



# 石藥集團有限公司

CSPC PHARMACEUTICAL GROUP LIMITED

(Stock Code : 1093)



2020 | Corporate Social  
Responsibility Report

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## FOREWORD

The major social responsibility of a pharmaceutical enterprise is innovation. In 2020, we uphold our philosophy of “All for good medicine, all for mankind’s health” and strive to speed up the process of launching more new drugs to the market, so that the innovative achievements can be more widely applied for the benefit of global human health.

Product quality has always been the core strategy of the Group’s development. We focus on benchmarking international high-end quality standards and carry out quality control works in all aspects strictly in accordance with the requirements of various certifications. The Group attaches great importance to the safety of patients’ medications, and is committed to quality and safety risk management, while making great effort to establish a pharmacovigilance system. We also put a lot of emphasis on the accessibility of essential medications, so that patients can have access to high quality drugs with lower prices.

We also understand the foundation of innovation lies in talents. Through measures such as large-scale talent recruitment, professional training, development and incentives, CSPC has been encouraging the employees to achieve good performance and realise self-values by creating the best platform for personal development of the employees. In the course of enterprise development, we are committed to maintaining the balance of environmental protection, by taking “pursue green development and create a better living” as corporate belief in regard to environmental protection. With a main focus on improving the efficiency of resource utilisation, we carry out comprehensive resource management through strengthening technological upgrade.

While providing patients with safe and high-quality products, we are also actively giving back to the society and participating in charitable activities, including contributing to the society by making donations in forms of money or medicines. Looking ahead, we will continue to innovate to demonstrate our goodwill in contributing to the global human health.



# BASIS AND PRINCIPLES OF PREPARATION OF THIS REPORT

## BASIS AND PRINCIPLES OF PREPARATION

This report is prepared by CSPC Pharmaceutical Group Limited (the “Company”) and its subsidiaries (hereafter collectively referred to as “CSPC” or “we” or the “Group”) in accordance with the Environmental, Social and Governance Reporting Guideline (version effective from 1 January 2016 to 30 June 2020) issued by the Hong Kong Stock Exchange Limited (“HKEx”), with an aim of reporting to its shareholders and stakeholders the Group’s efforts made in relation to corporate social responsibilities and sustainable development in the financial year of 2020. For details of corporate governance, please refer to the corporate governance report set out in the 2020 Annual Report of CSPC.

## REPORT PERIOD AND RELEASE CYCLE

This report is the yearly report for 2020, and the report period is from 1 January 2020 to 31 December 2020.

## REPORT SCOPE

CSPC reviews its reporting scope regularly to ensure all material issues that have significant influence over the Group’s operation are covered in this report. We expand the reporting scope of environment, health and safety (EHS) data for 2020 by adding the statistics of certain subsidiaries that do not belong to the Group’s core production base based on the 2019 figures. Currently, the relevant data has covered all of the Group’s manufacturing enterprises. The reporting scope of the policy descriptions and other data provided in this report is consistent with that of the annual report.

## DATA SOURCES AND RELIABILITY

The data and cases of this report mainly come from the Company’s internal statistical reports and relevant regulatory documents. We are committed to ensuring the reliability of the report data and the absence of any false or misleading statements. This report is published in both Chinese and English. The Chinese version shall prevail in case of any discrepancies between the two versions.

CSPC enjoys a leading position in the pharmaceutical industry in the People's Republic of China (the "PRC"). It was listed on the main board of the HKEx in 1994 and became a constituent stock of the Hang Seng Index in 2018. Being a renowned listed pharmaceutical company in Hong Kong, the Group is currently also one of the index constituent stocks of Hang Seng Composite Index, Hang Seng China Enterprises Index, Hang Seng Healthcare Index, Hang Seng Mainland Healthcare Index, Hang Seng Stock Connect Hong Kong Index and Hang Seng China (Hong Kong-listed) 100 Index. The Group's main production base is located in Shijiazhuang City, Hebei Province, the PRC, with innovative drugs as the core development strategy of the Company.

The corporate mission of CSPC is "All for good medicine, all for mankind's health". The Group has always adhered to this philosophy and insisted on doing a good job in various key tasks to promote the sustainable development of its own business and society.

All for good medicine: we focus on medicine and insist on making good medicine with our hearts. Making good medicine is to make those of high quality, good efficacy, safe and reliable to meet the growing social needs; to continuously develop innovative medicines to meet unmet healthy needs. CSPC aspires to become health messengers for the majority of patients, protect lives and contribute to health.

All for China: we set an excellent benchmark in the industry by continuously improving the production, operation, and management system that meets international standards; we continue to explore new heights in pharmaceutical science and stand at the forefront of world pharmaceutical innovation. We aim to win more honour and dignity for the Chinese nation and become the pride of China.

All for mankind's health: we put human health as our original intention, and our mission is to improve the quality of human life. We not only provide safe and high-quality products for patients and customers around the world, but also build a platform for employees to fight for a bright future; we not only create value and good returns for shareholders, but also share results with stakeholders; we will serve the society more actively, contribute to the society and to the cause of human health.

With the fast development of our businesses during recent years, we deeply understand the greater social responsibilities borne by the Group's subsidiaries. In 2020, the Group has made payments for various taxes amounting to approximately RMB3,039 million in total (2019: RMB2,583 million), whereas its total staff costs amounted to approximately RMB2,878 million (2019: RMB2,062 million), epitomizing the value the Group has brought to public finances and its staff during its course of active business development. Regarding the business development and review for 2020, please refer to the 2020 Annual Report of the Group.



# SOCIAL RESPONSIBILITY MANAGEMENT

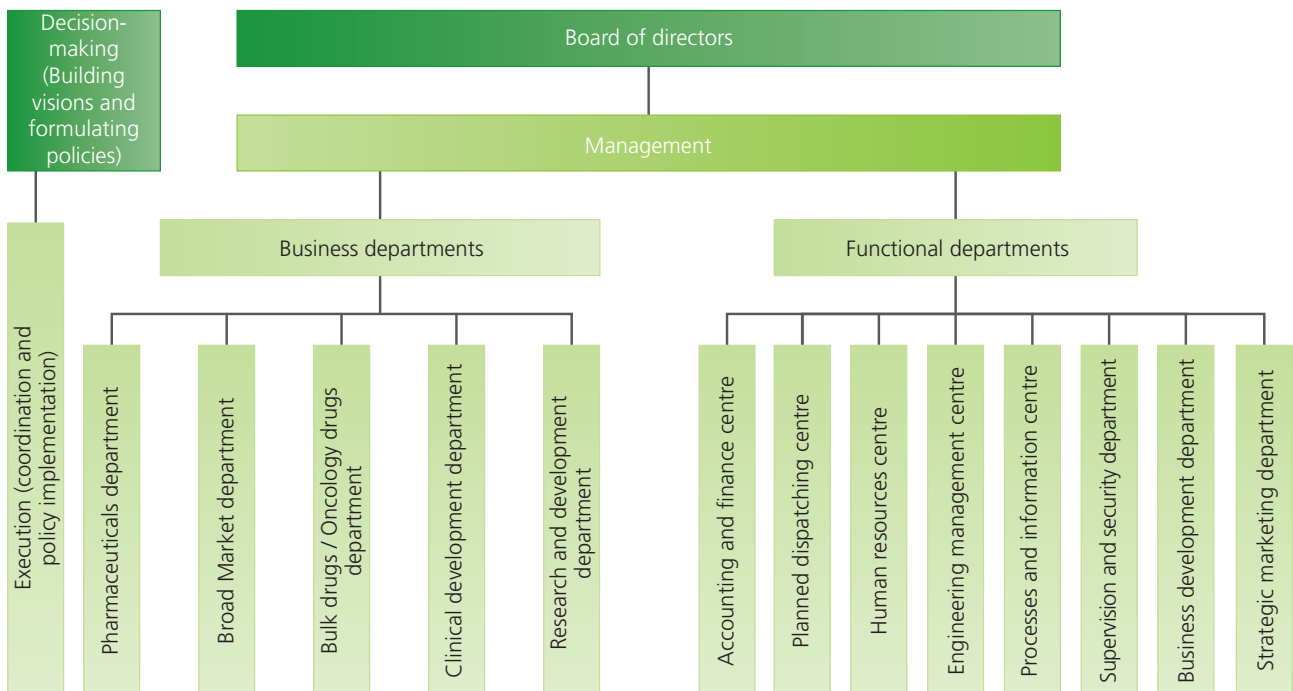
## CORPORATE MISSION AND VISION

Continuously upholding the corporate value of “All for good medicine, all for mankind’s health”, we strive to create the best environment for the personal growth of the staff. At the same time, the Group proactively took part in public welfare undertakings in an effort to fulfill its social responsibilities as a corporate citizen and contribute to the society.

## CORPORATE GOVERNANCE STRUCTURE

The Group has consistently and stringently abided with the relevant company laws and governance regulations for listed companies both in the PRC and overseas with the aim of enhancing the Group’s governance standards through incessantly refining its internal corporate governance structure and striving to improve its internal control system. Under the leadership of the board of directors and the Chief Executive Officer, Mr. Cai Dongchen, the Group’s various functional departments and business departments coordinate and implement different environmental, social and governance tasks.

The Group’s main business departments and functional departments in relation to its social responsibilities include:



Taking into account the increasing importance of environmental, social and governance practices to us, the Group will continue to review the organizational structure for its corporate social responsibility efforts in 2021.



# SOCIAL RESPONSIBILITY MANAGEMENT

## STAKEHOLDER ENGAGEMENT

The Group has been using different kinds of communication channels to listen to our stakeholders' views at the environmental, social and governance aspects and communicate with them on various environmental, social and governance issues on an ongoing basis. We always believe that listening to the opinions of various stakeholders helps us to objectively and comprehensively assess the Group's environmental, social and governance performance.

Our main stakeholders are shareholders and investors, employees, customers and consumers, suppliers, community and the public, the government and market regulators.

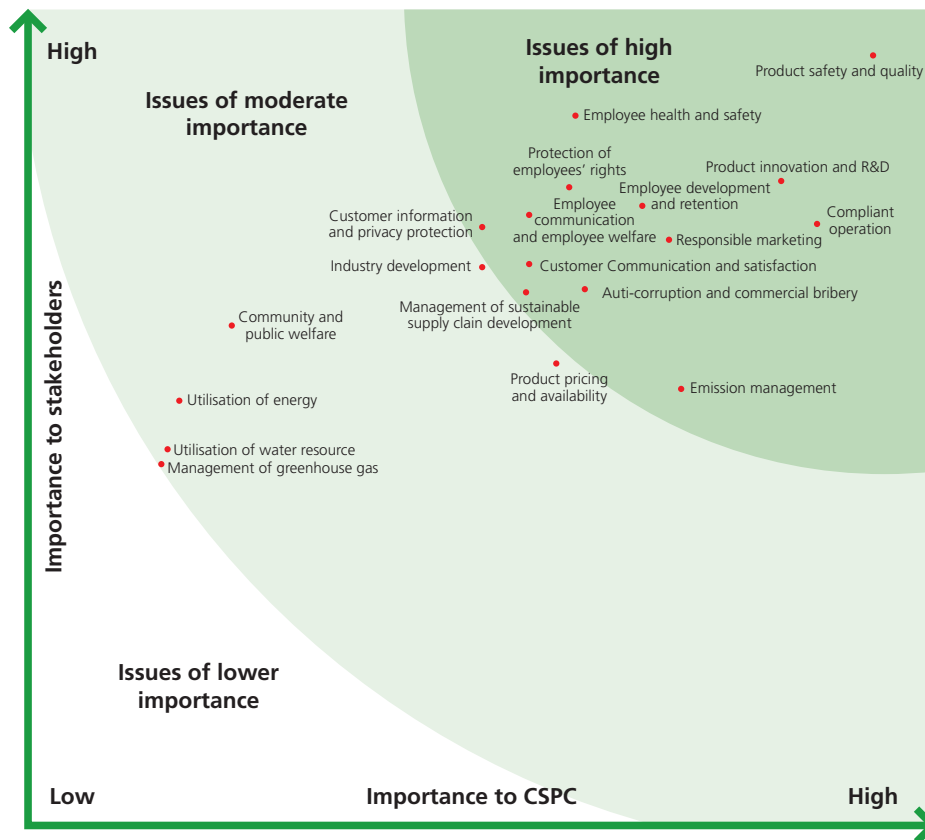
Stakeholders	Main issues of concern	Means of engagement
Shareholders and investors	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Risk management</li> <li>Anti-corruption</li> <li>Innovative operation</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>General meetings</li> <li>Investor information sessions</li> <li>Site visits</li> <li>Regular information disclosure of the listed company</li> <li>Investor visits and meetings</li> <li>Telephone and email enquiries</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employee health and safety</li> <li>Employee development and retention</li> <li>Prevention of child labour and forced labour</li> <li>Protection of employees' rights</li> </ul>	<ul style="list-style-type: none"> <li>Daily communication between management and employees</li> <li>Employee opinion collection</li> <li>Employee activities</li> <li>Internal training and learning</li> </ul>
Customers and consumers	<ul style="list-style-type: none"> <li>Customer rights and privacy protection</li> <li>Quality of products and services</li> <li>Responsible marketing</li> </ul>	<ul style="list-style-type: none"> <li>Regular visits</li> <li>Forums</li> <li>Seminars</li> <li>Monthly sales analysis meetings</li> <li>Annual marketing seminars</li> <li>Customer satisfaction survey in the form of questionnaires</li> <li>Product complaint handling procedure</li> <li>Information exchange mechanism</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Management of sustainable supply chain development</li> <li>Quality of products and services</li> </ul>	<ul style="list-style-type: none"> <li>Tender meetings</li> <li>Regulated supplier management procedure</li> <li>Annual supplier feedback and evaluation system</li> <li>On-site audit</li> </ul>
Community and the public	<ul style="list-style-type: none"> <li>Social and public welfare</li> </ul>	<ul style="list-style-type: none"> <li>Joint organisation of community activities</li> </ul>
The government	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>On-site inspection and work reports</li> <li>Government visits and guidance</li> <li>Engagement in the formulation of and recommendations for government policies</li> <li>Industry collaboration</li> </ul>
Market regulators	<ul style="list-style-type: none"> <li>Compliant operation</li> </ul>	<ul style="list-style-type: none"> <li>Consultation and information disclosure</li> </ul>



# SOCIAL RESPONSIBILITY MANAGEMENT

## IDENTIFICATION OF MATERIAL ISSUES

We conducted comprehensive analysis of different environmental, social and governance issues by the way of materiality assessment. Such materiality assessment was based on the results of stakeholder surveys and benchmarking analysis with excellent companies in the industry as the two main sources. We refer to “Environmental, Social and Governance Reporting Guideline” (version effective from 1 January 2016 to 30 June 2020) issued by the HKEx and the “G4 Sustainability Reporting Guidelines” released by the Global Reporting Initiative (GRI), coupled with benchmarking against outstanding industry players. To understand the concerns of various stakeholders so that we can respond to their focused issues in the Environmental Social and Governance Report, we conducted targeted communication with stakeholders including shareholders, investors, employees, suppliers and customers in form of questionnaire survey in 2019. The results of quantitative analysis on material issues are presented in the following matrix:







## SOCIAL RESPONSIBILITY MANAGEMENT

According to the quantitative analysis on material issues, issues of high importance to both stakeholders and the Group include:

Product safety and quality	Product innovation and R&D	Compliant operation
Employee health and safety	Protection of employees' rights	Employee development and retention
Employee communication and employee welfare	Responsible marketing	Customer information and privacy protection
Customer communication and satisfaction	Anti-corruption and commercial bribery	Management of sustainable supply chain development
Emission management		

In addition to product safety and quality, we fully understand that there is growing attention from the stakeholders to the issues of the Group's employees' rights, development and retention, as well as compliant operation (including our responsibility to the customers and anti-corruption management), and therefore it is most important for the Group to do a good job on the relevant management works.



## PRODUCTS AND CUSTOMERS

### **MAKING GOOD MEDICINES IS OUR RESPONSIBILITY TO THE CUSTOMERS**

Continual innovations as well as product quality and safety lay the foundation for the Group's sustainable development. From the independent research and development of drug products to the whole-process product quality management as well as operation with integrity, the Group is committed to doing its utmost in the details of every task.

### **DEVELOPMENT STRATEGY**

Since the 21st century, with the continuous growth of China's economy, the ever-increasing living standards and health awareness of the public, the gradual improvement of the medical security system and the acceleration of the aging of the population, China's pharmaceutical industry has maintained a good momentum of development.

In recent years, a series of innovation support policies and systems in relation to the pharmaceutical industry in China have been released to enhance the overall research and development abilities and quality of China's pharmaceutical industry. As a leading domestic pharmaceutical enterprise integrating research, production and sales, the Group actively responds to and captures the risks and opportunities brought about by changes in the pharmaceutical industry, thereby achieving sustained growth in its business scale and continuously optimizing its product mix.

In the future, the Company will continue to be driven by innovation and innovate technologies and products in different areas by various channels through innovations in thinking, research and development, management, marketing, products and talents, continuously creating new standards in industry segments, and thereby promoting the progress of the entire industry. The Company will adhere to the concept of sustainable development and formulate plans from a global and forward-looking perspective. It will continuously optimize product mix and research and development pipelines to strive to be a trusted and respected innovative pharmaceutical enterprise.



## PRODUCTS AND CUSTOMERS

### RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY

CSPC has been constantly promoting the development of high-quality medicines and providing affordable medicine to the patients in China. Currently, we have established an integrated research and development system that spans across domestically and internationally and have a top research and development team. The Group has a top-class incubation base for high-tech drugs in China, CSPC Central Institute for Biological Studies, as well as research and development centres and clinical centres in California, Princeton, Texas and New Jersey in USA.

The Group was recognized as an industrialization base of achievements under the 863 Program in the 10th Five-Year Plan, National Enterprise Technology Center, National Technological Innovation Demonstration Enterprise, National Intellectual Property Demonstration Enterprise, Innovative Enterprise, International Technology Cooperation Base for New Preparations and Biomedicine. It has also established post-doctoral scientific research workstations and academician workstations, two national laboratories including chiral drug development laboratory and new pharmaceutical formulations and excipients platform, and 9 provincial-level research centers or laboratories such as soft capsule preparation engineering laboratory.

We firmly believe in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the year amounted to RMB2,890 million (2019: RMB2,000 million) and at present, there are around 300 projects in the pipeline. Based on the clinical value of drugs and market demand, the projects are primarily focusing on the research and development of drugs in the areas of cardiocerebrovascular, oncology, psychiatry and neurology, digestion and metabolism, anti-infectives and autoimmunity.

CSPC has been committed to building a technology platform with its own intellectual property rights to differentiate itself from its competitors in the industry. With years of research and development and technological experience, the Group currently establish a number of key technology infrastructure platforms such as nano-preparation technology platform, small molecule screening and discovery platform, chiral drug technology platform and novel pharmaceutical excipients technology platform. The construction and integrated application of these platforms provide reliable technical support for product R&D innovation.

Our R&D innovation capabilities and projects have received great support from the government. The projects receiving government funding support since the beginning of this year include: 14 major scientific and technological projects for the "13th Five-Year" major new drug innovation projects, 1 key project under the national key research programme in "nanotechnology", 10 scientific and technological plan projects in Hebei Province, 5 biomedical health industry projects of Shijiazhuang Industry and Information Technology Department, 4 scientific and technological plan projects in Shijiazhuang City and a number of high-tech zone policy support projects.



## PRODUCTS AND CUSTOMERS

### Experimental animal management

We place great importance on animal management in laboratories during clinical research. The Group strictly follows national and Hebei Province's laws and regulations and standards related to experimental animals in the construction and management of animal laboratories, including Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》), Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範(GLP)》), National Standard on Laboratory Animal — Requirements of Environment and Housing Facilities of the People's Republic of China (《中華人民共和國實驗動物環境及設施國家標準》), Measures of Hebei Province on Administration of Affairs Concerning Experimental Animals (《河北省實驗動物管理辦法》) and Measures of Hebei Province on Administration of License for Users of Experimental Animals (《河北省實驗動物用戶許可證管理辦法》). We have installed various instruments in animal laboratories including smart anemometer, dust particle counter and noise meter to ensure the laboratories comply with the requirements of various environmental indicators.

In order to guarantee the effective implementation of animal welfare management, the Group has established an Experimental Animal Ethics Committee which is responsible for all ethical reviews on animal experiments. The Group advocates and upholds the "3R" principle in the development of plans on animal experiments:

- Replacement: Before carrying out animal laboratory research, we will first carry out in vitro experimental evaluation on the drug and verify with a small number of animals, actively replacing animal experiments with other methods;
- Reduction: All animal experiment projects must submit an experimental animal ethical review form to the Experimental Animal Ethics Committee. Experimental animal usage and experiment frequency are reduced through ethical review and day-to-day supervision. When purchasing experimental animals, the Group also strictly controls the variety and quantity of animals;
- Refinement: The animal laboratories conduct rigorous management on feeds quality and provide good feeding and living environments for the animals used. We give full consideration to animal welfare in experiments and try our best to minimize the pain of the animals.

We have set up corresponding management system and operation procedures according to the actual conditions of animal laboratories, and make detailed instructions on health and safety of laboratories, ethics and welfare of experimental animals and the responsibilities and training of operating personnel. Moreover, we arrange for laboratory animal practitioners to attend training programme and examination organized by the Association for Laboratory Animal of Hebei Province and choose personnel of high technical standard to carry out animal experiments.



## PRODUCTS AND CUSTOMERS

### **Industry exchange and cooperation**

The Group always values the cooperation and communication with domestic and international research institutions, closely follows the development trends of advanced technologies at home and abroad, and have established good co-operations with many domestic and foreign scientific research institutions. The Group will continue to actively seek various cooperation opportunities in the future to further supplement the pipeline of products under development.

Looking ahead, the Group will continue to look for acquisition targets with strong R&D capabilities in the biopharmaceutical industry. The future acquisitions will be mainly focused on drugs of new small molecule and macromolecule which are close to product approval and commercial launch so as to increase and supplement the pipeline of product launch as soon as possible in the next few years, and fully leverage the Group's strong marketing and market development capabilities to achieve rapid growth of new products. Meanwhile, the Group is also screening new projects in cooperation with research institutes and technology companies around the world through its dedicated business development staff in the United States.



## PRODUCTS AND CUSTOMERS

### INTELLECTUAL PROPERTY MANAGEMENT

Intellectual property is the core strategic resources of an enterprise and also the core element of its overall strength and competitiveness. The Group seized the opportunities arising from the intensification of national healthcare reform and the support on the development of proprietary innovation capability of pharmaceutical enterprises to continuously refine the pharmaceutical R&D system that integrates generics and innovative drugs by capitalizing on its competitive advantage in R&D resources. In the meantime, the Group also actively promotes independent innovation system and works diligently to implement intellectual property strategies to lead our corporate development in order to enhance our R&D capabilities and core corporate competitiveness.

The Group has set up a dedicated department of intellectual property management, which conducts comprehensive diagnostic analyses on intellectual property from time to time, formulates and gradually improves patent application, protection and risk aversion strategies for core products in accordance with the requirements of the Patent Law of the PRC (《中華人民共和國專利法》), the Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) and the Enterprise Intellectual Property Management (《企業知識產權管理規範》).

During the course of R&D project approval and investment, the Group focuses on the protection of the intellectual property rights in respect of R&D of its new products through formulating effective patent protection measures and performs patent searches at key R&D stages to makes early warning analysis and risk prevention of intellectual property rights so as to avoid the risk of infringement of intellectual property rights. The intellectual property department will access the domestic and foreign patent search and service systems for patent literature retrieval prior to filing patent application and undertake comprehensive analysis and evaluation on the status of patents involved in the technical areas of the ongoing R&D projects before the preparation of patent search report and make patent application in accordance with relevant laws and regulations and implementing rules. Subsequent to the launch of innovative products, the Group will closely monitor and regularly track the relevant patent information of comparable products and ensures that any violations of the Group's intellectual property rights could be timely identified.

#### Patents and achievements

The Group also attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. Since the beginning of the year, the Group has filed 148 patent applications (115 domestic and 33 overseas) and received 106 authorisations (84 domestic and 22 overseas).



# PRODUCTS AND CUSTOMERS

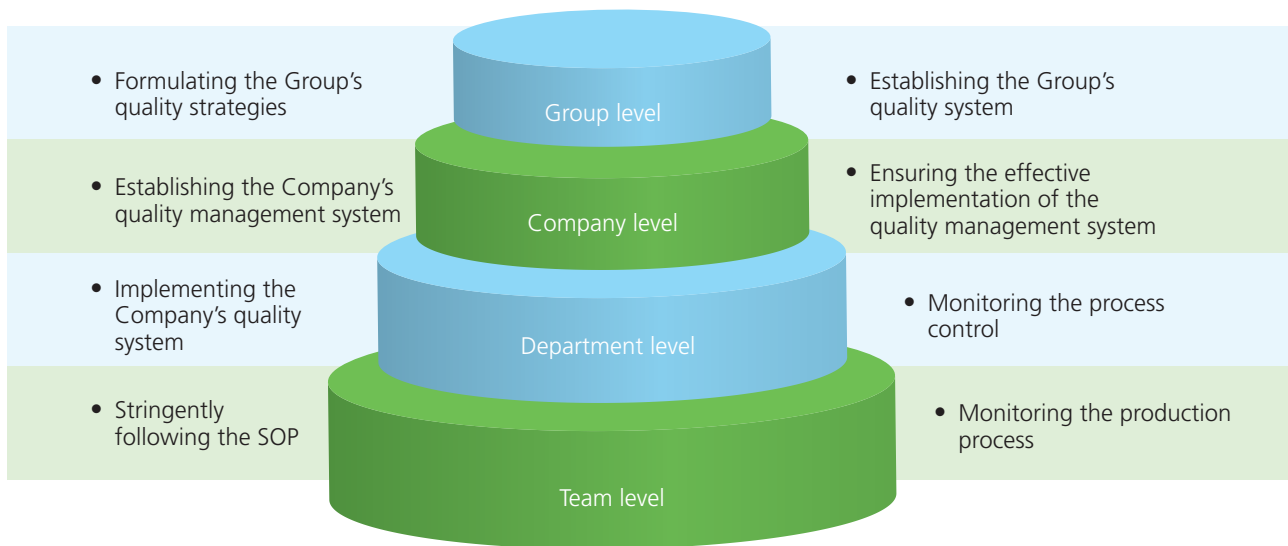
## PRODUCT RESPONSIBILITY

### Quality system

The Group has taken the pursuit of quality as the core strategy for corporate development and strictly abides by the laws and regulations of the PRC in respect of product safety:

- The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》)
- The Regulations for the Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》)
- The Product Quality Law of the PRC (《中華人民共和國產品質量法》)
- The Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》)
- Good Manufacturing Practice (《藥品生產質量管理規範》) (National Medical Products Administration)
- The Measures for the Administration on Adverse Drug Reaction Reporting and Monitoring (《藥品不良反應報告和監測管理辦法》)

The Group practices the four-level (group level, company level, department level, team level) quality assurance system, and has a professional quality management team, which is specifically responsible for the management of quality control and quality assurance of all subsidiaries.



Quality Control personnel at all levels periodically review and update the current quality control system, and coordinate with other departments in improving the quality of pharmaceutical products and making good analyses on the risks of quality and safety, with an objective to meet the latest product quality requirements, both domestically and internationally. The Group has established a sound and comprehensive training system. Each subsidiary formulates an annual training plan and evaluates the training results every year, and conducts quality-related training for all employees strictly according to the training plan to ensure that all new employees, existing employees and transferred employees will receive adequate training for their jobs.

Through a regular quality analysis and an annual quality review, all subsidiaries summarize the problems encountered in terms of production quality, sales, complaints and services, and formulate corresponding improvement measures. To step up the intensity of supervision and inspection, the Group has revised the quality control plans for all subsidiaries, including the implementation details of various designated inspections and quarterly inspections, in order to identify shortfalls timely and track the progress of rectification measures.



## PRODUCTS AND CUSTOMERS

### Drug Standard Management

Apart from the strict implementation of national statutory standards for all products of the Group, the exporting products are also required to comply with the international pharmacopoeia standards, including the European Pharmacopoeia, the United States Pharmacopoeia, the British Pharmacopoeia and Japanese Pharmacopoeia. Therefore, the Group stipulated stringent internal control standards to ensure that its products meet the internal control standards before selling to the domestic and foreign markets.

### Quality Management Certification

In recent years, CSPC has been focusing on improving its product quality standards, implementing internationalisation strategies and launching various quality management works in strict compliance with the requirements under various certifications. In 2020, the Group passed 18 domestic GMP compliance inspections. The followings are the Group's major domestic and international certifications achieved at the end of 2020:

Certification	Certification Authority	Details
New GMP Certification/ GMP Compliance Inspection	National and Provincial Medical Products Administration	1. Prior to 1 December 2019, all products and formulations passed the new GMP certification; 2. After 1 December 2019, all GMP compliance inspections were passed.
New GSP Certification/ GSP Compliance Inspection	Medical Products Administration of each province (city)	1. Prior to 1 December 2019, the pharmaceutical wholesale enterprises of the Group passed the new GSP certification; 2. After 1 December 2019, all GSP compliance inspections were passed.
ISO9001 Certification	Third party authority	All of the production subsidiaries of the Group subject to quality system certification requirements passed the certification
U.S. FDA Certification	U.S. Food and Drug Administration	Passed the FDA certification for a total of 21 times
EU Certification	Drug Administrations of member countries of European Union	Passed the on-site inspection of European Union and its member countries for a total of 6 times
Certification of Suitability to the Monographs of the European Pharmacopoeia (CEP)	European Directorate for the Quality of Medicines	7 products obtained CEP certifications

In March 2020, we formulated the Measures for the Administration of Evaluation of Quality System and its inspection rules in accordance with the compliance guidelines of the Current Good Manufacturing Practice (cGMP), pursuant to which we carried out system evaluation and inspection on all subsidiaries. All subsidiaries are assessed and graded based on the inspection results. In 2021, the Group will strengthen the implementation of hierarchical management of quality systems as well as the supervision, inspection and guidance of subsidiaries at different levels, in order to improve the overall quality systems of the Group continuously.





## PRODUCTS AND CUSTOMERS

### Product Quality Commitment

The Group's quality management and inspection teams possess numerous management staff with bachelor's degrees and master's degrees or above who effectively implement various quality management work of the Group. In order to safeguard the safety of medication and the interests of patients, we have been adhering to the following quality commitments:

1. Strictly following and implementing the requirements of relevant laws and regulations and ensuring the integrity in our business operations; abiding by law with integrity and restrained from deceptive or fraudulent practices during the course of production and processing, sales, brand promotion and after-sales service;
2. Ensuring our products meet the quality requirements as well as laws and regulations in accordance with the established standards set out in relevant national pharmacopoeia;
3. Establishing a sound quality management system in accordance with the requirements under "Good Manufacturing Practice" and GB/T19001-2016 (ISO9001-2015) quality management system, continuously refining and improving the file management of product quality and making strict quality control and measurement inspection on the key processes;
4. Promoting the enhancement of our quality management standard through internal assessment and management evaluation;
5. Ascertaining the measurement tools and equipment used for product inspection are calibrated by qualified calibration institute; ensuring all quality inspection activities are stringent and effective with traceable records of relevant quality management;
6. Implementing product serial number management with the help of the ERP and SAP management system; and
7. Focusing on customers, improving after-sales service management system, practically striving for good after-sales services and taking customer satisfaction as our code of conduct.

In terms of hardware, the Group monitors the pharmaceutical production process through the use of advanced instruments at home and abroad to ensure that the entire production process from raw materials to finished products is controlled. In addition, in order to explore the international market, we have invested in a number of new drug industrialisation and preparation internationalisation projects in the past few years, and actively carried out benchmarking work with foreign standards in terms of quality standards and quality management systems.

In 2020, the Group launched the monthly quality programme, multiple quality management group activities and a number of quality research projects, and also arranged technical personnel of the whole group to conduct internal audits and special supervision and inspection on each subsidiary according to the internal audit plan.



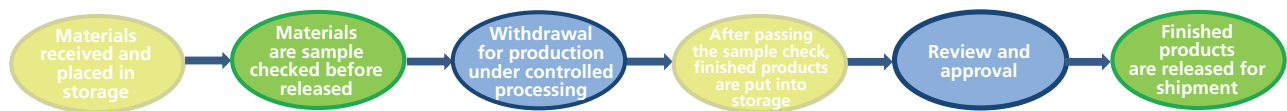
# PRODUCTS AND CUSTOMERS

## The Approval Process of Material Receipt and Good Issue

**Material Receipt:** All materials are procured from qualified suppliers that have already been approved. Materials received by the plants must be checked and accepted before storage in accordance with specific storage requirements with labeling indicating that the materials are to be inspected. Only after passing the sampling inspections by the quality management department that the materials can be labelled as “passed” and delivered to the workshops.

**Production:** After the materials are received by the workshops, production is completed in accordance with the technical specifications and the standard operating procedures of the relevant positions. After sampling retrieval by the quality management department, the finished products are transferred to the warehouse for subsequent inspection.

**Good Issue:** The quality control department issues qualification reports on finished products that have passed the inspection. The product can only be released after it has been reviewed and approved by the quality assurance department with the issue of a release certificate.





# PRODUCTS AND CUSTOMERS

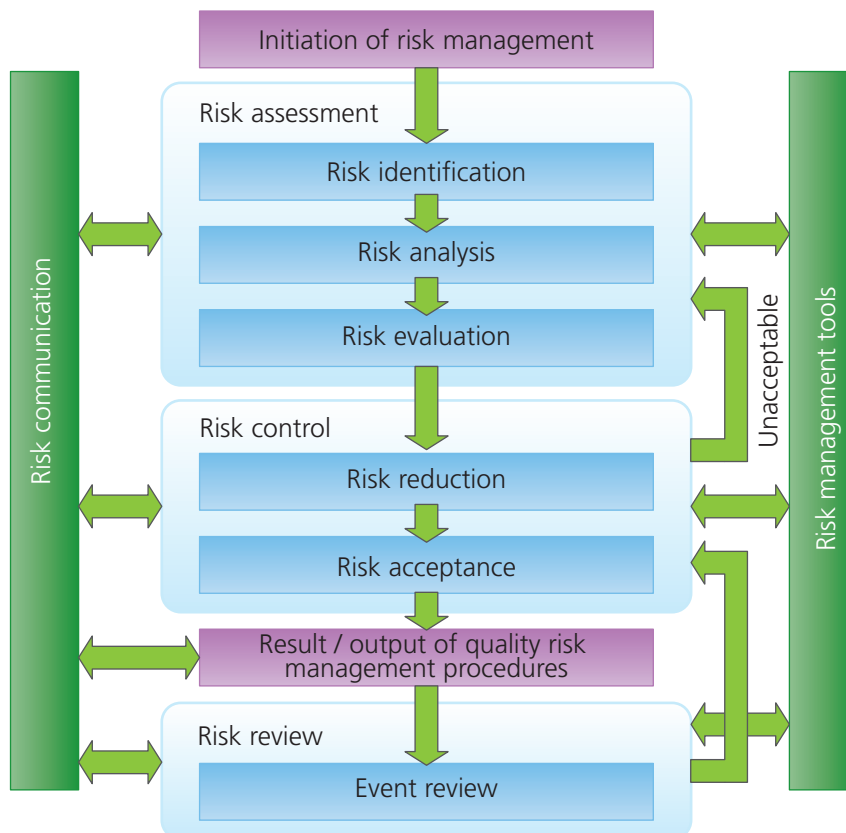
## Quality and Safety Risk Management

CSPC highly values the medication safety of patients and is committed to the sound management on quality and safety risk. The Group has constructed a sound pharmacovigilance system and successfully implemented the management system and procedures of the Drug Safety Committee in the formulation subsidiaries.

## Risk Prevention and Control System

In accordance with the requirements of GMP and FDA certifications, the Group reviews the current “Quality and Safety Risk Precautionary Plan” and “Management Procedures for Quality Risk Monitoring, Evaluation and Warning” from time to time, by referencing the guidelines of the World Health Organization (WHO), the International Society for Pharmaceutical Engineering (ISPE) and the International Conference on the Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH), etc.

With a comprehensive quality risk prevention and control system, we have clearly established the assessment procedures and the corresponding preventive and control measures for quality and safety risks. During the risk assessment process, the quality supervision department uses risk assessment methods such as Failure Mode, Effects Analysis and Fishbone Diagrams to conduct risk assessment of various drugs and production procedures while implementing classified management to formulate corresponding mitigation measures based on the evaluation results.

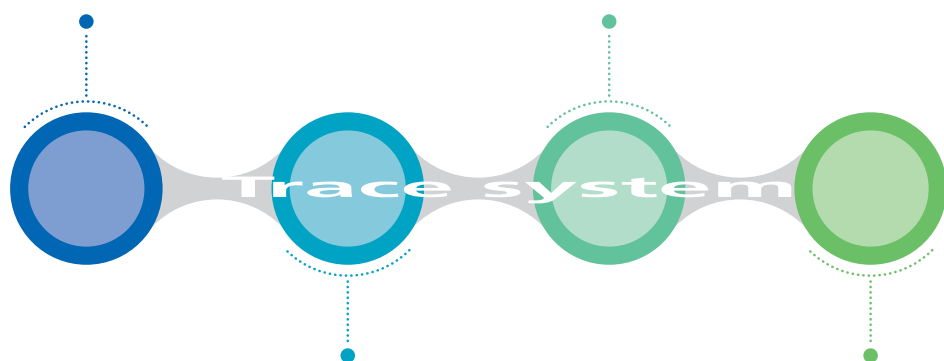


# PRODUCTS AND CUSTOMERS

*Drug quality and safety tracing and recall system*

**Batch number trace within record**

**Laboratory information management system (LIMS) inspection**



**Manufacturing execution system (MES) within the production process**

**Electronic tracking code within the circulation process**

The effective operation of the quality and safety tracing system requires the designated departments to supervise all aspects of the entire drug life cycle, ranging from material procurement, drug production, finished product inspection to sales and shipment, etc. We pay close attention to the data related to adverse drug reactions, and quickly grasp the specific information of such reactions as well as their trends, so as to prevent the occurrence of mass and serious adverse reactions.

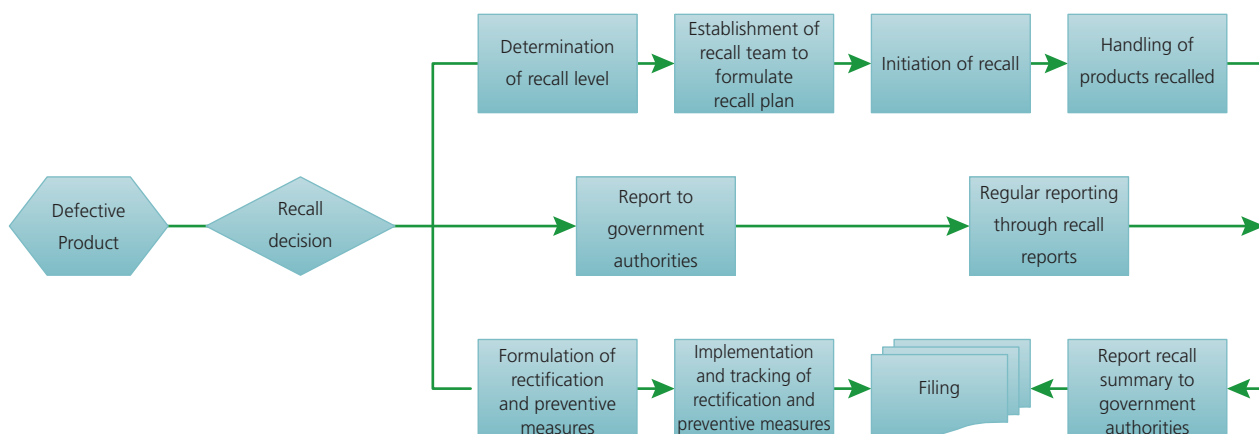
## **Pharmacovigilance System**

The Group's headquarter has established an impeccable pharmacovigilance management mechanism, which guides the subsidiaries in setting up reliable pharmacovigilance management system, and supervises the operation status of the pharmacovigilance systems of various drug preparation companies. The Group has also established a drug safety committee responsible for the handling of major drug safety incidents at group level. The drug preparation companies are responsible for the maintenance and execution of the pharmacovigilance system for the drugs at the company level, as well as the establishment and improvement of relevant procedures in collecting, reporting and handling of adverse drug reactions. In addition to a designated person in charge of the adverse drug reaction monitoring department, each of the subsidiaries also employs appropriate number of designated adverse drug reaction monitoring personnel according to the respective production scale for the effective execution of pharmacovigilance management system.

With the effective execution of the Group's pharmacovigilance management system, drug safety commission management system as well as the major drug safety incident emergency response system, rapid response measures and timely reporting to relevant authorities (including National Medical Products Administration and Hebei Province Adverse Drug Reaction Monitoring and Evaluation Centre) are ensured when there are incidents of mass and major adverse drug reactions. Meanwhile, the Group also updates and submits a periodic drug safety report annually in accordance with the requirements of the Measures for the Administration on Adverse Drug Reaction Reporting and Monitoring.

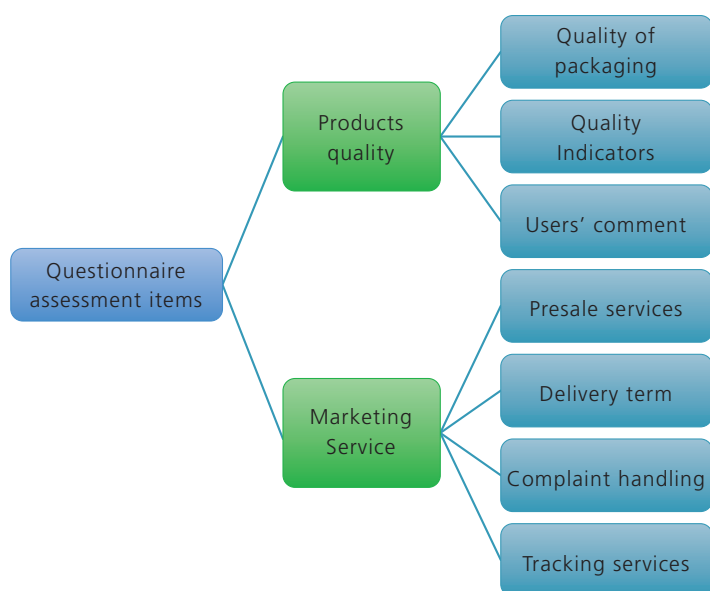
# PRODUCTS AND CUSTOMERS

For the defective product recall, all subsidiaries have established a “Product Recall Management System” that clearly determines the responsibilities of the quality and sales departments and establishes relevant procedures for product recall. Product recall drill is regularly arranged for all companies to ensure the effectiveness of the product recall system. In 2020, there was no case of product recall due to reasons of safety or health for any products sold or shipped by the Group.



## Product Complaint Handling

By adopting a sound product complaint handling process, the sales department will get in touch with the customers as soon as possible upon receipt of their complaints and provide a reply and an explanation to the customers subsequent to a detailed investigation and inspection. The Group performs regular evaluation and summary analysis on the indicators of product quality and marketing services. The comprehensiveness and effectiveness of the complaint channels and feedback mechanism are assessed through customer visits, forums, seminars, monthly sales analysis meetings and annual marketing seminars.





## PRODUCTS AND CUSTOMERS

At present, the subsidiaries of the Group have set up offices in large and medium-sized cities in provinces across the country. After-sales service personnel provide comprehensive pre-sales consultation and after-sales services to the surrounding markets. Customer service centres and service hotlines are set up in all marketing systems to facilitate immediate access by the customers in getting consultations and filing complaints.

### COMPLIANT MARKETING

Integrity and trustworthiness are the first and foremost requirements of our management team in the Group's corporate culture.

The Group has long been operating in good integrity and has in place an integrity supervision mechanism that constitutes professional legal counsel to regularly arrange trainings about legal knowledge, such as Contract Law, Product Quality Law and Law of the PRC Against Unfair Competition, for the management and business departments, so that relevant personnel can keep abreast of relevant laws and regulations to ensure strict compliance in executing and performing contracts. In the course of product sales and marketing, the Group also strictly complies with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Provisions on the Administration of Pharmaceutical Directions and Labels (《藥品說明書和標籤管理規定》), and other laws and regulations related to advertising and label administration, in order to ensure operation in good integrity and prevent falsehoods.

We also attach great importance to the privacy of our customers, and according to the terms and conditions of sales contracts, guarantee that customers' data will not be lost or leaked during the sales process. In addition, the Group has formulated comprehensive "Regulations on Customer Master Data Maintenance" and "Management System for Confidentiality", and set up strict authority control in the information system to ensure the best protection of customer information.

At the same time, the Group establishes an internal management system in accordance with relevant requirements under the Contract Law (《合同法》). Harsh and punitive measures will be taken to the units and individuals in breach of the integrity management standards to ensure that integrity management has a "legal basis" by firmly opposing and resisting commercial bribes in all forms. The Group complies with the market rules and sticks to the marketing philosophy of integrity and trustworthiness, requiring the employees to win the market and gain credibility from customers with high-quality products and sincere service.



## EMPLOYMENT AND LABOUR PRACTICES

### **SOUND TALENT MANAGEMENT IS OUR RESPONSIBILITY TO THE EMPLOYEES**

CSPC deeply understands the importance of a sustainable development achieved by the corporation and its talents together. Hence, we are committed to fostering a sound working environment for the growth with our employees.

CSPC upholds the idea of “giving values to talents and capable people to achieve our goals and develop their full potentials”. CSPC respects talents with good morals and talents, and builds a platform for outstanding talents to display their talents with a visionary mind, an open attitude and an accommodating style. Our talents can achieve self-worth while driving the Group’s sustainable development. In 2020, the Group’s Human Resources Center advanced its work from the three aspects of “organization, talent and efficiency” based on its work in 2019.

#### **1. Unified organizational structure and standardized organizational adjustments**

Starting with the “management level and management scope”, the Group unified the organizational hierarchy, flattened the management structure within the Group and formulated relevant system documents to standardize the process of construction, removal and consolidation of organizations.

#### **2. Enhanced the introduction of external talents and the cultivation of internal talents to drive the sustainable development of our business**

#### **3. Promoted the construction of a Shared Service Centre (SSC) to improve work efficiency**

Firstly, the Group defined the business scope of SSC, implemented centralized office, reduced the number of personnel service staff;

Secondly, the construction of information system has been implemented steadily. 8 types of standard operating procedures, including resignation/transfer/business trip/leave/overtime/shift, have been launched and online approvals of labor contract renewal, social security payment process, payroll accounting and other businesses were also completed, continuously improving the efficiency of personnel services.

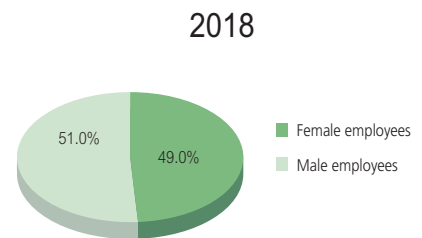
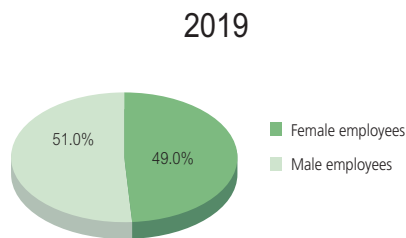
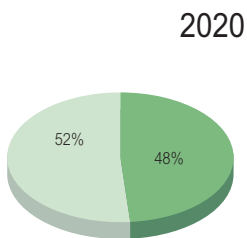
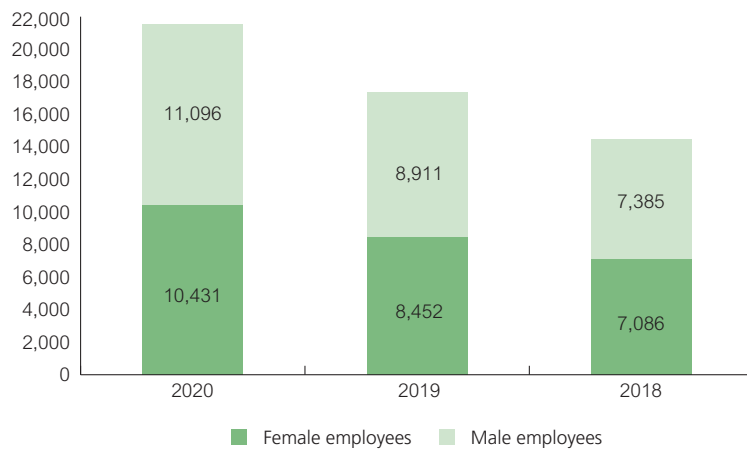
# EMPLOYMENT AND LABOUR PRACTICES

## TALENT STRUCTURE

As at the end of December 2020, the Group had 21,527 employees, representing an increase of 4,164 employees as compared with that at the end of 2019. During the year, the Group continued to optimize its employee structure and adhere to its objective of recruiting young talents who were more internationalized and professional, in order to cope with our business transformation in recent years. The breakdown of our employees by gender, age and educational background is shown as follows:

### Gender

The Group always treats every employee fairly and justly, and emphasizes the importance of gender equality by maintaining similar proportion of men and women employees. As of the end of December 2020, male and female employees accounted for 11,096 (52% of the Group's total) and 10,431 (48% of the Group's total) respectively.



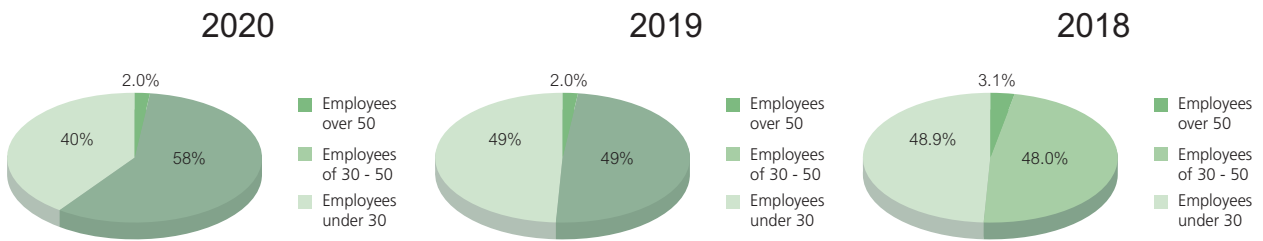
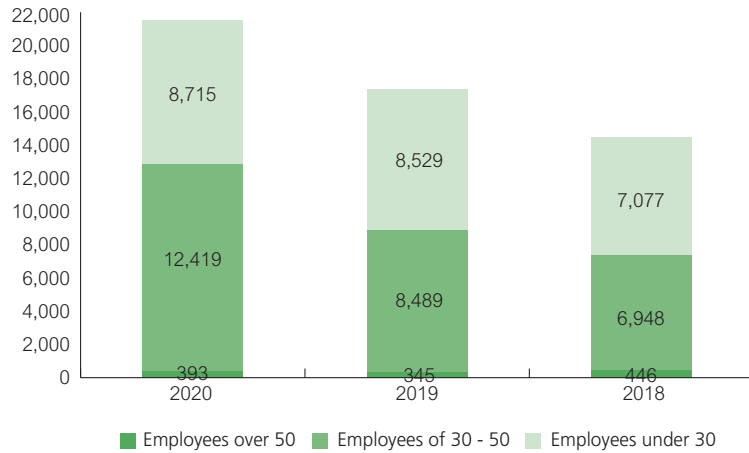




# EMPLOYMENT AND LABOUR PRACTICES

## Age

The Group is committed to the rejuvenation of talents and the construction of a new generation of talents for its personnel structure to match with the Group's future business development. More and more young people are taking up the Company's core positions and making up the backbone of the Company.



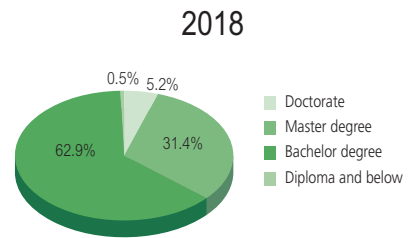
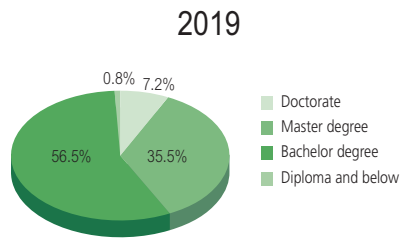
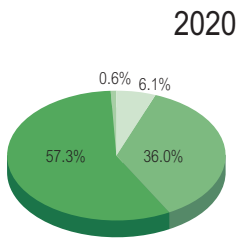


# EMPLOYMENT AND LABOUR PRACTICES

## Academic qualifications

Each year, the Group recruits a large number of outstanding talents into the organization, not only to fill entry—level positions but also to recruit more knowledgeable and experienced talents with high academic qualifications. As at the end of December 2020, personnel with undergraduate degrees and above accounted for approximately 43% of the total number of employees of the Group, which was similar to that of the previous year.

	Doctorate	Master degree	Bachelor degree	Diploma and below
2018	67	759	4,543	9,102
2019	131	1,260	6,161	9,811
2020	137	1,318	7,759	12,313





## EMPLOYMENT AND LABOUR PRACTICES

### Lawful Employment

The Group strictly abides by the provisions of relevant regulatory requirements of the Labour Law of the PRC (《中華人民共和國勞動法》) (the “Labour Law”) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (“Labor Contract Law”) and safeguarded the legitimate rights and benefits of the employees to exert full efforts to build a harmonious and stable labour relations, and therefore was awarded the “Hebei Province’s AAA Harmonious Labour Relations Enterprise” and the “National Advanced Enterprise for Employment”. The Group’s subsidiaries have always adhered to the following employment principles to ensure that employees have the best legislative protection:

1. Implementing an integrated collective contract system. Through negotiation on an equal footing to constantly improve the effectiveness of collective contracts and focus on the quality of formulation and performance of collective contracts in order to build a harmonious labour relations between enterprises and employees;
2. Employing labour legally and signing labour contracts with all employees to ensure that both parties execute, amend, resolve and terminate the labour contracts in accordance with national laws and regulations and the relevant rules of the Company and make contribution to the social insurance lawfully;
3. Establishing regulations on recruitment and strictly and properly carrying out the recruitment management to ascertain that new recruits be aged 18 or above in compliance with the age requirement as set out in the Labour Law so as to ensure the legitimacy of recruitment and prevent and control the relevant legal risks;
4. Implementing the statutory paid annual leave system. The Group forbids the use of forced labour and respects the employees’ right to rest so that employee’s work-life balance is guaranteed; In strict accordance with national regulations, the Group arranges employees to take leave on statutory holidays (except for special types of job positions), while the amount of job positions leave is determined based on the number of working years. National statutory holidays and rest days are not included in the annual leave;
5. Protecting the legitimate rights and interests of female staff. The Group takes appropriate and reasonable care of female staff during the three specific periods (pregnancy, perinatal and lactation) and arrange appropriate positions for them;
6. Engaging the labour union to arrange various kinds of activities like employee contest, employee rights protection, recreational activities and staff travel activities to combine their work and life together and establishing the labour congress as the basic form of a democratic management system; and
7. Establishing a sound wage distribution and payment system to make timely and full payment of wages and adhering to sharing the fruits of enterprise success with employees that the employees’ wages will increase together with the Company’s growing profits.



## EMPLOYMENT AND LABOUR PRACTICES

The Group's management level and number of positions in the field of talent development are centrally determined by the Group's Human Resources Centre. Based on the practical operational needs, the human resources departments of the Group's headquarter, all business units and subsidiaries issue inspection reports and approval reports on the proposed appointments and removals. All kinds of talents are shared within the Group, and internal talents will be given priority in promotion. According to the Group's development needs, it is the responsibility of all companies to recommend talented people to work and serve in other companies within the Group, so as to provide more room for talent development. The direct supervisors of the newly promoted employees are the mentors of them, and are responsible for assisting the newly promoted employees in adapting to the position as soon as possible, and helping them to solve problems while enhancing their management ability. The former staff will also assist the newly promoted employees to be familiar with the relevant business as quickly as they can, and resolve problems together when necessary.

If any employee violates labor discipline, social order, production and operation order, security and professional ethics, or discloses confidential information of the Company or privately destroys or loses important information of the Company, resulting in losses to the Company, the Group will terminate his/her labor contract. The termination of the labor contract can only be finalized after the department of the disciplinary staff or the department in which the disciplinary violation was identified fill in the "Staff Disciplinary Action Approval Form" and provide disciplinary action suggestions for review and approval.

### **Talent Recruitment**

Talents are the core competitiveness of an enterprise. Corporate development and product innovations require the contributions from a team of industrial technology experts made up of a large number of high-calibre talents with strong capability to learn. The Group carries out analysis of the current human resources conditions and relevant positions from time to time, and after determining the objectives and requirements for talent recruitment, it enlists all kinds of talents of various backgrounds with a combination of full time and flexible employments.



# EMPLOYMENT AND LABOUR PRACTICES

## INTRODUCTION OF EXTERNAL TALENTS

In 2020, we established a management trainee system for matching suitable high-calibre talents with the fields of R&D, clinical, and sales of the Group. The Group has recruited management trainees with high education and qualifications from prestigious universities such as Peking University, Johns Hopkins University and Lanzhou University and formulated customized training programs to fill the core talent pool.

During the year, the Human Resources Center further optimized and improved the high-calibre talents recruitment process and channels, as well as integrated headhunter resources and selected high-quality headhunters. By entering into cooperation agreements with over 20 top recruitment agencies in the country including Dingsheng, Career International, Risfond and Prestige, we recruited mid to high-calibre talents specialized for the development of our sales, R&D clinical and functional systems in a timely manner. Meanwhile, the Group deeply explored platforms for cooperation and identified new cooperation methods such as Recruitment Processing Outsourcing (RPO) to efficiently and timely meet the employment needs of various systems as a bridge for the introduction of talents. Moreover, the Human Resources Center established an online recruitment system, which enabled one-stop full-process management from candidate information collection to approval and recruitment so as to improve recruitment efficiency. During the recruitment process, we have deeply integrated our corporate vision and employee career development plan to be well-prepared for the Group's strategic development.

In 2020, the Group successfully recruited 15 and 18 management personnel for the high and middle levels respectively, with positions distributing mainly in the production, sales, R&D clinical system and business development departments, processes and information centre, human resources center and other functional systems, including 132 sales management personnel and 123 technical research and development backbone talents, providing the backbone for CSPC's steady development. To enhance the Group's overall capabilities in research and development, clinical development and comprehensive management, 41 employees with doctorate newly recruited during the year mainly distributed in the research and development department, clinical development department and functional systems, among which 12 employees assume important roles in their professional fields and become the mainstay of CSPC.

## CULTIVATION OF INTERNAL TALENTS

In 2020, the key tasks for the cultivation of internal talents of the Group were as follows:

1. Implemented the training mode of "sending out (to Guanghai/CEIBS) and bringing in (high-quality courses)" to existing management personnel and launched a reserve talent project for senior management to comprehensively improve the professional skills and management capabilities of management personnel;
2. Revised the Measures for the Appointment and Removal of Middle and Senior Management and the Administrative Regulations on the Probation Period of Management Cadres to standardize the process of appointment and removal of the management of the Group as well as the management of the probation period;
3. Established a common competency model for senior management by focusing on their mission orientation and responsibility requirements to be applied to the annual debriefing and competency evaluation of senior management in 2020.

# EMPLOYMENT AND LABOUR PRACTICES

## DEVELOPMENT AND TRAINING

### Professional Training

Following the acceleration of knowledge and technological upgrades, enterprises need to carry out staff trainings constantly to sustain innovation and the embrace of new ideas. During 2020, based on the demand research and combined with the Group's strategy, the Human Resources Centre of the Group formulated an annual training schedule program and organized professional trainings on management skills, capabilities and leadership of management personnel at all levels of production companies. Trainings programs including corporate management empowerment learning program, senior management MBA external training, workshop supervisor training, team leader training and internal trainer training, create an ideal ecological environment for the nurturing of talents. The following are the statistics of the average number of training hours for the Group's employees:

(Unit: hours)

	2020	2019
<b>By employee type</b>		
Top management staff	64	52
Middle management staff	76	68
Junior staff	96	94
<b>By gender</b>		
Female	95	93
Male	95	93





## EMPLOYMENT AND LABOUR PRACTICES

In 2020, we were committed to pushing ahead with training for the entire staff, by providing relevant trainings to all employees, male or female, at different levels and in different regions.

### **Case Study 1: Corporate Management Empowerment Learning Program**

The Human Resources Center cooperated with the School of Continuing Education, Tsinghua University to launch the “Corporate Management Empowerment Learning Program” for the heads of the Group’s functional departments, business departments and subsidiaries’ departments, workshop supervisors of production companies and professional engineers, and identified three courses on “Organizational Behavior”, “Management Psychology” and “Microeconomics” by utilizing the excellent educational resources and scientifically set courses of Tsinghua University. The program was conducted online with one course per month, lasting three months from August to October and completed on 14 November. All participant had passed the completion examination. The training involved a total of 522 participants, including 114 top management, 217 middle management and 191 workshop supervisors/professional engineers.

### **Case Study 2: Senior Management MBA External Training**

Based on the content, form and faculty of the MBA training program, the Human Resources Center has conducted in-depth research on the reputable universities and business schools in China and identified three training programs, namely the “Excellent Managers Development Program” and the “MAP Program” of the Tsinghua University School of Economics and Management, and the “Management Development Program” of Guanghua School of Management, Peking University, ranging from 8 months to 1 year. Meanwhile, the Group selected 33 senior management personnel from the Group’s functional departments, business departments and subsidiaries based on their profession and age and sent them to different training programs. Currently, the “Excellent Managers Development Program” held two courses on 23 October and 28 November, the “MAP Program” held one course on 22 October, and the “Management Development Program” held two courses on 25 September and 30 October. Subsequent courses will be held according to the school requirements.

### **Case Study 3: Workshop Supervisor Training**

In 2020, the trainings for workshop supervisors/engineers mainly focused on corporate culture, lean production series training and corporate management empowerment related courses. There were a total of 33 training sessions for workshop supervisors throughout the year:

#### **1. 2020 – the Year for Corporate Culture Promotion**

The Human Resources Centre organized 8 training sessions on corporate culture from 17 April to 22 July, with 231 participants and a coverage rate 91.6%. Companies covered included First Manufacturing, Liangcun Zhongrun production base, Luancheng production base, Weisheng Pharmaceutical, Yinhu and Baike companies. The average satisfaction rate for training assessment reached 98.53% and the average score of examination was 92.04.



# EMPLOYMENT AND LABOUR PRACTICES

## 2. Lean Production Series Training

A total of 462 workshop supervisors/ engineers participated in the 13 training sessions, mainly involved in 3 courses, namely "VSM Value Stream Analysis", "Lean System Transformation and Lean Management" and "Cost Reduction and Lean Tool Application" and proposed 23 topics for improvement.

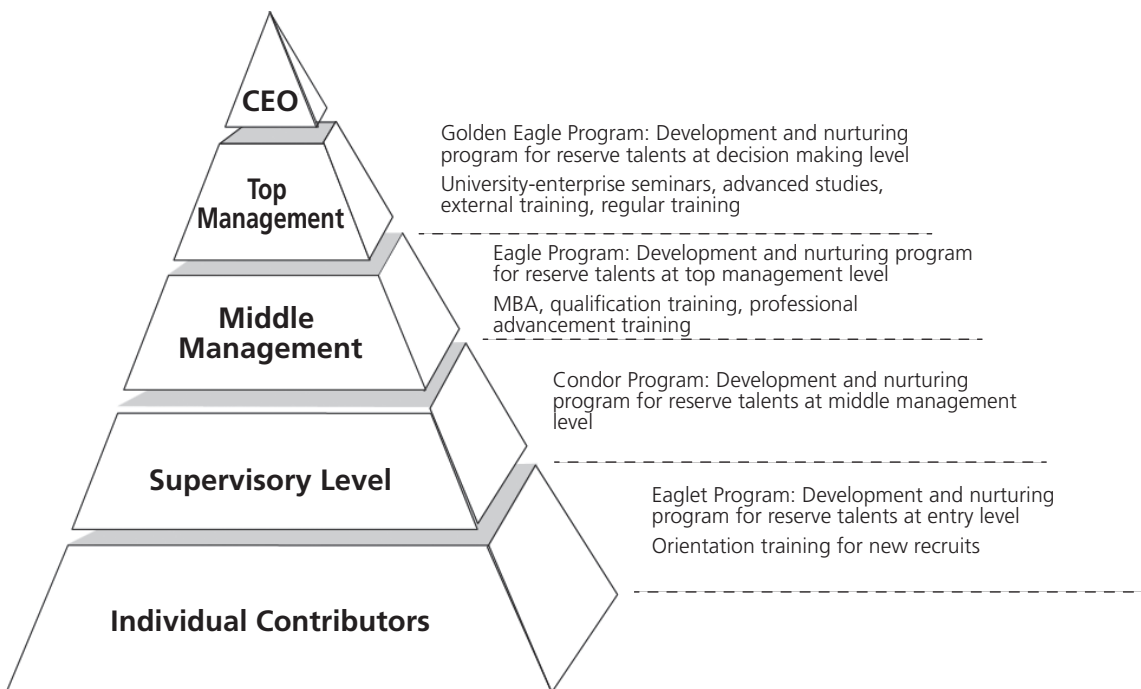
## 3. Online Learning

The Human Resources Centre organized various courses such as "Time Management" and "Managing the Post-90s with the Thinking of the Post-90s" for staff to conduct online learning.

### Development and Incentive

With a visionary mind, an open attitude and an accommodating style, CSPC attracts talents of different strengths. During recruitment, we look for not only an applicant's academic qualifications, background or age, but also his/her integrity, capability and performance. In the use of talents, the Group welcomes cultural diversity and brings out greater value from each talent by taking advantage of his/her strengths and avoiding the weaknesses.

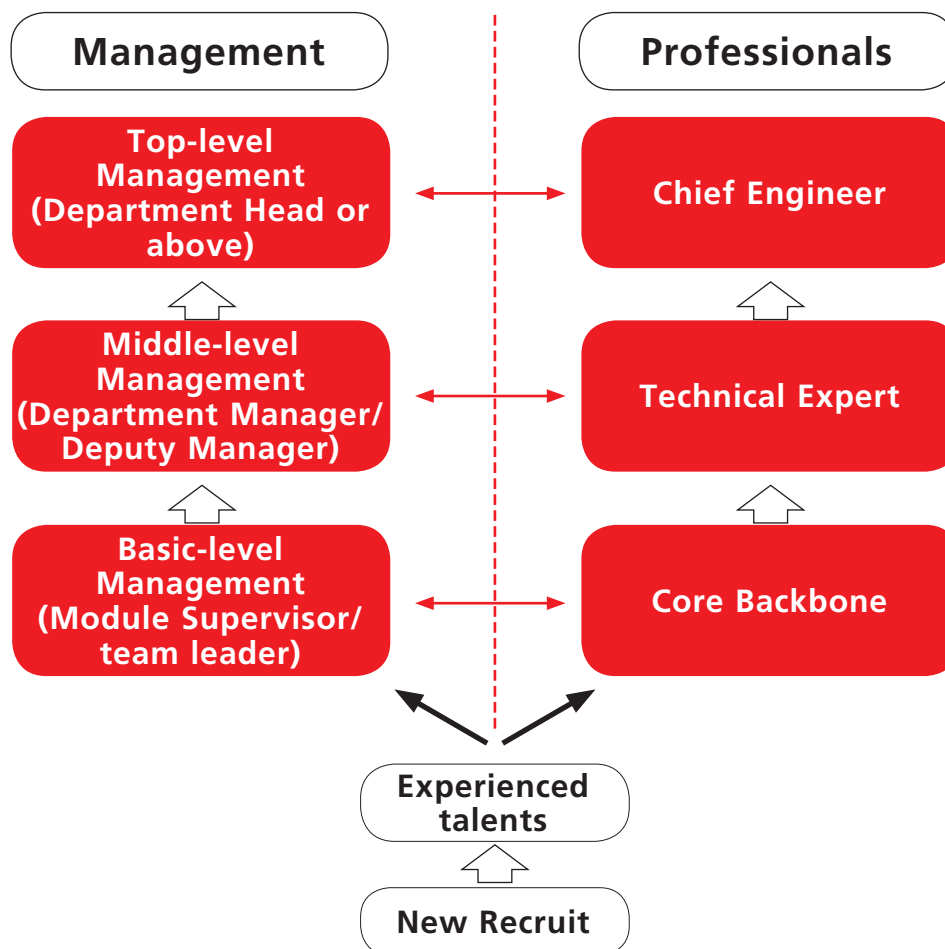
CSPC adopts a human resources development and management model based on the principle of employees' competence. A management evaluation and selection system was established and a talent development plan catered for all levels of employees was formulated to ensure a sustainable supply of different talents.





## EMPLOYMENT AND LABOUR PRACTICES

The Group has established a sound mechanism for employees' performance appraisals. According to the results of the performance appraisals at the end of each year, salary adjustments will be made for employees whose performances are rated as "excellent" or "good". As for the construction of the professional and technical teams, the Group has completed the construction of "the Professional Sequencing and Competence Management System" and will periodically conduct assessments and evaluations of professional competence as well as general core competence on promoted employees, in order to achieve the dual development path of professional and technical skills.



The optimization and improvement work during the year was as follows:

### 1. Established a staff development path for operation segment to promote the mutual development of the Group and employees

In order to provide employees with suitable career development paths, effectively motivate employees and realize the mutual development of the Group and employees, the Group established a staff development path for operation segment in the production system in 2020. Based on the value contribution and ability requirements of each operation sequence, the Human Resource Center has designed different development paths and formulated corresponding evaluation standards and salary system to encourage and facilitate employees to actively pursue further studies to enhance both their skills and performance. Currently, the work such as employee qualification certification and performance evaluation is steadily progressing as scheduled. In 2021, we will gradually complete our work on the position ranking, position qualification and staff certification of the sales system and the R&D (technical) system based on the pilot implementation of the production system.



## EMPLOYMENT AND LABOUR PRACTICES

### 2. Improved the performance management system and strengthened process feedback and guidance

To implement the Group 's strategic objectives and operational management focus while improving the work efficiency and professional quality of employees, the Group improved its performance system and determined the performance evaluation framework of "V (Value) — P (Performance) — C (Capability)". The framework not only focused on the values of our employees, but also the results achieved by them based on their position responsibilities and objectives, as well as their attitudes, qualities and abilities during their work. When formulating performance plans, the Group has taken into account the balance between finance, customers, internal operations, learning and growth, and strengthened performance feedback and guidance and performance evaluation, allowing the Group to identify and solve problems in a timely manner and improve continuously. Through such continuous cycle, the Group is able to constantly strengthen and enhance the overall quality of its employees and its core competitiveness.

### TALENT RETENTION

The Group is committed to maintaining a stable employee turnover rate by strengthening the incentives for our employees, improving their remuneration and benefit packages and organizing various cultural and public welfare activities. The staff turnover rate for the year 2020 was 12.2%. An analysis of the turnover rate is shown as below:

	2020	2019
<b>By Age</b>		
Employees over 50	6.9%	13.8%
Employees from 30 to 50	9.2%	8.4%
Employees under 30	16.8%	15.7%
<b>By Gender</b>		
Female employees	12.0%	12.3%
Male employees	12.8%	12.2%
<b>By Region</b>		
Mainland China	12.4%	12.2%
Overseas, Hong Kong, Macau, and Taiwan Districts	8.4%	14.1%

Two apartment buildings (Talents' Apartment and High-tech Zone Single Apartment) of the Group for the accommodation of single employees were put into use, providing 1,000 and 360 beds respectively. The single apartments are equipped with living and sports facilities such as canteens, gyms and libraries, ensuring the employees can live happily and work without distractions. In addition, the Group has also put a High-tech Zone Experts' Apartment into use during the year, providing an ideal residence for the high-calibre talents recruited.

### Compensation and Incentives

The Group has always been working on creating a working environment that attracts, nurtures and motivates the growth of its talents, and is committed to provide a platform for employees to compete on an equal footing to ensure that every employee has equal opportunities for development and growth, striving to retain talents with sincerity and career development opportunities.



## EMPLOYMENT AND LABOUR PRACTICES

In the beginning of 2020, the Group improved its salary system and appraisal mechanism. To embody the idea of “more pay for more work”, the Group adjusted the monthly assessment of production companies to a production-based payment model, managing the total performance payment each month based on the output of each product. Sales companies use the proportion of total salaries to sales revenue (excluding tax) as an indicator for the assessment of their business personnel and pay total salaries each month according to the amount of product delivery completed by each sales companies. The adjustments to appraisal mechanism significantly motivated our subsidiaries to work towards the goals and objective of the Group.

The Group determined the average salary adjustment targets for the employees at middle level and below as well as employees of various subsidiaries at different levels by benchmarking our salaries against industry standards and peers within the provinces and based on the personnel optimization results of the subsidiaries for the previous year. After approval by the Board of Directors, since January, the Group has made salary adjustments to the management and technical personnel of subsidiaries at middle level and below, resulting that the average salary of all employees of the Group increased in 2020.

### HEALTH AND SAFETY

CSPC adheres to the production safety approach of “Safety First, Prevention Foremost and Comprehensive Management”, and follows the occupational health and production safety philosophy of “people-orientation and regarding employees as the most treasured asset of the corporation”, “believing that all accidents can be avoided”. By building an enterprise with specific safety standards and striving to raise the level of safety quality, we consistently look for improvements and achieve excellence. We thoroughly implement the relevant law and regulations of the Law on Production Safety of the PRC (《中華人民共和國安全生產法》). All subsidiaries are requested to timely identify and update information in respect of relevant regulations each year to ensure that their respective occupational safety management systems operate effectively in accordance with the relevant laws and regulations. Each employee should strictly perform the safety responsibilities in the respective position, and conscientiously promote the responsibility system for safe production, with an aim to achieve full participation in the production safety management for the entire process by all employees.

In 2020, the Group carried out environmental, health and safety (EHS) management work based on the standards of ISO14001 and OHSAS18001 management systems and under the guiding principles of CSPC’s EHS corporate culture. We facilitated the improvements on EHS management through pilot scheme of gap analysis based on the management framework and also the action plans formulated for continuous improvements. Over the years, each of the Group’s subsidiaries achieved the target for occupational health and safety management – “Five Zeros and One Low” (zero case of death, serious injuries, multiple injuries, occupational diseases and poisoning incidents as well as low incident rate of minor injuries). In 2020, the Group added the annual target of an accident rate of less than 0.4% per million working hours. Over the years, there was no loss of working days due to serious injuries and no incidents of occupational death.

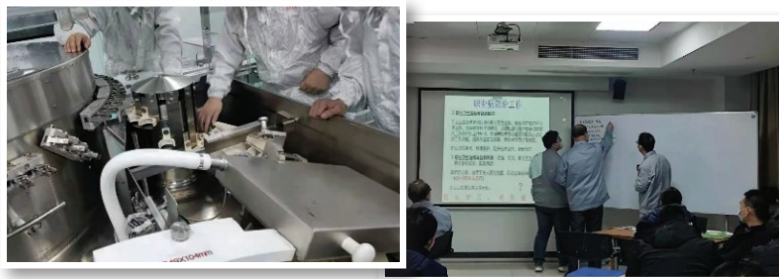


## EMPLOYMENT AND LABOUR PRACTICES

### Production Safety

The Group has established a sound production safety management system and are dedicated to the promotion of OHSAS18001 Occupational Health and Safety Management System and the implementation of the “Framework for Occupational Health and Safety Management System”. The production department of the subsidiaries are also required to take the relevant works of occupational health and safety into account during the establishment and formulation of production procedures. Each of the manufacturing subsidiaries has already possessed various conditions for safe production, passed relevant certification for occupational health and safety management and safety standardisation assessment, and obtained safety production permit. In 2020, with the main objective of implementing a safety production responsibility system on all employees, CSPC consistently strengthened the fundamental management measures for on-site operation, promoted the dual prevention mechanism which encompassed risk classification control as well as potential hazards inspection and mitigation, with effective integration into EHS system. It also promoted the construction of EHS culture with characteristics of CSPC culture, to ensure the high quality development of the Company. During the year, Ouyi Pharmaceutical and NBP Pharmaceutical were honoured with the title of “Provincial Safety Culture Demonstration Enterprise” and Zhongnuo Taizhou was honoured with the title of provincial “10-Star Management Enterprise for Safety Production”.

In order to avoid injuries or fatal incidents caused by equipment, all technical equipment departments of subsidiaries periodically carry out comprehensive and professional inspections on all types of equipment of the subsidiaries, prepare and approve the equipment overhaul plans of the subsidiaries to ensure the effective use of protective equipment for prevention against dust and poisonous materials as well as labour protection facilities. In the event of any equipment failure, the departments will immediately conduct investigation, obtain evidence, propose solutions and implement rectification as required. During the year, we continued to strengthen risk management in respect of production safety, and established a risk management system, encompassing end-to-end process including project initiation, design, implementation, operation as well as review and rectification.



The Group has also placed great emphasis on the following works:

- Supported the policy of “Three Simultaneous” construction for occupational health and production safety, and actively pushed forward a number of projects through simultaneous requirements in the design, inspection and acceptance processes;
- Established a risk database at company-level for the accumulation of risk management experience, which would be effective in guiding risk management during production processes;
- Adopted an approval/permit system for safety management of special operational processes, by including working at heights, hot works, operation with temporary use of electricity, confined space operation and blind plate operation as critical areas for close monitoring, which effectively lowered the impact of special operations risks on production safety.



# EMPLOYMENT AND LABOUR PRACTICES

## Safety Execution

During the year, CSPC has actively fostered the culture of safety execution by guiding the execution, inspection and assessment of the safety system and at the same time promoting the development of safety leadership. The management team vigorously practiced typical safety behaviors and promoted corporate culture, with senior management members including the Group's CEO, general managers of subsidiaries participating in safety inspections.



The Group vigorously promoted the enhancement of ability in executing safety policies which encompassed risks, responsibilities, capability and evaluation, and specifically implemented tasks such as work-related risks notifications, public notices regarding points of hazards, responsibility acceptance, safety management abilities and monthly assessments.

## Work-related Risks Notifications





# EMPLOYMENT AND LABOUR PRACTICES

## Safety Contingency Management

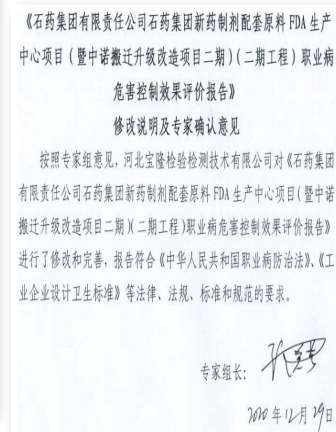
Over the years, we have been optimizing the emergency management mechanism and strengthening the construction of the emergency rescue system in order to improve the ability in preventing and responding to accidents. The Group has already established a preliminary three-tier contingency management mechanism comprising the company level, subsidiary level and workshop level of responses. In 2020, all subsidiaries provided special trainings for dedicated and part-time firefighting staff and organized regular fire drills. With a total of 26 comprehensive emergency drills and 67 special emergency drills conducted, the emergency response capabilities of the team have been greatly enhanced.



## Occupational Health

Under the guiding principle of "People Orientation", CSPC puts a lot of emphasis on the protection of employees' occupational health, and occupational health protection facilities of all subsidiaries have passed acceptance testing. In 2020, our subsidiaries invested more than RMB13.56 million in 54 occupational health protection upgrade, intrinsic safety and fire safety improvement projects to strengthen the Company's occupational health protection capability.

The Group has established a sound occupational health monitoring system, and provides occupational health examinations for employees in the positions exposed to occupational disease hazards in accordance with the requirements of the Law of the PRC on Prevention and Control of Occupational Diseases (《中华人民共和国职业病防治法》). In addition, we have also engaged third party institutions to carry out occupational hazard factors detections for all positions of the subsidiaries which are subject to exposure of dust and toxic materials. The occupational health monitoring records are updated to provide employees of relevant positions with effective monitoring and preventive measures. During the year, the Group actively implemented the identification and monitoring of occupational hazards and maintained an excellent performance of zero report of occupational disease.





## EMPLOYMENT AND LABOUR PRACTICES

The subsidiaries of the Group also constantly perform continuous re-identification and re-assessment of risks from hazard sources and environmental factors of each department in accordance with “Hazard Source Identification, Risk Assessment and Risk Control Procedures” and “Environmental Factors Management Procedures” with the aim of effectively controlling the major hazard sources. In addition, the dedicated department of the Group adopts the LEC assessment method to identify all the hazard sources in the course of production and operation of the subsidiaries. This method evaluates the risk of injuries and death related to operational staff based on three factors, namely L (likelihood, the likelihood of incident occurrence), E (exposure, the frequency of staff’s exposure to hazardous environment) and C (consequence, the consequence which may be resulted from incident occurrence).

The hazardous chemicals used in the workshops (such as methanol and acetone, etc.) bear safety labels. Associated equipment and facilities are required to be operated in an enclosed area to prevent leakage. Safety technical manual is provided to our operating staff while labour protection equipment (such as protective masks at positions exposed to hazardous or harmful gas and dust) in compliance with the national regulations is offered to employees for free. In the area for the production and storage of toxic or hazardous chemicals, a yellow warning line and safety warning signs will be displayed with first aid facilities and cautionary notes that clearly set out the types, consequences, precautions and emergency treatment of the hazardous chemicals.

### **Safety Training and Education**

The Group issues regulatory information on production safety, internal news on occupational health and production safety as well as other notifications and information related to production safety such as knowledge and technique about fire safety to various departments from time to time. The subsidiaries of CSPC also carry out training and education for all employees and related parties in accordance with the requirements of national laws and regulations. These include different types of specialized trainings including EHS education for new employees, job transfer education, safety operation, emergency training and fire prevention training. As for EHS training, all subsidiaries conducts regular trainings on laws and regulations and standards for safety specialists.

During the year, each major subsidiary held a “Safety Month” activity and launched a series of emergency drills, safety education for all employees as well as potential hazard investigation and handling to encourage all departments to actively enhance the ways of preventing accidents and strengthen the awareness of self-protection during the accidents and their operational capacity for using the firefighting facilities.

### **Daily 5-minute safety training at Zhongnuo**





## EMPLOYMENT AND LABOUR PRACTICES

The followings are the highlights of safety production management performed by the Group's subsidiaries during 2020:

Name of Subsidiary	Working Items
Weisheng Pharmaceutical	<ol style="list-style-type: none"> <li>1. The safety director of the Safety and Environmental Protection Department organized training sessions on every Tuesday and Thursday for safety specialists to learn safety laws and regulations as well as knowledge of safety standards to enhance the safety management capabilities of safety specialists through learning professional knowledge.</li> <li>2. "Point-to-point and one-stop" job safety trainings were provided, representing changes in the training mode from centralized lecture into safety training on a job-by-job basis during daily safety inspections as well as the speakers from management personnel to employees of relevant positions. Employees were allowed to share the common knowledge about operating procedures, work safety, job risks and emergency response, deviations and accidents around them, and comment on the surrounding hazards.</li> </ol>
Zhongnuo Pharmaceutical	<ol style="list-style-type: none"> <li>1. Daily 5-minute safety trainings were organised for workshop staff and above and department management personnel and the effectiveness of the trainings were verified by monthly examinations;</li> <li>2. A safety points management program was formulated to implement safety points assessment of the first person responsible of the relevant workshops;</li> <li>3. Undertaking of safety risk assessment and identification was made: Daily reports were signed and confirmed by the general manager and announced by the company;</li> <li>4. The establishment of "dual control" system was promoted: A risk identification team was established in the workshops to improve the reporting of risk assessment, and the workshop risk bulletin board was replaced by the job safety risk notification card;</li> <li>5. Trainings on safety accidents in 2020 were organised for workshop staff and above and department management personnel.</li> </ol>
Ouyi Pharmaceutical	<ol style="list-style-type: none"> <li>1. The construction of corporate safety culture was promoted and the company won the title of Provincial Safety Culture Demonstration Enterprise.</li> <li>2. A "5-Minute Safety" campaign was organised, where a "5-Minute Safety" briefing on the typical problems identified during the company's daily safety inspections with reference to the national laws and regulations was made and sent to the company's WeChat Group for safety issues every morning to provide employees with a long-term, continuous and standardized learning platform.</li> <li>3. Standardized control of mobile phones was carried out and dedicated storage cabinets for mobile phones were placed in the workshop halls for centralized management to avoid the risk of bringing mobile phones into fire and explosion-proof areas.</li> <li>4. "Work-Related Prohibition Cards" were placed at all job positions for employees to easily learn by reading the instructions.</li> </ol>





## EMPLOYMENT AND LABOUR PRACTICES

Name of Subsidiary	Working Items
Baike Shandong	<ol style="list-style-type: none"> <li>1. According to the annual emergency drill plan, taking the Safety Production Month as an opportunity, a comprehensive emergency drill plan covering acetonitrile leakage emergency response, poisoning and suffocation rescues, fire alarm and initial fire fighting was prepared and implemented.</li> <li>2. According to the drill plan, on-site treatment drills on electric shock injuries, chemical burns, and food poisoning were arranged and organized for employees in the production workshop, R&amp;D and QC positions. Through the implementation of a series of emergency drills, the emergency plan was further tested and the coordination between emergency teams was further improved, effectively enhancing the emergency skills of all employees.</li> <li>3. In order to cultivate professional talents and improve the capabilities of the emergency rescue teams, some employees from the front-line departments were selected to receive organised training on the structure and form, use, precautions and maintenance of respirators.</li> </ol>

### Safety Management Performance

In 2020, the Group adhered to high management standard in EHS. The following are numbers relevant to Occupational Health and Safety Assessment Series (OHSAS) standard:

	2020	2019 (restated)
No. of safety inspections	789 times	876 times
No. of potential safety hazards	12,174 items	14,846 items
No. of rectifications for safety hazards	12,096 items	14,746 items
Safety hazards rectification ratio	99.36%	99.33%
No. of persons exposed to causes of occupational diseases who required medical examinations	2,381 persons	2,571 persons
No. of persons exposed to causes of occupational diseases who actually took medical examinations	2,381 persons	2,571 persons



## ENVIRONMENTAL PROTECTION

### **GOOD ENVIRONMENTAL PROTECTION PRACTICE AS CORPORATE RESPONSIBILITY TO THE ENVIRONMENT**

It is vital to strike a balance between corporate development and environmental protection. We fully recognise environmental protection as an essential part of the social responsibility in economic development and therefore have been dedicated to minimising the impact of business development on the environment and natural resources.

CSPC upholds the core corporate value of “All for good medicine, all for mankind’s health” and maintains the balance between corporate development and environmental protection, incorporating “green development to create a prosperous life” as the corporate’s philosophy for environmental protection. The Group actively relieves the burden of the environment in the process of product manufacturing, contributing to the sustainable development of the society. In 2020, Ouyi Pharmaceutical, NBP Pharmaceutical and Zhongnuo Pharmaceutical were listed as the ecological and environmental-positive strategic emerging enterprises in Shijiazhuang City.

As a listed company in the pharmaceutical and healthcare areas, CSPC is concerned about the effects of climate change on human health, and actively identifies the risks and opportunities that climate change brings to its operations as well as the impact on the climate and the environment of its own operations. In 2021, we will commit to making reference to the suggestions of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) in identifying risks and opportunities related to climate changes through the four areas of governance, strategy, risk management, and metrics and targets, and continuously improve the relevant management system so as to minimize the carbon footprint from operational activities.



# ENVIRONMENTAL PROTECTION

## ENVIRONMENTAL MANAGEMENT SYSTEM

CSPC's management of environmental protection follows the management principle of "prioritising whole process control over prior control, prior control over in-event control, and in-event control over subsequent control" to strengthen the focus on evaluation management of the environmental impact. The environmental protection management will focus on environmental evaluation management, assessment management, the compliance with pollutants standard, energy conservation and emission reduction in the whole process of production.

The Group is committed to the identification and management of environmental protection risks and to enhancing the environmental protection performance through continuous assessment and review of various performance indicators. In order to better fulfil the requirements of laws and regulations, the Group enhances awareness of the existing laws and regulations from time to time, conducts extensive studies on the new and revised laws and regulations in a timely manner and undertakes comprehensive compliance assessment to ensure that amendments can be timely made on relevant policies and procedures.

Meanwhile, the Group has set up a contingency mechanism for environmental emergencies and formulated "Contingency Plan In Response To Environmental Emergency" based on the situation of each subsidiary to ensure that the emergency measures can be implemented quickly and efficiently to minimise the damages to the environment caused by environmental emergencies and the loss of the business operations.

## POLLUTANT PREVENTION AND CONTROL

The Group strictly complied with the laws and regulations on pollutant emission and the relevant regulations and amendments issued by Hebei Province and Shijiazhuang. Each subsidiary identifies the applicable laws and regulations and other requirements and annually establishes the indicators for pollutant discharge in with the focus on the entire process of declaration, monitoring, and treatment of hazardous wastes.

Furthermore, each subsidiary is required to apply for a pollutant emission permit from the government authorities and takes the initiative to receive the supervision of governments and third party institutions. Each subsidiary also needs to install online monitoring system for major water and atmospheric pollutants so that the emission of these pollutants can be monitored constantly. The Group attaches great importance to the impact of the production process on the surrounding environment. The Group strived to strengthen the surveillance of atmospheric pollutants, sewage and industrial solid wastes generated from various workshops, timely track and respond to any excessive pollutant emission and continuously reduce the total volume of pollution emissions so as to ease the pressure of control at the output end.



# ENVIRONMENTAL PROTECTION

## Exhaust Gas

The Group's exhaust gas mainly comes from boilers, production processes, and exhaust gas produced in waste water treatment. Exhaust gas is generally handled by absorption and catalytic combustion.



Wet Static Dedusting and Mist-eliminating Purifiers



Online Monitoring System for Smoke and Gas Emission



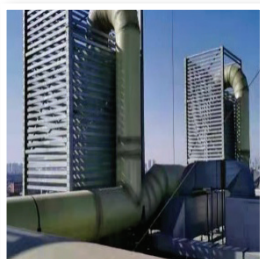
Condensed Fiber Adsorption and Regeneration System

The Group actively manages exhaust gas emissions generated during the production process. In addition to the enclosed collection of exhaust gas emissions, the Group has also installed various advanced exhaust gas absorption devices (such as carbon fibre absorption in the collection system, alkaline spray and active carbon absorption and UV photocatalytic technology, etc.) to ensure that all the subsidiaries can meet the requirements of emission standards for industrial enterprises.

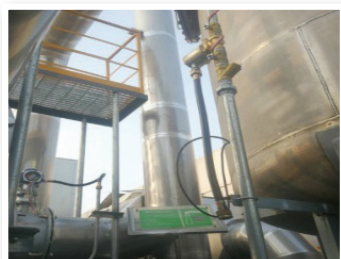
## Treatment of Volatile Organic Compound (VOC)

VOC is collected and handled by methods such as active absorption, combustion, absorption degassing, condensation collecting, and biological treatment, in order to reduce VOC emission and improve odor pollution in the plant sites.

## Ecological Environmental Treatment Systems



VOC Treatment Emission System



VOC Collection Piping System



VOC Online Monitoring System



Online Monitoring of COD and Ammonia Nitrogen Discharge



# ENVIRONMENTAL PROTECTION

## Greenhouse Gas

The Group's greenhouse gas emission mainly comes from carbon dioxide generated during the production process, electricity consumed by the equipment at workshops and steam required for heating equipment. In accordance with the Guidelines for Auditing and Reporting Greenhouse Gas Emissions for Industrial or Other Industries in Hebei Province (Trial) (《河北省工業及其他行業溫室氣體排放核算方法與報告指南(試行)》) issued by Hebei Provincial Development and Reform Commission, the Group's subsidiaries compiled greenhouse gas emissions reports which contain details of general emission and greenhouse gas emissions of the companies, emission factors and data and sources description, as well as an audit of greenhouse gas emission. The Group will pay close attention to the audit method and reporting requirements for greenhouse gas emissions and strengthen the related data management work.

## Waste Water

The Group's waste water treatment mainly adopts biodegradation, together with the best combination options of physical and chemical processes. Each subsidiary has established its waste water treatment centre and treatment station, thus ensuring waste water discharge complies with the standard through real-time monitoring.

The industrial waste water discharged into the pipes by our subsidiaries containing pollutants (such as COD and ammoniac nitrogen) need to be pre-treated by the internal sewage treatment station of the factories before being discharged into the municipal sewage treatment system to ensure that the discharged waste water can meet the national integrated waste water discharge standard.

Sewage treatment station adopts multi-level biological treatment processes. In 2020, Weisheng introduced a new biological osmotic pressure desalination facility and Baike introduced a detoxification treatment facility for concentrated ammonia solution to enhance pollutant treatment and effectively degrade the pollutants contained in the waste water before the decomposition process.



New Biological Osmotic Pressure Desalination Facility of Weisheng



Detoxification Treatment Facility for Concentrated Ammonia Solution of Baike

In order to ensure stable operation of the environmental protection facilities throughout the year, our environmental protection professionals adhere to the "Standard Operating Procedures for the Processing System in Environmental Protection Station", pursuant to which 24-hour shift inspection and test on water discharge will be conducted and regularly spot-checked by the competent departments, to ensure that the sewage discharge would consistently meet the standards. The Group's subsidiaries are required to strictly implement the "Management System for Sewage Discharge" and the "Standard Operation Procedures of Processing System at Sewage Processing Centre" and carry out strict inspection on waste water discharge of workshops.



# ENVIRONMENTAL PROTECTION

## Solid Waste

Industrial solid waste can be broadly categorised as non-hazardous or hazardous waste. Having always been following the principle of “reduce, utilize and detoxify”, the Group firstly adopt various measures to reduce the production and emission of solid wastes from its source and secondly recycle all possible reusable resources and energy. Lastly, detoxification treatment is carried out to reduce the hazardous pollution of solid waste. Domestic and non-hazardous solid wastes are collected by the municipal environmental hygiene department.

### Measures to reduce the volume of solid wastes

The Group mainly generates two types of general solid waste. The first type includes bottles, cans, waste paper and waste packaging materials generated from daily living and production, which are transferred to recycling companies for reuse through resource recycling. The second type includes fermentation waste residue and activated sludge generated during production process. The Group cooperates with fertilizer production enterprises to transform fermentation waste residue into raw materials for production of organic fertilizers, and returns activated sludge to environmental protection facilities or transfers to professional agents for further treatment after dehydration. We aim to reduce the final emissions to the environment through resource utilization, and at the same time strictly control work process to reduce the generation of solid wastes.

The Group appointed dedicated personnel to manage the hazardous wastes and makes further suggestions on the compliance management of hazardous waste in accordance with the amendments to the National Catalogue of Hazardous Waste (《國家危廢名錄》) from time to time. Each subsidiary periodically declares to the government authority and establishes corporate’s hazardous waste warehouses to enhance the management and monitoring processes of the storage of hazardous waste. After the hazardous waste has been transferred to the qualified companies, they will be engaged to carry out centralised detoxification treatment to ensure that the hazardous waste disposal fulfills the compliance requirement.



# ENVIRONMENTAL PROTECTION

## ENERGY UTILISATION

The Group has established a sound energy management system, implemented standardised and systematic energy-saving supervision and management, supported the promotion of energy conservation and energy efficiency improvements in accordance with the requirements of the Law of the PRC on Conserving Energy (《中華人民共和國節約能源法》) so as to promote a well-coordinated and sustainable development of the economy and society.

The energy management department implements a refined energy use management and energy consumption assessment management system. It carries out energy audit, explores energy saving potential and sets specific energy consumption quotas for key energy saving points. The energy management department also conducts regular analysis on energy use and performs benchmarking and verification of the monthly energy consumption of each workshop to determine rewards and penalties so as to encourage energy users to take the initiative to save energy. The subsidiaries have also established the "Energy Purchase and Use Ledger" to account for and compile statistics on the classified data of various types of energy consumption to ensure that the energy consumption statistics are true and complete.

The Group continues to improve its energy management methods and means, and has gradually rolled out intelligent energy conservation management and automated energy management systems. Currently, three energy management centres equipped with intelligent management and analysis functions have been established. The automatic collection and transmission functions of energy data are available to almost all subsidiaries with higher energy consumption. Real-time energy operating curves and auto-generated daily, weekly and monthly energy data reports have significantly improved the monitoring, analysis and control of energy use. On the other hand, production dispatchers can also make good use of the real-time monitoring function of the energy management platform to monitor the quality parameters (including temperature, pressure and capacity etc.) of different energy generation systems, and make reasonable and refined adjustments with reference to the energy consumption of workshops to effectively manage the start and utilisation of equipment at the workshops, thereby improving the operating efficiency of the energy generation systems.

The Group continues to promote energy-saving technological innovation. While purchasing low-consumption and high-efficiency equipment, the Group also focuses on facilitating the application of green energy, such as the implementation of photovoltaic power generation and the use of self-produced steam from natural gas instead of purchased coal-fired steam. In addition, the Group recognises that water resources are fundamental to the sustainable development of society and strives to conserve water in the production process. During the year, the water sources of all subsidiaries come from municipal water.

In 2020, four subsidiaries of the Group obtained the Energy Management System certification and three companies passed the Water-Saving Enterprise certification as well as Green Factory certification and review.



# ENVIRONMENTAL PROTECTION

## STATISTICS

The following are the details of the pollutants emission and resources usage during 2020 and 2019:

Pollutants emission				
Type of pollutants	Emission		Intensity	
	2020	2019 (restated)	2020	2019 (restated)
Greenhouse gas	1,047,584 tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	1,124,435 tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	4,200 (tCO <sub>2</sub> e/RMB100 million income)	5,087 (tCO <sub>2</sub> e/RMB100 million income)
Other exhaust gases				
— Sulfur dioxide	15.46 tonnes	13.41 tonnes		
— Nitrogen oxides	35.88 tonnes	27.75 tonnes		
Solid Waste	48,284.37 tonnes	50,435.33 tonnes	194	228
— Hazardous waste	17,446.68 tonnes	10,856.41 tonnes	(tonnes/RMB100 million income)	(tonnes/RMB100 million income)
— General industrial waste	30,837.69 tonnes	39,578.92 tonnes		
Waste water	6,814,800 tonnes	6,139,800 tonnes		
Including:				
— COD	925 tonnes	860 tonnes		
— Ammonia nitrogen	72 tonnes	68 tonnes		
Resources consumption				
Type of resources	Quantity of Consumption		Intensity	
	2020	2019	2020	2019
Electricity	611,121,400 kWh	624,731,200 kWh	2,450,000 (kWh/RMB100 million income)	2,826,000 (kWh/RMB100 million income)
Steam	489,145 tonnes	1,058,544 tonnes	1,961 (tonnes/RMB100 million income)	4,789 (tonnes/RMB100 million income)
Water	8,370,682 m <sup>3</sup>	8,627,298 m <sup>3</sup>	33,560 (m <sup>3</sup> /RMB100 million income)	39,032 (m <sup>3</sup> /RMB100 million income)
Packaging materials used for finished products	43,039 tonnes	44,750 tonnes	173 (tonnes/RMB100 million income)	202 (tonnes/RMB100 million income)





## ENVIRONMENTAL PROTECTION

Benefited from the conservation effect brought by the electricity and gas conservation projects, the Group's total water and steam consumption during 2020 has significantly decreased as compared to last year. Moreover, Weisheng Pharmaceutical switched to using self-produced steam from natural gas instead of purchased coal-fired steam during the year, while Yinhu Pharmaceutical has been advancing in the use of clean energy since the replacement of coal-fired boilers with natural gas since 2018, and thus reducing the reliance on traditional energy sources and lowering the emission of atmospheric pollutants.

### CLEAN PRODUCTION

The Group strictly complies with relevant provisions under the Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》) and has been dedicated to further reduce pollutant emissions and strengthen its governance on industrial pollution sources. During 2020, the Group continued to actively promote clean production and strengthen industrial pollution control and improve its production process design while using clean energy and materials and employing advanced craft, technology and equipment. The Group deeply understands that pollution reduction at source and improvement on the resource efficiency are the only ways to reduce or avoid the generation and discharge of pollutants during the production process and mitigate or eliminate the threats against surrounding community environment and the residents' health.

The production departments of the subsidiaries understand the requirements on clean production imposed by the government and environmental protection bureau from time to time. At present, all subsidiaries strive to promote the following five technological transformation projects for energy conservation and emission reduction:

- Emission reduction at source: reducing chemical oxygen demand, waste water, exhaust gas and solid waste emission;
- Water conservation: saving water resources;
- Energy conservation: saving energy, such as steam and electricity, etc;
- Consumption reduction: lowering the consumption of raw materials and excipients; and
- Improvement of technical indicators: enhancing the output, input and production yield of products or other production indicators.

The Group prioritises the investment in environmental governance as well as energy conservation and emission reduction to ensure that the production process meets the increasing regulatory requirements of the environmental protection policy and the relevant national pollutant emission standards. In recent years, the Group's investment in energy conservation and emission reduction has been mainly used for the improvement of sewage treatment facilities and recycling processes, upgrade of infrastructure and environmental protection technologies.

### Recycling and Utilisation of Resources

CSPC adheres to the approach of "attaching equal importance to exploring revenue resources and saving costs with a focus on frugality" to increase the utilisation efficiency of resources, and carries out comprehensive management of resources utilisation through enhancing the degree of technological transformation and strengthening the overall control and reuse of resources.



# ENVIRONMENTAL PROTECTION

## Recycling and Utilisation of Solvents

Solvents recycling is the key process in bulk drugs production as it directly affects the quality and cost of products and also impacts environmental issues such as waste water treatment and exhaust gas emission. Therefore, adopting new advanced technology on recycling processes, increasing solvents efficiency, and reducing the energy consumption in solvents recycling are important tasks for a pharmaceutical company. Each subsidiary has been devoted to recycling and reusing of solvents, and through various methods and processes, achieved an utilisation rate of more than 80% for the recycled solvents.

## Solvents Recycling Workshop of Zhongnuo Liangcun Production Base



## Reduction of Steam Usage

Through the launch of new facilities, improvement in production processes and enhancing the utilisation of multiple heat recovery categories, each subsidiary has achieved the target of vigorous steam conservation. Taking the two new projects of Weisheng Pharmaceutical as examples:

1. The compression heat recovery of the air compressors can be used in the heating process of materials, thereby saving steam consumption:





## ENVIRONMENTAL PROTECTION

2. Purchased coal-fired steam was replaced by self-produced steam from natural gas boilers.



### Treatment and Recycling of Water

The Group has strengthened its water conservation management to achieve water conservation by water resources optimization. To thoroughly implement the water conservation initiatives rolled out by the Central Government, the Group has adopted various measures to reduce the consumption of underground water and municipal water. The Group's subsidiaries have actively conducted water conservation trainings and implemented water conservation assessment system to reduce the use of new water by employees during operation. The subsidiaries have also increased investments on various reclaimed water projects to increase the utilisation rate of recycled water resources. Through various measures such as utilisation of reclaimed water, adjustment of water consumption in processes, and increasing the concentration times of circulating water, the Group was successful in achieving water conservation as the utilisation rate of recycled water resources reached over 40%.

### Water Conservation Training Session of Ouyi Pharmaceutical



### Electricity Conservation

The Group has been using advanced air suspension technology, magnetic levitation technology and permanent magnet motors to save electricity.

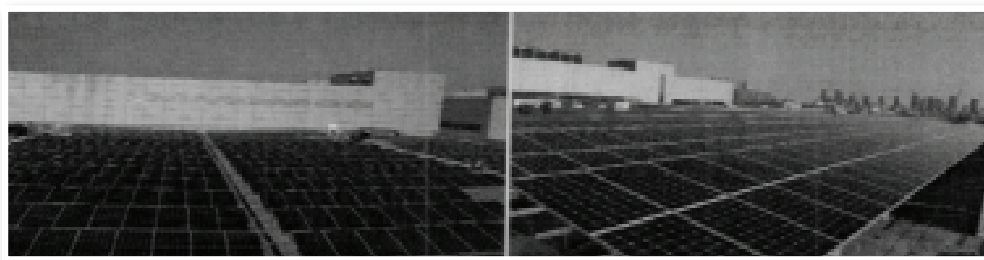
## Air Suspension Blower and Permanent Magnet Wind Turbine



## Magnetic Levitation Wind Turbine



## Photovoltaic Power Generation of Taizhou



## Conference on the Application of Energy Intelligent Management Platform





# ENVIRONMENTAL PROTECTION

## Recycling of Packaging Materials

Through the comprehensive control of supply chain, each subsidiary reduces the use of disposable packaging materials and recycles reusable packaging materials such as bulk bag, plastic barrel, pallet and paper box to increase the reutilisation rate of packaging materials and lower logistic costs, thereby reducing waste of resources, protecting the environment and effectively achieving green logistic.

The Group has always been actively committed to improvement projects targeted at reducing emission from the source. The followings are the major projects for clean production carried out in 2020:

### Improvement project for environmental protection facility

- The Environmental Protection Center has newly added an ozone catalytic oxidation treatment unit, and transformed the original MBR effluent buffer tank into an ozone catalytic oxidation tank to strengthen the removal of COD, residual antibiotics and ammonia nitrogen, and improve the ability of the system to resist risks.
- NBP Pharmaceutical carried out classification when discharging the existing drainage of the workshop and set up 1-2 sedimentation tanks around the workshop to precipitate the sewage with the addition of corresponding water pumps, meters and water quality monitoring equipment. Wastewater after precipitation is discharged into different waste water treatment units at the environmental protection station through water pumps for treatment according to the COD standard, which helped reduce the discharge treatment fee and meet environmental protection requirements.
- CSPC Innovation Pharmaceutical Co. ("XNW") added a four-phase reactor to its existing Fenton pretreatment for water treatment, which was connected to the existing system to extend the residence time of wastewater in the reactor. It enhanced the effect of mixing with Fenton's reagent and the instantaneous water treatment capacity and reduced the COD concentration of the effluent by 10%.



## ENVIRONMENTAL PROTECTION

### Improvement project for emission reduction at source

- The combined hot water system at the 604 workshop of Zhongnuo Pharmaceutical originally used fresh steam for heating. Through research, demonstration and implementation, the heat recovery from condensation in the recycling centre was used for the heating process of double cone 3-in-1 dryers, reducing steam consumption and wastewater discharge each by 2 tonnes per day.
- Through implementing more than 30 water conservation measures such as recycling of produced water and concentrated water, recycling of spent water, monitoring of the supply pressure and parameters of pure steam generators, recycling of washing and disinfection water of lyophilizers, changing the cleaning method of vats, recycling of bottle washing water, changing washing water, extending the pretreatment rinse and backwash cycles for water-making equipment and integrating the water-making position, Ouyi Pharmaceutical gradually completed the phased goals of reducing water consumption by 10% and 30%.

### Full participation of staff in environmental protection event

- With “Beautiful China, I am the Actor” as the continued theme of its Environment Day in 2020, Ouyi Pharmaceutical worked further on enhancing the environmental awareness, and facilitating and promoting emission reduction at the source and odor control at workshops. It also promoted and encouraged employees to understand and actively participate in environmental governance. Acknowledging the importance of “everyone doing their own part, the Environmental Protection Center organized the Environment Day themed “Green CSPC, I am a Practitioner” and held an award-winning Q&A activity on environmental protection knowledge.
- In June 2020, XNW organised an Environment Day promotion campaign to strengthen management and enhance environmental awareness through promoting the theme of the campaign.
- Weisheng Pharmaceutical provided trainings on knowledge of solid waste, new hazardous waste list training and new laws and regulations training for all employees, and at the same time promoted environmental protection concepts and achievements to employees in the factories to allow them to gain a deep understanding of environmental protection laws and regulations.



## ENVIRONMENTAL PROTECTION

### Highlights in environmental protection management

- In 2017, Ouyi Pharmaceutical and NBP Pharmaceutical acquired the “Green Factory” certification from the Ministry of Industry and Information Technology of China and was selected as the first and second batch of “National Green Factories”, respectively. Moreover, according to the requirement of “review once every three years” for green manufacturing of the Ministry of Industry and Information Technology of China, both companies were included in the list of “National Green Factories” after the review in 2020.
- In September 2020, the Gaocheng Environmental Protection Bureau and an expert team of 3 people visited the Zhongnuo Liangcun production base to carry out on-site inspection of performance rating of heavily polluted weather. The visit mainly included the review of the paper documents for the application of performance rating of heavily polluted weather of key industries and inspection of the solvent tank area on site. The company passed the assessment as a grade B enterprise.



## SUPPLIER MANAGEMENT

### GOOD PROCUREMENT TENDER MANAGEMENT PRACTICE AS CORPORATE RESPONSIBILITY TO PRODUCT QUALITY

Sound procurement management is crucial for maintaining the quality of the Group's products, given the Group's increasing scale and diversity of procurement in recent years.

The Group has established a sound supplier management system to clearly determine the responsibilities of relevant management departments, including procurement department and quality department, and has achieved effective supplier management by strengthening information sharing and feedback. The Centralised Procurement Centre of the Group strictly controls the requirement of supplier admittance and takes into account the suppliers' awareness of environmental protection at the early stage of sourcing. The Group priorities cooperation with enterprises having ISO14000 accreditation and pollutant discharge permits, with an aim to select suppliers that provide products in excellent quality while minimizing or eliminating adverse impacts on the environment.

The following is an overview of the Group's suppliers:

	2020	2019
<b>By geographical region</b>		
China	1,259	1,241
Overseas and Hong Kong, Macao and Taiwan	103	102

### PROCUREMENT MANAGEMENT

The Centralised Procurement Centre of the Group is responsible for coordinating the procurement needs of its subsidiaries in order to reduce the procurement cost through group tender, centralised price negotiation and the development of new suppliers and continuously optimises the supply risk management procedures.

With the rapid development of the procurement business, the Centralised Procurement Center revised the supplier management system in 2020, continuously optimising and improving the existing systems to increase their enforceability. The revised systems during the year included and not limited to the systems of supplier management; remuneration, benefits, attendance and leaves; recruitment, redeployment and termination; as well as business management systems including R&D material procurement; production procurement plan and pricing; procurement contract formulation; contingency plan and innovative projects.

In order to standardize and refine the business operation details and management, the Centralised Procurement Centre launched an electronic procurement platform (the SRM system) and the standard operation procedures (SOP) for all critical processes (including pricing, payment approval and the supplier account opening process, etc.). Following the launch of the digital production material procurement system, the Centralised Procurement Centre also launched the low cost consumable procurement system in September 2020, and continued with the optimisation of the SRM system during the year. As a result, the efficiency of procurement management was greatly improved, reducing the use of resources by the procurement business.



## SUPPLY RISK MANAGEMENT

The Centralised Procurement Center is responsible for reviewing the supplier account opening and closing process and establishing a supplier register. In the procurement process, the procurement staff should actively promote the sourcing of suppliers, and look for potential suppliers (especially suppliers of strategic materials) with quality and price advantages at home and abroad through professional or industry meetings, customer and peer recommendations, etc. in order to eliminate the risks caused by exclusive supply.

The Centralised Procurement Center has formulated a contingency plan for procurement and supervises the implementation of the procurement business department. The procurement department provides special training for managers closely related to the contingency plan every year, and the orientation for new procurement staff also includes the contents of the contingency plan to ensure the consistent implementation of the plan. Emergency events for material procurement include but not limited to the following:

- The adjustment of national and local policies has a significant impact on the supply of materials;
- Major suppliers stop or reduce production due to accidents or other negative impacts;
- Severe weather has a significant impact on the production or transportation of materials;
- Materials are underwritten or monopolised by a few manufacturers, and the price rises sharply or the supply is affected;
- The quality of purchased materials is not up to standard or there are problems in the production process, which affect the production and use;
- Serious or mass adverse drug reactions events occur in the preparation products at home and abroad, which are suspected to be related to the quality of the materials.

The Centralised Procurement Centre has always put supply guarantee as the top priority. The contingency plan specifies a number of countermeasures (including speeding up the development of potential suppliers, increasing the reserve of key stocks and establishing a communication mechanism with suppliers and quality departments, etc.), so as to ensure that the procurement staff can respond quickly when an emergency occurs and safeguard the stability and quality of material supply.

## SUPPLIER EVALUATION MECHANISM

The Group has established a supplier evaluation mechanism to conduct annual evaluations of suppliers of production materials and non-production materials respectively. Based on the principle of fairness and justice, the Group issues evaluation opinions on the service, price and delivery time of suppliers, and implements corresponding rewards and punishments for suppliers based on the evaluation results.

In order to ensure the quality and safety of materials and enhance the quality standards of both parties, the Group requires the signing of quality agreements with the partner suppliers to specify the quality requirements and responsibility for quality issues. During the bidding and pricing process, the Centralised Procurement Centre confirms the quality indicators with the suppliers on site. Meanwhile, the quality responsibilities are stated in the corresponding contract terms, and the quality assurance training are carried out in the course of daily procurement activities.

### Material Quality Feedback

The Group has strict inspection standards for all procured materials. Only materials which have passed the inspections are allowed for production use. The Group's quality management department coordinates communication with the Centralised Procurement Centre in supplier quality management and urges both parties to cooperate. The quality management department of each subsidiary is responsible for timely submitting the out of specification (OOS) or material quality feedback in the production or sales process to the procurement manager of the corresponding factory area and sending a copy to the Centralised Procurement Centre. The procurement staff shall notify the supplier on the day when the factory area puts forward the quality feedback and request the relevant supplier to give feedback within the specified time.

The supplier administrators of the Centralised Procurement Centre upload the "Material Quality Feedback Ledger" to the information platform every month for relevant business management personnel to inquire, so that the business negotiation team can fully understand the quality situation of each supplier during bidding and pricing. The content of quality feedback becomes an important basis for procurement staff to evaluate suppliers at the end of each year. The quality management department also eliminates the suppliers who fail to meet the requirements of the quality assessment or annual evaluation on suppliers each year.

In response to material quality problems, the Centralised Procurement Centre introduced a new implementation process for quality feedback and penalty feedback, whereby quality management or workshops will identify problems and propose penalties for the Centralised Procurement Centre to implement and to supervise suppliers in quality management improvements.

### Supplier Audit

The audit work for suppliers of production materials is mainly guided by the field audit plan for major materials drawn up by the quality management department of each subsidiary, and the business department of the Centralised Procurement Center cooperates in the implementation. As a member of the supplier audit team, the business personnel of the Centralised Procurement Center participate in the audit of the supplier's quality management system. After the audit is completed, the "Supplier Inspection Information Form" is compiled within one week and uploaded to the information platform of the Centralised Procurement Center after approval. In addition to participating in relevant supplier audits organized by the quality management department, the Centralised Procurement Center can also conduct field inspections or visits to suppliers according to actual business needs, such as pre-examination for material suppliers interested in opening an account and annual exchange visits in strategic suppliers.

Field investigation plays a key role in the course of supplier quality audit and supply risk management. The investigation covers:

- Legitimacy of production address, scale and qualification;
- Supply and storage capacity of raw materials;
- Plant facilities and equipment;
- Material and production process management;
- Quality management and environmental protection and safety status; and
- Financial situation, etc.

In terms of environmental protection, the supplier audit team checks whether the supplier has a report on environmental impact assessment; whether the supplier obtains an emission permit and meets the emission standards for exhaust gas and waste water; whether the supplier has environmental protection issues (mainly concerning the complaints about odour and solid waste disposal methods) and corresponding environmental protection facilities. Furthermore, the Group is also concerned about the suppliers' performance in the management of production safety and assesses the effectiveness of suppliers' management or precautionary measures against hidden dangers and problems for safety, ensuring that all suppliers establish personal safety training files for all employees, prepare safety training programs and provide training as required.

To further regulate the supplier audit procedures and build an impartial and strict corporate image for CSPC, the supplier audit team strictly abides by the supplier audit discipline to ensure the impartiality, authenticity and effectiveness of the audit results in order to avoid any audit staff from corruption.

## PROCUREMENT INTEGRITY

Integrity and credibility is the foundation for the long-term cooperation between the Group and its suppliers. Thus the Group has been committed to the establishment of a fair, impartial and transparent procurement mechanism and imposing high standards of integrity on our employees. The Group regularly organises trainings on integrity and self-discipline with detailed explanation on the definition, importance, public relations with suppliers and responsive actions of ethical procurement, and arranged the procurement staff to learn from different organisations. Procurement staff is required to take part in the training and talks about integrity upon taking the job in order to clearly understand the Group's requirements on the conduct of procurement staff.

The Group strictly implements the "Administration Measures on Code of Conduct for Procurement Staff and Accountability" and forbids the receipt of cash or other gifts during holidays by procurement staff. For inevitable gifts, employees are required to register within half a month since the receipt of the gift for centralised process. The Centralised Procurement Centre has also set up a hotline for complaints. It will affix responsibility in accordance with the established system for any breach of the Administration Measures. To increase the employees' awareness of compliance with related regulations, the Group has also required each procurement staff to fill in a declaration form of interest to ensure no occurrence of misconduct or irregularity affecting the fairness prior to or during the performance of duties. The declaration items of interest mainly relate to the existence of interest between procurement staff or its family members and suppliers.

Apart from the above, the Group also requires its suppliers to maintain their integrity and self-discipline and disseminates the messages in respect of clean procurement through letters to suppliers, clearly expressing that non-compliance with rules and regulations and unfair competition are prohibited. The Group issued the "Notice on the Prohibition of New Businesses with Dishonest Cooperation Parties", requesting all subsidiaries to immediately report any situations in which suppliers do not comply with the requirements of integrity or laws and regulations, upon which the supervision and security department will update the supplier blacklist so as to terminate the Group's business relationship with such suppliers immediately.



## ANTI-CORRUPTION

### GOOD INTEGRITY BUILDING AS CORPORATE RESPONSIBILITIES TO ANTI-CORRUPTION

CSPC places great emphasis on anti-corruption and takes anti-corruption management, integrity building and supervision as its strategic tasks.

The independent supervision and security department established by the Group is dedicated to procuring our staff to perform their duties with integrity and credibility and has adopted a binding system to prevent our employees from corruption, thereby establishing our clean image and developing our corporate culture of “Being proud of integrity and shameful of corruption”. In addition, the special regulatory department closely monitors the development of the Law of the PRC Against Unfair Competition (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations to ensure that the businesses of all subsidiaries are conducted in compliance with laws and regulations.

In 2020, the Group continued to strictly implement a series of internal policies and regulations in relation to anti-corruption (e.g. the “CSPC Accountability and Responsibility Management System for Dereliction of Duty”), and vigorously promoted the following key tasks in anti-corruption and internal discipline inspection:

#### 1. LEARNING FROM EXTERNAL ADVANCED MONITORING EXPERIENCE

CSPC successfully joined the two anti-fraud organizations of the Trust and Integrity Enterprise Alliance and the Enterprise Anti-fraud Alliance in 2019, and participated in the training and learning activities carried out by the two alliances during the year. We strive to compete with advanced enterprises and timely absorb external advanced monitoring experience by strengthening external communication of supervisors to realise information sharing.

#### 2. CONDUCTING INSPECTION AND SUPERVISION

To enhance the supervision of the subsidiaries, the Group has established a comprehensive and complete supervision system for internal operation to prevent and eliminate various operating risks, as well as to improve the operating performance and management efficiencies of the Group. In 2020, the Group commenced a series of inspection visits to members of the Group, carried out rectifying actions in a timely manner for issues identified and further regulated the related procedures. In addition, the supervision and security department strengthened the problem-identifying and problem-solving capabilities of inspection personnel during supervision and inspection by imposing more specific requirements on their operating skills so as to lay a crucial foundation for further improvement of supervision and inspection.

#### 3. PROMOTING INTEGRITY AND SELF-DISCIPLINE EDUCATION

With the aim of strengthening integrity education and developing a sound atmosphere of lawful operation and integrity, the supervision and security department carried out an employment integrity educational activity for all employees within the Group. The department also organised five training sessions on integrity education, showing its commitment to establishing and optimising the requirements for integrity and self-discipline at key positions.

In 2020, the supervision and security department issued the notice of strict compliance with integrity and self-discipline requirements during important festivals (the Spring Festival, the Mid-Autumn Festival and the National Day, etc.), requesting managers at all levels and personnel at key positions to be vigilant in maintaining their ethical defense against corruption, and to sign the “Undertaking of Integrity and Risk Prevention”.



## ANTI-CORRUPTION

The supervision and security department vigorously carried out anti-corruption and integrity education, and continued to organise different integrity education and training activities during the year. To enhance the staff's awareness in resisting and preventing corruption, it also uploaded articles to the WeChat public account "CSPC Integrity".

### 4. STRENGTHENING SUPPLIER MANAGEMENT AND OPTIMIZING SUPERVISION FUNCTIONS FOR PROCUREMENT TENDER

For the effective regulation of the procurement tender within the Group, the supervision and security department has appointed special personnel to supervise the whole process of bidding and procurement and review relevant contracts and payments in order to ensure that tendering works are properly executed. In 2020, the Group fully implemented and required the signing of the "Sunshine Cooperation Agreement" when entering into contracts with suppliers. Through timely understanding of abnormal cooperation between subsidiaries and suppliers, the Group issued a ban on cooperation with dishonest entities and reported the blacklist of suppliers.

### 5. IMPROVING COMPLAINT AND REPORTING MECHANISM

In an effort to improve the whistleblowing channels and enhance the internal capability for processing whistleblowing, the Group has set up a dedicated hotline and email address and established a Wechat reporting platform with designated personnel responsible for the follow-up of reported matters.

A complainant protection mechanism is established in the Group's "Supervision, Complaint, Reward and Penalty Management System". Supervisory departments at all levels of the Group are dedicated units authorized to conduct investigations on corruptions with duties to protect the complainants and maintain independence as well as objectivity in the course of investigations. Our firm commitment to protecting the complainants' legitimate rights and interests as well as their personal information is a fundamental assurance of the effective functioning of the complaint system.

The supervisory department puts confidentiality of such reporting as priority. The personal information of the complainants and all the information provided by the complainants are kept strictly confidential. In accordance with national laws and regulations and the confidentiality requirements within the Group, the staff of the supervisory department keeps the complainant and reported information in strict confidence in all aspects including acceptance, registration, custody, and investigation to prevent leakage or loss.

In addition, the Group strictly forbids any retaliation against a complainant. Any form of retaliation will be dealt with severely in accordance with national laws and regulations as well as the Group's internal system, and the legal liabilities of the responsible parties' will be sought. If a complainant is subject to retaliation of any form or to any extent, the supervisory department should be informed immediately. The supervisory department has formulated a number of strict protection measures specifically for entities or individuals reporting by real name to protect the complainant, including the incorporation of the person in the "List of Special Protection" managed by designated personnel in the supervision and security department.



# CHARITABLE AID

## GOOD CHARITY WORKS AS CORPORATE RESPONSIBILITIES TO THE SOCIETY

CSPC adheres to the mission of “All for good medicine, all for mankind’s health” and continuously gives back to the society.

We have always been committed to our corporate mission in providing patients with safe and quality products while actively serving and giving back to the society and contributing to the health of all mankind. During the year, the donation made by the Group was approximately HK\$47,605,000.

Apart from charitable donations from our subsidiaries, the Group uses the Hebei CSPC Pu’en Charity Foundation as the main platform to engage in public welfare work, and actively carry out charitable activities such as providing assistance to the sick, helping the poor, relieving predicaments, helping the elderly and subsidising education. The Foundation’s main source of income is donations from the Group’s Chairman, senior and middle management and other employees. The scope of its activities during the year included:

- 1) giving assistance to the sick, poor, depressed and senior citizens in the underprivileged groups, including those in serious diseases, poor families and the education aid to their children, severely injured people due to accidents, the disabled, orphans and elderlies; and
- 2) organising charity events for natural disasters relief.

The following are the major charity activities carried out by the Foundation in 2020:

### 1. EDUCATION AID AND POVERTY ALLEVIATION

#### The “Twilight Action” Education Aid Programme

The “Twilight Action”, which was launched in August 2016, focuses on students from poor families in their primary, secondary and higher education as well as the growth and education of fresh university students. In forms of education aid funds and spiritual care, the programme strives to improve the environment in which the poor students learn and grow up, so that outstanding kids will not fall behind because of poverty.

Date	Major Activity Highlights
18 June	Working together with the Shijiazhuangtuan Municipal Committee to organise and convene the implementation work meeting for the distribution of education assistance grants in the Shijiazhuang District, and distributed grants to 646 students in eight counties, namely, Pingshan, Lingshou, Xinle, Wuji, Gaoyi, Yuansi, Jingxing and Shenze.
16 October	Distributed education assistance grants in Zhengding High School and organised a forum on giving help and assistance to students.
23 October	The ceremony of “Twilight Action” education assistance grants of Handan City was held at Wuan High School, with a total of more than 20 participants including representatives of teachers and all the students receiving the grants.



## CHARITABLE AIDS

Date	Major Activity Highlights
31 October	The ceremony of "Twilight Action" education assistance grants of Cangzhou City was held at the conference room on the fifth floor of Dongguang County People's Congress, with a total of more than 80 participants including representatives of teachers, all the grant-receiving students and their parents.
14 November	A ceremony of "Twilight Action" education assistance grants was held jointly with Zanhuang County Charity Association, with financial assistance provided to 97 poor students in Zanhuang County, Shijiazhuang City.
24 December	Conducted the "Warm Packs Distribution Campaign" in Xingtang High School and delivered warm packs to 200 poor students in three counties and areas of Xingtang, Zanhuang and Lingshou.



## 2. SICKNESS SUPPORT

### “Red Sun Action” Hematological Tumor Rescue Project

The Foundation joined hands with the Hebei Children’s Hospital of Integrated Traditional Chinese and Western Medicine, a subsidiary of the Group, to carry out “Red Sun Action” to provide advanced diagnosis and treatment and financial assistance to patients aged 0-18 with hematological tumors. In 2020, the Foundation funded 6 poor children with hematological diseases to undergo hematopoietic stem cell transplantation, which continued the life of the sick children.

## 3. PUBLIC WELFARE ASSISTANCE

### “Spring Drizzles” Public Welfare Programme

The “Spring Drizzles” programme organised various types of charitable events from time to time. With a variety of day-to-day main theme activities, charitable contents were enriched and scope of relief assistance was expanded.

Date	Activity Highlights
23 June	Participated in consumption-driven poverty alleviation in Dangshan County, Anhui Province, through purchasing pears produced by Dangshan County farmers to solve the problem of stagnant sales of the farmers’ fruits.
14 November	Donated commonly used drugs, medical equipment, living materials and school supplies to Niujiagou Village clinics and villagers to help poor households in the village.
26 November	Participated in poverty alleviation works at targeted poor areas and donated an agricultural vehicle to Guo village, Yanhu District, Shanxi to solve hygiene issues and fertilisation need.

## 4. ELDERLY ASSISTANCE

### “Sunset Glow Action” Elderly Assistance Programme

In addition to sending regards and happiness during visits, the “Sunset Glow Action” project also launched a series of “Red for the Elderly” activities that suit the elderly to enable them to enjoy respect and care in their later years.

Date	Activity Highlights
April to December	Organised senior managers to participate in one-on-one mental care activities, with senior executives leading teams of volunteers to help 75 lonely elderly people in Zhangjiakou, Chengde, Baoding, Shijiazhuang and other areas, making regularly visits and condolences, delivering rice, noodles, oil and other daily necessities, and paying attention to the physical and mental health of the elderly.
7 October	Carried out “Free Medical Consultations for Health” and distributed common medicines free of charge to send warmth and health to the elderly left behind.
11 November	Held the “Sunset Glow Helping the Elderly during the Mid-Autumn Festival” activity to celebrate the festival with the elderly, and distributed moon cakes, rice, noodles, oil and other items.





# CHARITABLE AIDS





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Aspects/General Disclosures/KPIs	Descriptions	Disclosure Sections
A. Environment		
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	Environmental Protection (Pollutant Prevention and Control)
KPI A1.1	The types of emissions and respective emissions data	Environmental Protection (Statistics)
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	Environmental Protection (Statistics)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Protection (Statistics)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Protection (Statistics)
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection (Pollutant Prevention and Control)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection (Pollutant Prevention and Control)
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection (Energy Utilization)
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity	Environmental Protection (Statistics)
KPI A2.2	Water consumption in total and intensity	Environmental Protection (Statistics)
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection (Energy Utilization)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environmental Protection (Energy Utilization)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Environmental Protection (Statistics)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environmental Protection (Clean Production)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environmental Protection (Clean Production)



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B. Social		
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, anti-discrimination, and other benefits and welfare	Employment and Labour Practices (Employment and Labour Interests)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices (Talent Structure)
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment and Labour Practices (Talent Retention)
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	Employment and Labour Practices (Health and Safety)
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices (Health and Safety)
KPI B2.2	Lost days due to work injury	Employment and Labour Practices (Health and Safety)
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices (Health and Safety)
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices (Development and Training)
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices (Development and Training)
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices (Development and Training)
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	Employment and Labour Practices (Employment and Labour Interests)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices (Employment and Labour Interests)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No occurrence



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Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supplier Management
KPI B5.1	Number of suppliers by geographical region	Supplier Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supplier Management
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	Products and Customers (Product Responsibility)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No occurrence
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Products and Customers (Product Responsibility)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Products and Customers (Research and Development and Intellectual Property)
KPI B6.4	Description of quality assurance process and recall procedures	Products and Customers (Product Responsibility)
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Products and Customers (Compliant Marketing)
Aspect B7: Anticorruption		
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	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the organisation or its employees during the reporting period and the outcomes of the cases	No occurrence
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption
Community		
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	Charitable Aids
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Charitable Aids
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Charitable Aids