CANbridge
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CANbridge Pharmaceuticals Inc.
北海康成製藥有限公司

(於開曼群島註冊成立的有限公司)
(Incorporated in the Cayman Islands with limited liability)
股份代號 Stock Code : 1228

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

ABOUT THIS REPORT

This is the third Environmental, Social and Governance (ESG) report published by CANbridge Pharmaceuticals Inc. (**the Company**, **We**, or together with its subsidiaries as **the Group**). The ESG report covers the sustainable development direction, strategy and performance of the Company, outlining strategies implemented and summarizes the performance for the year, with a view to elaborate on the efforts we uphold and the long-term value we create for our stakeholders.

BASIS AND REFERENCE

This ESG report is prepared in accordance with the requirements set forth in *Appendix C2 – Environmental, Social and Governance Reporting Guide (ESG Reporting Guide)* of *the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited* ***(the Stock Exchange) (Listing Rules)***. This report covers the Company's principal businesses in research, development and commercialization of therapies in rare diseases and rare oncology. It also drew reference from the Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules released by The Stock Exchange.

REPORTING SCOPE

The scope of subsidiaries disclosed in the report is consist with what disclosed in the 2023 Annual Report of CANbridge Pharmaceuticals Inc.

REPORTING PERIOD

The reporting period covers the information and data of the Company from 1 January 2023 to 31 December 2023 (the **Reporting Period** or the **current year**). The latest practicable date is 28 March 2024, the same as that of the 2023 Annual Report of the Company.

DISCLOSURE OF REPORTING

This report is disclosed alongside the *CANbridge Pharmaceuticals Inc. 2023 Annual Report*, and the financial data involved are consistent with the 2023 Annual Report. In this report, the amounts mentioned are in HKD unless otherwise specified. Other data and cases mainly come from the Company's statistical reports and related documents.

REPORT RETRIEVAL

This report is published in English (or any other language), and the electronic version of the report is available on the Company's website and the Stock Exchange's website.



ABOUT THE COMPANY

CANbridge Pharmaceuticals Inc. (HKEX:1228) is a global biopharmaceutical company, with a foundation in China, committed to the research, development and commercialization of transformative therapies for rare disease and rare oncology. CANbridge has a differentiated drug portfolio, with 3 approved drugs, targeting prevalent rare disease and rare oncology indications that have unmet needs and significant market potential. These include Hunter syndrome and other lysosomal storage disorders, complement-mediated disorders, hemophilia A, metabolic disorders, rare cholestatic liver diseases and neuromuscular diseases.

The CANbridge Next-Generation Innovation and Process Development Facility is developing novel, potentially curative, gene therapies for rare genetic diseases, including Pompe disease, Fabry disease, spinal muscular atrophy (SMA) and other neuromuscular conditions, and collaborates with world-leading researchers and biotech companies. Animal data from the SMA gene therapy was presented at the American Society for Gene and Cell Therapy (ASGCT), the European Society for Gene and Cell Therapy (ESGCT) and the World Muscle Congress. CANbridge global partners include: Apogenix, GC Pharma, Mirum, Wuxi Biologics, Privus, UMass Chan Medical School, the University of Washington School of Medicine and Scriptr Global.

For more details, please visit our official website (https://www.canbridgepharma.com/) and Wechat official account below.

ESG STRATEGY AND GOVERNANCE

The Company fully recognizes the importance of improving environmental and social performance for a sustainable business operation. We therefore incorporate sustainability consideration, where appropriate, in the development of our business strategies and integrate our environmental, social and corporate governance strategies into our vision of being a global biopharmaceutical leader in delivering life-changing therapies based in China. We are committed to upholding the quality of the services we provide to our customers and to building strong and lasting relationships with our stakeholders based on the core values of social, economic and environmental responsibility.

Given this, the Company has formulated an *Environmental, Social and Corporate Governance Policy*. The purpose of this policy is to ensure that the Company operates in a manner that makes a positive contribution to society and the environment. We continually seek to achieve and exceed the highest standards of behavior and corporate social responsibility, which are fundamental to our measure of success. We are committed to promoting corporate social responsibility and sustainable development and embedding it in our operations. We have progressively integrated our values and proactive attitude into our corporate culture, and we aim to guide our employees in practicing corporate social responsibility during their daily work through the implementation of a variety of policies.

The Company's Board of Directors (**the Board**) considers ESG risks and opportunities at a corporate level and is fully responsible for identifying the Company's ESG risks, determining appropriate ESG mitigation strategies and reporting ESG performance. Additionally, the Board is responsible for overseeing the Company's risk management and internal control systems. Under the supervision of the Board, the Company's management (**the Management**) has the responsibility of regularly communicating the effectiveness of the risk management and internal control system with the Board.

For a better management of ESG performance, the Company has set up the ESG Working Group, consisting of members of the Senior Management and Functional Departments. The ESG Working Group collaborates in collecting and analyzing ESG data, ensuring compliance with related laws and regulations regarding ESG and assisting the Board in supervising the implementation of ESG strategies. They directly reports to the Board if any significant ESG risks or non-compliance issues are identified during daily operation.

Furthermore, the Company has also considered ESG risks in its corporate risk management framework. The Board determines the nature and extent of risks to be assumed for the purpose of achieving the Group's strategic objectives and has the overall responsibility for overseeing the design, implementation and overall effectiveness of the risk management and internal control system. Additionally, the Company also engages external consultants to conduct annual risk assessment to identify potential risks as well as control deficiencies and to make recommendations for improvements.

SELECTION OF MATERIAL ESG ISSUES AND ANALYSIS

The daily operations of the Company affect and are affected by different groups of stakeholders, therefore it is crucial to fully consider the expectations of stakeholders and truly understand their concerns so as to maximize greater economic output and business value while keeping in line with the Company's long term sustainable development goals. The identification of such expectations and the related material ESG issues are conducted through our stakeholder engagement and materiality assessment process.

Stakeholder Engagement

Our internal and external stakeholders include employees, clients, investors and shareholders, suppliers and business partners, government and supervising authorities, social groups and public, and media. We have been actively engaging and providing them with updates on our recent business developments through various effective channels of communication. These channels, as summarized below, provide important references for formulating and implementing ESG strategies, and for determining the materiality of ESG issues:

#	Relevant Stakeholders	Expectations and Concerns	Mode of Involvement and Communication
1	Employees	• Employee rights protection • Channel of career development • Healthy & safe working environment • Welfare & care	• Internal Emails & Publications • Meetings & briefings • Trainings • Employee Activities • Corporate Website
2	Patients	• Delivery of high-quality products • Protection of patients' rights, privacy & interests • Accessibility & affordability of drugs • Promotional compliance • Responsible marketing	• Corporate Website • Emails, Facsimile & Phone Contacts • Conferences
3	Investors & Shareholders	• Return on investment • Corporate governance • Information disclosure	• Corporate Website • Annual General Meeting • Annual and Interim Report • Press Release and Announcements • Emails, Facsimile & Phone Contacts
4	Suppliers & Business Partners	• Promotional compliance • Responsible marketing • Synergetic cooperation • Promotion of fairness & openness	• Corporate Website • Emails, Facsimile & Phone Contacts • Conference • Field Visitation

#	Relevant Stakeholders	Expectations and Concerns	Mode of Involvement and Communication
5	Government & Supervising Authorities	• Operational Compliance • Regulatory Compliance	• Corporate Website • Press Release & Announcement • Emails, Facsimile & Phone Contacts • Cooperate with Government & Regulatory Authorities on Compliance Inspections
6	Social Groups & The Public	• Community engagement • Business compliance • Environmental awareness • Public health education & medical breakthrough	• Corporate Website • Press Release and Announcement • Emails, Facsimile & Phone Contacts
7	Media	• Responsible marketing • Information disclosure	• Corporate Website • Press Release and Announcements • Emails, Facsimile & Phone Contacts

Materiality Assessment

The Company faces a great number of ESG issues relating to its operations that are of varying importance to stakeholders. In order to further analyze the Company's ESG priorities and issues that are material to the Company's operations, we have conducted a materiality assessment through the following 4-step processes:

Identify

- ESG Reporting Guide: Pinpointing initial ESG issues with reference to the ESG Reporting Guide.
- Peer benchmark: Tracking and comparing material ESG issues against comparable peer companies.

Evaluate

- Questionnaires and Interviews: Assessing and evaluating key material ESG issues through invitation of internal and external stakeholders to rank the importance of each ESG issue.

Prioritize

- ESG Materiality Ranking: Taking results from issues identification and stakeholder evaluation to generate ESG materiality ranking.

Validate

- Validation: Management and ESG working group of the Company to validate and confirm the applicable material ESG issues, and to link these issues with the respective Hong Kong Stock Exchange Aspects, KPIs, and Listing Rules requirements.

Allocating equal weighting to the score responses of each external stakeholder group, their average scores are plotted on the Importance to External Stakeholders Axis, while the responses by the Company's management and employees who possess a deeper understanding of the Company's business operations are recorded on the Importance to Internal Stakeholders Axis. In accordance with the results from this materiality assessment exercise, we have identified 21 material ESG issues from the stakeholder groups:

#	Categories	ESG Issues
1	General	Compliance
2	A1	Hazardous and non-hazardous waste
3	A1	Greenhouse Gas Emissions
4	A1	Waste Disposal and Management
5	A2	Energy Usage
6	A2	Water Usage and Other Matters
7	A2	Packaging Material Usage
8	A3	Environmental Impacts from Operations
9	A4	Climate Change
10	B1	Human Resources Practices
11	B1	Diversity and Equal Opportunity
12	B2	Workplace Health and Safety
13	B3	Staff Development and Training
14	B4	Anti-child and Forced Labor
15	B5	Supply Chain Management
16	B5	Evaluation of Suppliers' performance on environmental and labor performance
17	B6	Product Safety
18	B6	Product Quality
19	B6	Data Privacy and Protection
20	B7	Anti-corruption and Money Laundering
21	B8	Community Investment

A1: Emissions

As a company whose primary business is the research, development and commercialization of pharmaceuticals, our services are typically relying on third-party suppliers for the manufacture, importation and services of pharmaceutical products. By this nature, our operations don't directly generate significant air emissions and hazardous waste. Nevertheless, we pay more attention to the procurement procedures of our third-party suppliers to ensure that they also have stringent mechanisms in place to control the greenhouse gas emissions and waste generated from their operations. We also strictly comply with relevant environmental laws and regulations, including but not limited to *The Environmental Protection Law of the People's Republic of China, The Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes, The Law of the People's Republic of China on Prevention and Control of Water Pollution, The Law of the People's Republic of China on Prevention and Control of Air Pollution and The Law of the People's Republic of China on Energy Conservation*.

During the Reporting Period, we did not find any significant cases of violation of environmental laws and regulations.

Greenhouse Gas Emissions

The Company's greenhouse gas (GHG) emissions were mainly resulted from the consumption of energy, water and office consumables. During the Reporting Period, the Company's GHG emissions are summarized as follow:

Greenhouse Gas Emissions[1]	2021	2022	**2023**
Direct (Scope 1) Emissions (kg CO_2e)	23,288	5,390	**9,777**
Intensity per headcount (kg CO_2e)	123	38	**84**
Indirect (Scope 2) Emissions (kg CO_2e)	117,459	715,268	**254,657**
Intensity per headcount (kg CO_2e)	618	4,615	**2,186**
Other Indirect (Scope 3) Emissions (kg CO_2e)	890	2,477	**1,409**
Intensity per headcount (kg CO_2e)	5	16	**12**

Scope 1 emissions include direct emissions from the combustion of unleaded petroleum resulting from Company-registered vehicles used for management transportation purposes. Scope 2 emissions include indirect emissions from purchased electricity in offices across four geographical locations[2]. Scope 3 emissions include emissions from the Company's water consumption and disposal of paper, commercial and industrial waste.

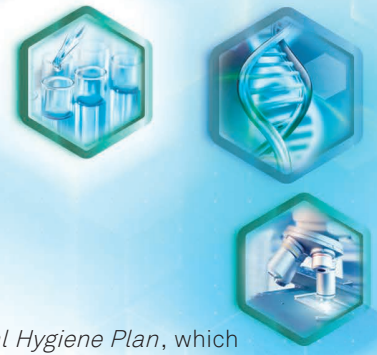
Further details and descriptions of this type of consumption, as well as our ongoing initiatives to reduce our carbon footprint, can be found in Section A2: Use of Resources.

1 The GHG emissions are calculated with reference to the *Reporting Guidance on Environmental KPIs* issued by the Hong Kong Stock Exchange, the *2019 China Regional Power Grid Baseline Emission Factors for Emission Reduction Project* issued by the Ministry of Ecology and Environment and the *Emission Factors for Greenhouse Gas Inventories (2023 version)* issued by the United States Environmental Protection Agency.

2 Unless otherwise specified, the Company's four geographical operating locations in this Report include Hong Kong, Mainland China, Taiwan, and the United States.

Hazardous and non-hazardous waste

Owing to the current stage of our business operations, tests which have been carried out in the laboratory are not material to the environment. Even though the laboratory operates in rental premises, we took the full responsibility to monitor the wastewater treatment by reviewing the monthly service report provided by property management agent, where chemical supplies and potential hazardous substances are included. During the Reporting Period, no material hazardous waste was produced.



In 2023, the professional team at rented laboratories has continued to implement the *Chemical Hygiene Plan*, which outlines policies and procedures designed to eliminate or control hazards associated with the use and handling of hazardous chemicals. All employees at laboratories who are involved in research activities strictly adhere to the plan. Currently, some of the chemicals used in research laboratories pose a risk of harm to employee or public health, including but not limited to flammables, corrosives, reactants, toxins, peroxide-forming chemicals, environmental hazards, allergens, etc. Chemical and biomedical waste in the laboratory will be disposed of via Stericycle, a specialized medical waste disposal company. Chemical substances approved for sink disposal at CANbridge Pharmaceutical are: Dilute acids, bases, and buffered solutions with a pH between 6.0 and 10.0, as well as non-toxic, non-hazardous salt solutions in water or other non-hazardous media. The building owners are responsible for monitoring and pre-treating the wastewater. The company continues to meet our hazardous waste minimization targets by reducing the amount of generated waste or reducing the toxicity of the generated waste. Strategies for waste minimization include reducing the size of chemical orders and experimental volumes, and/or substituting acutely toxic materials with less hazardous alternatives as well as sharing unused chemicals with others in the lab or facility.

Meanwhile, non-hazardous waste is mainly composed of consumption of paper for office administration. The table below summarizes the amount of paper consumed and recycled during the Reporting Period:

Non-hazardous Wastes	2021	2022	**2023**
Paper Disposed (kg)	250	626	**294**
Intensity per headcount (kg) [1]	1.3	4.0	**2.5**
Paper Recycled (kg)	125	110	**37**
Intensity per headcount (kg) [1]	0.7	0.7	**0.3**

1 Intensity is calculated by headcount, which the calculation caliber is (Number of the total full-time employee at the beginning of the year of 2023 + number of the total full-time employee at the end of the year of 2023)/2

Most of the non-hazardous waste generated was 294 kilograms of paper, which represents a 53% decrease compared to the amount in 2022. Of this, 87% is consumed in the form of documents or contracts that are archived or posted, and 12% is collected for reuse or sent to recyclers for disposal. We have established controls in waste disposal and management, which are described in the following section.

Waste Disposal and Management

With respect to managing the disposal of hazardous wastes in our laboratories, our professional laboratory management team continues to implement the Solvent Management Plan. After identifying sources of hazardous chemicals which can cause damaging impacts to municipal sewer systems, multiple control measures have been implemented to prevent accidental spills, including but not limited to:



Control Measures

Chemical Inventory	The Company assigns a designated Chemical Hygiene Officer to maintain an inventory of hazardous chemicals used and stored in the laboratory, which includes all solvents, in coordination with the employees, supervisors and safety representatives of the managed laboratory. This control measure ensures that the Company can identify any hazardous chemicals when ordering and receiving them so that they can be stored and disposed of appropriately.
Storage & Handling	All hazardous chemicals are stored in specialized chemical storage locations. Any chemicals in the vicinity of laboratory sinks or drains must be stored in a supplementary container with sufficient capacity to prevent accidental spillage.
Waste Collection & Disposal	Those solvents or solutions containing solvents which are no longer required for use in experiments will be immediately collected as hazardous waste. Containers for hazardous waste storage are kept in appropriate secondary containers (to prevent spills and accidental leaks) and are placed in Satellite Accumulation Areas with signs. All hazardous chemical wastes will be deposited by professionally licensed transporters of hazardous wastes. The transport operations will be documented through the hazardous waste inventory, managed by appropriately trained safety representatives under the direction of the Chemical Hygiene Officer, and archived at the facility.
Training	Employees of the laboratory are required to take annual training which covers sink disposal requirements as well as proper collection and disposal of hazardous wastes. The process and results of the training are supervised by the Chemical Hygiene Officer or a designated safety representative.
Posting & Signage	This Solvent Management Plan is to be posted in each laboratory area in which hazardous chemicals are used or stored. Additionally, sinks are posted with sign of “DO NOT POUR CHEMICALS DOWN THE SINK”.

In terms of office management, the company implements the “3R” principle, namely Reduce, Reuse and Recycle, in its business activities. We continue to implement the waste classification mechanism to categorize different materials to facilitate their recycling. The classification mechanism has been effective in reducing the amount of waste generated as our employees have responded positively in office recycling. Apart from encouraging staff to print on both sides of the paper, the Company also encourages staff to minimize the wastage caused by over-purchasing of office stationeries. At the same time, employees responsible for procurement have been paying more attention to sustainable sourcing by purchasing more environmentally friendly products (e.g. from Forest Stewardship Council-certified suppliers). Furthermore, we are actively promoting the use of digital platforms in our routine work to reduce our reliance on office consumables and inspiring more effective change.

A2: Use of Resources

Energy Usage

Our major sources of resource consumption are electricity used for lighting, air-conditioning, and daily office utilities for office operations, as well as fuel consumed by vehicles in transportation of our senior management. During the Reporting Period, the energy consumption for petrol and electricity is summarized below:

Energy Consumption[1]	2021	2022	**2023**
Petrol (liter) (L)	8,600	3,000	**4,938**
Intensity per headcount (liter) [2]	45	19	**42**
Electricity (kWh)	189,088	576,226	**909,282**
Intensity per headcount (kWh) [2]	995	3,718	**7,805**

1 The amounts represent the energy directly controlled and consumed by the Company during the Reporting Period. Indirect energy consumptions (i.e. those consumed by its suppliers and other third parties engaged by the Company) are excluded.

2 Intensity is calculated by headcount, which the calculation caliber is (number of the total full-time employee at the beginning of the year of 2023 + number of the total full-time employee at the end of the year of 2023)/2

During the Reporting Period, petrol consumption of the Company's own vehicles was 4,938 liters, with a per capita petrol consumption intensity of 42 liters, representing an increase of 65% as compared to 3,000 liters in 2022, mainly due to the increase in the frequency of use of vehicles as a result of increased demand for business visits. In addition, the Company's electricity consumption increased to 909,282 kWh during the Reporting Period, with a per capita electricity intensity of 7,805 kWh. Of this total, 89% was consumed in the laboratories located in the United States. Due to the development of our gene therapy program, the workload and the range of experimental tests in the laboratory are increasing, and more high-powered experimental equipment and fridges are being put into use, thus consuming a higher amount of electricity.

Furthermore, we fully understand that energy consumption plays a large part of GHG emissions, and we seek to ensure all our business activities are conducted in an energy-conservative matter. In 2023, we continue putting efforts in energy saving with our green practices in the business operations, through less usage of office utilities by preferring to use more on digital platforms (for example, remote video conferencing). By consistently implementing stringent control measures in green offices, such as adopting energy-efficient equipment, controlling indoor temperature ranges and promoting energy-saving behaviors.

Water Usage and Other Matters

The Company regards water consumption as one of the most important things in monitoring its use of resources. During the Reporting Period, level of water consumption across the Company's office premises in four geographical locations is as follows:

Water Consumption	2021	2022	**2023**
Water (cubic meter)	677	4667	**349**[2]
Intensity per headcount (cubic meter) [1]	3.56	30.11	**12.46**

1 Intensity is calculated by headcount, which the calculation caliber is (number of the total full-time employee at the beginning of the year of 2023 + number of the total full-time employee at the end of the year of 2023)/2

2 The water consumption figure for 2022 only covers our Beijing. The water consumption in 2022 includes only the water consumption in Beijing. Water consumption in other offices is not separately metered and therefore the relevant data are not available.

The Company has no difficulty in sourcing water for our purposes. As our business operations are currently outsourced to our suppliers for the production of pharmaceuticals, water is not directly consumed by the Company. In addition, as our laboratory sites are centrally managed by a property management organization, the Company is unable to quantify the water consumption data for reporting purposes. Similarly, the situation is the same for our Hong Kong, Taiwan and Shanghai offices. Therefore, the water consumption data and intensity per headcount in 2023 is only derived from our Beijing office.

Regarding to wastewater treatment, the rented laboratories' property management agent has cooperated with licensed wastewater operators from PPM Industrial Water Services, to check the wastewater treatment system daily, conduct monthly service on the system and review the service by receiving monthly service reports. Our Lab wastewater treatment complied with the pH Neutralization System, in order to treat acidic or alkaline industrial wastewater to protect piping, pumps and meet regulatory discharge limitations.

Packaging Material Usage

During the Reporting Period, there is no disclosure of the amount of packaging materials consumed by CANbridge, as the company did not directly manufacture pharmaceutical products for market sale. In 2023, the Company imports 3 listed pharmaceutical products for marketing purposes. Since these drugs are manufactured by our suppliers, their packaging material usage is not under the direct control of the Company.

Furthermore, CANbridge places emphasis on collaborating with suppliers to optimize packaging design and promote the use of green packaging materials and technologies. For this purpose, we have worked with our suppliers to streamline the packaging process, effectively improving productivity and reducing working hours. Packaging design has been standardized and shaped to better meet the needs of pallet loading and cargo transport, effectively improving space utilization and reducing logistics costs.

A3: The Environment and Natural Resources

Environmental Impacts from Operations

The Company seeks to maintain the long-term sustainability of the environment and communities in which we operate. Being a responsible member of society, the Company is continuously monitoring the potential risks and impacts of its business operations on the environment. During the Reporting Period, effects on the environment are mainly due to the Company's administrative operation and its laboratory research, which will result in direct and indirect emissions of greenhouse gases.

The Company consistently takes steps to act with an environmentally responsible attitude and in full compliance with relevant laws and regulations. For instance, we have taken measures to improve the utilization of our office space and further reduce the floor area of our office space, thereby reducing energy consumption related to lighting, air conditioning and so on. The Company uses existing digital platforms and actively adopts video conferencing instead of offline meetings to minimize carbon emissions generated by business travel of our employees. At the same time, the Company continues to reduce non-essential office space and adopt energy-saving measures so as to reduce energy consumption. The Company also continues to implement energy-saving initiatives in the workplace, such as requiring employees to switch off the office equipment, lightings and air-conditioners when they are not in use, so as to avoid leaving them on standby for a long time. Additionally, the Company regularly reviews and updates the in-house policies to ensure that they accurately respond to the requirements of current laws, regulations and business practices.

Our employees are also very cautious in the utilization of resources for experimental research in the laboratory. We implement waste minimization strategies and constantly monitor the toxicity of waste generated. For the treatment of wastewater, we have introduced a pH neutralization system, which is inspected and monitored on a daily and monthly basis by a licensed wastewater treatment operator, for treating acidic or alkaline industrial wastewater to protect pipelines and pumps and meet the requirements of regulatory discharge limits. The purpose of all the above measures are to reduce negative environmental impacts and minimize the use of natural resources.

During the Reporting Period, there was no case of non-compliance with environmental laws and regulations. The Company's current operation focuses on research and development, clinical trial, market access, and sell pharmaceutical drugs, which does not have any material negative impact on the environment and natural resources in general. Hence, KPI A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable to the Company and therefore are not disclosed in the ESG Report. The Company, however, continues to implement environmentally friendly measures to conserve energy and water in our operations. These measures have been proven to not only minimize the adverse impact on the environment, but also help the Company to reduce its operating costs.

A4: Climate Change

Climate change and extreme weather events are having an increasingly visible impact on business operation across a wide range of areas including regular operation of the workplaces, stability of the supply chain, safety and health of employees. It is vital for the Company to understand the scale and nature of climate change risks. The TCFD Working Group has categorized climate-related risks into two main groups: Transition risks, which are risks associated with the transition to a low carbon economy; Physical risks, which are risks associated with the physical impacts of climate change. Although the carbon footprint associated with our business is relatively small, the Company has a responsibility to do its utmost to reduce emissions and mitigate the impacts of climate change.

The Company has assessed potential risks that may arise from the direct or indirect effects of climate change, and such risks are summarized below:

- ***Physical Risks***

  Since the Company's main business activities are mainly pharmaceutical importation, research and development, the direct impact on the environment is minimal. However, it does not mean that we are immune to the effects of climate change. It can be assumed that as temperatures rise, there will be an increase in electricity consumption in handling pharmaceuticals and chemical substances, and the requirements for cold chain logistics will be further enhanced.

  At the same time, as our products and laboratory essentials are sensitive to both temperature and humidity, the company is paying more attention to ensure that our facilities are adequate to cope with rising temperatures and precipitation. Although we have outsourced our logistics and warehousing to external parties, the impacts of climate change are still likely to increase our maintenance costs in cold chain logistics as well as the cost of insurance against losses due to catastrophic events.

  Despite the fact that the direct impact of extreme weather events such as heavy rainfall, typhoons and flooding within the regions in which we operate is relatively small at this stage, we continue to prepare ourselves for the risks we may face in our operations. For example, the Company actively organizes training and anti-disaster drills for our employees and develops standard operating procedures for responding to such events, in order to enhance their awareness, ability and mobility in dealing with potential hazards. These initiatives ensure the safety of employees, the preservation of assets, the stability of supply chain and smooth operations, minimizing the potential loss of the Company's assets.

- ***Transition Risks:***

  Currently, policies are being implemented in a number of countries and regions around the world to transition to a low carbon and green economy, and it is expected that many existing regulations will be revised and updated. These policy shifts will unavoidably create potential risks for the Company, such as changes to the Company's operations or future growth, and devaluation of the Company's asset holdings, including laboratory-related technology, equipment in office space and electrical hardware in warehouses. Changes regarding carbon emission regulations for vehicles may result in the Company having to upgrade vehicles at a point in the future in order to comply with emission standards, which also applies to our outsourced logistics services. Therefore, the Company needs to consider how the changing policies and regulations may affect our vendors and suppliers, especially in outsourced logistics.

  If aggressive policies are put in place, there may be a risk of interruption or disruption to the business operations and development. Our approach to cope with climate change is promoted within the organization and our principles have included climate risk identification, mitigation and adaptation guidelines to help build the resilience to potential climate events.

  As a significant part of transition risk, reputational risk has attracted the same attention from the Company. The worsening climate change situation has gained increasing attention and awareness in traditional and social media, and any adverse impact could constitute a reputational risk. Given the broad and profound impacts of climate change, our strategy is to use our depth of expertise and insight into related opportunities to manage and mitigate our risks reputation related to climate change. Apart from managing risk in our clients' activities, we continue to adopt best practices to reduce our own carbon footprint and integrate resilience into our business operation.

Our climate change risk assessment does consider the policies and regulations that will be introduced in the coming years as the climate cycle rapidly deteriorates. Meanwhile, by understanding the areas in which our organization needs to improve, we continue to implement efficient investments and increase the resilience of our business operations. The first step towards a more sustainable future is to reduce energy and resource loss while improving efficiency. After all, the key to protecting the environment lies in the complementarity and proportionality between business development and environmental protection. The Company promotes this belief and culture of environmental protection and ensures that we are doing our part to alleviate climate change wherever possible.

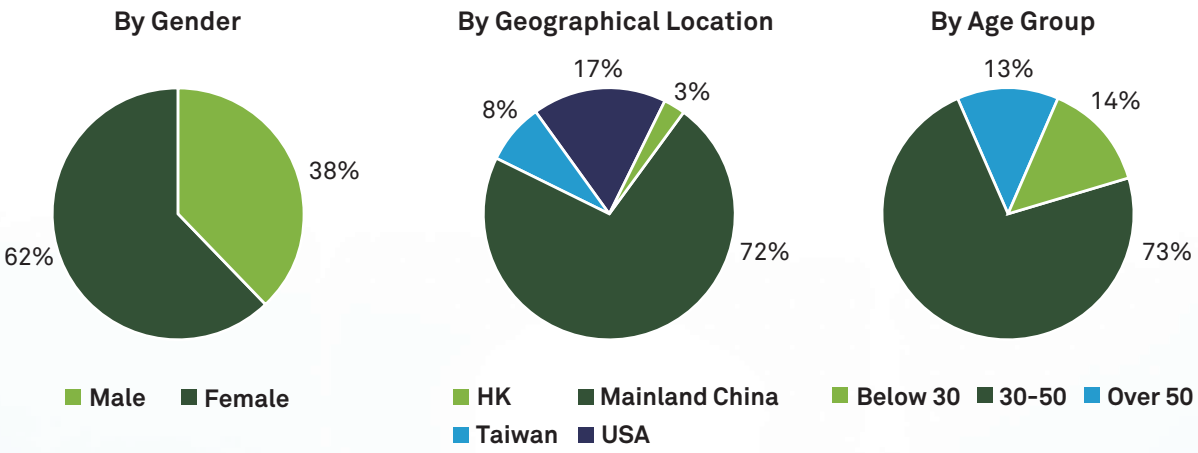
B1: Employment

Talent Attraction and Retention

People are considered as the most valuable asset for the development of the organization. We aim to attract the appropriate people who have the right skills and knowledge, willing to share the same vision and values as the Company. We appreciate the contributions made by our employees and are dedicated to improving their welfare and well-being during the tenure of their employment. We are always committed to creating a harmonious and caring work environment which empowers our employees and gives them a sense of belonging.

A set of human resources policies and procedures have been established to guide employee compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, other benefits and welfare in accordance with the relevant employment laws and regulations in each location. These human resources related policies are regularly reviewed and updated to ensure compliance with the latest labor laws and regulations. Also, the human resources department implements appropriate internal controls to ensure that these policies being strictly adhered to.

As of December 31st 2023, the Company has 106 employees in total and 94% of them are full-time employees. Distributions of the Company's employees are shown below:



In 2023, the employee turnover rate has significantly declined at the company level, but with a slight increase in some geographical locations, which mainly results from the business restructuring implemented by the Company in order to meet the growth needs. Our employee turnover rate is summarized as below:

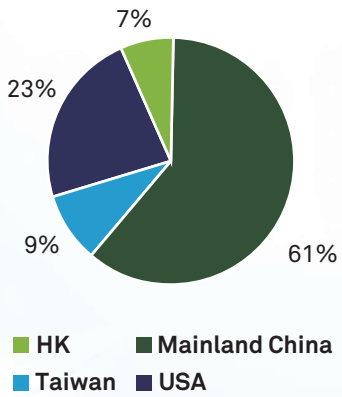
Category		Amount of employees terminated (total in category)[1]			Percentage of employees terminated[2]		
		2021	2022	**2023**	2021	2022	**2023**
Geographical Location	Hong Kong	2 (8)	2 (6)	**3 (6)**	25%	33%	**50%**
	Mainland China	38 (189)	78 (171)	**27 (103)**	20%	46%	**26%**
	Taiwan	0 (10)	3 (12)	**4 (13)**	0%	25%	**31%**
	United States	5 (21)	5 (26)	**10 (28)**	24%	19%	**36%**
Gender	Male	20 (92)	35 (84)	**16 (56)**	22%	42%	**29%**
	Female	25 (136)	53 (131)	**28 (94)**	18%	40%	**30%**
Age Group	Below 30	10 (32)	14 (31)	**12 (27)**	31%	45%	**44%**
	30 to 50	32 (182)	69 (163)	**29 (106)**	18%	42%	**27%**
	Over 50	3 (14)	5 (21)	**3 (17)**	21%	24%	**18%**

1 The numbers in parentheses are the sum of Number of Employees terminated and Total Number of Employees at the end of 2023.

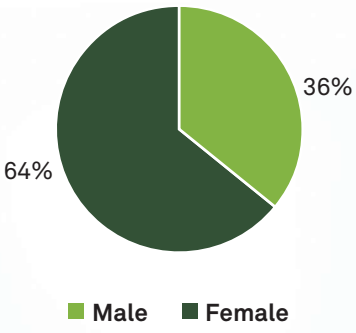
2 Percentage of employees terminated = Number of employees terminated/(Number of Employees terminated + Total Number of Employees at the end of 2023)

Overall, there were 44 employees leaving the Company and the distribution of turnover was as follows:

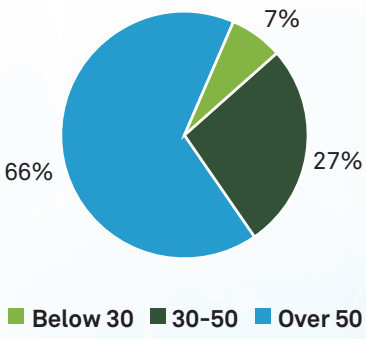
By Geographical Location



By Gender



By Age Group



Compensation and Employee Benefits

We offer our employees with an attractive remuneration package, which is determined based on two main factors:

- ***Competitiveness:*** On a regular basis, CANbridge conducts market research and compares salary levels with competitors in the same industry to ensure that our employees are being offered competitive remuneration packages.

- ***Performance:*** CANbridge believes that the key to overcoming challenges in a competitive business environment is our dedicated employees. Therefore, individual performance is one of the main drivers of salary increase and promotion.

The Company's remuneration package also includes a series of benefits for all employees such as mandatory provident fund, life insurance, medical insurance, annual leave, overtime leave, marriage leave, maternity leave and birthday leave. The Company also provides staff with allowance for meals and travelling on occasions of overtime work and business trips.

Career Advancement and Promotion Opportunities

We provide our employees with ample opportunities for career development and promotion. Every year, we conduct performance reviews of employees through an established performance management mechanism, which is based on the following process:

Personal performance planning

- Formulate individual annual work plans based on company-level annual objectives and positional responsibilities.

Application of assessment results

- Implementation of pay incentives;
- Assign learning and development opportunities.

Executive performance management

- Follow up with employees on plan implementation and make adjustments;
- Coach and motivate employees on the process.

Implementing performance evaluation

- Conduct performance evaluations;
- Interview employees and provide feedback on evaluation results;
- Develop individual competency development plans.

The established performance management mechanism provides a basis for our employees to understand their strengths and weaknesses, enhancing the communication and mutual understanding between employees and the management. The results of performance assessment can be used as a reference for decision-making on salary increment, bonus allocation, promotion, re-deployment, job rotation or other applicable arrangements. We ensure that the evaluation process follows the principles of being fair, actionable, realistic and measurable so that it can guide and support employees' career and professional development.

Wellbeing and Work Life Balance

The Company attaches equal importance to employee wellbeing and work-life balance. The Company has clearly stated the working hours and rest periods of employees in the *Employee Handbook*. At the same time, the Company has implemented a flexible working time policy which allows employees to freely choose 1.5 hours up or down as flexible time based on the standard working time, as well as to leave work 0.5 hours earlier every Friday, so that employees can maintain a proper work-life balance. The measures mentioned above have effectively reduced the work pressure of employees and improved their overall work efficiency.

Additionally, the Company encourages networking among its employees by organizing various recreational activities throughout the year, including staff birthday parties, regional team building activities, summer family days, badminton tournaments, and so on. These have enabled the Company to strengthen relationships between staff and senior management, as well as between different national or regional offices.

Employee satisfaction is one of our key concerns, and as such, we invest a great deal of effort in maintaining and/or improving employees' motivation. The Company conducts annual internal employee satisfaction surveys to understand their perceptions and opinions about the Company or the work environment. The survey results are summarized and reviewed by the management with actionable goals and improvements being set as necessary.

Diversity and Equal Opportunity

The Company promotes a corporate culture of equality, inclusion and diversity. We strongly believe that an inclusive work environment will promote harmony and co-operation amongst our employees. We recognize that a team with greater diversity in terms of gender, age, marital status, pregnancy, race, education, family status and disability can help us to better understand the needs of our diverse customers and the dynamic business environment. We provide equal opportunities in employment and promotion for our employees, regardless of the differences among them, and this is also stipulated in our *Employee Handbook*.

The Company also pays attention to the prevention of sexual harassment in any form at the workplace. Relevant complaints will be forwarded to the Human Resources Department and will be dealt with under strict confidentiality. The Company's policies in diversity and equal opportunity were established with reference to the following laws and regulations: *Sex Discrimination Ordinance (Cap.480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), Race Discrimination Ordinance (Cap. 602) of Hong Kong, Labor Law of the PRC, Act of Gender Equality in Employment of Taiwan, Equal Employment Act of United States*.

B2: Health and Safety

Workplace and Occupational Health and Safety

A healthy workforce is the backbone and foundation of the Company's long-term success. Therefore, it has been a top priority for us to ensure the occupational health and safety of our employees. The Company is committed to promoting and maintaining the physical as well as mental health of our employees, creating and maintaining a safe and healthy working environment. All of the Company's business operations comply with applicable laws and relevant provisions, including but not limited to *The Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong, Law of the PRC on Work Safety, The Occupational Safety and Health Act and Act for Protecting Worker of Occupational Accidents of Taiwan, Law of the PRC on Prevention and Control of Occupational Diseases,* as well as the relevant regulations issued by *the Occupational Safety and Health Administration (OSHA) of the United States Department of Labor*.

Our laboratory is affiliated with Burlington, which is a shared laboratory environment equipped in infrastructure that fits our specialized needs. As part of company's commitment, the laboratory has established *Biosafety Manual & Exposure Control Plan, the Chemical Hygiene Plan and the Emergency Action Plan*. In details, *Biosafety Manual & Exposure Control Plan* has clarified the procedures to eliminate or control hazards associated with the use and handling of biological material, and it has been developed in accordance with *OSHA requirements outlined in 29 CFR 1910.1030*. The laboratory has a well-established *Chemical Hygiene Plan*, which has been developed in accordance with OSHA requirements outlined in the *OSHA Lab Standard (29 CFR 1910.1450)*. The intent of this document is to provide core guidance on chemical safety, the potential risks and hazards presented by hazardous chemicals in the workplace, and the policies and practices required to minimize the likelihood of exposure. For instance, it outlines the OSHA standards needed to comply with, and also facility designs, general laboratory safe work practices, chemical hazard classification, exposure minimization and control measures, chemical handling and storage, hazardous waste management which have been mentioned in Section A1 Waste Disposal and Management as well. Furthermore, *Emergency Action Plan* outlines our policies and procedures to provide core guidance on hazards management in the workplace environment and the appropriate emergency response procedures for each incident. These potential incidents include, but are not limited to, fires, chemical or biological spills, medical emergencies, and other injuries, known or suspected exposures, workplace violence, and environmental releases. This manual has been developed in accordance with OSHA requirements outlined *in 29 CFR 1910.1200 (OSHA Hazard Communication Standard, 29 CFR 1910.38 (Emergency Action Plans), and 29 CFR 1910.157 (Portable Fire Extinguishers)*, and fulfills Massachusetts State Regulations outlined *in 527 CMR 1.00 (Massachusetts Comprehensive Fire Safety Code), 310 CMR 30.000 (Massachusetts Hazardous Waste Regulations)*, and *105 CMR 480.000 (Massachusetts State Sanitary Code)*.

In addition, the Company has established the *Safety Manual* for providing instructions on work safety. The *Safety Manual* is reviewed each year to ensure that the latest laws, regulatory requirements and internal requirements can be reflected, and any changes will be timely circulated to related staff. Furthermore, for all of our offices, activities such as periodic safety training, fire and evacuation drills are conducted in order to maintain and raise our employees' safety awareness and knowledge in safety. Employees are also encouraged to express opinions on safety procedures to the management. Finally, we conduct periodic risk assessment in order to timely identify, evacuate and mitigate any new risks from workplace and to ultimately provide our employees with a healthy and safe working environment.

The Company has established a sound mechanism in handling any work-related fatalities or injuries. During the Reporting Period, as well as the past four years, there was no work-related fatality happened in the Company. Also, no material case was identified in terms of non-compliance on health and safety related regulations.

B3: Development and Training

Staff Training and Professional Development

The Company believes that continuous learning and training is a strong pillar for the Company to achieve long term development as well as a driving force for the growth of the business. Therefore, the Company's management is committed to supporting and valuing the training and development of our employees in order to enhance their professional skills and knowledge.

In 2023, the Company continues to implement its overarching talent development strategy with the vision of" Building a Global Leading Rare Disease Business Team" and comprehensively and systematically executes the corresponding skills enhancement program. At the same time, the Company has continued to objectively review and evaluate its existing talents pool based on employee evaluation standards and promotion procedures aligned with the respective levels. Additionally, the Company continues to promote talent development projects and training program to continuously improve the overall capabilities of the whole team. For example, star employees with high performance and potential are enrolled in talent development camps with customized career mentors, preparing for taking important roles and responsibilities. While those employees with fair performance and average potential are assigned challenging tasks and equipped with suitable online courses considering their weaknesses.

The management team is the key determinant of the Company's high-quality development as well as an important force leading the growth of the team. In 2023, various training programs have been held to help the management team with practical managerial skills, such as introducing EMBA and MBA program designed for them. In addition, employees with strategic thinking and strong problem-solving skills are selected for the Talent Leadership Programs as a reserve for the future management team. During the whole year, the Company has conducted more than 20 online trainings and offline workshops in total, aiming to build a high-quality team by improving employees' innovation and interpersonal skills.

For the orientation of new employees, the Human Resources Department prepares an induction package on their first working day, which includes information regarding the Company's organizational structure, code of conduct as well as other materials related to the employee's responsibilities. The Company has also organized both online and offline trainings for new employees, helping them adapt to the new workplace quickly and smoothly. We believe that by providing these resources to our employees, both the Company and employees can receive enough benefits.

During the Reporting Period, a total of 119 full-time employees have received trainings across four geographical locations, with 1,501.5 training hours in total. The average employee training time is 11 hours, with a decrease of 7 hours compared to the hours in 2022. Such a change is mainly due to the fact that employee training strategy has been adjusted based on the Company's demand for development at current stage. In 2023, the Company has adjusted the focus of trainings from general employees to middle and senior management employees in order to improve their competence in the operation and management of the Company. More Details on training and development offered to the Company's staff are as follows:

Categories		2021	2022	2023
Percentage of Employees Trained[1]		85%	100%	**89%**
Gender	Male	38%	40%	**37%**
	Female	62%	60%	**63%**
Employee Category	Senior Management	5%	13%	**8%**
	Middle Management	19%	27%	**25%**
	General Staff	76%	60%	**67%**
Average Number of Hours Trained[2]		12 hours	18 hours	**11 hours**
Gender	Male	10 hours	7 hours	**10 hours**
	Female	13 hours	11 hours	**12 hours**
Employee Category	Senior Management	12 hours	2 hours	**14 hours**
	Middle Management	14 hours	5 hours	**25 hours**
	General Staff	11 hours	11 hours	**6 hours**

1 Percentage of Employees Trained = Total Number of Employees Trained/(Number of Employees Trained in 2023 + Total Number of Employees at the end of 2023)

2 Average Number of Hours Trained = Total Training hours/(Number of Employees Trained in 2023 + Total Number of Employees at the end of 2023)

B4: Labor Standards

Anti-Child and Forced Labor

The Company firmly believes that only legal and ethical employment practices can attract and retain the right people. The Company strictly prohibits the use of child or forced labor in its business operations. All employees are recruited in strict compliance with local labor laws and regulations, which are detailed and stated in the employment contracts signed with the employees in order to protect the interests of both the employees and the Company. At the same time, we conduct background check on each new employee in order to protect the Company's reputation and ensure a safe working environment for all employees. Once a situation of child labor is identified, it will be immediately reported to senior management for follow-up actions. In addition, when engaging with suppliers and contractors, the Company also takes proactive steps to screen out potential business partners who may be involved in the employment of child labor. The Company continuously reviews their employment practices to ensure that they are in strict compliance with relevant laws, such as *the Employment Ordinance (Cap.57) of Hong Kong, Labor Contract Law of PRC (2008 version), the Labor Standards Act of Taiwan*, as well as *the Fair Labor Standards Act of the United States*.

The Company firmly believes that only legal and ethical employment practices can attract and retain the right people. During the Reporting Period, there is no violation of laws and regulations for the Company and also our business partners relating to child labor or forced labor.

B5: Supply Chain Management

Responsible Supply Chain Management

Similar to other pharmaceutical companies, the Company has established a responsible supply chain management framework to standardize and enhance supplier management, reducing procurement risk and maximizing overall value in terms of quality, cost, service and efficiency.

Supplier Selection Process

The Company implements a rigorous supplier selection process to ensure the competence and suitability of suppliers. The factors considered in this process include, but are not limited to, experience, reputation and the holding of relevant licenses. For supplier evaluation criteria, we have developed detailed requirements from a business perspective, including an assessment of services provided and technical parameters, quality certifications, technology, R&D and innovation capabilities, as well as the supplier's legal, safety, health and environmental performance. For example, we strictly select suppliers who have never been subject to any criminal or administrative investigation or received any criminal or administrative penalties for serious violations of anti-corruption, anti-money laundering, anti-monopoly and environmental protection regulations.

The Company would not select suppliers with the following characteristics:

- Adverse environmental impacts brought from inefficient use of resources and emissions during lifecycle of product manufactured.
- Adverse impacts to people and environment due to usage of hazardous substances, emissions, pollutants, and limited recyclability of products that could be prevented or minimized.
- Unfair employment practices, such as low wages, excessive overtime, and absence of occupational health and safety measures; and
- Risks for consumer health and safety.

According to the Company's policies on procurement, selected suppliers are classified into three classes of risks, namely Class A (High Risk), Class B (Medium Risk), and Class C (Low Risk). If proposed business has any relationship or contact with any Healthcare Professional or Government Official, irrespective of whether the business is related to the principal business of the Company, the supplier is classified as high risk and as Class A type, or they will be classified as low risk and as Class C Type to the contrary. Prior to the establishment, renewal or extension of any business relationship, a due diligence shall be conducted to the extent necessary and reasonable in accordance with Third-party Supplier Compliance Provisions and the Procurement Management Process. In particular, Third-party Supplier Compliance Provisions in principle shall apply to Class A (High Risk) strictly, and to Class B (Medium Risk) as a reference, and to Class C (Low Risk) flexibly. Internal control mechanisms are in place to ensure suppliers with different classes of risks meet respective requirements during the supplier selection process.

Supplier Monitoring Regime

All suppliers are required to complete a Third-Party Supplier Questionnaire and a Standard Compliance Clauses for the Third-Party Suppliers as part of the supplier selection process. For the purpose of monitoring our suppliers from time to time and ensuring their continuous compliance, the department that procures the goods or service is responsible for monitoring the supplier's performance, and regularly tracking the suppliers' activities which should match with the company's business objectives.

CANbridge distributes the Company's *Anti-Corruption Guideline Policy* to selected suppliers and holds compliance trainings for suppliers to ensure their understanding and compliance to the policy. Additionally, the Company also issues suppliers with Compliance Training Certificate upon successful attendance. These procedures are all clearly established under the Company's *Third-Party Supplier Compliance Provisions*, which is made according to relevant local and international anti-corruption laws applicable to the business of CANbridge, including but not limited to the *Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), Anti-Unfair Competition Law of the PRC, the Criminal Law of the PRC, the U.S. Foreign Corrupt Practices Act* and *the U.K. Bribery Act*.

During the cooperation with suppliers, CANbridge actively monitors its suppliers' performance against predetermined cooperation criteria. An overall performance assessment will also be conducted at the end of contractual relationship to serve as a reference for supplier selection in the future. The Company continuously maintains a close and long-term relationship with qualified suppliers and contractors to guarantee a stable supply chain for business operations.

Our Suppliers

During the Reporting Period, the following top 10 major suppliers (based on aggregated purchase percentage) were directly related to the Company's core operations. These included but not limited to research, licensing, and drug production sites. The table below lists out the suppliers in certain key geographical locations and the respective nature of services rendered to the Company:

Geographical Location	Number of Suppliers	Supplier Service
Hong Kong	1	Contract research organization
Mainland China (PRC)	4	Contract research organization
		Marketing campaign service provider
United States	2	Drug licensor
		Contract research organization
Ireland	1	Drug licensor
France	1	Source of drug import
South Korea	1	Drug licensor

During the Reporting Period, the Company has not terminated any supplier relationships based on supplier evaluation mechanism. This can partly be accredited to the fact that we assess the suppliers' potential risks before cooperating with them.

B6: Product Responsibility

Product Safety and Service Quality

The Company is committed to producing high quality products. We have maintained a comprehensive quality management system to standardize all aspects of products and services, spanning from initial clinical trial stage to product commercialization and marketing stage. The Company strictly complies the laws, rules and regulations of relevant geographical locations in relation to assurance and product safety such as *the Drug Administration Law of the People's Republic of China and Good Manufacturing Practice of National Medical Products Administration, Import and Export Ordinance (Cap. 60) and Control of Chemicals Ordinance (Cap.145) of Hong Kong*，*Pharmaceutical Affairs Act, Regulations on Management of Medicament Samples and Gifts, and Regulations Governing the Trace and Track System for Medical Products of Taiwan*.

Elements of Control

Drug Import	The quality of our imported drugs is ensured since the Company only procures from sources that are in compliance with related regulations and standards, such as *the Drug Administration Law of the PRC, and Regulations for the Implementation of the Drug Administration Law of the PRC Standards for Quality Control of Pharmaceutical Production (GMP 2010), Import and Export Ordinance (Cap. 60) and Control of Chemicals Ordinance (Cap.145) of Hong Kong*.
Inventory Control	To ensure traceability of our products, we have assigned responsible staff to keep track of daily inventory flows and maintain relevant records. The Company has also designated staff with professional pharmaceutical knowledge to perform quality checks upon receiving products, manage storage condition and report to government authorities in accordance with relevant laws and regulations.
Intellectual Property Rights	We strictly abide by *the Trademark Law of the PRC, Patent Law of the PRC* and other related laws and regulations and establishes adequate procedures to respect and protect relevant intellectual property rights.
Product Recall	We have signed license agreements with the license holders and the business agreements with distributors to address the responsibilities and scope of product recalls. Even though we are not facing the end customers directly, SOPs for Recall Management have been established internally to initiate and manage the recall process when quality issues occur and result in product recalls.

Complaint Handling

We constantly strive to maintain the quality of our products and customer relationship and have a sound feedback mechanism in place for customers to raise any problems or comments to us. We have regulated the standard procedures for receiving customer complaints, investigating, handling, and responding to ensure complaints are properly handled with care and diligence. If the customer raises complaints, distributors will be responsible for communicating and coordinating with our Quality Assurance Department in a prompt manner and resolving the complaint promptly with high customer satisfaction.

Compliance Marketing

We have established the *Code of Interaction with Healthcare Professionals (HCPs), Patients and the Public*, which provides guidelines on business behaviors performed during all kinds of pharmaceutical awareness activities and interactions, including promotion of CANbridge's pharmaceutical products and interactions with entities such as HCPs, healthcare organizations, patients, patient organizations, and charitable entities.

We have prohibited any false or exaggerated descriptions of our products, and continuously market our products according to the requirements of local regulations relevant to the pharmaceutical field, including but not limited to the *Advertising Law of the PRC, Measures for the Administration of Medical Advertisements, and Provisions for Drug Insert Sheets and Labels*.

During the Reporting Period, the Company has not identified any material non-compliance cases regarding products related laws and regulations. In addition, the Company has not identified any cases of product recall or complaints for our products owing to health and safety problems.

Data Privacy and Protection

We value the confidentiality of personal data and are committed to protecting stakeholder's information with care. We are trusted to keep the information shared to us in a safe and secure manner by implementing strict data protection measures in compliance with the statutory requirements relating to data privacy. In 2023, we continue to implement the *Data Management Plan (DMP)* in accordance with the guidelines of the National Medical Products Administration (NMPA), which fully considers the characteristics of data collection systems and the common data management practices in the industry, both domestically and internationally. Six data protection principles upheld by the Company include:

Collection Purpose and Means	Data is collected in a lawful and fair way, with a purpose of data collection communicated to the data providers. Only necessary data is collected.
Accuracy and Retention	Regular review of data for accuracy and timeliness. Data would be removed after the purpose of data collection is fulfilled.
Use of data	Collection of personal information is used for proper purposes only, and under explicit or implicit consent from clients.
Data Security	Data files are stored in locations with restricted access to solely authorized users, and list of authorized users are reviewed on a regular basis.
Data Openness	Data providers would be notified of the types and contents of personal data being collected by the Company, as well as the policies and guidelines on dealing with data.
Data access and Correction	The electronic or hard copies of personal data will be given to data providers upon request. Data providers are able to request for correction of any data records where necessary.

Information Technology Policies and Procedures set out the principles for a sound information security management of the Company to protect the business by managing the risks arising from unauthorized disclosure or distribution of confidential or sensitive information. For instance, the Company has established data privacy and protection policies and procedures, including the *Guideline on Personal Information Protection*. These policies are also regularly reviewed and updated by the management to ensure they are sufficient to counter evolving threats on data privacy, and in full compliance with increasingly stringent data privacy laws and regulations. The Company has also established a complaint handling mechanism, in which all staff and the public can raise complaints to the Compliance Department for handling and follow-up. Furthermore, the Company developed a company-level Information Confidentiality Policy in 2023, which sets out the definition of confidential information, types of confidential information, classification of confidentiality, confidentiality measures and management procedures, confidentiality agreements, and liability for incidents of confidential information, and has organized relevant training for our staff. In 2023, the Company continues to use EDC system for clinical trial data collection so as to protect patients' private information and the health data involved.

During the Reporting Period, we have not identified any material cases of non-compliance on data privacy laws and regulations.

B7: Anti-corruption

Anti-corruption and Anti-money Laundering

The Company recognizes that integrity, openness and honesty are the core values for conducting business. Any form of corruption, bribery, extortion, money laundering and other fraudulent activities will not be tolerated and all employees are required to adhere to personal and professional ethics. We have established key policies and distributed them across all business units, *including Anti-Corruption Guideline Policy, Anti-Money Laundering Compliance Provisions, Anti-Monopoly and Fair Competition Compliance Policy* and *Whistleblowing and Anti-Fraud Policy* to ensure all staff are aware of and comply with relevant requirements at all times. As we are also aware of the importance of avoiding commercial bribery, enforced anti-commercial bribery policies are also established, which includes *Medical Advisors Engagement Compliance Provisions, Entertainment/Hospitality, Travel Support and Gifts Compliance Provisions, Third-Party Supplier Compliance Provisions, Code of Interaction with HCPs, Patients and the Public, and FAQs & Compliance Guidelines on Interactions with Various Parties Regarding the Huimin Supplemental Commercial Health Insurance Program*. These policies have been developed in accordance with relevant laws and regulations, including but not limited to, *the Anti-Money Laundering Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China, and the U.S. Foreign Corrupt Practices Act*, which are available in both English and Chinese versions to ensure a full understanding by employees from different locations.

The Company's *Whistleblowing and Anti-Fraud Policy* sets out the procedures for receiving, retaining and processing complaints received by the Company in relation to any suspected fraudulent activities or irregularities identified in its business operations. The implementation of this policy is in line with the Company's commitment to good corporate governance and its culture of zero tolerance for unethical behavior, irregularities, fraud or corruption in its activities. The Company will not tolerate harassment, threatening or retaliatory behavior, or any type of discrimination and other adverse employment actions against any employees who complains in good faith or assists in an investigation. The Audit Committee has the overall responsibility for this policy and the procedures for handling complaints and reporting fraud cases. There are three steps involved in dealing with a complaint or reported fraud case, which are processing and monitoring, completing the investigation and keeping a record of the report. The Audit Committee and the CEO are notified of the results of any investigation. Upon completion of the investigation, the Audit Committee will review the results and determine corrective actions. If the complainant is not satisfied with the result, he/she may revert to the Audit Committee. Furthermore, the Company has also established an effective risk management and internal control system, which is regularly reviewed and updated to help detect anti-corruption actions.

During 2023, the Company has provided regular compliance trainings and seminars to employees with 100% coverage. Training topics mainly include key anti-corruption laws and conventions, discussions of bribery and corruption related cases, and updates on related policies and procedures of the Company. Training materials are also provided to all employees to ensure that they are aware of compliance requirements, thereby increasing their awareness of anti-corruption and anti-money laundering practices.

During the Reporting Period, no significant violation of anti-corruption-related laws and regulations has been found. The Company and its employees are also not subject to any legal proceedings.

B8: Community Investments

Our goal is to build a sustainable community by supporting local activities that create effective and lasting benefits for the community. These activities primarily include corporate philanthropy, building community partnerships and motivating employees to engage in volunteer work. The Company is passionate about contributing and giving back to the community. As a pioneer in developing rare disease therapies in China, we work with key stakeholders including regulatory authorities, key opinion leaders (KOLs), doctors, patients through patient registry and advocacy groups, centers of excellence and reimbursement organizations. advocacy groups, centers of excellence as well as reimbursement and insurance organizations, among other key stakeholders, to play an active role in driving the development of the rare disease industry and shaping the rare disease ecosystem in China.

Therefore, the Company actively participates in charitable activities and makes donations. Our goal is to help patients with rare diseases improve their multi-level protection and welfare system and reduce their family burden. During 2023, we have continued to cooperate with the China Primary Healthcare Foundation to provide a special care program for patients with rare diseases called 'CANcare'. We seriously value the service needs of patients with Mucopolysaccharide Type II (MPS II) and have established a one-stop service system to accompany the patients with rare diseases throughout their lifecycle, including online expert live broadcasts, offline clinics, and the provision of call centers and consulting groups, aiming to provide patients with convenient, sustainable and effective treatments, and ultimately to improve the quality of life of our patients.

Additionally, our community investments focus on developing the pharmaceutical and healthcare industries to develop more medical professionals and inherit valuable medical knowledge, skills and experience, which has been reflected in our donations and sponsorships to numerous medical groups and associations and their areas of research and practice. Below is a non-exhaustive list of examples of events that we have supported during the Reporting Period:

Mainland China	• Seminar on "Pathways and Options for Local Exploration of Multi-Level Protection for Rare Diseases" held by The Illness Challenge Foundation • The 23rd Pharmacist Week Rare Disease Pharmacy Service Forum of the Chinese Pharmaceutical Association • China Rare Disease Conference 2023 held by China Alliance for Rare Disease (CHARD)
Hong Kong	• Rare Disease Symposium 2023 held by Rare Disease Hong Kong • Public Education Programme on Rare Diseases held by Rare Disease Hong Kong
Taiwan	• 2023 Taipei International Breast Cancer Symposium held by Taiwan Breast Cancer Society • 2022 Taiwan Chang Gung Alliance (TCGA) Medical Summit (TNBC, HER2) • The 4th Quarter Cancer Medical Information Conference 2023 held by Kaohsiung Cancer Medical Information Society (KCMIS)

In addition to initiatives at the corporate level, we also support our employees in organizing and participating in various charitable activities, as this is in line with our core values. Our employees are motivated to contribute to charitable causes in both financial and non-financial ways, such as volunteering or making donations. In 2023, our employees participated in volunteer activities in several cities in China, such as attending doctor-patient communication sessions for MPSII patients held by Beijing Zhengyu Mucopolysaccharide Care Center (in Jinan and Hangzhou), providing free medical consultations for ALGS patients in Guangzhou, as well as promoting awareness and popularization of ALGS disease and its treatment through online channels.

In 2023, the Company has invested approximately RMB718,000 in donations, as well as hours in 46 hours of service participating in community activities across Mainland China, Hong Kong and Taiwan.

APPENDIX: CONTENT INDEX FOR HONG KONG EXCHANGE ESG REPORTING GUIDE

General Disclosures and KPIs	Description	Reference Section
Environmental		
Aspect A1: Emissions		
General Disclosure		Greenhouse Gas Emissions; Hazardous and non-hazardous waste; Waste Disposal and Management
KPI A1.1	The types of emissions and respective emissions data.	Greenhouse Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and non-hazardous waste; Waste Disposal and Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and non-hazardous waste; Waste Disposal and Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, a description of reduction target(s) set and steps taken to achieve them.	Hazardous and non-hazardous waste; Waste Disposal and Management

General Disclosures and KPIs	Description	Reference Section
Aspect A2: Use of Resources		
General Disclosure		Energy Usage; Water Usage and Other Matters; Packaging Material Usage produced.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Usage
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Usage and Other Matters
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Usage
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Usage and Other Matters
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Packaging Material Usage
Aspect A3: The Environment and Natural Resources		
General Disclosure		Environmental Impacts from Operations
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environmental Impacts from Operations
Aspect A4: Climate Change		
General Disclosure		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

General Disclosures and KPIs	Description	Reference Section
Social		
Aspect B1: Employment		
General Disclosure		Talent Attraction and Retention; Compensation and Employee Benefits; Career Advancement and Promotion Opportunities; Wellbeing and Work Life Balance; Diversity and Equal Opportunity
KPI B1.1	Total workforce by gender, employment type (for example, full- or part time), age group and geographical region.	Talent Attraction and Retention
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Talent Attraction and Retention
Aspect B2: Health and Safety		
General Disclosure		Workplace and Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Workplace and Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Workplace and Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Workplace and Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure		Staff Training and Professional Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Staff Training and Professional Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Staff Training and Professional Development
Aspect B4: Labor Standards		
General Disclosure		Anti-Child and Forced Labor
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Anti-Child and Forced Labor
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Anti-Child and Forced Labor

General Disclosures and KPIs	Description	Reference Section
Aspect B5: Supply Chain Management		
General Disclosure		Responsible Supply Chain Management; Supplier Monitoring Regime
KPI B5.1	Number of suppliers by geographical region.	Our Suppliers
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Selection Process; Supplier Monitoring Regime
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier Selection Process; Supplier Monitoring Regime
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supplier Selection Process; Supplier Monitoring Regime
Aspect B6: Product Responsibility		
General Disclosure		Product Safety and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Safety and Service Quality
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Safety and Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Safety and Service Quality
KPI B6.4	Description of quality assurance process and recall procedures.	Product Safety and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Data Privacy and Protection
Aspect B7: Anti-corruption		
General Disclosure		Anti-corruption and Money Laundering
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption and Money Laundering
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption and Money Laundering
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption and Money Laundering

General Disclosures and KPIs	Description	Reference Section
Aspect B8: Community Investment		
General Disclosure		Community Investments
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Community Investments
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investments