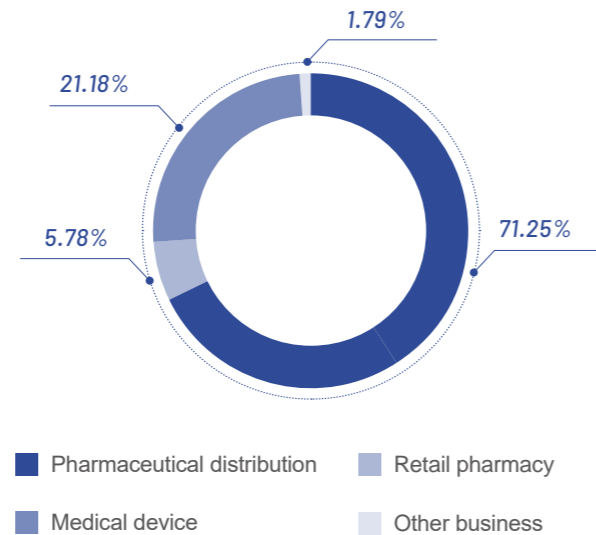
In 2022, facing with the changes in the environment such as the recurring and continuous outbreak of the COVID-19 pandemic and the increasing uncertainty of the economic operation, the Group efficiently coordinated pandemic prevention and control and business development, encouraged business transformation and innovation while sparing no effort on guaranteeing the steady growth of various businesses to ensure that the various development targets can be achieved progressively. In 2022, the Group's economies of scale continued to emerge, with its operating income reaching RMB 552,147.55 million, representing a year-on-year increase of 5.97%, and its market share accelerated to increase, so as to continuously consolidated its leading position in the industry.



During the Reporting Period, the medical device and retail pharmacy segments continued to maintain a relatively high growth trend, and the business structure was further diversified and balanced. Meanwhile, the Group's network coverage capacity continued to be strengthened, its terminal layout has been improved and optimized, and the proportion of direct sales business to primary health services institutions and retail pharmacies increased steadily.



2022 Revenue by business segments



Pharmaceutical Distribution

- The largest pharmaceutical distributor in China
- The revenue reached RMB 406,603.53 million, representing a year-on-year increase of 4.27%
- Continuously improved the coverage of business network and accelerated to promote the innovation of supply chain model and service transformation

Medical Device

- The revenue amounted to RMB 120,851.48 million, representing a year-on-year increase of 11.77%, increased by more than 10% for three consecutive years
- SPD projects increased by 72
- Focused on the transformation of the B-end market operation mode, and the research and development project made a new breakthrough

Retail Pharmacy

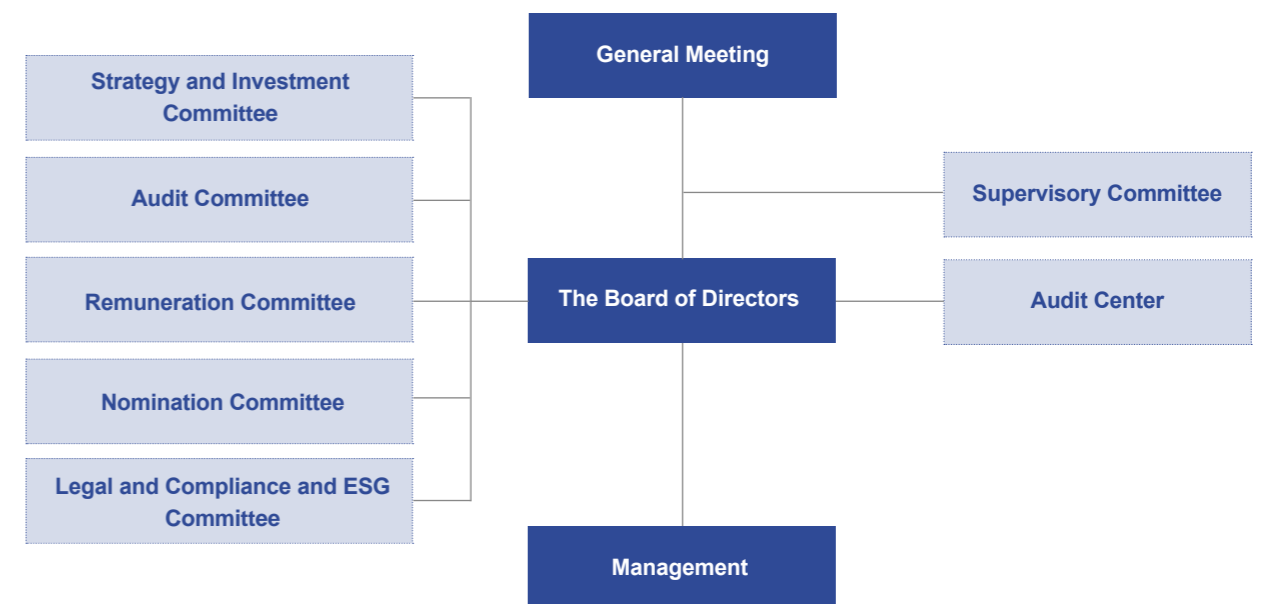
- The revenue reached RMB 32,979.34 million, representing a year-on-year increase of 13.49%, continuously, higher than the average growth of the industry
- 494 new stores in the retail pharmacy segment
- The total number of "dual channel" qualified stores reached 883, with an year-on-year increase of approximately 120%



Corporate Governance

Good corporate governance is the cornerstone of the Company's sustainable development. Sinopharm complies strictly with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Code of Governance for Public Companies and other relevant laws, regulations and regulatory requirements, and regularly reviews and revises its internal management policies in accordance with the updates of relevant laws and regulations. The Company has formulated the Articles of Association to regulate its operations. The General Meeting of the Shareholders, the Board of Directors, Supervisory Committee and other professional committees all strictly followed the relevant regulations.

Sinopharm has established the General Meeting of shareholders as the highest authority, with subordinate Supervisory Committee performing supervisory duties and the Board of Directors as decision maker. The Supervisory Committee and the Board of Directors are appointed by the General Meeting of shareholders, and the Board of Directors employs the Management as the executive body. The Board has established Strategy and Investment Committee, Audit Committee, Remuneration Committee, Nomination Committee, and Legal and Compliance and ESG Committee to provide professional advice to the Board in making decisions.



Sinopharm holds Board and committee meetings every year. In 2022, 17 meetings were held by the Board. In addition, the Chairman meets separately with the independent non-executive directors annually to receive their views on business development and operational matters of the Company.



Number of Board meetings held in 2022

17

2022 Sinopharm Board Committee Meetings

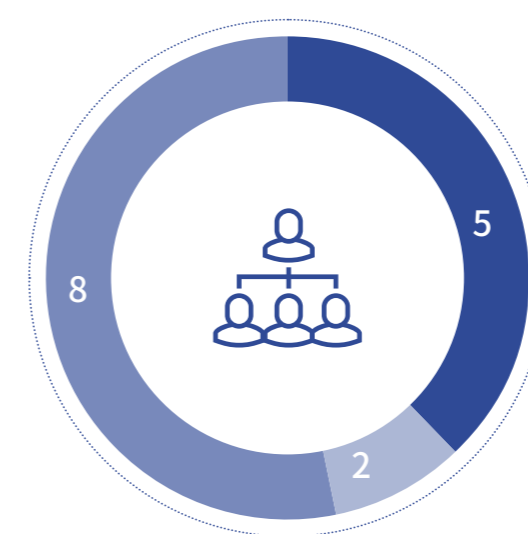
Committee meetings	Number of meetings held
Audit Committee	5
Remuneration Committee	3
Nomination Committee	1
Legal and Compliance and ESG Committee	3
Strategy and Investment Committee	7

This year, Sinopharm actively conducted state-owned enterprises reform, formulated relevant implementation plans, and continuously improved its corporate governance mechanism to enhanced its economic competitiveness, innovation capability, control capacity, influence, and resistance to risks. Since the reform of state-owned enterprises, the Company has made breakthroughs in a number of key areas and has been shortlisted in "Double-hundred Enterprises". In order to further strengthen the ability of the Board to exercise its powers and perform its duties, the Company has formulated the Sinopharm Regulations on the Authorization of the Board, which regulates the authorization and management behavior of the Board to improve the efficiency of the Board in making business decisions and promote high-quality corporate development. In addition, the Company has implemented clawback mechanism for Directors and senior management's performance-based compensation. The relevant provisions are included in the Sinopharm Management Team Contractual Compensation Management Measures. ESG indicators, including environmental protection, energy conservation, emission reduction and quality management, are directly linked to the compensation of Directors and senior management of the Company. Failure to meet the annual ESG targets will result in a maximum deduction of 100% of the annual performance-based salary (accounting for 60% of the total compensation). For material ESG issues that scored below 80 in performance assessment, including energy conservation, emission reduction and quality management, each issues carries a 5% weight of performance-based salary.



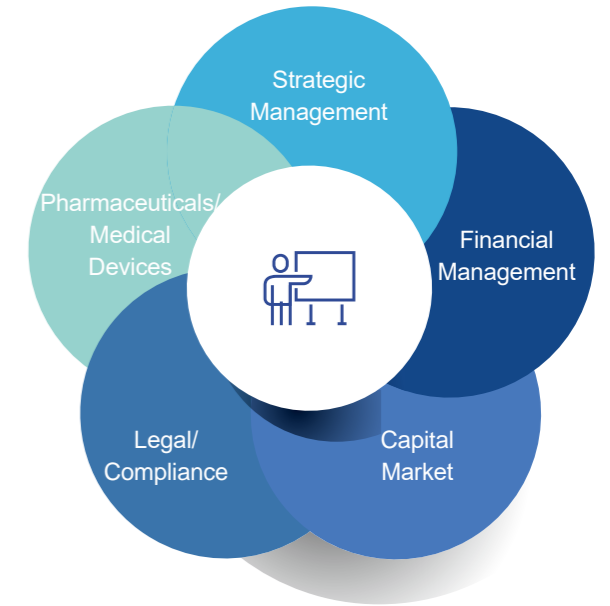
Board Diversity

The Company strictly implements the Sinopharm Board Diversity Policy. The Board will employ talents and select the best candidates in accordance with the principle of diversity. The Company considers diversity factors including but not limited to, gender, age, professional qualifications, industry experience, cultural and educational background, ethnicity, etc. As of the date of this Report, the Board of Directors of the Company is composed of a total of 15 members, including independent non-executive directors, executive directors, and non-executive directors, with 1 female director. We have appropriately balanced the skills and experience among the Board members, and the current members have a wide range of experience in the fields of medicine, management, finance, law and other aspects, enabling the Board to be fully effective and enhance management efficiency.



■ Independent non-executive directors
 ■ Executive directors
 ■ Non-executive directors

Board Composition



Background of Board Members

Sinopharm regards board diversity as an important factor in enhancing the Company's performance. We have set measurable targets for board diversity and plan to gradually increase the proportion of female directors in the selection and election process, aiming to increase the proportion of female directors from the 6.7% to no less than 13% before or at the end of the fifth term of the Board for re-election, to achieve a proper balance between male and female board members.

Responsible Disclosure

The Company strictly adheres to the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Guidelines on Disclosure of Inside Information of the Securities and Futures Commission of Hong Kong and relevant laws, regulations, and normative documents. The Company regularly publishes annual/interim/quarterly (if applicable) reports, performance announcements, and sustainable development reports to ensure that all parties fully understand the financial and non-financial performance of the Company.

To ensure the Company's normative operation and protect the legitimate rights and interests of stakeholders, including shareholders, creditors, and other interested parties, the Company has been enhancing its information disclosure management and formulated the Sinopharm Listed Company Information Disclosure Management System which regulates the content, scope, standards, and approval requirements and other compliant procedures of listed company information disclosure, to strengthen control over related transactions and insider information and improve compliance management for the Group.

Risk Management


Sinopharm has established a "three lines of defense" risk management system, which includes the Board, the Audit Committee under the Board, the management, the risk and operation management department, the legal compliance department, the audit center, the Discipline Inspection Committee and other departments. As the highest decision maker for the Group's risk management and internal control, the Board assumes full responsibility for the establishment of a sound risk management and internal control system as well as the effectiveness of the risk management work carried out across the Group. The Group reviews the effectiveness of the risk management and internal control systems every year and assesses all important aspects of internal control based on five elements, namely, the internal environment, risk assessment, control activities, information and communication as well as internal supervision.

Every year, each business department of the Group identify, analyze and assess the material risks of all kinds of business based on both internal and external environmental changes, from the perspective of the likelihood and impact of potential risks. The risk list evaluated this year includes ESG risks such as safety risks, environmental risks, quality risks, and procurement and supply chain management risks. Meanwhile, the Company conducts in-depth research on emerging risks such as climate risks through trend analysis and literature research (see the "Addressing Climate Change" section of this Report for details). In light of the actual operation and management of its professional business, each department formulates detailed risk management proposals against material risks on a case by case basis.

During the Reporting Period, the Company and its subsidiaries have developed and refined internal control manuals to further enhance their risk management and internal control capabilities. We conducted comprehensive research on various business lines, and made improvements to risk descriptions, control activities, corresponding systems, responsible departments and other control matrices. The Company's departments and subsidiaries actively participated in providing feedback and engaging in interactive discussions during this process. In addition, the Company carried out various training programs on risk management and internal control, including Key Points of Compliance for Internal control of Hong Kong-listed Companies for Board members, interpretation of internal control manuals for management and employees, as well as online and offline training courses on internal control. These initiatives promoted the establishment of a strong risk culture within the Company.

Participants enrolled in online training course for risk and internal control management

over **44,000**



Party Building

In 2022, Sinopharm persisted in implementing the new era's guidelines for Party building, placing great emphasis on learning and implementing the principles outlined in the 20th National Congress of the Communist Party of China (CPC). Sinopharm has continuously promoted the quality and efficiency of Party building, providing strong support in accomplishing the Company's goals and various tasks.

During the Reporting Period, Sinopharm has studied and applied the principles set forth in the 20th National Congress of the CPC. The Company proactively arranged Party building activities at all levels, including publicity, centralized training, and rotation training. Various programs such as learning education, ability training and ethics promotion were implemented to enhance political literacy and comprehensive quality, greatly enhancing the team cohesiveness and organizational effectiveness.

During the fight against the epidemic, the CPC committee of Sinopharm demonstrated leadership by coordinating efforts and mobilizing all Party organizations to concentrate their resources on epidemic prevention work, fully carrying out its responsibilities as a central state-owned enterprise. Throughout the epidemic prevention period in Shanghai, Sinopharm played a leading role as a central state-owned enterprise and took various measures to ensure the supply and demand of essential materials. The Company assembled a volunteer team with nearly 50 Party members, and engaged over 1,000 party members, young people, and employees to participate in warehouse sorting, medicine distribution, community service, and other voluntary services, making vital contributions to national medical supplies guarantee and provision during this challenging period.

Honors and Awards in 2022



Featured Topic

Driving High-quality Development with Digitalization

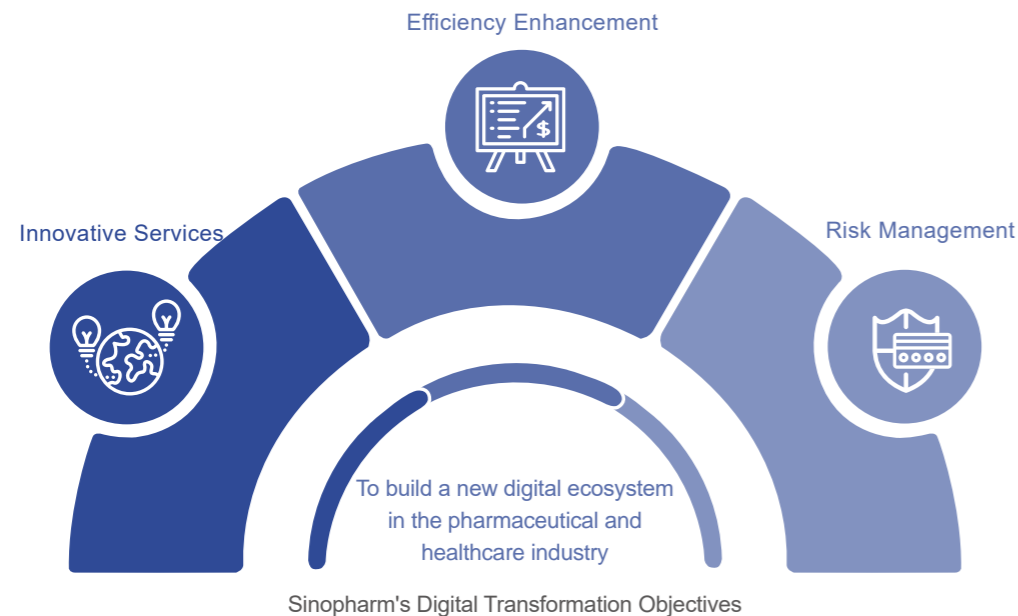
In the information age, Sinopharm recognizes that digital transformation is not only a key factor in building core competitiveness but also an urgent need to ensure the high-quality development of the Company. The Company has formulated a digital transformation strategy and objectives, and actively accelerate of key digital transformation projects.

Digital Transformation Strategy

"Promoting Digital Transformation to build a core competitiveness"

Digital Transformation Objectives

"To build a new digital ecosystem in the pharmaceutical and healthcare industry, with a focus on enhancing efficiency, creating innovative services and managing risk."



Digital Transformation Pathways

- Through a unified digital business platform, forming a digital network from upstream suppliers to downstream customers, connecting the entire industry chain, and comprehensively improving the efficiency of pharmaceutical supply chain services.
- Fully leveraging data assets, focusing on market demand changes, continuously improving products and services, and exploring comprehensive solutions for the industry chain based on customer-centricity.
- Through unified digital technology and methods, promoting the national integration of business control and operations, as well as organizational operation mode transformation, and ultimately achieving corporate transformation and upgrading.

Sinopharm has established a digital transformation working group and developed relevant regulations including the General Rules for Digital Transformation Management (Provisional), the Working Mechanism for Digital Working Group (Provisional), and the Outline of Data Management System (Trial), to ensure effective management of digital transformation initiatives. To further enhance transformation efficiency, Sinopharm established its subsidiary, Sinopharm Digital Technology, in Shanghai in early 2022. The subsidiary is responsible for planning, designing, constructing, and implementing a range of digital projects across Sinopharm, aimed at achieving the Company's digital transformation goals. Sinopharm will continue to promote the implementation of digital transformation projects, encompassing diverse fields such as data, distribution, retail, logistics, finance, and collaboration.

Facilitating Quality and Efficiency Improvement

Digital transformation involves redefining traditional management models and improving internal organizational operations. The Company has established the master data management platform, the initial qualification information exchange platform, and logistics digital management. We constantly explore ways to use digital technology to enhance and upgrade our internal management system, thereby improving the quality and efficiency of our corporate management and reducing associated costs. By leveraging the digital platform, we can share resources, standardize and streamline business processes, and this effectively helps the Company to optimize its operations and improve its efficiency.

Case Master data management platform of Sinopharm

Sinopharm's master data management platform governs the master data of products and customers from four aspects: design of management systems, establishment of data standards, cleaning of historical data, and operation of master data. It is an essential support for the Company's business management and dimensional analysis, and has facilitated the construction of the Company's digital operational system.

- **Drug Master Data:** The information is derived from drug registration certificates issued by the National Medical Products Administration, import registration information, as well as relevant information on drug circulation management, and is managed in a standardized and unified manner. The platform has compiled over 160,000 pieces of drug master data, with over 99% coverage.
- **Customer Master Data:** A standardized customer database has been set up for the pharmaceutical distribution industry, covering both upstream and downstream entities. The database currently holds over 650,000 customer master data records, with 99% coverage for graded hospitals.



Case Initial qualification information exchange platform

Since 2017, Sinopharm has been exploring solutions for "Internet +" data exchange in the pharmaceutical industry. We have established the initial qualification information exchange platform, which enables real-time, electronic, standardized exchanges of initial qualification information between suppliers and customers, thus significantly improving the efficiency of initial qualification work. In 2022, we upgraded and optimized the platform, reducing the average completion time of the initial qualification information exchange process by more than 90%. Currently, our initial qualification information exchange platform has been promoted to 30 provinces throughout China and has been widely recognized by provincial food and drug regulatory authorities, as well as upstream and downstream customers. The platform has 1,293 registered users and stores more than 500,000 sets of data. The average monthly exchange volume on the platform is more than 15,000 times, achieving efficient interconnection of initial qualification information nationwide.



Case Sinopharm launches the industry's first robot capability center

In 2022, Sinopharm collaborated with partners to streamline business processes related to customers, data, and operations, and planned and constructed the first digital robot capability center platform in the domestic pharmaceutical industry. After the platform was launched, all levels of our subsidiaries could use common scenario business processes, unify and consolidate digital robot resources, and effectively promote the standardization and normalization of common scenarios. By the end of 2022, the center had covered 7 common scenarios of all second-tier subsidiaries. On average, the efficiency had increased by more than 10 times, releasing digital energy and promoting growth.



Sinopharm digital robot capability center

Empowering Pharmaceutical Services

Facing the trend of digital development, Sinopharm seizes the opportunity to promote business model transformation through digital transformation. The Company is continuously exploring innovative service models, focusing on customer needs, and committed to empowering pharmaceutical services through digital means to better serve customers, suppliers, and the public. As the Company fortifies its business competitiveness, it also creates more value for society.

Case "Smart purchase" through Internet + Pharmacy

GuoDa Pharmacy actively explores the Internet + Pharmacy transformation model. In June 2022, it officially launched its smart pharmacy, which achieved AI intelligent gateway, self-service purchase, Internet hospital, member healthcare, smart cloud security, and touchless payment and other smart pharmacy application scenarios in stages, bringing users a convenient medication experience.



"Smart Purchase" by the Smart Pharmacy

The smart pharmacy achieves interconnectivity across relevant systems, such as the pharmacy retail system, membership system, and data system while helping customers enjoy convenient shopping. The application of big data and AI intelligent analysis also allows the smart pharmacy to achieve sales damage prevention, intelligent monitoring and other scenarios.

Case "Sinopharm to Home" assisted in epidemic prevention and supply guarantee

Amidst the tense situation of the epidemic in April 2022, Sinopharm Digital Technology adopted an agile iterative development strategy, and successfully launched the "Sinopharm to Home" delivery mini-program within 3 days. Sinopharm Digital Technology continued to work overtime to complete the research and development of the five major systems, including pharmacy-end mini-program, delivery-end mini-program, store management system, store matching system, and order tracking platform. This effectively resolved the issue of delivering of internet hospital prescriptions. As of November 2022, the "Sinopharm to Home" system has processed over 280,000 prescription orders, dispatched more than 36,000 packages, and carried out over 320,000 calculations for pharmacy service distribution. The system has made significant contributions to ensuring public access to medication during the challenging time.

Managing Risk Effectively

The digital platforms also enable Sinopharm to effectively manage various risks, ensuring smooth operation of the business. The Company pays great attention to risk points in the financial sector and has built an internal treasury system that covers all subsidiary levels, enabling unified management and settlement of provincial-level company finances, and further enhancing financial automation. By utilizing this financial system, the company can achieve full-process monitoring of financial functions, systematically preventing and controlling financial risks.

To ensure stable and organized functioning of digital projects, Sinopharm has successfully developed a project management system in 2022, which assists to manage all stages of digital projects. The system focuses on 162 operating data indicators, uses 89 professional pages for real-time analysis and presentation. The system has effectively assisted the Company in timely controlling operational risks and provided a solid guarantee for the smooth progress of various projects.

01

Responsible Governance as the Cornerstone for Steady Progress

Sinopharm continues to implement sustainable development concepts and progressively integrates ESG factors into its corporate strategy and governance system. We have established a sound ESG governance framework to ensure that the Board, management, and relevant departments are all engaged in ESG-related work. We have also established transparent communication channels with various stakeholders and continuously improved our ESG performance to better fulfill their demands and expectations.

Highly material issues addressed in this chapter

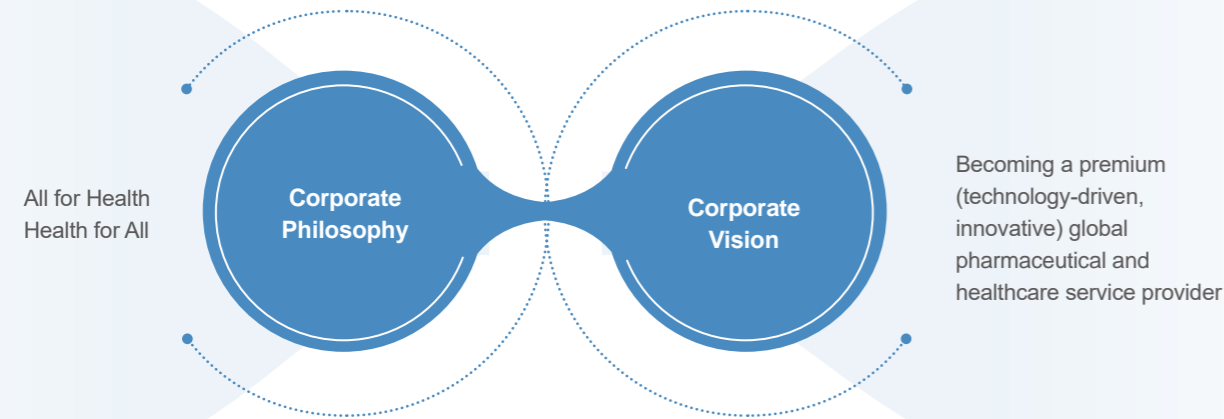
- Corporate governance framework
- Risk management
- Compliance operations
- Anti-corruption

Highlights in this chapter

- Revised the Terms of Reference and Rules of Procedure of Legal and Compliance and ESG Committee, established ESG Working Group
- Identified **17** highly material issues
- Anti-corruption training coverage **100%**

Sustainable Development Strategy

Sinopharm adheres to the corporate philosophy of "All for Health Health for All" and is committed to "becoming a premium (technology-driven, innovative) global pharmaceutical and healthcare service provider". We integrate sustainable development concepts into our corporate strategy, management, and operations, and actively fulfill our economic, environmental, and social responsibilities.



Driven by innovation, Sinopharm has established and applied advanced management systems to support economic development, industrial advancement and model upgrading. The Company is committed to safeguarding people's health and their needs of medical safety, fulfilling the responsibilities of medical supply and emergency assistance. We uphold the principle of green development, actively respond to the "dual carbon" strategy, and pursue the balance between economic development and environmental protection. Looking ahead, we will continue to explore sustainable development approaches and accelerate the high-quality transformation, to contribute to China's medical system reform and create greater value for shareholders, investors, customers, employees, and the public.



Sustainable Development Management

■ ESG Governance Framework

The Company has established a three-tier ESG governance framework consisting of the Board of Directors, the Legal and Compliance and ESG Committee, and the ESG Working Group. ESG has been fully incorporated into the responsibilities of all organizational levels, ensuring that ESG-related work is conducted in an orderly and standardized manner.

The Legal and Compliance and ESG Committee of the Company is composed of three directors, including one independent non-executive director, Mr. Yu Weifeng, and two executive directors, Mr. Yu Qingming and Mr. Liu Yong, with Mr. Yu Weifeng serving as the chairman. ESG-related responsibilities have been integrated the Committee's terms of reference, and major ESG indicators such as compliance, quality management and safe production, have been linked to annual performance evaluation of directors and senior management, to ensure effective management and implementation of ESG-related work.

Duties of the Legal and Compliance and ESG Committee



Research and formulate the ESG management approach, targets and strategies of the Company, review and confirm the priorities of the ESG issues of the Company



Consider and review the ESG management approach, targets and strategies of the Company and make suggestions thereon; evaluate the adequacy and effectiveness of the ESG structure of the Company on a regular basis;



Research, analyze and identify the Company's risks and opportunities arising from ESG issues, review the changes in the nature and severity of the Company's risks in major ESG issues on a regular basis, review the Company's performance in response to the relevant risks, propose improving strategies



Oversee and evaluate the Company's ESG performance, review and monitor the performance and progress toward relevant ESG targets, propose improving strategies

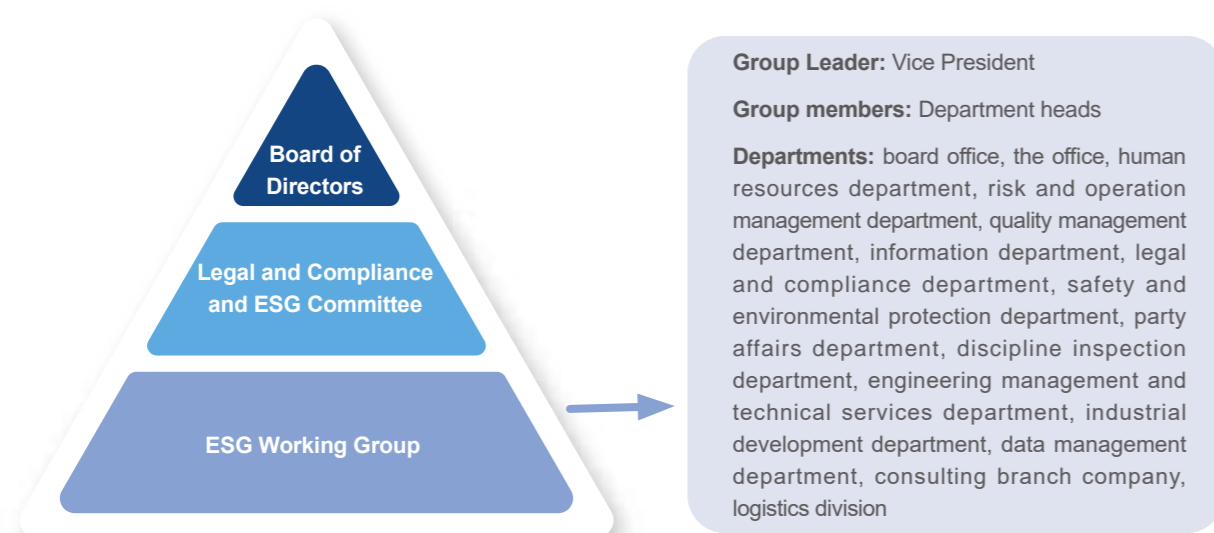


Review the Company's compliance with ESG requirements , review the Company's annual ESG Report



Evaluate and assess the execution and implementation of the related work of ESG performed by the ESG Working Group

The ESG Working Group under the Legal and Compliance and ESG Committee is responsible for the specific implementation of ESG-related policies and goals. In April 2022, the Company revised the Terms of Reference and Rules of Procedure of Legal and Compliance and ESG Committee and incorporated the responsibilities of the ESG Working Group into it. The Legal and Compliance and ESG Committee regularly evaluates and assesses the execution and implementation of the related work of ESG performed by the ESG Working Group. The ESG Working Group is led by the Company's Vice President, and is jointly composed of relevant departments, including the board office, safety and environmental protection department, human resources department, party affairs department etc. The relevant departments are jointly responsible for the implementation of ESG policies and objectives.



Sinopharm ESG Governance Framework

Board Statement

The Board is the highest governance body for ESG issues of the Company and has overall oversight responsibility for ESG governance strategies and reporting, as well as overseeing ESG strategies and management policies formulation, ESG risk management, and ESG target reviews. The Board oversees and manages Sinopharm's ESG governance through its Legal and Compliance and ESG Committee, and regularly listens to the report on sustainability strategies, progress and performance.

The Legal and Compliance and ESG Committee is responsible for identifying relevant ESG risks and opportunities, as well as reporting the performance regarding risk management to the Board. During the Reporting Period, the Board evaluated the importance of ESG issues from a business risk perspective, and confirmed the results of materiality assessment, to ensure our ESG work focusing on material ESG issues. For the process of Board assessment, prioritization, and management of important environmental, social, and governance-related matters, please refer to the "Risk Management" and "Stakeholder Communication" sections of this Report, which are also parts of this Board Statement. The sections "Risk Management" and "Stakeholder Engagement" of this Report are also parts of the Board Statement, which describe the Board's participation in assessing, prioritizing and managing ESG-related issues with high materiality.

In addition, the Legal and Compliance and ESG Committee is responsible for studying and formulating ESG objectives related to the Company's business and tracking and reviewing ESG performance and progress. The Board regularly listens to reports on ESG target management and reviews the progress regarding ESG targets, which are closely related to business development, including compliance management, product and service quality, and safety production.

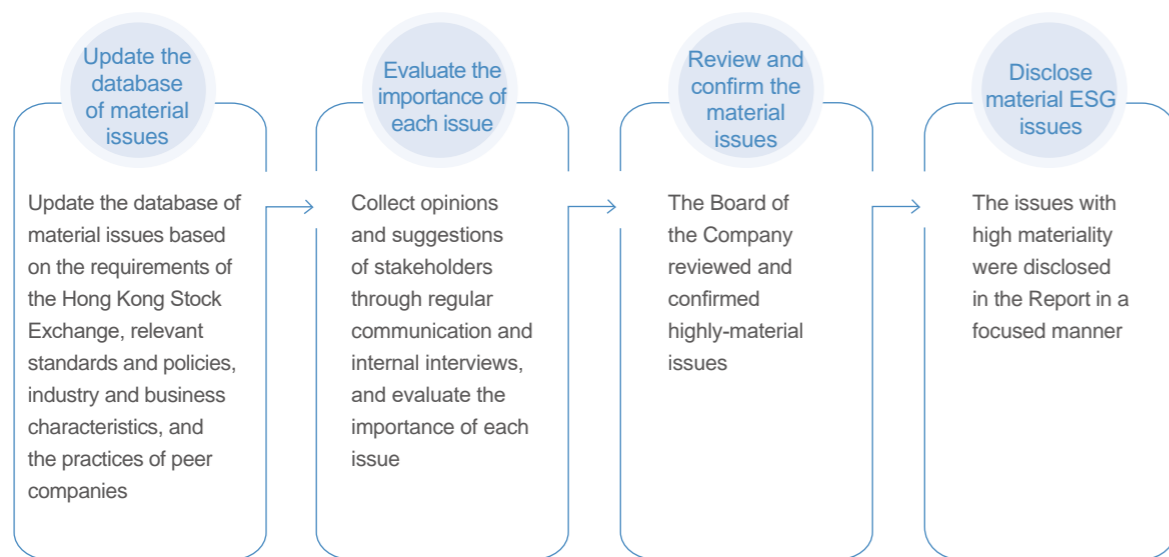
To further enhance the comprehensive ability of the Board, the Company encourages Board members to participate in professional training programs to improve their skills. During the Reporting Period, Board members underwent training on Key Points of Compliance for Internal control of Hong Kong-listed Companies, which covered the aspects related to securities market regulations, legal and regulatory frameworks, and behavioral norms. In addition, the Company provides regular and up-to-date information to directors, including relevant legal and regulatory documents, for reference and research, continuously enhancing the compliance awareness and ability of Board members to fulfill their duties.

Stakeholder Engagement

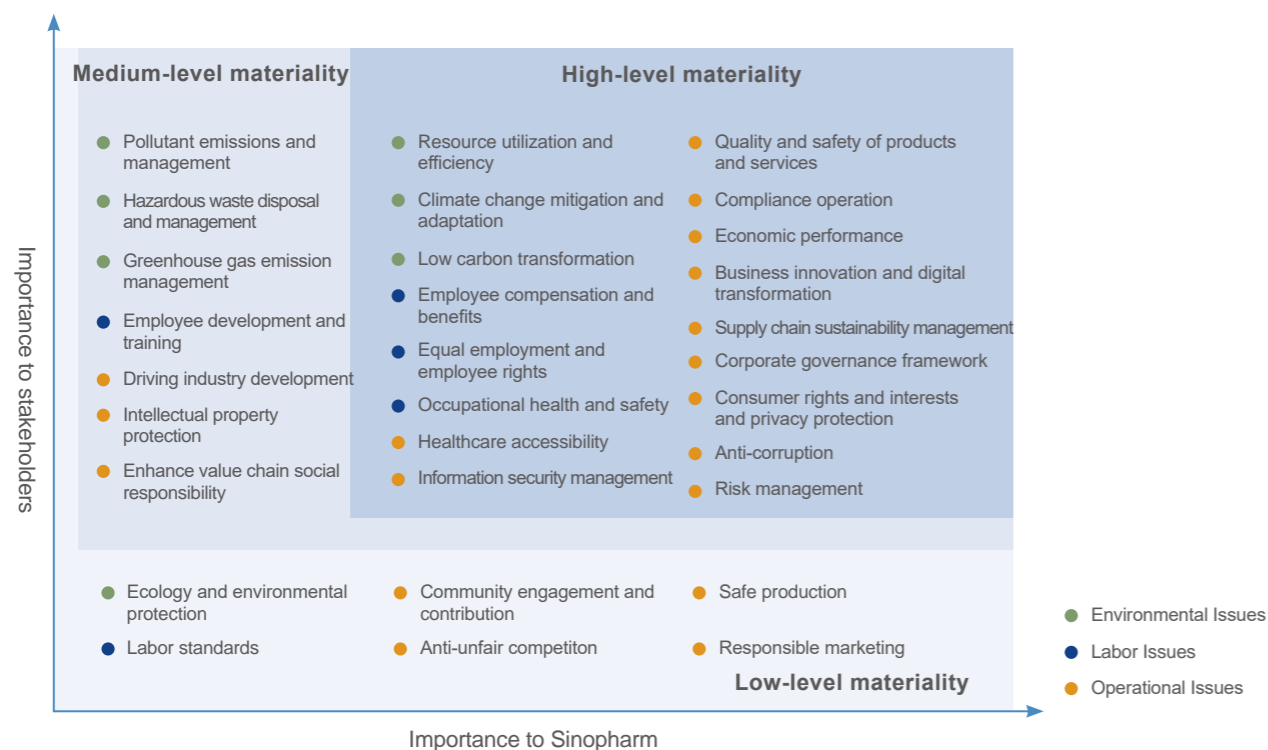
The Company is committed to establishing diverse communication channels with various stakeholders. We value the expectations and suggestions of stakeholders and continuously enhance our sustainable development efforts and improve the transparency of our information disclosure, to better satisfy the concerns and expectations of stakeholders. The Company's major stakeholders include shareholders and investors, government and regulators, employees, customers, suppliers and other partners, the media, the community and the public, industry associations and other non-governmental organizations.

Stakeholders	Concerns and expectations	Method of Communication
<p>Shareholders and investors</p>	<ul style="list-style-type: none"> Compliance operation Economic performance Corporate governance framework Quality and safety of products and services Risk management Sustainable development 	<ul style="list-style-type: none"> General meetings Meetings of the investors and roadshow Website publishing Annual report and announcements ESG report Investor communication mailbox
<p>Employees</p>	<ul style="list-style-type: none"> Employee compensation and benefits Equal employment and employee rights Occupational health and safety Employee development and training Construction of labor union 	<ul style="list-style-type: none"> Union activities Employee forum Employee party Manager's mailbox Volunteer activities Daily Communication
<p>Customers</p>	<ul style="list-style-type: none"> Consumer rights and privacy protection Quality and safety of products and services Intelligent property protection Compliance operation Customer satisfaction and complaint handling 	<ul style="list-style-type: none"> Customer satisfaction survey Regular visits Industry exhibitions and forums Customer Service center/hotline
<p>Government and regulators</p>	<ul style="list-style-type: none"> Compliance operation Pollutant emissions and management Occupational health and safety Quality and safety of products and services Consumer rights and privacy protection 	<ul style="list-style-type: none"> High-level meetings Seminars Compliance report
<p>Suppliers and other partners</p>	<ul style="list-style-type: none"> Supplier management Quality and safety of products and services Anti-unfair competition Compliance operation 	<ul style="list-style-type: none"> Seminars and meetings Marketing summits Supplier evaluation Field visit Daily communication
<p>Media</p>	<ul style="list-style-type: none"> Product research and development and business innovation Driving industry development Safe production Compliance operation 	<ul style="list-style-type: none"> Press releases and announcements Media events
<p>Communities and the public</p>	<ul style="list-style-type: none"> Consumer rights and privacy protection Product/service accessibility Community involvement and contribution 	<ul style="list-style-type: none"> Press releases and announcements Voluntary activities Charity/public service activities
<p>Industry associations and other non-governmental organizations</p>	<ul style="list-style-type: none"> Quality and safety of products and services Compliance operation Driving industry development 	<ul style="list-style-type: none"> Industry exhibitions and forums Website publishing Company report

The Company conducts surveys or interviews with internal and external stakeholders every year to determine ESG issues that are of high materiality to the Company. We also review and adjust the materiality of these issues based on actual circumstances in a regular basis. In 2021, we invited 288 internal and external stakeholders to participate in an online survey to assess the importance of different issues from two dimensions: "Importance to Sinopharm" and "Importance to stakeholders". We also commissioned a third-party sustainable development consultant to assist with the analysis. Based on the materiality assessment results in 2021, we reviewed and updated the ESG issues database, and re-evaluated the importance of each issue based on domestic and global ESG standards guidelines, external trends, and the Company's current situation. The flowchart of the materiality assessment process for this year is shown in the following figure:



Through thorough analysis, Sinopharm has identified a total of 17 highly-material issues in 2022, including 3 environmental issues, 3 labor issues, and 11 operational issues. The issues with high materiality have been responded in this Report in a focused manner. The matrix below presents materiality assessment results:



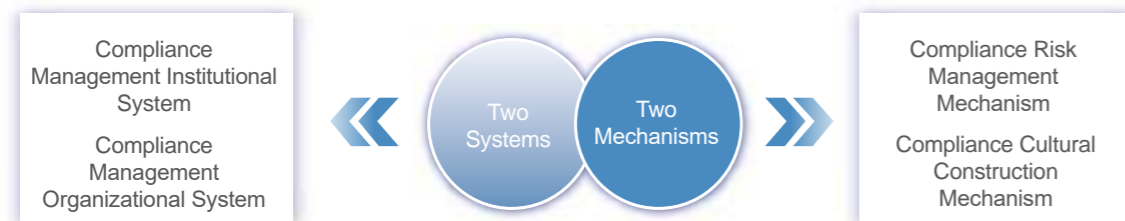
Level	High-level Materiality Issues	Relevant Chapters
Environmental	Resource utilization and efficiency	Low Carbon Development in Pursuit of Green Mission - Addressing Climate Change, Green Production
	Climate change mitigation and adaptation	Low Carbon Development in Pursuit of Green Mission - Addressing Climate Change
	Low carbon transformation	Low Carbon Development in Pursuit of Green Mission - Addressing Climate Change
Labor	Employee compensation benefits	Fostering an Equal and Inclusive Culture to Boost Talent Engagement - Employee Rights Protection
	Equal employment and employee rights	Fostering an Equal and Inclusive Culture to Boost Talent Engagement - Employee Rights Protection
	Occupational health and safety	Lean Management Adheres to Quality Assurance - Product Quality Management Fostering an Equal and Inclusive Culture to Boost Talent Engagement - Occupational Health Protection
Operational	Quality and safety of products and services	Lean Management Adheres to Quality Assurance - Product Quality Management
	Compliance operation	Responsible Governance as the Cornerstone for Steady Progress - Compliance Management
	Economic performance	About the Company - Company Profile
	Business innovation and digital transformation	Driving High - quality Development with Digitalization Lean Management Adheres to Quality Assurance - Innovation and Development
	Sustainable supply chain management	Lean Management Adheres to Quality Assurance - Product Quality Management
	Corporate governance framework	About the Company - Company Profile Responsible Governance as the Cornerstone for Steady Progress - Compliance Management
	Anti-corruption	Responsible Governance as the Cornerstone for Steady Progress - Compliance Management
	Consumer right and privacy protection	Lean Management Adheres to Quality Assurance - Customer Rights Protection
	Risk management	About the Company - Corporate Governance Responsible Governance as the Cornerstone for Steady Progress - Compliance Management
	Healthcare accessibility	Collaborating to Create Social Value - Accessibility in medical and healthcare
	Information security management	Lean Management Adheres to Quality Assurance - Innovation and Development



Compliance Management

The Group operates in accordance with legal regulations and conducting business with integrity. We strictly complies the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Measures for the Compliance Management of Central Enterprises, the Interim Provisions on Banning Commercial Bribery and relevant laws and regulations. There were no violations of relevant laws and regulations within the Company in 2022.

Sinopharm has established a "Two Systems, Two Mechanisms" compliance management system, which includes compliance management institutional system, compliance management organizational system, compliance risk management mechanism, and compliance cultural construction mechanism. The Company regularly reviews and improves the compliance management system, and supervises its subsidiaries to promote compliance management system construction. We strengthen the effectiveness of compliance management at all levels, ensure that compliance risk control is in line with the Company's business development goals, and guarantee the Company operates in a continuous standardized manner to achieve high-quality development.

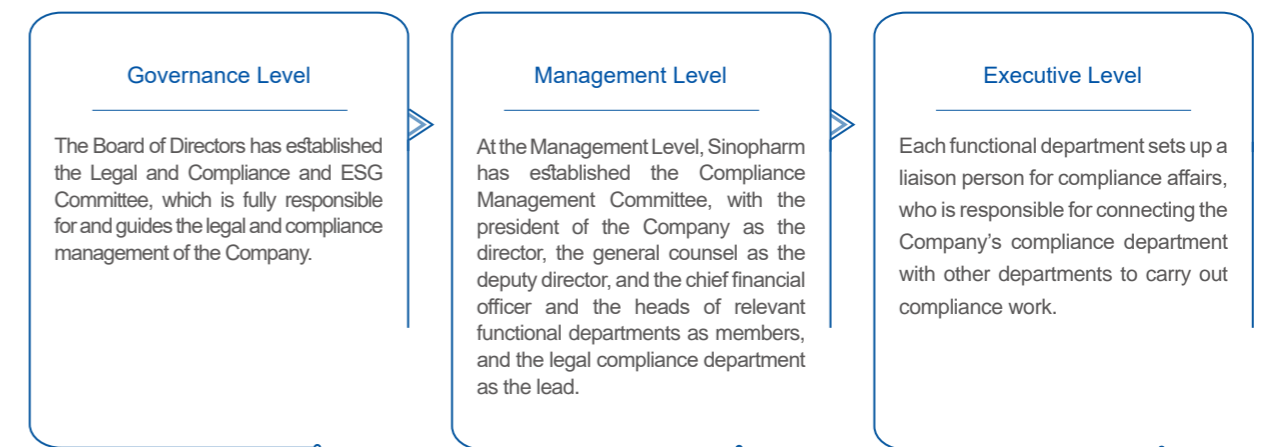


Sinopharm's compliance management system of "Two Systems, Two Mechanisms"

Compliance System

Sinopharm has implemented a comprehensive and standardized compliance management system, which is periodically evaluated and improved in accordance with regulatory requirements and the Company's internal compliance management status. Sinopharm has formulated the Sinopharm Legal and Compliance Management System and Sinopharm Compliance Manual, which has been delivered to all employees at the headquarters and subsidiaries to ensure effective adherence to compliance management standards. For key compliance areas, phases and risk positions, the Company has established special compliance management measures, which are regularly tracked and updated, to ensure that compliance management covers the entire business process of the Company.

In terms of organizational system, Sinopharm has established a top-down compliance management organizational structure to ensure that the responsibilities and obligations are continuously fulfilled by governance level, management layer, and executive level. The sound organizational structure provides a solid guarantee for the effective implementation of compliance work.



Sinopharm Compliance Management Organizational System

Compliance Mechanism

Compliance Risk Management Mechanism

The Company has established a sound compliance risk management mechanism, including five aspects: compliance risk identification and control mechanism, compliance review and reporting mechanism, compliance inspection and rectification mechanism, compliance accountability mechanism, and compliance management performance assessment mechanism.

Compliance Risk Identification and Control Mechanism

Regularly analyze and evaluate the importance indicators of risks, establish the "Key Compliance Issues Prevention and Control List", and manage risks according to the possibility, impact, and potential consequences of risk occurrence.

Compliance Review and Reporting Mechanism

Establish internal and external compliance supervision mechanisms, cooperate with external investigations (including law enforcement agencies, regulatory authorities, business partners, or third parties) and internal investigations (routine or surprise inspections), and establish a joint supervision mechanism among internal audit, legal, discipline inspection, and other departments; regularly submit compliance management reports to the Board.

Compliance Inspection and Rectification Mechanism

Develop regular compliance inspection plans, conduct compliance investigations and surveys of subsidiaries every year (including on-site compliance inspections and legal research), supervise subsidiaries in developing rectification plans, and ensure a standardized rectification and tracking mechanism.

Compliance Accountability Mechanism

Sign the "Compliance Operation and Integrity Management Responsibility Letter" with each department and subsidiary every year, establish a punishment mechanism for violations, clarify the scope of liability for violations, and refine the punishment standards.

Compliance Management Performance Assessment Mechanism

Incorporate compliance management performance into the annual comprehensive assessment and apply performance deductions on departments or individuals who pose compliance management risks.

Sinopharm Compliance Risk Management Mechanism

The Company formulates comprehensive and systematic compliance inspection plans every year based on the characteristics of its business and compliance risks. Each year, the Company's functional management departments, including legal compliance department, risk and operation management department, quality management department, financial department, capital department, and safety and environmental protection department, conduct comprehensive compliance inspections on 20 key subsidiaries according to the plan, ensuring full coverage inspections of business ethics and other key compliance areas. Throughout the inspection process, we focus on evaluating whether the existing compliance systems and processes are sound and comply with relevant laws and regulations, and verifying whether the subsidiaries' business operations and processes are executed in accordance with compliance requirements. We also conduct ongoing tracking of identified issues and improvement measures to ensure timely correction of any problems found.

To effectively prevent compliance risks, the Sinopharm Compliance Manual outlines specific requirements for key compliance risk areas. Additionally, the Company establishes the Key Compliance Issues Prevention and Control List annually, to ensure risk management is in compliance with updated laws and regulations, industry and state-owned enterprise compliance priorities, and regulatory requirements, accurately controlling compliance risks.

Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Period

0



Sinopharm places significant emphasis on managing business ethics risks. To this end, the Company formulated the Sinopharm Anti-bribery Guidelines in 2022, which explicitly prohibit commercial bribery and are applicable to all employees and business partners, including suppliers. Sinopharm also prioritizes establishing a sound reporting mechanism and has formulated the Sinopharm Whistleblowing Policy (applicable to all employees, customers, and cooperative partners such as suppliers). Our whistleblowing mailbox¹ is accessible through the Company's official website to ensure transparent and unimpeded channel underscores the Company's commitment to accepting supervision from various interested parties. After receiving the reported email, the relevant departments of the Company will promptly launch an investigation, formulate a handling plan, and report to the Audit Committee, to ensure comprehensive supervision of the reported issues and the progress made in addressing them. The Sinopharm Whistleblowing Policy ensures the fair treatment of whistleblowers who make truthful and appropriate reports and also guarantees the confidentiality of their identities and information.

Compliance Cultural Construction Mechanism

The Company places a strong emphasis on promoting a culture of compliance and anti-corruption throughout all levels of the organization, and regularly conducts relevant training sessions for the Board, management, and employees. The forms of these training include lectures, case sharing, and compliance tests. During the Reporting Period, Board members studied the anti-corruption learning materials of the Sinopharm Governance of the Party and Compliant Operations. We also conduct communication meetings with suppliers to ensure their compliance with various regulatory requirements.

During the Reporting Period, Sinopharm Group expanded the forms and channels of anti-corruption training. In addition to lectures and warning meetings, the Company organized training activities including watching warning educational films, promoting integrity micro-video content, and sharing updates on their "Sinopharm Integrity Dialogue" WeChat public account. At the same time, the Company has formulated and issued Typical Cases of Integrity Culture Construction, which uses case studies to reinforce the importance of integrity and compliance at all levels of the organization.



The Typical Cases of Integrity Culture Construction



Participants in anti-corruption training

118,647 person-times

Anti-corruption training coverage

100%



Poster for "April Breeze - Integrity Culture Month" activity



Legal compliance training

¹For details on Sinopharm's whistleblowing mailbox, please visit <http://ir.sinopharmgroup.com.cn/s/query.php>.

02

Lean Management Adheres to Quality Assurance

Sinopharm always adheres to customer demand orientation, continuously improving its quality management system, strictly controlling the quality of products and services, and achieving high-quality product and service output, thereby creating sustainable value for customers and society. We fully leverage our industry leadership and encourage our supplier partners to actively fulfill their environmental and social responsibilities, jointly creating a more transparent and healthy operating environment.

Highly material issues addressed in this chapter

- Quality and safety of products and services
- Sustainable supply chain management
- Consumer rights and privacy protection
- Occupational health and safety
- Business innovation and digital transformation
- Information security management

Highlights in this chapter

- Conducted **4,081** internal audits of drug quality and **7,771** external supervisory inspections
- **100%** of suppliers implemented internal regulations
- Coverage of quality-related training **100%**
- Investment in technology development RMB **647** million

Product Quality Management

Sinopharm is committed to providing high-quality products and services to customers and the public. We continue to improve our internal quality management system and strictly control the quality of pharmaceutical products, to prevent quality and safety risks during procurement, storage, and transportation of products.

Quality Management System

Sinopharm actively promotes the construction of quality management systems in various business formats. The Company has completed ISO 9001 system certification of 13 subsidiaries in line with global certification standards, and has implemented the integration of ISO 9001 certification systems for additional 4 subsidiaries in 2022, further expanding the integration system construction team. The quality system operated in a stable and organized manner during the Reporting Period.

Sinopharm has established a sound quality objective responsibility system and assessment mechanism. This year, we have developed differentiated Responsibility Letter for Quality Management Objective for various business formats including pharmaceutical distribution, pharmaceutical logistics, medical devices, and pharmaceutical manufacturing. We have signed responsibility letters with 44 second-tier subsidiaries, with a signing rate of 100%. The Company regularly conducts on-site audits of subsidiary companies to implement various quality management assessment requirements. In order to further improve the quality management system, the Company formulated and issued the Sinopharm Quality Event Responsibility and Accountability Management Measures in 2022, which clarifies the accountability process and specific requirements for quality-related incidents, promoting the improvement of quality management.

The Group attaches great importance to building a quality culture, and organizes various quality training and publicity activities every year to continuously improve the quality risk awareness and quality management capabilities of all employees. In response to the Measures for the Supervision and Administration of Medical Device Business, the Provisions on Administration of Vaccine Manufacturing and Distribution, the Measures for the Administration of Medicinal Product Recalls and other laws and regulations newly issued this year, we invited external experts and internal lecturers to interpret them and conducted online training for relevant personnel at all levels of business operations, to ensure that business activities continue to meet the requirements of new regulations. At the same time, all levels of subsidiaries actively organized various quality training. During the Reporting Period, all employees of the Company received quality training. We conducted a total of 28,180 internal trainings for all level of subsidiaries, covering 755,159 person-times of participants. We also provided 3,139 external training sessions with 68,486 participants attending.



Case "Quality Month" series of activities

In September 2022, Sinopharm held a series of "Quality Month" activities with the theme of "Based on compliance, focused on quality, with participation from all, supporting the transformation". The activities included three main topics: training on hemp essence and vaccine regulations, online quality knowledge competition, and certification for quality system auditors. These activities were carried out through various forms, such as online training, knowledge competitions, and certification, with over 30,000 participants in total. This effectively improved the professional knowledge and abilities of quality management in each subsidiary.



Poster for "Quality Month" series activities

Pharmaceutical Quality Management

Sinopharm is committed to providing the public with safer and more reliable products and services and making every effort to ensure patient safety in medication. We strictly abide by the laws and regulations of the Drug Administration Law of the People's Republic of China, the Drug Administration Law, the Good Supply Practice for Pharmaceutical Products, the Measures for the Administration of Medicinal Product Recalls, and the Measures for the Supervision and Administration of Medical Device Business, and regularly revise and improve our internal management systems to ensure that our business operations meet the latest legal requirements.

For quality management of pharmaceuticals during incoming, in-store, and outgoing processes, the Company has developed process standards, including the Regulations for Drug Receipt Management, the Regulations for Drug Acceptance Management, the Regulations for Drug Storage Management, the Regulations for Drug Transportation and Delivery Management, and the Regulations for Carrier Management. These standards ensure the quality and safety of pharmaceuticals throughout the entire operation process. Meanwhile, Sinopharm conducts regular quality inspections and implementing rectification actions. In 2022, no major quality issues have been found during internal and external inspection activities.

The Company has developed the Management Regulations of Sales Returns, the Management Regulations of Recall/Recovery and other internal regulations in accordance with the Measures for the Administration of Medicinal Product Recalls issued by China's National Medical Products Administration. In response to proactive recalls by suppliers, Sinopharm promptly issues recall notices upon receiving notification from the suppliers, and recalls relevant products in accordance with regulations (except for the drugs that cannot be recalled as stipulated by Chinese laws and regulations). For products that have been notified by China's National Medical Products Administration to be recalled or found to be unqualified, our quality management department will initiate the recall process in the first instance and immediately notify relevant suppliers and manufacturers to actively cooperate in handling product quality-related matters. During the Reporting Period, the percentage of products sold or shipped by the Company that needed to be recalled due to health and safety factors was 0.069%.

During the Reporting Period

Number of drug quality internal audits

4,081

Number of supervisory inspections from national and local drug regulatory authorities

7,771

■ Logistics Quality Management

For different products in various logistics links, the Company has formulated the Cold Chain Commodity Management Regulations, the Medical Device Management Regulations, the Transportation Delivery Management Regulations, the Vaccine Carrier and Distribution Management Regulations, the Temperature Control Product Transportation Management Regulations and relevant regulations. We regularly standardize vehicle management documents, update self-inspection mechanisms, and carry out relevant training to ensure our products comply with relevant regulations and reduce potential quality risks during storage and transportation.

Moreover, Sinopharm fully leverages its business advantages and effectively utilizes digital platforms to continuously promote nationwide logistics integration and professional operations. We start with four aspects of logistics infrastructure, service level, logistics cost, and operation control and use digital means to empower high-quality logistics development.

Logistics Infrastructure Digitization



"Digitize" logistics components such as warehouses, storage areas, vehicles, and containers, and their respective conditions. Analyze, evaluate, and simulate the logistics performance from the local to the overall level.

Service Level Digitization



Establish a service level evaluation system that connects the supply chain network to achieve consistency in "system data, operational processes, and service evaluations".

Logistics Cost Digitization



Aggregate similar business models, develop corresponding standardized logistics service products, and accurately allocate logistics costs to determine service pricing and service levels.

Operational Control Digitization



Leverage mobile internet services, big data processing, AI machine learning and visual recognition technologies to improve management and service efficiency in logistics operations.

■ Operational Safety Management

We are committed to creating a safe and healthy operating environment to ensure all our businesses are carried out smoothly and orderly. Sinopharm always adheres to the safety production policy of "safety first, prevention as the main, comprehensive management", continuously improves the safety production work system, and strengthens the investment in safety production work. This year, we revised the Sinopharm Safety and Environmental Protection Management Manual, improved the safety standards for general, hazardous chemicals, industrial, logistics, and retail sections, and standardized the specific work of safety management personnel at all levels. At the same time, we continue to strengthen the safety production responsibility system. In 2022, we signed the safety responsibility letter with our subsidiaries at all levels, with a signing rate of 100%. Every year, we track and evaluate the safety production goals of our subsidiaries, monitor their safety and health performance and implement appropriate rectification measures.



Safety production investment in 2022

RMB **79.58** million

Case "Risk prevention, safety assurance, welcoming the 20th National Congress" safety production inspection

From September to October 2022, prior to the 20th National Congress, the Chairman of Sinopharm, Mr. Yu Qingming, the CEO Mr. Liu Yong and the Vice President Mr. Cai Maisong led a group to conduct a safety production inspection namely "Risk prevention, safety assurance, welcoming the 20th National Congress" at Sinopharm Reagent and other subsidiaries respectively. During the safety production inspection, the relevant leaders required their relevant subsidiaries to implement Sinopharm's 45 safety measures seriously, enhance risk control awareness, focus on problem rectification, and carry out hidden danger investigation and governance to effectively safeguard safety production.



"Risk prevention, safety assurance, welcoming the the 20th CPC National Congress" safety production inspection

Number of work-related fatalities occurred in the past three years of the Company

Indicator	2020	2021	2022
Number of work-related fatalities	0	0	0



Supply Chain Risk Management

Within the agreement duration, the Company regularly conducts evaluations on suppliers in accordance with the provisions of the Management Regulations for Re-evaluation of Qualified Suppliers. The assessment criteria include accurate and timely delivery, out-of-stock situation, cooperation in emergency events, abnormal quality, customer complaints, government or media exposure, etc., ensuring that the supply chain environment and social risks are effectively controlled. We also supervise our suppliers in our cooperation process and provide timely feedback on any non-compliance issues, urging them to improve quality and services continuously.

In order to prevent potential ethical risks in the procurement process, the Company's Sinopharm Compliance Manual requires to set compliance provisions in contracts, or formulate the Code of Conduct for Business Partners for both parties, to prevent corrupt behavior in the supply chain. GuoDa Pharmacy, a subsidiary of Sinopharm, also clearly states in the Procurement Business Management System that all forms of commercial bribery are prohibited and actively takes measures to ensure effective control of professional ethical risks.

In addition, regarding human rights and safety risks that may be involved in construction projects, the Company strictly fulfills the contractual provisions with contractors, timely remunerates labor and equipment/material costs, and requires contractors to sign a safety responsibility letter to promote adherence with safety regulations and prevent potential risk events.



Customer Rights Protection

Upholding the "customer first" service philosophy, Sinopharm maintains a highly responsible attitude and continuously improve its product and service quality. We attach importance to customer rights protection, listen to customer needs, and continuously enhance our services to better respond to customer concerns and expectations.

Customer Service Management

Sinopharm has established the Customer Satisfaction Management Regulations and strived to understand customer needs, suggestions, and opinions through multiple channels, such as home visits and written questionnaires. Based on the summary analysis of relevant information, we formulated the Customer Satisfaction Analysis Report, and continuously improve service quality and solve customer feedback problems on this basis. During the Reporting Period, the Company conducted satisfaction surveys on 150 customers, of which 96.4% expressed satisfaction with our products and services.

To further improve service quality, the Company has established a transparent and efficient complaint channel and strictly implemented a series of management regulations, including the Quality Inquiry Management Regulations and the Customer Complaint Handling Management Regulations, so as to ensure that customer complaints can be responded to and processed in a timely manner. Customers can provide feedback and complaints through multiple channels such as telephone, fax, letter, and in-person visits. After receiving effective complaint feedback, the Company will immediately fill out a complaint investigation processing form and organize multiple departments to determine the root cause of the complaint and take corrective measures to ensure that the complaint is properly handled. In 2022, the Company has not received any complaints regarding product and service quality.

Furthermore, the Company places great importance on the protection of consumers' personal information. Our privacy policy clearly defines types of personal information collected, rules for handling personal information, and user rights protection according to various business type. The privacy policy also explicitly states the collection purposes, methods, and scope, and support users to cancel their accounts, correct, or delete their personal information. All of our information systems related to consumer and user privacy have passed the 3 level certification of the security protection standard. We conduct regular inspections on the implementation of privacy policies and have established channels for users to file complaints regarding any breaches in privacy. There have been zero incidents of consumer personal information breaches during the Reporting Period.

Responsible Marketing

Sinopharm strictly complies with the Advertising Law of the People's Republic of China and the Drug Administration Law of the People's Republic of China and other laws and regulations. We carry out marketing business activities in accordance with legal compliance, to ensure accurate and objective delivery of product information, and prohibit false or exaggerated promotion. The Sinopharm Compliance Manual requires that the marketing process should focus on preventing false advertising, fulfilling the obligation to resist unfair competition, and ensuring compliance of marketing activities, including market research, academic activities, clinical follow-up, business maintenance, and so on.

Subsidiaries such as GuoDa Pharmacy and Sinopharm Xingsha consciously practice the principle of responsible marketing in marketing activities and actively implement responsible marketing measures:

- Conduct quality compliance review before issuing marketing activity plans
- Regularly provide compliance training for marketing personnel to strengthen their sense of responsibility
- Link compliance management with marketing personnel's performance assessments
- Conduct routine management and supervision in daily sales activities

Innovation and Development

Sinopharm deeply understands that innovation is the key to the survival and development of enterprises, and it is also a driving factor for continuously improving comprehensive strength and core competitiveness. We vigorously promote technological innovation, establish the industrial development department and formulate a sound innovation system. We also continue to invest in technology and use innovative solutions to improve our product quality and service standards.

Promote R&D Innovation

During the Reporting Period, based on the "14th Five-Year Plan" strategic plan, the Company revised and improved its scientific research plan, and has initially established four major technological innovation systems. We will further improve and strengthen the our technological innovation capabilities according to our functional positioning.



Four major technological innovation systems of Sinopharm

Sinopharm actively carries out scientific research and projects. In 2022, the Group's technology-related investment reached RMB 647 million (including RMB 354 million for digital transformation). The Company continued to standardize scientific research project management, optimize various scientific research management methods, update and revise more than 100 relevant regulations and systems in 2022, and issued the Sinopharm Patent Management Measures, which provides powerful guidance for subsequent scientific research management work. At the same time, we attach great importance to the construction of scientific research teams, continuously improve the innovation ability of scientific research teams. In 2022, Wokai Biology, a subsidiary of the Company, was approved as a "specialized and new" "little giant" firm. Sinopharm Xingsha, CMDC, Taicang Hushi, and Sinopharm Logistics were approved as "specialized and new" enterprises.



Wokai Biology has been approved as a "specialized and new" "little giant" firm

On the other hand, the Group actively promotes the construction of a joint innovation platform, and carries out industry alliances and collaborative R&D with research institutes and enterprises through various channels, so as to promote the development of the industry-academia-research and enhance the research and innovation capabilities. Currently, the Group has established more than 10 joint research laboratories or internship teaching bases with universities and research institutes, including the Chinese Academy of Medical Sciences, China Pharmaceutical University, and Shanghai Medical Instrumentation College. We have also established an "Academician Team Innovation Workstation" with Jiangnan University, contributing to the comprehensive implementation of innovation-driven development and the "Healthy China" strategy.

Case Sinopharm Xingsha and Jiangnan University established "Academician Team Innovation Workstation"

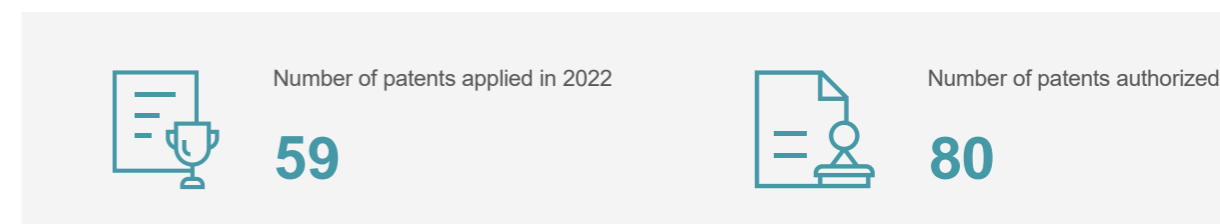
In December 2022, Sinopharm Xingsha and Jiangnan University formed a strategic alliance and established an "Academician Team Innovation Workstation" to deepen cooperation in the fields of nutritional health technology innovation and industrialization. The establishment of the "Academician Team Innovation Workstation" will accelerate the promotion of technological achievements' industrialization and provide strong support for enhancing the Company's independent innovation capabilities through school-enterprise cooperation to cultivate innovative talent teams.



"Academician Team Innovation Workstation" signing ceremony

In terms of product research and development, industrial enterprises under Sinopharm, such as Sinopharm Xingsha and GuoRui Pharmaceutical, continue to focus on their own fields and constantly explore drug research and development and improvement. Sinopharm Xingsha's self-developed XingshaD® vitamin D drops, with its long-term good results in clinical practice, are highly praised by the market and industry. GuoRui Pharmaceutical's anhydrous ethanol injection and nalbuphine hydrochloride injection, which have been researched and developed for 16 years, finally broke through and were approved for entering the market in 2022.

While widely promoting technological innovation, the Company actively creates a culture of protecting intellectual property rights and formulates the Sinopharm Patent Management Measures and Sinopharm Trademark Management Measures in accordance with laws and regulations including the Trademark Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Patent Law of the People's Republic of China, to continuously strengthen intellectual property management. In 2022, the Company applied for 59 patents and was granted 80 authorized patents, including 21 invention patents.



Information Security Management

With the trend of informationization transformation, the Company has established the Sinopharm network security and informationization leadership group to prevent information security risks and regulate the network security and information management of Sinopharm, ensuring stable and orderly development of network security and informationization work.

In accordance with the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Regulation on Protecting the Security of Critical Information Infrastructure and relevant laws and regulations, Sinopharm has formulated the Sinopharm Network Security Management Measures and the Sinopharm Information System Disaster Recovery Management Measures to effectively improve information and network security levels and reduce network security risks.

During the Reporting Period, the Company continued to improve the network security system, completed all 389 sets of information system rating work, and conducted network security drills and optimized network security technology framework. In addition, the Company strengthened employees' awareness of information security through various training programs, including the Public Security Ministry's Network Security Practical Defense Professional Ability Training and the Employee Network Security Awareness Training in 2022, with a total of 37,195 person-times of participants.

03

Low-carbon Development in Pursuit of Green Mission

The environmental challenges brought by climate change have aroused global attention. The Group closely monitors the development trend of climate change, takes proactive actions to respond to climate risks and seize opportunities, promotes green transformation of business, and coordinates efforts to reduce carbon emissions and pollutants to achieve a proper balance between sustainable economic development and environmental friendliness.

Highly material issues addressed in this chapter

- Resource utilization and efficiency
- Climate change mitigation and adaptation
- Low-carbon transformation

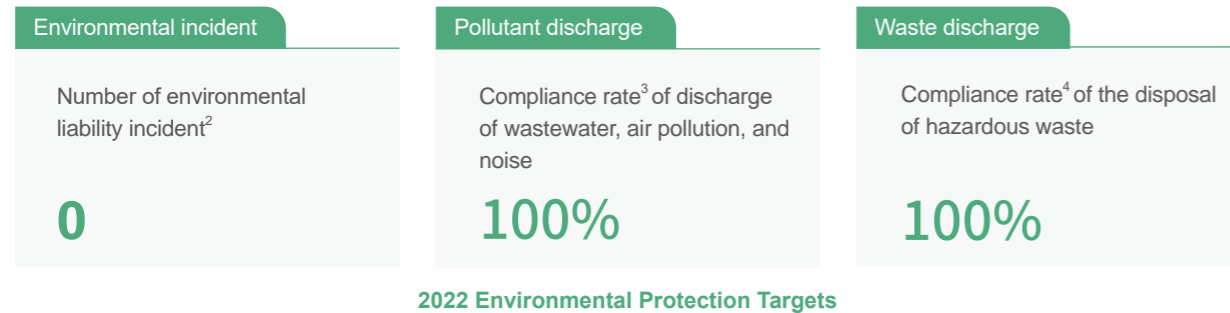
Highlights in this chapter

- Developed a green logistics development strategy plan
- Implemented environmental targets for energy use, carbon emissions and pollutant emissions
- Industrial enterprises reduced discharge of wastewater pollutants by more than **40%** on a yearly basis

Environmental Management System

Sinopharm strictly adheres to the laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Soil Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Regulations on the Administration of Sewage Discharge Permits, and has formulated a series of environmental management and energy conservation and emission reduction related systems such as the Environmental Protection Management Regulations, the Clean Production Management Regulations, the Hazardous Waste Management Systems, the Supervision and Assessment Management Measures for Environmental Protection and Energy Conservation, the Implementation Rules on Environmental Protection and Energy Saving and Emission Reduction Management etc. At the same time, we have continuously improved and revised internal systems based on updates to environmental protection laws and regulations and business situations, to ensure that the pollutant emissions meet national and local standards. No violation of relevant laws and regulations occurred during the Reporting Period.

The Company has established an energy conservation and environmental protection leadership group, with the chairman of the Board as the group leader and the senior management as the deputy group leader. We promote the environmental protection target responsibility system, sign the Energy Conservation and Environmental Protection Responsibility Letter with subordinate subsidiaries every year, and check the implementation of relevant environmental protection indicators quarterly to ensure the effective implementation of energy conservation and environmental protection management measures. During the Reporting Period, the Company successfully achieved environmental targets set at the beginning of the year.



Addressing Climate Change

To address the impact of climate change on business operations, Sinopharm continuously deepens its climate risk analysis and response strategies while actively seizing opportunities brought by climate change. We continue to explore business transformation and upgrading, further accelerating the pace of low-carbon transformation.

Climate Governance and Strategy

Sinopharm actively responds to China's the Action Plan for Carbon Dioxide Peaking Before 2030 and international conventions such as the Paris Agreement and incorporates low-carbon transformation into its corporate strategic planning. The Board of the Company takes full responsibility for managing climate and carbon emissions-related matters and regularly listens to reports and provides guidance. Relevant management members are also involved in supervising and managing climate issues.

In 2022, Sinopharm established a Green and Low-carbon Development Working Group. The group is led by the Company's vice president, with relevant department heads from the logistics business department, safety and environmental protection department, board office, engineering management and technical service department, and finance department serving as members, to implement green and low-carbon development objectives.

²Environmental liability incidents are determined in accordance with the National Emergency Response Plan for Sudden Environmental Incidents.
³Wastewater, waste gas and noise discharge is in accordance with national standards or local standards.
⁴Hazardous wastes are disposed in accordance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste.

Low-Carbon Transformation Strategy Goals

With the aim of promoting the "carbon peaking and carbon neutrality" goal, Sinopharm has developed a logistics green development strategy and objectives. The Company is dedicated to advancing its green development standards system and market competitiveness by leveraging green pharmaceutical logistics construction as an opportunity.

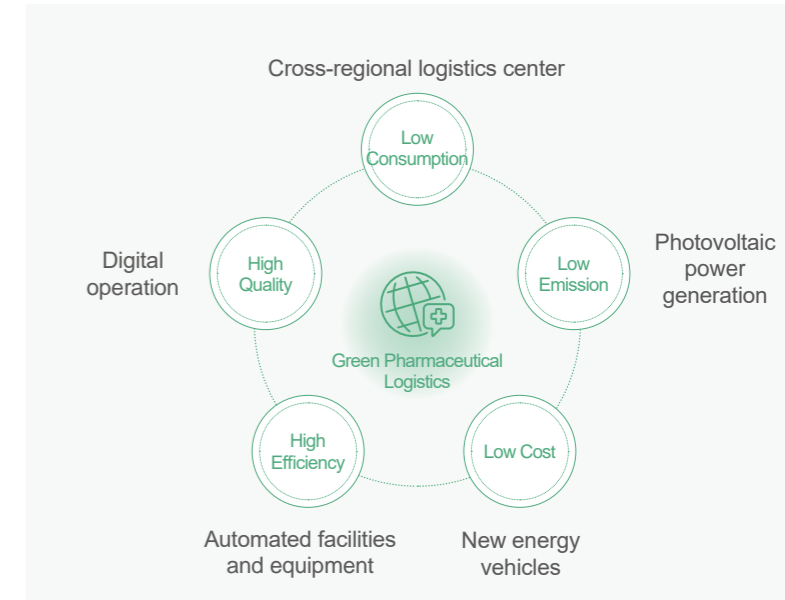
Sinopharm logistics green development targets

Sinopharm will continuously advance the transformation of its logistics construction and logistics park operations to promote green development. The Company aims to achieve a **10-15% reduction** in carbon dioxide emissions per unit logistics throughput (million boxes) in major logistics parks by 2025 compared to 2022, and establish **2** certified zero-carbon warehouses/parks.



Low-Carbon Transformation Implementation Pathway

Sinopharm is currently exploring the development of a "three lows and two highs" green pharmaceutical logistics system, focusing on two key areas of approach. In terms of system construction, the Company aims to establish a green logistics management system and gradually improve green logistics standards. In terms of green project construction, Sinopharm intends to enhance the carbon management of logistics facility construction and logistics park operations. We will continuously promote the application of a range of green energy-saving technologies and management models in the pharmaceutical logistics field, including photovoltaics, new energy vehicles, cold source upgrading, technical improvements, green building certification, and pilot construction and certification of zero-carbon warehouses and parks.



"Three lows and two highs" green pharmaceutical logistics system



Green pharmaceutical logistics system implementation pathway

Climate Risk Management

Climate change has brought frequent extreme natural disasters around the world, and global climate risks are continuing to intensify. Sinopharm places great importance on climate risk management, and constantly improves its climate risk analysis and response strategy by referring to the recommended framework of the Task Force on Climate-related Financial Disclosures (TCFD), enhancing the resilience in addressing to climate challenges.

Risk type	Risk description and potential financial impact	Impact period ⁵	Climate strategies
Physical risk	<ul style="list-style-type: none"> Extreme weather events caused by climate change, such as typhoons and rainstorms, may result in disruptions in logistics and transportation, damage to operating facilities and loss of product inventory, inflicting harm to corporate assets. The extreme weather may also affect the Company's operation and pose a threat to the safety of employees. Extreme high temperatures may affect the storage and transportation of pharmaceutical products, resulting in increased operating costs and loss of pharmaceutical products. 	Short Medium Long	<ul style="list-style-type: none"> Strictly implement technical regulations in the planning, site selection and design of warehouses, fully consider unfavorable factors such as flood control and typhoons, so as to avoid systemic risks. Formulate emergency plans to deal with sudden typhoons, heavy rain and other extreme weather, and conduct emergency drills regularly to ensure stable operation. In the design and construction of cold chain facilities, incorporate unfavorable factors such as high temperature, and make reasonable backups and design redundancy of refrigeration facilities in technical terms; Adopt sponge city technology in the construction of the project to better adapt to extreme precipitation hazards.
Policy risk	<ul style="list-style-type: none"> In order to achieve the dual carbon goal, the government may issue more stringent climate policies and strengthen the regulation of carbon emissions of existing products and services, which may lead to higher requirements for environmental compliance for Sinopharm's industrial enterprises and increase in operating costs. 	Medium Long	<ul style="list-style-type: none"> Respond to the national dual carbon policy and develop relevant strategies and targets; Carry out carbon emission monitoring and inventory to ensure that carbon emissions are in compliance with relevant standards.
Technology risk	<ul style="list-style-type: none"> With the trend of climate change, the accelerated development of low-carbon technologies by peer companies may bring about technological changes, and high-carbon emission technologies may be replaced. Sinopharm needs to keep up with the latest technological developments to prevent falling behind, which may lead to increased operating and research costs. 	Short Medium Long	<ul style="list-style-type: none"> Actively explore energy-saving and emission-reducing technologies and the use of clean energy (new energy vehicles, distributed photovoltaic, etc.) to reduce energy costs; Apply digital platforms to improve quality and efficiency, as well as reduce emissions.
Reputation risk	<ul style="list-style-type: none"> With the awakening of low-carbon awareness in society, customers and consumers may prefer low-carbon products and services; if Sinopharm's business causes damage to the climate, it may lead to a change in consumer preferences, which may affect consumers' and investors' choice. 	Medium Long	<ul style="list-style-type: none"> Improve information disclosure on greenhouse gas emissions and carbon emission reduction target review; Establish multiple stakeholder communication channels, actively respond to carbon emission reduction-related issues, and gradually build up the Company's green brand image.

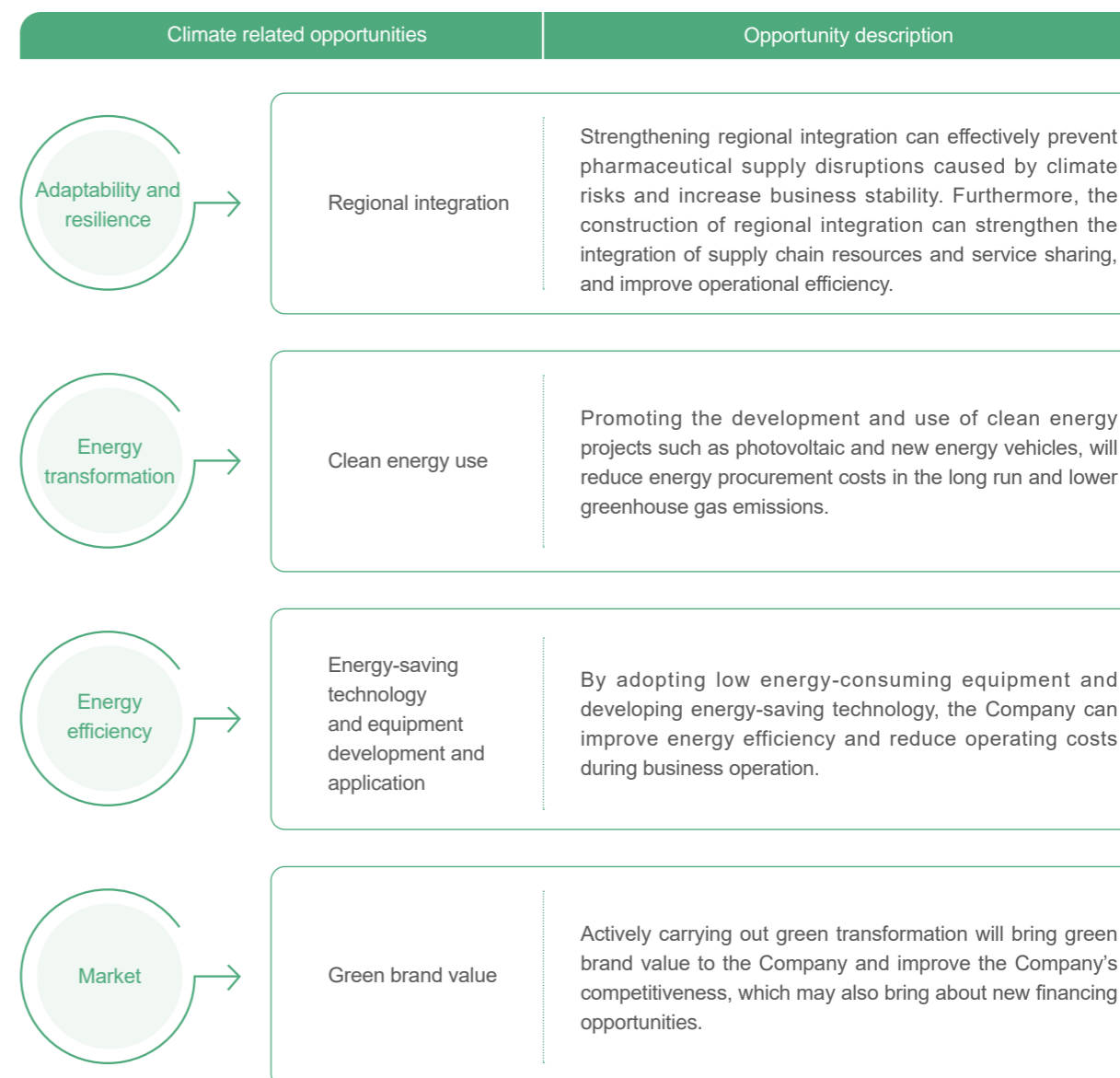
⁵In this Report, 0-3 years is defined as short term; 3-5 years is defined as medium term; more than 5 years is defined as long term.

Climate Change Response Actions

Seizing Climate Opportunities

Risks and opportunities coexist under the trend of climate change. Sinopharm actively explores new business development models and strives to turn risks into opportunities. The Group actively promotes regional integration and continuously strengthens the integration and sharing of supply chain resources and services. We apply an integrated operation mode to conduct timely scheduling and resource coordination of pharmaceuticals and medical equipment, to ensure stable operations in various regions under extreme weather conditions and significantly improve operational efficiency, greatly enhancing the Company's resilience in responding to climate risks and other related risks.

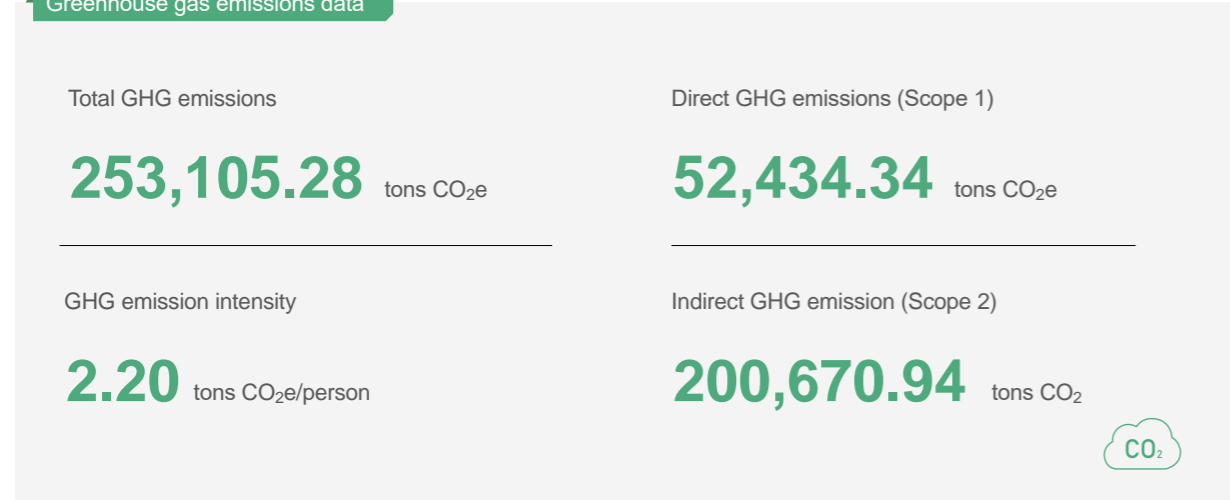
In production and operation, we take a low-carbon approach to promote a high-quality transformation pathway. From the perspective of improving quality and efficiency, the Company continue to promote energy-saving equipment updates and renovations, optimize the internal energy management system, and continuously improve energy management and production efficiency. In addition, we actively develop clean energy projects such as photovoltaics and new energy vehicles, in order to achieve a balance between business development and low-carbon development as well as saving energy costs and reducing carbon emissions.



Greenhouse Gas Emission Reduction

Sinopharm has taken proactive climate action to control carbon dioxide emissions in its business operations. The Company's industrial enterprises are actively implementing energy-saving renovation projects, and some subsidiaries have built rooftop photovoltaic power generation projects to help reduce greenhouse gas emissions.

Greenhouse gas emissions data



Case Sinopharm Logistics promotes low-carbon upgrading projects

Sinopharm Logistics continues to promote the construction of low-carbon and energy-saving projects and has launched office building upgrading, "Oil to electricity" project and LED lighting replacement:

- Office building upgrading:** The upgrading of the exterior wall installation and air conditioning system effectively reduced the energy consumption of the office building by more than 65%, meeting the energy-saving requirements of the Design Standard for Energy Efficiency of Public Buildings issued by Shanghai.
- "Oil to electricity" project:** 6 sets of charging piles were installed with a total annual electricity consumption of 12,000 kWh, which is equivalent to saving nearly 8,000 liters of diesel fuel and reducing the energy consumption by 10 tons of standard coal, resulting in a reduction of about 6.7 tons of carbon dioxide emissions.
- LED lighting renovation:** Since the implementation of energy-saving renovation, 480 sets of LED lights have been replaced. These new lights have a lower wattage of 50W compared with the older lighting fixtures of 105W, but still provide the same level of illumination. Additionally, the new lights have proven to have a lower failure rate, resulting in a reduction of 54.6 kg of carbon dioxide emissions per year.



Sinopharm Logistics office building upgrading "Oil to electricity" project LED lighting renovation project

Green Production

Sinopharm and its industrial enterprises strictly comply with environmental protection laws and regulations, and have established internal environmental protection systems based on their actual business operations. We continue to operate the ISO14001 environmental management system, and 28 units under the Group, such as Sinopharm Xingsha, Sinopharm Reagent, and Guorui Pharmaceutical, have obtained ISO14001 certification. Our industrial enterprises conscientiously implement annual environmental management goals in production, perform well in energy consumption, water consumption, and pollution management. Additionally, we regularly carry out environmental hazard rectification and governance work in line with internal regulations of the Guidelines on Risk Assessment of Environmental Emergencies in Enterprises, to prevent environmental incidents.

Resource Management

Sinopharm adheres to the principle of "priority to conservation". We set the goal of "continuously improving the efficiency of energy and water resource utilization" and have initiated various energy conservation and water-saving measures. We have established energy conservation and emissions reduction management systems, and set energy consumption targets annually. During the Reporting Period, our industrial enterprises formulated energy-saving plans, actively explored the application of energy-saving technologies, and integrated energy savings into daily operation and management. In addition to routine inspections and timely shutdown of water and electricity, the industrial enterprises conduct monthly energy consumption review and analysis, promptly investigate abnormal values, and ensure that energy is used reasonably and not wasted. We also actively promote energy-saving transformation in our industrial enterprises. Guorui Pharmaceutical, Sinopharm Xingsha, and Wokai Biology have carried out production equipment optimization and lighting facilities transformation projects, achieving energy savings, cost reduction, and efficiency improvement.

Case Guorui Pharmaceutical formulated and carried out implementation plan for quality improvement and efficiency enhancement

In 2022, Guorui Pharmaceutical established a leading group for special activities dedicated to improving quality and efficiency. The subsidiary formulated the Guorui Pharmaceutical 2022 Implementation Plan for Improving Quality and Efficiency aimed at integrating this concept throughout the whole staff and all processes. According to the implementation plan, Guorui Pharmaceutical has promoted energy-saving initiatives, reduced carbon emission, and increased efficiency through various measures including technical upgrades, equipment optimization, waste management, and small-scale reform efforts. In 2022, a total of RMB 2.4063 million was saved through 30 special activities aimed at improving quality and efficiency.

Number of measures aimed at improving quality and efficiency

30



Total saving amount

2.4063 million



Upgraded boiler room to reduce NOx emissions

Researched and optimized processing technology

The Group mainly used municipal water supply in its business operations and did not have any problem in seeking suitable water sources. In terms of water resource utilization, The Group has set the water efficiency goal, that will strive to reduce water consumption and improve water efficiency continuously. The industrial enterprises have actively implemented measures such as water equipment renovation and wastewater reuse in production and operation. For example, all the wastewater produced in the production process of Sinopharm Xingsha is treated to reach the standard at the sewage treatment plant and reused for greening in the plant area, saving about 16,530.18 tons of fresh water per year. Guorui Pharmaceutical adopted the "separation of rainwater and sewage, separation of clean and polluted water" drainage method, built a new sewage collection and treatment system, and achieved full wastewater reuse without discharge outside the plant.

Case Guorui Pharmaceutical built new wastewater treatment facility to achieve full wastewater recycling

In 2022, Guorui Pharmaceutical built a new 1000t/d wastewater collection and treatment system based on the original 600t/d system, achieving complete wastewater recycling within the plant and eliminating external discharge. The treated wastewater meets all standard requirements and produces recycled water, which is used for various purposes such as flushing toilets in office and living areas, washing experimental animal excrement, and watering green areas and landscaping. The remaining recycled water undergoes deep treatment and is reused for circulating cooling water, make-up water for refrigeration systems, and process cooling water within the plant. As a result of these efforts, 200,000 tons of water were saved in 2022.

Total amount of saving water
200,000 tons



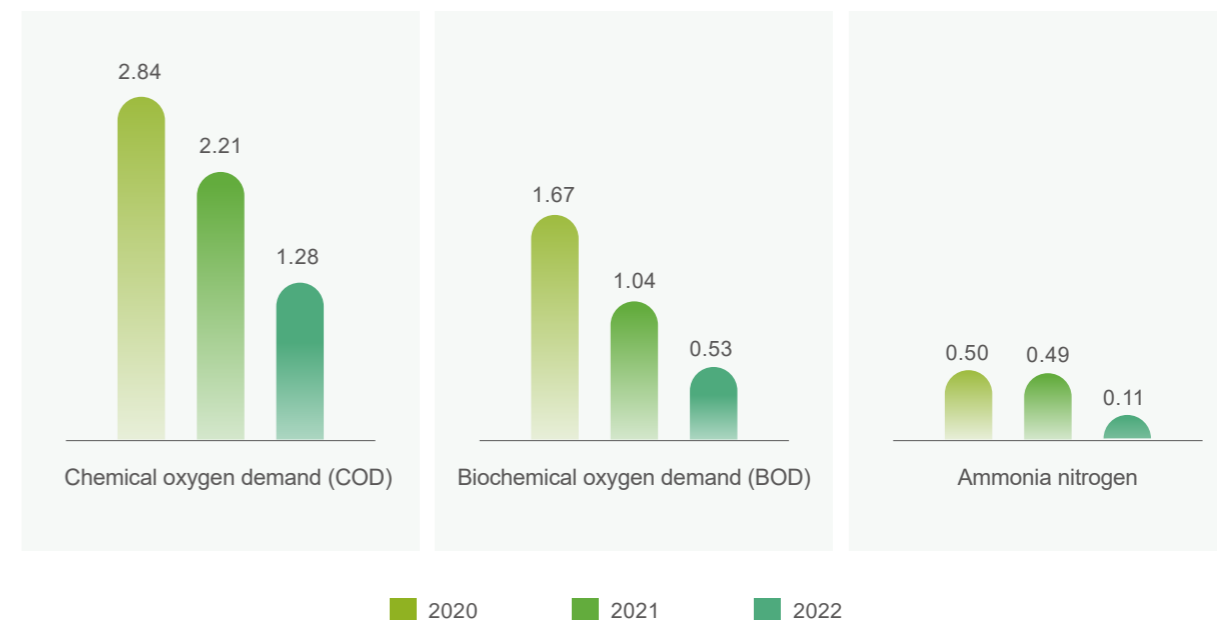

Newly built wastewater collection and treatment system

■ Pollution Control

The main businesses of the Group are pharmaceutical distribution, medical device distribution, and retail pharmacy, which have no significant impact on the environment and natural resources. As for the industrial enterprises under the Group, we have established the Supervision and Assessment Management Measures for Environmental Protection and Energy Conservation and regularly assesses the pollution control status of its subordinate industrial enterprises to prevent environmental pollution incidents. The industrial enterprises under the Company have all signed environmental monitoring contracts with local environmental departments and strictly follow local pollutant control requirements. The local environmental monitoring stations regularly monitor the exhaust emissions, wastewater discharge and noise produced within plants of the industrial enterprises, following local pollutant control requirements. Additionally, we regularly conduct statistical monitoring of pollutant emissions in our daily production and operation, self-inspect and self-correct potential environmental risks and hidden dangers, to strictly prevent and control environmental pollution risks.

In 2022, our subordinate industrial enterprises continued to strengthen pollution control measures and developed corresponding measures to minimize the impact of production and operation on the environment. Regarding emissions of waste gas and wastewater, all industrial enterprises have obtained discharge permits and completed registration, and are strictly managed according to the requirements of the discharge permits. Each industrial enterprise is equipped with waste gas treatment and wastewater treatment systems, which are maintained and managed by dedicated personnel to ensure the stable operation of the pollution treatment systems. Our industrial enterprises consistently comply with relevant local standards for waste gas and wastewater emissions.

Wastewater pollutants discharge (Unit: ton)



In terms of solid waste disposal, the Group's goal is to "maintain a 100% compliance rate for the proper disposal of hazardous waste and gradually reduce the intensity of hazardous waste discharge". We strictly follow the Regulations of Sinopharm Group on the Management of Hazardous Waste to establish a sound system and process for the management of hazardous waste, and supervises and assesses the relevant work of waste management. For hazardous waste generated from the production activities of industrial enterprises (such as laboratory wastes, etc.) and hazardous waste generated from the operation of commerce and logistics enterprises (such as expired pharmaceuticals, etc.), the Group has set up special storage facilities in strict accordance with relevant regulations, and the storage meets the requirements of "three preventions" to prevent scattering, leakage and loss. Hazardous waste is processed in accordance with relevant national laws and regulations. Non-hazardous waste, such as household waste, is disposed of by the local environmental health department or third parties.

In addition, we actively conduct training related to pollution prevention and control, in order to enhance the environmental management capabilities and knowledge levels of relevant operators and ensure the standardized implementation of pollution management work.



Hazardous waste standardized management training



Volatile organic compound prevention training

Green Logistics

The Group is committed to developing a green logistics supply chain system and promoting the transformation of logistics towards green development (for the Group's green logistics strategic goals and implementation pathways, please refer to the "Addressing Climate Change" section in this Report). In our daily operations, we enforce vehicle management regulations, implement emission reduction technologies and arrange proper logistics routes, to conserve energy and minimize emissions consistently.

We have established a sound vehicle energy consumption management system and formulated regulations such as the Vehicle Fuel Card Management to regulate vehicle usage. We monitor the fuel consumption of all vehicles to promptly detect abnormalities, and formulate fuel consumption standards for the next year based on previous fuel usage. Furthermore, we have established a fuel consumption reward and punishment mechanism, which rewards or punishes drivers based on their vehicle fuel consumption every month, to ensure that drivers use vehicles in compliance with regulations.

To reduce exhaust emissions, relevant personnel add urea to vehicles on a weekly basis, while keeping a record of the ratio of urea to fuel consumption. Additionally, We've also implemented environmental monitoring OPD systems onto vehicles to monitor emissions in real-time. Through thorough analysis, we continually optimize the vehicle emission reduction effect. We are also gradually promoting the installation of charging piles, encouraging subordinate units to use new energy vehicles to further reduce carbon emissions.

Green Construction

The Group attaches great importance to environmental impacts such as pollutants and resource consumption during construction projects. While ensuring the quality and safety of the projects, we consider environmental protection and ecological development requirements comprehensively, actively practice green construction principles, and integrate sustainable development concepts into the planning, design, and construction process.

The Company has formulated the Sinopharm Engineering Management and Technical Services Manual, which clearly defines that engineering construction should consider ESG factors comprehensively and makes specific requirements for energy conservation and environmental protection, including:

- 1 For new projects, we improve digitalization and energy-saving standards, and gradually establish a digital management platform for engineering construction projects and a carbon management platform
- 2 For projects that have been put into operation, we strengthen energy-saving and green renovation, improve energy consumption statistics and energy monitoring, and other digital management means
- 3 Continuously promote the application of renewable energy such as photovoltaic and solar thermal power

In the early stage of project design, we evaluate relevant factors including soil and water conservation and biodiversity protection, and incorporate environmental and social factors into the designing process. During construction, in order to avoid dust pollution, we install environmental monitoring equipment to strengthen dust monitoring, use exposed soil green plant filters and spray systems. At the same time, we choose environmentally friendly construction materials and recycle temporary construction houses to avoid resource consumption.

To increase energy efficiency and reduce carbon emissions, we have installed integrated solar-wind streetlights on some outdoor roads in newly-built logistics parks, using renewable energy to provide road lighting. We also use air conditioning systems with condensing heat recovery function to reduce electricity consumption by recovering waste heat from warehouses for dehumidification.



Green Office

In terms of green office practices, Sinopharm advocates for green office practices and integrates green concepts into daily office activities through optimizing office vehicle management, implementing energy-saving renovations, strengthening resource conservation supervision, and conducting environmental protection training.

To optimize office vehicle management, Sinopharm has issued the Regulations on the Management of Official Vehicles this year, completed the disposal of 15 sealed vehicles at the headquarters and replaced 1 vehicle. The Company also supervises and implements the disposal of vehicles for its subsidiaries at all levels based on relevant regulations. In addition, we have issued the Regulations on the Use of Official Vehicles to standardize the use of vehicles throughout the group and improve vehicle utilization efficiency.

In daily office activities, designated personnel regularly inspect the office building every day to ensure timely shutdown of water and electricity. The water taps in the headquarters office building are all automatic sensing taps, effectively reducing water consumption. We also replace office lighting equipment as needed to continuously improve electricity usage efficiency.

In 2022, Sinopharm organized environmental protection activities such as "Empty plate campaign", "National Energy Conservation Publicity Week" and "National Low Carbon Day", actively advocating for employees to conserve food, electricity, and water resources, as well as enhancing their environmental awareness.



Wokai Biology replaced 428 sets of LED lights in 2022

04

Fostering an Equal and Inclusive Culture to Boost Talent Engagement

Sinopharm upholds the concept of "people-oriented" and is committed to creating an equal, inclusive, healthy, and comfortable working environment for its employees. We continuously improve our talent system and spare no effort to ensure the safety and well-being of our employees, helping them grow together with the company.

Highly material issues addressed in this chapter

- Employee compensation and benefits
- Equal employment and employee rights
- Occupational health and safety

Highlights in this chapter

- Coverage of performance assessment for executives and employees: **100%**
- **100%** coverage of training, with an average of **57.3** hours of training per person
- Number of new occupational disease cases: **0**



Employee Rights Protection

Sinopharm attaches great importance to protecting employee rights and strives to create an inclusive work environment. We have established sound policies on employment and human rights protection, oppose all forms of employment discrimination, and implement various compensation and benefits policies to safeguard employee rights.

Equal Employment

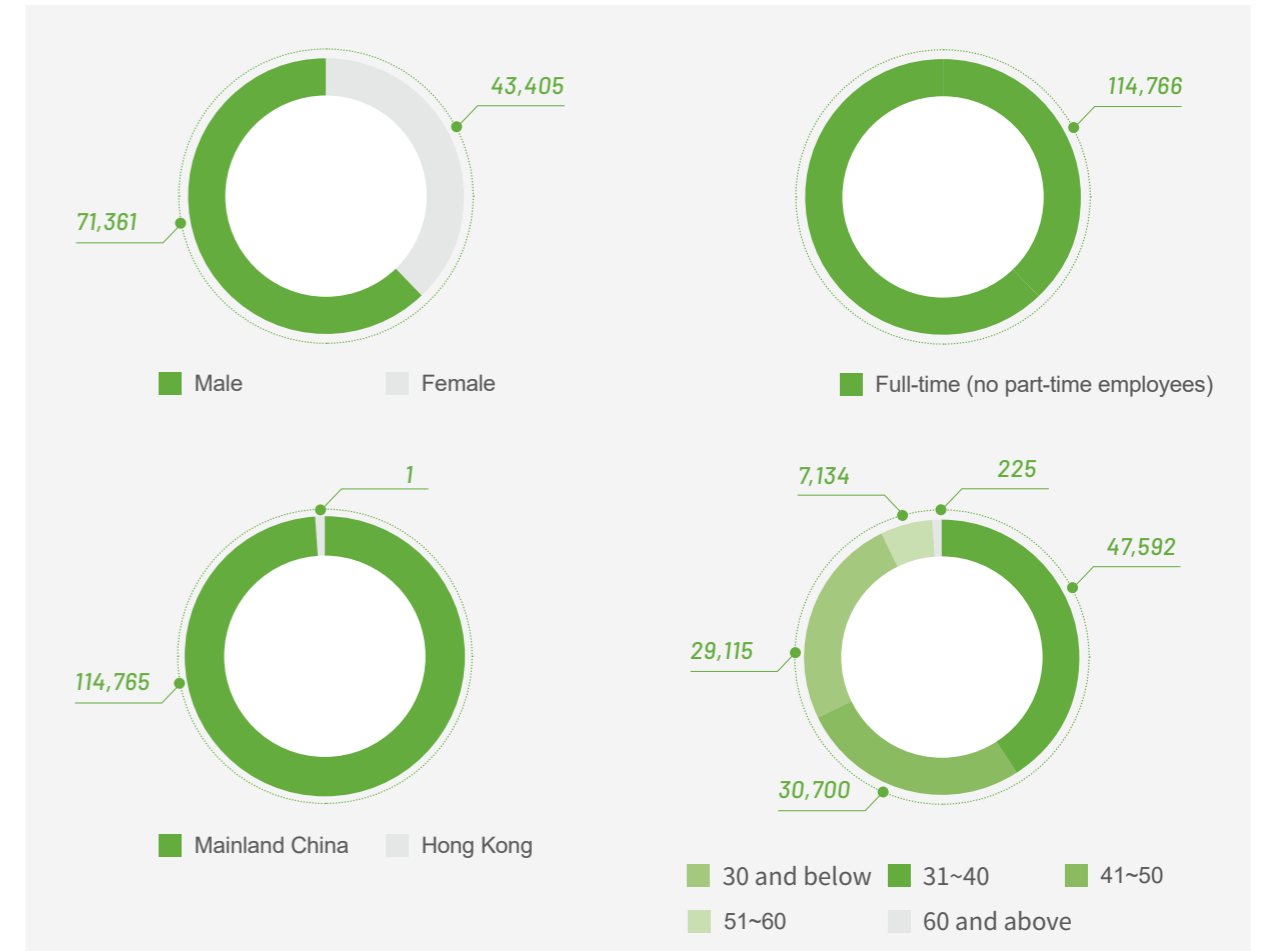
Sinopharm strictly complies with relevant laws and regulations including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Regulations on the Employment of Persons with Disabilities, the Law of the People's Republic of China on the Protection of Minors, and the Regulations on the Prohibition of Child Labor. We have formulated management systems related to recruitment and dismissal, equal opportunities, diversity, anti-discrimination and working hours, such as the Recruitment Management System and the Regulations on the Management of Recruitment, to regulate the recruitment principles and processes. We adhere to the recruitment principles of "internal and external integration, fair competition, making selection based on merits", and firmly oppose discrimination based on factors such as gender, nationality, race, religion, sexual orientation, and marital status. Regarding working hours, in accordance with national laws and regulations, we have established various forms of attendance for employees in different positions based on work nature, including standard working hours (daily working hours of no more than 8 hours), comprehensive calculation of working hours and irregular working hours. During the Reporting Period, the Group did not violate any employment-related laws and regulations.

The Group strictly adheres to labor standards and clearly prohibits the employment of personnel under the age of 16 according to the Regulations on the Management of Recruitment of Sinopharm. We have established a personnel evaluation and background investigation platform, to verify employees' identities through legal identity documents and background investigations. We also set age conditions in the internal personnel information entry system to restrict candidates under the age of 16 from entering the Company and conducting tracking management to prevent the employment of child labor. In addition, we have clearly stipulated that employees can terminate their labor contracts at any time if the Company forces labor through violence, threats, or illegally restricts personal freedom, or in other situations that violate the Labor Contract Law of the People's Republic of China were found. We would handle the cases in strict accordance with the relevant procedures, punish and hold accountable of the employees in charge. During the Reporting Period, the Group did not employ any child labor or forced labor.

In terms of recruitment, the Company continues to promote the construction of our talent team. By building a "channel-sharing, resource-sharing" recruitment platform, we expand our recruitment channels while improving the accuracy of our recruitment process. This year, we have also launched a new attempt at live recruitment. We participated in multiple "live recruitment" events, as well as recruitment events such as the China National Pharmaceutical Group's 2023 college graduate campus recruitment and the 2022 summer recruitment of central state-owned enterprises. These efforts have attracted excellent talent resources and received positive feedback.

We continue to promote the construction and updating of our human resources information platform, and in 2022 we revised the Sinopharm Human Resources Management Information System Management Measures to further regulate the use of the information platform. This year, our RPA robots have been fully automated and put into operation, which achieved automatic control and service sharing of standard human resources work processes, greatly improving the efficiency of our human resources work.

As of December 31, 2022, the total number of employees of the Group was 114,766, with the number of employees divided by gender, employment type, age group, and region as follows:



Employee Welfare

The Company has established and continuously improved its competitive compensation and benefits system, and formulated regulations such as the Salary Management Regulations to ensure standardized and proper distribution of salaries. In addition, we implement national regulations on statutory holidays to ensure that employees can fully enjoy annual leave, personal leave, sick leave, marriage leave, maternity leave, parental leave, and various national statutory holidays. We also timely revise the Employee Attendance Management System to adjust the duration of maternity leave and parental leave in accordance with updates in national laws and regulations to protect the rights of female employees.

We care about the rights of disabled employees and arrange to employ disabled employees in accordance with a standard not lower than 1.5% of the employees. We also pay "Five social insurances and one housing fund" plus annual care allowance for disabled employees in accordance with local laws. During the epidemic, we took proper measures to ensure stable income of our employees and ensured on-time salary payments. Additionally, we offered the option for employees to work remotely and with flexible schedules based on their needs, which increased our office's flexibility and adaptability.

Number of disabled employees

101



Sinopharm strives to create a relaxed and harmonious living and working environment for our employees and help employees achieve work-life balance. We care about the employees' living needs and regularly provide assistance and comfort to them. In 2022, the Group helped nearly 600 employees in need, with a total assistance fund of over RMB 1.2 million. At the same time, we provide employees with fitness centers, table-tennis tables and other facilities, and establish badminton, basketball, football and other clubs, and regularly organize extensive cultural and sports activities beneficial to physical and mental health, to strengthen team cohesion and promote a harmonious workplace atmosphere.



Sinopharm Shaanxi sent cooling materials to front-line staff



The 7th "Wokai Cup" fishing competition



Sinopharm annual friendship event



"Little Successors of Sinopharm" painting and calligraphy exhibition

Democratic Communication

Sinopharm values listening to the need of its employees. Our employees can provide feedback to the human resources department through face-to-face communication, phone communication, and internal office system communication, among other forms. In order to facilitate smoother and more convenient communication channels, the Company has also established intelligent self-service platforms and employee management platforms, which are convenient for employees' daily consultation and feedback on issues.

In addition, the Company has established a sound mechanism for employee complaints, reporting, and whistleblowing. Employees can file complaints or provide feedback through various channels such as the CEO mailbox, email, labor union, employee communication meeting, and roundtable discussion. The Company strictly prohibits retaliation and effectively protects the rights of complainants and whistleblowers from being violated.

Case Conducted "employee roundtable discussion" to listen to employees' opinions

In early 2022, the labor union of Sinopharm held the 2022 employee roundtable discussion at headquarters. Senior management and employee representatives of the Company attended the meeting. The atmosphere of the discussion was relaxed and lively, and employee representatives from different positions spoke freely, actively offering suggestions and ideas for the company. They had in-depth discussions and exchanges on concerned issues such as company management, work environment, cafeteria dining, team building, salary and benefits, and corporate culture, and put forward proper opinions and suggestions.



Sinopharm labor union held the employee roundtable discussion

Promoting Talent Development

Sinopharm regards talent as an important asset of the Company. We continue to optimize the career development system, create better career paths for our employees. The Company has established a scientific and comprehensive training system and continued to improve the employees' skills and overall quality through high-quality training programs, to enhance the Company's competitiveness. During the Reporting Period, Sinopharm further strengthened the top-level design of talent team construction, improved the talent planning system, and formulated "the 14th Five-Year Plan" for Talent Planning, clarifying the future goals of key talent team construction and its implementation paths.

Career Development

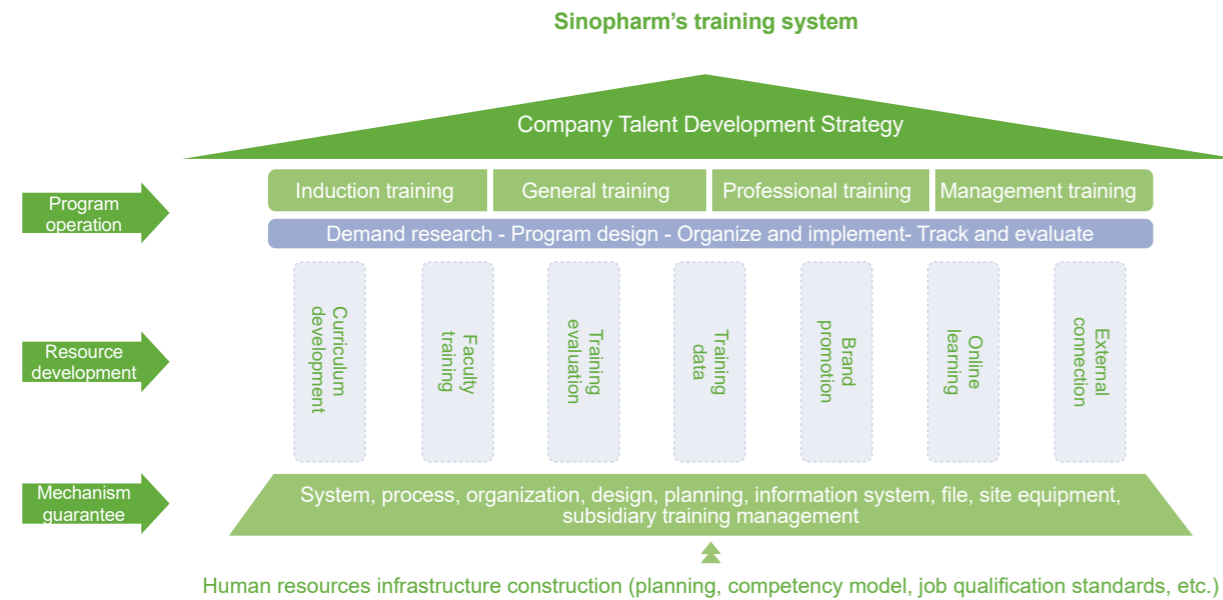
We continuously improve the promotion and assessment mechanisms and formulated the Headquarters Employee Promotion Management Measures to provide employees with fair and clear career promotion paths. Focusing on the Company's development goals, we continued to optimize the assessment methods and strengthen the incentive for outstanding employees, fully stimulating employees' work enthusiasm and creativity. In 2022, the coverage of performance evaluation for Sinopharm's senior executives and employees reached 100%.



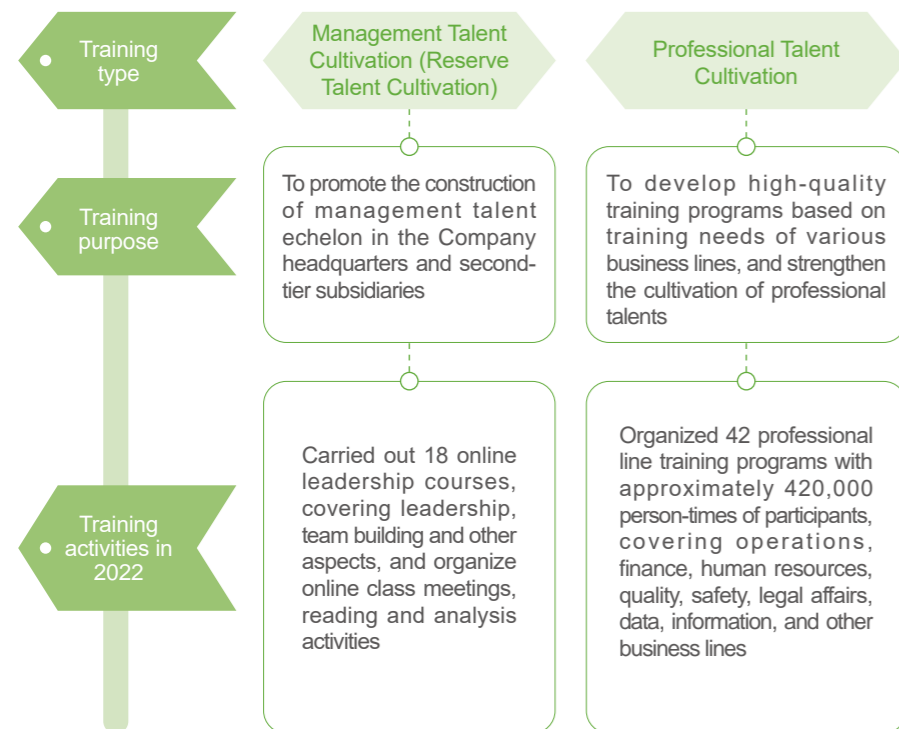
To further optimize human resources allocation, we actively carried out key position competency modeling, determining the work goals and responsibilities of key positions based on four dimensions of "knowledge and experience, work performance, ability and quality, and personality traits". Through analysis, we formed a competency model for key positions. We also continue to explore a more targeted assessment and evaluation system. In addition, we continued to optimize human resources allocation, constructed talent pools for different job levels to promote the use and flow of reserve talents, ensuring the healthy and sustainable development of the reserve talent team.

Talent Cultivation

Guided by the Company's talent development strategy and based on human resources infrastructure construction, we have built a comprehensive training system, including three parts: mechanism guarantee, resource development, and project operation.



In terms of training, the Company has developed and implemented the Sinopharm Employee Training Management System and Integrated Training Handbook. In 2022, we fully integrated resources and focused on cultivating management and professional talents based on our training objectives.



Customized learning platform "Dragon Vanguard" for the "Carved Dragon III" reserve talent training program

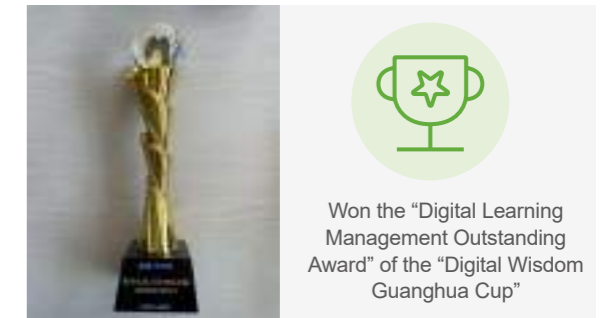


Talent development programs for subsidiaries



Training for business lines

In addition, we continue to improve our information system and digital construction. In 2022, we fully promoted the online learning platform "Sinopharm Cloud Learning", increasing the coverage from 30,000 people to over 110,000 people, with 100% coverage of all employees. Based on the "Sinopharm Cloud Learning" platform, we actively promote the creation of other information exchange and resource sharing platforms, and optimize training data system to further improve training files and digitized management. In 2022, the Company won the "Digital Learning Management Outstanding Award" of the "Digital Wisdom Guanghai Cup".



Won the "Digital Learning Management Outstanding Award" of the "Digital Wisdom Guanghai Cup"

We are also committed to providing our employees with better training resources. In 2022, we further increased our course development and introduction efforts, developing and procuring a total of 250 courses throughout the year (including 202 self-developed and cooperatively developed courses and 48 externally purchased courses), with a 42% increase year-on-year. At the same time, in order to strengthen the training and management of internal trainers, we launched the Internal Trainer Competency Standards and Learning Map and provided training and assessments for internal trainers to strengthen their training qualifications. In addition, the Company continues to strengthen industry-academia-research cooperation, maintaining good cooperative relationships with medical colleges, universities, and other institutions in talent cultivation, and continuously promoting industry-education integration.



Sinopharm's self-developed courses



Sinopharm's self-developed courses



The internal trainer program won the "Brand Learning Project" award by Training Magazine



Group photo of the internal trainer activity

Case Co-organized the education enhancement program – “Sinopharm Class”

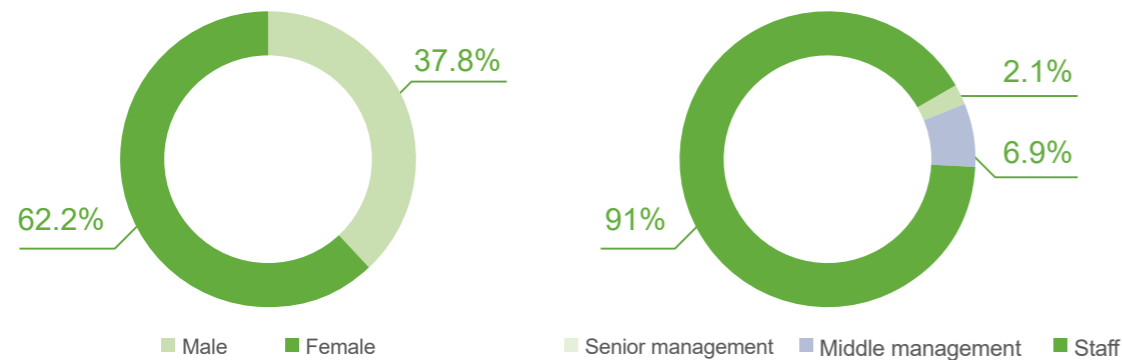
To help our employees learn professional knowledge and improve their academic qualifications, we collaborated with the Continuing Education College of Shanghai Health Medical College to organize the education enhancement program namely “Sinopharm Class”. We encouraged employees to participate in the program and supported them in improving their academic qualifications, enabling them to achieve comprehensive development.



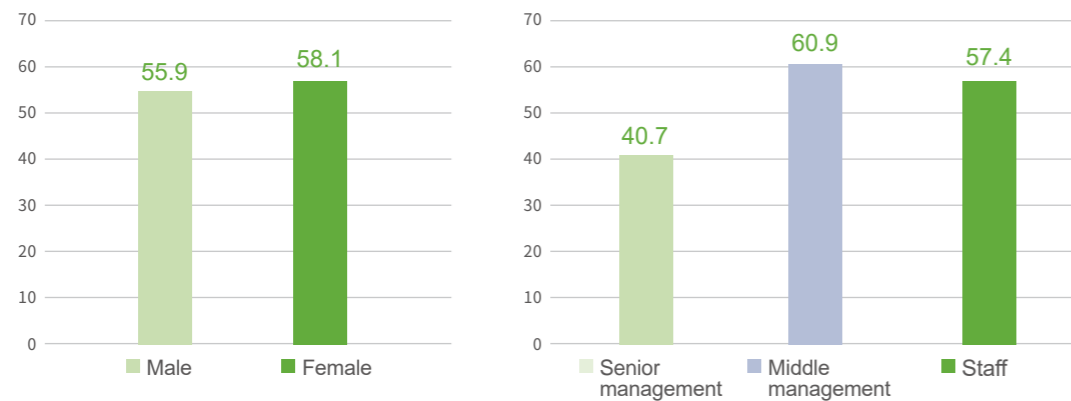
Poster for launching “Sinopharm Class” adult higher education program

In 2022, a total of **114,766** employees participated in training within the Group, and the average training hours per employee was **57.3** hours.

Training percentage divided by gender and employee category



Average training hours by gender and employee category



Occupational Health Protection

In order to safeguard the occupational health of our employees, the Company follows the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and regularly conducts occupational disease risk assessments in the workplace. Through occupational health check and occupational disease hazard factor investigation in the workplace, we identify risk factors and mitigate hidden dangers by implementing appropriate interventions, so as to reduce the risk of occupational diseases and potential occupational hazards, improving the overall working environment.

Sinopharm and its subsidiaries are equipped with sufficient health and safety protection equipment, including automatic external defibrillators (AEDs), automatic fire alarm systems, combustible gas detectors, and anti-electric shock facilities. We conduct annual testing and maintenance of facilities and equipment. Moreover, we provide regular occupational health check-ups for employees, and there was no any new occupational disease cases during the Reporting Period. In addition, we actively carry out health promotion activities such as the “Occupational Disease Prevention and Control Promotion Week”. In 2022, we conducted 298 sessions of promotion and consultation activities, with a total audience of 75,366 people.



Number of new occupational disease cases

0



Number of occupational promotion and consultation activities

298 sessions



Number of participants in occupational promotion activities

75,366

The Company actively guides employees to maintain a healthy psychological well-being. We have launched the Employee Assistance Program (EAP) in 2022 for all employees. The EAP program consists of salon activities, psychological health check-ups, on-site care consultations, remote one-on-one counseling, etc., to help employees alleviate psychological anxiety, solve psychological problems, and achieve the health, harmony, and comprehensive development of the enterprise and its employees.



Poster for EAP program



Sinopharm EAP psychological salon



05

Collaborating to Create Social Value

Sinopharm actively practices our corporate social responsibility and cares about public health and people's livelihoods. We leverage our advantages in the full-network logistics to ensure the supply of pharmaceutical resources and actively support the construction of the national healthcare system, commit to providing more people with affordable and accessible health products and services, while contributing Sinopharm's strength to the harmonious development of society.

Highly material issues addressed in this chapter

- Healthcare Accessibility

Highlights in this chapter

- Supplied around **4** billion pieces of pandemic prevention materials
- Invested a total of **27,723** volunteer hours, with **3,365** person-times of participants
- Total amount of public welfare donations RMB **27.1122** million

Accessibility in medical and healthcare

Ensuring Pharmaceuticals Supply

Relying on a strong modern logistics system, Sinopharm continues to ensure the supply of medical resources in cities, rural areas, and remote regions throughout the country. We fully leverage our advantage of "nationwide coverage through fully-integrated network". With cooperation of the information platforms, we continuously standardize internal operations and processes to ensure efficient coordination and scheduling of resources. Furthermore, our internal emergency response systems and organizational efficiency are constantly being improved to guarantee the stability, timeliness, and comprehensiveness of pharmaceutical supply and distribution.

With the resurgence of the epidemic in 2022, the demand for medical and pharmaceutical supplies surged, posing enormous challenges to production and operation. In response to the epidemic's resurgence, Sinopharm quickly deployed its subsidiaries GuoRui Pharmaceutical and Sinopharm Xingsha to resume production of fever and mild and moderate pain medications, effectively securing the supply of crucial medical resources. Additionally, we carried out source allocation, with epidemic prevention drugs and materials being "prioritized for storage, stored in dedicated areas, and given priority for delivery". Online and offline operations are effectively linked up to improve drug delivery efficiency, ensuring timely delivery and sparing no effort to safeguard public health.



Total amount of pandemic prevention materials supplied around **4 billion pieces**



Expansion of medical supplies



Material delivery center



Overnight dispatch of pharmaceutical supplies



Drug warehouses' 24-hour delivery and supply



Overnight distribution of medicines



Free distribution of antipyretic drugs for residents in special period

Case Online "Drug Demand Registration Platform" ensures medical accessibility

To solve the problem of residents having no access to or being unable to purchase medicine, and to further optimize the allocation of medical resources, GuoDa Pharmacy established an online "Drug Demand Registration Platform". The platform was launched on April 10, 2022, and as of the end of December, a total of 46,600 demands were submitted, involving 10,200 products. By registering user demands, the platform can better understand the specific medication difficulties and needs of users, thereby providing users with more convenient and efficient medication services.



Number of demands submitted

46,600



Number of registered products

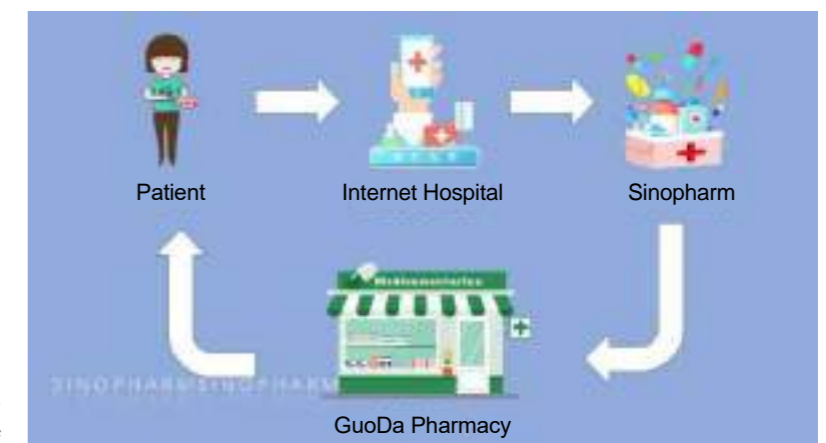
10,200



GuoDa Pharmacy awarded "Outstanding Contribution Group"

Case "Sinopharm Delivery Station" connects the "last mile" of drug transportation

To better guarantee the "last mile" of drug delivery, on April 26, 2022, Sinopharm launched the "Sinopharm Delivery Station", which includes a logistics warehouse, a pharmacy pre-positioning warehouse, and a volunteer model. Through the terminal stores of the Sinopharm, the Internet hospital's drugs are delivered to consumers' communities, reducing delivery time from 7-14 days to 3-5 days. This significantly improves drug delivery efficiency, solves the problem of lacking drug access for the public.



Innovative pre-service model is established to significantly improve the efficiency of prescription drug delivery in Internet hospitals

Serving for Public Well-Being

Sinopharm is committed to providing everyone with more convenient, reliable, and low-cost medical services, and continuously improving the accessibility of healthcare. We fully support the national medical security system, actively implement the "dual channel" service for the public benefit. By the end of 2022, we have 883 "dual channel" qualified pharmacies (480 newly added in 2022), covering approximately 90% of the cities and regions in the country that have opened "Dual-channel" business qualifications. At the same time, we actively carry out training on medical insurance reimbursement policies to ensure that medical service personnel can convey the medical insurance system to patients, effectively helping insured patients who meet the medication policy to "be able to buy, use, and be reimbursed".



Sinopharm SPS+ professional pharmacy



Pharmacists explain dual access policy to patients



Sinopharm highly values the healthcare needs of the public. We work together with our partners to build MMC Health Convenience Stores, providing high-quality health services. We also actively respond public health needs through free consultations and public health initiatives, contributing to the development of Healthy China.



Free community clinic



Medical knowledge lecture

Case "MMC Health Convenience Store" helps prevent chronic diseases

The "MMC Health Convenience Store" created by the GuoDa Pharmacy in collaboration with Omron provides members and patients with free services such as blood pressure monitoring, arterial sclerosis warning, and lung function analysis. This achieves the transformation and upgrade of professional "measurement services" to professional "health management services". In 2022, GuoDa Pharmacy carried out 170 chronic disease detection activities and 10 chronic disease home visits in Guangxi Province, providing strong safeguards for the prevention of chronic diseases.



MMC Health convenience store



Home visits for patients with chronic diseases



Chronic disease testing service

Cooperative and Collaborative Development

Leading Industry Development

As a leading pharmaceutical logistics company, Sinopharm continues to exert our industry influence and actively participates in key national research projects. In 2022, Sinopharm carried out research project, the Improving the National Public Health Emergency Management System, commissioned by the National Development and Reform Commission, and the research conclusion provided a reference for the construction of a sound national public health system.

At the same time, Sinopharm actively participates in the revision of national drug regulatory laws, regulations, and industry standards. During the Reporting Period, we participated in the revision symposium of the Drug Administration Law and proposed revision suggestions for industry standards such as the Drug Retail Distribution Quality Management Appendix (Draft for Solicitation of Public Comment) and Drug Network Business Quality Management Specification, assisting in the compliant and steady development of the industry.

Collaborating for Win-Win Development

Sinopharm fully takes our industrial chain advantages, cooperates with local governments, industry partners, and other stakeholders to build a medical device industry ecosystem. We assist to improve the healthcare security system and provide sustainable and reliable health protection for the public.

Case Sinopharm assists in upgrading "Huhui insurance"

Sinopharm continues to innovate in the fields of health insurance, specialty drug services, and drug management, focusing on patients with major and chronic diseases as well as healthy individuals. In 2022, Sinopharm was selected as a drug service provider for "Huhui insurance" and provided insured individuals with a series of professional and high-quality specialty drug services, including CAR-T⁶ therapy, to further improve the health security of Shanghai citizens.



"Huhui insurance" upgraded

Case Sinopharm collaborates with Merck Sharp & Dohme Limited (MSD) to promote the domestic launch and supply of an anti-COVID-19 oral medication

Molnupiravir is the world's first approved oral anti-COVID-19 drug, which was approved in China in 2022. Sinopharm worked closely with MSD and signed a cooperation framework agreement in September 2022 to obtain the distribution rights and exclusive import rights within China. The Company will also accelerate the drug's launch and supply to benefit Chinese patients in need as soon as possible, making unremitting efforts to improve people's livelihoods and safeguard public health.



Sinopharm signed cooperation agreement with MSD

⁶ CAR-T refers to chimeric antigen receptor T-cell immunotherapy, a new type of precision targeted therapy for the treatment of tumors.

Contributing to Society

■ Social Public Welfare Services

As a responsible corporate citizen, Sinopharm actively fulfills its social responsibility, strictly complies with the Law of the People's Republic of China on Donations for Public Welfare and relevant laws and regulations, and formulates and implements the Measures for the Administration of Sinopharm's External Donations to further standardize external donation behavior from donation scope, budget management, approval procedures, execution management, and donation supervision. During the Reporting Period, the Group actively participated in public welfare activities such as earthquake relief, assistance to the disabled, education support, and charitable donations, contributing to the sustainable development of society. In 2022, the Group's employees spent a total of 27,723 hours in volunteer activities, with a total of 3,365 person-times of participants. The expenditure amount of charitable donations is RMB 27.1122 million.

Total hours of volunteer activities

27,723 hours

Participants in volunteer activities

3,365 person-times

Total amount of charitable donations

RMB **27.1122** million

Case Protecting the safety of the public's lives and property against fires

On the afternoon of August 21, 2022, a forest fire broke out in Xinyu Village, Chongqing. Sinopharm Chongqing responded promptly and mobilized its youth volunteer service team to participate in the fire rescue. The volunteers proactively rushed to the scene and went to the front line to dig firebreaks, deliver essential supplies, and maintain the safety line. After the fire was extinguished, the volunteers continued to carry out residual fire inspections and garbage clearance at the scene, and opened roads for unblocked residential drinking water sources, fulfilling their responsibilities and obligations with practical actions.



Chongqing rescue teams participated in firefighting at night

Remained fire patrol and cleaned up the scene



Community service activities for "Lei Feng Memorial Day"



Volunteers helped clean up street trash

Supporting Rural Revitalization

Sinopharm actively responds to the national call for rural revitalization and strives to serve the needs of national strategies as a central state-owned enterprise. The Group continues to increase our efforts in rural assistance and actively participates in rural revitalization through medical aid, consumption assistance, donations for education, and material donations, promoting the healthy development of rural areas.



Case Sinopharm Jilin's Jingyu Community Pharmacy continues to distribute medicine to villagers

Sinopharm Jilin Jingyu Community Pharmacy was established in October 2019, specifically designated as a poverty alleviation pharmacy for local impoverished populations. The pharmacy provides pharmaceutical assistance services to 12,886 impoverished residents in 12 health centers of 8 towns and townships in Jingyu County. Free medicine is distributed to each person based on the county's poverty alleviation subsidy standard of RMB 100 per person per year, filling the gap in the shortage of medicine. In 2022, Jingyu Community Pharmacy actively distributed aid medicine and cooperated with free clinic activities, earning high recognition from the impoverished population and the county government.

Provided pharmaceutical assistance services to **12,886** impoverished residents



Case Sinopharm Le-Ren-Tang provided medical assistance and donated supplies to Pingxiang County

Pingxiang County is located in the southern part of the North China plain, and has a relatively high number of patients with chronic diseases. To prevent people from falling into poverty or returning to poverty due to illness, Sinopharm Le-Ren-Tang donated commonly used drugs worth RMB 1 million over three years. On December 7, 2022, Sinopharm Le-Ren-Tang carried out its first medical assistance and donation to Pingxiang County. According to the actual situation and needs of Pingxiang County, the donated drugs covered the treatment of chronic diseases such as hypertension, diabetes, and coronary heart disease, with a total value of RMB 400,000.



Sinopharm Le-Ren-Tang provided medical support to Pingxiang County



Sinopharm Chengdu launched rural school donation activities



Appendix

■ Responsibility Performance Table

A. Environmental Performance ⁷				
Category	Indicators	Unit	2021	2022
Emission ⁸	Nitrogen oxides (NOx)	Ton	134.28	151.02
	Sulfur oxides (SOx)	Ton	0.32	0.32
	Particulate matter	Ton	12.37	13.95
	Chemical oxygen demand (COD) *	Ton	2.21	1.28
	Biochemical oxygen demand (BOD) *	Ton	1.04	0.53
	Ammonia nitrogen *	Ton	0.49	0.11
	Greenhouse Gas Emissions	Direct GHG emissions (Scope 1)	Ton CO ₂ e	51,430.12
Indirect GHG emissions (Scope 2)		Ton CO ₂	164,261.33	200,670.94
Total GHG emissions		Ton CO ₂	215,691.45	253,105.28
Direct GHG emissions intensity (Scope 1)		Ton CO ₂ e/person	0.45	0.46
Indirect GHG emissions intensity (Scope 2)		Ton CO ₂ /person	1.45	1.75
GHG emissions intensity		Ton CO ₂ e/person	1.90	2.20
Energy Use	Diesel consumption	MWh	109,105.18	124,308.96
	Gasoline consumption	MWh	86,852.64	73,167.61
	Natural gas consumption	MWh	4,815.39	6,619.03
	Total direct energy consumption	MWh	200,773.21	204,095.59
	Intensity of direct energy consumption	MWh/person	1.77	1.78
	Purchased electricity	MWh	262,245.04	329,852.10
	Purchased heat	MWh	30,042.83	31,707.80
	Total indirect energy consumption	MWh	292,287.87	361,559.90
	Intensity of indirect energy consumption intensity	MWh/person	2.58	3.15
	Total energy consumption	MWh	493,061.07	565,655.49
	Intensity of energy consumption	MWh/person	4.35	4.93

⁷ Data denoted by * correspond to a data collection scope of industrial enterprises under Sinopharm. The data collection scope for other data is the Group.
⁸NOx, SOx, and particulate matter emissions were from vehicle use of the Group in 2022, and were calculated by referring to the Appendix II of How to Prepare An ESG Report published by HKEX.

Category	Indicators	Unit	2021	2022
Resource Use	Total amount of water consumption	Cubic meter	888,804.71	651,090.73
	Water consumption intensity	Cubic meter /person	7.85	5.67
	Carton/box*	Ton	3,204.15	3,508.50
	Packing bottle*	Ton	2,307.10	2,515.40
	Total packaging material consumption *	Ton	5,511.25	6,023.90
	Intensity of packaging material consumption*	Ton/person	4.16	4.29
Solid Waste ⁹	Total amount of non-hazardous waste	Ton	1,209.20	999.31
	Non-hazardous waste generation Intensity	Ton/person	0.01	0.01
	Total amount of hazardous waste*	Ton	194.34	229.15
	Hazardous waste generation intensity*	Ton/person	0.15	0.16

B. Social Performance ¹⁰				
Category	Indicators	Unit	2021	2022
Employment	Total number of employees	Person	113,234	114,766
	Number of male employees	Person	42,916	43,405
	Number of female employees	Person	70,318	71,361
	Number of full-time employees	Person	113,234	114,766
	Number of part-time employees	Person	0	0
	Number of employees aged 30 and below	Person	30,716	29,115
	Number of employees aged 31-40	Person	46,998	47,592
	Number of employees aged 41-50	Person	28,446	30,700
	Number of employees aged 51-60	Person	6,837	7,134
	Number of employees aged 61 and above	Person	237	225
	Number of employees in Mainland China	Person	113,233	114,765
	Number of employees in Hong Kong	Person	1	1
	Number of total leaving employees	Person	24,892	23,473
	Number of male leaving employees	Person	8,512	7,873

⁹ Non-hazardous mainly includes office waste. Hazardous waste mainly includes laboratory waste liquids, waste mineral oil, and waste drugs generated during production and operation activities of the industrial enterprises.

¹⁰ Data denoted by * correspond to a data collection scope of the Company. The data collection scope for other data is the Group.

Category	Indicators	Unit	2021	2022
Employment	Number of female leaving employees	Person	16,380	15,600
	Number of leaving employees aged 30 and below	Person	11,217	9,624
	Number of leaving employees aged 31-40	Person	8,883	8,165
	Number of leaving employees aged 41-50	Person	4,137	4,397
	Number of leaving employees aged 51-60	Person	613	1,180
	Number of leaving employees aged 61 and above	Person	42	107
	Number of leaving employees in Mainland China	Person	24,892	23,473
	Number of leaving employees in Hong Kong	Person	0	0
	Total employee turnover rate ¹¹	%	22.0	20.4
	Turnover rate of male employees	%	19.8	18.1
	Turnover rate of female employees	%	23.3	21.9
	Turnover rate of employees aged 30 and below	%	36.5	33.1
	Turnover rate of employees aged 31-40	%	18.9	17.1
	Turnover rate of employees aged 41-50	%	14.5	16.0
	Turnover rate of employees aged 51-60	%	9.0	19.8
	Turnover rate of employees aged 61 and above	%	17.7	60.1
	Turnover rate of employees in Mainland China	%	22.0	20.4
	Turnover rate of employees in Hong Kong	%	0.0	0.0
	Signing rate of labor contract*	%	100	100
	Signing rate of collective contract	%	48.35	55.70
Occupational Health and Safety	New occupational disease cases	Person	0	0
	Total investment in production safety	RMB 10,000	8,867	7,958
	Participants in occupational health and safety training	Person-time	103,810	112,706
	Participants in emergency drills	Person	34,856	32,544
	Number of work-related fatalities	Person	0	0
	Rate of work-related fatalities ¹²	%	0	0
	Number of work-related fatalities in 2020	Person	0	0
	Rate of work-related fatalities in 2020	%	0	0
Lost days due to work injury	Day	6,880	10,733	

¹¹ Turnover rate of employees in each category = number of leaving employees in the category /total number of employees in the category * 100.

¹² Rate of work-related fatalities= number of work-related fatalities /number of employees*100.

Category	Indicators	Unit	2021	2022
Employees' Training ¹³	Total employees trained	Person	209	114,766
	Training rate of employees	%	100	100
	Number of male employees trained	Person	109	43,405
	Number of female employees trained	Person	100	71,361
	Number of senior management trained	Person	13	2,454
	Number of middle management trained	Person	30	7,930
	Number of staff trained	Person	166	104,382
	Training rate of male employees	%	52.2	37.8
	Training rate of female employees	%	47.8	62.2
	Training rate of senior management	%	6.2	2.1
	Training rate of middle management	%	14.4	6.9
	Training rate of staff	%	79.4	91.0
	Average training hours of employees	Hour	50.5	57.3
	Average training hours of male employees	Hour	50.1	55.9
	Average training hours of female employees	Hour	50.9	58.1
	Average training hours of senior management	Hour	95.3	40.7
	Average training hours of middle management	Hour	63.6	60.9
Average training hours of staff	Hour	44.6	57.4	
Supply Chain Management	Total number of suppliers	/	36,595	43,060
	Number of suppliers in Mainland China	/	36,434	42,886
	Number of suppliers in Hongkong, Macaw and Taiwan	/	18	29
	Number of overseas suppliers	/	143	145
	Rate of suppliers implementing internal regulations	%	100	100
Quality Management*	Number of recalled products for safety and health reasons	Batch	53	30
	Percentage of total products recalled for safety and health reasons	%	0.29	0.069
	Number of products and service related complaints received	Case	0	0
	Customer satisfaction	%	99.4	96.4
Anti-Corruption*	Number of concluded legal cases regarding corrupt practices	Case	0	0
	Participants in anti-corruption training	Person-time	5,613	118,647
Community Investment	Total hours of volunteer activities	Hours	52,241	27,723
	Participants of volunteer activities	Person-time	15,539	3,365
	Total amount of donations	RMB 10,000	1,725.6	2,711.2

¹³ This year, the Company has broadened the scope of its training data collection. Training data collection scope has been expanded from the Company's headquarters to all levels of the Company.

Hong Kong Stock Exchange ESG Reporting Guide Content Index

A.Environment			
General Disclosure & KPI	Indicator description	Relevant chapter	
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System	
KPI	A1.1	The types of emissions and respective emissions data.	Appendix: Responsibility Performance Table
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Low-carbon Development in Pursuit of Green Mission: Addressing Climate Change Appendix: Responsibility Performance Table
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix: Responsibility Performance Table
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix: Responsibility Performance Table
	A1.5	Description of emission target (s) set and steps taken to achieve them.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System, Green Production
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target (s) set and steps taken to achieve them.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System, Green Production
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System	
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix: Responsibility Performance Table
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix: Responsibility Performance Table
	A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System, Green Production
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target (s) set and steps taken to achieve them.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System, Green Production
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Appendix: Responsibility Performance Table

General Disclosure & KPI	Indicator description	Relevant chapter	
Aspect A3: The Environmental and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System	
KPI	A3.1	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Low-carbon Development in Pursuit of Green Mission: Environmental Management System
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Low-carbon Development in Pursuit of Green Mission: Addressing Climate Change	
KPI	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Low-carbon Development in Pursuit of Green Mission: Addressing Climate Change
B.Social			
General Disclosure & KPI	Indicator description	Relevant chapter	
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Employee Rights Protection	
KPI	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Employee Rights Protection Appendix: Responsibility Performance Table
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix: Responsibility Performance Table
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Lean Management Adheres to Quality Assurance: Product Quality Management Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Occupational Health Protection	
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix: Responsibility Performance Table
	B2.2	Lost days due to work injury.	Appendix: Responsibility Performance Table
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Lean Management Adheres to Quality Assurance: Product Quality Management Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Occupational Health Protection

General Disclosure & KPI	Indicator description	Relevant chapter
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement : Promoting Talent Development
KPI	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Fostering an Equal and Inclusive Culture to Boost Talent Engagement : Promoting Talent Development Appendix: Responsibility Performance Table
	B3.2 The average training hours completed per employee by gender and employee category.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement : Promoting Talent Development Appendix: Responsibility Performance Table
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Employee Rights Protection
KPI	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Employee Rights Protection
	B4.2 Description of steps taken to eliminate such practices when discovered.	Fostering an Equal and Inclusive Culture to Boost Talent Engagement: Employee Rights Protection
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Lean Management Adheres to Quality Assurance: Product Quality Management
KPI	B5.1 Number of suppliers by geographical region.	Lean Management Adheres to Quality Assurance: Product Quality Management Appendix: Responsibility Performance Table
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Lean Management Adheres to Quality Assurance: Product Quality Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Lean Management Adheres to Quality Assurance: Product Quality Management
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Lean Management Adheres to Quality Assurance: Product Quality Management

General Disclosure & KPI	Indicator description	Relevant chapter
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Lean Management Adheres to Quality Assurance: Product Quality Management
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Lean Management Adheres to Quality Assurance: Product Quality Management Appendix: Responsibility Performance Table
	B6.2 Number of products and service related complaints received and how they are dealt with.	Lean Management Adheres to Quality Assurance: Customer Rights Protection Appendix: Responsibility Performance Table
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Lean Management Adheres to Quality Assurance: Innovation and Development
	B6.4 Description of quality assurance process and recall procedures.	Lean Management Adheres to Quality Assurance: Product Quality Management
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Lean Management Adheres to Quality Assurance: Customer Rights Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Governance as the Cornerstone for Steady Progress: Compliance Management
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Responsible Governance as the Cornerstone for Steady Progress: Compliance Management Appendix: Responsibility Performance Table
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsible Governance as the Cornerstone for Steady Progress: Compliance Management
	B7.3 Description of anti-corruption training provided to directors and staff.	Responsible Governance as the Cornerstone for Steady Progress: Compliance Management
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Collaborating to Create Social Value: Contributing to Society
KPI	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Collaborating to Create Social Value: Contributing to Society
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Collaborating to Create Social Value: Contributing to Society Appendix: Responsibility Performance Table

■ Readers' Feedback Form

Dear readers:

Hello!

Thank you for taking time to read the Sinopharm Group Co. Ltd. 2022 Sustainability Report (hereinafter referred to as the "Report"). We would like to express our sincere gratitude to you for your valuable comments and suggestions on the Report to help improve our work.

For the following questions, please tick your choice appropriately

1. Your overall satisfaction evaluation of this Report

Very good Good General Poor Very Poor

2. This Report fully responds to and discloses issues of concern to stakeholders

Very good Good General Poor Very Poor

3. The information and data disclosed in this Report are clear, accurate and complete

Very good Good General Poor Very Poor

4. This Report comprehensively and accurately reflects the significant impact of Sinopharm Group on the economy, society and environment

Very good Good General Poor Very Poor

5. The logic main line, language text and layout design of this Report are clear and readable

Very good Good General Poor Very Poor

Please provide a brief answer to the following questions:

1. Which parts of this Report are you most satisfied with?

2. Is there any issues that you are concerned about but has not been disclosed in this Report?

3. What other opinions or suggestions do you have for this Report?

You can give feedback on the questionnaire by mail, email or fax, or make a direct call. Your opinions and suggestions will be fully considered.

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