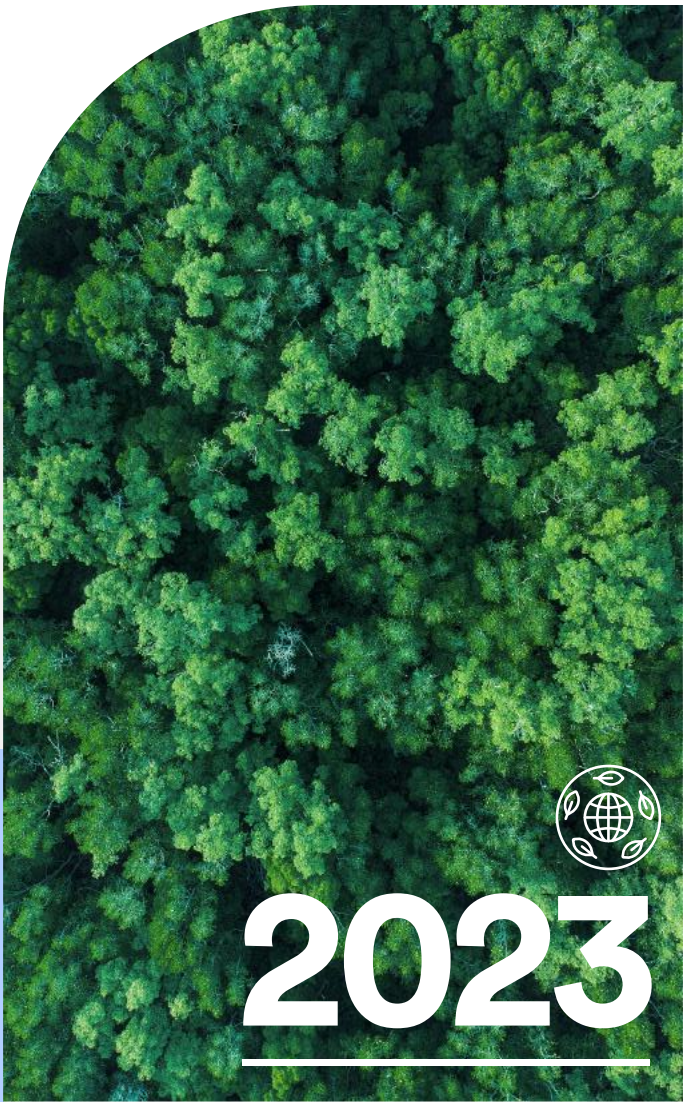
科伦药业
KELUN PHARMACEUTICAL

Stock Code: 002422.SZ



2023

Environmental, Social and Governance (ESG) Report

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ABOUT THE REPORT

Description of this Report

This report is the 12th environmental, social, and governance (Hereinafter referred to as "ESG") report published by Sichuan Kelun Pharmaceutical Co., Ltd. ("KELUN PHARMA" "the Company" or "We").

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 our social and environmental responsibilities.

Report Scope and Boundaries

This report is an annual report covering the financial year from January 1, 2023 to December 31, 2023 (the "Reporting Period"), with some associated information that may be retroactive outside of the Reporting Period. The policies 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 (or "CNY"), whichever is inconsistent with the financial report shall prevail.

Reporting Basis

This report follows 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), United Nations Sustainable Development Goals (UN SDGs), and Morgan Stanley International ESG ratings (MSCI ESG rating). We also take into account the relevant recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for climate-related matters.

Data and Information

The data and cases in this report are mainly derived from our statistical reports, official report and related public materials. 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

Confirmation and Approval

This report was approved by the Board of Directors on April 23, 2024 after confirmation by the ESG Committee.

Publication and Acquisition of this Report

This report is available in simplified Chinese and English. For online browsing or downloading, please visit the Company' s website (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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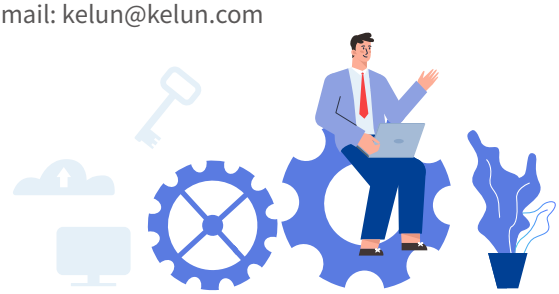


ABBREVIATION

Full Name	Abbreviation
Sichuan Kelun Pharmaceutical Co.,Ltd.	KELUN PHARMA
Yili Chuanning Biotechnology Co., Ltd.	CHUANNING BIOTECH
Sichuan Kelun-Biotech Biopharmaceutical Company Limited	Kelun-Biotech
Sichuan Kelun Pharmaceutical Research Institute Company Limited	Kelun Pharmaceutical Research Institute
Hunan Kelun Pharmaceutical Co., Ltd.	Hunan Kelun
Heilongjiang Kelun Pharmaceutical Co., Ltd.	Heilongjiang Kelun
KLUS PHARMA INC.	US Kelun
Kelun Kazakh Agriculture Co., Ltd.	Kelun-kaz Agro
Yili Jiangning Biotechnology Co., Ltd.	JIANGNING BIOTECH
Shanghai Ruikang Biotechnology R&D Co., Ltd	Shanghai Ruikang Biotech
Sichuan Kelun Pharmaceutical Co.,Ltd. Anyue Branch	Anyue Branch
Kelun-Kazpharm Co., Ltd.	Kelun-Kazpharm
CELOGEN LANKA (Private) Limited	CELOGEN LANKA
Kunming Nanjiang Pharmaceutical Co.,Ltd.	Kunming Nanjiang
Chengdu Qingshan Likang Pharmaceutical Co.,Ltd.	Qingshan Likang
Kelun Life Science Co., Ltd.	Kelun Life Science
Guangxi Kelun Pharmaceutical Co., Ltd.	Guangxi Kelun
Jiangxi Kelun Pharmaceutical Co., Ltd.	Jiangxi Kelun
Sichuan Kelun Pharmaceutical Co.,Ltd. Xindu Base	Sichuan Kelun
Sichuan Xinkaiyuan Pharmaceutical Co., Ltd.	Xinkaiyuan
Guizhou Kelun Pharmaceutical Co., Ltd.	Guizhou Kelun
Hunan Kelun Pharmaceutical Co., Ltd. Yueyang Branch	Hunan Kelun Yueyang Branch
Sichuan Xindi Biopharmaceutical Co., Ltd	Xindi Biopharma
Sichuan Kelun Pharmaceutical Co.,Ltd. Guangan Branch	Guangan Branch
Hubei Kelun Pharmaceutical Co., Ltd.	Hubei Kelun
Sichuan Kelun Pharmaceutical Co.,Ltd. Qiong Lai Branch	Qiong Lai Branch
Henan Kelun Pharmaceutical Co., Ltd.	Henan Kelun
Shandong Kelun Pharmaceutical Co., Ltd.	Shandong Kelun

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 KELUN PHARMA.

KELUN PHARMA, 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 honoured 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.

Gexin Liu

Chairman of KELUN PHARMA

ABOUT US

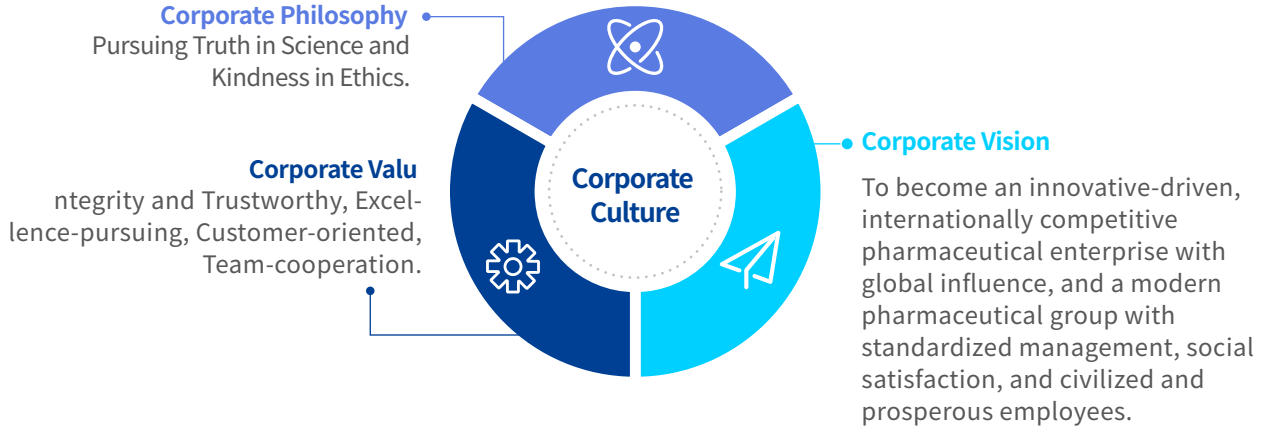
Company Name: Sichuan Kelun Pharmaceutical Co., Ltd. (Stock Code: 002422.SZ)

KELUN PHARMA was founded in 1996, and is one of the largest pharmaceutical enterprise groups with the most complete domestic industrial ecosystem, headquartered in Chengdu, Sichuan Province, the People's Republic of China (the "PRC" or "China"). We have become a modern pharmaceutical group with dozens of enterprises at home and abroad after decades of growth in strength and technological innovation.

Since our successful listed on the Shenzhen Stock Exchange in June 2010, we adhere to the development strategy of "Three Driving Engines and Innovative Growth". We boast both high-end manufacturing and novel material advantages in the field of IV solution and possess the strategic heights of technical innovations and quality benchmarks. Moreover based upon our mature fermentation technology and robust industrialization platform, we keep solidifying the fundamental base for our antibiotics main business, constantly optimize and upgrade our industrial structure and fully enter into synthetic biology.

In terms of our research and development (R&D) innovation, we focus on developing drugs with high technological content, including branded generics, innovative small molecules, novel drug delivery systems and biotechnology drugs. We have successfully established an internationally renowned Antibody-Coupled Drugs (ADC) R&D platform, marking a new era in our innovative R&D efforts and global layout. The successful spin-offs and listings of our subsidiaries, Chuanning Biotechnology and KELUN-BIOTECH, have enabled us to establish a three-pillar operational structure supported by "pin" -shaped capital platforms, further consolidating our industry-leading position.

We firmly adhere to the philosophy of "Pursue Truth in Science and Kindness in Ethics". Throughout our development journey, we have continuously invested tens of billions of RMB in R&D innovations and donated over RMB three hundred million to social public welfare causes, which demonstrates our wealth quality perspective and sense of social justice, exhibiting a good image of a prominent private enterprise developing healthily under the conditions of market economy.



"Three Driving Engines and Innovative Growth" Strategy

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.

OUR BUSINESS

We are mainly engaged in the research and development, production, and sales of various 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.

Our 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,. We actively expand the breadth and depth of drug coverage, to meet diversified medical needs.

OUR PRODUCTS

Infusion Products

OTC

Non-infusion Products

Innovative Injection Packaging

Raw Materials and Intermediates

MILESTONE

1996

Kelun was established and made a wonder by completing planning, investment, construction, production, and making profits in the same year.

1998 1

We became the first large-volume-injection manufacturing enterprise in Sichuan Province to meet with GMP standards.

2001 2

We established Hunan Kelun Pharmaceutical Co., Ltd., and started to expand to industries outside Sichuan Province.

2003

We were transformed as Sichuan Kelun Pharmaceutical Co., Ltd. Heilongjiang Kelun Pharmaceutical Co., Ltd. was established, and our nationwide layout in infusion industry was completed initially.

2010 3

On June 3, 2010, KELUN PHARMA (SZ002422) successfully listed on the Shenzhen Stock Exchange.

2014 4

KLUS PHARMA INC. (the U.S. branch) was established.

2015

Collapsible Uniflex@PP Bottle, was awarded the State Science and Technology Advancement Award.

2018

Kelun-kaz Agro was established. We acquired the GMP Compliance Inspection Result Notification of Japan PMDA and became the first Chinese-funded IV solution manufacturer that passed the Japan PMDA GMP inspection.

2020 5

We set up Yili Jiangning Biotechnology Co., Ltd. and Shanghai Ruikang Biotechnology R&D Co., Ltd. and fully entered into synthetic biology.

2022 6

In 2022, KELUN-BIOTECH successfully signed three major authorized cooperation agreements with multinational giant Merck & Co., Inc., with a total contract value of nearly US$11.8 billion, which not only ranked first in the history of international authorization transactions in the Chinese pharmaceutical industry, but also ranked first gloriously as one of the TOP 10 Biopharma Partnerships of 2022 by total deal value in the global pharmaceutical industry.
Chuanning Biotech successfully went listed on the Shenzhen Stock Exchange GEM (Growth Enterprise Market).

2023 7

KELUN-BIOTECH successfully listed on the Hong Kong Stock Exchange and enabled us to establish a three-pillar operational structure supported by “pin”-shaped capital platforms.

2023 ESG KEY PERFORMANCE

Economical

Business income
21.45 billion CNY
a year-on-year increase 12.69%

Net profit attributable to the parent company
2.46 billion CNY
a year-on-year increase 44.03%

Countries & regions of product sales
50+

Social Responsibilities

Total employees worldwide
19,798
persons
increase 7.47%

Total patents applied
2,904

Investment in R&D
1.95
billion CNY

Total training hours of employees
1,282,096.54
hours

Customer satisfaction rate
100%

Percentage of suppliers signing the Supplier Honesty and Integrity Agreement
100%

Environment

Total GHG emissions (Scope 1 and Scope 2)
2,659,459.92
tCO2e

GHG emissions intensity
1.24
tCO2e / 10,000 CNY

OUR ESG Rating

WIND

"AA“ in the WIND ESG Rating, the highest rating for pharmaceutical companies Top 100 Listed Companies for BEST ESG Practice in 2023
Ranked 9th out of total 291 pharmaceutical companies selected by the WIND

MSCI

Received “BB” rating as of February 1, 2024

Refinitiv

“B”in the Refinitiv ESG rating as of 2024

SynTao Green Finance

“A-”in the SynTao Green Finance ESG rating in December 2023

CCXI

“A+” in the CCXI ESG rating as of 2024 Q1

QuantData

“AA”ESG rating as of 2024 Q1

OUR 2023 HONORS

2023 Partial External Recognition

Time	Certified Name	Awarding Organization	Awardee
January 2024	Best Value Team for Transferring IR in 2023	Comein.cn	KELUN PHARMA
December 2023	“Most Valuable Listed Company” in 2023	China Security Market	CHUANNING BIOTECH
December 2023	2023 Most Innovative Enterprise – Comprehensive Strength in R&D	CBIITA	KELUN PHARMA
December 2023	2023 "Golden Phoenix Tree" Award for Best Investor Relations Management of Listed Companies	Chinese Industrial Co-operatives (CIC) , Jian Financial Information, TMTPOST	KELUN PHARMA
December 2023	BEST IPO - ASIA and Hong Kong SAR	Finance Asia	KELUN-BIOTECH
November 2023	2023 Best Industrial Enterprise for Pharmaceutical R&D Product Line in China	China National Pharmaceutical Industry Information Center	KELUN PHARMA
November 2023	No. 18 in China’ s Top 100 Pharmaceutical Industry Enterprises of the Year	China Pharmaceutical Statistics Annual Report	KELUN PHARMA
November 2023	Most Promising Growth Biomedical Listed Company	National Business Daily	KELUN PHARMA
November 2023	Most Socially Responsible Listed Company	Stock Star - Capital Power	CHUANNING BIOTECH
November 2023	Top 100 Chinese Pharmaceutical Innovation Enterprises – Tier 1	E Medicine Manager (E 药经理人)	KELUN PHARMA
October 2023	Certificated as AAA for Integration Information and Industrialization Management System	Authorized agency of the Ministry of Industry and Information Technology (MIIT)	KELUN PHARMA
September 2023	China Top 500 Private Enterprises in 2023	All-China Federation of Industry and Commerce (ACFIC)	KELUN PHARMA
July 2023	Top 100 Pharmaceutical Manufacturing Companies in 2022-2023	CMP	KELUN PHARMA
July 2023	Pioneer Enterprise in Independent Innovation in the Pharmaceutical Industry	Pharmaceutical Industry Association of the All China Federation of Industry and Commerce	KELUN PHARMA
June 2023	Annual Top 10 Big Pharma Enterprise Innovation in China	Menet.com.cn	KELUN PHARMA
May 2023	2023 List of Brand Value for Chinese Listed Companies - No. 45 in the List of Rising Stars	National Business Daily，Research Center for China Business, School of Economics and Management, Tsinghua University	CHUANNING BIOTECH
April 2023	2023 Global Unicorn Company	Hurun Research Institute	KELUN-BIOTECH
February 2023	2022 National Green Factory	Ministry of Industry and Information Technology of the People’ s Republic of China	ANYUE KELUN PHARMA

Feature I: The Grand Quality Concept-Lean Management, Foundation of Quality

The "Grand Quality Concept“ management model is our valuable summary of the practice of the "Grand Quality Concept“ by all KELUN people for over 20 years, which encompasses the entire value chains, incorporates all elements, spans all channels, covers the whole processes, and integrates full data management.

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.

"KELUN Grand QualityConcept" model

In 2023, being the first pharmaceutical enterprise, Kelun Pharma received the honor of the Second Tianfu Quality Award for the "Grand Quality Concept" management model. The Tianfu Quality Award is the top quality award established by the Sichuan Provincial Government and given to those organizations with excellent quality management, independent innovation ability, outstanding economic and social contributes, and significant industry quality benchmarking.

Quality Objective, Quality Approaches and Goals

Quality Approaches and Goals:

We uphold and adhere to the grand quality concept and install a reliable quality control and quality testing system, to ensure that the drugs produced by all member enterprises are safe and effective. In addition, we strive to continuously improve product quality competitiveness and reputation, to provide quality assurance for KELUN PHARMA to become an excellent modern pharmaceutical enterprise.

Quality Objective:

In 2023 our quality work has always adhered to the core objective of "controlling risk, strengthening system and shaping brand", focused on quality empowerment,excellence in risk management and control, advanced quality platforms and high-quality performance, taken quality audits, regional supervision and management review as tools, and continued to build a high-quality and mature quality system for our product quality and safety.

Our Honors in Product Quality

In 2015, KELUN PHARMA was certified as the "Quality Benchmark" for industrial enterprises by the Ministry of Industry and Information Technology.

In 2020, Guang'an Branch was awarded the Mayor's Quality Award of Guang'an City and Hunan Kelun received the Mayor's Quality Award of Yueyang City.

In 2021, KELUN PHARMA was nominated for the 1st Sichuan Province Tianfu Quality Award and all of our subsidiaries also actively participated at all levels. Kazakhstan KELUN PHARMA won the medal "Quality Star" of Kazakhstan.

In 2022, Hunan Kelun received the honor of the 7th Hunan Provincial Governor's Quality Award.

In 2023, KELUN PHARMA won the 2nd Sichuan Province Tianfu Quality Award. Yueyang Branch received the Mayor's Quality Award of Ziyang City.

Feature II：Circular Economy - Resource Regeneration, Green Transformation

Our subsidiary, CHUANNING BIOTECH, actively responds to the national call and attaches great importance to environmental protection. It constantly adheres to the strategy of "Environmental Protection First and Sustainable Development". In particular, CHUANNING BIOTECH incorporates the concepts of environmental protection, green and low-carbon, and sustainable development in all aspects of its business operations, continues to optimize its production processes and methods, and gradually shifts its focus from traditional end-of-pipe pollution treatment towards source reduction, promotes deep integration of economic, social, and environmental benefits, step up its paces in building an environment-friendly enterprise, and aims to set the industrial benchmark for “Three Waste” management.

Wastewater Treatment Measures

CHUANNING BIOTECH firmly persists in the principle of "subtraction" in its wastewater treatment process, aiming for near-zero discharge. Following pretreatment procedures that involve source-based cascade recycling and utilization of wastewater of different qualities from fermentation and extraction workshops, the Company employs an integrated processing technology that combines biochemical treatment, mechanical vapor recompression (MVR), and advanced treatment using special membranes (DT), along with high-quality recycling and reuse of recycled water. This primary objective of this approach is to minimize the discharge of production wastewater into the environment, conserve water resources, and significantly reduce the overall emissions of pollutants such as chemical oxygen demand (COD), ammonia nitrogen, and salt. The wastewater treatment system implemented by CHUANNING Biotech is a leader in the antibiotic API (intermediates) industry. Over 80% of the deeply-treated water is recycled and reused with high quality for various applications, including production preparation, power plant boilers, and replenishment for the circulating cooling water system. The small amount of wastewater discharged meets stringent standards, falling well below the special discharge limit as per the Discharge Standards for Water Pollutants for Pharmaceutical Industry – Fermentation Productions Category (GB21903-2008), and COD level is less than 20mg/l and the ammonia nitrogen lever remains below 2mg/l.

Exhaust Gas Treatment Measures

Strictly adhering to the principles of “source reduction, enclosed collection, classified treatment and comprehensive reinforcement”, CHUANNING BIOTECH has established an centralize system for collecting waste gases emitted from workshops and operation units, and has taken the lead to innovatively introduce a series of high-end integrated treatment technologies tailored for the pharmaceutical industry, encompassing negative pressure enclosed collection, pretreatment, molecular sieve or activated carbon adsorption and concentration, as well as high-temperature oxidative combustion. Through these measures, CHUANNING BIOTECH has significantly improved its removal efficiency of major pollutants at the exhaust gas outlet, reaching 95% at least. At the same time, the volatile organic compounds (VOCs) in the purified exhaust gas are maintained below 5ppm and the intensity of exhaust gas emission is much lower than the relevant national environmental protection standards. Moreover CHUANNING BIOTECH has systematically resolved the problem of odor nuisance, and achieved the deep waste gas purification during antibiotic production and "near-zero emission" for major pollutants from waste gas.

Waste Treatment Measures

CHUANNING BIOTECH invested 15 million CNY in the demonstration project for the regeneration of saturated granular activated carbon, with a daily regeneration capacity of 15 tons. The project innovatively utilizes biogases, produced from anaerobic reactors in biochemical treatment of wastewater, as clean fuels for activated carbon regeneration process. The adsorption performance of the regenerated activated carbon can be restored to approximately 95% of that of new activated carbon. Consequently, the project annually reduces the need to purchase nearly 4,000 tons of new activated carbon, translating into savings of over 50 million CNY in waste gas treatment costs, and contributes to a reduction in Carbon Dioxide (CO_2) emissions by more than 500 tons. By enhancing the frequency of activated carbon replacement in the waste gas treatment process, CHUANNING BIOTECH is not only able to efficiently ensure the effectiveness of exhaust gas treatment during antibiotic production, but also facilitates the recycling and utilization of solid waste resources. Furthermore CHUANNING BIOTECH can mitigate the substantial waste gas emissions arising from the incineration of used activated carbon, achieving noteworthy synergistic effects of pollution reduction and carbon reduction.

In addition, CHUANNING BIOTECH has taken "maximizing resource utilization and minimizing environmental pollution" as its mission, "pilot demonstration of harmless treatment and resource utilization of antibiotic residue" as its orientation, and "setting up an environmental protection model for the global antibiotic industry" as its development concept. It actively responds to the national programs promoting the use of organic fertilizers and reducing the use of chemical fertilizers, takes the initiative to create a green circular economy development model within the pharmaceutical industry, and strives to become a leading model enterprise in green economy.

Research on Harmless Treatment of Antibiotic Residue and Circular Economy

Relying on the R&D and innovation platform of the National Environment Protection Engineering and Technology Center for Harmless Treatment and Resource Utilization of Antibiotic Residue, CHUANNING BIOTECH has set up a special project team to address the challenges of harmless and resourceful utilization of antibiotic residue. Taking penicillin, cephalosporin, and erythromycin antibiotic residues organic fertilizer base materials as the research objects, the team focuses on the process for the harmless and resourceful utilization of antibiotic residue, the quality requirements for residue and harmless resourceful organic fertilizer products, the identification of harmless physicochemical and toxicological characteristics and the analysis and detection methods for antibiotic residues in products, biological safety indicators of products, antibiotic residues in soil and crops, and other characteristic pollutant indicators such as resistance genes. This provides a fair, systematic, and scientific testing and analysis platform for the resource utilization of residue by pharmaceutical companies and the implementation of risk management by regulatory authorities.

At the same time, CHUANNING BIOTECH possesses the key integrated and automated technologies and equipment for harmless treatment, including high-temperature and high-pressure hydrolysis, spray drying, disc drying, and electron beam irradiation. These technologies are used to transform the residue generated during the antibiotic fermentation process into organic fertilizer through harmless treatment, which is then used for the cultivation of industrial corn, soybeans, and other crops. The harvested corn, soybeans, and other crops are then fully reused as raw materials in the antibiotic fermentation production process, forming a closed-loop model for the harmless and resourceful treatment of antibiotic residue that is fully supervised by environmental regulatory authorities and the public, with controlled risks. This establishes a cross-industry green and low-carbon circular economy industrial chain system between modern biopharmaceuticals and modern agriculture.

Feature III：The Path of R&D - Innovation-Driven, Intelligence Ushering in the Future

Since Sichuan Kelun Pharmaceutical Research Institute Co., Ltd. was founded In 1998, we made the most of medical talents and other competitive resources at home and abroad and established an R&D system with multiple technical categories and a fully functional platform, which includes the Chengdu and Suzhou Research Institutes as the main body committing to high-end generics, Kelun-Biotech and KLUS (the U.S. branch) as the main body focusing on innovation research. This is a new kind of R&D mode fully in line with international standards, under which research is mainly led by domestic institutes with the help of foreign technology.

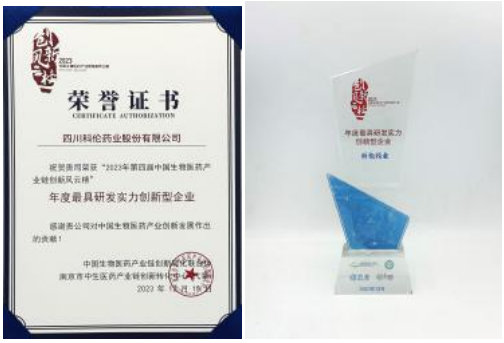
In the field of R&D and innovation, twelve of our member companies have been certified as national high-tech enterprises. We have six national-level innovation platforms. Additionally we have established a national post-doctoral research station, making our innovation capability a core competitive advantage.

Honours & Awards

Time	Name of Award	Awarding Organization	Awardee
December 2023	National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration	Hunan Kelun
December 2023	National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration	Kunming Kelun
December 2023	National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration	QING SHAN LI KANG
December 2023	Most Innovative Enterprise – Comprehensive Strength in R&D	CBIITA	KELUN PHARMA
November 2023	Top 100 Chinese Pharmaceutical Innovation Enterprises – Tier 1	E Medicine Manager (E药经理人)	KELUN PHARMA
November 2023	2023 Best Industrial Enterprise for Pharmaceutical R&D Product Line in China	China National Pharmaceutical Industry Information Center	KELUN PHARMA

2023 Best Industrial Enterprise for Pharmaceutical R&D Product Line in China

Top 100 Chinese Pharmaceutical Innovation Enterprises – Tier 1



Most Innovative Enterprise – Comprehensive Strength in R&D awarded on 15 December, 2023

Innovative Drug R&D Achievements

In 2023, Kelun-Biotech actively pushed forward the R&D process of more than 30 innovative drugs, with a primary focus on tumor diseases. Meanwhile, Kelun-Biotech broadened its scope to include the therapeutic areas such as autoimmune diseases, inflammation and metabolism, and made significant progress in over 10 innovative clinical projects, based on molecular entities. As of now, Kelun-Biotech has submitted 4 projects for New Drug Applications (NDA) and all have been accepted. Three projects are concurrently undergoing clinical research in both China and the United States, with one of them having received orphan drug designation from the FDA.

Tumor Antibody-Drug Conjugate (ADC) Projects

- Sacituzumab Tirumotecan (SKB264/sac-TMT) for injection is a new generation of ADC drug developed by Kelun-Biotech, with independent intellectual property rights. It is composed of a humanized monoclonal antibody targeting TROP2, an enzymatically cleavable linker, and a novel topoisomerase I inhibitor. This innovative drug combines the specificity of monoclonal antibodies to tumor cell surface target antigens with the high efficacy of cytotoxic drugs. Based on initial clinical data, Sacituzumab Tirumotecan (SKB264/sac-TMT) for injection has received four Breakthrough Therapy Designations (BTDs) for the treatment of advanced or metastatic Triple-Negative Breast Cancer (TNBC), locally advanced or metastatic EGFR-mutated Non-Small Cell Lung Cancer (NSCLC) that has failed EGFR-TKI therapy, locally advanced or metastatic Hormone Receptor-positive (HR+) and Human Epidermal growth factor Receptor 2-negative (HER2-) breast cancer patients who have received at least second-line systemic chemotherapy, and for first-line treatment of patients with unresectable locally advanced, recurrent, or metastatic PD-L1-negative TNBC. In December 2023, the New Drug Application (NDA) for Sacituzumab Tirumotecan (SKB264/sac-TMT) for the treatment of adult patients with unresectable locally advanced or metastatic triple-negative breast cancer who have previously received at least two systemic therapies (including at least one for advanced or metastatic disease) was accepted by the National Medical Products Administration (NMPA) of China and included in the priority review and approval procedure. Currently, Sacituzumab Tirumotecan (SKB264/sac-TMT) for injection is undergoing Phase II and III clinical trials as a monotherapy or in combination for the treatment of various tumor types.

- A166 (Trastuzumab Deruxtecan for Injection) adopts the new generation of ADC technology, stably couples antibodies and toxins through linker, reduces the toxin detachment rate, and improves tolerability and safety, thus enhancing the drug effect. In May 2023, the NDA application for the study of A166 (Trastuzumab Deruxtecan for Injection) in the treatment of patients with 3L+ advanced HER2+ breast cancer was accepted by the National Medical Products Administration. Currently, a confirmatory Phase III trial is being conducted in China for patients with 2L+ advanced HER2+ breast cancer.

Other Tumor Projects

A400 (EP0031) is a new generation of selective RET small-molecule kinase inhibitor (SRI) that exhibits extensive activity against common RET gene fusions and mutations. It also has the potential to overcome resistance to first-generation SRIs, potentially addressing the issue of resistance to selective RET inhibitors. In November 2023, A400 (EP0031) received orphan drug designation from the FDA for the treatment of RET fusion-positive solid tumors. In March 2024, A400 (EP0031) obtained fast track designation from the FDA for the treatment of RET fusion-positive NSCLC. Currently, Kelun-Biotech is conducting pivotal clinical studies in China for A400 (EP0031) targeting RET-positive NSCLC.

Generic Drug Sector

From 2017 to the end of the reporting, we have obtained production approval for 164 generic drugs, further consolidating our leading position in domestic infusion market. We have established a core portfolio of advantageous products across therapeutic areas of parenteral nutrition, bacterial infection, fluid balance and central nervous system diseases. Additionally we have achieved notable breakthroughs and enhancements in multiple disease areas such as anaesthesia and analgesia, reproductive health, diabetes and radiography, fully demonstrating our growing influence in the global pharmaceutical industry chain.

In 2023, we obtained production approval of 45 drugs (including drugs with consistency evaluation), and submitted production applications for 62 drugs. We have been continuously enhancing our pipeline layout in products of anti-infective drugs, parenteral nutrition and reproductive health-related products, and leveraging our specialized technology platforms such as powder-liquid dual-chamber bags, multi-chamber bags and liposomes, ensuring serialized outputs and long-term sustainable growth of our core products.

Based on our established core portfolios, we continue to expand our focus on complex raw materials, complex preparations, NDDS and enhanced innovation projects. Simultaneously, we remain committed to opening up to the outside world and exploring blue-ocean areas, and continuously refining our management and control systems to ensure that projects are delivered as planned and maximizing the value of project outputs.

01

ESG GOVERNANCE

We fully understand the importance of corporate responsibilities and sustainable development and always deepen the organic integration of ESG principles with our business operations. In order to effectively fulfill our commitment to ecological environment and social welfare, we built up a robust ESG governance system, continuously strengthen our ESG management, and regularly review and constantly optimize our ESG management approach and strategy.

Meanwhile we actively advocate and practice an open and transparent communication mechanism, maintaining close ties with various stakeholders, listening to voices from all parties, to ensure that ESG principles are comprehensively incorporated into our strategic decision-making and daily operations. We not only focus on our own sustainable development but also strive to promote collaborative progress across the entire industry.

01 BOARD STATEMENT
02 ESG GOVERNANCE STRUCTURE
03 ESG VISION
04 ESG MANAGEMENT APPROACH AND STRATEGY
05 COMMUNICATION WITH STAKEHOLDERS
06 ANALYSIS OF ESG MATERIAL ISSUES

01 BOARD STATEMENT

Our Board of Directors is the highest responsible, decision-making and supervisory body for ESG matters and takes the ultimate responsibilities. 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 comprehensively plan and control the ESG-related opportunities and risks involved in our operations.

The ESG Committee reviews our ESG annual targets and plan and audits their achievement status. At of the end of the reporting period, our ESG work plan has been effectively implemented, and all ESG annual targets have been achieved.

We continue to be proactive in response to expectations from all stakeholders, stick to achieving the goal of excellent and high-quality sustainable development, earnestly fulfill corporate social responsibilities and make long-term value for society.

02 ESG GOVERNANCE STRUCTURE

As of the end of the reporting date, we have formed a top-down and well-defined ESG governance system from our Board of Directors, ESG Committee to ESG Working Group, to provide a strong support for our sustainable development.

Our Board, as the highest responsible, decision-making and supervisory body for ESG matters, takes the ultimate responsibilities. We have established the ESG Committee under the Board, with Mr. Liu Sichuan acting as the chairman of the ESG Committee, and Mr. He Guosheng and Mr. Ren Shichi as members, over 50% of whom are independent directors. We also have established The Working Rules of the Environmental, Social, and Governance (ESG) Committee to clarify the responsibilities, authorities, and rules of procedure. The ESG Committee reports and is accountable to the Board, subject to the Board' s supervision.

Under the ESG Committee, there is an ESG Working Group with Mr. Feng Hao and Ms. Liao Yihong as the leader and deputy leader respectively. Our ESG Working Group is composed of heads of various functional and business departments as well as heads of subsidiary or branch companies. Heads of various functional and business departments and heads of subsidiary or branch companies need to dedicate contact persons to assist with detailed ESG activities.

In addition, as per our ESG Assessment and Performance Reward Adjustment Policy, we incorporate ESG performance indicators into the compensation system of our senior management teams. Guided by our internal policies, their contributions to our ESG commitments and progress are assessed annually and recognized with incentives.

OUR ESG Governance Structure

Review and approve our ESG strategy and objectives and significant matters related to social responsibility.

- Formulate policies and implementation plans in line with our strategy and ESG objectives;
- manage ESG-related risks and issues in our daily operations;
- coordinate and promote the implementation of ESG-related problems;
- prepare annual ESG reports, etc.

- 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.

03 ESG VISION

Our ESG vision is to practice high-quality ESG management, actively respond to the United Nations Sustainable Development Goals (SDGs) , support the Healthy China initiative and the national goals of peaking carbon emissions and subsequent carbon neutrality, turn our corporate philosophy of “Pursuing Truth in Science and Kindness in Ethics “ into concrete actions, seek health and well-being for more patients, and make more diseases to be treated. Moreover we engage in climate change, embrace challenges, integrate resources, incorporate ESG principles into our development strategy of "Three Driving Engines and Innovative Growth", effectively fulfill our commitments to all sectors of society, collaborate with our employees and all partners, lead industrial sustainable and healthy development, promote harmonious development between enterprises, employees, communities and environment, boost advances in medical technologies, and make contributions to all.

04 ESG MANAGEMENT APPROACH AND STRATEGY

We are committed to integrate the concept of sustainable development into our daily operation and management practice, maintain our ESG management strategy consistent with the United Nations Sustainable Development Goals (SDGs) and take efforts to achieving excellent performance and continuous progress in key areas, to promote high quality and sustainable development of our Group’ s business.

Product Responsibility

Strengthening quality management and firmly establishing the “Grand Quality Concept” . Setting up a reliable quality control and monitoring system to ensure the safety and effectiveness of manufactured drugs, while continuously improving our quality standards and brand reputation.

R&D Innovation

Leading the industry development and driving the future through innovation. Continuously cultivating deeply into the field of new drug research and development, constantly promoting the implementation of innovative achievements, and introducing better treatment solutions for human being to overcome diseases. Exploring new innovative models such as digitization and artificial intelligence, and promoting the upgrading of pharmaceutical innovation models.

Environmental Protection

Actively responding to climate change and achieving synergistic effects in pollution reduction and carbon emission reduction. Always adhering to our business philosophy of "giving priority to environmental protection and sustainable development", pursuing green and sustainable development. Through continuous investment in environmental protection, and substitution of clean energy, advocating energy conservation and emission reduction, forming a circular economy model, and promoting green production and green ecology.

Social Responsibility

Fulfilling social responsibilities and caring for patients' health. Actively participating in drug procurement with quantity commitment, voluntarily engaging in national health insurance negotiations and drug commercial insurance catalog application work, and improving production processes. Under the premise of ensuring product quality, reducing drug costs, thereby further reducing drug prices, relieving patients' burden, and increasing drug accessibility. Always firmly serving as pioneers in national inclusive healthcare and guardians of patients' lives and health.

Employee Development

Advocating simple and friendly interpersonal relationships and supporting employee development. Adhering to the people-oriented principle, striving to create a corporate culture that is diverse, equal, open, inclusive, collaborative, and mutually supportive. Enabling employees to live happily and work joyfully. Continuously improving employee welfare benefits, enhancing their sense of belonging, happiness, and honor.

05 COMMUNICATION WITH STAKEHOLDERS

We are fully aware of the vital role of various stakeholders in driving our sustainable development. Based upon a thorough review, we have identified 8 core stakeholder groups, including governments, regulatory bodies, social organizations or associations, shareholders or investors, suppliers, customers, employees, communities, potential users, and other partners. We actively advocate and practice a multi-dimensional communication strategy, striving to comprehensively and sincerely listen to the authentic voices from all parties. This approach enables us to achieve sustainable development goals together with all stakeholders, share the fruits of our enterprise's growth, and jointly create social value.

We highly value opinions and feedbacks from all stakeholders, maintain good communication with them via multiple channels such as public email addresses and complaint hotlines, and get ready to receive and respond to their feedbacks and concerns at any time. All stakeholders can provide feedback on any negative impacts caused by our company through the designated email address. Our dedicated personnel will promptly contact the feedback providers, actively address or improve the resulting negative effects, and accept supervision and auditing of the improvement measures until the relevant negative impacts are properly resolved and recognized.

STAKEHOLDERS	TOPICS OF INTEREST	COMMUNICATION AND RESPONSE
Government and Regulatory Bodies	▪ Tax Compliance ▪ Carbon Emission Management ▪ Water Resource Management ▪ Climate Change ▪ Compliant Operation	▪ Supervision and Inspection by Administrative Authorities ▪ Work Reports and Official Correspondence emails or phones ▪ Regular Communication ▪ Policy Consultation and Implementation
Shareholders and Investors	▪ Compliant Operation ▪ Business Ethics and Anti-corruption ▪ Stable Returns ▪ ESG Management Approach and Strategy	▪ Periodic Reports to Shareholders' Meeting ▪ Official Website Information Disclosure ▪ Investor Hotline ▪ Exclusive Appointment and Inquiry Email for Investors
Suppliers	▪ Sustainable Supply Chain ▪ Business Ethics and Anti-corruption ▪ Energy Usage ▪ Industrial Development and Cooperation	▪ Supplier Exchange and Inspection ▪ Supplier Trainings ▪ Supplier Evaluation ▪ Procurement Bidding Process
Customers	▪ Product Safety and Quality ▪ Responsible Marketing ▪ Compliant Operations ▪ Carbon Emissions Management ▪ Universal Health and Access to Healthcare	▪ Customer Satisfaction Survey ▪ Communication with Customers via Email and Phone for Service and Complaint Handling ▪ Customer Visits
Employees	▪ Employee Compensation & Benefits ▪ Occupational Health and Safety ▪ Compliant Operation ▪ Equality and Diversity ▪ Training and Education	▪ Internal Emails and Announcements ▪ Corporate Culture Platform ▪ Employee Suggestion Platform ▪ Internal Publication ▪ Company Labor Union
Communities	▪ Public Welfare and Charity ▪ Universal Health and Access to Healthcare ▪ Carbon Emissions Management ▪ Waste Management	▪ Health Knowledge Popularization Activities ▪ Public Enquiries and Complaints ▪ Visits and Interviews ▪ External Announcements and Disclosure
Potential Users	▪ Compliant Operation ▪ Carbon Emissions Management ▪ Waste Management	▪ Information Disclosure ▪ Official Websites ▪ Social Media
Other Partners	▪ Employee Compensation & Benefitss ▪ Compliant Operation ▪ Carbon Emissions Management ▪ Climate Change	▪ Business Communication and Agreement Signing ▪ Industry Activities, e.g., Exhibitions, Seminars ▪ Satisfaction Surveys

06 ANALYSIS OF ESG MATERIAL TOPICS

During the year, we interacted and communicated with stakeholders through our daily production and operation activities. This enabled us to gather their opinions and feedbacks on our sustainable development management and ensure accuracy and comprehensiveness of information disclosure. Moreover we conducted a comprehensive assessment, taking into account shifts in our industrial peers and ESG development trends, to determine our annual sustainable development topics.

We have established a material analysis process of ESG topics to gain a deep understanding of stakeholders' concerns, expectations, and needs on our sustainable development, and review our ESG performance. Through the material analysis process, we identified and screened our key ESG topics, understood our stakeholders' interests in these topics, evaluated their impacts to our operations and defined our ultimate key ESG topics. The defined key ESG topics serve as our goals and foundation for ESG management either.

Identifying our stakeholders

We identified stakeholders from two dimensions of “materiality to stakeholders" and “materiality to corporate development” , combined with in-depth research and analysis in international standards, macro policies, industry hotspots, and peer practice, taking into consideration our own development strategy and characteristics.

Conducting online survey

We invited all stakeholders to participate in our online survey, to understand their concerns on key ESG topics. This year we successfully gathered a total of 490 survey responses.

Establishing our pool of key ESG topics

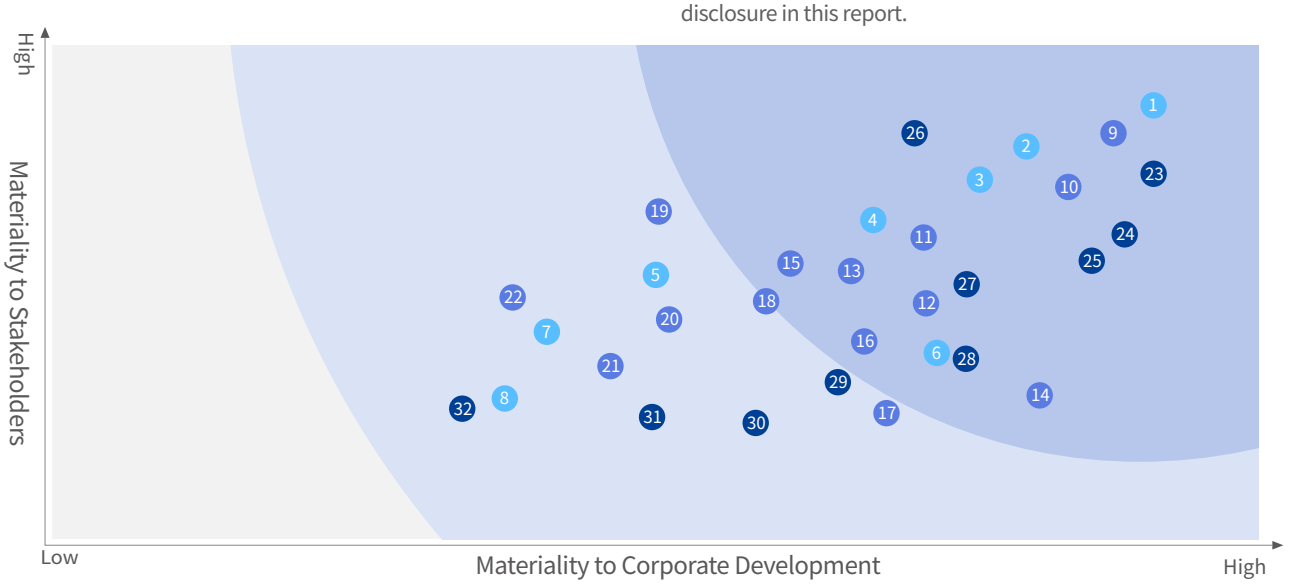
We established a pool of key ESG topics, based upon regulatory requirements, sustainable development standards, industrial characteristics and our practice. In 2023, we have identified 32 key ESG topics.

Analyzing and confirming survey results

After the survey, we analyzed the feedbacks of all participants and evaluated the materiality of each topic from two dimensions of “materiality to corporate development” and “materiality to stakeholders” to obtain a materiality matrix of ESG topics in 2023.

Disclosure and Improvement

Our management reviewed and confirmed the results of evaluating key topics and made the key ESG topics as the focus of disclosure in this report.



Environment Topic

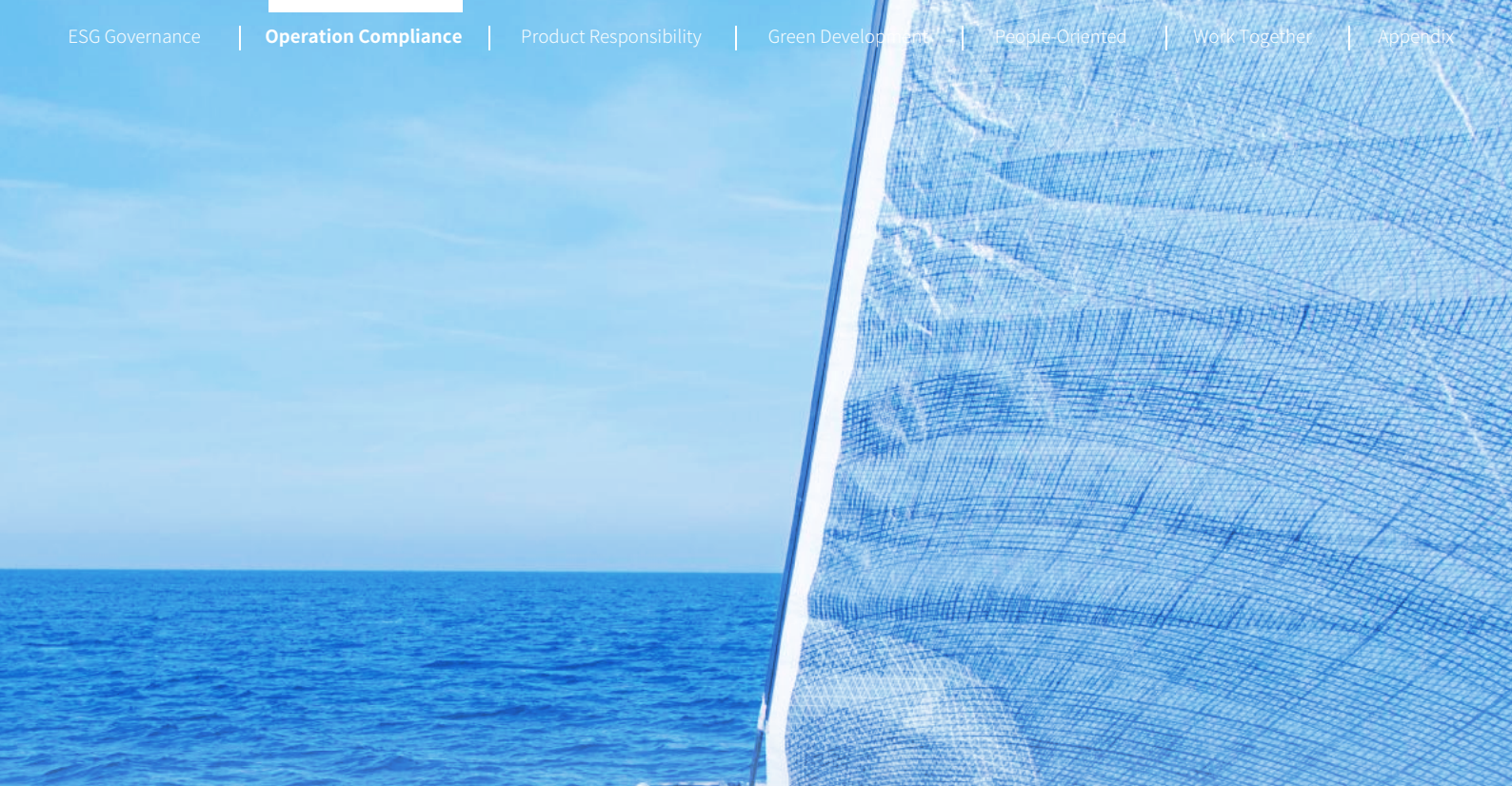
1 Carbon Emission management
2 Waste Management
3 Energy Usage
4 Water Resource Management
5 Supplier Environmental Assessment
6 Green Building
7 Biodiversity Protection
8 Addressing Climate Change

Social Topic

9 Occupational Health and Safety
10 Product Safety and Quality
11 Employee Compensation & Benefits
12 Training and Education
13 R&D and Technological Innovation
14 Equity and Diversity
15 Supply Chain Management
16 Universal Health and Healthcare Accessibility
17 Intellectual Property Protection
18 Consumer Protection
19 Responsible Marketing
20 Public Welfare and Charity
21 Industry Development and Co-operation
22 Communication with Stakeholders

Governance Topic

23 Compliance
24 ESG Management Approach and Strategy
25 Risk Management
26 Business Ethics and Anti-corruption
27 Tax Compliance
28 Stable Returns
29 Negative Event Management
30 Board Diversity and Inclusion
31 Data Security Management and Privacy Protection
32 Corporate Culture and Values



02

MAINTAIN A STABLE COURSE, AIM TO REACH AFAR

We act with integrity and ethics, and firmly believe that a sound governance structure is the cornerstone of our sustainable corporate development. We are dedicated to promoting accountability of the Board and our senior management, and increasing corporate transparency, to ensure strict adherence to national laws and regulations and business ethics.

We commit to optimizing internal management system and reinforcing party construction to standardize our operations. We endeavour to deeply integrate our business practice with corporate values, compliance requirements, international standards and customer expectations to create long-term value for all stakeholders.

01 CORPORATE GOVERNANCE
02 BUSINESS ETHICS
03 LEAD PARTY BUILDING

01 CORPORATE GOVERNANCE

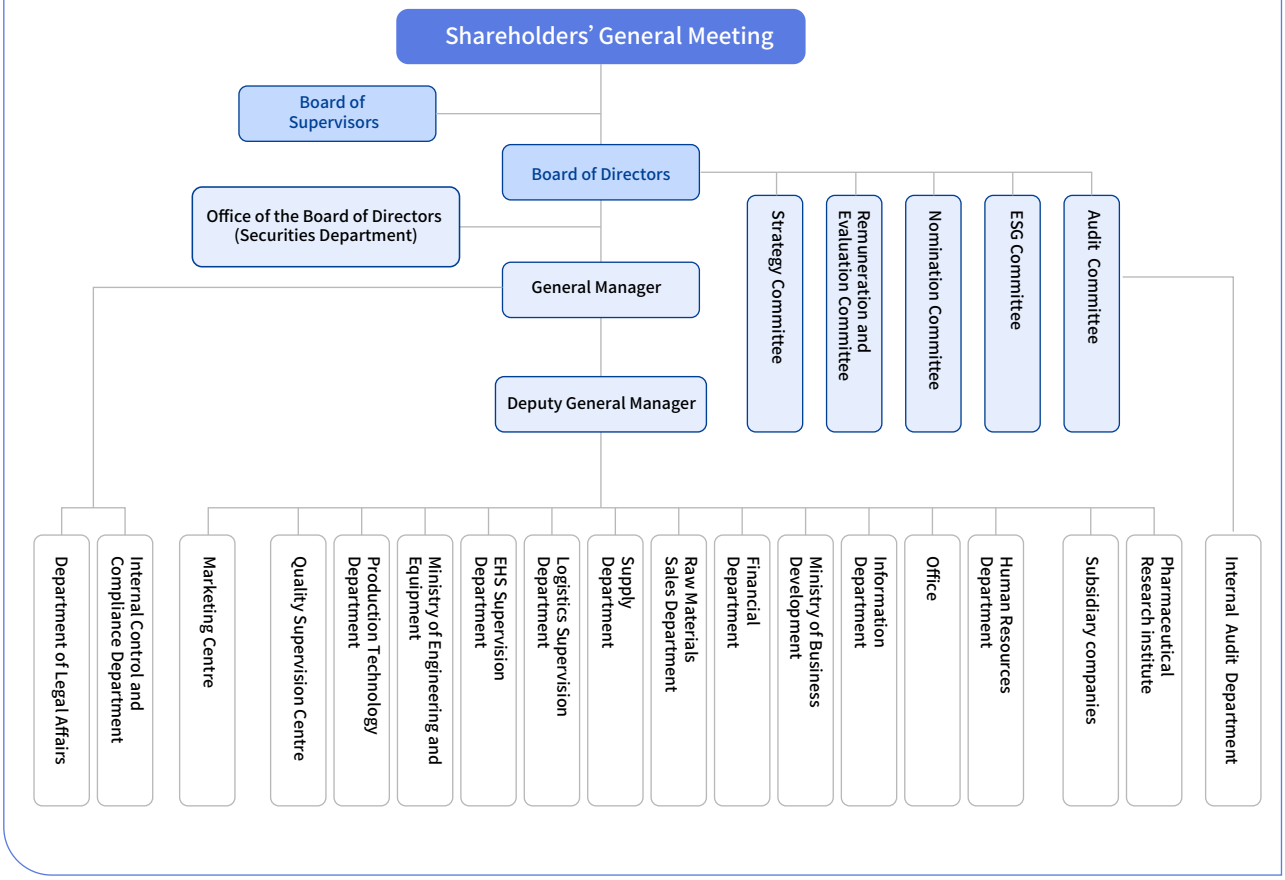
1.1 ORGANIZATIONAL STRUCTURE

In strict compliance with 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, The Code of Governance for Listed Companies, the Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Main Board Listed Companies (Revised in 2023) and other regulatory requirements, we continuously refine our corporate governance structure, strive to enhance our internal management systems and streamline the efficiency of information disclosure, aiming to further elevate our corporate governance capabilities.

We have established a comprehensive governance system, based upon the Articles of Association, and including the Rules of Procedures for the General Meetings, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee and so on, to ensure that all parties strictly hold individual accountable for their actions in a standardized and orderly manner as prescribed by laws and regulations, the Articles of Association and the corresponding rules and procedures. Through a clear and robust governance structure, we respond proactively to external regulatory requirements and internal development needs, contributing to the achievement of our sustainable development strategic goals.

For further information, please download the relevant policies and procedures from our official website.

OUR ORGANIZATIONAL CHART



1.2 BOARD DIVERSITY

Board of Directors

At of the end of the reporting period, our Board of Directors comprised 7 members, including 3 independent directors. The independent directors play a key role in ensuring the fairness and scientific nature of our Board' s decision-making, which helps protect the rights and interests of all shareholders, Our current composition of the Board and director selection procedure are in compliance with the relevant requirements of the laws and regulations and our Articles of Association. All current Directors are well-experienced professionals, of which 4 of our Directors hold doctoral degrees and 3 hold master degrees. In 2023 we convened 11 meetings of the Board, with a 100% attendance rate.

Board of Directors Structure

Name	Position	Gender	Education	Expertise			
				Industry Experience	Accounting	Economics	Law
Gexin Liu	Chairman	Male	Master	✓			
Sichuan Liu	Director	Male	Master	✓			
Guosheng He	Director	Male	PhD			✓	
Guangji Wang	Director	Male	PhD	✓			
Shichi Ren	Independent Director	Male	PhD		✓		
Minggang Ou	Independent Director	Male	PhD			✓	
Jinbo Gao	Independent Director	Male	Master				✓

Committees of the Board

Our Board has established the Strategy Committee, the Remuneration and Evaluation Committee, the Nomination Committee, the Audit Committee, and the ESG Committee. Independent directors make up the majority of the members of all the mentioned committees.

The committees established under the Board of Directors assist the Board in providing consultation and advice on decision-making matters in accordance with the provisions of the Articles of Association, Working Rules for the Audit Committee of the Board of Directors, Working Rules for the Remuneration and Evaluation Committee of the Board of Directors and other relevant policies and procedures. Each specialized committee is accountable to the Board, reporting on work progress and achievements to the Board. The proposals of the committees are submitted to the Board for review and decision-making.

Roles & Responsibilities of Our Committees of the Board

Committees of the Board	Roles and Responsibilities
Strategy Committee	The main duties of the Strategy Committee are to conduct research and make recommendations to the Board on matters related to our long-term development strategy and material investment decisions.
Remuneration and Evaluation Committee	The main duties of the Remuneration and Evaluation Committee include studying performance criteria for the Directors and senior management and evaluating their performances, and formulating and reviewing the remuneration policy and structure and remuneration packages of the Directors and senior management.
Nomination Committee	The main duties of the Nomination Committee include establishing and reviewing the nomination policy and procedures, and advising the Board on the appointment and nomination of the Directors and senior management.
ESG Committee	The main duties of the ESG Committee include reviewing our ESG performance; formulating management policies, objectives, strategies, and frameworks for ESG matters; identifying and assessing ESG-related risks and opportunities that have significant impacts on our business.
Audit Committee	The Audit Committee is mainly responsible for the communication, supervision, and verification of internal and external audits within our Company.

1.3 INFORMATION DISCLOSURE MANAGEMENT

In accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Administrative Measures on Information Disclosure by Listed Companies and other laws and regulations, normative documents, as well as our Articles of Association, we have established 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. We fully fulfill our information disclosure obligations and designate Securities Times, Shanghai Securities News, Securities Daily, China Securities Journal and “CNINF " as our information disclosure newspaper and website to timely report our business operations to all stakeholders.

In addition, we actively innovate the form and content of information disclosure, and adopt various ways to release information that does not meet the information disclosure standards of listed companies, so that investors can understand our situation more comprehensively and deeply, and actively safeguards the right to information of the general investors.

During the reporting period, we disclosed periodic reports, interim announcements, and other important information as prescribed, fulfilling our information disclosure obligations in an authentic, accurate, and complete manner and receiving the highest rating of "A" for information disclosure by Shenzhen Stock Exchange.

1.4 PROTECTION OF SHAREHOLDERS AND INVESTORS’ INTERESTS AND RIGHTS

We support investors in fully understanding our operational and development trends, and establish a multi-channel communication platform for domestic and foreign investors. We actively share our latest developments and achievements with investors, respond to their concerns regarding our strategic planning, development impetus, and core competitiveness, and deepen investors' understanding of our company, 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, we received more than 1,000 interviews and investigations from significant media and intermediaries and produced more than 100 press releases of various types; our 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.

The 2022 Annual General Meeting held on May 4, 2023

02 BUSINESS ETHICS

2.1 COMPLIANCE AND RISK MANAGEMENT SYSTEM

We focus on strengthening risk prevention and internal management, by developing risk management strategies, continuously promoting the construction of internal control systems, enhancing internal audit supervision, and constantly identifying and effectively responding to various risks. We actively carry out risk investigations and formulate countermeasures, to ensure compliant operations, stable development, and improve our risk resistance capabilities.

Internal Control

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, combined with our own operations and management needs, we have prepared our internal control documents, including but not limited to The Internal Control Manual, The Implementation Plan for Internal Control Management, The Compliance System Documents, and revise and update them periodically, to ensure the effectiveness and adaptability of the design and implementation of internal controls.

During the reporting period, we further optimized our internal control evaluation mechanism, strictly supervised and evaluated the implementation of internal control systems, and was able to quickly identify potential internal control defects. In response to the issues discovered, we promptly proposed practical and feasible rectification plans and continuously followed up until they were fully implemented and resolved, effectively ensuring the effective implementation and execution of the internal control system.

Compliance Management

“Compliance” is a cornerstone of our corporate culture. We require each employee to strictly adhere to the bottom line of compliance and maintain a mindset of risk awareness. By continuously enhancing our compliance management system construction, we aim to safeguard the stable operation of our business activities. Since 2020, we have designated the second quarter of each year as the “Kelun Compliance Season” . During this period, we organize a series of compliance-themed activities, aiming to help all employees gain a deeper understanding and recognition of our compliance requirements, and let these requirements reach the hearts of our employees and guide their work.

In addition, we actively organized a wide range of diversified professional training courses on anti-monopoly compliance, quality system compliance, legal norms, and other related topics, to reinforce our compliance culture. In 2023, 6,903 trainees attended compliance training, and 144,209 hours were accumulated, demonstrating our firm determination in promoting a comprehensive compliance culture.

Internal Auditing

To further enhance our level of corporate governance and operational transparency, we have established an audit committee. This committee consists of three directors, with independent directors holding the majority of seats. At least one of the independent directors is a professional accountant. The audit committee is responsible for overseeing and guiding the work of the internal audit department, as well as coordinating between internal and external audits.

To strengthen the internal audit function, enhance the effectiveness of internal audit work, and ensure the effective protection of investors' legitimate rights and interests, we have formulated the "Internal Audit System" in accordance with relevant laws and regulations such as the "Audit Law" and the "Regulations of the Audit Office on Internal Audit Work". The aim of this system is to reinforce internal supervision and management, improve audit quality, and enhance the level of corporate governance.

Our Compliance Management System

QUALITY COMPLIANC

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 manage ment 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.

2.2 ANTI-CORRUPTION AND ANTI-FRAUD

We joined the China Enterprise Anti-Fraud Alliance in 2015, and have actively participated in its efforts to combat corruption and fraud and build a clean business environment. In order to establish a robust system of business ethics, strengthen our ability to govern the enterprise in accordance with laws and regulations, and enhancing our capacity to manage business ethics, we have formulated a series of documents such as the Code of Business Conduct, Employee Handbook, Anti-Fraud System of Sichuan Kelun Pharmaceutical Co., Ltd., Trade Secret Protection and Non-competition System of Sichuan Kelun Pharmaceutical Co., Ltd., the System for Reporting and Avoiding Conflicts Arising from Relative Relationships and Declaring Conflicts of Interest. Collectively these documents constitute a comprehensive control system from multiple dimensions, including employee behavior norms, fraud prevention, trade secret protection, and conflict of interest avoidance.

We require all employees adhere to the highest standards of business ethics and encourage upstream and downstream partners as well as other stakeholders to support, accept, and implement the Code of Ethical Business Conduct. This ensures that our business operations are conducted in a manner that is ethical and compliant with commercial ethics.

Anti-corruption

We take “integrity and honesty” as our corporate lifeline and are committed to actively safeguarding against any forms of bribery and corruption that could potential harm our operations, reputation, and business relationships. We uphold a zero-tolerance stance towards corruption and fraud, and require that all employees and third parties engaging with our company adhere strictly to our anti-bribery and anti-corruption policies.

We explicitly require employees to sign the Compliance / Integrity Commitment Letter upon employment, and our Internal Control and Compliance Department performs spot checks annually on the signing of this letter by all employees and business partners. Meanwhile we organize annual internal control self-inspections for all subsidiaries, branches and directly affiliated departments to promptly identify any signs of violation of business ethics standards. Additionally as per our audit plan, we regularly conduct audits on business ethics and related policies across all business segments, subsidiaries, branches and directly-affiliated departments within our Company.

Anti-fraud

As the decision-making body of the highest responsibility, our Board is responsible for supervising and promoting our management to build a company-wide anti-fraud culture environment and establish and improve a robust internal control system including fraud prevention. The Audit Committee is the leading and primary responsible body for anti-fraud work, responsible for guiding anti-fraud efforts and conducting continuous supervision of anti-fraud work.

We actively prevent and combat all types of fraudulent behavior to effectively safeguard our fair competition environment and good business order. At the same time, through business ethics education and training, we enable all employees to have a deep understanding of and strictly adhere to relevant requirements, building a fair, transparent, and honest corporate atmosphere.

2023 Training Performance

Anti-fraud training for all employees
Number of trainees participating in training
20,434 persons
Total training hours
20,434 hours

Integrity training for management cadres
Number of trainees participating in training
1,105 persons
Total training hours
552.5 hours

Compliance training
Number of trainees participating in training
6,903 persons
Total training hours
144,209 hours

February 2, 2023
Integrity training for management cadres

May 19,2023
"KELUN Compliance Season" Anti-fraud training for all employees

2.3 WHISTLEBLOWER PROTECTION SYSTEM

We firmly adhere to the business philosophy of "customer first" and "honesty as the foundation". In order to foster a healthy and win-win business environment, we actively encourage suppliers, partners, and all employees to participate in the supervision of our integrity management system. We have established a Whistleblower Protection and Reward System to incentivize all parties to courageously disclose instances of corruption, job-related criminal activities, and other illegal behaviors.

We have achieved a diversified layout in our whistleblowing mechanism. Specialized whistleblowing hotlines have been established in multiple core departments, including the Internal Audit Department, Legal Affairs Department, and Human Resources Department. In addition, convenient channels such as WeChat and e-mail are also available, ensuring that any employee or related party can safely and effectively submit reports on fraud and other violations.

When handling whistleblowing matters, we strictly adhere to national laws and regulations as well as internal company policies. Strict confidentiality measures are implemented for whistleblowers and the information they provide. From receiving, recording, safekeeping, to investigation and handling, we have established a rigorous information protection mechanism to resolutely prevent any leakage or loss of whistleblowing information. Personnel who violate confidentiality regulations will be severely punished. Employees who intentionally disclose whistleblower information for non-job-related reasons will be terminated, and those whose actions constitute a crime will be prosecuted for criminal liability in accordance with the law. We are committed to ensuring that every whistleblower who courageously expose illegal behavior receives the respect and protection they deserve.

Our Whistleblowing Channel

Whistleblowing Phone: Internal Audit Department 028-82860620
Legal Affairs Department 028-82860470
Human Resources Department 028-82860386
ntegrity KELUN PHARMA 13710096516 (same WeChat account number)

Whistleblowing E-mail: jubao@kelun.com
Mailbox: Internal Audit Department / Legal Affairs Department / Human Resources Department, Sichuan Kelun Pharmaceutical Co., Ltd., No.36 West Baihua Road, Qingyang District, Chengdu, Sichuan, P. R. China

2.4 TAXATION MANAGEMENT

We strictly adhere to domestic and international tax laws and policies all the time, upholding the principle of honest taxpaying and fulfilling our tax payment obligations in accordance with laws and regulations. To ensure the standardization and compliance of tax operations, we have established a comprehensive tax management system, including guiding documents such as the Tax Management Regulations, Tax Daily Operation Guidelines and Tax Relief and Fee Reduction Guidelines. All subsidiaries and branches strictly adhere to these policy requirements in handling tax matters.

In the face of various inspections conducted by tax authorities and collaborative investigations by regulatory agencies, we maintain a consistently cooperative attitude, proactively providing the required information. We maintain close and good interactive relationships with tax authorities to ensure timely communication and proper handling of opinions, jointly creating a fair and transparent tax environment.

For overseas business, our overseas subsidiaries and branches have timely submitted country-by-country reports to relevant countries and regions since 2019, satisfying the requirements of international tax supervision and demonstrating our determination and action in adhering to legitimate and compliant operations globally.

03 LEAD PARTY BUILDING

3.1 PARTY BUILDING MANAGEMENT AND BUSINESS DEVELOPMENT

Since the establishment of our party organization in 1998, we have always regarded party building work as one of the core driving forces for promoting our development. In our more than 20 years of progressing, we have adhered to guiding our spiritual outlook and strategic direction through party building, deeply integrating it into all aspects of production and operation This has shaped a firm ideal and belief for Communist Party members within our company. At the same time, we have nurtured the cultural foundation of our company with advanced party ideas, allowing high-level party building work to lead our company to achieve high-quality growth.

3.2 PARTY ORGANIZATION ACTIVITY

"Uniting Efforts and Focusing on Development, Pressing Forward with Perseverance Towards the Future"—The Party Committee of KELUN PHARMA organized Thematic Education and Special Party Lesson Activity

To celebrate the 102nd anniversary of the founding of the Communist Party of China, the Party Committee of KELUN PHARMA organized a thematic education and special party lesson titled "Uniting Efforts and Focusing on Development, Pressing Forward with Perseverance Towards the Future" on the afternoon of June 30, 2023. The KELUN people, with red hearts towards the Party, actively participated in this event. Fully utilizing video conference equipment, the party lesson innovatively adopted a synchronous live broadcast format combining "on-site learning" with "online learning". The main venue was set up in our Company, while more than 20 "online" branch venues were established in the Shanghai Marketing Center, various production bases, Kelun-Biotech, Kelun Pharmaceutical Research Institute, CHUANNING BIOTECH and sales regions. Such arrangement allowed more party members to learn high-quality party lessons in their own units, effectively expanding the coverage of party member education and training.

The Party Committee of KELUN PHARMA and The Party Committee of New Hope Group Jointly Hosted a Party Building Collaboration Event

On May 17, 2023, the Party Committee of the New Hope Group led the heads of various industrial sectors, subsidiaries, and party organizations, as well as party affairs cadres, to participate in learning and exchanges. This exchange adhered to the principles of openness, sharing, and cooperation for mutual benefit. Through mutual learning in party building work, it further laid a solid foundation for empowering enterprise development. Both parties reached a consensus that in the future, they would continue to strengthen communication and connections among party organizations, actively resonate with business development, fully leverage the platform advantages of party building cooperation, and establish a new pattern of party building work featuring "resource sharing, complementary advantages, integration and progress, and joint improvement." This will enable party building work to become a strong backbone and important safeguard for the sustainable and stable development of enterprises, strengthen confidence and momentum for the development of the private economy, and jointly chart a new chapter in development.

3.3 PARTY MEMBER DEVELOPMENT

We adheres to the principle of "wherever the business extends, the Party organization takes root" in the development of Party members and organization building. Closely integrating with the actual needs of enterprise operations, it creatively integrates the Party organization system with our Company's production management structure, extending vertically to all levels. This ensures that the Party organizations and the ranks of Party members can keep up with the pace of enterprise development.

Moreover we attach great importance to the construction of the core team of Party members and actively implement the mechanism of "training key personnel into Party members and training Party members into key personnel." Through this mechanism, many Party members who possess both Party spirit, excellent work style, profound professional knowledge, and rich management experience have stood out. They have gradually taken up key positions, fully playing the role of Party member pioneers and models, effectively promoting capacity enhancement and independent innovation, strengthening our core competitiveness, and accelerating the red engine of our sustainable development.

03

Uphold the Craftmanship Spirits, Take Responsibilities for Lives

We adhere to the original intention and mission of product R&D and keep driving our development with innovation. Also, we strictly control product quality and treat every medicine as a solemn commitment to life, striving to show respect for life in every detail with care.

We build a sustainable supply chain management system and choose our partners responsibly to ensure that raw materials are green and traceable from the source. We uphold responsible marketing principles, resist false propaganda, and commit to provide customers with true and accurate product knowledge and instructions.

We understand the importance of data security in patient privacy and corporate responsibility. Therefore, we adopt advanced technology and strict management measures to protect user information at all levels.

01 R&D Innovation
02 Product Quality Management
03 Sustainable Supply Chain
04 Responsible Marketing
05 Data Security and Privacy Protection

01 R&D INNOVATION

2023 R&D performance

R&D Expense

1.95 billion CNY R&D investment in FY2023 totally, increased **7.59%,** covering **9.10%**of revenue

R&D Investment

Since 2012 to the end of the reporting period, **12** billion CNY cumulative R&D investment totally

R&D Team

The number of R&D employees **2,612** persons, increased **2.27%**, covering **13.19%** of all employee

Patents

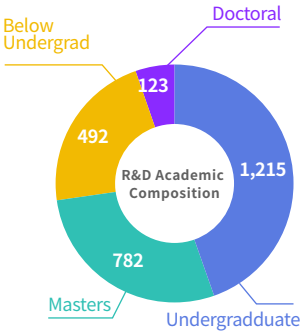
Total **2,904** patents applied as of the end of 2023

1.1 OUR R&D SYSTEM

We have established a multi-technical and full-function platform for the R&D system. The core are Chengdu and Suzhou research institutes that are dedicated to high-end imitation and improvement of generic medicines. The main operating parties are Kelun-Biotech and KLUS Pharma, which focus on discovering and developing innovative biologics. In R&D, we own 12 companies rated as national high-tech enterprises and six national innovation platforms and postdoctoral research workstations.

R&D Team

R&D team is our core drive of technology innovation. We have launched a comprehensive Innovation transformation since late 2012, attracting thousands of talents with doctoral and master degrees. We have set up a scientific research team with profound academic background, strong will, and up to international standards. At of the end of 2023, we have 2,612 R&D staff and committed to breaking through key technical bottlenecks and improving the technological and market competitiveness of our products.



1.2 R&D Strategy

In 2023, we reinforced our strategic positioning, further strengthened our R&D strategic layout in the global pharmaceutical market, and launched more than 400 drug research projects. We innovatively covered over 30 innovative drugs and 431 generic and improved medicines with cluster advantages, high technical level, distinctive features, and cost competitiveness.

Innovative Drugs

We continue to deepen the pace of reform, focus on our advantages, improve speed and efficiency, benchmark with the best practice in the industry. We continuously strengthen our internal management optimization and external cooperation expansion, aiming to ensure our leading advantages in key technology fields such as first-mover projects and ADC.

We establish the concept of product marketization, respond to unmet clinical needs, and launch targeted projects to develop innovative drugs with significant differentiation advantages and global market potential. To secure a favorable position in the fierce market competition, we also introduce big data and artificial intelligence technology to reinforce our application capabilities of basic biology and translational medicine and to improve our efficiency and success rate of innovative drug R&D.

We also continue to pay attention to new targets and technologies in the ADC field, strengthen the ADC pipeline, increase the strength of the ADC platform, and promote the authorization of overseas rights for projects under development to enhance market value and international competitiveness of the projects. We will integrate ourself into the global drug innovation network, actively promote international cooperation, cultivate competitive advantages, and value of innovative drugs at a higher level and in a wider scope.

Generic Drugs

Our Kelun Research Institute follows the market changes and clinical needs, highlights the development of branded generic drugs, high-end infusion preparations, and improved innovative drugs that are needed for clinical use. It relies on a rich cluster of favorable product pipeline to establish characteristic technology platforms and develop advantageous areas. We obtain the competitive and brand advantage of "multi-point development" in the centralized procurement markets, non-centralized procurement markets and global markets.

1.3 MEDICINE R&D ETHICS

Our Commitment

In our drug development process, we always adhere to regulatory requirement and the ethical principles such as the Helsinki Declaration, Guidelines for Ethical Review of Clinical Trails, International Council for Harmonization (ICH) Guidelines for Good Clinical Practice (GCP) and China' s Clinical Practice for Drug Clinical Trials and Adverse Drug Reaction Reporting and Monitoring Management. With the continuous improvement of the pharmaceutical regulatory system, we promise that all Our R&D activities shall be conducted under legal compliance and ethical legitimacy .

Clinical Research

Drug Clinical Research Procedures

01 Preliminary Research
New drugs need to be tested before clinical trials. Research data can prove that the drug is safe and controllable

02 Subject Screening
Before the clinical trial phase, researchers need filter the potential subjects according to strict inclusion and exclusion criteria.

03 Clinical Trials
Develop a subject privacy protection system to fully protect the rights and interests of subjects

04 Emergency Mechanism
Establish a Plan B for the emergency or accident response mechanism to ensure quick reaction to adverse events.

05 Collecting AdverseEvents
Collect adverse event after product launch through clinical trials from healthcare professionals, patients, and business partners through hotline and other channels

06 Review & Communication
Regularly follow up and review processes such as trial plans, informed consent forms, and protocol deviations, and maintain good communications

Clinical Trial Risk M

We customize a risk management plan for each project for important risk controlling point, such as subject protection, data authenticity, integrity, reliability, and GCP compliance. We currently adopt three levels of control for clinical trial risks, and also conduct corresponding audits on external suppliers to ensure that the service quality of suppliers meet the clinical trial requirements.

Clinical Trial Risk Control

Level 1
Carry out clinical monitoring activities in strict accordance with GCP requirements and company SOP to ensure that the operations of clinical research centers and researchers meet the requirements and that the data is authentic and reliable

Level 2
Ensure that key point data of the project can be guaranteed and important links are controlled and paid attention to

Level 3
Ensure project process compliance and compliance with GCP requirements

Subject Protection

We always prioritize the protection of the rights and interests of clinical trial subjects. Through rigorous scientific research processes and management systems, we manage to protect the informed consent, privacy and health rights of each participant in clinical trials.

In addition, we continuously optimize the adverse drug reaction monitoring system to discover and handle any problems that may affect the health of subjects, so as to protect the rights and interests of subjects from damage to the greatest extent. We are committed to providing a scientific and safe research environment for subjects, and strives to achieve a harmonious unity of social benefits and ethical responsibilities of drug research and development.

Animal Welfare

Experimental animals are an important supporting condition for pharmaceutical R&D and life science research. We highly value the ethical principles of animal welfare and respect the life contributions of experimental animals to research. Kelun-Biotech has established an Institutional Animal Care and Use Committee (IACUC) to review major issues related to animal welfare.

We strictly comply with all regulatory requirements such as the Regulations on the Administration of Laboratory Animals and the 3R principles, and implement 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.

The 3R Principles of Animal Experimentation

Replacement	• Replace live animal experiments with vitro ones • Predict drug effects with models and mathematical simulation techniques
Reduction	• Carefully design experiment plans to reduce the sample size while obtaining reliable data • Avoid repetitive experiments by improving plan validity • Reduce duplicate experiments by sharing databases and existing results
Refinement	• Use advanced anesthesia and drugs to reduce the discomfort and pain of animals during experiments • Redesign procedures to reduce stress responses to animals with humane handling methods • Strengthen training, improve the professional capabilities of researchers, and conduct animal experiments in a more humane way

1.4 R&D EXTERNAL COOPERATION

We actively respond to the national strategy of Belt and Road and the 14th Five-Year Plan for the Development of the Pharmaceutical Industry, and seek in-depth cooperation with the world's top pharmaceutical R&D institutions and enterprises. The overseas layout of the production and R&D includes Kelun US, Kelun Kazakhstan and Kelun Lanka, building a diversified international research network. By signing a series of major agreements, we have not only introduced advanced technology and concepts of innovative drugs, but also continuously expanded our global collaboration layout in new drug discovery, clinical trials, and registration applications.

Global Collaboration

Collaboration with MSD team

On October 20, 2023, the 2023 European Society for Medical Oncology (ESMO) Congress opened grandly in Madrid, Spain. During the ESMO conference, the teams of Colombote Biotech and Merck had a cordial meeting in Madrid. The management and project teams of both parties discussed the research and development progress of the cooperation project, and deeply discussed the work plan for the global clinical research of the cooperation project in close collaboration. The teams of both parties will jointly strengthen the development of clinical-stage drugs and multiple ADC drugs that are about to enter the clinical stage, including rapid expansion of indications, from single drugs to combinations, and from back-line to front-line treatment. In addition, both parties may explore cooperation opportunities for other new target ADC projects.

Project with UK Ellipses Pharma UK

In November 2023, the British Ellipses Pharma, a project partner of Colombote Biotech' s A400 (EP0031) (RET small molecule kinase inhibitor, referred to as A400), received Orphan Drug Qualification (Orphan Drug Designation) from the U.S. Food and Drug Administration (FDA). Drug Designation (ODD) for the treatment of RET fusion-positive solid tumors. After A400 (EP0031) obtains orphan drug qualification from the US FDA, it is expected to accelerate the progress of clinical trials and marketing registration in the United States. At the same time, we can enjoy certain policy support, including but not limited to tax credits for clinical trial costs, exemption from new drug application fees. In March 2024, A400 (EP0031) was granted Fast Track designation by the FDA for the treatment of RET fusion-positive NSCLC.

Industry-University-Research-Hospital Collaboration

We have formed a strategic alliance with first-class scientific research and clinical research institutions and organizations by leveraging national innovation platforms such as the National Engineering Research Center for Biopharmaceuticals and the National Engineering Technology Research Center for Large Volume Injection Formulations. The institutions include China Pharmaceutical University, Shanghai Institute of Materia Medica - Chinese Academy of Sciences, Sichuan University, Southwest Medical University, Shenyang Pharmaceutical University, Chongqing Medical University, Sichuan Food and Drug Inspection Institute, as well as renowned hospitals such as Tongji Hospital of Huazhong University of Science and Technology, The First Affiliated Hospital of China Medical University, Qilu Hospital of Shandong University, The First Affiliated Hospital of Zhejiang University School of Medicine, The Second Xiangya Hospital of Central South University, Jiangsu Province Hospital, The First Affiliated Hospital of Zhengzhou University. In addition, we collaborate with national high-energy platforms such as the National Precision Medicine Industry Innovation Center and the National Engineering Research Center for Isotopes and Drugs. Together, we aim to form strategic alliances together and through complementing each other's advantages, develop core technologies for key fields for industrial development, establish a long-lasting cooperation mechanism for the innovation and technology development cooperation, and finally make contributions to the development of China's pharmaceutical industry.

1.5 PATENT REGISTRATION STATUS

2023 Key Updates

As of December 31, 2023, the Company and subsidiaries had 2,904 valid patent applications, including 1,338 invention patent, 1,338 utility model patent, and 228 design patent. Among them, 2,153 applications have been authorized, including 707 invention patents, 1,237 utility model patents, and 209 design patents.

Our group applied for a total of 409 patents in 2023, including 258 invention patent, 130 utility model patent, and 21 design patent. Among them, 184 were authorized, including 99 invention patents, 80 utility model patents, and 5 design patents.

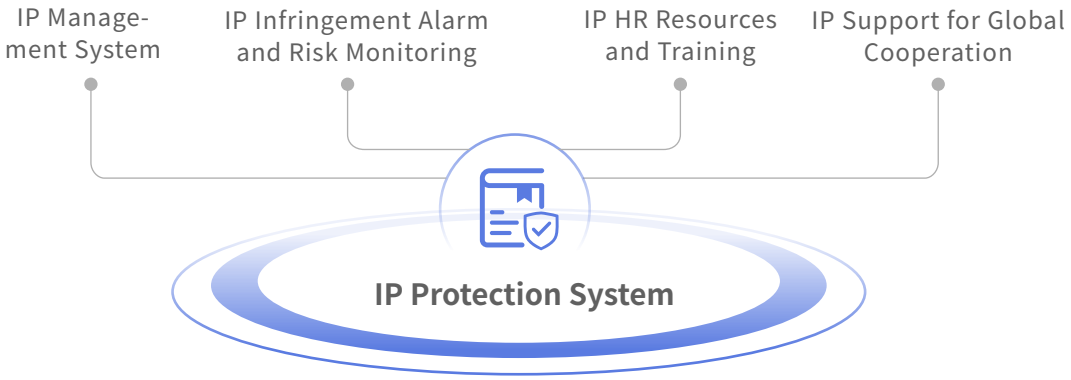
Overseas Registration

In 2023, we started the registration work for 16 projects in 8 countries and regions, products involving APIs, preparations. For instance, we have completed the DMF registration for our generic drug Nintedanib in the US. Also, we have finished the application of ADC drug (SKB264) targeting TROP-2 in 6 countries including Canada, Australia, and Belgium.

1.6 Intellectual Property Protection

We are deeply aware of the importance of IP protection for our core competitiveness. We have ensured that our innovative achievements in R&D, production and operation activities are strictly protected by law by stressing IP rights work. Therefore, the efforts of IP protection could provide a solid guarantee for our strategic upgrade and development in the long run.

To fully implement the strategy of IP protection, we continue to improve our internal IP management system and strive to promote the systematic construction of IP work. We actively follow the latest international and domestic IP laws and regulations, integrate IP management into the entire life cycle from R&D project establishment to product launch, and eventually reinforce our competitive advantage of IP reserves.



Intellectual Property Training

We focus on the implementation of IP education and training courses to promote the Awareness of the importance of IP protection among our employees. At the same time, we have released intellectual property basics through our internal learning platform, via which employees are encouraged to learn and enhance our company's overall understanding of intellectual property rights.

02 PRODUCT QUALITY MANAGEMENT

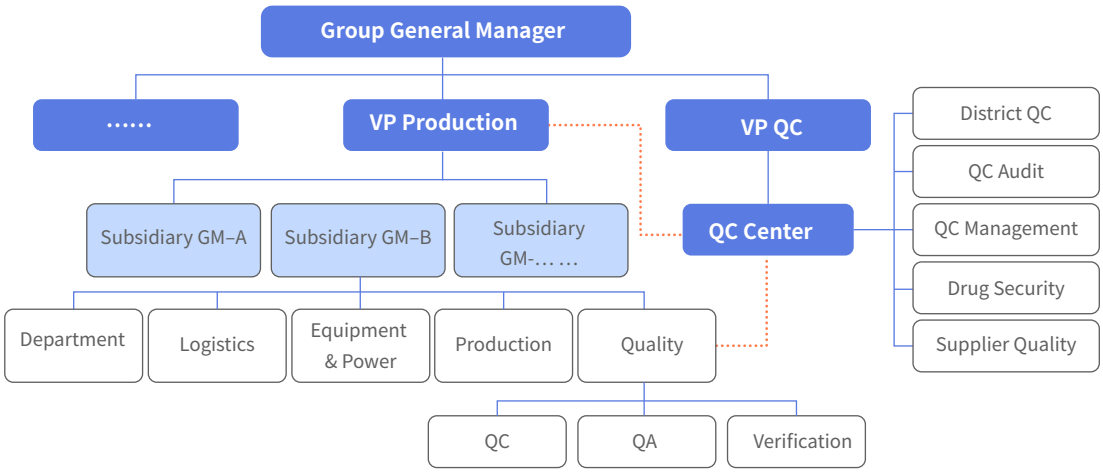
2.1 PRODUCT QUALITY MANAGEMENT SYSTEM

Since establishment, we have always prioritized product quality as the lifeline of survival and development. We have firmly established a concept of Big Quality and have adhered to various national pharmaceutical quality regulations, including but not limited to the "Drug Administration Law of the People's Republic of China" and "Pharmaceutical Production". "Good Manufacturing Practices", "Good Manufacturing Practices for Pharmaceutical Products" and "Good Pharmacovigilance Practices".

Quality Management Organisation

We maintain a rigorous quality management system where the core quality officer, is appointed by our legal person after signing a binding agreement to ensure an independent of quality management function. To guarantee effective and standard operation of the Company's drug QC, the quality officer can delegate his/her workload to qualified personnel who have filed with the drug regulatory department, so as to achieve the balance between effectiveness and efficiency.

Quality Management Framework Diagram ▶



Quality Management Measures

Our company' s quality manual is a programmatic document to guide the Company's total quality management practice, planning and implementation, control and supervision, guarantee improvement and continuous improvement. We actively organize quality management education and training activities for all employees based on the guideline.

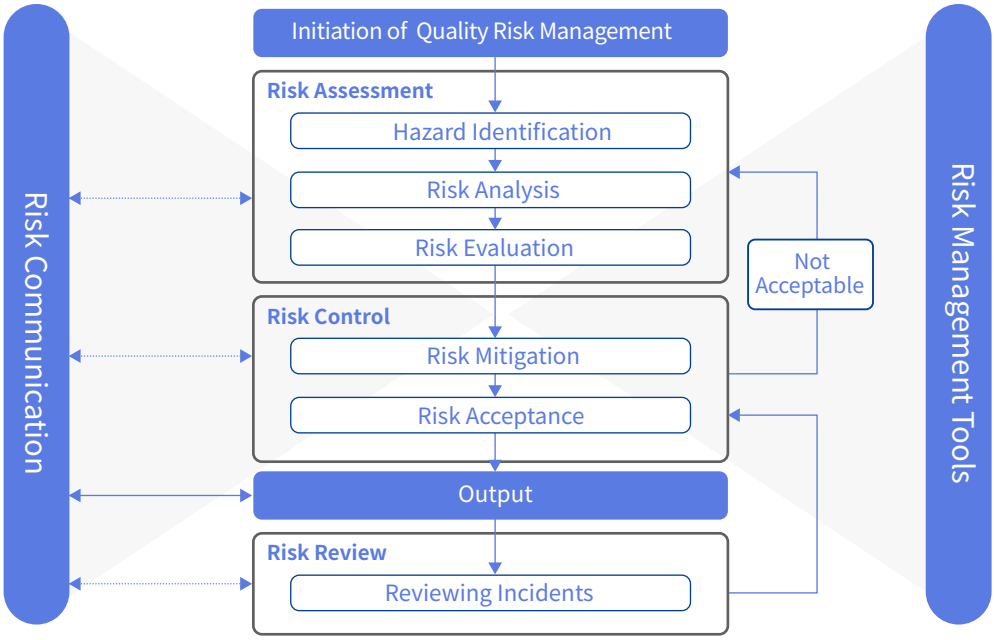
In production and operations, we actively implement the ISO9001 quality management system, and apply the quality balanced scorecard model to ensure product quality in multi dimensions. All our production centers have passed the PRC's Good Manufacturing Practice (GMP) (revised in 2010) certification, demonstrating the our commitment to continuous optimization of quality management pursuit of quality excellence.

QC Balanced Scorecard

2.2 QUALITY RISK MANAGEMENT

We compile the Quality Risk Management Procedures based on the ICHQ9 Quality Risk Management - Scientific Guidelines (formulated by the International Conference on Harmonization) to build a rigorous and efficient quality control system. The established procedures ensure all risk points that may affect product quality can be comprehensively identified, evaluated and controlled to guarantee the rationality of quality risk management.

Quality Risk Management Process

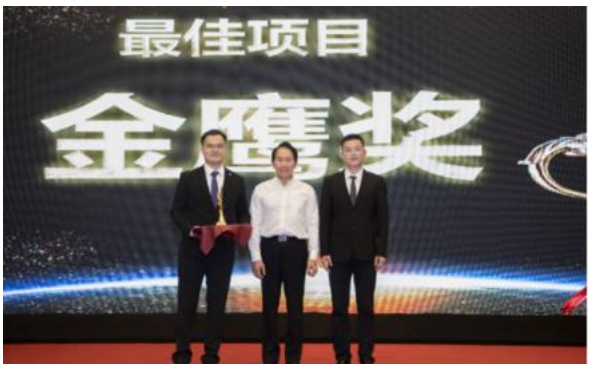


2.3 QUALITY CULTURE CONSTRUCTION

Quality culture is a pillar of soft power in corporate management. We believe in customer-centered quality culture and continue to promote the development by including all employees in training sessions. The debates and trivia contests enable the employees to respect QC at all times, implant the QC concept into the corporate cultural gene, and contribute to the sustainable development of our company.

Case 1: QC Team Building

We address QC team building and actively improve the level of QC activities. Our 20th Excellent QC Results and Project Results Presentation Conference was held in Xindu from Oct 20th to 21st, 2023. Over 270 people attended the conference on site and 35 online sub-venues were set up to include 1800 participants in total. The conference published the results of "small, practical, lively and new" QC topics and project activities with long cycles and large investment. 27 outstanding QC results from 24 subsidiaries and associated enterprises were announced at the meeting. One gold medal, two silver medals, four bronze medals, and two QC Tool Application Awards were finally announced.



Case 2: “Quality Theme Month" Activities

We place a high priority on the construction of a company-wide quality culture from top-down. Every year, the Quality Supervision Center joins forces with the EHS Supervision Department and the Production Technology Department to organize a Quality Theme Month Activity on a regular basis. In 2023, the focus is on the theme of "Implementing Safety Production Responsibilities, Deepening Quality Risk Management, and Enhancing Clean Production Capabilities". Theme activities are carried out in three areas: production, quality, and safety management. 18 subsidiaries (branches) and 4 affiliated enterprises have actively participated in various theme activities with diverse forms and rich content, such as slogan collection, document error-checking, promotion of data integrity, customer satisfaction surveys, and special training on regulations and guidelines. These activities aim to enhance our company's awareness of regulations and improve the level of quality management.

2.4 PRODUCT SAFETY MANAGEMENT

Product Testing

Each level of our production companies has completed the product quality management system with standard system to ensure that all products meet the requirements of registration regulations and pharmacopoeia standards. For instance, CNAS certification is the opportunity for us to improve the laboratory system capabilities. Currently, eight laboratories affiliated to our core member companies have passed the authoritative review of the China National Accreditation Service for Conformity Assessment and obtained CNAS certification. Our labs can provide accurate and efficient product testing services, covering testing projects such as drug stability research, impurity quantitative analysis, and microbial limit determination, ensuring that high-quality, safe and effective products are provided to the market.

Quality Review

Each subsidiary of our group has drafted the Product Quality Review Management Procedure to confirm the applicability of process stability, raw materials and finished product current quality standards through effective analysis of product quality, aiming to promote the continuous improvement of product quality. Also, an annual product quality review plan will be presented and reviewed based on retrospective product quality review by categories.

Quality Audit

We establish a functional and comprehensive quality audit system and formulate the Internal Quality Audit Management Measures for product quality complies with various laws, regulations and standards. Moreover, we accept audits from drug regulatory agencies and customers every year. In 2023, a total of **16** bases (including joint ventures) passed over **100** external inspections, including registration on-site check, entrusted production on-site inspections, GMP compliance, etc. The varieties inspected covers **30** categories, including sodium chloride injection.

By continuously optimizing the quality management system, we are committed to creating the world's leading quality benchmark for the pharmaceutical industry and providing our customers with safe, effective and high-quality pharmaceutical products.

Product Labeling Management

We always adhere to laws and regulations such as the Drug Administration Law, Drug Instructions and Labeling Management Regulations. Keeping in mind the philosophy of standardization and transparency, we review labels for each product in details and ensure that all labels, instructions, and identification information on internal and external packaging are accurate.

In practice, we adopt an advanced management system to accurately record and control key information such as drug name, specifications, batch number, expiry date, manufacturer information, indications, usage and dosage, precautions, contraindications, and adverse reactions. At the same time, any adjustments to product labeling content must be approved by scientific argument to ensure that the change process is legit and valid, and customer are entitled to consume safe drugs.

Product Traceability

We run a product tracing system where the production and packaging processes are closely monitored and recorded in accordance with regulations and operating procedures. The tracing system integrates the laboratory management LIMS, quality assurance QMS, knowledge management DMS, personnel training ELN, and warehouse management WMS, yielding a united quality information management platform. The tools and methods applied ensure the traceability of products throughout the production and at the stage of clinical use.

We are open to any questions, opinions or suggestions brought up by our Patients and companies that transport or consume our products. Topics varies from product quality, packaging, storage, standards, use, safety, to prices.

Product Recall

We have formulated and issued guidance documents of “Drug Recall Management” and “Guideline for Handling Sudden Drug Safety Incidents” . Our subsidiaries (branches) have also established product recall management system and corresponding policies and procedures in accordance with relevant regulations and group requirements. This ensures that any batch of products with potential safety hazards can be recalled quickly and effectively from the market when necessary.

For products that are proposed to be recalled, each subsidiary (branch) will organize a special working group and categorize the product recall incident into three levels according to the severity of the potential safety hazard. After reporting the recall incident to the headquarters, the subsidiary (branch) will issue a “Recall Notice” . Subsequently, the special working group will develop a recall plan and detailed actions, and submit to the drug regulatory authorities for filing. During the recall process, the special working group will conduct statistics and acceptance checks on the proposed recalled products, returning them in accordance with the return policy, and promptly report the progress of the recall to the drug regulatory authorities, actively cooperating with the drug regulatory authorities to carry out relevant investigations.

Once all products to be recalled are properly disposed of, the special working group will summarize the recall situation and form a relevant report. Based upon the submitted report by the special working group, the recall work will be closed when it is determined that the actions have fully met the expected objectives. In addition, we continuously assess the effectiveness of our recall management system through activities such as simulated recalls.

2.5 PHARMACOVIGILANCE SYSTEM

We have set up a comprehensive pharmacovigilance system in accordance with the "Good Pharmacovigilance Practice" (GVP) and relevant guiding principles, and formulated the policies and procedures such as “Post-marketing Drug Safety Management Procedures”, “Adverse Drug Reaction Reporting and Monitoring Procedures” and “Drug Safety Risk Management Procedures”.

The holders of marketing authorization for all our company drugs have established a complete pharmacovigilance organizational structure and system documents in aligned with regulatory requirements, and continuously improved them in accordance with the latest regulatory requirements during implementation. At the same time, all holders of marketing authorization for our company drugs have established drug safety committees, set up dedicated pharmacovigilance departments, and appointed qualified personnel as pharmacovigilance responsible persons to ensure the safety and health of the public in drug use.

We have established an extensive channel of adverse event collection to monitor drug safety. We have configured a pharmacovigilance system, purchased a MedDRA dictionary to standardize and unify terminology, and connects with the National Medical Products Administration’s Center for Drug Evaluation (CDE) and Center for Adverse Drug Reaction Monitoring (CDR) through gateway systems to achieve the monitoring of adverse drug reactions through coding, analysis and evaluation, and timely reporting. In addition, we use computer systems to carry out literature searches, risk warnings, etc. to manage risks in real time

What’s more, we continue to attract senior pharmacovigilance talents from home and abroad to improve our overall risk management .

Pharmacovigilance Activities

Pre-launch Pharmacovigilance Activities

Sichuan Kelun Pharmaceutical Research Institute Co., Ltd. is responsible for the establishment and operation of the pre-market pharmacovigilance system for our company. Through the formulation of policies and procedures such as the "Standard Operating Procedures for Pharmacovigilance Risk Control Planning" and the "Procedures for Collection, Processing, and Submission of Reports on Serious Adverse Incidents," we have effectively ensured the efficient and orderly conduct of pharmacovigilance work during the stage.

Post-launch Pharmacovigilance Activities

We maintain a group-based post-launch vigilance management system. Under the guidance of the Drug Safety Risk Department of the headquarters, each subsidiary manages adverse reaction information collection, monitoring, reporting, signal detection, risk assessment, and post-launch research, aiming to ensure consumer drug safety. In addition, the Company regularly organizes independent audits of the vigilance system to ensure its effective operation.

Adverse Reaction Collection Channel

01 Channel I	02 Channel II	03 Channel III	04 Channel IV	05 Channel V
Official Website ↓ Contact us ↓ Suggestion and Consultation	Official website ↓ Contact us ↓ Drug Vigilance	Customer Hotline ↓ 4006860333	Email Address ↓ pv.china@kelun.com	WeChat Official Account ↓ "KELUN E Medicine" ↓ Product Services ↓ Feedback

Adverse Reaction Report

We have cultivated a multi-layered and systematic channel to collect adverse reaction from and give professional answers to patients, doctors, and pharmacists. Adverse drug reactions obtained will be reported to the Drug Safety Risk Management Department of the headquarters. The HQ office will follow up on missing information in accordance with the "Adverse Drug Reaction Reporting and Monitoring Management Regulations". When identified, the drug reactions could be recorded on the Adverse Drug Reaction Feedback Form, and processed in the pharmacovigilance system. The process includes data entry, medical review, and submission. For serious events, we will report the investigation results of production, logistics and other link, to the drug regulatory authorities in a timely manner.

03 SUSTAINABLE SUPPLY CHAIN

3.1 SUPPLIER ACCESS

We have a strict and standardized supplier admission process in place. The Material Supplier Management Measures was announced to screen qualified suppliers for material quality, process suitability, product quality, and strictly control supplier admission. basic threshold requirements. Apart from the necessary qualification requirements, we screen our suppliers based on their performance in environmental management such as hazardous substance emission to ensure that our supply chain meets the requirements of environmental regulations, industry standards and sustainable strategies.

Under the same conditions, we give priority to suppliers that have passed ISO series management system certification, and will continue to increase the proportion of such high-quality suppliers in the overall procurement share. For different types of suppliers, we clearly stipulate corresponding qualification access requirements and details of certification documents that must be submitted.

Supplier Categories

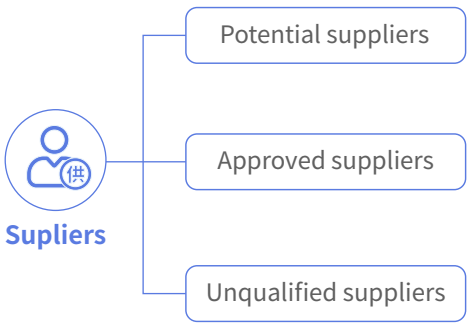
- API Suppliers
- Suppliers of packing material that have direct contact of medicine
- Suppliers of drug packing and printing
- Suppliers of API starting materials and reaction aids

100% of our API suppliers passed pharmaceutical GMP test. Meanwhile, we encourage our suppliers to obtain ISO-related system certification. In 2023, over 95% of API manufacturers, pharmaceutical excipient manufacturers, and over 85% of pharmaceutical packaging material manufacturers have the certification of ISO9001 quality management system.

3.2 SUPPLIER CLASSIFICATION MANAGEMENT

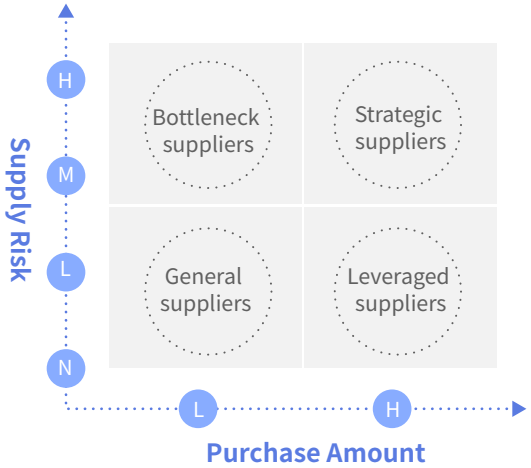
We classify the materials into Grade I to IV levels based on a comprehensive analysis of quality risks of the products, nature of materials, the use and dosage of materials, the degree of impact of materials on product quality, adopting different management methods for different levels of materials.

Supplier Classification



For material suppliers, we classify suppliers into the three categories as above based on the qualification verification (approval) status.

Approved Supplier Classification



For approved suppliers, we develop a matrix of material supply risk and material purchase amount, and apply specific strategy to each dimensions to differentiate the management levels.

3.3 SUPPLIER AUDITS

We formulate the Material Supplier Quality Audit Management to conduct audits from the six GMP dimensions to ensure product quality and safety from the source. We stipulate the audit frequency, audit methods and standard procedures based on material levels, and strictly implement audits in accordance with relevant requirements. To build a green and sustainable supply chain, we established the Supplier EHS Risk Assessment System as a guideline to include EHS in supplier audits. The EHS audit results will be disclosed in the audit evaluation of suppliers, thereby determining the overall EHS performance of suppliers.

EHS Audit Content

The EHS audit mainly includes implementation of administrative licensing and environmental management systems, compliance with emission standards of pollutants, compliance with the collection and disposal of solid waste, safety progress, emergency management and drills, education and training, and hidden danger inspection.

In 2023，our group requested quality audit for 383 material vendor s, achieving a 35% increase in supplier coverage (xx more than preliminary planning). Among them are 306 on-site audits, 2 remote audit, 75 document audit. After the quality audit, we issue audit opinions by conducting a comprehensive assessment based on supplier qualification materials, audit records and defect rectification reports returned by suppliers.

3.4 SUPPLY CHAIN RISK MANAGEMENT

We effectively managed supply chain risks by adopting a proactive methodology.

Industrial Trends	Maintain communication with material suppliers and pay regular visits to keep up with industry trends and collect information for risk evaluation.
Avoid Single Sources	Include new suppliers for existing products; sort supplier information before approval for developing prototypes.
Diversify Suppliers	Diversify suppliers on the group level
Reasonable Standards	Avoid premium sourcing price due to unrealistic standards
Establish Strategic Partnership	Keep strategic relationship with key material vendor to ensure stable supply

Supplier Performance Review

We conduct supplier performance review for authorized suppliers according to material levels. The performance review includes quality (qualification rate per batch, anomalies, quality audit, notification of change, quality/EHS compliance), delivery (timeliness, delivery cycle, accuracy) , services (communication response, support and cooperation) and others. After applying the review matrix, we categorize our suppliers into A, B, C, and D-level, and manage them with differentiated methods, including reducing/increasing the frequency of audits, increasing/decreasing supply ratio, and suspension/cancellation of supply qualifications.

Change of Suppliers and Materials

Our change management requires supplier management for new or changed material. If any changes to the supplier and the materials supplied, the supplier should promptly notify us in accordance with the change management requirements stipulated in the quality agreement. We will monitor product safety, effectiveness and quality controllability of relevant changes in materials. We will determine the degree of risk and change the management category accordingly. Full research, evaluation and necessary verification will be carries out under relevant technical guidelines and quality management specifications if necessary. If the product involved is a medicine preparation or API, we would implement or reported after approval and filing to ensure that changes of raw and auxiliary packages and those of the starting materials of APIs do not compromise the safety, effectiveness and quality of the drug.

3.5 SUPPLY CHAIN QUALITY MANAGEMENT

Supplier Training

To improve the supply chain quality, we offer training workshops of quality management training to our suppliers either online or onsite, and customize training content on issues discovered during supplier audits or supplier evaluation to achieve efficiency of the training sessions.

2023

- Number of workshop: **300**
- Total training hours: approximately **400** hours
- Covering over **300** suppliers
- More than **2,000** participants

Improving Pharmaceutical Supply Chains in Developing Countries

To improve pharmaceutical supply chains in developing countries, we implement localized production base across the country to reduce transportation costs, improve supply timeliness, and reduce the drug costs.

Kazakhstan is sparsely populated, making it difficult for local hospitals to deliver. Kelun KAZ has cooperative distribution agents in 15 local states to could handle logistics and distribution of the bided products for local hospitals efficiently.

Kelun Sri Lanka distributes drugs directly to institutions through local organizations, reducing intermediate links and improving the timeliness of local supply.

3.6 SUPPLY CHAIN INTEGRITY CONSTRUCTION

External Restrictions and Supervision

Our anti-corruption policy governs all external economic transactions. We require all stakeholders (including suppliers, service providers, contractors and customers) to follow our Supplier Code of Conduct and Anti-Fraud System and sign the Sunshine Agreement. At the end of the reporting period, the signing rate of "Sunshine Agreement has reached 100%, and we have included anti-corruption from the supplier admission stage, requiring all suppliers to study the training videos on our official procurement website.

Our Supplier Code of Conduct sets out strict and clear requirements for suppliers' ESG performance for applicable parties including suppliers, service providers, contractors, etc. The code of conduct covers six topics: business ethics, quality management, labor rights, occupational health and safety, environmental protection, and information confidentiality.

In 2023, we conduct anti-corruption and anti-bribery investigations on suppliers to confirm whether suppliers have established a sound internal compliance policy and implemented implementation of their anti-corruption management systems.

- 82.91% suppliers have internal independent compliance department
- 91.46% suppliers have anti-corruption and bribery policy in place
- 80.90% suppliers hold anti-corruption training to main positions
- 83.42% suppliers have employees sign anti-bribery agreement

Internal Standardized Management

Internally, we strictly standardize management and processes and implement the Code of Conduct for purchasing personnel. We track, manage and trace the procurement through the information-based procurement management platform - Kelun Pharma Electronic Procurement System. These internal measures effectively reduce fraud risks in the cooperation with our suppliers, ensure fair procurement, and promote the clean supply chain.

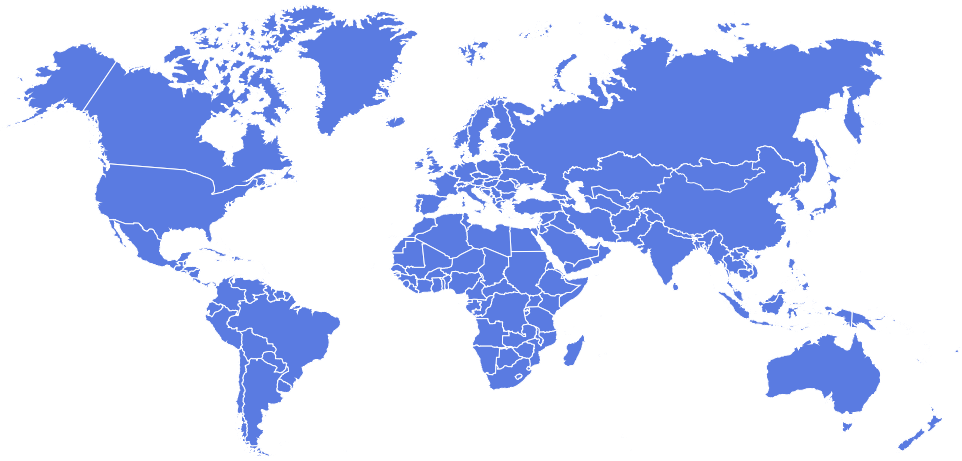
3.7 SUPPLIER COMMUNICATION

We adhere to the idea of openness, fairness and win-win when choosing our suppliers. We are committed to establishing long-term strategic partnerships with high-quality suppliers. To ensure the efficient operation and sustainable development of the supply chain, we regularly hold various supplier network events, aiming to enhance communication and understanding between the two parties, share cutting-edge industry information, and discuss industry development trends.

04 RESPONSIBLE MARKETING

4.1 CUSTOMER SERVICE SYSTEM

Relying on our comprehensive advantages of stable product quality, top-notch packaging image, considerate service, and appropriate prices, we strongly broaden our development space. Currently our sales network covers all provinces, autonomous regions, and municipalities in China, excluding Taiwan, Hong Kong, and Macao. Meanwhile we actively promote our internationalization strategy, and our leading products have achieved bulk exports, with a high reputation in over 50 countries and regions.



Domestic

6,000 dealers
4,300 tertiary hospitals

Overseas

Exported to **50+** countries in Europe, Asia, Africa, South America

We always practice responsible marketing and closely align our business goals with the corporate social responsibilities. In the marketing process, we adhere to laws, regulations and industry norms, and insist on promoting our medicine in an ethical, scientific and objective manner. In the reporting period, we issued the responsible marketing policy that covers information disclosure, employee training, audit supervision, environmental protection and social responsibility, to ensure that employees perform under business ethics and our social responsibility values. Last but not least, we issued the Market Service Provider System to manage the full-process of our third-party service providers.

4.2 IMPROVE CUSTOMER SATISFACTION

We continue to improve the customer satisfaction by emphasizing the customer-centered service and by regularly conducting customer surveys. In the reporting period, we resolved 100% of customer feedback and received a satisfaction rate of over 98%. the Company always adheres to the principle of "customer first", maintains a good communication channel with customers, continuously improves its products and services, and wins public trust.

Responsible Marketing Training

We regularly organize training sessions of responsible marketing to all employees. In 2023, the Internal Control and Compliance Department collaborated with the Internal Audit Department, Legal Affairs Department, Quality Supervision Center to hold the annual compliance training for the entire group. The training content included Compliance System Documents, the policy of anti-commercial bribery, anti-fraud and pharmacovigilance. Our marketing center organized a series of special trainings, covering laws and regulations, company policy, industry violation case sharing. The training rate reaches 100% in the marketing department.

For external marketing partners not limited to our suppliers, dealers, and agents, we host training sessions of responsible marketing from time to time to publicize our company policy so that stakeholders could implement the policy in their business with us.

4.3 CUSTOMER PRIVACY PROTECTION

In accordance with the Personal Information Protection Law, we have established a strict customer information protection mechanism to safeguard the storage and transmission of personal health data and other sensitive information, and to prevent unauthorized access, use or leakage. We only collect, use and disclose necessary information permitted by law and explicitly authorized by customers, and strengthen employees' awareness of customer privacy protection through internal trainings.

In addition, we fully respect customers' rights to make informed choices and keep personal privacy while we are committed to improving customer service experience. We manage to maintain transparency in any operations involving customer privacy, and promptly respond to customers' requests for inquiries, corrections or deletions of personal information. Through a series of rigorous and comprehensive privacy protection measures, we strive to create a trustworthy environment so that every customer can use our products and services without worries.

4.4 CUSTOMER FEEDBACK HANDLING

We highly value places customer feedbacks and suggestions. We have published guide documents such as Product After-sales Information Management. Each subsidiary company has established a management system for collecting c classification, investigation and processing of customer feedback. The process ensures that all feedback can be handled properly in a timely manner, protects the interests of consumers, promotes the audience' s medication safety and continuously improves our product quality.

4.5 MARKETING AUDIT

We deploy three lines of defense for responsible marketing supervision and audit, which enable all departments to work closely to carry out their own duties separately and jointly to promote the marketing compliance work by improving rules, strengthening training, and implementing accountability for problems discovered in a timely manner.

3 Lines of Defense - Responsive Marketing

The Operations Management (Compliance) Department, as a compliance management function set up at the forefront of business operations, performs regular management and supervision of the marketing team under the guidance and support of our compliance management system documents. Compliance specialists stationed in each business frontlines carry out full-coverage compliance initial review and regular compliance culture promotion.

As an important department of the second line of defense for risk management, the Internal Control and Compliance Department organizes various subsidiaries (branches) to conduct internal control self-assessments of sales-related processes annually in accordance with our company's Implementation Plan for Internal Control Management. Subsequently, the Internal Control and Compliance Department reviews the self-assessment results.

As the third line of defense for our risk management, the Internal Audit Department, in accordance with the Internal Audit System of Kelun Pharmaceutical Co., Ltd., carries out internal audits on marketing activities within our group based upon our company's business development status and audit priorities. For units with identified issues, the Internal Audit Department regularly tracks the improvement results until the unit completes the rectification.

We review the responsible marketing from time to time throughout the process for all marketers and service providers. We conduct thorough background checks before cooperating with any third party, including but not limited to if there are any violations of regulations or disciplines in marketing activities, to ensure that our operations comply with national regulations.

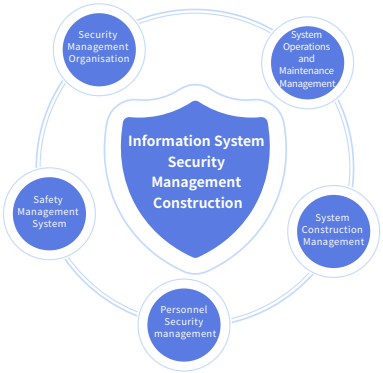
05 DATA SECURITY MANAGEMENT

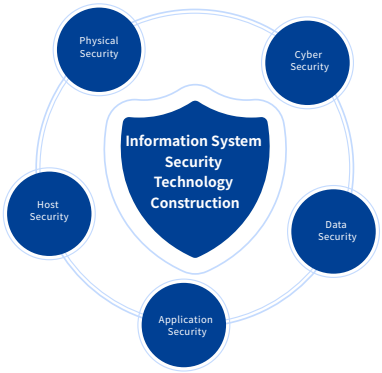
5.1 DATA SECURITY MANAGEMENT SYSTEM

We value the protection of customers' business secrets, data security and personal privacy, and strictly adhere to the regulations, and industry standards regarding customer privacy protection such as Personal Information Protection and the Cybersecurity Law. At the same time, the Company has formulated Information Organization Construction and Computer System Project Management Specifications and Several Supplementary Regulations on Information System Implementation and Management, Computer Room Management Documents, Information System Account and Password Management System to ensure data security management effectiveness and compliance.

We regularly hire a third-party organization to conduct risk assessments on our information system every year to promptly and accurately identify potential risks and take corrective measures. We divide the identified risks into four categories: system level, core and ordinary business level, and general level, and take targeted control according to each risk level. There were no complaints about leakage, or incidents of infringement of customer privacy rights or loss of customer information during the reporting period.

During the reporting period, we passed the AAA-level assessment of the integrated management system of informatization.





5.2 INFORMATION SECURITY EMERGENCY MEASURES

We have built a complete data security emergency response mechanism and formulated documents such as the Computer Room Emergency Response Plan and "Information System Backup Strategy, to ensure that emergency response can be initiated when potential threats or emergencies are discovered.

To cope with data security emergencies such as virus outbreaks, illegal web page tampering or intrusions, we would respond rapidly and work closely in groups. Through process management, we quickly assess the risk level and take appropriate isolation measures to avoid leakage and further losses. At the same time, we continue to organize regular emergency drills to improve the ability of all employees to respond to information security incidents.

Moreover, we have a complete post-processing system. After a data security incident is dealt with, we will report and archive the incident, confirm the division of responsibilities, adjust the overall data security plan, and report it to the public security department for further action as appropriate. trace

Preventive Treatment	In-process Handling	Post-event handling
Monitoring (Automated Monitoring System + Manual Monitoring)	Alarm Confirmation Handling Recovery	Event reporting Event archiving Adjustment of procedures and contingency plans

5.3 DATA SECURITY TRAINING

To build a solid information security defense line and raise the information security awareness of all employees, we regularly hold information security training activities to make everyone fully aware of the potential information security risks in the workplace and master effective prevention and response measures.

In 2023, our IT Department carried out cybersecurity training for new employees during their induction and regularly conducted cybersecurity education and promotion activities for internal employees. By combining graded protection, ISO 27001 cybersecurity management system, and company regulations, we have clarified our management requirements for cybersecurity, personnel security, terminal security, physical security, document security, institutional regulations, and other aspects. This has enhanced our employees' awareness and skills in security, reduced the occurrence of security incidents, and provided a guarantee for our stable and rapid development.

04

PERSIST IN GREEN DEVELOPMENT, ADVOCATE THE HARMONIOUS COEXISTENCE

We adhere to the concept of sustainable development and have established a rigorous environmental management system. Faced with increasingly severe risks such as extreme climate change, we have strengthened our climate change response strategy. Through scientific carbon emission measurement and management, we actively reduce negative environmental impact of our production activities, striving to achieve low-carbon operations. In terms of resource management, we have improved energy efficiency utilization and implemented conservation measures for key resources such as water and electricity.

In pollution prevention and control, we strictly comply with national environmental laws and regulations, adopt advanced pollution control technologies, effectively reduce waste generation, and improve disposal efficiency to ensure compliance with emission standards for various pollutants. We advocate integrating the concept of green ecology into the entire production process, actively fulfilling corporate social responsibility through practical actions, promoting harmonious coexistence between industry and nature, and jointly creating a new chapter of green development.

01 Environmental Management System
02 Addressing Climate Change
03 Carbon Management
04 Resource Management
05 Pollution Prevention
06 Biodiversity Protection

01 ENVIRONMENTAL MANAGEMENT SYSTEM

1.1 ENVIRONMENTAL MANAGEMENT SYSTEM

Our environmental management system is built on the core principle of "environmental protection first and sustainable development", and we continuously advance the construction of our environmental management system to standardize and systematize it. We strictly adhere to various environmental laws and regulations in various operating locations, such as the “Environmental Protection Law” “Energy Conservation Law” “Water Pollution Prevention and Control Law” “Atmospheric Pollution Prevention and Control Law” “Solid Waste Pollution Prevention and Control Law” “Cleaner Production Promotion Law” and “Regulations on Environmental Protection Management of Construction Projects” . We base our operations on the internationally recognized ISO 14001 environmental management system framework to continuously enhance our environmental management capabilities. In our daily production and business processes, we strictly follow the environmental responsibilities outlined in the “Environmental Management Accountability, Reward, and Punishment System” at all levels to avoid crossing environmental "red lines”.

Additionally, we have further refined environmental management policies, including rules for “Wastewater Treatment Systems” “Air Pollution Control Systems” “Solid Waste Management” and “Guidelines for Developing Volatile Organic Compound (VOCs) Management Ledgers” . Furthermore, we have established an “Environmental Information Disclosure Management System” to ensure transparency and effective supervision of environmental work.

We have established an EHS (Environment, Health, and Safety) supervision department, staffed with environmental professionals responsible for guiding, inspecting, and supervising the environmental management work of each subsidiary company. Each subsidiary company has also set up a dedicated EHS department directly under its General Manager, responsible for managing and implementing specific environmental work. This hierarchical management approach ensures the professionalism and effectiveness of environmental work, contributing to the achievement of our sustainable development goals.

Environmental Audit

Environmental Audit: We conduct regular internal audits and external audits to verify the operational status and management level of EHS (Environment, Health, and Safety) management systems in various production-oriented enterprises.

We primarily focus on internal EHS audits for matters such as construction project environmental "three simultaneities," including pollution discharge permit management, compliance with pollutant emission standards, full-process management of hazardous and non-hazardous waste, construction and operation of environmental protection facilities, emergency response plans and drills, and environmental records management.

Internal Audit

Our EHS Supervision Department implements hierarchical control over our subsidiaries and production bases. At least once every two years, the Department conducts comprehensive on-site EHS audits. Based on the issues identified during the audit, the severity is assessed, corresponding corrective measures and deadlines are proposed, and the improvement progress of each enterprise is continuously monitored.

Our production-oriented enterprises hold company-level EHS meetings at least once a month, where they learn about new EHS laws and regulations. They conduct training specifically targeting key areas and ensure the implementation of relevant requirements.

The EHS Supervision Department has established a comprehensive EHS assessment system, setting assessment indicators for our production-oriented subsidiary enterprises and incorporating them into their performance

External Audit

All subsidiaries and production bases, which have been certified under the ISO management system and within the validity period, hire independent third-party certification bodies to conduct system supervision audits annually, and undergo recertification audits every three years.

Subsidiaries and production bases involved in international business regularly undergo international external audits from partners such as Merck. Furthermore, we continuously compare against international high standards, conduct inspections, and make improvements to ensure that all business operations fully comply with international norms and requirements.

1.2 AWARDS & HONORS

We have implemented a green manufacturing strategy by using an advanced GMP (Good Manufacturing Practice) quality management system as our cornerstone, and integrating an environmental management system on this basis. This not only combines the requirements of environmental, energy, occupational health and safety, and risk standards, but also gradually establishes a mutually complementary and compatible integrated management system. This move has strongly promoted the transformation and upgrading of our company, making us more environmentally friendly and sustainable. We continue to carry out the acquisition of ISO 14001 environmental management system certification and actively promote our subsidiaries to environmental management system certifications simultaneously. We have passed audits by the China Quality Certification Center for consecutive years and obtained environmental management system certification. As of now, 50% of our production-oriented enterprises have obtained ISO 14001 environmental management system certification. Additionally, we attach importance to green development, encourage our subsidiaries to boldly innovate and breakthrough in environmental protection technologies. Our outcomes have been recognized by the industry and we have won multiple honors and awards.

ISO 14001 Environment Management System Certification

Environment Award and Certification

1.3 EMERGENCY RESPONSE PLAN FOR ENVIRONMENTAL INCIDENTS

We strictly adhere to relevant laws and regulations such as the “Emergency Management of Environmental Emergencies “, the “Measures for Record Management of Emergency Plans forEnvironmental Emergencies in Enterprises and Institutions (for Trial Implementation)”, the “Safety Production Law”, and the “Regulations on the Safety Management of Hazardous Chemicals”. We have formulated a series of environmental safety management systems, including the "Emergency Plan for Environmental Incidents", "Environmental Accident Management System", "Dangerous Goods Management System" and "Hazard Source Identification, Risk Assessment and Risk Control Management System". To effectively prevent and handle environmental incidents, we regularly conduct environmental risk assessments, identify, and rectify potential environmental risks and hazards. Additionally, we continuously improve our measures for preventing and controlling environmental incidents, and dynamically adjust our plans based on actual situations. During the reporting period, we have successfully organized various types of environmental emergency drills to enhance our emergency response capabilities.

Environmental Emergency Drill Cases

We place great importance on environment protection, continuously increasing our efforts in developing environmental projects. Apart from investing in environmental projects, purchasing environmental equipment, and optimizing environmental processes and procedures, we also focus on talent development. We conduct targeted environmental training for employees at different levels, allowing them to understand environmental regulations from multiple perspectives, raise their environmental protection awareness, and learn the latest environmental technologies to improve their operational skills.

Flood prevention emergency drill

02 ADDRESS CLIMATE CHANGE

We actively respond to the carbon peaking and carbon neutrality goals, analyzing the risks and opportunities brought by climate change to our own developments, and formulating effective response measures. We actively conduct climate change management to reduce greenhouse gas emissions and enhance climate change response capabilities.

During the reporting period, our Company and subsidiaries referenced TCFD recommendations to comprehensively assess the climate risks and opportunities we face and formulated and deployed specific plans to address climate change and reduce greenhouse gas emissions.

2.1 CLIMATE RISK STRATEGY

Governance

We establish a management system led by our Board of Directors, coordinated by the ESG committee, executed by the ESG working group and various functional and business departments, to comprehensively promote climate change-related affairs.

Strategy

According to the categorization of climate risks and opportunities by TCFD, we identify applicable climate risk items and opportunities based on our business sectors.

Risk Management

Risk Management: we identify, screen, and evaluate climate risks from physical and transitional dimensions, formulate countermeasures, have the content reviewed by our Board of Directors, and develop additional measures as needed.

Metrics & Targets

We actively explore the economic opportunities and challenges that climate change may bring to our Company, in response to China's 2060 carbon neutrality commitment.

2.2 CLIMATE CHANGE RISKS AND OPPORTUNITIES

In order to accurately identify the multidimensional impacts of climate change on our Company and formulate comprehensive risk response and business opportunity strategies, we adopt the disclosure methods and recommendations of TCFD to conduct in-depth analysis of the climate change-related risks and opportunities faced by our Company.

Climate Change and Risk

Climate Change and Risk Identification

	Types	Descriptions	Potential Impacts
Transition Risks	Policy and Legal Risks	Energy pressure	Reduced production due to local government's power restrictions may lead to income loss.
	Technology Risk	Increased environmental standards	Tighter government policies may require the Company to improve production processes to comply with the law.
	Reputation Risk	Mandatory information disclosure by regulations	Mandatory disclosure of climate-related financial information by regulators, lack of historical data and precise accounting methods, affecting the quality of disclosure.
	Market Risk	Energy transition policy	Stricter emission reduction policies by the government may require the Company to use green energy to replace existing high-emission energy sources, increasing energy-saving costs.
Physical Risks	Acute Risk	Earthquake	Increased earthquake frequency may cause casualties, property or equipment damage, and direct losses.
		Floods	Increased frequency of flooding may result in business closures due to damage to property or equipment, and employees may be unable to report to work, resulting in direct loss of income.
		Typhoons	An increase in the frequency of typhoons may lead to production shutdowns due to damage to property or equipment, and employees may be unable to go to work, directly leading to loss of income.
	Chronic Risk	Sea level rise	Rising sea levels can directly pose hydrological risks, causing production shutdowns and reduced income.
		Temperature Rise	Employees may be unable to work due to extreme heat, leading to heatstroke, heat exhaustion, or other health issues, resulting in increased operating costs; production machinery may face overheating issues, shortening their lifespan. All these situations may lead to income loss.

Climate Risk Response Measures

Policy and Legal Risks	Properly arrange production plans, such as staggering production schedules; optimize process flows to reduce electricity consumption
Technology Risks	Establish a relevant policy tracking team to monitor and follow up on the latest environmental policies of local governments, avoiding fines or increased operating costs due to delayed adjustments to company policies
Reputation Risks	Assign dedicated personnel or commission third parties to monitor the latest disclosure guidelines of regulatory authorities to ensure the accuracy and effectiveness of information disclosure
Market Risks	Increase the proportion of externally purchased green energy and expand the construction of renewable energy systems
Acute Risks	Develop and implement emergency plans for extreme weather events and conduct regular drills for such events
Chronic Risks	Avoid locating facilities in low-lying areas as much as possible during expansion; reduce the use of high-energy-consuming equipment

Based on a thorough understanding of climate change risks and opportunities, we have developed a comprehensive climate change risk response strategy and are firmly advancing related measures to minimize the impact of climate change on our Company operations to the greatest extent possible. At the same time, we are keenly capturing the potential opportunities brought by climate change, ensuring that while actively addressing challenges, we can also accurately grasp the pulse of development to create greater value for the Company.

Climate Change and Opportunities

Identification Of Climate Change and Opportunities

Opportunities		Response measures
Resource efficiency	Research and development of new processes Use of new technologies	Optimizing chemical processes to improve resource efficiency, reduce operational costs, and enhance our reputation.
Energy sources	Use of new technologies	Reducing energy expenditure to support the carbon peaking and carbon neutrality goal.
Products and services	Adaptation to customer preferences	Based on customer strategies and needs, formulate environmental management strategies to enhance competitive advantage; providing green products and services. That makes it easier to gain customer recognition for low-carbon operations.

03 CARBON MANAGEMENT

Greenhouse Gas Emission Management

We have long been focusing on the inventory and review of greenhouse gas emissions. In order to further enhance the management level of greenhouse gas emissions, we plan to use the total greenhouse gas emissions of 243.3 million tons in 2021 as a baseline and set greenhouse gas emission management goals. While we are experiencing rapid growth, we aims to gradually reduce the growth rate of greenhouse gas emissions and ultimately achieve a peak in carbon emissions between 2025 and 2030. During this reporting period, the greenhouse gas emission intensity was 1.71 tons of CO2 equivalent per 10,000 CNY of revenue.

Our direct carbon emissions (Scope 1) mainly come from fixed emission sources (such as natural gas, coal, etc.), mobile emission sources (such as company-owned vehicles, etc.), and emissions from other production auxiliary facilities. Indirect carbon emissions (Scope 2) mainly come from purchased electricity, steam, etc.

Through calculations, direct carbon emissions account for 82.37% of the total emissions (Scope 1 and Scope 2), with carbon emissions from coal consumption accounting for 95.01% of direct emissions. Therefore, our carbon reduction measures will mainly target the coal consumption in Scope 1.

Environmental Management in 2023

Emission scope	GHG Emissions in 2023
GHG emissions (Scope 1)	2,190,590.17 tonnes of CO2 equivalent
GHG emissions (Scope 2)	468,869.75 tonnes of CO2 equivalent
Total Emission	2,659,459.92 tonnes of CO2 equivalent
GHG emissions intensity (Scope 1)	1.02 tonnes of CO2 equivalent / 10,000 CNY revenue
GHG emissions intensity (Scope 2)	0.22 tonnes of CO2 equivalent / 10,000 CNY revenue
Total GHG emissions intensity	1.24 tonnes of CO2 equivalent / 10,000 CNY revenue

Special Events

We are actively responding to the national policy of "carbon peaking and carbon neutrality goals" and prioritizing carbon emission management. To understand our own carbon emission situation and formulate a carbon emission policy that is more suitable for sustainable development, we held a kickoff meeting of the Greenhouse Gas Carbon Footprint Verification and Working Group Establishment on December 4, 2023.

Kick-off Meeting of The Greenhouse Gas Carbon Footprint Verification Working Group

04 RESOURCE MANAGEMENT

4.1 ENERGY MANAGEMENT SYSTEM

We have always adhered to the concept of green development and are committed to promoting the sustainable development of the energy industry. We strictly abide by the "Energy Conservation Law", "Renewable Energy Law" and other relevant laws and regulations, and formulate internal regulations such as "Energy Management Measures", "Energy Conservation and Emission Reduction Management Trial Measures", and constantly optimize and improve the energy management system to achieve upgraded corporate energy usage.

In 2023, our total energy consumption was 9,383,172.31 MWh, with an energy consumption intensity of 4.37 MWh/10,000 CNY of revenue.

Electricity Saving

GUANGXI KELUN photovoltaic power generation

Installed capacity 3.84 MW，electricity generation 2,679.10 MWh in 2023

HUNAN KELUN photovoltaic power generation

Installed capacity 2.65 mega-watts，electricity generation 1,868.30 MWh in 2023.

JIANGXI KELUN photovoltaic power generation

Phase I installed capacity is 1.00 MW, electricity generation 906.02 MWh in 2023. Phase II 1.8 MWhas been installed and will be connected ot the grid.

Xindu Base high-efficiency refrigeration unit

Double-tier energy efficient magnetic levitation refrigeration unit and centrifugal chiller, annual power saving 1,124 thousand KWh

New Kaiyuan air conditioning cold energy recovery

Fresh air tratment section with energy-saving heat pipes. Annual saving 2.14 thousand KWh

Natural gas saving

GUIZHOU KELUN new type boiler

low-nitrogen gas boiler, reducing the frequency of large fire adjustment frequency，saving natural gas energy by 297,000 cubic meters per year

Kunming Nanjiang thermal compression distillation water machine

Added 15T thermal compression distillation water machine, expected annual natural gas energy savings of 393,621 cubic meters

We post slogans on saving water, saving electricity, and rational use of air conditioners and lighting equipment in the office to guide employees to enhance their awareness of danger, responsibility and environmental protection, and create a good atmosphere for energy conservation and environmental protection.

4.2 WATER RESOURCE MANAGEMENT

KELUN PHARMA is aware of the significance of water resources protection and takes concrete actions to promote the scientific utilization of water resources. We strictly abide by the "Water Law of the People's Republic of China" and other relevant laws and regulations, and comprehensively implement measures such as water conservation and wastewater reuse across our research and development, production, and supply chain operations, to progressively reduce water consumption and maximize the efficient utilization of water resources.

In 2023, the total amount of fresh water used by KELUN PHARMA was 16,052,556.46 tons, and the total amount of reclaimed water reused was 11,969,173.00 tons, and the water resource reuse rate reached 74.56%.

Water resource reuse management

Develop wastewater reuse technologies

Reverse osmosis concentration, MVR technology, and ceramic membrane technology to realize wastewater recovery and reuse

Strengthen reclaimed water management

A circulating water supply system to cool water for production equipment, and high-temperature resin is used to soften and recover steam condensed water

Strengthen company water management

Complete the water quota system, and strengthen water assessment; strengthen the maintenance of water supply, water pipelines and facilities to prevent leaks and leaks.

QINGSHAN LIKANG:
Steam Condensate Recovery and Use Project

YUEYANG BRANCH:
Steam Condensate Recovery and Use Project

CHUANNING BIOTECH:
Water Reuse BOT Project

4.3 RAW MATERIALS AND PACKAGING MANAGEMENT

We have implemented environment-friendly policies to reduce resource consumption and pollutant emissions from the source. We give priority to materials that are easily recyclable and reusable to improve the sustainable utilization efficiency of resources, and to reduce negative impacts on the environment.

We also strive for excellence in pharmaceutical packaging materials and independently developed the fourth-generation infusion packaging container - Collapsible PP Bottle (Uniflex®). Moreover we uphold our credo “Pursue Truth in Science and Kindness in Ethics”, and made the self-developed outcome public, with an open and inclusive mindset, aiming to benefit human being. Nowadays the collapsible PP bottle becomes a commonly used infusion packaging material and container. Its material is made of medical polypropylene pellets modified through a special process. It is non-toxic, odorless, has good chemical stability, corrosion resistance, and drug resistance. It has the advantages of liquid immersion and other advantages. It is pharmacologically safer than other plastic materials and is suitable for transportation and storage. The decomposed products after incineration of waste bags are non-toxic, completely avoiding the pollution and harm of medical waste to the environment, and it is an environmentally friendly product. This product has won the National Science and Technology Advancement Award and multiple national patents, and is the latest technological achievement in the infusion industry.

Illustrations of Collapsible PP Bottle (Uniflex®) and Award Certification

05 POLLUTION PREVENTION AND CONTROL

We continue to commit integrating the concepts of environmental protection, green low-carbon and sustainable development into the entire production and operation process of our company, and have always strictly abided by the Environmental Protection Law, the Law on the Prevention and Control of Environmental Pollution by Solid Waste and the Prevention and Control of Air Pollution Law, Water Pollution Prevention and Control Law, Pollution Discharge Permit Management Regulations and other relevant laws and regulations. At the same time, based on the current situation, we issued the "Environmental Hazard Factor Identification and Control System" to help enterprises identify major environmental risk factors existing in the entire production process, conduct risk assessments, formulate control measures, and ultimately achieve the purpose of reducing EHS risks.

In 2023, we had no general or above environmental pollution incidents, and each subsidiary unit had no violations or major defects during inspections by environment-protection-related government departments. The environmental pollutants during our pharmaceutical production process mainly include sewage, boiler exhaust gas, VOCs, dust, noise, hazardous waste, etc., all of which meet the emission standards or handling requirements after effective treatment.

5.1 EXHAUST GAS MANAGEMENT

We actively responded to the national "Action Plan for In-depth Fight to Eliminate Heavy Pollution Weather, Prevent and Control Ozone Pollution, and Control Pollution from Diesel Trucks" and formulated the "Exhaust Gas Treatment System Management Regulations" based on the Company's actual situation.The regulations guided our company along the production process and reduced the unorganized waste gas emissions.

In response to VOCs, particulate matter and other pollutants generated in the production process, we have formulated the "Volatile Organic Compounds (VOCs) Management Account Development Guide", which is achieved through the comprehensive use of cryogenic recovery, activated carbon adsorption, molecular sieve adsorption concentration, high-temperature oxidation combustion and other technologies. Process waste gas emissions meet the standards, further improving the level of comprehensive VOCs management. At the same time, we continue to improve VOCs monitoring and control facilities, perform regular self-examination and self-correction, and achieve independent waste gas emission reduction.

XINDI BIOPHARAMA Exhaust Gas Control and Upgrading Project

By scientifically and rationally classifying and collecting exhaust gases from the source, and using safe and effective pre-cooling, cryogenic and other combined processes, Xindi Biopharma has effectively promoted the emission reduction of VOCs and improved the technical level of sustained low-carbon emissions. Among them, VOCs emission concentration is reduced by about 30%, and VOCs emission volume is reduced by about 25%.

CHUANNING BIOTECH Production Process Exhaust Gas Treatment Equipment

Chuan Ning Biotech effectively controls VOCs and odorous gases through the technology of "negative pressure closed collection + pretreatment + molecular sieve adsorption and concentration + hydrophobic activated carbon adsorption + high temperature oxidation combustion", with a removal rate of greater than 95%.

5.2 WASTEWATER MANAGEMENT

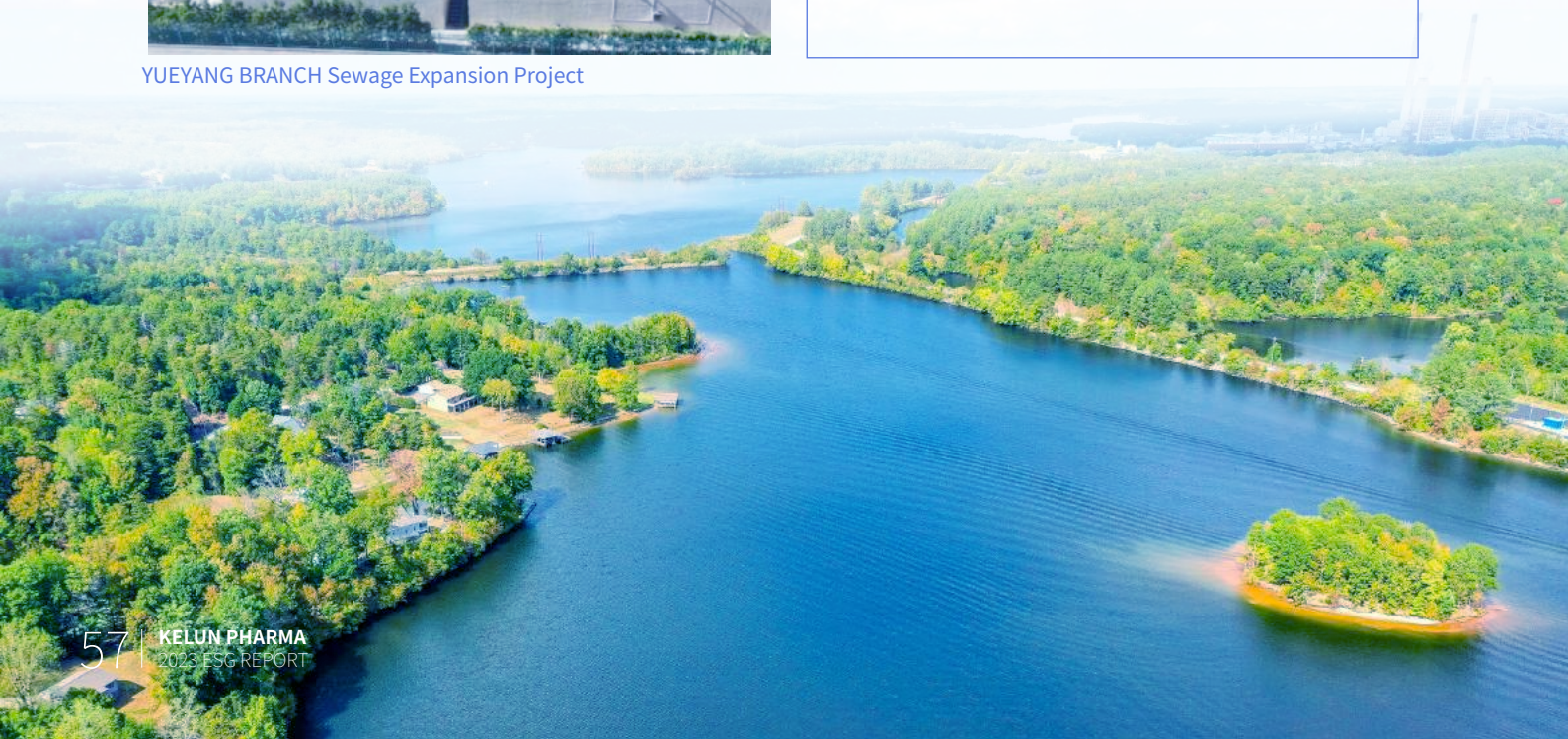
We have formulated documents such as the "Wastewater Treatment System Management Regulations" and "Wastewater Treatment Management Manual" as the general guideline for wastewater management, which require each of our affiliated production companies to compile a standardized management system based on their own actual conditions to ensure the stable operation of wastewater treatment facilities. Wastewater discharge meets standards, and we continue to improve the quality of wastewater effluent, actively increase the proportion of wastewater reuse, and increase the reuse rate of water resources.

CHUANNING BIOTECH MVR Evaporation System

Chuanning Biotech first employs membrane treatment technology to pretreat the wastewater of different qualities in workshops, and then sends it to the biochemical treatment system for anaerobic treatment, converting the organic matter into methane. This methane is used as a clean fuel to enter the boiler for combustion, generating electricity and steam, realizing the green recycling of waste. The wastewater treatment utilizes the "subtraction emission" theory and adopts an internationally leading integrated treatment system, namely biochemical + MVR (mechanical vapor recompression) / DT (special membrane) + advanced treatment technology, to minimize the discharge of production wastewater into the environment, conserving water resources, and reducing the total emissions of pollutants such as chemical oxygen demand (COD), ammonia nitrogen, and salt. The integrated system is at the leading level in the domestic antibiotic raw material industry. The treated water can be used as industrial water, mainly for replenishing water in the production circulating cooling system and water intake for power plant boilers and production water preparation. For the small amount of wastewater discharged, the COD level is less than 20 mg/l, only 40% of the special discharge limit standard as per the Discharge Standards for Water Pollutants for Pharmaceutical Industry – Fermentation Productions Category (GB21903-2008) .

YUEYANG BRANCH Sewage Expansion Project

The main construction content of this project is to add a hydrolysis acidification and contact oxidation tank, which will be used in parallel with the primary treatment tank; to build a pretreatment facility for penicillin and cephalosporin wastewater; to cancel the pretreatment process of comprehensive preparation wastewater; and finally form a "pretreatment + hydrolysis and acidification" + contact oxidation" treatment process.



5.3 WASTE MANAGEMENT

We strictly abide by the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and other relevant regulations, and have established "Solid Waste Management Regulations " and other systems , through the entire process from the early site selection, mid-term construction, and later use of solid waste prevention and control facilities to solid waste identification and collection, transfer and storage, resource utilization, reduction, and treatment, we standardize the management of each subsidiary (branch) company. We continue to promote waste reduction, resource utilization and harmlessness through many effective measures such as improving production processes, optimizing product structure, and carrying out cleaner production, thereby ensuring the efficient implementation of waste emission reduction work.

5.4 NOISE MANAGEMENT

We have formulated the "Environmental Noise Management Measures" in accordance with the requirements of the "Noise Pollution Prevention and Control Law" and other regulations to guide the base in equipment selection and installation and noise control during the production process.

When purchasing equipment, we choose low-noise equipment as much as possible while ensuring that the equipment functions meet normal production needs; when installing the equipment, we adopt noise reduction measures such as vibration reduction, noise reduction, and sound insulation; and installs silencers for all strong noise sources. ; Properly arrange comprehensive measures such as noise facilities at factory boundaries to reduce the impact of noise generated in the production process on the outside world.

All our production enterprises of conduct factory boundary noise testing in accordance with national regulations to ensure that daytime/nighttime noise meets the requirements of the "Environmental Noise Emission Standard for Industrial Enterprises at Factory Boundaries".

Case: Noise Control in U-line Packaging Area of Xindu Base

Pre-treatment

Post-treatment

06 BIODIVERSITY PROTECTION

We attach great importance to biodiversity protection and animal welfare, strictly abide by relevant laws, regulations and international conventions such as the Forest Law, Wildlife Protection Law and the United Nations Convention on Biological Diversity, and adhere to relevant measures to promote biodiversity protection. We are well aware that animal experiments are an essential part of medical research. Our company and subsidiaries (branch companies) strictly abide by relevant animal experiment regulations and requirements when conducting animal experiments, and have formulated the "Procedures for the Development of Humane Endpoints for Laboratory Animals" and "Contrast Reference Materials". and Management of Test Substances", "Accuracy Control of Animal Administration", "General Principles of Administration of Experimental Animals", "Regulations on Administration Dosage, Administration Routes, and Blood Collection Amounts for Experimental Animals" and other internal policies to minimize the risk of experimentation. Animal suffering during experiments. We always adhere to the rational development and utilization of biological resources on the basis of effective protection of biological diversity to ensure the healthy and orderly development of the pharmaceutical industry.

05

ATTRACT AND EMPLOY TALENTS, ADHERE TO SHARED GROWTH

We have established a fair and transparent employment system, emphasizing an equal and diversified talent structure. We provide employees with abundant training opportunities, and continue to develop high-level and versatile talents through systematic courses and projects internally.

At the same time, we strictly adhere to occupational health and safety standards, and create safe and comfortable working environment for our employees. We are committed to ensuring the physical and mental health of every employee, achieving common development of our company and individuals, and sharing the achievements of enterprise development.

01 EMPLOYMENT
02 COMPENSATION AND BENEFITS
03 TRAINING AND DEVELOPMENT
04 OCCUPATIONAL HEALTH AND SAFETY

01 EMPLOYMENT

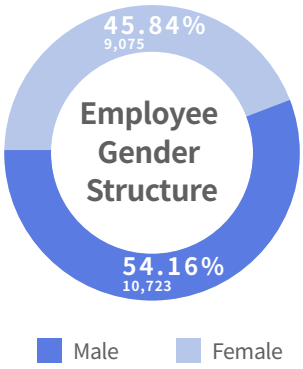
1.1 COMPLIANT RECRUITMENT & EMPLOYMENT

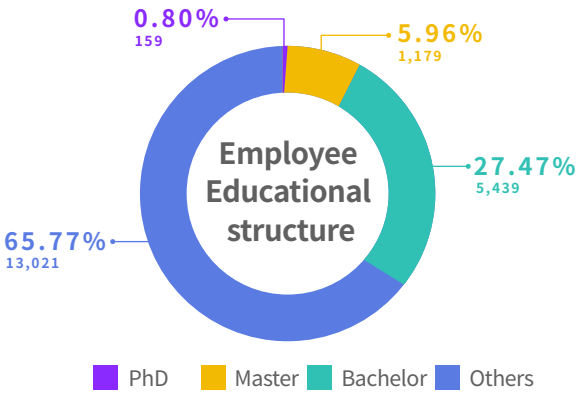
We insist on respecting and caring for our employees, strictly adhering to a series of laws and regulations, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Special Provisions on the Labor Protection of Female 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 practicing compliant recruitment and equal employment. In addition, we comply with the United Nations Global Impact, ILO core conventions, and other human rights protection requirements, demonstrating our commitment to global social responsibility and human rights protection.

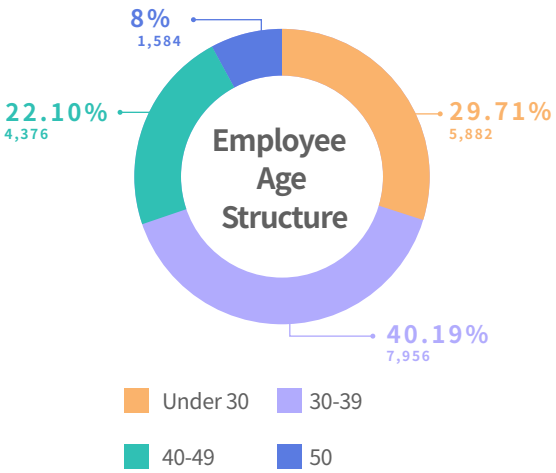
We have established the “Recruitment and Onboarding Management System”, which is applicable to the recruitment of full-time, part-time, and intern employees. The system aims to build a transparent and fair recruitment mechanism to ensure that all applicants have equal employment opportunities.

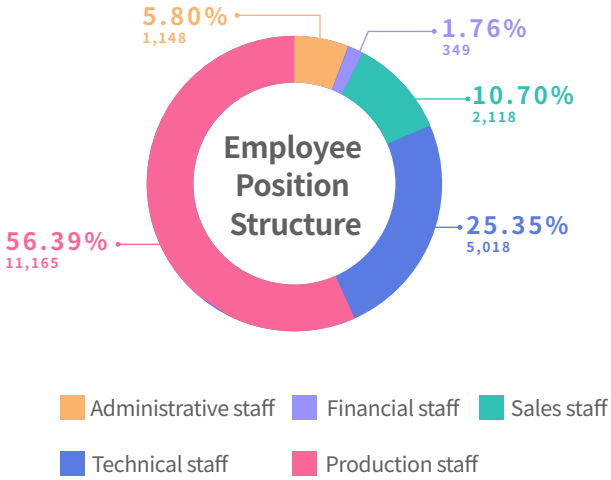
We have also launched the "Employee Diversification and Labor Employment System", which applies to all employees of our company's headquarters and subsidiaries (including overseas bases), covering full-time employees, part-time employees, interns, and any other form of employees. This system clearly prohibits the employment of child labor, firmly opposes forced labor, protects employee diversity, and guarantees the full realization of their legitimate rights and interests in compensation fairness, work safety, career development, and democratic engagement. These two systems, as important components of our Company's ESG practice, not only demonstrate our firm commitment to social responsibility, but also reflect our concrete commitment to building a people-oriented and harmonious corporate culture.

As of the end of December 2023, the total number of our employees was 19,798 (including full-time employees and interns).









Note: Technical staff includes R&D, Quality, EHS, IT.

Summary of Employee Diversification and Labour Employment System

- During our recruitment interview process, the age of candidates is strictly reviewed. Recruitment of minors under the age of sixteen is prohibited. Our headquarter periodically or non-periodically check the employee roster of subsidiaries (branches) to ensure effective implementation of relevant regulations.
- We adhere to reasonable and legal employment, distribution according to work, and equal pay for equal work.
- When making decisions related to human resources such as promotion, performance, renumeration, benefits, and training, our management treats employees from different backgrounds equally, eliminates any form of discrimination, prejudice, harassment, or illegal discrimination, and strives to create a simple and friendly working atmosphere for employees.
- We are committed to creating a diverse, equal, and inclusive workplace environment for employees, respecting their diversity and differentiation. We protect employees from the influence of diverse identities, reject all biased and illegal discriminatory behaviors, and provide diverse employee services as much as possible.
- We respect the rights and dignity of all individuals and strictly controls potential risks related to human rights violations.
- We encourage employees to provide feedback on violations of this system through relevant channels. If employees discover violations of this system, they can provide feedback to the Human Resources Department or Internal Audit Department of the headquarters. We will carefully investigate, and synchronize the investigation progress with the feedback person. We promise to keep the feedback person's information confidential.
- We firmly oppose forced labor and take appropriate safety measures to ensure the safety of the working environment for all employees. All employees have the responsibility to report potential unsafe factors in their workplace.
- We hold a zero-tolerance attitude towards any form of harassment, intimidation, and bullying in the workplace and any external work-related environment, and take serious actions against those who engage in harassment behavior. We adhere to the principle of gender equality, severely fights sexual harassment and other malicious behaviors, protect the rights and interests of employees, and ensure gender equality.

1.2 Diversification and Equal Opportunities

Diversified Employment

The "Employee Diversity and Labor Employment System" clearly stipulates that the recruitment process should ensure fairness and impartiality, build a diversified, standardized, and transparent recruitment process, adopt multi-channel recruitment such as social recruitment, campus recruitment, internal recommendation, and headhunting recommendation, receive resumes from online and offline submissions, attract diverse talents of different nationalities, races, genders and social experiences., and lay a solid foundation for the long-term development of our talent team. In addition, we firmly implement a zero-tolerance policy and adopt an uncompromising attitude towards any form of harassment, intimidation, or bullying. Once such misconduct is discovered, we will immediately initiate a rigorous and impartial investigation procedure, and severely punish individuals confirmed to have engaged in harassment in accordance with the law and regulations. We actively practice the concept of gender equality, with a particular emphasis on eliminating all forms of sexual harassment within the organization. In order to effectively protect the rights and dignity of every employee, we have established a strong mechanism aimed at efficiently preventing, quickly responding, and severely dealing with violations of employee rights such as sexual harassment. Therefore, we can build a safe, respectful, and inclusive work environment and fully realize the commitment to gender equality.

Diversified Training

We actively build an inclusive corporate culture. With the support of relevant departments, we organize specialized training on "Diversity and Labor Employment" that covers all employees at least once a year.

In April 2024, we conducted a special training on "Diversity and Labor Employment" for all employees, including diversified identity recognition, talent recruitment, the establishment of a culture of diversity, inclusiveness, and equality in talent development and training, as well as channels for feedback. This training helps to protect the diverse identities of employees, standardize labor employment, and enable every employee to gain a sense of belonging, respect, and importance.

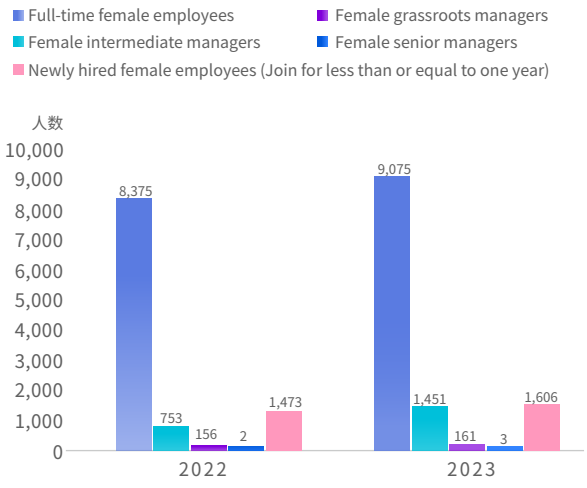
Feedback Channels

We adhere to the principle of "transparent communication and continuous improvement" and have opened diversified employee feedback channels. We encourage all employees to actively provide feedback on any behavior that may violate the "Employee Diversity and Labor Employment System" through various formal channels, including telephone hotlines, dedicated email addresses, and written letters. The Human Resources Department or Internal Audit Department of the Company headquarters promises to respond quickly within 24 hours of receiving feedback, and ensure timely sharing of investigation progress and handling plans to employees who provide feedback, fully respecting their right to know.

At the same time, in order to protect the legitimate rights and interests of all feedback recipients, we strictly follow the confidentiality agreement and promises to implement strict confidentiality measures for the personal information and feedback content provided by feedback recipients, in order to create a safe, fair, and trustworthy working environment.

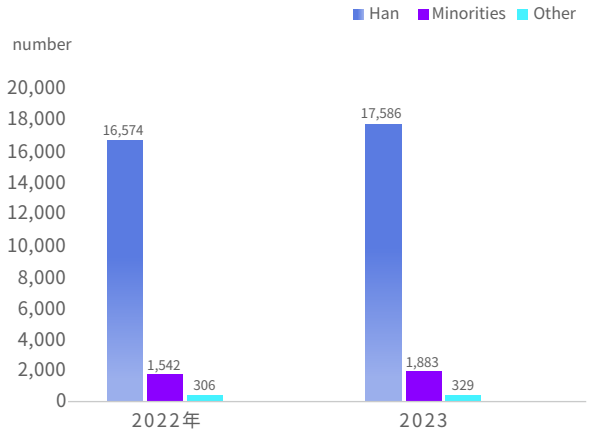
During the reporting period, all recruitment information released by our Company (including overseas regions) did not contain any discriminatory content related to ethnicity, race, gender, religious beliefs, etc., and no employment discrimination occurred. There have also been no incidents of child labor, forced labor, human rights violations, or related legal disputes.

Number of Female Employees



注：2023年调整了分类标准：将中层管理人员又细分为中层管理人员、基层管理人员，故此处将22年的909人拆分成了中层管理156人，基层管理753人。

Employee Ethnicities



Note.:"Other" represents non-Chinese employees of overseas branches of KELUN PHARMA (204 male employees and 149 female employees).

1.3 Employer Honours

From 2021 to 2023, KELUN PHARMA and its subsidiaries have demonstrated unremitting efforts and outstanding results in building harmonious labor relations, and have won over 20 enterprise labor relations honors and awards from national, provincial, municipal, and district governments and authoritative institutions. These honors fully confirm the continuous involvements and significant achievements of KELUN PHARMA in employee rights protection, labor relations management, and corporate culture construction.

Partial honors of KELUN PHARMA and its subsidiaries (branches) 2021-2023

Company/Base Name	Labour Award Received	Level
HUBEI KELUN	2021 China Federation of Trade Unions "National Worker Pioneer"	National
KELUN YUEYANG BRANCH	2023 Hunan Provincial Labor Dispute Gold Medal Mediation Organization	Province
HENAN KELUN	2023 Henan Province Worker Pioneer	Province
GUANGXI KELUN	April 2021 Guangxi May Day Labor Medal	Province
GUIZHOU KELUN	2022 Guizhou Province "Advanced Employee Home"	Province
JIANGXI KELUN	2021-2023 exemplary organization of Public and Democratic Management of Factory Affairs in Jiangxi Province	Province
SICHUAN KELUN	2022 Chengdu Model Labor Relations Harmonious Enterprise	City
SICHUAN KELUN	2023 Chengdu Five-star Enterprise and Public Institution Trade Union	City
SICHUAN KELUN	2023 Chengdu City Four Star Trade Union	City
GUANGAN BRANCH	2023 Guang'an Gold Medal Labor Dispute Mediation Organization	City
HUBEI KELUN	2023 Xiantao City Harmonious Labor Relations Demonstration Enterprise	City
QINGSHAN LIKANG	2021-2023 Chengdu Five Star Labor Union	City
QINGSHAN LIKANG	2022 Chengdu Model Labor Relations Harmonious Enterprise (5A)	City
QIONGLAI BRANCH	2020-2022 Chengdu 5A Model Labor Relations Harmonious Enterprise	City
SHANDONG KELUN	2021 Human Resources and Social Security Law Abiding Integrity A-level Unit	City
SHANDONG KELUN	2022 Human Resources and Social Security Law Abiding and Honest A-level Unit	City
NEW KAIYUAN	2020 Chengdu Factory Affairs Open Democratic Management Standardization Above C-level Standard Unit	City
NEW KAIYUAN	2020-2022 Chengdu Model Labor Relations Harmonious Enterprise (2A)	City
GUANGXI KELUN	2023 Guilin City "Healthy Enterprise"	City
HENAN KELUN	2021 Anyang Worker Pioneer	City
QINGSHAN LIKANG	2023 Chengdu Gaoxin District Factory Affairs Open Democratic Management Standardization Construction B-level Standard Unit	Region
SICHUAN KELUN	2021 Demonstration Enterprise for Harmonious Labor Relations and Culture	Region

02 RENUMERATION AND BENEFITS

2.1 RENUMBERATION AND PERFORMANCE

Renumeration Management

In order to fully leverage the incentive effect of salary and benefits and maximize the motivation of employees, we have established a comprehensive compensation system consisting of fixed and floating salaries. The formulated "Compensation System" and various special salary and bonus plans covers all employees.

We have established a standardized and reasonable salary distribution mechanism based on the principles of "make use of talents, distribution according to work, fairness in treatments, and consideration of benefits". This combined with the characteristics of production, operation, and management, and taking into account the supply and demand situation of the labor market, differences among employees, and our paying ability. We ensure that the salary level of employees is competitive compared with local peers and major domestic competitors, in order to effectively attract, retain, and motivate talents, and improve the competitiveness. We also ensure that male and female employees with the same job functions, contributions, and performance receive equal compensation in our Company. To fully reflect the performance orientation based on job functions, the principle of remuneration based on contributions and performance is adopted.

The floating salary is linked to employee performance evaluation results, strengthening incentives and forming a healthy competitive mechanism within the Company.

We conduct annual salary adjustments for employees based on changes in macroeconomic factors such as national policies and price levels, changes in the Company's development strategy, and overall profitability. Our development interests are combined with the personal interests of employees, fully reflecting the motivating effect on employees.

We will regularly monitor employee compensation to ensure effective implementation of relevant policies. At the same time, a sound compensation appeal mechanism has been established, and internal communication and appeal channels related to compensation have been opened to all employees. The scope of appeal includes compensation, benefits, attendance, performance evaluation, and rewards and punishments. Specific appeal procedure is detailed in "Compensation Appeal".

Performance Management

In order to establish a performance-oriented culture and achieve continuous improvement of organizational and individual performance through standardized and effective performance management mechanisms, and ensure the achievement of the Company ‘s strategic and operational goals, we have formulated the “Employee Performance Management Measures” and various specialized performance bonus assessment plans, covering all employees. We also regularly organize employees to conduct performance evaluations according to the agreed performance evaluation cycle (monthly/quarterly/semi-annual/annual). To fully mobilize the work enthusiasm of employees in different sectors, diverse performance evaluation methods are set up.

For non-sales departments at the headquarters, we mainly drive business development through the setting of KPIs.

Employees extract and develop key performance evaluation indicators from the annual key work plan, departmental performance indicator decomposition, core job responsibilities, and other aspects to form a personal annual performance plan table; The performance is reviewed and adjusted in a quarterly or semi-annual manner, with department heads providing performance coaching during the process; At the end of the year, the assessment will be conducted through a combination of performance self-evaluation and department head review. For direct sales department of the headquarters, performance evaluations are conducted on a per unit basis for each business department, and sets performance related and behavior related evaluation indicators.

2.2 EMPLOYEE CARE AND WELFARE

Employee Welfare

We provide employees with a competitive compensation system, including salaries, bonuses, subsidies, benefits, social insurance premiums, housing provident fund, commercial insurance, etc. In 2023, we paid social security and housing fund to 19,250 employees, accounting for 97.23% of all employees; For 548 employees who cannot be covered by social security, such as contract workers and interns, employer liability insurance will be purchased uniformly. This group of workers accounting for 2.77% of all employees. The purchase of social insurance and employer liability insurance ensures 100% insurance coverage for all employees, achieving the protection of their rights and interests.

In order to practice the core values of corporate humanistic care and enhance employee sense of belonging and team cohesion, we have formulated the "Guidelines for Welfare of Production Base Employees (Trial)" in accordance with the national legal and regulatory framework. The guideline includes paid annual leave, sick leave, marriage leave, maternity leave, funeral leave, and personal leave, aiming to comprehensively protect the right to rest of each employee.

We send "Caring and Blessing SMS" to employees on their anniversaries, reflecting our care for the employees' onboarding and expressing gratitude for their contributions to our company, enhancing the employees' sense of belonging and honor.

For the employee group of overseas bases, we adhere to the concept of global operation, fully respects and complies with the local regulatory requirements of various countries, and hereby formulates and implements the "Regulations on the Overseas Base Visits (Anti Visits) Management". In December 2023, an exclusive welfare plan was formulated for employees of overseas bases, including purchasing commercial insurance, purchasing commercial insurance for their families, conducting free medical examinations, holiday condolences, etc. KELUN PHARMA ensures that all employees, regardless of their geographical location, can enjoy the corresponding legal benefits and benefits of their workplace, thereby realizing the effective protection and implementation of the rights and interests of every employee worldwide.

KELUN PHARMA BENEFITS LIST

Welfare Category	Benefit Content	Target Group
Statutory Benefits	• Five insurances and one fund (basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund) • Legal holidays and vacations • Paid annual leave	All employees
Universal Benefits	• Festival cash gift; • Festival gifts; • Birthday gifts; • Factory anniversary gifts; • Health examination	All employees
Special Benefits	• Marriage leave, maternity leave, • paternity leave, breastfeeding leave • Funeral leave; • High temperature allowance • Education subsidy; • Transportation subsidy; • Communication subsidy; • Title subsidy; • Length of service subsidy; • Expatriation subsidy; • Travel subsidy; • One-time resettlement fee; • Paid tourism; • Free lunch; • Home leave; • Love fund; • Equity incentive scheme; • Free dormitories. • Wedding Greetings; • Congratulations on childbirth; • Comfort for illness; • Comfort for work-related Injuries; • Funeral funds; • Retirement condolences; • Employer's liability insurance; • Commercial insurance	Employees who meet the conditions

Employee Care

We firmly believe that employees are the most valuable asset of enterprise. Caring for and respecting every employee is an indispensable cornerstone for building harmonious labor relations and achieving sustainable development of the enterprise.

The Love Mutual Aid Foundation established by our company aims to help disadvantaged employees overcome difficulties. As of the end of the reporting period, we have provided over 12 million RMB in financial assistance to more than 1600 employees (families). We well received heartfelt gratitude from the assisted employees.

We highly value employee happiness and sense of belonging, and advocate for a balance between work and life by establishing employee activity centers, gyms, and libraries. We have held various series of sports competitions multiple times, such as badminton, basketball, and table tennis; Organized various team building activities, including masquerade dance, Winter Solstice food themed festival activities, fun sport day, Mid-Autumn Festival themed garden activities, Chinese Valentines Day festival fellowship activities, etc; Establishing interest clubs such as table tennis club, badminton club, dance club, board game club, photography club, reading club, basketball club, yoga club, billiards club, etc. The colorful activities and clubs greatly enrich the lives of employees, creates a warm and harmonious work environment and atmosphere for employees, and allows every employee to truly feel the care from the Kelun family.

Shandong Kelun "Reading Sharing Conference"

Basketball Competition held in July 2023

Employee yoga class

June 2023 “Yingdayun” Basketball Tournament

We strictly implement the legal provisions of paid annual leave to provide employees with sufficient time to rest and relax. We have formulated the "Regulations on Collective Paid Travel Leave for Employees", which organizes 5-day collective travel every two years, with all expenses borne by the Company. Through paid travel, employees can relax both physically and mentally, enhance team cohesion, and enjoy the beauty of life and work when surrounding by mountains and rivers. In addition, subsidiaries located in ethnic minority areas and overseas areas will consider the holiday customs of local ethnic groups and arrange employee holidays according to production plans to celebrate ethnic festivals.

Employee Team Building

We have formulated the "Employee Retirement Management Measures" for retirees, which specify that in the month of retirement, the department or unit where the employee retires will organize a farewell party or formal retirement ceremony, issue an "Honorary Retirement Certificate", and provide a certain amount of retirement consolation money based on their rank, length of service, and contributions made to the Company during their tenure. Retirees will also be arranged for annual physical examinations and holiday consolation after leaving their job, so that they can still feel the warm care of the Company.

Every summer, we organize employees' children to participate in the "Little Kelun Employee" activity. Through on-site visits, departmental experiences, scientific experiments, medical knowledge learning, and overseas returnees sharing, they Fully feel the significance of predecessors' work, laying the foundation for the ideal of developing the industry and serving the country.

2023 "Little Kelun Employee" event

Labour Union Communication

We firmly abide by local laws and regulations, and continuously improve the democratic management system within the enterprise. We establish trade union organizations in accordance with legal norms such as the Constitution of the Chinese Trade Unions and the Trade Union Law of the People’ s Republic of China. the Company regularly convene employee representative conferences, with representatives including but not limited to frontline workers, technical managers, leading cadres, party members, Youth League members, young employees and female employees. This democratic mechanism has played a substantive role in resolving labor disputes, implementing labor protection supervision, fulfilling labor legal supervision functions, and protecting the legitimate rights and interests of female employees, effectively safeguarding the democratic rights of all employees in participating in the process of enterprise reform and development.

2.3 DEMOCRATIC COMMUNICATION

Appeal Reporting Procedure

To safeguard the legitimate rights and interests of the Company and its employees, timely detect and handle hidden problems, ensure effective communication between employees and the management, improve employee work enthusiasm, establish harmonious labor relations, enhance enterprise cohesion, and improve employee satisfaction, we have formulated the Employee Appeal System, which clarifies the scope of appeals, channels and methods of appeals, and procedures for handling them. Our headquarter and subsidiaries (branches) have set up appeal handling committees respectively to conduct research and feedback on employee appeals.

At the same time, in order to encourage employees to actively provide suggestions for the development of the Company, KELUN FHARMA widely listen to valuable opinions and suggestions from employees on improving enterprise management, improving workflow design and work quality, strengthening team building and corporate culture construction, addressing work conflicts, adverse phenomena and complaint handling, and effectively help employees solve practical problems. A "General Manager's mailbox" is set up at the headquarters and subsidiaries (branches) to ensure that employees have the opportunity to directly provide feedback to the Company's top leadership.

the Company has established the “Whistleblower Protection and Reward System” to encourage suppliers, other partners, and Kelun employees to participate in the Company's integrity management supervision system. the Company encourages employees to actively report violations such as corruption and job-related crimes, while strengthening the protection of the whistleblowers.

Remuneration Appeals

We have opened remuneration related internal communication and appeal channels to all employees, including salary, benefits, attendance, performance evaluation, and employee rewards and punishments.

Any employee who has objections to their remuneration can submit an "Employee Appeal Form" to the appeal handler within 10 working days after the event occurs. The appeal handler shall investigate and handle the appeal matter within 10 working days. If the appellant is satisfied with the handling opinion, the appeal can be terminated. If the appellant is not satisfied with the handling opinion, they can continue to appeal to the Director of Human Resources and the Deputy General Manager in charge level by level until the final appeal handling result is determined. If the appellant of a subsidiary (branch) company is still dissatisfied after being processed step by step within the subsidiary (branch) company, they can apply to the headquarters appeal handling committee for processing. Complaint handling personnel at all levels strictly follow the Company's complaint handling procedures and complaint response requirements, and taking the confidentiality concern seriously.

Performance Appeals

Performance Communication and Feedback:

After each performance evaluation is completed, the evaluator should promptly provide feedback on the evaluation results to the evaluated employee, which can be done through face-to-face communication or phone call, so the evaluated employee can understand the Company's expectations and areas for improvement; At the same time, the evaluated person can indicate the difficulties encountered in achieving performance goals and request guidance and assistance from their superiors. After sufficient communication and reaching an agreement, both parties shall jointly fill out the Performance Feedback Interview Record Form and sign for confirmation.

Performance Appeals:

(1) If employees at the headquarters have significant objections about the assessment results, they should file a performance appeal to the Human Resources Department.

(2) After receiving an employee's appeal, the Human Resources Department should provide a response within 3 working days on whether to handle it; Appeals without objective factual basis and based solely on subjective speculation will not be handled.

(3) After handling the appeal, the first step is to investigate the content of the appeal and communicate and coordinate with relevant departments or personnel; For those that cannot be coordinated, report to the General Manager's Department for arbitration. After the decision is made by the General Manager's Department, the Human Resources Department is responsible for providing feedback on the appeal handling results to the appellant.

In 2023, all remuneration related appeals of our company have been properly handled, and the appellants have no objections.

Employee Satisfaction and Dedication

At KELUN PHARMA, we firmly believe that employees are the core driving force and valuable asset for enterprise development. In order to continuously optimize human resource management, improve organizational efficiency, and create a harmonious and efficient work environment, we attach great importance to and continue to pay attention to the dynamic changes in employee satisfaction and dedication. In order to gain a deeper understanding of employee needs, improve the work environment, enhance team cohesion and work efficiency, the Company conducts a satisfaction and dedication survey covering all employees (including subsidiaries) at the beginning of each year. Through this survey, we comprehensively grasp the ideological dynamics and psychological needs of employees, understand their opinions and views on the Company's management processes, leadership abilities, work environment atmosphere, work efficiency, communication and feedback efficiency, work returns, human resource mechanisms, logistics support and other aspects of business management.

We timely handle employee feedback, formulate corresponding improvement measures and plans, continuously optimize and improve the Company's various management mechanisms, thereby continuously strengthening employees' sense of belonging, and gathering consensus and joint efforts of all members, jointly promoting the stable development and continuous progress of the Company.

We conducted a satisfaction survey covering all employees in 2024, and the results showed that the satisfaction rate was over 95%.

03 TRAINING AND DEVELOPMENT

3.1 Training System

Following the three principles of "strategic guidance", "hierarchical training", and "consistent learning and application."

There is an old saying "To establish a temple, first plan for the pillars" . Similarly, we are well aware that talent is the most important element of the Company's development. In order to build a solid foundation of human capital, KELUN PHARMA adheres to the Company's development strategy as the guide, closely combines the talent needs, carefully designs and implements a targeted and effective talent training system.

Our company ensures that every employee has sufficient opportunities for self-improvement and development by organizing various training courses, seminars, practical exercises, training through meetings and all other forms of learning activities.

In addition, we actively advocate consistent benchmarking of internal and external learning concepts, encourage employees to participate in professional seminars and conferences in China and overseas. We invites industry experts to give lectures, and supports employees to go to external institutions for further education and learning, striving to maximize the effectiveness of human resources.

Our unique talent cultivation concept of "training through meetings, learn war in the battle field" has transformed the "cramming" training model into an efficient exploratory training model of "thinking through problems and improving through practice". This transformation not only fully cultivates employees' exploratory thinking, but also helps them establish a consistent learning awareness and effectively improve their practical application abilities in work.

We strictly adhere to the principle of "where there is a training session, there is a test" , and use various methods such as on-site questioning, paper exams, experiences summarizing, and meeting sharing to test the effectiveness of training. We also use tutoring and make-up exams to ensure the effectiveness of training.

Implementing The Lifelong Concept of Online-Offline combined Learning

In implementing the educational philosophy of lifelong learning, KELUN PHARMA has adopted a diversified training strategy that combines both online and offline, and both internal and external resources. By deeply integrating the application of the E-learning online learning system, a flexible and efficient dual line training model has been constructed. Since the full launch of the platform in 2017, we have successfully covered online learning and training activities for 23,000+ accounts, and achieved digital and refined management.

So far, the Company has been meticulously planning and executing over 3,300 online training programs annually, during which it has accumulated rich educational resources. A total of 7,382 online courses have been developed and launched, covering new employee onboarding guidance training, medical information communication specialist comprehensive ability improvement training, security protection knowledge popularization, online part of the internal trainer team training plan, professional knowledge deepening training for various positions, compliance education training, internal document interpretation training, and interactive live streaming teaching.

At the same time, in the field of offline training, we have also achieved fruitful results, organized more than 51,000 face-to-face training activities cumulatively. During this process, KELUN PHARMA successfully integrated online and offline resources, achieving a mixed and coordinated management of a series of links, including training registration and check-in, training process management, training effect evaluation, assessment and certification, qualification acquisition, and knowledge sharing. This effectively improved the comprehensive and multi-level training system for quality management talents and all employees.

Training expenditures amounting to

4,680,500CNY

Accumulated amount of employee training invested by KELUN PHARMA in 2023

Total training hours

1,282,096.54 Hours

In 2023, our company's senior management personnel completed a total of 1,032.16 training hours, middle-level management personnel completed a total of 22,877.85 training hours, grass-roots management personnel completed a total of 200,496.65 training hours, and general personnel completed a total of 1,485,055.39 training hours.

The total number of trainees

944,551 Persons

The total number of employees trained

19,798 Persons

Training covers all employees of KELUN PHARMA

Per employee training time

64.76 Hours

Among them, male employees received 88.47 hours of training in average, and female employees received 83.83 hours of training in average; The average training time for company management personnel was 65.35 hours, while the average training time for general employees was 90 hours

Building a Specialized Training Model for Competence Compounding

According to the three principles of "strategic guidance," "hierarchical training," and "consistent learning and application," as well as the compounding thinking model, KELUN PHARMA has developed special training programs for employees including fresh graduates, new employees, high potential personnel, and key position personnel. For middle and senior management personnel, implement a company management learning activity mainly based on training through meetings, supplemented by university training programs such as the International Pharmaceutical Engineering Management (IPEM) education course and the Finance EMBA at the Tsinghua University Wudaokou School of Finance, under the "Return from Hundred Battles for Further Education" program; For general technical management personnel, conduct job skills, technical knowledge, and basic management training through benchmarking (internal and external) learning, knowledge competitions, experimental platforms, and building OPL training platforms; For frontline employees, carry out operating certification and job skills training through practical operations, micro courses, classroom lectures, and other methods. At the same time, a squad leader training camp is also established to improve the professional technical knowledge, product quality, risk control, and grassroots personnel management skills of workshop leaders through systematic theoretical knowledge training and on-site practical exercises.

Provide employees with sufficient learning and empowerment opportunities through different dimensions and forms, promote the Company's talent development plan, promote the construction of a high-quality talent team, and contribute to the sustainable development of our company. To implement the grand quality concept of KELUN PHARMA, the Human Resources Department and the Quality Supervision Center have jointly established a Kelun quality training system, which includes modules such as a knowledge lecture hall for quality management personnel and a drug vigilance training center. the Company continuously improves the theoretical reserves and practical skills of each production base by building the online and offline quality knowledge bases.

We have established an online platform called "Knowledge Lecture Hall" to extract experiential knowledge, and has launched 22 professional themes such as statistical application, data governance, and technology transfer. The total number of learners has exceeded 200,000.

3.2 Employee Training

New Employee Onboard Training

In order to ensure that new employees can quickly adapt to the environment and efficiently fulfill their job responsibilities, KELUN PHARMA implements a comprehensive coverage policy in new employee training, requiring a 100% participation rate in new employee training to help them deeply understand the Company's development history, core values, and management policies and behavioral requirements that need to be followed in daily operations.

Job Development Training

We firmly believe that implementing job specific training can not only improve individual employee skills and work efficiency, but also ensure that the Company maintains a competitive advantage in the rapidly changing market environment. We have designed rich and targeted training courses based on the specific requirements and future development needs of each position. For example, in the field of marketing, we have carefully organized business reception etiquette training courses to enhance the professional image and service ability of employees in external communication, and demonstrate the value connotation of the Kelun brand; In the field of quality control, we have held seven themed seminars on the Kelun "New GMP Guidelines · Summit Forum" to deeply analyze and discuss the core value and application of the new version of GMP (Good Manufacturing Practice), in order to ensure that product quality management keeps pace with the times and reaches the international advanced level, thereby safeguarding the safety and health of public medication; In the production and operation sector, we have launched an international high potential talent special training camp project, aiming to select and cultivate senior talents with a global perspective and professional skills, and help Kelun achieve modernization and internationalization in production and manufacturing. We also spare no effort in promoting corporate culture construction and training. Through systematic educational and training activities, we deeply imprint Kelun's corporate values and social responsibility in every employee’s mind, jointly shaping a team that combines professional skills and noble character, and laying a solid talent foundation for Kelun's sustainable development.

At the same time, through a combination of online and offline teaching modes, together with various teaching methods such as theoretical teaching, practical exercises, simulation operations, and mentor guidance, we ensure that employees can fully grasp and proficiently apply them to practical work, continuously broaden their horizons, and enhance industry competitiveness. By regularly evaluating the effectiveness of training and making dynamic adjustments, we continuously optimize the job specific training system, ensuring that it always aligns with the Company's strategic goals and industrial development trends, thereby effectively driving the common growth of the enterprise and employees, and laying a solid talent foundation for achieving sustainable and excellent performance.

Business reception etiquette training

To order to shape a more professional image, improve the comprehensive quality and reception level of employees, our human resources department has organized the 2023 Business Reception Etiquette Training. This training focused on "respect etiquette and morality, follow the rules, and behave properly", requiring trainees to demonstrate the "motivated, energetic, and vigorous" Kelun style, and achieve the goal of "reception creates productivity".

Internal Job Transfer and Return Training

To ensure that employees smoothly transit and efficiently integrate into their new job positions during the process of job transfer and return, we attach great importance to and implements job transfer and returning to work training programs.

In terms of job transfer training, we customize training content according to the professional skill requirements of employees who are about to transfer to their new positions. The training covers various aspects such as professional knowledge, operational skills, team collaboration skills, and industry regulations. We invite industry experts and senior internal mentors to give lectures and adopt a blended learning approach, combining online courses, offline practical training, case studies, and other teaching methods to ensure that employees can quickly learn the core skills required for new positions, thereby improving their job competency.

In terms of returning to work training, the Company has formulated the "Regulations on Returning to Work Management". We fully consider the knowledge update, skill recovery, and other steps employees may need to go through after long-term leave, and provide them with systematic returning to work training. The training content includes reviewing the operating standards of the original position, understanding the latest industry standards and regulations, as well as providing soft skills training for personal development and team collaboration. We encourage employees to share their experience of returning to work, improve through interactive discussions and reflection, help them readjust to the work pace, ensure that they can quickly regain their status after returning to their positions, and contribute to the stable operation and sustainable development of the Company.

Thematic Training

We are well aware of the importance of updating employee professional skills and knowledge, and pay special attention to and vigorously promote the implementation of specialized employee training programs. We have planned a series of targeted specialized training courses based on industry development trends, corporate strategic needs, and employee career development paths.

In the special training, we covered many key areas, including but not limited to human rights protection and diversification, anti-corruption and anti-fraud, information security, EHS, quality control, intellectual property right, and other topics. These training programs aim to comprehensively improve the professional competence of employees in specific fields, and enhance their profound understanding and practical ability for the sustainable development of our company.

The KELUN PHARMA "New GMP Guidelines - Summit Forum"

With the release of the "Drug GMP Guidelines" (2nd edition), production enterprises under KELUN PHARMA will face higher requirements and greater challenges in the fields of production and quality management. In order to help production enterprises systematically study this guide and actively embrace new changes, the Quality Supervision Center and the Human Resources Department jointly held the KELUN PHARMA "New Version GMP · Summit Forum", formed a professional lecturer team, and planned and polished 7 topics including "Sterile Formulations", "Quality Management System", and "Factory Facilities and Equipment" to create high-quality training courses. There are a total of 7 topics, 18 courses, and 200+hot topics. Each professional course line combines management practice and needs, focuses on new change points, key points, and difficulties, seeks opportunities for improvement in business practice, and empowers the operations..

Internal Trainer Training

We attach great importance to and continuously optimize the internal trainer training system, aiming to cultivate a team of enterprise internal trainers with professional knowledge, teaching ability, and influence.

Our internal trainer project serves as a powerful supplement to knowledge sharing methods such as QC conferences and internal commissioned training, cultivating internal professional talents from various dimensions. This is to compensate for the limitations of external training, ensure that the training content is more in line with the actual situation, and enhance the practicality of the training; Also, to gather outstanding talents with professional experience within the Company, extract their excellent experiences, share knowledge within the Company and subsidiaries (branches), and generate economies of scale in knowledge dissemination and application as each subsidiary has a high degree of skill similarity. the Company's internal trainer project serves as a powerful supplement to knowledge sharing methods such as QC conferences and internal commissioned training, cultivating internal professional talents from various dimensions.

The structural design of internal trainers' courses at KELUN PHARMA can be summarized into two key points. First is to focus on business needs. The trainers all have business practical experiences and the training topics are practical as well. By extracting replicable professional knowledge and experience, the course teaching and development is conducted; Second is dual line tutoring, constantly improving the professional and comprehensive abilities of internal trainers, shaping their authority, and reflecting their value in the Company's production and operation.

Internal Trainer Exchange and Improvement Activity

Internal Trainer Competition

Leadership Training

We attach great importance to leadership training, aiming to cultivate leaders with good strategic vision and with courage to take on social and environmental responsibilities. We implement a comprehensive leadership training program that covers all levels of management personnel, aiming to enhance their ability of strategic thinking, decision-making, team collaboration and communication. The training content not only includes basic knowledge such as management theory, business model innovation, and interpretation of industry regulations and policies, but also focuses on decision-making, social responsibility practices, and the design and implementation of environmentally friendly strategies in complex business environments. In addition, we also emphasize the long-term effectiveness of leadership training, ensuring that training outcomes can be translated into leadership enhancement in practical work and effective implementation of company strategies by regularly evaluating training effectiveness, tracking student growth trajectories, and providing opportunities for continuous learning and growth.

KELUN PHARMA Anesthesia-Line Area Manager Training

Regional Manager Training for Major Surgical Departments

3.3 EMPLOYEE PROMOTION AND TRANSFER MECHANISM

To conscientiously implement the cadre line, policies, and guidelines of the board, we have established a scientific and standardized "Management Cadre Selection System", which standardizes the conditions, authorities, and processes for the promotion and appointment of cadres at all levels. We have formed a vibrant and energetic personnel selection and appointment mechanism that is conducive to outstanding talents. The mechanism promotes the youthfulness, knowledge-based, and professionalization of the cadre team, builds a high-quality management cadre team, and ensures the smooth realization of the Company's strategic goals.

The annual promotion mechanism is a routine channel provided by the Company every year to recognize and motivate outstanding employees for career development. It is coordinated and arranged by the headquarters human resources department on an annual basis, following strict evaluation procedures, and promoting employees in an orderly manner. At the same time, we also fully consider the demand for new positions or the occurrence of vacancies in existing positions, ensuring that employees who meet the conditions and are capable of corresponding positions have a fair and just opportunity to be promoted to corresponding positions through the vacancy promotion process at all times during the year, thereby achieving the optimal allocation of human resources and promoting the continuous improvement of the overall efficiency of our company.

In addition to the traditional promotion channels, we have opened up multiple career development paths such as management sequence, professional sequence, technical sequence, operation sequence, and support sequence, so that skilled talents can obtain professional level promotion and matched treatments, and thus achieve both spiritual and material harvests.

Moreover in order to ensure the rational and orderly allocation of internal human resources within the Company, fully utilize the abilities and strengths of employees, meet the needs of job responsibilities, maximize the utilization of internal human resources, and standardize the personnel relocation procedures between various subsidiaries and departments within our company, we have formulated the "Employee Relocation Management System", which specifies that employees can be transferred within the Company and between subsidiaries in the form business assignment or private relocation.

3.4 CONTINUING EDUCATION

Degree Courses and Certificate Support

We support all employees to enhance academic qualifications in spare time, in order to enhance the overall quality and professional technical level of the employee team, and always maintain the creativity and combat effectiveness of the talent team to adapt to the rapid development needs of the Company. Moreover, we encourage outstanding grassroots employees with lower education levels to improve their academic qualifications, acquire more professional knowledge, enhance their personal qualities and abilities, meet job requirements, and achieve personal career development. We provide a certain degree subsidy to ordinary employees with a bachelor's degree or above who are recruited into the Company, with a maximum subsidy of 300 CNY per month.

2023 we have supported 284 employees in upgrading their academic qualifications, including 87 who have been promoted to associate degrees, 175 who have been promoted to bachelor's degrees, and 22 who have been promoted to master's degrees; We have cumulatively provided education subsidies of 900,000 CNY.

Support for Professional Titles and Qualifications

We support all employees (including contract employees) to apply for professional and technical titles or professional qualifications related to their positions in their spare time. In order to create a learning oriented enterprise, improve the professional technical/skill level and structure of the employee team, and enhance the professional quality and business level of important positions, we have formulated the "Regulations on Encouraging Employees in Important Professional Positions to Participate in Professional Title Evaluations and Vocational Qualification Examinations". Every year during the professional title evaluation period, organize the professional title/occupational qualification evaluation information of various provincial and municipal governments, notify all employees, and actively assist employees who are willing and meet the evaluation requirements in applying. For employees who have obtained corresponding professional titles or qualifications, a certain subsidy will be provided according to the standard, with a maximum of 1,000 CNY per month.

As of the end of this reporting period, the Company has provided a total of 550,000 CNY in title subsidies and reimbursement support to 748 employees with professional titles.

Supporting Employees to Apply for Government Talent Awards

In order to ensure a long-term stable talent supply, we actively respond to the talent priority development strategy promoted by provincial and municipal governments. The headquarters and its subsidiaries closely follow policy guidance, fully utilize various talent incentive measures formulated by governments at all levels, and actively carry out various reward applications internally for outstanding talents who meet conditions.

We support all employees to actively apply for local provincial and municipal government talent reward project policies, and fully assist employees in obtaining higher-level talent rewards or honors. In 2023, we applied for talent awards of 74 projects, including "Chengdu Industrial Circle Chain Outstanding Talents", "15th Batch of Provincial Academic and Technical Leaders", "Xiaohe Talent Support Plan Candidates", "Rongcheng Talent Plan Innovation Leading Talents", "Rongpiao Plan Innovation Leading Talents", "Tianfu Emei Plan Innovation Leading Talents", "Tianfu Qingcheng Plan Innovation Leading Talents", "Wenjiang Craftsmen", and "Excellent Management Talents in Pharmaceutical Enterprises", for 421 employees. The total amount of talent award funds reached up to 14.06 million CNY.

3.5 TALENT DEVELOPMENT

Talent Attraction

We adhere to the employment policy of "strict screening, only selecting true talents; Give rewards and punishments regardless of relation, ". When selecting talents, it emphasizes important qualities such as "integrity, pursuit of excellence, customer orientation, and team-centered mindset". We use various channels such as social recruitment, campus recruitment, internal and external referrals, and headhunting recommendations to attract talents with different resumes and experiences through a diversified, standardized, and transparent recruitment process, laying a talent foundation for the long-term development of the Company and strengthening employer brand building. In addition, in order to respond to the needs of internationalization, we recruit talents from the United States, Europe, India, and countries linked to the the Belt and Road to help overseas business development. the Company has created a total of 3393 job opportunities for society in 2023.

In addition to introducing external talents, we also focus on the effective flow of internal talents. the Company regularly initiates internal selection and recruitment processes for vacant positions, and employees can apply through open channels, making talent flow more efficient.

We encourage all employees to recommend outstanding talents and efficiently hire the suitable ones. We have established the Regulations on the “Management of Internally Recommended Talents” . Employees can recommend candidates through online or offline channels such as the Company's official website, "KELUN PHARMA Recruitment" WeChat Public Account, Official WeCom Account, and corporate email. We set up the "Bole Award" and distribute the bonus to the recommender based on their job level, with a maximum of 40,000 RMB.

2023 KELUN PHARMA Group Headhunting Supplier Conference

On May 9, 2023, KELUN PHARMA organized the 2023 Headhunting Supplier Conference. This conference revolved around the core of the connotation of the Kelun brand and corporate culture, presenting in a systematic and detailed manner the business in the three key areas of Kelun research and development innovation, industrial operation, and marketing, as well as the strategic development and key talent introduction needs of some core production enterprises. Through a comprehensive and in-depth introduction, the recognition of the overall strength and future vision of KELUN PHARMA by headhunting suppliers has been significantly enhanced, effectively consolidating and deepening the strategic cooperation, symbiosis and win-win partnership between the Company and headhunting suppliers.

In view of the outstanding achievements in 2022, this conference specially commended 5 headhunting suppliers and officially awarded them the title of "Strategic Partner of the Kelun Group". A solemn award ceremony was held on-site to show encouragement. KELUN PHARMA has been actively exploring and continuously optimizing its cooperation model with headhunting suppliers, leveraging the professional strength of the headhunting industry, gathering excellent global talent resources, and working together with recruitment experts to create a blueprint for a better future.

Talent Transfer

We focus on strengthening the profound understanding of talent cultivation among management personnel at all levels, encouraging and guiding each subsidiary (branch) to effectively explore, cultivate, and reserve excellent talent resources. We continue to increase investment in human capital, broaden the career development path of employees, and strive to build a systematic and scientific talent training and delivery system. To this end, we have formulated the "Reward Measure for Talent Transfer".

Based on the positional importance and hierarchical differences of the employees transferred to other subsidiaries, a differentiated reward mechanism has been established. Specifically, in the allocation of reward funds, 30% of the reward amount will be given to the original department and other relevant departments that provided support, in recognition of their contribution to the talent transfer process; The remaining 70% of the reward funds will be directly allocated to the subsidiary (branch) that receives talents, as a special fund for employee education and development. According to this incentive plan, the maximum reward amount for a single talent transfer can reach up to 200,000 CNY.

Talent Retention

KELUN PHARMA has shown a proactive attitude in talent retention strategy. We have built a comprehensive and sustainable talent management system, and strengthened employee value realization and career stability from multiple key dimensions such as salary and benefits, employee development, promotion channels, and humanistic care, in order to reduce employee turnover rate and improve organizational efficiency.

During the reporting period, the turnover rate of employees at KELUN PHARMA was approximately 16.08% (compared to 18.89% in 2022), and there were no incidents of senior management turnover.

Employee Motivation

In order to further optimize the long-term incentive mechanism of our company, attract and stabilize outstanding talents, fully mobilize the enthusiasm of our management personnel and core backbone, effectively integrate the interests of shareholders, our company, and the personal interests of the incentivized objects, and enable all parties to focus on the long-term development of our company, we actively launch multiple rounds of equity incentive plans in accordance with relevant laws, regulations, and normative documents such as the "Management Measures for Equity Incentives of Listed Companies". As of the end of the reporting period, KELUN PHARMA has carried out three equity incentive plans and two employee stock ownership plans. Kelun-Biotech and Chuanning Biotechnology, as independent listed subsidiaries of KELUN PHARMA, have also actively carried out equity incentives according to the Company's situation.

Employee Development

We carry out diversified talent training projects to enhance core competitiveness and enhance employees' sense of achievement and belonging.

1 FOUR REGULAR INCUBATION PROGRAMS TO CULTIVATE TALENTS IN STAGES

Xinshuo Program Talent Program

The Xinshsuo Program is a training program aimed at newly recruited supervisors, supervisors and below positions in various departments or workshops, as well as training newly recruited reserve cadres with college degree or above. In order to enable team leaders to take initiative in their work positions and revitalize the grassroots team, the Company has launched the "Production Department Team Leader Empowerment Training Project" to strengthen grass-roots management unity and cooperation, and contribute to the vigorous development and effective growth of our company.

Talent Program Talent

The Talent Program is a special recruitment and training program developed by KELUN PHARMA for fresh graduates, with the aim of building a "Kelun New Army" with ideals and courage to strive, and reserving talents for Kelun's third decade of development. With the talent cultivation model of "five stages + three mentors", the employees from school recruitments to successfully go through the rapid transformation from school to the workplace.

Leading Talent Program

This program is for leading talents in key professional and technical fields in enterprises. We select personnel with relatively high professional and technical skills, experience in solving professional and technical problems and outstanding contributions in technical research, targeted training, match relevant resources, and lead our high-quality development through technological innovation.

Long Bench Succession Program

We adhere to the principle of "internal training as main focus and external introduction as supplement", reserve outstanding department heads as successors for our company. We select, cultivate and reserve successors for department heads and above positions, implement dynamic management and evaluation, provide relevant team management,resources for project management, and help successors grow as soon as possible.

2 THREE SPECIAL TRAINING PROGRAMS FOR TARGETED TALENT ENHANCEMENT

International High Potential Talent Special Training Camp

In response to the development needs of our overseas base business, we have selected outstanding talents who are proficient in industrial technologies and the local languages in the sector. In 2023, we launched the "International High Potential Talent Special Training Camp Project". Through one-year language improvement, technology empowerment, and overseas practice, we aim to cultivate international high potential talents with both technical and language advantages, and strengthen the construction of our talent team.

Blue Blood Program

Targeting personnel with frontline sales management experience and outstanding performance, the Company reserves senior marketing management talents through a combination of internal and external training (internal executives and external experts) and a combination of training and combat.

KELUN Pharmaceutical Manager

Select outstanding fresh graduates, and through 18 months of customized training, output professional and market-oriented business oriented marketing talents and management oriented marketing talents.

KELUN Blue Blood Program Special Training Camp

International High Potential Talent Special Training Camp

Integration of Industry and Education

We are currently in an important period of industrial upgrading, innovation driving, reforming, and opening up. The demand for talent has shifted from low-end and extensive talents in traditional manufacturing to professional, skilled, technological, and comprehensive management talents. the Company was selected as the only "National Industry Education Integration Enterprise" in Sichuan Province in 2021. In recent years, KELUN PHARMA has taken the construction of a national industry education integration enterprise as an opportunity to deeply participate in industry education integration and school enterprise cooperation. Through innovating the work mode of industry education integration, promoting deep cooperation between industry, academia, research and application, jointly building industry education integration internship bases, establishing a skilled talent training system, and promoting the construction of a "dual teacher" teacher team, it has played an important role in the reform of vocational colleges and higher education, and has produced a demonstration effect in improving the quality of technical and skilled talent training.

The integration of industry and education is an upgraded version of traditional school enterprise cooperation. the Company has formulated a management system for the integration, clarifying guiding principles, planning goals, key tasks, and guarantee measures.

In order to facilitate the in-depth implementation of industry education integration work, we have constructed a "1+2+3" execution mode. Under the guidance of a committee centered on the Company's general manager's department, and with the support of the Company's human resources department and brand office, HRBP in the research and development, industry, and marketing sectors serves as the leader of industry education integration and forms a working group with the human resources responsible persons of various enterprises under our umbrella to carry out industry education integration and school enterprise cooperation in various universities.

When carrying out the integration of industry and education, we focus on clinical needs and common technical challenges in the industry. By using projects as a link, closely integrating industry, academia, and research, achieving joint development and benefit sharing with universities and research institutions, and promoting breakthroughs in key core technologies. Based on the enterprise platform, KELUN PHARMA and its subsidiaries (branches) have established strategic cooperation relationships for talent cultivation with 68 vocational colleges and 74 h institutions of higher education across the country, and established various characteristic talent cultivation class types.

KELUN PHARMA and the International School of Pharmaceutical Business of China Pharmaceutical University signed a talent joint training agreement

On December 14, 2023, KELUN PHARMA and the School of International Pharmaceutical Business of China Pharmaceutical University held a talent joint training agreement signing ceremony at the Management Building of the Jiangning Campus of China Pharmaceutical University. The economic environment is constantly changing, and pharmaceutical professionals in the new era must seek for "solutions" and "improvements". The joint training of talents with the International School of Pharmaceutical Business at China Pharmaceutical University is an extremely important part of the KELUN PHARMA Cadre Training Plan. The signing of the talent joint training agreement is an important measure for the Company to promote the deep integration of industry, academia, and research. It will help cultivate more pharmaceutical managers, create a new situation of school enterprise cooperation, and jointly contribute new strength to the development of the national pharmaceutical industry and the health level of the people.

04 OCCUPATIONAL HEALTH AND SAFETY

4.1 OCCUPATIONAL HEALTH MANAGEMENT SYSTEM

We are deeply rooted in the core belief of "all accidents can be prevented through measures" in occupational health and safety management, firmly adhering to the strict requirements of national laws and regulations such as the "Safety production Law" and "Occupational Disease Prevention and Control Law". Based on this, we also actively adopts the occupational health and safety management standard - "ISO45001 Occupational Health and Safety Management System", and constructs a comprehensive EHS (Environmental Health and Safety) integrated management system, including but not limited to core institutional documents such as the "All Staff Safety Production Responsibility System", "Safety Hazard Investigation and Governance System", "Emergency Plan Management System", "Occupational Health Monitoring Management System", as well as series of process specifications for risk assessment, accident prevention, emergency response, education and training, and awareness enhancement, such as the "Monthly Safety Production Management Report" and "Accident Internal Investigation and Handling Report". In 2023, we further updated and supplemented several management systems and related system documents, such as the Special Equipment upper vision and Management System, Occupational Disease Hazard Accident Emergency Rescue Plan, and PSM Process Safety Management System Compilation. This move aims to further standardize and guide the safety management work of subsidiary (branch) companies, in order to comprehensively improve the overall level of occupational health and safety management.

To comprehensively identify and evaluate EHS risks throughout the production process, ensure the efficient operation and legal compliance of the Company's EHS management system, and promote continuous optimization and upgrading of environmental and occupational health and safety management in the enterprise, we have established a complete and refined audit mechanism including internal and external assessments. During the reporting period, KELUN PHARMA's total investment on occupational health and safety was 23.8 million CNY.

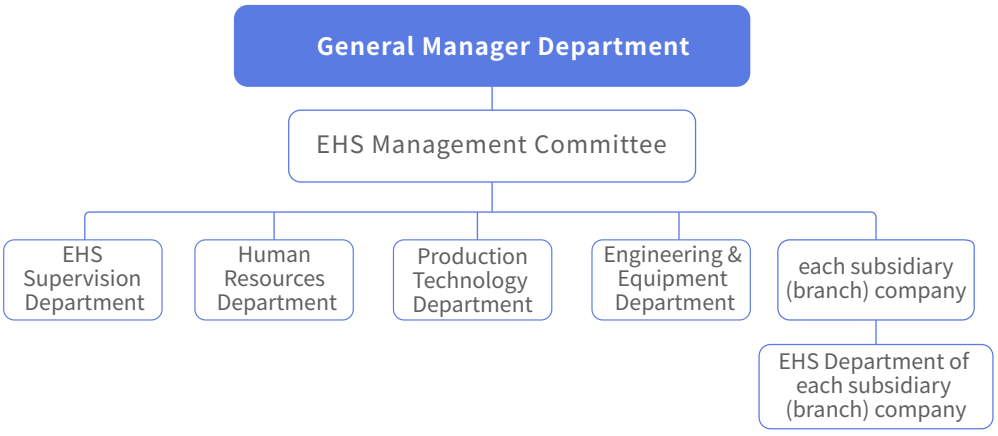
The internal audit system focuses on comprehensively examining the compliance with EHS regulations, delving into the construction and improvement of the EHS management system, meticulously inspecting the execution status of various procedural documents, and conducting a detailed evaluation of the current situation of EHS management on production sites. We focus on various key processes and explore potential hazards from multiple perspectives to ensure the rigor and effectiveness of internal EHS management.

The external audit system strictly follows a series of standards and guidelines formulated by the International Organization for Standardization (ISO), and through independent and impartial third-party certification audits, showcases the high level and high standards of our EHS management system to the outside world. This mechanism not only enhances the credibility of the Company's EHS management, but also provides strong guarantees for promoting continuous improvement, aligning with international advanced management models, and achieving outstanding improvement in environmental and occupational health and safety management.

EHS Management Committee

In order to effectively prevent the occurrence of occupation related diseases and injuries, optimize the working environment and conditions, and effectively ensure the physical and mental health, safety and well-being of employees, we have officially established the EHS Management Committee, with senior leaders of the Company as the directors and relevant department heads as members. In accordance with the authoritative standards of national safety production standardization, process safety management, and environmental health and safety management, the Company jointly formulates and supervises the implementation of various policies and measures for occupational health and safety.

EHS Management Structure



Democratic Communication

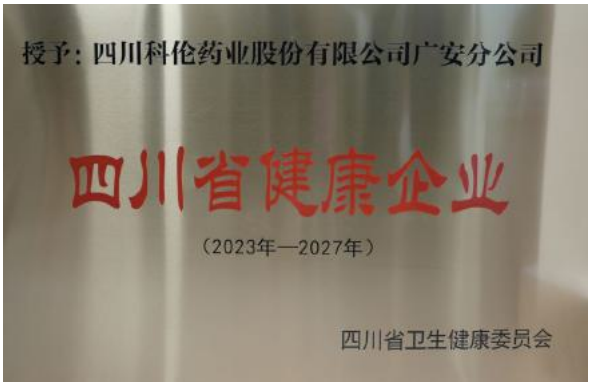
We attach great importance to internal consultation and communication, and encourage employees to provide occupational health and safety opinions and suggestions through safety rationalization suggestion processes, employee opinion boxes, and other means, and timely provide feedbacks on the results of the handling. We provide employees with corresponding cash or point rewards, striving to establish an effective communication bridge between employees and managers, and enhance their sense of belonging and involvement.

At the same time, we have established a series of internal communication systems and processes. For example, according to the “Safety Production Meeting Management System”, we regularly hold safety meetings with the participation of department heads and safety management personnel, to report on progress of safety work, and to discuss existing problems and improvement measures. In addition, we regularly release security work updates and notifications through internal office systems, emails, and other means, allowing employees to stay informed about the Company's security management situation and the latest policies.

During the reporting period, there were no major safety accidents at KELUN PHARMA, and 12 subsidiary (branch) companies have passed ISO45001 certification.

ISO 45001 System Certification (Partially)

As of the end of this reporting period, a total of 7 subsidiaries (branches) of KELUN PHARMA have been awarded the title of Health Enterprise, including 1 provincial-level health enterprise and 3 municipal level health enterprises. the Company emphasizes the people centered approach, focuses on the health, safety, and welfare of employees, while also pays attention to the economic and social responsibility. Through the establishment of a healthy enterprise, KELUN PHARMA optimizes the working environment, improves management systems, promotes the physical and mental health of employees, and promotes the sustainable development of the enterprise.



Guang'an Branch was awarded the title of "Sichuan Health Enterprise"

Hunan Kelun was rated as "Advanced organization in Safety and Environmental Protection"

4.2 OCCUPATIONAL HEALTH RISK MANAGEMENT

We deeply recognize the importance of occupational health and safety, strictly abide by national laws and regulations such as the Occupational Disease Prevention and Control Law and the Workplace Occupational Health Management Regulations, adhere to the principle of prevention first, regularly conduct occupational disease hazard factor tests and occupational health monitoring sessions, systematically improve and update occupational health records and personal health monitoring records of employees, ensuring that the physical and mental health of every employee is effectively guaranteed.

In 2023, KELUN PHARMA commissioned a third-party organization with occupational health technology service qualifications to conduct regular occupational disease hazard factor testing for six subsidiaries (branches). The testing scope includes all places with occupational disease hazard factors such as production workshops and supportive public projects. A total of 664 positions were tested, with a pass rate of 95.8%.

In order to achieve refined management and risk prevention, we have developed and implemented the Guidelines for Classification of Occupational Disease Hazard Risk Operations, Guidelines for Personal Protective Equipment Provision, Guidelines for Risk Assessment of Highly Active Drug Operations" . Through the development and implementation of these professional norms, we effectively guide risk identification, assessment, and control activities at all levels and actively accept supervision and review from regulatory agencies. At the same time, we will continue to optimize and improve production equipment, processes, protective facilities, and strengthen individual protection to ensure employee health.

KELUN-BIOTECH-Bioactive Drug Leakage Detection

GuizhouKELUN-Post Noise Detection

In response to the 21st National Health Commission's "Occupational Disease Prevention and Control Law" publicity week, strengthening the Company's main responsibility for occupational disease prevention and control, and promoting occupational disease prevention and control knowledge, in April 2023, each subsidiary (branch) company carried out a publicity activity with the theme of "improving the working environment and conditions, protecting the physical and mental health of workers". Through training courses, posting materials, playing videos, and other methods, the "Occupational Disease Prevention and Control Law" was promoted to employees, enhancing their self-protection awareness.

"Occupational Disease Prevention and Control Law Promotion Week" of Yueyang Branch from April 25th to May 1st, 2023

4.3 SAFETY TRAINING

During the reporting period, we conducted a total of 18 safety special training sessions for EHS personnel and required all subsidiary (branch) EHS personnel to undergo full staff transfer training for their own units.

In 2023, the EHS regulatory department of our Company continued to deepen the promotion of process safety management in infusion preparation enterprises. Through regular training and integration of mature process safety management concepts in chemical enterprises into their management systems, the concept became more practical and operable, effectively promoting the improvement of safety management level in infusion preparation enterprises.

Guang'an Branch Process Safety Training

The EHS department of Xindu Base holds monthly safety meetings at the Company level, and provides systematic and in-depth training on newly issued EHS laws, regulations, and standards to ensure that attendees can accurately understand and effectively implement the new regulatory requirements. In addition, the meetings also specifically share recent major production safety accidents in China, using vivid examples to warn employees and further enhance their awareness of production safety.

EHS Training and External Accidents Sharing at Xindu Base

4.4 WORK-RELATED INJURY MANAGEMENT

To fully protect the legitimate rights and interests of the Company and its employees, We have established a system for the prevention, handling, and declaration of work-related accidents in accordance with relevant laws and regulations such as the “Work Safety Law”, “Social Insurance Law”, “Work-related Injury Insurance Regulations”, and “Production Safety Accident Reporting and Investigation and Handling Regulations”. In order to effectively control work-related accidents, reduce the risk of work-related injuries from the source, and provide standardized operating procedures and scientific solutions for properly responding to various types of work-related accidents, we have formulated the "Safety Production Accident Investigation and Accountability Management System". To standardize the reporting, investigation, and accountability procedures for production safety accidents, prevent and reduce production safety accidents, we have established a safety accident investigation and handling mechanism, graded and classified safety accidents, and evaluated the economic losses and other impacts that may arise from different types of safety accidents. At the same time, we have established a safety reward and punishment mechanism, and the EHS department of each subsidiary (branch) company has established a reward and punishment recording mechanism. Individuals or collectives who conscientiously implement national and group safety production rules and regulations are rewarded with bonuses, such as actively eliminating accident hazards, preventing work-related accidents, or subsidiaries (branches) that have outstanding performance in accident handling and rescue, and have achieved Z's annual safety responsibility goals well.

At the same time, the "Guiding Opinions on the Management of Work-related Injury Accidents for Employees" formulated by our Company aims to standardize our rapid response mechanism in the event of work-related injury accidents, strengthen the transparency and accuracy of accident reports, and ensure compliance with specific national regulations on work injury insurance declaration, so as to minimize the impact of work injuries on employees and safeguard their life safety and health rights to the greatest extent. By implementing this systematic work-related injury management system, we continuously optimize the occupational health and safety environment, and continuously improves our comprehensive management level and social responsibility performance.

Security Accident Investigation Process

Accident Reporting

After a production safety accident occurs, the parties involved or on-site personnel should initiate an on-site disposal plan on the premise of ensuring personnel safety, and immediately report to the responsible person of local management and the safety management personnel of the EHS department of the unit. The safety accident must be dealt with within 24 hours. 「Severe accidents or emergency situations can be directly reported to the general manager of the unit; For other non-production safety accidents (such as traffic accidents occurring on and off duty), relevant personnel should report to their direct superiors and the safety management personnel of the EHS department of the unit within 1 hour」.

Accident Site Protection

After an accident occurs, the unit involved must immediately rescue the injured personnel, assign a designated person to protect the scene and evidence, and strictly prohibit unauthorized changes. The scene should be recorded through methods such as drawing sketches, taking photos, and filming. If facilities need to be moved for rescue purposes, it is necessary to simultaneously record the original state. In cases of serious injury or risk of death, relevant production activities should be suspended to prevent secondary accidents. The cleanup of the scene of a major accident must be carried out after the completion of investigation and evidence collection and with the permission of the investigation team or government department. Unauthorized cleanup that conceals the facts is strictly prohibited.

Accident Investigation

We adhere to the principles of "seeking truth from facts, respecting science, and zero-tolerance of the four ", timely and accurately investigate the accident process, causes, and losses, determine the nature of the accident, determine and hold responsible for the accident, summarize the lessons learned from the accident, propose corrective measures, and track their implementation. The content of the accident investigation report includes the accident process, casualties, economic losses, cause analysis, responsibility determination, suggestions for reward and punishment, and preventive measures taken.

Accident Investigation and Responsibility Determination

After an accident occurs, it is necessary to classify the responsibilities into the main responsibility and leadership responsibility. The main responsibility is further divided into direct responsibility and management responsibility. The subsidiaries (branches) are not allowed to randomly classify safety accidents as non-responsible accidents. If a subsidiary (branch) believes that an accident is a non-responsible accident, it must report it to the counterpart management personnel of the Group's EHS Regulatory Department. The accident can only be qualified as a non-responsible accident after review and confirmation. For near-miss incidents, minor accidents, and ordinary accidents, the subsidiaries (branches) shall conduct self-accountability according to their own accident management system. In the case of major accidents, serious accidents, or extraordinary accidents, the EHS Management Committee shall propose handling suggestions for the relevant responsible persons based on the accident investigation.

Accident Follow-ups

(lessons learnt from accidents)

After the occurring of accident, the safety management personnel of the EHS department of the subsidiary (branch) should conduct "retraining" to the person responsible for the accident and other relevant personnel, to ensure the aware of the causes of accidents, similar accident prevention and control measures; For internal and external accidents reported by the EHS regulatory department of the group, each subsidiary (branch) should, based on the actual situation of their own unit, promptly organize training and analogical investigation after receiving relevant notices and notifications to eliminate hidden dangers.

Accident Follow-up

(Accident File Management)

The subsidiaries (branches) shall establish safety accident record, which should include: photos of the accident scene, investigation records, accountability situation, and retraining records of the responsible person and related personnel; The headquarters summarizes the safety management situation of subsidiary (branch) companies on a monthly basis, establishes a group safety accident file, regularly summarizes accidents with extensive warning effects, and issues safety accident reports.

4.5 OCCUPATIONAL HEALTH CARE

We provide free physical examinations for our employees, with a coverage rate of 100%, effectively preventing and reducing the incidence of major diseases among them.

We strictly adhere to the relevant requirements of the “Occupational Disease Prevention and Control Law” and the “Occupational Health Monitoring Technical Standard” , and regularly organizes occupational health examinations for employees who are exposed to occupational disease hazards. In 2023, a total of 6,723 employees completed occupational health examinations and no occupational disease cases were detected.

Information Protection of Employee Medical Examinations

We attach great importance to the protection of personal privacy of our employees, especially the confidentiality of their personal health information. In order to achieve standardization, institutionalization, and standardization of employee file management, we have formulated the “Employee File Management Regulations” . This regulation emphasizes the confidentiality of personal health information contained in employee files and medical examination reports. To ensure the secure storage and proper utilization of sensitive information, the Company has established dedicated archive storage facilities, including archive rooms and encrypted archive cabinets, all of which are strictly managed in a closed manner, and are supervised and managed by dedicated archive administrators.

Except for authorized archive managers, no other personnel shall enter the archive room or open the archive cabinet without special permission.

We strictly enforce the rule that unauthorized access to or borrowing of employee files and personal health information from others is prohibited. Any attempt to access, borrow, or copy (including taking photos, etc.) such information must obtain formal approval from the Company's leadership in advance. In addition, for situations where it is necessary to access and borrow files and personal health information, our Company will further strengthen process management to ensure that every step of operation is traceable, and all access and borrowing activities must be recorded and filed, in order to comprehensively protect the personal privacy rights of employees and reflect our social responsibility and governance commitment in employee care and information security.

We store the results of occupational disease hazard factor testing and occupational health monitoring in occupational health records every year, and publish them to employees through written notifications and public announcements on bulletin boards, ensuring that employees are fully aware of their own health status and potential hazards in the work environment, and are able to take appropriate protective measures.

06

JOIN OUR HANDS TOGETHER, ORIENT TOWARDS THE FUTURE

We are dedicated to improving social medical accessibility and promoting the development of inclusive healthcare. We actively fulfill our social responsibilities, and through continuously innovating and optimizing products structure, to ensure that our high-quality medical resources can more extensively benefit a wider range of patients.

Meanwhile we are enthusiastic about public welfare and charity work, supporting projects such as medical assistance and health education. We deeply cooperate with all sectors of society to expand the coverage of medical services. Together, we aim to bring high-quality medical resources to the households, developing a better future of public health for all people.

01 Medical Accessibility
02 Social Responsibility

01 MEDICAL ACCESSIBILITY

1.1 Inclusive Healthcare in China

The Affordability of Healthcare

We are well aware that the accessibility of medical services and products is an important indicator of a country's or region's public health level and is key to safeguarding the health-related rights and interests of people.

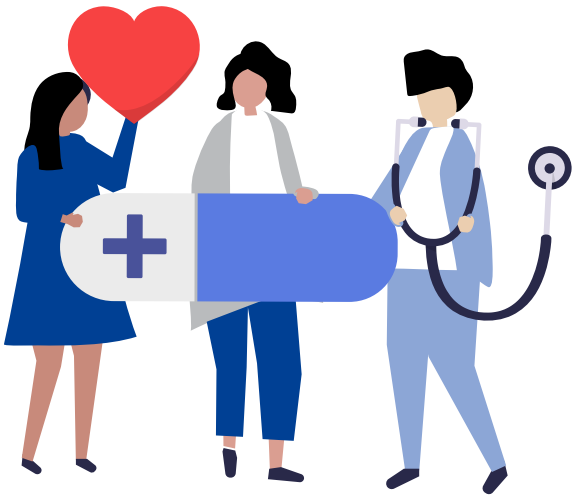
To improve the accessibility of domestic healthcare, we actively fulfill our social responsibility by continuously innovating research and development, optimizing production processes, expanding production capacity, and reducing costs, ensuring that high-quality medicines and medical services can widely benefit the general public. We actively respond to the call of national policies, participate in and support the development of grass-roots medical institutions, and help improve the level of grass-roots medical services through technical support, personnel training, and public donations.

As of December 2023, we have a total of 47 varieties and 69 specifications of drugs been selected for the national drug volume procurement project. The selected products are fielded in treatment of multiple chronic and major diseases. The major fields involved are anti-infection, tumor, diabetes, hypertension, rheumatism, psychiatry, anesthesia analgesia, osteoporosis, and nutrition. Also, the average price reduction rate of selected products is higher than the average national volume procurement project level. Among them, drugs like Magnesium Sulfate Injection and Calcium Gluconate, which are crucial for emergency rescue, have seen price reductions of over 90%, effectively resolving the issues of price increases and supply shortages for some emergency rescue drugs.

We have 308 products included in the national medical insurance reimbursement list, of which 293 are chemical drugs, and 15 are traditional Chinese medicine preparations; by categories, there are 125 in category A(甲) and 183 in category B(乙). In the national medical insurance negotiations in 2022 and 2023, a total of 18 innovative varieties were added to the national medical insurance negotiation (bidding) catalog. Among them, the price reduction of DPP-4i class oral hypoglycemic drugs, such as Teglitazar Hydrobromide Tablets(氢溴酸替格列汀片), reached 75%, fully demonstrating the national enterprise's responsibility and assuming the social responsibility of inclusive clinical care.

Beyond the graded hospital markets, we also strive to improve the coverage and supply stability of drugs in township health centers, village clinics, pharmacies, and medical institutions in remote areas, accelerating the layout of online and offline all-channel sales.

In 2023, we actively participated in seminars on drug research and development, production, quality, supply, etc., held by National Development and Reform Commission, Ministry of Industry and Information Technology, Market Supervision Bureau, Ministry of Health, Medical Insurance Department, Drug Administration Bureau and other competent departments as well as academic associations and chambers of commerce. We actively offered suggestions on improving drug quality, stabilizing supply security, reducing patient medication burden, enhancing the accessibility of innovative drugs, and increasing export of raw medical materials, and was highly praised by the industry. At the same time, General Manager Mr, Liu Sichuan attended the 2023 "Voice · Responsibility" National People's Congress and Political Consultative Conference (CPPCC) symposium in the medical and health industry, promoting high-quality innovative development in the industry.



Academic Support for Inclusive Healthcare

We not only provide patients with high-quality and affordable medicines to enhance drug accessibility, but also collaborate with hospital institutions to combine cutting-edge clinical research information and advanced international scientific technologies. Based on the actual needs of patients, we explore and develop safe, rational, and efficient management of drugs during clinical use, enhancing the clinical safety and rationality of drug use. We work in tandem with medical institutions to improve public health standards, moving towards a patient-centered goal.

We were invited to participate in drafting work for industry standards on the safety management of intravenous medications for multiple industry associations, providing professional, comprehensive, scientific, and efficient hospital pharmacy services technology to the pharmaceutical industry. This has also been highly recognized by experts and medical institutions.

At the invitation of the China Pharmacists Association, we collaborated with domestic senior experts from 2022 to 2023 to discuss and draft the "Evaluation Standards for Intravenous Medication Dispensing Centers." After drafting and review, the standards were officially issued by the China Pharmacists Association in December 2023.

To standardize the centralized intravenous medication dispensing and pharmacist training processes in medical institutions (including the specific requirements for trainer qualifications, pharmacist training, and training assessments), KELUN PHARMA and domestic senior experts participated in drafting discussions on "Standards for Centralized Intravenous Medication Dispensing and Evaluation Pharmacist Training in Medical Institutions“ in 2023. After drafting, the standards await review results from the China Pharmaceutical Education Association.

While actively expanding global business, we pay full attention to domestic medical and health management levels, actively engages with local medical personnel according to the actual situations of medical institution diagnostic and treatment performances. We have invited renowned experts in China's hospital pharmacy management field to conduct pharmacy management training, especially in the field of intravenous medication safety management. We also conduct training on process and pharmaceutical management for pharmacy practitioners in hospitals nationwide.

Rational Drug Use and Knowledge Popularization

We actively advocate for the rational use of drugs, aiming to ensure medication safety of patients, enhance efficacy, reduce drug misuse and waste, and also care about the environmental impact of pharmaceuticals. We are committed to promoting green pharmaceutical manufacturing and the development of a circular economy.

Through cooperation with medical institutions, communities, schools, and other parties, we conduct various forms of rational drug use and health education activities. We regularly organize professional training for pharmacists and medical personnel to strengthen their rational drug use guidance capabilities, ensuring patients use drugs correctly, safely, and effectively under doctor's guidance. At the same time, we actively disseminate rational medication knowledge to the public, improving the public's understanding of drug instructions, indications, contraindications, dosage, and treatment courses, and advocating for scientific medication and rational medical treatment.

In addition, we leverage digital technology to launch the WeChat public account "Kelun E-pharmacy", providing comprehensive drug information to our partners, consumers, and other stakeholders through online consultations, science articles, and other forms of communication.

Malnutrition is a major factor leading to poor clinical outcomes, including prolonged hospital stays, increased complication rates, and higher mortality rates. Recent domestic multi-center surveys have shown that malnutrition occurs frequently among hospitalized patients, with malnutrition rates at admission ranging from 14.67% to 31.02%. Standardized nutrition education influences patients' choices regarding dietary, enteral, and parenteral nutritional interventions. It can also guide patients' lifestyle behaviors, reduce the occurrence of nutritional therapy complications, and promote early recovery.

In 2023, the China Anti-Cancer Association's Tumor Nutrition Committee and KELUN PHARMA jointly launched nutrition treatment education activities for patients, conducting over 100 education events nationwide, covering more than 3,000 hospitalized patients, and distributing more than 5,000 copies of surgical nutrition education manuals. This initiative has played an important role in promoting the development and popularization of standardized nutritional treatment.

1.2 Inclusive Healthcare in the World

Since establishment, we have been committed to providing high-quality pharmaceutical products and services to improve the health of global patients. To date, our products have been offered in over 50 countries and regions, covering developed countries to developing countries. Our key products span a wide range of disease areas, including but not limited to parenteral nutrition, anti-pathogenic microorganisms, and anti-tumor treatments. So far, our products and services have reached the global market of hundreds of millions of people, benefiting patients from diverse backgrounds and socio-economic levels.

In low-and-middle-income countries, we always dedicated to providing suitable pharmaceutical products to meet the medical needs. We are well aware of the challenges these countries face, such as limited budgets and insufficient resources. Therefore, the Company has developed a series of market access plans tailored to these challenges to ensure product market assessment. For diseases within this critical issue range. our product line extensively covers the market needs of low-and-middle-income countries. Through careful evaluation and selection, we ensure that our products match the market access plans of low- and middle-income countries. Meanwhile, our market access team works closely with partners, local regulatory agencies, and health departments to ensure our products comply with local regulations and obtain necessary approvals and licenses.

During the reporting period, we successfully obtained market access for over 200 products in various disease areas in low-and-middle-income countries. We will continue to focus on market demands and changes, constantly expanding our product coverage to meet the medical needs of low- and middle-income countries.

KELUN PHARMA expands the international market through overseas investment and export trade, with overseas business now covering major global pharmaceutical markets and emerging markets such as Japan, Southeast Asia, Central Asia, South Asia, Africa, and South America. In the next three years, we plans to continue actively exploring the international market:

01 International Market Expension

We plan to Undertake registration work for at least 50 formulation projects in at least 10 countries or regions.

02 Product Capacity Reserve

WE plan to select 10 key varieties from our new generic drugs for international target products, preparing for future export growth.

Industry Assistance for Emerging Markets

Improving Drug Supply Chains in Developing Countries

KELUN PHARMA is committed to enhancing the accessibility and efficiency of drug supplies in developing countries by promoting localized production bases nationwide, effectively reducing logistics and transportation costs and significantly improving drug delivery speed and supply chain responsiveness. This move not only effectively reduces drug costs, benefiting a wide range of patients but also demonstrates our deep practice in sustainable supply chain management.

We strictly follow the national "single-ticket" and "two-ticket" policy requirements, ensuring drugs are delivered directly from the production sites to commercial companies, which then efficiently distribute them to end sales points. This measure greatly enhances the timeliness of drug distribution, meeting the drug demand of urgent medical scenarios.

To strengthen regional drug supply security, the Company has established distribution centers in several key regions nationwide, such as Hubei Kelun Pharmaceutical Co., Ltd. This "front warehousing" model further optimizes the time efficiency of local drug supply.

In Kazakhstan, facing the challenges of vast territory and sparse population distribution in hospital bidding and distribution, Kelun KAZ Pharmaceutical Ltd. adopted an innovative cooperation model. Strategic partnerships were established in all 15 states nationwide, leveraging the local distribution agent network to achieve fast and precise delivery of products to local hospitals, successfully building an efficient and timely drug distribution system.

In Sri Lanka, Kelun Life Science and Technology Ltd. worked with local partners to directly deliver drugs to the end-use institutions, significantly reducing intermediate links and effectively enhancing the local market's drug supply timeliness, ensuring drugs can serve patients timely and effectively.

Supporting Productivity Improvement in Developing Countries

In 2014, KELUN PHARMA undertook the China Ministry of Science and Technology's international science and technology assistance project for developing countries, "Research and Industrialization Demonstration of Key Common Technologies for Infusion," (KY201402019). Through the implementation of this project, KELUN PHARMA helped Kazakhstan mastering advanced manufacturing technology in the infusion industry, develop local infusion-specific quality inspection, pharmaceutical research and preparation, and industrialization capabilities, breaking through the history of no domestic infusion products and providing Kazakhstan with safe and efficient drugs. Till now, KELUN PHARMA has completed research and registration approval for over 30 injection varieties in Kazakhstan and has also completed registration and approval for 15 varieties in Kyrgyzstan, Armenia, Tajikistan, and Uzbekistan, creating a demonstrative radiation effect in Central Asia.

Localizing Overseas Pharmaceutical Production and Leading Practices in Environmental Protection

KELUN PHARMA's joint venture in Sri Lanka, Kelun Life Science and Technology Ltd., became the country's first ever infusion factory. The registered varieties now meet the domestic demand for various infusion products in Sri Lanka, breaking the long-term dependence on import and filling a gap in the local infusion product manufacturing sector. This development has significantly promoted the pharmaceutical industry's growth and medication safety for the Sri Lanka citizens. Moreover, the factory incorporated China's most advanced environmental protection technology in its design, making its environmental protection level at the forefront in the country. The design has won honors such as the Sri Lankan President's Environmental Award and the First Prize for Industrial Development for two consecutive years, greatly improving the environmental protection performance of the local pharmaceutical industry.

Promoting Talent Development in Overseas Communities

We have built a professional team in Kazakhstan dedicated to promoting business expansion and deep cultivation in the country and neighboring Central Asian regions. This team is based in production and office facilities in Almaty. As of the end of this reporting period, it has attracted around 300 local employees, covering diverse functional areas such as manufacturing, quality management, marketing, and administrative support. By building the local team, we have created valuable employment opportunities in Kazakhstan and are committed to discovering and nurturing local professional talents, providing them with a broad platform for career development and growth. This enhances the team's overall professional skills and operational efficiency, contributing to the continuous improvement of corporate productivity and efficiency.

In Sri Lanka, we have also assembled a team with diverse professional backgrounds to support KELUN PHARMA's comprehensive business operations in the country. The team is based in the capital, Colombo, and the historical and cultural city of Kandy. As of the end of this reporting period, we have about 730 employees in Sri Lanka, covering production, quality control, sales, logistics, and administration. Our investment in Sri Lanka has also stimulated the local job market. We actively recruit and train local talent, offering them valuable opportunities to advance their careers with an international company. This not only helps improve Sri Lanka's employment rate, but also stimulates local economic vitality and sustainable growth.

By building solid teams and providing extensive employment opportunities in Kazakhstan and Sri Lanka, our company firmly fulfills its corporate social responsibility, actively promoting sustainable economic development in those countries. In the future, we will continue to focus on and support the discovery and training of local talent, committed to making a continuous and positive contribution to the prosperity of the communities and economies where we operate.

Expanding Educational Cooperation to Empower Medical Talent Development

In the process of localizing operations in Kazakhstan and Sri Lanka, KELUN PHARMA not only focuses on driving its own development but also prioritizes improving local medical industry and health levels as an important social responsibility. Through strategic pharmaceutical production plant layouts, we build deep communication platforms with local medical talents, injecting "Kelon Power" into the training and overall upgrade of medical and health services in both countries.

Kelun-Kazpharm, a subsidiary of KELUN PHARMA, has actively supported the development of the national medical education system in Kazakhstan. Kelun-Kazpharm has hired professors from the Kazakhstan National Medical University for academic exchanges and cooperation. Over the past five years, we have continuously provided internship opportunities for students at the university, allowing medical students to deeply practice and understand the R&D and manufacturing processes of drugs in various therapeutic areas.

This initiative has significantly improved local students' professional knowledge level and strongly promoted the growth of Kazakhstan's medical talent pool. Additionally, KELUN PHARMA has made multiple donations of self-developed drugs to the Almaty Children's Cancer Hospital, earning high praise from the local government and widespread recognition from all sectors of society.

In Sri Lanka, Kelun Life Science and Technology Ltd. and Cloroxin Lanka Ltd. established a solid cooperation with Peradeniya University, ranked second in the country according to the 2022 QS World University Rankings. Together, they have created a regular internship training mechanism. By setting up actual pharmaceutical production and R&D internship bases, they offer Sri Lankan students valuable practical experience, enriching their pharmaceutical knowledge and effectively promoting the development of local medical professional talent and healthcare service levels.

Students from Kazakhstan National Medical University interning at Kelon KAZ

Donating drugs to the Almaty Children's Cancer Hospital in Kazakhstan

Providing practical pharmaceutical production and R&D internship bases for local students in Sri Lanka

Fair Pricing

KELUN PHARMA adheres to the core values of "seeking truth through science and seeking goodness through ethics". We are committed to ensuring that every patient and customer can enjoy high-quality and accessible pharmaceutical products and services. In order to respect and adapt to the diverse reality of healthcare systems, financial resource allocation, and actual patient needs in different countries and regions around the world, and actively promote the benefits of pharmaceutical innovation achievements to a wider audience, KELUN PHARMA has formulated the "Fair Pricing Policy". This policy reflects our profound understanding and firm commitment to fairness, justice, and sustainable development. Its connotation covers the Company's entire product line, aiming to effectively balance the relationship between commercial operations and social welfare through a fair and reasonable pricing mechanism, promote the balanced distribution and popularization of medical resources through practical actions, and contribute to the development of global health.

For developing markets, the Company follows a pricing strategy for pharmaceuticals in developing countries, such as considering the high demand of high-capacity injection products in developing markets, and the average selling price exported to developing markets such as Africa and Southeast Asia is more than 20% lower than that of developed countries.

In 2023, the Company adopted a fair pricing strategy that matched local income levels in the sales process of over 150 varieties of products in East Asia, Southeast Asia, Central Asia, Africa and some other regions.

Fair Pricing Principle

- The principle of legality and compliance. Fair pricing should comply with relevant laws, regulations, and other rules and regulations, strictly follow internal and external approval procedures, while not harming the public interests and the legitimate rights and interests of citizens.
- The principle of fairness and reasonableness. Fair pricing should be consistent with the Company's philosophy of "seeking truth through science and seeking goodness through ethics", and reasonable product prices should be set fairly.

Measures

- the Company adopts a value based, fair and reasonable product pricing strategy, including:

  01. Following the definition of "fair pricing" by the World Health Organization, adopting a value based product pricing strategy ensures that drug pricing reflects its value to patients, healthcare systems, and the local society.

  02. Fair pricing does not equate to low prices. It is necessary to comprehensively consider factors such as drug research and development investment, the affordability level of the healthcare system, and the affordability level of patients before formulating fair, reasonable, and sustainable pricing.The principle of fairness and reasonableness.

- the Company sets fair domestic and international product prices based on the concept of product affordability. Due to differences in healthcare needs, drug payment methods, and financial system affordability among countries around the world, in order to benefit the world, the pricing of a company's products in different countries or regions takes into account factors such as the GDP level of the countries/regions involved, the United Nations Human Development Index, and level of public healthcare investment. In the same level of countries/regions and within the parallel level of market, drug pricing remains relatively consistent. At the same time, we also develop more accessible drug pricing strategies based on the needs and payment capabilities of patients in different countries/regions, serving more patients worldwide.

Supervision of fair pricing implementation

- The management team of KELUN PHARMA is responsible for organizing and leading the daily implementation of this policy within the Company, ensuring the effectiveness of its implementation. The ESG Committee of KELUN PHARMA supervises the implementation of the Company's fair pricing policy.

  At present, we mainly sell non patented drugs and a small number of medical devices in the international market, committed to providing reasonably priced and affordable products to ensure that patients can obtain the necessary medical treatment. When formulating our pricing strategy, we have considered market demand, local economic conditions, medical and health levels, etc., striving to ensure that our products are priced reasonably in low - and middle-income countries and can meet the demand of the local market. Although we currently do not sell patented drugs and vaccines in the international market, we have always been monitoring the global pharmaceutical industry and recognize that fair pricing is equally important for these areas. We will continue to pay attention to and comply with relevant regulations and industry standards to ensure that our fair pricing policy is more applicable and comprehensive when expanding into these areas in the future.

1.3 MEDICAL DIGITALIZATION

In today's healthcare sector, digital transformation has become an important engine driving the sustainable development, enhancing service efficiency and quality. KELUN PHARMA deeply understands and actively responds to this trend, seeing medical digitalization as a key pathway to fulfilling social responsibilities and corporate missions. We embrace the opportunities and challenges brought by medical digitalization with unwavering determination, pushing forward the efficient allocation and utilization of medical resources across geographical, economic, and temporal barriers.

Through building an intelligent medical service system, we are dedicated to improving the efficiency of medical information sharing, improving diagnostic and treatment processes, and expanding the coverage of primary healthcare services, ensuring every patient can enjoy convenient, precise, and high-quality healthcare services.

In 2022, the Company was awarded the title of "Sichuan Province Digital Transformation Promotion Center" in the biopharmaceutical industry, and currently being the only company with the award in the province.

Medical Digitalization Achievements:

In 2020, to improve the treatment coverage rate of clinical osteoporosis patients and the orderly management of osteoporosis slow disease patients in medical institutions, KELUN PHARMA developed a management system for clinical osteoporosis patients, providing an effective solution for the discovery and timely treatment.

In 2020, to assist medical institutions in strengthening the level of clinical intravenous medication compounding and safe medication management, the Company jointly carried out research on the automation and intelligence of intravenous medication compounding centers with medical institutions, receiving special fund support from the government. This project provided reference of safe and efficient management reference for clinical intravenous medication compounding, playing a positive role in strengthening infusion safety management in medical institutions.

In 2022, to help medical institutions enhance the level of clinical intravenous medication dispensing and safe medication management, the Company conducted application research on intelligent logistics systems for intravenous medication dispensing centers with medical institutions. This research provided data support for the speed of centralized allocation and distribution of intravenous drugs in medical institutions, and provides a reference for the reasonable formulation of timeliness and safety of clinical drugs in medical institutions.

In December 2023, to assist medical institutions in enhancing the management of intravenous medication compounding centers, KELUN PHARMA supported and funded the China Society of Productivity to conduct research topics on the informatization of mobile management and automatic monitoring of environmental air in intravenous medication dispensing centers. The main goal of this project was to address the mobile management challenges in PIVAS, managing various processes online through informatization; and by using IoT methods for automatic environmental air monitoring, it helped PIVAS to grasp the quality of environmental air in real-time online, ensuring environmental quality assurance throughout the drug dispensing process.

02 SOCIAL RESPONSIBILITY

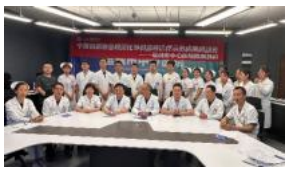
2.1 INDUSTRY EXCHANGE AND COOPERATION

On the path to sustainable development in the healthcare industry, KELUN PHARMA fully recognizes the importance of encouraging broad participation and deep cooperation within the industry. We firmly believe that the development of a company is not only about its own growth but also about joining hands with industry peers to face challenges and share opportunities, achieving sustainable growth for the entire industry.

As an active advocate and practitioner in the medical field, KELUN PHARMA is unwaveringly committed to fulfilling social responsibilities, actively promoting interaction and collaboration with all stakeholders in the industry chain. We aim to build an inclusive, open, mutually beneficial industrial ecosystem, collectively enhancing medical service accessibility, improving global public health standards, and contributing our professional strength to creating a healthy and equitable social environment.

Surgical operations can cause stress responses in the body, leading to the release of inflammatory factors, increased protein breakdown, and negative nitrogen balance. Currently, the effectiveness of perioperative nutritional treatment is still not ideal, and nutritional treatment management measures are yet to be standardized. Under the guidance of the principle "Standardization Leads, Patients Benefit," KELUN PHARMA cooperated with the Oncological Nutrition Special Committee of the China Anti-Cancer Association to organize core experts in surgical nutrition. Aiming to establish a comprehensive surgical nutrition management pathway and promote the rational application of surgical nutritional treatment, we initiated the drafting of standards for standardized surgical nutrition diagnostic and treatment wards. In April 2022, the "Standardized Surgical Nutrition Diagnosis and Treatment Demonstration Ward Standard" were officially released.

Under the coordination of associations, experts, and KELUN PHARMA, surgical nutrition diagnostic and treatment wards have completed standard construction, professional training, technical guidance, quality supervision, and outcome verification, forming a standardized surgical nutrition management system. In 2023, a total of 309 experts passed the surgical nutrition skills training and assessment, more than 1100 experts participated in the tumor nutrition professional training, and more than 1000 surgical professional nurses participated in nursing skills training. In December 2023, a total of 99 units applying for standardized surgical nutrition diagnosis and treatment demonstration wards in China were awarded the first batch of standardized surgical nutrition diagnosis and treatment demonstration wards through online defense. It is expected that by the end of 2024, more than 300 demonstration wards in China will have passed certification, achieving the comprehensive implementation of standardized diagnosis and treatment processes for surgical nutrition through screening evaluation diagnosis treatment monitoring.



The China Pharmaceutical Industry Development Conference was grandly held in Beijing from November 17th to 19th, 2023, jointly hosted by six ministries and commissions, bringing together multiple forces to build a healthy foundation. Sichuan Kelun Pharmaceutical Co., ltd., as a leading enterprise in the industry, was invited to participate in this high-level event and won the 18th place on the "2022 Top 100 Chinese Pharmaceutical Industry" and the title of "Best Industrial Enterprise in China's Pharmaceutical R&D Product Line in 2023". During this period, KELUN PHARMA stood out in the "Manufacturing Capacity" section of the "New Era China Pharmaceutical Industry Achievement Tour Exhibition". Its large-scale production capacity of erythromycin raw materials, intelligent injection manufacturing platform, and achievements in leading innovation and upgrading of intravenous drug delivery systems (such as polypropylene ampoules and upright infusion bag technology) were highlighted.

2.2 Public Welfare and Charity

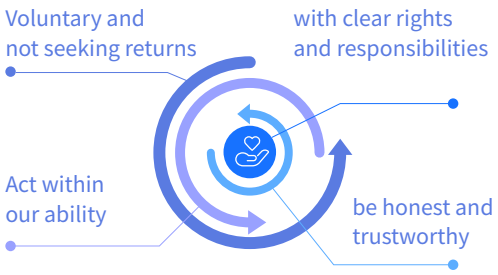
In the corporate social responsibility practice of KELUN PHARMA, public welfare and charity are important dimensions to fulfill our corporate citizenship mission. We are well aware that the stable development of enterprises is closely related to social welfare. Therefore, we are always committed to integrating the concept of public welfare and charity into our company's strategy and day-to-day operations, responding to social expectations with practical actions, paying attention to and actively engaging in multiple fields such as education support, medical assistance, environmental protection, and community construction. We firmly believe that through sustained and influential public welfare and charitable actions, not only can the quality of life of beneficiary groups be effectively improved, but also social harmony and progress can be promoted, injecting a continuous stream of positive energy into achieving sustainable development goals. In this process, KELUN PHARMA has always adhered to the principles of fairness, impartiality, and transparency, ensuring that love can be accurately transmitted to the places where it is most needed, and jointly drawing a blueprint of warmth and hope for public welfare.

KELUN PHARMA has always insisted on providing donations for social welfare and poverty alleviation. As of the end of this reporting period, the cumulative amount of donations exceeded 300 million CNY.

PUBLIC WELFARE MANAGEMENT STANDARTD SYSTEM

KELUN PHARMA always pays attention to and understands the needs of vulnerable groups, and provides diversified humanitarian assistance. In order to better practice corporate social responsibility, the Company has formulated the "External Donation Management System" and "Social Responsibility Management System" based on the "Public Welfare Donation Law of the People's Republic of China" and other relevant national laws and regulations. This system is applicable to the Company and its wholly-owned and controlling subsidiaries.

Principles of external donations:



Types of External Donations	Beneficiaries
Public welfare donation	Public welfare social organizations, non-profit enterprises and institutions, socially disadvantaged groups, and individuals in need of donations
Relief donations	
Other donations	

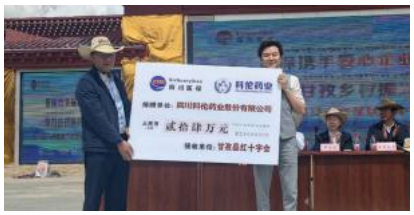
Public welfare actions

Rural Revitalization

KELUN PHARMA has always actively responded to and deeply integrated into the national rural revitalization strategy deployment, with consolidating and expanding the achievements of poverty alleviation as the core task, and ensuring its tight connection with the comprehensive promotion of rural revitalization strategy. the Company actively practices social responsibility, vigorously promotes the progress of educational and cultural improvement in rural areas and spares no effort in supporting the modernization and upgrading of infrastructure. This is the cornerstone to empower the comprehensive development of rural society and economy. KELUN PHARMA continues to contribute its own strength in the great journey of common prosperity and is committed to playing an active role. Working together with all sectors of society, KELUN PHARMA is ready to create a harmonious and prosperous

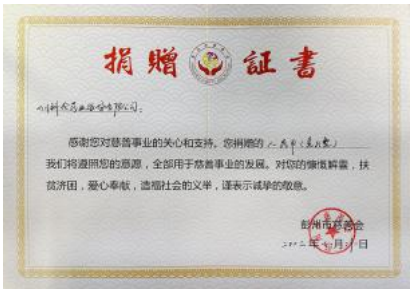
During the reporting period, KELUN PHARMA has invested nearly 1 million CNY in supporting rural revitalization and achieving common prosperity.

The Sichuan Provincial Medical Insurance Bureau provides targeted assistance to the rural revitalization and development of Wuzhong Village, Renguo Township, Garze County, Garze Prefecture. In order to support public welfare undertakings and demonstrate the social responsibility of private enterprises, the Company, through the coordination of the Provincial Medical Insurance Bureau, provides financial and material support to Garze County and Wuzhong Village every year.



Supporting the Education

KELUN PHARMA is well aware that the power of knowledge can change destiny, especially for students in impoverished areas. Education is a key way to break the cycle of poverty and realize their life value. Therefore, KELUN PHARMA has always regarded supporting students in poverty-stricken areas as an important component of corporate public welfare actions, actively investing resources and efforts, committed to improving the uneven distribution of educational resources, and providing equal learning opportunities and development platforms for students in poverty-stricken areas through various forms such as scholarship programs and facility constructions. We firmly believe that every care and support will turn into a ray of hope that illuminates their future path, jointly promoting the balanced development of China's education industry and building a more just and harmonious social environment.



KELUN PHARMA provides financial assistance to impoverished college students in Wenjia Village, Longfeng Street, Pengzhou City through the Pengzhou Charity Association, with a total of 10000 CNY per student per academic year. Now the second academic year donation has been completed.

Responsibility in the Pandemic

As a major infusion supply enterprise in Xing'an League, KELUN PHARMA always adheres to supporting the development of medical security in Xing'an League with high-quality drugs and warm enterprise services. Especially during the pandemic period, the demand for infusion products for inpatients in Xing'an League has surged nearly fourfold. At that time, with many freight vehicles suspended nationwide and a serious shortage of infusion products, KELUN PHARMA actively deployed national production lines, regardless of cost, and made every effort to prioritize the supply of infusion products in the league, effectively alleviated the shortage of infusion products and played a very important role in ensuring the safety and health of the people.

Assisting Community Development

KELUN PHARMA is well aware that the success of the enterprise does not exist in isolation, but is deeply rooted in the community we live in. It is closely related to the prosperity of the community. In recent years, the Company has been committed to promoting the development and progress of the community through various means. We actively participate in community volunteer activities, providing medical and living assistance to vulnerable groups in the community, ensuring that everyone can enjoy basic medical security, and promoting fairness and harmony in the community. At the same time, we support and participate in community infrastructure construction, such as donating medical facilities and funding community environmental improvement projects, to improve the quality of life of community residents.

Shandong Kelun carried out a Spring Festival visit the elderly in Gaoxin District, delivered daily necessities to the elderly who are alone, brought them warmth and care.

Henan Kelun launched a voluntary service activity for civilized transportation

Henan Kelun's organized "Protecting Mother River" volunteer service activity

APPENDIX

01 ESG KEY PERFORMANCE INDICATORS

Environment KPIs

CATEGORY	UNIT	2023
Energy		
Total energy consumption	MWh	9,383,172.31
Total energy Intensity	MWh/10,000CNY	4.37
Greenhouse gas emissions		
GHG emissions (Scope 1)	Tons of CO_2e	2,190,590.17
GHG emissions (Scope 2)	Tons of CO_2e	468,869.75
Total GHG emissions	Tons of CO_2e	2,659,459.92
GHG emissions intensity	Tons of CO_2e /10,000CNY	1.24
Water resources and sewage		
Fresh water consumption	Tons	16,052,556.83
Wastewater discharged	Tons	11,969,173.005
Reclaimed water reuse	Tons	4,776,600.24
COD discharged in wastewater	Tons	302.08
Five-day biochemical oxygen demand (BOD5)	Tons	73.78
Suspended solids in wastewater (SS)	Tons	60.51
Ammonia nitrogen discharge from wastewater	Tons	14.30
Fresh water use intensity	Tons/10,000CNY	7.48
Air emissions		
Volatile organic compounds (VOCs)	Tons	183.33
Sulphur dioxide / SO2	Tons	82.81
Nitrogen oxides / NOx	Tons	368.50
Waste materials		
Hazardous waste (generated)	Tons	217,731.47
Hazardous waste (recycled)	Tons	213,595.73
Hazardous waste (disposed)	Tons	4,116.63
Non-hazardous waste (generated)	Tons	219,065.88
Non-hazardous waste (recycled)	Tons	10,924.10
Non-hazardous waste (disposed)	Tons	208,141.77
Municipal solid waste (generated)	Tons	17,240.40
Municipal solid waste (recycled)	Tons	2,088.17
Municipal solid waste (disposed)	Tons	15,152.23

Social KPIs

Category		Unit	2023
Supplier Management			
Total number of suppliers		Number of suppliers	5,000
Numbers of suppliers signing the Supplier Honesty and Integrity Agreement in the reporting year		Number of suppliers	5,000
Numbers of suppliers audited by ESG standards (CSR) in the reporting year		Number of suppliers	383
Including: numbers of suppliers audited on-site		Number of suppliers	306
The number of suppliers training		Number of suppliers	300
Suppliers training duration		Hours	400
Number of suppliers participating in training		Number of suppliers	300
Employees of suppliers participating in training		Number of employees	2,000
Employment and diversity			
Total number of employees		Number of employees	19,798
By type of employment	Full-time employees	Number of employees	19,590
	Part-time employees	Number of employees	208
By age	Under 30 years old	Number of employees	5,882
	31 - 50 years old	Number of employees	12,332
	Over 50 years old	Number of employees	1,584
By gender	Male	Number of employees	10,723
	Female	Number of employees	9,075
By rank	Senior management	Number of employees	14
	Middle management	Number of employees	442
	Junior managment	Number of employees	2,841
	General staff	Number of employees	16,501
By region	Mainland China, Hong Kong, Macau, and Taiwan	Number of employees	19,445
	Overseas	Number of employees	353
Proportion of female employees in senior management		%	21.43
Proportion of female employees in middle management		%	36.43
Proportion of female employees in junior management		%	51.07
Proportion of female employees among general staffs		%	45.21
Proportion of female employees among all employees		%	45.84

Social KPIs (Continued)

Category		Unit	2023
Recruitment and retention			
Total number of new employees		Number of employees	3,598
By gender	Male	Number of employees	1,992
	Female	Number of employees	1,606
Turnover rate		%	16.08
By age	Under 30 years old	%	24.23
	31 - 50 years old	%	12.64
	Over 50 years old	%	7.48
By gender	Male	%	17.36
	Female	%	14.52
By rank	Senior management	%	0
	Middle management	%	7.14
	Junior management	%	8.50
	General staff	%	17.48
Staff training and development			
Total number of tranining hours		Hours	1,282,096.54
By gender	Male	Hours	711,537.75
	Female	Hours	570,558.79
By rank	Senior managment	Hours	774.12
	Middle management	Hours	17,158.39
	Junior management	Hours	150,372.49
	General staffs	Hours	1,113,791.54
Number of training hours per employee		Hours	64.76
By gender	Male	Hours	66.35
	Female	Hours	62.87
By rank	Senior managment	Hours	55.30
	Middle management	Hours	38.82
	Junior management	Hours	52.93
	General staffs	Hours	67.50

Social KPIs (Continued)

Category	Unit	2023
Staff training and development		
Total number of employees trained	Number of employees	944,551
Total training expenditures	Million CNY	468.05
Number of enrolled employees in degree programs	Number of employees	284
Performance and promotion		
The percentage of employees accepting regular performance and career development assessment	%	100
Anti-corruption		
The percentage of subsidiaries that conducted internal risk assessments on integrity / anti-corruption in the reporting year and career development assessment	%	100
The number of employees signing the integrity commitment letter / receiving integrity notification letter	Number of employees	19,590
The number of management members signing the integrity commitment letter / receiving integrity notification letter	Number of employees	3,297
The number of general staffs signing the integrity commitment letter / receiving integrity notification letter	Number of employees	7,460
The total number of trainees on anti-corruption	Number of Trainees	28,442
The total hours of training sessions on anti-corruption	Hours	165,195.5
Employee Occupational Health		
Investment in occupational health and safety management	10,000CNY	2,379.50
Proportion of employees covered by the operational locations with established occupational health and safety management systems	%	100%
The total training hours for EHS	Hours	301,427.8
The total percentage of employees trained in EHS	%	100
Community Involvement and Donations		
Amout of social welfare investment	10,000CNY	4,994.37
Financial Impacts, Risks, and Opportunities of Climate Change		
Aggregate investment in environmental initiatives by the Company	10,000CNY	60,499.51
Investment in environmental project management	10,000CNY	3,150.49
Investment in environmental equipment construction and operation maintenance	10,000CNY	57,334.82
Investment in environmental training	10,000CNY	14.21

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Reader's Feedback

Dear reader,
Hello! We sincerely appreciate your time in reading our "2023 Environmental, Social, and Governance (ESG) Report." In our continuous effort to improve our ESG practices and enhance our capabilities, we cordially invite you to provide valuable feedback and suggestions on this report.

We kindly request your assistance in completing the relevant questions in the feedback form and sharing your suggestions or opinions with our company via email.
Email address: kelun@kelun.com

YOUR Infomation	
Name	
Company name	
Tel.	
Email	
Opinions & Suggestions	

- What do you think of our Environmental, Social and Governance (ESG) Report 2023:
  ☐ Excellent ☐ Good ☐ Fair

- Your evaluation of our economic, social and environmental responsibilities:
  Economic Responsibility ☐ Excellent ☐ Good ☐ Fair
  Social Responsibility ☐ Excellent ☐ Good ☐ Fair
  Environmental Responsibility ☐ Excellent ☐ Good ☐ Fair

- Do you think this report has presents the economic, social and environmental impact of our ESG responsibility practices ?
  ☐ YES ☐ More or less ☐ Don't know

- How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed in this report?
  Clearity ☐ excellent ☐ good ☐ fair ☐ poor ☐ very poor
  Accurancy ☐ excellent ☐ good ☐ fair ☐ poor ☐ very poor
  Completeness ☐ excellent ☐ good ☐ fair ☐ poor ☐ very poor

- Do you have any other suggestions for our ESG work and this report:

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