



INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(於開曼群島註冊成立並於百慕達存續之有限公司)

(Stock Code 股份代號：399)

2021/22

Environmental, Social and
Governance Report

環境、社會及管治報告

Introduction

ABOUT THE GROUP

Innovative Pharmaceutical Biotech Limited (the "Company", together with its subsidiaries, the "Group" or "we") is a medical and biotechnology Hong Kong investment holding company operating in two major segments, including (a) trading of beauty products in Hong Kong ("trading of beauty products"); (b) research, development and commercialisation of the oral insulin product ("research and development").

This Environmental, Social and Governance Report (the "Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

The Group adheres to the management policies of sustainable development on the ESG aspects. We are also committed to handling our ESG affairs effectively and responsibly, which is integrated as one of the core components of our business strategy as we believe this is the key to our continuous success in the future.

ESG GOVERNANCE STRUCTURE

The Group has established an ESG governance structure to ensure that its ESG governance is consistent with its business strategies and to integrate ESG management into its operational and decision-making processes.

The Board of Directors (the "Board") assesses the potential impact of ESG issues on the overall strategy of the Group, sets out main direction for the ESG management approach and strategy, supervises the management of the Group's ESG issues, and ensures the effectiveness of the risk management and internal control mechanisms of the Group.

The Group has established the ESG Task Force (the "Task Force"). The Task Force comprises core members from different departments and is responsible for collecting relevant information on our ESG aspects for preparing the Report. The Task Force reports to the Board, assists in identifying and evaluating the Group's ESG risks and the effectiveness of the internal control mechanisms. The Task Force also examines and evaluates our performances in different ESG aspects such as environment, health and safety, labour standards and product responsibilities.

To prioritise the material ESG issues, the Task Force also assists the Board in evaluating the significance of multiple ESG topics and the corresponding risks related to the Group's business operations by inviting stakeholders to participate in a materiality assessment. Information about the stakeholder communication channels and materiality assessment conducted by the Group is stated in the sections headed "Stakeholder Engagement" and "Materiality Assessment" respectively.

The Group has set environmental targets with an aim to align with the Group's sustainability strategy and to echo with the international vision of carbon neutrality. The Task Force collects relevant data and reviews the Group's performance to track its progress towards ESG targets. To achieve the goals, the Group implements different environmental protection measures and strives to raise employees' awareness of ESG aspects. The Group will continue to uphold its corporate social responsibility and enhance its ESG performance to meet the expectations of the Group's stakeholders.

REPORTING PERIOD

The Report describes the ESG activities, challenges and measures taken by the Group during the financial year ended 31 March 2022 (the "Reporting Period", "2022").

SCOPE OF REPORTING

Unless specified otherwise, the Report covers the Group's all operating segments which are also reported in the Group's Annual Report 2022, including trading of beauty products segment and research and development segment, which operate from the offices in Hong Kong and Mainland China. We will expand the scope of disclosure when and where applicable.

REPORTING FRAMEWORK

The Report has prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the Group's corporate governance practices, please refer to the section "Corporate Governance Report" contained in the Group's Annual Report 2022.

During the preparation for this Report, the Group has applied the reporting principles in the ESG Reporting Guide as follows:

Materiality: Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the Report. The materiality of issues was reviewed and confirmed by the Board and Task Force. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

Consistency: The preparation approach of this Report is substantially consistent with that for the financial year ended 31 March 2021 ("2021") to allow for meaningful comparisons on the Group's ESG performance. If there are any changes in the calculation methods that may affect comparisons with previous reports, the Group will provide explanations for the corresponding data.

Balance: This Report aims to provide a balanced representation of the Group's ESG performance. It avoids selections, omissions, or presentation formats that may be inappropriately influencing a decision or judgment by the report reader.

Introduction

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views related to its business and ESG issues. In order to understand and address stakeholders' concerns, we communicate with our key stakeholders, including but not limited to shareholders and investors, customers, employees, suppliers, communities, non-governmental organisations ("NGOs") and media, governments and regulatory bodies.

In formulating operational strategies and ESG measures, we take into account the stakeholders' expectations and strive to improve the Group's performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified key communication channels, shown as below:

| Stakeholders | Key Communication Channels | Expectations and Concerns |
|--|--|---|
| Shareholders and investors | <ul style="list-style-type: none"> Annual general meetings and other shareholder meetings Financial reports Announcements and circulars | <ul style="list-style-type: none"> Compliant operation Accurate, complete and timely information disclosure Corporate sustainability |
| Customers | <ul style="list-style-type: none"> Email | <ul style="list-style-type: none"> Product and service responsibility Customer information and privacy protection |
| Employees | <ul style="list-style-type: none"> Staff appraisals Emails and telephone calls Staff handbook | <ul style="list-style-type: none"> Health and safety Equal opportunities Remuneration and benefits Career development |
| Suppliers | <ul style="list-style-type: none"> Business cooperation | <ul style="list-style-type: none"> Business ethics and reputation Cooperation with mutual benefits |
| Communities, NGOs and media | <ul style="list-style-type: none"> ESG reports Press releases and announcements Annual reports | <ul style="list-style-type: none"> Environmental protection Compliant operation |
| Governments and regulatory authorities | <ul style="list-style-type: none"> Company website Legal counsel Meetings, emails and phone calls | <ul style="list-style-type: none"> Business ethics Compliant operation |

MATERIALITY ASSESSMENT

With reference to the Group's business development strategies and industry practices, the Group identified and determined a list of material ESG issues which cover both the environmental and social aspects and then prepared a questionnaire based on the list. Relevant stakeholders were invited to rate the potential material issues according to the level of importance of the ESG issues to the Group. The results were analysed, reviewed and confirmed by the Board and Task Force and disclosed in this Report.

The following table summarises the Group's material ESG issues included in the Report:

| Material Topics | | |
|--|---|---|
| High | Medium | Low |
| <ul style="list-style-type: none"> • Protection of Intellectual Property Rights | <ul style="list-style-type: none"> • Working Environment • Employment Practices • Health and Safety Management • Training Management • Supply Chain Management • Customer Services • Protection of Privacy • Anti-corruption • Corporate Social Responsibility | <ul style="list-style-type: none"> • Air and Greenhouse Gas ("GHG") Emissions • Waste Management • Resource Consumption • Responding to Climate Change • Prevention of Child and Forced Labour |

As of the end of 2022, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the Report or our performances in sustainable development via email to info@ipb.asia.

Environmental

A1. EMISSIONS

The Group adheres to the strategy of sustainable development in our operations. With the aim to reduce waste generation, resource consumption and GHG emissions, the Group has always been exploring ways of operating with less impact to the environment, recognising the importance of environmental management, and striving to protect the environment in order to fulfil the Group's commitment on corporate social responsibility.

The Group has developed the "Environmental Policy" to meet our environmental objectives in resources conservation, carbon footprint reduction and waste reduction. Under the stringent supervision and guidance, various departments endeavour to implement the policy and ensure all operation processes have complied with the legal requirements. The Group reviews the implementation of the said policy to ensure its effectiveness.

The Group follows the latest national and regional environmental protection laws and regulations, thereby focusing on strengthening environmental protection measures to comply with related local laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance with the laws and regulations in relation to air and GHG emissions, discharge into water and land, and the generation of hazardous and non-hazardous wastes that had a significant impact on the Group, including but not limited to "Environmental Protection Law of the People's Republic of China", "Water

Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" of Mainland China, and "Waste Disposal Ordinance" of Hong Kong.

Air Emissions

As the Group did not involve any manufacturing and production processes, it does not generate a significant amount of air emissions directly during its operations.

GHG Emissions

The principal GHG emissions of the Group were energy indirect (Scope 2) GHG emissions from purchased electricity.

The Group has set an emission target of maintaining or reducing the total GHG emissions intensity by the financial year ended 31 March 2023 ("2023"), using approximately 0.45 tonnes of carbon dioxide equivalent ("tCO₂e")/employee in 2022 as the baseline. The Group actively adopts the following measures to reduce GHG emissions:

- Actively adopt energy conservation measures. Relevant measures are described in the section headed "Energy Consumption" in Aspect A2; and
- Reduce the number of business trips through utilising electronic communication such as video conferences and online meetings.

The summary of the Group's GHG emissions performance¹ is as follows:

| Indicators | Unit | 2022 | 2021 |
|--|-----------------------------|-------|-------|
| Direct (Scope 1) GHG emissions | tCO ₂ e | — | — |
| Energy indirect (Scope 2) GHG emissions — Purchased electricity | tCO ₂ e | 11.26 | 17.00 |
| Total GHG emissions | tCO ₂ e | 11.26 | 17.00 |
| Intensity ² | tCO ₂ e/employee | 0.45 | 0.63 |

Notes:

1. Due to optimisation of the data calculation method during the Reporting Period, the relevant data in 2022 and 2021 cannot be directly compared. GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Bank Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "2021 Sustainability Report" published by the HK Electric Investments Limited and the emission factors of Mainland China regional power grid for "2019 Emission Reduction Project" issued by the Ministry of Ecology and Environment of the People's Republic of China.
2. As of 31 March 2022, the Group had 25 (as of 31 March 2021: 27) employees in total. The data are also used for calculating other intensity data.

Domestic Sewage

The Group does not have any industrial facilities, thus does not consume significant volume of water and does not generate significant amount of sewage discharge. Domestic sewage generated by the Group during daily operation is discharged into the urban municipal sewage pipeline network for processing. The amount of water consumption of the Group represents the wastewater discharge volume. Water consumption data and related targets and measures will be described in the section headed "Water Consumption" in Aspect A2.

Waste Management

Hazardous waste handling method

As the Group's research and development and clinical trial processes are performed by contract research organisations ("CROs") and hospitals, the Group does not directly produce hazardous wastes (such as medical wastes) during our operation. However, it has established guidelines of governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes in order to comply with the relevant environmental laws and regulations.

Environmental

Non-hazardous waste handling method

The Group adheres to the waste management principles and strive to properly manage and dispose all wastes produced in our business activities. Our waste management practice has been complied with related environmental protection laws and regulations. The non-hazardous wastes generated by the Group's business activities mainly consist of paper. After collection and sorting by the Group, such wastes will eventually be collected and processed by general waste service providers. Recyclables will be recycled.

With the aim of minimising the environmental impact of its business operations, the Group has set a target of or maintaining or reducing the total non-hazardous waste intensity by 2023, using approximately 9.18 kg/employee in 2022 as the baseline.

To reduce the non-hazardous wastes, the Group is committed to establishing an electronic automated office. The offices fully utilise the online system, while general

business notices and data transmission are conducted through the Internet system, and has established electronic workflows. Printing and copying are minimised to the largest extent to reduce paper usage, while double-sided printing and reuse of papers are encouraged.

Furthermore, suitable facilities are provided at the offices to encourage employees to sort waste at source and recycle to achieve the objectives in waste reduction, reuse and recycle in its operations. Waste papers are collected and recycled by the administrative department. Reusable paper products, such as briefcases, envelopes, etc. are collected and reused while the use of disposable paper products, such as paper cups and paper towels, are minimised. In addition, the Group also places "Green Message" reminders on office equipment to further increase employee's environmental awareness.

The summary of non-hazardous wastes performance³ is as follow:

| Indicators | Unit | 2022 |
|----------------------------|-------------|-------------|
| Office paper | kg | 229.52 |
| Total non-hazardous wastes | kg | 229.52 |
| Intensity | kg/employee | 9.18 |

Note:

- The Group has improved its data collection system to accurately record the use of paper in the unit of kg. Hence, the relevant data in 2022 and 2021 cannot be directly compared. In 2021, the Group has consumed approximately 40,000 pages of paper and the intensity is 1,481.48 pages/employee. In 2022, the Group has recycled a total of approximately 54.89 kg of paper.

A2. USE OF RESOURCES

The Group upholds and promotes the principle of effective use of resources. We have immediate monitoring on potential environmental impacts in our business operations. As mentioned in Aspect A1, the Group has set out the “Environmental Policy” to manage the use of resources such as water and electricity. Monthly usage statistics are used for focused management of the main energy consumption equipment and regulation of equipment operation for effective resource usage.

Energy Consumption

The major energy consumption of the Group is electricity consumption in daily operation. The Group has set a target of maintaining or reducing the total energy consumption intensity by 2023, using approximately 650.00 kWh/employee in 2022 as the baseline.

The Group has formulated measures to achieve the goal of electricity-saving and efficient consumption. The relevant specific measures are as follows:

- Select energy-efficient equipment and electrical appliances for production, office and domestic electricity use;
- Forbid the use of large-power electrical appliances such as heaters, kettles, refrigerators, etc., to avoid electricity overload;
- Turn off all unnecessary lights, air conditioners, computers and other office equipment in office areas, conference rooms and corridors when they are not in use to avoid waste of electricity;
- Use LED lamps instead of traditional lamps;
- Regulate the use of air conditioners strictly to prevent waste of electricity;
- Turn off computers (host/monitor) when employees go out for a long time, and switch computers to standby or sleep mode when employees go out for lunch; and
- Enhance the maintenance and overhaul of equipment and maintain the best condition of all electronic equipment for effective use of electricity.

The total energy consumption intensity remains stable in 2022 and 2021. The summary of energy consumption performance is as follows:

| Indicators | Unit | 2022 | 2021 |
|--|--------------|-----------|-----------|
| Direct energy consumption | kWh | — | — |
| Indirect energy consumption — Purchased electricity | kWh | 16,250.00 | 17,028.00 |
| Total energy consumption | kWh | 16,250.00 | 17,028.00 |
| Intensity | kWh/employee | 650.00 | 630.67 |

Environmental

Water Consumption

The Group does not have any industrial facilities. Research and development and clinical trial processes are performed by CROs and hospitals. Hence, we only consume fresh water at our office. As the water consumed by our operation is supplied by the municipal water suppliers, there was no significant issue in sourcing water that is fit for purpose. Despite that the Group did not consume significant water in its operation, we understand the importance of conserving water.

The Group has set a target of maintaining or reducing the total water consumption intensity by 2023, using approximately 0.40 m³/employee in 2022 as the baseline. We encourage all employees and customers to develop the habit of conscious water conservation. We have been enhancing our water conservation promotion by posting environmental messages on pantry and washrooms to remind employees to save water.

Due to the optimisation of data collection system, water consumption data are disclosed from 2022 onwards. The summary of water consumption performance is as follows:

| Indicators | Unit | 2022 |
|-------------------------|--------------------------|-------|
| Total water consumption | m ³ | 10.00 |
| Intensity | m ³ /employee | 0.40 |

Packaging Materials

Due to our business nature, the Group does not produce any final products nor does it have any industrial facilities. Therefore, it does not use significant amount of packaging materials during its daily operations.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group focuses on its business impacts brought to the environmental and natural resources and pursues the best practice for environmental protection. In addition to complying with related environmental laws and regulations and international standards for proper natural environment preservation, we have integrated the concept of environmental protection and natural resource conservation into its internal management and daily operations in order to achieve the aim of environmental sustainability. The Group will continue to review its "Environmental Policy" from time to time to mitigate the environmental impacts of its activities through adopting industry best practices, targeted at reduction of natural resources consumption and effective emission management.

Green Working Environment

The Group strives to provide employees with a comfortable working environment to enhance working efficiency. The Group regularly maintain indoor air quality and filters pollutants and dust via air purification equipment and regular cleansing of the air conditioning system. We also maintain office discipline and promote environmental awareness among employees. The Group monitors the conditions and workplace from time to time, sets up emergency plans in advance for risk mitigation, adopts preventive and control measures for problem and risk identification, and deals with the identified problems and potential risks in time to maintain a sound working environment.

A4. CLIMATE CHANGE

The Group recognises that climate change has been affecting our stakeholders, business operations and communities in different aspects. The Group has formulated the "Climate Change Policy" to enhance its ability to respond to climate-related issues and mitigate the risks and impacts of climate change on the Group, thereby building resilience and reducing vulnerability in relation to climate change. In 2022, the Group has identified potential climate risk related to its operation with reference to the Task Force on Climate-related Financial Disclosures ("TCFD") framework, as described below.

Physical Risks

Increasing frequency and severity of extreme weather events such as extreme heat, typhoons and rainstorms, could disrupt the supply of materials and utilities and damage the Group's assets, thus increasing operating costs and increasing repair and replacement expenses. These events could also hamper and injure our employees on the way or during their work. As a countermeasure, the Group has formulated contingency arrangement to reduce or avoid losses when extreme weather events affect the Group's supply chain and/or operating sites. The Group has also purchased insurance and informed employees in advance about arrangements in case of bad weather.

Transition Risks

To achieve sustainable development, governments are enacting climate-related legislation or tightening regulations to support the global vision of decarbonisation. The Stock Exchange has required listed companies to enhance climate-related disclosures in their ESG reports, which may result in increased compliance costs. Failure to meet the climate change compliance requirements may expose the Group to risks of claims and lawsuits. Corporate reputation may also decline. The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risks due to delayed response. In addition, in response to the governments' action plans on carbon reduction, the Group has set targets to reduce energy consumption and GHG emissions. The Group will continue to assess the effectiveness of the Group's actions to address climate change and enhance its resilience against climate-related issues.

Social

B1. EMPLOYMENT

Employees are the greatest and most valuable asset of the Group and our core competitive advantage. Therefore, our success highly depends on the ability to attract, cultivate and retain employees. Hence, the Group has formulated a series of related personnel management policy in its “Staff Handbook” and “Human Resource Management System” to guide employees to actively integrate personal pursuits into the long-term of the Group, to ensure that employees are treated fairly and equally, and that their rights and interests are protected, as well as to address work-life balance. These policies cover topics such as recruitment, promotion, dismissal, compensation, benefits, working hours and rest periods, diversity and equal opportunity, etc.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that had a significant impact on the Group., including but not limited to “Labour Law of the People’s Republic of China”, “Labour Contract Law of the People’s Republic of China” of Mainland China, “Regulation on Work-Related Injury Insurances” and “Employment Ordinance” of Hong Kong.

Due to the optimisation of data collection system, the employment data are disclosed from 2022 onwards. As of 31 March 2022, the Group had a total of 25 employees. Further illustrations of our staff composition during the Reporting Period are as follows:

| | Number of employees |
|-------------------------------|---------------------|
| Total | 25 |
| By gender | |
| Male | 14 |
| Female | 11 |
| By employment type | |
| Full-time | 25 |
| Temporary/Part-time | — |
| By age group | |
| <31 | 2 |
| 31–40 | 5 |
| 41–50 | 8 |
| >50 | 10 |
| By geographical region | |
| Hong Kong | 3 |
| Mainland China | 22 |

Recruitment, Promotion and Dismissal

The Group has continuously established and improved its recruitment system. In the requirement process, we have standardised the hiring procedures and recruitment principles, adhering to the hiring principles of morality, knowledge, ability and experience applicable to the job positions. In such ways to continuously attract talents by upholding principles of justice, fairness, equality and openness.

The Group has implemented a fair and open assessment system to evaluate employees' working performance and internal assessment

results, so as to create opportunities for their promotion and development to explore their potential at work.

The Group specifies the basis and procedures for staff promotion, transfer and demotion management, and regulates departure process to protect the interests of both employees and the Group.

Due to the optimisation of data collection system, the turnover data are disclosed from 2022 onwards. The Group's turnover rate by gender, age group and geographical region during the Reporting Period is as follows:

| Employee turnover rate (%)⁴ | |
|---|-------|
| Total | 7.69 |
| By gender | |
| Male | 6.90 |
| Female | 8.70 |
| By age group | |
| <31 | – |
| 31–40 | 18.18 |
| 41–50 | – |
| >50 | 9.52 |
| By geographical region | |
| Hong Kong | 28.57 |
| Mainland China | 4.44 |

Note:

- Turnover rate = number of departures in the year ÷ ((number of employees at the beginning of the year + number of employees at the end of the year) ÷ 2) × 100%.

Social

Compensation and Benefits

The Group has established a fair, reasonable and competitive remuneration system for salary payments to employees based on fairness, competitiveness, incentives, reasonableness, and legality. Our employees' remuneration comprises basic salary, performance bonus, overtime payment, position subsidy and related subsidies and other various bonuses. In addition, we conduct annual assessments in accordance to the changes in macroeconomic factors (e.g. national policies and price levels), industry and regional remuneration levels, changes in the Group's development strategy and overall effectiveness of the Group, and makes corresponding adjustments to our staff remuneration.

The Group has signed and executed the labour contracts with employees in accordance with the local employment laws. The signing rate of labour contracts is 100%. In accordance with the law, the Group pays "five social insurance and one housing fund" for its employees in Mainland China, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to ensure employees are covered by social insurance.

The Group earnestly safeguards the legitimate interests of labour in accordance with the requirement of the national and local laws and regulations. We respect the rights of employees to rest and leave, regulate their working hours and their rights for various types of rest times and holidays. Following the relevant employment regulations, we implement the paid annual leave policies and pay overtime wages for employees that exceed their statutory working hours. Furthermore, employees are allowed to apply for flexible working schedule based on their working conditions.

Equal Opportunity, Diversity and Anti-discrimination

The Group strictly complies with national and local standards by adopting a fair, equitable and open requirement process and developing relevant policy documents to eliminate discrimination in its operation. Employees face no discrimination regardless of race, sex, colour, age, family background, family background, ethnic tradition, religion, physical fitness and nationality and thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion. In the Group, both male and female employees receive the same remuneration with the same job duties. Through the above measures, we are able to attract professionals with diverse background to join us.

B2. HEALTH AND SAFETY

The Group highly recognises the importance of health and safety of our employees. We are committed to providing employees with a healthy, safe and comfortable working environment and strive to eliminate potential health and safety hazards at the workplace. The Group has established "Health and Operational Safety Policy" on the prevention and remediation of safety accidents, and detection of potential safety hazards in workplace, so as to maintain a safe working environment. During the Reporting Period, the Group did not record any working days lost by the Group due to work-related injuries. No work-related fatalities occurred between 1 April 2019 and 31 March 2022.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to occupational health and safety that had a significant impact on the Group, including but not limited to “Labour Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” and “Fire Protection Law of the People’s Republic of China” of Mainland China and “Occupational Safety and Health Ordinance” of Hong Kong.

Internal Health and Safety Management System

The Group maintains an internal audit and inspection system to safeguard the health and safety of employees during its operation. The review processes are designed to ensure the workplace is under constant monitoring, and to identify and correct the deficiencies that do not meet the standards. We regularly inspect and review the safety issues of offices and actively encourage employees to report any health and safety incidents and risks.

On the other hand, we distribute health and safety information to employees to increase their awareness. We also arrange body checks for employee, particular pay attention to those who have abnormal examination result and provides treatment advice.

Fire Safety

The Group has also formulated rules on fire safety in its “Staff Handbook” in accordance with the local fire safety laws and regulations. Fire drills are conducted to raise employees’ fire prevention awareness, staff are instructed to the correct use of fire extinguishers and our fire evacuation plans are improved. In response to emergencies, our workplace are also equipped and clearly located with first aid kits and fire extinguishers.

Response to the COVID-19 Pandemic

The Group is exposed to the impacts of COVID-19 pandemic. As a member of society, the Group strictly complies with the government measures, both mandatory and voluntary, to fight against pandemic. The Group determines to provide hygienic working environment and take the best measures to protect the employees from health issues brought by pandemic. Our offices are regularly disinfected and staff are allowed to work at home to minimise the risk of transmission of disease at and on their way to their workplace. We have also provided employees with adequate face masks and hand sanitiser. The Group will act against the pandemic proactively according to its own conditions and resources available.

B3. DEVELOPMENT AND TRAINING

Training Management

The Group focuses on the establishment of internal management training and development system. Employees at all levels can satisfy their needs through diverse training courses to enhance their skill sets. Through these training courses, not only do they boost the sustainable development of the Group, but also facilitate employees’ personal growth and development.

Social

To ensure the effectiveness of the training programmes, the Group has stipulated training and development management approach in its "Training and Development Policy". The management formulated the Group's annual training proposal. Regular reviews on the effectiveness of the training courses are conducted by the management to improve the quality of our training system. We provide relevant on-the-job training for employees to enhance their abilities. Through various trainings, employees are able to strengthen related business professional knowledge, professions and management skills. We also provide subsidies and remuneration and promotion incentives to encourage employees to participate in external training courses.

The Group also recognises the importance of occupational safety training to ensure employees' personal safety. The relevant policies have been described in detail in the section headed "Fire Safety" in Aspect B2.

Due to the optimisation of data collection system, training data of employees are disclosed from 2022 onwards. Summary of our training performance during the Reporting Period is as follows:

| | Percentage of employees trained (%) ⁵ | Breakdown of employees trained (%) ⁶ | Average training hours ⁷ |
|-----------------------------|--|---|-------------------------------------|
| Total | 80.00 | N/A | 8.00 |
| By gender | | | |
| Male | 78.57 | 55.00 | 8.57 |
| Female | 81.82 | 45.00 | 7.27 |
| By employee category | | | |
| Senior management | 100.00 | 50.00 | 8.00 |
| Middle management | 50.00 | 25.00 | 4.00 |
| General staff | 100.00 | 25.00 | 16.00 |

Notes:

- Percentage of employees trained = (number of employees trained in the category ÷ number of employees at the end of the year in the category) × 100%.
- Breakdown of employees trained = (number of employees trained in the category ÷ total number of employees trained) × 100%.
- Average training hours completed per employee = number of training hours in the category ÷ number of employees at the end of the year in the category.

B4. LABOUR STANDARDS

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to the prevention of child and forced labour that had a significant impact on the Group, including but not limited to “Labour Law of the People’s Republic of China”, “Provisions on the Prohibition of Using Child Labour” of Mainland China, and “Employment Ordinance” of Hong Kong.

The Group strictly prohibits the use of any child and forced labour within operations. The Group has detailed all recruitment procedures and requirements in the “Staff Handbook”. We require all new employees to provide true and accurate personal information including body check results, academic certificates, identity card and hometown information before commencement of the employment for verification.

Furthermore, employees of the Group work overtime on a voluntary basis to prevent any breach of labour standards. We pay overtime wages for employees that exceed their statutory working hours. We also prohibit any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against its employees for any reason.

Regular reviews and checking are conducted to guard against child or forced labour in our operation. If child labour or forced labour is found to be employed as a result of a breach of the recruitment process, the Group will immediately stop the work of the child labour or forced labour and conduct an investigation. At the same time, the Group also avoids using the administrative suppliers and services from those vendors and contractors with records of using child or forced labour is known.

B5. SUPPLY CHAIN MANAGEMENT

The Group highly values the importance of potential environmental and social risks management in its supply chain. For the effective monitoring of procurement procedures and cost control, increasing management transparency in procurement, we have set the “Sustainable Supply Chain Policy” and “Procurement Policy” which stipulate that the selection of suppliers, CROs and hospitals should take consideration of, but not limited to, price competitiveness, quality, fulfilment of specifications and logistics services. At the same time, we have imposed environmental and social risk control requirements on suppliers, CROs and hospitals. Due to the optimisation of data collection system, supplier data are disclosed from 2022 onwards. As of 31 March 2022, the Group had a total of 24 suppliers in Mainland China, including CROs, hospitals and sample providers for the clinical trial. During the Reporting Period, The Group has implemented the following supplier engagement practices to all suppliers. We regularly monitor the effectiveness of the relevant practices on supply chain management.

Social

Suppliers Assessment

The Group expects suppliers, CROs and hospitals to fulfil the standards of the terms of environment, quality, society, corporate governance and commercial ethnics. We require our suppliers, CROs and hospitals to create positive influences on environmental and social matters, the scopes of which mainly includes operational compliance, employees' security and health, social responsibility, business ethnics and environmental protection. We terminate contracts with those suppliers, research organisations or hospitals who may cause severe contamination or seriously social harms or have caused material environmental or social accidents. With the above assessment processes, we are able to minimise potential environmental and social risks of supply chain.

Fair and Open Procurement

The Group's procurement procedures strictly abide by the "Bidding Law of the People's Republic of China" and other relevant laws and regulations. We make procurement on an open, fair and impartial basis without any discrimination against any particular supplier, CROs or hospitals, nor corruption and bribery. Employees and any party related to the relevant supplier or CROs or hospitals are forbidden to take part in the procurement process. The Group stressed the integrity of its suppliers, CROs and hospitals. We only select those with good business track records, which have no material non-compliance cases or unethical behaviours.

Green Procurement

The Group is committed to supporting local economies by prioritising procurement from local suppliers to reduce the carbon footprint from transportation. The Group continuously monitors the policies implemented by the local government in the locations where it operates. If the information on environmentally friendly products or services are found published by official organisations, the Group will seriously consider adopting the recommendations of official organisations, to purchase goods and services that have less impact on the environment.

B6. PRODUCT RESPONSIBILITY

We actively safeguard the quality of our products with our internal control process. We also maintain ongoing communication with our customers to ensure understanding and satisfaction of their demands and expectations, and to improve our service quality by learning their satisfactory rates. We have established the "Product Responsibility Policy" to standardise procedures for the quality management of products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to product health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that had a significant impact on the Group, including but not limited to "Law of the People's Republic of China on Protection of Consumer Rights and Interests", "Advertising Law of the People's Republic of China", "Patent Law of the People's Republic of China" of Mainland China, and "Personal Data (Privacy) Ordinance" and "Trade Descriptions Ordinance" of Hong Kong.

The Group did not have any recalled products due to safety and health reasons and did not receive any complaints in relation to product and services during the Reporting Period.

Product Quality and Safety

The Group carefully manages and monitors the quality of products. All beauty equipment and products the Group sells are properly labelled to help the Group to keep track of its products. If there are quality issues with the products sold by the Group, the Group will promptly identify the source of defects and the defective batch of products through its tracking system. When necessary, the products will be recalled to rectify the issues and prevent recurrence in the future.

Also, the Group is committed to ensuring the quality and safety of oral insulin products prior to their commercialisation by conducting clinical trials, analysing the results, and obtaining approval from the National Medical Products Administration.

Protection of Intellectual Property Rights

The Group focuses on pioneer innovation in its own research and development. We have sufficient and all-rounded management system for intellectual properties. We continuously strengthen the management of patent rights, non-patent technology, trade secrets and various confidential drawings, procedures, and materials in the research and development processes. Borrowing and using of these information are under strict regulations. Unrelated personnel are prohibited from accessing research results. For new employees, we focus on training their awareness of conserving trade secrets. Our confidentiality-related policies and systems require employees to maintain a high degree of confidentiality and to use and carefully handle trade secret data.

Customer Service

The Group reviews all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines. Appropriate follow-up measures will be taken. If applicable, we will conduct relevant investigations to resolve complaints and make improvements accordingly. We believe that complaints are good opportunities to get feedback from the community and customers, so as to assure the necessity of improving our services and policies.

Customer Privacy Protection

We recognise the protection of customers' and partners' privacy is the key to our success. Therefore, protecting and maintaining customers' privacy always remain in the first priority of the Group. We have established security measures to provide adequate protection and encryption for all data and information upon operation. At the same time, we have established strict policies for the collection and use of personal data.

Advertising and Labelling

The Group emphasises the importance of proper advertising and compliance with relevant laws and regulations regarding media advertisements, and it has established relevant policies and procedures regarding its advertising and labelling practices. The Group also timely responds to feedbacks from audiences or the public.

Social

B7. ANTI-CORRUPTION

The Group believes that a clean corporate culture is the key to our continuous success. Therefore, we stressed on anti-corruption work and system building, devoted to creating a clean and transparent corporate culture. The Group has formulated "Anti-corruption Policy" on the control and prevention of bribery, extortion, fraud and money laundering between shareholders and related parties in each business operation and trade activity.

During the Reporting Period, the Group did not identify any concluded legal cases regarding corrupt practices nor any material non-compliance with laws and regulations in relation to bribery, extortion, fraud and money laundering that had a significant impact on the Group, including but not limited to "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Interim Provisions on Banning Commercial Bribery" of Mainland China, and "Prevention of Bribery Ordinance" of Hong Kong.

Internal Control System

The Group has an Anti-bribery Function, which is responsible for developing the overall framework of anti-bribery, fraud and corruption policies and procedures. It also guides and monitors the implementation of such policies and procedures in different aspects of the Group's operation. Each of the Group's subsidiaries will immediately report any suspected bribery, fraud and corruption to the person in charge of the Group's internal control. The responsible persons of internal control will then conduct further investigation and determine the appropriate course of action if necessary.

Furthermore, we strive to minimise the risk of establishing relationships with individuals or organisations involved in money laundering or terrorist activities through "Know Your Customer" and assessment procedures.

The Group pays great attention on the potential bribery and corruption during the procurement processes. Therefore, we have established relevant management protocols and systems, which are described in the section headed "Fair and Open Procurement" under Aspect B5.

The Group regularly provides anti-corruption training, which covers legal knowledge about anti-corruption and integrity behaviours in the workplace. The anti-corruption training helps to encourage a clean and honest style of work, so that employees can be strict with themselves and fulfil their duties. During the Reporting Period, the Directors and employees of the Group received a total of approximately 64 hours and approximately 8 hours of anti-corruption training respectively.

Whistle-blowing System

The Group has established a whistle-blowing system and designated reporting hotlines, which stipulate the provision of whistle-blowing processes and standard treatment time. The whistle-blowing system allows all employees and independent third parties (including customers, and suppliers) who are in contact with the staff to report negligence, corruption, bribery and other misconduct to the management via anonymous phone call and email. The management will process the reports promptly, fairly and confidentially. On the other hand, the whistle-blowing system also ensures that whistle-blowers will not be treated unfairly because of reports and will not face unfair dismissal, unwarranted disciplinary actions, etc. The Board and the Audit Committee will supervise and review the implementation and effectiveness of the whistle-blowing system on a regular basis.

Corporate Social Responsibility

We hope to foster employees' sense of social responsibility, and therefore encouraged our employees to participate in environmental and charitable activities, make donations to assist underprivileged students and engage in social services during their work and spare time to make greater contributions to the community. We believe that the participation in activities that repay society can increase our employees' civic awareness and establish correct values.

Owing to the outbreak of COVID-19 pandemic, the Group has temporarily suspended the organisation and participation of charitable and voluntary activities during the Reporting Period. Should the pandemic begin to ease off, the Group will reallocate its resources to focus more on community investment activities.

B8. COMMUNITY INVESTMENT

The Group believes in shouldering the responsibility of contributing to society. As a responsible corporate citizen, the Group has adopted the "Community Investment Policy" to fulfil our social responsibilities and support various charitable and community activities. We will seek opportunities to identify suitable projects, especially in the area of life science, and contribute to the community and environment to bring positive progress to society.

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| Mandatory Disclosure Requirements | Sections/Declarations |
|-----------------------------------|--------------------------|
| Governance Structure | ESG Governance Structure |
| Reporting Principles | Reporting Framework |
| Reporting Boundary | Scope of Reporting |

| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|---------------------------------------|---|---|
| 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. | A1. Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | A1. Emissions — Air Emissions (Not applicable — explained) |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | A1. Emissions — GHG Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | A1. Emissions — Waste Management (Not applicable — explained) |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | A1. Emissions — Waste Management |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | A1. Emissions — GHG Emissions |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | A1. Emissions — Waste Management |

| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|---|--|---|
| Aspect A2: Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | A2. Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | A2. Use of Resources — Energy Consumption |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | A2. Use of Resources — Water Consumption |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | A2. Use of Resources — Energy Consumption |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | A2. Use of Resources — Water Consumption |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | A2. Use of Resources — Packaging Materials (Not applicable — explained) |
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | A3. The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | A3. The Environment and Natural Resources — Green Working Environment |

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| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|---------------------------------------|--|---|
| Aspect A4: Climate Change | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | A4. Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | A4. Climate Change — Physical Risks; Transition Risks |
| 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. | B1. Employment |
| KPI B1.1 | Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region. | B1. Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | B1. Employment — Recruitment, Promotion and Dismissal |

| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|---|--|
| 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. | B2. Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | B2. Health and Safety |
| KPI B2.2 | Lost days due to work injury. | B2. Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | B2. Health and Safety — Internal Health and Safety Management System |
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | B3. Development and Training — Training Management |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | B3. Development and Training — Training Management |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | B3. Development and Training — Training Management |

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| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|---|--|--|
| 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. | B4. Labour Standards — Prevention of Child and Forced Labour |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | B4. Labour Standards — Prevention of Child and Forced Labour |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | B4. Labour Standards — Prevention of Child and Forced Labour |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | B5. Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | B5. Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | B5. Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | B5. Supply Chain Management — Supplier Assessment |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | B5. Supply Chain Management — Green Procurement |

| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|---|---|
| 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. | B6. Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | B6. Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | B6. Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | B6. Product Responsibility — Protection of Intellectual Property Rights |
| KPI B6.4 | Description of quality assurance process and recall procedures. | B6. Product Responsibility — Product Quality and Safety |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | B6. Product Responsibility — Customer Privacy Protection |

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| Aspects, General Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|--|--|
| Aspect B7: Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | B7. Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | B7. Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | B7. Anti-corruption — Whistle-blowing System |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | B7. Anti-corruption — Internal Control System |
| 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. | B8. Community Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | B8. Community Investment — Corporate Social Responsibility |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | B8. Community Investment — Corporate Social Responsibility |



INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(於開曼群島註冊成立並於百慕達存續之有限公司)

(Stock Code 股份代號：399)