科伦药业
KELUN PHARMACEUTICAL

SICHUAN KELUN PHARMACEUTICAL CO., LTD

Report 2022 Environment, Social and Governance

ABOUT THIS REPORT

DESCRIPTION OF THE REPORT

This report is the eleventh published by Sichuan Kelun Pharmaceutical Co., Ltd. (Hereinafter referred to as "KELUN PHARMA" "the Company" or "We") to reflect the performance of the Company in environmental, social and corporate governance (hereinafter referred to as "ESG").

The purpose of this report is to provide stakeholders, such as shareholders, employees, governments, clients and consumers, partners and the public, with a true picture of the practice and results of KELUN PHARMA in fulfilling its social and environmental responsibilities.

REPORTING BASIS

This report follows the requirements of the *Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Main Board Listed Companies* , and is reference to the *GRI Sustainability Reporting Standards* issued by the Global Reporting Initiative (GRI Standards 2021) and other related documents and Morgan Stanley International ESG ratings (MSCI ESG rating).

REPORTING SCOPE AND BOUNDARIES

This report is an annual report covering the financial year from January 1, 2022, to December 31, 2022 (hereinafter referred to as the "reporting period"), and some of the associated information may be retroactive beyond the reporting period. The policy and data provided in this report cover the Company and its subsidiaries, and the report's scope is consistent with the Annual Report. Apart from the special description, the financial unit of this report is in RMB, whichever is inconsistent with the financial report shall prevail. The data and cases in this report are mainly derived from our statistical reports and related documents.

CONFIRMATION AND APPROVAL

The Board of Directors of the Company undertakes that this report does not contain any false records, or misleading statements and is responsible for the authenticity, accuracy and completeness of its contents.
This report was adopted by the Board of Directors on 12 April 2023, following confirmation by the management.

PUBLICATION AND ACQUISITION OF THIS REPORT

This report is available in simplified Chinese and English. For online browsing or downloading, please visit the website of Sichuan Kelun Pharmaceutical Co., Ltd. (www.kelun.com) or http: //www.cninfo.com.cn. If there is any ambiguity between Chinese and English, the Chinese version shall prevail. If you want to learn more about us, please read the Company's annual report or visit the Company's website to supplement it.

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MESSAGE FROM OUR CHAIRMAN

Along with the coming dawn of the new century, we have enough reasons to believe that the perfect combination of scientific technology and ethics is human beings' lofty ideal in their survival and development. Just as implied by its big name, Kelun's credo, "Pursue Truth in Science and Kindness in Ethics" shows the profound cultural connotation of Sichuan Kelun Pharmaceutical.

Sichuan Kelun Pharmaceutical, set up by my outstanding colleagues and myself, is a modern pharmaceutical enterprise with a beautiful environment and excellent facilities. Our technical talents persistently work hard to develop new medicines with excellent quality and practice the far-reaching ambition of serving the country by developing the industry.

Among the numerous tribulations of human beings, diseases are the most dangerous disasters. Being honored to be the guards of human lives, we are determined to take part in the fight to conquer diseases with colleagues in the field of medicine side by side and strive to return health and happiness to millions of patients and their families. We firmly believe our effort will promote the progress of medical technology, and thus benefit all human beings.

Sichuan Kelun Pharmaceutical Co., ltd. message

ABOUT KELUN PHARMA

Company Name: Sichuan Kelun Pharmaceutical Co., ltd.
Stock Code: 002422.SZ

Founded in 1996, KELUN PHARMA is one of the complete sizeable pharmaceutical enterprise groups in China, spanning the fields of pharmaceutical R&D, pharmaceutical manufacturing, and commercial distribution. The Company is mainly engaged in the research and development, production and sales of 23 types of pharmaceutical products, including large-capacity injection (infusion), small-capacity injection (water injection), sterile powder for injection (including powder injection and lyophilized powder injection), tablets, capsules, granules, oral liquid, peritoneal dialysis fluid, antibiotic intermediates, APIs and pharmaceutical packaging materials. The main products cover anti-tumor, cardiovascular, anesthesia and analgesia, psychiatric, anti-microbial, nutritional infusion, respiratory, anti-osteoporosis, male specialty, diabetes, water and electrolyte balance, diagnostic imaging, hepatitis B and other disease areas, and actively expand the breadth and depth of drug coverage. As of the end of the reporting period, our products have been sold in more than 50 countries and regions and enjoy a good reputation. We will continue to strive to meet more levels and diversify medical needs.

CORE DATA

18.913 billion RMB business income

1.709 billion RMB net profit

1.815 billion RMB investment in R&D

15.751 billion RMB net assets

18,400 total employees

616 pharmaceutical products

50+ countries & regions of product sales

- Pursuing Truth in Science
- Kindness in Ethics
- Corporate Purpose
- Corporate Strategy
- Three Driving Engines
- Innovative Growth

THREE DRIVING ENGINES

1

"Engine No. 1" - KELUN PHARMA maintains its leading position in the area of IV Solutions through continuous industrial upgrading and restructuring product portfolio.

2

"Engine No. 2" - KELUN PHARMA creates a competitive advantage in antibiotics from intermediate, APIs to FPPs by innovative exploitation of quality natural resources.

3

"Engine No. 3" - KELUN PHARMA strives for longevity through the elaboration of R&D systems and diversified technology innovation.

2022 PARTIAL EXTERNAL RECOGNITION

CERTIFIED NAME	Awarding Organization
Best Practices for Directors' Office of Listed Companies	China Association for Public Companies
Rating A for Information Disclosure	Shenzhen Stock Exchange
Best Value Team for Transferring IR of the Year	comein.cn
Most Socially Responsible Listed Company	National Business Daily
Outstanding Responsible Enterprise of the Year in Pharmaceutical Manufacturing Corporate Social Responsibility List	Southern Weekly China CSR Research Center
No. 19 in China's Top 100 Pharmaceutical Industry Enterprises of the Year	China Pharmaceutical Statistics Annual Report
Outstanding Entrepreneur of the Year Award for Listed Companies	Shanghai Securities News
"Golden Quality" Entrepreneur of the Year	Shanghai Securities News
Annual "Gongga Peiyu" Enterprise in Sichuan Manufacturing Industry	Sichuan Provincial Economic And Information Department
Certified Supplier in China Manufacturing Network	Made-in-china.com
Best Industrial Enterprise of China Pharmaceutical R&D Product Line of the Year	China National Pharmaceutical Industry Information Center
Annual Top10 Big Pharma Enterprise Innovation in China	"Expert Committee of "China Top 100 Biomedical Enterprises Innovation List

01

FULFILLMENT OF RESPONSIBILITIES IN ACTION TO ENHANCE GOVERNANCE CAPACITY

"We are committed to maintaining high corporate governance, acting with integrity and ethics, deeply integrating business development with the Company's values, compliance requirements, external initiatives, international guidelines, and customer expectations, and laying the foundation for a high-quality, sustainable business.

CORPORATE GOVERNANCE

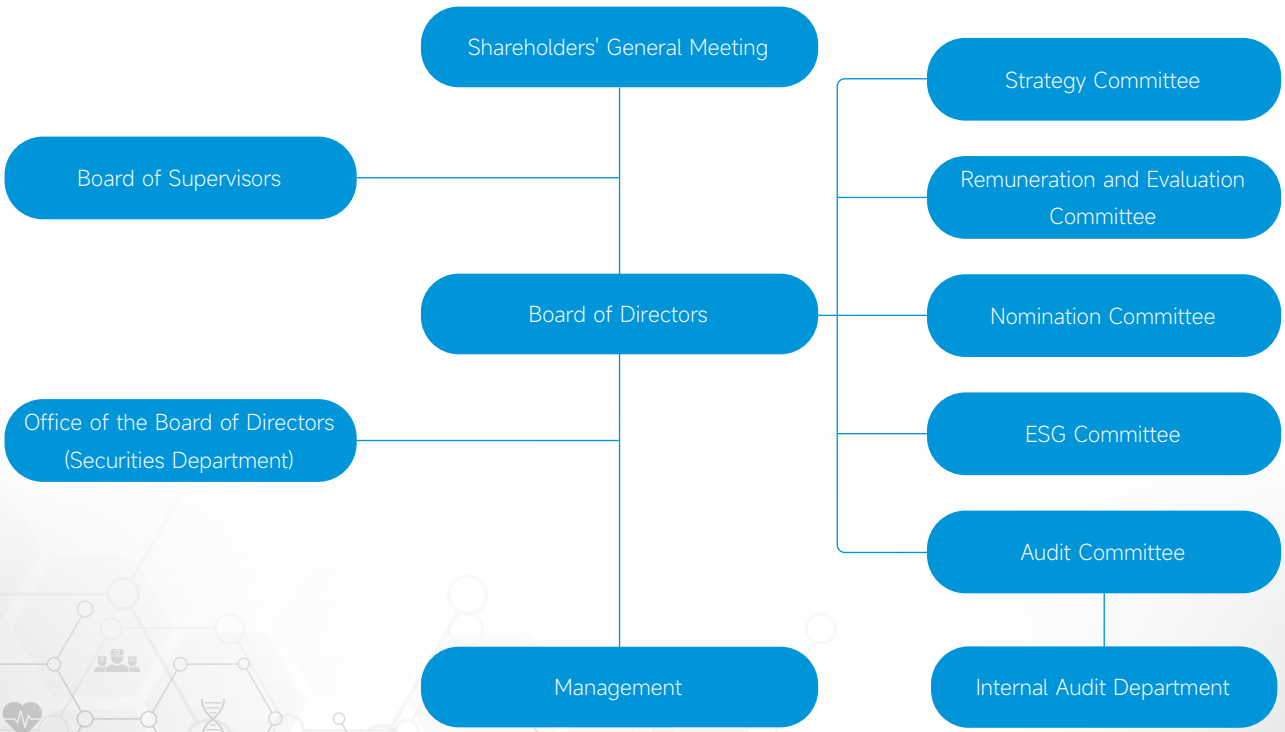
We strictly follow the laws and regulations such as *The Company Law of the People's Republic of China, The Securities Law of the People's Republic of China,* and other regulatory requirements such as *The Code of Governance for Listed Companies* and *The Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange* to build a corporate governance structure, improve the information disclosure management system, improve investor management work and strengthen internal control and risk management supervision to regulate corporate operations and maintain healthy and stable development.

CORPORATE GOVERNANCE

The Company has established a corporate governance structure consisting of the Shareholders' General Meeting, the Board of Directors and its special committees, the Board of Supervisors, and the operational management, which strictly complies with relevant laws, regulations, and rules of procedure. During the reporting period, each level performed its own duties and responsibilities and maintained checks and balances on each other to ensure the efficiency and standardized operation of the Company.

As of the end of the reporting period, the Board of Directors of the Company consisted of eight members, of which three independent directors are professionals in the fields of accounting, law, and economics and serve as the chairman of the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee, with the majority of independent directors in each of the above-mentioned professional committees to further enhance the effectiveness of the Board's governance and to continuously improve the corporate management structure, an Environmental, Social, and Governance (ESG) Committee was established.

ORGANIZATIONAL CHART OF SICHUAN KELUN PHARMACEUTICAL CO., LTD.



MANAGE INFORMATION DISCLOSURE

The Company fulfills its information disclosure obligations in strict accordance with the *"Information Disclosure Management System," "Annual Report Information Disclosure Material Errors Accountability System," "Material Matters Reporting System," "Information Disclosure Suspension and Exemption Management System"* and other systems, and designates Securities Times, Shanghai Securities News, Securities Daily, China Securities Journal and "cninf " as the Company's information disclosure newspaper and website.

In addition, the Company actively innovates the form and content of information disclosure, strengthens voluntary information disclosure, and adopts various ways to release information that does not meet the information disclosure standards of listed companies, such as the Company's official website, special media reports and WeChat official accounts, so that investors can understand the Company's situation more comprehensively and deeply, and actively safeguards the right to information of the general investors.

During the reporting period, the Company disclosed a total of 263 pieces of essential information, such as periodic reports and interim announcements, fulfilling its information disclosure obligations in an authentic, accurate, and complete manner and receiving the highest rating of "A" for information disclosure by Shenzhen Stock Exchange for two consecutive years starting from 2021.

MAINTAIN INVESTOR RELATIONS

The Company strictly implements *The Investor Relations Management System*. It actively interacts with investors by issuing announcements, holding performance presentations, participating in institutional research, responding to questions on the interactive platform of the Shenzhen Stock Exchange (SZSE), answering calls from investors, and replying to investors' emails. During the reporting period, the Company received more than 1,000 interviews and investigations from significant media and intermediaries and produced more than 100 press releases of various types; the response rate of SZSE Interactive and emails reached 100%; more than 100 telephone inquiries were received from the hotline, strengthening the communication with investors through multiple channels and further consolidating the Company's investor relations work.

2021 Annual General Meeting of Shareholders on 5 May 2022

COMPLIANCE OPERATIONS

We insist on proactively turning external compliance requirements into internal management driving force, establishing a sound integrity and anti-corruption management system, clarifying employee professional norms, and participating in business activities fairly to ensure healthy corporate operations. During the reporting period, no illegal operation incidents occurred.

INTERNAL CONTROL AND RISK MANAGEMENT

By the requirements of *The Company Law, The Securities Law, The Rules for the Listing of Stocks on the Shenzhen Stock Exchange, The Basic Standards for Enterprise Internal Control,* and other relevant laws and regulations, KELUN PHARMA prepares *The Internal Control Manual, The Implementation Plan for Internal Control Management, The Compliance System Documents of Kelun Pharmaceutical Co., ltd*. We have organized annual revisions to ensure the effectiveness of the design and implementation of internal controls. During the reporting period, we further improved our internal compliance management system and strove to strengthen the compliance capability of KELUN PHARMA in all aspects.

KELUN PHARMA COMPLIANCE MANAGEMENT SYSTEM

QUALITY COMPLIANCE

We always put quality compliance as the priority in production. We have established a closed responsibility system for pharmaceutical without breakage and obstacles from research and development, manufacturing, logistics, and transfer to end users.

MARKETING COMPLIANCE

Through enhanced reporting, auditing, and training mechanisms, we provide specific gatekeeping on compliance details in the marketing business and supervise and guide business units to operate in compliance.

EHS COMPLIANCE

In constructing safety, environmental protection, and health compliance systems, we have established a supporting management mechanism that includes the four aspects of "acquisition, study, self-assessment and review" of regulations.

TAX COMPLIANCE

Establish company-wide unified financial accounting and tax treatment norms, and promote the financial compliance capability of each member company through review of significant tax matters of subsidiary companies and evaluation of financial management.

PARTNER COMPLIANCE

Sign sunshine agreements with partners and express anti-commercial bribery clauses in the signed contracts. Provide compliance training to partners through compliance material promotion and other means.

Since 2020, we have designated the second quarter of each year as the "Kelun Compliance Season," organizing a series of compliance activities to let the Company's compliance management requirements reach the hearts of our employees and guide their work. During the reporting period, we held training on antitrust and legal compliance, and no embezzlement or misappropriation cases occurred. The Company will continue to promote the construction of internal control, standardize operations, make scientific decisions, operate in compliance, ensure the design and operation of the internal control system are effective and promote the continuous improvement of internal control management. In 2022, 2,302 new entries signed The Employee Acknowledgement, 5,162 people attended compliance training, and 9,439 hours were accumulated.

BUSINESS ETHIC RISK AND TRAINING

KELUN PHARMA insists on operating in good faith and by the law, strictly complies with the *"Anti-Money Laundering Law of the People's Republic of China," "Anti-Unfair Competition Law of the People's Republic of China"* and other laws and regulations, and has formulated an internal compliance management system such as the *"Anti-Fraud System of Sichuan Kelun Pharmaceutical Co., ltd. ", the "Trade Secret Protection and Non-competition System of Sichuan Kelun Pharmaceutical Co., Ltd."*, and clarifies the relevant requirements for anti-bribery and anti-corruption. The Company's employees from appropriating or misappropriating the Company's property by making use of their official convenience or influence; prohibiting the illegal transfer of the Company's interests to third parties or seeking improper benefits for third parties to the detriment of the Company's interests; prohibiting the Company's employees from accepting bribes or receiving other improper benefits in any way by making use of their official convenience or influence.

During the reporting period, there was no litigation case or administrative punishment related to corruption in the Company.

2022 EMPLOYEE ANTI-FRAUD TRAINING

Number of employees participating in anti-fraud training (persons) **11,051**

Total number of hours employees participated in anti-fraud training (hours) **10,840**

The participation rate of employees at the senior management level in anti-corruption education (%) **100%**

Total number of hours of anti-corruption education participated by employees at senior management level (hours) **124**

PHOTO CASE

Anti-fraud training for new employees

Anti-fraud training for all employees

ANONYMOUS REPORTING PROTECTION SYSTEM

We welcome real-name or anonymous reporting, and in the *"Sichuan Kelun Pharmaceutical Co., Ltd. anti-fraud system" "Sichuan Kelun Pharmaceutical Co., Ltd. whistleblower protection and reward system"* to develop the protection measures for whistleblowers, firmly abide by the principle of confidentiality, to ensure that the true identity of the whistleblower is not disclosed, not to disclose relevant information to be kept confidential to anyone. Employees and social parties with whom the Company has direct or indirect business relations can report information about actual or suspected fraud cases of the Company and its staff through various channels such as phone, WeChat, e-mail, and letters. The Company implements strict anti-retaliation measures, and if it is found that there is irregular leakage of information and retaliation against the whistleblower, the relevant personnel will be dismissed. The criminal responsibility will be investigated if it constitutes a crime according to the law.

LEAD PARTY BUILDING

As one of the first private enterprises in Sichuan Province to set up a party organization, KELUN PHARMA has permanently attached great importance to party-building work during its 20 years of progress, placing the construction of the party and the economic structure of the enterprise on an equally important position, adhering to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, constantly innovating the ideas of party building work, promoting the deep integration of party building and enterprise development, and leading the Company to achieve high-quality growth.

CASE | ZHEJIANG KELUN MEDICAL TRADE ORGANIZED A STUDY SESSION ON THE THEME OF THE 20TH REPORT

To firmly follow the Party, sincerely implement the study of the spirit of the 20th Party Congress, and motivate the majority of party members and cadres to firm ideals and beliefs, Zhejiang Kelun Medical Trade organized the "20th Congress Report Theme Study Session" in November 2022, a total of more than 90 employees attended the meeting.

Zhejiang Kelun Medical Trade 20th Congress Report theme study session

CASE | KELUN PHARMA HELD A SUCCESSFUL PARTY-BUILDING ACTIVITY ON JULY 1

To celebrate the 101st anniversary of the founding of the Communist Party of China and further strengthen the construction of grass-roots party organizations, a party building activity on July 1 organized by the Party Committee of KELUN PHARMA was successfully held at the Jianchuan Museum in Dayi, Chengdu, China in June 2022.

July 1 party building activities of KELUN PHARMA

ESG MANAGEMENT

Only companies with a sense of mission and responsibility and who insist on creating long-term, shared value for society and multiple stakeholders will succeed in this new development stage. KELUN PHARMA continues to promote the deep integration of ESG and business operations, incorporating the characteristics of the pharmaceutical industry in practice, integrating national strategies into business operations, and actively practicing national processes such as shared prosperity and green development.

ESG GOVERNANCE STRUCTURE

On October 31, 2022, the Board of Directors approved the establishment of an Environmental, Social, and Governance (ESG) Committee ("ESG Committee") and the formulation of working rules to address the complex and changing environment and rising external expectations. During the reporting period, the Company has formed a three-in-one ESG governance structure covering decision-making, management, and execution.

ESG COMMITTEE

LEVELS	MEMBERS	RESPONSIBILITIES
First Level Board of Directors	Members of the Board of Directors	Review and approve the Company's ESG strategy and objectives and significant matters related to social responsibility.
Second Level ESG Committee	Elected by the Board of Directors from among the members of the Board of Directors	Formulate ESG management policies, objectives, strategies, and structures; identify ESG trends and assess ESG risks and opportunities facing the Company; supervise and guide the work of ESG working groups.
Third Level ESG Working Group	The head of the group is the general manager of the Company, and the members are the heads of the functional and business departments of the Company	Formulate policies and implementation plans in line with the Company's strategy and ESG objectives; manage ESG-related risks and issues in the Company's daily operations; coordinate and promote the implementation of ESG-related problems; prepare annual ESG reports, etc.

ESG MANAGEMENT STRATEGY

KELUN PHARMA actively fulfills its social responsibility and has established a new ESG governance structure to review and manage its ESG performance by formulating *The Social Responsibility Management System* and *The Working Rules of the Environmental, Social, and Governance (ESG) Committee*. The Board of Directors has authorized the ESG Committee to oversee ESG work comprehensively, conduct ESG communication meetings annually to discuss ESG-related issues, and formulate and regularly review the implementation of ESG-related problems.

ESG COMMITTEE KEY RESPONSIBILITIES

1. We review the Company's ESG-related performance and reporting and making recommendations to the Board.
2. We are responsible for formulating corporate environmental, social and governance management policies, objectives, strategies and structures to ensure compliance with the legal and regulatory requirements of the company.
3. We identify and evaluate ESG-related risks and opportunities that have a significant impact on the Company's business, and guide management in responding appropriately to ESG risks and opportunities.
4. We identify, evaluate and regularly review the Company's communication channels and ways with stakeholders to ensure effective communication between the Company and stakeholders.
5. We oversee and guide the ESG Working Group to fully implement the company's strategy and related actions.
6. We review the Company's disclosures and report to the Board of Directors and make recommendations.
7. We review and evaluate the Company's performance to ensure that the Committee's operations are effective and report to the Board of Directors and make recommendations.
8. Other matters as authorized by the Board.

ANALYSIS OF MATERIAL TOPICS

To pinpoint the direction of ESG management practice and improve the accuracy of ESG issue-based management, we have established a materiality analysis process to define material ESG issues that are effectively relevant to the sustainable development of the Company and its stakeholders. By referring to *The Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies on the Main Board* and The Global Reporting Initiative (GRI) *Sustainability Reporting Standards* and benchmarking with outstanding companies in the industry, the Company has identified 24 potentially significant issues were identified by benchmarking with the best companies in the industry.

IDENTIFICATION

In-depth interpretation of international standards and macro policies, in-depth analysis of industry hotspots and peer practices, and identification of ESG topics based on their business development strategies and characteristics.

ASSESSMENT

Through questionnaires and departmental interviews, internal and external stakeholders were invited to evaluate each topic's importance level.

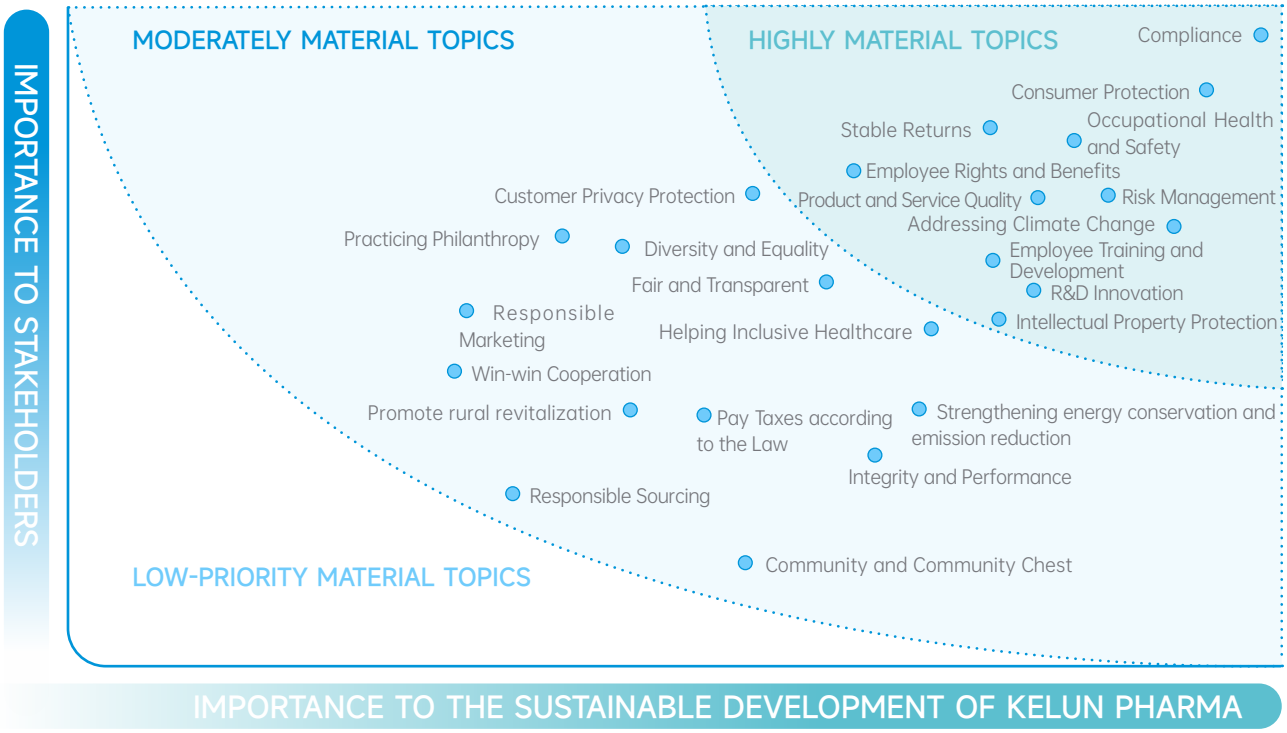
DISCLOSURE

The Company's management reviews and confirms the results of evaluating material topics and makes the material topics the focus of disclosure in this report.

IMPROVE

Review the evaluation results of material topics and identify room for improvement.

MATRIX OF KELUN PHARMA ESG MATERIAL TOPICS



STAKEHOLDER COMMUNICATION

KELUN PHARMA attaches great importance to the diversified demands of its stakeholders. Through the establishment of various communication channels, we listen to the opinions of our stakeholders regarding the Company's sustainable development and use them as an essential basis for improving our operating policies and sustainable development strategies.

STAKEHOLDERS	TOPICS OF INTEREST	COMMUNICATION AND RESPONSE
EMPLOYEES	◎ Employee Training and Development ◎ Employee Rights and Benefits ◎ Diversity and Equality ◎ Occupational Health and Safety	◎ Trade Union and Staff Council ◎ Employee Satisfaction Survey ◎ Complaints and Feedback ◎ Staff Training and Development ◎ Support for Employees with Difficulty
CUSTOMERS	◎ Product and Service Quality ◎ R&D Innovation ◎ Responsible Marketing ◎ Consumer Protection ◎ Intellectual Property Protection ◎ Customer Privacy Protection	◎ Regular Visits ◎ Technical Seminars ◎ Customer Service Hotline ◎ Customer Satisfaction Survey
SUPPLIERS AND PARTNERS	◎ Responsible Sourcing ◎ Fairness and Transparence ◎ Integrity and Performance ◎ Win-win Cooperation	◎ Bidding Meetings ◎ Supplier Training ◎ Industry Forums
SHAREHOLDERS AND INVESTORS	◎ Risk Management ◎ Compliance ◎ Stable Returns	◎ Shareholders' Meeting ◎ Earnings Presentation ◎ Investor Exchange Meeting ◎ Disclosure of Information by Listed Companies ◎ Telephone and Email Communication ◎ Research Roadshow
GOVERNMENT AND REGULATORY AGENCIES	◎ Compliance ◎ Pay Taxes according to the Law	◎ Institutional Visits ◎ Work Report ◎ Policy Implementation ◎ Site Visits
ENVIRONMENT	◎ Addressing Climate Change ◎ Strengthening Energy Conservation And Emission Reduction	◎ Implementing Environmental Policy ◎ Environmental Information Disclosure ◎ Green Office
COMMUNITY	◎ Helping Inclusive Healthcare ◎ Promoting Rural Revitalization ◎ Practicing Philanthropy	◎ Volunteering ◎ Public Welfare Activities ◎ Exchanging Interviews

02

INSIST ON QUALITY ASSURANCE AND SOLID INDUSTRIAL FOUNDATION

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The industry is the foundation of an enterprise, and a strong foundation is necessary for sustainable development. We pursue excellence and innovation, continuously develop new products, and strictly control product quality to provide quality products and services to our customers. We actively promote responsible sourcing to constantly improve our core competitiveness and lead the development of China's pharmaceutical industry.

OUTSTANDING PRODUCT QUALITY

Quality is the lifeline of a pharmaceutical enterprise and is related to the safety of medicines for the public. Since its establishment, KELUN PHARMA has firmly established a "Grand Quality Management System", always complying with the *Drug Administration Law of the People's Republic of China, Drug Manufacturing Quality Management Code, Drug Operation Quality Management Code, Pharmacovigilance Quality Management Code* and other laws and regulations, taking product quality as its first core competitiveness and establishing a reliable quality control. We have established a reliable quality control and quality testing system to ensure that the drugs produced by all member enterprises are safe and effective, and to effectively solve public medical and health problems.

GRAND QUALITY MANAGEMENT SYSTEM

Grand Quality Management System: Every employee of KELUN PHARMA must establish a grand quality concept - drug quality and safety has multi elements and dimensions. In this sustainable and circular ecosystem, a closed responsibility system must be formed from research and development, manufacturing, and logistics transport, to end use, which is unbreakable and unobstructed.

RESEARCH AND DEVELOPMENT (R&D) INNOVATION

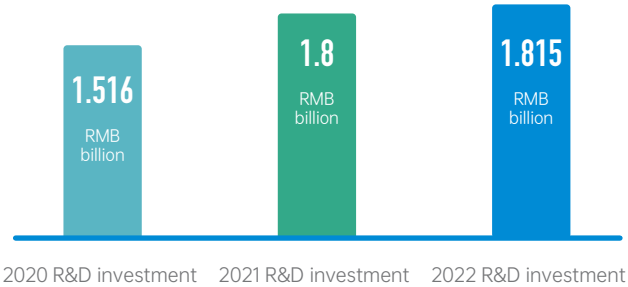
Since the reform of the pharmaceutical industry, KELUN PHARMA has actively responded to the risks and opportunities brought about by the changes in the industry and adhered to its "innovation-driven" strategy. We have invested over RMB10 billion in R&D since our IPO, and promote a comprehensive R&D pipeline. In addition, we have built an intensive R&D system with the Chengdu Research Institute as the core and the Suzhou and New Jersey Research Institutes as the two wings, forming a new R&D model led by domestic forward R&D and supported by foreign technology feedbacks. This provides a strong guarantee for innovative R&D and accelerating the pace of international operations.

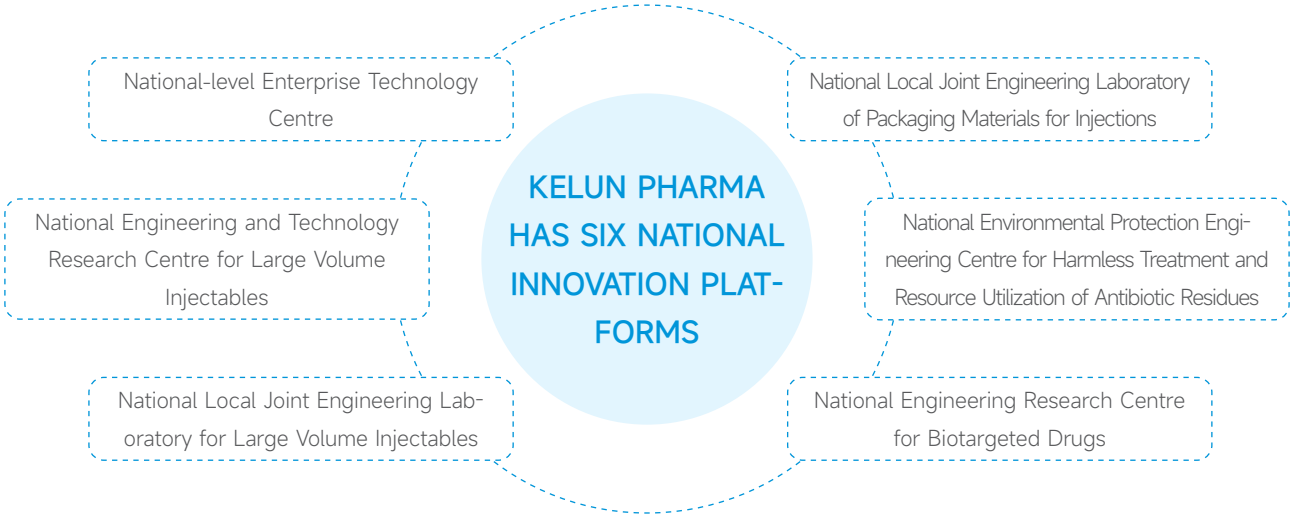
BIG DATA

In 2022, we invested **1.815** billion in research and development, an increase of **0.85%** year-on-year.

Since 2013, we have invested a cumulative total of over **10** billion RMB in R&D innovation.

R&D INVESTMENT





R&D DIRECTION LAYOUT

KELUN PHARMA efficiently integrates domestic and international resources to achieve full alignment with the international advanced level in terms of global R&D innovation dynamic information, generic and innovative drug development technology platform and functional system construction.

We now have over 2,500 R&D staff. In addition, we focus on the development of branded generic drugs, high-end infusion solutions, novel drug delivery systems, innovative small molecules and biotechnology drugs that are in urgent clinical need. We have rapidly completed the construction of several major technology platforms and the layout of drugs for the treatment of major diseases, taking into account the near, medium and distant future, domestic and foreign, generic and innovative, large and small molecules and drug delivery systems, and other drug categories.

KELUN PHARMA HAS BUILT UP A TECHNOLOGY AREA WITH AN EFFICIENT R&D TEAM AND A HIGH-LEVEL TECHNOLOGY PLATFORM

INNOVATIVE DRUG DEVELOPMENT PLATFORM						
ADC and novel antibody-coupled drug platforms	Biomacromolecular Antibody Platform	Innovative Small Molecule Drug Platform	Translational Medicine Platform	Clinical Research Platform	CMC Platform	Others

GENERIC DRUG DEVELOPMENT PLATFORM								
Parenteral nutrition multi-chamber bag platform	Powder-liquid dual chamber bag platform	Albumin Nanoparticle Platform	Liposome platform	Film/ sticker platform	Inhalation formulation platform	Contrast agent platform	Microcrystalline platform	Others

INNOVATIVE PHARMACEUTICAL SECTOR

As at 31 March 2023, we focused on research progress in global R&D hotspots and important disease areas, around unmet clinical needs worldwide. We innovatively developed a pipeline layout of **33** projects (including 9 innovative small molecule drugs and 24 biologic drugs), mainly focusing on oncology, while also covering diseases in our own areas of immunity, inflammation, and metabolism, forming disease clusters and product iteration advantages. We mainly promoted **14** innovative clinical projects, as well as developing **5** innovative preclinical stage projects and **14** drug discovery stage projects.

KEY INNOVATION DRUG DEVELOPMENT PROGRES

- SKB264 (TROP2-ADC): SKB264/MK2870 is a new generation of antibody-coupled drugs (ADCs) combining a humanised monoclonal antibody targeting TROP2, an enzymatically cleavable Linker and a novel topoisomerase I inhibitor, all of which are proprietary to Kelun Botai. It combines the specificity of a monoclonal antibody to a tumour cell surface target antigen with the efficiency of a cytotoxic drug. Based on preliminary clinical data, SKB264 is currently in Phase II and Phase III clinical trials for multiple tumour types as a single agent/combination. Based on data from the Phase II extension study of SKB264, SKB264 has received Breakthrough Therapy designation from the NMPA Centre for Drug Evaluation (CDE) of the National Drug Administration and is being used for the treatment of locally advanced or metastatic triple-negative breast cancer (July 2022) and locally advanced or metastatic EGFR-mutated non-small cell lung cancer that has failed EGFR-TKI therapy (January 2023).

- A166 (HER2-ADC): Using a new generation of ADC technology, it stabilizes linker conjugated antibodies and toxins, reduces the rate of toxin detachment, improves tolerance and safety, and improves drug efficacy. The first indication HER2+breast cancer single arm key phase II study has completed the enrollment of all patients and has been submitted to pre-NDA for communication. Other Phase Ib expansion studies are being carried out as planned. A166 the clinical scheme of breast cancer phase III research and regulatory communication was approved to be carried out.

- A167 (PD-L1 monoclonal antibody): A167 is the first innovative project of Botai Biology to enter the new drug application stage, and it is the first PD-L1 monoclonal antibody to apply for NDA on the indications for nasopharyngeal carcinoma. The pre market review of the NDA application for the key phase II of nasopharyngeal carcinoma has been completed: the submission of supplementary information has been completed, and the registration and GMP compliance on-site inspection has been passed. A phase III registration study for first-line treatment of nasopharyngeal carcinoma is in progress.

- A140 (EGFR monoclonal antibody): A biologically similar drug of cetuximab, which has been enrolled in the original head-to-head phase III study.

- A223 (JAK1/2 inhibitor): The phase II study of rheumatoid arthritis has been enrolled, and a CDE consultation application for registered clinical research has been submitted; The expanded indication of alopecia areata was approved by NMPA for IND in March 2022, and the enrollment work was promoted as planned.

- A277 (outer circumference κ Opioid receptor agonists): The phase II study of uremic pruritus is in the central start-up stage.

GENERIC DRUG SECTOR

Since its transformation in 2012, our generic drug development has successfully achieved metamorphosis from pure infusion to comprehensive, integrated and internal development. While further consolidating our industry-leading position in China's infusion market, we have established our core product clusters in the disease areas of parenteral nutrition, bacterial infection and fluid balance. At the same time, we began to progressively strengthen the disease areas of anaesthesia and analgesia, reproductive health, diabetes and contrast. From January 1, 2022, to March 31, 2023, the Company has obtained production approval for **38** drugs ,clinical approval for **3** drugs, and submitted production applications for **41** drugs. KELUN PHARMA has established more than **30** NDDS and improved innovation pipelines in recent years, with **7** projects making significant progress, such as the approval for market launch of albumin-bound paclitaxel for injection, and the clinical approval of aripiprazole orally disintegrating film and docetaxel injection with albumin. Four other projects are currently undergoing clinical research (long-acting injections of aliped and paliperidone, fat emulsion injections of clopidogrel bis-acid and long-acting injections of progesterone).

IMPORTANT DRUGS APPROVED FOR SALE INCLUDE

- 10 projects, including compound amino acid (15) dipeptide (2) injection, lactate ring cyclopropane levofloxacin chloride injection, azithromycin dispersible tablets, and injection of cefoperazone sodium and sulbactam sodium, passed consistency evaluation (including those approved under a new registration classification).
- Successive approvals of projects such as medium- and long-chain fat emulsion/amino acid (16)/glucose (36%) electrolyte injection, medium- and long-chain fat emulsion/amino acid (16)/glucose (30%) electrolyte injection, citric acid sildenafil buccal tablet, shugengpudun sodium injection, posaconazole oral suspension, gadoterol injection, further strengthened the company's product pipeline in the fields of parenteral nutrition, reproductive health, anaesthesia and analgesia, anti-infection and diagnostic imaging.
- The inhaled ipratropium bromide solution is KELUN PHARMA's first approved inhalation preparation, marking the company's formal entry into the field of COPD.
- Injection of ceftriaxone sodium and sodium chloride injection is the second powder-liquid double-chamber bag approved by the company.

INTELLECTUAL PROPERTY PROTECTION

Intellectual property rights are a core strategic resource for enterprises, as well as an important component for maintaining comprehensive competitiveness. KELUN PHARMA continuously improves its own innovation capability, such as by increasing the development of innovative drugs and emphasizing the protection of its intellectual property system. We implement various laws and regulations, such as the *Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Enterprise Intellectual Property Management Guidelines*, and have issued multiple relevant regulations including the *Intellectual Property Management Measures, Patent Affairs and Statistical Management Measures (Trial), Patent Application and Reward Management Processes*, and *Patent Transfer and Licensing Management Processes*. In addition, we have established a scientific and comprehensive intellectual property management system, an intellectual property infringement warning mechanism, and a risk monitoring mechanism. We comprehensively use intellectual property systems such as patents, trade secrets, and trademarks to protect our own intellectual property rights, while also ensuring that we respect the intellectual property rights of others.

During the process of exploring new markets, we have also established a mechanism for overseas intellectual property layout, making advance planning for subsequent entry into overseas markets. At the same time, we continue to pay attention to changes in domestic and foreign situations, regularly conduct various benchmarking studies and training, and build a strong team of intellectual property personnel. As of the end of the reporting period, we have about 18 full-time intellectual property professionals, of whom 13 have patent agent qualification certificates.

PATENT ACHIEVEMENTS

As of December 31, 2022, we have a total of **4,387** patent applications, and the number of patents granted has reached **2,084**.

INNOVATION TRANSLATION

With sustained and high-intensity investment in research and development, Kelun Pharma has built a highly competitive R&D system. We have launched 380 generic drugs and 33 innovative drugs for various diseases, including cancer, bacterial infections, parenteral nutrition, and cardiovascular and cerebrovascular diseases. Many innovative patents have been granted overseas. These achievements indicate that our drug research and development has entered a virtuous cycle of "generics promoting innovation, innovation driving the future", and successfully entered the international market, putting us at the forefront of innovation among Chinese pharmaceutical companies.

CASE | SKB264 GRANTED FDA IND APPROVAL FOR CLINICAL TRIALS IN THE UNITED STATES

SKB264 is a new generation antibody-drug conjugate (ADC) developed by Kexingbotai, which combines a humanized monoclonal antibody targeting TROP2, an enzyme-cleavable linker, and a novel topoisomerase I inhibitor. It combines the specificity of monoclonal antibodies to tumour cell surface targets with the efficacy of cytotoxic drugs.

On November 15, 2022, the phase II clinical study of SKB264 in combination with paclitaxel for the treatment of advanced solid tumours was granted FDA Investigational New Drug (IND) approval, officially commencing clinical trials in the United States and accelerating the implementation of innovative technologies and products.

CASE | OVERSEAS AUTHORIZED SMALL MOLECULE PROJECT A400 COMPLETES FIRST PATIENT DOSING

A400 (EP0031) is a new generation selective RET small molecule kinase inhibitor (SRI) with broad activity against common RET gene fusions and mutations, as well as the potential to overcome resistance to first-generation SRI.

In June 2022, the FDA approved the IND application for A400 (EP0031), and a phase I/II clinical trial is currently underway in the United States, with patient recruitment open at multiple US research centers. The first patient dosing was completed in November 2022.

ETHICS IN DRUG DEVELOPMENT

We have established a systematic product R&D management standard and Standard Operating Procedures (SOP) in accordance with industry standards, which fully guarantee the drug R&D work meets the requirements of standardization, safety, and ethics.

CLINICAL RESEARCH

In our drug development process, we always adhere to regulatory requirements such as the *Helsinki Declaration, Guidelines for Ethical Review of Clinical Trials, International Council for Harmonization (ICH) Guidelines for Good Clinical Practice (GCP), and China's 2020 version of the Good Clinical Practice for Drugs.* Additionally, all our trials comply with the relevant standards of each country. Human trials involving clinical needs comply with the GCP regulations and have been reviewed by ethics committees, while animal studies comply with the relevant regulations for experimental animal management.

DRUG CLINICAL RESEARCH PROCEDURES

PRECLINICAL RESEARCH

Prior to conducting clinical trials, preclinical research must be conducted on new drugs. Research data must demonstrate that the drug is safe and controllable before human clinical trials can be conducted.

CLINICAL TRIAL

Detailed inclusion and exclusion criteria are specified, and a system for protecting the privacy of subjects is developed to fully protect the rights and interests of subjects.

COLLECTING ADVERSE EVENTS

Collect adverse events through clinical trials

After the product is launched, adverse events are reported through product hotlines and other channels by healthcare professionals, patients, and business partners.

REGULAR REVIEW

Regularly track and review the trial plan, informed consent form, protocol deviations, and other processes.

ANIMAL WELFARE

Experimental animals are an important supporting condition for pharmaceutical R&D and life science research. Kelun Botai has established an Experimental Animal Management Committee to review major issues related to animal welfare. We strictly comply with all regulatory requirements and internal policies related to animal testing, and respect the contribution of experimental animals to research. Our experiments are strictly implemented in accordance with the Company's *Human Endpoint Regulations for Experimental Animals, Management of Control Substances and Test Substances, Accuracy Control of Animal Administration, General Principles of Animal Administration, and Regulations for Dosage, Administration Route, and Blood Collection of Experimental Animals*, ensuring that the medication for animals meets the scientific and ethical requirements of the project research. We provide training to personnel involved in animal testing research to ensure that each study is efficient and accurate, and to minimize the pain suffered by experimental animals.

We strictly adhere to the 3Rs principle and comply with animal ethics and welfare as well as all applicable national or regional guidelines on animal experimentation and use in our research work. We integrate animal welfare ethics throughout the entire process of animal breeding, transportation, quarantine, experimental design, experiment execution, and post-experiment processing to use animals scientifically, ensure animal welfare, and reduce pain and mortality.

THE 3RS PRINCIPLE OF ANIMAL EXPERIMENTATION

REDUCTION

Reduce the number of animals used

REPLACEMENT

Replace animal testing with other methods

REFINEMENT

Reduce animal suffering in experiments

QUALITY MANAGEMENT

The quality of medicines is related to people's lives and health. KELUN PHARMA has always regarded product quality as its first core competitiveness and placed quality compliance at the forefront of our operations. With our core goal of "preventing major risks and hidden dangers of product and system compliance and ensuring the quality of listed products" as follows, we adopt advanced quality management methods and quality control techniques, implement the concept of quality by design, establish a quality management system covering the entire product life cycle, and continuously improve quality management to ensure that all business processes We will continue to improve our quality management and ensure that all aspects of our business comply with relevant laws and regulations and meet regulatory requirements.

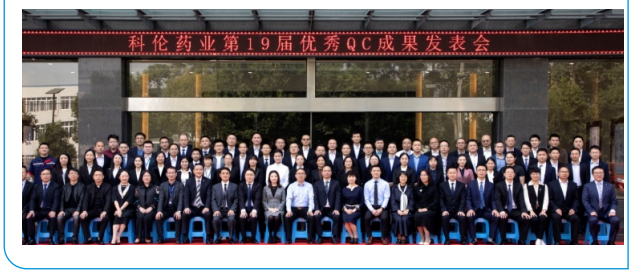
In 2022, KELUN PHARMA's main quality indicators will be steadily improved compared to 2021, and the passing rate of sampling inspection and certification inspection of listed products are maintained at 100%. In the future, our quality work will continue to focus on "risk control, system strengthening and brand building" as the core objective. We will continue to build and improve our quality system to ensure product quality and safety.

CONSTRUCT QUALITY CULTURE

Quality culture is the entry point of enterprise culture construction and an important factor of enterprise quality competitiveness. KELUN PHARMA has established a perfect communication and incentive mechanism, and regularly carries out activities such as the release of excellent QC results, quality lectures and quality knowledge competitions to continuously improve the quality awareness and professional ability of all staff. We strive to create a quality atmosphere where "everyone cares about quality, everyone creates quality and everyone enjoys quality".

CASE | KELUN PHARMA HELD THE 19TH EXCELLENT QC RESULTS PRESENTATION MEETING

On October 21, 2022, the 19th Excellent QC Results Presentation Meeting of KELUN PHARMA was held in Chengdu. The meeting was held in a combination of on-site and online video conferencing, with a total of 19 excellent QC results published, resulting in one "Gold Award", two "Silver Awards", three "Bronze Awards" and 13 "Excellence Awards", which were awarded RMB 5,000-2,000 respectively. The 13 "Excellence Awards" were rewarded with RMB 5,000-20,000 respectively.



CASE | LAUNCHING THE "ME AND QUALITY" ESSAY CAMPAIGN, INHERITING THE "BIG QUALITY VIEW" OF KELUN PHARMA

In June 2022, Sichuan Kelun Pharmaceutical Co., Ltd. Qionglai Branch organized an essay writing campaign on "Me and Quality", collecting 29 essays from the production, technical, logistics and EHS departments. The campaign encouraged employees involved in the production of drugs to be based on their positions, strictly control the quality of drugs, practice the "big quality concept" of KELUN PHARMA, ensure the continuous and stable production of drugs that meet the intended use and registration requirements, and better promote the Kelun brand and inherit the Kelun culture.

Award Ceremony of "Me and Quality" Essay Writing Activity in Sichuan Kelun Pharmaceutical Co., Ltd. Qionglai Branch

QUALITY MANAGEMENT SYSTEM

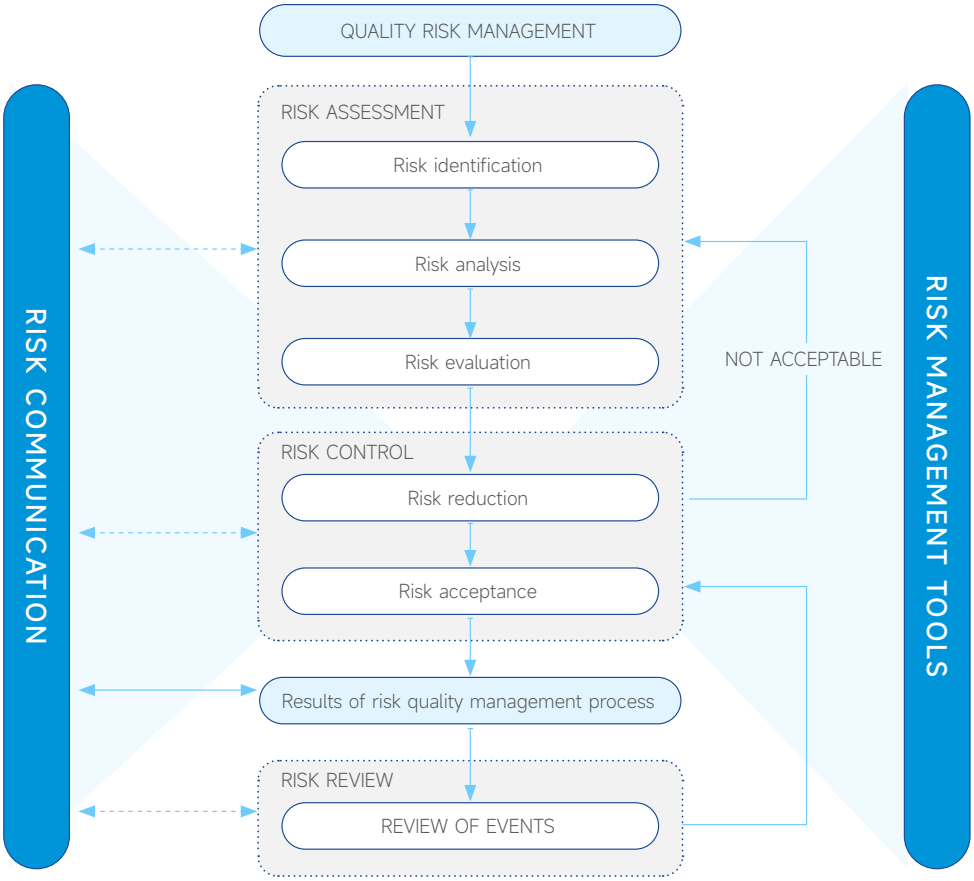
we strictly adhere to the national laws and regulations related to product quality and safety, such as *the law of the people's republic of china on drug administration, the code of practice for the quality management of pharmaceutical production and the code of practice for the quality management of pharmacovigilance*, etc. we have established a comprehensive quality management system to manage all factors affecting product quality throughout the entire life cycle, including material quality control, product development, technology transfer, commercial production, inspection, product release, distribution and recall, to establish a prevention-oriented and comprehensive control quality management system.

We have introduced the ISO9001 and ISO14001 management systems in our manufacturing process and implemented the "Quality Balanced Scorecard" management model of KELUN PHARMA. Our quality control system has been widely recognized by domestic and international certification systems, and all of our manufacturing sites have been certified to the 2010 version of Good Manufacturing Practice (GMP) in the People's Republic of China.

QUALITY RISK MANAGEMENT

Quality risk management is a systematic process of assessing, controlling, communicating and reviewing quality risks throughout the product life cycle using a forward-looking or retrospective approach. The Company has prepared and formed *the Quality Risk Management Protocol by ICH Q9 Quality Risk Management - Scientific Guidance* developed by the European Medicines Agency, so that quality risk management can be carried out according to the established procedures, ensuring the scientific and rational nature of quality risk management, and using risk management methods and tools to develop more effective decisions based on risk considerations. The aim is to eliminate, reduce or control possible risks and ultimately to protect patients.

QUALITY INSPECTION MANAGEMENT



QUALITY INSPECTION MANAGEMENT

The manufacturing enterprises of KELUN PHARMA have established a comprehensive management system and product quality standard system to ensure that the products meet the requirements of registration regulations and pharmacopoeia standards, and have taken China National Accreditation Service (CNAS) certification as an opportunity to enhance the management capability of the laboratory system. At present, the laboratories of four core member companies have been accredited by CNAS and obtained certificates.

CASE | HUNAN KELUN PHARMACEUTICAL CO., LTD. SUCCESSFULLY PASSED CNAS ACCREDITATION

On December 8, 2022, Hunan KELUN Testing Center successfully passed the CNAS accreditation and obtained the CNAS Laboratory Accreditation Certificate, Certificate No.: CNAS L17458.

The CNAS is the abbreviation of China National Accreditation Service for Conformity Assessment, and it is currently the only institution in China that is authorized and approved by the Certification and Accreditation Administration of the People's Republic of China (CNCA) to issue a nationally recognized laboratory. At the same time, CNAS has been integrated into the international accreditation mutual recognition system and has signed mutual recognition agreements with 35 quality management system certification and environmental management system certification accreditation bodies in other countries and regions. It has an important position in the international accreditation system.

Hunan Kelun Pharmaceutical Co., Ltd. receives CNAS accreditation

PHARMACOVIGILANCE SYSTEMS

KELUN PHARMA has established a comprehensive pharmacovigilance management system by the Pharmacovigilance Quality Management Code and related guidelines. The Company is equipped with a safety information database and professional personnel and has set up a special pharmacovigilance organization at its headquarters. An independent pharmacovigilance department has also been set up for each drug marketing licensee. Pharmacovigilance work is carried out in collaboration between the head office and the subsidiaries. The pharmacovigilance department guides and supervises the work of each manufacturing enterprise in the reporting and monitoring of adverse reaction information, signal detection, risk management and post-marketing studies to ensure that response measures can be promptly activated in the event of mass and major safety events and reported to national and provincial drug regulatory authorities, provincial and municipal adverse drug reaction monitoring centers and other relevant departments promptly. At the same time, KELUN PHARMA continues to bring in advanced pharmacovigilance management experience and senior pharmacovigilance talents from outstanding pharmaceutical companies at home and abroad to continuously improve the post-marketing safety risk management of KELUN PHARMA's drugs.

DRUG TRACEABILITY

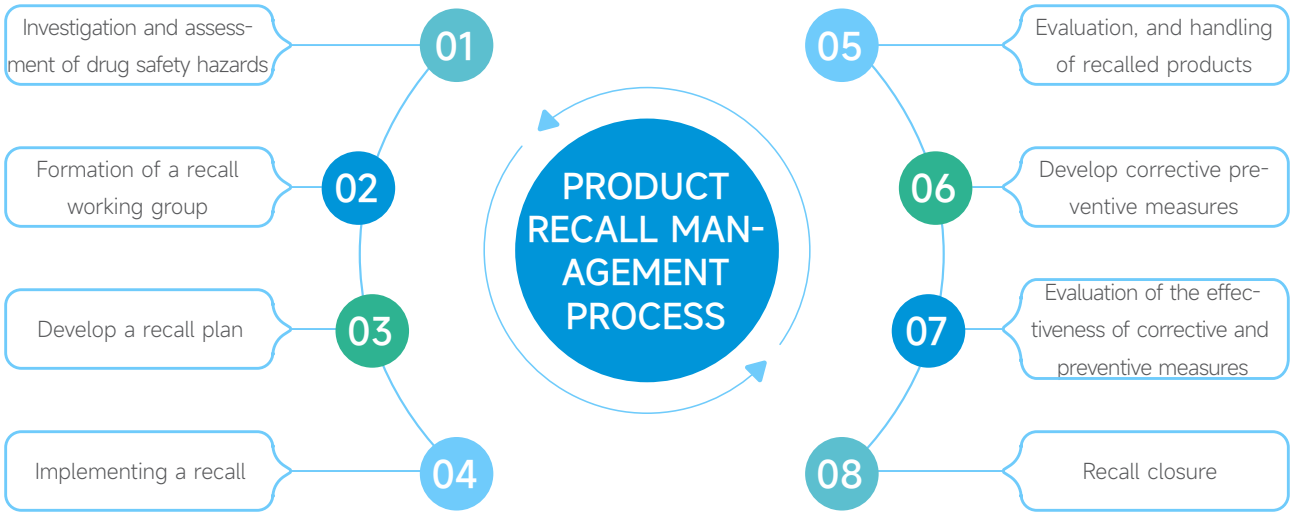
KELUN PHARMA is committed to providing high-quality pharmaceutical products and services to the community and attaches great importance to product quality and safety, and has also established a comprehensive traceability system to ensure the continued provision of high-quality products to the community and the safety of patients' medication.

FULL-PROCESS TRACEABILITY SYSTEM

We have established information technology systems for laboratory management LIMS, quality assurance QUMAS, knowledge management DMS, personnel training ELN and warehouse management WMS. We have also established a unified quality information management platform, tools and methods to ensure effective traceability from raw material intake to product delivery to commercial distribution and clinical use. The transport, operation and use units of medicines and patients can raise or respond to any questions, comments or suggestions related to product quality, packaging, storage, standards, use, safety, price, etc. to KELUN PHARMA.

PRODUCT RECALL MANAGEMENT

We have established *the Product Recall Management Guidance Document* by the requirements of national laws and regulations such as *the Measures for the Administration of Drug Recalls, the Code of Good Manufacturing Practice (2010 Edition)* and *the European Code of Good Manufacturing Practice to investigate*, evaluate and promptly recall drugs that may have quality problems or other safety hazards. We regularly evaluate the effectiveness of our drug recall system, and if no product recalls occur within a certain period, a mock recall is usually used to test the effectiveness of the recall system. At the end of the reporting period, there have been no incidents in which KELUN PHARMA has sold or shipped products that have required a product recall for safety or health reasons.



EXCELLENT CUSTOMER SERVICE

KELUN PHARMA insists on being customer-centric, sincerely listens to customers, actively responds to customer needs, and strictly regulates business processes in the process of sales management and compliance marketing. We comprehensively safeguard customer privacy and security, and improve customer service experience in multiple dimensions.

RESPONSIBLE MARKETING

Our marketing is in strict compliance with China's laws and regulations and industry guidelines, and we adhere to an ethical, scientific and objective approach to pharmaceutical and medical promotion. We strictly comply with the relevant national laws and regulations on product labeling and advertising to ensure that regulators, medical partners and patients receive truthful and rigorous product and academic information.

RESPONSIBLE MARKETING SYSTEM

KELUN PHARMA complies with *the Standards of the Pharmaceutical Industry of the People's Republic of China, the Advertising Law of the People's Republic of China, Regulations on the Administration of Drug Instructions and Labeling Interim Measures for the Examination and Administration of Advertisements for Drugs, Medical Devices, Health Food and Food Formulas for Special Medical Purposes* and other relevant laws and regulations, and continuously improves the 14 relevant systems under the Compliance System. We exercise compliance control over our marketing system and strictly regulate the sales business operation process. In addition, we cover the environmental, social and governance aspects of our products in the product promotion process. We undertake not to exaggerate the efficacy of our products and to inform customers of contraindications and adverse reactions in the first instance during product promotion to ensure that our marketing practices are standardized and compliant. At the end of the reporting period, KELUN PHARMA had established an all-product, all-function and all-channel marketing system, providing a strong guarantee for the continued enhancement of the Company's brand and expansion of the market coverage of its products.

We supervise and guide business units to operate in compliance by strengthening mechanisms such as reporting, auditing and training to provide specific gatekeeping on compliance details in marketing operations. At the same time, we conduct regular internal control reviews of responsible marketing throughout the process for all marketing staff and suppliers. We conduct background checks before bringing in third parties and inspect marketing activities for irregularities and violations to ensure that our business practices follow national laws and regulations. During the reporting period, there were no relevant non-compliance incidents in respect of product and service labeling by KELUN PHARMA.

COMPLIANCE MARKETING TRAINING

KELUN PHARMA strictly complies with all marketing-related national and international standards as well as the KELUN PHARMA's compliance systems, such as *the Marketing-Related Hospitality Management System, Marketing and Sales Class Supplier Management System, Marketing and Sales Class Procurement Management System, Compliance Training Management System, Supervision and Inspection Management System and Medical Representative Record Work Management Measures*, to ensure that the KELUN PHARMA's operations strictly comply with local laws, regulations and industry guidelines and to sincerely assist medical and health professionals in the rational use of medicines.

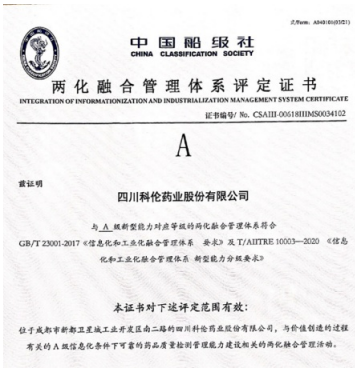
We provide regular compliance and responsible marketing training for all staff, supplemented by examinations on compliance-related topics. These provide a real boost to staff awareness and the ability to market responsibly. During the reporting period, we conducted the "Comprehensive Training for Medical Information Communication Specialists" to train our staff on how to promote cutting-edge medical information to the clinical setting and help establish information sharing between the Company and the clinical setting to enhance medication safety.

The training covered
1,123 people with
100% satisfaction

DATA SECURITY PROTECTION

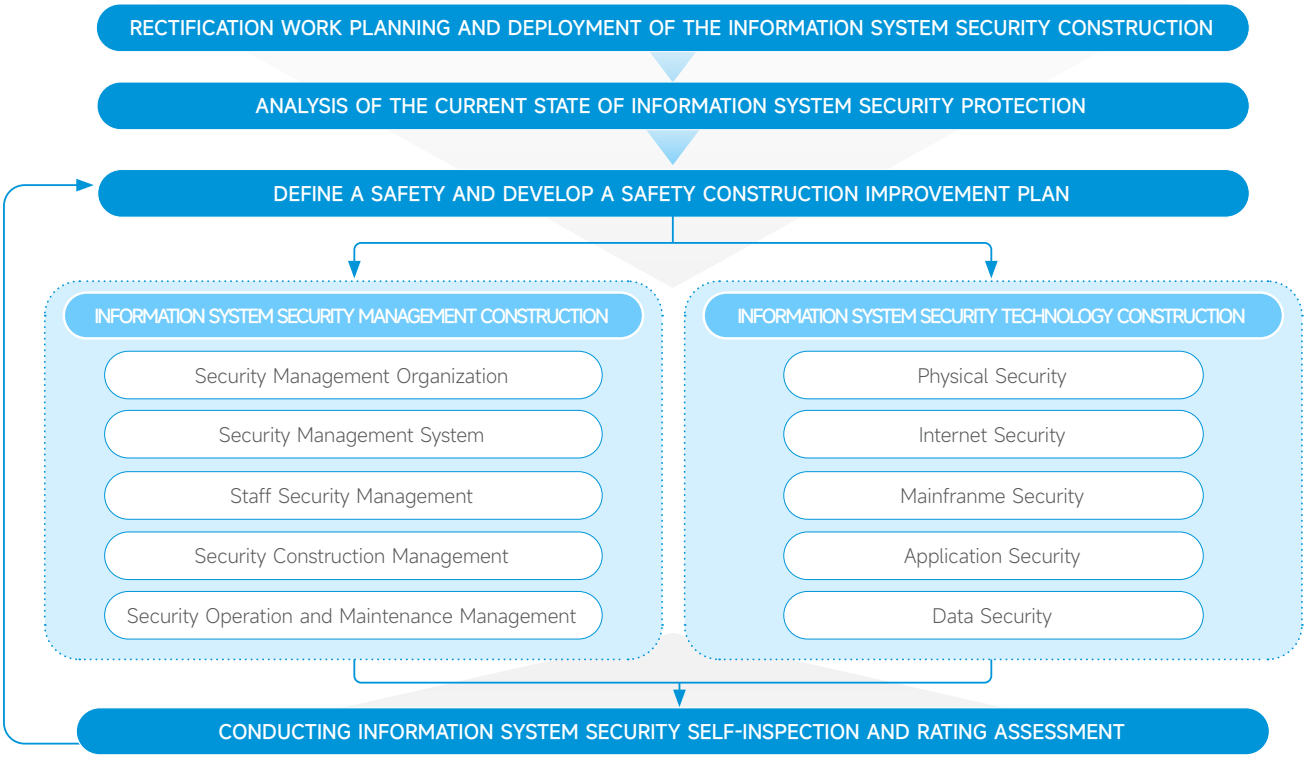
We attach great importance to the protection of our customers' commercial confidentiality, data information and personal privacy. We strictly comply with *the Law of the People's Republic of China on the Protection of Personal Information, the Law of the People's Republic of China on Network Security* and other laws, regulations and industry guidelines related to the protection of customer privacy at domestic and international levels. At the same time, we have constructed a comprehensive information security monitoring system. We engage a third-party organization to conduct a risk assessment of our information systems in September each year to identify potential risks and take corrective measures in a timely and accurate manner. We classify the identified risks into four levels and take targeted control measures according to the level of each risk level. During the reporting period, KELUN PHARMA was awarded the level A certification for the "Integration of Two Systems" management system We did not receive any complaints about information leakage, nor did we have any incidents of infringement of customer privacy or loss of customer information.

PICTURE CASE


中国船级社
CHINA CLASSIFICATION SOCIETY
两化融合管理体系评定证书
INTEGRATION OF INFORMATIONIZATION AND INDUSTRIALIZATION MANAGEMENT SYSTEM CERTIFICATE
证书编号/ No. CSAIII-00618IIIMS0034102
A
四川科伦药业股份有限公司

Integration of Informationization and Industrialization level A certification

INFORMATION SECURITY SUPERVISION SYSTEM



HANDLE CUSTOMER COMPLAINT

KELUN PHARMA attaches great importance to customer experience and takes the initiative to collect customer complaints and feedback. We maintain adequate communication with our customers through the establishment of multiple communication channels to ensure that consumers can effectively resolve various doubts and problems in the process of using our products. We have established a management system for customer feedback, stipulating the process of receiving, classifying, investigating and processing feedback to ensure that all feedback is handled appropriately and promptly. In addition, we also conduct regular customer satisfaction surveys. During the reporting period, 100% of the customer feedback received by KELUN PHARMA was communicated and resolved, with a satisfaction rate of over 90%.

COMPLAINT HANDLING MECHANISM

Depending on whether the after-sales information is caused by a product quality problem, the after-sales information processing specialist in the Quality Department makes an initial assessment of the information. The issues are then classified as product quality complaints (PQC), advisory messages that are not product quality complaints (NON-PQC), and adverse events (AE).

- If classified to be AE, it will be dealt by pharmacovigilance staff.
- If classified to be NON-PQC, it will be answered on-site by a qualified specialist and reviewed and analyzed regularly.
- If classified to be PQC, it will be categorized and evaluated for specific possible risks based on severity and scope of impact. Corrective and preventive measures are developed after investigation and analysis, and the customer is responded to within a specified time frame. The response to the customer may take the form of telephone, text or on-site response at the place of occurrence. At the same time, we will conduct regular retrospective analyses of the PQC to monitor recurring, systemic problems.

SUSTAINABLE SUPPLY CHAINS

The stability and sustainability of the supply chain are two important factors to ensure the stability of the industry. We control the risks of material suppliers at source and have developed a strict supply chain management system to safeguard the quality of procurement. And we are committed to improving the integrity and greenness of our procurement with suppliers. Also, we actively conduct supplier communication and training, and continuously improve our supplier management and audit system to create a stable and efficient sustainable supply chain.

SUPPLIER QUALITY MANAGEMENT

KELUN PHARMA strictly complies with national and local laws and regulations, sets and implements guidelines for evaluating, selecting and re-evaluating suppliers. We establish a rigorous audit process to ensure that the quality of our suppliers is always maintained above the standards we set. We dynamically adjust the list of qualified suppliers based on the results of annual quality assessments and audits to reduce quality risks. During the reporting period, we conducted 335 audits of suppliers, including 200 on-site audits, 121 written audits and 14 remote assessments.

SUPPLIER CLASSIFICATION

Potential suppliers

Qualified suppliers initially screened in the market based on R&D project requirements or material supply assurance requirements; the materials they supply can only be used in the production of R&D products or the production of test batches for additional supplier visits.

Qualified suppliers

Qualified suppliers, whose materials can be used directly in the production of marketed products or R&D products. Materials purchased from qualified suppliers shall be fully inspected by internal quality standards.

Certified supplier

A supplier whose qualification has been confirmed by a qualified supplier and who is a manufacturer. For materials sourced from certified suppliers: test results from certified supplier inspection reports may be quoted, but at least one identification check must be carried out per batch; a full inspection of each material must be carried out at least once a year.

Unqualified suppliers

Suppliers who have been disqualified due to regulatory compliance issues, expired qualifications, failed annual assessments, material quality issues, failed quality audits, significant EHS deficiencies or a break in business relationships. The procurement of relevant materials from unqualified suppliers to produce marketed products is prohibited.

SUPPLIER WITHDRAWAL MECHANISM

DOWNGRADING OF CERTIFIED SUPPLIERS

If a certified supplier supplies materials that are unqualified or have abnormalities that affect product quality, the supplier or the supply and demand sides shall jointly investigate. If the supplier is confirmed to be the cause of the non-conformity or quality abnormality, the certified supplier shall be considered for downgrading.

WITHDRAWAL OF APPROVED SUPPLIERS

When a supplier has problems in one or more aspects such as regulatory compliance, production quality management, material quality, EHS aspects, qualifications and licenses, annual evaluation, etc., and these problems are assessed as unacceptable or the business relationship between the two parties is interrupted, the supplier's supply qualification should be considered for withdrawal and handled as a non-qualified supplier.

SUPPLIER SOCIAL & ENVIRONMENTAL MANAGEMENT

We extend our green philosophy to the entire life cycle of our products and operations. We continuously reduce the environmental impact of our supply chain by comprehensively managing the social and environmental risks of our suppliers through daily monitoring and communication, training, green procurement and other measures.

STANDARDIZE PROCUREMENT MANAGEMENT

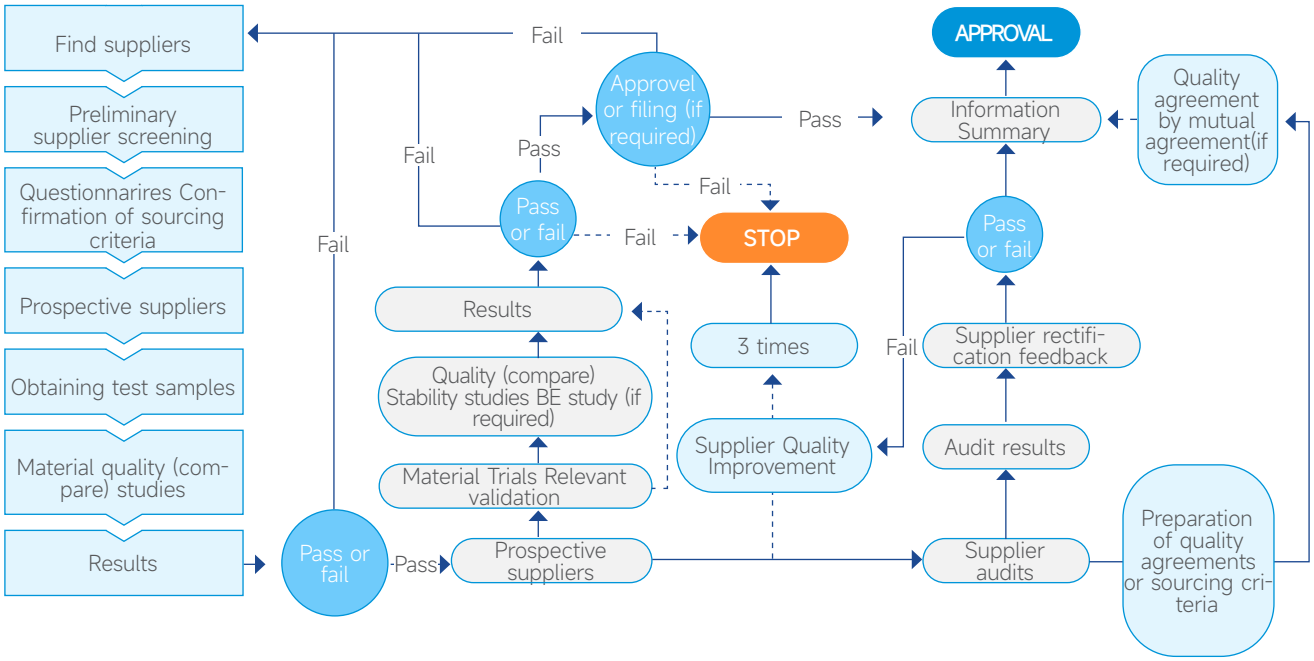
We are constantly improving our procurement standards and systems, for example, by considering energy-saving and environmental factors in various aspects such as product design, procurement, production, packaging, logistics, sales, service, recycling and reuse. Moreover, we work together with upstream and downstream enterprises to practice social responsibilities such as environmental protection, energy saving and emission reduction to create a green supply chain.

COMPLIANT PROCUREMENT

Adhering to the procurement philosophy of "mutual respect, equality and mutual benefit, integrity first, common development, generating profit with righteousness and developing the enterprise with virtue", KELUN PHARMA has formulated *the Procurement Control Management Regulations, Sub-supplier Evaluation Management Regulations, Non-conforming Products Management Regulations, KELUN PHARMA Procurement Inquiry Management Measures, KELUN PHARMA Network Procurement Management Measures, Sichuan KELUN PHARMA Fixed Assets Management Measures (2022 Edition), Material Supplier Management and Procurement Staff Code of Conduct and Professional Ethics Management* and other procurement management-related rules and regulations. We conduct initial audits of suppliers' qualifications in terms of innovation and research and development capabilities, product quality, occupational health and safety, and environmental management to ensure material quality.

To standardize our trading practices, we have entered *Supply Contracts, Quality Assurance Agreements, Change Notification Undertakings* and *Sunshine Agreements* with our suppliers. In 2022, we have a total of approximately 5,300 suppliers, with 7% of our suppliers being localized. 90% of our material suppliers have signed *Quality Assurance Agreements*, and 100% of our suppliers have signed *Change Notification Commitments and Sunshine Agreements*.

SUPPLIER QUALIFICATION PROCESS



GREEN PROCUREMENT

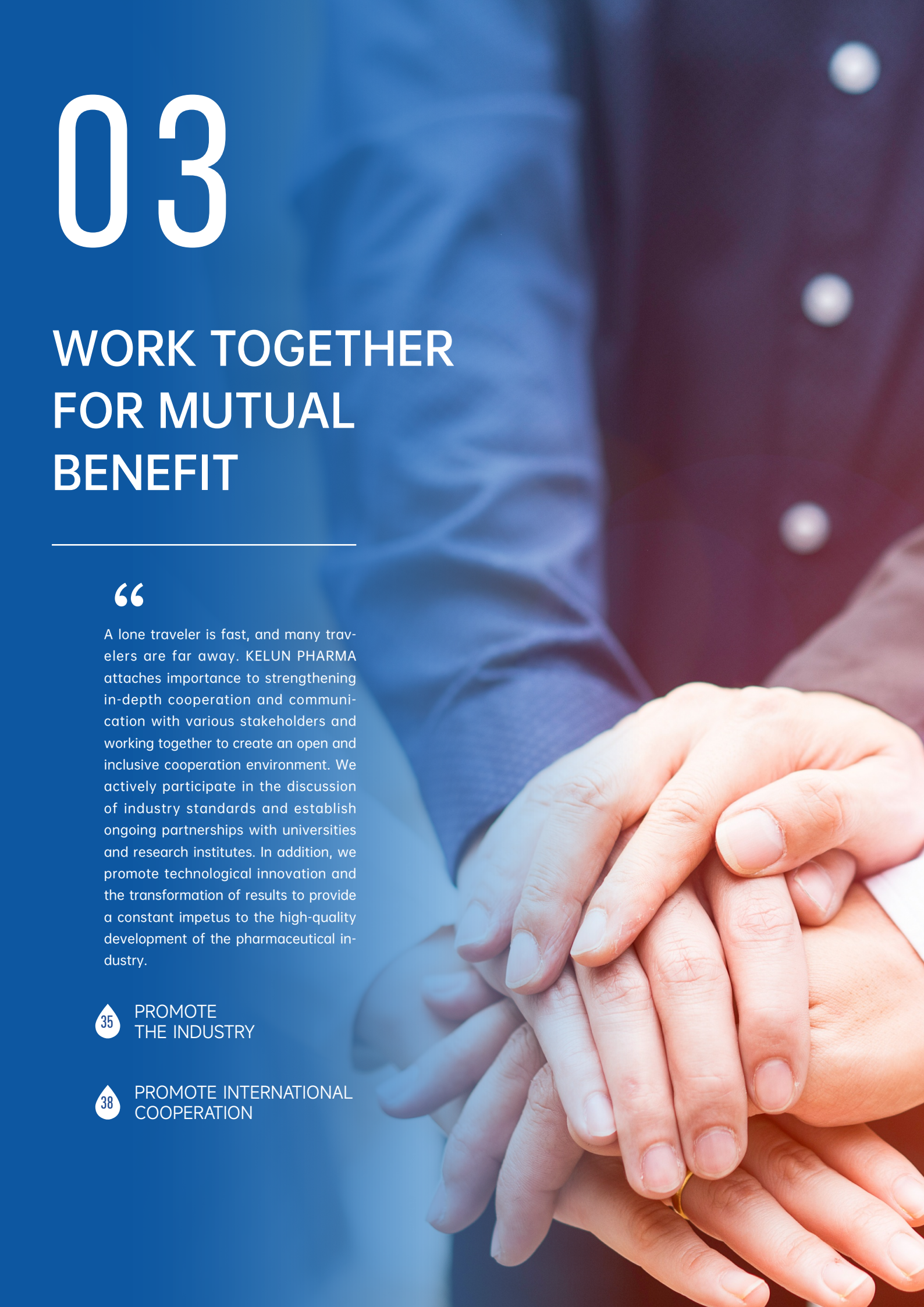
We adhere to the concept of green development and integrate it into our business development strategy. We give priority to the procurement of raw materials, products and services that are environmentally friendly, energy-efficient and low in consumption and easy to integrate with resources, to balance the harmonious integration of economic and environmental benefits. In all our procurement operations and bidding processes, we give priority to purchasing environmentally labeled equipment, raw materials for facilities, office consumables and electronic products under the same conditions.

SUPPLIER COMMUNICATION AND TRAINING

KELUN PHARMA maintains good and close communication with its suppliers through a diverse range of activities. We continue to raise our awareness of environmental and social responsibilities to create a more competitive and responsible supply chain. During the reporting period, we conducted relevant training and technical exchange activities on the latest quality management concepts in the pharmaceutical industry, GMP requirements, and company quality management requirements to help suppliers solve technical and management regulation challenges. As a result, we have effectively driven suppliers to improve their quality awareness and quality management standards.

03

WORK TOGETHER FOR MUTUAL BENEFIT



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A lone traveler is fast, and many travelers are far away. KELUN PHARMA attaches importance to strengthening in-depth cooperation and communication with various stakeholders and working together to create an open and inclusive cooperation environment. We actively participate in the discussion of industry standards and establish ongoing partnerships with universities and research institutes. In addition, we promote technological innovation and the transformation of results to provide a constant impetus to the high-quality development of the pharmaceutical industry.

PROMOTE THE INDUSTRY

KELUN PHARMA adheres to the development concept of open cooperation and mutual benefit. We continue to improve the cooperation mechanism with domestic and overseas pharmaceutical companies, local governments, industry associations, academic institutions and other partners. And we pursue mutual respect for common development and win-win cooperation by seeking common ground while reserving differences.

ENHANCE PARTNER COMMUNICATION

KELUN PHARMA actively organizes and participates in a variety of industry events to promote industry exchanges through practical actions. In 2022, we organized and participated in events such as the CSCO[1] Annual Meeting Kelun Satellite Meeting, the Anhui County Dean's Conference and the Jiangxi Health News Thousand Counties Policy Interpretation. We have greatly strengthened the communication and cooperation between KELUN PHARMA and our partners, and jointly promoted the high-quality development of the industry.

ACADEMIC EXCHANGE

2022 CSCO Annual Meeting Kelun Satellite Session

We continue to promote the great development of clinical oncology disciplines in China, discussing academic progress and sharing cutting-edge technologies.

2022 Annual Meeting of the Anesthesiologists Branch of the Guangdong Medical Association

We talk with experts and scholars from the field of anaesthesia in Guangdong Province about the application of artificial colloids in perioperative fluid management.

SPECIAL RESEARCH

Special campaign to promote rational use of intravenous fluids in hospitalized patients

led by National Institute of Hospital Administration, NHC, we undertook collaborative data research and analysis.

National PIVAS[2] Basic Situation Survey:

led by National Institute of Hospital Administration, NHC, we undertake collaborative research and analysis work.

POLICY LEARNING

Jiangxi Health News Thousands of counties policy interpretation activities

We supported Ganzhou City, Jiangxi Province to hold a "Thousands of counties policy interpretation training course", an in-depth study of the "Thousands of counties project" county hospital comprehensive capacity enhancement work plan (2021-2025)" document spirit, to further consolidate the positive results of the county hospital comprehensive capacity building, and promote the high-quality development of county hospitals.

1: The Chinese Society of Clinical Oncology

2: Centralized distribution center for intravenous drug use

We are actively involved in the development of industry standards and participate actively in regulatory authorities and various industry associations. During the reporting period, we participated in the development of a total of 21 national standards and held the following positions in industry associations.

ASSOCIATIONS

NO.	NAME	POSITION
1	China Pharmaceutical Innovation and Research Development Association (PhIRDA)	Governing unit
2	China Society for Drug Regulation (CSDR)	Governing unit
3	All-China Federation of Industry and Commerce, Medical and Pharmaceutical Chamber	Vice President
4	China Pharmaceutical Industry Association	Vice President
5	China Pharmaceutical Enterprise Association	Vice President
6	E Pharmaceutical Manager	Vice President
7	China Association of Traditional Chinese Medicine	Governing unit
8	China Pharmaceutical Association	Governing unit
9	China National Pharmaceutical Packaging Association	President
10	China Medical Biotech Association	Vice-President
11	Chengdu Pharmaceutical and Health Industry Ecosystem Alliance	Vice-President
12	Chengdu Famous Products Supply and Demand Enterprise Alliance	Vice-President

DEEPEN STRATEGIC COOPERATION

KELUN PHARMA hopes to work with other pharmaceutical companies under the philosophy of "complementary strengths, win-win, contract first". We share quality industrial ecological resources and form strategic collaborative relationships with a high degree of compatibility, identity and synergy. In addition, we work together to optimize the structure of the ethnic medicine industry and gradually improve our core competitiveness.

CASE | KELUN BOTAI AND MERCK SHARP & DOHME ENTER INTO A COLLABORATION AGREEMENT FOR MULTIPLE ANTIBODY-COUPLED DRUGS FOR THE TREATMENT OF CANCER

In 2022, Kelun Botai, the holding subsidiary of KELUN PHARMA, entered into collaborations with Merck Sharp & Dohme on several ADC projects with a total transaction value of nearly US$11.8 billion, involving research, development, manufacturing and commercialization of the projects.

CASE | NATIONAL ENGINEERING RESEARCH CENTRE FOR BIO-TARGETED DRUGS INAUGURATED

On 28 October 2022, KELUN PHARMA's holding subsidiary Kelun Botai approved to lead the formation of the National Engineering Research Centre for Bio-targeted Drugs (hereinafter referred to as the "Engineering Centre") in Wenjiang, Chengdu, which was officially inaugurated. This is the only national-level research and development and industrialization base for biologically targeted drugs in China laid out by the National Development and Reform Commission.

National Engineering Research Centre for Biologically Targeted Drugs inauguration ceremony

CASE | UNIVERSITYENTERPRISE COOPERATION | SICHUAN UNIVERSITY-KELUN PHARMA POSTGRADUATE JOINT TRAINING BASE LAUNCHED

In October 2022, Sichuan University-KELUN PHARMA joint postgraduate training base awarding, industrial mentor appointment ceremony and teacher-student exchange meeting were held. KELUN PHARMA and Sichuan University to build a joint postgraduate training base, and Huaxi College of Pharmacy to carry out joint training of professional degree postgraduates, forming a new model of joint training of Kelun master classes.

Sichuan University-KELUN PHARMA joint postgraduate training base opening ceremony

PROMOTE INTERNATIONAL COOPERATION

KELUN PHARMA is actively responding to the national " The Belt and Road Initiative" and the "14th Five-Year Plan" for the development of the pharmaceutical industry, setting sail for the sea and embracing the world. We are actively expanding our overseas business and insisting on localized operations. We are committed to enabling more people in more countries and regions to enjoy KELUN PHARMA quality health services, benefiting patients worldwide and promoting local economic development.

The overseas presence of the R&D side includes Klus Pharma Inc., Kelun Kazakhstan and Cloroxin Lanka Ltd. On the sales side, we have achieved bulk export of our leading products and are well known in over 50 countries and regions. At the end of the reporting period, we had a total of 50 registered trademarks in 29 countries and regions in both categories 5 and 10.

IN KAZAKHSTAN

KELUN PHARMA established Kelun KAZ Pharmaceutical Ltd. to introduce advanced and applicable key technologies to help Kazakhstan master advanced key common technologies to produce infusion products. We improve its infusion R&D and production capacity, fill the gap in the field of pharmaceutical production in the country, and make a great contribution to the development of the pharmaceutical industry and the level of drug safety in Kazakhstan.

IN JAPAN

Our production line is GMP certified by the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan, gaining access for sale in Japan.

IN SRI LANKA

KELUN PHARMA invested in the establishment of Kelun Life Science and Technology Ltd. and Korakin Lanka Ltd. to manufacture and market sterile injectable and oral solid dosage forms in the region. The projects not only create local employment opportunities, but also bring advanced pharmaceutical technology to the region and train high-level professional pharmaceutical talents.

04

GREEN DEVELOPMENT, BUILD ECOLOGICAL CIVILIZATION TOGETHER

KELUN PHARMA strictly implements national environmental protection policies and regulations, firmly establishes the concept of "environmental protection first and sustainable development," firmly builds a green pharmaceutical system, sets realistic environmental goals, establishes good environmental management rules and regulations, continuously implements ecological technology innovation, promotes clean production and green recycling economy, actively participates in environmental protection undertakings, and actively accept social supervision.

2022 年关键绩效

Energy consumption
9,416,936 MWh

Year-on-year change
+2.6%

Photovoltaic power generation
1,287.6 MWh

Year-on-year change
+18.5%

Water reuse Rate
42.0%

Year-on-year change
+15.7%

Greenhouse gas emissions
2.372 Tons of CO_2 e

Year-on-year change
+2.3%

Harmless waste recycling volume
15,364 tonnes

Year-on-year change
+160.6%

Environmental protection input[3]
472 million RMB

Year-on-year change
+15.8%

STRENGTHEN ENVIRONMENTAL MANAGEMENT

KELUN PHARMA actively promotes the environmental management system certification and energy management system certification of its production bases and promotes the clean, efficient, green, and low-carbon development of the pharmaceutical production process through multiple initiatives such as pollution control of the entire production process, creative recycling of waste, and reduction of energy consumption, to enhance the industry level and core competitiveness of the enterprise in pollutant management and carbon emission reduction.

3: The total environmental protection investment data in the 2020-2021 social responsibility report is not disclosed for Shanghai Rui Kang and Jinhe Bio

ENVIRONMENTAL MANAGEMENT SYSTEM

We comply with international and local environmental laws and regulations, continuously improve our environmental management system based on the internationally accepted *ISO14001 Environmental Management System* framework, and constantly enhance our ecological management capabilities. We have established the *"Environmental Management Accountability, Rewards, and Punishment System"* to clarify each department's environmental responsibilities and set out the "red line" for environmental protection. During the reporting period, we have added *Sichuan Kelun Pharmaceutical Co., Ltd. Emission Permit Management Regulations (for Trial Implementation), Sichuan Kelun Pharmaceutical Co., Ltd. Solid Waste Management Regulations, Volatile Organic Compounds (VOCs) Management Ledger Development Guidelines, Management System for the Legal Disclosure of Environmental Information of Sichuan Kelun Pharmaceutical Co., Ltd*.

KELUN PHARMA's environmental management is managed hierarchically. The Company's headquarters has an EHS supervision department with environmental protection professionals responsible for guiding, inspecting, and supervising the ecological management of each subsidiary company. Each subsidiary company has a full-time environmental management organization (EHS Department) under the direct supervision of its general manager, who is responsible for specific ecological management.

HEADQUARTERS EHS SUPERVISION DEPARTMENT

Strengthen the responsibility system of environmental protection within the Company, clarify the responsibility of environmental protection management, and coordinate the management of subsidiary companies to ensure that all environmental protection measures are effectively implemented.

SUBSIDIARY COMPANY DEPARTMENT

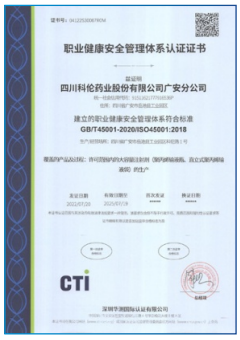
Preparation of environmental management norms, systems, etc., legal and compliant operation of environmental pollution control facilities to ensure stable emission of pollutants to meet standards and prevent various ecological incidents.

PROMOTE SYSTEM CERTIFICATION

With the implementation of green manufacturing as the traction, KELUN PHARMA take the GMP quality management system as the basis and the environmental management system as the platform to accommodate and combine the requirements of environmental, energy, occupational health and safety, and risk standards and gradually establish an integrated management system that is mutually compatible, complementary and organically unified to help enterprises transform and upgrade and achieve green development. Over the years, the Company's environmental protection and safety management capabilities have been in the middle to upper level in the local area. Most subsidiary companies have been awarded as "Environmental Integrity Enterprise" and "Municipal Occupational Health Demonstration Enterprise."

THE SYSTEM CERTIFICATION OBTAINED IN 2022

ISO14001 Environmental Management System Certification	ISO45001 Occupational Health and Safety Management System Certification	ISO50001 Energy Management System Certification	Green Factory (provincial/national)
10	6	5	3/4



ENVIRONMENTAL EMERGENCY MANAGEMENT

By *the Measures for Emergency Management of Environmental Emergencies, Measures for Record Management of Emergency Plans for Environmental Emergencies in Enterprises and Institutions (for Trial Implementation),Safety Production Law, Regulations for Safe Management of Hazardous Chemicals*, and other requirements, KELUN PHARMA has formulated *the Emergency Plan for Environmental Emergencies, Environmental Accident Management System*, Hazardous Material Management System, Hazard Identification, Risk Evaluation and Risk Control Management System and other systems. The Company also conducts a risk assessment of environmental emergencies, investigates and manages potential ecological risks, improves risk prevention and control measures for environmental crises, and dynamically revises the plans in conjunction with ecological emergency drills and other situations. During the reporting period, we organized a total of 366 emergency drills of various types.

PHOTO CASE

Yueyang Branch - Hazardous waste leakage emergency drill

Guangxi Kelun - Local fire brigade joint exercise

IMPLEMENT EHS MANAGEMENT

EHS OBJECTIVES

KELUN PHARMA attaches importance to the promotion of *The EHS Responsibility Commitment* and incorporates it into *The Annual EHS Work Objectives, Assessment, Rewards, and Punishments*, and signs responsibility commitment letters at each level according to the principles of "general manager and vice president in charge, vice president in charge and general manager of subsidiary companies, general manager of subsidiary companies and departments" to further implement EHS management responsibilities at each level. Management responsibilities and achieve EHS management goals and tasks.

EHS GOALS

LONG-TERM GOAL (TEN YEARS) — A to achieve "zero accidents" and "zero pollution."

MEDIUM-TERM GOAL (FIVE YEARS) — B to build a perfect EHS management system and establish an EHS culture with Kelun characteristics.

SHORT-TERM GOAL (EVERY YEAR) — C At the end of each year, according to this year's EHS audit and changes in national and local policies, we will set clear EHS work goals for the coming year, i.e., annual EHS work goals.

In 2022, we audit over 20 production sites and achieved the annual target of **100%** compliance with the three wastes (waste gas, waste water and industrial residue) treatment and no significant safety accidents. There were no significant environmental penalties or external environmental pollution incidents during the reporting period.

EHS TRAINING

Each year, KELUN PHARMA formulates EHS training plans, conducts training for the prominent responsible persons and EHS managers of each subsidiary company, and conducts "every training must be examined," comprehensively strengthens the construction of environmental protection talents, and strives to improve the overall quality of the environmental protection team; each subsidiary company also establishes an excellent education and training system accordingly and formulates training plans. Each subsidiary company has also established a comprehensive education and training system and developed training plans to ensure that the Company's management and employees are aware of the relevant laws and regulations and know, understand, and comply with the law. During the reporting period, the total number of EHS-related training hours was 237,203.

EHS-RELATED TRAINING HOURS

2022 Year **237,203** Hour | 2021 Year **223,444** Hour | 2020 Year **159,965** Hour

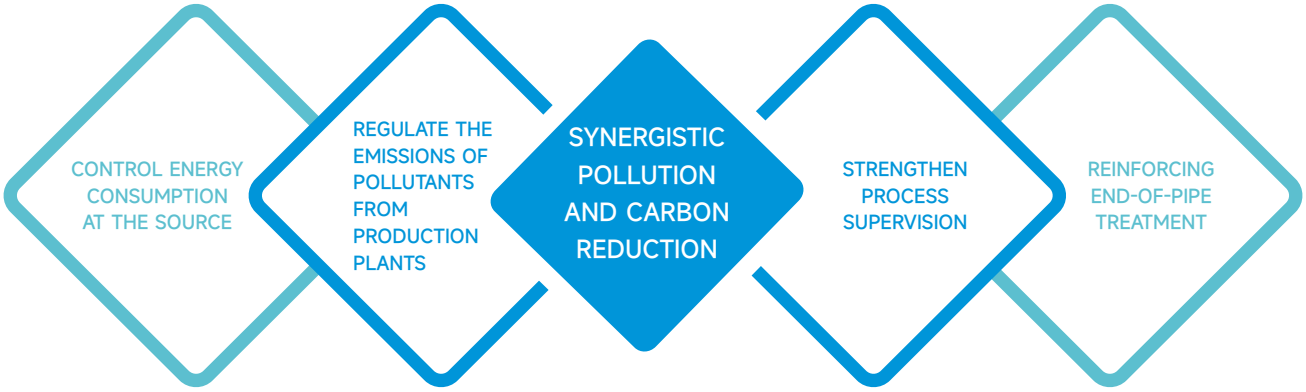
PHOTO CASE

Conducting safety and quality month activities

Conducting safety training for major explosive accidents

ENERGY CONSUMPTION AND POLLUTANT EMISSIONS

KELUN PHARMA has continuously improved energy-saving efficiency and reduced pollutant emissions by adopting technologies such as source control, process optimization and upgrading, and strengthening end-of-pipe treatment. At the same time, based on the pollutant emissions and energy consumption of the industry and each subsidiary company in the past years, we have formulated *"Limits of Pollutant Emissions and Energy Consumption per Equivalent Unit of Product"* for each subsidiary company and each department and developed and issued several environmental management systems to regulate ecological management, to ensure the successful completion of various environmental protection targets and continuous improvement of environmental performance.



SAVE RESOURCES

Resources are not inexhaustible. We should pay more attention to the sustainable use of resources while using them and reduce the waste of resources.

ENERGY

The energy consumed in the production and operation of KELUN PHARMA mainly includes raw coal, natural gas, steam, and biomass fuel. Among them, raw coal, natural gas, biomass fuel, and some electricity and steam are purchased energy, while some steam is generated by the company's combustion of natural gas and raw coal. In 2022, KELUN PHARMA's total energy consumption was 9,416,936 MWh, an increase of 2.6%[4] year-on-year; among them, 1,287.6 MWh of photovoltaic power generation, a rise of 18.5% year-on-year.

4: 2021 data has been recalculated based on this year's coverage data for comparison purposes

WATER RESOURCES

KELUN PHARMA continuously regulates water consumption by national regulations and policies, including The Water Law of the People's Republic of China and The Industrial Water Conservation Management Measures. We adopted various measures to gradually reduce the consumption of water resources and continuously improve the reuse rate of water resources according to their production characteristics.

In 2022, the total freshwater consumption of KELUN PHARMA was 14,444,000 tonnes, and the reuse rate of water resources reached 10,438,000 tonnes, with the reuse rate of water resources reaching 42.0%. During the reporting period, we had no problems with water withdrawal.

THE MAIN MEASURES TO IMPROVE THE REUSE RATE OF WATER RESOURCES

- Development of wastewater reuse technology, reverse osmosis enrichment, MVR process, and ceramic membrane technology to realize wastewater recovery and reuse.
- Strengthen the management of water reuse, adopt a circulating water supply system for cooling water of production equipment, use high-temperature resin softening to recover steam condensate, and improve resource utilization efficiency.
- Strengthen the Company's water management to realize water conservation; improve the water quota system; perfect the water metering system and strengthen the water assessment; strengthen the maintenance of water supply and water pipelines and facilities; and strictly prevent running and dripping.

2022 Year		
	Total fresh water consumption (million tonnes)	14.444
	Water reuse amount (million tonnes)	10.438
	Water reuse rate (%)[5]	42.0%
	Intensity of fresh water use(tonnes/ ten thousand revenue)	7.64

PACKAGING MATERIALS

We actively promote the use of renewable materials and encourage packaging in a recycled manner, thereby reducing the consumption of packaging materials. We are also promoting green, responsible procurement of packaging materials and exploring options for reducing and substituting packaging products. During the reporting period, we undertook the following efforts to reduce the use of packaging materials.

GUIZHOU KELUN

change 100ml Collapsible PP Bottle (Uniflex®) with 5 slides to 3 slides, reduce the width of the slide card from 20cm to 14cm, and reduce the carton length by 1.5cm, reducing the amount of carton used.

HUNAN KELUN

with the improvement of the sodium bicarbonate injection package, the adjusted carton paper usage is reduced by 8.4%.

JIANGXI KELUN

adjust the number of Collapsible Uniflex PP-bag labels per roll to reduce the number of tags used.

IMPROVED LABELLING PROCESS

use inkjet printers to spray label information directly on boxes and cartons without backing paper or other labels, further reducing paper consumption.

5: Reuse rate of water resources=reclaimed water reuse/(total fresh water + Water reuse) * 100%

GREEN OFFICE ACTIVITY

We focus on cultivating good habits of energy saving and consumption reduction among employees, strengthening commuter buses so that everyone in the company can help to slow down global warming; at the same time, the Company has formulated and released Administrative Office Management Regulations and other environmental protection and energy saving rules and regulations, combining energy-saving and environmental protection with staff assessment to promote the development of environmental protection and energy saving.

KEY MEASURES TO IMPLEMENT THE GREEN OFFICE

- Promote paperless office
- Promote double-sided printing
- Optimize the use of air conditioners, water heaters, and other equipment
- Strengthen the application of commuter buses

WASTEWATER MANAGEMENT

Each year, KELUN PHARMA regularly monitors wastewater discharges by relevant national regulations, and all pollutants have achieved emission standards. In 2022, we regulate pollutant emissions by controlling resource consumption at source, regulating pollutant discharges from production plants, strengthening end-of-pipe treatment, and enhancing process supervision, with significant reduction effects.

2022Year

Total COD emissions (tonnes)	210.6
COD emission intensity (kg/ten thousand revenue)	0.111
Total ammonia nitrogen emissions (tonnes)	12.3
Ammonia nitrogen emission intensity (kg/ ten thousand revenue)	0.007

EXHAUST GAS MANAGEMENT

KELUN PHARMA actively responds to the national environmental protection policy by continuously eliminating coal-fired boilers, vigorously promoting natural gas boilers or using steam supplied centrally by the park, and implementing ultra-low emission transformation of coal-fired power boilers to reduce SO2 and NOX emissions effectively. Most of the Company's coal-fired or biomass boiler exhaust gases are desulfurized and dust removed by ammonia desulfurization and ceramic multi-tube dust collector, bag filter, and water film dust collector, ensuring that 100% of the boiler exhaust gases meet the emission standards.

In addition to boiler exhaust, the production process often produces pollutants such as VOCs. The Company uses a combination of deep-cooling recovery, activated carbon adsorption, molecular sieve adsorption concentration, high-temperature oxidation and combustion, absorption, and ozone oxidation technologies to achieve process exhaust emissions standards.

During the reporting period, the Company's SO2 emissions from revenue of RMB10,000 decreased by 27.23%, NOx emissions from payment of RMB10,000 decreased by 5.33%.

2022Year

Total SO_2 emissions (tonnes)	70.1
Total NOx emissions (tonnes)	254.6
Total VOCs emission(tonnes)	84.6
SO_2 emission intensity (kg/ ten thousand revenue)	0.037
NOx emission intensity (kg/ ten thousand revenue)	0.135
VOCs emission intensity (kg/ ten thousand revenue)	0.045

NOISE MANAGEMENT

KELUN PHARMA complies with *The Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution* and other relevant domestic and foreign laws and regulations, and has formulated *The Noise Emission Control System* and required each company to strictly implement it to minimize the impact on the outside world. The noise equipment we involve is a screw type of low-pressure air compressor for conveying liquid, a fermentation tank, an elimination tower, a spray cooling tower, a centrifugal filter, an air blower, a crusher, etc.

THE MAIN MEASURES TO REDUCE NOISE POLLUTION

- Select low-noise equipment when installing equipment and take noise reduction measures such as vibration damping, muffling, and sound insulation.
- Install mufflers for all strong noise sources or arrange them indoors.
- Reduce the noise generated by the production process through comprehensive measures such as reasonable arrangement and greening.

WASTE MANAGEMENT

During the reporting period, KELUN PHARMA integrated several systems such as the original *"Measures for the Management of Hazardous Waste"* and *"Regulations for the Management of Waste Collection and Waste Storage,"* and formulated the *"Regulations for the Management of Solid Waste of Sichuan Kelun Pharmaceutical Co., Ltd."* to further standardize the management of waste collection and storage, and encourage the exploration of resource utilization of solid waste to reduce waste emissions.

We have built standardized hazardous and general waste storage, and ensure that all types of waste are cleaned up promptly and stored in strict categories. By strengthening on-site supervision, especially the process of collection, transfer, and storage of hazardous waste, we aim to minimize the environmental impact of waste generated during the production process in the collection, storage, treatment, and disposal process.

HAZARDOUS WASTE

We try to avoid the use of flammable, explosive, and highly toxic reagents in the selection of raw and auxiliary materials and processes for drug development or replace them with reagents of high safety to limit the use of toxic and harmful substances from the source and reduce the emission of poisonous and harmful substances.

The hazardous waste generated by the Company includes spent organic solvent, spent carbon, expired raw and auxiliary materials, medical waste, etc. We have established a hazardous waste management policy to manage the of hazardous waste's generation, collection, storage, utilization, and disposal. We ensure that dangerous wastes are separated from other solid and general wastes and are adequately packaged, transferred, stored, and handed over to professional hazardous waste disposal companies for reuse, incineration, and other treatments. During the reporting period, we generated 160,472.0 tonnes of hazardous waste, with an emission intensity of 0.085 tonnes per 10,000 yuan of revenue.

GENERAL WASTE

The general waste generated by the Company includes domestic waste and general industrial solid waste. We manage our general waste following the regulations established to ensure that the disposal of general waste complies with the applicable rules. During the reporting period, we recycled a total of 15,364 tonnes of solid waste, and disposed of in strict accordance with the relevant system.

Solid waste type	Recycling methods	Regeneration and utilization
Waste plastics	Recycling company	Make recycled plastic
Waste paper board	Recycling company	Make recycled pulp or return to the mill for reuse
Scrap metal	Recycling company	To make raw materials for smelters
Waste glass slag	Recycling company	Made of glass bottle factory raw materials

ADDRESS CLIMATE CHANGE

We are actively exploring the economic opportunities and challenges that climate change may bring to businesses, responding to China's 2060 carbon neutrality commitment, integrating climate change measures into the entire life cycle of our operations, and seeking our economic model to address climate change risks. At the same time, we are leveraging our strengths and those of our partners to share our typical experiences in addressing climate change and call on all sectors of society to contribute to the fight against climate change.

GREENHOUSE GAS EMISSIONS

KELUN PHARMA always upholds the concept of green development, constantly strengthens technical research, adopts advanced process technology and equipment, and actively builds a circular economy operation mode, significantly reducing resource consumption and total greenhouse gas emissions.

In 2022, the greenhouse gas emissions from KELUN PHARMA's operations are 2.372 million tonnes of CO_2e in total, an increase of 2.3%[6] year-on-year. Scope 1[7] GHG emissions are 2.136 million tonnes of CO_2e in total, up 3.3% year-on-year, while Scope 2[8] GHG emissions are 236,000 tonnes of CO_2e, down 6.2% year-on-year. We will continue to contribute to the goal of "carbon peaking and carbon neutrality", promote greenhouse gas emission reduction and contribute to the sustainable development of the environment.

2022 Year				
	Total emissions (ten thousand tonnes of CO_2 e)	237.2	Scope 1 (ten thousand tonnes of CO_2 e)	213.6
	Scope 2 (ten thousand tonnes of CO_2 e)	23.6	Emission intensity (tonnes of CO_2e / ten thousand revenue)	1.25

CLIMATE CHANGE RISKS AND OPPORTUNITIES

Climate change profoundly impacts human health, supply chain stability, global trade, and more. To accurately identify the impact of climate change on KELUN PHARMA's business, we analyze climate change-related risks concerning the disclosure methodology and recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) so that we can more comprehensively deploy risk response plans and identify business opportunities.

6: The data in 2021 has been recalculated based on this year's coverage data for comparison purposes

7: Scope I is direct emissions, which refers to greenhouse gas emissions from various types of energy combustion activities such as natural gas, raw coal, biofuels, etc., such as greenhouse gas emissions from boiler stacks, air conditioning facilities, and company transportation

8: Scope 2 is indirect emissions, which refers to greenhouse gas emissions caused by the use of purchased electricity or steam, etc.

TYPE	CLIMATE-RELATED RISKS	EXAMPLES OF RISKS	POTENTIAL IMPACTS	COUNTERMEASURES
Transition risk	Policy and legal risks	Existing requirements and regulations	• Fines, business losses, business shutdowns, and negative impact on brand and reputation	Annual tracking of relevant regulatory policies and yearly statistics on greenhouse gas emissions so that we can respond promptly when requested to do so
	Technology risks	Transition costs associated with Low carbon emission technology	• Costs associated with research and development of green chemistry technologies • The rise of operating costs	Make climate change mitigation and regulation a priority for all relevant business units and EHS departments
		Changes in customer behavior	• Loss of orders and reduced revenue due to inadequate disclosure of carbon-neutral targets and data	
	Market risks	Uncertain market demand	• Demand for medicines and other pharmaceutical products may increase as climate change leads to the emergence of new types of diseases	Communicate climate change as a priority issue with stakeholders through channels such as ESG reports
		The rise of raw material costs	• Decrease in quantity and quality of raw materials. The declining amount causes the cost of raw materials to rise, further increasing the operating expenses of the business	
	Reputational risks	Increasing stakeholder concern over negative feedback	• Increasing concern from corporate stakeholders, including investors and customers, about sustainability and climate change issues and inadequate corporate disclosure will damage the Company's reputation	
Physical risk	Acute risks	Increased severity of extreme weather events such as typhoons and floods	• Causing damage to property and assets, including buildings, infrastructure, engineering, and test equipment • Suppliers may not be able to complete deliveries promptly, resulting in business interruption • Negative impact on workplace safety, management, and planning	• Establish a more comprehensive emergency management program for extreme weather • Reducing the use of high energy-consuming equipment
	Chronic risks	The rise of sea level	• Damage to facilities • Increased business infrastructure costs	
		Rising average temperatures	• Increased energy consumption and operating costs	

CLIMATE-RELATED OPPORTUNITIES		POTENTIAL IMPACTS
Resource efficiency	Reducing steam use	• Reduce business operating costs
	Reducing energy use	• Enhance company reputation
	Reducing water use	• Reduce corporate operating costs
Products and services	Customer preference shift	• Develop environmental management strategies based on customer strategies and needs to enhance competitive advantage • As global climate change intensifies, customers are increasingly inclined to use environmentally friendly products/services.

05

PEOPLE-ORIENTED, SHARE A BETTER LIFE

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KELUN PHARMA focuses on improving employee and community well-being as a focus area for sustainable development, pursuing the safety, health and well-being of employees and community members. We regard talents as the first resource of enterprises, attach importance to talent training and development, and further promote the reserve and the construction of outstanding talent team. We give full play to our professional advantages, actively serve an Healthy China initiative, and use practical actions to help create a harmonious and warm beautiful society.

52 OUR EMPLOYEES

60 OUR COMMUNITY

OUR EMPLOYEES

Staff is the foundation of enterprise development. KELUN PHARMA always uses talent's strengths to educate and train; they are capable of being promoted and demoted, with both entry and exit; Strict screening is the only way to select talents and rewarding or punishment is not avoiding relatives. We are committed to building an organization that is good at learning and likes the sea embraces all rivers. While achieving the great cause of KELUN PHARMA, we also build a value realization platform for our employees and share the development results with them.

EMPLOYEE RIGHTS AND BENEFITS

KELUN PHARMA advocates and adheres to "people-oriented" values, strictly abide by *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Special Provisions on the Labor Protection of Female Workers, the Trade Union Law of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China, the Prohibition of the Use of Child Labor* and other legal requirements. KELUN PHARMA establishes various labor protection systems to fully protect employees' equal employment, reasonable remuneration, democratic rights and other rights.

LEGAL AND EQUAL EMPLOYMENT

We resolutely resist forced and child labor, treat candidates equally and treat them with different genders, races, ethnicities, pregnancies, disabilities and religions equally; insist on reasonable and lawful employment and equal pay for equal work. We formulate *Sichuan Kelun Pharmaceutical Co. Ltd Recruitment and Entry Management System* to standardize employment management.

In 2022, the labor contract of the Company reached 100%, and no child labor, forced labor and employment disputes occurred. There was no loss arising from legal proceedings relating to employment discrimination occurred.

STAFF STRUCTURE

Employee gender	Number of employees	The proportion of employees
Male	10,047	54.54%
Female	8,375	45.46%

Gender structure

Employee age	Number of employees	The proportion of employees
Under 30 years old	6,262	33.99%
31-40 years old	7,364	39.97%
41-50 years old	3,697	20.07%
Over 50 years old	1,099	5.97%

Age structure

Employee ethnicities	Number of employees	The proportion of employees
Ethnic minorities	1,848	10.03%
the Han nationality	16,574	89.97%

Ethic structure

Employee rank	Number of employees	The proportion of employees
Senior manager	10	0.05%
Middle manager	2,146	11.65%
General employees	16,266	88.30%

Rank structure

Among them, 2 female senior managers

Among them, 909 female middle managers

Among them, 7,464 female general employees

A COMPREHENSIVE REMUNERATION AND BENEFITS SYSTEM

We provide a competitive compensation and benefits system for our employees and enhance the attractiveness of our enterprises to our talents. The salary level for employees in 2022 is at a relatively high level in the same industry in this region. Based on performance orientation, the Company formulates and issue *Employee Equity Incentive Management Measures, Compensation System for Headquarter Employees and Subsidiary Companies' Managers, Performance Management Measures*, etc., and implement a positive and reasonable incentive system to ensure that the incentive has both internal fairness and market competitiveness. We pay social insurance in full and on time, and purchase commercial insurance for employees in special positions. The employee social insurance coverage rate is 100% in 2022.At the same time, according to the national laws and regulations, we set up paid annual leave, sick leave, marriage leave, maternity leave, bereavement leave, personal leave, etc., to guarantee the employee's right to rest and vacation.

DEMOCRATIC MANAGEMENT COMMUNICATION

We strictly abide by the laws and regulations of the place of operation and improve the democratic management system. We establish trade unions by laws and regulations such as *the Constitution of the Chinese Trade Unions and the Trade Union Law of the People' Republic of China*, and hold regular staff congresses including workers' representatives, technical managers, leading cadres, party members, league members, young employees, female employees, etc., to play a role in the mediation of labor disputes, supervision and inspection of labor protection, supervision of labor laws, protection of female employees, etc., We guarantee the democratic right of employees to participate in the reform and development of enterprises according to laws; formulate and adopt the *Employee Complaint System* to encourage employees to make rationalization suggestions for the Company's development, to reflect violations of laws and regulations at work or harmfulness on the Company's interests. At the same time, the Company set up a general manager mailbox to ensure employees having the opportunity to directly report questions and communicate with the Company's top leaders.

STAFF CARE

We always regard caring for and respecting employees as an important part of building harmonious labor relations. The Company has established an employee condolence mechanism, carried out condolences to sick and hospitalized, work-related injuries, marriages, childbirth, and late employees, and given a certain amount of consolation money, which fully reflects the Company's heartfelt caring for the employees and their families. At the same time, a mechanism of staff retirement condolences is established, and employees receive separate retirement pension according to their seniority and contribution in addition to the social security pension. The Company organizes a variety of recreational programs and facilities from time to time to enrich employees' leisure time and enhance cohesion of employees, spending RMB 80,584 on employee activities in 2022.

We pay attention to the physical and mental health of our employees and organize regular health knowledge lectures, mental health counseling and other activities; "Mommy and Baby House" for mothers-to-be and "Nursing Room" for nursing female staff to help them pass the special stage safely. The "Kelun Staff House" was created to address accommodation problems for non-local employees.

We have set up the Kelun Love Mutual Aid Fund Committee to assist needy employees due to illness and tragedy. We strive to make every employee "secure in life and promising in career." In 2022, the Kelun Love Mutual Aid Fund helped 102 employees and their families who were seriously ill or affected by accidents and contributed more than RMB 1,284,800.

PICTURE CASE

Organize a basketball game

Organize badminton matches

Provide fitness classes for female employees

Activity for "Little Keluner" to visit the factory

Shandong Kelun hand-painted sunshade hat DIY activities

Open Day for family members

STAFF DEVELOPMENT AND RETENTION

KELUN PHARMA takes full account of individual demands and wishes for career development, provides rich and diverse job opportunities and platforms, fully releases the vitality of enterprise development, and builds a team of talents with both ability and integrity.

TALENT ATTRACTION AND RETENTION

KELUN PHARMA builds a diverse, standardized, and transparent hiring process. KELUN PHARMA uses social recruitment, campus recruitment, internal referral, headhunting referral and other recruitment channels to receiving resumes from online and offline delivery, to attract people of different nationalities, races, genders, and social experiences for the long-term development of enterprises to lay a solid talent team. In 2022, KELUN PHARMA has recruited 3,145 new employees, with a turnover rate of about 20%.

STAFF INCENTIVE MECHANISM

STOCK INCENTIVE PLAN

Based on a good performance, the Company shares profit returns with core managers and core technology (business) personnel.

ANNUAL SALARY ADJUSTMENT

The total salary increase and the salary adjustment ratio are determined according to the annual performance of the Company, and on this basis, the salary is adjusted according to the performance of employees.

PROMOTION MECHANISM

It is divided into annual promotion and job vacancy promotion. Annual promotion: outstanding employees to be promoted according to the annual work performance; job vacancy promotion: due to the addition or vacancy of a management position, qualified personnel will be selected through internal open competition or organizational evaluation.

STAFF TRAINING AND GROWTH

We adhere to the three principles of "strategic guidance," "hierarchical training," and "consistent learning and application." We take the Company strategy as the orientation, closely integrate talent training with company development strategy and staff job needs, and enhance the pertinence and effectiveness of talent training. Training projects typically cover corporate culture, expertise, project management, product knowledge, responsible marketing, leadership, etc. to meet staff career development and enhance their professional competencies. All training is guided by the principle of "every training must be tested," encouraging staff to strive for excellence and literacy in their respective fields and serve as role models for colleagues.

In 2022, we invested a total of RMB 2,173,600 in training, with a total of 18,422 trainees and 70.84 hours per person. 100% new staff received training.

THE PRINCIPLE OF "EVERY TRAINING MUST BE TESTED"

ASSESSMENT TRAINING

All training is based on the principle of "training must be tested" and evaluated from cognitive, behavioral and other dimensions.

POSITION ASSESSMENT

Senior management will conduct a query test on the position from time to time.

MEETING ASSESSMENT

During the meeting, examinations are conducted in the meeting for the important content conveyed by the meeting.

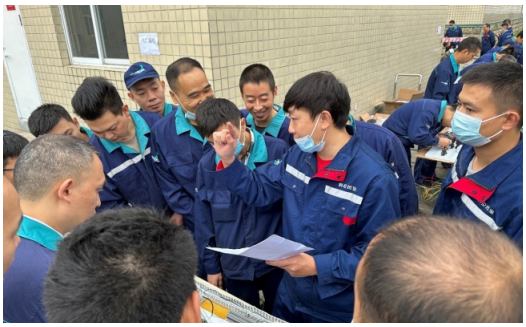
CASE | BUSINESS RECEPTION ETIQUETTE TRAINING

In August 2022, the Human Resources Department and Office of KELUN PHARMA organized a business reception etiquette training on the theme of " act with courtesy, act with propriety, and show respect and dedication to one's actions to establish a positive image " to further enhance the comprehensive quality of staff and strengthen the normalization of business reception etiquette. A total of 43 employee participated in the training.

Business reception etiquette training

CASE | VOCATIONAL SKILLS TRAINING

In October 2022, the Company's Equipment and Power Department carried out training and skills competitions for electricians, welders and PLC programming, with more than 60 people participating in vocational skills training and competitions. Through continuous vocational skills training and competition activities, the Company has trained and created a large number of excellent highly skilled, knowledgeable and multidisciplinary professional skills personnel.



Vocational skills training

CASE | LEADERSHIP TRAINING

In August 2022, KELUN PHARMA's Guangxi subsidiary, together with Guangxi Normal University Press Group, launched the "Reproducible Leadership" Reading Club to provide leadership training for more than 30 managers, technical backbone and reserve cadres of the Company, further consolidating the management thickness of the management team and improving management thinking and communication skills of the managers.

Leadership training

We offer our graduates a "Talent Program" and an "Apprenticeship Training Program," which are guided by experienced staff to adapt to the work environment, quickly acquire career skills, and grow into strategic and culturally appropriate talent.

TALENT PLAN

The "Talent Program" adopts the "Three Mentors" system. The three mentors are Department Mentor, Position Mentor and Human Resource Mentor. Under the guidance of the mentors, talents participate in induction training, workshop front-line practice, rotation and fixed-position training, intensive military training and quality development. In 2022, a total of 188 trainees completed the training camp, including 93 from Chengdu Station and 95 from Yueyang Station.

Talent Program intensive training camp

APPRENTICESHIP TRAINING PROGRAM

The main content of the new apprenticeship training is to recruit students upon recruitment, to enter universities upon entry into enterprises, and to jointly cultivate dual teachers between enterprises and universities. It is a new model of integration of industry and education, cooperation between universities and enterprise, which is conducive to improving the comprehensive quality and labor skills level of students. In 2022, Hubei Kelun Pharmaceutical Co., Ltd. recruited 70 trainees in the first phase of the apprenticeship training program, divided into two classes: chemical examiner and pharmaceutical preparation. The cumulative training period is one year, with a total of over 400 class hours per year.

Apprenticeship training class

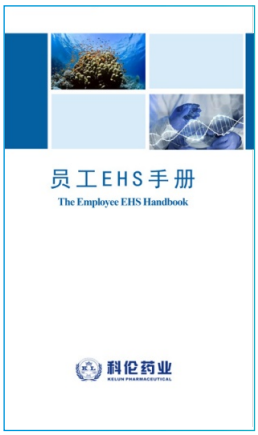
OCCUPATIONAL HEALTH AND SAFETY

KELUN PHARMA firmly believes in the occupational health and safety production philosophy that "all accidents can be prevented by measures," and strictly abides by laws and regulations such as *the Work Safety Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and follows develops an EHS management system in accordance with the internationally accepted framework *Occupational Health and Safety Management System (ISO 45001)*, forming *the Environmental Occupational Health and Safety Management Measures, Safety Production Accident Investigation and Accountability Management System* and other documents, and taking practical actions to enhance the essential safety level of enterprises.

CREATE A SAFE WORKING ENVIRONMENT

We require all employees to sign a Safety Production Target Letter of Responsibility, establish and implement a safety production responsibility system for personnel at all levels, focus on reviewing the qualifications of special operations personnel and the implementation of special operations safety, and prepare documents such as *the Identification of Safety Hazard Manual, the Practical Manual for Safety Management, the Compilation Manual for Job Safety Risks and the Employee EHS Handbook* have been prepared to help employees comprehensively and accurately identify and prevent safety risks, create a secure environment that includes laboratories, production bases and office spaces. In 2022, KELUN PHARMA has no major safety incidents and six subsidiaries (branches) have passed the ISO 45001 Occupational Health Safety Management System certification.

PICTURE CASE



The employee EHS handbook

Practical manual for safety management

ISO45001 Occupational health and safety management system certification

PREVENT OCCUPATIONAL DISEASES

We strictly abide by *the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Provisions on the Administration of Occupational Health at Workplaces*, regularly monitor of occupational disease hazards and occupational health check-ups, improve occupational health files and employee health monitoring files, and form *Guidelines for Classification of Occupational Disease Hazard Risk Operations, Guidelines for Personal Protective Equipment Provision, Guidelines for Risk Assessment of Highly Active Drug Operations* and other management norms, and subject to supervision and inspection by regulatory authorities. Through the use of automatic and intelligent devices such as stereoscopic warehouses and robots, we reduce the time of exposure to occupational hazards and reduce the risk of occupational health hazards and accidents at work. At the same time, we employ qualified third-party evaluation companies, and various types of production bases and laboratories for occupational disease hazard factor testing and evaluation, to continuously improve the level of occupational health and safety management.

In 2022, KELUN PHARMA provides free physical examinations for employees with 100% coverage, effectively preventing and reducing the incidence of major illness among employees.

SAFETY TRAINING AND AWARENESS PROMOTION

We regularly carry out safety production month, fire safety month, online safety training and other activities, and use official WeChat account, videos and other media platforms to promote safety knowledge, create a safe environment and enhance the safety literacy and awareness of all employees, and ensure that the safety of the life and property of the Company and its employees as well as all production and operation activities comply with the requirements of government laws and regulations.

In 2022, we conducted a total of 17 safety-specific training sessions for EHS full-time personnel and required the EHS staff from the subsidiaries to undergo full transfer training for respective units. The staff coverage rate reached 100%.

PICTURE CASE

Education and training of the Safety Production Law

Night emergency drill

OUR COMMUNITY

Based on the business philosophy of "scientific truth and ethical goodness", KELUN PHARMA has been actively involved in community development with its professional advantages in the field of medicine and health, while continuously improving the its business quality, to make a positive impact on building a healthy China, promoting rural revitalization and achieving common prosperity.

PROMOTE MEDICAL ACCESSIBILITY

KELUN PHARMA is committed to meeting unmet clinical needs, building a multi-domain product matrix through continuous R&D inputs, and developing differentiated layout and extension strategies based on regional economic development and health levels. With the leadership of the Board of Directors and the ESG Committee, continue to improve access to medical care and truly benefit the general public.

ENRICH CLINICAL MEDICATION CHOICES

As one of the most R&D capable enterprises in the domestic pharmaceutical industry, KELUN PHARMA has launched related products in more than ten major areas of disease prevention and control, including parenteral nutrition, anaesthesia and analgesia, fluid therapy, central nerve system, and andrology, and will adhere to the "innovation driven" strategy, continuing to provide more options for clinical treatment.

CASE | THE COMPANY'S INNOVATIVE DRUG TROP2-ADC SKB264 FOR THE TREATMENT OF ADVANCED TRIPLE NEGATIVE BREAST CANCER WAS INCLUDED IN THE BREAKTHROUGH TREATMENT

The treatment methods for metastatic triple negative breast cancer patients are very limited, the survival rate is low in 5 years, and there are a lot of unmet clinical needs. In July 2022, our holding subsidiary, Kelun Botai, announced that SKB264 (TROP2-ADC), an innovative drug with independent intellectual property rights, was officially approved by Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) as a breakthrough treatment for locally advanced or triple-negative breast cancer (TNBC). With the help of breakthrough therapeutic identification, the Company will accelerate Phase III registered clinical study of SKB264 advanced TNBC to provide breast cancer patients with more drug options and therapeutic hope as soon as possible.

Note: To encourage research and the creation of drugs with significant clinical advantages, CDE has published the National Food and Drug Administration's Work Procedures for the Review of Breakthrough Therapeutic Drugs (Trial) (No. 82 of 2020).

IMPROVE MEDICAL AFFORDABILITY

To allow more patients to use high-quality and affordable drugs, KELUN PHARMA has incorporated the local economic development and medical health level into the pricing index when opening up and deploying the market and formulated a reasonable prices in line with the development status of the current region. In addition, we respond positively to national medical insurance reimbursement list access and national and local centralized procurement of drugs to benefit patients. By the end of 2022, the Company's products have reached more than 50 countries or regions, using differentiated pricing strategies that match local income levels; A total of 36 products, involving more than 10 disease fields, were purchased in the volume-based; The total number of medicines included in the national medical insurance reimbursement list (2022 edition) has reached **293**.

CASE | KEY PRODUCTS WON THE BID FOR THE SEVENTH BATCH OF NATIONAL CENTRALIZED DRUG PROCUREMENT COMPANIES

In July 2022, the seventh round of national drug centralized procurement bidding was opened. We have 11 varieties, 15 specifications of drugs winning the bid, involving a wide range of disease fields effectively benefiting patients.

The seventh batch of collective winning products

ADVOCATE FOR THE RATIONAL USE OF DRUGS

By publishing academic works, supporting academic research, and combining offline and online health education activities and other methods to popularize disease knowledge, KELUN PHARMA promotes the standardized use of medicine and actively promotes the development of regional health and wellness.

CASE | CONSTRUCTION OF A STANDARDIZED SURGICAL NUTRITION DIAGNOSIS AND TREATMENT DEMONSTRATION WARDS

In April 2022, with the support of KELUN PHARMA, the Oncological Nutrition Special Committee of the China Anti-Cancer Association organized experts in the field of surgical nutrition at home and abroad to release the Standardized Surgical Nutrition Diagnosis and Treatment Demonstration Ward Standard. With the joint efforts of the Anti-Cancer Association, evaluation experts, and KELUN PHARMA, KELUN PHARMA as one of the first batch of applicants, passed the final defense of the National Standardized Surgical Nutrition Diagnosis and Treatment Demonstration Ward and was awarded the license. The demonstration ward was built to standardize the nutrition treatment process and promote the development of high-quality nutrition treatment, which will truly benefit patients. The project has been implemented for 9 months, covering 66 hospitals and over 3,000 training sessions for clinical experts in surgery and nursing. This project has an important role in further improving the standardized diagnosis and treatment ability of clinical nutrition.

Surgical nutrition diagnosis and treatment demonstration ward project

CASE | COOPERATE WITH LOCAL MEDICINE TO HOLD COMMUNITY FREE CLINIC AND HEALTH EDUCATION ACTIVITIES

In 2022, KELUN PHARMA promoted the implementation of the China Osteoporosis Screening and Standardized Diagnosis and Treatment Capacity Building Project, and collaborated with local hospitals to hold multiple community free clinics and osteoporosis patient education activities, contributing a solid force to the "Healthy Skeletons" initiative.

The awarding ceremony of the county osteoporosis station project

Holding community free clinic activities

BOOST RURAL REVITALIZATION

KELUN PHARMA has been always been concerned about rural development, consolidating and expanding the achievements of poverty alleviation by the overall national strategy of poverty alleviation, effectively linking with rural revitalization, actively promoting the development of rural education and culture, upgrading and transforming rural infrastructure construction, and contributing to Kelun's strength to the realization of common prosperity. During the reporting period, KELUN PHARMA invested a total of more than RMB 784,000 in helping rural revitalization to achieve common prosperity.

SUPPORT PUBLIC WELFARE AND CHARITY

KELUN PHARMA is always focused on and aware of the needs of vulnerable groups and provides diverse humanitarian assistance. We have developed and complied with *the External Donation Management System* and *the Social Responsibility Management System*. In 2022, we contributed more than RMB 70 million to third-party public welfare organizations for public welfare projects such as post-disaster reconstruction of the Maerkang and Luding earthquakes, the donation of forest fire materials in Xintian County, and epidemic prevention and control, ensuring people's health and benefiting society.

PICTURE CASE

Materials donated to Luding earthquake

CASE | KELUN PHARMA STAFF DONATED HEMATOPOIETIC STEM CELLS

Li Mengqing, an employee of Hunan Kelun, has been participating in unpaid blood donations since 2014 and has donated blood 5 times. On October 24, 2022, he donated hematopoietic stem cells to a boy at Yueyang Central Hospital, bringing hope of birth to leukemia patients.

Certificate of donation

Donation of hematopoietic stem cells

PHOTO CASE | IN 2022, THE COMPANY OBTAINED SOME DONATION CERTIFICATES

KEY PERFORMANCE TABLES

CATEGORY	UNIT	2022
Environment[9]		
Energy		
Total energy consumption	MWh	9,416,936
Total E\energy intensity	MWh/RMB 10,000 revenue	4.98
Greenhouse gas emissions		
Scope 1	Tonnes of CO_2 equivalent	213.6
Scope 2	Tonnes of CO_2 equivalent	23.6
Greenhouse gas emissions	Tonnes of CO_2 equivalent	237.2
Greenhouse gas emissions intensity	Tonnes of CO_2 equivalent / 10,000 revenue	1.25
Water resources and sewage		
Fresh water consumption	Tonnes	14,444,435
Reclaimed water reuse	Tonnes	10,437,801
COD discharge in wastewater	Tonnes	211
Five-day biochemical oxygen demand (BOD5)	Tonnes	55
Suspended solids in wastewater (SS)	Tonnes	51
Ammonia nitrogen discharge from wastewater	Tonnes	12
Fresh water use intensity	Tonnes / 10,000 revenue	7.64
Air emissions		
volatile organic compounds (VOCs)	Tonnes	85
Sulphur dioxide / SO_2	Tonnes	70
Nitrogen oxides/ NO_x	Tonnes	254
Waste materials		
Non-hazardous waste (generated)	Tonnes	190,093
Non-hazardous waste (recycled)	Tonnes	15,905

9: The scope of environmental data for this report adds Kelun KAZ Pharmaceutical Ltd. and has been adjusted for 2021 data to ensure data consistency.

CATEGORY		UNIT	2022
Non-hazardous waste (disposed)		Tonnes	174,188
Hazardous waste		Tonnes	160,472
Social			
Suppliers			
In Sichuan Province		Number of suppliers	371
Total number of suppliers		Number of suppliers	5,300
Supplier Management			
Number of suppliers audited annually		Number of suppliers	335
Percentage of suppliers signing the Supplier Honesty and Integrity Agreement in the reporting year		%	100
Employment and diversity			
Total number of employees		Number of employees	18,422
By gender	Male	Number of employees	10,047
	Female	Number of employees	8,375
By type of employment	Full-time employees	Number of employees	18,318
	Part-time employees	Number of employees	104
By rank	Senior management	Number of employees	10
	Middle management	Number of employees	2,146
	General staff	Number of employees	16,266
By age	Under 30 years old	Number of employees	6,262
	31 - 40 years old	Number of employees	7,364
	41 - 50 years old	Number of employees	3,697
	Over 50 years old	Number of employees	1,099
Proportion of female employees in senior management		%	20
Proportion of female employees in middle management		%	42.36
Proportion of female employees among general staff		%	45.89

CATEGORY		UNIT	2022
Proportion of female employees among all employees		%	45.46
Recruitment and retention			
Total number of new employees		Number of employees	3,145
By gender	Male	Number of employees	1,672
	Female	Number of employees	1,473
Turnover rate		%	21
Staff training and development			
Number of training hours per employee		Hours	70.84
Product recalls			
The number of product recalls		Number of products	0
Anti-corruption			
The number of embezzlement proceedings brought and concluded against the company or its employees		Number of cases	0
Other major violations and infringements			
Health and safety of products and services		Number of cases	0
Product information and labeling		Number of cases	0
Marketing		Number of cases	0
Customer privacy and data		Number of cases	0
Environment cases		Number of cases	0
Public donation			
Total amount of donation		RMB	71,737,028

INDICATOR INDEX

Key points: This report is referred to the Shenzhen Stock Exchange Listed Companies' Self-regulatory Guidelines No. 1 and Global Reporting Initiative (GRI) Sustainability Reporting Standards.

GUIDE	ASPECT	RELEVANT SECTION
8.1	Stakeholder communication and social responsibility practices	P13-16
8.2	Compliance with business ethics and anti- improper competition	P11
8.3	Social responsibility management and strategic planning	P13-16
8.4	Disclosure timeline of social responsibility report	P1
8.5	Protection of employee rights and benefits	P42-53
8.6	Environmental management policy	P40-50
8.7	Environmental management performance	P40-50
8.8	Key pollutant discharge units' emissions and emergency management	P44-50
8.9	Environmental impact	P49-50
8.10	Production and product safety	P18-27
8.11	Employment management, occupational health and safety, employee training	P52-59
8.12	Science ethics	P22-23
8.13	Subject of social responsibility report disclosure and public disclosure	P1-2

DECLARATION OF USE	Sichuan Kelun Pharmaceutical Co., ltd., has reported for the period from 1 January 2022 to 31 December 2022, with reference to the GRI standard.
GRI 1 USED	GRI 1: Foundation 2021
APPLICABLE GRI INDUSTRY STANDARDS	No applicable GRI industry standard/industry standard name

GRI STANDARD	INDICATOR CONTENTS	RELEVANT SECTION
GRI 2 General Disclosure 2021	2-1 Organizational details	If omitted, please explain the reason for omission. √
	2-2 Entities included in the organization's sustainability reporting	√
	2-3 Reporting periods, frequency and contact point	√
	2-4 Restatements of information	√
	2-5 External assurance	No external assurance is performed in this report
	2-6 Activities, value chain and other business relationships	√
	2-7 Employees	P52
	2-8 Workers who are not employees	P52
	2-9 Corporate governance structure and composition	P8
	2-10 Nomination and selection of the highest governance body	P8
	2-11 Chair of the highest governance body	
	2-12 Role of the highest governance body in overseeing the management of impacts	P8、13
	2-13 Delegation of responsibility for managing impacts	P13
	2-14 Role of the highest governance body in sustainability reporting	P13
	2-15 Conflicts of interest	P16
	2-16 Communication of critical concerns	P16
	2-17 Collective knowledge of the highest governance body	P8
	2-18 Evaluation of the performance of the highest governance body	
	2-19 Remuneration Policies	P8
	2-20 Process to determine remuneration	
	2-21 Annual total compensation ratio	
	2-22 Statement on sustainable development Strategy	P16
	2-23 Policy commitments	
	2-24 Embedding policy commitments	
	2-25 Processes to remediate negative impacts	
	2-26 Mechanisms for seeking advice and raising concerns	
	2-27 Compliance with laws and regulations	P10
	2-28 Member Associations	P36
	2-29 Approach to stakeholder engagement	P16
	2-30 Collective bargaining agreements	

GRI STANDARD	INDICATOR CONTENTS	RELEVANT SECTION
	MATERIAL TOPICS	
GRI 3 Substantive issues 2021	3-1 Process to determine material topics	P15
	3-2 List of material topics	P15
GRI 201 Economic Performance 2016	3-3 Management of material topics	P15
	GRI 201-1 Direct economic value generated and distributed	
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	P49-50
	GRI 201-3 Defined benefit plan obligations and other retirement plans	P53-54
	GRI 201-4 Financial assistance received from government	
GRI 202 Market Performance 2016	3-3 Management of material topics	P15
	GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage	
	GRI 202-2 Proportion of senior management hired from the local community	
GRI 203 Indirect Economic Impact 2016	3-3 Management of material topics	
	GRI 203-1 Infrastructure investments and services supported	
	GRI 203-2 Significant indirect economic impacts	
GRI 204 Procurement Practices 2016	3-3 Management of material topics	P15
	GRI 204-1 Proportion of spending on local suppliers	
GRI 205 Anti-Corruption 2016	3-3 Management of material topics	P15
	GRI 205-1 Operations assessed for risks related to corruption	P11
	GRI 205-2 Communication and training about anti-corruption policies and procedures	P11
	GRI 205-3 Confirmed incidents of corruption and actions taken	P11
GRI 206 Anti-competitive Behavior2016	3-3 Management of material topics	P15
	GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	P11
GRI 207 Tax 2019	3-3 Management of material topics	P15
	GRI 207-1 Approach to tax	P10
	GRI 207-2 Tax governance, control and risk management	P10
	GRI 207-3 Stakeholder engagement and management of concerns related to tax	P15
	GRI 207-4 Country-by-country reporting	

GRI STANDARD	INDICATOR CONTENTS	RELEVANT SECTION
GRI 301 Materials 2016	3-3 Management of material topics	P15
	GRI 301-1 Materials used by weight or volume	
	GRI 301-2 Recycled input materials used	P47-48
	GRI 301-3 Reclaimed products and their packaging materials	P47-48
GRI 302 Energy 2016	3-3 Management of material topics	P15
	GRI 302-1 Energy consumption within the organization	P44
	GRI 302-2 Energy consumption outside of the organization	P44
	GRI 302-3 Energy intensity	P44
	GRI 302-4 Reduction of energy consumption	P44
	GRI 302-5 Reductions in energy requirements of products and services	P44
GRI 303 Water and Effluents2018	3-3 Management of material topics	P15
	GRI 303-1 Interactions with water as a shared resource	P45
	GRI 303-2 Management of water discharge related impacts	P45
	GRI 303-3 Water withdrawal	P45
	GRI 303-4 Water discharge	P45
	GRI 303-5 Water consumption	P45
GRI 304 Biodiversity 2016	3-3 Management of material topics	P15
	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	GRI 304-2 Significant impacts of activities, products and services on biodiversity	
	GRI 304-3 Habitats protected or restored	
	GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	
GRI 305 Emissions 2016	3-3 Management of material topics	P15
	GRI 305-1 Direct (Scope 1) GHG emissions	P49
	GRI 305-2 Energy indirect (Scope 2) GHG emissions	P49
	GRI 305-3 Other indirect (Scope 3) GHG emissions	
	GRI 305-4 GHG emissions intensity	P49
	GRI 305-5 Reduction of GHG emission	P49
	GRI 305-6 Emissions of ozone-depleting substances (ODS)	P46
	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	P46

GRI STANDARD	INDICATOR CONTENTS	RELEVANT SECTION
GRI 306 Waste 2020	3-3 Management of material topics	P15
	GRI 306-1 Waste generation and significant waste-related impacts	P47-48
	GRI 306-2 Management of significant waste-related impacts	P47-48
	GRI 306-3 Waste generated	P47-48
	GRI 306-4 Waste diverted from disposal	P47-48
	GRI 306-5 Waste directed to disposal	P47-48
GRI 308 Environmental assessment of suppliers 2016	3-3 Management of material topics	P15
	GRI 308-1 New suppliers that were screened using environmental criteria	P31-33
	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	P31-33
GRI 401 Employment 2016	3-3 Management of material topics	P15
	GRI 401-1 New employee hires and employee turnover	P55
	GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or parttime employees	P53-54
	GRI 401-3 Parental leave	
GRI 402 Labor/ Management Relations 2016	3-3 Management of material topics	
	GRI 402-1 Minimum notice periods regarding operational changes	
GRI 403 Occupational Health and Safety 2018	3-3 Management of material topics	P15
	GRI 403-1 Occupational health and safety management system	P58
	GRI 403-2 Hazard identification, risk assessment and incident investigation	P59
	GRI 403-3 Occupational health services	P59
	GRI 403-4 Worker participation, consultation, and communication on occupational health and safety	P59
	GRI 403-5 Worker training on occupational health and safety	P59
	GRI 403-6 Promotion of worker health	P59
	GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P59
	GRI 403-8 Workers covered by an occupational health and safety management system	P58
	GRI 403-9 Work-related injuries	P59
	GRI 403-10 Work-related ill health	P59

GRI STANDARD	INDICATOR CONTENTS	RELEVANT SECTION
GRI 404 Training and Education 2016	3-3 Management of material topics	P15
	GRI 404-1 Average hours of training per year per employee	P55-56
	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	P55-56
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 405 Diversity and Equal Opportunity 2016	3-3 Management of material topics	P15
	GRI 405-1 Diversity of governance bodies and employees	P8
	GRI 405-2 Ratio of basic salary and remuneration of women to men	
GRI 406 Non-discrimination2016	3-3 Management of material topics	P15
	GRI 406-1 Incidents of discrimination and corrective actions taken	P52
GRI 407 Freedom of Association and Collective Bargaining 2016	3-3 Management of material topics	P15
	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P53-54
GRI 409 Forced or Compulsory Labor2016	3-3 Management of material topics	P15
	GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	
GRI 410 Security Practices 2016	3- Management of material topics	P15
	GRI 410-1 Security personnel trained in human rights policies or procedures	
GRI 411 Rights of Indigenous Peoples 2016	3-3 Management of material topics	P15
	GRI 411-1 Incidents of violations involving rights of indigenous peoples	
GRI 413 Local Communities 2016	3-3 Management of material topics	P15
	GRI 413-1 Operational with local community engagement, impact assessments, and development programs	P38
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	P38
GRI 414 Supplier Social Assessment 2016	3-3 Management of material topics	P15
	GRI 414-1 New suppliers that were screened using social criteria	P31-33
	GRI 414-2 Negative social impacts in the supply chain and actions taken	P31-33
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	GRI 417-2 Incidents of non-compliance concerning product and service information and labeling	P28
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READER'S FEEDBACK

We anticipate your opinions and suggestions to continuously improve our ESG efforts, as well as our competence in ESG management.

We hope you could complete the questions in the feedback form below and sent it back to us via the following contacts.

Email: kelun@kelun.com

Your Information	
Name	
Company name	
Tel	
Email	
Opinions & Suggestions	

1. What do you think of our ESG report?

O Excellent O Good O Average

2. Do you think this report has presented the significant impact of our ESG issues?

O Yes O More or less O Don't know

3. How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?

O Very high O High O Average O Low O Very low

4. Which aspect of this report are you most satisfied with?

5. What kind of information do you want to learn more about?

6. Do you have any suggestions for the ESG reports to be released in the future?

科伦药业
KELUN PHARMACEUTICAL

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