InnoCare Pharma Limited
諾誠健華醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9969

2019

Environmental, Social and Governance Report

INNOCARE
诺诚健华

Contents

InnoCare Pharma Limited
2019 Environmental, Social and Governance Report

About This Report

This is the first environment, social and governance (ESG) report issued by InnoCare Pharma Limited. We produced it to increase stakeholders awareness of our ESG policies, processes, and performance.

Reporting Scope

This report covers InnoCare Pharma Limited and its subsidiaries, if the scope is inconsistent with the above, it will be explained in the report.

Reporting Period

The operation information from 1 January 2019 to 31 December 2019 ("the reporting period"), some contents and expressions beyond the above range will be explained in the report.

Reporting Specifications

Throughout this report, InnoCare Pharma Limited might be referred to as "InnoCare", "the Company" or "we", for ease of presentation and reading.

Reporting Guidance

We prepared this report based on the "comply or explain" policy in the *Environment, Social and Governance Reporting Guide* ("ESG Reporting Guide") in appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

This report follows materiality, quantitative, balance and consistency principles. It discloses the process of stakeholder identification and engagement, and materiality analysis. It addresses ESG issues of particular concern to stakeholders and explores our achievements and activities in these areas.

Access to This Report

The electronic version of this report is accessible at www.innocarepharma.com or www.hkexnews.hk.

If there is any inconsistency or discrepancy between the Chinese and English versions of this report, the Chinese version shall prevail.

Company Profile

InnoCare is a clinical stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house research and development ("R&D") capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates are targeting both evidence-based and novel biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including in the United States for promising indications to maximize the commercial value of our assets.

We have assembled a well-known management team comprised of seasoned industry executives that collectively cover every step of the drug discovery and development cycle. Our management team brings extensive R&D experience from multinational pharmaceutical companies to InnoCare. We have built a platform that covers a wide spectrum of drug discovery and development functionalities, including drug target identification and verification, pre-clinical evaluation, clinical trial design and execution. We are building our internal commercialization and production capacity, which will help InnoCare to become a fully developed pharmaceutical company in the near future.

Stakeholder Engagement

We attach great importance to communication with stakeholders in our ESG work. We work continuously to improve our stakeholder engagement mechanisms, listening to concerns and feedback from all parties. We act to meet reasonable stakeholder expectations and demands with a view to achieve mutual growth with stakeholders.

Stakeholder Concerns and Communication Channels

Stakeholders	Issues of Concern	Communication Channel	Responses
Government	Observing law and discipline Paying taxes according to law Supporting economic development	Government meetings Project cooperation Supervision and inspection by government authorities	Responding to government requirements Operating in compliance with laws and regulations Promoting technological innovation
Shareholders and Investors	Return on investment and growth Strengthening information disclosure	Shareholders' meeting Periodic report and company announcement Investment relationship activities	Improving business performance Improving corporate governance and risk management Disclosing information through periodical reports Holding the shareholders' meeting to strengthen investor relations management

Stakeholders	Issues of Concern	Communication Channel	Responses
Customers or Users	Providing high-quality products and services Protecting consumer rights and interests Responsible marketing Innovative R&D Intellectual property protection Privacy protection	Participation in academic institutes, industrial associations, academic seminars, and industrial forums etc. Establishing and improving our customer service and complaint processes Guaranteeing information safety	Refining the customer service process Strengthening safety and quality inspection Continuously improving product and service quality
Employees	Safeguarding legitimate rights and interests Fair compensation and benefits Good working conditions Personal career development	Employee training Complaints and feedback Employee care	Protecting employee rights and interests Caring for employee benefits and compensation Creating a comfortable and harmonious corporate culture Improving employees' sense of belonging and satisfaction

Stakeholder Engagement

Stakeholders	Issues of Concern	Communication Channel	Responses
Partners	Observing law and discipline Adhering to business ethics Establishing long-term cooperation	Establishing a standardized and transparent supplier management process, including procurement, evaluation, and investigation	Abiding by partner contracts Improving credibility Strengthening qualification examination Business expansion and continuous cooperation
Community	Emission management Environmental protection Supporting philanthropy	Waste management Energy saving and environmental protection Donation Volunteer activities	Strict discharge standard Creating a green office environment Participating in community-building activities Participating in public service activities Encouraging employees to participate in volunteer activities

ESG Management

Committed to improving corporate governance, we integrate ESG into corporate governance across our commercial operations. As the decision-making body with ultimate responsibility for ESG affairs, the board of directors of the Company assumes full responsibility for our ESG strategy and reporting, including evaluating and determining ESG risks and ensuring appropriate and effective ESG risk management and internal control systems.

Our ESG working group makes regular reports on ESG issues and policies to the board of directors and helps assess the risks and opportunities arising from our operations. It creates ESG management strategies and management plans to enhance our internal control and risk resistance, and maintains a constructive relationship with stakeholders to ensure that the materiality analysis is well-founded.

The ESG working group executive team comprises the heads of R&D, clinical studies, production, commercialization, operations, human resources, and business development departments. It is responsible for implementing ESG instructions, facilitating communication with stakeholders, and reporting to integrate ESG into our daily operations.

ESG Materiality Analysis

We reviewed the materiality and relevance of multiple ESG issues to objectively reflect all stakeholder concerns. We derived these issues from:

- A desk study of ESG reports from peer companies
- Documents including the *Global Reporting Initiative (GRI) Standards for Sustainability Reporting and the ESG Reporting Guide*
- MSCI ESG ratings and Dow Jones Sustainability Index (DJSI) ratings concerning biotechnology industry-related issues
- Continuous communication with stakeholders in daily operations
- Insights related to our risks and opportunities

The ESG working group reviewed 18 ESG issues to identify their materiality and relevance, including their impact on current business operations and how they affected stakeholder decisions. Our 2019 ESG issues are as follows:

Importance	ESG Issues
Most Important	Corporate governance, anti-corruption, talent attraction and retention, R&D and innovation, product quality and safety
Important	Waste management, chemical management, animal welfare, career development, occupational health and safety (OHS), supply chain management, intellectual property protection, data and privacy protection
Relevant	Energy consumption, emissions management, legal employment, community contribution, climate change

A1. Emissions

We consider emissions management as a pivotal issue. We abide by laws, regulations and standards including the *Environmental Protection Law of the People's Republic of China (PRC), Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution from Environmental Noise, Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste, Law of the PRC on Environmental Impact Assessment, Administrative Regulations on the Environmental Protection of Construction Projects, and Emission Standards for Air Pollutants in the Pharmaceutical Industry*. We have created internal management systems including our *Environmental Protection Responsibility System and Laboratory Hazardous Materials and Waste Management*, and assigned environmental management personnel. We mandate the identification and evaluation of impactful environmental factors, and adopt corresponding measures to manage the use, storage, collection, transportation, and treatment of hazardous materials in laboratories. We standardize waste management to forestall environmental pollution and damage. In 2019, we invested RMB727,700 in environmental protection and encountered no environmental accidents such as chemical leakage.

Gas emissions during our R&D process include total non-methane hydrocarbons (TNMHC), ammonia, hydrogen sulfide, and odor generated in animal houses and sewage stations, along with low-concentration particulate matters such as medical dust[1]. We regularly hire third-party agencies to monitor emission concentration indicators to ensure compliant discharge. We regularly maintain or upgrade environmental protection equipment to ensure continual pollutant emissions.

InnoCare instructs employees that everyone is responsible for conserving the environment, encouraging them to meet their environmental responsibilities. We implement various environmental management systems while strengthening and assessing environmental protection training.

1 Since the Company has not installed flow meters at the discharge ports, the data on specific volumes of gas emissions is temporarily unavailable.

A. Environment

Greenhouse Gases

We emphasized R&D in our 2019 operations and had yet to realize large-scale production. Our greenhouse gas emissions were mainly indirect, generated by office operations, and equipment and lighting systems in projects under construction. We advocate low-carbon operations and environmental protection, encourage green travel policies, and promote video conferencing to reduce travel-related carbon emissions. During the reporting period, electricity and outsourced heat in our office space and projects under construction generated 2,120 tons of carbon dioxide. [2] [3]

Wastes

Our waste mainly comprises packaging materials, raw and auxiliary materials, residual reagents, intermediates, products to be packaged, and finished products. These arise from operations including procurement, testing, and R&D. They are also a product of storage due to expiration and loss of efficacy, including used test tubes, waste pharmaceuticals, and experimental wastes.

Solid Waste Emissions in 2019

Indicators		Unit	Data in 2019
Hazardous waste emissions	Used test tubes, pharmaceutical bottles	ton	2.10
	Waste pharmaceuticals	ton	0.10
	Other experimental wastes	ton	18.00
	Total	ton	20.20
General solid waste emissions	Office paper	ton	4.10
	Construction waste	ton	32.00
	Total	ton	36.10

[2] The reported carbon emissions refer only to carbon dioxide emissions, excluding methane, nitrous oxide, and other greenhouse gases emitted by other sources. According to the National Development and Reform Commission's Guidelines for Accounting and Reporting on Greenhouse Gas Emissions from Other Industrial Enterprises (Trial), the carbon dioxide emission factor for heat supply is 0.11 tons of CO_2/GJ. The electricity emission factor is based on the emission factors of regional power grids listed in Appendix 2: Reporting Guidance on Environmental KPIs to *How to Prepare an ESG Report* from the Stock Exchange of Hong Kong.

[3] Since the Company has yet to start large-scale production and sales to generate operating income, the per-unit indicators of environmental data herein or throughout the report such as operating income, product, etc. are temporarily not applicable.

To avoid environmental pollution and potential safety hazards, each branch company classifies its waste and adopts appropriate collection, storage, and treatment measures for each type.

Beijing-based subsidiaries/ branch companies	**Classification** • Class A is general waste and office garbage. • Class B is solid pharmaceutical waste and packaging materials with active ingredients, waste packaging materials, and other hazardous waste, such as waste raw and auxiliary materials, products, waste batteries, and waste lamps. • Class C is liquid waste, such as waste liquid products, highly toxic waste liquid, and waste engine oil. **Collection and Treatment** • Class A is collected by cleaning staff, transported to trash cans for storage, and handed over to the sanitation department for unified treatment. • Class B is collected by departments that generate such waste, labeled as waste, transported to a temporary storage location, and eventually transferred to a qualified third-party waste disposal company under the supervision of environment, health, and safety (EHS) specialists. We retain documentation for this transfer. • Class C is collected by departments that generate such waste, labeled as waste, transported to a temporary storage location, and eventually transferred to a qualified third-party waste disposal company under the supervision of environment, health, and safety (EHS) specialists. We retain documentation for this transfer.

A. Environment

Guangzhou-based subsidiaries/branch companies	**Classification** Companies in this region established a waste list and management procedures. The departments that generate waste sort and count it, and label it as waste. • General waste is wastepaper, household waste, and waste packaging materials such as carton, aluminium foil, blister card, and PVC. • Hazardous solid waste includes waste raw and auxiliary materials, damaged capsules or pharmaceuticals, unqualified or expired products such as retained samples, and waste reagent bottles. Waste liquid materials include experimental waste liquid and liquid waste, etc. Electronic waste includes waste computers, printers, lamps, and batteries. **Collection and Treatment** • General waste is collected into domestic garbage bins by cleaners and handed over to the sanitation department for regular treatment. Non-hazardous waste is stored in a designated area, transferred to and recycled by a general waste treatment company, and corresponding treatment records kept. • Hazardous waste is stored in a hazardous waste warehouse. It is then sent to a waste disposal company with qualifications approved by environmental protection authorities. Our employees ensure that the total amount is correct.

Nanjing-based subsidiaries/ branch companies	**Classification** • Class A is laboratory waste, including gloves, tissue paper, filter paper, and plastic boxes. • Class B is waste needles. • Class C is broken glass, including broken glass instruments such as silica gel plates and capillaries. • Class D is waste silica gel, including used silica gel and activated carbon. • Class E is common waste liquid, including waste organic solvents such as ethyl acetate and ethanol. • Class F is special waste, including all solid and liquid wastes, and waste reagents. It is categorized as F1 (special waste that needs to be treated), F2 (special waste that does not need to be treated), and F3 (other special waste). **Collection and Treatment** • Class A is placed in corresponding containers by experimenters and transferred out of the laboratory by cleaning staff. • Class B, C, D and E are temporarily stored by the experiment department. • Class F1 is specially treated by experimenters according to regulations. Class F2 is collected and stored separately by experimenters. For class F3, experimenters refer to the Material Safety Data Sheet (MSDS) or other data when determining treatment measures. They can conduct harmless treatment and then upon approval by team leaders, dispose of it as required or label it as hazardous waste and store it separately and temporarily in the laboratory. All kinds of waste are transported to the industrial park's warehouse every week for unified treatment.

A. Environment

Wastewater

Most of our wastewater is sewage from laboratory cleaning. We avoid environmental pollution by using sewage equipment for treatment according to the *Regulations on Urban Drainage and Sewage Disposal*. The sewage then enters the municipal sewage pipeline network for centralized treatment.

Wastewater and Pollutant Emissions in 2019

Indicators	Unit	Data in 2019
Experimental wastewater discharge	ton	2,370.00
COD emissions	ton	0.20
BOD emissions	ton	0.04
Ammonia nitrogen emissions	ton	0.02

As this year is the base year for our KPI calculation, we will compare the data with those of next financial year to evaluate the effectiveness of our environmental initiatives.

A2. Use of Resources

We abide by laws and regulations including the *Energy Conservation Law of the PRC* and the *Urban Water Conservation Management Regulations*. All departments adopt corresponding management measures for energy saving, consumption reduction, and recycling. We also promote green office operations.

Energy Use

Our main energy sources are electricity for daily operations, and outsourced heat. We require all office buildings to use energy-saving LED lamps. They must set air conditioning temperatures at no less than 26 degrees Celsius in summer and no more than 20 degrees Celsius in winter. Employees must follow energy-saving measures in daily operations and experiments. These include adjusting high-energy equipment such as laboratory fume hoods to the lowest setting after completing experiments. These measures have delivered significant energy savings. During the reporting period, we consumed a 1,428,600 kWh of electricity, purchased 7,854.55 GJ of heat, and saved about 61,000 kWh of electricity.

Air Conditioning Temperature Control

Resource Use

Setting great store by the management of water resources, the Company actively implements water-saving measures. Our water-saving measures include water recycling through storage tanks. We monitor office water usage and install water-saving devices including inductive faucets and variable frequency pumps. We also check and maintain the water pipe network to reduce leaks. We guide employees in water-saving awareness, reminding them to shut off faucets by posting signs and other methods. We consumed 13,200 tons of water during the reporting period. We do not have any issue in sourcing water that is fit for our use.

We will monitor the usage of the resources and compare the data with those of next financial year to evaluate the effectiveness of our environmental initiatives.

A. Environment

A3. Environment and Natural Resources

Our Guangzhou production base is under construction. We abide by laws and regulations including the *Environmental Impact Assessment Law of the PRC*, *Administrative Regulations on the Environmental Protection of Construction Projects*, and the *Law of the PRC on Soil and Water Conservation*. We regularly monitor and evaluate environmental risks. We fulfill our environmental protection responsibilities related to construction project development, cultural protection, and soil and water conservation. We also take the initiative to reduce negative impacts of our construction project and operations on the environment and natural resources.

We hire a third-party organization to regularly monitor water and soil conservation during construction. It issues quarterly reports to highlight problems quickly and suggest improvements to minimize environmental impact. We use environmental improvement measures at our construction site, including plants, drainage ditches, and sediment deposit ponds. We also use colored strips to avoid surface soil exposure, ensure smooth drainage, and prevent soil erosion. We registered no soil erosion incidents in the project construction area and no adverse impact on the environment by and large during the reporting period.

B1. Employment

We abide by laws and regulations including the *Labor Law of the PRC*, *Labor Contract Law of the PRC*, and *Employment Promotion Law of the PRC*. We created internal employment documents such as our *Employee Handbook* to explain employment issues including working systems, compensation and benefits, performance management, and safety protection and responsibilities. We protect our employees' legitimate rights and interests in areas including employment, salary and benefits, and career development.

Employment in 2019 (As of December 31, 2019)

Type of Employee		Number	Percentage
By Employment Type	Contract workers	203	94.4%
	Temporary workers	12	5.6%
By Gender	Male	106	49.3%
			(Turnover rate 8.6%)
	Female	109	50.7%
			(Turnover rate 12.1%)
By Age	Aged 30 or under	103	47.9%
	Aged 31-40	81	37.7%
	Aged 41-50	18	8.4%
	Aged 51 or over	13	6.0%
Total		215	100%

B. Society

The Company's *Employee Handbook* stipulates the principle of fairness, impartiality and openness upheld in its recruitment. Based on their ability, qualification and correct professional behaviors and working attitude, the Company selects excellent and suitable employees. The Company signs formal labor contracts or agreements with employees and creates an equal and fair employment opportunity for everyone. Adhering to a zero tolerance policy to all kinds of discrimination of employees, the Company shall not discriminate against its employees based on their birthplace, religion and other factors. The Company strictly follows its policy of employment diversity and no child and forced labor, clarifies the employee leave procedure and time, and provides a reasonable employee dismissal procedure.

A reasonable salary and welfare system is important for our employees. Our *Employee Handbook* sets out standards for employee compensation and performance-linked bonus evaluation. The Company provides a stable channel for promotion of employees by linking it to employee performance appraisal. In addition, the *Employee Handbook* provides for regimens on the management of working hours based on standard working hours, irregular working hours and synthetically computed working hours of employees, making strict provisions on overtime process and duration and refraining from scheduling overtime for female employees during lactation and pregnancy. We provide employees with insurance and benefits to encourage better work performance and recognize employees' contributions to value creation. The Company provides diverse benefits to employees and works to foster work-life balance among staff. We organize regular employee birthday parties, celebrations at Chinese and foreign festivals, and team-building activities to enrich employees' spare time and enhance the Company's cohesion.

B2. Health and Safety

Our internal management regimes include the *Environmental, Health, and Safety (EHS) Inspection System*, *EHS Hazards Screening and Rectification System*, *EHS Conference System*, and *Regulations on Non-Working Hours Safety in Chemistry Laboratories*. They align with laws and regulations including the *Production Safety Law of the PRC*, *Regulations on Safety Administration of Hazardous Chemicals*, and the *Administrative Regulations on Precursor Chemicals*. We have established a Safety Committee to implement a safety responsibility system and regulate our EHS management via regular meetings.

Safety and Hazards Screening

We assign full-time and part-time EHS management personnel at all levels to oversee the health and safety systems with daily safety inspections. They evaluate factors including EHS staffing, configuration of protective equipment, workplace safety, and equipment operation safety. Our EHS managers also conduct unscheduled special safety inspections of places, equipment, and operating procedures that are prone to serious accidents. These include workplaces prone to fire and explosion, and the use of hazardous chemicals. We also ensure all safety measures are in place before long holidays. For the safety hazards discovered, the Company requires all departments, teams and construction projects to actively take measures to rectify the hazards and submit corresponding reports to reduce and prevent the occurrence of safety accidents.

Chemistry Laboratory Safety Management

We attach great importance to safety management in chemical experiments. We have strict requirements procedures for the use, storage and treatment of glass instruments, laboratory waste, sharps (syringes, scalpels, etc.), and flammable, explosive, and highly corrosive hazardous chemicals. We mandate a strict plan for the purchase of hazardous chemicals. After the purchase application is approved, they must be purchased collectively and stored in a dedicated warehouse or storage room. They must be clearly labeled and managed by EHS specialists familiar with their properties and knowledgeable about fire protection, and their usage must be documented. We also set time limits on the storage of hazardous materials. Personnel must follow safety protection measures and use safety equipment when using hazardous materials. They must return unused materials to the warehouse according to our procedures and must not remove them without permission.

Chemical experimenters and EHS personnel must regularly inspect, discover, report, and record safety issues. We have established safety requirements for the use, placement, and cleaning of drugs, reagents and experimental instruments during non-working hours in personal and public chemistry laboratory areas and require employees to strictly follow the instructions in order to prevent chemical accidents.

Emergency Preparedness Drills

We organize regular safety emergency drills to improve employees' emergency response and first-aid capabilities and test our safety emergency management. Such drills cover areas including poison-induced suffocation, electric shock, and fire.

Emergency Drills for Electric Shock and Poisoning

B. Society

Employee Health Protection

We use a third-party organization to identify occupational hazards, test occupational health, and issue corresponding reports. We also post hazard warning signs in obvious locations. We establish health files for employees and ensure the correct use of protective equipment including masks, protective clothing, goggles, and gloves. We offer all employees annual occupational health examinations to protect their health and safety. During the reporting period, the Company did not have any work-related accidents; the number of hours lost due to work-related injuries was zero. All of our employees have conducted health assessments.

Safety Training

We deliver training for all employees every year covering EHS areas including production safety policies and regulations, production equipment safety, and traffic and fire safety. This helps employees understand EHS management principles, systems, and implementation regulations, understand workplace hazards and chemical hazards, master the use of labor protection equipment, and improve their occupational hazard prevention knowledge and skills. Our safety training coverage rate was 100% with 30 hours of per-capita training during the reporting period.

B3. Development and Training

We are committed to improving our employees' professional knowledge and skills. We have developed a comprehensive training, assessment, and promotion system to create personal development opportunities for employees. Training formats include independent learning, online courses, on-the-job training and guidance, internal training courses, external training and guidance, university courses, and overseas visits.

We created a comprehensive employee training plan in 2019. This covers topics including induction training, safety education, supplier management regulations, internal audit management regulations, and product complaint management regulations. We also offer specialized training schemes including good-manufacturing practice (GMP) basics training, good documentation practices (GDP) basics training, data integrity (DI) basics training, and the development and application of targeted protein degradation technology. Our 2019 training plan covered all employees in various departments. The lecturer team comprised internal and external experts. We offered training in formats including classroom training and employee self-learning to enhance employees' knowledge and professional skills in multiple dimensions, thereby achieving mutual development of the Company and employees. As of December 31, 2019, the total person times of staff training has reached 4,676.

Employee Training in 2019

Type of Employee		Total Person Times of Staff in Training	Average Training Hours	Percentage of Staff in Training
By Gender	Male	2,710	30	100%
	Female	1,966	27	100%
By Level	Senior management	328	37	100%
	Middle management	1,026	33	100%
	Grassroots employees	3,322	27	100%

B4. Labor Code

We abide by laws and regulations including the *Labor Law of the PRC* and the *Labor Contract Law of the PRC*, and we prohibit the use of child labor and forced labor. Our *Employee Handbook* requires employees to submit ID cards, academic credentials, and other materials when they join the Company. We reserve the right to verify the authenticity of employees' personal information to eliminate illegal employment. During the reporting period, we did not use any child labor or forced labor.

B5. Supply Chain Management

We clarify procurement supplier management rules and principles in our *Purchase Management System*, *Warehouse Management System*, and *Plan Management System*. We divide supplier management into documents including *Supplier Management*, *Material Supplier Management*, *Consumables Supplier Management*, *Supplier Monitoring and Maintenance*, and *Supplier Complaint Management*. These clarify supplier selection, evaluation, and audit requirements. We have identified supply chain risks in areas including compliance of suppliers, intellectual property infringement, raw material and component quality, severe weather and natural or man-made disaster. We reduce these risks via mechanisms including clear systems and specifications, management measures, and supplier training.

InnoCare implements supplier access and daily management by taking into full account the cost, quality, compliance, professionalism, and purchase principles. Our *Qualified Supplier Directory* records suppliers that pass market surveys, probation periods, and initial audits. We manage them based on the results of annual audits. We also audit suppliers of raw and auxiliary materials and internal packaging materials on-site.

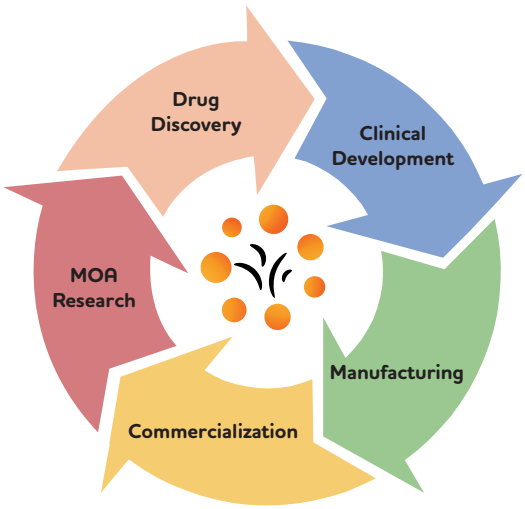
B. Society

Our *Contractor Management* and *Contractor EHS Management System* outline EHS audit and supervision requirements for the selection of contractors on projects under construction. We issue the *Contractor EHS Manual* to confirmed contractors and sign a *Construction EHS Agreement* with them. Before the construction, we offer them EHS training. During construction, we conduct on-site contractor supervision and inspection according to the *EHS Inspection System* and *EHS Hazards Screening and Rectification System*. After construction, we evaluate and summarize contractor performance, and we remove unqualified contractors from the *Qualified Supplier Directory*.

As of December 31, 2019, we had a total of 194 suppliers, including 185 suppliers in mainland China and 9 suppliers overseas.

B6. Product Liability

The Company boasts a world-class R&D platform covering the entire R&D chain from drug discovery to clinical development. We aim to identify proven and innovative drug candidates with the potential to be the first or the best in class, while reducing development costs and increasing the pace of development and possibility of success. Our platform facilitates collaboration among different functional groups and feeds into early discovery and research to cultivate promising targets with clinical and commercial potential. Our platform has five main functional units: target identification, drug discovery, clinical development, manufacturing and commercialization. We were selected as Beijing Municipal Enterprise – Science and Technology Research and Development Institute.



The five main functional units of our biopharmaceutical platform

We have a first-class R&D team. Our drug discovery team comprises approximately 100 professionals, 17 with PhDs and 41 with master's degrees. The clinical development team has 70 specialists, three with PhDs and 17 with a master's degree. Our R&D centers in Beijing and Nanjing support our chemical, biological, in vivo pharmacodynamics, pharmacokinetics, toxicology, and CMC research.

– Our Beijing R&D center spans approximately 8,300 m^2 and is equipped with not only modern chemistry, biology and CMC labs, but also an 800 m^2 AAALAC standard vivarium that allows us to develop in vivo animal models for drug efficacy evaluation, and conduct PK and early safety assessment.

– Our Nanjing R&D center has 3,350 m^2 lab space and houses a state-of-the-art solid-state research lab for polymorph screening and for supporting crystallization process development and drug physical stability studies.

As of December 31, 2019, we had invested RMB213.1 million in R&D.

R&D Quality Management

Our clinical studies abide by the *Good Clinical Practice* (GCP) standard from the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). We also comply with domestic laws and regulations including the *PRC Drug Administration Law, Implementation Measures of the PRC Drug Administration Law*, and *Administrative Measures for Drug Registration*. Before entering clinical trials, we complete toxicology research in accordance with the *Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory* (GLP). Our pharmaceutical research meets good manufacturing practice (GMP) requirements. We submit clinical trial applications in accordance with the requirements of the National Medical Products Administration (NMPA) and its predecessor the China Food and Drug Administration (CFDA). During the clinical trial process, we conduct all steps in accordance with ICH/GCP requirements. This includes protocol design, clinical trial operation, data collection and management, and statistical analysis through to the National Drug Application (NDA) for new drugs. We are preparing to accept on-site NMPA verification of two registered trials.

We have established rigorous *Quality Risk Management Procedures* to clarify quality risk assessment, control, communication, and audit procedures. To ensure the quality of clinical trials, we have developed a series of 168 clinical standard operating procedures (SOPs) in such aspects as personnel training, file management, clinical operations, clinical medical research, pharmacovigilance, data collection and management, supplier management, and the preparation and publication of clinical documents. We offer training to relevant personnel during clinical trials, which combined with self-examination and third-party audits ensure the quality of completion and data of clinical trials.

B. Society

We are committed to the ethical management of laboratory animals, and abide by laws and regulations including the *Regulations of the PRC for the Administration of Affairs Concerning Experimental Animals* and the *Regulations of Beijing Municipality on the Administration of Experimental Animals*. We have established the Institutional Animal Care and Use Committee (IACUC) to audit experimental animal welfare, facility inspection, and project review.

Intellectual Property Rights

Intellectual property rights are critical to the success of business operations. Among other relevant laws and regulations, we abide by the *Intellectual Property Protection Law*, *Patent Law of the PRC*, *Implementation Rules of the Patent Law of the PRC*, *Trademark Law of the PRC*, and *Regulations for the Implementation of the Trademark Law of the PRC*. Our *Confidentiality, Proprietary Information and Intellectual Property Protection Agreement* for employees clarifies the rights and obligations of both parties, along with rewards and compensation for inventors and designers. It regulates the management of intellectual property rights and motivates employees to innovate.

As of December 31, 2019, we held eight granted patents and submitted 90 patent applications in more than ten countries and regions including Australia, China, the United States, the European Union, and Japan.

Industry Communication

We participate in industry research and exchanges, shares research experience and achievements to promote industry development.

- In August 2019, Dr. Jisong Cui, Chairman and CEO of InnoCare, was invited to attend the 36th China Pharmaceutical Industry Information Annual Conference with the theme of "Keep up with the Trend of Innovation". He delivered a report entitled Structural Bio-tech Helps New Drug Development at the China Pharmaceutical Innovation and R&D Conference.

- In October 2019, Dr. Jisong Cui was invited as a guest of the presidium to attend the 11th China Pharmaceutical Entrepreneurs, Scientists and Investors Conference with the theme of "Historic Leap Forward of High-quality Development".

- In November 2019, the symposium of the Entrepreneur Advisory Committee of Zhongguancun National Independent Innovation Demonstration Zone was held in Beijing. Dr. Jisong Cui sat on the Entrepreneur Advisory Committee and gave a speech at the symposium.

- In November 2019, InnoCare participated in the annual meeting of the Chinese American Hematologist and Oncologist Network (CAHON) in New York, where we showed our drug pipelines to over 200 Chinese American hematologists and oncologists from across the United States.

- In December 2019, at the 61st Annual Meeting of the American Society of Hematology (ASH), InnoCare announced the results of using ibutinib for the treatment of relapsed/refractory (R/R) mantle cell lymphoma (MCL) patients, a clinical research spearheaded by Professor Jun Zhu of Peking University Cancer Hospital. We also communicated the data of using ibutinib for the treatment of relapsed/refractory (R/R) chronic lymphocytic leukemia/small lymphocytic lymphoma (CLL/SLL), a clinical research spearheaded by Professor Jianyong Li of Jiangsu Provincial People's Hospital.

B7. Anti-corruption

We value clean operation and prohibit any form of commercial bribery and fraud. We follow anti-corruption and business ethics policies and regulations including the *Anti-Unfair Competition Law of the PRC, Law of the PRC on Tendering and Bidding, Anti-Money Laundering Law of the PRC, Regulations on Prevention of Bribery, and the Opinions on Several Issues Concerning the applicable Laws in Handling Criminal Cases of Bribery*.

The Company has formulated it own *Administrative Measures on Anti-fraud and Whistle-blowing*, requiring its management to establish, improve and implement anti-fraud procedures and control mechanisms including fraud risk assessment and prevention and to establish a standing unit for anti-fraud responsible for admitting, investigating and reporting on any fraud case submitted as well as suggesting on how to handle the case, establishing a reporting and whistleblower protection mechanism, and specifying the occupational acts of all employees. In the meantime, the *Agreement against Commercial Bribery* was laid down for all suppliers to sign and observe. It specifies the manifestations of commercial bribery between the two parties with the obligation to oversee the business conduct of Party B and to maintain the Company's business integrity.

InnoCare had no cases of corruption during the reporting period.

B. Society

B8. Social Investment

We have a strong sense of corporate social responsibility and strive to give back to society. We donated RMB one million to the Chinese Red Cross Foundation to help control the COVID-19 pandemic. We also donated 300 surgical masks to Shanghai Oriental Hospital and 300 surgical masks to the staff members of an American organization for patients with Waldenstrom macroglobulinemia.

In September 2019, we organized a 17km hike for all employees, who collected about 9kg of garbage along the way.

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Subject Areas, Aspects, General Disclosures and KPIs		Mapping O/S
A: Environment		
Aspect A1: Emissions		
General disclosure		9-14
A1.1	The types of emissions and respective emissions data.	9-10, 14
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10
A1.5	Description of measures to mitigate emissions and results achieved.	9-10
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	11-14
Aspect A2: Use of resources		
General disclosure		14-15
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).	14
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	15
A2.3	Description of energy use efficiency initiatives and results achieved.	14-15
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	15
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Company has not yet produced and sold products, so it is temporarily not applicable.

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Subject Areas, Aspects, General Disclosures and KPIs		Mapping O/S
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B: Society		
Employment and Labor Standards		
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B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	19-20
Aspect B3: Development and training		
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B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	21
B3.2	The average training hours completed per employee by gender and employee category.	21

Subject Areas, Aspects, General Disclosures and KPIs		Mapping O/S
Aspect B4: Labor guidelines		
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B4.1	Description of measures to review employment practices to avoid child and forced labor.	21
B4.2	Description of steps taken to eliminate such practices when discovered.	21
Operational practices		
Aspect B5: Supply chain management		
General disclosure		21-22
B5.1	Number of suppliers by geographical region.	22
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	21-22
Aspect B6: Product responsibility		
General disclosure		22-24
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company has not yet produced and sold products, so it is temporarily not applicable.
B6.2	Number of products and service related complaints received and how they are dealt with.	The Company has not yet produced and sold products, so it is temporarily not applicable.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	24
B6.4	Description of quality assurance process and recall procedures.	22-24
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	The Company has not yet produced and sold products, so it is temporarily not applicable.

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Subject Areas, Aspects, General Disclosures and KPIs		Mapping O/S
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B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	25
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Aspect B8: Community investment		
General disclosure		26
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	26
B8.2	Resources contributed (e.g. money or time) to the focus area.	26

Feedback

Dear readers,

Thank you very much for reading the 2019 Environmental, Social and Governance Report of InnoCare Pharma Limited. We attach great importance and look forward to your feedback on InnoCare's management, practice and report related to environmental, social and governance. To further improve our work and make the next report better meet your expectations, we hope that you will give feedback and suggestions in the following aspects.

1. Are you satisfied with the overall report?

   Satisfied ☐ Acceptable ☐ Not Satisfied ☐

2. Is the information you care about presented in this report?

   Satisfied ☐ Acceptable ☐ Not Satisfied ☐

3. Do you think InnoCare's environmental protection, social compliance and corporate governance and the impact on stakeholders are accurately presented in this report?

   Satisfied ☐ Acceptable ☐ Not Satisfied ☐

4. Can you easily find the information of interest in this report?

   Satisfied ☐ Acceptable ☐ Not Satisfied ☐

Open question

Please write down your comments and suggestions on InnoCare Pharma Limited's environmental protection, social compliance and corporate governance, as well as on this report.

Your contact information

Name:
Company:
Address：
Tel.:
Email:
Fax:

Feedback

Please mail the above information to the following address:

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Changping District, Beijing, China

Postcode: 100084

Email: IR@innocarepharma.com

We will give due consideration to your comments and suggestions, and promise to protect your information from being accessed by third parties.