

Environmental, Social and Governance Report



To comply with the requirements set out in the Environmental, Social and Governance Report Guide issued by the Stock Exchange of Hong Kong Limited in December 2015, the Company hereby submits its Environmental, Social and Governance Report (the “**ESG Report**”) from 1 January 2019 to 31 December 2019. This report is the Environmental, Social and Governance Report of the Company and its subsidiaries, and adopts the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide.

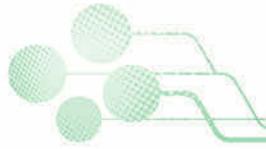
The Company’s Board of Directors is responsible for its ESG strategies and reporting, including the assessment and identification of ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We have appointed our business function department to review the Group’s operation and have internal discussions to identify relevant ESG matters and assess the importance of such matters to our business and stakeholders. The management has confirmed the effectiveness of ESG risk management and internal control systems to the Board of Directors. The identified major ESG matters have been included in this ESG Report according to the general disclosure requirements of the ESG Report Guide, in order to disclose the Group’s ESG performance during operation on a balanced basis.

1. Communication with Stakeholders

The Company has a wide range of stakeholders, including shareholders/investors, government/regulators, employees, customers, suppliers/partners, the environment, communities/the public. By collecting opinions and fully understanding shareholders’ expectations, it carries out social responsibility practices and balances the interests of the Group and stakeholders.

Communication with and Participation of Stakeholders

Stakeholders	Method of Communication	Expectations and Demands
Shareholders/ investors	<ul style="list-style-type: none"> • General meetings • News release and announcement • Company report • Website publishing • Meetings of the investors and road show 	<ul style="list-style-type: none"> • Ensuring shareholders’ rights and interests • Information disclosure • Compliance operation and management • Anti-corruption
Government/ regulators	<ul style="list-style-type: none"> • Conferences • Compliance report • Field inspection • Participation in meetings/seminars • Special inquiry/inspection • Proper submission of documents 	<ul style="list-style-type: none"> • Legal and compliance regulation • Quality management system • Drug quality safety • Employee health • Safety management
Employees	<ul style="list-style-type: none"> • Labor contract • Trade union • Employee forum and assembly • Employee party • Manger’s mailbox • Voluntary activities • Daily communication 	<ul style="list-style-type: none"> • Equal employment • Employee benefits • Construction of labor union • Employee health • Safety management • Employee training • Assessment and promotion



Stakeholders	Method of Communication	Expectations and Demands
Customers	<ul style="list-style-type: none"> • Daily operation/interaction • Customer satisfaction survey • Regular visits • Industry exhibitions and forums • Customers service center/hotline 	<ul style="list-style-type: none"> • Logistics quality management • Drug quality and safety • Product recovery • Customer satisfaction and compliant handling • Consumer privacy protection
Suppliers/partners	<ul style="list-style-type: none"> • High-level meetings • Seminars and meetings • Marketing summits • Supplier evaluation • Field visit • Daily communication 	<ul style="list-style-type: none"> • Supplier code of conduct • Supplier management
Environment	<ul style="list-style-type: none"> • Environmental inspection • Environmental disclosure report • Implementation of green operation and management 	<ul style="list-style-type: none"> • Environmental protection system • Publicity of environmental protection • Energy saving and emission reduction • Green office
Communities/the public	<ul style="list-style-type: none"> • Voluntary activities • Charity activities • Sponsorship of public service activities 	<ul style="list-style-type: none"> • Charitable health care • Concerned about disaster areas • Poverty alleviation

2. Product Liability

As China’s largest distributor of pharmaceutical and healthcare products and a leading provider of supply chain service, the Company takes a lead in pursuit of product quality, upgrading of industry standards, purification of industry market and sound development of the industry.

Quality Management System

The Company has established the sound ISO9001&GSP integrated quality management system since 2006 and prepared the Quality Management Manual as the company wide integrated code of conduct in the quality management system, which is helpful to the transparency and systematic character of the process and lays a solid foundation for the Company’s rapid development by analyzing and understanding the internal and external situations of the Company to prevent various quality risks, thus achieved the expected results and win the trust of customers and stakeholders. The Company signs the Responsibility Letter for Quality Management with every general manager of its second-tier subsidiaries every year who follows the responsibility requirements of the Responsibility Letter for Quality Management and is responsible for their company’s operation and implementation of the quality management system and for reporting the effectiveness and performance of the implementation of the quality management system to the quality management representatives and the President of the Company.



Qualification Certificates

GSP

- Implementation of the GSP system is a scientific and advanced management measure to ensure the drug quality and generally adapted to the international trend for drug quality management at the same time. As China's largest distributor of pharmaceutical and healthcare products and a leading provider of supply chain service, the quality management department of the Company's headquarters provides high-quality drugs for the market by GSP management and promotes the quality management of China's pharmaceutical business to be modern and international.

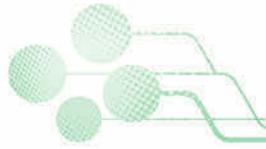
ISO9001

- On 1 April 2007, the Company obtained the ISO9001:2000 Quality Management System Certification from an international certification company that ranked top in the world in the field of certification, safety and quality inspection. After continuous improvement every year, the Company passed the ISO9001:2008 renewal certification in April 2016 and the ISO9001:2015 renewal certification in April 2018, continuing to meet the requirements of ISO9001. After including its second-tier subsidiaries into ISO9001&GSP integrated quality management system, the Company has expanded the ISO&GSP integrated quality management system to certain third-tier subsidiaries in the past three years, so as to prevent the occurrence of related quality risks by continuously expanding the integrated quality management system and controlling various quality-related operating processes.

ISO27001

- The Company has established the Information Security Management System (ISMS) according to ISO27000:2005 standard system. After more than one year of continuous and steady operation, Sinopharm Logistics Co., Ltd. subordinate to the Company passed through the formal audit of the international certification authority in 2011 and obtained certificates issued by UKAS (United Kingdom Accreditation Service) and CNAS (China National Accreditation Service for Conformity Assessment), becoming the first pharmaceutical enterprise in China passing through ISO27001 international information security certification.

At the beginning of each year, the Company issues overall quality targets related to the quality of drugs and medical devices to its subsidiaries. Subsidiaries are required to prepare rules for the implementation according to the "decomposition index and implementation plan of policy targets", conduct regular self-examination and assessment of the achievement of objectives and implementation of plans and timely correct problems once found to ensure the effective operation of the quality management system and the comprehensive implementation of the overall quality target of subsidiaries. The quality management department of the Company's headquarters strictly follows the audit plan developed at the beginning of the year and combines with key management points to complete the audit of second-tier subsidiaries. For third-tier subsidiaries with relatively poor performance, the quality management department carries out focused inspection and provide special guidance, issues an audit report for each audit detailing the risk reminders of relevant defects, and requires subsidiaries to submit a rectification report against defects, clarify rectification measures and estimated time of completion, and track the implementation details of rectification, thus gradually improve the quality control level of subsidiaries.



In 2019, the Company successfully passed the ISO9001:2015 system supervision and audit, and obtained the qualification certificate. In order to further improve the quality control system, the Company revised four quality control systems to effectively guide the regular and orderly conduct of various daily business activities. At the same time, the Company organized five training sessions on regulations, systems and policies. In particular, in response to the new Drug Administration Law, the Company developed online training courseware in a timely manner and pushed it to subsidiaries through the Sinopharm University APP to enable employees at all levels to have a preliminary understanding of the implementation of the new law, providing thoughts for business quality management after the implementation of the new law. The timely organization of various training on quality enables personnel of the Company at all levels to deepen their understanding of various new laws and regulations, quality system construction and the Company's rules and regulations. The improvement of employees' quality capability and applying it to real activities will better increase enterprise's core competitive advantage.

Logistics Quality Management

As a leading enterprise in the pharmaceutical logistics industry, the Company regards logistics quality as the top priority. For the compliance and safety management of drugs in stock, the Company has formulated corresponding operating procedures, such as the Regulations on Management of Drug Receipts, Regulations on Management of Drug Acceptance, Regulations on Management of Drug Storage, Regulations on Management of Drug Conservation, Regulations on Management of Drug Outbound Review, Regulations on Management of Drug Delivery and Handover, Regulations on Management of Drug Transportation and Delivery, and Regulations on Management of Carriers, to ensure that the receipt, inspection, storage, distribution, and carrier management of drugs are all safe and relevant personnel have corresponding abilities and experience to ensure that the goods can be properly handled and stored in all stages.

In order to ensure that the temperature range of products in stock and in-transit meets the product requirements, the Company attaches great importance to the facilities and equipment, temperature monitoring, safety monitoring, information management, and vehicle management involved in product storage. The Company has formulated system files such as Regulations on Management of Facility Equipment, Regulations on Management of Safety, Detailed Regulations on Management of Temperature and Humidity, Regulations on Management of Information and Regulations on Management of Transport Vehicle, which set clear requirements for temperature control equipment, temperature monitoring systems, hydropower supply management, firefighting equipment, vehicle dispatching and maintenance, etc. for product storage regulation. The Company regularly maintains facilities and equipment to ensure their effective operation, thereby effectively controlling risks during product storage and transportation.

Traceability of drugs is an important management issue in the medical industry. The Company traces the quality status in case of a quality problem or customer feedback to achieve source management. The Company uses computer systems to control the entire process of the product, including supplier, product name, manufacturer, batch number, quantity, and quality status. For abnormal conditions of the product in stock or in transit, the Company will implement a lock-up procedure and provide immediate feedback to the owner of the product, and deal with the condition in accordance with the owner's instructions. In-stock products are managed by dedicated personnel in accordance with the product quality status to ensure that the product's quality status in-stock can be traced throughout the process.

The Company develops annual training plans pursuant to Regulations on Training Management, and regularly organizes training for relevant employees to ensure that their operation was accurate and quality risk management was under control throughout the process.



In 2019, in accordance with the requirements of the newly issued Vaccine Administration Law and the revised Drug Administration Law of the state, the Company sorted out the quality system files and revised and improved the relevant regulations of the quality system. All employees received training and education on new laws and regulations to ensure that personnel in relevant departments strictly followed the amended laws and regulations and effectively implemented them in actual operation. The quality management department inspected the implementation of changes in regulations by relevant departments of relevant departments, and found no major violations. Regular inspections and checks of daily work and work after changes in regulations provide a basis for the Company's continuous improvement, ensure the Company's compliant operation, and effectively control risks in the operation process.

Drug Quality Safety

The Company keeps focus on the industry trend, maintains consistent with Chinese laws and regulations. The Company strictly complies with the laws and regulations on product management such as the Drug Administrative Law, the Implementation Regulations of Drug Administrative Law, Good Supply Practices for Pharmaceutical Products, Regulations on the Supervision and Administration of Medical Devices, and Medical Device Operation Quality Management Rules, and always releases notices or announcements timely, to ensure its operation meets the latest Chinese laws and regulations.

Throughout the year, the Company was not no subject adverse public opinions caused by phytotoxicity incidents of subsidiaries, which effectively safeguard the compliance culture of Sinopharm, preventing and controlling overall business quality risks.

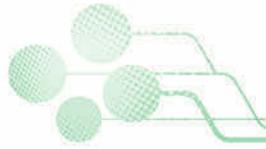
Cases

- In 2019, the Company's headquarters received 5 special inspections by the Shanghai Market Supervision and Administration Bureau (上海市市場監督管理局) on special administrative drugs, fentanyl drugs and precursor drugs. No major and serious defects were found, and the inspection pass rate was 100%.
- In 2019, the Company's headquarters received the on-site inspections from each of Shanghai Municipal Market Supervision Administration and the Changning District Market Supervision Administration (長寧區市場監督管理局) on the change of registered address. It successfully passed both inspections and obtained the permission of change.
- In 2019, the Company's subsidiaries received 2,115 external inspections. No major non-compliances were found, and all requirements were met.

Customer Satisfaction and Complaint Handling

With the philosophy of "Customer is the foundation of the enterprise", the Company has committed itself to providing customers with efficient and high-quality services to meet their needs and gain their satisfaction and loyalty to create a super brand. The Company has developed the Regulations on Management of Customer Satisfaction. It gained the customer perception through home visits, written questionnaires and other ways, and indirectly confirmed the customer satisfaction through comparison with other competitors in the industry. In addition, it periodically prepared the Analysis Report of Customer Satisfaction, and included the customer satisfaction rate and customer satisfaction trends into the performance management as important assessment indicators of relevant departments.

The Company developed a series of management systems related to customer inquiry and complaint, such as Regulations on Management of Quality Inquiry and Regulations on Management of Customer Complaint Handling. When customers have questions or demands on the Company's operation of drugs or medical devices, they can submit a query to the Company by visits, letters, fax, telephone, mail and



other ways, and the Company shall upon the receipt of the query, make an investigation and provide feedback. In the event that any customer is unsatisfied for the quality of products and services does not confirm to the standards, the quality management department shall timely take containment measures such as product recall/recovery after verification through investigation to prevent further loss to the customer. Relevant departments shall determine jointly the cause of the complaint and make correct measures to better satisfy customers.

Product Recovery

The Company has made active response to the reasonable return request put forward by customers to improve both customer satisfaction and corporate reputation, and has formulated the Regulations on Management of Sales Return which puts clear rules on return requirement, return way, returned material acceptance inspection, system operation process and approval authority, etc. The Company has prepared the Regulations on Management of Recall/Recovery in accordance with Administrative Measures for Drug Recalls. For products recalled voluntarily by suppliers, after receiving notices from suppliers, the quality management department will issue recall notices (except for the drugs that cannot be recalled as stipulated by Chinese laws and regulations) to recall relevant varieties. For recall or unqualified products after spot check noticed by CFDA, the quality management department will implement recall at the earliest time and the procurement department will inform immediately relevant suppliers, and suppliers can communicate with manufacturers at the earliest time, requesting them to actively cooperate to tackle with matters related to products with quality problems in positively cooperative manner.

Intellectual Property Rights Protection

In order to strengthen the trademark management, standardize the exclusive right to use trademark and give full play to the efficiency of trademark assets, the Company has prepared the Measures on the Management of Trademark in which the trademark application, renewal, authorization management, rights protection and other work are clearly defined. The Legal Department of the Company is responsible for establishing and perfecting trademark files and database and implementing dynamic management of trademark. In addition, it takes charge of organizing publicity and learning of legal knowledge related to trademark, actively collecting evidences against the infringement of trademark rights and timely submitting to the market supervision and administration authorities for handling or bringing a lawsuit to the people's court.

Consumer Privacy Protection

In order to protect the trade secrets of the Company, safeguard the legal rights of the Company and the security interests of enterprises and consumers, the Company prepared the Interim Provisions of Sinopharm Group Co., Ltd on the Protection of Trade Secrets. The departments and the subsidiaries at all levels of the Company are responsible for implementing the comprehensive management requirements of the Company's confidentiality work, detailing and establishing measures of confidentiality work management of related functions, and clarifying confidentiality requirements according to the actual as well as conducting the assessment, inspection, verification and improvement of the implementation process within the scope of duties. Besides, the labor contract signed by subsidiaries and employees include confidentiality provisions.

GuoDa Drug Store subordinated to the Company has prepared the Administrative Measures for Membership which stipulates specifically that to protect the security of membership data, subsidiaries shall conduct approval process management of data export for membership information. At the same time, subsidiaries are required to conduct membership data sorting and analysis at least once a month. In case of abnormal number of transactions, amount and discount information, track management needs to be performed in order to better protect the privacy and interests of members.



3. Environmental Protection

The main businesses of the Group are pharmaceutical distribution, pharmaceutical retail and medical device distribution, which have no significant impact on the environment and natural resources.

Following the enterprise mission of “All for Health, Health for All”, the Company includes the environmental protection and sustainable development into the enterprise development strategy, guarantees the compliance with environmental protection laws and rules, energy conservation, emission reduction, consumption reduction and efficiency enhancement in the production and operation process, strives to reduce the impact of the production activities on the environment and human health and safety, realizes the coordinated development between production management and environmental protection, and achieves the harmony between the enterprise and the nature.

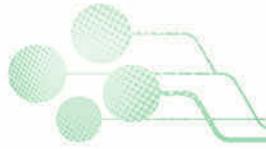
Environmental protection system

Since its establishment, the Company has established the environmental protection management system according to the Chinese laws, regulations, technical specifications, technical standards and systems relating to the environmental protection. It provides guidance and assistance in the environment protection work assigned in the annual budget objective and work scheme for all subsidiaries and companies affiliated thereto, and then conducts supervision, management and appraisal. Each affiliated company has included the environmental protection, energy conservation and emission reduction into their medium and long-term development planning and annual plan, established and improved the management system and various rules and regulations in relation to the environmental protection, energy conservation and emission reduction, abided by relevant local and national laws, regulations and emission standards, and fulfilled the measures and responsibilities for the environmental protection, energy conservation and emission reduction. The industrial enterprise subordinate to the Company has established and implemented the ISO14001 Environmental Management System Certification.

The Company has formulated a series of management systems including the Administrative Measures for Environmental Protection, the Administrative Measures for Clean Production, the Administrative Measures for Hazardous Waste and the Emergency Plan for Environmental Accidents, specifying responsibilities of employees at various levels in terms of the environmental protection, energy conservation and emission reduction, and strengthening the environmental protection consciousness of all the companies. The responsible person of the subsidiary shall be primarily responsible for the environmental protection of all the subsidiaries, and the performance shall be included into the annual appraisal index of the responsible person of the subsidiaries, in order to enhance the environmental protection responsibility and consciousness of the leaders of all the subsidiaries. The target-oriented responsibility system shall be adopted in the management with the responsible person of the subsidiary primarily responsible for the environmental protection. At the beginning of 2019, the Company entered into the Target Responsibility Statement for Quality Management, Safe Production, Energy Conservation and Environmental Protection with all its subsidiaries with signing rate of 100%.

Publicity of environmental protection

In order to enhance the environmental protection consciousness and capability of the subsidiaries and employees, the Company includes the environmental protection training into its overall training system, actively organizes employees to participate in the training related to environmental protection organized by the external environmental protection organizations, and carries out work relating to the government's energy saving publicity week. The Company carried out publicity by posting knowledge pictorials on the bulletin boards, playing promotional videos, and posting reminders in energy saving and emission reduction scenarios. We studied the spirit of energy saving and emission reduction documents and organized energy shortage experience activities to increase the staff's sense of urgency regarding lack of resources and improve their environmental protection awareness.



Energy conservation and emission reduction

With the aim of strengthening the environmental protection, energy conservation and emission reduction, effectively controlling the key pollutant discharge and saving energy, promoting the sustainable and efficient development, and preventing the adverse impact of the planning and construction projects upon implementation on the environment, the Company amends and improves the Detailed Rules for the Implementation of the Environmental Protection, Energy Conservation and Emission Reduction in accordance with relevant laws, regulations, emission standards and industrial policies such as the revised Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Conserving Energy, and the Interim Measures for the Supervision and Management of Energy Conservation and Emission Reduction by Central Enterprises.

All the industrial enterprises subordinate to the Company have signed the monitoring contract with the local environmental monitoring authority, entrusting the local environmental monitoring station with the regular monitoring of the waste gas, waste water and noise at boundary of industrial enterprises. In order to further standardize the environmental protection management and strengthen the pollution prevention and control, in addition to accepting the supervision by external organizations such as the local environmental protection authority, all the subordinate industrial enterprises have established and improved the statistical monitoring system for the environmental protection, energy conservation and emission reduction, strengthened the statistical monitoring of the energy consumption and pollutant emission in the production and operation, eliminated the possible environmental risks and hidden hazards in the production and operation, and improved the appraisal system and reward & punishment measures in accordance with the Administrative Measures for the Supervision and Appraisal of the Environmental Protection, Energy Conservation and Emission Reduction by Sinopharm Holding. In 2019, all the major emissions from the subordinate industrial enterprises including COD and SO₂ were disposed of in compliance with the relevant rules, and all the sewage and waste gas were discharged in consistency with relevant standards.

The subordinate industrial enterprises have also formulated the Analysis System for Energy Utilization Situations, stipulating that the technical and economic analysis shall be made on the main energy consuming equipment, process system and energy utilization conditions on a regular basis. Necessary tests and statistical analysis of energy consumption are combined to determine the level of energy consumption, explore the potential of energy conservation, fix the direction of energy conservation, and provide the scientific basis for the improvement of energy management, transformation of energy-saving technology and enhancement of energy utilization ratio.

The Company encourages its subsidiaries to apply new technology, new material, new process and new equipment in the energy conservation and emission reduction, and obvious energy-saving effect has been achieved through the energy-saving modification works such as boiler retrofitting, energy conservation of motor system, optimization of energy system and utilization of residual heat and pressure.

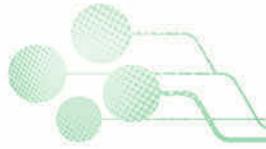


In 2019, the amount of pollutants emitted by the Group was set out below:

	2019	2018	Change
Exhaust emission (ton)			
Total emission amount of NOX	74.10	65.78	12.65%
Total emission amount of SOX	0.23	0.19	21.05%
Total emission amount of PMx	6.79	6.04	12.42%
Greenhouse gas emission (ton)			
Including: Total greenhouse gas emission amount of range 1	37,435.63	30,741.54	21.78%
Total greenhouse gas emission amount of range 2	105,924.73	88,611.47	19.54%
Unit greenhouse gas emission (ton per person)			
Greenhouse gas emission of range 1	0.40	0.44	-9.09%
Greenhouse gas emission of range 2	1.13	1.27	-11.02%
Total amount of direct/indirect energy consumption by type (MWh)			
Electricity	136,237.57	115,208.83	18.25%
Heat	33,279.62	25,709.94	29.44%
Diesel	69,918.89	62,795.17	11.34%
Gasoline	66,227.71	50,502.28	31.14%
Unit amount of direct/indirect energy consumption (MWh per person)			
Electricity	1.45	1.65	-12.12%
Heat	0.35	0.37	-5.41%
Diesel	0.75	0.90	-16.67%
Gasoline	0.71	0.72	-1.39%
Total water consumption amount (cubic meter)	1,607,033.20	1,191,321.36	34.90%
Unit water consumption amount (cubic meter per person)	17.14	17.09	0.29%
Total amount of non-hazardous waste (ton)			
Office waste	3,635.59	2,703.91	34.46%
Unit amount of office waste (ton per person)	0.04	0.04	0.00%
Total amount of hazardous waste (ton)			
Chemical Oxygen Demand (COD)	0.52	0.84	-38.10%
Biochemical Oxygen Demand (BOD)	0.06	0.13	-53.85%
NH3-N	0.01	0.22	-95.45%
Unit amount of hazardous waste (kg per person)			
Chemical Oxygen Demand (COD)	0.01	0.01	0.00%
Biochemical Oxygen Demand (BOD)	0.00	0.00	0.00%
NH3-N	0.00	0.00	0.00%
Total amount of packaging material used by finished products (ton)			
Carton	2,349.00	2,210.00	6.29%
Packing bottle	2,597.00	2,890.87	-10.17%

Note:

- (1) Range 1 includes direct greenhouse gas emission generated by businesses owned or controlled by the Group; range 2 includes indirect greenhouse gas emission generated by the Group's internal consumption.



Green office

The green office can not only promote energy conservation but also mitigate environmental pollution. It can not only protect the environmental but also bring low cost to the Company. The Company takes several measures to realize the green office with saved energy and reduced emission as follows: strengthening the management of power conservation in lighting, reducing the power consumption of lighting equipment by making full use of natural lighting, turning off lights before leaving the office to prevent the lighting in the daytime and always-on lighting, and reducing the lighting in the public area in the night; sourcing water mainly from municipal water supply, strengthening the daily maintenance and management of the water-consuming equipment, and preventing the running, spillage, dripping, leakage and constant running of water to save water; making the general notification and data transmission via the Internet to reduce the data printing (copying) in paper, and making repeated use of the low-value consumables such as document envelopes and clips.

4. Protection of Rights and Interests

Regarding employees as the core resources and most precious treasure, following the principle of respect for employees, cultivation of employees and service for employees, the Company conducts the people-oriented management and strives to provide a safe and healthy working environment and a harmonious cultural environment for all the employees, in order to promote the Company's development and social progress.

The Company has formulated a set of HR management systems such as the Administrative Measures for the Employee Remuneration of the Functional Departments of Sinopharm Holding and the Administrative Measures for the Annual Income of the Operators of the Secondary Subsidiaries of Sinopharm Holding in strict accordance with relevant policies, laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and established a fair, reasonable and competitive remuneration system that can attract and retain core employees of the Company based on the principle of fairness and incentive.

Honors in 2019

Most Socially Responsible Employer – Zhaopin.com, Employer with Outstanding Reform – Liepin.com

Equal employment

The Company recruits employees on an equal basis following the principle of openness and fairness, considering their merits, and opposes the employment discrimination in various forms, enters into labor contracts with employees, and protects employees from any discrimination due to the race, religion, physical disability, gender, sexual orientation, association member, marital status, etc.

In terms of working hours, in accordance with national laws and regulations, the Group has adopted a variety of forms to calculate attendance for employees in different positions based on work nature, including standard working hours (daily working hours of no more than 8 hours), comprehensive working hours and irregular working hours, so as to ensure the rights and interests of employees while improving work efficiency.



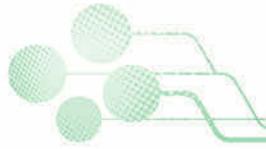
In terms of employee resignation, the Group has clearly stipulated that employees have the right to submit resignation to the Company during the performance of their labor contracts. Employees within the probation period shall submit a written resignation to the head of the department 3 days in advance, and regular employees shall submit the resignation to the head of the department 30 days in advance. The Company has the right to terminate the labor contract in case of malpractice, violation of the Company's management regulations, violation of the operation rules that results in the injury or death of others or losses of the Company, and criminal sanction or criminal detention.

The Group strictly implements the regulations of the state government on workers' holidays to ensure that employees are fully entitled to annual leave, personal leave, sick leave, marriage leave, maternity leave, and various national statutory holidays.

Meanwhile, the Company prohibits the employment of child laborers, compulsory work and arrangement of the underage employees with the prohibited work. All the employees comply with the statutory working age.

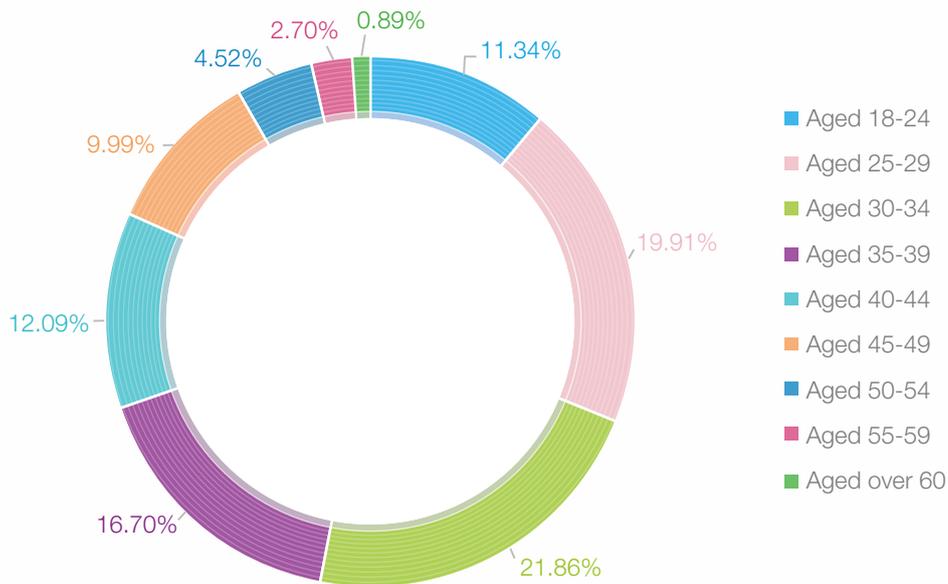
The Company has established the information management platform based on the HR information system, covering 1,067 subsidiaries at all levels. As an effective HR management tool, the HR information system has realized the basic HR management in the electronic form, strengthened the supervision on the organization setting, staffing management and employee recruitment and dismissal, and exported five statements of organization and personnel module and analysis of 25 HR indexes on a regular basis, which prevents any employment in violation of the Labor Law of the People's Republic of China and Law of the People's Republic of China on the Prevention of Juvenile Delinquency such as employment of child laborers.

The Company explicitly stipulates that employees may rescind the labor contract at any time where the Company forces the work by means of violence, threat or illegal restriction of personal freedom, fails to pay the labor remuneration in full amount or provide working conditions, or has other circumstances that violate the provisions of the Labor Contract Law of the People's Republic of China.



Meanwhile, the Company chooses outstanding talents suitable to the Company's development through multi-channel social recruitment and internal selection, and notifies the newly recruited employees of the recruitment conditions and working situations such as the working contents, qualification, working environment, workplace, occupational hazard, safe production conditions and labor remuneration in the form of recruitment ads, job specification and interview before the recruitment procedures. Employees may directly inquire the HR Department in case of any questions.

As at 31 December 2019, the Group had 93,746 employees in total, among whom female employees accounted for 58.01%, and male employees accounted for 41.99%. The proportion of employees at various ages is as follows:



Employee benefits

The Company strictly standardizes the setting and standards for the employee benefits, and establishes the secure and competitive benefit system. The benefit system of the Company includes three parts, namely, statutory benefits, caring benefits and incentive benefits.

Statutory benefits

- The Company offers various social security benefits for all the employees such as the social insurances and housing provident funds in strict accordance with Chinese policies relating to social security, realizing a contribution rate of 100%, and guarantees all the legal holidays for employees.



Caring benefits

- The Company provides necessary caring benefits in response to the needs of employees, including lunch allowance, high-temperature/environmental allowance, physical examination, festival allowance, labor protection expenses, cash for employees' birthday/marriage/birth as gifts, and consolation money for employees' funeral and hospitalization.

Incentive benefits

- The Company offers incentive benefits in order to stimulate employees to fulfill the work tasks and achieve outstanding performance, including the vehicle and travel allowance, communication allowance, commercial insurances, enterprise annuity and local benefits, etc.

Meanwhile, in order to provide a healthy and comfortable working and living environment, the Company conducts various activities for employees to balance their work and life. It organizes the badminton activities on a regular basis, holds basketball, table tennis and swimming contests from time to time, and carries out sports activities such as long running and healthy walking, in order to improve the health of employees, relieve their working pressure, enhance the sense of belonging, and build a happy, open, healthy, friendly and harmonious working and living atmosphere for employees.

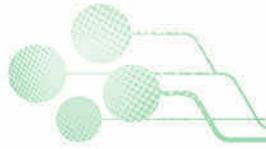
Development of labor union

Under the leadership of the Party Committee of the Company, the labor union strengthens the standardized development of the grassroots labor union, promotes the establishment of the labor union organization according to the law, gradually improves the quality of leaders in the grassroots labor unions, and strives to improve the labor union of enterprises of the Company at all levels to a new level.

5. Health and Safety

Employees' health

The Company strives to build a comfortable and healthy working and living environment for employees. It has continuously perfected the health management strictly in accordance with the Labor Law of the People's Republic of China, the Law on the Prevention and Control of Occupational Diseases and local regulations related to prevention and control of occupational diseases. The Company set up the social accountability leading team led by the Party Committee Secretary and President according to requirements in the Guiding Opinions on the Fulfillment of Social Accountability by Central Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council, in order to protect the legitimate rights and interests of the employees through the continuous and effective operation and improvement of the system. The Company strictly implements the Law on the Prevention and Control of Occupational Diseases to prevent, control and eliminate occupational disease hazards, protect the health of employees, and promote production development. It comprehensively classifies the existing rules, regulations and management archives, distinguishes the health and safety hazards, and establishes the occupation health and safety management system, giving top priority to the physical and mental health of employees. There were not any employees suffering from occupational diseases in the Company and its subsidiaries in 2019.



Occupational health management

- ✓ Detect the occupational hazards at the workplace on a regular basis, erect signboards at the detection station, and record the detection result into the employees' occupational health archives.
- ✓ Install alarming devices at the poisonous and hazardous workplace susceptible to acute occupational hazards, and formulate emergency plans.
- ✓ Special persons shall be designated for the custody, regular inspection and maintenance of all the safety protection devices.
- ✓ On-site first-aid articles, equipment and protective articles shall be inspected and maintained on a regular basis to guarantee they are in normal conditions

Notification and warning of occupational hazards

- ✓ Notify the workers of the possible occupational hazards, consequences and protective measures in work, and specify them in the labour contract.
- ✓ Publicize the occupational hazards, preventive and emergency measures in the production process among workers and related parties to allow them understand the aforesaid matters.
- ✓ Erect warning signboards and instructions for the posts with occupational hazards.

Report of occupational hazards

- ✓ The Company and its subsidiaries shall report the existing occupational hazards in the production promptly and faithfully to the local competent authority according to relevant Chinese regulations, and accept the supervision according to the law.

Management of protective articles for occupational hazards

- ✓ Provide protective articles for occupational hazards of employees in accordance with the Rules for Selection of Labour Protective Articles, Chinese standards for allocation of labour protective articles and relevant regulations.
- ✓ Conduct proper management of the purchase, inspection, custody, distribution, usage, replacement and scrapping of labour protective articles according to relevant Chinese regulations.
- ✓ Educate, urge and guide employees to wear and use the labour protective articles in a correct manner according to the usage instructions.

"Three simultaneousness" in the development of occupational health

- ✓ Entrust the qualified technical service organization for occupational health with the pre-assessment of the new engineering construction projects with possible occupational hazards in the phase of feasibility demonstration according to relevant regulations.
- ✓ The construction unit shall entrust the qualified technical service organization for occupational health with the assessment of the occupational hazard control effect before the completion inspection of the construction project according to relevant regulations.
- ✓ When carrying out the completion inspection of the construction project, the protective facilities for occupational hazards shall be put into production and operation after they pass the inspection and obtain the approval document in the completion inspection of the construction project according to the law.



Safety management

The Company has amended and improved the Sinopharm Holding Safety Management Standard Manual, specifying the contents, requirements, specifications, processes and measures of the production safety management of the Company and its subsidiaries in accordance with relevant laws and regulations such as the Production Safety Law of the People's Republic of China and the Interim Measures for the Supervision and Management of Production Safety of Central Enterprises, with the purpose of further strengthening the supervision and management of the production safety of the Company, fulfilling the safe production responsibilities of the enterprise, establishing the long-term mechanism for production safety, preventing and reducing safety accidents in the production, and guaranteeing the personal health and safety of employees and the masses. The Company has formulated Regulations on Management of Business Safety of Sinopharm Holdings, which are divided into the general section, hazardous chemicals section, industrial section, logistics section, and retail section, playing a guiding role in the safety management of each business segment. In response to the needs of production safety, the Company establishes the Production Safety Committee with a subordinate office as the daily agency.

6. Development and Training

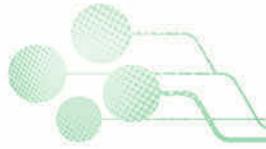
Employee training

The Company always regards human resources as the core resources, and gives top priority to the cultivation and development of employees. After years of efforts, the Company has established a standardized training management system based on the Company's strategies.

The Company provides training for employees in diversified forms such as classroom teaching, on-line study and face-to-face communication, and conducts multi-level training activities for the development of general ability, professional ability and management ability. Each year, it organizes a large number of training programs for employees, which broadens the insight, enriches the knowledge of employees, and fully enhances the competitiveness of the enterprise.

The Company founded Sinopharm University in 2011, in order to provide large-scale standard and systematic training for employees, and cultivate pharmaceutical elites with international insight. The university cultivates internal part-time lecturers by making full use of the wisdom and strength of the team, develops a series of Sinopharm-featured courses through the study of employee competency model, and creates systematic training service products. Meanwhile, after several years of exploration and practice, the Company has cultivated a professional and powerful internal and external faculty, continuously and efficiently providing training service for employees in the companies at all levels.

In 2019, Sinopharm University closely focused on the Company's talent training strategy, relied on the two means of "online and offline" learning, applied three major methods of "action learning", "performance improvement" and "project management", and gradually promoted the integration of regional training, fulfilling the four historical missions of "cultivating talents, innovating management, promoting transformation, and inheriting culture" conferred by the Group. After one year of hard work, while significantly improving training coverage, Sinopharm University has greatly reduced the training costs of the headquarters and the subsidiaries, facilitated the Company's organizational transformation, and promoted the Company's high-quality development.



1. Cultivating talent

With regional leadership talent echelon construction projects as the core, Sinopharm University integrated online and offline learning to comprehensively implement training projects for various management levels and in various professional fields. A total of over 200 online and offline training sessions were held throughout the year, with a satisfaction rate of over 90%. In terms of leadership, it organized the “Soaring Dragon” training session for middle-level management in Northwest and Southwest China to promote practical learning through action learning and stimulate learning enthusiasm with project competition, thereby pushing forward key tasks and accelerating organizational transformation. In terms of professional fields, it has jointly established nearly 20 training programs for professional lines with the investment department, finance department, Board office, legal department, operation department and other functional departments. At the same time, it implemented the “Spark” program, delivering more than 160 days of training for the subsidiaries, which effectively assisted the improvement of regional results, the work progress of professional lines, and the training work of subsidiaries.

2. Innovating management

To meet the requirements of integrated development, Sinopharm University established the “Sinopharm University Online Learning Platform”, formulated platform management rules, set up platform operation institutions, established an online learning system, enriched the learning materials on the platform, trained platform management personnel, and planned online learning activities. In addition to using the platform for online learning, companies at all levels made full use of the platform’s live broadcast and knowledge sharing functions. This initiative not only saved a large amount of training costs and significantly improved training effectiveness, but also promoted the standardized and systematic training management of the headquarters and subsidiaries, and propelled the integration of regional learning to a higher level, receiving acclaim from all parties.

3. Promoting transformation

To address the urgent needs of subsidiaries for “improving performance”, Sinopharm University introduced and revised the “Performance Improvement” course, cultivated nearly 30 “performance improvers” internally, launched nearly 60 internal performance improvement sharing sessions at subsidiaries, and shared over 30 excellent cases of performance improvement on the learning platform, effectively promoting the performance improvement of subsidiaries. Two projects were granted practice awards for best performance improvement projects by well-known lists in the industry, and four technology control cases were shortlisted in the top 25 nationwide.

4. Inheriting culture

In order to facilitate the implementation of various training projects, Sinopharm University has developed more than 100 online and offline courses, which effectively preserved internal experience and knowledge. The efficiency of curriculum development significantly improved than before. After the self-developed online courses with Sinopharm characteristics were broadcast on the online learning platform, they were available for subsidiaries to study at their own choice. These courses were welcomed by the subsidiaries, marking a solid step for unifying the training contents in the Company’s system in the future.

Based on the above work results, Sinopharm University was awarded 7 honors from a number of well-known domestic institutions, such as the Training Magazine, the Distance Education in China magazine, and SinoTrac Consulting, successfully moving up to 19th of the “Top 50 Chinese Enterprise Universities”.



Appraisal and promotion

The Company adopts the performance appraisal for all the employees ranging from grassroots employees to superintendents of departments of the Company and its subsidiaries. It strives to establish a perfect performance appraisal mechanism with the annual operation and management objective decomposed level by level from top to bottom and realizes the full coverage of the appraisal by enhancing the strength, width and depth of the performance appraisal. It formulates and perfects performance appraisal methods and scientifically and reasonably determines relevant indexes for employees at different posts with different responsibilities according to the type of business and characteristics of different development phases, following the overall operation objective and development strategy of the Company. Employees' opinions will be solicited for the appraisal of senior managers of subsidiaries at all levels, and the appraisal method, process and result will be made public within a certain scope for the supervision by employees.

The Company has established a clear rank system to build career development path for employees and encourage employees to realize career development. With performance appraisal and in accordance with the Company's relevant rules, through cadre selection and appointment and rank promotion review, the Company conducts employee promotion each year, so as to achieve the Company's development goals and employee's personal development goals. To further optimize human resource management system and integration construction and to provide strong human resource supply for the Company's continuous and stable development, the Company strives to build professional manager team and various level talent portfolio.

7. Supply Chain Management

Adhering to the win-win cooperation concept, the Company makes concerted efforts with suppliers to build a collaborative development mechanism for mutual growth, mutual trust and mutual benefits, and create a safe and reliable green supply chain. It commits itself to establishing strategic partnership with suppliers, thereby making progress and development together to form a strong competitive advantage in the industry.

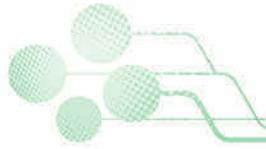
Code of conduct of suppliers

The Company not only abides by the laws and regulations, and bears relevant social responsibilities, but also plays an active role in promoting its partners to establish the social accountability management system and enhance the social accountability consciousness. It has entered into the Quality Assurance Agreement respectively with suppliers for medicines, other goods and services, stipulating that suppliers shall promise to fulfill the social responsibilities within the scope of contract, which promotes the fulfillment of social responsibilities by suppliers, and gives play to the leading role of the Company in the industry.

Supplier management

The Company implements the strict and fair supplier admission procedures and assessment mechanism, and formulates the Management Regulations of New Enterprises, in order to review the legal compliance of manufacturers or operators firstly engaged in medicine and medical instruments, as well as the intactness, authenticity and validity of relevant data. ERP system is adopted to maintain the information of suppliers, and strictly review any changes in the aforesaid information.

In order to improve the purchase business process, guarantee the purchased medicines or medical instruments are produced or operated by legitimate enterprises, provide better service for suppliers, and build a good reputation, the Company formulates the Purchase Management Regulations, explicitly stipulating on the business links such as purchase plan, purchase order, purchase contract, supplier performance monitoring, confirmation of goods arrival, import commodity inspection, import custom clearance, etc.



The Company formulates the supplier assessment standard: the Management Regulations on the Reappraisal of Qualified Suppliers, and conducts supplier assessment on a regular or irregular basis, in order to supervise suppliers to comply with quality, environmental protection and technology requirements, and continuously enhance the supply chain management level. All the subsidiaries of the Company conduct annual review of suppliers according to their actual situations on an annual basis, and list the suppliers that pass the review as qualified suppliers upon completion of review.

8. Perfect anti-corruption mechanism

To build an incorrupt, efficient and harmonious corporate environment and prevent the possible bad practice and corruption issues in various operation and management activities, the Company constantly establishes and improves various management and control mechanisms to combat corruption and advocate integrity. In accordance with the requirements of China National Pharmaceutical Group, the Company's disciplinary inspection organization reformed the work system to further improve the organizational structure and supplement staffing, so as to ensure the Company's healthy development.

Raising integrity consciousness

Sinopharm Holdings raised the integrity consciousness of leaders of companies at all levels to prevent corruption and protect the interests of investors. Each year, the Company signs the "Responsibility Letter for Construction of the Party Conduct and an Honest and Clean Governance" with the persons in charge of its subsidiaries. Each year, the Company carries out various forms of publicity and education on integrity culture and warning education, educating employees with the events around them to keep them vigilant.

Transparent reporting platform

The Company establishes and improves the supervision and restriction mechanism in accordance with the requirements of SASAC of the State Council and CNPGC. The Discipline Inspection Organization, Audit Department, Legal Compliance Department, Risk and Operations Management Department and other departments fully implement integrity and compliance requirements through the acceptance of complaint letters, visits and reports, internal audit, supervision and inspection. The Company and its subsidiaries also actively deal with the feedback from its employees, social citizens, legal person and other organizations received via the reporting hotline, email, and reporting mailbox.

Launch of internal inspection

Pursuant to the general requirement of CNPGC Party Committee, a new round of internal inspection was fully launched in 2018. The Party Committees at Company headquarters and second-tier subsidiaries have formulated a five-year work plan to carry out regular inspections, special inspections and "look-back" inspections as planned every year, in order to extend the tentacle of finding problem to prefecture-level companies and extend supervision to "nerve end".



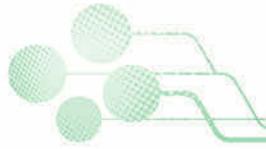
Implement “Eight Regulations”

The Company further implemented the requirements by the Political Bureau of the Central Committee’s “Eight Regulations”, improved the working style, kept close ties with the masses, served the employees, established a good cadre team image, promoted the healthy and sustained development of the Company, complied with specific requirements of CNPGC Party Committee, and advanced Sinopharm Group’s work on party conduct construction and anti-corruption and advocate integrity in the process of fully advancing reform of mixed-ownership.

Improvement in research work	Simplify the meeting	Simplify the document and bulletin
<ul style="list-style-type: none"> • Understand actual situations among the grassroots • Sufficient preparations and full implementation <ul style="list-style-type: none"> • Simplify the reception • Reduce the accompanying persons 	<ul style="list-style-type: none"> • Control the number of meetings • Establish the meeting approval system • Control the meeting scale and duration • Control the meeting expenditure 	<ul style="list-style-type: none"> • Reduce various documents and bulletins • Improve the quality of documents and bulletins • Enhance the timeliness of documents

Improvement in news propaganda	Be diligent and thrifty	Supervise and urge the implementation
<ul style="list-style-type: none"> • Standardize and improve the news propaganda <ul style="list-style-type: none"> • Strengthen the communication with the public • Make public the information 	<ul style="list-style-type: none"> • Strictly implement benefit standards • Strengthen the management of business trips abroad • Strictly control entertainment expenses 	<ul style="list-style-type: none"> • Take the lead in the implementation • Make rigid restraints with regulations • Strengthen the inspection

The Group maintains a high standard of integrity in its operations and strictly complies with the Anti-Unfair Competition Law of the People’s Republic of China, the Interim Provisions on Banning Commercial Bribery, and other related laws and regulations against corruption, bribery, extortion, fraud and money laundering to effectively prevent various malpractice risks.



9. Returning the Society

The Company not only grasps the production, operation and economic benefits, but also focuses on public welfare activities to return the society for years. It has released and continuously improved relevant policies in support for the public welfare activities conducted by all the subsidiaries such as the donation to the disaster area, voluntary diagnosis and treatment, education support, and poverty relief, and actively supervised and urged internal departments and branches and subsidiaries of the Company to fulfill the due social responsibilities.

Voluntary medical treatment

The Company not only engages in the donation to public welfare career, but also carries out “voluntary diagnosis”, “donation of medical supplies” and “blood donation” without payment by making use of its own advantages, in order to make contributions to the improvement of medical treatment and health conditions of the masses.

Targeted poverty relief

Following the cultural tenet of “All for Health, Health for All”, the Company actively fulfills the social responsibilities as a central enterprise. Over years through measures such as targeted poverty relief, foundation, Charity Federation, Red Cross and disaster relief, relevant subsidiaries made donation to society’s relevant organizations and targeted help locations, resulting in returning to the society and bringing benefits to the people. In 2019, Sinopharm’s various subsidiaries launched poverty relief to 6 targeted counties (towns, villages).

Poverty relief

The Company not only strives to realize further development, but also actively returns the society. It actively participates in the construction of local residential areas by making use of its own fund, manpower and technology, fulfills its social responsibilities, cares about the hardship of employees in difficulty, and eliminates the difficulty and trouble for them by making use of its own fund, manpower and technology. The Company also encourages its subsidiaries to actively fulfill social responsibilities. In 2019, Sinopharm’s various subsidiaries spent RMB4.65 million on poverty relief.