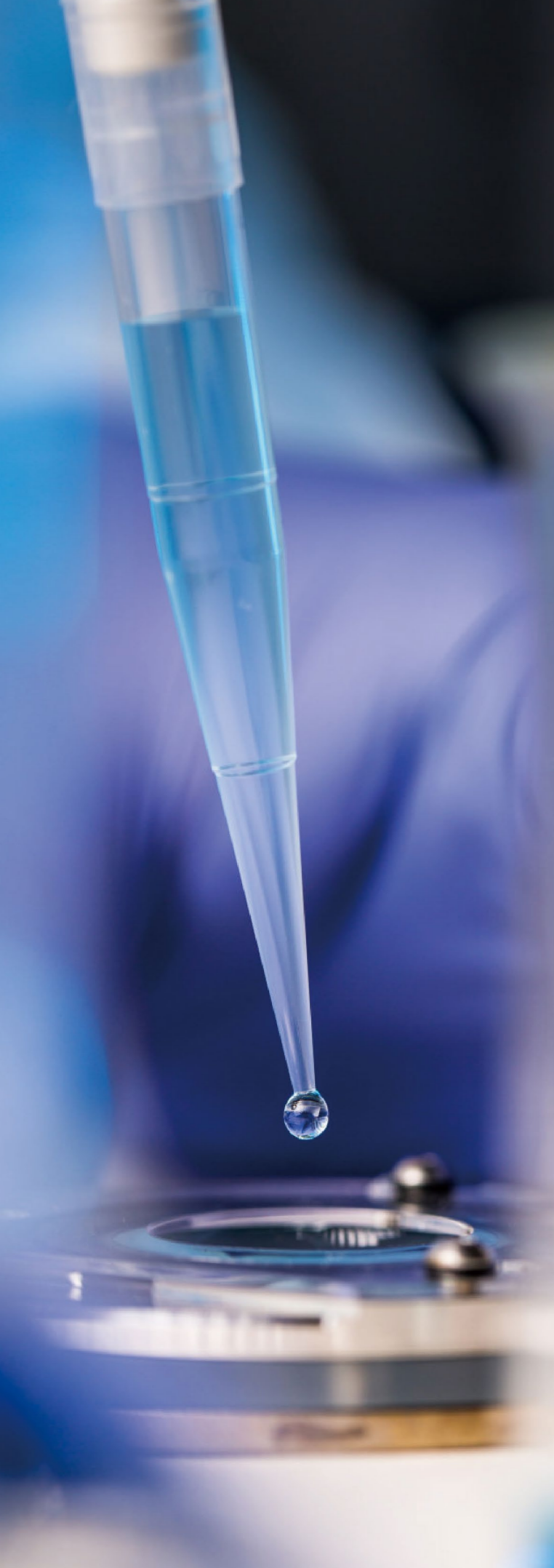




2022

Environmental, Social and Governance Report

Jiangsu Hengrui Pharmaceuticals Co., Ltd.



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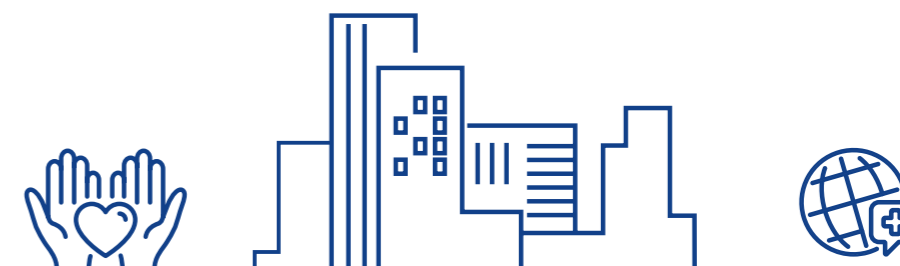
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About this Report

This is the second *Environmental, Social, and Governance (ESG) Report* of Jiangsu Hengrui Pharmaceuticals Co., Ltd., and it discloses in detail the Company's work and progress in sustainability in an objective, transparent, and comprehensive manner.



Reporting Period

This report covers the period from January 1, 2022 to December 31, 2022. Note that some information may be from a previous time period.

Reporting Scope

This report focuses on Jiangsu Hengrui Pharmaceuticals Co., Ltd., and includes all of the Company's subsidiaries in its financial statements.

Basis of Preparation

This report is prepared according to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (February 2023 Revision) and the Guidelines on Information Disclosure of Listed Companies' Environmental, Social Responsibility, and Corporate Governance (Notice on Discussion of the Exposure Draft), and refers widely to the Global Reporting Initiative's Global Standards for Sustainable Reporting and the Chinese Academy of Social Sciences' Guide to Formulating Corporate Social Responsibility Reports for Enterprises in China (CASS-CSR 5.0).

Reference Description

For ease of expression and reading, "Jiangsu Hengrui Pharmaceuticals Co., Ltd." is replaced by "Hengrui Pharma", "the Group", "the Company", and "we" in this report. When it comes to the Company's subsidiaries or branches, the abbreviation for their names is used.

Data Sources

The information and data are derived entirely from the Company's formal documents, statistical reports, and financial statements. This report's content is provided by Hengrui Pharma and its partners and is solely for the purpose of disclosing the Company's sustainability progress and management. It should not be used for business purposes.

Note on Language

This report is available in English and simplified Chinese. In the event of a discrepancy between the two versions, the Chinese version shall prevail.

Confirmation and Approval

After confirmation by the Company's management, the Board of Directors approved the publication of this report on April 20, 2023.

Access to this Report

This report is available in simplified Chinese and English versions. Please go to our official website for online browsing and download: <https://www.hengrui.com/>

We value feedback from our stakeholders greatly. You may contact us via any of the following channels. Your comments and suggestions will help us improve this report and our environmental, social, and governance performance.

Investor Hotline: 021-61053323

Email: ir@hengrui.com

Address: Securities Department, No. 1288 Haike Road, Pudong New Area, Shanghai

Management's Statement

The global landscape changed significantly in 2022, resulting in significant economic and social uncertainty for businesses. Nonetheless, the successful convening of the 20th National Congress of the Communist Party of China marked the start of a new journey to comprehensively promote the great rejuvenation of the Chinese nation through Chinese-style modernization. As a large listed pharmaceutical company engaged in the development and promotion of innovative and high-quality drugs, Hengrui Pharma recognizes the need to confront these challenges head-on and strive to achieve our goals, while also taking into account the needs of the public and contributing to society regardless of external conditions.

Hengrui Pharma has survived ups and downs for the past 50 years. We have faced the challenges posed by industry development and the market environment with determination, guided by the vision of "becoming a global biopharmaceutical group through innovation" and the mission of "promoting a healthier life for humankind through advancements in science". Throughout the year, we remained committed to the concept of sustainable development and saw social responsibility as a critical cornerstone of our corporate growth while maintaining economic efficiency. Furthermore, we made continuous efforts to improve our environmental, social, and governance practices, with the goal of making meaningful contributions to society.



At Hengrui Pharma, we prioritize governance, which we uphold through our rigorous compliance operations

We consistently enhance our compliance system and risk management capabilities by adhering to ethical business practices. Our business growth is rooted in the laws and regulations of the markets where we operate, guided by party-building principles, and driven by our commitment to ESG governance. We also engage in active communication with our diverse stakeholders to showcase our overall strength in pursuing long-term and steady development and achieving the sustainable development goal to investors and the public.



At Hengrui Pharma, we are fully committed to green development as we fully recognize the utmost significance of environmental protection

Hengrui Pharma firmly believes that clear water and lush mountains are invaluable assets, and that the pursuit of harmonious coexistence between humans and nature is a prerequisite for its sustainable operations. To this end, we continuously improve our environmental management system, use and conserve natural resources responsibly, promote energy-saving and consumption-reduction measures in our manufacturing and operation processes, and adhere to the highest standards for controlling and reducing pollution emissions. Furthermore, we actively identify climate change risks and take appropriate measures, promote green office practices, and

integrate environmental protection concepts into all aspects of our production and operations to help build a more beautiful China.



At Hengrui Pharma, we make relentless efforts to provide the best products and make innovations

Hengrui Pharma believes that R&D innovation and high quality are the foundations for improving access to healthcare services. As a result, we constantly implement quality control measures and invest in internal R&D innovation. Externally, we focus on the supply chain's upstream and downstream segments and collaborate with our partners to achieve win-win outcomes for the industry. Our efforts have resulted in the approval of 12 novel drugs for marketing in China and the introduction of the new Class 1 drug Linperlisib. Our approach to research and development for innovative drugs has created an efficient cycle in which each batch of drugs approved for marketing is immediately followed by one batch in clinical trials and one batch in R&D. This strategy lays the foundation for our strong independent R&D capability. Our products have a positive impact on and benefit patients and families all over the world as a result of our efforts.



At Hengrui Pharma, we seek to grow together with our employees, as they are our most valuable asset

Human capital is the building block for corporate innovation. We place a premium on employee diversity, career development, and work experience. Our dedication to them includes providing a safe and secure working environment, protecting their rights and interests, promoting occupational health and safety, and providing comprehensive salary and benefits packages. Furthermore, we strive to support talent development by establishing a strong career development channel, organizing various professional training programs, and offering competitive pay and benefits incentives to help our employees recognize their values.



At Hengrui Pharma, we make investments for the good as giving back to society is our unwavering commitment

With its professional advantages in health care, Hengrui Pharma actively promotes inclusive health care and is involved in a variety of other social and public endeavors. We actively promote the negotiation of medical insurance for our products, with the goal of making our products more affordable to more people; we created the "With All Your Love" patient care brand to deliver warmth and care; we also empower primary care workers through training, fund researcher training, and assist those in need through drug donation programs. We have also

created a platform for international exchange and the "Silk Road of Health" as part of the "the Belt and Road Initiatives".

After reviewing our accomplishments over the past year, we remain committed to building a better future. The release of the report of the 20th National Congress of the Communist Party of China in 2022 has set the course and presented historic opportunities for the development of China's healthcare industry. We at Hengrui Pharma are confident that by adhering to our core values of "Innovation, Pragmatism, Focus, Diligence," and aligning ourselves with the main theme of modernization and development, we will continue to make concrete efforts and keep up with the times. With these efforts, we are confident that Hengrui Pharma will inspire more innovative industry trends and bring our products to more people around the world.

Sun Piaoyang
Chairman of Hengrui Pharma

About Hengrui Pharma

Hengrui Pharma, an innovative international pharmaceutical company, has always upheld the corporate values of innovation, pragmatism, focus, and diligence since its inception in 1970 and has continued to expand its product portfolio in many fields such as oncology agents, anesthetic agents, contrast agents, special infusions, antidiabetic agents, autoimmune agents, cardiovascular agents, and ophthalmic agents. We have provided the world with high-quality pharmaceutical products and have dedicated ourselves to protecting the lives and health of patients all over the world. Hengrui Pharma was ranked 16th in the *Pharma R&D Annual Review 2022* published by Informa, with the best result for Chinese pharmaceutical companies in the list; we have been included in Pharma Exec's Top 50 Companies for four consecutive years, with improved results year after year. This year, we ranked 32nd, which is also the best result of Chinese pharmaceutical companies on this list; the Company has been rated as one of China's Top 100 Companies in the Pharmaceutical Industry for years and ranked first among the best industrial enterprises in China in terms of pharmaceutical research and development product lines in 2022.

Lianyungang, Shanghai, and Chengdu, but also extend to the United States and Europe. The Company has so far introduced a new class 1 drug, Linperlisib, which is the first innovative drug approved for marketing among the Company's products jointly developed with outside partners. The Company currently has 12 innovative drugs approved for marketing, including Rezvilutamide, Herombopag, and Camrelizumab. Additionally, more than 80 other innovative drugs are currently under clinical development, and more than 260 clinical trials are being carried out in China and beyond. The Company has also built a number of brand-new, industry-leading technology platforms with their own unique intellectual property rights, laying the foundation for innovative R&D. A total of 2,064 patent applications had been submitted by the end of 2022, including 583 PCT patents, of which 507 had been granted in China, and 618 had been granted internationally, including in Europe, the United States, and Japan.

Hengrui Pharma's corporate culture



Hengrui Pharma has had a strong foothold in China for over 50 years, and it has also expanded globally. With a focus on health business and cutting-edge fields, we have overcome numerous challenges to advance the pharmaceutical industry's high-quality development. We have continued to invest heavily in R&D because innovation is the core of our development strategy. In the last ten years, we have invested RMB 29.2 billion in R&D, of which RMB 6.346 billion was spent in 2022, and R&D investment accounted for 29.83% of our revenues, ranking front in the industry. We have built a large-scale, professional, and competent innovative drug R&D team of over 5,000 people; our R&D centers or subsidiaries are not only present in many cities throughout China, such as



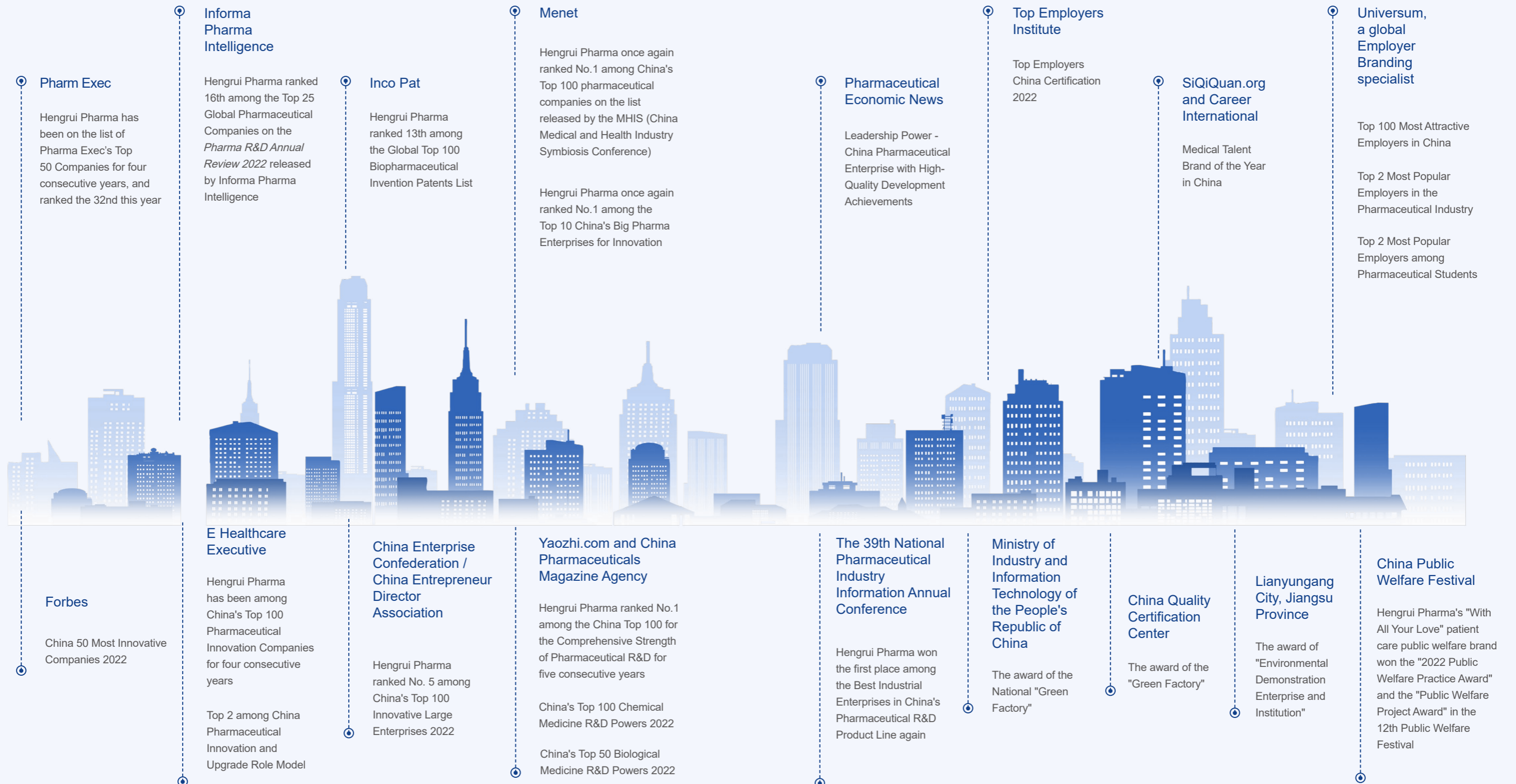
The Company is still actively promoting internationalization. Hengrui Pharma's products had been distributed in over 40 countries by the end of 2022, and the Company is working faster to expand its global presence, with a particular emphasis on emerging markets. We place equal emphasis on independent R&D and open collaboration and work to boost international cooperation while improving our strengths. Through collaboration with American and South Korean companies, we have licensed innovative drugs with independent intellectual property rights, such as SHR2554, Camrelizumab, and SHR0302. Furthermore, Hengrui Pharma has received over 20 registration approvals in Europe, America, and Japan for injectables, oral medicines, and inhalation anesthetics, increasing drug accessibility to patients in various regions across the world.

Persistence takes us farther for a better life. Hengrui Pharma will proceed with the mission of "promoting a healthier life for humankind through advancements in science", adhere to its vision of "becoming a global biopharmaceutical group through innovation", and speed up technical innovations to develop more innovative premium drugs for a healthier life.

Development History



Awards and honors received by Hengrui Pharma in 2022





01

Effective Governance for Steady Corporate Growth

Hengrui Pharma adheres to business ethics, continuously improves corporate governance, and forms close strategic partnerships with stakeholders, gradually reducing corporate governance risks and steadily moving toward sustainable development.



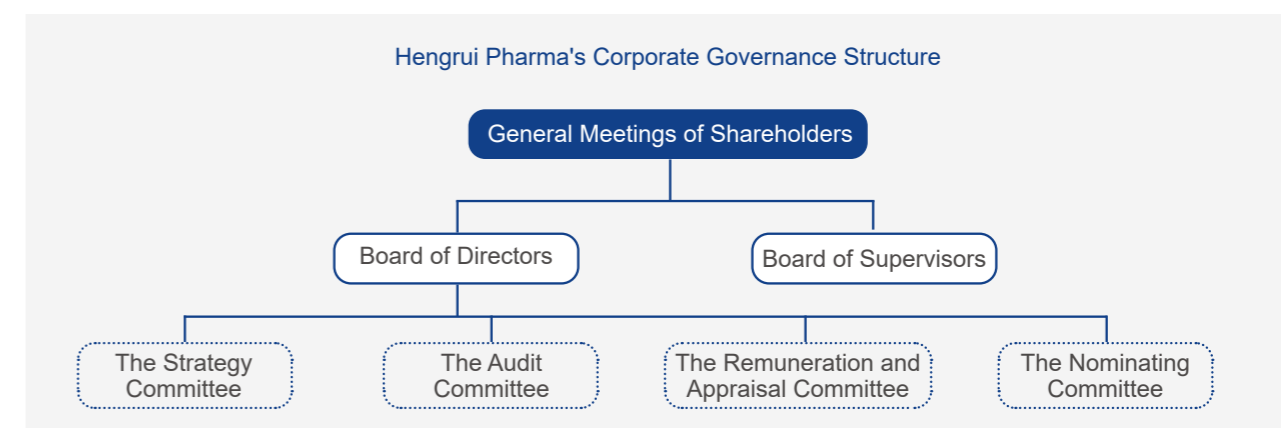
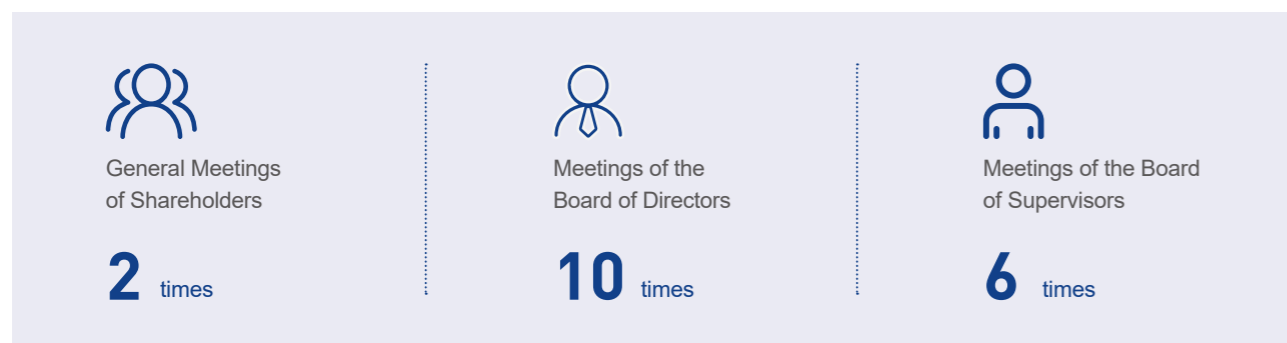


Improving Corporate Governance

Hengrui Pharma understands that sound governance is the foundation for an enterprise's long-term development. In accordance with the guidelines of 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, and other relevant laws and regulations, the Company has continuously improved its corporate governance structure, enhanced its corporate governance capabilities, and pursued its development in a standardized and orderly manner. An effective corporate governance structure is established to ensure checks and balances among the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and management. They carry out their respective roles in the organization.

According to the *Articles of Association*, the Company is able to convene the General Meetings of Shareholders and make sure that all shareholders, particularly minority shareholders, are treated fairly and have the opportunity to fully exercise their rights. The General Meeting of Shareholders is the body to which the Board of Directors answers and to which it makes reports. The Four special committees the Board of Directors establishes are the Strategy Committee, Audit Committee, Remuneration and Appraisal Committee, and Nominating Committee. They work together on issues pertaining to formulating the Company's long-term development strategy, auditing, personnel evaluation, and selecting directors and senior management.

In this process, the Company upholds a diversity policy by including members of the Board of Directors with diverse talents, skills, knowledge reserves, regional and industry experience, backgrounds, genders, and other features to provide a diverse perspective on corporate governance. The Board of Supervisors earnestly performs its supervisory duties, adhering to the *Articles of Association* and applicable laws and regulations. Our supervisors meticulously perform their duties and are held accountable to the shareholders. They supervise the Company's finances and ensure that directors, managers, and executives fulfill their duties in accordance with applicable laws and regulations. Their work significantly reduces the Company's operational risk and protects the legitimate rights and interests of the Company and its shareholders. In 2022, Hengrui Pharma held 2 General Meetings of Shareholders, 10 meetings of the Board of Directors, and 6 meetings of the Board of Supervisors.



Information Disclosure Management

We place a high value on transparent operations and abide by regulatory information disclosure requirements such as the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (February 2023 Revision), the Guidelines No.3 of the Shanghai Stock Exchange on the Application of Self-Regulation Rules for Listed Companies—Industry Information Disclosure: pharmaceutical manufacturing (No.6) (2022 Revision), and the *Articles of Association*. We protect our shareholders' right to information by providing them with timely, accurate, complete, and genuine information about the Company, allowing them to make informed investment decisions. We have also created management systems for internal information disclosure, such as the *Management System of Information Disclosure Matters*, the *Management and Registration System of Inside Information and Insider*, and the *Internal Information Reporting System*. We intend to use these rules to regulate information disclosure standards and submission procedures, to actively fulfill our information disclosure obligations, to ensure timely, fair, genuine, accurate, and complete disclosure, and to continuously improve information transparency.

The Board Secretary is in charge of disseminating information, receiving investors, and handling inquiries about the Company. The Securities Affairs Department of the Company manages the overall information disclosure. In order to clarify information disclosure requirements and ensure on-time reports and submission of information, the Securities Affairs Department started a new round of communications, exchanges, and promotions with various business departments and significant subsidiaries during the reporting period. In order to guarantee the accuracy of the disclosed information, the Company has also stepped up its cross-checking procedures before making announcements and evaluated the performance of specific responsible personnel. Additionally, the Company hires expert consulting firms to regularly train directors, managers, and senior management on information disclosure to increase their compliance awareness. While doing so, we keep stepping up our compliance auditing of external publicity to ensure the fairness of information disclosure.

Investor Relations Management

We improve investor relations management by implementing the *Investor Relations Management System* and communicating with the investor community via multiple channels about a variety of topics. We promptly respond to investors' questions, embrace their suggestions, and solicit feedback. As a result, the Company can engage its investors deeper and foster a positive interaction between the two parties.

We strengthened our relationships with institutional investors during the reporting period by hosting regular KPI review meetings to update investors on the Company's work and progress and explain issues of mutual interest. The Securities Affairs Department conducted over 160 investor conversations daily. By doing so, we hope to communicate to the market the Company's business information and investment value and facilitate institutional investors' understanding and support for us. Meanwhile, we constantly strengthened our relationship with individual investors. For instance, the Securities Affairs Department selected dedicated personnel to answer investors' questions on the SSE E-Interactive platform, answer their telephone calls, and reply to emails. It is worth mentioning that we managed to reply to every question on the platform and answer every incoming investor's call. Additionally, the Company made it more convenient for shareholders to exercise their right to vote by adopting online-offline hybrid Shareholders' Meetings so that those who are not present could vote online. The Company also worked to ensure that the Resolution of the General Meeting of Shareholders was in line with most shareholders' interests, especially the minority shareholders.

Protecting Investors' Rights and Interests

We follow the Regulatory Guidelines for Listed Companies No.3: Distribution of Cash Dividends of Listed Companies, the *Articles of Association*, and other applicable laws, regulations, and requirements. The Company safeguards the legitimate rights and interests of its investors, and has maintained a consistent profit distribution policy for many years to ensure long-term benefits and sustainability. The Company also provides consistent and reasonable returns to its investors, allowing both parties to benefit from the dividends of corporate growth.

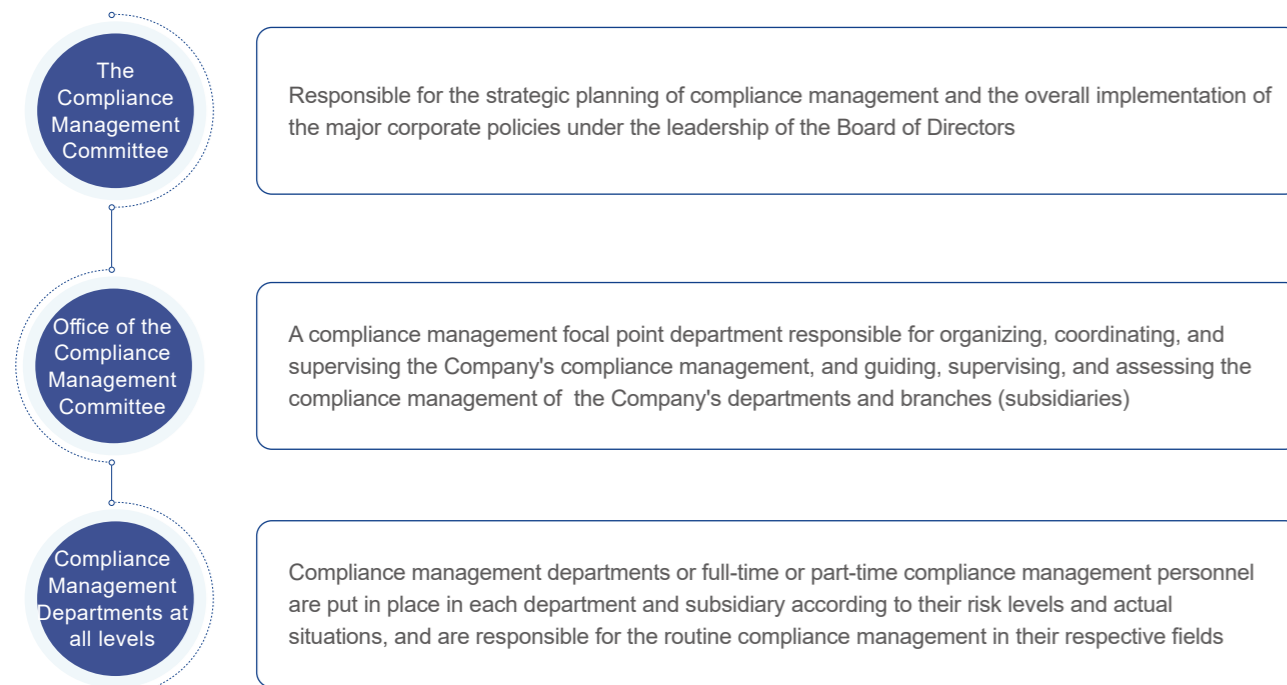
Enhancing Compliance Management

Hengrui Pharma abides by the general regulations applicable to listed companies and applicable laws and regulations in the pharmaceutical industry such as the Medicinal Product Administration Law of the People's Republic of China, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China, and the Measures for the Supervision and Administration of Drug Production. We have vigorously strengthened internal risk control and compliance governance, and implemented the principle of "upholding honesty and trustworthiness, and putting quality first" into the whole process of corporate operations to minimize compliance risks.

Compliance Management System

The Company has continuously implemented compliance management under the governance structure of "Compliance Management Committee - Office of the Compliance Management Committee - Compliance Management Departments at all levels" and according to internal policies such as the *Implementation Measures for Compliance Management of Jiangsu Hengrui Pharmaceuticals Co., Ltd.*

Hengrui Pharma's compliance management structure



In 2022, to meet the needs to develop as a group and align with international standards, Hengrui Pharma formulated and released internal policies such as the *Management Measures of the Compliance Team of Business Units*, the *Management System for Supervision of Major Matters*, and the *Notice on the Establishment of Compliance Management Organization and Appointment of Relevant Personnel in Business Units* to further standardize the management of the compliance team of business units. Meanwhile, we focus on the two themes of "Compliance Management Year" and "Integrity Construction Year" to continuously improve the internal compliance review mechanism, gradually promote the compliance management of business partners, clarify the compliance management responsibility of our departments and suppliers. Through these efforts, we seek to create a network-based compliance management system and improve our corporate compliance management performance.

Hengrui Pharma's compliance management work in 2022

Compliance management and review mechanism

- Constructed a network-based compliance management responsibility system that features comprehensive coverage, clear responsibilities, synergistic coordination, and effective implementation
- Developed and piloted special guidelines such as the *Speaker Management System*, the *Compliance Guidelines for Academic Conferences*, the *Compliance Guidelines on Case Collection*, and the *Compliance Guidelines on Marketing* to effectively guide business development
- Established the pre-compliance audit process, strengthened project approval audit, and included projects with funds involved higher than a certain amount in the evaluation mechanism to further improve project quality and accessibility
- Issued the *Notice on the Launch and Implementation of Meeting Management Projects* to realize the integrated management on meeting project determination, application, budget and related financial processes

Compliance management of business partners

- Gradually promoted the signing of the *Compliance Management Commitment*, which clearly stipulates the compliance responsibilities of suppliers in areas such as integrity operations, quality assurance, fair competition, compliance management, protection of data privacy and information security, avoidance of conflict of interest, safety and environmental protection, and labor employment.

We also provide proactive internal and external compliance training to raise our employees' compliance awareness and provide timely reminders. We are committed to addressing both the symptoms and the root causes of compliance issues, as well as putting the concept of "compliance for all employees and everything" into practice. In 2022, the Company organized 197 training sessions for new employees, relevant departments, and professionals, with 14,540 participants and a variety of topics such as code of conduct, project and policy guidelines, and medical insurance fraud elimination. Meanwhile, the Company has actively collaborated with third-party organizations to deliver a series of training programs such as "Review on Compliance Policies and Enforcement in the Pharmaceutical Industry", "Training on Compliance in the Pharmaceutical Industry in the Era of Enhanced Regulation", and "Corporate IPR Compliance Management and Risk Response".



197 training sessions
for new employees, relevant departments, and professionals



14,540 participants
Covered

Hengrui Pharma's compliance training in 2022

-  **6** compliance training sessions for new employees covered about **410** participants
-  **5** compliance training sessions for compliance departments of business units covered **50** participants
-  More than **150** training sessions on the promotion and interpretation of major sales projects covered **7,500** participants
-  **5** on-site training sessions for business unit executives, covering about **250** participants
-  **20** training sessions on SFA system covered **6,000** participants
-  **11** internal training sessions for compliance managers covered about **330** participants

While continuously improving its internal compliance management capabilities, Hengrui Pharma also sets an example by continuously promoting compliance management among its partners, incorporating the concept of compliance into the entire process of cooperation, and guiding them to fulfill their compliance responsibilities through practical actions.

Hengrui Pharma's compliance management initiative for business partners

Approval of business partners

- **Preliminary assessment of compliance risks:** Before cooperation with new business partners starts, relevant business departments collect and file their basic information and conduct comprehensive assessments based on factors such as the annual proposed funds involved in cooperation, the risk level of the proposed cooperation area, the type of business partners, and their compliance situation.
- **Compliance due diligence:** Before cooperating, the Office of the Compliance Management Committee conducts compliance due diligence based on preliminary assessment results of compliance risks.

Compliance management of business partners

- Include new business partners approved after compliance assessments into the list of qualified business partners and require them to sign the *Compliance Management Commitment for Business Partners of Jiangsu Hengrui Pharmaceuticals Co., Ltd.*
- Regularly manage our business partners' files and information, recording and updating their performance, quality of goods and services, billing period credit, integrity, compliance, and other related information.
- Continuously manage our business partners' performance and issue annual ratings based on factors such as corporate qualification, compliance operations, service quality, and funds involved in cooperation.
- Conduct special compliance surveys for business partners on a regular basis based on our own situation to consolidate their compliance management achievements.

Cooperation termination of business partners

- Establish and continuously improve our business partners' blacklist system, and take actions such as issuing notices, blacklisting problematic business partners, and terminating cooperation in response to serious violations such as fraud, malicious false promises, violation of cooperation agreements, and failure to rectify product and service risk issues.

Risk Control

Risk management and internal control are important aspects of Hengrui Pharma's corporate operations and management. We developed and continuously improved the internal financial risk identification process with our financial inspection team, monitored and comprehensively controlled potential risks in monetary funds and accounting in real-time, and issued risk control reports.

In 2022, in accordance with the principle of "prevention beforehand, control during the process, and response afterward", the Company focused on the corporate goal of "improving quality and efficiency" and carried out the auditing work that emphasizes "reducing costs and increasing efficiency" in a systematic manner. We improved the quality and efficiency of auditing contracts, rules and regulations, and external data to promptly identify potential hazards and respond to them. We also created the Sales Audit Management Department, which conducts independent special audits of all sales systems and their functional departments in order to promote healthy corporate development.

Hengrui Pharma's risk control audit highlights in 2022

Auditing that emphasize "Reducing Costs and Increasing Efficiency"

- Reduced costs and improved efficiency of audits from production, R&D and clinical perspectives, and promptly rectified the identified operational management issues
- Established a transparency procurement platform centered around major and common management issues



Improved quality and efficiency in auditing

- Further standardized the use of compliance documents in response to the risk issues arising from contract performance and according to our relevant compliance and confidentiality requirements



Off-office auditing of senior managers

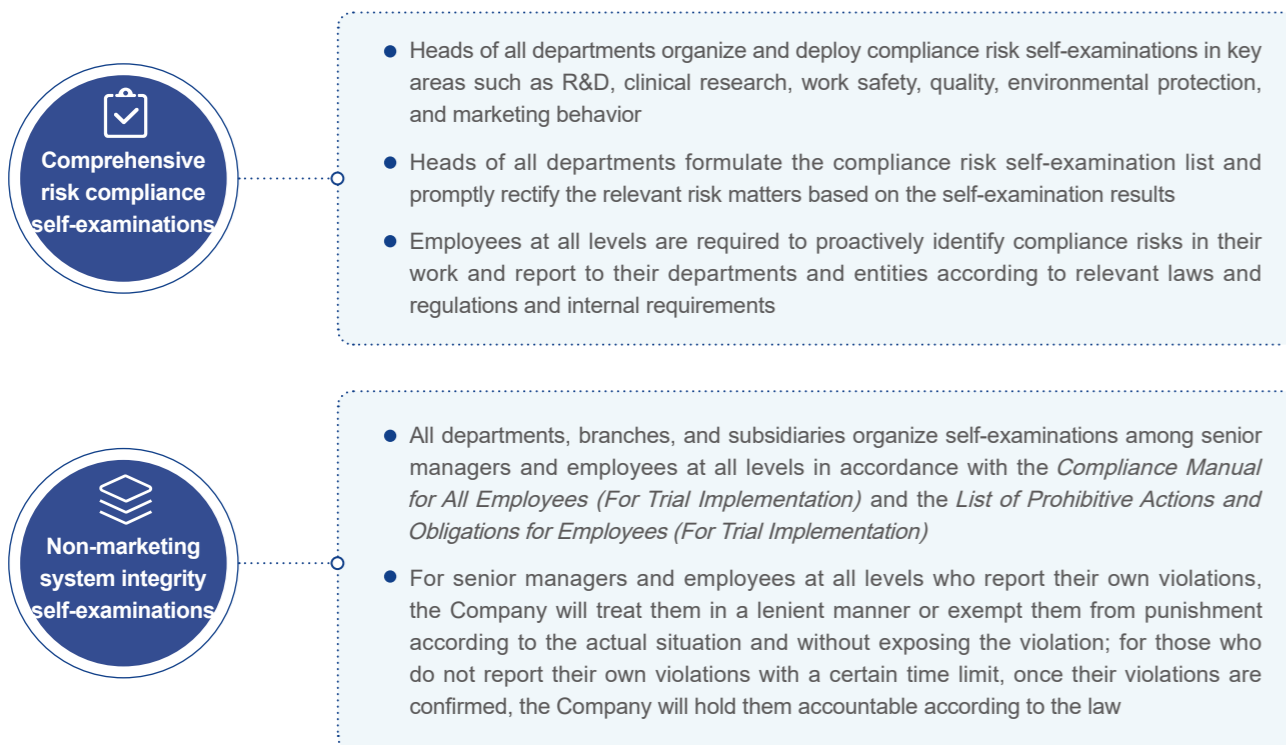
- Issued internal regulations on the *Notice on Further Standardization of Area Division Adjustment and Job Handover*, and carried out off-office auditing of personnel leaving key positions or senior managers in collaboration with various departments



Business Ethics

Hengrui Pharma complies with laws and regulations applicable to the areas in which it operates, such as the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China, as well as internal policies, such as the *Implementation Measures for Compliance Management of Jiangsu Hengrui Pharmaceuticals Co., Ltd.*, the *Compliance Manual for All Employees*, the *Marketing Code of Conduct*, and the *Provisions on Further Regulating Employees' Reporting Behavior*. We seek to eradicate corruption, bribery, and other unethical business practices. Hengrui Pharma organized company-wide compliance risk self-examinations and non-marketing system integrity self-examinations in 2022 in order to continuously deepen our compliance development achievements and strengthen the self-correction and self-examination awareness of all senior managers and employees. In addition, we launched this year's "321" compliance benchmark office selection activity to advance the implementation of compliance management responsibilities for senior managers at all levels within sales departments. During the reporting period, Hengrui Pharma had no corruption litigation cases.

Hengrui Pharma's compliance and integrity self-inspection process in 2022



We have established a variety of reporting channels and encouraged employees to report violations within the Company via email and our hotline. The Office of the Compliance Management Committee will conduct investigations in accordance with the pertinent procedures and will take the personnel involved seriously. During the investigation process, we strictly adhere to the policy protecting whistleblowers and prohibit any blackmail, threats, or retaliation against whistleblowers.

The Company reporting channels:

Hotline: 0518-85108796

E-mail: compliance.report@hengrui.com

Our WeChat Official Account: Complaint/reporting module



In 2022, Hengrui Pharma provided all of its employees with internal and external business ethics training in a variety of formats and with rich content, combined with real-life scenarios to enhance their understanding of the Company's business ethics policy and foster an environment free of corruption. All Hengrui Pharma employees received 72,165 hours of business ethics training during the reporting period.

 **72,165** hours
All Hengrui Pharma employees received

Participated in the Annual Conference on Legal Affairs in Pharmaceutical Industry

To improve corporate compliance governance capabilities and gain cutting-edge insights into the development trend of the industry, Hengrui Pharma was invited to participate in the annual conference of legal affairs in the pharmaceutical industry held by China Law & Reference, and listened to lectures on data compliance, cross-border mergers and acquisitions, antitrust investigation and other topics together with peer companies. We also attended roundtable discussions on topics such as the differences between domestic and foreign legal compliance, and evaluation and certification under the new compliance system, and exchanged views with relevant lawyers and legal affairs professionals.



2022 Annual Conference on Legal Affairs in Pharmaceutical Industry



Following the Guidance of Party-Building

Hengrui Pharma always pursues development under the guidance of party-building, and is committed to transforming the advantages of the party organization into a strong impetus to promote its high-quality development. In 2022, we continued to promote the education, investigation and guidance of the Party organization and members in accordance with the Constitution of the All-China Federation of Trade Unions, the Constitution of the Communist Party of China, the Constitution of the Communist Youth League of China, and other relevant laws and regulations in forms of thematic education, Party building activities, Party members' meetings, etc. We sought to enhance the cultural reserve of our employees by passing down the revolutionary spirit of the CPC and build a strong culture enterprise. During the reporting period, the Company had 26 new reserve party members and had 35 previous reserve party members to be full members.



Special Meeting on Learning and Implementing the Guiding Principles of the 20th CPC National Congress

To understand and grasp the guiding principles of the 20th CPC National Congress, Hengrui Pharma held the Special Meeting on Learning and Implementing the Guiding Principles of the 20th CPC National Congress in October 2022. At the event, we delivered a lecture on the report of the 20th CPC National Congress themed "Striving to Write a New Chapter in Building a Modern Socialist Country in an All-round Way", and interpreted the spirit of the report by focusing on firmly adhering to five major principles.



Special Meeting on Learning and Implementing the Guiding Spirit of the 20th CPC National Congress

Enhancing Responsibility Management

Hengrui Pharma always regards the trust and support of stakeholders as a sustainable driving force. We place a high premium on the communications, exchanges and cooperation with stakeholders, and aspire to comprehensively improve our ESG performance through friendly and close communications.

ESG Governance

The Company places a high priority on its contributions to sustainable development. We have established an ESG governance structure with the Board of Directors as the highest responsible body and the Strategy Committee as the management, which provides a structural basis for implementing the concept of sustainable development, protecting the rights and interests of shareholders, and continuously creating sustainable value for shareholders.

Hengrui Pharma's ESG governance structure and responsibilities



Board of Directors

- The highest responsible and decision-making body for Hengrui Pharma's ESG matters
- Responsible for the review and approval of ESG-related matters, including strategy, vision and goal setting, the Company's ESG performance, risk assessment, and public disclosure



The Strategy Committee

- Management body for Hengrui Pharma's ESG matters
- Responsible for proposing, evaluating, monitoring and reporting on ESG-related matters

We focus on areas such as board diversity, responsible marketing, environmental protection, business ethics, and employee diversity, establish and continuously improve relevant sustainable development policies, and conduct all corporate business and activities in accordance with the law in an effort to achieve the harmonious development of the Company, society, and the environment.

Hengrui Pharma actively implemented its ESG information disclosure work in 2022 and continued to enhance its internal systems, including the *Management System of Information Disclosure Matters*, the *Management and Registration System of Inside Information and Insider*, and the *Internal Information Reporting System*. We also developed the *Information Disclosure Standard Operating Procedure* for promotion and communication across all departments. In the meantime, we released our first *Environmental, Social, and Governance (ESG) Report* to showcase to our stakeholders our achievements and efforts in sustainable development throughout the year.

In addition, we actively participated in ESG-related industry exchanges in order to acquire more innovative ideas and superior ESG practices from our peers and to increase the value we provide to our stakeholders.



Attended the ESG Forum for the Pharmaceutical and Health Industry

As ESG has become an important new area for international competition and cooperation, Hengrui Pharma participated in the ESG Forum for Pharmaceutical and Health Industry hosted by China Chemical and Pharmaceutical Industry Association, to ensure the compliance and efficient implementation of its ESG-related work. During the event, we listened to the keynote speeches such as "Establishing ESG Management Standards for the Pharmaceutical and Health Industry to Promote the Achievement of Carbon Neutral Strategic Goals", "Interpreting ESG Governance Practices and Evaluation System in the Pharmaceutical Industry with International Perspectives and Chinese Standards", and participated in roundtable discussions such as "ESG Helps Pharmaceutical Industry Improve Competitiveness and Achieve High-Quality Development" and "Investment in the Pharmaceutical Industry from ESG Perspective", and reached consensus on ESG with industry partners.

Stakeholder Engagement

By establishing an effective stakeholder feedback mechanism, the Company actively responds to the expectations and demands of its stakeholders, including governments, regulators, shareholders, investors, customers, consumers, employees, suppliers, partners, the environment, and the community, and takes them into account when optimizing its ESG management.

Hengrui Pharma stakeholders' demands and corresponding communication channels

Stakeholders	Expectations and demands	Major communication channels
 Government and Regulator	<ul style="list-style-type: none"> Operational compliance Tax payment 	<ul style="list-style-type: none"> Policy directive Work briefing Information submission On-site inspection
 Shareholder and Investor	<ul style="list-style-type: none"> Operational compliance Risk management Transparent operations Stable returns 	<ul style="list-style-type: none"> General Meeting of Shareholders KPI briefing Investor exchange meeting Research roadshow Information disclosure of listed companies Communication via phone call and email
 Customer and Consumer	<ul style="list-style-type: none"> Product and service quality R&D and innovation Protection of consumers' rights and interests Client privacy protection Intellectual property protection Responsible marketing 	<ul style="list-style-type: none"> Regular interviews Discussions with customers Customer satisfaction survey
 Employee	<ul style="list-style-type: none"> Safeguarding employees' rights and interests Employee pay and benefits Employee training and development Occupational health and safety 	<ul style="list-style-type: none"> Labor union and employees' representatives conference Employee satisfaction survey Filing a complaint and giving feedback Irregular visits and interviews
 Supplier and Partner	<ul style="list-style-type: none"> Responsible procurement Fairness and transparency Fulfilling a contract honestly Win-win cooperation 	<ul style="list-style-type: none"> Bidder's conference Field research and visits Exchanges and cooperation Industry forum
 Environment	<ul style="list-style-type: none"> Climate change response Greater energy conservation and emissions reduction efforts Greening the office 	<ul style="list-style-type: none"> Implementing environmental policy Disclosing environmental information
 Community	<ul style="list-style-type: none"> Holding charity events Boosting community development 	<ul style="list-style-type: none"> Volunteerism Public welfare activity

Materiality Issues

Hengrui Pharma continuously screens, evaluates, and discloses material issues in order to provide clear direction and guidance for future corporate strategic planning. In 2022, the Company refined the focus of its stakeholders through interviews and questionnaires and identified and mapped the materiality matrix for the year based on its strategic planning, peer benchmarking analysis, and industry policies.

Hengrui Pharma ESG Materiality Analysis in 2022

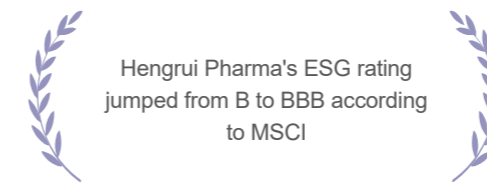


Hengrui Pharma's materiality matrix in 2022

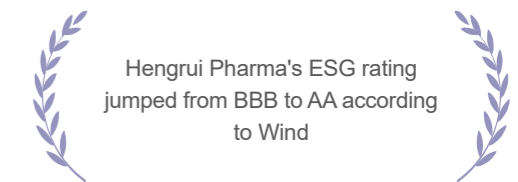
Importance	Issues
Issues of high importance	Operational Compliance
	KPI Improvement
	Product Quality and Safety
	Business Ethics and Anti-corruption
	R&D and Innovation
	Occupational Health and Safety
	Customer Service
	Climate Change Mitigation and Response
	Employee Training and Development
	Employee Equity and Diversity
Issues of medium importance	Transparent Operations
	Employees' Rights and Interests and Democratic Rights
	Responsible Marketing
	Intellectual Property Protection
	Supply Chain Sustainable Management
	Inclusive Healthcare
	Waste Disposal
	Customer Privacy Protection
	Employee Remuneration and Benefits
	Greenhouse Gas Emissions
	Pollutant Discharge and Management
	Use of Energy
	Employee Care
	Use of Water Resources
	Promotion of Industry Development
	Community Welfare

Response to the Capital Market

Hengrui Pharma has always been committed to open, accurate, complete, and prompt information disclosure. In this regard, we have actively engaged in capital market ratings such as MSCI (Morgan Stanley Capital International), Wind, DJSI (Dow Jones Sustainability Indices), and CDP (Carbon Disclosure Project). We have lived up to the capital market's expectations and address their concerns about our environmental, social and governance performance with excellent ESG governance ratings and provide economic value to our investors. In 2022, our MSCI ESG rating jumped from B to BBB.



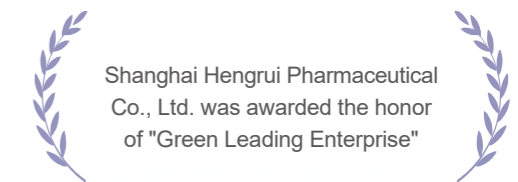
MSCI



Wind ESG Rating



Department of Ecology and Environment of Jiangsu Province



Shanghai Minhang Economic and Technological Development Zone





02

Sustained Green Development for a Better Eco System

We adhere to the concept of green and low-carbon development, keep advancing our environmental governance capabilities, actively promote green action practices with a focus on climate change and green operations, and contribute to a healthier ecosystem. By enhancing our environmental management system, optimizing resource use, reducing our environmental impacts, encouraging the idea of environmental protection, and making concerted efforts to create a picturesque landscape with lucid water and lush mountains, we hope to achieve the harmonious coexistence of humanity and nature.





We strictly abide by applicable environmental protection laws, regulations, and regulatory requirements, including the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, the Soil Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Promoting Clean Production, the Regulation on the Administration of Permitting of Pollutant Discharges, and the Energy Conservation Law of the People's Republic of China. We actively engage ourselves in China's "dual carbon" strategic plan of peaking peak carbon emissions before 2030, and achieving carbon neutrality before 2060, and strive to improve our environmental management capabilities.

In 2022, on the basis of the existing internal management policies, we issued 16 new documents, including the *Management Regulations on Prevention and Control of Waste Gas Pollution (For Trial Implementation)*, the *Management Regulations on Prevention and Control of Water Pollution (For Trial Implementation)*, the *Management Regulations on Automatic Monitoring of Pollution Sources*, the *Management System for Legal Disclosure of Corporate Environmental Information*, the *Biosafety Management System of the Group*, to systematize the Company's environmental management and standardize the whole-process management of production and operations.

During the reporting period, the Company was not imposed with any major environmental penalties, and had neither internal nor external environmental pollution incidents during the whole year's operation.

Environmental Management System

We have integrated ecological civilization into our corporate development strategy, steadfastly embarked on the path of green development, developed an environmental management system and policies at the Group level, and enhanced our environmental management. We thoroughly examined the environmental risks and the current state of environmental management at all of our member companies during the reporting period, and we systematically implemented whole-process environmental management.

Environmental Management Structure

To effectively enforce EHS management, we have established a top-down environmental management structure and delegated tasks and responsibilities to employees at all levels to ensure sustainable development management. The Strategy Committee, as the Company's ESG management body reporting to the Board of Directors, is primarily responsible for proposing and evaluating the Company's ESG strategy and objectives, monitoring the implementation of environment-related policy, and reporting environmental management matters to the Board of Directors.



- The EHS Committee is responsible for formulating EHS-related policies such as environmental management and resource utilization, and regularly reviewing the implementation of these policies by all entities within the Group
- The EHS Management Department is responsible for the implementation of the Group's EHS work tasks and the overall management and supervision of EHS-related work of all entities
- All manufacturing operations within the Group have an EHS department, which is responsible for the implementation of EHS work in the plant

Environmental Management System Certification

We vigorously promote ISO environmental management system certification, clean production, and green factory among our Group manufacturing operations. We aim to "ensure no less than three manufacturing operations certified with environmental management systems by 2025." We continue to encourage our member companies to improve their environmental management systems to achieve this goal. During the reporting period, two of the Group's manufacturing operations were certified with ISO 14001 environmental management systems, with Chengdu Suncadia Medicine Co., Ltd. obtaining this certification for the first time. By the end of 2022, 29% of the Group's manufacturing operations had been ISO 14001-certified.

Jiangsu Hengrui Pharmaceuticals Co., Ltd. and its subsidiaries have established corresponding environmental management systems, formulated annual environmental objectives and corresponding work plans, established EHS departments, and designated full-time environmental management personnel to regularly review the progress of each objective.



Environmental Management System Certificates

Internal Audit

We conduct annual audits of core manufacturing companies, three-year audits of the remaining member companies, and regular supervisory audits of all member companies engaged in manufacturing and R&D. Our goal is to increase the Group's supervision capability, with a 100% audit coverage rate.

External Audit

We have contracted with independent third-party certification organizations to conduct an annual supervisory audit of the environmental management systems of our member companies that have passed the ISO management system certification and a recertification (renewal) audit every three years to ensure the effective implementation of the EHS management systems.

Environmental Data Management

Environmental management data is compiled by the EHS departments of member companies in the Group quarterly and provided to the EHS Management Department of the Company regularly. To further standardize management, we implement classification and filing management for environmental data and update environmental data on our platform in a timely manner as required. During the reporting period, the Company and its subsidiaries established and updated environmental protection ledgers dynamically.

Environmental Goal Setting

EHS Planning Objectives

Based on national policy guidelines, management practices of domestic and foreign counterparts, and enterprise operation characteristics, we have formulated and released the *Hengrui Pharma 2021-2025 EHS Plan*, which clearly defines the focus of our EHS work, dedicated to the implementation of clean production, promotes the reduction of pollutants and hazardous waste, and stipulates that by 2025, at least 70% of hazardous waste will be treated by reutilization. To implement the environmental plan, we divided the environmental targets and tasks among the departments, actively promoted the relevant departments to take action, and strengthened the tracking and feedback evaluation of progress toward the targets.

In 2022, we reviewed, reflected on, and summarized our existing five-year strategic objectives and analyzed the areas that needed improvement based on our current EHS performance. In addition, we have adjusted and optimized our environmental strategic objectives. Moving forward, we will further strengthen our EHS management efforts, increase investment in EHS operations, continue to explore and actively implement energy-saving and emission reduction initiatives, further reduce the environmental impact of our operations, and promote the achievement of our environmental goals.

Environmental Performance Management

We place a high premium on environmental performance. We have established the *Measures for EHS Management Assessment (For Trial Implementation)* to promote green and low-carbon operations. We considered corporate environmental performance to be an important factor in senior management compensation, signed the annual goal responsibility letter, and implemented a veto on major environmental protection issues. We have raised our employees' awareness of corporate environmental performance through a combination of rewards and punishments.

Environmental Emergency Management

In strict accordance with the requirements of the *Management Measures on the Environmental Emergency Response* and the *Measures for the Administration of Record-filing of Environmental Emergency Response Plans for Enterprises and Public Institutions (for Trial Implementation)*, we organized production companies to compile the *Emergency Plans for Environmental Emergencies* and update and revise it regularly based on the actual situation. During the reporting period, Shandong Shengdi Pharmaceutical Co., Ltd. and Chengdu Xinyue Pharmaceutical Co., Ltd. completed revising and filing the emergency plan for environmental incidents.



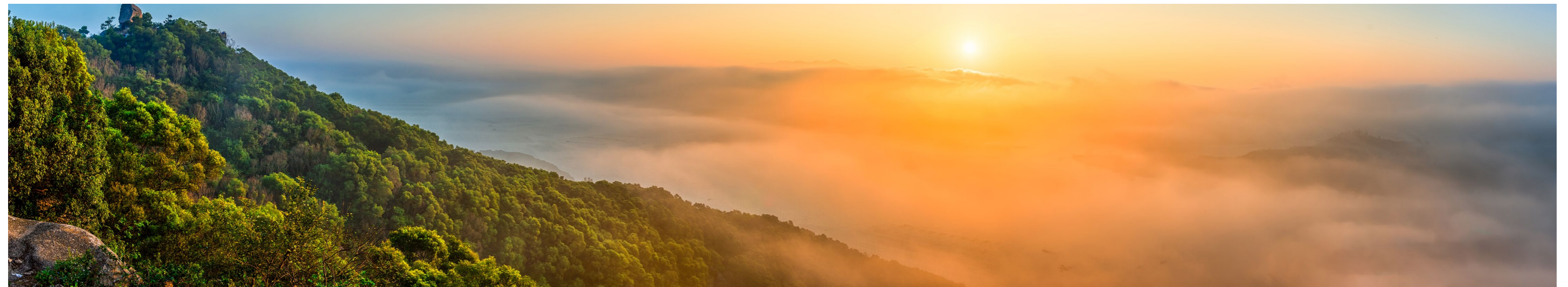
On-site emergency disposal exercises for hazardous waste leakage accidents

To further strengthen the management of hazardous waste warehouses, we increased our efforts to ensure that in the event of a hazardous waste leakage accident, the leakage can be responded to in an orderly, timely, and highly efficient manner, reducing the harm to personnel and pollution to the environment. Our manufacturing operations, including Shanghai Hengrui Pharmaceutical Co., Ltd., Shandong Shengdi Pharmaceutical Co., Ltd., and Chengdu Suncadia Medicine Co., Ltd., conducted emergency plan drills for environmental incidents during the reporting period.

The drill participants conducted a field survey on the accident, judged the wind direction, checked and recorded the conditions on the site, used adsorbent cotton to adsorb the leaking waste liquid in the cofferdam while ensuring sound self-protection, used yellow sand and adsorbent cotton strips to surround the ground outside the hazardous waste warehouse, and also turned off the rainwater shut-off valve to begin emergency disposal in the leaking aquifer. Following the drill, we immediately revised and optimized the emergency plan in accordance with the drills, and we continued to improve our emergency management capabilities.



On-site emergency disposal exercises for hazardous waste leakage accidents

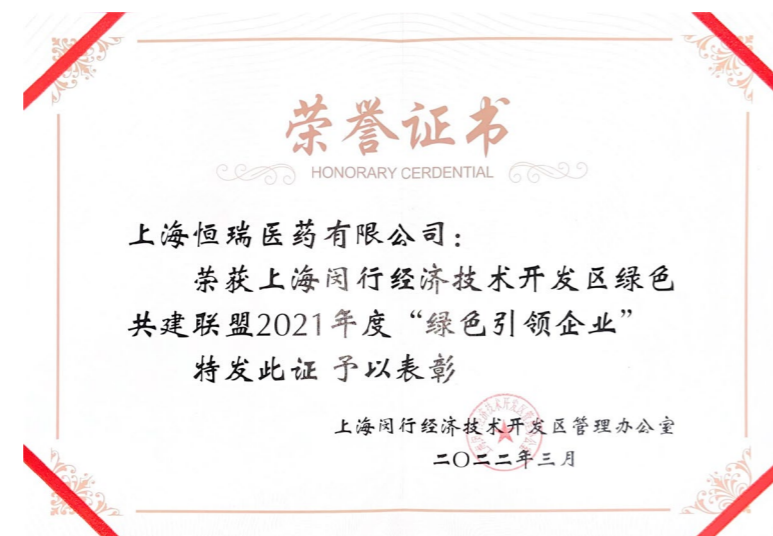


Environmental Protection Training and Promotion

We believe that all our employees are practitioners of environmental protection. We have formulated the *Environmental Health and Safety Training Program* and regularly organized them to study environmental protection laws and regulations. We have increased our investment in environmental training to strengthen the promotion of environmental concepts and raise employee awareness.

During the reporting period, we put the concept into practice and fulfilled our corporate responsibility of green development, which has been recognized by many parties and resulted in numerous honorable awards in the environmental field. In the environmental credit evaluation, the Company maintained a green grade in 2022.

Awardee	Awarded by	Honors
Jiangsu Hengrui Pharmaceuticals Co., Ltd.	Ministry of Industry and Information Technology of the People's Republic of China	National Green Factory
	China Quality Certification Center	Green Factory
	Lianyungang City, Jiangsu Province	The Environmental Demonstration Enterprise and Institution
	Department of Ecology and Environment of Jiangsu Province	Jiangsu Province "Green Development Leading Enterprise" title
Shanghai Hengrui Pharmaceutical Co., Ltd.	Shanghai Minhang Economic and Technological Development Zone	Green Leading Enterprise



Hengrui Pharma's environmental honors and awards (partial)



Strengthening Resource Management

We advocate for the harmonious development of enterprises, society, and the environment, as well as the active deployment of clean energy, the strengthening of energy control, the upgrading of green processes and equipment, and the acceleration of green and low-carbon development. We have invited the China Quality Certification Center to conduct environmental data analysis and accounting every year since 2018 to count annual carbon dioxide emissions and explore carbon neutrality paths.

Energy Management System

We strictly adhere to the relevant provisions of the Energy Conservation Law of the People's Republic of China, implement controls on both energy consumption intensity and volume, improve the development of energy management systems, and promote carbon emission reduction in the energy sector. To build a modern energy system, we have compiled the *Procedure for Resource and Energy Management* to implement standardized and systematic energy conservation supervision and management, and improved energy utilization efficiency, to achieve high-quality development. In 2022, Hengrui Pharma passed the ISO 50001 (energy management system) certification.

We have embedded the concept of energy saving and efficiency enhancement in the full life cycle of our energy consumption based on an efficient energy management mechanism. We continued to promote emission and consumption reductions during the reporting period by setting energy-saving targets and implementing and managing technical and other energy-saving measures.

Improving Energy Management Capabilities

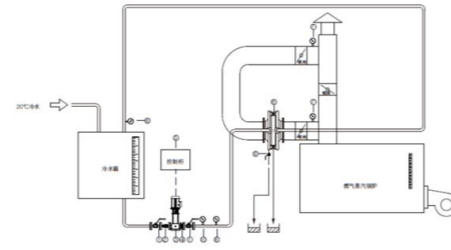
We have established an energy management leadership group, which is in charge of developing energy management policies, objectives, and plans, as well as ensuring integrated resource use and improving energy management. Meanwhile, to carry out daily energy management work effectively, we have established an energy management office to conduct regular energy data collection, assessments, and analysis, as well as timely adjustment of energy management measures.

Implementing Energy-saving Technology Innovation

We carry out energy-saving and consumption-reducing renovation by introducing energy-saving equipment and technology, optimizing layout, and implementing energy-saving management in the whole design, construction, and operation process to comprehensively improve energy utilization efficiency.

Boiler flue gas heat recovery

To make full use of the heat released from the burning of natural gas, we installed high-efficiency heat exchangers to put in place a heat exchange circulation system between the boiler chimney and the boiler feed water tank to recover the heat from the flue gas for makeup water in steam boilers, thus recovering heat energy. According to statistics, this upgrade can save us 21,000 cubic meters of natural gas per year.



High-efficiency heat exchanger

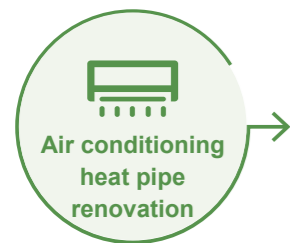
Implementing Water Conservation Management

Water resources are essential natural resources, strategic economic resources, and control elements of the ecosystem and environment that concerns the people's livelihoods. We strictly adhere to the Water Law of the People's Republic of China as well as other laws, regulations, and standards in the areas where we operate, and we restrain water consumption behavior through strict water resource management systems and policies. We aim to improve overall water utilization efficiency by optimizing equipment processes and increasing recycling and other related management measures.

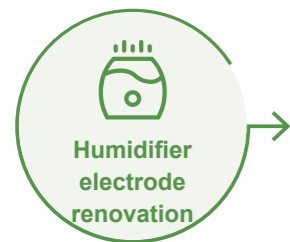
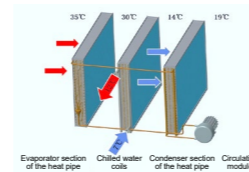
Our water resources come from municipal water supply systems and are primarily used in production and the office. Our overall water consumption is efficient, with complete measuring facilities, normal operations, and detailed water management accounts.

Promoting Water-saving Technologies

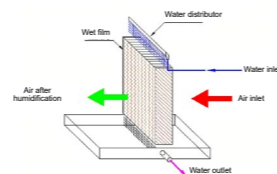
To implement water conservation initiatives, we have implemented a strict management system and introduced advanced water-saving technologies and processes. During the reporting period, we saved approximately 370,000 tonnes of water through water-saving technology improvement projects such as RO concentrated water recovery, dry pump replacement, added water balance boxes and steam condensate recycling. We also encouraged all production companies in the Group to actively carry out water balance testing to save water to the maximum and develop a water-saving production method.



We installed heat exchangers in front of and on the rear of the surface of air conditioning units, using Freon circulation to realize heat exchange before heat cools down on the surface and after dehumidification, reducing the cold energy consumption. According to statistics, this renovation can save us 323,000 kWh of electricity per year.



We replaced steam humidification with wet film humidification as the latter consumes less power, incurs low maintenance costs, and is less prone to damage. According to statistics, we can save 126,000 kWh of electricity per year.



Clean Energy Use



Comprehensively adopt natural gas as clean boiler fuel to reduce the carbon footprint of centralized heat supply



Use the solar thermal collector system to convert solar energy into heat energy to power the air conditioning system



Prioritize the use of steam generated from waste power generation and sludge power generation



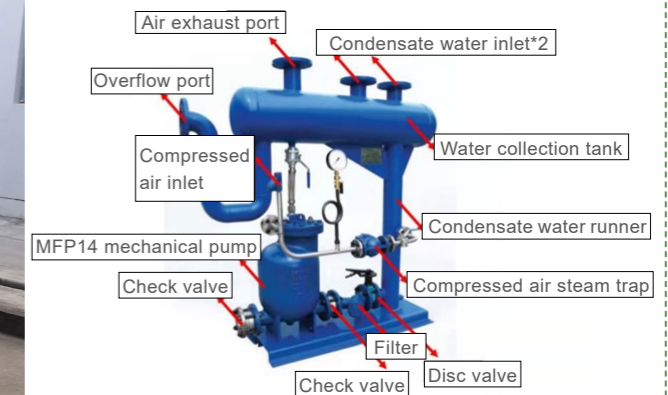
Actively introduce clean energy and investigate and promote distributed photovoltaic power generation projects

Hengrui Pharma's clean energy use

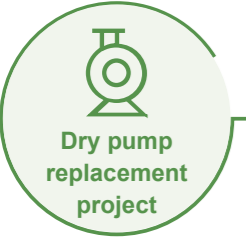


Steam condensate residual water recycling project

To recycle the generated condensate water to the maximum, we have installed a recovery system to reuse the recovered water through rational allocation. Through the steam condensate recycling project, we have connected the condensate discharge pipe to the water storage tank to recover and store the condensate water, and use the pump to send the condensate water to the air conditioning system as a heat source, and then recycle condensate water after heat exchange as raw water. During the reporting period, we installed 2 sets of steam condensate recovery systems, saving at least 50,000 tonnes of water and 11,000 tonnes of steam per year.





Steam condensate recovery system



Dry pump replacement project


We have used oil-free reciprocating roots vacuum pump units and dry vacuum pumps to replace water jet Roots pump vacuum units in the pumping area of our workshops to avoid massive water waste. During the reporting period, we replaced a total of 88 units, saving about 100,000 tonnes of water per year.





Water balancing tank project

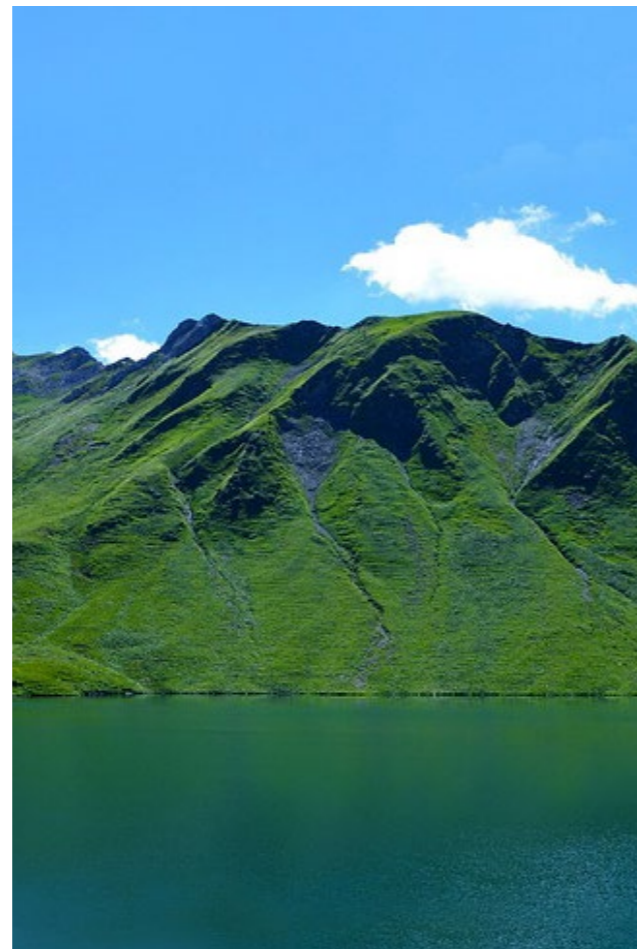
We have installed additional intermediate water balancing tanks in some plants through the water balance transformation of cooling towers to ensure avoid overflow and effectively reduce water waste, saving 15,000 tonnes of water per year.



Organizing Water Conservation Publicity and Education

We encourage our employees to practice water conservation and organize a series of water conservation-themed publicity and education activities to motivate them to take concrete actions fully. Throughout the reporting period, we posted water-saving publicity signs and hung water-saving achievement display boards at all water usage points, and we continually improved employees' water-saving awareness. We took "3.22 World Water Day" and "National Water-saving Publicity Week" as an opportunity to encourage all employees to watch water conservation publicity and education videos to promote new water conservation approaches.

We were among the third batch to be named "Water Efficiency Leader" in Jiangsu Province in January 2022. Going forward, we will continue to increase investment in water conservation, effectively leading the industry in this sector and making new contributions to the construction of a water-saving society.




Strict Control of Material Management

We closely adhere to China's 14th Five-Year Circular Economy Development Plan, implement circular production practices thoroughly, use eco-friendly packaging materials during production, ensure that each package material name has a corresponding batch number, promote the reduction of packaging and packaging printing to use and recycle resources efficiently.


Packaging Materials Management

The packaging materials used by the Company are mostly used in product manufacturing, transportation, and sales processes. We strive to reduce packaging materials throughout the product packaging design, production optimization, and material transportation processes to reduce the environmental impact of packaging materials.



Outer packaging printing

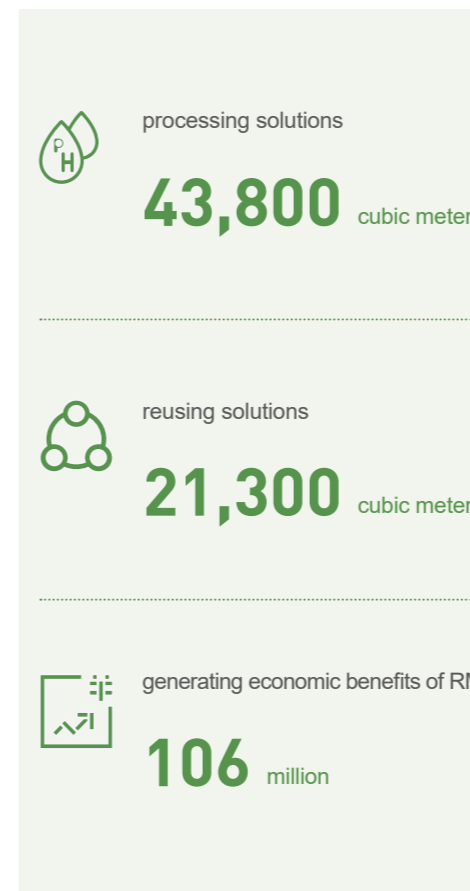
- Use corner stickers and printers instead of inkjet printers
- Eliminate the harm of inkjet printers to humans and reduce the consumption of ethanol solvents when cleaning inkjet printers



Product packaging

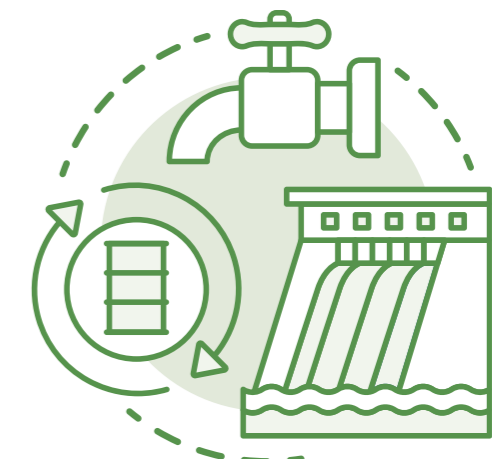
- Replace plastic vial trays with paper ones
- Reduce the use of plastic products to decrease plastic packaging materials

Raw Material Management



We strictly control the raw materials used in the production process, replace organic solvents such as methanol with water in the quality inspection process to reduce the use of toxic and hazardous substances, and install equipment such as distillation towers for solvent recovery and reuse in the production process.

We are committed to waste reduction by making full use of several sets of solvent recovery facilities in our plants, such as membrane distillation, supergravity, and continuous column, to recycle more organic solvents. During the reporting period, 43,800 cubic meters of solutions were processed, and about 21,300 cubic meters of solutions were reused, generating economic benefits of RMB 106 million.



Indicator		Unit	2021 ¹	2022
Energy Use	Total direct energy consumption	Tonnes of Standard Coal	4,508	3,366
	Total indirect energy consumption	Tonnes of Standard Coal	55,890	52,054
Use of Water Resources	Total water consumption	Tonnes	3,931,299	4,212,084
Use of Main Raw Materials	Usage of main raw materials	Tonnes	21,081	15,504

Controlling Pollution Discharge

Hengrui Pharma adheres to a clean and green production and operation model, implements green operations, and protects the blue sky and clear water. We strictly adhere to laws, regulations, and standards for pollutant discharge management in China and the areas where we operate, such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes. We aim to strictly manage waste gas emissions, sewage discharges, and solid waste disposal and to increase investment in environmental protection on a continuous basis to ensure that all types of pollutants are discharged in accordance with standards after effective treatment. In our routine production and operations, we require each entity in the Group to regularly commission qualified third-party testing organizations to conduct self-monitoring in accordance with requirements such as the Regulation on the Administration of Permitting of Pollutant Discharges and emission permits and to disclose environmental monitoring information for public scrutiny timely. All of the Company's new, renovated, and expanded projects are carried out in accordance with the requirements of laws and regulations such as the Law of the People's Republic of China on Environmental Impact Assessment and the Regulations on the Administration of Construction Project Environmental Protection, in order to complete the environmental assessment procedures and implement the "three simultaneous requirements" system for environmental protection, in order to coexist with the environment effectively.

Waste Gas Emissions Management

We are committed to pollution prevention and control in accordance with environmental protection standards that are stricter than those of state and local governments to fully implement the national requirements of fighting the battle of pollution prevention and control and winning the battle of keeping the sky blue. We strictly comply with national and local air pollution prevention and control policies, regulations, and standard requirements, use clean production processes and advanced treatment technologies to treat pollutants such as volatile organic compounds (e.g., non-methane hydrocarbons) and particulate matter generated during our operations, and optimize overall air pollution management.

We have implemented targeted treatment measures for exhaust gases generated in our manufacturing workshops and laboratories to ensure that they are discharged in accordance with standards after effective treatment.

Exhaust gases generated in production workshops

- Exhaust gases containing VOCs are treated by pretreatment, absorption, and activated carbon adsorption/regeneration
- Dusty exhaust gases are treated by dust removal facilities such as filters and burning plate dust removers



1. The total energy consumption in 2021 is re-counted according to the GB/T 2589-2020 General Rules for Calculation of the Comprehensive Energy Consumption.

Exhaust gases generated in laboratories

- Exhaust gases are collected by fume hood and universal exhaust hood and treated by filtration or adsorption devices
- Adsorption materials are regularly replaced to improve the removal efficiency



Construction of exhaust gas treatment facilities

In 2022, to strengthen our treatment capacity of waste gases, we invested RMB 5.51 million in the construction of waste gas treatment facilities for recycling workshops, tank areas, Class A hazardous waste storage rooms, high concentrated waste gas from sewage stations, and Class C hazardous waste storage rooms in the Biomedical Industrial Park. The pretreatment processes of "falling film absorption + resin adsorption/regeneration" and "condensation + resin adsorption/regeneration" are adopted for highly concentrated acidic waste gases and highly concentrated organic waste gases respectively in recycling workshops and tank areas. The pre-treated waste gases are integrated with the highly concentrated waste gases from Class A hazardous waste storage rooms and sewage stations, and then discharged through the "two-stage activated carbon adsorption/regeneration" process, while the waste gases from the Class C hazardous waste storage rooms are treated through the "oxidation tower + mist elimination tower + activated carbon tower" process to ensure that the discharged waste gases meet standards, minimizing the adverse impact of our production and operation on the atmosphere.



Class C hazardous waste storage waste gas treatment facilities



Resin adsorption tower

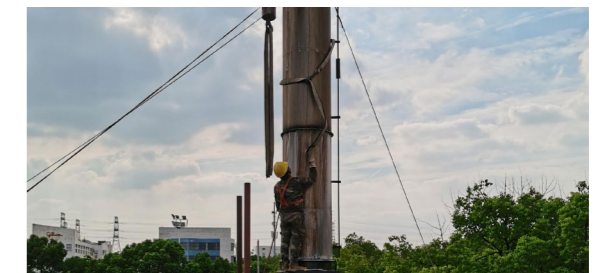


Falling film absorption tower



Boiler flue gas recovery project

To reduce the emission of pollutants, Shanghai Hengrui Pharmaceuticals Co., Ltd. completed the installation of boiler flue gas recovery facilities on September 10, 2022. With this installation, we can recover flue gas waste heat to reduce the consumption of natural gas, reducing nitrogen-oxide emissions and atmospheric pollution.



Boiler flue gas recovery facilities

Wastewater Discharge Management

We strictly enforce national and local wastewater pollution prevention and control policies, regulations, and standard requirements, and strengthen the management of water pollution prevention and control facilities and effectively control the risks of various water bodies. To ensure compliant treatment and discharge, we created an effective internal management system, monitored various discharge indicators in accordance with national and regional discharge standards, and strictly managed the discharge of wastewater generated during production and operations. To achieve efficient wastewater treatment, we collect production wastewater, domestic sewage, initial rainwater, and clean sewage in accordance with the principle of "separate collection of rainwater and sewage, and clean water and sewage, and separate treatment based on wastewater quality" and we implement online monitoring and self-monitoring wastewater management in strict compliance with the discharge permit requirements to ensure that wastewater is discharged.



Sewage treatment station upgrade project

To strengthen the sewage treatment capacity, we invested RMB 6.7 million to upgrade the sewage treatment station in the Biomedical Industrial Park based on the existing process of equalization tanks, secondary sedimentation tanks, A/O tanks, and disinfection tanks. The upgraded wastewater treatment station has reached the treatment capacity of 500 m³/d for wastewater generated from biological pharmaceutical manufacturing and 3500 m³/d for wastewater generated from chemical pharmaceutical manufacturing. During the reporting period, we also built a new wastewater transmission pipeline between the Dongjin Road plant and the Biopharmaceutical Industrial Park to improve the integrated operation capacity of wastewater treatment in the north and south plants of Dongjin Road.



Upgraded sewage treatment stations

Standardizing Solid Waste Disposal

In pursuing green operations, we adhere to the concept of sustainable development and commit to strictly following the requirements of the revised Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes in production and operations. In disposing of solid waste, we follow the "Reduce, Reuse, and Recycle" principle and promote its comprehensive management and utilization. During the reporting period, we improved policies such as the *Solid Waste Management Regulations* and the *Solid Waste Utilization and Disposal Procedures* to standardize solid waste management through the whole-process prevention and control responsibility system.

Non-hazardous Waste

We promote the environmental protection concept of waste reduction, strive to improve the efficiency of various resource use, emphasize the paperless office initiative, promote the "Empty Plate" campaign, and control the generation of office waste and kitchen waste at the source. Furthermore, we implement strict management measures for the classification and disposal of domestic waste, adopt waste classification and collection, and promote standardized waste disposal management.

Hazardous Waste

We improved our hazardous waste management during the reporting period by establishing a system, strengthening the management of the collection, storage, and transfer process, developing special emergency plans for hazardous waste, and holding drills on a regular basis. To ensure the effective collection of hazardous waste leaks, we have equipped each plant with emergency supplies and conducted personnel training.

We have set up a special temporary storage room to store hazardous waste, which is built in strict accordance with the Pollution Control Standards for Hazardous Waste Storage. The room is outfitted with the impermeable hardened ground and a guide drainage trench that connects to the accident pond to ensure the collection and treatment of pollutants in an unexpected environmental event. We store hazardous waste in tightly packed, impermeable trays to prevent leakage and contamination of the ground soil.



Leak-proof trays

Greenhouse Gas Emission Reduction

We have taken steps to control energy use and optimize our energy mix, reduce carbon emissions in our operational activities, and empower low-carbon operations with technology based on the fact that the consumption of fossil fuels, electricity, and steam produces the majority of greenhouse gases within our operational boundary. We had finished verifying greenhouse gas emissions and carbon footprints for 2022 by the end of the reporting period.

Indicator		Unit	2021 ²	2022 ³
Total Hazardous Waste		Tonnes	14,166.20	14,032.16
Total Non-hazardous Waste		Tonnes	461	423.46
Nitrogen Oxides Emissions		Tonnes	2.55	2.248
Sulphur Oxides Emissions		Tonnes	0.06	0.058
Organic Compound Emissions		Tonnes	22.24	23.18
Total Other Significant Gas Emissions		Tonnes	1.48	1.33
Number of Pollutant Discharge Outlets		/	122	125
Greenhouse gas emissions	Direct greenhouse gas emissions	Tonnes of Carbon Dioxide Equivalent	8,837.68	5,993.70
	Indirect greenhouse gas emissions	Tonnes of Carbon Dioxide Equivalent	235,222.57	197,519.22
	Total greenhouse gas emissions	Tonnes of Carbon Dioxide Equivalent	244,060.25	203,512.91

2.The scope of data mainly covers R&D and production enterprises, including Jiangsu Hengrui Pharmaceuticals Co., Ltd., Shanghai Hengrui Pharmaceutical Co., Ltd., Chengdu Suncadia Medicine Co., Ltd., Chengdu Xinyue Pharmaceutical Co., Ltd., Suzhou Suncadia Bio-Pharmaceuticals Co. Ltd., Fujian Shengdi Pharmaceutical Co., Ltd., and Shandong Shengdi Pharmaceutical Co., Ltd.

3.The emissions factors for GHG accounting of electricity production in 2022 was 0.5703 tCO₂/MWh



Practicing Green Operations

We are committed to green development. As a key contributor to green transition and innovation, we have implemented a green operation model, and made our contributions to addressing climate change, protecting biodiversity, and reducing environmental impacts. We have engaged in corresponding practices at several levels to fulfill our corporate social responsibility, including system, awareness, and action.

Responding to Climate Change

Climate change is one of the world's most pressing issues. The IPCC Sixth Assessment Report has issued a dire warning about the severity and immediacy of the climate crisis. Meteorological disasters such as strong winds, cyclones, floods, and heavy rains are becoming more common against this backdrop, and the resulting chain reactions, such as power outages and urban flooding, will impose certain risks and impacts on our operations.

The greatest shift in production and lifestyle in modern human economic and social history is required to address the challenges posed by climate change. Hengrui Pharma will do its best to assume corporate environmental and social responsibility by identifying the negative impact of corporate decisions and activities on the climate environment, reducing the negative impact of and adapting to climate change, and creating a better space for development.

We actively identified climate risks and opportunities in 2022 and took concrete steps to respond to climate change. We have established an emergency response system and formulated emergency plans in response to potential shutdowns, asset losses, and casualties caused by extreme weather to ensure that internal and external resources can be mobilized for relevant work in an emergency. At the same time, we performed regular inspections on all risk points, eliminating various safety hazards that may arise from extreme weather.

The Company may face risks in the future, such as rising energy and raw material prices, as well as anomalies in upstream supply chains caused by climate change and Carbon Peaking and Carbon Neutrality. We will further mitigate the effects of climate change on our business by strengthening carbon management, implementing energy-saving and emission reduction strategies, and developing a green supply chain. We will keep working on climate change adaptation and mitigation.

Biodiversity Conservation

We place a high value on ecological and environmental protection, abide by the relevant laws and regulations, such as the Forestry Law of the People's Republic of China and the Water Law of the People's Republic of China, manage the raw materials and natural resources in our supply chain sustainably, and carry out ecological protection work in a systematic manner throughout our operations in accordance with the various work requirements for biodiversity conservation.

Grow plants such as lawns and shrubs on the open space in our factories and maintain them regularly to ensure the greenery area, protect natural resources, and maintain the diversity of the ecosystem

Our parking lots are designed in a way that can protect the permeability of the ground and ecosystem and permeability function. We have taken multiple measures to protect biodiversity, and realize the harmonious coexistence of enterprise and ecology



Promote Green Office

Hengrui Pharma has always implemented the green office initiative, incorporated the concept of green development into daily office operations and corporate culture development, increased employee awareness of low-carbon green office from all aspects of daily work, and made concerted efforts to create a zero-carbon future. We have formulated various management policies such as the *Management Regulations on Administrative R&D Building* and the *Vehicle Access Management System*, called on everyone to save water and electricity, used air conditioners scientifically and reasonably, and promoted a paperless office to create a harmonious, low-carbon working environment.

Green Office Initiatives

Optimizing the operation mode of air conditioners to promote energy saving and emission reduction

We managed to achieve the goal of saving the operating costs of air conditioning units at night by changing their operation modes in the headquarters cafeteria, developing a system with clear responsibilities and requirements on their operating time. According to statistics, the annual electricity consumption in 2022 was 154,000 kWh less than that of last year.



Optimizing air conditioning operation modes

Enforcing low-carbon office based on the Enterprise WeChat platform

We are committed to improving our comprehensive management and management efficiency in pursuing development, promoting the establishment and implementation of IT-based systems, and continuously strengthening our IT-based management. We seek to create a paperless, standardized, integrated and mobile enterprise information platform that can provide one-stop services and help our employees work efficiently.

<p>Conference room booking function</p> <p>Meeting rooms of the Company and its subsidiaries can be booked on WeChat</p>	<p>Optimize overtime meal and ride reporting</p> <p>It allows online reporting of overtime meals and rides and can reduce labor and operating costs for each department, as it ensures that canteens prepare proper portions of meals and the reasonable dispatching of vehicles</p>	<p>Put in place routine approval processes</p> <p>The processes involve online approval of access control permission and application, accommodation deposit refund application, and consumables application, saving both paper resources and energy</p>
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Notice on the reuse of used printing paper



Notice to conserve electricity and switch off power in time

Hengrui Pharma's green office online platform notifications

Establishing a green procurement mechanism and platform to enhance efficiency

We have strengthened the standardized management of bidding and procurement management, actively explored approaches to bid evaluation, and strengthened post-bidding supervision. We formed a logistics service center bidding working group, created a category and specification database of ingredients and materials based on canteen procurement and warehouse management characteristics, and collaborated with the Information Department to develop the logistics supply chain management system. We improved material control and assessment, improved material use efficiency, effectively reduced idle funds, controlled inventory, and improved ingredient flow efficiency.

Promoting Vehicle Energy Saving and Emission Reduction

Implement dynamic management of fuel consumption

Set annual fuel consumption targets, and optimize and integrating vehicle management by perfecting routes, setting the order of departure, and ensuring the occupancy rate

Designate vehicle maintenance supervisors

Designate vehicle maintenance supervisors to pre-view vehicles before maintenance, and adjust engine maintenance intervals and air filter replacement frequency according to vehicle maintenance requirements, to save vehicle management costs

Implement real-time evaluation of monthly fuel consumption

Require vehicle drivers to upload mileage and refueling data photos each time after they refuel, setting annual vehicle fuel consumption targets, and encourage them to reduce fuel consumption with performance points

Flexible dispatching to avoid zero occupancy

Dispatch vehicles in a science-based manner to ensure a certain occupancy rate and reduce waste, and taking prompt initiatives such as route optimization and vehicle "initiatives to improve the full load rate and reduce travel mileage"





03

Improved Innovation for Excellence

We strive for excellence in quality management at Hengrui Pharma and ensure the continuous release of safe and reliable products by implementing solid quality management mechanisms and initiatives. We are constantly making breakthroughs and innovations, and we use our extensive strategic deployment and powerful R&D capabilities to provide health solutions to patients both domestically and internationally. We are committed to ensuring operational supply chains and make it a priority in our production and operations to provide quality raw materials, improve upstream and downstream industry coordination, and reduce supply chain risks. We are committed to achieving win-win outcomes in the industry, as well as broadening international cooperation, establishing industry platforms, facilitating exchanges among all parties, and contributing to the health and welfare of all humanity.



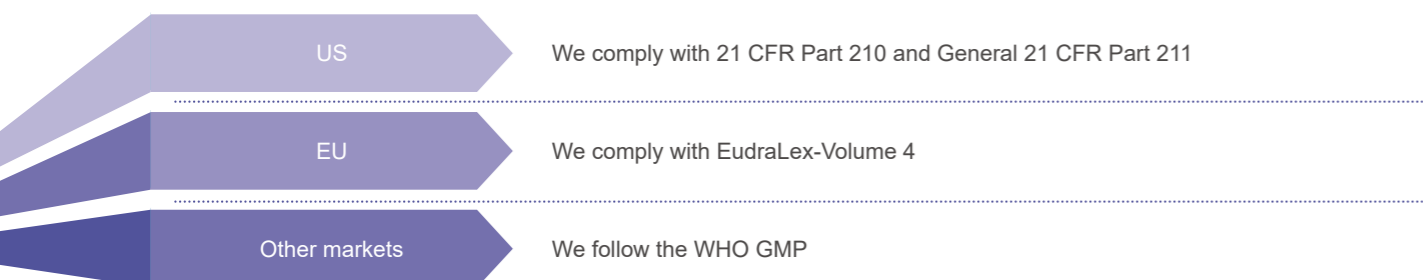


Hengrui Pharma values quality and safety, is committed to its corporate mission of "promoting a healthier life for humankind through advancements in science", and follows the quality policy of "putting integrity and quality first". To ensure the safety of every patient, we aim to build a comprehensive and full-life-cycle quality management system. Our quality control is based on five pillars: continuous improvement of the product quality management system development, creation of a group-wide quality culture, safety assurance measures during the product development stage, long-term post-marketing monitoring, and high-quality customer service. We are dedicated to improving the customer experience and protecting patients' health.

Product Quality System

Hengrui Pharma adheres to laws and regulations such as the Medicinal Product Administration Law of the People's Republic of China, the Measures for the Administration of Drug Registration, the Measures for the Supervision and Administration of Drug Production, the Measures for the Administration of Post-Marketing Drug Changes (For Trial Implementation), the Good Clinical Practice, the Good Manufacturing Practices for Pharmaceutical Products (2010 Revision), the Regulation on the Administration of Narcotic Drugs and Psychotropic Drugs, the Management Measures on the Production of Narcotic Drugs and Psychotropic Drugs, the Specifications for Pharmacovigilance Quality Management, and the Provisions on the Administration of Pharmaceutical Directions and Labels. We continuously internalize the standards and requirements of national regulation and industry development, and deploy quality management throughout the Group.

Additionally, in international markets, Hengrui Pharma also strictly follows the applicable local regulations and quality standards, and continuously establishes and improves its quality and safety systems in various markets, with the Good Manufacturing Practices (GMP) of the local markets as the core.



Regarding system development, Hengrui Pharma has created an internal production quality strategy that outlines the overall goal and the strategic quality policy. We have also created a quality development strategy to continuously improve quality, expand our international presence, clarify the general concept of quality development, and determine a quality system and capability improvement path based on the system life cycle. Hengrui Pharma's quality management system and practices have evolved over time, with a focus on four modules: GMP implementation, international certification, consistency evaluation, and excellent performance.

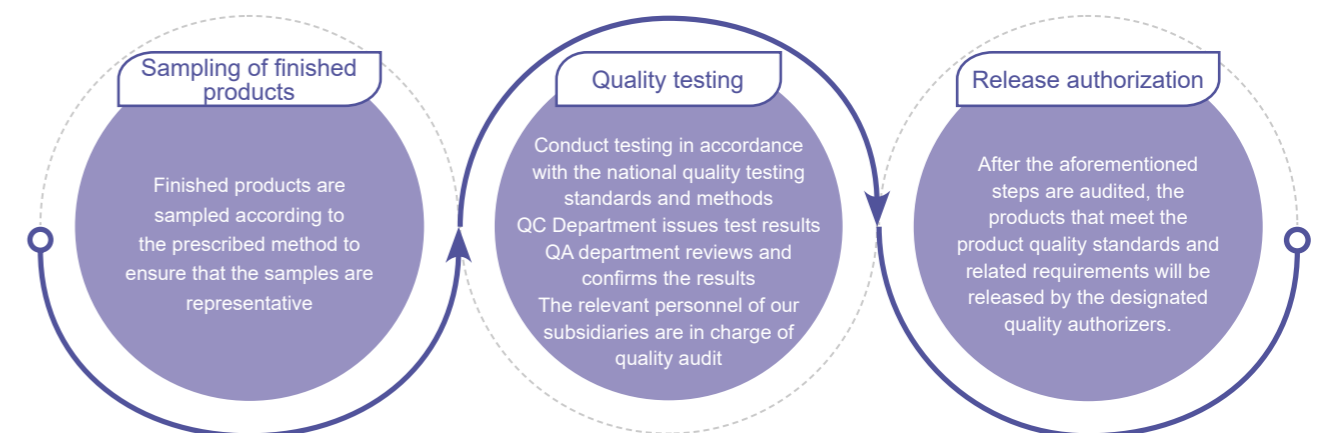
Optimizing the Excellent Performance Module: Achieving indicator consistency and lean production across our production areas

The Excellent Performance Model is the culmination of successful enterprises around the world. Its incorporation into our quality management has allowed us to quickly align with world-class management models and establish and implement a comprehensive benchmarking management system. This is critical because it can optimize our internal management processes, integrate our management methods, improve management efficiency and performance evaluation, and build ourselves as a premium brand.

During the reporting period, we made particular efforts to optimize this module, establish a unified system for various drug quality indicators, standardize their calculation and criteria, and quantify quality management using indicators such as the one-time inspection pass rate and complaint rate. With these efforts, we can compare our plants horizontally and vertically and analyze historical data on the same plant with greater precision. In this regard, we have concentrated on areas requiring improvement, effectively managed all indicators, enhanced the one-time inspection pass rate, and substantially decreased the complaint rate.

In the actual production, to manage our quality risks in all aspects that affect product quality, Hengrui Pharma has established a sophisticated quality risk management system, an early warning mechanism, and a forward-looking or retrospective approach throughout the product life cycle. To continuously improve the quality risk prevention and control system, we developed and implemented the quality veto system, quality inspection process, and other institutional codes.

Hengrui Pharma's quality checking process




We have also created 30 quality system documents covering topics like quality target setting, preventing and correcting production deviations, supplier qualification, evaluating marketed products, quality consultation and complaints, product recall, and return responses, etc. Through comprehensive system development, these efforts aim to prioritize quality and ensure drug safety. We released three new documents in 2022 that regulate post-marketing chemical drug application, remote audit management, and test result deviation handling, further improving and consolidating our quality management system.

New quality management system documents in 2022




Guidance Protocol for Classification of Changes Related to Drug Application of Domestically Marketed Chemical Drugs

This document is used to guide the Group's subsidiaries in the science-based, accurate, and reasonable classification of the above-mentioned changes for applying our marketed products to the drug regulatory authorities, to establish a management system for post-marketing changes in drug regulatory submissions and to strengthen the continuous management of marketed drugs.



Remote Audit Management Procedures


This document is used to standardize and guide the implementation of remote audit and/or acceptance of remote audit activities by the Group's subsidiaries, to clarify the audit procedures, and to ensure smooth audit processes and accurate and effective audit results.



Investigation Procedures for Out of Expectation (OOE) and Out of Trend (OOT) Results

This document is used to enhance production entities' ability to continuously monitor production process control and testing in real time, to identify what may cause Out-of-Specification (OOS) results before they occur, and reduce their occurrence


In 2022, all our subsidiaries accepted and passed the certifications and audits from parties such as domestic and foreign drug supervision and management authorities as well as customers. The quality certifications passed and renewed during this reporting period are as follows:



- Carmustine Injection and Sevoflurane - API passed the official inspection of the EU;
- A total of 11 products passed the NMPA on-site verification;
- A total of 24 production lines passed the GMP compliance inspection;
- One new laboratory obtained the ISO 19001 quality management system certification.

Promoting Quality Culture

Hengrui Pharma is committed to putting quality management requirements in place that align with domestic and international regulatory trends and taking the lead regarding industry standards. We have organized a series of quality-themed cultural activities to create a sound atmosphere where everyone values quality. In these activities, we have emphasized a "prevention-oriented" approach and integrated GMP awareness into our work routines.



We promoted a quality culture and organized various QC team activities

During the reporting period, Hengrui Pharma organized various QC team activities to promote the quality culture.

- We led our QC teams to conduct technical research, continuously improved the production quality system, and enhanced the enthusiasm and awareness of all our employees so that they could actively participate in quality management
- We also promoted quality management concepts, such as new national drug management policies and the new Drug Administration Law, to help front-line production and management personnel understand the updated content, its characteristics and the related work that must be done
- We also encouraged our QC teams to master science-based methods and pursue innovative improvements, such as promoting the learning and application of science-based statistical tools. Their successful application has improved the theoretical knowledge of our front-line staff, greatly improving drug quality, saving costs and increasing output. Based on improving quality awareness, we also introduce and promote innovative projects among QC teams. Starting with product quality issues, the QC team activity projects have gradually covered all aspects of our operations and management to optimize the control of various factors affecting quality, such as personnel, machines, materials, methods, the environment, and information and technology, to further improve quality and performance. The results have not only promoted the development of our productivity and economic efficiency, but also brought new insights and vitality to our management.

In 2022, the Company earned various industry quality honors and certifications.

Table of Hengrui Pharma's industry quality honors in 2022

Awarded by	Honor	Project	Date
China Quality	Professional-level Results in 2022 National QC Team Results Publication and Exchange Activities (the second phase)	QC Team-Climbing up	Nov 2022
China Quality Association for Pharmaceuticals	First Prize of the National Quality Management QC Team Activities in the Pharmaceutical Industry in 2022	QC Team-Climbing up	Oct 2022
China Quality Association for Pharmaceuticals	First Prize of the National Quality Management QC Team Activities in the Pharmaceutical Industry in 2022	QC Team-Beacon	Oct 2022
China Quality Association for Pharmaceuticals	Best Publication Award of the National Quality Management QC Team Activities in the Pharmaceutical Industry in 2022	QC Team-Climbing up	Oct 2022
Jiangsu Quality Association for Pharmaceuticals	Excellent Enterprise of Quality Management QC Team Activities in the Pharmaceutical Industry in Jiangsu Province	/	Jul 2022

R&D Security Assurance

Safety Team Development

Hengrui Pharma places a premium on the safety of its drugs. In 2016, we established a dedicated Drug Safety Department. We have established and optimized our comprehensive pharmacovigilance system to perform full-lifecycle drug safety management for our products and to provide unified drug safety management for the Company and its subsidiaries with product marketing licenses. These efforts have significantly improved compliance management efficiency. We utilize Argus, an international drug safety database, to establish a comprehensive safety event profile for each of our drugs and analyze their risks and benefits to further protect patient safety.



Hengrui Pharma was subjected to two special pharmacovigilance inspections by drug testing agencies in 2022, and no serious issues were discovered. Our international partners also conducted audits of our pharmacovigilance system, and no deficiencies were identified.



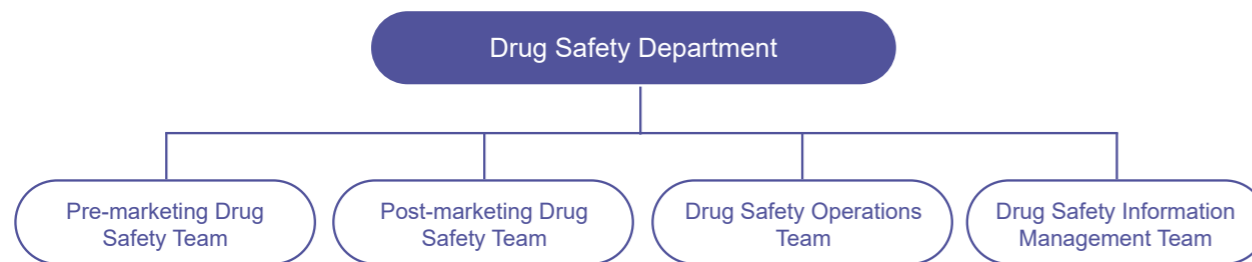
Hengrui Pharma was subjected to **2** special pharmacovigilance inspections by drug testing agencies in 2022

R&D Guarantee System

Hengrui Pharma has established trial specifications based on compliance requirements. For clinical trials, we follow the guidelines of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH) and the Declaration of Helsinki. We also strictly comply with the guidelines, standards, and relevant ethical requirements of national drug regulatory agencies, such as the National Medical Products Administration (NMPA) of China, the U.S. Food and Drug Administration (FDA), and the European Medicines Agency (EMA) in conducting R&D projects in various countries and regions. During the implementation of our clinical trials, we strictly follow the trial protocols that emphasize the safety and rights of the participants and data authenticity and reliability. During this reporting period, the implementation of the completed registration research projects of the Company were fully compliant.

Hengrui Pharma is committed to treating laboratory animals humanely, adhering to the internationally recognized Three Rs principle (i.e., Replacement, Reduction, and Refinement), and upholding the laboratory animals' Five Freedoms (i.e., respecting freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal and natural behavior, freedom from fear and distress). We place a high premium on the safety and ethical review of laboratory animals, strictly adhere to regulations such as the Regulation on the Administration of Laboratory Animals, treat them humanely, ensure their welfare, and ensure experimenters' safety.

Hengrui Pharma's drug safety department structure



Hengrui Pharma has established a comprehensive pharmacovigilance system and built the largest and most comprehensive drug safety team among its domestic competitors. This team is responsible for the pharmacovigilance of all of our products currently in development or on the market. By the end of 2022, the Drug Safety Department was accountable for the pharmacovigilance activities of more than 100 products in development and more than 200 marketed products domestically and internationally, including but not limited to the collection and analysis of safety data from pre-marketing clinical studies, product risk management, product signal monitoring, and post-marketing instruction formulation and update. These efforts have provided robust support for the safety management of new drug development, the safety analysis of marketing applications, and the continuous monitoring of post-marketing drug safety, and have ensured the safety of patients throughout the entire drug life cycle.



The Drug Safety Department was accountable for the pharmacovigilance activities of **more than 100** products in development and **more than 200** marketed products domestically and internationally

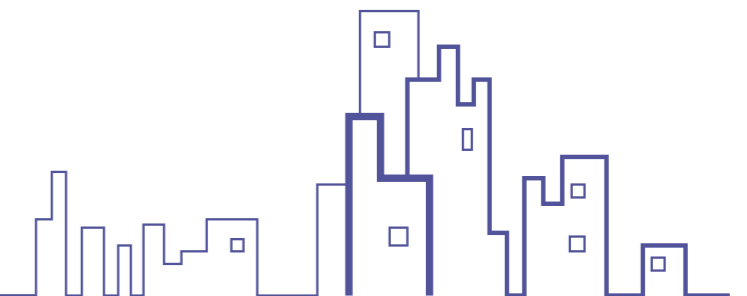
Marketing Security Management

Safety Monitoring

Hengrui Pharma prioritizes monitoring, identifying, evaluating, and controlling its marketed products' safety to fulfill its commitment to product safety throughout its life cycle. We monitor clinical reports, marketing projects, academic literature, and industry forums to collect product-related data, obtain the most recent information on patient adverse events, and implement risk-control measures as soon as possible.

We have also established an adverse event complaint channel to focus on complaints demonstrating potential patient safety and health impacts, determine safety monitoring results based on the market scope that the event may affect and the likelihood of endangering patient health and safety, and submit reports to regulatory authorities as needed.

We also conduct comprehensive and special drug safety evaluations on a regular basis to identify potential drug risks, investigate the mechanisms and causes of risk occurrence, and promptly determine risk levels based on analysis results, as well as proactively formulate proper control measures such as updating our instructions, reporting to regulatory authorities, and communicating with medical workers.

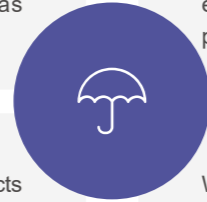


Product Recall

The Company has also established a product recall system, stipulating that recall procedures should be initiated when the following scenarios occur, including but not limited to:

When the information collected by the Company indicates that a batch of products or a product may endanger the safety of patients or has potential risks in this regard

When the drug quality or adverse event information collected and recorded by the Company's adverse event monitoring system indicates that a drug may pose health risks



When companies that operate or use our products or individual patients find that the products they operate or use may have safety hazards

When product defects or other events found within the Company trigger product risks or when defects are identified in self-inspections or audits

- The recalled products need to be evaluated, and measures such as reprocessing or destruction will be taken according to the evaluation results. Among them, the products must be destroyed under drug regulatory agencies' supervision.
- To ensure the reliability and effectiveness of the recall system, we conduct a mock recall of our drugs every two years and a mock recall of active pharmaceutical ingredients (APIs) every three years.
- Since our listing, no product recalls due to product quality defects and safety hazards have occurred.

Traceability Mechanism

The Company has developed a drug traceability platform management protocol, a drug information traceability code guidance protocol, a standardized supporting information maintenance process, a traceability code operating system, and a computer hardware system. We work hard to ensure that drugs can be traced after they are sold and that traceability information can be accessed accurately and quickly.



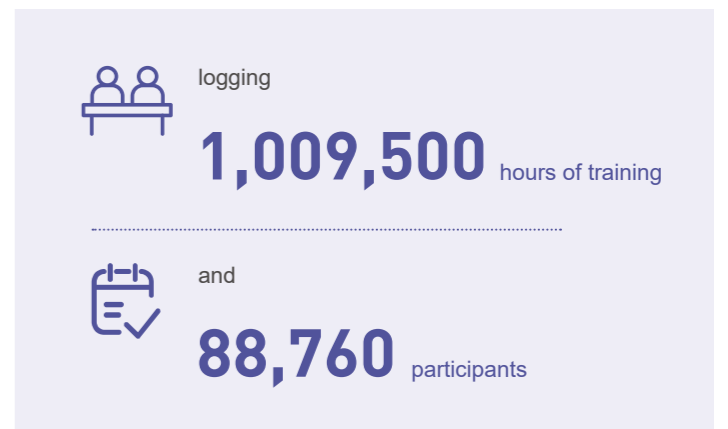
Improving Customer Service

Responsible Marketing

Hengrui Pharma upholds the compliance of marketing management. We implement sales management policies and measures such as the *Regulations on Marketing*, the *Ten Prohibitions for Ensuring Integrity of Sales Management*, the *Guidelines on Basic Work Regulations of Sales Representatives*, and the *Guidelines on the Work Regulations of Marketing Executives*, which provide guidance and behavioral norms for responsible marketing across the process and all aspects of sales. In 2022, we issued the *Regulations on the Conduct of Marketing Executives* to further strengthen our sales representatives' code of conduct. Our responsible marketing advocacy is implemented from the group level to each business unit, product line, and throughout all regions.

We provide all employees with regular compliance and responsible marketing training and raise their awareness of responsible marketing. We also provide regular product and medical knowledge and skill training to our marketing employees in order to improve their understanding of relevant adaptive treatment protocols and their ability to communicate information.

During the reporting period, we also provided training in the form of presentations, communications, and talks on topics related to business ethics, such as anti-corruption, anti-bribery, and anti-monopoly. With a focus on compliance marketing and responsible marketing, we explained our marketing code of conduct and compliance policies to all of our employees. We also incorporated key components of compliance marketing into sales skills training, offering courses such as "Win-Win Negotiations under Compliance" to our employees in 2022. We ensured compliance marketing and responsible marketing training and education for all employees during the reporting period, logging 1,009,500 hours of training and 88,760 participants.



Online/offline employee training

Improving Customer Satisfaction

Every November, we conduct an annual consumer and customer satisfaction survey. During this reporting period, 33 customers were chosen at random, and all questionnaires were returned validly. We asked customers to rate five aspects of our products: variety, quality, service attitude, sales policy, and delivery timeliness, and the first three indicators received the highest ratings from more than 73% of customers.

For receiving quality-related complaints from its pharmaceutical information communication specialists, business staff, medical institutions, pharmacies, and patients, the Company has established a customer service (complaint) management system, with our 400 hotline, complaint mailboxes, and other communication channels. We promptly integrate and evaluate complaint information to provide guidelines on improving packaging and clinical use and assist users with quality consultations, market sampling, and other requirements. We also summarize quality issues from complaints on a regular basis to promote internal rectification.

Consumer Privacy and Security

Hengrui Pharma recognizes the importance of consumer privacy protection and the need for personal information security. The Company strictly complies with domestic and foreign laws, regulations, and requirements such as the Personal Information Protection Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the General Data Protection Regulation (GDPR) of the EU, the Health Insurance Portability and Accountability Act (HIPAA Act) of America, and has formulated the *Management System of Trade Secret Carriers (For Trial Implementation)*, the *Personal Data Privacy Protection Policy*, and the *Notice on Strengthening Management of Information Data and Network Conference Security*, requiring that the data protection principles be observed in the handling of personal data of customers, patients, suppliers, and so on. Relevant systems and policies apply to all employees, including full-time, part-time, temporary, and third-party partners, etc.; this constraint is reflected in the relevant agreements signed with third parties.

Hengrui Pharma strictly controls privacy information collection and storage throughout the process in accordance with the above-mentioned policies and principles. We require that sensitive information about relevant personnel is collected only when absolutely necessary, we obtain consent from and inform the relevant personnel ahead of time about what information we will collect, how it will be used, stored, and disposed of. We ensure that data access rights to information systems are approved prior to authorization. We also install security platforms in computers and other devices used in sales systems, and we limit the external transmission of critical and sensitive data.

Strengthening Innovative R&D

Innovation in science and technology is our long-term development strategy and a powerful driver of our long-term growth. The Company adheres to the "differentiation" competition strategy, focuses on gaining a head start on cancer therapy targets, and strengthens innovation at the source, with capital investment as the foundation, talent as the support, system development as the guarantee, "unmet clinical needs" as the guide, and "being new, fast, and special" as the primary objective. Through an in-depth understanding of disease characteristics and patient differences, we continue to track the evolving needs of patients, gain insights into and investigate unmet clinical needs, and provide clinical value. By deploying strategies in advantageous areas, we continuously translate R&D results and bolster our research strengths in innovative R&D, aided by a robust intellectual property protection system, to advance our patients and their families' health and well-being.

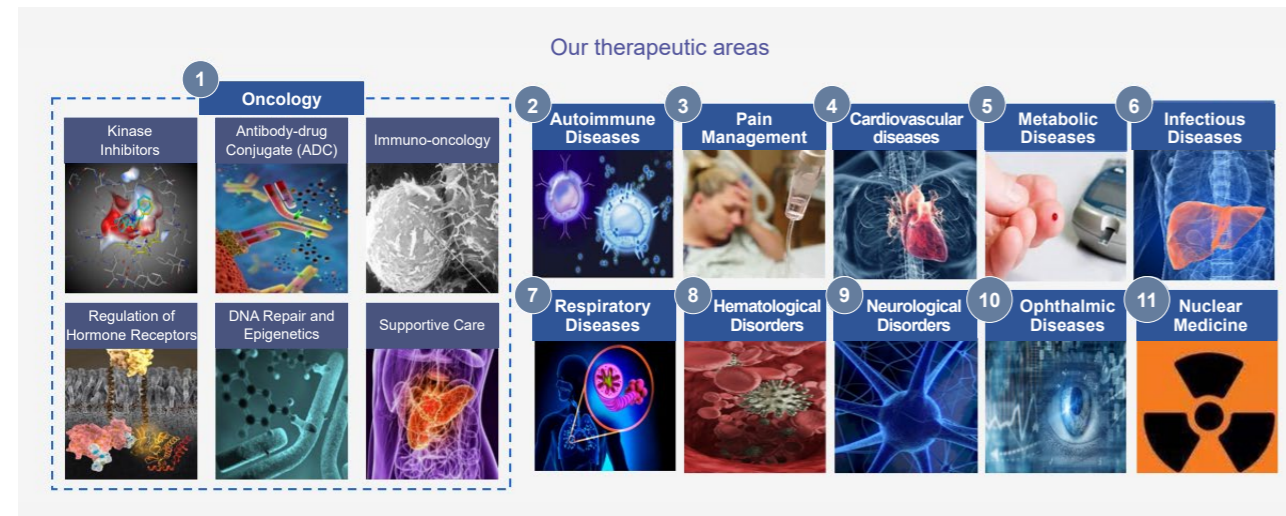
Deployment of R&D Strategy

Focus on Advantageous Areas

Hengrui Pharma has prioritized unmet clinical needs, insisted on forward-looking deployment and diversified innovation, and taken the initiative to assume the corporate social responsibility of constructing a healthy China. We have made active deployments in numerous therapeutic areas, encompassing all processes such as early-stage research and development, preclinical development, translational medicine research, and clinical research and development. These efforts aim to establish a diversified strategic pillar for long-term growth.



We enjoy a significant competitive advantage in the oncology industry. While concentrating on this field, we have made substantial investments in autoimmune diseases, pain management, cardiovascular diseases, metabolic diseases, infectious diseases, respiratory diseases, hematological diseases, and neurological diseases in order to achieve global and multi-organ coverage based on disease progression and to establish a diversified strategic pillar for long-term development. With a robust deployment, we are also actively exploring new therapeutic areas, continually pushing the boundaries of innovation, and fostering the industrialization of scientific achievements.



Building Global Teams

Hengrui Pharma is convinced that talent is the source of technological and scientific innovation. We have established R&D centers or branches all over the world in order to harness the innovative potential of global talent. We have established an R&D innovation system that integrates domestic and international resources in order to unleash complementary advantages between regions and to promote the advancement of various types of innovative R&D projects under the Group's unified leadership.



Hengrui Pharma's global R&D System

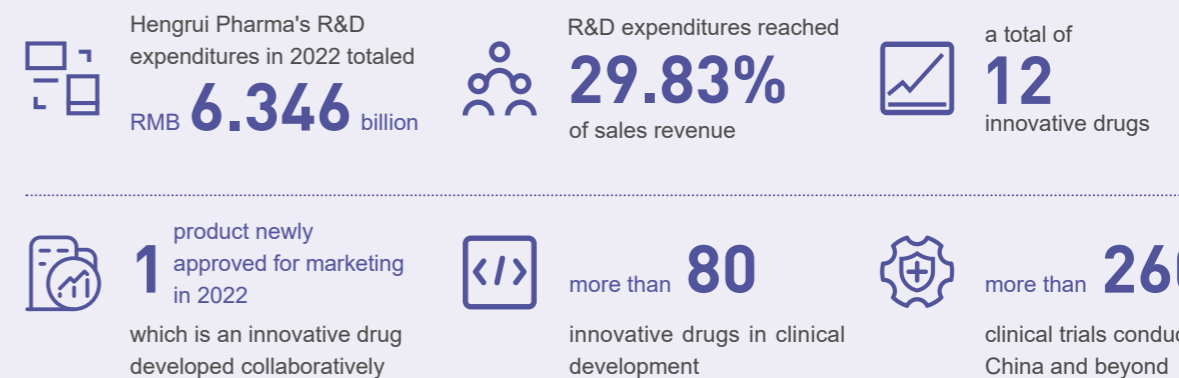
As of the end of this reporting period, Hengrui Pharma had pooled more than 5,000 innovative talents around the world, providing strong human resource support for its high-quality development.



Hengrui Pharma had pooled more than **5,000** innovative talents around the world

Producing Innovative Achievements

Hengrui Pharma's R&D expenditures in 2022 totaled RMB 6.346 billion, or 29.83% of sales revenue, one of the highest percentages in the sector. Hengrui Pharma has achieved industry-leading results because of its ongoing, significant investments in R&D, which also serve as the foundation for its high-caliber development. There have been more than 260 clinical trials conducted in China and beyond, more than 80 innovative drugs in clinical development, and a total of 12 innovative drugs and 1 innovative, collaboratively developed product approved for marketing up to this point.



Rezvilutamide Tablets - China's first independently developed novel AR inhibitor

This product is the first novel androgen receptor (AR) inhibitor independently developed in China. Its developer, Hengrui Pharma, independently owns its intellectual property rights. The drug was supported by China's National "13th Five-Year Plan" for the Major New Drug Creation Science and Technology Project in 2018, and was approved for marketing in June 2022 for the treatment of patients with metastatic hormone-sensitive prostate cancer (mHSPC) with high tumor burden.

As a new second-generation AR inhibitor, Rezvilutamide has undergone important innovations to the molecular structure, so that it is highly active in AR inhibition and has reduced blood-brain barrier permeability, delivering greater clinical benefits to patients. The related research results were selected for oral presentation at the 2022 American Society of Clinical Oncology (ASCO) Annual Meeting. Based on its research results, Rezvilutamide has been listed as the Class I recommendation (Class 1A evidence) in the Chinese Society of Clinical Oncology (CSCO) Guidelines on the Management of Prostate Cancer (2022 Edition).



Rezvilutamide Tablets

Display of Innovation Achievements in 2022

During the reporting period, Hengrui Pharma continued to promote the industrialization of scientific research achievements and committed to providing consumers with more diversified and accessible treatment solutions. So far, 12 innovative drugs have been approved for marketing in China, so has the new Class 1 drug Linperlisib introduced by us. The latter is the first innovative drug which made it among our collaborative products. In terms of R&D for innovative drugs, we have essentially established a virtuous cycle in which each batch of drugs approved for marketing is immediately followed by one batch in clinical trials and one batch in R&D, thereby establishing the foundation for our strong independent R&D capability.

Brief Introduction of Hengrui Pharma's Marketed Innovative Drugs

Order	Product Names	Date of Marketing Approval	Product Introduction	Product Pictures
1	Imrecoxib	June 2011	Imrecoxib is a new, target-specific, selective anti-inflammatory and analgesic COX-2 inhibitor, offering a new option for osteoarthritis patients and breaking the monopoly of similar imported products, reducing the disease burden on patients.	
2	Apatinib Mesylate	October 2014	Apatinib Mesylate is the world's first orally administered small molecule targeted drug for advanced gastric cancer. Clinical trials have covered 20 types of cancer in the past eight years since it was approved for marketing, offering new treatments for patients with different types of cancer.	
3	Mecapegfilgrastim	May 2018	Mecapegfilgrastim is a second-generation, long-acting G-CSF product, the first to receive WHO chemical designation in China, and the only trial in the world that obtained superior trial results of comparing to short-acting G-CSF, providing a new therapeutic option for neutropenia during chemotherapy.	
4	Pyrotinib Maleate	Conditionally approved for marketing in August 2018; and fully approved in July 2020	Pyrotinib Maleate is China's first original anti-HER2 targeted drug, and the first innovative drug for solid tumors conditionally approved based on a phase II clinical trial.	

Order	Product Names	Date of Marketing Approval	Product Introduction	Product Pictures
5	Camrelizumab	May 2019	Camrelizumab is a PD-1 inhibitor with the most approved indications in China and the widest coverage of tumor types in China. Moreover, Camrelizumab has been licensed out to Crystal Genomics for development in South Korea.	
6	Remimazolam Tosilate	December 2019	Remimazolam Tosilate is the first short-acting sedative-hypnotic drug with independent intellectual property rights (IPRs) in China.	
7	Fluzoparib	December 2020	Fluzoparib is the first PARP inhibitor with IPRs in China. We innovatively introduced the trifluoromethyl structure, offering a new option for long-term maintenance therapy for Chinese patients with recurrent ovarian cancer.	
8	Herombopag Olamine	Jun 2021	Herombopag Olamine is the first self-developed non-peptide orally administered thrombopoietin receptor agonist (TPO-RA) in China. Among the new generation of TPO-RA drugs, Herombopag Olamine is a redesigned and upgraded version of the lead compound, and is an iterative drug for thrombocytopenia diseases in China.	
9	Dalpiciclib Isethionate	December 2021	Dalpiciclib Isethionate is China's first original, novel, highly selective CDK4/6 inhibitor, which will boost the accessibility of CDK4/6 inhibitors and offer new treatment options for Chinese breast cancer patients.	

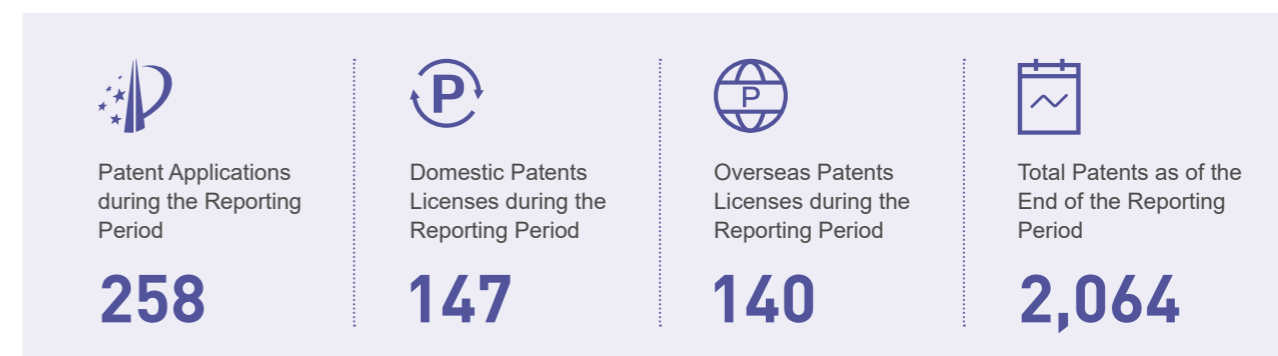
Order	Product Names	Date of Marketing Approval	Product Introduction	Product Pictures
10	Henagliflozin Proline	Dec 2021	Henagliflozin Proline is the first SGLT2 inhibitor developed independently in China, and, its combination with Metformin Hydrochloride and DPP4 inhibitor is in the R&D stage, which can provide diverse clinical options.	
11	Rezvilutamide	Jun 2022	Rezvilutamide is the first novel androgen receptor (AR) inhibitor developed independently in China. As a new second-generation AR inhibitor, Rezvilutamide has recorded important innovations in its molecular structure, delivering greater clinical benefits to patients.	
12	Adebrelimab	Mar 2023	Adebrelimab, a humanized anti-PD-L1 monoclonal antibody, is the first independently developed PD-L1 inhibitor approved for small cell lung cancer indications in China.	
13	Linperlisib	Nov 2022	Linperlisib, a new class 1 drug introduced by the company and developed by Yingli Pharmaceutical, is a small molecule inhibitor of phosphatidylinositol 3-kinase-δ, the first highly selective PI3Kδ inhibitor in China, offering new treatment options for patients with relapsed or refractory follicular lymphoma (R/R FL).	



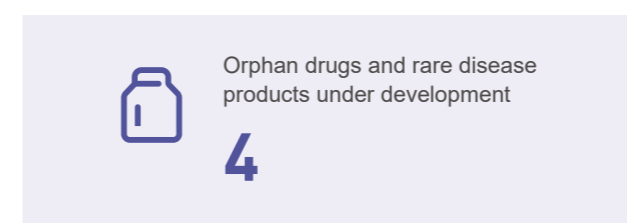
The broad-spectrum oncology drug Cyclophosphamide Capsules was approved for marketing

In January 2023, Hengrui Pharma received the Drug License from the National Medical Products Administration, suggesting that its Cyclophosphamide Capsules (25mg and 50mg) were approved for marketing. The drug was included in the priority review and approval process in 2021, and the approval of the two specifications means that the drug has passed the quality and efficacy consistency evaluation of generic drugs, which fills the gap in this regard in China. Cyclophosphamide Capsules are indicated for the treatment of malignant lymphoma in adults and children aged six years and above. The 25-mg orally administered Cyclophosphamide will offer a new therapeutic option for children with neuroblastoma, leukemia, and other cancers because it caters to their physiological and dosage administration characteristics and has significant clinical value.

Hengrui Pharma's patent applications and licenses



Hengrui Pharma's orphan drugs and rare disease products



Protecting Intellectual Property Rights

Hengrui Pharma strictly adheres to applicable laws and regulations, including the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China, and has developed a variety of management measures such as the *Management Measures on the Regulation of Pre-registration Approval of Published Papers and Clinical Trials*, the *Management Measures of Patent Application of Hengrui Pharma*, the *Regulations on Patent Maintenance Process of Hengrui Pharma*, and the *Naming Rules for Pharmaceutical Products*. We also released the *Patent Writing and Submission Process of the Intellectual Property Department*, the *Patent Text Review Record Sheet*, and the *Business Guidance Record Sheet of the Intellectual Property Department* during this reporting period, and revised the *Patent Business Review Operation Guidelines* and the *Assessment Measures of the Intellectual Property Department* to further standardize the intellectual property management process and improve the intellectual property protection system.



Risk Management and Monitoring

In addition, Hengrui Pharma has developed and improved its patent risk prediction system. This system performs patent analysis and provides early warning to prevent potential infringement risks prior to the establishment of R&D projects. It also dynamically updates the patent status and performs real-time risk analysis to warn of potential new risks during the drug R&D process. It assists with contract review in order to protect Hengrui Pharma's and its partners' intellectual property rights and interests.



We had more than

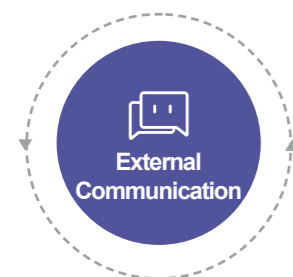
300

internal patent search and analysis reports submitted in 2022.

IPR Training and Communication



Throughout the year, our Intellectual Property Department holds a minimum of six thorough training sessions, six retrieval training sessions, one training session on foreign data protection, and one training session on the patent term extension system for significantly related business departments. In order to broaden our perspectives on IPR management, we also held internal case-sharing sessions twice a month to examine IPR cases that are extremely relevant to our everyday work and prone to difficulties and controversies.



As a leading IP protection practitioner in the industry, we were invited as a guest speaker at the event of the Discussion and Research on Issues Related to Early Settlement Mechanism of Pharmaceutical Patent Disputes organized by China's Reexamination and Invalidation Department of the Patent Office, CNIPA, in August 2022, and participated in the CPIPS 2022 and the Symposium on the Implementation of the Patent Linkage System and Case Sharing in the Pharmaceutical Industry (Beijing Intellectual Property Judicial Protection Research Association) in September. We also attended the Seminar on the Pharmaceutical Data Protection System held by the China Pharmaceutical Innovation and Research Development Association in November. In addition, we actively participated in the China Intellectual Property Annual Conference and the Seminar on Early Settlement Mechanism of Pharmaceutical Patent Disputes organized by the Jiangsu Intellectual Property Protection Association during the reporting period.

Compulsory Licensing

The intellectual property rights system facilitates a company's steady progress in R&D and innovation, and a robust patent protection system can accelerate the development of innovative pharmaceuticals. With these systems in place, the Company also strictly complies with the compulsory licensing provisions of the Patent Law of the People's Republic of China and recognizes that a reasonably implemented compulsory licensing system can make a significant difference. We support the establishment of a more robust compulsory licensing policy and judicial review procedure, as well as the adoption of sustainable intellectual property rights, in order to promote innovation and drug access. We concur with the view that mandatory licensing is an alternative rather than a solution, and we support achieving a balance to improve global healthcare accessibility. We actively seek to circumvent geographical limitations by licensing our innovative medications so that our high-quality products can reach more patients abroad.

List of Hengrui Pharma's innovative drug projects under foreign license

Products	Partners	Date of Authorization
SHR0302 Tablets	Arcutis Biotherapeutics, the US	January 2018
SHR1459 Tablets	TG Therapeutics, Inc. the US	January 2018
Camrelizumab for Injection	Crystal Genomics, South Korea	April 2020
Pyrotinib Maleate Tablets	HLB Life Science Co., Ltd., South Korea	September 2020
SHR-1701 Injection	DONG-A ST CO., LTD., South Korea	November 2020
SHR2554 Tablets	TREELINE BIOSCIENCES, INC., the US	March 2023

Responsible Supply Chain Management

A stable and efficient supply chain will help a company's long-term growth. Hengrui Pharma has established and improved its supply management system, as well as guaranteed its upstream and downstream supply chains. We are committed to promoting the supply chain's green and efficient development, setting an example in the industry, and achieving a win-win future.

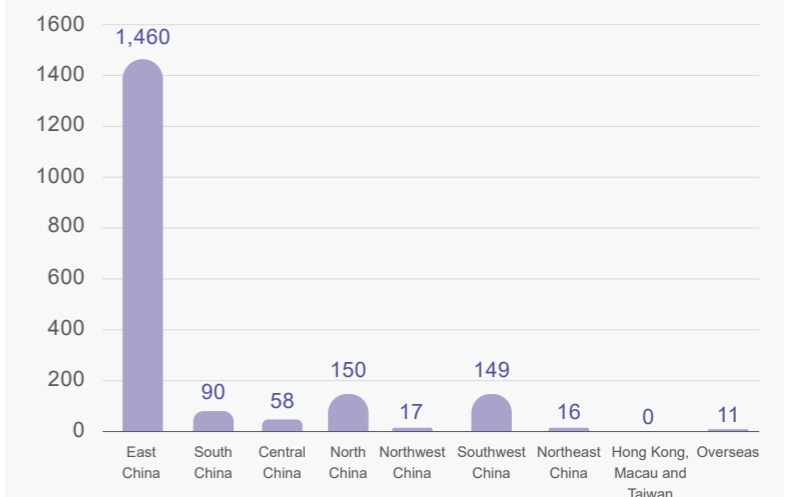
Comprehensive Supplier Management

During this reporting period, we incorporated the relevant regulations of the Medicinal Product Administration Law of the People's Republic of China, the Measures for the Administration of Drug Registration, the Measures for the Supervision and Administration of Drug Production, the Measures for the Administration of Post-Marketing Drug Changes (For Trial Implementation), the Good Manufacturing Practices, and the Specifications for Pharmacovigilance Quality Management into our existing supply chain management system. We have continuously optimized the relevant rules and regulations. In 2022, we issued policies such as the *Management Regulations on Product Supply Assurance and Assessment*, the *Production Cost Management System of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (For Trial Implementation)*, and the *Production Plan Management Procedures* to continuously consolidate the foundation of our supply chain management.

At the end of the reporting period, the Company had a total of 1,951 suppliers, whose distribution by country and region is shown in the following table.

Hengrui Pharma's suppliers by region

Total (1,951)





Information Platform

During the reporting period, the Company promoted a supplier relationship management (SRM) system, which integrates the whole life cycle management of supplier registration and approval, sample collection, on-site inspections, and performance assessment into a single platform, realizing the information management of most workflows and greatly improving the supplier management efficiency.

Supplier Approval

Hengrui Pharma strives to develop and introduce high-quality suppliers on a continuous basis, as well as to establish supplier approval standards and to review their qualifications in terms of factors such as innovation and R&D capability, product quality, occupational health and safety, and environmental management. In addition, we have established a cross-departmental collaboration mechanism to ensure proper and stringent supplier approval inspections and comprehensive evaluations.

In 2022, we formulated policies for material suppliers such as the *GMP Material Supplier Approval Management System*, the *Non-GMP Material Supplier Approval Management System*, the *Customized R&D Material Supplier Approval Management System*, the *Fixed-asset Supplier Approval Management System*, and the *Service Supplier Approval Management System* to further clarify the approval principles of various key supplier categories and to precisely identify and control the risks in the process of key material approval.

Integrity Procurement

We adhere to a procurement policy emphasizing "transparency and openness" and avoid the risk of corruption and bribery through a multi-party coordinated procurement process. Since this reporting period, we have included integrity clauses in our contracts with suppliers, announced relevant reporting channels, and stipulated that procurement agreements must be terminated if bribes are found. In 2022, there was no breach of integrity in the procurement system.



Supplier Assessment

We have established a mechanism for the objective, quantitative, and scientific evaluation of supplier performance in order to conduct scheduled and unscheduled inspections of our suppliers through an interdepartmental collaboration mechanism. In addition, we manage and grade suppliers based on performance evaluation results, and we use supplier grades to guide the subsequent procurement order plan. Our perspectives on assessment and evaluation include quality, price, delivery, qualification, safety, the environment, and service behavior.

In 2022, we established the *GMP Material Supplier Performance Evaluation Management System*, which specifies the evaluation frequency according to material categories and characteristics, and conducts routine supplier evaluations to identify and control supply chain risks effectively.

Supplier Audit

To ensure supply chain stability and reduce quality and safety risks, we conduct audits independently, covering 98% of suppliers and primarily including their product quality and health and safety management capabilities. We stipulate that all critical materials, such as raw and auxiliary materials, internal packaging materials, and chemical intermediates, need to pass quality audits, and non-critical materials, such as external packaging materials, fixed assets, and non-GMP materials, need to be audited when necessary.



Implementing Supply Chain Assurance

Supplier Training

Hengrui Pharma regularly organizes training to train suppliers on regulations, quality control, and other related knowledge and conducts technical and experience exchanges to promote their internal management standardization and technical improvement continuously. In this way, we continuously empower our suppliers to ensure stable quality at the source and truly move towards industry co-construction and win-win outcomes.



Business Stability

Hengrui Pharma ensures supply chain stability by improving supplier integration, encouraging cost control, and developing risk mitigation and contingency plans.

We implement a centralized procurement mechanism, promote standardized procurement procedures, and minimize decentralized procurement of the same product category in terms of supplier management. To empower the Company and increase efficiency, we established a cost reduction and efficiency committee to approve and control procurement costs through commercial negotiations, market research, and cost accounting. We met the cost-cutting target in 2022 as a result of these efforts.



Our initiatives for risk reduction and emergency planning include the following:

- Classifying materials into several types: "high-risk" materials susceptible to market fluctuations and security, "exclusive monopoly" materials provided exclusively by single supplier, "regular" materials with three or more suppliers on the market and their variety and quality meeting our requirements, and "conventional" materials; and implementing different procurement and stocking plans for different material types;
- Making full use of local production capacity to meet future market demand through cross-regional arrangements of production tasks;
- Implementing strategic stocking for certain products to ensure instant demand and ensuring appropriate inventory for products with short expiration dates and unsatisfactory distribution data to respond to unexpected drug demand and reduce expiration risks;
- Promptly analyzing our downstream distributors' inventory to provide guidance for their arrangements and effectively reduce the risk caused by untimely market information feedback.



The above-mentioned management initiatives have significantly reduced Hengrui Pharma's supply chain risks and improved business continuity. Thanks to these initiatives, the total stock-outs caused by unstable raw material supplies lowered to only 3 in 2022 from 15 in 2021.



Achieving Win-Win Results

Hengrui Pharma actively promotes its global strategic deployment and deeply participates in industry co-construction. We have worked with partners from all walks of life, domestically and internationally, to continuously boost technological and medical advancements and jointly build an open and healthy innovation ecology with win-win cooperation.

Deepening International Deployment

Hengrui Pharma has always placed a high value on international market deployment, and expanding into developing and emerging markets is one of our top priorities in going global. We have actively established a presence in emerging markets such as Southeast Asia, Latin America, and Russia over the last year while also continuing to gain a foothold in developed markets such as Europe and the United States. We want patients all over the world to be able to afford our high-quality and safe products.

To provide high-quality and affordable drugs to patients around the world, we comply with local compliance standards and market guidelines in all of our markets, fully consider the local economic development level when setting prices, and lower prices as much as possible within a reasonable range.

We are fully committed to expanding our global footprint, particularly in emerging markets. Our innovative drugs had already undergone years of research, development, and application before we embarked on this venture. In order to expand into new international markets, we conduct local market research and look for products that truly meet local needs. Furthermore, we have maintained long-term, open, and win-win cooperation and partnerships with our world-leading counterparts in these markets. We have actively worked with our partners in Russia and the Middle East to promote the innovative drugs that are already on the market in China, and we are also on track to establish a subsidiary in Singapore so that the innovative drugs and generic products that have been approved in Europe and the United States



can be distributed throughout the Southeast Asian market. Furthermore, our branches and subsidiaries have opened offices in countries and regions such as the United States, Germany, and Japan to work on registration, access, clinical cooperation, and other issues.

As of the end of this reporting period, our products had been available in more than 40 countries. Our developed markets mainly include the United States, Canada, Australia, the United Kingdom and Germany, while the emerging markets are represented by Russia, Saudi Arabia, Kazakhstan, Colombia, Venezuela, India, Pakistan, Honduras, the Philippines, South Africa, Bangladesh, Bolivia, Ecuador, Moldova, and the United Arab Emirates.

Making Industry Contributions

Hengrui Pharma actively upholds its obligation to the industry, aspires to set an exemplary standard, serves as a subject matter expert in the advantageous fields we concentrate on, encourages continuous advancement of industry standards, and consistently pushes the boundaries of the discipline development.



Participated in the revision of GMP guidelines organized by the National Medical Products Administration

In 2022, Hengrui Pharma organized the drafting of the *Management and Audit Guidelines on the Provision of Inspection Services among Pharmaceutical Manufacturers in Jiangsu Province* and revised it in response to the feedback from 21 pharmaceutical enterprises and the provincial and municipal drug regulatory departments in the province. The release of this guideline will help improve the efficiency of drug manufacturers and reduce inspection costs through management within the Group. In addition, we organized the drafting of *GMP Assessment Guidelines* to assist the Jiangsu Medical Products Administration in establishing an assessment mechanism for the enterprises under its supervision and in developing compliance inspection requirements based on the assessment results.



Hosted five thematic satellite meetings at the 25th National Congress of Clinical Oncology to guide the discussions on cutting-edge therapeutic innovation

In November 2022, the 25th National Congress of Clinical Oncology and the 2022 Annual Meeting of the Chinese Society of Clinical Oncology (CSCO) were held both online and offline during the "Oncology Academic Week".

In this year's annual meeting, Hengrui Pharma hosted five satellite meetings themed "Liver Cancer", "Prostate Cancer", "Hematological Tumor", "Lung Cancer" and "Esophageal Cancer", in which authoritative oncology experts were invited to share the cutting-edge advancements in the methods treating various types of cancer. Their thought-inspiring discussions charted the course for the development of treatment solutions in oncology. We expect to promote the industry co-construction through more such scenes to deliver benefits to patients.



Academic sharing by authoritative oncology experts



04

Commitment to Employees and Their Prospects

Hengrui Pharma, an innovative international pharmaceutical company, always adheres to the philosophy of "talent is our primary resource" and "putting contributors first" and values talents. The Company promotes innovative and international talent deployment on a continuous basis and invests in attracting and developing talent, maintaining organizational vitality, and protecting employees' health so that they can realize their self-worth and grow alongside the Company.





Focusing on Employment Diversity

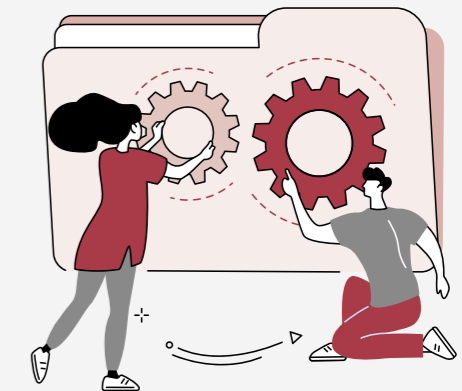
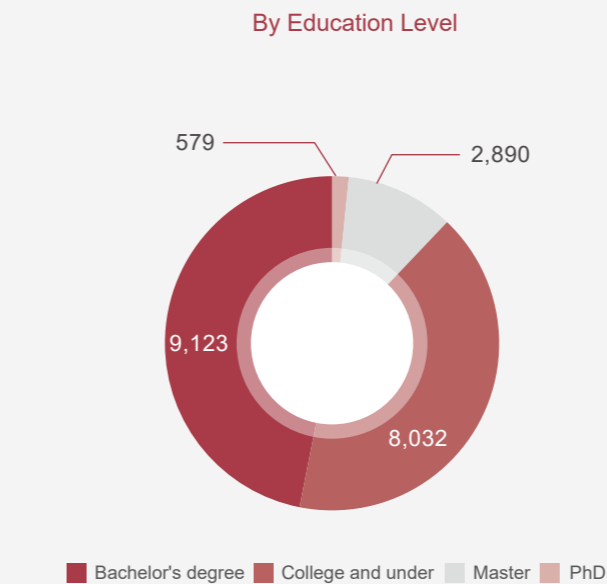
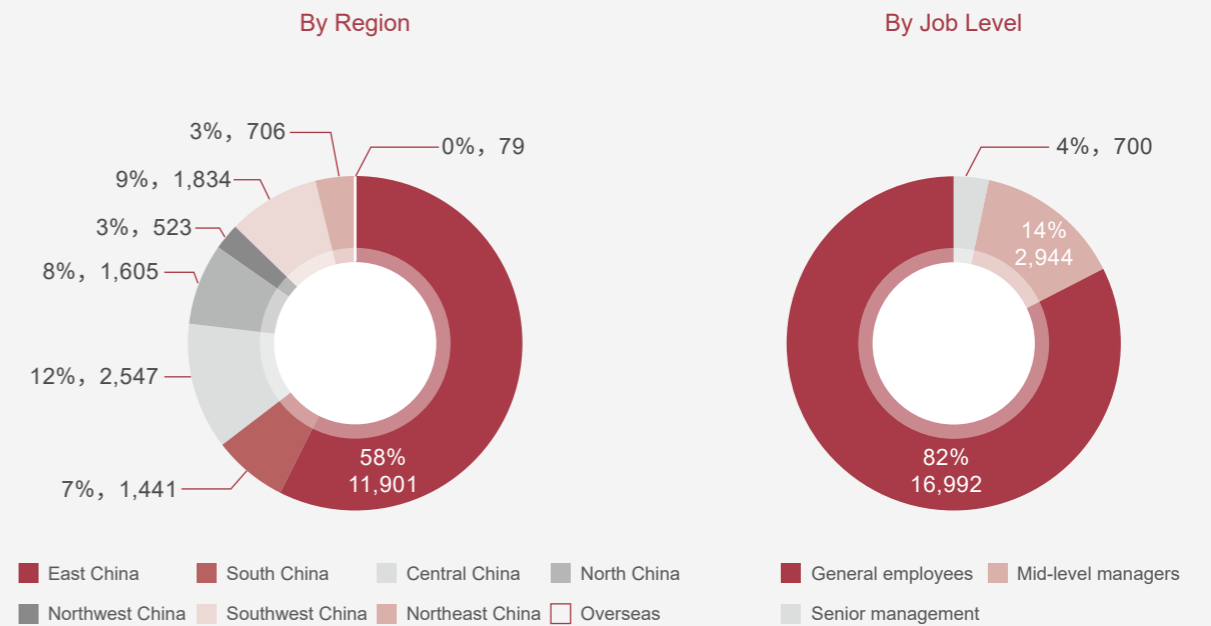
Employment

Hengrui Pharma strictly follows the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law on the Protection of Workers' Rights and Interests, the Provisions on the Prohibition of Using Child Labor, the Provisions of the State Council on the Working Hours of Employees, and other laws and regulations. In addition, we have used the *Employee Handbook* as a guideline and formulated full-process policies such as the *Onboarding Management System and Process*, the *Employee Adjustment Management System and Process*, the *Management System for Employees Leaving their Jobs* to effectively protect labor rights and interests and ensure legal and compliant employment in line with the principles of openness, fairness and impartiality. Hengrui Pharma's employment status at the end of the reporting period is shown as follows.

Hengrui Pharma's Employment Status in 2022

Indicator	Unit	2022
Total Number of Employees	Person	20,636
Number of Females	Person	8,867
Percentage of Females	%	43.0
Number of those from Ethnic Minorities	Person	492
Percentage of those from Ethnic Minorities	%	2.4
Percentage of Females on the Corporate Board	%	11.0
Number of Senior Managers	Person	13
Number of Female Senior Managers	Person	3
Percentage of Female Senior Managers	%	23.1
Average Percentage of Female Senior Managers over the Past Three Years	%	23.0
Number of Managers (Senior and Mid-Level Managers included)	Person	3,644
Number of Female Managers (Senior and Mid-Level Managers included)	Person	1,516
Percentage of Female Managers (Senior and Mid-Level Managers included)	%	41.6
Average Annual Profit per Employee	RMB	189,296
Annual Turnover	%	23.6

Employment by category



Note: Information on the education level of 12 foreign employees is missing because they did not provide relevant information due to GDPR restrictions.

Hengrui Pharma's major human resources awards in 2022

Top Employers Institute

China Outstanding Employer Certification 2022



Universum, a global Employer Branding specialist

Top 100 Most Attractive Employers in China



Top 2 Most Popular Employers in the Pharmaceutical Industry



Top 2 Most Popular Employers among Pharmaceutical Students



SiQiQuan.org and Career International

Medical Talent Brand of the Year in China 2021



Equality and Diversity

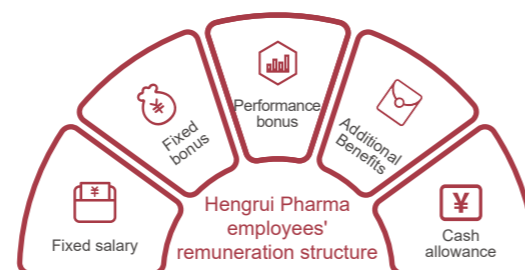
In the recruitment process, the Company strengthens candidate background checks and prohibits the use of child labor and other forms of forced labor. The Company clearly states its stance on providing equal work opportunities in the *Employee Handbook* and prohibits any discriminatory words, actions, or judgments in the recruitment process, including but not limited to ethnicity, race, color, gender, religion, and age factors. These efforts are aimed at creating a workplace environment that is equal, fair, and inclusive for our employees. In 2022, the Company deepened the development of an equal and diverse corporate culture, worked to achieve the goal of enhancing employees' sense of belonging, and integrated the guidelines on providing equal opportunities and achieving diversified development into all aspects of talent training, employee motivation, and humanistic care.

Supporting Talent Development

Hengrui Pharma upholds the maxims "talent is our primary resource" and "putting contributors first", optimizes its talent-planning processes with a focus on innovation and going-global strategies, and offers its employees a fair, diversified, and extensive development platform.

Remuneration Incentives

In accordance with relevant national laws and regulations, Hengrui Pharma has established a salary structure consisting of fixed salary and variable salary, in which variable salary is tied to corporate and personal performance. This is designed to cultivate employees' sense of ownership, stimulate enthusiasm, and improve organizational efficiency.



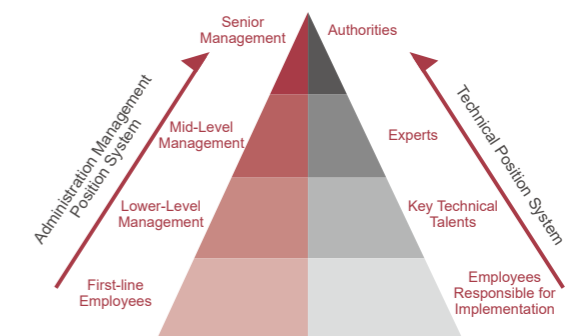
The Company has formulated a strict *Performance Appraisal Management System* and continuously made the performance appraisal more standardized and science-based. In 2022, the Company developed a democracy assessment tool to better listen to employees' voices, and established a performance appraisal team to expand the appraisal perspectives and continuously improve the value and contribution-oriented performance appraisal management system.

In addition, the Company has also launched an incentive plan integrating short-term cash incentives and long-term stock incentives to better retain talents in key positions and provide a solid talent guarantee for its long-term and steady development. At the 2022 General Meeting of Shareholders, we considered and approved the proposal on the *2022 Management Measures on Employee Stock Ownership Plan (Draft) of Jiangsu Hengrui Pharmaceuticals Co., Ltd. and its summary*, and the proposals on the *2022 Management Measures on Employee Stock Ownership Plan of Jiangsu Hengrui Pharmaceuticals Co., Ltd.* We aim to improve our employees' long-term incentive mechanism and strengthen their sense of belonging and identity to the Company by implementing the employee stock ownership plan.

Employee Development

Hengrui Pharma has established a comprehensive employee promotion system and has thoroughly regulated talent selection and appointment in areas such as position review, promotion and advancement, demotion and removal, and workflows based on the principles of clear standards, transparency, and a blend of subjective and objective evaluation.

The Company is constantly strengthening internal talent training and development, fully supporting internal rotations and transfers, and offering diverse career development paths to employees in managerial and technical positions.



Hengrui Pharma's multiple career paths

- Professional positions are divided into:
- R&D Category
 - Marketing Category
 - Manufacturing Category
 - Supporting Function Category

The Company fully supports all employees (including full-time, part-time, and temporary workers) in advancing their educational and professional qualifications and certifications, and organizes employees to participate in professional and technical qualification recognition and continuing education each year in accordance with relevant government agency notices. Meanwhile, the Company and its subsidiaries aim to complete the annual talent declaration programs in accordance with the local district government's talent policy and to assist in the declaration of national, provincial, municipal, and district-level innovative and entrepreneurial talents, elite industrial talents, and talents brought in from abroad based on their backgrounds.

Special operational professional and technical qualification certification programs

The Company attaches great importance to work safety, and organizes the special operational professional and technical qualification certification and review for all relevant employees in areas such as electrical engineering, hazardous chemical safety management, high-place operations, and crane machinery command. During the reporting period, a total of 306 employees obtained professional technical certifications issued by the State Administration for Market Regulation, the Jiangsu Provincial Department of Emergency Management, etc.

Employees who obtained a college degree or higher, vocational and technical advancement, or professional and technical titles related to their positions are eligible for special education subsidies offered by the Company. We carried out programs like continuing education for accounting professionals and technicians, professional and technical qualification certification for special operations, and talent qualification certification during the reporting period. In addition, we continued to optimize our talent team pool through our PhD graduate program, graduate scheme, and other talent development programs to develop professional, technical, and managerial human resources capable of adapting to the Company's development path.

Xi'an Jiaotong-Liverpool University Joint Master and PhD Programs

The Company cooperates with Xi'an Jiaotong-Liverpool University on Master's and PhD programs. As of the end of the reporting period, the programs had enrolled three PhD students and three postgraduates. The programs provide our employees with opportunities to gain better academic qualifications, which is of great significance to our talent cultivation and employee incentives and retention.

"Stellar Program" Graduate Scheme

In 2022, the Company launched the "Stellar Program", a graduate recruitment program. The program, as an important component of our talent strategy, will develop excellent and critical employees who know how to operate and manage the Company well, and support the long-term strategies and business development. It offers tailored career development plans for each member including mentorship, rotational practice, systematic training, and challenging projects, to help them become a new generation of core talents with global perspectives.

Employee Training

Hengrui Pharma commits to talent training and provides various professional and scientific training programs to empower talents, enhance organizational vitality, and help them continuously develop with the Company.

We have prepared various training courses for different groups of employees, such as newly hired graduates, front-line employees, reserve talent, critical technical professionals, newly promoted managerial professionals, and core managers, to help our employees at all levels comprehensively improve themselves.



Caring for Employees

Hengrui Pharma cares for its employees from multiple perspectives. It continuously improves their sense of belonging and satisfaction with efficient employee communication, various employee benefits, and diversified activities.

Employee Communication

Hengrui Pharma respects its employees' freedom of association and has established groups for Communist Party affairs and a trade union in accordance with laws and regulations such as the Trade Union Law of the People's Republic of China, the Constitution of the All-China Federation of Trade Unions, and the Labor Law of the People's Republic of China. Our trade unions cover employees' representatives such as workers, technicians and managers, senior managers, party members, league members, young employees and female employees. In 2022, we held three staff representative assemblies, discussing and approving important rules and regulations such as the *Attendance Management System of Jiangsu Hengrui Pharmaceuticals Co., Ltd.*, which are closely related to the rights and interests of our employees, and fully protected their democratic rights to participation in the reform and development of the Company.

We have formulated the *Hengrui Pharma's Management System of Employee Feedback and Complaints*, and set up multiple channels for employee communication such as employee hotline, compliance hotline, general manager's email, enterprise WeChat, and questionnaires. We seek to encourage our employees to actively communicate and offer suggestions on the development and construction of the Company.

Employee Welfare

The Company cares about the well-being of its employees, and provides them with both statutory benefits and additional and special benefits to continuously improve their welfare.

- Statutory Holidays
- Legal holidays
- Localized social security contributions
- Housing Provident Fund
- ...



- Holiday care gifts
- Birthday care gifts
- Annual physical examination
- Annual salary adjustment
- Work-from-home leave
- Assistance for major disease
- High-temperature allowances
- ...

- Additional commercial insurance
- Title allowances
- Maternity care gifts
- Scholarship/grants
- Housing allowances
- Gynecological examination
- Hospitalization care gifts
- ...



Benefits for female employees

Hengrui Pharma actively responds to national policies and strictly complies with administrative regulations such as the Special Rules on the Labor Protection of Female Employees and the Provisions on Maternity Insurance for Employees in Jiangsu Province to protect all the benefits of its female employees and seeks to develop an equal workplace environment. We firmly uphold the rights of female employees such as paid marriage, maternity, and breastfeeding leave, and other statutory holidays, and provide them with additional benefits such as mother-and-baby rooms and female health checkups. In 2022, we extended the maternity and parental leave and increased the maternity care allowances, fully delivering care to our female employees.

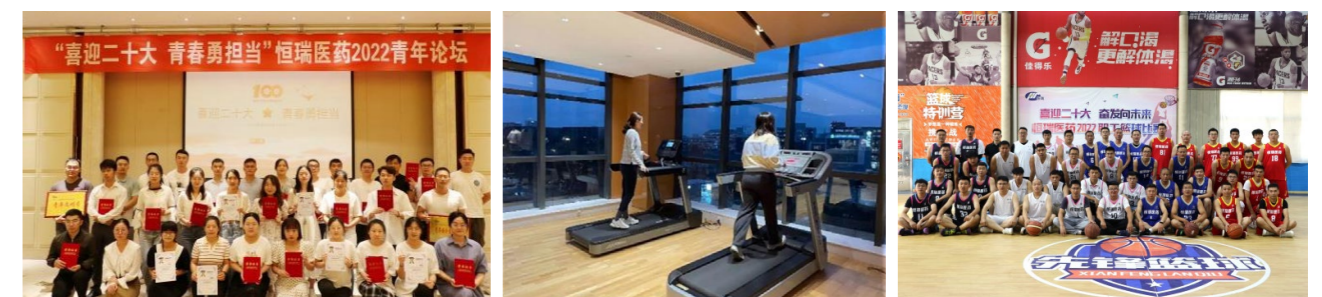
Humanistic Care

Hengrui Pharma values work-life balance, advocates the philosophy of "happy work, happy life", and creates a friendly working environment by organizing various employee activities.

The Company has established 12 interest associations, including badminton, basketball, table tennis, board games, swimming, vocal music and yoga, to encourage employees to actively participate in various cultural and sports activities after work and to strike a balance between work and rest. In 2022, each association organized various activities and competitions such as gas volleyball, basketball, swimming, and board games, enriching over 2,000 employees' life.



The First Employee Gas Volleyball Competition



Youth Forum 2022

Employee Gym

Employee Basketball Competition

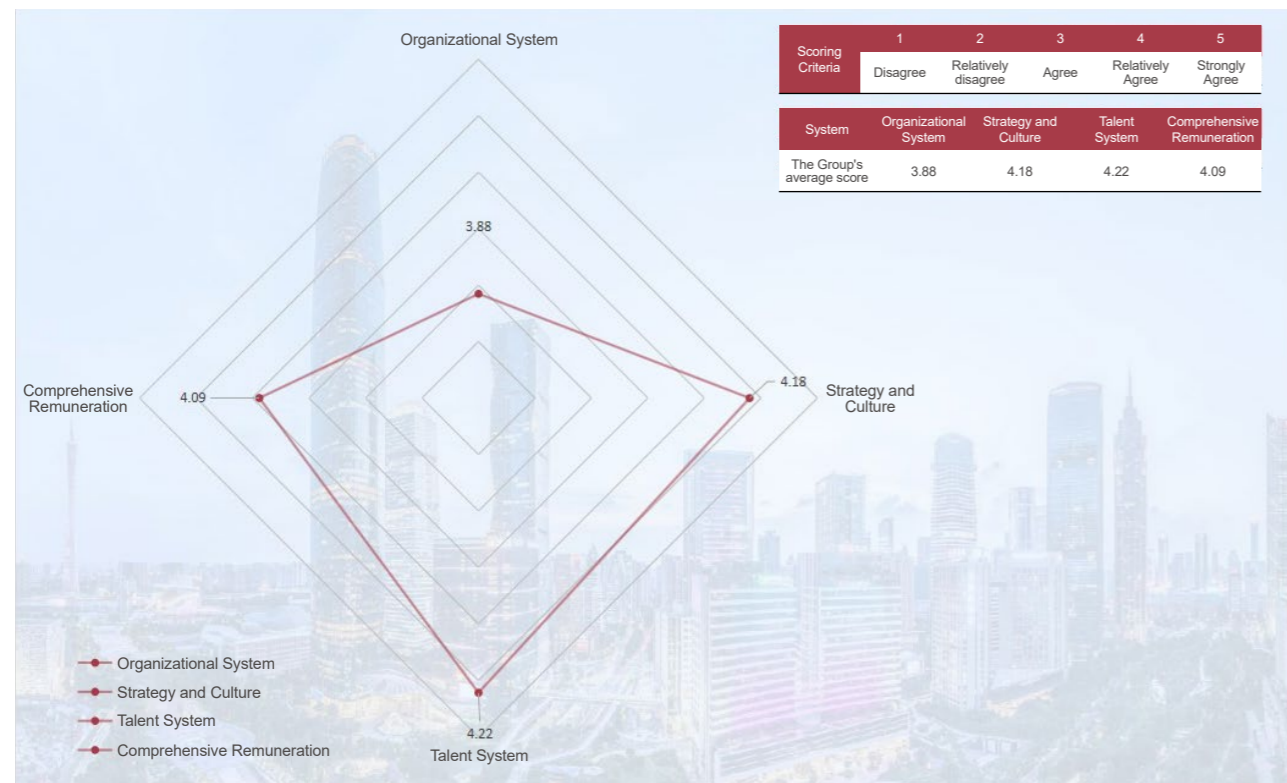
Every year, during Mother's Day, Mid-Autumn Festival or Children's Day, the Company invites employees' parents and children to join its family day activities. In 2022, we organized "Dragon Boat Festival at Hengrui Pharma", "Mid-Autumn Festival: I am Pretty Great Being Away from Hometown" and other holiday-themed activities and offered holiday care gifts, so that our employees could fully experience the holiday vibe and receive our care.



Diversified holiday activities and care gifts

Employee Engagement

In 2022, the Company conducted a survey on employee engagement in the form of questionnaires and interviews with key personnel and covering four perspectives, which are strategy and culture, organizational system, talent system, and comprehensive remuneration. A total of 2,765 questionnaires were collected, and the employee engagement score was 4.09 (out of 5).



Hengrui Pharma's employee engagement survey results in 2022

In response to the issues identified in our surveys, such as redundant work and approval processes, inefficiency and the platforms being less informatized, the Company set up a comprehensive coordination working group for digital transformation and built various digital systems for areas such as human resources, business process management, and training examinations in 2022, to improve our employees' engagement and increase operating efficiency.

Safeguarding Health and Safety

Hengrui Pharma adheres to the workplace safety policy of "putting safety first, prioritizing prevention, and pursuing comprehensive management" and actively promotes the development of production safety standards as well as improving our work safety management capabilities. We also vigorously provide various types of safety culture activities, strive to create a good safety culture, consolidate the culture foundation, and effectively safeguard our employees' health and life. We strive to keep our production and operations stable and orderly.

Safety Management System

Hengrui Pharma strictly complies with the requirements of laws and regulations such as the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and has established internal management systems such as the *Management Measures of Production Safety Accidents*, the *Occupational Health Management System*, the *Supervision and Management Regulations on Special Equipment Safety*, and the *Biosafety Management System*. We have established a robust work safety management system. We have made comprehensive efforts to ensure the fulfillment of work safety responsibility, investigate and rectify the weak links and potential hidden hazards, implement work safety measures, raise the safety awareness and emergency response capability of all our employees, and effectively enhance our work safety management. As of the disclosure date of this report, the Company had passed the ISO 45001 Occupational Health and Safety Management System Recertification.



ISO 45001 Occupational Health and Safety Management System Certification

Furthermore, the Company strictly controls contractor approval and continuously improves its on-site safety management. We established and improved the contractor management system, which strictly enforces construction safety measures, effectively controls risks, and eliminates hidden dangers. We have also provided extensive contractor training, improved their employees' safety ability and awareness, effectively improved their safety management capabilities, and built a strong defense line for contractor safety management.

Safety Management

Hengrui Pharma strictly enforces the work safety responsibility system, signs the work safety responsibility letter at all levels, strictly enforces the production safety reward and punishment assessment mechanism, and incorporates the performance of employees' responsibilities into the duty appraisal system.

The Company adheres to the principle of "preventing problems before they occur, controlling them at the source, prioritizing prevention, and implementing comprehensive management" and continues to promote the dual prevention management system of both safety risk classification and hidden hazard investigation and management. The Company conducts various types of safety inspections such as safety inspections and hidden hazard investigations by experts, takes practical measures to fill all kinds of safety loopholes, and builds a robust safety line of defense based on real-life production scenarios and seasonal characteristics of each plant.



Classified safety risk control



Safety inspections

Furthermore, we are constantly promoting standardized work safety in all our plants to improve our safety management capabilities. There were no major safety incidents at Hengrui Pharma during the reporting period.

Occupational Health

The Company places a high value on its employees' health, organizes annual occupational health checkups and health examinations for female employees, monitors occupational disease hazards in all plants regularly per statutory requirements, and continues to improve employee health monitoring files.

In 2022, the Company added basic diseases like hypertension, diabetes, and cardiovascular disease to its employee health monitoring files and installed self-service blood pressure testing stations in all of its plants. We also invited external experts on a regular basis to provide health training for employees on occupational health and basic diseases in order to improve their health protection capability and protect their health.

Constructing a Safety Culture

In 2022, Hengrui Pharma organized numerous safety culture construction activities, including "Work Safety Month", "Fire Safety Month", and "Hidden Hazards Investigation Month". Through training, competitions, drills, sharing sessions, and other diverse activities, we hope to foster a culture in which everyone increases their safety knowledge and awareness.



Regular safety training

The Company regularly conducts safety knowledge education and training for all employees, focusing on laws and regulations, industry standards, recent safety hazards, occupational health and traffic safety. At the same time, we have conducted several assessments such as "safety quiz" and EHS knowledge theory tests in order to test employees' safety awareness and promote the implementation of work safety responsibility.



Regular safety training



"Work Safety Month" key promotional activities

During the "Work Safety Month" in 2022, the Company organized safety knowledge competitions and safety skill competitions to promote work safety regulations, occupational health knowledge, emergency response measures and self-rescue methods to employees and raise their safety awareness.



"Work Safety Month" activities

In addition, the Company held a learning and exchange meeting of "Everyone Talks about Work Safety", live social media lectures by safety personnel, "Work Safety Month" award-winning quiz, "Work Safety Month" special issues and other diverse activities to guide the employees to further master safety knowledge in a fun and educational way, and effectively promote the construction of its safety culture.



Comprehensive emergency drills

We formulate annual emergency drill training plans and continuously optimize our risk emergency plans based on the results of the drills, to improve our emergency response mechanism.

In 2022, the Company organized various emergency drills for firefighting evacuation, chemical leakage, emergency rescue, special equipment, confined space accidents, flood and typhoon prevention, heat stroke prevention, etc., to improve employees' emergency response capability in all aspects.



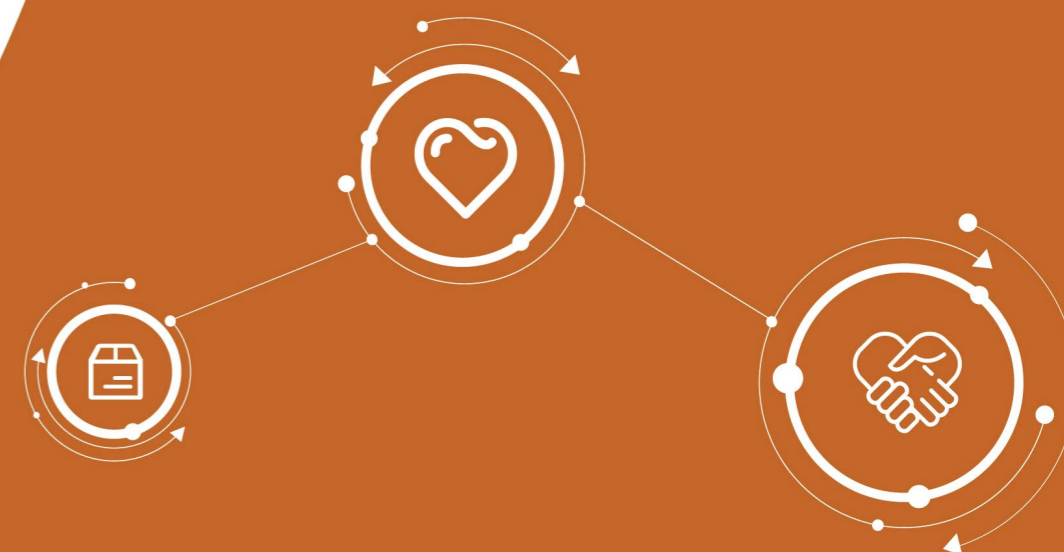
Emergency drills



05

Dedication to a Healthier Life

With the social responsibility of a "corporate citizen" in mind and the professional advantages in healthcare, Hengrui Pharma has actively participated in promoting access to healthcare and various social public courses. In order to benefit more patients and lead a healthy life, the Company focuses on medical infrastructure development, education revitalization, and patient-centered public welfare projects.





Making Health Care Services More Accessible

Hengrui Pharma adheres to the patient-centered philosophy and drives its development with both innovation and the going global initiative, thereby increasing the accessibility of healthcare services worldwide.

Promoting Access to Healthcare

Hengrui Pharma adheres to the provisions of the Doha Declaration on the TRIPS Agreement and Public Health on compulsory licensing of relevant medicines in order to safeguard the public's health. We strictly adhere to the compulsory licensing provisions of the Patent Law of the People's Republic of China, and we support the development of a more thorough compulsory licensing policy and judicial review processes to increase access to medications. We manage our intellectual property responsibly and sustainably, and support innovative solutions for handling intellectual such as the Medicines Patent Pool, and the acceleration of innovative research on unmet clinical needs through intellectual property licensing.

The Strategy Committee is responsible for overseeing the implementation of the Company's access to healthcare initiatives, and the Board of Directors has included access to healthcare issues in its decision-making process. The Strategy Committee, as the governance body for our ESG work, proposes and assesses the Company's strategic plan for access to healthcare, oversees the implementation of pertinent policies and plans, and reports to the Board of Directors on all our access to healthcare-related issues. The Strategy Committee fully considers the factors involved in access to healthcare when making significant strategic and investment decisions, such as the creation of subsidiaries, exports, and product registration, with the goal of supplying our products to more countries and regions for the benefit of more people. To ensure the smooth and effective implementation of our access to healthcare work, including expansion into emerging markets, access to medical insurance, licensing of patents, collaboration with governments, and public health improvement, the Company's departments in charge of access to healthcare, business development, international business, and intellectual property rights have fulfilled their respective responsibilities.

The Company participated in a number of seminars and roundtable discussions held by the Ministry of Commerce of the People's Republic of China, the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCCMHPIE), and other organizations during the reporting period, and made pertinent recommendations on the policies of access to healthcare, general competition of drugs, and drug exports.

Medical insurance benefits on the domestic market

Hengrui Pharma fully supports medical insurance for the benefit of the people and uses pharmaceutical innovation to protect public health. With the publication of the National Drug List for Basic Medical Insurance, Work Injury Insurance, and Maternity Insurance (2022 Edition), a total of 93 Hengrui Pharma products were included in the list at the end of this reporting period, including all of its 11 marketed innovative drugs, enhancing drug accessibility and affordability and allowing more new and good drugs to better benefit patients.

Fair pricing on the international market

Hengrui Pharma fully considers the differences in economic development and medical levels of different countries and regions in the process of overseas market deployment and expansion and implements the principle of fair pricing for oncology drugs such as Cyclophosphamide Injection and albumin-bound paclitaxel in order to provide high-quality and affordable drugs in more developing and low- and middle-income countries and regions.

Contributing to the Healthy China Initiative

Hengrui Pharma has actively responded to the "Healthy China 2030" Outline and contributed to the Healthy China Initiative by adhering to the guiding principle "A homegrown Chinese corporation should give back to China".



The "Thousands of Hospitals, Ten Thousand Doctors" program enhanced the capabilities of primary care workers

In 2022, Hengrui Pharma worked with YouChange China Social Entrepreneur Foundation to launch the "Thousands of Hospitals and Tens of Thousands of Doctors" Healthcare Program, which is dedicated to supporting thousands of county-level medical institutions and nearly one million primary care workers to improve their capabilities in central and western China. At the same time, the Company also launched the "Great Care" public welfare health project, providing charity treatment services for women, left-behind children, the elderly and other people who have difficulty accessing adequate medical resources in the region.



Provided funding to support research innovation and talent development

Hengrui Pharma worked with the Clinical Pharmacy Branch of the Chinese Medical Association and the Hospital Pharmacy Committee of the Chinese Pharmaceutical Association in the establishment of a national pharmacy research and talent training special fund, in order to build a high-level research exchange platform in the field of pharmacy, further improve the clinical and scientific research capabilities of pharmacists, and promote the sustainable development of pharmacy. In 2022, a total of 65 research fund special projects were set up to effectively promote clinical pharmacy.

In 2022, the Company also made donations to the "Hengrui Pharma on the Medical Road - Diabetes Metabolic Research Fund" initiated by the China International Medical Foundation and the Chinese Journal of Diabetes, aiming to promote the development of comprehensive treatment and scientific research of metabolic diseases, and further enhance the scientific research capability of Chinese doctors in the field of diabetes and other endocrine metabolic diseases.

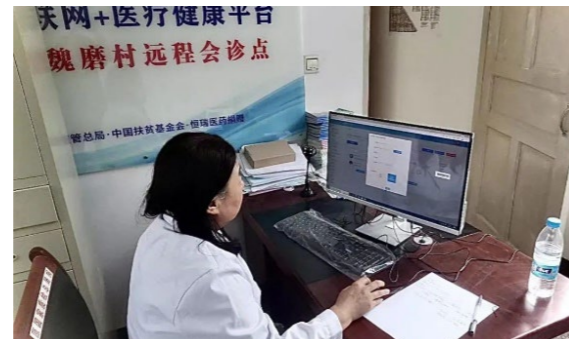


The "Health Assistance" program contributed to rural revitalization by providing better medical resources

Hengrui Pharmaceutical Group donated RMB 30 million to the China Foundation for Rural Development to provide targeted support for the "Health Assistance" program. Through initiatives such as training and skill enhancement for primary medical workers, donations of intelligent medical equipment and remote consultations, we have effectively helped build medical service networks in key counties for rural revitalization where transportation is limited, and built a firm line of defense for people's health. Up to now, the first batch of projects implemented in Jishishan, Weiyuan and Li counties in Gansu Province have all been completed.



Villagers are using the donated intelligent medical equipment



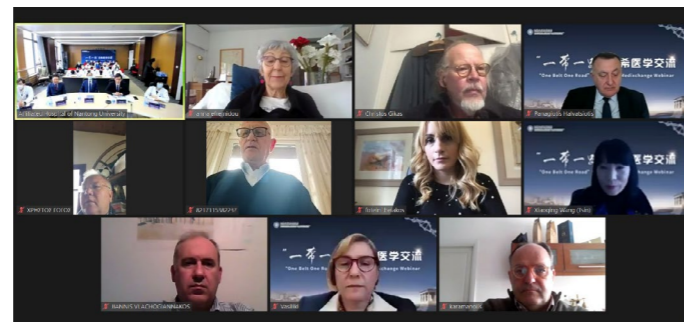
Remote consultations in Weimao Village, Li County, Gansu Province

Conducting International Cooperation

As a multinational pharmaceutical corporation, Hengrui Pharma adheres to its global brainpower pooling development strategy. The Company leverages its international deployment advantage to promote exchanges and cooperation among industry, academia, research institutes, and application organizations in order to promote global accessibility to medicines and the common development of pharmaceutical disciplines.

The China-Greece Medical Exchange Conference under the Belt and Road Initiative

In 2022, Hengrui Pharma reached cooperation with the Ministry of Health of Rafina Municipality of Athens, Greece, and the Athens Medical Association of Greece and launched the first medical exchange conference to help Affiliated Hospital of Nantong University and Metropolitan Hospital and Elpis Athens General Hospital of Greece to conduct academic exchanges in hospital management and discipline development. Under the Belt and Road Initiative, Hengrui Pharma will continue to work with various partners to build the "Silk Road of Health with Concerted Medical Efforts".



China-Greece Medical Exchange Conference

Academic Exchange Meeting between Gansu Provincial Cancer Hospital and the National Cancer Center Hospital of Japan

In 2022, the first Academic Exchange Meeting between Gansu Provincial Cancer Hospital and the National Cancer Center Hospital of Japan, led by Hengrui Pharma, was successfully held. During the meeting, the two sides exchanged and shared views on hot topics in medicines such as head and neck tumors, and agreed to build a regular exchange platform, laying a solid foundation for subsequent exchanges on disciplines, scientific research cooperation and talent development.

In addition, the Company places a premium on the availability and affordability of medications in developing nations, takes into account the local market, economic, and medical conditions, and engages in drug exports and assistance. We exported over three million doses of Cisatracurium Besylate Injection to Brazil at a reduced cost, thereby significantly alleviating the local medication shortage. In 2022, we reached an agreement with Venezuela on a Sevoflurane for Inhalation assistance program, allowing the local market to gain access to the anesthetic drug via more stable channels and at more affordable prices.

Delivering a Healthy Life for All

With a focus on the "Healthy China 2030" Outline, Hengrui actively conducts public welfare clinical medicine projects, serving the health and well-being of people and making a contribution to the Healthy China Initiative through a variety of initiatives like patient care, disease knowledge promotion, and drug donations.

Patient Care

The Company actively participates in anti-cancer public welfare actions by leveraging its rich experience in the R&D and marketing of oncology drugs and scientific research advantages. Our Central Marketing Department has set up a patient education and service team to work with local experts and authorities, industry associations, patient organizations, and media partners to care for and educate cancer patients and their families.





"With All Your Love" patient care public welfare brand

Hengrui Pharma has established the "With All Your Love" patient care brand to help patients' families build confidence in fighting cancer and rebuilding the beauty of life through continuous investment. In 2022, the brand supported patient care programs such as the "With All Your Love – After Five Years" rehabilitation salon, the "Seeing the Power Here" breast health promotion workshop and "With All Your Love - Pink Companion Program", aiming to promote critical knowledge on early screening, diagnosis, and treatment of breast cancer. It also encourages patients to pay attention to spiritual and psychological rehabilitation, and makes Hengrui Pharma's contributions to improving the 5-year survival rate and the quality of life of breast cancer patients in China.

With its continuous contributions in tumor prevention and treatment and outstanding performance in practicing corporate social responsibility, the "With All Your Love" patient care public welfare brand won the "2022 Public Welfare Practice Award" and the "Public Welfare Project Award" in the 12th Public Welfare Festival.



"Seeing the Power Here" breast health promotion workshop and "With All Your Love - Pink Companion Program"



Awards in the 12th Public Welfare Festival



Disease knowledge education

The Company places a high premium on disease prevention and education, and regularly disseminates knowledge of women's health, tumor treatment, diabetes and other diseases by publishing scientific articles, knowledge promotion cartoons, and video lectures on social media platforms such as WeChat official account. We seek to raise public health awareness.



Knowledge promotion of tumor prevention and treatment on World Cancer Day



Cartoons promoting disease knowledge

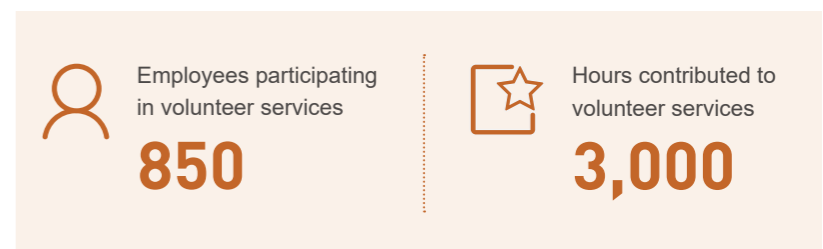
Drug Donations

Hengrui Pharma actively participates in national efforts to revitalize rural areas by using its industrial advantages to help patients in need in places with a lack of medical resources.

In order to support the expansion of long-term medical examinations and specialized medical treatment in the area and advance the development of health care in the Tibet Autonomous Region, the Company actively participates in the public welfare project "Health for All in Tibet" launched by the Tibet Development Fund. To support the project's charitable treatment efforts in 2022, the Company donated 5,000 boxes of Clarithromycin Extended-release Tablets (0.5g*7 tablets per box).

Practicing Social Responsibility

Hengrui Pharma actively fulfills its social responsibility, focuses on the development of China's health and education, maximizes its advantages in the pharmaceutical and healthcare industries, and participates actively in various social welfare initiatives. During the reporting period, 850 employees contributed 3,000 hours of volunteer services.



Contributing to Education

Hengrui Pharma recognizes that education is critical to a country's prosperity and social progress. To that end, we are actively working to revitalize education. The "Six-Year Donation Plan of Ganyu District Education Development Foundation" was established to improve basic education in Ganyu District, Lianyungang City, Jiangsu Province.

Furthermore, we fully support the education and development of young talents in various fields such as pharmaceutical research and management, and we collaborate with various universities by providing programs such as the PhD graduate program and the "Stellar Program" Graduate Scheme to ensure that the Chinese pharmaceutical industry is constantly supplied with high-quality talents.



Anti-pandemic and Disaster Relief

In March 2022, after the sudden outbreak of the Covid-19 epidemic in Lianyungang City, the Company took prompt actions and invested vast resources and efforts to help prevent and control the epidemic. On March 19, we donated RMB 2 million to the Red Cross Society of Lianyungang Economic and Technological Development Zone to respond to the epidemic in the city. On November 21, we donated ten nucleic acid testing booths and supporting materials to Xindong Street Office and Puhe Community in the city to help improve the working environment for medical workers to conduct nucleic acid tests. These efforts are aimed at further ensuring the efficiency and quality of nucleic acid sampling and better serving the overall pandemic prevention and control efforts.

In April 2022, the Yangtze River Delta Pharmaceutical Innovation and Development Alliance held a donation ceremony for anti-pandemic materials, and some of its members donated supplies worth nearly RMB 10 million to Shanghai in corporation with companies in areas such as logistics, transportation, and medical protective supplies to help prevent and control the epidemic in Shanghai. Among them, we donated supplies worth RMB 3 million, including more than 20 million disposable medical nitrile gloves, more than 10 million medical masks, 600,000 bottles of spray-type medical alcohol and gel-type disinfectant solution, 10,000 pieces of isolation masks, etc. In addition, after the outbreak of the epidemic in Shanghai, the Company actively fulfilled its main responsibility, strengthened its own pandemic control efforts, and donated RMB 2 million to Shanghai Charity Foundation through the "Shangyuan Love Public Welfare" special fund jointly established with Shanghai Pharma. The donated funds were used to purchase anti-pandemic materials and assist Shanghai's cabin hospitals and other places in urgent need of materials.



Anti-pandemic donations

In 2022, as the pandemic prevention and control got into a new phase, the market demand for common drugs such as antipyretic and cough medicines surged. We made every effort to expand the production capacity of key drugs such as ibuprofen, ambroxol and acetaminophen injection, and took multiple measures to ensure their supply and price stability. These efforts were recognized and publicly commended by the Ministry of Industry and Information Technology.

中华人民共和国工业和信息化部

慰问信

江苏恒瑞医药股份有限公司:

律回春晖渐,万象始更新。值此癸卯兔年来临之际,工业和信息化部向贵公司(企业)为医疗物资保供作出的贡献表示衷心的感谢,向奋战在医疗物资生产供应一线的公司员工致以诚挚的慰问!

2022年12月中旬以来,部分重点医疗物资出现供应紧张,贵公司闻令而动,迎难而上,克服困难,迅速稳产达产,努力增产扩产。大家加班加点,不辞辛劳,全力做好布洛芬混悬液生产供应,有力保障防控需求,彰显责任担当。新的一年,希望贵公司慎终如始,再接再厉,继续做好布洛芬混悬液生产供应工作。让我们共同努力,为打赢医疗物资保供攻坚战作出更大贡献。

衷心祝贵公司全体员工新春快乐、身体健康、阖家幸福、万事如意!

工业和信息化部运行局
2023年1月19日

抄送:江苏省工业和信息化厅

Letter from the Ministry of Industry and Information Technology

List of Major Applicable Laws and Regulations

Chapter Names	Laws and Regulations	Internal Policies
Effective Governance for Steady Corporate Growth	<ul style="list-style-type: none"> Company Law of the People's Republic of China Securities Law of the People's Republic of China Code of Corporate Governance for Listed Companies Rules Governing the Listing of Stocks on Shanghai Stock Exchange (February 2023 Revision) Guidelines No. 3 of the Shanghai Stock Exchange on the Application of Self-Regulation Rules for Listed Companies—Industry Information Disclosure: pharmaceutical manufacturing (No. 6) (2022 Revision) Regulatory Guidelines for Listed Companies No. 3—Distribution of Cash Dividends of Listed Companies (2022 Revision) Medicinal Product Administration Law of the People's Republic of China Regulations for the Implementation of the Drug Administration Law of the People's Republic of China Measures for the Supervision and Administration of Drug Production Anti-Money Laundering Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Constitution of the All-China Federation of Trade Unions Constitution of the Communist Party of China Constitution of the Communist Youth League of China 	<ul style="list-style-type: none"> Articles of Association Investor Relations Management System Measures for Compliance Management of Jiangsu Hengrui Pharmaceuticals Co., Ltd. Speaker Management System Compliance Guidelines for Academic Conferences Compliance Guidelines on Case Collection Compliance Guidelines on Marketing Compliance Manual for All Employees (For Trial Implementation) The List of Prohibitive Actions and Obligations for Employees (For Trial Implementation) Regulations on Marketing Provisions on Further Regulating Employees' Reporting Behavior Management System of Information Disclosure Matters Management and Registration System of Inside Information and Insider Internal Information Reporting System Management Measures of the Compliance Team of Business Units Management System for Supervision of Major Matters Notice on the Establishment of Compliance Management Organization and Appointment of Relevant Personnel in Business Units Notice on Further Standardization of Area Division Adjustment and Job Handover Notice on the Launch and Implementation of Meeting Management Projects

Chapter Names	Laws and Regulations	Internal Policies
Sustained Green Development for a Better Eco System	<ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Atmospheric Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes Soil Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise Law of the People's Republic of China on Environmental Impact Assessment Cleaner Production Promotion Law of the People's Republic of China Measures for the Environmental Emergency Response Management Measures for the Administration of Record-filing of Environmental Emergency Response Plans for Enterprises and Public Institutions (for Trial Implementation) Regulation on the Administration of Permitting of Pollutant Discharges Energy Conservation Law of the People's Republic of China Water Law of the People's Republic of China 	<ul style="list-style-type: none"> Environmental Protection Management System Environmental Health and Safety Plan Environmental Health and Safety Expectations and Performance Assessment Procedures for Conformity Evaluation of Laws, Regulations, and Other Requirements Hengrui Pharma 2021-2025 EHS Plan Chemicals Management Procedures Occupational Health Management System The Accident Investigation Program Environmental Health and Safety Training Program Environmental Health and Safety Inspection Plan Emergency Preparedness and Fire Prevention Plans Facilities and Equipment Review Program Plan for Contractor Health and Safety Management System of Pollution Source Monitoring Facilities Operation Solid Waste Management Regulations Regulations on the Safety Supervision and Management of Special Equipment EHS Group Management Charter Measures for EHS Management Assessment (For Trial Implementation) Management Regulations on Exhaust Gas Pollution Prevention and Control (for Trial Implementation) Management Regulations on Water Pollution Prevention and Control (for Trial Implementation) Management Regulations on Automatic Monitoring of Pollution Sources Management System for the Legal Disclosure of Corporate Environmental Information

Chapter Names	Laws and Regulations	Internal Policies
Improved Innovation for Excellence	<ul style="list-style-type: none"> • Medicinal Product Administration Law of the People's Republic of China • Measures for the Administration of Drug Registration • Measures for the Supervision and Administration of Drug Production • Measures for the Administration of Post-Marketing Drug Changes (For Trial Implementation) • Good Clinical Practice • Good Manufacturing Practices for Pharmaceutical Products (2010 Revision) • Regulation on the Administration of Narcotic Drugs and Psychotropic Drugs • Management Measures on the Production of Narcotic Drugs and Psychotropic Drugs • Specifications for Pharmacovigilance Quality Management • Provisions on the Administration of Pharmaceutical Directions and Labels • Regulation on the Administration of Laboratory Animals • Personal Information Protection Law of the People's Republic of China • Cybersecurity Law of the People's Republic of China • General Data Protection Regulation (GDPR) • Health Insurance Portability and Accountability Act (HIPAA) • Patent Law of the People's Republic of China • Trademark Law of the People's Republic of China 	<ul style="list-style-type: none"> • <i>Guidance Protocol for Classification of Changes Related to Drug Application of Domestically Marketed Chemical Drugs</i> • <i>Remote Audit Management Procedures</i> • <i>Investigation Procedures for Out of Expectation (OOE) and Out of Trend (OOT) Results</i> • <i>Regulations on Marketing</i> • <i>Ten Prohibitions for Ensuring Integrity of Sales Management</i> • <i>Guidelines on Basic Work Regulations of Sales Representative</i> • <i>Guidelines on the Work Regulations of Marketing Executives</i> • <i>Management System of Trade Secret Carriers (For Trial Implementation)</i> • <i>Personal Data Privacy Protection Policy</i> • <i>Notice on Strengthening Management of Information Data and Network Conference Security</i> • <i>Management Measures on the Regulation of Pre-registration Approval of Published Papers and Clinical Trials</i> • <i>Management Measures of Patent Application of Hengrui Pharma</i> • <i>Regulations on Patent Maintenance Process of Hengrui Pharma</i> • <i>Naming Rules for Pharmaceutical Products</i> • <i>Patent Writing and Submission Process of the Intellectual Property Department</i> • <i>Patent Business Review Operation Guidelines</i> • <i>Assessment Measures of the Intellectual Property Department</i> • <i>Management Regulations on Product Supply Assurance and Assessment</i> • <i>Production Cost Management System of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (for Trial Implementation)</i> • <i>Production Plan Management Procedures</i> • <i>GMP Material Supplier Approval Management System</i> • <i>GMP Material Supplier Performance Evaluation Management System</i> • <i>Non-GMP Material Supplier Approval Management System</i> • <i>Customized R&D Material Supplier Approval Management System</i> • <i>Fixed-asset Supplier Approval Management System</i> • <i>Service Supplier Approval Management System</i>

Chapter Names	Laws and Regulations	Internal Policies	
Commitment to Employees and Their Prospects	<ul style="list-style-type: none"> • Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China • Law on the Protection of Workers' Rights and Interests • Provisions on the Prohibition of Using Child Labor • Provisions of the State Council on the Working Hours of Employees • Trade Union Law of the People's Republic of China • Constitution of the All-China Federation of Trade Unions • Special Rules on the Labor Protection of Female Employees • Provisions on Maternity Insurance for Employees in Jiangsu Province • Work Safety Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 	<ul style="list-style-type: none"> • <i>Employee Handbook</i> • <i>Onboarding Management System and Process</i> • <i>Employee Adjustment Management System and Process</i> • <i>Management System for Employees Leaving their Jobs</i> • <i>Performance Appraisal Management System</i> • <i>Attendance Management System of Jiangsu Hengrui Pharmaceuticals Co., Ltd.</i> • <i>Hengrui Pharma's Management System of Employee Feedback and Complaints</i> • <i>Management Measures of Production Safety Accidents</i> • <i>Occupational Health Management System</i> • <i>Regulations on the Safety Supervision and Management of Special Equipment</i> • <i>Biosafety Management System</i> • <i>Contractor Management System</i> 	
	Dedication to a Healthier Life	Patent Law of the People's Republic of China	

GRI Standards

Disclosure Item	Disclosure Title	Page
Universal Standards		
GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021		
The organization and its reporting practices		
2-1	Organizational details	P5
2-2	Entities included in the organization's sustainability reporting	P1
2-3	Reporting period, frequency and contact point	P1-2
2-4	Restatements of information	N/A
2-5	External assurance	N/A
Activities and workers		
2-6	Activities, value chain and other business relationships	P5-8/P66-72
2-7	Employees	P75-86
2-8	Workers who are not employees	P5-10
Governance		
2-9	Governance structure and composition	P13-14
2-10	Nomination and selection of the highest governance body	P13
2-11	Chair of the highest governance body	P13
2-12	Role of the highest governance body in overseeing the management of impacts	P13
2-13	Delegation of responsibility for managing impacts	P13
2-14	Role of the highest governance body in sustainability reporting	P22
2-15	Conflicts of interest	P23
2-16	Communication of critical concerns	P23
2-17	Collective knowledge of the highest governance body	P13/P22
2-18	Evaluation of the performance of the highest governance body	N/A

Disclosure Item	Disclosure Title	Page
2-19	Remuneration policies	P77
2-20	Process to determine remuneration	N/A
2-21	Annual total compensation ratio	N/A
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	N/A
2-23	Policy commitments	N/A
2-24	Embedding policy commitments	N/A
2-25	Processes to remediate negative impacts	P18-19
2-26	Mechanisms for seeking advice and raising concerns	P14/P19/P23
2-27	Compliance with laws and regulations	P13-15/P19
2-28	Membership associations	P71
Stakeholder engagement		
2-29	Approach to stakeholder engagement	P22
2-30	Collective bargaining agreements	N/A
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	P24
3-2	List of material topics	P24-25
3-3	Management of material topics	P24
Topic Standards		
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	P5-6
201-2	Financial implications and other risks and opportunities due to climate change	P43-44
201-3	Defined benefit plan obligations and other retirement plans	N/A
201-4	Financial assistance received from government	N/A
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A

Disclosure Item	Disclosure Title	Page
202-2	Proportion of senior management hired from the local community	N/A
GRI 203:Indirect Economic Impact 2016		
203-1	Infrastructure investments and services supported	P87-96
203-2	Significant indirect economic impacts	P87-96
GRI 204:Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	P66-70
GRI 205:Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	P19-20
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304-3	Habitats protected or restored	N/A
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GRI 305:Emissions 2016		
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305-3	Other indirect/Scope 3 GHG emissions	N/A
305-4	GHG emissions intensity	N/A
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305-6	Emissions of ozone-depleting substances (ODS)	N/A
305-7	Nitrogen oxides (NO _x), sulfur oxides(SO _x), and other significant air emissions	P42

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402-1	Minimum notice periods regarding operational changes	N/A
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405-1	Disclosure 405-1 Diversity of governance bodies and employees	P13/P75/P77
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409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P77
GRI 410:Security Practices 2016		
410-1	Security personnel trained in human rights policies or procedures	N/A
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411-1	Incidents of violations involving rights of indigenous peoples	N/A

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GRI 414:Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	P66-70
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GRI 415:Public Policy 2016		
415-1	Political contributions	N/A
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GRI 418:Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A

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