



2023

YUNNAN BAIYAO GROUP CO., LTD.

CORPORATE SOCIAL RESPONSIBILITY REPORT

AND ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

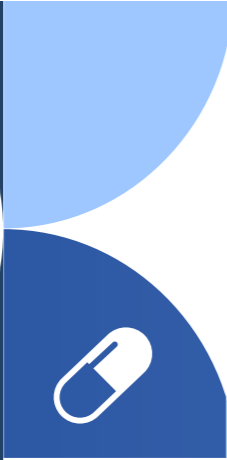


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ABOUT THIS REPORT

This report marks Yunnan Baiyao Group Co., Ltd's 18th consecutive release of a Corporate Social Responsibility (CSR) report. It gives stakeholders information on Yunnan Baiyao's social responsibility practices and performance in the areas of management, environment, society, and public welfare in accordance with the principles of standardization, transparency, objectivity, and comprehensiveness.

Reference Standards

This report adheres to the Shenzhen Stock Exchange's *Guidelines for Listed Companies' Social Responsibility* and is in accordance with the Global Reporting Initiative (GRI) Core Option standard of the Global Sustainability Standards Board (GSSB) as well as the Chinese Academy of Social Sciences' *China Enterprise CSR Reporting Guidelines* (CASS-CSR4.0).

Report Scope

The report covers Yunnan Baiyao Group Co., Ltd, as well as its subsidiaries and branches.

Report Period

The report covers the period from January 1, 2023, to December 31, 2023, and serves as the annual report.

Data Sources

Unless otherwise specified, the financial data in this report comes from the annual financial data of Yunnan Baiyao Group Co., Ltd and its subsidiaries. Other data is sourced from internal statistics and manual compilation. Unless otherwise specified, the currency type and amount mentioned in this report are denominated in RMB.

Report Reliability Assurance

This report was put together by Yunnan Baiyao Group Co., Ltd's Social Responsibility Management Team and was reviewed and approved by the Company's Board of Directors (the "Board") and the Supervisory Committee. The Board of Directors and all the directors guarantee that this report contains no false records, misleading statements, or significant omissions, and they accept individual and joint responsibility for its truthfulness, accuracy, and completeness.

Statement Explanation

For the sake of simplicity and readability, "Yunnan Baiyao Group Co., Ltd." is referred to as "Yunnan Baiyao," "Baiyao," "the Company" or "we" in this report.

Report Format

This report is available in both printed and online versions. The online version is available for viewing and can be downloaded at www.yunnanbaiyao.com.cn and the Juchao Information website (www.cninfo.com.cn).

BOARD ESG STATEMENT

Yunnan Baiyao highly recognizes the importance of its social responsibility and environmental, social, and governance (ESG) for its long-term and stable operation. The Company and the Board of Directors follow the requirements of the China Securities Regulatory Commission's *Guidelines for Corporate Governance of Listed Companies* and establishes a three-layer ESG governance structure "decision-making, supervisory, and execution layers" with clear powers and responsibilities. We continuously strengthen the Board's supervision efforts and participation in our ESG affairs, actively integrate ESG-related matters into our development strategy, major decisions, and production and operation, establishing effective ESG management and governance mechanisms to offer organizational support for our smooth implementation of ESG-related initiatives.

Yunnan Baiyao places a high value on opinions and suggestions of stakeholders, and continues to identify and evaluate material ESG issues. We communicate and exchange ideas with major stakeholders through various channels. By taking into account the regulatory disclosure requirements, industry policies and development trends, and in combination with the focus of rating agencies, we rank material ESG-related issues, and the ranking results are used as important references for ESG information disclosure.

This report provides a detailed disclosure of the progress and effectiveness of the Company's ESG efforts in 2023, and the report was considered and adopted by the third session of the Company's 10th Board of Directors on March 28, 2024.



MESSAGE FROM THE CHAIRMAN

Zhang Wenxue

Secretary of the Company's Party
Committee and Board Chairman
Yunnan Baiyao



In 2023, Yunnan Baiyao witnessed a significant shift in the external landscape. During this period, we fortified our growth fundamentals, enhanced quality and efficiency, and propelled innovation to new heights. Under the leadership of the Party Central Committee and the guidance of Comrade Xi Jinping, and bolstered by the unwavering support of the Communist Party of China (the "Party") and the people of all ethnic groups, China demonstrated remarkable resilience in the face of external pressures and internal challenges during its extensive reform and opening-up journey. China's economy thus rebounded and advanced, embracing a robust trajectory of high-quality development. Additionally, 2023 marked the 30th anniversary of Yunnan Baiyao's public listing. Over the three decades, we have navigated market cycles and achieved high-quality growth by anchoring ourselves deeply and soaring ambitiously, delivering profound value to stakeholders. As a venerable Chinese brand, we remain steadfast in our commitment to upholding General Secretary Xi Jinping's crucial directives on "Inheritance & Innovation" within the traditional Chinese medicine (TCM) industry. Driven by our corporate mission to "guard life and health," we persistently innovate and progress steadily in response to the dynamic changes within the healthcare industry. Drawing on our corporate ethos of heritage and innovation, quality excellence, technological empowerment, collaborative partnership, social responsibility, and sustainable development, we consistently refine our governance framework and standards, elevate our industrial footprint, embrace eco-friendly practices, and champion the integration of TCM into modern living. Furthermore, we continuously unearth the intrinsic potential of traditional medical products, infuse fresh vigor into heritage brands and TCM offerings, while fostering enduring and sustainable value for society, the environment, and all stakeholders involved.

Lucid waters and lush mountains are invaluable assets

We understand that nature serves as the fundamental source for all existence and forms the bedrock for sustainable corporate development. Yunnan, renowned for its rich biodiversity and hailed as the "treasure trove of biological genes" and "home to medicinal herbs," boasts unique environmental resources conducive to the growth of the biopharmaceutical industry. For 120 years, Yunnan Baiyao has been deeply rooted in the region, steadfastly embracing the ethos of green development. On the one hand, we leverage our natural resource endowments to propel long-term, high-quality development. On the other hand, we uphold our environmental responsibility by prioritizing biodiversity protection. We are dedicated to fostering a harmonious and symbiotic relationship with nature, thereby contributing to the healthy and sustainable development of the entire TCM industry chain. We place utmost importance on the conservation and cultivation of key medicinal materials, harnessing digital technologies to enhance cultivation, production, and evaluation management processes. The outcomes of these efforts are shared across the value chain. Additionally, we have adopted modern environmental protection technologies to facilitate the green transformation of our production processes. We actively promote environmental awareness among our employees, empowering each individual to become a proactive participant and steadfast advocate for environmental protection. We firmly believe that safeguarding the environment is tantamount to safeguarding productivity, and enhancing the environment is synonymous with advancing productivity.

We demonstrate social responsibility by offering assistance wherever possible

We believe a company's success is not only measured by its growth, but also by its contributions to society and humanity. Corporate responsibility encompasses both economic and social aspects. Yunnan Baiyao, as a time-honored company, upholds a strong reputation for responsibility. We prioritize people, ensuring product quality, and emphasizing innovation to integrate TCM into modern living. Customer-centricity drives us to continually enhance service capabilities, actively contributing to the development of inclusive healthcare. Through collaborative efforts with suppliers, we establish sustainable supply chains, supporting the Company's healthy and sustainable development. We strive to foster a fair, just, and dynamic working environment, valuing employee development and growth, aiming for mutual growth for both the Company and its employees. In 2023, we were honored with awards like the Best Employer - Most Socially Responsible Award. We care for the well-being of disadvantaged and vulnerable groups, viewing endeavors such as rural revitalization as an enduring historical commitment. Through compassionate, impactful, and targeted charitable initiatives and projects, we consistently channel the positive energy generated by our high-quality

development back into society. Embracing the principles of "co-creation, shared responsibility, mutual benefit, and symbiosis" in our business practices, we deeply respect the interests of all stakeholders, fostering a culture of mutual success and ongoing growth.

Standardized operation is the cornerstone of our enterprise

We believe that good corporate governance serves as the cornerstone and guarantee for the sustainable and robust development of enterprises. We always adhere to standardized operations in accordance with laws, regulations, and the requirements of our corporate governance system, continuously improving our governance capabilities and management efficiency. We consistently deepen the development of modern enterprise systems tailored to Chinese characteristics, by integrating Party leadership into various aspects of corporate governance. We emphasize "integration and inclusion," identify entry points and focuses for Party building and drive reform and development through high-quality Party building initiatives. Our efforts also focus on continuously enhancing our corporate governance structure, ensuring the effective functioning of key decision-making bodies such as the General Meeting, Board of Directors, Supervisory Committee, and senior management. We implement a robust internal control system and risk management mechanism to ensure operational compliance and resilience. We always prioritize the information disclosure of the listed company, adhering to the principles of truthfulness, accuracy, completeness, timeliness, and fairness in disclosing corporate information. We emphasize smooth communication with investors through multiple channels and platforms to facilitate constructive interaction, thereby enhancing the transparency of corporate management and bolstering the Company's reputation and brand image.

In the three decades since its listing, Yunnan Baiyao has consistently pursued innovative development, continually deepened reforms, and forged numerous classic business successes. We will remain committed to the principles of TCM development, uphold our mission "to guard life and health," and actively promote the integration of TCM into modern living. Upholding inheritance and innovation, we will inject fresh vitality into national brands and TCM products, ensuring the enduring growth of our century-old brand. As a national pharmaceutical enterprise, we will embrace our mission and responsibility, fostering development alongside stakeholders, empowering employees, delivering returns to shareholders, and contributing to society.

Yunnan Baiyao carries forward its legacy while forging ahead into the future, never wavering in its journey. Despite market competition pressures, Yunnan Baiyao will remain committed to aligning with national policies and implementing strategic deployments at the national level. With its spirit of hard work, refusal to settle for mediocrity, grounded and pragmatic approach, and determination to lead and succeed, Yunnan Baiyao will persistently strive to achieve new heights as a century-old brand.

ABOUT US

Company Profile

Formulated in 1902, Yunnan Baiyao is widely recognized as the most innovative representative of time-honored Chinese brands, combining brand, product, and company name in one. It has been shortlisted among the Kantar BrandZ Top 100 Most Valuable Chinese Brands for 13 consecutive years. In 2023, it ranked first in the pharmaceutical industry for its brand value.

In 1971, Yunnan Baiyao Factory was established following instructions from Premier Zhou Enlai. In 1993, Yunnan Baiyao became the first listed company in Yunnan on the Shenzhen Stock Exchange. It started "Five Unifications"¹ in 1996 and successfully implemented corporate reformulation in 1999. In 2005, the Company launched the "Center Stabilization and Wing Highlighting" product strategy and began implementing the "New Baiyao, Big Health" industry strategy in 2010. It has gradually developed from a TCM company into one of the leading enterprises in China's Big Health industry. Since its listing in 1993, the Company has continuously paid dividends to shareholders for 30 consecutive years. From 2016 to 2019, the Company completed mixed-ownership reform in two steps, further stimulating its development momentum through innovations in system and mechanism.

As a time-honored Chinese brand with a 121-year history, by virtue of taking Yunnan Baiyao brand as its core, we have progressively expanded our brand portfolio from pharmaceuticals to include personal healthcare products, original herbal medicine brands, and Big Health product brands, creating a rich and diverse family of brands. Thanks to these brands, the Company is able to continually broaden its customer base and enhance long-term brand value.

The Company insists on upholding inheritance and innovation, and strives to integrate TCM into modern living. Product innovation has covered medicine, health products, active pharmaceutical ingredients (APIs) and other fields. As of the end of the reporting period, it has 36 product categories and 390 varieties, with 12 products generating more than RMB100 million in sales revenue each. Notably, its aerosol, woundplaster, Yunnan Baiyao powder and capsule, and toothpaste are stably all top-selling products across the country in their respective segments.

The Company has established a business group system to drive the expansion of its existing businesses. These groups include the Pharmaceutical Business Group, the Health Products Business Group, the TCM Resources Business Group, and Yunnan Pharmaceutical Co., Ltd (responsible for pharmaceuti-

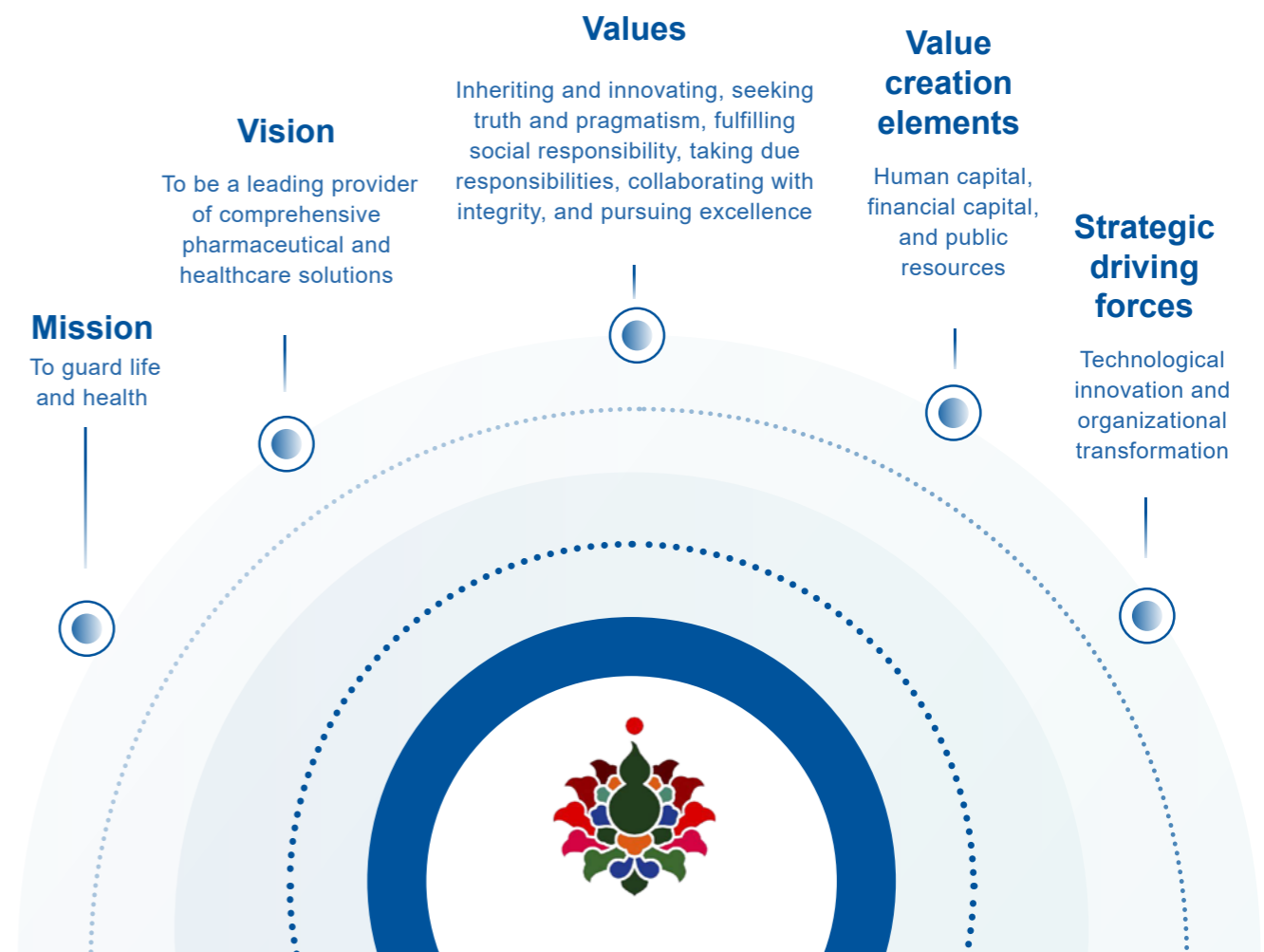


cal logistics operations). Each business group assumes its own responsibilities and collaborates with one another, and their main businesses have reached a leading level in the industry. With production bases in Kunming, Dali, Wenshan, Lijiang, Wuding, and Wuxi in Jiangsu and Hefei in Anhui, the Company has deployed sales channels that cover the entire country.

Yunnan Baiyao regards guarding life and health as its corporate mission and is committed to becoming a leading provider of comprehensive pharmaceutical and healthcare solutions. Innovation-driven and digitization-oriented, Yunnan Baiyao strategically forges ahead towards a high-quality development future. R&D, marketing, management, and talents are the four key capabilities that form the foundation for our systematic enhancement of scientific management. These capabilities support our Group in completing a comprehensive strategic transformation. As a national pharmaceutical enterprise, we embrace our mission and responsibility, fostering development alongside stakeholders, empowering employees, and contributing to society with our achievements. Additionally, we have established a new user-centered service model through digitalization and platforms, positioning ourselves as a trusted partner for users seeking a healthy and fulfilling life.

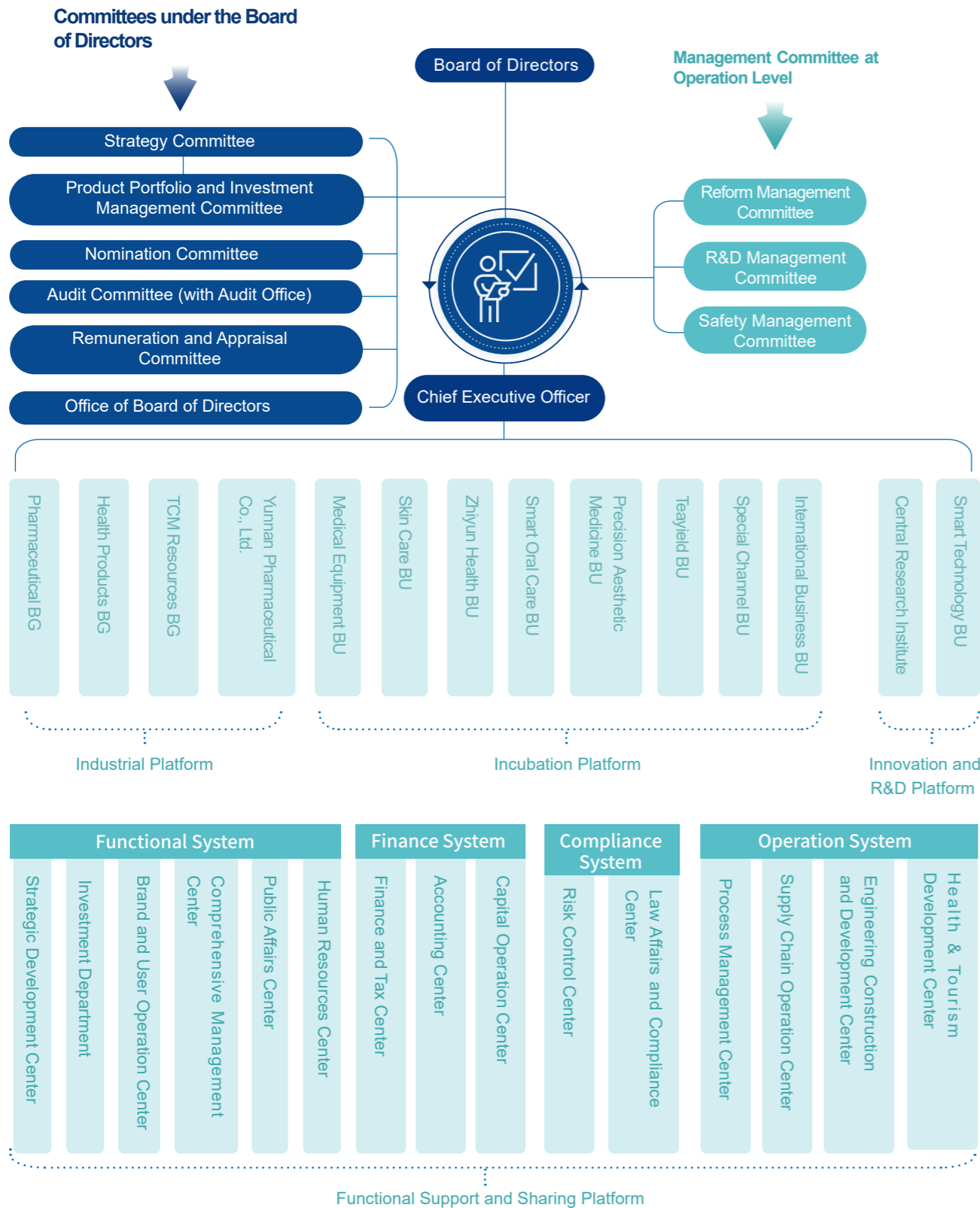
Looking ahead, the Company will remain steadfast in its commitment to the long-term development principle. With an entrepreneurial spirit at its core, the Company will prioritize product excellence, innovation, and R&D as the driving forces behind its operations. By promoting the integration of internal and external resources and values, the Company aims to gradually transform into "a provider of comprehensive pharmaceutical and healthcare solutions."

Corporate Culture

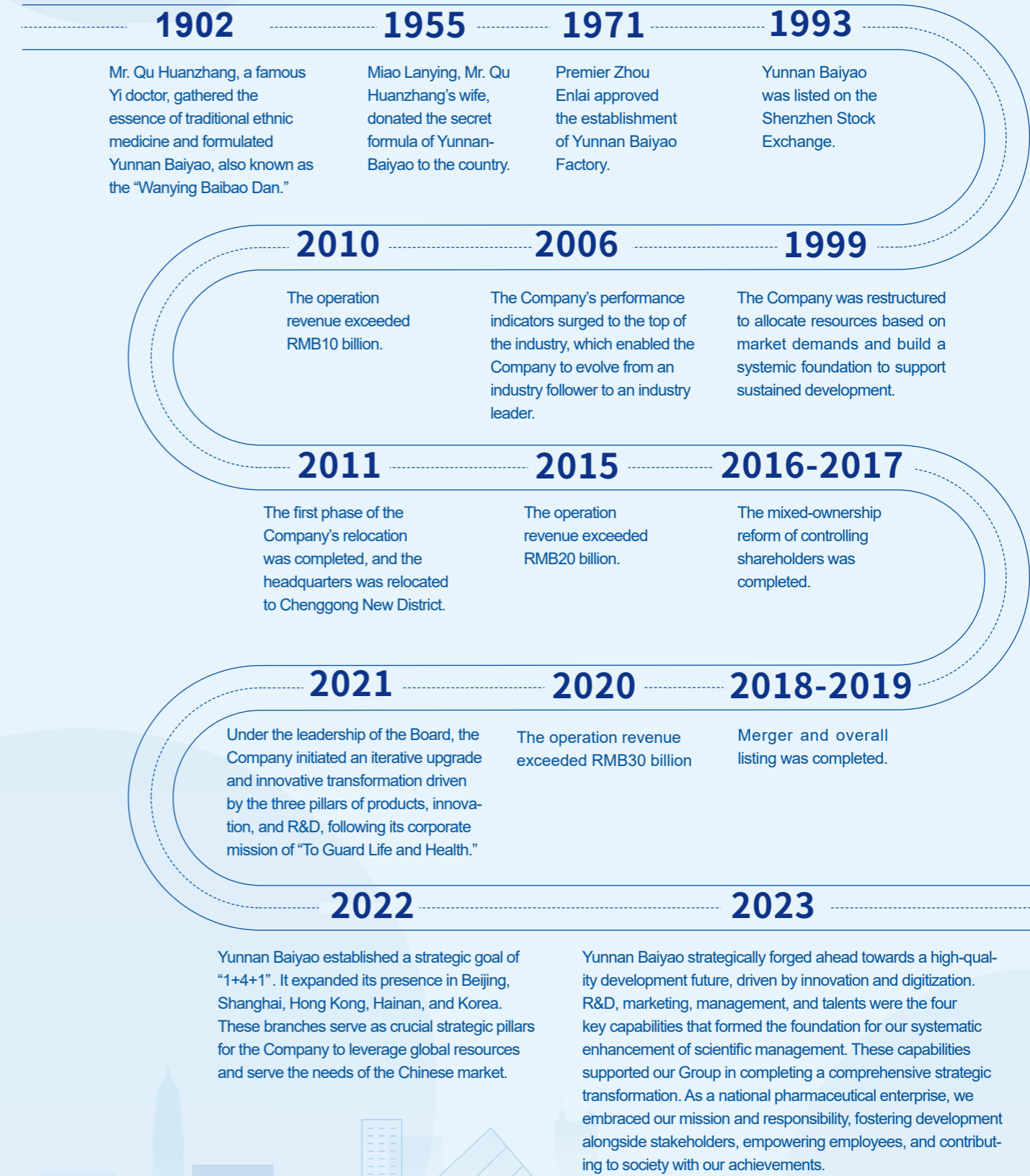


1: "Five Unifications," refer to unified production plan, unified trademark, unified approval number, unified quality management, and unified sales.

Business Structure



Historical Transformations



Performance Highlights in 2023

Sound Operation for High-Quality Development



In 2023, Yunnan Baiyao recorded an operating revenue of RMB **39.111** billion, an increase of **7.19%**. Its net profit attributable to the shareholders of the listed company was RMB **4.094** billion, an increase of **36.41%**. Its weighted average return on equity was **10.51%**, up **2.64** percentage points. Its basic earnings per share was RMB **2.29** per share



Up to 2022, Yunnan Baiyao has achieved growth in operating revenue for 30 consecutive years, and also distributed dividends to shareholders for 30 consecutive years, with a cumulative cash dividend of over RMB **20.7** billion. In the Profit Distribution Plan 2023, the Company proposed to base on **1,784,262,603** shares to distribute to all shareholders a cash dividend of RMB **20.77** (including tax) per every 10 shares, and **0** bonus shares (including tax), with 0 shares to be issued to all shareholders from the capital reserve as a bonus for every 10 shares held



We conducted **9** compliance training sessions, achieving a **100%** participation rate among all employees

Inheritance & Innovation for Energizing New TCM



We allocated an annual R&D investment of up to RMB **344.4415** million



No pharmaceutical recall incidents due to quality issues



A quality management system was established in all production-oriented business groups, achieving a coverage rate of **100%**



All employees, accounting for **100%**, received product quality and safety training across **137** training sessions

Wilderness Guardians for Harmonious Ecosystem



The Company established a "germplasm resource nursery for *Paris polyphylla*" and "Northwest Yunnan TCM Resource Nursery for Yunnan Provincial Medicinal Plants."



The Company recorded an annual comprehensive energy consumption of **25,586.54** tons of standard coal

Talent Empowerment for Employee Growth



The Company employs **1,315** ethnic minority individuals, constituting **14.89%** of its total workforce



The Company invested a total of RMB **5.68** million in safety measures



The Company conducted **112** safety education and training sessions, with a total of **18,660** participants



The Company achieved a **100%** rectification rate for hidden safety hazards in the working environment

Responsibility Fulfillment for Enhanced Welfare



Yunnan Baiyao donated materials worth RMB **4.4604** million



Employees of Yunnan Baiyao volunteered for a total of **15,372** hours

Impression of Yunnan Baiyao

Honors and Awards

Fortune's top 500 Chinese companies for 14 consecutive years

Top 500 Chinese Listed Company Brands in 2022

Awarded Best ESG Practice Case among Listed Companies for the first time

Awarded the Excellent Practice Case in Annual Report Performance Presentation among Listed Companies in 2022

Selected into the 2023 Investor Relations Management White Paper jointly released by the Exchange

Awarded the Best Practice Case of Board Office among Listed Companies for the first time

Top 25 Global Pharmaceutical Companies in Brand Values for 3 consecutive years

Hurun China's Most Historical and Cultural Brand List 2022

Awarded as Huaxia Big Health Outstanding ESG Enterprise in 2023

Awarded the Capital Market Excellent Listed Company in 2023

Awarded as a National Technology Innovation Demonstration Enterprise

Continuously awarded MSCI-ESG A rating from 2021 to 2023

China's Best ESG Employer Award in 2022

Kantar BrandZ Top 100 Most Valuable Chinese Brands in 2022

Awarded the Golden Bull Award for Listed Companies - Golden Information Disclosure Award 2022 for the second time

Awarded the Best Rual Revitalization Practice Case among Listed Companies for the first time



I Important Visits

Wang Chen, Vice President of the Chinese Academy of Engineering, and his delegation visited Yunnan Baiyao

On February 24, 2023, Wang Chen, Vice President of the Chinese Academy of Engineering (CAE), Academician of CAE, President of the Chinese Academy of Medical Sciences, President of Peking Union Medical College, and his delegation including Yang Ting, Deputy Director of the National Center for Respiratory Medicine of China-Japan Friendship Hospital, visited the Company and they were received by some directors and executives of the Company.



Mayor Li Gang of Lijiang Municipal People's Government, and his delegation visited Yunnan Baiyao

On August 16, 2023, Li Gang, Mayor of Lijiang Municipal People's Government, and his delegation paid a visit to Yunnan Baiyao and they were received by Dong Ming, director of the Board, CEO and President of the Company, etc.



CAE academicians and experts paid a visit to Yunnan Baiyao

On September 3, 2023, the CAE academicians and experts of the Research Tour Project at Yunnan Border paid a visit to Yunnan Baiyao, accompanied by Li Malin, Vice Chairman of the CPPCC Yunnan Provincial Committee, Zhu Zhaoyun, CAE academician and TCM Strategic Scientist of Yunnan Baiyao Group, and Dong Ming, director, CEO and president of the Company.



The leadership team of People's Procuratorate of Yunnan Province visited Yunnan Baiyao for research and exchange

On October 10, 2023, Wang Guanghui, Secretary of the Party Leadership Group and Prosecutor General of the People's Procuratorate of Yunnan Province, and his delegation, including Liu Zonggen, Deputy Secretary of the Party Leadership Group and Deputy Prosecutor General in charge of daily work, Yang Yonghua, Member of the Party Leadership Group and Deputy Prosecutor General in charge of daily work, Yang Yonghua, Member of the Party Leadership Group and Deputy Prosecutor General, Li Shiqing, Member of the Party Leadership Group and Deputy Prosecutor General, Miao Qian, Leader of the Discipline Inspection and Supervision Group of Yunnan Provincial Commission for Discipline Inspection and Yunnan Provincial Supervision Commission stationed at People's Procuratorate of Yunnan Province and Member of the Party Leadership Group of the People's Procuratorate of Yunnan Province, Zhu Chunli, Member of the Party Leadership Group and Director of the Political Department, and Wang Xianghong, Member of the Party Leadership Group of the People's Procuratorate of Yunnan Province, Secretary of the Party Leadership Group and Prosecutor General of People's Procuratorate of Yunnan Province Kunming Railway Branch, paid a visit to Yunnan Baiyao. They were accompanied by Zhang Wenxue, the secretary of the Company's Party Committee, and some directors and executives, and they had exchanges.



Vietnamese Communist Party Delegation visited Yunnan Baiyao

On November 9, 2023, the Vietnamese Communist Party Delegation, who came to Yunnan for attending the political Party dialogues between the CPC and Southeast and South Asian countries, visited Yunnan Baiyao, and they were received by Zhang Wenxue, Secretary of the Party Committee of the Company.



Secretary Yang Jun and Mayor Chen Rui, with the Baoshan City Party and Government Delegation, visited Yunnan Baiyao for cooperation negotiations

On November 5, 2023, Yang Jun, Secretary of Baoshan Municipal Party Committee, and his delegation visited Yunnan Baiyao for cooperation negotiations, accompanied by Chen Rui, Deputy Secretary of Baoshan Municipal Party Committee and Mayor of Baoshan City, Du Chunqiang, Member of Standing Sub-committee of Baoshan Municipal Party Committee and Executive Deputy Mayor of Baoshan City, Ma Zixing, Secretary of Tengchong Municipal Party Committee, Xiong Zhengjie, Deputy Secretary General of People's Government of Baoshan City, Yang Minliang, Deputy Secretary General of People's Government of Baoshan City. They were received by Zhang Wenxue, Secretary of the Party Committee of the Company, and some directors and executives.



Sun Haiyan, Vice Minister of the International Department, Central Committee of CPC, and her delegation visited Yunnan Baiyao

On August 16, 2023, Sun Haiyan, Vice Minister of the International Department, Central Committee of CPC, and her delegation visited the headquarters of the Yunnan Baiyao Group, and they were received by Lu Hongdong, Deputy Secretary of the Company's Party Committee, etc.



Delegation of Fujian Provincial Government paid a visit to Yunnan Baiyao

On September 2, 2023, the Fujian delegation attending the 2023 China Industrial Transfer and Development Matchmaking Event (Yunnan) included Kang Tao, a member of the Fujian Provincial Government Party Leadership Group, and Chen Fang, Deputy Director General of the Fujian Provincial Department of Industry and Information Technology paid a visit to Yunnan Baiyao, accompanied by Zuo Guang, Director General of Yunnan Provincial Local Financial Supervision and Administration Bureau, and other leaders from Yunnan Province.



Leaders of Xinjiang Production and Construction Corps, accompanied by provincial and municipal leaders, paid a visit to Yunnan Baiyao

On September 12, 2023, Comrade Li Zhenguo, Deputy Secretary of the Party Committee and Deputy Political Commissar of Xinjiang Production and Construction Corps, along with other 11 leaders and staff members, paid a visit to Yunnan Baiyao Group, accompanied by Comrade Wang Hao, Deputy Governor of Yunnan Province, Comrade Lu Xiaolong, Deputy Secretary of the Party Leadership Group and Deputy Director of Yunnan Provincial Development and Reform Commission, and Comrade Qu Congwen, Deputy Mayor of Kunming City. They were received by Lu Hongdong, Deputy Secretary of the Company's Party Committee, etc.



Topic

Leadership in Party Building



2023 marked the first year of full implementation of the spirit of the 20th CPC National Congress. It was a crucial year for Yunnan Baiyao, as we maintained our strategic determination and worked together to create a new pattern of high-quality development. We firmly adhere to the “two safeguards” and are guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We comprehensively study and grasp the spirits of the 20th CPC National Congress, fully practicing our responsibility of serving the country with TCM and achieving new accomplishments in support of the national strategy.

This year witnessed Yunnan Baiyao's endeavors to pioneer a new chapter in leading Party building.

We have significantly reinforced our ideological construction, steadfastly adhering to the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Our primary political focus has been on learning, propagating, and implementing the principles outlined in the 20th CPC National Congress. Throughout the year, the Party Committee of the Company distributed over 10,000 relevant books to all Party members in multiple batches. Guided by the *Quarterly Work Guidance Manual for Grassroots Party Organizations of Yunnan Baiyao*, we delineated key learning points and objectives for grassroots Party organizations to ensure comprehensive understanding and implementation among all members. We rigorously enforced the “first issue” system, with active responses from Party committees at all levels. A total of more than 20 times of centralized learning in the central group. For Party cadres, we conducted demonstration training courses and cadre management ability improvement training courses focused on the implementation of the 20th CPC National Congress' principles and enhancing the managerial skills of Party cadres, thereby improving their theoretical knowledge and professional capabilities.

In 2023

we hosted over **200** Party classes and lectures

engaging more than **3,000** participants from Party organizations

departments, and business units across all levels of the Company, tailored to their specific operational requirements

The Party Committee of Yunnan Baiyao, being one of the pioneering units in conducting educational activities centered around “learning and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era,” is dedicated to following the directives of the Chinese Central Committee, the Yunnan Provincial Party Committee, and the Yunnan Provincial Committee of the CPC Working Committee for Non-public Economic and Social Organizations. It adopts an issue-oriented and task-focused approach to comprehensively deploy its efforts. In terms of theoretical learning, we have implemented a list-based learning system. Leveraging our own online learning platform, the “Baiyao Academy”, we have established a dedicated education column and a learning platform systematically. We also curated a multi-dimensional Party course system, including a wide range of topics, from “Mao Zedong's Military Thought and Enterprise Management” to “Party's Self-Revolution”, from “Upholding Public Interests, Strict Discipline, and Leading by Example” to “Exploring the History and Culture of Yunnan Province”, from “Forever Being in Adversity” to “Taking on Full Responsibility,” and from corporate strategy implementation to project research and product R&D. We integrated comprehensive thematic education into our Party course system, facilitating active learning and fostering a cohesive thematic Party-day framework. Moreover, we have organized more than 80 small-scale linked and lightweight themed Party Day activities, fostering the joint Party building among industry-university-research (IUR) units and upstream and downstream enterprises. This approach effectively leverages organizational and institutional strengths across various fields to achieve tangible results in task implementation. Throughout the implementation process, leaders of Party organizations at all levels of the Company have assumed primary responsibility for themed education initiatives, integrating them into the quarterly work guidance manual. The outcomes of these initiatives are incorporated into the quarterly and annual evaluations of branch secretaries and mass organizations, underscoring the leading role of high-quality Party building efforts.

This year marked Yunnan Baiyao's steadfast strides towards fortifying its foundations and defenses.

Yunnan Baiyao took comprehensive steps to enhance grassroots Party building, focusing on bolstering the political and organizational functions of grassroots Party units while reinforcing their construction across various domains. In 2023, the Company optimized its organizational structure, combined with the distribution of grassroots Party members and actual Party building needs, adjusted the organizational structure of the Company's Party and mass organization system, and adhered firmly to the principle of “The Party branches are established wherever our departments are located.” This involved clarifying the affiliation of Party organizations in business sectors such as the Innovative Drug Center, Zhengwu Technology, Peking University- Yunnan Baiyao International Medical Research Center (PKU-YBIMRC), Special Channel Business BU, and Beijing Limited Company. Additionally, new Party branches, including the Yunnan Baiyao Pharmacy Party Branch and Zhiyun Health BU Party Branch, were established.

Following these adjustments

the Yunnan Baiyao Group's Party Committee included

6 Party subcommittees **7** Party general branches **52** Party branches **100%** of grassroots Party organizations

Moreover, the Company implemented a leadership system of two-way entry and cross-appointment, recruiting top talents to reinforce grassroots Party organization teams and augment their organizational and competitive capacities.

To further strengthen Party member management and development efforts, the Party Committee of Yunnan Baiyao devised a guiding plan based on the principle of merit-based selection, scientifically decomposing indicator tasks, and clarifying the main responsibilities of Party organizations at all levels to facilitate the development of Party members.

In 2023

we aimed to recruit **80** new Party members successfully **achieving this target**

Currently, the Company boasts **1,922** full Party members

165 potential Party members

140 Party activists

241 Party membership applicants.

We standardized the process of transferring organizational relationships for Party members, implemented work responsibilities, and enhanced tracking management. Moreover, Yunnan Baiyao conducted a comprehensive discussion on Party member behavior norms involving all full Party members, probationary Party members, potential Party members, Party activists, and other employees. The discussion primarily focused on delineating “dos and don'ts” for Party members in alignment with the Company's reform, development, production, and operational reality. Yunnan Baiyao's grassroots Party organizations, Party members, and other employees actively participated, submitting over 2,000 suggestions totaling over 40,000 words. Through this process, we aim to foster a deeper understanding of Party-member behavior norms and encourage every Party member to embrace their role as pioneers and exemplars within the Company.

In September 2023, the Yunnan Provincial Committee of the CPC Working Committee for non-Public Economic and Social Organizations appointed Comrade Zhang Wenxue as the Secretary of the Party Committee of Yunnan Baiyao, injecting new energy into the Company's high-quality corporate development and the enhancement of the Party building work's quality and efficiency.

This year saw Yunnan Baiyao's unwavering commitment to nurturing an honest, upright, and integrity-driven corporate culture.

Yunnan Baiyao remains steadfast in implementing the "two responsibilities", actively explored and promoted the establishment of a comprehensive supervision system integrating Party conduct and integrity governance, disciplinary inspection and supervision, integrity risk prevention and control, internal audit, internal control, and business compliance.

In 2023

- The Company Formulated internal supervision-related systems such as the *Comprehensive Risk Management System* and the *Accountability Management Measures*.
- Initiated the construction of a comprehensive risk management system, and compiled a comprehensive risk diagnosis report based on industry realities and the Company's own situation.
- Following the risk information classification framework, the Company identified compliance supervision risks, including the risks related to integrity and disciplinary inspection mechanisms, integrity supervision, petition work, and violation investigation.
- Continually improved its internal control system, updating the *Internal Control Management Manual* annually and enhancing content related to internal supervision and anti-fraud measures.
- Internal control measures were developed, and responsibilities were consolidated for identifying integrity risks, leading to effective implementation of such measures.

By releasing the *Strict Disciplines for Yunnan Baiyao's Management*, Yunnan Baiyao's management solemnly committed to uphold integrity and dedication to the public, take responsibility, prioritize user satisfaction, pursue excellence, embrace continuous learning and innovation, and foster cooperation and win-win outcomes. Throughout the year, Yunnan Baiyao organized 210 pre-employment integrity talks with key employees in crucial positions, requiring them to sign the *Commitment to Integrity Practice*. We issued 7 holiday integrity reminders, and conducted confidentiality warning education courses across the Company. The disciplinary inspection work meeting was convened, during which the Company's Disciplinary Committee outlined specific requirements for comprehensive and stringent Party governance. All grassroots Party organizations conducted a total of 48 theoretical studies on Party conduct and integrity governance construction, as well as integrity employment warning education sessions, with nearly a thousand participants.

This year reflected Yunnan Baiyao's commitment to serving the people and addressing their challenges.

Yunnan Baiyao prioritized high-quality development this year. In its efforts to implement rural revitalization strategies, the Company embraced responsibility and took proactive steps to enhance the well-being and sense of accomplishment of the people. Throughout the year, Yunnan Baiyao convened the special meeting to advance rural revitalization initiatives, aligning with directives from China's central government and the Party Committee of Yunnan province. The Company also rotated the first secretary and work team leader stationed in villages and deployed six team members to Xinle Village and Chazhiluo Village, Pantiange Township, Weixi County. The Company diligently pursued the following five approaches: increasing income through industry support, strengthening foundations through grassroots building, promoting demonstration projects through exemplary cases, fostering harmony through public education, and driving development through achievements.

Yunnan Baiyao's contributions to rural revitalization garnered external recognition.

• Yunnan Baiyao was awarded the 14th **"National 100 Excellent Cases"** by China Management Case Sharing Center for the case of *Health Initiatives in Hengduan Mountains: Yunnan Baiyao Promoted Rural Revitalization with Charity Responsibility*, which was officially added to its case library.

• Yunnan Baiyao's rural revitalization efforts were recognized by Xinhuanet as an excellent case, and were included among the **"Best Practice Cases"** by China Association for Public Companies.

This year underscored Yunnan Baiyao's mission and determination to overcome difficulties and seek development.

In 2023, Yunnan Baiyao concentrated on strategy management and execution, reform implementation, and work style construction through investigation and research, with a focus on fostering the development of Party cadres. The Party Committee of the Company took the initiative to set an example, with its leaders leading research under the theme of "Exploration and Innovation of Grassroots Party Building in Mixed-ownership Enterprises." Through these research efforts, various dimensions of the Company's Party building were comprehensively understood, enabling a thorough reflection on its current status and characteristics, and providing clarity on the Party building in mixed-ownership enterprises. Different members of the Party Committee leadership team led research on different topics, while each department delved into their respective business areas, addressing bottlenecks and challenges in corporate development. Special research was conducted on topics such as Party building, rural revitalization, talent team construction, and quality management.

Grassroots Party teams conducted in-depth investigations to understand the Company's needs and development strategies. The Joint Branch of Strategic Development Center, in collaboration with the Pharmaceutical BG, facing pressure for performance growth, conducted research on marketing strategies for key products, design research for grassroots business, and design research and interviews for provincial-level business. The aim is to propose systematic solutions to ensure future steady growth of the Pharmaceutical BG. The Aesthetic Medicine R&D Department was dedicated to business development initiatives. It conducted extensive research and analysis on both domestic and international medical aesthetics industries, trends in therapeutic skincare products, and other pertinent fields. Based on these findings, the Department formulated the Company's upstream product pipeline plan for the medical aesthetics sector. Drawing from the entirety of the Panax notoginseng industry chain, the TCM Resources BG facilitated visits for all Party members to Panax notoginseng cultivation fields and processing workshops. This initiative aimed to bolster research effectiveness and enable the intuitive identification of issues. Yunnan Baiyao conducted research on 7 major projects, over 30 sub-projects, and hundreds of micro-projects. The focus was on leveraging research outcomes to drive significant advancements of the business.

Over the three decades, the Company has remained aligned with China's development, evolving alongside the changing times and reforms. We have actively supported, participated in, and promoted China's reform and opening up, continuously advancing in the Big Health sector. This path we have chosen is the right one, offering numerous development opportunities in this field. In this new era, Yunnan Baiyao is committed to fulfilling its mission and embracing the call of the times. We will wholeheartedly promote Party building work, leading our high-quality corporate development through the strength of exemplary Party building. Furthermore, we will strive to elevate our corporate development to new heights, firmly supporting China's path to modernization, and making significant contributions to the great endeavor of building a prosperous nation and achieving national rejuvenation.

Considering the actual needs of its employees, Yunnan Baiyao consistently seeks to provide proactive services. Using mass organizations as a platform, we actively explore more heartfelt initiatives to address the needs and concerns of our people and engage in beneficial and meaningful endeavors for the community. In terms of network and telecommunications security, the Company organized a special lecture on "Preventing Telecom Network Fraud," inviting experts from the Criminal Investigation Brigade of Chenggong Branch, Kunming Public Security Bureau, to educate employees on fraud prevention and network security. For employees commuting long distances between home and work, the Yunnan Baiyao Labor Union collaborated with Yunnan Jingjian Rail Transit Investment Co., Ltd to offer exclusive discounted subway gift cards. Recognizing the challenges such as remote location and harsh environment faced by employees at the Qidian Branch of Yunnan Baiyao Raw Material Extraction Plant, particularly in transportation, accommodation, social connections, and children's education, the Company's labor union advocated for subway shuttle buses and secured public rental housing and suitable schools for employees' children, effectively addressing their living difficulties.

Sound Operation for High Quality Development

YUNNANBAIYAO

Adhering to a robust development philosophy, Yunnan Baiyao has consistently enhanced its corporate governance and fortified its risk control capabilities. The Company has established a comprehensive ESG governance framework, reinforced ethical business practices, and communicated proactively with diverse stakeholders to enhance operational transparency, thereby ensuring its robust and sustainable development.



01

ESG Management

Yunnan Baiyao places significant emphasis on its environmental, social, and governance commitments and responsibilities. Integrating the ESG principles into its overall management and operation, the Company has established and gradually improved a robust ESG management mechanism and vigorously expanded communication channels with stakeholders, thus enhancing its sustainable development practices comprehensively.

ESG Governance Structure

To bolster its ESG management capabilities, Yunnan Baiyao has established a top-down ESG management structure with clear delineation of authority and responsibilities in accordance with regulatory mandates and relevant industry standards, while considering the Company's evolving needs. The structure is anchored by the ESG Working Leadership Group as the main body of leadership, supported by the ESG Promotion Office as the core management, and complemented by specific ESG working groups tasked with execution and implementation.



ESG Governance Structure

ESG Working Leadership Group

The ESG Working Leadership Group, chaired by the Director, Chief Executive Officer, and President, and comprising Vice Leaders such as the Chief Financial Officer, Chief Quality and Process Officer, Secretary of the Board of Directors, and Chief Human Resources Officer, alongside top managers from each functional department and Business Group, spearheads and oversees the Company's ESG governance. This group is tasked with defining the ESG management structure, evaluating ESG strategies, policies, and objectives, and ensuring the effectiveness of the Company's ESG risk management and internal control system, etc.

ESG Promotion Office

The ESG Promotion Office, comprising personnel from ESG-related departments, functions as the core management entity carrying out the Company's ESG initiatives. It is entrusted with the planning, guidance, organization, coordination, promotion, and assurance of ESG-related issues.

ESG Working Groups

The ESG Promotion Office comprises several ESG working groups, each dedicated to specific areas of responsibility. These include the External Coordination and Information Disclosure Group, Coordination and Promotion Group, Financial Security Group, Legal Work and Patent Group, Risk Control Management Group, Brand Promotion Group, Quality Control Group, Employee Care Group, Supply Chain Ecosystem Construction Group, Environmental Protection Coordination Group, and Strategy Planning and Decoding Group. Those groups are tasked with executing and promoting various ESG initiatives and projects.

Communication with Stakeholders

Yunnan Baiyao consistently prioritizes and attentively listens to the needs of both internal and external stakeholders. We proactively engage with stakeholders through various communication channels, ensuring thorough collection and responsiveness to their expectations for Yunnan Baiyao's sustainable development. Throughout 2023, we fostered communication and exchange with stakeholders via social platforms, WeChat Official Account, emails, and other mediums, facilitating a two-way flow of information and prompt response to stakeholder feedback and requirements. These efforts contribute to mutually beneficial outcomes for all involved parties.

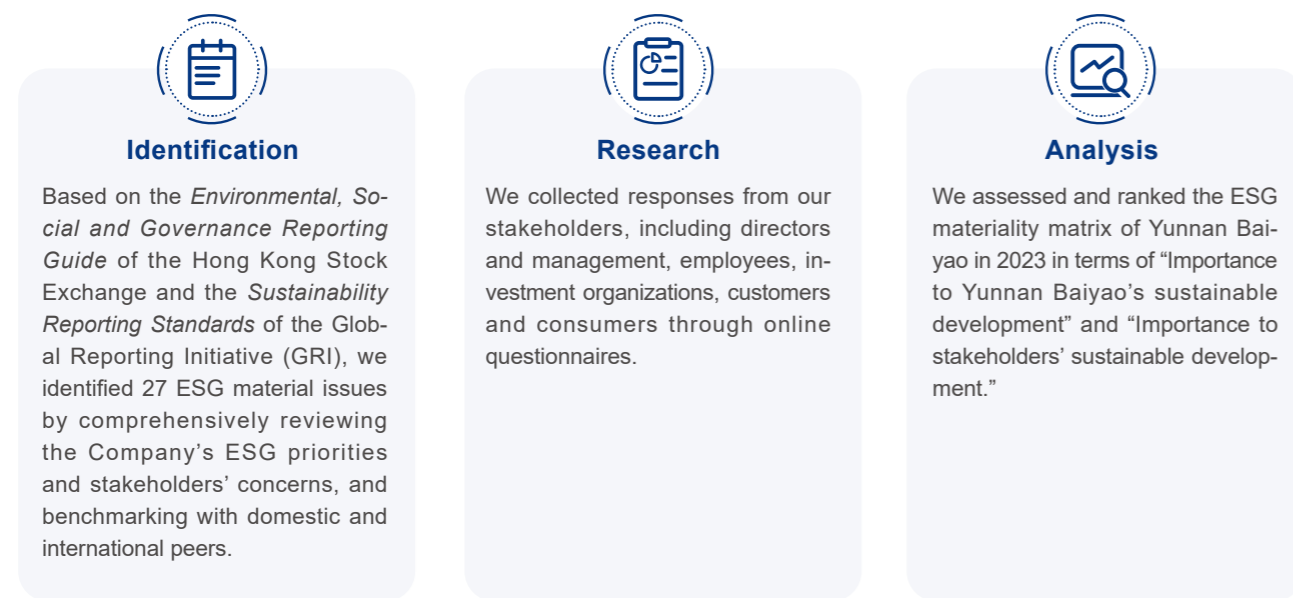
Stakeholder Communication Mechanism

Stakeholders	Expectations and Demands	Communication Mechanism
Shareholders and investor institutions	Standardized operation Information disclosure Risk control Reasonable return on investment	Compliant information disclosure Comprehensive reports at shareholders' meetings On-site, phone, email, interactive platform, and other forms of research Steadily increasing performance, and stable dividends
Clients and consumers	Consumer rights protection Guarantee of product quality and safety Customer privacy protection Intellectual property protection	Customer satisfaction survey Product recall system Integrated customer service system Product service and quality assurance
Business partners	Integrity in business Supply chain sustainability Timely communication	Standardized management and implementation of contracts and agreements Regular conferences and networking events Strict implementation of the bidding system Collaboration in social responsibility
Employees	Good working environment Welfare and benefits Career development	Worker's Congress Training, lectures, salons and other communication activities Themed networking activities Employee feedback from work summary
Governmental departments/regulators	Compliance with laws and regulations Compliant operation Paying taxes in accordance with the law Joint development	Information disclosure Fulfilling all obligations in accordance with laws and regulations Undertaking government projects Reporting the Company's business performance on a regular basis Association activities and communications
Media and community public	Financial performance Corporate governance Information disclosure	Press release and publications Media interviews
Communities and NGOs	Community relations Promoting health knowledge	Volunteer service Community activities Exchanges and interviews

Materiality Assessments

In alignment with the ESG Reporting Guidelines, capital market rating criteria, and standards from reputable domestic and international organizations, as well as the practices of peer companies, Yunnan Baiyao has updated its list of ESG issues and conducted materiality assessments. Throughout 2023, we reviewed and adjusted our ESG material issues through a process of "Identification - Research - Analysis." This approach yielded 27 ESG issues, culminating in the development of a materiality matrix for 2023. The matrix serves as the cornerstone of our sustainable management goals.

Materiality Assessment Process

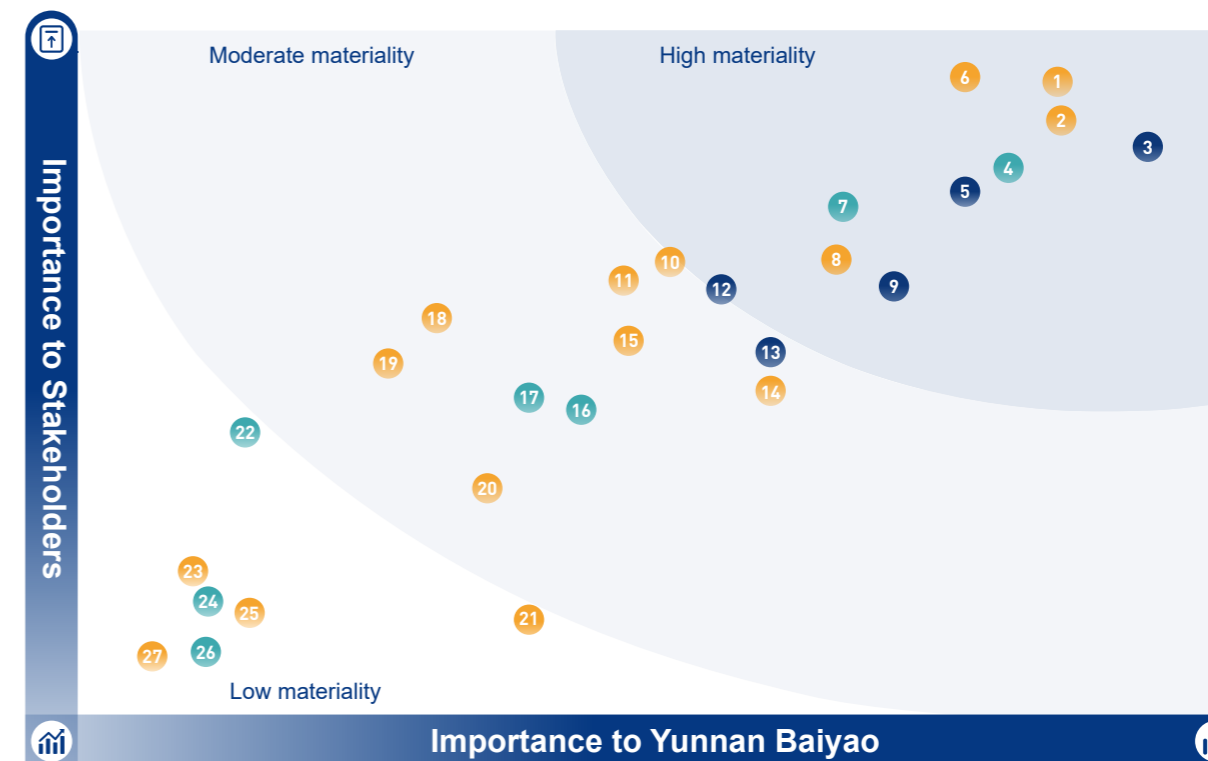


Materiality of ESG Issues

Scope	Topics	Materiality ranking
Environment	Emission management	High materiality
	Environmental management	
	Resources utilization	Moderate materiality
	Water resources management	
	Energy consumption	
	Biodiversity protection	Low materiality
	Addressing climate change	
Governance	Compliant operation	High materiality
	Business ethics	
	Risk management	
	Corporate governance	Moderate materiality
	Economic performance	

Scope	Topics	Materiality ranking
Social	Product quality and safety	High materiality
	Innovation and R&D	
	Health and safety	
	Recruitment	
	Information security and privacy protection	Moderate materiality
	Employee rights and benefits	
	Supply chain management	
	Intellectual property protection	
	Employee training and development	
	Diversity and inclusion	
	Responsible marketing	
	Medical accessibility	Low materiality
	Driving progress in the industry	
	Philanthropy	
	Rural revitalization	

2023 ESG Materiality Matrix of Yunnan Baiyao



● Environment ● Social ● Governance

- | | | |
|------------------------------|--|-------------------------------------|
| 1 Product quality and safety | 10 Information security and privacy protection | 19 Diversity and inclusion |
| 2 Innovation and R&D | 11 Employee rights and benefits | 20 Responsible marketing |
| 3 Compliant operation | 12 Corporate governance | 21 Medical accessibility |
| 4 Emission management | 13 Economic performance | 22 Energy consumption |
| 5 Business ethics | 14 Intellectual property protection | 23 Driving progress in the industry |
| 6 Health and safety | 15 Supply chain management | 24 Biodiversity protection |
| 7 Environmental management | 16 Resources utilization | 25 Philanthropy |
| 8 Recruitment | 17 Water resources management | 26 Addressing climate change |
| 9 Risk management | 18 Employee training and development | 27 Rural revitalization |

Compliance Management

Yunnan Baiyao is committed to enhancing corporate governance practices by refining the governance structure, enhancing risk management, and bolstering internal control mechanisms. Through these efforts, we continuously promote standardized and compliant management, thereby fortifying the robust foundation for the Company's sustainable operation and development.

Corporate Governance

In strict accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guidelines for Corporate Governance of Listed Companies* and other laws and regulations and regulatory requirements, and considering the actual situation of the Company's development, Yunnan Baiyao has continuously improves the governance structure with clear delineation of powers and responsibilities and scientific and efficient management structure, and formed a decision-making and management organization with the shareholders' general meeting, the Board of Directors, the Supervisory Committee and the management as the main structure to fully protect the interests of the Company and all shareholders.

Corporate Governance Structure of Yunnan Baiyao



General Meeting

In strict accordance with the provisions and requirements of the *Articles of Association* and the *Rules of Procedure for General Meetings*, Yunnan Baiyao has standardized the convening and voting procedures of general meetings, treating all shareholders on an equal footing, and safeguarding the shareholders' rights of being informed, participation and supervision. In 2023, the Company held two general meetings.

In 2023

held

2 general meetings



Board of Directors

Yunnan Baiyao actively promotes the standardized and efficient operation of the Board of Directors in strict accordance with the relevant provisions of the *Articles of Association*, the *Rules of Procedure for Board of Directors* and the *Work System for Independent Directors*. The Board of Directors consists of a Strategy Committee, an Audit Committee, a Remuneration and Evaluation Committee and a Nomination Committee, which implement the principles of corporate governance from top to bottom to ensure compliance and efficient operation of the business.

Yunnan Baiyao holds regular meetings of its Board of Directors to facilitate the formation of consensus and decision-making plans by its directors on key issues such as corporate governance and strategic direction. Yunnan Baiyao held a total of 7 board meetings in 2023.

Yunnan Baiyao has always believed that the independence of the Board of Directors is a key factor in safeguarding the interests of shareholders and maintaining the stable development of the Company. In nominating and appointing members of the Board, we give due consideration to factors such as gender, age, industry experience, professional skills and other factors of the members of the Board, and review and evaluate the implementation of the independence of the Board on a regular basis. During the reporting period, Yunnan Baiyao had a total of 10 directors, including 6 non-independent directors and 4 independent directors. In February 2024, one non-independent director was elected at the Company's first extraordinary general meeting, and there are currently 7 non-independent directors and 4 independent directors. The members of the Company's Board of Directors have experience in various fields such as law, finance, auditing, management, risk control, investment and M&A, and healthcare reform, bringing diversified experience and professional knowledge to the Company, which is beneficial to safeguard the scientific nature of the Board's decision-making.

In 2023

held a total of

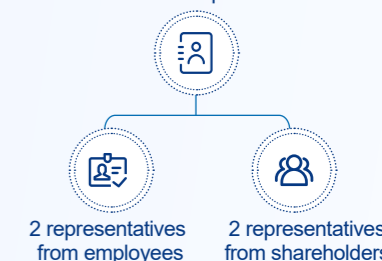
7 board meetings



Supervisory Committee

Yunnan Baiyao elects supervisors in strict accordance with the *Company Law*, the *Articles of Association*, the *Rules of Procedure for Supervisory Committee* and other relevant provisions. The Supervisory Committee consists of 4 current supervisors, including 2 representatives from employees and 2 representatives from shareholders. Supervisors of the Company independently and effectively perform their supervisory functions, urge the Board of Directors and the Operation Team to standardize their operations and make scientific decisions, and effectively safeguard the legitimate rights and interests of the Company and its shareholders.

4 current supervisors



Risk Control

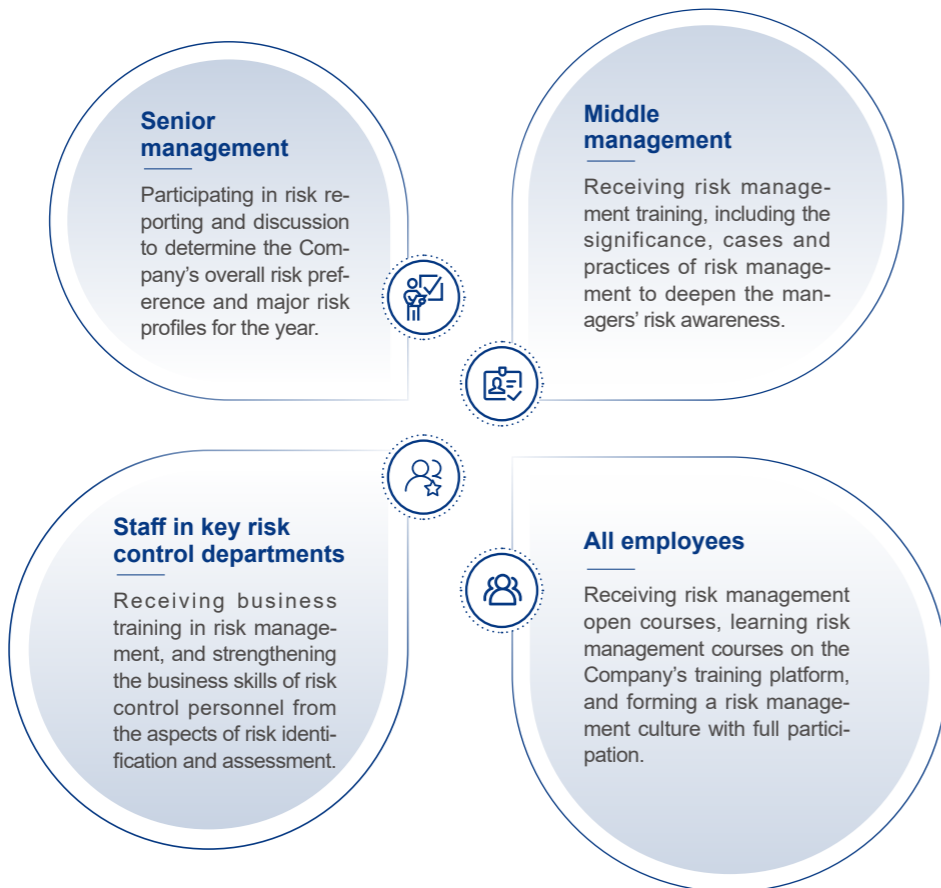
Yunnan Baiyao has continually improved its risk management system, conducting comprehensive assessments across all business sectors to ensure that the Company's risks remain controllable.

The Board of Directors serves as the principal decision-making body for comprehensive risk management, bearing ultimate responsibility in this regard. The Audit Committee of the Board, oversees and reviews internal controls and risk management activities. It delegates specific internal control tasks to the Risk Control Center and provides specialized reports to the Board of Directors. Emphasizing the control of sustainability-related risks, we integrate ESG risks such as R&D management, information security, and brand reputation into our overarching risk management system, enabling unified management and effectively enhancing our response capabilities.

Yunnan Baiyao has established and continuously refined its risk management and internal control systems, bolstering the system construction such as the *Internal Control Manual* and the *Comprehensive Risk Management System*, and comprehensively strengthening the foundation of internal control. We conduct regular identification, analysis and assessment of internal risks to compile a risk inventory, and prioritize key risks for the year based on the risk inventory and the impact of the risks. Through the analysis and monitoring of key risks, the risk response plan is formulated to form a closed loop of risk management. Additionally, routine audits or investigations are conducted to evaluate and enhance the effectiveness and adaptability of our risk management mechanisms, which can effectively elevate our overall risk management proficiency.

The Company places significant emphasis on fostering a risk-control culture and cultivating a supportive internal control environment. Yunnan Baiyao encourages active employee participation in risk identification, offering a feedback platform for employees to contribute opinions and suggestions. We conduct practical risk management exercises and enhance employees' risk awareness through training sessions on risk management and the regular dissemination of relevant risk prevention knowledge such as internal control and risk management via the "Risk Control Online" platform. These efforts contribute to a risk management corporate culture, engaging the entire company in risk management endeavors.

Risk Management Training of Yunnan Baiyao



Rights and Interests of Shareholders and Investors

Based on the principle of open communication, Yunnan Baiyao has established a regular communication mechanism, maintains effective communication with shareholders and investors, and takes effective measures to protect the legitimate rights and interests of shareholders and investors.

In strict compliance with the listing regulatory requirements, we have constantly optimized online and offline communication channels, and built a comprehensive investor communication platform. We regularly organize investor interviews and exchanges to disclose the Company's operating conditions and business progress to investors in a timely manner, maintain a smooth flow of information between the Company and investors, and enhance the communication efficiency between the Company and the capital market. In addition, we attach great importance to the protection of small or medium-sized investors, actively respond to inquiries, and maintain close contact with small and medium-sized investors through a variety of channels such as email, telephone and the Internet.

In 2023



Business Ethics

Yunnan Baiyao firmly believes that integrity, equality, and transparency are the cornerstones of the Company's long-term and stable development. By prioritizing business ethics and integrity, we continuously enhance our reporting management mechanisms to foster a culture of integrity management in our business practices.

Governance System of Business Ethics

In strict accordance with the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China Against Unfair Competition*, the *Anti-Monopoly Law of the People's Republic of China* and other national laws and regulations, we have studied and formulated the *Opinions on Strengthening and Improving Discipline Inspection of Yunnan Baiyao Group Co., Ltd (for Trial Implementation) (the "Opinions")*. This initiative aims to comprehensively advance the rigorous governance of the Party, reinforcing supervision, discipline, and accountability. By elevating the standardization, legal compliance, and normalization of the Company's discipline inspection practices, we provide robust disciplinary assurance for the high-quality, stable, and sustainable development of Yunnan Baiyao.

Guided by the *Opinions* and anchored in systematic construction, Yunnan Baiyao has leveraged discipline inspection as a catalyst for practical progress, contributing to the development of a suite of new system documents. These documents, structured around six key areas including responsibility implementation, supervision and inspection, integrity education, complaint reporting, style construction, and risk prevention and control, embody the Company's commitment to fostering a culture of compliance. Examples include the *Implementation Opinions for Party Committee and Discipline Inspection Commission Work Coordination Promotion Mechanism of Yunnan Baiyao*, and the *Rules of Procedure for Discipline Inspection Commission of Yunnan Baiyao*. Additionally, the Company has released the *Discipline Inspection and Supervision Work System Compendium of Yunnan Baiyao*, encompassing various integrity and anti-corruption related documents such as the *Work System of Discipline Inspection Commission*, the *Work System of Letters and Visits*, the *Measures for Integrity Risk Control*, and the *Responsibility System for the Work of Clean and Honest Party Building*. These systemic frameworks guarantee Yunnan Baiyao's compliant operations. In 2023, Yunnan Baiyao continued to adhere to the *Code of Conduct for Business Ethics*², which clarified the Company's management requirements for all employees (including non-regular employees) on business ethics, and strictly prohibited improper acts such as corruption and bribery, improper competition, and conflict of interest.

Yunnan Baiyao has integrated the requirements of integrity practice into the management and assessment of key positions, and organizes the management and key position employees to sign the *Commitment to Integrity Practice*, to ensure that the employees know and understand the laws and regulations of business ethics. We have clarified the principal, scope, and content of responsibility of the clean governance of the Party to the persons in charge at all levels.

We take a "zero tolerance" approach to any violation of business ethics, and have formulated integrity and anti-corruption systems such as the *Code of Conduct for Business Ethics*.

Integrity Awareness Cultivation

In terms of building an integrity culture, Yunnan Baiyao organizes training for all employees (including non-regular employees) several times a year. The training included the collective watching of integrity warning education films, visits to integrity warning education bases, knowledge competitions related to integrity education, and integrity thematic training by experts.

2: Link to the *Code of Conduct for Business Ethics*: Yunnan Baiyao Group Co. Ltd. - Code of Conduct for Business Ethics | Portal of Yunnan Baiyao (<https://www.yunnanbaiyao.com.cn/view/ynbyPc/1/46/view/5897.html>)

As of the end of the reporting period

Yunnan Baiyao had organized employees to sign nearly

2,000

copies of the *Commitment to Integrity Practice*



In 2023

carried out a total of

9 sessions of compliance training

(including anti-corruption and business ethics training)



with a coverage rate of

100% of the employees



case

Special Training on Business Ethics



Special training on business ethics

In 2023, Yunnan Baiyao carried out the training sessions titled *Enhancing Enterprise Sustainability and Operational Capacity* for all the employees. In this training, we invited external experts to teach the course of "Special Training on Business Ethics" to clarify business ethics standards, strengthen the awareness of compliance performance, and build a compliance culture.

case

Special Party Lesson on Thematic Education and Discipline Inspection Working Meeting



Special Party lesson on thematic education and discipline inspection working meeting

In 2023, Yunnan Baiyao organized a special Party lesson on thematic education and discipline inspection working meeting. More than 160 members of the Party Committee and the Discipline Inspection Commission attended the meeting, watched a series of educational warning films, and comprehensively enhanced the awareness of integrity and self-discipline.

Reporting Management

Yunnan Baiyao keeps strengthening its business ethics monitoring and reporting efforts. We have further standardized the reporting channels and procedures in accordance with relevant laws and regulations to ensure that complaints and reports are handled in a timely and effective manner. We encourage employees, users and other stakeholders to monitor and report any violations of the law and provide smooth internal and external reporting channels, including telephone, email, website, face-to-face reports. After receiving reported cases, we will promptly carry out investigations, seriously deal with complaints and reported incidents, take effective corrective measures and impose punishment for the cases that cause lawsuits.

To protect the rights and interests of the whistleblower, we have specified according to the whistleblower protection provisions of the *Work System of Discipline Inspection Commission* that the personal information and report content of the whistleblower shall not be disclosed in any way without the consent of the whistleblower, and the whistleblower shall be fully protected from any form of retaliation.

Business Ethics Reporting Channels of Yunnan Baiyao

<https://www.yunnanbaiyao.com.cn/subsiteIndex/ynbyEn.html>

Email: byxfjb@ynby.cn

Tel: 0871-66203975

Inheritance & Innovation for Energizing New TCM

YUNNANBAIYAO

Fully embracing and advancing the rich heritage of TCM culture, Yunnan Baiyao is dedicated to deeply understanding the evolving landscape of the pharmaceutical industry. We focus on the enhancement of product quality across all fronts and drive innovation to invigorate our product offerings. In alignment with customer demands, we continuously enhance our customer service capabilities and actively advocate for inclusive healthcare development. Collaborating with our suppliers, we cultivate a sustainable supply chain that fosters the healthy and sustainable growth of the Company.



02

Product Quality

Yunnan Baiyao recognizes that product quality and safety are fundamental to the Company's long-term operation.



Branding

Yunnan Baiyao, with a heritage spanning a century, enjoys a stellar reputation as a leading enterprise in China's Big Health industry. Renowned as a pioneer in both TCM and orthopedics, we uphold a historical tradition of merging TCM with modern scientific advancements. By deeply understanding society's health needs, we proactively develop and diversify our product offerings, aiming to address contemporary medical and lifestyle challenges. Throughout the year, Yunnan Baiyao has demonstrated proactive exploration and innovation, pushing boundaries beyond our traditional domains. Through comprehensive product management and synchronized efforts across various sectors, we have achieved stable and increased revenue in multiple business lines.

In 2023, Yunnan Baiyao devised the *Brand Structure Management Manual of Yunnan Baiyao Group* to govern publicity management and branding activities. Additionally, we refined our brand strategy and conducted in-depth exploration of Yunnan Baiyao's unique brand value. With a focus on enhancing brand reputation and fostering business connections, we innovatively propelled Yunnan Baiyao into a new era.



Traditional Chinese medicine combination



Modern medicine

case

Domestic Brand Yangyuanqing Defended the Championship in the Anti-Hair Loss Shampoo Market

Yunnan Baiyao's hair care brand, Yangyuanqing, clinched the top spot in the hair care and anti-loss category, maintaining its dominance for two consecutive years. With a keen focus on market trends in hair care and anti-hair loss products, the Company instilled a strong sense of confidence in users through the use of natural ingredients, contributing to an exceptional user experience and heightened brand presence.

In terms of quality control, Yangyuanqing products have been recognized with certifications such as the "National Super Brand for Cosmetics" and "Anti-Hair Loss Patent," a testament to the Company's stringent management mechanism.

In brand communication efforts, Yangyuanqing deeply integrates content marketing with brand culture. By featuring celebrities and showcasing Yunnan's natural beauty through live broadcasts and short videos set in scenic locales, the brand offers users a glimpse into the cultural charm of Yunnan Province, the plant kingdom.

Yangyuanqing remains committed to maintaining its brand prowess in the care products market, promising consumers

case

Yunnan Baiyao Built the "Pan-Panax notoginseng" Product Matrix

In 2023, the Pharmaceutical Business Group of Yunnan Baiyao had proactively adjusted its strategic layout and focused on creating the development of a "Pan-Panax notoginseng" product matrix with strong market competitiveness to meet the diverse health needs of consumers.

Nourishing Series

Nourishing products such as Qixuekang Oral Liquid and Sanqi Shenfeng Oral Liquid meet the needs of users for replenishing Qi & blood and improving immunity. Thanks to comprehensive product publicity and promotion program, nourishing series products achieved steady growth in sales volume.



Nourishing series

Xuesaitong Series

In the cardiovascular and cerebrovascular market, Xuesaitong products, including dispersible tablets and capsules, harness the medicinal properties of *Panax notoginseng* to deliver notable therapeutic benefits. These products offer patients a safe and efficacious treatment option.



Xuesaitong series

Other Series

Other *Panax notoginseng* products such as Panax notoginseng Dysmenorrhea Capsules and Compound Danshen Tablets leverage the benefits of genuine medicinal ingredients, covering gynecology, cardiovascular and cerebrovascular areas.



Other series

high-quality products while championing the charm and vitality of Chinese brands amidst the growing trend of national product prominence.



Yangyuanqing won the champion of the hair care and anti-loss category



Live event for Yunnan animal star tracing Yunnan plant's anti-hair loss ingredients series

Product Quality and Safety

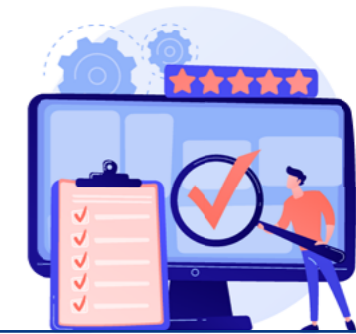
Aligned with the quality guidelines of "Quality and Customer First," the quality mission of "Honoring Quality and Integrity, Inheriting and Innovating, and Striving for Excellence," and the vision of "Making Quality a Part of Yunnan Baiyao Employees' DNA," Yunnan Baiyao places paramount importance on the quality and safety of its products.

Quality Control

In strict accordance with the *Drug Administration Law of the People's Republic of China*, the *Regulations on the Supervision and Administration of Medical Devices*, the *Measures for the Administration of Drug Registration*, the *Measures for the Supervision and Administration of Drug Manufacturing*, the *Measures for the Supervision and Administration of the Quality of Drug Operation and Use*, the *Code of Practice for the Quality Management of Pharmaceutical Operations*, the *Good Agricultural Practice (GAP) for Traditional Chinese Medicinal Materials*, the *Regulation on the Supervision and Administration of Medical Devices*, the *Measures for the Supervision and Management of Medical Device Manufacturing*, the *Measures for the Supervision and Management of Medical Device Business*, the *Measures for the Administration of Registration and Filing of Medical Devices*, the *Regulation on the Supervision and Administration of Cosmetics*, the *Measures for Administration of Cosmetics Production and Operation*, the *Code of Practice for Quality Management in the Production of Cosmetics*, the *Measures for the Supervision and Management of Toothpaste* and other relevant laws and regulations, Yunnan Baiyao has revised and improved a series of system documents, such as the *Quality Culture Outline of Yunnan Baiyao Group*, the *Quality Code of Conduct for Baiyao People*, and the *Quality Management Manual*, covering drug traceability, quality control management, inspection management and other procedures, thus further systematizing and standardizing the quality management of pharmaceuticals, TCM resources, medical devices, cosmetics and other products.

Yunnan Baiyao has established an industry-wide quality management system (GMP, GSP, GLP, GVP) in line with the industry's quality management system, covering all stages of R&D, production and sales, to ensure that the quality and safety of products are under control throughout their lifecycle. All of our production-oriented business groups have established quality management systems strongly related to their business in strict accordance with the requirements of GMP, GVP, ISO 9001 or ISO 13485, with 100% coverage and multiple certifications.

In pursuit of enhancing the quality management system, Yunnan Baiyao has established a Technical Quality Management Committee comprising the senior leaders from each business group's quality department. This initiative aims to reinforce the quality and safety responsibilities of each business group, facilitate the systematic development of technical quality initiatives within each group, and ensure the seamless implementation of the quality management system across the entire industrial chain. Each business group has established tailored quality and safety assurance systems and management protocols aligned with its respective developmental trajectories, thereby elevating the overall quality management standards of both the Company and business groups.



Quality Risk Management

Yunnan Baiyao has established a systematic quality risk management process for assessing, controlling, communicating and reviewing product quality risks, integrating quality risk management throughout the lifecycle of its products. The Company formulates corresponding product quality risk management plans, carries out risk identification, assessment and control in an orderly manner, conducts regular internal testing and preventive testing for potential risk problems, and develops risk mitigation measures suitable for business development as needed, with an aim to fully guarantee product safety and effectiveness. In addition, we track the rectification of risk issues and prepare risk identification and rectification reports. The Company has established a pharmacovigilance system to monitor and control drug safety risks throughout the drug lifecycle, thus effectively guaranteeing drug quality and safety. Furthermore, each business group has established a quality risk emergency mechanism suitable for its own business model, formulated corresponding emergency plans, and optimized the quality risk response and disposal process to improve quality risk response.

Quality Audit Process

Drugs

- We accept the annual on-site inspection of the quality management system by the drug supervision and administration authorities, continuously improve the quality system, enhance the management efficiency, and guarantee the product quality.
- In 2023, we accepted a total of 10 audits of GMP, GSP, GVP and other quality system certifications of the Company by the drug supervision and administration authorities and achieved 100% passing rate after rectification.

Health products

- In 2023, third-party certification experts carried out comprehensive certification inspections, covering many aspects such as quality management, equipment and facilities.

TCM resources

- In 2023, Yunnan Baiyao's TCM Resources Company of TCM Resources Business Group, Wenshan Qihua Company, Sanqi Industry Company and Lijiang Tai'an Company successfully passed the GMP compliance inspection organized by the Yunnan Provincial Drug Administration.
- In 2023, Yunnan Baiyao's TCM Resources Company of TCM Resources Business Group, and Sanqi Industry Company passed the special GSP inspection organized by the Yunnan Provincial Drug Administration.

Other categories

- We fully carry out internal audit and cooperate with supervision and review work to ensure the quality of products.

Transportation Security

Yunnan Baiyao has built a quality integration and sharing platform for logistics and transportation, and established a shared database and varieties sharing review process, with an aim to transform to digitalization with quality specialization and achieve quality integration. In 2023, to guarantee the quality of product transportation, Yunnan Baiyao, taking into account the actual management situation in the field of logistics and transportation, formulated the *Transportation Management System*, the *Management Measures for Carriers* and other product transportation management systems, and revised 84 quality management system documents, so as to ensure in an all-round way that the carriers possess the qualifications for transportation, and maintain the integrity of the transportation equipment, facilities and the monitoring system.

Yunnan Baiyao has effectively reduced the quality risks by constantly carrying out quality risk prevention and control of the whole process of warehousing and logistics, and organizing control measures for the three high risks identified in the

previous year. In 2023, the Company identified a total of 11 quality risks, graded and categorized the identified risks, and took control measures to effectively reduce the impact level of the risks. In addition, the Company has formulated corresponding quality risk emergency response mechanism for logistics and transportation, organized emergency simulation drills to continuously optimize the risk response and disposal process, and enhance the risk response capability and transportation guarantee capability.

Yunnan Baiyao conducts regular audits and on-site quality assessment on transportation equipment, transportation qualifications, product quality assurance capability, etc., and compiles the *Quality Assessment Report*. In 2023, Yunnan Baiyao carried out a total of 4 internal audits in the field of logistics and transportation, including 1 comprehensive internal audit and 3 special internal audits, and achieved 100% passing rate after comprehensive rectification.

Pharmacovigilance Management

In strict compliance with the *Drug Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Recall* and other relevant laws and regulations, Yunnan Baiyao has formulated its product recall management systems, such as the *Drug Recall Management Procedure* and the *Disposal Management of Drug Safety Incidents*, to clarify the scope of product recall, strengthen the capacity of emergency management of product emergencies, and further safeguard the product quality and safety.

We continuously improve the product recall management process, set up a product recall management system, organize a product recall team according to the actual needs of the situation, and stipulate the responsibilities and authorities of the recall, to ensure that the product recall mechanism can be activated at any time and implemented quickly. In addition, we classify the products and develop recall plans according to the reasons for recall and take appropriate measures to deal with the recalled products. Yunnan Baiyao regularly conducts product recall simulation drills, requiring employees to familiarize themselves with the recall process and assess the effectiveness of the product recall process to ensure that product recalls are completed in a timely and orderly manner in the event of a recall. During the reporting period, Yunnan Baiyao did not experience any drug recall due to quality issues.



Product Recall Management

Yunnan Baiyao continuously enhances its emergency response capability to deal with drug emergencies, prevents drug safety risks, and carries out the work related to pharmacovigilance management in strict accordance with the *Code of Practice for the Quality Management of Pharmacovigilance*, the *Measures for the Reporting and Monitoring of Adverse Drug Reactions* and other laws and regulations.

Yunnan Baiyao has established a sound pharmacovigilance quality management system and set up an independent pharmacovigilance department, which is responsible for the operation of the pharmacovigilance quality management system and the monitoring, identification, assessment and control of adverse drug reactions and other harmful reactions related to the use of drugs.

In 2023, Yunnan Baiyao continued to improve the system of pharmacovigilance documents and formulated a total of 33 pharmacovigilance-related documents. The management system document clarified the responsibilities of the pharmacovigilance department and other related departments, the operation procedure document involved the monitoring and reporting of adverse drug reactions, risk identification and control, and the vigilance activity document described the specific requirements of each pharmacovigilance activity to ensure the smooth implementation of pharmacovigilance activities. Yunnan Baiyao also organizes internal audits of the current pharmacovigilance management system every year to ensure the effective operation of the pharmacovigilance management system, and comprehensively improve our pharmacovigilance management capability.

Quality Culture Construction

Yunnan Baiyao has continuously strengthened the construction of quality culture to enhance the quality risk awareness and quality management ability of all the employees. In accordance with the relevant laws and regulations of quality management, as well as the requirements of product regulatory agencies, we actively carry out cultural activities on the theme of quality, aiming to create a positive atmosphere that prioritizes and values quality. Yunnan Baiyao and its business groups develop annual quality training plans, and regularly provide quality control and product safety training for all employees every year.

Product Quality Training System

Drugs

- According to the *Quality Culture Outline of Yunnan Baiyao Group*, a special group was set up to promote and implement the construction of quality culture and organize a number of quality-related activities.
- On the Company's platform of Baiyao Academy, we organized the quality culture training and testing for all members of the business groups. The official staff training passing rate reached 99.3%.
- In September 2023, we organized the Quality Month program, and carried out a series of activities such as the explanation of quality month regulations and on-site propaganda, poster publicity of quality slogans, and quality thematic discussion of "I have a date with quality."
- In November 2023, we organized and carried out fun QA games on quality knowledge, created an atmosphere of "Everyone prioritizes quality, everyone focuses on quality," and promoted the comprehensive improvement of the quality of the Company's products and services.

Health products

- We created the annual quality training plan and implement tailored pre-employment training based on specific job roles.
- In 2023, we organized a total of 27 special quality training, covering many aspects, such as quality awareness and quality culture.

In 2023

Conducted a total of **137** product quality training sessions



100% of employees trained



TCM resources

- We developed the annual quality training plan, and carried out regular training on new laws and regulations, product knowledge, etc.
- A total of 11 special training sessions on the knowledge of Chinese herbal medicine varieties were organized to deeply understand the quality levels of key varieties of Chinese herbal medicine and strengthen the awareness of Chinese herbal medicine quality and safety control.

Other categories

- We organized and carried out a number of quality culture implementation training projects to achieve the joint construction, sharing, integration and inclusion of quality culture from upstream to downstream of the whole industry chain.

R&D and Innovation

Yunnan Baiyao considers R&D and innovation as fundamentals to sustainable growth, paying continuous attention to experiments and cutting-edge technologies in the global pharmaceutical R&D sector. We have developed a robust product R&D pipeline, continuously advancing to guard life and health while safeguarding our intellectual property rights.

R&D and Innovation Management

As an R&D and innovation-focused company, Yunnan Baiyao has consistently increased investment in R&D and cultivated R&D talents. By utilizing various profound models such as independent R&D and collaborative development, we've established a robust and innovative R&D system. This has led to the constant enhancement of our R&D pipeline value and facilitated the development and commercialization of multiple products.

R&D Management System

Yunnan Baiyao has been committed to the integration of R&D management system and R&D project management. In 2023, Yunnan Baiyao established an R&D management system and an R&D project management system with Yunnan Baiyao R&D Management Committee as the core, and formulated six R&D project management measures, including the *Management Measures of R&D Management Committee of Yunnan Baiyao Group Co., Ltd.*, the *Specification on the Management of Entrusted Scientific Research Project Funds*, the *Management Measures for Internal Entrusted Research in Yunnan Baiyao Group's R&D Projects*, and the *Measures for Management of R&D-type Governmental Projects in Yunnan Baiyao Group's Central Research Institute*, to effectively promote the integration of R&D project management. To further improve the R&D management system, Yunnan Baiyao has comprehensively sorted out and optimized various R&D management systems.

In view of the characteristics of drug R&D, such as long cycle and high uncertainty, Yunnan Baiyao has established an incentive mechanism for R&D and innovation in line with the law of drug R&D, and formulated internal performance management systems such as the *Measures for Performance Evaluation of R&D Projects of the Central Research Institute of Yunnan Baiyao Group*, with an aim to fully mobilize the R&D enthusiasm and creativity of project team members, accelerate the process of R&D projects, and promote the rapid transformation of R&D project results.

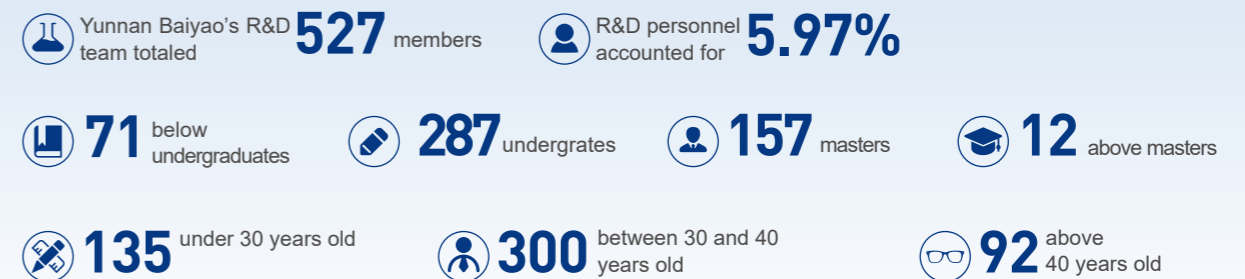


R&D Talent Cultivation

Innovation and R&D talents in the pharmaceutical field are crucial to the development of Yunnan Baiyao, and are the key drivers of its innovation and R&D. Therefore, Yunnan Baiyao will continue to recruit and cultivate innovation and R&D talents in the pharmaceutical field over time, so as to ensure that it can have an excellent team of R&D talents in the future and lay a solid foundation for the Company's long-term R&D.

Yunnan Baiyao vigorously carries out the work of introducing and reserving talents. We constantly broaden our talent recruitment channels, adopting internal recommendation of special incentive channels and external high-quality talent introduction to accumulate high-level talents for our innovation and R&D pipeline. Furthermore, we attract and retain outstanding pharmaceutical R&D talents by optimizing our internal promotion, compensation and benefit systems.

As of the end of the reporting period



Yunnan Baiyao constantly enhances the training and development of its existing staff. Through the establishment of a sound training system, we provide employees with various kinds of R&D skills training and academic exchange opportunities, encourage the employees to continue to learn and improve their professional abilities, and encourage them to

innovate and make progress in the field of medicine. Moreover, the Company keeps strengthening its cooperation with other enterprises, professional organizations and medical universities in the industry to expand the channels and scope of exploring talent resources and jointly promote the cultivation of medical talents.

R&D Investment

Yunnan Baiyao continues to escalate its R&D investment, fostering pharmaceutical research and innovation to bolster its core competitiveness. We've amplified our commitment to basic research, collaborating with universities, research institutes, and other organizations to fortify our foundational scientific research and explore new avenues in drug R&D and technological innovation. This endeavor lays a robust scientific groundwork for the Company's future product development. Furthermore, Yunnan Baiyao has augmented its investment in new drug R&D, encompassing drug design, clinical trials, and drug safety evaluation, aiming to expedite new drug development and enhance R&D success rates. In 2023, Yunnan Baiyao had 45 ongoing R&D projects, focusing primarily on various disease areas including gynecology, orthopedics, respiratory system, oncology, urology and cardiovascular.



45 research projects

R&D and Innovation Planning

Leveraging its strengths in pharmaceutical R&D, Yunnan Baiyao has formulated short-term, medium-term, and long-term R&D and innovation strategies.



Progress and Planning of Short-term Projects

Project name	Project progress during the reporting period	Next step
Secondary Development of Gongxuen ning Capsule	<ul style="list-style-type: none"> Clinical observation and research projects on the treatment of uterine bleeding with Gongxuening Capsule were completed, with 1,791 cases enrolled 	It is expected to receive the clinical trial report by the end of 2024
Secondary Development of Qixuekang	<ul style="list-style-type: none"> Studies on improving various discomfort symptoms such as Qi and blood stasis in patients were completed Clinical research projects aimed at improving heart and vascular health were completed, with 70% of patients enrolled. The results of some trials completed were statistically analyzed, indicating a preliminary effect on improving vascular health 	It is expected to receive clinical trial report by the end of 2024
Secondary Development of Yunnan Baiyao Capsule	<ul style="list-style-type: none"> Active advancement of clinical studies on promoting bone healing Active advancement of Yunnan Baiyao's clinical studies on wound healing treatment Active advancement of Yunnan Baiyao's studies on the mechanism in promoting bone healing 	We will collect evidence-based medicine clinical evidence of Yunnan Baiyao Capsule in the fields of dentistry, gastroenterology, etc, and explore the safety and effectiveness of Yunnan Baiyao's Capsule in general practice
Alternative Studies on Aerosol Propellant	<ul style="list-style-type: none"> Phase I propellant screening studies were completed, with the proposed propellant preliminarily determined 	In-depth studies on the proposed propellant will be carried out
Secondary Development of Shu Lie An Capsule	<ul style="list-style-type: none"> A multi-center, open-label, randomized, placebo-controlled clinical trial is actively underway to treat patients with Type III chronic prostatitis, with various pharmacodynamic studies steadily progressed 	It is expected to determine the participating study centers, complete institutional project approval and ethical review, and initiate the clinical trial enrollment



Progress and Planning of Mid-term Projects

Project name	Project progress during the reporting period	Next step
Pan-Panax notoginseng Tablets (PSQ Project)	<ul style="list-style-type: none"> Phase II clinical studies are underway, with a total of 237 enrolled cases and 211 excluded cases 	It is expected to receive the clinical summary report by 2025
Fuqi Guben Ointment	<ul style="list-style-type: none"> Phase II clinical studies were completed, with clinical summary report obtained, and Phase II clinical project accepted 	Clinical phase III clinical design and preparation is underway
Development of Two Classic TCM Preparations (PZ-018, PZ-019)	<ul style="list-style-type: none"> We completed studies on quality standards for pilot processes, intermediate products, and finished products, preparation and testing of three batches of pilot samples, transfer of relevant GMP documents for production transition batches, and preparation and testing of three production transition batches 	It is expected to apply for a listing permit in 2024 (registered and listed according to Class 3.1)
Approval Documents for Xianghuo Spray Preparation for Medical Institutions of Yunnan Province	<ul style="list-style-type: none"> The required supplementary pharmaceutical studies outlined in the approval documents have been conducted. In accordance with the requirements, clinical studies on COVID-19 during the recovery period will be conducted, including the initiation of a kick-off meeting and ongoing patient enrollment 	Clinical studies on COVID-19 during the recovery period will be conducted
Development of 3 Plasters	<ul style="list-style-type: none"> Two generic drug plasters have completed pilot studies and sample testing, with product quality standards established, as well as stability studies, packaging compatibility studies and safety evaluations conducted. One of them has received a clinical trial application acceptance notice 	For the gel ointment project, we plan to conduct pilot tests and quality studies, and apply for clinical trials



Progress and Planning of Long-term Projects

Yunnan Baiyao has been actively promoting the transformation of innovative drug R&D achievements in the long run. On one hand, the Company emphasizes the development of exclusive TCM varieties that possess advantages, cater to social needs, leverage technological empowerment, and create highly sought-after TCM products. On the other hand, the Company formulates strategies to develop multiple innovative drugs, with a focus on radiopharmaceuticals, to enhance the driving force for sustainable development. During the reporting period, the Company made comprehensive advancements in its radiopharmaceutical pipeline and achieved significant milestones.

Progress and Planning of Long-term Projects

INR101 Project	<ul style="list-style-type: none"> We completed precursor pilot studies, GMP production, labeling process confirmation, quality studies, analytical method validation, and stability studies, and received the notification issued by the National Medical Products Administration in February 2024 indicating its acceptance of registered clinical trials for domestically produced drugs for INR01 injection.
INR102 Project	<ul style="list-style-type: none"> Studies on pharmacodynamic evaluation and tissue distribution on model animals were completed, and pharmaceutical studies were initiated, Both the production of precursor non-GMP and the process pilot study on radioactive preparations were completed, and pharmaceutical studies were initiated.
INR202/203 Project	<ul style="list-style-type: none"> We initiated studies on candidate molecules for nanoantibodies.

In 2023, the Company continued to increase its investment in R&D, with investment in R&D reaching 344million. In the field of R&D, the Company focuses on optimizing its R&D platform with the Central Research Institute at its core. It has established multiple cross-regional collaborative technology innovation platforms, effectively utilizing the central coordination function of the Central Research Institute to integrate and coordinate R&D resources across different regions. By leveraging the unique characteristics of Yunnan Baiyao, national policies, and economic conditions, and adopting market-oriented approaches, the Company enhances technology empowerment comprehensively and strengthens the development of evidence-based medicine and clinical trial-driven drugs. Based on this, the Company scientifically plans short, medium, and long-term R&D projects.

Investment in R&D reaching

344 million



Intellectual Property Protection

Yunnan Baiyao has always believed that intellectual property protection is the foundation of enterprise competitiveness. In strict accordance with the leading international standards and domestic laws and regulations such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, Yunnan Baiyao continuously improves its intellectual property management system, and actively carries out patent application and maintenance while making further exploration into the innovative skills of its products.

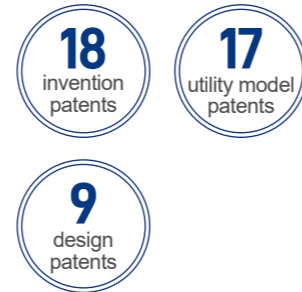
In 2023, Yunnan Baiyao formulated the *Patent Management Measures of Yunnan Baiyao Group Co., Ltd* to guide its patent work, and formulated the *Patent Application Process of Yunnan Baiyao Group Co., Ltd*, which details the process of patent proposal and the process of patent application, to standardize and streamline the management of patent acquisition and maintenance. In addition, we have also issued the *Patent Management Measures of Central Research Institute*, which covers four dimensions, including patent application, patent quality, patent risk control and patent value assessment. These measures regulate patent-related activities at the specific implementation level.

Yunnan Baiyao is dedicated to safeguarding its intellectual property rights while also respecting and avoiding infringement upon the intellectual property rights of others. We maintain a "zero-tolerance" stance towards any infringement of intellectual property rights. To avoid the risk of patent infringement, Yunnan Baiyao conducts timely patent risk assessments and implements relevant measures based on the assessment results to effectively mitigate patent-related risks. Throughout the year, thanks to diligent patent monitoring efforts, Yunnan Baiyao identified and appropriately addressed two risky patents, thereby effectively mitigating the risk of patent infringement.

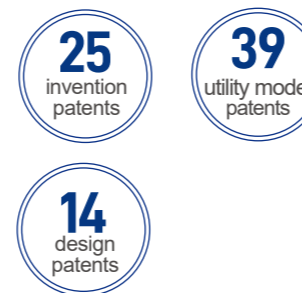
In addition, Yunnan Baiyao attaches great importance to improve employees' awareness of intellectual property protection, and regularly conducts intellectual property training and exchange activities to enhance their intellectual property management capabilities.

In 2023, Yunnan Baiyao

Patent Applications Total 44



Patent Granted Total 78



Patent Category	Classification	Unit	2023
Number of patent applications during the year	Invention patent	/	18
	Utility model patent	/	17
	Design patent	/	9
Number of patents granted during the year	Invention patent	/	25
	Utility model patent	/	39
	Design patent	/	14

case Yunnan Baiyao Organized Training on Patent Application and Strategy for R&D Centers

On April 18, 2023, the Company conducted a training session on patent application and strategy for R&D Centers. The aim was to raise employees' awareness of intellectual property rights and enhance their ability to protect those rights. External legal experts were invited to discuss patent deployment issues in the drug R&D process, guiding R&D personnel to leverage intellectual property rights to create economic value and enhance the Company's competitiveness.



Collaborative Development of Industry

Yunnan Baiyao collaborates closely with scientific research institutions and industry associations, engaging in IUR (Industry-University-Research) cooperation and technical exchanges. We actively participate in research projects, industry conferences, and forums, disseminate academic reports, and contribute to the formulation of industry standards. These efforts aim to enhance industry standards and facilitate the transformation and industrialization of scientific and technological achievements.

case Yunnan Baiyao Participated in the Standards Research of Chinese Pharmacopoeia

In 2023, Yunnan Baiyao joined hands with Yunnan Provincial Drug Administration, Yunnan Food and Drug Inspection and Research Institute, Kunming University of Science and Technology, Yunnan University of TCM and other universities, scientific research institutions and regulatory bodies to carry out research and enhancement of the standards for *Panax notoginseng* in the *Chinese Pharmacopoeia* (2025 Edition) in response to the pain points of the *Panax notoginseng* industry and the needs of industrial development.

case Yunnan Baiyao Participated in Research on National and Industry Standards for Oral Products

In 2023, Yunnan Baiyao participated in the study and formulation of national and industry standards for oral products. At present, a total of four standards have been issued and implemented, including the *Safety Evaluation Guidelines for Oral Cleaning and Care Products* (GB/T 42763-2023), the *Evaluation Methods for Potential Corrosiveness of Oral Cleaning and Care Liquids on Tooth Hard Tissues* (GB/T 42761-2023), the *Laboratory Test Methods for Removal of Exogenous Discoloration of Dentifrice in Dental Cleaning and Care Products* (GB/T 43576-2023), and the *Laboratory Test Methods for Inhibition of Dental Calculus in Dental Cleaning and Care Products* (GB/T 43544-2023).

case

Yunnan Baiyao Hosted “2023 Pharmaceutical Innovation and Technology Frontier Forum”



From August 8 to 9, 2023, Yunnan Baiyao partnered with Peking University to host the “2023 Pharmaceutical Innovation and Technology Frontier Forum.” Academician Hao Xishan, Academician Qiao Jie, Academician Zhan Qimin, Academician Li Zhaoshen, and Academician Tian Jinzhou of the Chinese Academy of Engineering and Academician Zhu Zhaoyun of Yunnan Baiyao attended the forum and made high-level academic reports to promote the innovation and development of the pharmaceutical industry.



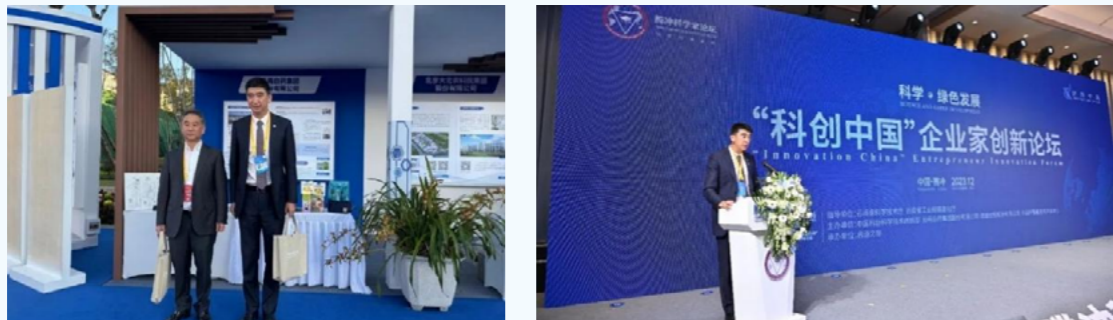
2023 Pharmaceutical Innovation and Technology Frontier Forum

case

Tengchong Scientists Forum



From December 1 to 3, 2023, Yunnan Baiyao, as a strategic partner, helped hold the 2023 Tengchong Scientists Forum with the theme of “Science - Green Development.” In this forum, the award “Tengchong Scientist Award” was set up for the first time to reward scientists who have made major breakthroughs in the frontiers of science and technology and promoted the progress of science and technology in the world. The forum was attended by more than 2,000 leading scientists, entrepreneurs and educators in the field of science and technology, as well as representatives and guests of the financial sector.



Tengchong Scientists Forum

In 2023, Yunnan Baiyao actively teamed up with universities and research institutes to carry out wider and deeper multi-disciplinary IUR cooperation, fully integrating the technologies and talents of the universities with Yunnan Baiyao's experience in the industry and products, and jointly exploring cutting-edge technologies in line with the market demand.

case

Yunnan Baiyao and Yunnan University of TCM jointly established the “Collaborative Innovation Platform for Drug R&D”



Yunnan Baiyao and Yunnan University of TCM jointly built a “Collaborative Innovation Platform for Drug R&D” to further strengthen the integration of advantageous resources, enhance the synergy of collaborative innovation, and carry out wider and deeper exchanges and cooperation in scientific and technological fields such as declaration of national key laboratories, academician workstations, and construction of scientific research platforms.

case

Yunnan Baiyao and Peking University Health Science Center Had In-depth Cooperation in Multiple Fields



Yunnan Baiyao and Peking University Health Science Center jointly explored the platform of university-enterprise cooperation in R&D and innovation model, and carried out in-depth cooperation in multiple fields to achieve the connection of the academic innovation chain and the industrial innovation chain. This R&D cooperation platform has been making deployment in the fields of



to promote the transformation of technological achievements.

case

Yunnan Baiyao and Peking University First Hospital Collaborated to Develop Innovative Radiopharmaceuticals



Yunnan Baiyao and Peking University First Hospital cooperated to form a world-class innovative radiopharmaceuticals R&D team. The two parties synergized the resources of the nuclide production platform, conducted pioneering research on radiopharmaceuticals, overcame prevalent obstacles in radiopharmaceutical R&D, achieved the accumulation of distinctive core technologies, and facilitated the industrial development of radiopharmaceuticals.



Customer Services

Adhering to a customer-centric philosophy, Yunnan Baiyao respects and safeguards the legitimate rights and interests of customers. We are dedicated to delivering a high-quality service experience, employing diligent efforts and implementing various measures in customer service management, responsible marketing, and safeguarding customer privacy and security. These endeavors aim to continuously enhance the quality of our services.

Customer Services Management

Attaching great importance to communication and feedback with customers, Yunnan Baiyao has established and continuously improved its customer relationship management mechanism and service response system. In 2023, Yunnan Baiyao revised its *Customer Response Management System* to further standardize the specific processes for responding to customer claims to follow up on customer complaint processes and outcomes. We have also issued the *Internal Communication and Handling Mechanism for New Product Complaints of Yunnan Baiyao* to speed up the efficiency of handling customer complaint issues, actively follow up on customer feedback and improve the quality of customer service, thereby enhancing customer satisfaction.

Yunnan Baiyao provides customers with smooth and diversified customer communication channels, including telephone, official website and WeChat Subscription Account. This year, we established the national 12315 Internet platform ODR enterprise processing channels to promote customer communication and exchange in an all-round and multi-channel manner. We also follow up and handle customer complaints in a timely manner. Upon receipt of customer complaints, we will provide timely feedback to the relevant departments, conduct multi-faceted investigations in conjunction with various departments, analyze and identify the causes of the problems, and define improvement measures. As of the end of 2023, all the customer complaints had been effectively resolved.



Responsible Marketing



Yunnan Baiyao has always promoted and marketed its products in a responsible manner, and has strictly complied with marketing-related laws and regulations, including the *Advertising Law of the People's Republic of China*, the *Administrative Measures for Medical Advertisements* and the *Measures for the Examination of Pharmaceutical Advertisements*. We have formulated various system documents, such as the *Marketing Standardized Phraseology*, within the Company, to ensure the accuracy of the phrases used during the marketing process, build a transparent and honest business environment, and provide customers with high-quality products and services.



To ensure the legal compliance of its marketing efforts, Yunnan Baiyao has formulated a strict compliance review system and approval process for marketing, stipulating that the publicity content is strictly prohibited from containing exaggerations, deceptions and falsehoods, so as to ensure the authenticity and compliance of the content in all aspects. We conduct internal self-inspections of responsible marketing to identify compliance risks in a timely manner and ensure that the marketing process is compliant and effective.



To enhance the marketing capability and service level of its employees, Yunnan Baiyao has launched a responsible marketing training program covering all employees to ensure that it provides customers with a high-quality service experience. We require that employees responsible for promoting pharmaceutical products shall be familiar with standardized marketing terms and receive regular training in ethical marketing. In addition, the Company carries out special training sessions on product quality and marketing compliance for marketing personnel, and organizes lectures on the topic of responsible marketing to strengthen marketing personnel's awareness of compliance.

case

Organizing Special Training on Responsible Marketing



In 2023, Yunnan Baiyao conducted a training initiative titled *Enhancing Enterprise Sustainability and Operational Capacity* for all employees. As part of this program, experts were invited to conduct a training session on Responsible Marketing. The aim was to instill the concept of responsible marketing among employees, reinforce the standardization of work practices, and enhance the awareness of marketing compliance among marketers. The training ensured that all marketing processes adhere to compliance requirements in terms of content and methodologies.



Special Training on Responsible Marketing

Improving Health Accessibility

Yunnan Baiyao has consistently prioritized safeguarding patients' health as a core responsibility and views enhancing health accessibility and advocating universal healthcare as integral parts of its corporate social responsibility. We diligently address patients' health needs, continually expand marketing channels, and strive to establish and enhance a modernized warehousing and logistics system. Furthermore, we actively explore intelligent healthcare solutions to ensure the availability of medical resources in urban, rural, and remote areas nationwide.

- Yunnan Baiyao is actively expanding its marketing channels and acquiring additional business qualifications to enhance health accessibility. In response to the "dual-channel" policy promoted by the National Healthcare Security Administration, we have investigated viable models for prescription circulation and deeply explored the prescription circulation and sales market by studying the needs of hospitals, medical insurance, manufacturers, pharmacies, patients, and other related parties. During the reporting period, a total of 27 pharmacies successfully applied for "dual-channel" qualifications and were approved. Additionally, 22 pharmacies' prescription flows were smoothly billed and settled, ensuring the seamless operation of the entire process. Yunnan Baiyao has improved the accessibility and convenience of medical services by expanding marketing channels.

- Yunnan Baiyao is dedicated to constructing an efficient logistics platform centered around a modern supply chain. We focus on enhancing digitalization, informatization, and systematization. Through active exploration of multi-warehouse coordination models, we achieve linkage and coordination between central and branch warehouses, effectively integrating warehousing and transportation resources. This improves distribution service efficiency and ensures the stable supply of products.

- Yunnan Baiyao places significant emphasis on innovating its business model, actively exploring the "Internet + Medicine" approach. Through continuous optimization of our pharmacy management mechanism, we have developed an integrated and modernized healthcare service platform, both online and offline. This platform encompasses the entire spectrum of medical services, including appointment scheduling, payment processing, home drug delivery, mobile health insurance payments, and more. By enhancing the medication pathway, we aim to meet public demand for medication and improve medical accessibility.

- With continuous and in-depth exploration into grassroots medical care needs, Yunnan Baiyao has independently developed a smart management platform for grassroots medical care. This platform aids in the information construction of medical communities and enhances grassroots medical and health service capabilities. In 2023, we further enhanced the platform's functionality to provide a comprehensive solution for medicine management in medical communities, integrating features such as circulation supervision, medical insurance payment, and health management.

Improving Health Accessibility

Expanding Marketing Channels

Ensuring Logistics Supply

Creating Intelligent Healthcare

Information Security and Privacy Protection

Yunnan Baiyao believes that ensuring information security and safeguarding customer privacy are primary prerequisites for delivering a high-quality user experience. To this end, we have implemented a comprehensive internal system and information security management structure, enhanced the management of information security and effectively mitigated the risk of information and privacy breaches.

Information Security

Information Security Governance Structure

To safeguard the Company's information security and delineate organizational responsibilities for information security management, Yunnan Baiyao has established a robust organizational structure for information security management. Under the Security Committee, the Digital Technology and Security Committee were formed, tasked with developing information security plans aligned with strategic guidelines and policies, and reviewing the Company's information security management system. Additionally, the Information Security Management Office operates under the Digital Technology and Security Committee, taking charge of the arrangement, implementation, and coordination of information security efforts. It supervises and audits relevant activities across departments, and authorizes the activation of emergency plans and the formation of information security response teams as needed. At the operational level, the Information Security Executive Team evaluates information security risks, monitors security events, and ensures the stable operation of Yunnan Baiyao's business systems.

Institutional System

Yunnan Baiyao strictly complies with the laws and regulations related to information security and personal privacy protection in the places where it operates, including the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law*, the *Data Security Law*, and the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests*. We have formulated and implemented an information security planning strategy for 2023-2025 with Yunnan Baiyao's characteristics to establish and continuously improve the information security system required for our digital transformation.

To strengthen the operation and management of Yunnan Baiyao's information security, Yunnan Baiyao has established an information security system with the *Information Security Management System* as the first-level management system, and the *Information Security Organization and Management Measures*, the *Management Measures for User Behavior and Information Security Training*, the *Management Measures for Information Security Incident* and the *Management Measures for Information Security Supervision and Compliance* as the second-level management measures. The system applies to all the employees involved in the data security and personal information compliance in Yunnan Baiyao and all of its branches and subsidiaries. In addition, to further strengthen the security control capability of data, we have formulated the *Data Security Management Measures* to manage data security in terms of data collection, storage, transmission, and access, so as to prevent the occurrence of various types of data security incidents.

Risk Control

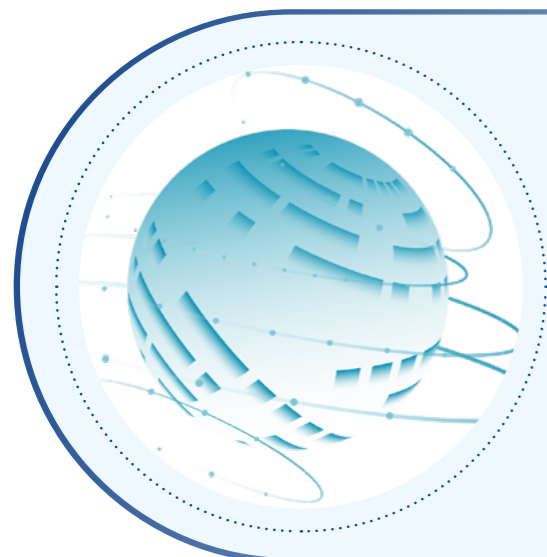
In order to prevent potential information security risks, Yunnan Baiyao has formulated the *Management Measures for Information Security Risk*, which specifies the management requirements for the whole lifecycle, covering information security-related risk identification, risk analysis and assessment, risk response, risk control and risk monitoring. In 2023, the Company integrated the risk identification and management of information security incidents into the its overall risk management measures. In terms of information security risk response, the Company has formulated corresponding security incident emergency treatment plans and measures, and defined the emergency response communication and reporting process, so as to respond to information security emergencies in a timely and effective manner. In addition, the Company encourages all the employees and users to provide timely feedback on information security vulnerabilities, data compliance incidents and other security incidents through official channels. In 2023, Yunnan Baiyao had no incidents of user information security complaints.

Security Inspection

Yunnan Baiyao consistently conducts information security testing and inspections, along with monitoring of data security systems. These efforts aim to proactively identify issues and implement management and technical measures to mitigate information security risks. In 2023, Yunnan Baiyao conducted a total of seven information security tests, encompassing protection level assessments and penetration testing.

Awareness Promotion

To comprehensively enhance employees' knowledge of information security, Yunnan Baiyao provides all employees with a rich variety of online and offline training courses on information security. In 2023, Yunnan Baiyao conducted a total of 7 employee information security training sessions, with a total of 1,937 trainees and a total training duration of 15 hours.



Privacy Protection

Yunnan Baiyao understands that the protection of personal privacy data is the basic premise for the Company to build trust with its users. In strict accordance with the *Law of the People's Republic of China on the Protection of Personal Information* and other relevant laws and regulations and industry standards in the place of operation, Yunnan Baiyao has formulated the *Explanation on the Protection of Privacy of User Data*, making every effort to respect and protect the rights of users with respect to their personal information, such as accessing, correcting, deleting, sharing, transferring personal information, as well as altering the status of authorization, so that the users can truly feel that their information is being protected and their wishes are being respected.

case

Yunnan Baiyao Organized Information Security Awareness Training



In 2023, Yunnan Baiyao, in conjunction with the Network and Information Security Defense Detachment of Kunming City and the Network Security Brigade of the Chenggong Public Security Bureau, conducted various forms of information security awareness training to help employees understand how to protect personal information, and how to understand and apply the *Cybersecurity Law*, to enhance the awareness of information security. The training program was widely recognized by employees, with a total of 1,287 employees participating in the program.



Information Security Awareness Training Activity Site



In 2023, Yunnan Baiyao received no complaints related to personal information and privacy.

Yunnan Baiyao has established a management mechanism for the protection of users' personal information, and continuously optimized its technology in the entire process of collecting, storing and using users' information, so as to enhance its personal information protection management capability. Yunnan Baiyao has established a process for handling complaints about personal information, and conducts appropriate investigations with the process in response to complaints about users' personal information.

In addition, we have constantly enhanced employee education on privacy and security, and developed a training mechanism covering all employees to help them enhance their data protection awareness and professional skills.

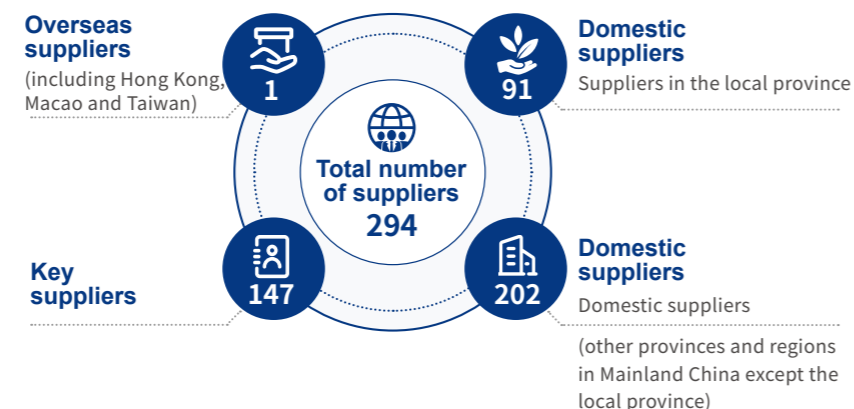
Supply Chain Management

Yunnan Baiyao believes that a sound supply chain management system is a strong support for the sustainable development of the enterprise. We continuously focus on the ESG performance of our suppliers, enhancing our response to supplier risks, and collaborating with them in diverse forms to establish a transparent and mutually beneficial sustainable supply chain.

As of the end of 2023



Number of Suppliers in 2023



Supply Chain Management System

In strict accordance with the *Tendering and Bidding Law of the People's Republic of China*, the *Drug Administration Law*, the *Measures for the Supervision and Administration of Drug Manufacturing*, the *Good Manufacturing Practice of Drugs*, the *Regulation on the Supervision and Administration of Cosmetics*, the *Code of Practice for Quality Management in the Production of Cosmetics*, the *Measures for the Supervision and Management of Toothpaste* and other relevant laws and regulations, Yunnan Baiyao has continuously optimized and improved 9 internal management measures including the *Supplier Management Measures and the Procurement Management Manual*, continuously enhanced the supply chain management process system, set up strict management processes in the supplier sourcing, access and elimination, audit and evaluation, performance assessment, communication and exchange of information to ensure that closed-loop management is achieved in the whole process of supply chain.

Supplier Access and Classification

Yunnan Baiyao implements a rigorous and standardized supplier admission process, emphasizing equal consideration for quality, cost, delivery, and service when selecting suppliers. This involves reviewing supplier qualifications and evaluating their capabilities. After completing the access process, we will screen and categorize our existing suppliers, including strategic suppliers, core potential suppliers, and regular suppliers, in accordance with our internal system, such as the *Supplier Grading and Categorization Management Rules*.

Supplier Evaluation

Yunnan Baiyao regularly organizes supplier assessment and evaluation, conducting comprehensive performance evaluation through multiple dimensions, including quality, cost, service, after-sales, technology and innovation. For suppliers with poor assessment results, we urge them to carry out rectification and follow up on the effectiveness of their rectification until it is completed. In addition, we have set up a sound and efficient complaint mechanism. Suppliers who disagree with the assessment results can give feedback on their problems through the complaint channel. Upon receipt of the complaint, we shall promptly process and give feedback on the outcome of the supplier's complaint.

Supplier Audit

Yunnan Baiyao regularly carries out supplier audits and formulates supplier on-site audit plans. Based on the audit results, we will work with suppliers to summarize and compile the *Supplier On-site Audit Assessment Report*, analyze their major issues, propose corrective actions, and ensure that suppliers take steps to resolve issues within a reasonable period of time to meet compliance requirements.

Supplier Audit

- Drugs**

 - In 2023, a total of 71 suppliers were audited, and 36 on-site audits were carried out, including suppliers of raw materials, auxiliary materials, internal packaging materials, external packaging materials, consumables, etc.
- Health products**

 - To develop annual supplier audit plan;
 - In 2023, on-site audits were carried out on a total of 31 suppliers and rectification requirements were proposed. The suppliers completed the rectification according to the requirements.
- TCM resources**

 - To develop annual supplier audit plan;
 - In 2023, a total of 59 audits were conducted on 23 suppliers, including suppliers of TCM materials, TCM decoction pieces, auxiliary materials, packaging materials, etc. Except for one supplier which needed to be reviewed after the rectification, all the other suppliers passed the audit.
- Transportation security**

 - To carry out carrier evaluation regularly;
 - In 2023, a total of 17 carriers were evaluated and all the carriers passed the evaluation.

Supply Chain ESG Management

On the basis of safeguarding the quality and business of its suppliers, Yunnan Baiyao has integrated ESG factors into its supplier access and management processes, built a supplier ESG assessment system, and carried out assessments of suppliers across various criteria including labor practices, business ethics, quality standards, safety measures, and environmental impact.



case

Yunnan Pharmaceutical Actively Responded to ESG Principles in Cold Chain Management



Cold Chain Management of Yunnan Pharmaceutical

The carrier of the Yunnan Pharmaceutical adopted intelligent scheduling and distribution combined with the insulation strategy of “refrigerated truck as the main means, room temperature truck + incubator as the auxiliary means” for transportation to reduce the impact of cold chain transportation on the environment. The Company made great efforts to improve transportation efficiency and reduce energy consumption and carbon emissions by optimizing time and equipment usage during cold chain transportation.



Yunnan Baiyao implements ESG principles in its supply chain management and selects partners that meet the requirements through ESG reviews of potential suppliers. We consider the impact of ESG factors such as quality, safety, environmental certification, business ethics, and labor rights, and carry out regular inspections and supervision to ensure that they meet the appropriate standards. We continuously monitor and promote our suppliers in terms of environment and safety, and develop synergies with our suppliers to achieve win-win cooperation. In addition, we conduct ESG (including quality, safety, environmental protection, etc) training activities for suppliers, and focus on reviewing and analyzing the quality of annual deliveries by major suppliers³ at the annual supplier meeting to help suppliers effectively improve their ESG performance.



3: Major supplier means the supplier from whom the purchases account for more than 80% of total purchases.

Supplier Empowerment

Yunnan Baiyao attaches great importance to the cultivation and improvement of supplier capabilities. We carry out diversified supplier training and exchange activities, and cooperate and interact with upstream and downstream supply chains to jointly solve problems related to product quality and safety, and build a stable and high-quality industrial supply chain.

case

Annual Supplier Training of Yunnan Baiyao



On December 20, 2023, Yunnan Baiyao held a supplier training event at Baiyao Park in the head office. In the event, the Company invited the quality departments of the Pharmaceutical Business Group and the Health Products Business Group to educate quality experience, covering the promotion of Yunnan Baiyao's quality culture, the requirements for the revision of pharmaceutical packaging materials, the requirements for supplier-related review of regulatory requirements for toothpaste and cosmetics-related regulatory changes and material management, and other supplier-related content.

A total of 599 quality and production personnel participated in this training through offline or online channels, covering more than 200 suppliers, i.e. more than 80% of the Company's important supplier base. The training was launched based on the Company's focus and changing trends in quality management last year, aiming to help understand the dynamics of Yunnan Baiyao's quality management, improve the quality management capability of suppliers, promote quality cooperation between suppliers and Yunnan Baiyao, and promote the development of quality management in the direction of sustainability and high quality.



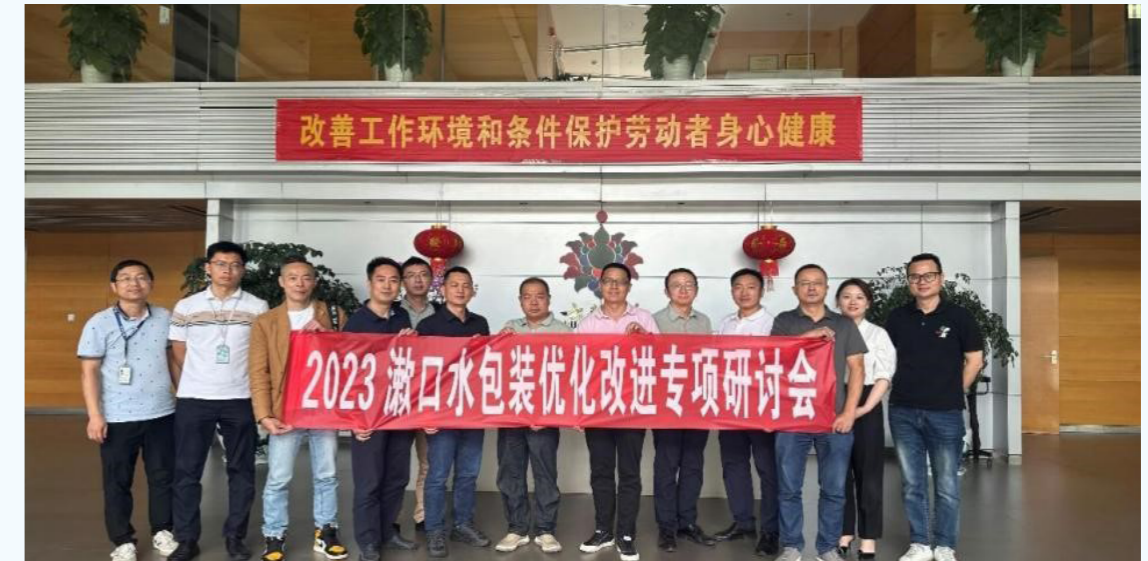
Supplier Training Event

case

Yunnan Baiyao Organized a Packaging Optimization Seminar for Package-related Suppliers



In 2023, we held a packaging optimization seminar. In response to the leakage issue with mouthwash bottles, we convened discussions with the quality department, the suppliers of mouthwash bottles and other relevant personnel to devise an improvement plan, and successfully solved the problem of leakage.



Packaging Optimization Seminar for Suppliers

case

Supplier Training on Standardized Planting Techniques



In May 2023, Yunnan Baiyao organized on-site training for suppliers on standardized planting techniques and management of *Angelica sinensis*, with an aim to effectively improve the planting yield and quality by standardizing suppliers' planting technology. A total of 52 suppliers participated in the training.



The Site of Supplier Training on Standardized Planting Techniques

Wilderness Guardians for Harmonious Ecosystem

YUNNANBAIYAO

Yunnan Baiyao adheres to green operations, continuously enhancing our environmental management system. We comprehensively strengthen energy, resource, and waste management, improving resource utilization efficiency. We explore avenues for low-carbon transformation to achieve synergistic and sustainable development of our business and the ecosystem.



03

Biodiversity Protection

Yunnan Baiyao recognizes that TCM materials are the cornerstone of the Company's sustainable development. In strict accordance with the *Regulations of the People's Republic of China on the Protection of Endangered Wild Plants*, the *Regulations for the Implementation of the Drug Administration Law*, the *Law of the People's Republic of China on TCM*, and the *Qinghai-Tibet Plateau Ecological Protection Law of the People's Republic of China* and other relevant laws and regulations, the Company conducts operational practices grounded in authenticity and production area distribution characteristics. These include establishing and operating bases for TCM materials, actively enhancing the protection and protection management of authentic herb resources, and taking proactive measures to conserve endangered herbs. These efforts aim to steadily elevate the quality of TCM materials and enhance supply capabilities.

In recent years, we have carried out seed preservation and cultivation of key medicinal materials, introduced digital means to empower the evaluation and management of TCM materials, and shared our achievements throughout the value chain, so as to promote the coordinated and healthy development of the TCM industry and the ecological environment. As at the end of the reporting period, all the varieties utilized by Yunnan Baiyao are legally cultivated artificial cultivars, fully compliant with the regulations outlined in various international conventions⁴.

Building Resource Nurseries for TCM Materials

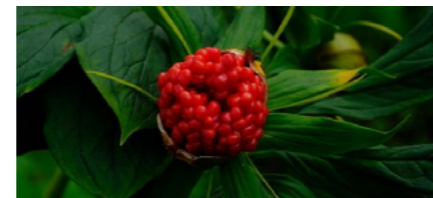
Leveraging its extensive experience and resources in the TCM industry, Yunnan Baiyao has made great efforts to reduce the risk of biological endangerment by utilizing its existing technology and foundation to build a number of species resource nurseries for TCM materials of local specialty while carrying out the production and operation of traditional TCM materials.

Germplasm resource nursery for *Paris polyphylla*

Initiated by Tai'an Company at the planting end of TCM materials, 21 species (30 publicly published) have been collected up to now, containing 53 variants or populations of the *Paris polyphylla*, making it the germplasm resource nursery with the largest number of species and the largest number of living plants preserved in the world at present. The resource nursery covers most of the *Paris polyphylla* species distributed in China, and has in place a comprehensive seed preservation mechanism integrating live species, gene preservation and propagation, which provides a good platform for resource preservation, scientific research, popularization of science and industrial development of *Paris polyphylla*.



The *Paris polyphylla* of Tai'an Company



Northwest Yunnan TCM Resource Nursery for Yunnan Provincial Medicinal Plants

With reference to the national medicine monograph *Yulong Materia Medica*, the "Lijiang Herb Garden" has been built covering an area of 180 acres, which includes the medicinal plant field display area, rare varieties planting area, and greenhouse area. The collection of species has already amounted to 220 kinds.



220 kinds

⁴The Scientific Committee on Endangered Species of the People's Republic of China ("SCES") The Scientific Committee on Endangered Species of the People's Republic of China consists of a committee and office. The office is attached to the Institute of Zoology, Chinese Academy of Sciences. Convention on International Trade in Endangered Species Wild Fauna and Flora ("CITES"), an international convention, was signed in 1973 in Washington, the capital of the United States, so it is also called the "Washington Convention."

Empowering Conservation of TCM Materials through Digitalization

In 2023, embracing the principles of "market-driven initiatives, high-quality traceability, distinguished character and sustainable health," Yunnan Baiyao, renowned for its inheritance and innovation, embarked on a mission towards high-quality development. Its sub-brand Qiancaotang established the Lijiang Digital TCM Materials Industry Platform. This platform serves as a Big Health service system, deeply integrating the primary, secondary, and tertiary industries, i.e. seed breeding, cultivation, industrial production, educational tourism, and wellness experience. Its primary focus lies in researching the introduction,

domestication, and artificial cultivation of wild plants, providing corporate customers with sustainable and high-quality raw medicinal resources at reasonable costs. The platform extended technological and market resources to farmers, delivered high-quality health products and services to consumers, and established a traceable closed loop within the industry chain. This initiative propels the coordinated development of upstream and downstream sectors, fostering a mutually beneficial TCM ecosystem anchored on core resources.

Artificial Cultivation of Resource Varieties

The development of TCM materials faces many challenges, such as the slow progress in the selection and breeding of good seeds of medicinal herbs, fewer strains of good varieties, serious degradation, lagging behind in the purification and restoration of varieties, poor varietal uniformity, the lack of breeding bases of TCM materials with specialized and standardized management, the lack of quality standards for seeds of TCM materials, and so on. In view of these problems, Yunnan Baiyao, after more than 20 years of continuous research on the authentic TCM materials of Yunnan area, has actively carried out basic research related to the selection and breeding of new varieties of TCM materials. We have declared 12 new varieties of TCM materials and 3 excellent clones, and promoted the cultivation of nearly 150,000 mu of authentic TCM materials in Yunnan.

In addition, we've fostered a collaborative ecosystem for TCM resources, centered around medicinal herb bases and varieties, involving growers, industrial enterprises, governmental departments, and scientific research institutions for mutual benefit and sharing. Focusing on base construction and taking technical support as the starting point, long-term mutually beneficial development as the principle, and sustainable resource security as the goal, the Company is committed to cultivating superior varieties, strengthening the construction of authentic medicinal materials base, establishing technical specifications, and improving quality standards. Establishing a strategic framework of "warehousing, cultivation, and technological preservation," we've fortified a robust and sustainable resource system for our branded herbal medicines, securing a steady supply.

Promoting Rural Revitalization through TCM Development

By combining the driving effect of TCM materials industry with the development of its own biopharmaceutical industry, the Company is committed to promoting the cultivation of TCM materials in poor areas with the development of biomedicine industry. In the past three years, by offering technical services in the whole process in the "company + base + farmers" model, we launched TCM materials planting industry support activities in Weixi, Fugong, Chuxiong, Huize and other areas for poverty alleviation, and promoted the cultivation of nearly 150,000 mu of authentic TCM materials, covering nearly 20 varieties of TCM materials, such as *Paris polyphylla*, *Panax notoginseng*, safflower, *Poria*, *Angelica sinensis*, *Radix aconiti agrestis*, and *Fructus amomi*, and creating nearly 20,000 jobs in rural areas. We not only helped farmers obtain stable income and achieve industrial wealth, but also made TCM materials planting a new revenue growth driver for farmers in remote mountainous areas.



Figure: Yunnan Baiyao Drove Farmers to Plant TCM Materials

Addressing Climate Change

Climate change presents a common challenge for humanity, demanding urgent action to mitigate its effects. Yunnan Baiyao supports global climate action and discloses its climate change governance system, identification of risks and opportunities, management and objectives according to the framework and recommendations of *International Financial Reporting Sustainability Disclosure Standard No. 2 - Climate-Related Disclosures* issued by the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

Governance and Strategy

Yunnan Baiyao attaches importance to the topic of addressing climate change within its ESG initiatives, endorsing its green and low-carbon transformation, and contributing significantly to achieving carbon neutrality.

Yunnan Baiyao is actively exploring methods to decrease greenhouse gas emissions in its construction and operations, while also promoting energy conservation and emission reduction awareness. The Company encourages engagement from its employees, suppliers, consumers, and partners in global climate action, fostering collaboration to achieve the objectives of “carbon peaking and carbon neutrality.”

case

Yunnan Baiyao Aerosol Changed to Environmentally Friendly Dispensing Agent



Yunnan Baiyao has taken the initiative to fulfill the environmental responsibility and is committed to reducing the impact of product production on greenhouse gas emission. The Company has been committed to the selection of a more environmentally friendly aerosol dispensing agent. Based on the concept of environmental protection, we replaced Yunnan Baiyao Aerosol with more environmentally friendly raw materials in accordance with the requirements of environmental protection policies and pharmacovigilance regulations, completing the industrialized substitution of environmentally friendly dispensing agents for HFC hydrofluorocarbons. The change to environmentally friendly dispensing agents involved a number of challenges such as process improvement, quality research, registration and declaration. The research was mostly groundbreaking first-of-its-kind approaches, and also leading the way in pharmacological and toxicological research in the pharmaceutical aerosol industry. This project has been recognized with a Certificate of Merit for “Valuable Contributions and Efforts in Protecting the Ozone Layer” issued jointly

by the five ministries of UNDP, UNEP, UNIDO, WB and FECO. Building on our research into substituting HFC hydrofluorocarbons, Yunnan Baiyao is actively developing the next generation of environmentally friendly dispensing agents and enhancing green, low-carbon, and eco-friendly packaging. These efforts aim to foster industry-wide green development and contribute to ecological environmental protection.



Yunnan Baiyao was recognized with a Certificate of Merit for “Valuable Contributions and Efforts in Protecting the Ozone Layer”

Risk Management

Yunnan Baiyao will consider the implications of climate change on the TCM industry, national policies, and industry trends. We will analyze climate-related risks and opportunities in alignment with our business strategies, evaluating their potential economic, regulatory, reputational, and operational impacts on the Company.

Climate Change Risk Identification and Response

Type of risks	Risk description	Countermeasures
Physical risks	Acute risks Frequent occurrence of extreme weather such as floods, high temperatures and typhoons, which will lead to: 1.Power supply and water supply risks, increasing the uncertainty of stable production and operation of Yunnan Baiyao; 2.The supply risk of TCM materials, which may lead to the difficult harvest of raw materials on schedule and the rise of drug prices; Employee health and safety risks, which may pose a threat to the normal operation of production sites and factory employees.	<ul style="list-style-type: none"> To pay close attention to weather forecasts and get extreme weather information in time. To make a comprehensive consideration of retail and large suppliers in the selection of suppliers, so as to ensure supply stability.
	Chronic risks The gradual global warming and rising sea levels, which will cause: 1.The change of the growing environment of TCM materials, which may affect the quality and efficacy of TCM materials; Global water quality changes and the emergence of new pollutants, affecting normal production and operations.	<ul style="list-style-type: none"> To stay tuned for reports on warming trends. To gradually implement climate change response actions to enhance the Company's ability to withstand global warming. To conduct conservation research on the important medicinal materials involved in the Company's business, understand their suitable growth conditions, and carry out artificial cultivation base experiments.
Transformation risks	Policy and legal risks The increasingly tight regulatory requirements for wild animals and plants at home and abroad will lead to restrictions on the use of TCM materials and the normal production of products. Carbon trading, carbon tax, environmental protection tax and other policies are gradually implemented, green low-carbon transformation is imperative, and higher requirements are put forward for Yunnan Baiyao's energy conservation and emission reduction practice. Regulators have higher requirements for the accuracy of environmental data declared by enterprises, increasing the pressure of environmental information statistics and compliance risks of Yunnan Baiyao.	<ul style="list-style-type: none"> To carry out the substitution research of medicinal materials to reduce the probability of drugs being affected. To plan for reservation and processing of key TCM materials in advance. To develop green electricity applications such as photovoltaic power generation. To use low-energy consumption equipment when purchasing new equipment. To conduct energy saving renovation of the existing equipment. To make information disclosure in strict accordance with compliance requirements. To monitor important environmental indicators in the process of production and operation.
	Technical risk As the government pays more attention to low-carbon matters, Yunnan Baiyao needs to invest more costs in low-carbon production and operation.	<ul style="list-style-type: none"> To continuously promote the transformation to low-carbon and energy-saving technologies. To reduce low-carbon input costs through resource recycling. To select more energy efficient raw materials and suppliers.
	Market Risk The market has presented more preference for low-carbon and energy-saving companies and products, increasing the pressure on Yunnan Baiyao's low-carbon production and operation.	<ul style="list-style-type: none"> To study and judge the market trend, timely adjust the business deployment. To carry out lightweight transformation of packaging materials to show the Company's green awareness to consumers.
	Reputational Risk If the efforts to address climate change do not meet the expectations of stakeholders, it may result in a negative impact on Yunnan Baiyao's reputation.	<ul style="list-style-type: none"> To strengthen communication with stakeholders and fully understand their demands. To actively promote the Company's progress in green and low-carbon aspects, such as green packaging, sustainable procurement, and circular economy.

We recognize that while climate change poses these risks to businesses, it also creates unprecedented opportunities.

Climate Change Opportunities



Resource Efficiency

Opportunities to improve energy efficiency

Description of opportunities

With the continuous introduction of lower carbon technologies, Yunnan Baiyao can use emerging technologies to optimize energy consumption in its own operation process, improve resources and energy efficiency in production and operation process and reduce operating costs.

Products and Services

Industry development opportunities

Description of opportunities

The growing concern and preference for green products and eco-friendly factories by both the government and consumers present an opportunity for Yunnan Baiyao to enhance its market competitiveness by promoting its commitment to sustainability.



Indicators and Objectives

In response to the national goal of “carbon peaking and carbon neutrality,” Yunnan Baiyao is exploring the possibility of achieving carbon neutrality in operation. In 2023, according to the actual situation, the Company took relevant measures to reduce carbon emissions in terms of energy conservation, lightweight packaging materials, and emission management improvement. We constantly reviewed the practical activities and made timely adjustments. Looking ahead, we will further improve strategy formulation, risk management, indicator and target identification and management, and work together with the upstream and downstream of the value chain to address climate change and achieve green development.



Energy conservation



Emission management improvement



Lightweight packaging materials

Greenhouse Gas Emissions of Yunnan Baiyao in 2023⁵

Indicators	Unit	2023
Direct greenhouse gas emission (Scope I)	Ton(s) of CO ₂ equivalent	28,983.10
Indirect greenhouse gas emission (Scope II)	Ton(s) of CO ₂ equivalent	365.45
Total greenhouse gas emissions	Ton(s) of CO ₂ equivalent	29,349.71
Intensity of greenhouse gas emissions	Ton(s) of CO ₂ equivalent/Operating revenue of RMB10,000	0.0075



5: The calculation of greenhouse gas emissions was based on the IPCC Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for IPCC Green Gas Emission, in which the electricity consumption was converted by referring to the national power grid average emission factor of 0.5703tCO₂/MWh issued by the Ministry of Ecology and Environment in 2022.

Environmental Management

8

subsidiaries have completed the discharge permit procedures

Yunnan Baiyao remains vigilant towards the evolving trends in national policies and regulations, staying informed about key policies and strategies. The Company adheres strictly to the laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Air 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 *Noise Pollution Prevention Law of the People's Republic of China*. We have established a comprehensive system for the *Environmental Protection Management System*, which includes the *Environmental Protection Responsibility System*, the *Environmental Facilities Management System*, the *Environment Protection Approval and Management System* and other systems. We assign the environmental protection responsibilities to each business group, sign environmental protection target responsibility letters, require each production unit to carry out environmental protection work in accordance with the law, formulate an *Emergency Response Plan for Environmental Emergencies*, and report it to the local environmental protection department for the record, so as to assess and prevent major environmental impacts. We compile the *Ecological Environment Information Report* on a quarterly basis, analyze the national, provincial and municipal environmental protection policies and directions in combination with our business, propose reasonable response strategies, measures and plans, and share key content to the branches and subsidiaries every month.

As of the end of the reporting period, Yunnan Baiyao had not experienced any significant incidents resulting in litigation or corresponding penalties due to environmental violations. The Company and its eight subsidiaries involved in environmental protection administrative licenses have completed the discharge permit procedures, and employed third-party testing units with CMA certification to conduct regular testing of wastewater, exhaust gas and noise in accordance with the requirements of the sewage license, so as to ensure that the indicators are within the limit value requirements.

Achievement of Environmental Goals by Yunnan Baiyao in 2023

Environmental goals

- 100% compliance with pollutant discharge standards
- 0 occurrence of environmental pollution incident

Achievement in 2023

- ✓ Achieved
- ✓ Achieved



Exhaust Gas Management

The exhaust gas of Yunnan Baiyao mainly consists of sulfur dioxide, nitrogen oxide and particulate matter produced in the production process. The Company requires each business group to fully equip the corresponding environmental protection facilities for each exhaust gas emission link, and regularly check the tail gas discharge port, install end-of-pipe treatment facilities in the location of large emissions, and entrust a professional third-party company to carry out regular testing, ensuring that all types of exhaust gas emission is stable and meets the standards to eliminate unorganized emissions. In 2023, the VOCs emission rate and emission concentration of Yunnan Baiyao's affiliated factories met the corresponding limit requirements in the *Comprehensive Emission Standard for Air Pollutants* (GB16297-1996) and the *Emission Control Standard for Volatile Organic Compounds of Industrial Enterprises* (DB12/524-2020).

case

Renovation of Treatment Facilities at the End of Breathing Port of N-hexane Storage Tank in Qidian Industrial Zone



Pharmaceutical Business Group of Yunnan Baiyao optimized the treatment facilities at the end of the breathing port of n-hexane storage tank in Qidian Industrial Zone, and added activated carbon treatment devices at the end to reduce the direct discharge of n-hexane and other volatile gases through adsorption treatment. Comparison of monitoring data before and after treatment shows that this effectively reduces the concentration of n-hexane tank exhaust emissions to 10ppm, well below the regulatory limit of 200ppm.



Renovation at the End of Breathing Port of N-hexane Storage Tank in Qidian Industrial Zone

Exhaust Gas Emission of Yunnan Baiyao in 2023

Indicators	Unit	2023
Total exhaust gas emission	10000m ³	4,330.4
Particulate Matter	Ton(s)	0.14
NO _x	Ton(s)	3.182

Wastewater Management

Yunnan Baiyao's wastewater mainly comes from discharges generated from the production of pharmaceuticals and health products and domestic sewage. In accordance with the national and regional management requirements, the Company strictly implements the sewage permit management system, strengthens the internal management of environmental protection, sets up a dedicated team for sewage management, standardizes the environmental protection accounts, and improves the utilization rate of water recycling through the upgrading and transformation of equipment and the recycling of wastewater. In the production process, we use circulating water to cool the equipment and reduce the use of tap water. Special sewage treatment tanks are set the end of the production, which can reduce the concentration of pollutants by precipitation, filtration and adsorption, and then discharge the sewage according to the regulations. In addition, we actively carry out environmental protection technology learning and exchange with related enterprises and units on the optimization of sewage treatment process and reduction of pollutant emission concentration, so as to improve our own wastewater management performance.

In 2023, the Company monitored and uploaded key water quality indicators in accordance with the requirements of the various environmental protection units at the higher level to ensure compliant discharges and avoid impacts on the river and soil.

case

Emission Reduction of VOCs in the Open Liquid Surface of Wastewater Treatment System of Qidian Industrial Zone and Improvement of Effluent Water Quality



To optimize the efficiency of wastewater discharge and further reduce the impact of wastewater discharge on the environment, in 2023, Yunnan Baiyao replaced 6 sets of impulse tanks in the wastewater treatment system of the Qidian Industrial Zone with corrosion-resistant FRP materials, and kept exploring experiments on the anaerobic open liquid surface of the wastewater treatment system of the Qidian Industrial Zone. We added powdered activated carbon adsorption to reduce emissions, and sprayed powdered activated carbon on the open liquid level of the anaerobic system to improve the sewage treatment efficiency, thus effectively reducing the escape of VOCs, and improving the sewage chroma and emission indicators.



Pulse Tank for Sewage Treatment System in Qidian Industrial Zone

Wastewater Discharge of Yunnan Baiyao in 2023⁶

Indicators	Unit	2023
Total wastewater discharge	Ton(s)	297,045.01
COD	Ton(s)	11.78
Ammonia nitrogen	Ton(s)	0.689
Reclaimed water	Ton(s)	29,610

6: In 2023, the statistical basis of COD and ammonia nitrogen was clarified and expanded, so the data changed greatly in the two years.

Waste Management

Yunnan Baiyao's solid waste includes hazardous waste and non-hazardous waste. Hazardous waste includes waste drugs, medicines and experimental waste liquids, etc; non-hazardous waste mainly consists of medicine residue and sludge generated in the production process.

The Company classifies and manages all solid wastes and strictly distinguishes between hazardous and non-hazardous wastes. For the non-hazardous waste in the process of production and operation, we uniformly hand over the general waste and domestic garbage to the sanitation station for removal and incineration disposal, and entrust the professional third party to dispose of the sludge and medicine residue, which is used for soil improvement of landscape after fermentation, and the medicine residue is used for the manufacture of organic fertilizer after fermentation.

For the hazardous waste in the production workshop, we assign special personnel for management, establish a ledger, improve the identification through marking and label, centrally store it in the designated area, and uniformly hand over to the third party for processing after sorting and collection. For laboratory hazardous waste, we have formulated the *Laboratory Hazardous Waste Prevention and Control Responsibility System* and the *Laboratory Environmental Control Procedures* to clarify and strictly implement the laboratory waste treatment standards. Following the principle of "Unified Collection, Classified Disposal, and Elimination of Hidden Dangers," hazardous waste is managed exclusively, accounts are established, and disposal is carried out by third-party professional disposal companies, so as to achieve the goal of "minimization, reuse and harmlessness."

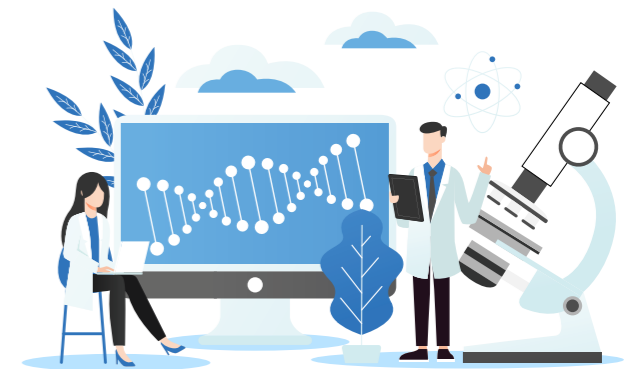
In 2023, the Company further refined the types of waste discharge statistics with a view to finely controlling the discharge of each waste.

Waste Discharge of Yunnan Baiyao in 2023

Indicators	Unit	2023
Hazardous waste discharge		
Waste drugs, drugs HW03 ⁷	Ton(s)	2.88
Experimental liquid waste HW49	Ton(s)	17.32
Used oil	Ton(s)	1.04
Intensity of hazardous waste	Ton(s)/Operating revenue of RMB10,000	0.0000054
Non-hazardous waste discharge		
Drug residue, sludge ⁸	Ton(s)	25,786.5
Intensity of non-hazardous waste	Ton(s) / Operating revenue of RMB10,000	0.0066
Total		
Total amount of solid waste	Ton(s)	25,807.74
Solid waste discharge intensity	Ton(s)/ Operating revenue of RMB10,000	0.0066

7: The data of waste drugs, drugs HW03 covers Yuhua Industrial Zone.

8: The data of Drug residue, sludge covers Yuhua Industrial Zone and Qidian Industrial Zone.



Resource Utilization

59

investigated and rectified common points of energy waste and multiple leakage points

Resource conservation is a critical endeavor for ensuring national resource security, advancing the construction of ecological civilization, and fostering high-quality development. Yunnan Baiyao is committed to conserving resources across all aspects of its operations and development. The Company actively promotes the scientific allocation, comprehensive saving, and recycling of various resources.

Energy Management

Yunnan Baiyao gives full consideration to energy utilization efficiency in all aspects of production and operation. In strict accordance with the *Energy Conservation Law of the People's Republic of China* and other laws and regulations, the Company has established the *Energy Management Measures* internally. The manufacturing operation center of the Pharmaceutical Business Group of the Company has set up an energy conservation supervision working group to inspect and guide the energy use unit every month, implement energy conservation project transformation, correct and implement on-site guidance training for energy use points with room for energy saving, promptly eliminate irregular energy use, in order to form a long-term mechanism for energy conservation, which will gradually improve the Company's energy use efficiency and reduce production costs and energy waste. In addition, the Company links energy saving indicators with the performance of management personnel, and requires all production and business groups to strengthen the management of electricity, natural gas and other consumption materials, and build resource-saving enterprises based on the principles of legal management, technological progress, consumption reduction and efficiency improvement, effective supervision and sustainable development, and according to their own production characteristics. In 2023, a total of 59 common points of energy waste and multiple leakage points were investigated and rectified, and multiple energy waste phenomena were eliminated.

case Rooftop Photovoltaic Power Generation Renovation

Distributed photovoltaic power stations were built on the standard factory roofs in Wenshan Sanqi Industrial Park of Yunnan Baiyao in 2023. At present, the project has passed the acceptance and is officially put into operation, with the average annual power generation being more than 3.5 million KWH, reducing the use of fossil fuels, and minimizing CO₂, SO₂, NO_x emissions.



Rooftop PV Installation in Wenshan Sanqi Industrial Park

case

Steam Energy-saving Transformation in Yuhua Industrial Zone



In 2023, the Yuhua Industrial Zone under the Pharmaceutical Business Group investigated and sorted out the problems existing in the use of 142 traps and bypass valves, and completed the repair and replacement work one by one. The consumption of natural gas was reduced by more than 5%, which improved the steam utilization efficiency and effectively reduced the production cost of the workshop. In addition, the Company cut off the steam pipelines that were idle for long term to reduce the loss of steam in the pipeline and reduce the consumption of natural gas from the source.



Before modification



After modification



Before modification



After modification

Steam Energy-saving Transformation Site

Energy Consumption of Yunnan Baiyao in 2023

Indicators	Unit	2023
Diesel consumption	Ton(s)	0.87
Gasoline consumption	Ton(s)	25.77
Natural gas consumption	m ³	13,221,027
Purchased electricity	MWh	640.8
Comprehensive energy consumption ⁹	Ton(s) of standard coal	25,586.54
Comprehensive energy density	Ton(s) of standard coal/Operating revenue of RMB10,000	0.0065

⁹The comprehensive energy consumption was derived based on data from the National Bureau of Statistics



Water Resource Management

In strict accordance with the *Water Law of the People's Republic of China* and other laws and regulations, Yunnan Baiyao has internally developed the *Non-pharmaceutical Water System Management Procedures* and the *Safety Standards and Operating Procedures for Secondary Water Supply System Posts* and other institutional documents. These initiatives call on all production and operation departments to conserve water resources. Additionally, the Company actively carries out various technical reforms aimed at reducing losses and improving water efficiency. In 2023, we surveyed the aged pipe network of the Yunnan Pharmaceutical's campus, proactively inspected the underground pipe wells in the campus, repaired the seepage joints that had been identified, replaced the aged pipe network, and engaged a professional leak detection company to detect leaks in the underground pipes in the park and repair the detected leak points. In addition, we conducted water balance tests on multiple campuses. At present, Yuhua Industrial Zone and Qidian Industrial Zone have completed the test and obtained the qualification.

case

Water in Landscape Pool Used for Greening of the Company



Wenshan Company of Yunnan Baiyao utilized water from the bottom of the landscape pool after simple filtration for greening purposes. Fresh water was then replenished into the top of the landscape pool, facilitating the rational use of water resources, recycling of water storage, and achieving water conservation while enhancing the aesthetic appeal of the landscape pool.

Energy and Water Consumption of Yunnan Baiyao in 2023

Indicators	Unit	2023
Water consumption	Ton(s)	1,366,035
Water consumption density	Tons/Operating revenue of RMB10,000	0.35

Material and Package Management

Yunnan Baiyao encourages all business segments to explore the lightweighting of packaging materials and other production materials according to their own business characteristics, advocates the extensive application of recyclable and renewable materials, recycles the residual margins and packaging materials in the production process, and restructures and adjusts the shape of the products and packaging materials without lowering the effectiveness of the products, so as to reduce the demand for raw materials and the waste of material loss. We vigorously promote paperless packaging and use large size specifications for packaging as much as possible. In 2023, the Company worked with suppliers to carry out a number of attempts in package lightweighting.

Packaging Material Consumption of Yunnan Baiyao in 2023

Indicators	Unit	2023
Paper	Ton(s)	14,700
Plastic	Ton(s)	3,600
Glass	Ton(s)	899
Aluminum	Ton(s)	1,660
Composite soft package	Ton(s)	2,038
Packaging material consumption	Ton(s)	22,897
Density of packaging material consumption	Ton(s)/Operating revenue of RMB10,000	0.0059

case

The Pharmaceutical Business Group Implemented the Transformation of Aluminum-plastic Composite Film for Eliminating Waste Edges



To improve packaging efficiency and reduce packaging material consumption, the Pharmaceutical Business Group used granular equipment to transform the aluminum-plastic composite film for eliminating the waste edges, which can save the composite film consumption by 2%. In addition, according to the market demand, the packaging of some square packaging products was reformed into strip packaging, which can save more than 15% of packaging materials per product unit. After the rigorous testing, the number of carton packing tapes was reduced from 4 to 2, saving the consumption of packing tape by 50%.



Before modification

After modification

Modification of Some Drug Packages

Reuse of Toothpaste Packaging Box

The Health Products BG conducted a study on the use tolerance of the toothpaste packaging box and found that the toothpaste promotion box could be reused for 3-6 times. Based on product specifications and packaging box characteristics, we classified promotional boxes into 3 categories to meet production needs while minimizing costs. After the use of finely classified cartons in manufacturing, only 349,800 cartons were purchased, reducing the purchase of 1.05 million cartons, reducing the amount of paper used by about 735 tons, which is equivalent to an effective reduction of carbon dioxide emissions of about 18,750kg.



Recycled Containers for Storage and Reuse

only **349,800** cartons were purchased
 reducing the purchase of **1.05** million cartons
 reducing the amount of paper used by about **735** tons
 which is equivalent to an effective reduction of carbon dioxide emissions of about **18,750** Kg

Toothpaste Tube Recycling

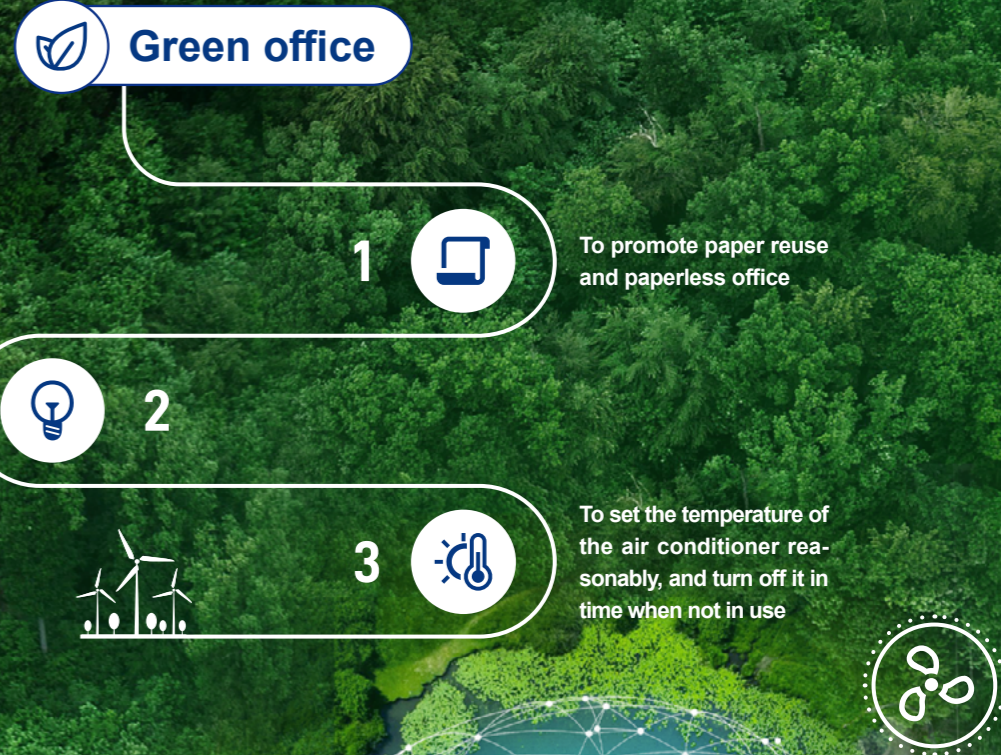
The Health Products Department adopted the toothpaste recycling technology in the pipeline and the Pigging System to recycle the toothpaste in the finished toothpaste conveying pipeline. Through the transformation of 6 production lines, 3.4 tons can be saved at one time, and the sewage treatment problem caused by cleaning the toothpaste pipeline can be avoided, which has reduced the difficulty of sewage treatment significantly. This saves 122.4 tons of paste in the whole year, and save RMB2.448 million annually.



can be saved at one time **3.4** tons ... saves **122.4** tons of paste in the whole year ... save RMB **2.448** million annually

Green Office

Yunnan Baiyao and its subordinate business groups actively carry out publicity and education on energy conservation and emission reduction, and place signs in offices and other workplaces to advocate the concept of green office, enhance the awareness of energy conservation of all employees, and help employees cultivate green living habits.



Talent Empowerment for Employee Growth

YUNNANBAIYAO

Embracing the ethos of “People-first, Talent-integrated” Yunnan Baiyao is dedicated to fostering an equal and diverse workplace environment, where employees’ career advancement aligns with the Company’s objectives. Through an inclusive talent strategy, competitive compensation packages, and comprehensive training initiatives, we aim to facilitate the professional development of our workforce, fostering a mutually beneficial relationship between the Company and its employees.



04

Protecting Employees' Rights and Interests

Insisting on compliant recruitment and employment, Yunnan Baiyao actively creates a diverse and equal working environment, provides fair career opportunities for employees, and ensures that every employee can show his or her talent and value. During the reporting period, Yunnan Baiyao won the awards of Best Employer 2023 - Most Socially Responsible Award, Top 100 Extraordinary Employers 2023, Exemplary Employer 2023, and China Human Resources Venus Awards 2023 - Exemplary Employer Brand Management Award.

Compliant Recruitment



In strict accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors* and other laws and regulations and relevant policy requirements, Yunnan Baiyao keeps revising and improving the Recruitment Management Measures of Yunnan Baiyao Group Co., Ltd, the Labor Contract Management System, the Basic Norms of Enterprise Internal Control, the Qualification Management Measures, the Job Rotation Management Measures and other relevant policies and systems, so as to ensure the Company's recruitment and employment compliance, and effectively protect the rights and interests of employees.



Yunnan Baiyao firmly prohibits any form of child labor and forced labor practices, and has taken specific measures to avoid the occurrence of such violations. During the recruitment process, the Company strictly reviews candidates' identity information to prevent child labor at its roots. Furthermore, it establishes direct agreements with employees on matters such as labor compensation, working hours, labor discipline, and labor quota management systems, safeguarding employees' rights and interests and preventing forced labor occurrences. In 2023, Yunnan Baiyao did not have any illegal cases of child labor and forced labor.

..... In 2023, Yunnan Baiyao had **12,307** employees, as detailed below:

Employment Details of Yunnan Baiyao

Employee category		Unit	2023	2022	2021
Total number of employees¹⁰		Person	12,307	12,193	12,310
Coverage	Labor contract employees	Person	8,834	8,781	8,464
	Labor dispatch employees	Person	1,136	1,175	1,185
	Intern	Person	718	205	289
	Subcontracting staff	Person	1,619	2,032	2,372
Number of employees by rank	Senior management ¹¹	Person	187	167	232
	Middle management	Person	884	853	715
	Junior employees	Person	7,763	5,729	5,145
Number of employees by type of work	Sales staff	Person	5,099	5,117	5,006
	Technical staff	Person	1,265	1,291	1,106
	Production staff	Person	1,676	1,611	1,608
	Financial staff	Person	308	260	245
	Administrative staff	Person	486	502	499
Number of employees by gender	Male employees	Person	4,781	4,715	4,672
	Female employees	Person	4,053	4,066	3,792
Number of employees by age	30 and below	Person	2,670	2,838	2,786
	31 to 40 (exclusive)	Person	4,256	4,184	4,014
	41 to 50 (exclusive)	Person	1,567	1,433	1,345
	51 (inclusive) and above	Person	341	326	319
Number of employees by nationality	Han	Person	7,518	7,476	7,041
	Ethnic minorities	Person	1,315	1,317	1,423
	Overseas employees	Person	1	0	0
Number of employees by region	Yunnan Province	Person	4,838	4,822	4,422
	Mainland China (excluding Yunnan)	Person	3,992	3,955	4,041
	Hong Kong, Macao, Taiwan and overseas	Person	4	4	1

10: The total number of employees is counted as labor contract employees, labor dispatch employees, interns and subcontracting staff.

11: Employees of subsidiaries and business units of Yunnan Baiyao included.

Talent Attraction

Yunnan Baiyao has formulated the *Internal Recommendation Management Measures for Talent Introduction of Yunnan Baiyao Group*, and established a sound talent introduction management process and a dynamic position management system. With diversified talent acquisition methods such as social recruiting, campus recruiting, internal recommendation and internal recruiting, focusing on the areas of drug innovation, lean manufacturing, quality management, marketing and internationalization, we constantly expand our employee development channels to attract composite high-quality talents and continuously strengthen our staffing and talent reserves.

Besides, in the introduction of talents, the Company adopts a precise and efficient "job placement, assignment, and staffing" approach, and determines the responsibilities, the required talent characteristics and the number of personnel of each post based on our strategic objectives and development planning. Adhering strictly to talent selection criteria, we ensure optimal alignment between individuals and positions, matching work content with employee capabilities, thereby realizing the objective of "maximizing talent potential and utilization."

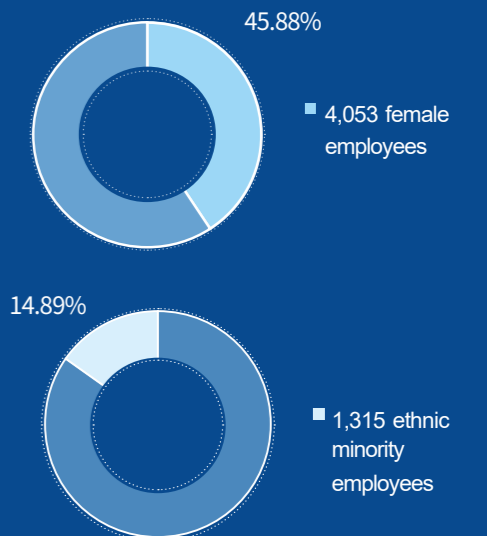
In 2023, Yunnan Baiyao continued to strengthen the construction of high-level R&D team through the Central Research Institute. During the reporting period, the Central Research Institute recruited more than 30 employees, including more than 10 PhDs and more than 20 masters. It introduced one expert enjoying the State Council's Special Allowance, one technological innovation talent cultivation object in Yunnan Province, and three talents who passed the audit of Yunnan Province's talent program. As of the end of 2023, Yunnan Baiyao Central Research Institute had more than 300 employees on board, including more than 140 masters and 20 PhDs, more than 70 intermediate title and senior title holders, and more than 20 high-level experts and talents at national, provincial and overseas levels.



Equality, Inclusion and Diversity

Adhering to the principles of fairness, impartiality and diversity and the market-oriented employment mechanism, Yunnan Baiyao promotes the talent selection method of open recruitment and merit-based posting, comprehensively considering the situation of the candidates, and selecting employees according to the requirements of the positions. We never differentiate between employees on the basis of their educational backgrounds, beliefs, nationalities, marital statuses, genders, health statuses, or racial differences.

The Company expressly prohibits any form of harassing behavior, including but not limited to verbal, written, graphic, and physical behavior. The Company has established a clear complaint and reporting mechanism. When employees are harassed, they can immediately complain and report to the Company. After receiving complaints and reports, the Company will accept, investigate and deal with them in a timely manner in strict accordance with relevant regulations, and protect the personal privacy of employees according to law. Where the relevant organizations and individuals file a report to the public security organ or file a lawsuit with the people's court, the Company will provide support.



Total number of employees signing the labor contract in 2023

Empowering Talent Development

Yunnan Baiyao is committed to establishing a sound talent training system and providing diversified development paths for employees. We attach importance to the career development of our employees, help them continuously improve their skills and capabilities, and achieve their personal career goals through systematic training programs and clear promotion paths.

Talent Development

Yunnan Baiyao understands that talents are the cornerstone of its development, and has created a dual-wheel driven talent supply chain of "internal training + external talent introduction." The Company has not only established a hierarchical talent training system based on job qualifications to provide diversified training opportunities, but also implemented special training programs for management and professional talents. Apart from that, through the capability model and talent assessment, we conduct a dynamic talent inventory, focusing on the identification and training of key talents, so as to ensure that their capabilities are matched to the future needs of the Company. Through effective cadre management mechanism and talent pool management tools, we can cultivate high-quality management talents that meet the future development needs of the Company.



Employee Training Performance of Yunnan Baiyao in 2023

Training performance		Unit	Data in 2023
Total person-times in employee training		Person-time	218,019
Person-time of trained employees by gender	Male employees	Person-time	5,422
	Female employees	Person-time	4,548
Person-time of trained employees by rank	Senior Management	Person-time	187
	Middle management	Person-time	884
	Junior employees	Person-time	8,899
Total training time		Hour	217,125.15
Per capita training time		Hour	21.78
Total training hours of employees by gender	Male employees	Hour	118,080
	Female employees	Hour	99,045
Total training hours of employees by rank	Senior management	Hour	4,072
	Middle management	Hour	19,252
	Junior employees	Hour	193,801
Per capita training investment for employees		RMB	849.53

Following the principle of "Putting the best tools to the task," we have implemented comprehensive management throughout the training cycle, from budget allocation to training execution and outcome assessment, ensuring optimal utilization of resources and desired outcomes. Moreover, we are committed to achieve "knowledge retention," viewing training as not only skill enhancement but also knowledge dissemination. Through digital transformation, we have digitized and streamlined the entire training process, providing digital support to the entire talent development lifecycle, from **business strategy to talent planning, training program, and talent growth.**

“Blossoming Flowers” Talent Cultivation System

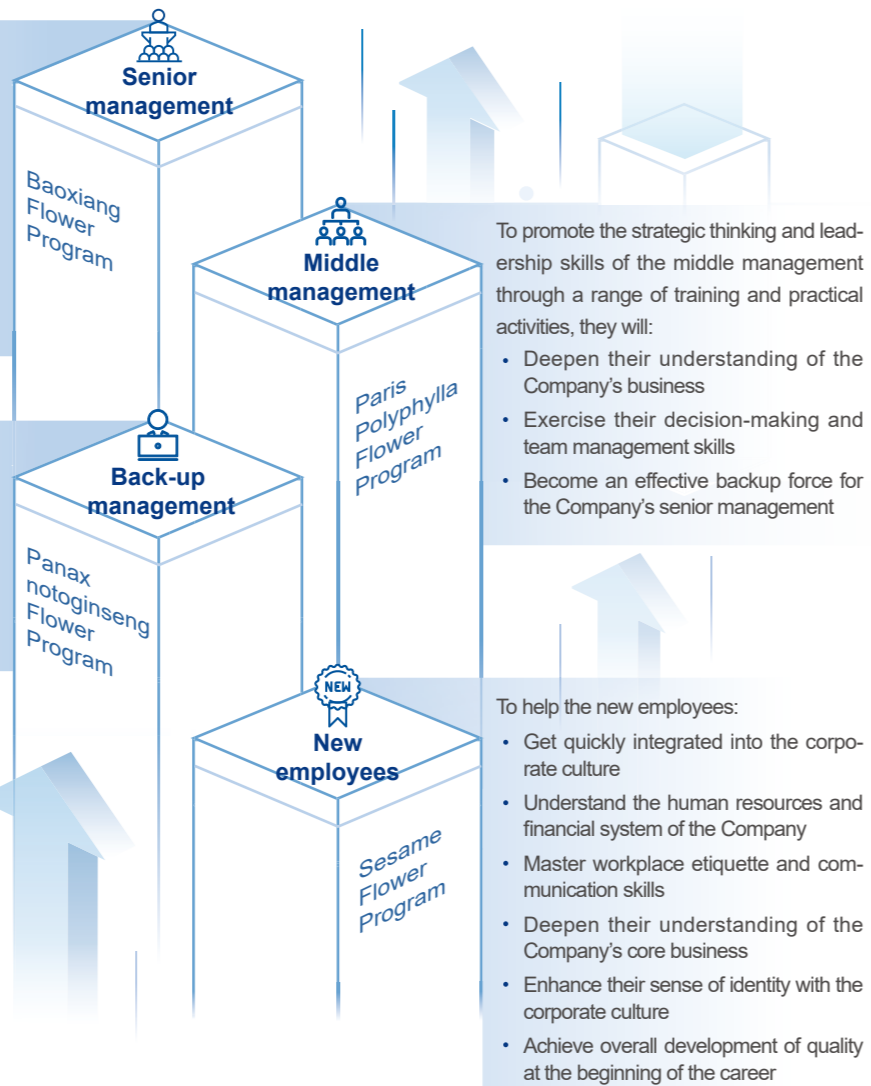
In 2023, the Company continued to explore the “Blossoming Flowers” talent cultivation system, providing customized training programs for the needs and development potential of different ranks of employees.

“Blossoming Flowers” Talent Cultivation System of Yunnan Baiyao

To enhance senior management’s in-depth understanding of the Company’s overall strategy and business deployment through professional training, the management will:

- Have a clearer understanding of the Company’s long-term development plan
- Enhance their awareness of the Company’s vision and mission
- Lead the Company more effectively toward its intended goals

Dual-model teaching integrating online and of-line approaches is adopted. Combining action learning with mentorship, it is designed to cultivate reserve talents for middle management to cope with future management challenges and leadership tasks.



Construction of Learning Platform

In 2023, Yunnan Baiyao officially launched the online learning platform of Baiyao Academy, empowering the talent training system through its innovative and interesting learning model. The learning platform covers many aspects such as course live broadcasting, online learning project management, and resource sharing, which not only promotes the intelligent dissemination of knowledge, supports business development, but also strengthens the multi-dimensional visualization of enterprise management. Moreover, the online learning platform of Baiyao Academy relies on advanced technical means to better cultivate and stimulate the potential of employees, offering the online functions of talent management, including the construction of competency model, talent assessment, talent inventory, training project operation and data collection and analysis, thus comprehensively promoting the digital upgrade of talent management of the Group.

Internal Trainer Team Building

Yunnan Baiyao actively promotes the construction and training of an internal trainer team. Based on its own talent planning strategy, the Company has carried out effective classification and hierarchical management of internal trainers, forming a training team with internal lecturers as the core and supplemented by external lecturers. Aside from that, the Company has continuously improved the qualification system of internal trainers, drawn a detailed learning path based on job requirements, and developed corresponding courses.

In 2023, Yunnan Baiyao successfully trained 149 new internal trainers, bringing the total number of internal trainers to 289. It organized two internal trainer training sessions with 150 participants and developed 312 courses with a cumulative course duration of 5,968 minutes.



Skills Master Studio

“Fan Zhiwei Skills Master Studio” (the “Studio”) continues to promote technological innovation and continuous learning and exploration. In recent years, the Studio has carried out intelligent transformation and upgrading of several production lines of the Company, effectively improving the production efficiency and product quality of the Company. In 2023, the Studio introduced a new chief technician with the title of Talents for Revitalization of Yunnan. The customized weighing table it developed was elected as an employee innovation subsidy project in Yunnan Province. The Studio actively carried out equipment technical training within the Company, for a total of 15 times, and effectively solved and troubleshooted 5 equipment issues. Throughout the year, it delivered 26 training sessions to the provincial and municipal trade union systems, other enterprises, and Yunnan Vocational College of Mechanical and Electrical Technology, with over 4,000 participants trained.

New Apprenticeship Program

Yunnan Baiyao, in partnership with Yunnan Technician College, introduces the innovative “New Apprenticeship Program.” This program adopts the training model of “enterprise-school dual system, integrated work and learning,” sufficiently leveraging the strengths of government, enterprises, and schools to facilitate the in-depth integration of industry and education. The program is designed to cultivate high-quality skilled personnel to meet the needs of the Company through the combination of professional standards and course content as well as the organic connection between the production process and the teaching process.

In 2023, this program focused on two major areas of specialization – pharmaceutical formulation and TCM preparation. It took on a total of 120 apprentices, 39 in pharmaceutical formulation and 81 in TCM preparation, with the goal of completing the training in two years to enable the apprentices to reach the advanced worker skill level and grow into independent and efficient skilled workers. The apprenticeship program has assisted Yunnan Baiyao in improving its talent training system, strengthening school-enterprise cooperation, enriching teachers and curriculum resources, and thus improving the Company’s human efficiency and production level.

case

“Panax notoginseng Flower” Project Manager Talent Cultivation Program

In 2023, Yunnan Baiyao launched the talent cultivation program for “Panax notoginseng Flower” project managers, aiming to cultivate excellent project management talents, so as to promote the project-based management and the rapid development of business. The program lasted for 8 months, during which 173 times of effective communication with stakeholders were conducted, and 40 times of guidance and feedback from professional tutors were accepted. Through team collaboration and multi-level linkage across departments, 79 business problems were successfully sorted out and 89 work processes were established. Furthermore, the project team extracted 122 templates and forms, produced 44 project cases with practical value, successfully

produced 5 sets of innovative project management methodology, and carried out promotion practice. These project results not only improve the efficiency and quality of project management, but also lay a solid foundation for the Company’s future project management practice and organizational development.



“Panax notoginseng Flower” Project Manager Talent Cultivation Program Site

case

National Senior Workshop of "Lean Manufacturing of Pharmaceutical Enterprises"



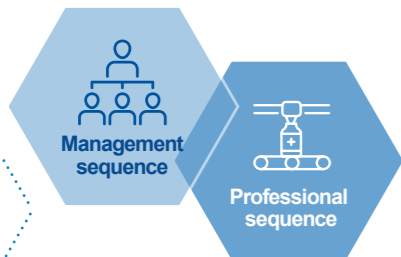
From September 19 to 22, 2023, Yunnan Baiyao successfully held the national senior workshop of "Lean Manufacturing of Pharmaceutical Enterprises." The workshop attracted professionals from more than 40 companies across China, including online participants and on-site attendees, totaling more than 400 people. The content of the seminar focused on the core issues of "Lean Manufacturing" and covered a wide range of important areas such as technological innovation, management innovation, quality management, team management and talent training.

By adopting diversified blended teaching methods such as experiential learning, expert lectures, case studies and interactive seminars, the workshop imparted the key concepts and practical skills of implementing Lean Manufacturing in pharmaceutical enterprises and ensured that the participants were able to have a comprehensive and in-depth understanding of the core contents and implementation strategies of Lean Manufacturing. The workshop was highly recognized in terms of teacher quality, teaching effect and service management, with the excellent rate of teachers reaching 98.25%, the excellent rate of teaching evaluation reaching 99.47%, and the satisfaction rate of service management reaching 100%.



National Senior Workshop of "Lean Manufacturing of Pharmaceutical Enterprises"

Employee Promotion



Recognizing the significance of employees' career growth and advancement, Yunnan Baiyao has established a robust and efficient personnel training and promotion system. Continuously refining and enhancing internal protocols such as the *Qualification Management Measures of Yunnan Baiyao Group*, the *Position Management System*, and the *Job Rotation Management Measures*, the Company has instituted a comprehensive promotion mechanism and internal transfer system. These efforts aim to sustain organizational dynamism and foster talent mobility.

Yunnan Baiyao has implemented a dynamic and effective position management system, ensuring equal promotion opportunities for all employees and facilitating the optimal allocation of human resources to meet strategic talent development goals. In 2023, the Company established two career development paths: the "management sequence" and the "professional sequence," each comprising six levels from "understanding" to "leading." These paths focus on enhancing management leadership and refining professional skills, respectively. Clear qualification standards have been formulated for each sequence and position to serve as the evaluation basis for employee promotion. The Company guides employee growth in alignment with organizational objectives. Furthermore, employees can propose job rotations and, upon approval from the human resources department, adjust their internal positions to cultivate diverse skills and achieve multifaceted career development.

case

"Xuanjia Action"



In 2023, Yunnan Baiyao launched the "Xuanjia Action": an internal selection mechanism set up for the open competition for the provincial marketing general manager of the business group. The "Xuanjia Action" not only provided young cadres within the Company with the opportunity to show their talents but also attracted outstanding talents from outside to join. The "Xuanjia Action" was rolled out under the principle of "strict selection, open selection and merit-based selection" to ensure the fairness and transparency of the selection process. Clear standards and requirements were set to ensure that the selection process was "fair in terms of qualifications, competitiveness, assessment and matching." More than 200 people participated in the "Xuanjia Action" and 52 people were selected.



"Xuanjia Action" Site

Improving the Well-being of Employees

Yunnan Baiyao actively enhances employee well-being through comprehensive compensation incentives, performance management, and diverse non-compensation benefits. The Company values comprehensive care for its employees, particularly addressing the needs of female staff. The Company continually fosters employee satisfaction and team cohesion through various cultural, sports, and union activities.

Welfare and Care

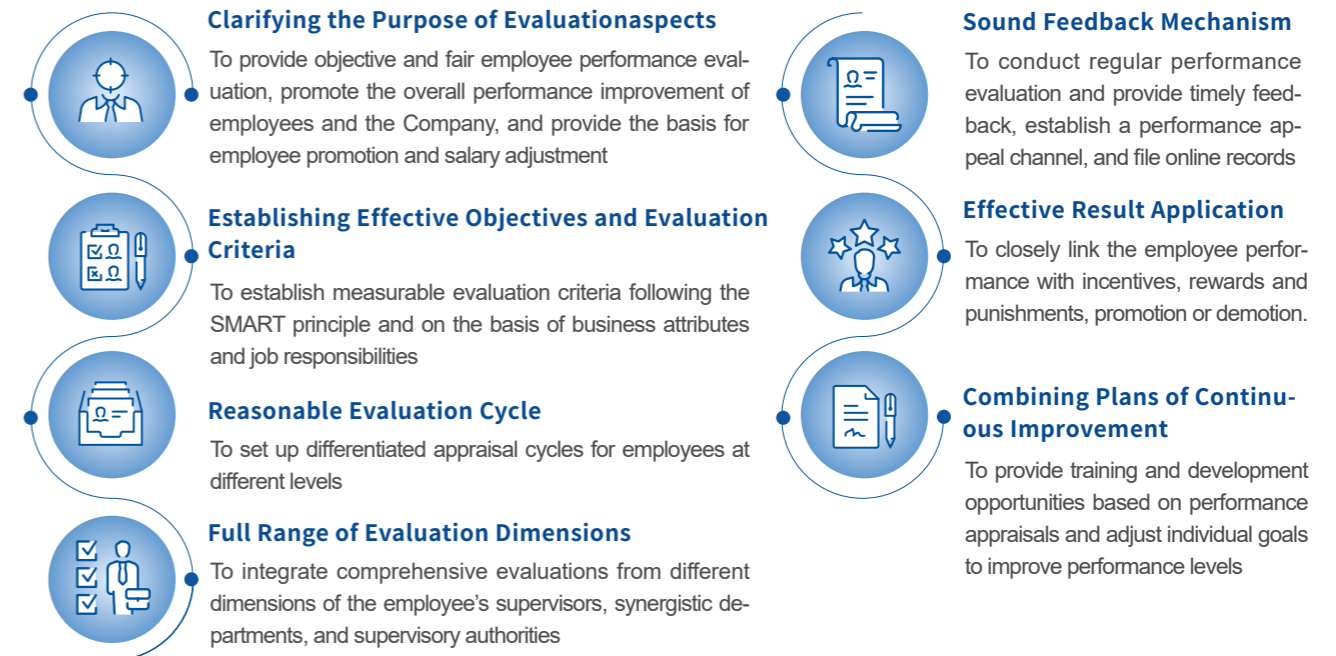
Centered on the needs and values of its employees, Yunnan Baiyao consistently refines its salary incentives and performance management system. While safeguarding employees' basic rights and interests, the Company pays attention to the needs and expectations of female employees. Moreover, the Company actively engages in recreational and sports activities to bolster employees' well-being and sense of belonging across all facets of work life.

Compensation Incentives and Performance Management

In strict accordance with the *Social Insurance Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Management Measures for Share Incentives of Listed Companies*, the *Rules for the Listing of Stocks on the Shenzhen Stock Exchange*, the *Guiding Opinions on the Implementation of the Pilot Employee Stock Ownership Plan for Listed Companies* and other laws and regulations, Yunnan Baiyao has formulated the *Salary Management System of Yunnan Baiyao Group Co., Ltd* and other internal management systems. During the process of constantly enriching and maintaining high-quality talents, we have built a fair and impartial salary and welfare system and incentive mechanism with market competitiveness. The Company provides employees with pension, medical, unemployment, work-related injury and maternity insurance, as well as housing provident fund and enterprise annuity to ensure the basic welfare needs of employees. Furthermore, Yunnan Baiyao has also implemented measures such as the *Employee Stock Ownership Plan* to enhance the sense of belonging and participation of employees, which in turn promotes the Company's long-term stable development.

To ensure the objectivity and fairness of employee performance evaluation, Yunnan Baiyao has formulated the *Performance Management System* and established a comprehensive performance management system. The Company has formulated a special performance appraisal plan based on the functions and business priorities of each department and the job responsibilities of employees. The plan includes setting differentiated appraisal weights, clear appraisal criteria, and reasonable appraisal cycles to implement effective performance appraisals. The appraisal results are directly related to key matters such as salary adjustments and promotion opportunities for employees, thus guaranteeing the fairness and effectiveness of the appraisal.

In 2023, Yunnan Baiyao carried out a comprehensive system construction and optimization of the performance evaluation mechanism, including the following aspects:



On top of that, to ensure the implementation of the Company's sustainable development strategy, Yunnan Baiyao has adopted a balanced scorecard assessment methodology, setting assessment indicators in a several dimensions, such as operational indicators, strategic indicators, organizational development, and risk management and control. These indicators have been incorporated into the Company's performance appraisal system and are closely linked to the compensation management system to ensure that the Company's activities are aligned with the strategic objectives of sustainable development and that employees are effectively motivated to work together to achieve these objectives.

Non-compensation Benefits and Employee Care

Yunnan Baiyao provides all employees with a variety of benefits in addition to salary, and pays attention to the physical and mental health of employees. On the basis of full payment of all social insurance for all employees, additional commercial insurance is provided for all employees. In 2023, the Company adjusted the frequency of employee physical examination from biennial to annual and provided employees with a choice of multiple physical examination agencies to meet the needs and preferences of different employees. We also offered employees' families with discounts on physical examination as benefits, so as to ensure that the health of employees and their family members is protected.

The Company also provides diversified benefits to employees through the Baiyao Living welfare platform. The Company not only provides employees with carefully selected gifts during traditional festivals such as the Mid-Autumn Festival and Chinese New Year, but also furnishes employees with a welfare platform points, so that they can freely choose and redeem their favorite goods. To further enrich the life experience of employees, the Company also regularly organizes various shopping discount activities to render cost-effective shopping services for employees.

Organizing Recreational and Sports Activities

To ensure that employees get proper relaxation and rest after busy work, the Company provides a series of colorful recreational and sports activities.

case

Family Day



On August 17, 2023, Yunnan Baiyao held the "Baiyao Family Day", inviting employees' family members to visit Baiyao's working environment, learn about Baiyao's historical background, enjoy delicious foods, and participate in fun and interactive parent-child activities. Through these activities, the family members of the employees were able to experience and perceive the significance and value of working in Baiyao, which in turn enhanced their sense of identification and belonging to the Company and strengthened the understanding and support of the family members of the employees to the Company, contributing to the construction of a harmonious and positive corporate culture.



Family Day

case

Staff Running Group



The Company's employees have spontaneously organized and actively participated in the staff running group activities to promote healthy work and healthy life. The employees engage in weekly campus runs at the headquarters, fostering not only physical fitness, but also enhancing communication and camaraderie among colleagues. Besides, the staff running group also actively participates in major marathons in China and win a number of honors.



Staff Running Group of Yunnan Baiyao

Care for Female

Yunnan Baiyao attaches great importance to the rights and well-being of female employees. The Company has set up the Women Workers' Committee under the Labor Union of Yunnan Baiyao Group and signed the *Special Collective Contract for the Protection of Special Rights and Interests of Female Workers* with female employees, an initiative that comprehensively safeguards the legitimate rights and interests of female employees in the areas of politics, economy, culture, education, labor, social life, and so on. To further care for female employees, the Company has organized a variety of activities and projects, such as increasing the types of redemption packages for female-specific points on the welfare platform to provide more diversified redemption choices, and organizing March 8 Women's Day themed activities. The Company has become a pilot enterprise for HPV vaccination and promoted the "Cervical Health Promotion Program for Working Women" to encourage female employees to participate in the program and take care of their health. In addition, Yunnan Baiyao provides comprehensive maternity protection for female employees, including maternity leave, parental leave and maternity insurance, so as to ensure that the legitimate rights and interests of female employees are fully protected during pregnancy and childcare.

case

Series Activities for Female Workers on "March 8 Women's Day"



On March 8, 2023, Yunnan Baiyao organized a series of activities for female workers with the theme of "Meeting Women for Healthy Life." These activities, focused on promoting healthy lifestyles, featured a lively tug-of-war competition that drew participation from 49 teams, totaling around 1,000 individuals, with female employees comprising two-thirds of the participants. The event enhanced team cohesion and demonstrated the vitality and healthy attitude of female workers.



Lively Tug-of-War Competition on "March 8 Women's Day"

case

Organizing a Symposium on Women's Health



On March 4, 2023, Yunnan Baiyao hosted the "Symposium on the Protection of Female Fertility by TCM" in Tianjin. With the theme of caring for women's health and protecting female fertility with TCM, the conference gathered experts and professors from Tianjin, Yunnan and other places in the field of TCM and integrated Chinese and Western medicine for in-depth interdisciplinary exchanges and discussions, and jointly explored the treatment and health application of TCM in the protection of female fertility to promote the innovative development in the field of women's health.



Symposium on Women's Health

Democratic Communication

Employee Communication

Yunnan Baiyao focuses on employee communication through a diverse multi-channel mechanism, ensuring seamless communication and efficient decision-making. The Company has set up two columns in the office automation (OA) system, "Corporate Culture" and "Growth and Dream Building Society." The employees can interact freely in the article comment area of the two columns, express their views and suggestions, and get timely responses from the Company. Moreover, the Company has set up a suggestion box and a reporting hotline¹² to collect feedback from employees. The Company has also set up a reporting mailbox¹³ to allow employees to become a part of the Company's compliance monitoring system and enhance the transparency and effectiveness of supervision.



12: Reporting hotline: 0871-66203975

13: Reporting mailbox: byxfjb@ynby.cn



Trade Union Activities

Yunnan Baiyao has established trade unions to actively exercise democratic management and protect the rights and interests of employees. In August 2023, Yunnan Baiyao and representatives of the labor union signed the *Special Contract on Collective Bargaining of Yunnan Baiyao Group Co., Ltd.* The contract covers a wide range of aspects such as employee recruitment, rest and vacation, labor compensation and insurance benefits, labor safety and health, special protection for female employees, employee education and training, etc, providing comprehensive rights and interests protection for employees.

case

Holding Special Meeting of Trade Unions



On September 14, 2023, in active response to the spirit of the 13th Congress of Trade Unions of Yunnan Province, the trade union of Yunnan Baiyao held an expanded internal meeting to convey the spirit of the 13th Congress of Trade Unions and discuss the annual tasks. The expanded internal meeting interpreted the *Implementing Rules for Trade Union Funds Income and Expenditure of Yunnan Baiyao Group*, and conveyed opinions and suggestions on employee welfare and canteen services, emphasizing the importance of protecting the legitimate rights and interests of employees. The meeting also delved into the reform of industrial workers' team building and extensively advanced initiatives for workers' universal benefits, paving the way for a new chapter in Yunnan Baiyao's labor union efforts.



Yunnan Baiyao Trade Union Held a Special Meeting

Protecting Health and Safety



Safety investment

Safety investment
totalled RMB **5.68** million

Yunnan Baiyao always prioritizes the health and safety of its employees above all else. Adhering to the work policy of “safety first, prevention first, comprehensive management,” we have established a robust safety management system, implemented stringent safety protocols, and fostered a comprehensive safety culture to create a safe and healthy working environment for all employees with the utmost effort. **Our commitment to safety is reflected in our investment of RMB5.68 million during the reporting period.**

Safety Management System

In strict accordance with the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and other laws and regulations, and based on the actual operation of the enterprise, Yunnan Baiyao has revised and improved a series of internal safety management systems such as the *Production Safety Target Management System*, the *Production Safety Responsibility System* and the *Safety Training and Education Management System* to continuously standardize and strengthen its safety management. For specific scenarios in production, we have formulated targeted systems such as the *Safety Management System for Warehouses and Tank Areas*, the *Fire Prevention, Explosion Prevention and Fire Prohibition Management System*, the *Management System for Hazardous Chemicals and Significant Hazardous Sources*, and the *Management System for Precursor Chemicals* to meticulously manage high-risk areas and raw materials used in production, so as to more effectively identify, prevent and control potential safety risks.

To ensure the safety of the Company and the campus, Yunnan Baiyao has built a top-down safety management system with clear delineation of authority and responsibility. This includes the establishment of a Safety Management Committee, comprising the director, chief executive officer and president as directors, along with the senior management¹⁴ as members. The committee serves as the highest responsible body for the safety efforts of the Company and takes charge of all the duties of the overall safety management of the Group. It also considers the major production safety concerns of the Company, planning and integration, management and coordination, checking and supervising of the comprehensive safety affairs. The Safety Management Committee has a Safety Management Office headed by the General Manager of the General Management Center, with the General Manager of the relevant functional departments, the Quality Director of the Pharmaceutical Business Group, and the Executive Director & General Manager of Wisdom Technology BU as members, which is responsible for the overall management of production safety, fire safety, occupational health and emergency management, organizing the emergency response, investigation, coordination and follow-up of major and sudden security incidents, punishing the departments and individuals who violate the relevant safety management rules and regulations of the Company, and ensuring the effective implementation of the Company's safety management measures.

14: Including Chief Innovation Officer & Senior Vice President, Chief Compliance Officer & Senior Vice President, Chief Commercial Officer & Senior Vice President, Chief Scientist, Chief Financial Officer, and Chief Quality & Process Officer.

Apart from that, we have set up four committees, namely the Funds Management Committee, the Confidentiality Committee, the Work Safety Management Committee and the Digital Technology and Security Committee, to comprehensively promote the management of the Group's safety-related work and to ensure that the main responsibility for work safety is fulfilled.

Occupational Health and Safety Performance of Yunnan Baiyao¹⁵

Occupational Health and Safety indicators	Unit	2023
Number of work-related injuries	Person	7
Number of work-related deaths	Person	0
Lost working hours due to work-related injuries	Hour	3,152
Number of injuries per million hours worked	%	35.11
Number of persons having physical examinations for occupational disease ¹⁶	Person	1,488

Safety Risk Control

Yunnan Baiyao is well aware of the importance of production safety. We have made our best efforts to implement safety precautions, reduce safety risks, minimize hidden safety hazards and strictly abide by the safety bottom line by identifying and investigating safety risks, carrying out regular internal and external inspections, and configuring safety protection equipment.

Safety Risk Prevention and Control Measures of Yunnan Baiyao

- We organize employees to identify hazard sources, identify possible safety risks in production links and production positions, and formulate preventive measures;
- We set all kinds of safety signs and warning lines in the production site to remind the site risks



- We track and manage each safety hazard, formulate rectification plans, establish a hidden danger rectification ledger, and implement rectification after the identification and investigation of safety hazards;
- In 2023, the completion rate of Yunnan Baiyao's rectification of safety hazards was 100%.

- We carry out in-depth safety inspection and hidden trouble investigation on important risk points;
- We actively identify and resolve potential safety hazards through safety inspections to ensure the safety of the production environment;
- In 2023, the Company carried out a total of 117 safety inspections and identified 1,873 safety hazards.

- In response to the hidden safety hazards, the front-line production employees are equipped with safety protection devices such as dust masks, protective masks, safety helmets, safety belts, labor protection shoes, positive-pressure air respirators, portable gas detectors, air blowers, emergency medication kits, firefighting sandbags and other safety protection items, so as to maximize the avoidance of occupational diseases and ensure the safety of their occupational health.

15: The statistic data of the occupational health and safety related performance (excluding the number of persons having physical examinations for occupational disease) were sourced from full-time/part-time employees who have directly signed labor contracts with the Company, as well as the labor dispatch employees to the Company.

16: The statistic data of the number of persons having physical examinations for occupational disease was sourced from Yunnan Pharmaceutical Co., Ltd, Pharmaceutical Business Group, Health Products Business Group, Traditional Chinese Medicine (TCM) Resources Business Group, etc.

case

Safety Improvement in Flammable and Explosive Areas



To further improve the safety of flammable and explosive areas, Yunnan Baiyao carried out effective linkage of the accident fan and combustible gas detector in Yuhua Industrial Zone and Qidian Industrial Zone in 2023. When the detector monitors that the combustible gas concentration reaches 25% of the lower limit of the explosion limit, the accident fan will automatically start to reduce the combustible gas concentration in the environment, effectively preventing fire and explosion accidents. In particular, in the dangerous goods warehouse, two new accident fans and five new combustible gas detectors have been installed to ensure continuous monitoring and rapid response to the dangerous goods warehouse. Furthermore, when the detector generates a continuous alarm, the personnel in the fire control room will notify the storekeeper to check and take appropriate measures promptly to ensure that everything is in order.

case

Modification of Electrical Fire Monitoring System



In 2023, Yunnan Baiyao carried out a comprehensive modification and upgrading of the electrical fire monitoring system in the Yuhua Industrial Zone and the headquarters to ensure that the system could operate properly. We carried out detailed investigation and troubleshooting of the old electrical fire monitoring mainframe, communication lines, detectors, residual current transformers, and replaced or repaired the old equipment. All the upgrading installation and commissioning work was conducted in strict accordance with the national standards, the *Electrical Fire Monitoring System* (GB 14287-2005), to ensure that the system was upgraded to meet the legal and regulatory requirements. Through this upgrade, the electrical fire monitoring system can identify abnormalities in electrical equipment and lines promptly, alarm

and guide maintenance promptly, reducing the risk of electrical fire significantly.



Upgrade and Modification of Electrical Fire Monitoring System

Construction of Safety Culture



Conducted **44** safety emergency drills



112 safety education and training sessions



18,660 people participating in safety training

Yunnan Baiyao places great emphasis on developing and enhancing its safety education and training system. We ensure that employees receive systematic training on safety management and operational skills annually, along with regular safety emergency drills. Our detailed annual safety education and training program aims to strengthen employees' safety awareness through comprehensive training, enhancing their safety management abilities and skills.

Following the safety education principle of "Safety First, Prevention First, and Accident Elimination," we provide employees with safety education that covers "all staff, all aspects, and the entire process." We actively enforce relevant production safety regulations and rules, fostering a comprehensive safety culture among employees to ensure compliance with regulations, labor discipline, and the imperative of "not harming oneself, others, or being harmed by others, and protecting others from harm."

In 2023, the Company conducted 44 safety emergency drills and 112 safety education and training sessions for all employees as well as contractors, suppliers and other third parties, with a total of 18,660 people participating in safety training.

Training content	Total number of training sessions	Number of participants
Fire safety knowledge	2	5,995
Hazardous chemical knowledge	1	1,941
Confined space knowledge	1	992

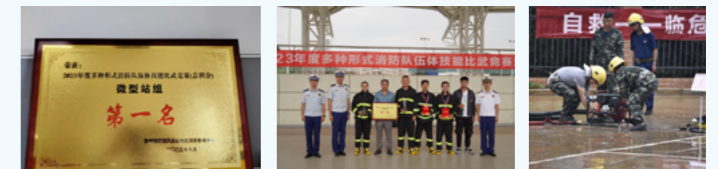
case

Organizing a "Big Competition" in Fire Skills to Build a Robust Security "Firewall"



On August 24, 2023, the fire rescue brigade in Yangzonghai Scenic and Historic Interest Area cooperated with the enterprises, communities and fire stations in the area to carry out the fire team skills competition. Yunnan Baiyao Qidian Industrial Park sent 5 employees to participate in the competition, and won the first place in the total points of the competition, the first place in the comprehensive fire extinguishing drills during the initial stage of the team competition, the first place in the "fire escape" 4X100 relay run, the second place in the push-up (individual competition), the third place in the return run (individual competition), and the third place in the indoor fire hydrant fire extinguishing exercise.

The competition bolstered employees' fire safety knowledge, fortified their awareness regarding fire safety, and augmented their practical emergency response capabilities in fire scenarios.



Fire Brigade Skills Competition Site

During the year, we won several awards related to occupational health and safety, recognizing our steadfast commitment to safety and our dedication to the well-being of our employees.



Occupational Health and Safety Awards of Yunnan Baiyao

Awarded the Title of "Advanced Collective of Emergency Management in Yunnan Province"

On November 18, 2023, the Yunnan Emergency Management Advanced Collectives and Individuals Commendation Conference was held in Kunming to commend the collectives and individuals who had made positive contributions in the field of emergency management in the past five years. Over the past five years, Yunnan Baiyao had prioritized and strictly managed various risk prevention and emergency response efforts, constructing a comprehensive safety emergency management system. After the review and approval of the commendation leading group, Yunnan Baiyao finally won the title of "Advanced Collective of Emergency Management in Yunnan Province."



Yunnan Baiyao Won the Title of "Advanced Collective of Emergency Management in Yunnan Province"

Awarded the Title of "Healthy Enterprise"

Yunnan Baiyao earnestly implements the "Healthy China 2030" Plan Outline proposed by the CPC Central Committee and The State Council, and actively promotes the construction of occupational health and safety culture based on its strategy. It was awarded the title of Kunming "Healthy Enterprise."

Responsibility Fulfillment for Enhanced Welfare

YUNNANBAIYAO

Yunnan Baiyao fulfills its social responsibility through various initiatives including rural revitalization, community outreach, and social welfare programs. As a responsible corporate citizen, the Company continually explores innovative approaches to rural revitalization, actively engages in community building and support, and channels the energy of a responsible enterprise into multiple public welfare projects.



05

Rural Revitalization

Yunnan Baiyao vigorously promotes rural revitalization leveraging its industry advantages. Through diversified strategies and targeted innovation projects, the Company promotes comprehensive rural revitalization by virtue of industrial and talent revitalization.

case Rural Revitalization Centered on Nujiang's Characteristics



Actively responding to the rural revitalization initiative, Yunnan Baiyao engages in comprehensive and continuous strategic collaboration with the Nujiang Prefecture government. Leveraging its expertise in the Big Health sector, the Company extensively investigated the *Amomum tsao-ko* industry resources in Nujiang, driving innovation and advancement within the sector. Through industrial revitalization, we facilitated rural revitalization efforts.

On June 21, 2023, Yunnan Baiyao established Yunnan Yunyao Nuxiang Co., Ltd. in Lushui Green Spice Industrial Park, Nujiang Prefecture, focusing on the front-end development and marketing of food and other products derived from characteristic resources of Nujiang, to promote the high-quality development of *Amomum tsao-ko*, help local people consolidate their achievements in poverty alleviation, and contribute to rural revitalization.



Yunnan Yunyao Nuxiang Co., Ltd.

case Innovating Rural Revitalization, Pioneering "Baiyao Model"



Harnessing its Big Health industry expertise, Yunnan Baiyao provides comprehensive support for the development of the TCM materials industry in Weixi County. The Company not only allocates resources to facilitate investment, breeding, cultivation, procurement, and promotion of TCM materials, but also offers expert guidance on planting techniques and quality standards to ensure the industry's sustainable growth.

The working team of Yunnan Baiyao in Chazhiluo Village, working alongside local villagers, managed and developed approximately 400 mu of

case Yunnan Baiyao Solved Difficulties in Mountains, Providing Assistance to Students in Autumn



Embracing the belief that rural revitalization hinges on educational support, and that education can alter destinies, Yunnan Baiyao enthusiastically engages in rural education support initiatives. We empower rural students to harness the power of knowledge to uplift their hometown, and foster hometown development and revitalization.

After the conclusion of the 2023 college entrance examinations, Yunnan Baiyao surveyed of college admissions in Pantiange Township. Following visits to and interviews with 83 students who have been successfully admitted to pursue a bachelor's degree or an associate degree at the college in the township, the Company disbursed over RMB150,000 in scholarships through the "Golden Autumn Scholarship Program," enabling these students to take confident strides in their academic pursuits. Moreover, for students facing exceptional financial hardships, the Company provided additional funds to address transportation and accommodation challenges, ensuring that "no freshmen were left behind."



Rural Revitalization and Autumn Education Support Activities

Aplotaxis auriculata planting base. Prioritizing the purchase of medicinal materials from local collective economic cooperatives at guaranteed prices effectively boosted the income of local farmers. In 2023, Yunnan Baiyao helped increase the per capita income of 270 growers by RMB1,000, making a significant contribution to local economic development and farmers' income increase.



Yunnan Baiyao Experts Providing Guidance on the Planting of *Aplotaxis auriculata* in Chazhiluo Village

case

“Rural Revitalization and Healthcare Support” Activities



Yunnan Baiyao places significant emphasis on and actively supports rural revitalization and healthcare initiatives. In the autumn of 2023, the Company conducted a series of “Rural Revitalization and Healthcare Support” activities in Weixi and Fugong County. These efforts included drug donations and grassroots medical capacity improvement training sessions, aimed at bolstering local healthcare development. Throughout the reporting period, Yunnan Baiyao donated drugs valued at RMB1.0816 million.

Furthermore, Yunnan Baiyao arranged for experts to conduct specialized training sessions on orthopedic diagnosis and treatment, maternal and child healthcare, and the application of Yunnan Baiyao series products. These were aimed at enhancing the professional capabilities of local medical personnel. Additionally, representatives from Yunnan Baiyao visited the Fugong County Maternal and Child Healthcare Center for in-depth discussions and exchanges with local government and health bureau officials.



Drug Donation Activities for “Rural Revitalization and Healthcare Support”

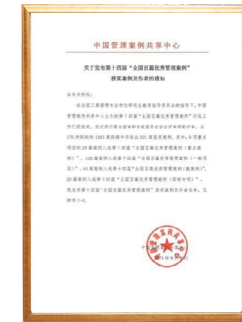
As a socially responsible enterprise, Yunnan Baiyao considers rural revitalization as a fundamental aspect of its core values. In 2023, leveraging its strengths, Yunnan Baiyao delved deeper into rural revitalization, supporting rural industry development through the “Baiyao Model,” and earning widespread acclaim externally.



List of Social Welfare Awards Won by Yunnan Baiyao in 2023

The 14th “National 100 Excellent Cases” of China Management Case Sharing Center

In September 2023, Yunnan Baiyao was awarded the 14th “National 100 Excellent Cases” by China Management Case Sharing Center for the case of *Health Initiatives in Hengduan Mountains: Yunnan Baiyao Promoted Rural Revitalization with Charity Responsibility*.



Award Notification of National 100 Excellent Cases



List of Social Welfare Awards Won by Yunnan Baiyao in 2023

“Best Practice Case for Rural Revitalization” of China Association for Public Companies in 2023

Yunnan Baiyao actively responds to the state’s call and courageously assumes social responsibility, leveraging its solid foundation and experience in the field of medicine and Big Health to help Weixi eradicate poverty and achieve rural revitalization. In October 2023, Yunnan Baiyao won the 2023 “Best Practice Case for Rural Revitalization” award issued by China Association for Public Companies with the rural revitalization case of Weixi County.



Honorary Certificate of Best Practice for Rural Revitalization



List of Social Welfare Awards Won by Yunnan Baiyao in 2023

Xinhuanet and the National Poverty Alleviation Publicity and Education Center Co-sponsored “2023 National Excellent Cases of Rural Revitalization”

On November 3, 2023, the “2023 Summary Conference on Excellent Cases in National Rural Revitalization” jointly organized by Xinhuanet and the National Poverty Alleviation Publicity and Education Center was held in Beijing. Yunnan Baiyao’s poverty alleviation and rural revitalization practice cases were awarded “National Excellent Cases of Rural Revitalization”, where we assisted Weixi County through initiatives such as “leaders residing in impoverished rural areas, relevant departments tasked with poverty alleviation in villages, and cadres responsible for aiding impoverished families,” as well as “adopting a new work approach, engaging at the grassroots level, and visiting impoverished communities.”



Honorary Certificate of 2023 National Excellent Cases of Rural Revitalization

Community Care

Yunnan Baiyao actively fulfills its social responsibility by engaging deeply with local communities and collaborating closely to conduct a diverse range of community care activities, and thus foster community development and enhance the quality of life for residents.



case **Being Aware of Telecom Fraud, Building a Harmonious Community**

Yunnan Baiyao collaborated with the criminal investigation brigade of the Public Security Bureau to host a special lecture on “Preventing Telecom Network Fraud” on July 7, 2023. The aim was to enhance public awareness of network security and anti-fraud capabilities. During the lecture, the criminal investigation brigade provided detailed insights into the methods, types, and prevention techniques of telecom network fraud through analysis of real fraud cases. Special emphasis was placed on frequently occurring fraud types, educating participants on effective identification and prevention strategies. This initiative effectively bolstered public security awareness and improved their ability to detect and counter telecom network fraud.

Special Lecture on “Preventing Telecom Network Fraud”

case **“Small Repair” Warm-hearted Volunteer Service**

On January 13, 2023, Yunnan Baiyao Yuhua Branch initiated a volunteer service program for home appliance maintenance, aimed at providing practical assistance to residents of Xiazhuang Village and Yimingyuan Community in Yuhua Sub-district. A dedicated maintenance team comprised of our volunteers delivered a range of services, including repairing home appliances, replacing faucets, and troubleshooting power failures. Throughout the event, the volunteer team repaired 66 home appliances and provided 14 additional services, such as on-site maintenance, replacing faucets, and addressing electrical issues.

Since its inception in 2014, the volunteer team has expanded from over 40 members to more than 100, serving over 800 individuals and repairing over 2,000 household appliances. This initiative not only exemplifies the principle of leaving a lasting impact, but also demonstrates our commitment to spreading warmth and compassion through volunteerism.

Served over

800 individuals

Repaired over

2,000 household appliances

“Small Repair” Warm-hearted Volunteer Service

Social Welfare

In 2023

The total value of donated materials reached

RMB **4.4604** million



Adhering to the principle of “serving overall interests, reflecting responsibility, being value-oriented, presenting culture, focusing on the main business, highlighting characteristics, being realistic and sustainable,” Yunnan Baiyao actively fulfills its social responsibilities by leveraging its own advantages to conduct distinctive social welfare activities.

In 2023, the Company established the *Public Welfare Donation Management Measures of Yunnan Baiyao Group Co., Ltd* to standardize its public welfare initiatives and donations. During the reporting period, the Company not only participated in various social welfare projects, but also encouraged and organized its employees to engage in volunteer activities vigorously. The total value of donated materials reached RMB4.4604 million.

case

Volunteer Service Activities Themed “Inheriting Lei Feng’s Spirit, Nurturing Youth’s Resilience”



In April 2023, Yunnan Baiyao responded actively to the initiative of “Empowering the Spirit of Lei Feng in the Modern Era” by organizing a series of volunteer service activities themed “Inheriting Lei Feng’s Spirit, Nurturing Youth’s Resilience.” During weekends, youth league members were divided into groups to learn about the essence of Lei Feng’s spirit. They visited various locations such as the community, Yunnan Baiyao Experience Center, and Yunnan Baiyao Pharmacy to educate people on basic medical insurance knowledge and provide voluntary services like health dance exercises and chronic physiotherapy.

These series of volunteer activities not only integrated seamlessly with our ongoing work, but also empowered the volunteers to serve as exemplary role models. It expanded the platform for learning about Lei Feng’s spirit and made such activities more contemporary, appealing, regularized, and sustainable. These efforts aimed to embed the spirit of Lei Feng into daily life, making it a natural part of our culture.



Volunteer Service Activities Themed “Inheriting Lei Feng’s Spirit, Nurturing Youth’s Resilience”

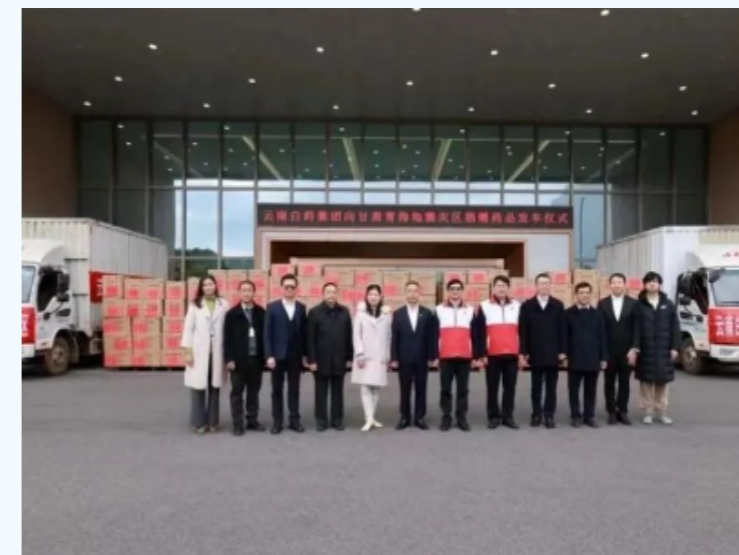


case

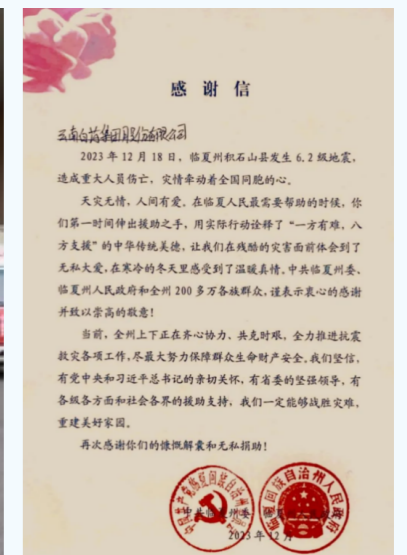
Disaster Relief Support for Gansu Province



On December 18, 2023, Jishishan County in Linxia, Gansu Province was struck by a 6.2-magnitude earthquake. Yunnan Baiyao responded swiftly, with all departments collaborating closely to rapidly deploy urgently needed medical supplies, including trauma medicine and cold medicine. By December 21, the aid and supplies were successfully transported to the disaster area via the Red Cross Society of China Yunnan Branch. Yunnan Baiyao’s contribution to this disaster relief effort amounted to approximately RMB1.5 million worth of medical supplies donated to the affected areas in Gansu Province, and RMB500,000 worth of medical supplies donated to the affected areas in Qinghai Province.



Disaster Relief Support for Gansu Province



Key Performance Statement

Performance Name	Unit	2023	
Environmental Dimension			
Addressing Climate Change			
GHG emissions¹⁷	Direct greenhouse gas emissions (Scope I)	Ton(s) of CO2 equivalent	28,983.10
	Indirect greenhouse gas emissions (Scope II)	Ton(s) of CO2 equivalent	365.45
	Total greenhouse gas emissions	Ton(s) of CO2 equivalent	29,349.71
	Intensity of greenhouse gas emissions	Ton(s) of CO2 equivalent/Operating revenue of RMB10,000	0.0075
Environmental Management			
Waste gas management	Total exhaust gas emissions	10000m ³	4,330.4
	Fume (dust)	Ton(s)	0.14
	NOx	Ton(s)	3.182
Wastewater management	Total wastewater discharge	Ton(s)	297,045.01
	COD	Ton(s)	11.78
	Ammonia nitrogen	Ton(s)	0.689
	Reclaimed water	Ton(s)	29,610
Waste management	Waste drugs, drugs HW03 ¹⁸	Ton(s)	2.88
	Experimental liquid waste HW49	Ton(s)	17.32
	Used oil	Ton(s)	1.04
	Intensity of hazardous waste	Ton(s)/Operating revenue of RMB10,000	0.0000054
	Drug residue, sludge	Ton(s)	25,786.5
	Intensity of non-hazardous waste	Ton(s)/Operating revenue of RMB10,000	0.0066
	Total amount of solid waste	Ton(s)	25,807.74
	Solid waste discharge intensity	Ton(s)/Operating revenue of RMB10,000	0.0066
Resources Utilization			
Energy management	Diesel consumption	Ton(s)	0.87
	Gasoline consumption	Ton(s)	25.77
	Natural gas consumption	m ³	13,221,027
	Purchased electricity	MWh	640.8
	Comprehensive energy consumption ¹⁹	Ton(s) of standard coal	25,586.54
	Density of comprehensive energy consumption	Ton(s) of standard coal/Operating revenue of RMB10,000	0.0065

17: The calculation of greenhouse gas emissions was based on the IPCC Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for IPCC Green Gas Emission, in which the electricity consumption was converted by referring to the national power grid average emission factor of 0.5703tCO₂/MWh issued by the Ministry of Ecology and Environment in 2022.

18: The data of waste drugs, drugs HW03 covers Yuhua Industrial Zone.

19: The comprehensive energy consumption was derived based on data from the National Bureau of Statistics.

Performance Name	Unit	2023	
Environmental Dimension			
Water resources management	Water consumption	Ton(s)	1,366,035
	Water consumption density	Ton(s)/Operating revenue of RMB10,000	0.35
Packaging material usage	Paper	Ton(s)	14,700
	Plastic	Ton(s)	3,600
	Glass	Ton(s)	899
	Aluminum	Ton(s)	1,660
	Composite soft package	Ton(s)	2,038
	Packaging material usage	Ton(s)	22,897
	Density of packaging material consumption	Ton(s)/Operating revenue of RMB10,000	0.0059
Social Dimension			
Compliant Recruitment			
Total number of employees ²⁰	Person	12,307	
Coverage	Labor contract employee	Person	8,834
	Labor dispatch employee	Person	1,136
	Intern	Person	718
	Subcontracting staff	Person	1,619
Number of employees by rank	Senior management ²¹	Person	187
	Middle management	Person	884
	Junior employees	Person	7,763
Number of employees by type of work	Sales Staff	Person	5,099
	Technical personnel	Person	1,265
	Production staff	Person	1,676
	Financial personnel	Person	308
	Administrative personnel	Person	486
Number of employees by gender	Male employees	Person	4,781
	Female employees	Person	4,053
Number of employees by age	30 and below	Person	2,670
	31 to 40 (exclusive)	Person	4,256
	41 to 50 (exclusive)	Person	1,567
	51 (inclusive) and above	Person	341

20: The total number of employees was counted as labor contract employees, labor dispatch employees, interns and subcontracting staff.

21: Employees of subsidiaries and business units of Yunnan Baiyao included.

Performance Name	Unit	2023		
Social Dimension				
Number of employees by nationality	Han	Person	7,518	
	Ethnic minorities	Person	1,315	
	Overseas employees	Person	1	
Number of employees by region	Yunnan	Person	4,838	
	Mainland China (excluding Yunnan)	Person	3,992	
	Hong Kong, Macao, Taiwan and overseas	Person	4	
Employee Training				
Employee training	Total person-times in employee training	Person-time	218,019	
	Person-time of trained employees by gender	Male employees	Person-time	5,422
		Female employees	Person-time	4,548
	Person-time of trained employees by rank	Senior management	Person-time	187
		Middle management	Person-time	884
		Junior employees	Person-time	8,899
	Total training time	Hour	217,125.15	
	Per capita training time	Hour	21.78	
	Total training hours of employees by gender	Male employees	Hour	118,080
		Female employees	Hour	99,045
	Total training hours of employees by rank	Senior management	Hour	4,072
		Middle management	Hour	19,252
		Junior employees	Hour	193,801
	Per capita training investment for employees	RMB	849.53	
Health and Safety				
Employee work-related injuries and deaths²²	Number of work-related injuries	Person	7	
	Number of work-related deaths	Person	0	
	Lost working hours due to work-related injuries	Hour	3,152	
	Number of injuries per million hours worked	%	35.11	
	Number of medical examinations for occupational diseases ²³	Person	1,488	
Product Quality and Safety				
Quality and safety training	Quality and safety training coverage	%	100	
	Quality and safety training sessions	Time	137	

22:The statistic data of the occupational health and safety related performance (excluding the number of persons having physical examinations for occupational disease) were sourced from full-time/part-time employees who have directly signed labor contracts with the Company, as well as the labor dispatch employees to the Company.

23:The statistic data of the number of persons having physical examinations for occupational disease was sourced from Yunnan Pharmaceutical Co., Ltd, Pharmaceutical Business Group, Health Products Business Group, Traditional Chinese Medicine (TCM) Resources Business Group, etc.

Performance Name	Unit	2023	
Social Dimension			
R&D and Innovation			
R&D Investment	RMB 0'000	34,444.15	
Number of patent applications	Invention patent	/	18
	Patent for utility models	/	17
	Design patent	/	9
Number of patents granted	Invention patent	/	25
	Patent for utility models	/	39
	Design patent	/	14
Customer Services			
Customer complaint resolution rate	%	100	
Supply Chain Management			
Total number of suppliers	/	294	
Key suppliers	/	147	
Domestic suppliers	Suppliers in the local province	/	91
	Domestic suppliers (other provinces and regions in Mainland China except the local province)	/	202
Overseas suppliers (including Hong Kong, Macao and Taiwan)	/	1	
Governance Dimension			
Business Ethics			
Compliance training	Compliance training sessions	Time	9
	Compliance training coverage	%	100

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	Law of the People's Republic of China on TCM
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	Environmental Protection Law of the People's Republic of China
	Air Pollution Prevention and Control Law of the People's Republic of China
	Water Pollution Prevention and Control Law of the People's Republic of China
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	Environmental Protection Management System
	Environmental Facilities Management System
	Environment Protection Approval and Management System
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	Measures for the Administration of Drug Registration
	Measures for the Supervision and Administration of Drug Manufacturing
	Measures for the Supervision and Administration of the Quality of Drug Operation and Use
	Code of Practice for the Quality Management of Pharmaceutical Operations
	Good Agricultural Practice (GAP) for Traditional Chinese Medicinal Materials
	Measures for the Administration of Drug Recall
	Code of Practice for the Quality Management of Pharmacovigilance
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	Cybersecurity Law of the People's Republic of China
	Personal Information Protection Law of the People's Republic of China
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	Law of the People's Republic of China on the Protection of Consumers' Rights and Interests
	Tendering and Bidding Law of the People's Republic of China
	Regulation on the Supervision and Administration of Cosmetics
	Measures for the Supervision and Administration of Production and Distribution of Cosmetics
	Code of Practice for Quality Management in the Production of Cosmetics
	Measures for the Supervision and Management of Toothpaste
	Brand Structure Management Manual of Yunnan Baiyao Group
	Quality Culture Outline of Yunnan Baiyao Group
	Quality Code of Conduct for Baiyao People
	Quality Management Manual
	Transportation Management System
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	Drug Recall Management Procedure
	Management of Drug Safety Incidents
	Management Measures of R&D Management Committee of Yunnan Baiyao Group Co., Ltd
	Specification on the Management of Entrusted Scientific Research Project Funds
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	Customer Response Management System
	Internal Communication and Handling Mechanism for New Product Complaints of Yunnan Baiyao
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	Information Security Management System
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	Management Measures for Information Security Incident

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	Management Measures for Information Security Risk
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	Supplier Management Measures
	Procurement Management Manual
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Corporate Governance	Securities Law of the People's Republic of China
	Guidelines for Corporate Governance of Listed Companies
	Law of the People's Republic of China Against Unfair Competition
	Anti-monopoly Law of the People's Republic of China
	Articles of Association
	Rules of Procedure for General Meetings
	Rules of Procedure for Board of Directors
	Working System for Independent Directors
	Rules of Procedure for Supervisory Committee
	Internal Control Manual
	Comprehensive Risk Management System
	Opinions on Strengthening and Improving Discipline Inspection of Yunnan Baiyao Group Co., Ltd (for Trial Implementation) (the "Opinions")
	Opinions for Party Committee and Discipline Inspection Commission Work Coordination Promotion Mechanism of Yunnan Baiyao
	Rules of Procedure for Discipline Inspection Commission of Yunnan Baiyao
	Work System of Discipline Inspection Commission
	Work System of Letters and Visits
	Measures for Integrity Risk Control
	Responsibility System for the Work of Clean and Honest Party Building
	Code of Conduct for Business Ethics
	Labor Law of the People's Republic of China
	Labor Contract Law of the People's Republic of China
	Employment Promotion Law of the People's Republic of China
	Law of the People's Republic of China on the Protection of Minors
	Social Insurance Law of the People's Republic of China
	Management Measures for Share Incentives of Listed Companies

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Corporate Governance	Rules for the Listing of Stocks on the Shenzhen Stock Exchange
	Guiding Opinions on the Implementation of the Pilot Employee Stock Ownership Plan for Listed Companies
	Work Safety Law of the People's Republic of China
	Law of the People's Republic of China on Prevention and Control of Occupational Diseases
	Recruitment Management Measures of Yunnan Baiyao Group Co., Ltd
	Labor Contract Management System
	Basic Norms of Enterprise Internal Control
	Qualification Management Measures of Yunnan Baiyao Group
	Position Management System
	Internal Recommendation Management Measures for Talent Introduction of Yunnan Baiyao Group
	Job Rotation Management Measures
	Salary Management System of Yunnan Baiyao Group Co., Ltd
	Employee Stock Ownership Plan (ESOP)
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Feedback Form

Dear readers:

Greetings!

Thank you for taking the time to read through this report. We highly value and eagerly await your feedback on its contents. Your comments and suggestions play a vital role in our ongoing efforts to enhance corporate ESG information disclosure and foster best practices in ESG management. We genuinely welcome and deeply appreciate your valuable input!

1. Your overall evaluation on our ESG performance

Very good Good Fair Poor Very poor

2. Your overall evaluation on this report

Very good Good Fair Poor Very poor

3. How would you rate our performance regarding stakeholder communication?

Very good Good Fair Poor Very poor

4. How would you rate our performance regarding product liability?

Very good Good Fair Poor Very poor

5. How would you rate our performance regarding environment, safety and occupational health?

Very good Good Fair Poor Very poor

6. How would you rate our performance regarding employee responsibilities

Very good Good Fair Poor Very poor

7. Whether the content disclosed in this report meets your expectations

Yes No Not sure

8. What are your comments and suggestions regarding our ESG performance and this report?



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