

# 2022 Sustainability Report

and ESG Report

ZHENDE MEDICAL CO.,LTD.





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# About This Report

This report is the first *Sustainability Report and ESG Report* of Zhende Medical Co., Ltd., which discloses to investors and other stakeholders Zhende's philosophy, established management methods, implemented work, and achieved results in terms of sustainable development issues in its operations.

## Report Scope

The scope of this report covers Zhende Medical Co., Ltd. and its subsidiaries (referred to as "Zhende Medical", "Zhende" or "we"). Unless otherwise specified, the scope of this report is consistent with that of consolidated financial statements for the same period of Zhende Medical (stock code: 603301.SH).

Subsidiaries Mentioned in the Report	Abbreviations in the Report
Xuchang Zhende Surgical Dressing Co., Ltd.	Xuchang Zhende
Xuchang Zhengde Environstar Medical Products Co., Ltd.	Xuchang Zhengde
Shaoxing Haoshide Medical Products Co., Ltd.	Shaoxing Haoshide
Henan Zhende Medical Products Co., Ltd.	Henan Zhende
Zhejiang Steriger Sports Safety Technology Co., Ltd.	Zhejiang Steriger
ROCIALLE HEALTHCARE LIMITED	Rociale Healthcare

## Report Period

This report covers the period from January 1, 2022 to December 31, 2022. Unless otherwise specified, the data in this report come from this period.

## Preparation Basis

This report is based on the *Guideline No. 1 for the Application of Self-regulatory Rules for Companies Listed on the STAR Market of the Shanghai Stock Exchange - Standardized Operation* (2022), and has been prepared with reference to the *GRI Standards* (2021) and the United Nations Sustainable Development Goals (SDGs).

## Report Preparation Principles

This report is prepared in accordance with the principles of importance, accuracy, balance, clarity, quantification and consistency, completeness, timeliness, and verifiability. It is approved for release by Zhende's Board of Directors on August 29, 2023. The Board of Directors guarantees that the content of the report is free from false records, misleading statements, or significant omissions.

This report is published in Simplified Chinese and English. Any inconsistency between the Chinese and English expressions shall be subject to the Chinese version.

## Data Description

The data and cases in the report come from official records of Zhende's actual operations.

The financial data in the report are all in RMB. If the financial data is inconsistent with the Zhende's annual financial report, the annual financial report shall prevail.

## Report Acquisition

This report is released in electronic form, and can be viewed on or downloaded from Zhende's official website (<http://www.zhende.com>) or Zhende's official WeChat public account "Zhende Medical".

## Contact Us

If you have any suggestions for the report, you can reach us through the following ways:

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# About Zhende Medical

## Company Profile

Zhende Medical, established in 1994, is an A-share listed company in China (stock code: 603301. SH). It is headquartered in Shaoxing City, Zhejiang Province. Zhende has become one of the domestic manufacturers of medical dressings and infection site control and protection products with a relatively complete varieties and a leading scale, whose scope of businesses and services covers 34 provinces of China, and over 70 countries and regions.

Zhende's products have been certified by the Food and Drug Administration (FDA), the Communate Euoppene (CE), ISO 13485 Quality Management for Medical Devices, and the National Medical Products Administration (NMPA) of China. Zhende's product line covers different usage scenarios such as bandaging and fixation, wound care, surgical site infection control, basic care, protective isolation, pressure therapy and venous thromboembolism (VTE) prevention, stomal incontinence care, high-end wound care, personal care, rehabilitation care, and intravenous therapy care.

For detailed business information of Zhende, please refer to *Zhende Medical Annual Report 2022*.

## Honors of Zhende in 2022

- Top 100 Global Medical Device Companies in 2022.
- Top 500 Chinese Manufacturing Enterprises in Charity and Public Welfare in 2022.
- "2022 Social Responsibility Pioneer Award" at the 12th Philanthropy Festival.
- "Gold Award" of CPEO Summit.
- "2022 National Intellectual Property Demonstration Enterprise".
- Official supplier of medical and health protective equipment for the 19th Asian Games.
- Top 500 Innovative Brands in China in 2022.
- 2022 Zhejiang Province "Future Factory" Pilot Enterprises.
- Top 10 Health Industry Brands in 2022 by *Beijing Evening News*.



# Message from the Chairman – From Care to We Care

2022 marked the second year of Zhende's new strategy since its release. In 2022, we adhered to the corporate mission of "Ensure medical safety and reduce healthcare cost", focused on continuous innovative practices in the medical and health industry, and achieved business breakthroughs in multiple fields. Our hospital line business covered 7,000 hospitals nationwide, including over 1,000 Grade-A tertiary hospitals. The number of e-commerce store's fans exceeded 8 million. We covered 98% of the top 100 chain pharmacies. Stoma and modern wound dressing products of Zhende increased by 145% over the same period. In the past 30 years of development, in addition to providing high-quality services and products to customers, we have always attached great importance to organizational capacity building and public undertakings. Integrating the development experience of these years, we released the organizational development "Care" philosophy model and employee development "I Care" philosophy model. On this basis, "We Care" philosophy model has been created as a guide for sustainable development strategy.



## Organizational Sustainable Development - Care Philosophy

We always believe that the sustainability of business development is closely related to organizational development. In combination with our business strategy, we release our organizational development strategy the Care Philosophy Model. Its core content is that we must base ourselves on long-term strategy, shift from emphasizing "opportunities" to emphasizing both "opportunities" and "abilities". That is, we aim to gradually move towards "team success and organizational success" by "care business, care organization, care individual, empowering with dedication, co-create value, and share success". We will strive to achieve team success by 2025 and organizational success by 2030.

## Employee Sustainable Development - I

We always believe that while the organization cares employee development, employees in turn nurture the organization. Under the guidance of the I-Care philosophy, employees' work standards not only include completing their own work, but also include: What difference can I make in comparison with others at the same position? What improvement can I make? What achievement am I proud of? Employees are more proactive in taking on course development, part-time lecturers, and lean/process/quality/workers' congress/environment/health/safety improvement projects. These are key performance behaviors.



## Social Sustainable Development - We Care Philosophy

We always believe that the organization, employees, and society are inseparable. Only when the enterprise and employees grow, can they make greater contributions to society and bear more social responsibilities. In 2022, Zhende upgraded its original Safety Management Committee and established the ESG Decision-making Committee and ESG Standing Office. Via benchmarking with the GRI Standards and the UN SDGs, Zhende's sustainable development strategy has been comprehensively upgraded and clearly incorporated into its development strategy. The upgraded sustainable development philosophy is the *We Care Philosophy Model*. Zhende's sustainable development strategic policy is to "care employee growth; promote green development, to be a reliable partner". Zhende has clearly formulated its 2030 goals and actions based on material topics from nine dimensions, namely safety and health, employee rights and benefits, growing together, environmental responsibility management, innovation and green product development, climate change mitigation and adaptation, customer and product responsibility, assisting industry development, and social contribution.

This is a complete and virtuous cycle of ESG model from Care to I Care and then to We Care, from caring for employees to caring for the company, and then to the company focusing on social sustainable development with employees. With the brand ideal of "bringing healthy life within reach", we work together with stakeholders to create a better society.

**We Care**  
Care Employee Growth, Promote Green Development,  
and To Be a Reliable Partner





# Key Performance on Sustainability in 2022

## Responsibility Actions

A total of **554** employees were sponsored, with a subsidy amount of RMB **2,068,500**  
Scholarships were granted to a total of **124** employees' children with the amount of RMB **372,000**  
**184** employees participated in voluntary activities  
The total duration of employee volunteer service was **926** hours  
Total annual amount donated: RMB **5.274** million

## Compliance

Female directors accounted for **33.33%**  
**3** investor exchange conferences were held  
A total of **15** internal audits were conducted  
**4** anti-corruption themed training sessions were provided

## Reform

**16** modules and **143** statements of BI management cockpit were optimized  
Vertical warehouse in Shaoxing saw an increase of over **60%** in efficiency with approximately **15,000** boxes/day handled for inbound and outbound shipments.  
**83** TPI projects were completed, saving RMB **23.84** million in costs  
Over RMB **23** million incentives were distributed to employees  
**5,093** proposals for improvement were raised

## Care Employee Growth

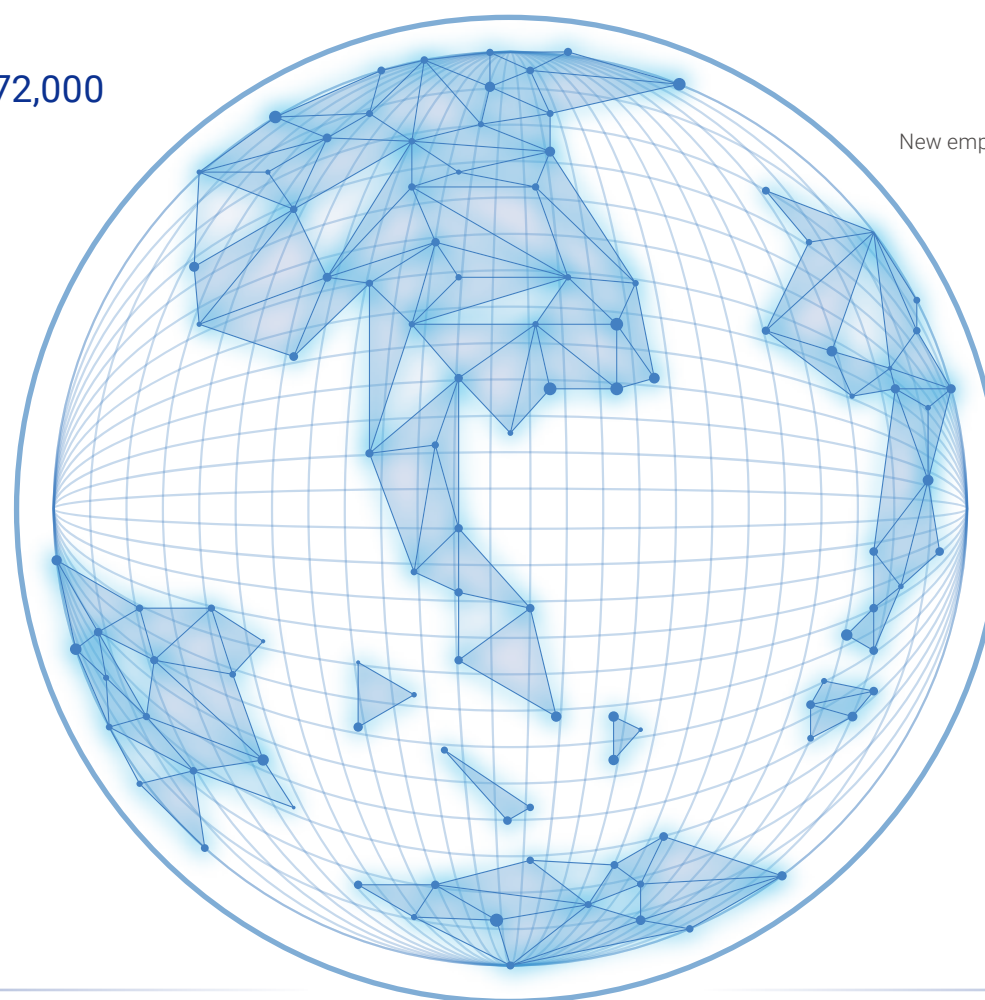
Female employees accounted for **65.63%**  
The second phase of the employee stock ownership plan included **114** employees  
New employee satisfaction rate reached **92%**, and employee net promoter score (E-NPS) was **62.85%**  
The coverage of employees receiving training was **100%**  
and the average training time per employee was **66.11** hours  
The work-related injury rate per one thousand employees was **0.59**  
and **159** working days lost due to work-related injuries

## Promote Green Development

Annual R&D investment was RMB **227** million  
Zhende was granted **20** Class II medical device product registration certificates and **16** patents for invention  
The annual expenditure on environmental protection investment reached RMB **15.04** million  
Circulating water usage accounted for **63.75%**  
The total amount of waste generated was **1,120.48** tons  
Total greenhouse gas emissions (Scope 1 + Scope 2) were **102,187.23** tons of CO<sub>2</sub> equivalent  
representing a decrease of **9.73%** compared to 2021

## To Be a Reliable Partner

The C-NPS of domestic market customers was **88.11%**, while the C-NPS of foreign market customers was **30.51%**  
Zhende participated in the formulation (revision) of **6** group standards  
The collaboration rate of purchase orders was **98.64%**, the compliance rate of standard delivery times was **92.30%**, and the change rate of order delivery times was **4.78%**  
Environmental and social risk survey was conducted on **672** suppliers





# Responsibility Actions

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While creating profits for shareholders and ensuring the steady development of business, Zhende Medical always undertakes its corporate responsibilities to employees and society. Zhende firmly believes that employees are the most valuable asset of an enterprise. Internally, we attach importance to conveying humanistic care to employees. We create a family-friendly workplace, and set up mutual aid funds to support employees in need and their families, thereby helping employees overcoming difficulties. Externally, we uphold the philosophy of giving back to the society. We believe that the prosperity and development of the community is interwoven with the success of an enterprise. We regularly carry out volunteer activities and participate in charitable donations. We fulfill our social responsibilities, and deliver Zhende's care and warmth to the society.

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## Care Employees

Employees are the most valuable asset of Zhende Medical and the engine for its long-term, stable and harmonious development. We respect employees, and advocate humanistic care for them. We fully mobilize their enthusiasm and vitality, and stimulate their potential. We pool the wisdom of all to promote our sustainable development.

In the event of marriage, funeral, injury and illness, childbirth, or major family accidents, Zhende will pay visits to employees, bringing them care and support of the company. In the winter of 2022, Zhende purchased 5,689 pieces of heat preservation jackets for the employees of the Xuchang base, a heart-warming gesture that protected them from coldness.

### Zhende Medical Established the Mutual Aid Foundation to Assist in Employees in Need

We established the Mutual Aid Foundation in 2011 to provide assistance to employees and their families who are in financial difficulties. In 2022, Zhende subsidized 42 employees in total, with a total amount of RMB 261,000. As of the end of 2022, the Mutual Aid Foundation has supported 554 employees in need.



Granting Ceremony of Mutual Aid Foundation Fund

### Zhende Medical Established the Talent Scholarship to Assist in the Study and Development of Employees' Children

To care for employees and their families, we brought the Talent Scholarship Foundation into being in 2019 to help employees' children to further their studies and develop. Our core value of "sharing success" was therefore put into practice. In 2022, we distributed the Talent Scholarship to 39 students for the fourth time. As of the end of 2022, we have accumulatively awarded scholarships to 124 employees' children.



Group Photo of Employees' Children Awarded the Talent Scholarship

### Zhende Medical Provided Child Care Services for Employees to Create a Family-Friendly Workplace

To solve the difficulty of taking care of employees' children during holidays, enrich children's lives and promote their development, we have offered winter (summer) vacation care services four times. We provided homework counseling and a series of interest courses, such as painting, poetry appreciation, clay making, cupcake making, and enhance their understanding and friendship between each other through games.

In 2022, a total of 45 children received such services. In the future, we will continue to work hard in caring for the families of our employees, building a "harmonious and beautiful" home of Zhende.



Sending Gifts to the Children

## Community Communication

Zhende Medical adheres to the philosophy of giving back to society. We actively participate in community communication activities, and support the development of our operating location through various means.

We have established systems such as the *Regulations on the Management of External Donations* and the *Management Rules for Volunteer Teams* covering both the headquarters and subsidiaries. These ensure that our public welfare, charity, and volunteer service projects can be rolled out efficiently, transparently, and in compliance.

A volunteer team composed of employees was set up in 2011, which has expanded to over a hundred people. For more than a decade, it has persisted in carrying out volunteer activities such as assisting retirement homes, people with disabilities and students, charity sales, and tree planting. In these ways, the warmth and care from Zhende has been conveyed and our social responsibility has been fulfilled.

In 2022, the number of employees participating in voluntary activities reached 184, contributing a total volunteer service time of 926 hours.



### One-on-one Disability Services Showed Zhende's Care and Warmth

In May 2022, Zhende's volunteer team launched a series of activities such as helping the disabled and impoverished, supporting entrepreneurship, and providing volunteer services before and after the "National Day of Helping the Disabled".

In these activities we provided one-on-one assistance to entrepreneurs with disabilities and poor families of people with disabilities. We offered living necessities and health supplies to those in need, as well as volunteer services such as cleaning and housekeeping. We helped people with disabilities better feel the beauty of life with "gift packages".



Scene of One-on-one Disability Services

### Zhende Medical and Shengzhou Shenggao Primary School Jointly Launched "Caring Children, Volunteer Teaching" Public Welfare Classroom and Friendly Football Match

In June 2022, Zhende collaborated with Shengzhou Shenggao Primary School in carrying out the public welfare class and friendly football match. At the same time, Zhende donated medical and health supplies to Shenggao Primary School, and also prepared small gifts for the children.

Six volunteer team members presented different courses to children of different grades, including paper folding, scientific experiments, safety protection tips, encouragement, psychological education, and English, which enriched the children's extracurricular knowledge. In addition, the volunteers also had a friendly football match with the children, allowing them to experience the joy of sports.



Volunteer Team Members and Students of Shenggao Primary School on the Football Field

### Zhende Medical Participated in "Pomegranate Seed · Yixing Love Fund" Donation to Convey Care Through Charity Sale

In August 2022, Zhende participated in the "Pomegranate Seed · Yixing Love Fund" donation activity in the form of a charity sale. All the proceeds from the charity sale were donated to students of ethnic minorities living in difficulties in Yuecheng District of Shaoxing, conveying humanistic care and helping children grow.



Charity Sale Booth

## Donation

We are an enterprise determined to help human beings lead a healthier life. Caring people and performing social responsibility have already been deeply rooted in our corporate genes. We strive to give back to the society as much as possible, help people in need, and bring warmth to more people. In 2022, we donated a total of nearly RMB 5.274 million in cash and kind.

At the 6th China Enterprise Charity Forum in 2022, Zhende Medical was honored as one of the 2022 Top 500 Chinese Manufacturing Enterprises in Charity and Public Welfare. Zhende Medical obtained the "2022 Social Responsibility Pioneer Award" at the 12th Philanthropy Festival.

### Zhende Medical Donated Ostomy Supplies to Patients of "Panda and His Friends" Organization

On August 12, 2022, Zhende Medical donated RMB 330,000 worth of ostomy supplies to the "Panda and His Friends", a mutual-aid patient organization, to care for and help rectal cancer patients with ostomy. Through this event, we hope that the high-performance ostomy supplies manufactured by Zhende can help patients to recover as soon as possible. Efforts are also made to let them feel the warmth and support from society amid their fight against the disease.



Zhende Medical Donated Products to Patients with Ostomy of "Panda and His Friends" Organization



# Sustainable Development Management

Based on the SDGs and the global governance concept proposed by the Chinese government, Zhende Medical has put forward the "We Care" sustainable development strategic model in combination with its own business. Under the leadership of its ESG Management Committee, Zhende has established a comprehensive ESG governance structure in light of environment, society, and governance. This will help put the complete, efficient, and balanced ESG management into practice. We integrate stakeholder communication into the entire process of material topic management, and regularly disclose ESG information. Together with our stakeholders, we create a more sustainable future.

# 02

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ZHENDE



## ESG Strategy

The philosophy of sustainable development of Zhende Medical originates from its mission and vision. We believe that integrating the philosophy of sustainable development into Zhende's operations will help us grow steadily and constantly into the future. In 2022, based on its own business, the SDGs and the global governance philosophy proposed by the Chinese government, Zhende Medical developed an ESG policy that included three major strategies: "Care employee growth," "Promote green development," and "To be a reliable partner".

In the future, we intend to incorporate SDGs into our long-term operation plans. We will actively plan key actions centering on three major strategies, and formulate sustainable development goals. This can ensure that Zhende's ESG policy fully responds to the expectations of customers, the society and other stakeholders, and keeps pace with the SDGs.



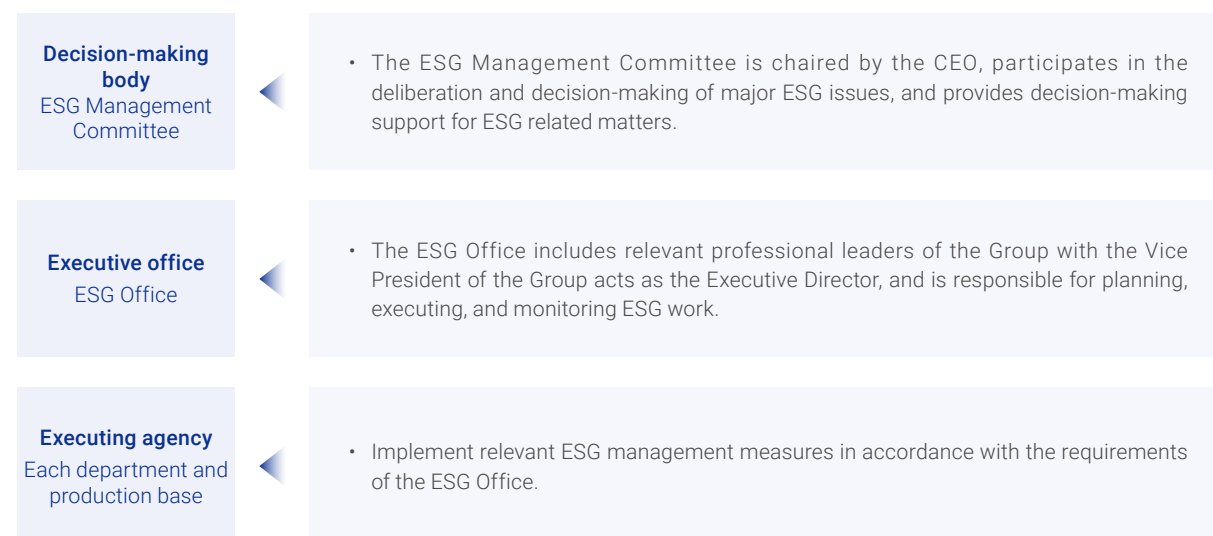
ESG Strategy and Responses to SDGs	Key Dimensions	Key Actions	2030 Goals Committed
<b>Care employee growth</b>  	Safety and health	<ul style="list-style-type: none"> <li>Established an occupational health and safety management system and passed the ISO 45001 certification</li> <li>Established safety production goals with the goal responsibility letter signed from top to bottom</li> <li>Regularly carried out hazard identification and risk assessment</li> <li>Regularly conducted EHS themed training</li> </ul>	<ul style="list-style-type: none"> <li>The work-related injury rate per one thousand employees is less than 0.5.</li> </ul>
	Employee rights and benefits	<ul style="list-style-type: none"> <li>Established a talent introduction strategy</li> <li>Implemented employee stock ownership plans to retain talents</li> <li>Established communication channels for employees, such as trade unions, workers' congresses, and general manager's mailbox</li> <li>Cared for female employees and increased the proportion of female managers</li> <li>Cared for employees with difficulties</li> <li>Established a comprehensive remuneration system and reward system.</li> <li>Conducted surveys on employee satisfaction and engagement.</li> </ul>	<ul style="list-style-type: none"> <li>The proportion of female directors and managers above this level reaches 20%.</li> <li>Employee NPS is greater than 70 points.</li> </ul>
	Growing together	<ul style="list-style-type: none"> <li>Established a panoramic scheme for talent training and development.</li> <li>Supported employee to pursue higher education and skill certification.</li> <li>Established a clear, transparent, unobstructed dual-channel for career development.</li> </ul>	<ul style="list-style-type: none"> <li>The average training time of employees is greater than 60 hours.</li> </ul>

ESG Strategy and Responses to SDGs	Key Dimensions	Key Actions	2030 Goals Committed
<b>Promote green development</b>    	Environmental responsibility management	<ul style="list-style-type: none"> <li>Established an environmental management system and passed the ISO 14001 certification</li> <li>Performed up-to-standard wastewater discharge and gas emission</li> <li>Performed compliant disposal of waste</li> </ul>	<ul style="list-style-type: none"> <li>All factories pass the ISO 14001 certification.</li> </ul>
	Innovation and green product development	<ul style="list-style-type: none"> <li>Introduced IPD consulting projects, optimized the construction of end-to-end new product development processes, and improved the efficiency of commercialization and transformation of new products</li> <li>Improved resource utilization efficiency through measures such as waste heat and energy reuse and wastewater recycling</li> <li>Developed surgical site infection control materials that met ISCC certification standards</li> <li>Calculated product carbon footprint based on international standards</li> </ul>	<ul style="list-style-type: none"> <li>The proportion of environmentally friendly packaging materials used in finished products exceeds 80%.</li> </ul>
	Climate change mitigation and adaptation	<ul style="list-style-type: none"> <li>Reduced greenhouse gas emissions through measures such as investment in energy-saving equipment</li> <li>Installed photovoltaic power generation facilities in the factory area to reinforce the use of clean energy</li> <li>Conducted factory carbon inventory verification based on ISO 14064 standards</li> </ul>	<ul style="list-style-type: none"> <li>With 2020 as the base year, the emissions of greenhouse gases related to production (Scope 1 and Scope 2) decrease by 30%.</li> <li>Renewable electricity accounts for over 30% of total electricity consumption.</li> </ul>
	Customer and product responsibility	<ul style="list-style-type: none"> <li>The product passed multiple domestic and foreign system certifications such as ISO 13485, CE and GMP</li> <li>Established and improved the comprehensive quality management system and introduced Six Sigma management methods to improve product quality</li> </ul>	<ul style="list-style-type: none"> <li>All active suppliers establish quality systems.</li> </ul>
<b>To be a reliable partner</b>   	Assisting industry development	<ul style="list-style-type: none"> <li>Participated in industry exchange activities such as the 86th China International Medical Equipment Fair; collaborated with Beijing Hospital of Traditional Chinese Medicine affiliated to Capital Medical University and other units; rolled out school-enterprise cooperation with Shaoxing Vocational &amp; Technical College</li> <li>Participated in the formulation of industry standards such as <i>Medical Elastic Bandage</i>, <i>Medical Anti-embolism Stockings</i>, and <i>Medical Varicose Vein Compression Socks</i></li> <li>Developed an SRM platform, continuously optimized supply chain capabilities, and conducted supplier environmental and social risk research; developed a CRM system</li> </ul>	<ul style="list-style-type: none"> <li>Environmental and social risk research covers all key suppliers.</li> </ul>
	Social contribution	<ul style="list-style-type: none"> <li>Created jobs in the operating location and assisted in local economic development; developed management systems on public welfare and charity; established mutual aid and poverty alleviation foundations, talent scholarships, and volunteer teams; carried out public welfare and charity projects and volunteer services with awards granted</li> <li>Donated Covid-19 pandemic prevention materials; improved local medical service accessibility by building factories overseas, etc.</li> </ul>	<ul style="list-style-type: none"> <li>External donations are made annually.</li> </ul>



## ESG Management O-Chart

To promote the integration of ESG policies into its strategy, Zhende formed a top-down ESG management organizational structure in 2022, further optimizing relevant management processes. The construction of the ESG management system is promoted by the ESG Management Committee, and the ESG Office serves as the executive office to coordinate relevant management, communication, and disclosure. A long-term management mechanism has been put in place. The ESG Office regularly reports on work progress to the ESG Management Committee and receives guidance.



## Stakeholder Communication

Zhende Medical expects to establish a long-term mutual-trust relationships with its stakeholders. With a regular communication mechanism with stakeholders, it aims to gain a deeper understanding of their opinions, needs, and expectations on the company. We maintain two-way communication with relevant parties and respond to their focuses in the field of sustainable development.

Main Stakeholders	Topics of Concern	Communication Methods/Channels
Government and regulatory agencies 	<ul style="list-style-type: none"><li>Compliant operations</li><li>Anti-corruption and business ethics</li><li>Emissions and waste</li><li>Environmental management system</li></ul>	<ul style="list-style-type: none"><li>Legal operation</li><li>Compliant tax payment</li><li>Anti-corruption mechanism</li><li>Inspection by leaders and supervision authorities</li><li>Responding to government policies</li><li>Participation in government projects</li></ul>

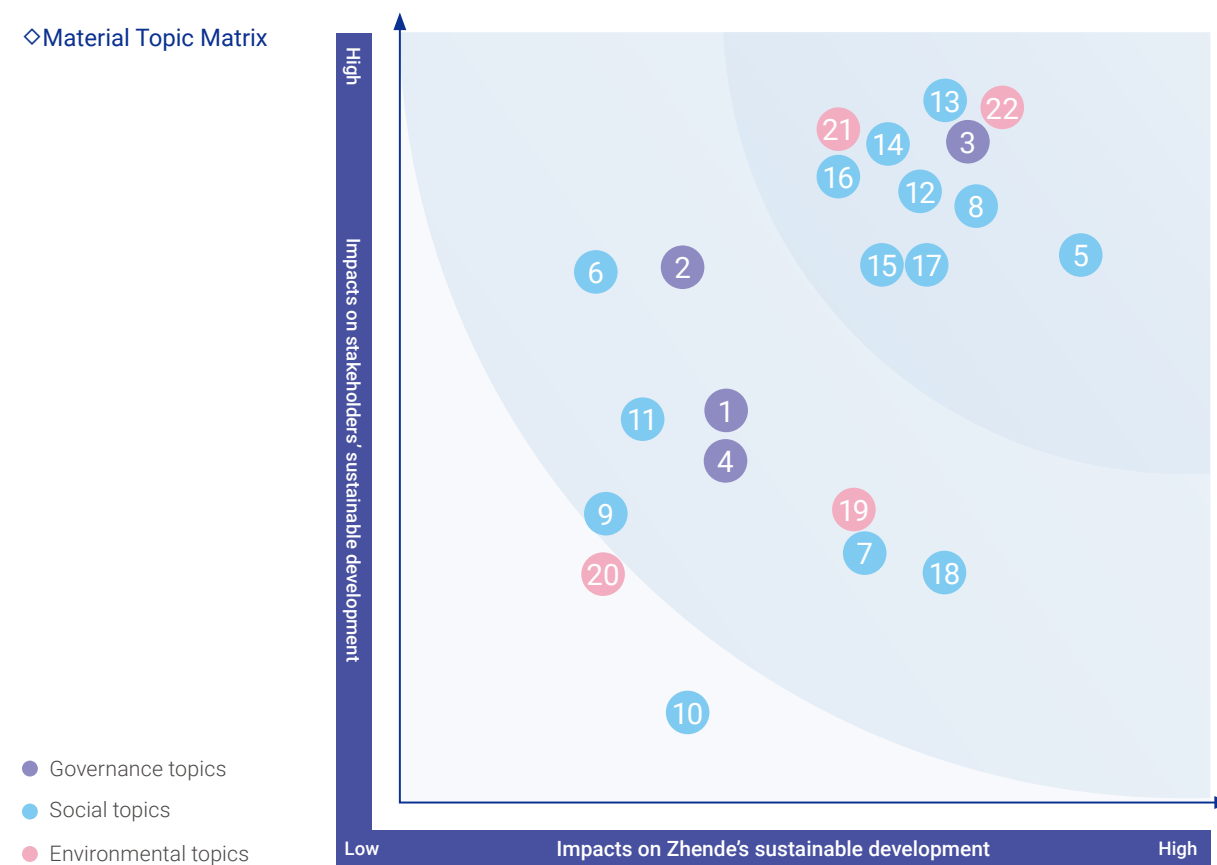
Main Stakeholders	Topics of Concern	Communication Methods/Channels
Institutional investors and individual shareholders 	<ul style="list-style-type: none"><li>Protection of investors' rights and interests</li><li>Corporate governance</li><li>R&amp;D and innovation</li><li>Intellectual property protection</li></ul>	<ul style="list-style-type: none"><li>Exchanges' information disclosure platform</li><li>Disclosure of periodical reports and official website information</li><li>Investors exchange conference</li><li>Investors hotline</li><li>Company visit</li><li>General Meeting of Shareholders</li></ul>
Customers and consumers 	<ul style="list-style-type: none"><li>Product quality and safety</li><li>Customer service</li><li>Data security and privacy protection</li><li>Responsible marketing</li><li>Climate change mitigation and adaptation</li><li>Resource utilization</li></ul>	<ul style="list-style-type: none"><li>Customer satisfaction survey</li><li>Professional customer service team</li><li>Email and service hotline</li><li>Customer complaint channels</li><li>Customer visit</li></ul>
Partners 	<ul style="list-style-type: none"><li>Compliant operations</li><li>Anti-corruption and business ethics</li><li>Supply chain management</li><li>Industry exchange and cooperation</li></ul>	<ul style="list-style-type: none"><li>Industry events (exhibitions, seminars, etc.)</li><li>Industry-university-research cooperation</li><li>Supplier conference</li></ul>
Employees 	<ul style="list-style-type: none"><li>Employee recruitment and hiring</li><li>Employee training and development</li><li>Employee rights and benefits</li><li>Occupational health and safety</li></ul>	<ul style="list-style-type: none"><li>Internal mail</li><li>Internal communication platform</li><li>Employee complaint channels</li><li>Employee training</li><li>General meeting of worker representatives</li><li>Employee care mechanism (Mutual Aid Foundation, Talent Scholarship, etc.)</li></ul>
Community and the public 	<ul style="list-style-type: none"><li>Community communication and development</li><li>Medical accessibility</li><li>Emissions and waste</li></ul>	<ul style="list-style-type: none"><li>Volunteer service activities</li><li>Public welfare projects</li><li>Company website and self-media</li><li>Inclusive products</li></ul>




## Analysis of Material Topics

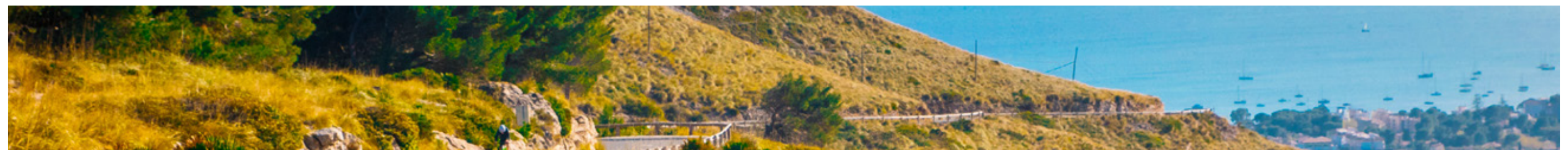
In 2022, Zhende conducted analysis based on the business characteristics of its industry in view of domestic and foreign industry policies and standards. We have identified current policy hotspots, conducted material topic benchmarking with peer ESG issues, summarized ESG rating concerns, and established an ESG topic library suitable for ourselves. In addition, we have organized research on internal and external stakeholders. Taking external expert opinions into consideration, we have discussed and confirmed the expression and importance ranking of material topics.

Zhende Medical's ESG topics of high materiality identified are shown in the table below. The relative ranking of material topics is shown in the matrix diagram. The material topics highlighted by Zhende's stakeholders are in the upper right corner of the matrix, and will be responded in this report.

### Material Topic Matrix



Dimensions	Serial Number	Material Topics
 <b>Governance</b>	1	Corporate governance
	2	Anti-corruption and business ethics
	3	Compliant operations
	4	Protection of investors' rights and interests
 <b>Society</b>	5	R&D and innovation
	6	Intellectual property protection
	7	Industry exchange and cooperation
	8	Product quality and safety
	9	Customer service
	10	Data security and privacy protection
	11	Responsible marketing
	12	Employee recruitment and hiring
	13	Employee rights and benefits
	14	Occupational health and safety
	15	Employee training and development
	16	Supply chain management
	17	Community communication and development
	18	Medical accessibility
 <b>Environment</b>	19	Environmental management system
	20	Resource management
	21	Emissions and waste
	22	Climate change mitigation and adaptation





# Compliance and Reform

We prioritize compliance, standardize corporate governance and information disclosure, and protect investors' rights and interests. We continue to strengthen our awareness of risk prevention and control. Our internal control management system has been improved. We adhere to compliant operations and business ethics, and strictly prohibit any form of corrupt behaviors. At the same time, we uphold the values of "reform and innovation". We bravely innovate in management models, operational mechanisms, and business models. Fearless of difficulties, we forge ahead and strive to achieve new breakthroughs and development.

The SDGs responded in this chapter are



# 03



## Standardize Governance and Protect Investors' Rights and Interests

### Corporate Governance

Zhende Medical has formulated the Articles of Association to continuously improve the corporate governance structure and standardize its operations. Zhende establishes a corporate governance structure consisting of the General Meeting of Shareholders, Board of Directors, and Board of Supervisors. We have formulated systems such as the *Rules of Procedure for Shareholders' General Meeting*, *Rules of Procedure for Board of Directors*, and *Rules of Procedure for Board of Supervisors*. These ensure that the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors exercise decision-making and supervisory power, and enhances their independent operation.

The Board of Directors consists of four specialized committees: Strategy Committee, Audit Committee, Nomination Committee, and Compensation and Assessment Committee. All members of the specialized committees are directors. Independent directors hold the majority and serve as the chairman of the Audit Committee, Nomination Committee, and Compensation and Assessment Committee. Each committee strictly fulfills its responsibilities in accordance with relevant regulations, and fully utilizes its professional advantages, to improve the scientific decision-making of the Board of Directors.

#### Corporate Governance Structure



During the reporting period, Zhende held the General Meeting of Shareholders and meetings of the Board of Directors and Board of Supervisors in accordance with legal procedures. Each specialized committee of the Board of Directors performed their responsibilities, and improved the level of enterprise management and risk prevention capabilities. The maximum interests of Zhende and all its shareholders were safeguarded.

#### Composition of the Board of Directors and Board of Supervisors and Operation of Shareholders' General Meeting and Meetings of the Board of Directors and Board of Supervisors in 2022

Composition of the Board of Directors	9 directors Including 3 female directors and 3 independent directors	Convening of the General Meeting of Shareholders and Meetings of the Board of Directors and Board of Supervisors	3 General Meeting of Shareholders with a total of 19 proposals deliberated 12 Board of Directors meetings, with a total of 42 proposals deliberated Including 9 meetings of specialized committees of the Board of Directors 9 Board of Supervisors meetings, with a total of 25 proposals deliberated.
Composition of the Board of Supervisors	3 supervisors Including 1 employee supervisor		

### Investor Relations Management

Zhende Medical has formulated systems such as the *Investor Relations Management System*. Multiple channels have been set up for investor communication in order to maintain the legitimate rights and interests of investors, especially small and medium-sized investors, and enhance their understanding and identification with Zhende. We listen to investors' opinions and suggestions to improve our corporate governance.

During the reporting period, Zhende held

3 investor exchange conferences

#### Investor Communication Channels

0575-88751963

dsh@zhende.com

Official website of Zhende, website of Shanghai Stock Exchange, e-interaction platform of the Shanghai Stock Exchange, etc.

General Meeting of Shareholders, investor exchange conferences, roadshows, etc.

### Information Disclosure

Zhende Medical has formulated systems such as the *Information Disclosure Management System* and the *Internal Reporting System for Major Information* to truthfully, accurately, completely, and timely fulfill information disclosure obligations. It is required to keep information confidential before disclosure to ensure the openness, fairness, and impartiality of information disclosure.

Zhende designates *Shanghai Securities News*, *Securities Times*, *Securities Daily*, *China Securities Journal*, and the website of the Shanghai Stock Exchange as the newspapers and website for information disclosure. During the reporting period, Zhende did not keep any information that should have been disclosed, and there was no selective information disclosure behavior. It has properly fulfilled the information disclosure obligations of a listed company and effectively protected the legitimate rights and interests of investors.

During the reporting period, Zhende released a total of

128 announcements and documents



Compliant Operation and Adherence to Business Ethics

Compliant Operations

Zhende Medical has formulated systems such as the *Internal Audit Regulations* and the *Implementation Rules for Contract Approval Management*. Under the guidance of the Audit Committee of the Board of Directors, the Internal Audit and Risk Control Department of Zhende headquarters is responsible for internal audit, risk management, and other related work.

During the reporting period, Zhende conducted a total of 15 routine and special audits, including audits of procurement, cost, assets, engineering, remuneration, and safety production modules. Through the "audit + rectification" model, Zhende timely urges closed-loop rectification to items that are to be improved found in audits. This has effectively reduced risk exposure, and promoted the continuous improvement of Zhende's business processes and operational mechanisms.

◇ Routine and Special Audits in 2022

Category	Audit Module	Audit Scope	Audit Results
Routine Audit	Supply chain (6 items)	Cost, assets, safety production, procurement, labor, engineering, total productive innovation (TPI), outsourced processing, and financial management modules	A total of <b>15</b> routine and special audits were completed, items to be improved were identified and subsequently rectified as planned.
	Marketing (1 item)	Freight management, sales management, expense verification, etc.	
	Subsidiary (4 items)	Basic financial management, procurement management, sales management, cost management, asset management, labor management, etc.	
Special audit	Assets (1 item)	management, budget execution, price control, contract execution, supplier management, accounting processing, etc.	
	Procurement (1 item)	System, responsibilities, processes, procurement strategies, procurement cost reduction, price analysis, supplier and accounting period management, SRM system operation, sluggish material management, etc.	
	Outsourcing (1 item)	Systems, processes, labor cost, losses, and settlements, etc.	
	Compliance (1 item)	Customs' authorized economic operator (AEO) advanced certification, import and export business, etc.	

Zhende also attaches great importance to improving employees' legal awareness and enhancing their sense of compliance. Based on the professional characteristics of different positions, targeted training courses covering "all employees", "professional positions", and "management" are provided. Various means such as centralized training and sessions on the E-learning platform are adopted to improve employees' awareness of compliance and sharpen their ability to fulfill their responsibilities. These promote standardized and healthy development of Zhende.



Anti-corruption and Business Ethics

Zhende Medical has established a comprehensive anti-corruption management system and shaped a clean and honest corporate culture. The Board of Directors of Zhende has an Audit Committee responsible for managing and making decisions on anti-corruption and business ethics. The Group's Internal Audit and Risk Control Department is designated as a permanent body for audit and supervision, and responsible for organizing and implementing daily anti-fraud work throughout the Group.

Zhende has formulated regulations such as the *Regulations on the Management of Anti-commercial Bribery, Complaints and Reporting* and the *Management System for Bidding*. It sends the *Anti-commercial Bribery Contact Letter* to suppliers and distributors externally, and announces "Anti-commercial Bribery, Adherence to Integrity" proposal among employees internally. Anti-corruption themed training and other measures are also taken.



Zhende adopts a zero tolerance attitude towards corruption, fraud, and money laundering. A reporting hotline and email has been made available to ensure the transparency and smoothness of reporting channels. At the same time, Zhende takes protective measures for complainants and whistleblowers. Those who violate the regulations by disclosing information about whistleblowers or retaliating against whistleblowers will be dismissed with their labor contracts terminated. In case of violations against the law, related personnel will be transferred to the judicial authorities.

◇ Channels for Reporting Corrupt Behaviors

Hotline	18658516729	
Email	tousu@zhende.com	
Mailing Address	Zhende Medical Headquarters (Internal Audit and Risk Control Department), Yuecheng District, Shaoxing City, Zhejiang Province	

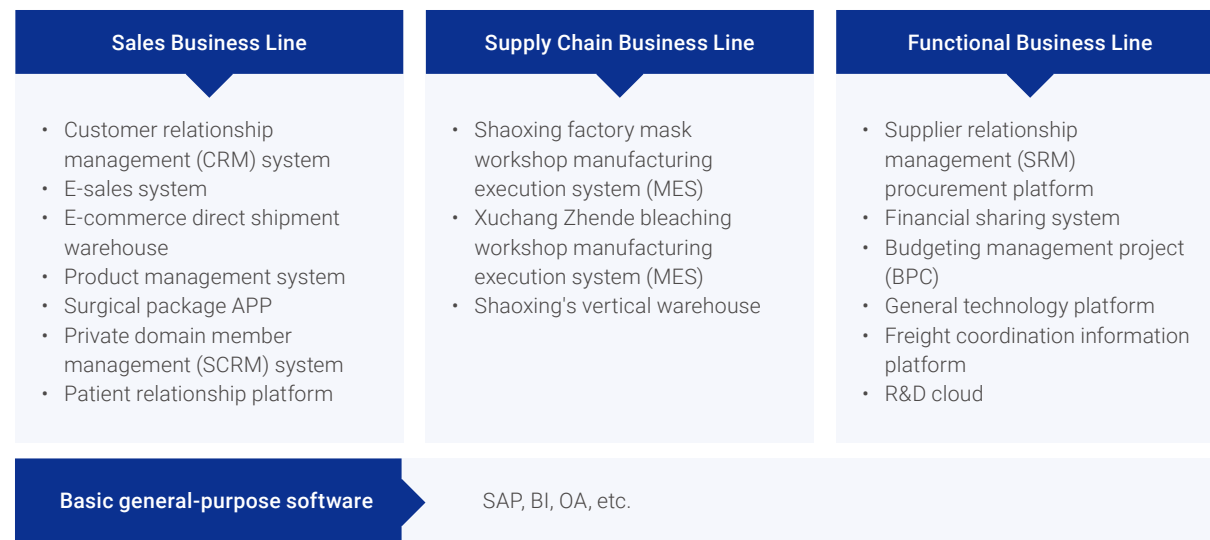
## Continuous Reform and Long-term Development

### Management Innovation

#### Process Digitization

In 2020, we formulated an information application architecture plan based on the new five-year strategy, which included four layers: basic service, shared service, operation management, and the Group control. The strategy helps to achieve innovative management, improve quality and efficiency, enhance market competitiveness, and drive sustainable development of Zhende.

#### ◇ Application Architecture of Each Business Line



To further promote the effective implementation of process digitization, we have established the Process Digitization Governance Committee with the Executive President serving as the Director. The Committee is mainly responsible for effective management of the overall budget and project group for process digitization. It strives to optimize the allocation of process experts and information resources, and coordinate and solve problems in process optimization and digitization projects. In this way, the expected business value can be realized. In addition, Zhende has established the Process and Information Department that is responsible for the development of process digitization related systems and the implementation of specific tasks.

#### ◇ Process Digitalization Governance Structure



During the reporting period, Zhende optimized

16 modules and 143 reports for BI management cockpit

Automation of Shaoxing's vertical warehouse was initiated with approximately

15,000 boxes/day for inbound and outbound shipments handled, featuring an efficiency improvement of over 60%

#### Lean Management

Adhering to the philosophy of "rooting out all ineffective work and waste to pursue perfection", we have established a lean management system covering all factories from the perspective of management innovation. Lean strategies and processes are clarified, and a series of supporting systems are developed. We carry out on-site management, standardized operations, lean workshop management and skill management. While continuously eliminating waste and improving efficiency, we endeavor to achieve the maximization of enterprise value.

#### ◇ Core Elements of Zhende's Lean Management System

Lean strategy	<ul style="list-style-type: none"> <li>Develop lean strategic goals.</li> <li>Optimize the organizational structure centering on these goals and cascade them into key performance indicators (KPIs) of departments at every level.</li> </ul>
Lean process	<ul style="list-style-type: none"> <li>Establish and optimize efficient operational systems for all functions (processes) in response to Zhende's requirements on efficiency, delivery, quality, and continuous improvement, to ensure the achievement of KPIs.</li> </ul>
Management direction	<ul style="list-style-type: none"> <li>On-site management: Implement 5S and visual management;</li> <li>Standardized operations: Implement standardized measures on production and equipment management to ensure the stability and efficiency of the production process;</li> <li>Lean workshop management: Improve the efficiency and accuracy of workshop management through methods such as creating benchmark workshops, selecting 5S model workers in workshops, and cultivating versatile workers;</li> <li>Skill management: Through lean themed training, improve the management ability and lean skills of employees in relevant positions, thereby upgrading the overall work quality and efficiency;</li> </ul>
Management system	<ul style="list-style-type: none"> <li>Regulations on Accounting and Reward Management for Equipment, Process Improvement and IE Improvement, Regulations on Proposal Improvement Management, Lean Manufacturing Rating System, 5S Management Regulations, 5S Incentive Plan, etc.</li> </ul>



During the reporting period, Zhende focused on six aspects including the TPI project and the introduction of automatic sewing equipment for abdominal pads, further optimizing production processes, improving automation, ensuring product quality, and enhancing Zhende's market competitiveness. At the same time, Zhende also organized 44 lean themed training sessions to effectively improve employees' lean capabilities.

#### ◆ Main Achievements of Lean Management in 2022

- TPI project: **83** projects were completed, saving RMB **23.84** million in cost;
- Introduction of automatic sewing equipment for abdominal pads: **61** sets were completed, achieving independent product production and significantly improving production efficiency and quality stability;
- Introduction of lean logistics: Relevant project tests and operation were completed;
- 5S promotion: **4** innovative activities were carried out, and the number of personnel actively maintaining the factory environment increased from 23 to **1,413**;
- Proposal improvement: **5,093** improvements were made;
- Standard working hours development: **3,797** documents were finished.

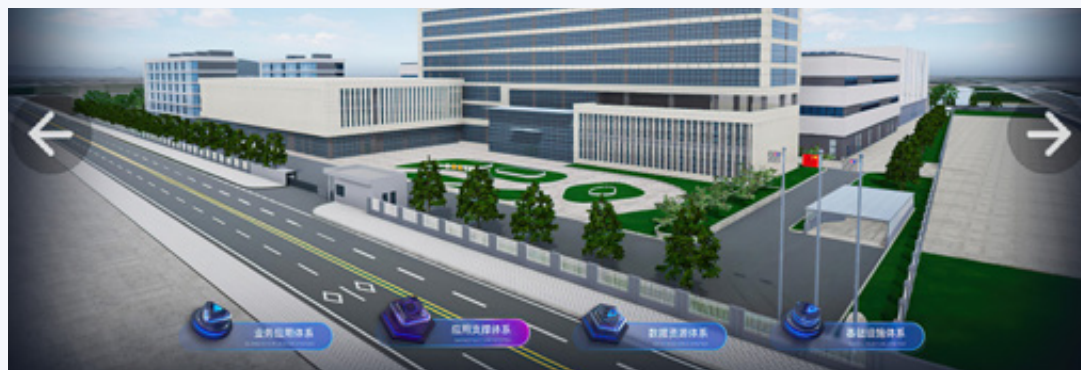
At the same time, we actively promote Six Sigma quality improvement to reduce resource consumption in production while improving product quality.

#### Zhende Medical Selected as a Pilot for "Future Factory" in Zhejiang Province

The construction of the 'Future Factory' is essential for us to build a globally advanced manufacturing base. As a leading supplier of medical, nursing and protective products in China, we have a factory base covering roughly 67 hectares, and have been vigorously promoting the development of intelligent and future-oriented factories.

Zhende has optimized comprehensive production process through the transformation and expansion of production workshops, with lean manufacturing as the driving force. A large amount of non-standard automation equipment has been developed and put into operation. It thus effectively improves the per capita efficiency of frontline employees and significantly upgrades product quality. The introduction of digital management has further improved production management and supported the comprehensive increase of supply chain production efficiency.

In the future, we will continue to build future factories characterized with digital design, intelligent production, digital management, green manufacturing and secure control.



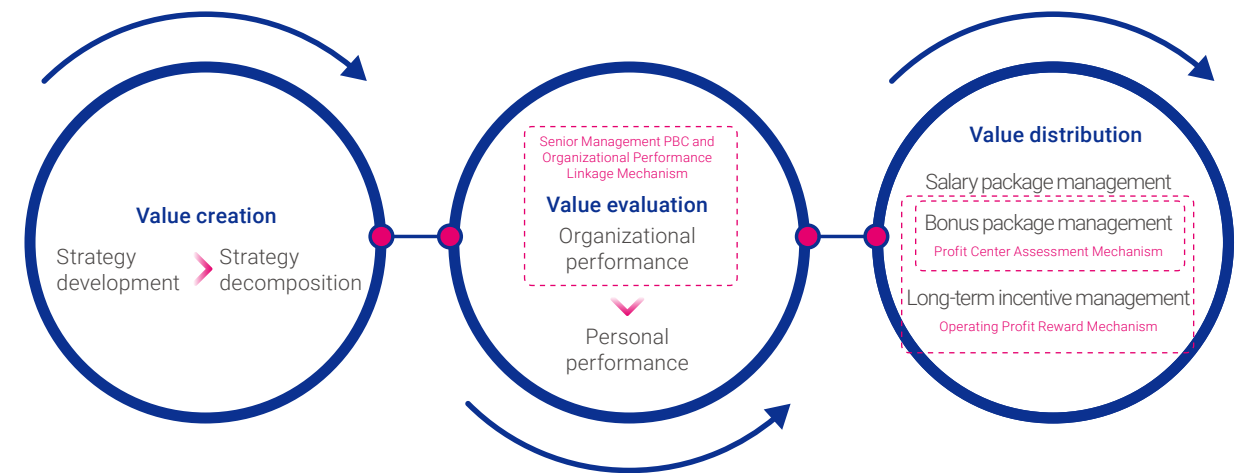
Zhende Medical's Future Factory Collaboration Platform

## Mechanism Innovation

Zhende revised and clarified its strategic development plan and direction in 2020, and underwent structural changes. In 2022, a crucial year for the implementation of Zhende's new development strategy, it further strengthened its basic management and improved economic efficiency.

To meet its strategic goals and the demand for organizations and talents, in 2022, Zhende launched three mechanisms for strategic collaboration, namely the senior management personal business commitment (PBC) and organizational performance linkage mechanism, profit center assessment mechanism, and operating profit reward mechanism. These have further ensured the effective implementation of Zhende's strategic plans.

#### ◆ Performance and Strategic Collaboration Mechanisms



In addition, Zhende has developed systems such as *Organizational Performance*, *Profit Center Assessment*, and *TUP Allocation Plan* to clarify the meanings of the three mechanisms and provide a basis for relevant human resources management.

#### ◆ The Meaning of the Three Mechanisms of Strategic Collaboration

Senior Management PBC and Organizational Performance Linkage Mechanism	The total performance score of senior management includes PBC and organizational performance.
Profit Center Assessment Mechanism	Each product line's profit center establishes incremental rewards as needed; and each factory establishes an excess profit assessment mechanism.
Operating Profit Reward Mechanism	It clarifies the annual incentive plan.

During the reporting period, the mechanism operated well. It helps Zhende attract, retain, and motivate outstanding management talents and core technical talents, and improves Zhende's industry competitiveness and performance.

During the reporting period, Zhende issued incentives to employees totaling over RMB

**23** million

Such amount included the strategic collaboration mechanism rewards of RMB

**15** million

project rewards of RMB

**3.5** million

and research and development rewards of RMB

**4.5** million



# Caring Employee Growth

Talent is the most important asset for the sustainable development of Zhende. Taking the activation of the organization as the starting point, "focus on the business" as the guide, we establish the principle of "care employee" in management. We have established a sound occupational health and safety management system, to firmly safeguard the safety and health of our employees. We strive to build an equal, diverse, and inclusive workplace culture. A comprehensive remuneration system and reward system are put in place to effectively protect employees' rights and provide rich employee benefits. We invest heavily in establishing a comprehensive talent cultivation system and smooth career development channels, to help them achieve success with the "Care" model.

The SDGs responded in this chapter are





## Caring-Employee Rights and Benefits

### Employee Recruitment and Hiring

Zhende Medical adheres to legal employment. We are committed to building an equal, diverse, and inclusive workplace culture. Zhende has formulated regulations such as the *Management Rules for Signing Labor Contracts*, *Recruitment Management Rules for General Workers*, *Management Procedures for Child Labor and Juvenile Workers*, *Non-compulsory Work Procedures*, and *Procedures for the Prevention of Discrimination and Harassment* to prohibit the employment of child labor and forced labor, and to prevent workplace discrimination and harassment.

The types of employees of Zhende include contract employees, rehired employees who have retired, and interns. In recent years, Zhende has implemented a talent introduction strategy. Talents are reserved through targeted recruitment from universities and cooperation with universities.

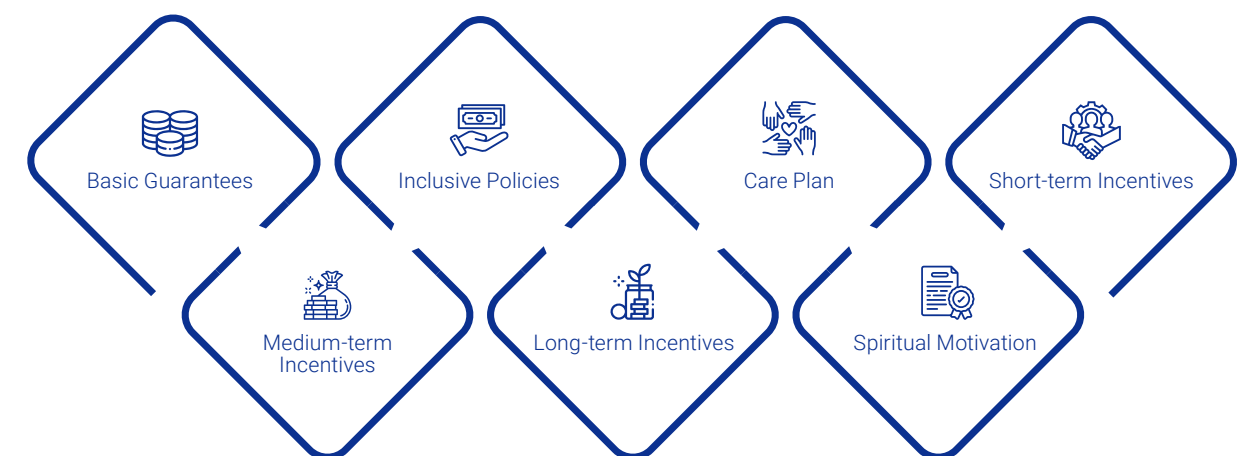
Management Content	Management Measures
Prohibition of child labor	<ul style="list-style-type: none"> <li>Strictly implement the ID card-based assessment system before employment;</li> <li>If child labor is found to be recruited by mistake, Zhende will notify their parents to take them back, bear their travel expenses for returning home, and sponsor all fees for them to finish the compulsory education.</li> </ul>
Prohibition of forced labor	<ul style="list-style-type: none"> <li>If forced labor is found, employee representatives should investigate into the matter and ask for opinions from the forced workers. Within a week, a meeting with the management will be set to seek solutions together, or report to the public safety organs.</li> </ul>
Prevention of workplace discrimination and harassment	<ul style="list-style-type: none"> <li>Make it clear that Zhende shall not engage in any discriminatory behavior against employees due to their race, social class, nationality, religion, disability, gender, or gender orientation, etc.;</li> <li>Establish a multi-channel complaint mechanism consisting of the complaint box, internal email, hotline (0575-88082530) and union representatives, through which employees can have their complaints heard;</li> <li>After receiving the complaint, Zhende will respond by investigating into and verifying it as soon as possible, and promptly disclose the progress to the complainant. If the case is true, Zhende will handle it in accordance with the system and publicize the treatment; in serious cases, Zhende will assist employees who have been discriminated against or harassed to report to the public security organs. If the case is not true, or if it is a misunderstanding, Zhende will intervene for mediation.</li> </ul>

During the reporting period, Zhende had one case of labor arbitration. Zhende has learned relevant experience from this case. When it comes to issues related to employee resignation, Zhende's HR and business department heads will conduct sufficient communication with employees to avoid such incidents from happening again. In addition, Zhende has no violations of any labor related laws or regulations, or incidents of workplace discrimination and harassment.

### Employee Rights and Benefits

Zhende Medical adheres to the management principle of "care employee". A comprehensive remuneration system has been established. Zhende has formulated systems such as *Employee Handbook* and *Welfare Management Rules* to safeguard the legitimate rights and interests of every employee. In addition, Zhende also sets up internal honors and awards to recognize employees with outstanding performance and contributions.

#### ◇ Comprehensive Remuneration System



Relying on sound hardware facilities, Zhende carries out cultural and sports activities and holiday celebrations which enrich employee lives, promote organizational unity, and demonstrate the power of Zhende. Zhende values humanistic care for every employee and helps those in need. In addition, Zhende also cares for female employees by fully protecting their rights and supporting their development.

During the reporting period, Zhende granted the second phase of employee stock ownership plan for **114** employees

and rated a total of **86** employees as outstanding individuals of the year.



### Caring Female Employees

- Provide maternity leave, abortion leave, and other leaves in accordance with the law;
- Zhende headquarters has a five-star Mother and Baby Room in Shaoxing City;
- Distribute customized gifts to female employees on Women's Day;
- Organize female employees to participate in artistic activities such as making pressed flower frames, as well as outgoing activities including hiking around the lake.



### Sound Hardware Facilities

- Zhende headquarters is equipped with the gym, reading room, cafe, employee cafeteria, etc.;
- The factory in Xuchang is equipped with a swimming pool, employee activity center, etc.

### Diversified Cultural and Festive Activities

- Zhende carries out themed cultural and sports activities including "World Book Day" activity and "Autumn Sports Season" event, and celebrates the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival and other festivals.



Making Pressed Flower on Women's Day in Shaoxing



Guessing Lantern Riddle on the Lantern Festival



Mini Reading Marathon in Zhende



"Autumn Sports Season" Basketball Game

Zhende listens to the voices of employees, accepts their supervision and takes their suggestions into consideration. We further safeguard their rights and interests through coordinating organization, mechanisms, and measures. We will continue to implement improvement measures to enhance employee satisfaction and work efficiency.

Organizational Support	<ul style="list-style-type: none"> <li>• Zhende's headquarters and each subsidiary establish separate trade unions covering all employees.</li> </ul>
Mechanism Support	<ul style="list-style-type: none"> <li>• An annual general meeting of worker representatives is held. In 2022, one general meeting of worker representatives was held, and a total of 120 employee representatives participated. They elected the employee supervisor and approved the Second Employee Stock Ownership Plan.</li> <li>• A collective contract is signed with all employees every year, in which the minimum salary standards, payment dates, and other related matters are negotiated.</li> </ul>
Supportive Measures	<ul style="list-style-type: none"> <li>• Factory affairs are made public. Hot issues of concern to employees, such as company regulations and employee benefits, are publicized on the OA intranet.</li> <li>• We widely solicit employee opinions and needs through meetings, CEO suggestion boxes, satisfaction surveys, and other channels. Feasible measures therefrom are put into practice. For those that cannot be adopted or are difficult to implement, we promptly explain the reasons to employees to obtain their understanding.</li> </ul>

During the reporting period, the satisfaction towards administrative services exceeded

70%

and that with the trade union's performance reached an average score of

7.88 points

New employee satisfaction was

92%

and the employee NPS reached

62.85%

## Devotion-Growing Together with Employees

### A Comprehensive Talent Development System

Zhende Medical adheres to the "We Care" philosophy. Based on the self-developed E-learning platform, supported by the internal trainer system and curriculum structure, we have established a talent development system that covers all employees. This can comprehensively improve their know-how and skills, and boost every employee to achieve success.

Zhende has set up a series of supporting systems which cover the management of lecturers management, courses, expenses, external training, new employee and job transfer training, learning credits, and training administrators. These systems ensure the effective implementation of training and the realization of Zhende's talent development strategy.



### Internal Trainer System

- Develop the *Management Rules for Part-time Internal Trainers*;
- An annual meeting of internal trainers is held every September to review the achievements of the training system in the past year, as well as the contributions of lecturers in teaching and course development, and to commend outstanding internal trainers on site;
- So far, the internal trainer team has developed to over 240 members, including junior, intermediate, and senior lecturers.



### Curriculum Structure

- Develop the *Detailed Rules for Curriculum Development and Curriculum Structure Management*;
- Fabricate the annual course development plan through annual training research, develop the curriculum according to the plan, and invite high-level lecturers and executives to participate in course reviews every quarter;
- Based on the empowerment needs of business departments, establish secondary colleges for each structure through the E-Learning platform, and use it as the foundation to build a complete curriculum framework.

## TED Sharing - Expressing Attitudes and Conveying Energy

Following the principle of "expressing attitudes and conveying energy", Zhende organizes TED sharing activities quarterly.

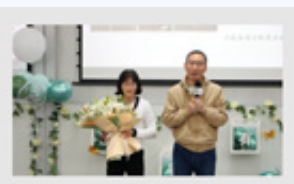
In 2022, Zhende carried out three sharing sessions with themes of "Youth and Memories", "Choice and Decision", and "Gratitude and Expression". Each session had four guests who shared personal experiences related to the theme. There were about 80 on-site guests in each activity, and the videos of the entire session were pushed to all employees of Zhende. Each video had over 2,000 views online, and the training activity was filled with "expectations, surprises, climaxes, and touching stories".



Session 1:  
Youth and memories



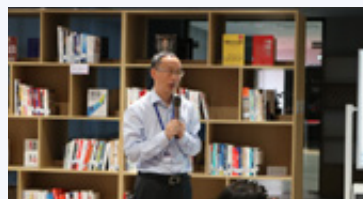
Session 2:  
Choice and decision



Session 3:  
Gratefulness and expression

## Reading Sharing - Love Reading and Excel in Reading

Zhende launched the "Love Reading and Excel in Reading". Reading with senior managers led to a further understanding of management philosophy, life wisdom, and life value.



## New Talents Training Program - College Graduates as Management Trainee

In July 2022, Zhende organized this year's training activities for approximately 56 college graduates in Shaoxing and over 20 in Xuchang to better prepare them as the company's future managers. The training included the course training, outbound training, visit to the headquarters, free talk with senior schoolmates, flipped classrooms, team building by e-commerce livestreaming competition, internship at factories, and closing party. The training came to an end at the end of July. It has effectively promoted the transformation from college students to employees, laying the foundation for them to fulfill their job responsibilities in the future.



During the reporting period, Zhende provided training for

**8,485** employees

The total training duration was

**560,978** hours

with a training coverage rate of

**100%**

with an average training duration of

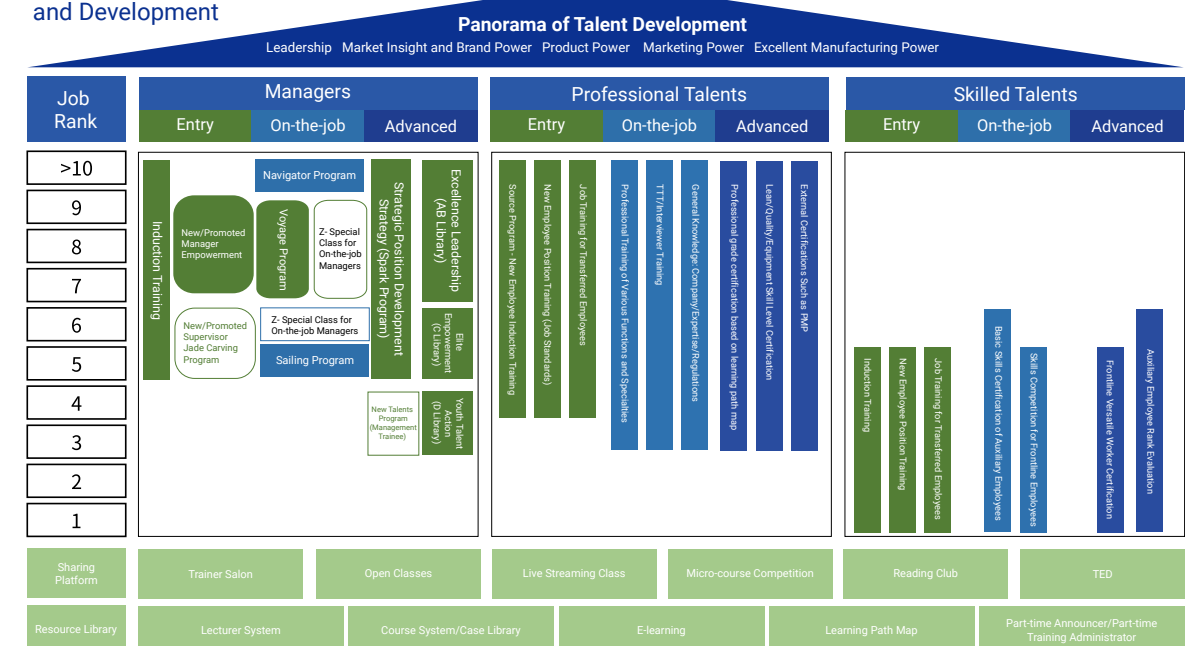
**66.11** hours per person

In addition to internal training and learning activities, Zhende also strongly supports employees to participate in external training and pursue higher education. Through measures such as introducing external resources and subsidizing tuition fees, Zhende further enhances employees' skills and abilities. During the reporting period, more than 20 people from Zhende took exams for a higher education degree.

## Smooth Career Development Channels

Zhende Medical has made available a transparent and smooth career development channel, including development paths for management and profession. On top of that, Zhende supports, encourages, and guides employees to continue their development by establishing a comprehensive reward system.

### ◇ Panorama of Talent Cultivation and Development

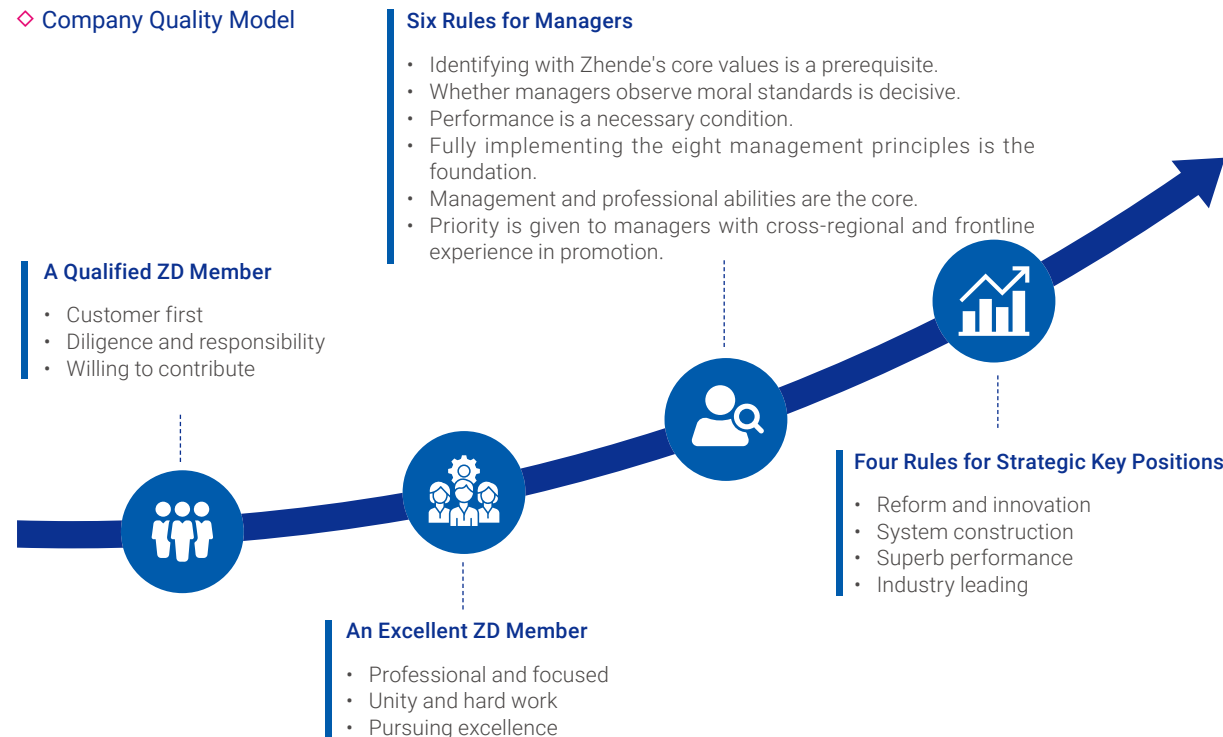




## ◆ Comprehensive Reward System



## ◆ Company Quality Model



To attract and retain core talents, and promote the common growth of the company and employees, Zhende has put incentive measures in place. As of the end of 2022, Zhende has implemented two phases of employee stock ownership plan and one phase of equity incentive plan. Among them, the first phase of the employee stock ownership plan met the unlocking conditions in July 2022, with a company level unlocking ratio of 42.4974%.

## ■ Persistence-Employees' Safety and Health

Zhende Medical places high value on the safety and health of its employees. A sound occupational health and safety management system has been put in place. As of the end of 2022, Zhende and its subsidiary, Xuchang Zhende, have passed the certification of ISO 45001 occupational health and safety management system and been awarded the certificate.

Zhende initiates an occupational health and safety management organizational structure that covers the headquarters and all subsidiaries. The President's Office of Zhende has an EHS (Environment Health and Safety) Office which is responsible for the construction and operation of Zhende's EHS management system. Each department of Zhende headquarters has assigned EHS contacts. Each subsidiary has also instituted relevant departments responsible for the implementation of Zhende's EHS related systems and policies.

### ◆ Major Measures for Occupational Health and Safety Protection

Security risk level-to-level control	<ul style="list-style-type: none"> <li>Develop 1-5 classes of accident control indicators and cascade the objectives at all levels in the form of signing EHS responsibility letters.</li> </ul>
Detection and prevention of occupational hazards	<ul style="list-style-type: none"> <li>Regularly conduct occupational hazard factor testing to determine the affected positions and employees;</li> <li>Conduct regular occupational health examinations;</li> <li>Distribute labor protection equipment.</li> </ul>
Regular inspections	<ul style="list-style-type: none"> <li>Conduct quarterly, monthly, and daily inspections.</li> </ul>
Safety production month activities.	<ul style="list-style-type: none"> <li>Organize safety production month activities every year.</li> </ul>

To enhance employees' safety awareness and improve their relevant skills, Zhende provides occupational health and safety themed training, covering all employees or those in specific positions. In addition, Zhende also holds fire-fighting competitions, skill competitions, and other activities. This further stimulates employees' interest in learning and increases their sense of participation.

### ◆ Occupational Health and Safety Themed Training

Trainees	Training Theme
New employee	Safety education and training at 3 levels (factory level, workshop level, team level)
Employees in specific positions	Certification training for special operation personnel, safety management personnel and responsible persons
All employees	Festival safety, mechanical safety, electrical safety, fire safety, traffic safety, hazardous chemicals, special equipment, etc.



Fire-fighting Competition



Employee Safety Education

During the reporting period, Zhende had a work-related injury rate of

**0.59** per one thousand employees

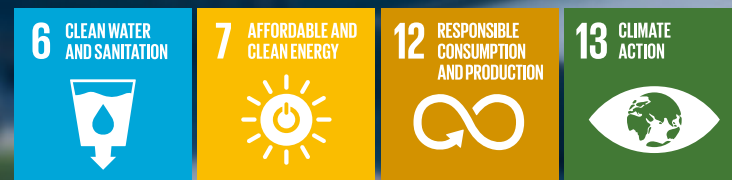
resulting in **159** lost working days due to work-related injuries



# Promoting Green Development

Against the backdrop of the national green transformation and the goal of the "achieving carbon peak by 2030 and carbon neutrality by 2060", as a listed company, Zhende not only contributes to economic development, but also bravely assumes environmental and social responsibilities. Continuing to invest in R&D, we improve product development efficiency, and explore the path of sustainable development. We have created a sound environmental management system, which ensures that wastewater and waste gas are discharged in compliance with standards and waste is disposed of in a standardized manner. We strive to improve resource utilization efficiency and reduce the environmental impact of our products through a variety of measures. Moreover, we respond to national policies and continue to improve our carbon management system. Through measures such as energy conservation and carbon reduction, photovoltaic power generation, R&D, and the use of environmentally friendly products, we help achieve the "dual carbon" goals.

The SDGs targets responded in this chapter are





## Innovation - the Road to Sustainable Development

### R&D Innovation

Adhering to the bottom line of compliance in the R&D process, Zhende Medical forms a product R&D management mechanism. Furthermore, Zhende has developed internal standards such as the *Operating Specification for Clinical Trial Process Quality Management* to avoid ethical risks in the R&D process.

In 2022, we introduced the integrated product development (IPD) consulting project, and established institutional norms such as the *Management Regulations for New Product Development*, as well as relevant processes such as the *Development and Management Regulations for New Product Task Book*, *Decision Review Instructions*, *Project Management Instructions*, *Technical Review Instructions*, and *PQA Operation Instructions*. These have defined new product's project approval management, end-to-end process and operational details of design and development. Product management and R&D performance are thus improved.



### ◆ Product Development Process



To promote the core ideas of IPD in the implementation process of new product development, Zhende has established the IPD Promotion Office. An array of product line management mechanisms, matrix management models, and a new product development management system have been put in place.

In addition, under the digital transformation of its processes, Zhende has set up a universal technology platform that covers 19 major categories of products in 6 technical fields, including wet dressings (exudate management), medical adhesive products, ostomy products, active products, hydrocolloids, and biomaterials. This has achieved efficient information sharing across departments such as R&D, marketing, and sales. Effective support has been provided for the rapid iteration of product micro innovation, further accelerating the development efficiency of new products.


In addition to optimizing the product development process, we also attach importance to the construction of R&D platforms and the cultivation of R&D talents. We have set up a total of 4 enterprise R&D centers in domestic and foreign operating locations. They have been awarded multiple honors at the international and provincial levels. R&D themed training is provided internally, and industrial cooperation is promoted externally to carry out joint project research and industry talent cultivation. This has further improved the level and ability of our technological innovation (see section 6.2 of this report, "Responsibility - Promoting Mutual Benefit and Win-win Results in the Industry").

During the reporting period, Zhende organized employees to participate in a total of 40 internal and external R&D themed training sessions, with 572 participants in internal training. The training themes include intellectual property, R&D processes, project management, etc., covering positions such as project managers, R&D engineers, and technicians. This has effectively improved the competence of employee R&D management and standardized the implementation of new product development processes.

### ◆ Achievements of R&D Platform Construction

Enterprise R&D Centers in Shaoxing, Xuchang, Shanghai, and the UK	National High-tech Enterprise	The First Provincial-level Key Enterprise Research Institute in the Industry
Provincial Engineering Technology Research Center	Collaboration with Well-known Domestic Universities such as Zhejiang University and Hubei University, as well as Medical Institutions such as Beijing Hospital of Traditional Chinese Medicine	.....

### ◆ R&D Investment and Achievements in 2022



In 2022, Zhende invested RMB **227** million in R&D, and was awarded **20** Class II medical device product registration certificates and **16** patents for invention.

 <h4>Infection Control Material Technology</h4> <ul style="list-style-type: none"> <li>Zhende took the lead in developing surgical site infection control materials that meet the International Sustainability and Carbon Certification (ISCC) in China. While developing materials with high performance and cost advantages, we reduced the carbon footprint of products (see section 5.3 of this report on "Low Carbon - Responding To Climate Change" for details)</li> </ul>	 <h4>Ostomy Care Technology</h4> <ul style="list-style-type: none"> <li>Key progresses were made in the viscosity and anti-corrosion performance of the hydrocolloid adhesive disc of the stoma bag;</li> <li>The laboratory evaluation of a dual-component hydrocolloid adhesive disc was completed, and the improvement of hydrocolloid formula and performance enhancement would be conducive to enhance the market competitiveness of ostomy products.</li> </ul>	 <h4>Wound Care Technology</h4> <ul style="list-style-type: none"> <li>Development of laboratory formula was completed for the hydrophilic polyurethane foam material;</li> <li>Researches on the antibacterial effect and process technology were completed for the basic dressings containing iodoform, PHMB, and hypertonic salt;</li> <li>Technical pre-research and sample development were completed for silver ion antibacterial series products;</li> <li>Antibacterial efficacy research and safety evaluation were completed for antibacterial series products containing plant extracts.</li> </ul>
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Ostomy Bag Hydrocolloid Adhesive Disc



Dual-component Hydrocolloid Adhesive Disc

## Intellectual Property Protection

Zhende Medical attaches significant importance to the protection of independent intellectual property rights. We also respect the intellectual property rights of others. Zhende has established a sound intellectual property management system. We passed the intellectual property management system certification of the China National Intellectual Property Administration for the first time in 2016. In 2022, Zhende passed certification review and maintained the validity of the certificate.

Zhende has initiated a top-down organizational structure for intellectual property management. We have formulated systems such as *Intellectual Property Management Regulations*, *Patent Value Evaluation Rules*, and *Patent Application Management Rules for New Products*. We also engage in planning, implementation, inspection, and improvement of intellectual property management. This provides important guarantees for Zhende's technological innovation and sustainable development.

As of the end of 2022,  
Zhende has had

**67** patents for  
invention

**568**  
patents for utility  
models

**106**  
national Class II medical device  
registration certificates

**9**  
Class III medical device  
registration certificates

In 2022, Zhende was awarded the title of **"National Intellectual Property Demonstration Enterprise"**

In addition, Zhende holds intellectual property promotion and training activities for employees. In June 2022, Zhende launched the "Protect Intellectual Property, Promote Innovation at Zhende" themed activity in the Intellectual Property Month. It increased employee engagement and sense of gain through video learning, competition participation, expertise popularization training, playful activities, and other forms. Zhende organized a total of 7 intellectual property protection training sessions throughout the year, with a total of 124 employees participating. These further improve employees' awareness of intellectual property protection and upgrade their knowledge and ability levels related to intellectual property.

## ■ Responsibility - Protecting Our Green and Beautiful Homeland

### Environmental Management System

Zhende Medical holds fast to the concept of green development and establishes a sound environmental management system. As of the end of 2022, Zhende and its subsidiary Xuchang Zhende have met the ISO 14001 environmental management system certification requirements and passed such certification.

Zhende institutes an environmental management organizational structure covering the headquarters and all subsidiaries. We have formulated systems such as the *Environmental Protection Facility Management System*, and conducted environmental supervision and management on the headquarters and subsidiaries through statements and other forms. In 2022, Zhende's environmental protection facilities operated well. New investment projects carried out environmental management in accordance with the laws, regulations, and policy standards of the operating location. There was no incident of violating relevant environmental protection laws and regulations.



### Emissions and Waste Management

Zhende Medical has developed systems such as the *Water Pollution Prevention and Control Management System*, *Air Pollution Prevention and Control Management System*, and *Solid Waste Pollution Prevention and Control Management System*. These can manage the entire process of Zhende's pollutant discharge and waste treatment.

In terms of wastewater management, Zhende's operational activities generate production wastewater and domestic wastewater. Among them, production wastewater mainly comes from the bleaching process, while domestic wastewater from processes such as office and canteen operations. All wastewater enters the sewage treatment station in the factory area, undergoes physicochemical and biochemical treatment processes, and is then discharged into the municipal sewage pipeline network. Zhende's wastewater discharge follows standards such as the *Comprehensive Wastewater Discharge Standard* and the *Indirect Emission Limits of Nitrogen and Phosphorus Pollutants in Industrial Enterprise Wastewater*. The detection indicators include pH, ammonia nitrogen, suspended solids, chemical oxygen demand, and five-day biochemical oxygen demand.

In terms of waste gas management, Zhende's operational activities mainly generate waste gas from processes such as printing, coating, sterilization, and boiler combustion. Zhende adopts washing, purification and activated carbon adsorption purification facilities, multi-level (sulfuric acid) washing tower purification facilities, etc. to treat different types of waste gas. Zhende's waste gas emissions comply with standards such as the *Comprehensive Emission Standard for Air Pollutants* and the *Emission Standard for Boiler Air Pollutants*. The detection indicators include non-methane total hydrocarbons, nitrogen oxides, particulate matter, sulfur dioxide, ethylene oxide, and odor.

In terms of waste management, Zhende's operational activities generate hazardous waste and general solid waste. Hazardous waste mainly includes waste acrylic adhesive generated during the coating process, waste activated carbon generated during the waste gas purification process, and chemical packaging barrels generated during the use of chemicals. Zhende entrusts hazardous waste to a qualified third-party agency for treatment in accordance with the *National Catalogue of Hazardous Wastes* and the *Measures on the Management of Hazardous Waste Manifests*. General solid waste mainly comes from production, office and other processes. For recyclable materials such as waste cardboard, Zhende hands them over to third-party recycling agencies for reuse. For products' leftovers and unqualified products, Zhende entrusts a third-party company for handling.



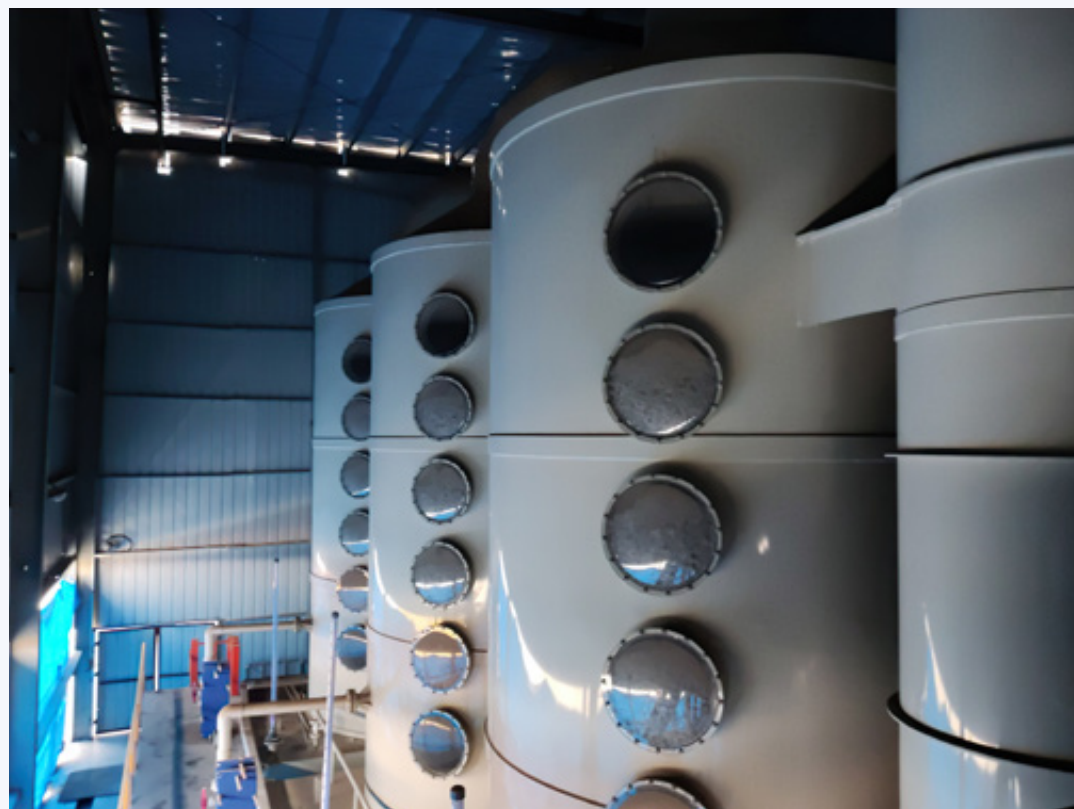
## The Factory in Xuchang Adopts Efficient and Economical Treatment Processes to Help Meet the Emission Standards of Waste Gas.

The factory in Xuchang of Zhende produces pollutants such as printing waste gas, ethylene oxide (EO) and polyethylene (PE) waste gases. Zhende employs various treatment processes to ensure that the waste gas discharged meets the emission standards. Among them:

For printing waste gas, its dust particles are first filtered out through a filter cotton. It then goes through an adsorption tower with honeycomb shaped activated carbon. In the tower, the gas is purified due to the strong adsorption ability of activated carbon to organic matter, and then treated with a three-way catalytic converter to meet the emission standards.

EO waste gas is collected and treated with diluted sulfuric acid water through a five-stage spray, which is followed by activated carbon adsorption treatment to meet the standards before being emitted.

PE waste gas is collected and treated with an activated carbon adsorption and desorption and catalytic combustion (RCO) device to meet the standards before being emitted.



EO Waste Gas Treatment Facilities in the Factory in Xuchang

During the reporting period, the wastewater and waste gas of Zhende headquarters and its subsidiaries were discharged or emitted in accordance with the standards, and the waste was disposed of in accordance with policies and standards.

## Low Carbon - Responding To Climate Change

### Resource Management

#### Energy Management

The types of energy used in Zhende's operation include natural gas, gasoline and diesel consumed by its own vehicles, electricity and steam. Among them, electricity includes purchased renewable electricity. Zhende complies with relevant regulations to carry out energy management.

Against the backdrop of implementing a clean energy transformation in the society, Zhende has comprehensively clarified the energy structure. Measures such as clean energy utilization and opting for energy-saving equipment are taken to optimize its energy structure, and improve its energy efficiency.

#### Energy Conservation and Carbon Reduction Measures and Results (Non-exhaustive)

Green office	<ul style="list-style-type: none"><li>Advocate for energy conservation among employees, requiring that the lights and energy consuming equipment such as air conditioners in the office area to be turned off when people leave the area.</li></ul>
Use of clean energy <sup>1</sup>	<ul style="list-style-type: none"><li>Use renewable electricity. In 2022, a total of 240,947 kWh of power were used.</li><li>Use natural gas to heat pressurized steam boilers. In 2022, a total of 1,156,316 cubic meters of natural gas were used.<sup>1</sup></li></ul>
Opting for energy-saving equipment	<ul style="list-style-type: none"><li>All equipment whose electric power exceeds 11 kilowatts are equipped with variable frequency motors. Adjusting the frequency of the motor can reduce the operating speed of the equipment, with more than 20% of the electricity saved.</li><li>A humidifier is used instead of a steamer, which saves electricity and steam required for boiling water. Approximately 105,180 kWh of electricity can be saved per month.</li><li>Replacing fluorescent lights with LED energy-saving ones can save approximately 2,700 kWh of electricity per month.</li></ul>
Recovery of waste heat and energy	<ul style="list-style-type: none"><li>Use air compressor waste heat recovery technology to heat the water tank to 55-60°C, and then channel the hot water to the office area for environmental heating. This method can save over 40,000 kWh of electricity per month by reducing the workload of air conditioners.</li><li>By collecting the steam water generated by pressurized steam boilers for thermal energy recovery, it can achieve energy savings of over 20% and water conservation of over 50%.</li></ul>
Optimizing production process	<ul style="list-style-type: none"><li>By upgrading the weaving loom from a single layer to a double layer, it can save over 160,000 kWh of electricity annually.</li></ul>

Note 1: The data scope covers Zhende Medical headquarters and five subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, etc.

## Water Resources Management

The water resources used in Zhende's operation process include municipal water supply, surface water, and recycled water. For the use of surface water, Zhende applies for a water intake permit in accordance with regulations. We pay water fees on time, and have no significant impact on the environment in terms of obtaining water sources.

We take water-saving management measures in various aspects during the operation process. This allows us to save water from the source and improve the efficiency of water resource utilization.

### ◇ Water Conservation Measures and Results (Non-exhaustive)

Green office	<ul style="list-style-type: none"> <li>Advocate for water conservation among employees and require them to turn off the faucet immediately after use.</li> </ul>
Wastewater recycling	<ul style="list-style-type: none"> <li>Through a wastewater recycling treatment system, water resource recycling is achieved. The purified regenerated water is used for toilet flushing, water tanks for fire protection, and other purposes, saving 5,000 tons of water per month.</li> </ul>
Optimizing production process	<ul style="list-style-type: none"> <li>Collect and store the remaining condensate water from the bleaching process, and use a water pump to channel the water to the living area of the new base. This can save about 2,000 tons of hot water per month.</li> </ul>



## Raw Material and Packaging Management

The raw materials used in Zhende's production chiefly include non-woven fabrics, cotton fabrics, and melt-blown fabrics. The packaging materials mainly include plastic and cardboard. Zhende standardizes the transportation and use of raw materials and packaging materials. We continue to reduce the loss and waste of raw materials and packaging materials and improve resource utilization through measures such as lean management and upgrading warehouse management systems.

In addition, driven by the concept of green development, Zhende promotes the development of low-carbon products, selects green and environmentally friendly production raw materials and packaging materials. These reduce the impact of material use on the environment.

During the reporting period, the proportion of recycled water in use of Zhende<sup>1</sup> reached

**63.75%**

Note 1: The data scope covers Zhende Medical headquarters and five subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, etc.

## Zhende Medical Uses Basic Raw Materials With OEKO-TEX Certification<sup>1</sup> to Reduce Product Environmental Impact

Zhende opts for cotton fiber that has been awarded OEKO-TEX certification as the raw material for the basic dressing product. In 2022, Zhende used 6,000 kg of this raw material in product production, effectively reducing the product environmental impact.

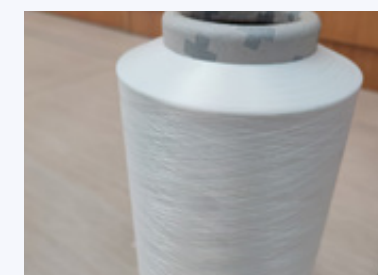


Photo of Product Raw Materials



OEKO-TEX Certificate

Note 1: OEKO-TEX certified products are textiles that have passed harmful substance tests and are produced under sustainable conditions. Such products are produced under optimized and environmentally friendly and socially responsible textile production processes, ensuring that they do not contain genetically modified organisms (GMO). They also pass tests of insecticides and other harmful substances, ensuring ecological safety.

## Climate Change Mitigation and Adaptation

With the constant changes in global climate, more and more countries and regions have recognized the urgency of climate issues and proposed strategies, goals, and policies related to climate change. In 2020, China announced the goal of "attaining carbon peak by 2030 and carbon neutrality by 2060". In 2021, the *14th Five-Year Plan for the Development of the Pharmaceutical Industry* required to "promote green and low-carbon development of the entire industrial chain".

Being a listed company, we not only contribute to economic development, but also take on environmental and social responsibilities to respond to the national "dual carbon" goals. At present, we have been improving carbon related management systems, setting emission reduction targets, and taking actions related to climate change mitigation and adaptation. We work together with value chain partners to help achieve the "dual carbon" goals.

We have realized that having a clear understanding of Zhende's greenhouse gas emissions is fundamental for carrying out carbon management. Therefore, in 2022, we developed a carbon inventory verification plan and commissioned a third party agency to conduct carbon inventory verification of Zhende headquarters and the factories of Henan Zhende, Xuchang Zhende, and Xuchang Zhengde and other subsidiaries, based on the ISO 14064-3 standard. This helps Zhende set emission reduction targets and carry out emission reduction actions.

During the reporting period, Zhende set its greenhouse gas (Scope 1 + Scope 2) emission reduction target, which was to achieve a

**30%**

reduction in related greenhouse gas (Scope 1 + Scope 2) emissions by 2030 with 2020 as the benchmark year.

During the reporting period, the total greenhouse gas emissions of Zhende<sup>1</sup> (Scope 1 + Scope 2) were

**102,187.23** tons of carbon dioxide equivalent (CO<sub>2</sub>e), representing a year-on-year decrease of **9.73%** compared to 2021

Among them, the greenhouse gas emissions in Scope 1 were

**2,691.74** tons of CO<sub>2</sub>e

and the greenhouse gas emissions in Scope 2 were

**99,495.49** tons of CO<sub>2</sub>e

Note 1: The data scope covers Zhende Medical headquarters and five subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, etc.

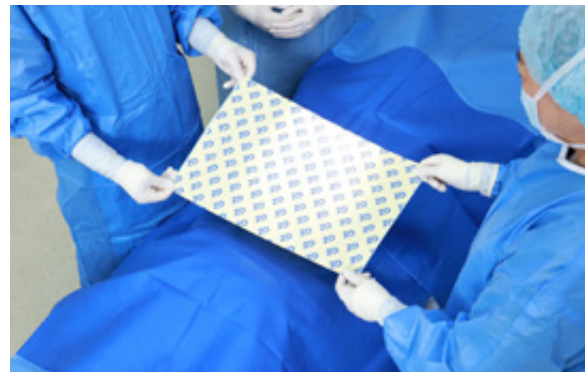


We also commission third party companies to carry out product carbon footprint calculations based on international standards. In 2022, we completed the carbon footprint calculation of surgical site infection control products produced by Xuchang Zhengde. We plan to complete the carbon footprint calculation of gauze, dressing, surgical gowns, and surgical drape products in 2023.

Surgical site infection control products: The carbon footprint of the product is

**250.74** kg of CO<sub>2</sub>e per 10,000 sets of products.

To better respond to climate change, we take energy-saving and emission reduction measures (see "Resource Management" in this report). Surgical site infection control materials that meet ISCC certification are developed. (Forest Stewardship Council (FSC) certified medium packaging boxes are purchased and used. These further reduce carbon emissions from daily operations and the entire lifecycle of products.



Surgical Site Infection Control Products

### Zhende Medical Launches Photovoltaic Power Generation Projects to Support Clean Energy Transformation and Help Achieve "Dual Carbon" Goals.

Photovoltaic panels have been installed on buildings' rooftop of approximately 65,000 m<sup>2</sup>, with an installed capacity of about 6.9 MW. The project follows a centralized grid connection design scheme. Its power generated is connected to the grid with transmission at 0.4/10kV. Approximately 2,036.44 tons of standard coal can be saved annually.

In 2022, 907,504 kWh of renewable electricity was generated at Zhende<sup>1</sup> through photovoltaic power generation.



Photovoltaic Power Station in Zhende's Factory

Note 1: Including Zhende Medical Headquarters, Xuchang Zhengde, Xuchang Zhende, and Henan Zhende.

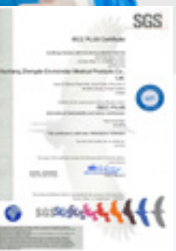
### Zhende Medical Takes the Lead in China to Develop High-performance AS&AR Surgical Gowns That Meet ISCC Certification<sup>1</sup>

In 2022, Zhende developed cost-effective and environmentally friendly surgical gowns. This product is made of nonwoven fabrics developed with ISCC certified polypropylene resin of high-performance AS&AR (alcohol resistance, blood resistance, and anti-static). Polypropylene resin is sourced from renewable raw materials. The produced nonwoven fabric is green spunbonded meltblown (SMS) product with a gram weight of 35 grams, which has excellent barrier performance. Treated by the after-finishing processed, the AS&AR product provides stronger safety guarantees for medical personnel.

Surgical gowns made of high-performance AS&AR nonwoven fabric meet the regulatory requirements of European standard "EN 13795" and American standard "AAMI Level 2" in this regard. This allows customers to start marketing quickly while reducing carbon emissions. Compared to traditional petroleum resins, using 1 kg of this type of polypropylene resin can reduce 2.1 kg of CO<sub>2</sub>e emissions, contributing to global sustainable development and greenhouse effect.



Photo of Surgical Gowns



ISCC Certificate

Note 1: The International Sustainability and Carbon Certification (ISCC) is an independent multi-stakeholder initiative and leading certification system supporting sustainable, fully traceable, deforestation-free and climate-friendly supply chains. The ISCC certification system covers all sustainable raw materials and is one of the largest certification systems in the world.

### Zhende Medical Uses FSC Certified Medium Packaging Boxes to Help Reduce Carbon Emissions Throughout Product Lifecycle

The medium packaging box used in Zhende's transparent dressing products has passed FSC certification. In 2022, 11.48 million FSC medium packaging boxes were used by Zhende, helping to reduce carbon emissions throughout the entire product lifecycle.



Photo of Medium Packaging Box



FSC Certificate

Note 1: As the leader in sustainable forestry, FSC is trusted by NGOs, businesses, and consumers worldwide. Its purpose is to promote responsible forestry so forests and people can thrive together. It is guided by a vision for a world where the true value of forests is recognized by all. FSC is the leader in sustainable forest management, operating the world's most rigorous and trusted forest certification system.



# To Be A Reliable Partner

We uphold the corporate vision of "to be the one of the most reliable partners in the field of healthcare & personal care products". We connect with value chain partners such as customers and suppliers through high-quality products and services to promote industrial development and contribute to society. We provide high-quality health services that everyone can perceive with professional experience and craftsmanship spirit. We facilitate reciprocal and win-win results in the industry to fulfill our corporate responsibility. With the "Care" model, we support community construction and development, increase medical accessibility at the social level, and bring healthy life within reach.

The SDGs targets responded in this chapter are



# 06



苏州安尔康医药股份有限公司  
ZHANG MEDICAL CO., LTD.

北门



## Craftsmanship - High-quality Health Services

### Product Quality and Safety

Product quality stays at the core of Zhende Medical's long-term development. Holding fast to the quality policy of "providing safe, effective, and competitive medical products is the responsibility of everyone at Zhende", we emphasize on the quality strategy of "precision, changes under control, seeking truth and being practical, and customer first". We have established and improved the quality management system, and passed certifications such as ISO 9001, ISO 13485, ISO 14971, EU MDR, EU MDD, US FDA QSR, ISO 13485 Sterilization, PPE UKCA/CE, etc. During the reporting period, all certificates of Zhende were within their validity period.

#### Quality Certifications

Certification	Coverage
ISO 13485 Certificate	Zhende Medical, Xuchang Zhende, Xuchang Zhengde, Shaoxing Haoshide, Henan Zhende
ISO 9001 Certificate	Zhende Medical, Xuchang Zhengde, Shaoxing Haoshide
ISO 13485 Sterilization Certificate	Zhende Medical, Xuchang Zhende, Xuchang Zhengde

In 2022, guided by the corporate values of "reform and innovation", we released and upgraded multiple processes. These include general new products, brand new products, change control, risk management, registration process, domestic (and foreign) UDI program, batch recording process, supplier control, customer complaint handling, corrective action & preventive action (CAPA), CNAS related processes, document control process, adverse events and recalls of drugs, and the combination system of drugs and equipment, etc. These have comprehensively improved and consolidated the operation of Zhende's quality system, ensuring the effectiveness and suitability of the system operation.

During the reporting period, Zhende provided

14

themed training sessions on product quality and system regulations

with

1,436

employee participants

### Customer Service

Zhende's customers mainly include domestic and foreign corporate customers and individual consumers. Zhende embraces the value of "customer first". A sound customer service management system has been established to improve customer service capabilities.

For corporate customers, we develop a customer relationship management (CRM) system to create the maximum closed-loop of pre-sales and after-sales processes. Digital management and refined operation have been achieved throughout the customer

lifecycle. For individual consumers, we have developed an E sales system, omnichannel member management system, and warehouse management system (WMS). These can provide support for improving omnichannel service capabilities and customer satisfaction.

In terms of after-sales service and customer complaint handling, Zhende has developed systems such as the *China Medical Device Adverse Event Control Procedure*, *After-sales Supervision Control Procedure*, *Customer Satisfaction Survey Control Procedure*, *Customer Complaint Control Procedure*, and *Customer Complaint Management System*.

We provide relevant training to further improve Zhende's customer service capabilities. In addition, we also conduct a customer NPS survey, collect opinions and suggestions from customers. Relevant measures are taken to overcome the shortcomings in our products and services.

During the reporting period, the C-NPS of domestic market customers was

88.11%

while the C-NPS of foreign market customers was

30.51%






### Responsible Marketing

Zhende Medical is committed to presenting true and accurate product information to customers. The mechanism and process for reviewing information to be released to the public has been initiated to ensure information authenticity and accuracy. This also prohibits misleading, exaggerating, or deceiving messages from being sent to customers or individual consumers during the marketing process.

### Data Security and Privacy Protection

In terms of data security and privacy protection, Zhende has formulated systems such as the *Information Security Management Regulations*. Multiple measures are taken to ensure information security and maintain customer privacy.

#### Information Security and Privacy Protection Measures of Zhende

- Conduct remote application level backup for disaster recovery in data centers in Shaoxing and Xuchang.
- Establish a data backup system that backs up data every two hours.
- Automatically detect and remove viruses weekly through endpoint detection & response (EDR).
- Zhende's electronic file encryption is achieved through the Green-Shield terminal security management system.
- Conduct system permission management which ensures that employees in different positions can only check system information within their corresponding authority.

## Responsibility - Promoting Mutual Benefit and Win-win Results in the Industry

### Industry Exchange and Cooperation

Partners are one of the important stakeholders of Zhende Medical. After years of development, we have deeply realized that win-win results is an inevitable choice for sustainable development. Adhering to the corporate value of "sharing success", we continue to strengthen communication and cooperation among multiple parties. We advance mutual benefit and win-win results in the industry by participating in industry platform construction, standard formulation, industry exchange activities, and joint training of industry talents.

In 2022, Zhende took the lead in the establishment of the Medical Device Industry Innovation Consortium and Industrial Technology Alliance. With the help of the provincial-level key enterprise research institute platform, Zhende strengthened communication and cooperation with upstream and downstream enterprises, as well as industry peers. We also performed joint project research to improve the level and capability of technological innovation. Zhende has also collaborated with more than 30 medical consumables enterprises in Zhejiang Province to set up the Consumables Branch of the Zhejiang Medical Device Industry Association. This can facilitate the healthy development of the medical consumables industry in Zhejiang Province.

In addition, in 2022, Zhende reached strategic cooperation with Beijing Hospital of Traditional Chinese Medicine affiliated with Capital Medical University to seek higher quality development of both parties. Zhende collaborated with Donghua University on the "Functional Forming Technology of Textile Based High-end Dressings and Its Application on Complex Wounds" project to boost the development of trauma medicine. Zhende cooperated and exchanged ideas with JD Health to explore future development plans.

We have participated in the formulation (revision) of industry and group standards for many times. This helps improve the overall development level and product quality of the industry.

#### ◇ Zhende's Participation in Standard Formulation

- During the reporting period, Zhende participated in the formulation (revision) of **6** group standards.
- As of the end of 2022, Zhende has completed the preparation (revision) of **11** industry standards of which **5** were mainly drafted by Zhende. These include *Medical Elastic Bandage - Characteristics and Test Methods for Basic Performance*, *Medical Thrombosis Prophylaxis Hosiery*, *Medical Compression Hosiery for Varices*, *Sterile Surgical Films for Single Use*, and *Contact Wound Dressing - Part 1: Paraffin Gauze*.
- As of the end of 2022, Zhende has completed the formulation (revision) of a total of **9** group standards of which **7** were mainly drafted by Zhende. These include *Disposable Surgical Gowns*, *Paraffin Gauze*, *Medical Surgical Masks*, *Medical Disposable Protective Clothing*, *Medical Elastic Bandages*, *Digital Warehouse Management Specifications*, and *Digital Production Management Specifications for Masks*.

We actively take part in or organize industry exchange activities. While learning excellent experiences from our peers, we share the concepts, expertise and experiences of Zhende. On top of that, in 2022, Zhende also conducted exchanges with outstanding enterprises such as Geely Automobile and Sanhua Holding Group.

#### ◇ Zhende's Participation in Industry Exchange Activities in 2022

February 2022	Zhende participated in the MEDICAL JAPAN;
May 2022	As a top household medical device brand, Zhende was listed on the "2021-2022 Long-term Brand List in the Retail Market" of CPHF;
August 2022	Zhende participated in the Zhejiang International Emergency Supplies Trade Fair;
November 2022	Zhende participated in the 86th China International Medical Equipment Fair.

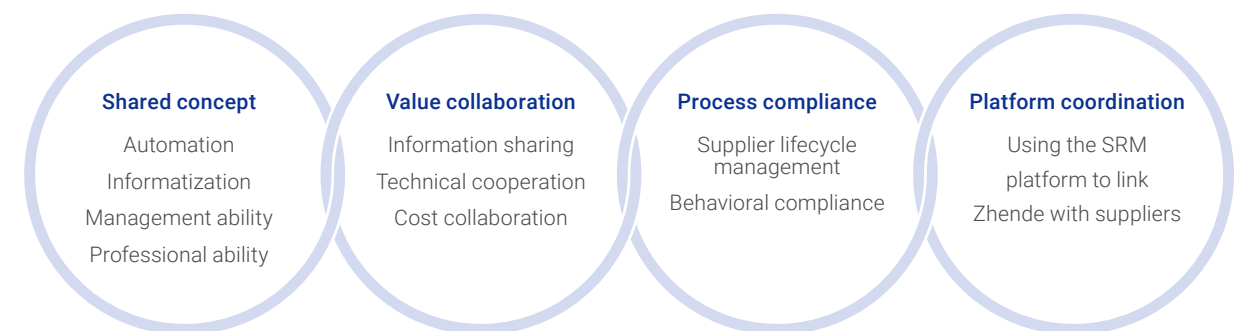
We roll out school-enterprise cooperation. As an enterprise, we provide learning resources for students on campus to promote the cultivation of industry talents. For example, in 2022, we collaborated with Shaoxing Vocational & Technical College and launched the first "Zhende Order Class" to help students learn professional skills in practice.

### Supply Chain Management

Zhende Medical categorizes supplier from multiple perspectives to achieve comprehensive management. Based on category positioning and the relationship with suppliers, and in view of our actual business situation, suppliers are divided into three levels: core, important, and general. According to the annual performance evaluation of suppliers and other factors, suppliers are divided into grades of A, B, C, and D. Over and above, Zhende formulates differentiated procurement management strategies for suppliers of different levels to maximize the effectiveness of supplier management resources.

Adhering to the idea of "shared concept, value collaboration, process compliance, and platform coordination", Zhende has established a supplier lifecycle management process system from sourcing to elimination, and formulated detailed rules such as *Qualified Supplier Admission Management Rules*, *Qualified Supplier Assessment Management Rules*, and *Supplier Rectification and Elimination Management Rules*.

What's more, to meet the needs of multiple parties and ensure sufficient reserves of suppliers, Zhende has formulated detailed rules such as *Supply Market Research and Supplier Shortlisting Management Rules* and *Potential Supplier Admission and Management Rules*. These can fully meet the R&D, production and supply needs of new and old products, and continuously optimize supplier structure. We have improved the SRM digital platform with effective implementation, ensuring the sustainable development of the supply chain.





Zhende strongly supports the implementation of procurement digitalization projects. Since 2021, the SRM platform has been developed and used, enabling the normal operation of seven modules till today, including supplier management, material management, demand management, sourcing management, order management, delivery system, and financial collaboration. Additionally, the BI administration cockpit is used to monitor and analyze operational data.

This platform empowers procurement business management from three aspects: supplier management, end-to-end procurement processes, and digital analysis.

During the reporting period, the collaboration rate of Zhende's purchase orders was

98.64%

the compliance rate with standard delivery dates was

92.30%

and the change rate of order delivery dates was

4.78%

## Supply Chain Environment and Social Risk Management

While strengthening our own ESG management, we are aware that environmental and social risks in the supply chain can also increase our ESG risk. Therefore, in 2022, Zhende gradually strengthened the management of supplier environmental and social risks through awareness promotion, research and evaluation, and other methods.

At the 2022 Supplier Conference of Zhende, we devoted a special session for promoting environmental management and social responsibility management awareness among suppliers. Zhende's ESG management in this regard was also introduced, and its requirements for environmental management and social responsibility management were made clear.

In 2022, we conducted environmental and social risk surveys on 672 suppliers through questionnaire and other methods. The results show that 82% of suppliers have organized environmental and social impact assessments. In addition, we assisted two suppliers in passing third-party social responsibility audits.

In the future, we will conduct survey on suppliers at least once a year. Several of them will be chosen annually to receive third-party social responsibility audits to further strengthen the management of supplier environmental and social risks.



## Empowerment - Bringing Healthy Life within Reach

Zhende shoulders the mission of "ensure medical safety and reduce healthcare cost". We advocate the brand proposition of "bringing healthy life within reach", and provide high-quality medical products and health services to society. In addition, we donate medical supplies to the public, and build overseas supply chains to empower local medical development. We do our best to meet the needs of different regions and people for medical products and health services, so as to improve social medical accessibility from multiple perspectives and levels.

### Professional Healthcare Solutions

We provide professional clinical services and surgical site infection control and medium to long-term nursing solutions to the society, thereby reducing medical costs.

### Zhende Medical's Solution for Preventing Chronic Varicose Veins Helps Patients Recover and Improve Their Quality Of Life.

Today, workers who sit or stand for a long time are prone to varicose veins. In China, the prevalence rate of lower limb venous diseases is 8.89%, that is, nearly 100 million patients. The annual new incidence rate is 0.5%~3.0%, of which venous ulcer accounts for 1.5%<sup>1</sup>, seriously affecting the quality of life of patients. Venous thromboembolism (VTE) is the third leading vascular lethal disease. Most of hospitalized patients have at least one or more risk factors of VTE, with blood stasis being one of the three factors contributing to VTE formation.

Medical compression socks are an effective physical therapy method for treating lower limb varicose veins and preventing VTE. By applying external pressure that decreases from bottom to top to the lower limb, the diameter of the lower limb veins is reduced, and blood reflux is thus promoted. In this way, it reduces lower limb venous hypertension, mitigates blood accumulation in the lower limb veins, and improves the symptoms of lower limb varicose veins. Lower limb venous thrombosis is also prevented.

Zhende fulfills the responsibility of solving the problems of thousands of patients and bringing health and happiness to thousands of families. Based on Chinese leg shape data, Zhende is the first to introduce world-class production equipment and a complete set of pressure testing equipment. With international imported raw materials and technological R&D, Zhende takes the lead to launch a series of medical compression socks in China, such as therapeutic varicose vein socks, antithrombotic gradient pressure bands, and compression socks. As an industry leader, Zhende Medical has participated in the development of standards for therapeutic varicose vein socks and anti-embolism socks in the Chinese pharmaceutical industry.

Based on its long-term exploration in the field of healthcare and the interaction established between its products and patients, Zhende realizes that the value of these products lies not only in liberating patients from potential hazards through preventive measures, but also in restoring and improving their quality of life.

This recognition promotes the establishment of our corporate mission of "ensure medical safety and reduce healthcare cost", and affects everything we are doing and will do. In other words, excellent operations enable us to further expand our product portfolio and provide higher quality services to global users.

Note 1: The source is the *Guidelines for the Diagnosis and Treatment of Chronic Venous Diseases in China*.



Medical Compression Socks

## Zhende Medical Surgical Site Infection Control Products Improve Surgical Efficiency and Safety

In the operating room, medical personnel need innovative and customized solutions to improve both surgical efficiency and safety. Zhende Medical is the most reliable partner for customers. We can optimize efficiency throughout the entire cycle of surgical care, ensure medical safety and reduce healthcare costs, thus helping customers achieve better medical outcomes.

We initiate the action of replacing traditional cotton surgical bags with disposable surgical bags in China. Through analyzing the safety and cost of traditional cotton surgical bags and disposable sterile surgical bags, we have found that the comprehensive use cost of disposable sterile surgical bags is lower than that of cotton surgical bags. Moreover, product replacement makes surgical site infection control more effective.

Ensuring product safety: Zhende's disposable surgical bags have all production processes completed in the purification workshop, from raw materials to finished product assembly. Strictly controlled sterilization procedures can effectively ensure the hygiene and safety of medical products.

Satisfying personalized needs: Zhende's R&D team designs products and combinations suitable for different surgical procedures based on the surgical characteristics of various parts of the human body, such as surgical gowns made of various materials, surgical drapes specifically designed for a particular surgery, and various medical dressings. In this way, it meets the needs of various types of surgeries.

Improving surgical efficiency: Zhende provides a product model of "standardized combination packaging, flexible and independent assortments of accessories" for operating rooms. This can help medical workers efficiently apply surgical draping, maximizing the value of safety and efficiency.

By identifying and implementing new methods, we continuously fulfill our corporate mission to improve the efficiency of operating rooms and reduce medical costs, while ensuring the safety of patients and healthcare workers.



Surgical Site Infection Control Products

## Zhende Medical Personal Protective Products Protect People's Safety and Health

Based on 29 years of technical accumulation focused on medical supplies, Zhende Medical continuously develops and upgrades personal protective products, helping healthcare workers and patients solve problems while receiving comprehensive protection in work and life with a comfortable user experience.

We continue to improve product performance by using wide ear bands to alleviate ear discomfort caused by prolonged wearing of masks. The use of low resistance protective masks reduces resistance without reducing protective effects, and improves the breathability of wearing masks. Respiratory discomfort caused by prolonged wearing of masks is thus mitigated. Through continuous product upgrades, we provide products that are more comfortable to wear and have stronger protective performance, bringing a healthy and comfortable life within reach.



Personal Protective Products

## Popularizing Home Personal Care and Health Services

We promote the large-scale retail TOC health business and provide "non-professional family doctor" solutions for home personal care.

In 2022, we fully promoted the operation of the big health category by optimizing product structure and competitiveness. Through multi-dimensional consumer research and resource integration based on Zhende's product advantages, we have comprehensively examined our retail business, and strengthened the construction of customer and consumer centered product efficiency integration. Tools such as SCRM, CRM, and E sales system are utilized to enhance digital marketing capabilities, and to continuously improve customer and consumer satisfaction.

Similarly, we continue to expand our product coverage, which makes it easy for consumers to purchase the home health care products they need.



◆ Measures and Achievements for Retail Business Enhancement



Online Retail Channels

- Through various modes such as self-operation and cooperation, key sales channels such as Taobao, JD, Pinduoduo, Douyin, Kuaishou, 1688 and Amazon have been covered.
- In 2022, the online fans of Zhende e-commerce shops exceeded 8 million.



Offline Retail Channels

- We continue to improve the market development and cooperation stickiness of national and regional chain drugstores, individual pharmacies, and supermarket convenience stores through a variety of measures. These include dealer classification and grading management, establishment of a key customer operation system, as well as IP cooperation, dual brand product construction, and model market creation, etc.
- As of the end of April 2023, Zhende's coverage rate of top 100 chain pharmacies has reached 98%, totalling over 110,000 pharmacies, an increase of over 20,000 compared to that of the beginning of 2022. Over 18,000 convenience stores and in supermarkets are also covered.

## Construction of Overseas Supply Chains

To promote Zhende's deep involvement in the global medical device value chain and enhance its global competitiveness, we enhance the implementation of our overseas factory building strategy. More efforts are made in our overseas business landscape. We also prepare to build overseas production bases in Africa and other regions.

Rochelle Healthcare, a subsidiary controlled by Zhende in the UK, has acquired 100% equity of MIDMEDS LIMITED in the UK, expanding its service scope in the healthcare system. More important supplies and services are provided to hospitals, primary care, and community care institutions. We will maintain our commitment to enhancing treatment, prevention and personal health throughout the healthcare industry, thereby benefiting more patients.

The construction of these overseas production bases can create more jobs for local residents. At present, Zhende's UK factory has over 300 employees. After the construction of the factory in Kenya is completed, more jobs will be available for the local people. Besides, the construction of overseas production bases can also bring local enterprises advanced technology and management experience. The competitiveness and innovation ability of local industries will be increased, and local economic development will be promoted.

# ESG Data

Please refer to Zhende Medical's "2022 Annual Report" for details on corporate governance and operational data.

## Employee Performance

### Employee Recruitment and Hiring

Disclosures		Unit	2022
Number of incidents punished for violating employment and labor laws and regulations		#	0
Total number of employees <sup>1</sup>		Person	8,485
By gender	Number of male employees	Person	2,916
	Number of female employees	Person	5,569
By work area	Number of employees working in Chinese Mainland	Person	8,182
	Number of employees working in Hong Kong, Macao, Taiwan, and overseas	Person	303
Employee turnover rate <sup>2</sup>		%	11.22

1. Data description: The total number of employees is consistent with the disclosed data in Zhende's annual report, including full-time labor contract employees of the parent company and major subsidiaries, excluding part-time and other types of employment employees.

2. Calculation formula: Employee turnover rate = Employees who have resigned /total number of employees \* 100.

### Employee Rights and Benefits

Disclosures		Unit	2022
Labor contract signing rate		%	100.00
Employee remuneration and welfare expenses <sup>1</sup>		RMB 10,000	98,650
New employee satisfaction <sup>2</sup>		%	92
Employee net promoter score (E-NPS) <sup>3</sup>		%	62.85

1. Data description: This includes salaries, bonuses, allowances, subsidies, and other benefits paid to employees.

2. Data description: It refers to the results of the satisfaction survey among new employees.

3. Calculation formula: E-NPS = Proportion of employees willing to recommend the company to their families and friends - Proportion of employees unwilling to recommend - Employee voluntary turnover rate.

## Employee Training and Development

Disclosures	Unit	2022
Employee training coverage rate <sup>1</sup>	%	100.00
Per capita training time for employees <sup>2</sup>	Hour	66.11

1. Calculation formula: Employee training coverage rate = Number of employees receiving training/Total number of employees \* 100%.

2. Calculation formula: Per capita training time for employees = Total training time/Total number of employees \* 100%.

## Occupational Health and Safety

Disclosures	Unit	2022
Number of incidents punished for violating occupational health and safety laws and regulations	#	0
Number of employees affected by occupational diseases	Person	0
Work-related injury rate per 1,000 employees <sup>1</sup>	/	0.59
Number of employees who died due to work-related injuries	Person	0
Working days lost due to work-related injuries	Day	159
Coverage rate of employees receiving occupational health and safety related training <sup>2</sup>	%	100.00

1. Calculation formula: Work-related injury rate per 1,000 employees = Number of employees injured at work/(total number of employees/1,000).

2. Calculation formula: Coverage rate of employees receiving occupational health and safety related training = Number of employees receiving occupational health and safety related training/Total number of employees \* 100.

## R&D and Innovation Performance

### R&D and Innovation

Disclosures	Unit	2022
R&D investment	RMB 10,000	22,700
Number of R&D personnel	Person	656
Number of R&D projects	#	578

## Intellectual Property Protection

Disclosures	Unit	2022
Number of trademark applications in 2022	#	9
Number of trademarks granted in 2022	#	47
Number of patent applications in 2022	#	133
Number of patent authorizations in 2022	#	121
Accumulated number of patents applied	#	1,120
Accumulated number of authorized patents	#	635

## Product and Customer Service Performance

### Product Quality and Safety

Disclosures	Unit	2022
Number of violations of laws and regulations related to products and services <sup>1</sup>	#	1
Number of products sold that should be recalled due to safety and health issues	#	0

1. Data description: It refers to the sales of Zhende's products in the domestic market. Among them, in 2022, there was one case of violating regulations concerning Zhende's products. Its industrial mask failed the particle filtration efficiency test. After the incident, Zhende traced the whereabouts of products based on sales records. It has found that this batch of masks have no inventory in the market. Some product dealers have already disposed of them as scraps. In the subsequent production of this civilian protective product, Zhende will strictly control the raw materials and conduct stricter inspections of the production to further improve the quality of its products.

### Customer Service

	Disclosures	Unit	2022
Customer net promoter score (C-NPS) <sup>1</sup>	Domestic market	%	88.11
	Overseas market	%	30.51
	Number of complaints received regarding products and services	#	1,569
	Product and service complaint handling rate <sup>2</sup>	%	100.00

1. Data description: In 2022, Zhende began using the C-NPS method to replace the customer satisfaction survey method used in 2020 and 2021. Calculation formula: C-NPS = % promoters - % detractors.

2. Calculation formula: Product and service complaint handling rate = Number of complaints processed/Total number of complaints received about products and services \* 100%.



Community Public Welfare Performance

Disclosures	Unit	2022
Total investment in public welfare and charity	RMB 10,000	527.40
Number of employees participating in voluntary activities	Person	184
Total time of employee volunteer service	Hour	926
Social contribution value per share <sup>1</sup>	RMB 1.00	7.43

Calculation formula: Social contribution per share = (Net profit of Zhende + taxes created within the year + salaries paid to employees + loan interest paid to creditors such as banks + value created for other stakeholders such as external donations - other social costs caused by environmental pollution) /total number of shares of Zhende.

Environmental performance

Environmental Management System

Disclosures	Unit	2022
Number of incidents punished for violating environmental protection laws and regulations	#	0
Penalty amount for violating environmental protection laws and regulations	RMB 10,000	0
Annual environmental protection investment expenditure	RMB 10,000	1,504

Resource Management<sup>1</sup>

Disclosures	Unit	2022
Total amount of purchased electricity	kWh	84,890,248
Purchased non-renewable electricity	kWh	84,649,301
Purchased renewable electricity	kWh	240,947
Self-generated renewable electricity <sup>2</sup>	kWh	907,504
Total amount of purchased steam	Ton	167,993
Gasoline consumption	Liter	45,972.46
Diesel consumption	Liter	25,605.10
Natural gas consumption	Cubic meters	1,156,316
Total water consumption	Ton	1,031,955
Recycled water ratio	%	63.75
Total amount of packaging materials used for finished products	Ton	8,300

Disclosures	Unit	2022
The amount of environmentally friendly packaging materials used in the finished product	Ton	4,250
Proportion of environmentally friendly packaging materials used in finished products	%	51.20

1. Data description: The statistical scope of resource management related data includes Zhende Medical headquarters and five subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, etc.
2. Data description: All self-generated renewable electricity is from photovoltaic power generation. Among them, in 2022, the power generated by Zhende Medical headquarters was 22,000 kWh, Xuchang Zhengde 192,394 kWh, Xuchang Zhende 369,692 kWh, and Henan Zhende 125,418 kWh.

Emissions and Waste Management<sup>1</sup>

Disclosures	Unit	2022
Total amount of waste generated	Ton	1,120.48
Total amount of non-hazardous waste generated	Ton	1,097.69
Total amount of hazardous waste generated	Ton	22.79

1. Data description: The statistical scope of data related to emissions and waste management includes Zhende Medical headquarters and 5 subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, etc.

Climate Change Mitigation and Adaptation<sup>1 2 3</sup>

Disclosures	Unit	2022
Scope 1 greenhouse gas emissions	Ton of CO <sub>2</sub> e	2,691.74
Scope 2 greenhouse gas emissions	Ton of CO <sub>2</sub> e	99,495.49
Total greenhouse gas emissions (Scope 1 + Scope 2)	Ton of CO <sub>2</sub> e	102,187.23

1. Data scope: The statistical scope of greenhouse gas emissions data includes the data of Zhende Medical headquarters and five subsidiaries including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende.
2. Reference standard: The calculation of Scope 1 and Scope 2 greenhouse gases refers to the *GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition)*, *ISO14064-1:2018 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals*, and *General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T32150-2015)*, *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises - Power Generation Facilities* and other accounting standards.
3. Emission factors: The greenhouse gas types calculated in this report include CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O in Scope 1, and CO<sub>2</sub> in Scope 2. The selected GWP value comes from IPCC AR6, where CH<sub>4</sub> corresponds to a GWP value of 27.9 tCO<sub>2</sub>e/tCH<sub>4</sub>, and N<sub>2</sub>O corresponds to a GWP value of 273 tCO<sub>2</sub>e/tN<sub>2</sub>O.
- The default values of emission factors used in Scope 1 are derived from the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Land Transport Enterprises (Trial)* (2015), *China Energy Statistical Yearbook* (2021), and *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial)* (2015). The emission factors used in Scope 2 are calculated based on relevant documents issued by Ministry of Ecology and Environment of China. Among them, the emission factor of the power grid in 2020 is 0.5839 tCO<sub>2</sub>e/MWh, with reference to the *Notice on Public Solicitation of Opinions on the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises - Power Generation Facilities* (Revised in 2021) (Draft for Soliciting Opinions). The emission factor of the power grid in 2021 is 0.5810 tCO<sub>2</sub>e/MWh, with reference to the *Notice on Key Tasks Related to the Management of Greenhouse Gas Emission Reports for Enterprises in 2022*. The emission factor of the power grid in 2022 is 0.5703 tCO<sub>2</sub>e/MWh, with reference to the *Notice on Tasks Related to the Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises in 2023-2025*.

# Report Benchmarking Index Table

**Benchmarking Index Table of Guideline No. 1 for the Application of Self-regulatory Rules for Companies Listed on the STAR Market of the Shanghai Stock Exchange - Standardized Operation (2022)**

Terms	Report Chapter	Terms	Report Chapter
8.1	Sustainable Development Management	8.10: (I)	Environmental Management System
8.2	Anti-corruption and Business Ethics Responsible Marketing Intellectual Property Protection	8.10: (II)	Not applicable
8.3	Sustainable Development Management	8.10: (III)	Not applicable
8.4	ESG Data	8.10: (IV)	Not applicable
8.5	About This Report	8.10: (V)	Environmental Management System
8.6: (I)	Zhende has disclosed its systems, measures, and performance in environmental, social, and corporate governance aspects in this report. The specific content is detailed in the relevant chapters of the report.	8.10: (VI)	Not applicable
8.6: (II)		8.11	Environmental Management System
8.6: (III)		8.12: (I)	
8.7	Caring-Employee Rights and Benefits Persistence-Employees' Safety and Health	8.12: (II)	Not applicable because Zhende and its main subsidiaries are not key pollutant discharge organizations .
8.8: (I)	Environmental Management System Emissions and Waste Management	8.12: (III)	
8.8: (II)	Environmental Management System	8.12: (IV)	
8.8: (III)	Resource Management	8.13: (I)	Product Quality and Safety
8.8: (IV)	Emissions and Waste Management	8.13: (II)	Product Quality and Safety
8.8: (V)	Emissions and Waste Management	8.13: (III)	Product Quality and Safety
8.8: (VI)	Not applicable	8.13: (IV)	Product Quality and Safety
8.8: (VII)	Supply Chain Management	8.14: (I)	Employee Recruitment and Hiring Employee Rights and Benefits
8.8: (VIII)	Climate Change Mitigation and Adaptation	8.14: (II)	Persistence-Employees' Safety and Health
8.9: (I)	Environmental Management System	8.14: (III)	A Comprehensive Talent Development System Smooth Career Development Channels
8.9: (II)	ESG Data	8.14: (IV)	Employee Recruitment and Hiring Employee Rights and Benefits
8.9: (III)	Emissions and Waste Management ESG Data	8.15	R&D and Innovation
8.9: (IV)	Emissions and Waste Management		
8.9: (V)	Environmental Management System		
8.9: (VI)	Emissions and Waste Management		
8.9: (VII)	Not applicable		
8.9: (VIII)	Not applicable		
8.9: (IX)	Environmental Management System Emissions and Waste Management Resource Management Climate Change Mitigation and Adaptation		

## Benchmarking Index Table of GRI Standards

Note	From January 1, 2022 to December 31, 2022, Zhende Medical reported the information quoted in this index with reference to the GRI Standards.
GRI 1 used	2021GRI 1: Foundation 2021

Disclosures	Report Chapter	Disclosures	Report Chapter
2-1	About This Report About Zhende Medical	306-2	Emissions and Waste Management
2-2	About This Report	306-3	ESG Data
2-3	About This Report	401-1	ESG Data
2-6	About Zhende Medical	401-2	Employee Rights and Benefits
2-7	ESG Data	403-1	Persistence-Employees' Safety and Health
2-9	Corporate Governance ESG Management O-Chart	403-2	Persistence-Employees' Safety and Health
2-13	ESG Management O-Chart	403-3	Persistence-Employees' Safety and Health
2-14	ESG Management O-Chart	403-5	Persistence-Employees' Safety and Health
2-16	ESG Management O-Chart	403-6	Persistence-Employees' Safety and Health
2-22	ESG Strategy	403-7	Persistence-Employees' Safety and Health
2-25	Anti-corruption and Business Ethics Employment and Recruitment	403-9	ESG Data
2-27	ESG Data	403-10	ESG Data
2-28	Industry Exchange and Cooperation	404-1	ESG Data
2-29	Stakeholder Communication	404-2	A Comprehensive Talent Development System
2-30	Employee Rights and Benefits	405-1	ESG Data
3-1	Analysis of Material Topics	406-1	Employee Recruitment and Hiring
3-2	Analysis of Material Topics	407-1	Employee Rights and Benefits
3-3	Analysis of Material Topics	408-1	Employee Recruitment and Hiring
201-1	ESG Data	409-1	Employee Recruitment and Hiring
205-2	Anti-corruption and Business Ethics	413-1	Community Communication
205-3	Appendix: List of Laws, Regulations, Policies and Standards	414-2	Supply Chain Management
301-1	ESG Data	416-1	Product Quality and Safety
302-1	ESG Data	416-2	Product Quality and Safety ESG Data
302-4	Resource Management	417-1	Product Quality and Safety
303-1	Resource Management	417-2	Appendix: List of Laws, Regulations, Policies and Standards
303-2	Emissions and Waste Management	417-3	Appendix: List of Laws, Regulations, Policies and Standards
303-5	ESG Data	418-1	Appendix: List of Laws, Regulations, Policies and Standards
305-1	ESG Data		
305-2	ESG Data		
306-1	Emissions and Waste Management		



## Benchmarking Index Table of SDGs

SDGs	Report Chapter	SDGs	Report Chapter
	Employee Rights and Benefits Community Communication and Development		Resource Management Climate Change Mitigation and Adaptation
	Empowerment - Bringing Healthy Life within Reach		Employee Recruitment and Hiring Employee Rights and Benefits A Comprehensive Talent Development System Smooth Career Development Channels
	A Comprehensive Talent Development System Industry Exchange and Cooperation Community Communication and Development		R&D and Innovation Environmental Management System Emissions and Waste Management Resource Management Climate Change Mitigation and Adaptation
	Employee Recruitment and Hiring Employee Rights and Benefits		Resource Management Climate Change Mitigation and Adaptation
	Environmental Management System Emissions and Waste Management Resource Management		Anti-corruption and Business Ethics Employee Recruitment and Hiring

## Appendix: List of Laws, Regulations, Policies and Standards

To help readers better understand the compliance of Zhende's business activities, the following table lists the major laws, regulations, policies and standards that Zhende complies with by field. In 2022, Zhende had one violation in the field of product quality and safety, as detailed in the "ESG Data" section of this report. Except this case, Zhende had no violations in other fields.

Field	Major Laws, Regulations, Policies and Standards
Corporate governance	<i>Company Law of the People's Republic of China, Securities Law of the People's Republic of China, the Listing Rules of the Shanghai Stock Exchange, and Governance Standards for Listed Companies</i>
Investor relations management	<i>Company Law of the People's Republic of China, Securities Law of the People's Republic of China, and Guidelines for Investor Relations Management of Listed Companies</i>
Information disclosure	<i>Company Law of the People's Republic of China, Securities Law of the People's Republic of China, and Management Measures for Information Disclosure of Listed Companies</i>
Construction of internal control system	<i>Company Law of the People's Republic of China, Securities Law of the People's Republic of China, and Basic Standards for Internal Control of Enterprises</i>
Anti-corruption and business ethics	<i>Criminal Law of the People's Republic of China, Law of the People's Republic of China Against Unfair Competition, Anti-Money Laundering Law of the People's Republic of China, and Interim Provisions on Prohibition of Commercial Bribery issued by the State Administration for Industry and Commerce</i>
Employee Recruitment and Hiring	<i>Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China</i>
Employee safety and health	<i>Law of the People's Republic of China on Work Safety and Law of the People's Republic of China on Prevention and Control of Occupational Diseases</i>
R&D and innovation	<i>ISO 13485:2016 Medical Devices - Quality Management Systems - Requirements for Regulatory Purposes (hereinafter referred to as ISO 13485:2016) and FDA 21 CFR Part 820</i>
R&D ethics	<i>Helsinki Declaration of the World Medical Association, Quality Management Standards for Clinical Trials of Medical Devices, and Guiding Principles for Clinical Trial Design of Medical Devices</i>
Intellectual property protection	<i>Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, and Copyright Law of the People's Republic of China</i>
Environmental management	<i>Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Air Pollution Prevention and Control Law of the People's Republic of China, and Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste.</i>
Resource management	<i>Law of the People's Republic of China on Energy Conservation, Water Law of the People's Republic of China, and Regulations on the Administration of Water Intake Permits and Collection of Water Resource Fees</i>
Product quality and safety	<i>Medical Device Production Quality Management Standards, Medical Device Supervision and Management Regulations, Medical Device Production Supervision and Management Measures, ISO 13485:2016, and FDA 21 CFR Part 820</i>
Responsible marketing	<i>Advertisement Law of the People's Republic of China</i>
Data security and privacy protection	<i>Data Security Law of the People's Republic of China</i>

