

2023

Sustainability Report

And ESG (Environmental, Social and Governance) Report

ZHENDE MEDICAL CO., LTD.



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About This Report

This report is the second *Sustainability Report and ESG Report* of Zhende Medical Co., Ltd., which discloses to investors and other stakeholders our 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) .

○ Report Period

This report covers the period from January 1, 2023 to December 31, 2023. 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*, and has been prepared with reference to the United Nations Sustainable Development Goals (SDGs). The preparation process conforms to the GRI Standards (2021).

○ 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, 2024. 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 real 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 on information disclosure platforms designated by the stock exchange, and can be viewed on or downloaded from our official website (<http://www.zhende.com>).

○ Contact Us

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

Address: No. 55 Xiangji Road, Gaobu Town, Yuecheng District, Shaoxing City, Zhejiang Province

Email: dsh@zhende.com



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 is now one of China’s leading manufacturers of products including medical dressing, infection site control and infection protection, while ranking among the top 50 Chinese medical device manufacturers. Our business operations span all 34 provinces of China and extend to over 70 countries and regions worldwide..

Zhende’s products have been certified by the Food and Drug Administration (FDA), the Communate Europene (CE), ISO 13485 Quality Management for Medical Devices, and the National Medical Products Administration (NMPA) of China. Our product line covers different usage scenarios such as compression treatment & fixation, traditional wound care, operating room infection control, basic care, isolation protection, pressure therapy and venous thromboembolism (VTE) prevention, stoma care, advanced wound care, personal healthcare, rehabilitation care, and intravenous therapy.



Company Events in 2023

Investment in the factory in Kenya

To better align with the demands of global supply chains, we have invested in the first phase of a project in Kenya, which encompasses the establishment of production facilities for surgical gowns, surgical packs, and other related products.

Product carbon footprint certification

In 2023, we conducted the carbon footprint certification for four products, namely surgical drapes, surgical gowns, non-woven retention adhesive tape and sterile gauze swabs. We have continuously optimized the efficiency of our production process, from the acquisition of raw cotton to manufacturing and waste disposal. Our efforts include enhancing the use of green energy and broadening the scope of green production practices, thereby increasing the sustainability of our low-carbon products.



Expansion of business lines

In April 2023, Zhende Medical acquired Jiangsu Embrace Science & Technology Development Co., Ltd. whose primary products include prefilled flush syringes. This acquisition effectively complements our existing product portfolio and aligns closely with the use scenarios of its current intravenous therapy products.

Use of more renewable electricity

Zhende continued to promote solar power generation projects in Anhui manufacturing base and Jiangsu manufacturing base, increasing the use of green energy.



Lightweight packaging

Zhende has established goals and action plans to implement lightweight packaging for its products, aiming to reduce unnecessary packaging and minimize waste of packaging materials.

Products certified by ISCC PLUS

Its surgical gowns have been certified by ISCC PLUS and are produced using circular value chains and certified raw materials, in accordance with ISCC PLUS standards.



Commitment to joining SBTi

Zhende Medical has proactively addressed the challenge of global warming by developing a climate transformation strategy aligned with the 1.5°C temperature goal of the Paris Agreement. We have committed to setting its emission reduction targets in accordance with the standards of the Science Based Targets initiative (SBTi), fostering the creation of a new green and low-carbon ecosystem in collaboration with its value chain partners.

Joined UNGC

Zhende Medical joined the United Nations Global Compact (UNGC) to fulfill its commitment to sustainable development.



Efficient wound care

Zhende has developed super-absorbent polyurethane foam to offer more gentle protection for patients' wounds, enhancing healing efficiency and patient comfort. Additionally, this innovation supports clinical medical staff by reducing nursing workload, decreasing dressing change frequency, and lowering medical costs, ultimately minimizing the waste of medical resources.

New Product Inclusive Healthcare

Its waste liquid collection system has significantly reduced the risk of cross-infection during surgery, offering advanced and efficient infection control for medical workers.



Long-term financing support

Zhende collaborates with the World Bank to expand its financing channels, a significant step in advancing its international business development and strengthening its global operational capabilities. This partnership has provided crucial support for our strategic adjustments and accelerated the establishment of its international platform.

Honors and External Recognitions of Zhende Medical in 2023

★

Top **500** Chinese Manufacturing Enterprises in Charity and Public Welfare in 2023

★

"Outstanding Contribution Award" by Medical Device Industry Association of Zhejiang Province

★

The **17th** Place among Top **20** Chinese Medical Device Companies during 2022-2023

★

"Gold Award" of CPEO Summit in 2023

★

Top **500** Chinese Private Enterprises in Charity and Public Welfare in 2023

★

A Collective with Outstanding Donations to Red Cross Society in Zhejiang Province

★

The **93rd** Place on 2023 Global MedTech Top 100

★

A Waste-Free Factory, Intelligent Factory, Waste-Free City Cell in Shaoxing

★

A Wasted-Free Factory, Green Factory in Henan Province

Message from the Chairman: Working Together for a Sustainable Future



In August 2023, Zhende Medical released its first *Sustainable Development and ESG Report* to develop a sustainable development strategy of "We Care", which guided us from following the sustainable development policy of "care employee growth, promote Green Development, being a reliable partner" to walking on the path of more sustainable and responsible development.

In the era of severe challenges and changes in global supply chains, geopolitics, energy crisis and unbalanced regional development have become increasingly prominent. Meanwhile, due to the impact of trade protectionism and other factors, global economic development has been hit heavily, and global supply chains have been being restructured and challenged.

However, it is important to note that despite international differences, there is broad consensus among governments, businesses, and social organizations on addressing environmental, social, and governance (ESG) issues, as well as the United Nations'

Sustainable Development Goals (SDGs). Responsible investment, procurement, and production have become widely accepted at both national and corporate levels, presenting a significant opportunity amid the restructuring of global supply chains.

As a transnational company integrated into global supply chains, Zhende Medical has also faced the same challenges and opportunities.

According to the *Paris Agreement* and the national dual-carbon¹ strategy, Zhende Medical has developed carbon reduction goals and a clear implementation pathway. We have planned to conduct the carbon inventory verification every year. In 2023, we completed our first carbon inventory verification for 2022, covering Scope 1 and Scope 2 emissions. Currently, we are conducting the 2023 carbon inventory, which will include Scope 3 emissions. In terms of emission reduction, we have actively pursued innovative strategies, significantly replacing traditional fossil fuels with renewable energy sources. We are also engaged in the research and development of low- and zero-carbon products, staying firmly on a path of energy-efficient, green, and low-carbon development. Key initiatives include the installation of solar photovoltaic system on the factory roof, the active use of biomass steam, and the adoption of geothermal renewable energy at our Kenya facility. Additionally, we have consistently increased investments in environmental protection, raised sustainability awareness across the workforce, and remain dedicated to protecting the environment through ongoing efforts.

In terms of social responsibility, we uphold a positive attitude, support public welfare programs wholeheartedly, and develop corporate social responsibility plans, consistently giving back to society through meaningful and practical actions. We focus on finding values from our employees and improving their skills, while fostering a family-friendly workplace that promotes a healthy work-life balance through various initiatives. We strive to create

a dynamic organizational culture, continuously empowering employees with diverse skills to help them realize their full potential. In addition, we actively contribute to the communities where we operate by leveraging our resources and expertise. Through building academic exchange platforms and participating in industry events, we have strengthened our market influence, contributed to industry advancements, promoted the development of industry standards, and improved quality and efficiency across the sector. By developing innovative and practical healthcare products, we aim to make healthcare more efficient and convenient, providing patients with safer, more portable solutions. We remain dedicated to social welfare initiatives, seeking to spread care and compassion through our contributions and to help protect our shared environment.

In terms of governance, we remain committed to compliance and standardization, continuously improving our corporate governance structure to enhance transparency through regular communication with stakeholders. We have strengthened our internal oversight mechanisms to prevent corruption and management malpractices, ensuring that business decisions are both scientifically sound and compliant with regulations. Additionally, we have deeply integrated ESG principles into our daily operations and management practices, incorporating them into the performance evaluations of senior executives.

In the future, we will further strengthen our commitment to ESG, positioning ESG investments as a strategic priority and resource focus, rather than simply additional human and financial investments. We aim to make ESG an integral growth driver for our sustainable development, embedding its principles into our business processes and management. Our focus will shift from risk management to compliance management, ensuring the organization's healthy growth. Additionally, we will transform ESG from a non-financial performance metric into a long-term financial performance indicator, striking a balance between ESG costs

and benefits. Continuous investment in ESG will reflect Zhende's responsibility to society and the environment, while supporting the transformation towards a long-term, sustainable profit model.

Zhende Medical expects to connect with more stakeholders through ESG, providing more efficient and safer products and services to the society. We aspire to become a benchmark in actively supporting the national dual-carbon strategy and to make greater contributions to public health and the development of social healthcare ecosystems. Unified as a team, we will remain focused on driving innovation, sustainability, and excellence in all aspects of our operations.

I extend my heartfelt gratitude to every partner, medical professional, and consumer for their continued support and trust. Zhende Medical remains committed to being the most reliable partner in healthcare. In this evolving social environment, we will continue to strengthen our ESG practices by advancing business initiatives and expanding our capabilities. Leveraging science and technology, Zhende Medical will deliver safer, more efficient products to enhance medical efficiency and ensure patient safety. Together, let us work to safeguard medical safety, reduce healthcare costs, and make healthy life more accessible for all in the near future.

—Lu Jianguo, chairman of Zhende Medical

Note 1: Dual-carbon refers to the abbreviation for Carbon Peak and Carbon Neutral. Carbon peak refers to the point in time when a country or region's carbon dioxide emissions reach their historical highest level and then gradually begin to decline. Carbon neutrality refers to achieving "net zero emissions" by reducing carbon emissions, increasing carbon absorption (such as through afforestation, carbon capture technology, etc.), or purchasing carbon credits to offset the carbon dioxide emissions produced.



Key Performance on Sustainability in 2023

Reform and Innovation

Whole-process improvement of supply chains:

4,976 frontline proposals were improved, and **6,654** standard formulas were developed

81 TPI projects were completed, and RMB **24.55** million of costs were saved

7,853 people participated in improving the proposals, with total incentives of RMB **960,500**

Improvement of process management proposals:

A total of **178** proposals were collected

The estimated tangible earnings were RMB **1.5492** million

Care Employee Growth

Female employees accounted for **68.96%**

New employee satisfaction rate reached **93.3%**, and employee net promoter score (E-NPS) was **69.33%**

The coverage of employees receiving training was **100%**

The average training time per employee was **64.77** hours

The work-related injury rate per one thousand employees was **0.45**, and **78** working days lost due to work-related injuries

A total of **43** employees were sponsored, with a subsidy amount of RMB **216,000**

Scholarships were granted to a total of **45** employees' children

Promote Green Development

The annual expenditure on environmental protection investment reached RMB **10.4814** million

The use proportion of renewable electricity was **14.33%**

Circulating water usage accounted for **56.40%**

The proportion of environmentally friendly packaging materials used in finished products reached **65%**

The total amount of waste recycled was **880.84** tons

Total greenhouse gas emissions (Scope 1 + Scope 2) was **76,262.92** tons of CO₂ equivalent

Total emissions decreased by **27.19%** compared with 2022

To Be a Reliable Partner

Annual R&D investment was RMB **138.95** million

Zhende was granted **20** Class II medical device product registration certificates and **12** patents for invention

Domestic market customer net promoter score was **83.89%**

Foreign market customer net promoter score was **52.80%**

Zhende completed the formulation (revision) of **12** group standards

Environmental and social risk survey was conducted on **653** suppliers

320 employees participated in voluntary activities

The total duration of employee volunteer service was **1,953** hours

Total amount donated: RMB **3.2457** million



Sustainable Development Management

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



In 2023:

- ☆ Zhende incorporated the ESG work into the company-level key tasks
- ☆ Upgraded risk management to compliance management
- ☆ Shifted the ESG work from a non-financial performance indicator to a long-term financial performance indicator

Sustainable Development Management Strategy—We Care

The philosophy of sustainable development of Zhende Medical originated 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 the company 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".

We continue to incorporate SDGs into our long-term operation plans. In 2023, we will focus on We Care model, introducing the sustainable development concept into our development, leading future development from a forward-looking perspective.

Upgraded Sustainable Development-Related Strategies of Zhende Medical in 2023

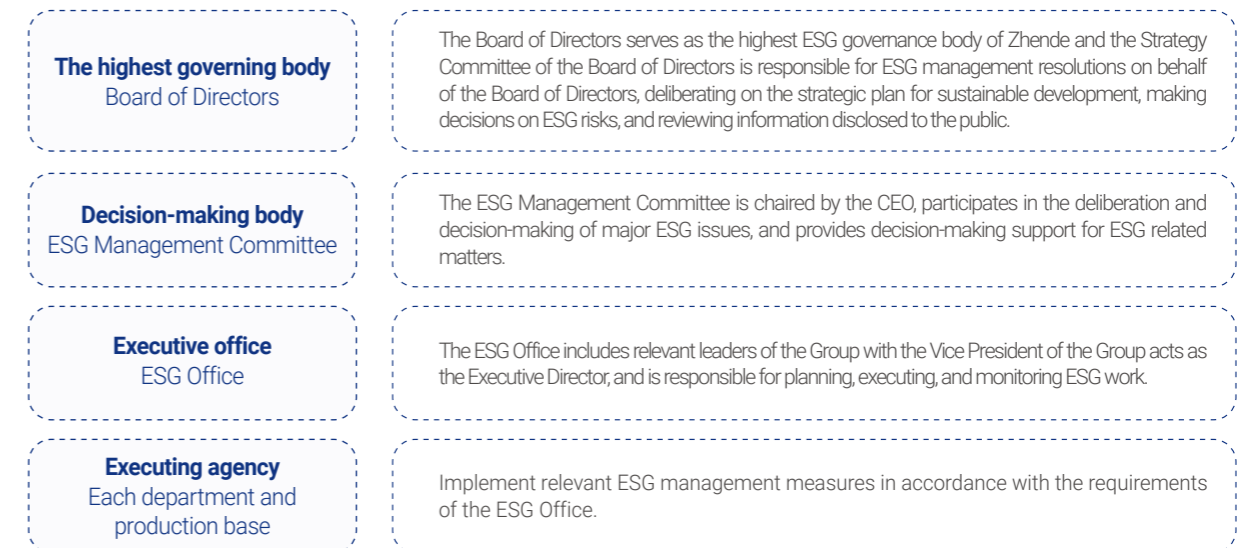
| Before upgrading | After upgrading | Upgrading content |
|---------------------------|---------------------------------|--|
| Risk management | Compliance management | Strengthening the internal control system, taking initiative in management, actively meeting ESG standards, further standardizing corporate behaviors in addition to risk avoidance, in order to enhance its market trust. |
| Non-financial performance | Long-term financial performance | Incorporating the cutting-edge concept of global sustainable development, paying attention to the correlation between sustainable development performance and financial performance, trying to optimize the long-term financial performance of Zhende by upgrading its sustainable development capability, which highly coincide with SDGs and help achieve both economic and social benefits. |

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



Sustainable Management Architecture and Responsibilities

To promote the integration of ESG policies into our strategy, we formed a top-down ESG management organizational structure in 2022, further optimizing relevant management processes. With the Board of Directors as the highest governing body, the construction of the ESG management system is promoted by the ESG Management Committee; 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.








The long-term sustainable development of Zhende is closely linked with its social responsibilities. Zhende Medical profoundly realizes that only by deeply integrating the ESG concept into its corporate strategies and daily operations can it achieve both economic and social benefits. During the reporting period, we conformed to the trend of the times and took initiative in making reforms. Specifically, we developed and issued the *Management Manual for Social Responsibilities* for all factories around the world as a profound practice and specific action guideline for our commitment to sustainable development, demonstrating our forward-looking vision and management initiative as an industry leader, and responding to social expectations with our practical actions.



Progress in Sustainable Development Management

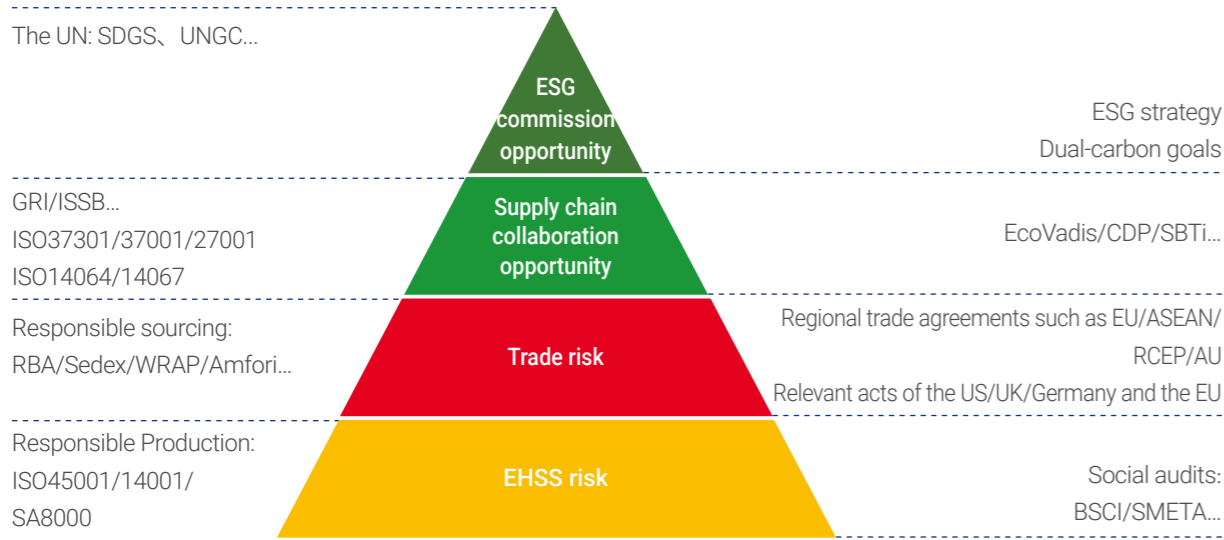
Progress in achieving ESG management goals in 2023

| ESG Strategy and Responses to SDGs | Key dimensions | 2030 Goals Committed | Key Actions in 2023 | Progress in 2023 | |
|--|--|--|--|--|---|
| Care Employee Growth   | Safety and health | <ul style="list-style-type: none"> 100% of the factories maintained ISO 45001 system certification. The work-related injury rate per one thousand employees was less than 0.5. | <p>Established an occupational health and safety management system. As of the end of the reporting period, three new subsidiaries obtained ISO 45001 occupational health and safety certification.</p> <p>The Board of Directors act as the highest decision-making body for our EHS management.</p> <p>Formulated the <i>Management Rules for Hazard Identification, Assessment, and Control</i> for comprehensive hazard identification, assessment, control and updating.</p> <p>Regularly conducted EHS themed training for all employees.</p> | 0.45 | |
| | | <ul style="list-style-type: none"> The proportion of female senior executives (above the level of director) reaches 20%. | <p>Continued to implement the talent introduction strategy. Implemented employee stock ownership plans to retain talents. Established communication channels for employees, such as trade unions, general meeting of worker representatives, and general manager's mailbox.</p> <p>Cared for female employees, increased the proportion of female managers, and support special demands of female employees.</p> <p>Cared for employees with difficulties; subsidized 585 employees with mutual aid and poverty alleviation foundations by the end of the reporting period.</p> <p>Conducted the remuneration analysis, evaluated the competitiveness level to attract and retain talents.</p> <p>Conducted surveys on employee satisfaction and engagement.</p> | | 23.8% |
| | Employee rights and benefits | <ul style="list-style-type: none"> Employee NPS is greater than 70 points. | <p>Established a panoramic scheme for talent training and development.</p> <p>Established a job qualification system and conducted talent inspection.</p> <p>Encouraged cross-functional, interdisciplinary job rotation among employees, formulated job rotation plans for key positions, and carry out rotation practices.</p> <p>Supported employee to pursue higher education and skill certification</p> <p>Established a clear, transparent, unobstructed dual-channel for career development.</p> | 69.33 | |
| | | Growing together | <ul style="list-style-type: none"> The average training time of employees is greater than 60 hours. | | <p>Established an ISO 14001 environmental management system.</p> <p>Performed up-to-standard wastewater discharge and gas emission.</p> <p>Performed compliant disposal of waste.</p> <p>Conducted emergency exercises for environmental emergencies.</p> |
| | Promote Green Development   | Environmental responsibility management | <ul style="list-style-type: none"> All factories are certified by ISO14001 | <p>Achieved remarkable results in the operation of the IPD process, and formed a scientific decision-making system.</p> <p>Improved resource utilization efficiency through measures such as waste heat and energy reuse, replacement of energy-saving equipment, optimization of production process and wastewater recycling.</p> <p>The self-developed surgical gowns obtained the ISCC PLUS certification.</p> <p>Four products passed the ISO 14067 carbon footprint certification.</p> <p>Achieved lightweight and green packaging upgrade.</p> | 66.67% |
| | | Innovation and green product development | <ul style="list-style-type: none"> The proportion of environmentally friendly packaging materials used in finished products exceeds 80%. | <p>Achieved remarkable results in the operation of the IPD process, and formed a scientific decision-making system.</p> <p>Improved resource utilization efficiency through measures such as waste heat and energy reuse, replacement of energy-saving equipment, optimization of production process and wastewater recycling.</p> <p>The self-developed surgical gowns obtained the ISCC PLUS certification.</p> <p>Four products passed the ISO 14067 carbon footprint certification.</p> <p>Achieved lightweight and green packaging upgrade.</p> | 65% |

| ESG Strategy and Responses to SDGs | Key dimensions | 2030 Goals Committed | Key Actions in 2023 | Progress in 2023 |
|--|--|--|---|---|
| Promote Green Development   | Climate change mitigation and adaptation | <ul style="list-style-type: none"> In 2023, Zhende was trying to join the SBTi, and will set target values as confirmed by the SBTi. Renewable electricity accounts for over 30% of total electricity consumption. | <p>Incorporated climate change into the ESG management system and formed a top-down management mechanism.</p> <p>Analyzed climate risks and opportunities, and actively implemented response measures.</p> <p>Reduced greenhouse gas emissions through measures such as policy development, investment in energy-saving equipment and green office.</p> <p>Installed photovoltaic power generation facilities in the factory area, and planned to use geothermal energy in the factory in Kenya to reinforce the use of clean energy.</p> <p>Conducted factory carbon inventory verification based on ISO 14064 standards.</p> | <p>Total greenhouse gas emission (Scope 1 + Scope 2) reduced by 27% than last year</p> <p>14.33%</p> |
| | | To Be a Reliable Partner    | Customer and product responsibility | <ul style="list-style-type: none"> 100% maintained ISO13485 system certification Passed CE/FDA certification as required. Customer net promoter score (International >60 / Domestic >80). |
| Assisting industry development | <ul style="list-style-type: none"> Environmental and social risk research covers all key suppliers. | | | <p>Participated in industry exchange activities such as the 87th/88th China International Medical Equipment Fair; rolled out school-enterprise cooperation with Shaoxing Vocational & Technical College.</p> <p>Participated in the formulation of 3 national standards, completed the formulation of 19 industry standards and 12 group standards.</p> <p>Investigated environmental and social risks for 653 suppliers by such means as questionnaires.</p> |
| | Social contribution | <ul style="list-style-type: none"> External donations are made annually. | <p>Developed efficient and intelligent medical management systems and auxiliary instruments to benefit patients and care, and improve the medical quality.</p> <p>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.</p> <p>Improved local medical service accessibility by building factories overseas.</p> <p>Actively donated, a total of RMB 3.245 million during the reporting period.</p> | RMB 3.245 million |

ESG implementation strategy

The UN: SDGS、UNGC...



System and standard

Regulations and customer requirements



Participation of Stakeholders

Stakeholder Communication

Zhende Medical expects to establish a long-term mutual-trust relationships with its stakeholders. With a regular communication mechanism with stakeholders, We aim to gain a deeper understanding of their opinions, needs, and expectations. 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 | Compliant operations Anti-corruption and business ethics Emissions and waste Environmental management system | Legal operation Compliant tax payment Anti-corruption mechanism Inspection by leaders and supervision authorities Responding to government policies Participation in government projects |
| Institutional investors and individual shareholders | Protection of investors' rights and interests Corporate governance R&D and innovation Intellectual property protection | Exchanges' information disclosure platform Disclosure of periodical reports and official website information Investors exchange conference Investors hotline Company visit General Meeting of Shareholders |
| Customers and consumers | Product quality and safety Customer service Data security and privacy protection Anti-unfair competition Climate change mitigation and adaptation Resource utilization Green packaging | Customer satisfaction survey Professional customer service team Email and service hotline Customer complaint channels Customer visit |
| Partners | Compliant operations Anti-corruption and business ethics Supply chain management Industry exchange and cooperation | Industry events (exhibitions, seminars, etc.) Industry-university-research cooperation Supplier conference |
| Employees | Employee recruitment and hiring Employee training and development Employee rights and benefits Occupational health and safety | Internal mail Internal communication platform Employee complaint channels Employee training General meeting of worker representatives Employee care mechanism (Mutual Aid Foundation, Talent Scholarship, etc.) |
| Community and the public | Community communication and development Medical accessibility Emissions and waste Green packaging | Volunteer service activities Public welfare projects Company website and self-media Inclusive products |

Analysis of Material Topics

Zhende Medical has taken the identification and management of material topics as the basic reference of our ESG management. We have conducted an analysis on material topics every year and a stakeholder questionnaire survey every two years, with special communications and surveys on multiple stakeholders to confirm the importance of material topics. In 2023, based on the results of the stakeholder survey and the importance evaluation of topics of last year, we conducted analysis on domestic and foreign industry policies and standards. This has allowed us to identify current policy hotspots, conduct material topic that benchmarks with peer ESG topics, summarize ESG rating concerns, and establish an ESG topic library suitable for ourselves. In addition, we incorporated external expert opinions to review and confirm the identification and prioritization of material topics. The final material topics for 2023 were determined and subsequently reported to the Board of Directors for confirmation.

Identification Process for Material Topics



After analysis and identification of this year's topics, we added a new topic of concern to the industry, capital market and stakeholders. Additionally, we have adjusted one existing material topic to better align with Zhende's actual business operation, including:

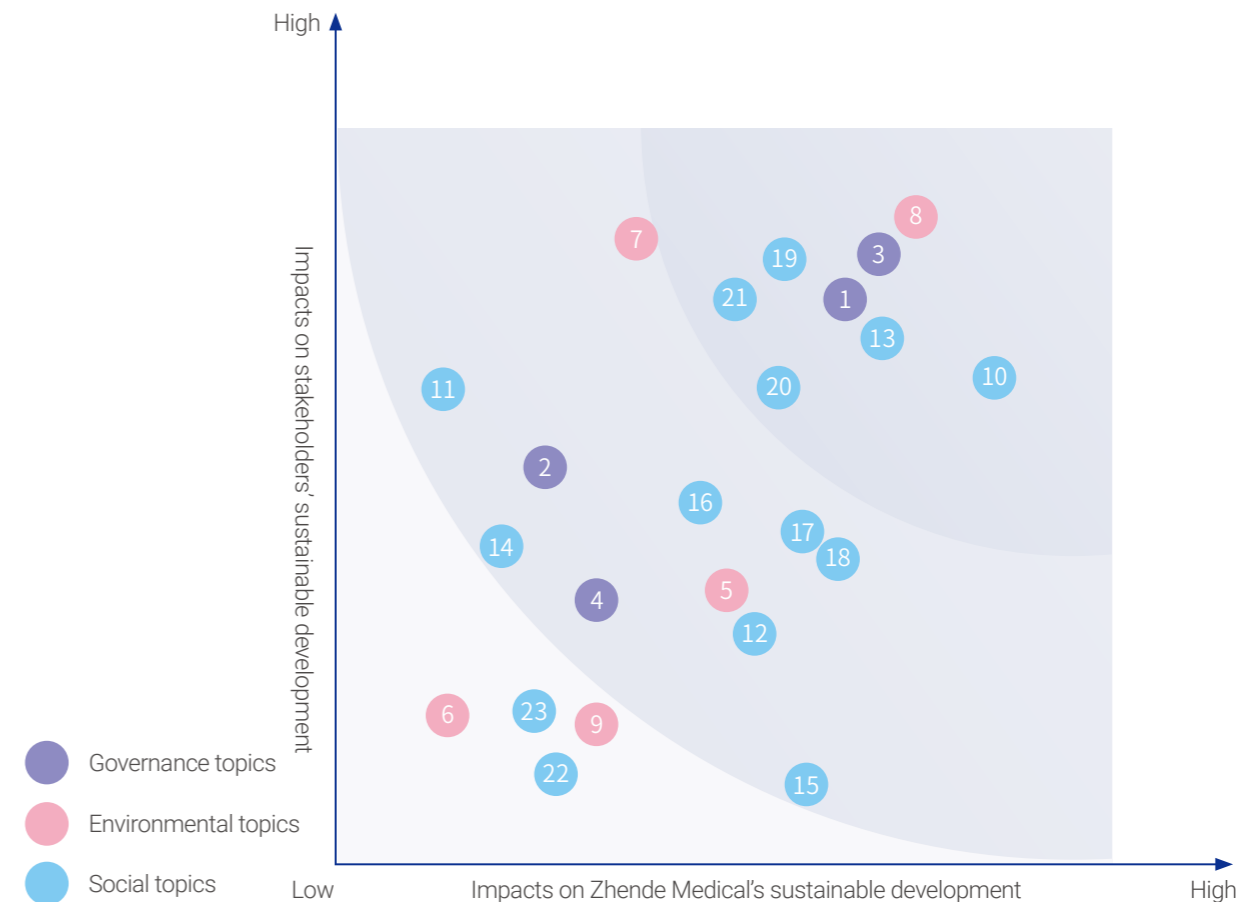
- According to the focus of the capital market and the industry, we added the topic of "green packaging"; Environmental friendly materials, either recyclable or degradable, are used in our packaging solutions to reduce environmental pollution, promote novel packaging concept, and encourage practices of resource conservation and recycling. This topic addition demonstrates Zhende's innovative initiative in the entire eco-friendly packaging field.
- Zhende adjusted the "responsible marketing" to the "anti-unfair competition" to disclose its anti-unfair competition, antitrust or anti-monopoly practices, which are more in line with Zhende's current business characteristics.

| Dimensions | No | Material Topics |
|------------|----|---|
| | 1 | Corporate governance |
| | 2 | Anti-corruption and business ethics |
| | 3 | Compliant operations |
| | 4 | Protection of investors' rights and interests |

| Dimensions | No | Material Topics |
|------------|----|--|
| | 5 | Environmental management system |
| | 6 | Resource management |
| | 7 | Emissions and waste |
| | 8 | Climate change mitigation and adaptation |
| | 9 | Green packaging |

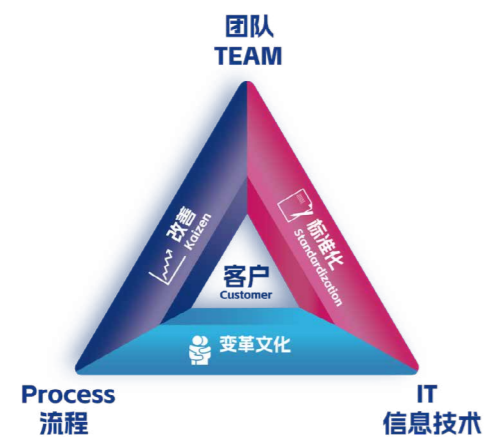
| Dimensions | No | Material Topics |
|------------|----|--------------------------------------|
| | 10 | R&D and innovation |
| | 11 | Intellectual property protection |
| | 12 | Industry exchange and cooperation |
| | 13 | Product quality and safety |
| | 14 | Customer service |
| | 15 | Data security and privacy protection |
| | 16 | Anti-unfair competition |

| Dimensions | No | Material Topics |
|------------|----|---|
| | 17 | Employee recruitment and hiring |
| | 18 | Employee rights and benefits |
| | 19 | Occupational health and safety |
| | 20 | Employee training and development |
| | 21 | Supply chain management |
| | 22 | Community communication and development |
| | 23 | Medical accessibility |





[Topic I] Zhende Makes Reforms in Processes to Stimulate Organizational Vitality



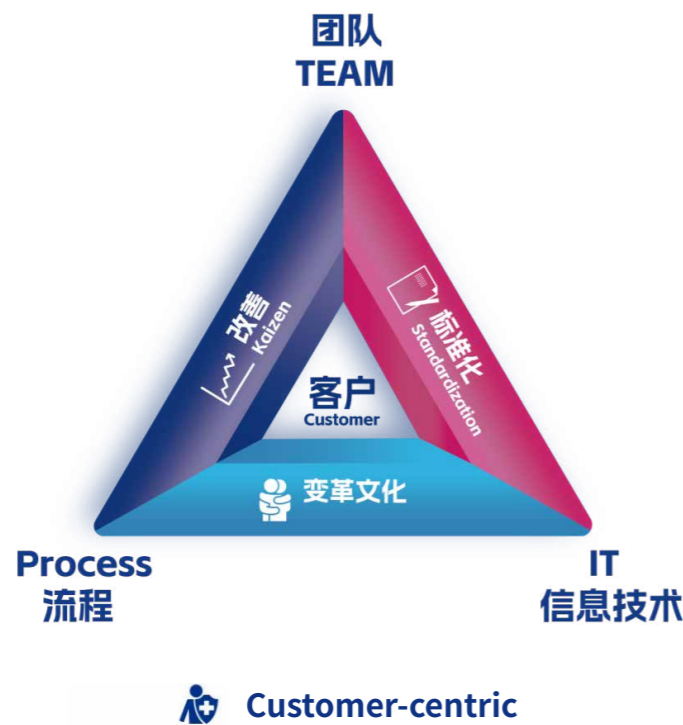
Zhende established BPIT in 2023 to improve its core organizational competitiveness through process innovation for the first time.

In 2023:

- ☆ 1- Purchasing material control labor efficiency improved to nearly **100%**
- ☆ 2- The number of per capita SKUs undertaken by the International Sales Division increased by **21%**, and efficiency improved by **38%**
- ☆ 3- The Quality Control Department saved **73%** of paper consumed for reports, and working hours recorded by management and technical personnel reduced by **70%** synchronously

In this era of rapid development, process governance requires continuous innovations to adapt to market changes and corporate strategies. By improving processes, optimizing designs, strengthening the implementation and monitoring, and cultivating the process management culture, we have guaranteed a swift response, promoted efficient internal operation, reduced staff workload, and improved their satisfaction, enhancing our sustainable development capability.

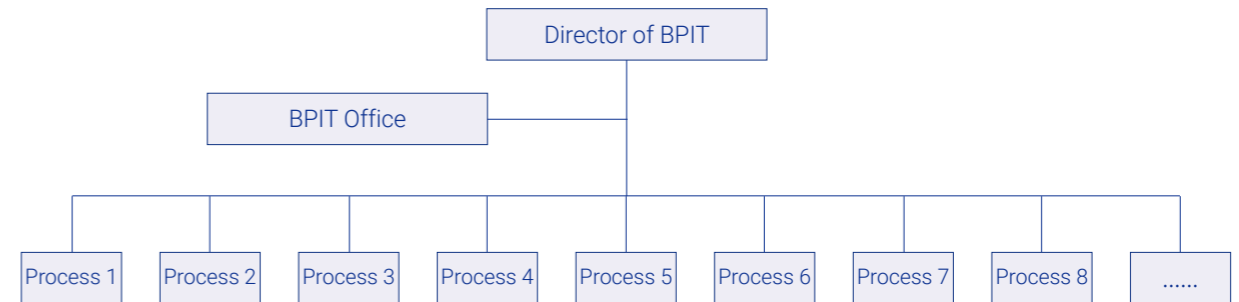
Leveraging digital and information technology, Zhende Medical has upgraded process governance, driven customer-centric reforms, made constant optimizations. We have strengthened cross-departmental collaboration to uphold our core values of customer orientation, innovation, and shared success, achieving efficient internal operations through process improvement and standardization. Additionally, our process digitization governance emphasizes full employee involvement and focuses on capacity building to alleviate employee workloads and enhance job satisfaction.



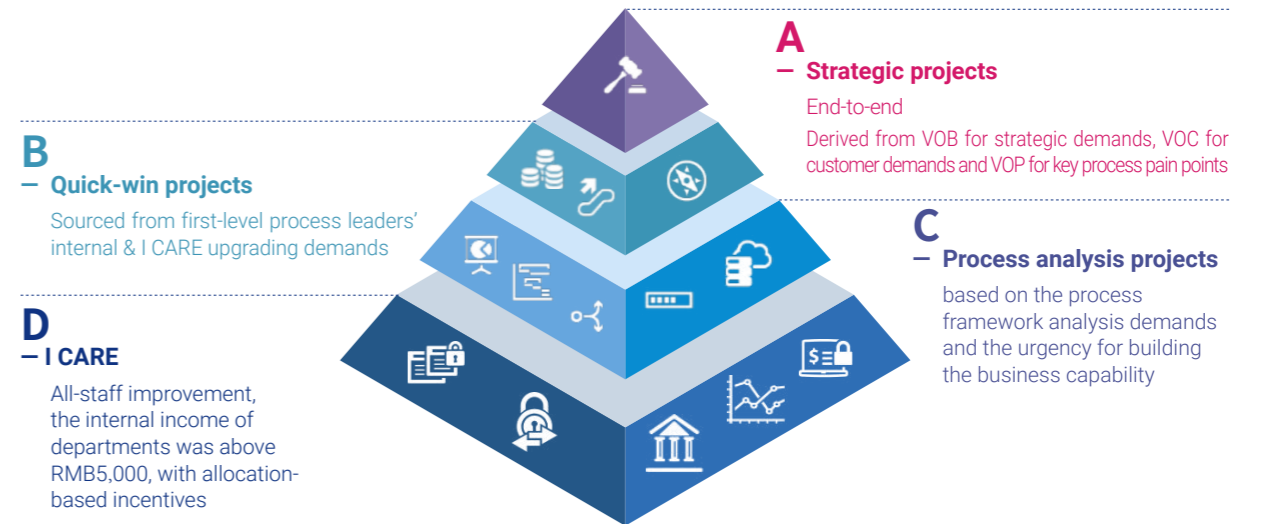
| T: Team Based | P: Process Optimization | I: IT Driven |
|---|---|--|
| People-oriented approach, organization and coordination, capability cultivation | Data basis, realistic basis, system thinking | Business-driven approach, integration of business and finance, digital transformation |
| Talk: sincerity, personnel-affairs separation Evaluate: accurate evaluation of current situations and capabilities, determination of roles and goals, excellent and efficient delivery Assist: collaboration, removing the barriers among departments, leadership, helping others succeed Motivate: timely and effective incentives (materials, appreciation, gratitude) | BPM process management LEAN management Six sigma management Continuous improvement | AI artificial intelligence RPA robot BI business intelligence IT process information technology |

The only thing never changed is change.

Zhende Medical's process digitalization governance model demonstrates the three main aspects of TPI - TEAM, Process and IT. With customers at the center, all improvements are made around them. The TPI model shows the team's continuous process improvement on the left, the process standardization construction under the support of IT technology on the right, and the reform culture for support on the bottom; the three integral parts are complementary to each other.



In 2023, the BPIT (the Board of Process Information Technology) determined the process construction strategy of Zhende: a comprehensive process management system was established through four-class projects based on Zhende's strategies and its employees' opinions. Among the four-class projects, class A refers to strategic projects derived from end-to-end strategic demands, namely VOB, VOC for customer demands and VOP for key process pain points; class B refers to quick-win projects sourced from first-level process leaders' internal & I CARE upgrading demands; class C refers to process analysis projects based on the process framework analysis demands and the urgency for building the business capability; and class D refers to "I CARE", namely all-staff proposal improvement projects with the aim to focus on small optimizations in current businesses through bottom-up improvements, enhancing employees' awareness of independent optimization, and creating an atmosphere which employees can make improvements.



In August 2023, we formulated an overall plan for I CARE projects. From September to November, we enhanced the awareness of our employees by various means, such as promoting employee advocacy, holding online E-Learning lectures and arranging posters for on-site activities. During the activities, all departments took an active part, and submitted a total of 178 proposals. After rounds of proposal screening and counseling, a total of 30 outstanding proposals were selected, in which 8 proposals were shared and 22 proposals were commended. The above 8 outstanding proposals, such as the Proposal for Refined Management over Packaging Materials, the Proposal for Energy Conservation and Consumption Reduction in The Office Area in Shaoxing, and the Proposal for Optimization of Product Variety Record of Xuchang Zhengde, produced a total of 33 quick-win projects, covering 4 improvements in implementation and 11 improvements in planning. Some of the improvement proposals have made achievements in terms of quality, cost, efficiency and customer satisfaction, while the remaining proposals have been still in continuous improvement.

Improving Batch Recording Optimization Process

Xuchang Zhengde is capable of manufacturing a variety of products with complicated processes. Some product batch records extend to over 100 pages, making organization and management challenging. With the introduction of AGV line-side warehouses and automated equipment, the production model changed, making the batch record process more complex. Consequently organizing these records became labor-intensive. For instance, from July to September 2023, there were approximately 120,000 records from the initial production to the final product inspection. During this period, the time spent organizing batch records accounted for about 30-40% of the production supervisors' and 20% of the QC personnel's daily work hours, which has impacted the effective execution of key on-site management tasks.

The Quality Control Department of the factory analyzed and recorded the reasons for the complexity in five aspects, namely production mode, form design, product structure, regulatory requirements and process, as to sort out the processes and find out the way to make improvements. By means of process optimization, form integration, cancellation and consolidation, and record work streamlining, they finally saved 87,527 pieces of report paper or 73% of paper consumption, while the recording working hours of production shift leaders and QC workers were also reduced by 70%. The batch recording optimization process was improved to increase the work efficiency of workers and save the paper consumption.

Optimizing Material Control Integration Process for Purchase Work

As Zhende Medical continues to expand, integrating newly acquired companies, we discovered significant disparities in procurement efficiency across different factories and among employees within the same factory. Variations in procurement processes and standards between the headquarters and individual factories have led to uneven workload distribution and insufficient material expertise among staff. Additionally, multiple employees interfacing with the same supplier have resulted in inefficient communication.

To address these issues, we have implemented process improvements as a corrective measure. We introduced the *Rule for Standardized Material Purchasing Delivery Management*, achieving an 88.2% rate of orders, with JIT materials also exempted from review. We have refined our process management system by releasing documents such as the *Rules for Material Demand Management*, the *Standardized Material Purchasing Cycle Management*, and the *Regulations for Order Execution Management*. These measures have established a standardized procurement workflow. During the reporting period, process improvements reduced material control workload by 0.5 hours per day and accelerated order reviews by 0.5 hours, allowing procurement staff to focus on advance delivery management and optimize product delivery times. As a result, the procurement department efficiency has nearly doubled.

Optimizing Processes for Reducing Staff Labor Intensity

In response to the increasing data and processes need to be processed in various business environments, as well as a great deal of repetitive and mechanical work, Zhende Medical improved the work efficiency of employees and reduce their workload using digitalization process tools. The international sales division took the lead in introducing the digital intelligent model through the automation process, which simulates human business operations, completes target-specific, and regular and repetitive operations automatically, in order to free workers from daily repetitive work effectively, reduce their labor intensity, optimize work processes, and improve work efficiency. Based on the demands of actual business scenarios, the model replaced manual statement adjustment with software, substituted employee operations with processes and data, adjusted work allocation reference points, balanced staff workload, optimized process and system nodes, and shortened the review and approval flow. After the process optimization, the number of per capita SKUs undertaken by employees of the Operation Department increased by 21%, and the efficiency enhanced by 38%, which further reduced the repetitive workload of grassroots employees and helped Zhende improve its quality and efficiency, achieving sustainable development.



A total of **178** proposals were collected

The estimated tangible earnings were **RMB 1.5492** million

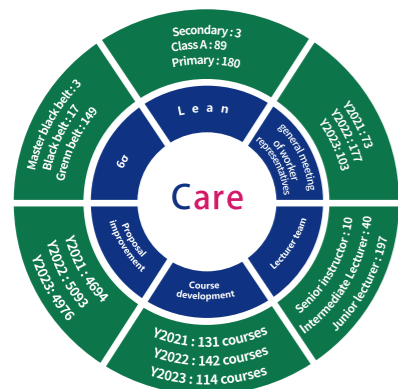


I CARE Process Improvement Sharing Conference



[Topic II] Zhende Makes Innovations to Drive Green Development with Lean Production

I Care
Transition from Opportunity-based Success
To Team and Organizational Success



Zhende started the lean process innovation in 2019 to promote production efficiency and production quality assurance.

From 2021 to 2023:

- ☆ Improvement of labor efficiency: production labor efficiency increased by **28%**
- ☆ Saving of raw materials: Through technical transformation and staff quality improvement, a total of **1,385** tons of non-woven fabrics were saved, which was equivalent to about **2.01** million general-purpose disposable surgical bags that can be used by about **50** medium-sized Chinese hospitals for one year
- ☆ Saving of energy consumption: **3,655.56** MWH of electricity was saved over three years, which was equivalent to **157,188** new saplings

“Rooting out all ineffective work and waste”

Our spirit: Pursuing reforms and innovations

Reforms and innovations, as part of Zhende Medical's core values, are spiritual elements that guide common behaviors throughout the company. The spirit of changes and innovations inspires and guides every employee of Zhende to improve production technology, on-site management, production efficiency and production quality through innovations, allowing Zhende to better adapt to modern competitions with other enterprises, and to lay a solid foundation for sustainable development.

Our action path: TPI Lean improvement

In pursuit of continuous improvements and innovations, we carried out the TPI (Total Production Improvement) Project in all fronts in 2023. In the rectification of safety hazards, the adjustment of employees' work intensity, and the improvement of their work environment, we constantly looked for opportunities for improvements and took actions.

TPI project implementation process



We expect to eliminate all ineffective labors and wastes by implementing the TPI project, and set the goals for excellence. We will guarantee our core advantages in market competitions by continuously reducing costs, improving quality and making production more flexible.

Our implementation scope: whole-process coverage and all-staff participation

We have encouraged all-staff participation from senior executives to grassroots employees. In order to fully mobilize the enthusiasm and wisdom of all employees, we have delegated power to all levels of the organizational structure through teamwork, eliminating defects and wastes in every position in a timely manner.

We have encouraged various improvements in any processes and links, including techniques, methods, equipment, processes, layout, work fixtures, molds, alternative materials or other daily or strategic improvements in cost control, efficiency, safety, and quality.

Throughout the year, the lean improvement project made remarkable achievements in improving production efficiency, reducing costs and optimizing product quality. For one thing, it reduced resource consumption and environmental pollution, and promoted sustainable development of Zhende. For another, it achieved significant results in deepening the understanding of customer demands, and improving the service process, work efficiency, and customer satisfaction.



During the reporting period, our TPI projects achieved a series of fruitful results:

Completed

81 TPI projects

4,976

proposed improvements

Formulated

6,654 standard working hours

7,853 people

participated in proposal improvements

Introduced the man-machine integration line for surgical drapes to tackle the technical difficulty in no automated production in the industry, greatly improving production efficiency and quality stability

Introduced automatic lean line-side warehouses to shorten the delivery cycle by 50%, greatly improving the customer service capability

50%

Through 3 years of technical reforms:

Improvement of labor efficiency:

Production labor efficiency increased by **28%**

Saving of raw materials: Through technical transformation and staff quality improvement

A total of 1,385 tons of non-woven fabrics were saved

A total of **1,385** tons of non-woven fabrics were saved

Which was equivalent to about **2.01** million general-purpose disposable surgical bags

And can be used by about **50** medium-sized Chinese hospitals for one year

Saving of energy consumption:

3,655.56 MWH of electricity was saved over three years

Which was equivalent to **157,188** new saplings

Introducing Human-machine Integration Line for Energy Conservation

In the medical dressing industry, surgical drapes have high requirements in equipment accuracy and compatibility due to their purpose, features and order structure, which causes a big technical bottleneck for the research and development of equipment.

In 2021, Zhende independently developed and designed the human-machine integration line for surgical drapes. After discussions, attempts and verifications of technical solutions, we successfully solved technical difficulties in large-width cutting, punching for removing waste scraps, online pre-folding in various ways, zero-distance edge spraying, automatic pasting of strengthening sheets and online hot pressing.

Through systematic production planning and designs, such as staff position design, process optimization and layout optimization, the human-machine integration line successfully replaced some processes, like manual cutting, cut-parts material handling, manual pre-folding, manual adhesive spraying and punching, improving production efficiency, reducing manufacturing costs, and saving energy consumption of workshops. After put into operation, it reduced 18% of electricity consumption, saved 7,000m² of usable area of workshops, and increased 28% of production efficiency.



Introducing Automatic Lean Line-side Warehouses

Based on the cyber-physical system, Zhende Medical's AGV smart logistics system connects supply chains, production process and warehousing logistics intelligently through Industrial Internet, thereby minimizing production, warehousing, operation and maintenance costs, automating the production process, giving a quick response to demands, making products flexible, ensuring production safety, and improving production efficiency.

Flexible AGV solved Zhende Medical's problems in multi-variety and small-batch production (of customized products). It lowered logistics costs by reducing manpower and forklift equipment, realized the unmanned operation process to increase operation efficiency and distribution accuracy rate, and improved storage space for systematic management and control, playing a significant role in enhancing both operation accuracy and production efficiency.

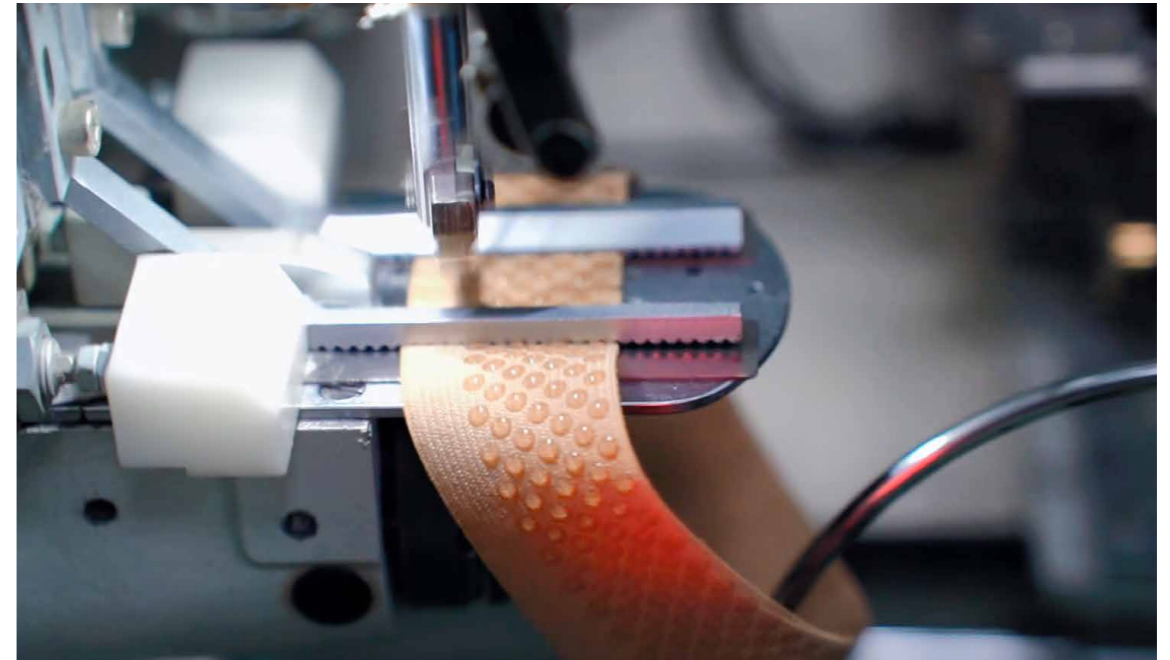


Introducing Automatic Sewing Equipment for Improving Efficiency and Reducing Staff Work Intensity

In the link of product sewing, there were a lot of breakpoints, wastes and management work in the manual sewing production process. The average speed of the manual product sewing was 100 pieces/hour, with a low production efficiency. In manual sewing, employees had to bend over for a long time and sew products by hands with a high concentration. The high labor intensity made them easy to get tired. Besides, new employees had to spend as long as 3-6 months to learn the skills.

After introducing the automatic sewing equipment, we achieved the continuous production mode, shortening production cycle to about 2 days, increasing the average speed of product sewing to 800 pieces/hour, and enhanced production efficiency by 7 times. Moreover, the automatic sewing equipment greatly lowered staff labor intensity and professional skill requirements. Employees only needed to handle small equipment exceptions, such as broken lines, threading and replacement of bottom shuttles. The labor intensity was significantly reduced, and new employees only spent 6 days to become skilled workers.

In the meantime, the improvement in automation was accompanied by the adjustment of the production process. We streamlined some original machines, reduced the turnover area of semi-finished products, saved 1,200m² of site area, and lowered the energy consumption per unit output by 19%.





Improving Governance System

- Governance-First Principle: Protecting Investors' Rights and Interests
- Compliance-Oriented Principle: Creating a Clean and Clear Corporate Environment

☆ Female directors accounted for **33.33%**

☆ **3** investor exchange conferences

☆ **11** internal audits

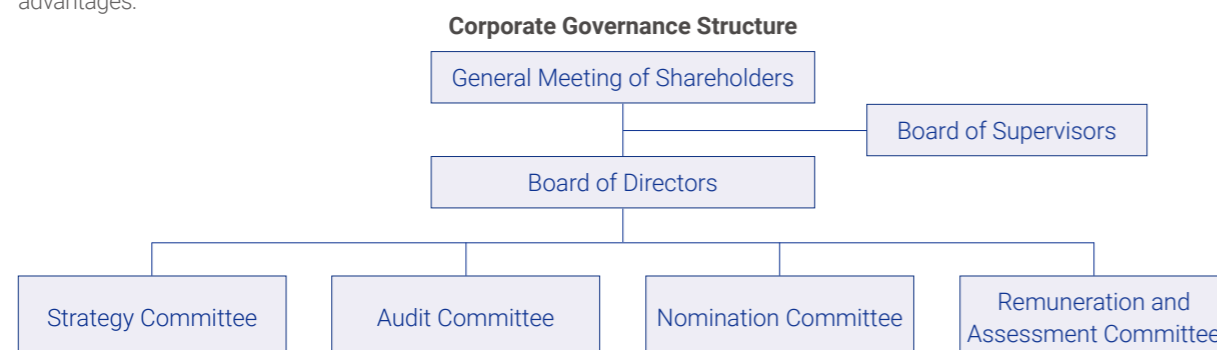
☆ **20** anti-corruption theme training sessions were held

Governance-First Principle: Protecting Investors' Rights and Interests

Corporate Governance Structure

Zhende Medical has formulated the Articles of Association to continuously improve the corporate governance structure and standardize its operations. Zhende has established 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*, ensuring that the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors exercise decision-making and supervisory power, with an increasing level of 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 chairmen of the Audit Committee, Nomination Committee, and Compensation and Assessment Committee. To improve the scientific decision-making of the Board of Directors, each committee strictly fulfills its responsibilities in accordance with relevant regulations, and fully utilizes its professional advantages.



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 2023

| | |
|--|---|
| <p>Composition of the Board of Directors</p> <p>9 directors including 3 female directors and 3 independent directors</p> | <p>3 General Meeting of Shareholders with a total of 15 proposals deliberated</p> |
| <p>Composition of the Board of Supervisors</p> <p>3 supervisors including 1 employee supervisor</p> | <p>6 Board of Directors meetings, with a total of 34 proposals deliberated, including 6 meetings of specialized committees of the Board of Directors</p> |
| | <p>6 Board of Supervisors meetings, with a total of 24 proposals deliberated</p> |

Protection of Investors' rights and interests

In strict accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant laws and regulations, Zhende has formulated the *Investor Relations Management System*, the *Information Disclosure Management System*, the *Internal Reporting System* for Major Information and other systems to manage investor relations, ensure truthful and complete information disclosure, and safeguard the rights and interests of small and medium-sized investors.

In equal treatment of small and medium-sized shareholders, Zhende has followed the principle of equality when carrying out investor relation management activities, and treated all investors equally, creating opportunities and providing convenience particularly for small and medium-sized investors to participate in activities, and organizing on-site visits and communication meetings.

In related party transactions, Zhende not only established effective operation and supervision mechanisms for related party transactions, but confirmed and implemented the expected annual related-party transactions. These measures considered the independent directions' careful decision, the General Meeting of Shareholders' deliberation, and the Board of Directors' majority vote, ensuring that all daily related party transactions were required by Zhende's daily production and operation, with fair transaction pricing, no adverse impacts on Zhende's financial condition and operation results, no impacts on Zhende's independence and no harm to the rights and interests of Zhende and its shareholders, especially small and medium-sized shareholders.

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.

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, making sure the information is kept 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, we did not keep any information that should have been disclosed, and there was no selective information disclosure behavior. We have properly fulfilled the information disclosure obligations of an A-share listed company and effectively protected the legitimate rights and interests of investors.

During the reporting period, Zhende released a total of **91** announcements and documents

Zhende Medical has established and improved its sustainable and stable dividend policy and supervision mechanism, effectively safeguarded the legitimate rights and interests of investors and distributed dividends to all shareholders according to the dividend return plan.

Cash Dividend Distribution of Zhende Medical over the Past Three Years

| Year | Dividend distributed per 10 shares (RMB) (tax inclusive) |
|------|--|
| 2021 | 23 |
| 2022 | 6 |
| 2023 | 15 |

Note: The table above is based on the actual distribution time



Compliance-Oriented Principle: Creating a Clean and Clear Corporate Environment

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 the headquarters are responsible for internal audit, risk management, and other related work. The Internal Audit Risk Control Department has conducted routine audits and special audits, regularly identified and evaluated various risks in daily work, collected risk management opinions, and reported risk control to the Board of Directors.

During the reporting period, we conducted 9 routine audits and 2 special audits, including audits of procurement, cost, assets, engineering, remuneration, and safety production modules. Through the "audit + rectification" model, Zhende made continuous improvement in its business processes and operational mechanisms.

Routine and Special Audits of Zhende Medical in 2023

| Category | Audit Module | Audit Scope | Audit Results |
|---------------|--------------------------------------|--|--|
| Routine Audit | Internal control assessment (1 item) | 23 business processes | A total of 11 routine and special audits were completed, items to be improved were identified and subsequently rectified as planned. |
| | Subsidiary (7 items) | Key systems, process construction and implementation evaluation, costs, procurement, assets, labor, engineering, safety production, etc. | |
| | Sales (1 item) | Freight management, sales management, expense verification, etc. | |
| Special Audit | Compliance (1 item) | Internal audits based on AEO standards | |
| | Costs (1 item) | Cost information, cost management, cost input and output, systems and processes, etc. | |

During the reporting period, we conducted an internal control effectiveness assessment, finding no significant defects in its internal control over financial reports.

We have attached great importance to improving employees' legal awareness and designed targeted training courses covering "all employees", "professional positions", and "management" on the E-learning platform based on the unique natures of different positions.

During the reporting period, a total of **1,287** people participated in the training

Anti-corruption and Business Ethics

Anti-corruption policy

Zhende Medical puts in effort to not only establish a comprehensive anti-corruption management system but shape 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. Zhende's Internal Audit and Risk Control Department is designated as a standing institution for audit and supervision, whose responsibilities is to organize and implement daily anti-fraud work throughout Zhende.

Zhende has continued to improve anti-corruption and business ethics management systems and consolidated anti-corruption management achievements through various measures, such as system construction, audit supervision, due diligence, and training.

Anti-corruption management measures and progress of Zhende Medical

| Measures | | Achievements |
|---------------------------|---|--|
| System construction | <p>Zhende has signed the <i>Commitment Letter for Professional Ethics</i> and the <i>Commitment Letter for Honest and Clean Practice</i> with employees. Employees have the duty to prevent corrupt behaviors, such as accepting bribes, organizing or participating in entertainment and consumption activities, and soliciting bribes. All employees are expected to strictly keep business secrets, observe professional ethics, enhance the awareness of integrity and self-discipline, and safeguard the legitimate rights and interests of Zhende.</p> <p>Zhende has formulated the <i>Management System for Bidding</i> and other systems for external parties. It has issued the "Anti-Commercial Bribery, Adherence to Integrity" proposal for suppliers and distributors, and signed the <i>Integrity Agreement</i> with them to prevent money exchanges with employees, payment of kickbacks, pursuit of private interests and other corrupt behaviors, and establish honest, trustworthy, reciprocal and win-win cooperation.</p> | <p>The signing rate of the <i>Commitment Letter for Professional Ethics</i> with employees was 100%, and the signing rate of the <i>Commitment Letter for Honest and Clean Practice</i> with employees was 100%.</p> <p>The signing rate of the <i>Integrity Agreement</i> with suppliers and distributors was 100%.</p> |
| Supervision and review | <p>Internal review Zhende has established channels and published telephone numbers for monitoring and reporting, while also conducting internal supervision and audits at each factory and marketing center.</p> <p>External audit Every year, Zhende has accepted audits from independent third parties at the request of customers, demonstrating its transparency and compliance. In addition to financial audits, Zhende has also accepted ethic reviews from independent third parties every year, with business ethics as one of the main topics.</p> | <p>All factories of Zhende conducted annual internal audits and accepted regular audits from independent third parties, finding no problems in business ethics.</p> |
| Awareness training | <p>Zhende has continued to provide customized business ethics training courses, covering employees in all key positions. The training has recorded and tracked the training effect through the E-learning platform, improving employees' awareness of business ethics.</p> | <p>Zhende provided anti-fraud case training, and analyzed fraud cases, including duty-related misappropriation, embezzlement of funds, and bribes of non-government workers to enhance the vigilance of employees. A total of 3,102 people participated through the E-learning platform.</p> <p>During the reporting period, Zhende organized 20 anti-corruption themed training sessions. The coverage rate of anti-corruption related training for directors was 100%, with an average duration of 4 hours. The coverage rate of anti-corruption related training for employees was 46%, with an average duration of 1.85 hours.</p> |
| Supervision and reporting | <p>Zhende maintains a zero-tolerance policy towards corruption, fraud, and money laundering. It has implemented the Regulations on <i>Anti-Commercial Bribery, Complaints, and Reporting</i> and established a dedicated reporting hotline and email to ensure transparent and accessible reporting channel. 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.</p> <p>Reporting channels Hotline: 18658516729 Email: tousu@zhende.com Mailing address: Zhende Medical Headquarters (Internal Audit and Risk Control Department), Yuecheng District, Shaoxing City, Zhejiang Province</p> | <p>During the reporting period, the number of corruption reports received by Zhende was 0.</p> |

Anti-Unfair Competition

Zhende Medical strictly observes the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Price Law of the People's Republic of China*, the *Advertising Law of the People's Republic of China* and other relevant laws and regulations. Guided by these principles, Zhende has standardized the employee confidentiality system in the *Employee Handbook*, and refused to seek competitive advantages through unethical and illegal business practices.

We have established a reporting mechanism to encourage employees to report acts of unfair competitions, handled in accordance with relevant laws and regulations and Zhende's internal regulations after investigations and verifications, and strictly protected the information of whistleblowers to avoid retaliations.

By establishing anti-unfair competition systems and organizing awareness campaigns and training, we have built a robust anti-unfair competition management framework and strengthened its corporate culture. In 2023, we held 6 online and on-site lectures and training courses, involving legal education on the *Anti-Unfair Competition Law*, common acts of unfair competition, and how to avoid unfair competition, attracting more than 2,000 participants, effectively strengthening Zhende's self-prevention capability.

Intellectual Property Protection

Zhende Medical has attached significant importance to the protection of independent intellectual property rights and respected the intellectual property rights of others. We have established a sound intellectual property management system and passed the intellectual property management system certification of the China National Intellectual Property Administration for the first time in 2016.

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, guaranteeing Zhende's technological innovations and sustainable development.

In 2023, Zhende obtained

20 Class II medical device registration certificates

2 Class III medical device registration certificates

12 patents for invention

As of the end of 2023, Zhende has had

79 patents for invention

127 Class II medical device registration certificates

11 Class III medical device registration certificates

It was awarded the title of "National Intellectual Property Demonstration Enterprise"

Meanwhile, Zhende has held intellectual property publicity and training activities for employees. In 2023, we launched the "Intellectual Property Rights Bring Innovations and Wealth" themed activity on our Intellectual Property Day. In order to protect our own intellectual property rights without infringing others', Zhende strengthens employees' understanding of these concepts through on-site activities, online and on-site classes, science training, fun games, and other forms of activities. In 2023, we held 7 relevant training sessions with a total of 1,050 participants.

In addition, Zhende has endeavored to protect our core competitiveness, strictly inspected counterfeits of our brands, regularly monitored trademark infringement. We closely monitor our trademark registration information in the market, search engines, professional trademark databases, official trademark announcements and other channels to determine whether there is unauthorized use of our trademarks. In 2023's reporting period, many companies registered similar products with the trademark "Zhende", while no violations relation to intellectual property rights were reported. To resolve these transgression, we filed complaints about these trademarks relating our main product in order to maintain the reputation of the trademark "Zhende".





Care Employee Growth

- Protecting Employees' Rights and Interests, Guaranteeing Compliant and Equal Employment
- Sharing Achievements of Development, Boosting Growth of Talents
- Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety

Contribution to the SDGs



| KPI and target value by 2030 | Target value for 2024 | Actual value for 2022 | Actual value for 2023 | Progress |
|--|-----------------------|-----------------------|-----------------------|----------|
| The work-related injury rate per one thousand employees is less than 0.5 | <0.5 | 0.59 | 0.45 | ↘ |
| The proportion of female senior executives (above the level of director) reaches 20% | >20% | 16% | 23.8% | ↗ |
| The employee net promoter score (E-NPS) exceeds 70% | >64 | 62.85 | 69.33 | ↗ |
| The average training time of employees is greater than 60 hours | >56 | 66.10 | 64.77 | ↘ |

Protecting Employees' Rights and Interests, Guaranteeing Compliant and Equal Employment

Employee Recruitment and Hiring

Zhende Medical has adhered to legal employment, committed to building an equal, diverse, and inclusive workplace culture. We have observed the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, and other laws and regulations. Abided by these legal guidance, we formulated regulations such as the *Management Rules for Signing Labor Contracts* and the *Recruitment Management Rules for General Workers*, defined relevant provisions in the *Corporate Social Responsibility Management Handbook*, clearly prohibited child labor and forced labor, and prevented workplace discrimination and harassment.

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

Employee Recruitment and Hiring of Zhende Medical

Prohibition of child labor

- Strictly implement the ID card-based assessment system before employment;
- If child labor is found to be recruited by mistake, we will notify their parents to take them back, bear their travel expenses for returning home, and all fees for them to finish the compulsory education.

Prohibition of forced labor

- 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 relevant government department.

Prevention of workplace discrimination and harassment

- Make it clear that we shall not engage in any discriminatory behavior against employees due to their race, social class, nationality, religion, disability, gender, or gender orientation, etc.;
- 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;
- After receiving the complaint, we will respond by investigating into and verifying the matter as soon as possible with proper progress updates and disclosures for the complainant. If the case is true, we will handle it in accordance with the system and publicize the treatment; in serious cases, we will assist employees who have been discriminated against or harassed to report to the relevant government department. If the case is not true, or if it is a misunderstanding, we shall intervene for mediation.

Zhende adheres to the principles of equality and diversity, complies with local policies, develops a diversity system, and conducts management.

In 2023, Zhende has been conducted 15 second-party and third-party social audits, all of which were passed.

Employee Equality and Diversity Measures of Zhende Medical



Employee diversity

- Zhende has treated employees of various nations. Currently, it has employees from the US, Kenya, Brazil, Malaysia and the UK, with 7.92% of non-Chinese employees.



Protection of women's rights and interests

- Zhende has paid great attention to the proportion of female employees in various positions, board members, senior executives, research and development personnel and new female employees, to ensure that female employees are treated equally in recruitment and work.

Outstanding Female Employees of Zhende Medical



Meng Hongjuan, Director of a workshop of Shaoxing Zhende, was elected as a deputy to the 14th National People's Congress of the People's Republic of China.



Shen Zhenfang, Vice Chairwoman, was elected as a deputy to the 13th National Women's Congress of China.

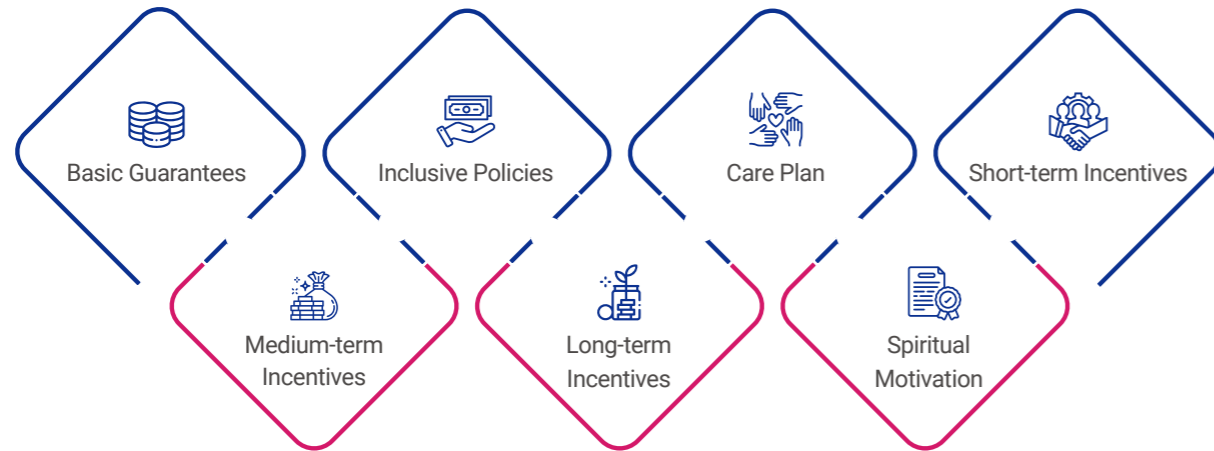


Li Yuhong, an employee of Zhende Medical, entered the "Agricultural Business Cup" Women's Innovation and Entrepreneurship Competition sponsored by the provincial women's federation on behalf of Zhende Medical Co., Ltd.

Employee Rights and Benefits

Zhende Medical has adhered to the management principle of "caring employee". A comprehensive remuneration system, the *Employee Handbook*, the *Welfare Management Rules*, and the *Regulations for Medical Assistance Foundation* have been established to safeguard the legitimate rights and interests of every employee. In addition, Zhende has also set up internal honors and awards to recognize employees with outstanding performance and contributions.

Comprehensive Remuneration System of Zhende Medical



Comprehensive Reward System of Zhende Medical



During the reporting period, Zhende conducted a comprehensive comparative analysis on remuneration in the market to assess the competitiveness of our remuneration system and put forward suggestions to effectively optimize the attraction and retention of key talents. Meanwhile, we the relevant government department to market changes, which significantly reduced unnecessary brain drains, building a solid talent base for Zhende's long-term development.

In the management principle of "caring employees", Zhende Medical has established a comprehensive employee welfare system, including mandated benefits, living allowances, health plans, and other benefits.

Employee Welfare System of Zhende Medical

| Mandated benefits | Living subsidies | Health plan | Other benefits |
|------------------------|------------------|--------------------------|--|
| Social insurance | Staff dormitory | Staff health examination | Subsidies for festivals |
| | Staff canteen | | Group tour |
| Housing provident fund | Food subsidies | Commercial insurance | Annual vacation |
| | Regular buses | | Visits for employees with marriage, funeral, injury and illness, childbirth, or major family accidents |

Zhende values humanistic care for every employee and helps those in need. We have set up a mutual assistance fund to give support to employees in difficulties and their families. In addition, we have also provided various forms of support and help for employees in their work and life.

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

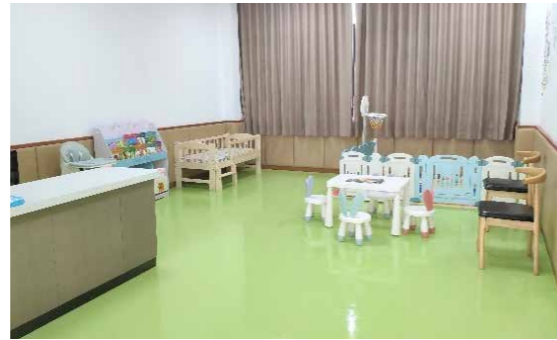
To solve the difficulty of taking care of employees' children during holidays, enriching children's lives, and promoting their development, we have offered winter (summer) vacation care services six times. We provide homework assistance and a series of interest-based courses, such as painting, poetry appreciation, clay modeling, and cupcake making, strengthening and enhancing the understanding and friendships among children through interactive games.

In 2022, a total of 70 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.



Zhende Medical Set Up a "Love Mother-Baby Room" to Meet Special Demands of Female Employees

Zhende Medical's Labor Union has established the "Love Mother-Baby Room", significantly alleviating the challenges new mothers face with breastfeeding in the workplace. The room is thoughtfully designed with human-centered details and equipped with facilities such as baby beds, crawling mats, baby wipes, back cushions, dolls, and storage boxes. This warm, comfortable, tidy, and private space not only ensures privacy for breastfeeding mothers but also provides convenience for those needing to express milk, allowing them to focus on their work with peace of mind. In addition, we have provided books on parenting experience for the mothers and toys for children.



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

To care for employees and their families, we established the Talent Scholarship Foundation into being in 2019 to help employees' children further their studies and develop. Our core value of "sharing success" was therefore put into practice. In 2023, we distributed the Talent Scholarship to 45 students for the fifth time, with a total amount of RMB135,000. As of the end of 2023, we have accumulatively awarded scholarships to 169 employees' children, with a total amount of RMB507,000.



A group photo of the children with the Talent Scholarship

Expressing Attitudes and Conveying Energy

We have continued to organize TED sharing activities in the principle of "expressing attitudes and conveying energy", inviting four of our own employees from different positions as guests to share their personal experiences around the theme.

In 2023, we held three sessions themed "Spring Days", "Midsummer" and "Metamorphosis". There were about 80 on-site guests in each activity. The recordings were pushed to all employees, with over 2,000 views for of each session.

With the excellent amenities in place, Zhende organizes cultural and sports activities as well as holiday celebrations to enrich employees' lives, foster organizational unity, and showcase Zhende's strength. We held a total of 20 recreational and sports activities, including cultural, sports, and volunteer events, enhancing employees' cultural experiences and physical fitness. Additionally, Zhende encourages employee participation in various clubs, such as Yoga, Badminton, Table Tennis, and Reading. In 2023, these associations organized 68 events with approximately 1,200 participants.



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

- Zhende's headquarters and each subsidiary establish separate trade unions covering all employees.

Mechanism Support

- The *Regulations on General meeting of worker representatives* is formed with a general meeting of worker representatives held every year. During the reporting period, one general meeting of worker representatives was held, with a total of 127 employee representatives participated. They updated the general meeting of worker representatives system and discussed the proposals put forward by the workers' representatives, guarantying the assessment rights of the workers' representatives.
- A collective contract is signed with all employees every year, in which the minimum salary standards, payment dates, and other related matters are negotiated.

Supportive Measures

- Factory affairs are made public. Hot issues of concern to employees, such as company regulations and employee benefits, are publicized on the OA intranet.
- 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.

During the reporting period

the satisfaction towards administrative services of Zhende exceeded

84%

and that with the trade union's performance was

78.8%

the new employee satisfaction was

93.3%

and the employee NPS reached **69.33%**

1 meet of general meeting of worker representatives was held

a total of **103** effective proposals were collected

and **86** of them were closed in the year

Sharing Achievements of Development, Boosting Grow of Talents

A Comprehensive Talent Development System

Zhende Medical adheres to the "We Care" philosophy. Based on the self-developed E-learning platform and 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 skills, and boost every employee to achieve success.

Zhende has continuously improved the *Training Management Regulations*, 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 | Curriculum Structure |
|---|---|
| <ul style="list-style-type: none"> Develop the Management Rules for Part-time Internal Trainers; Each September, we hold an annual internal trainer conference to review the achievements of the training system over the past year, recognize the contributions of trainers in teaching and course development, and present awards to outstanding internal trainers; So far, the internal trainer team has developed to over 240 members, including junior, intermediate, and senior lecturers. | <ul style="list-style-type: none"> 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 |

In 2023, we launched a process governance project to sort out all processes, including business and support processes. In cooperation with Sequoia System, we have built a process-based pilot course system. The project has come to completion by the end of the year with 22 process based courses for the DEFS product line in domestic marketing centers. In addition, we have launched a number of training camp programs oriented to middle and senior management cadres and grassroots managers respectively, empowering and training reserve talents.

We continues to spontaneously mentor and train new employees, reserve cadres and college students in various areas and departments. The Human Resources Department determines mentor selection dimensions and requirements based on the situations of systems and mentors and organizes annual appraisal for excellent mentors. Furthermore, we plan to collect key behaviors of the selected excellent mentors based on the mentor appraisal, extracting their behaviors and traits with Zhende's genes, forming a portrait of Zhende's mentors, and improving the mentor management mechanism.

| | |
|--|--|
| During the reporting period | |
| Zhende provided training for 6,717 employees | With a training coverage rate of 100% |
| The total training duration was 435,076 hours | With an average training duration of 64.77 hours per person |

In addition to internal training and learning activities, we strongly supports employees to participate in external training and pursue higher education. Through measures such as introducing external resources and subsidizing tuition fees, we further enhances employees' skills and abilities. As of the end of the reporting period, more than 60 employees took exams for a higher education degree.

In 2023, we implemented a talent introduction strategy. Through plans for targeted recruitment from universities and cooperations with universities, we work with many universities on campus recruitment and internship recruitment. Besides, we have established a post-doctoral research workstation in collaboration with key provincial research institutes, continually expanding and optimizing our talent pool. This ongoing effort enhances our core competencies in technological innovation, ensuring our leading position in market competition.

In the fourth quarter of 2023, we planned the construction of staff job qualification system. This initiative involves all staff members and includes the creation of a job map, identification and evaluation of competencies for each position, and establishment of evaluation methods and organization. The process will produce annual competency scores for all employees. Additionally, based on the talent review process, it will determine promotions for eligible staff members for the year.

Zhende has paid attention to cultivating inter-disciplinary talents and encouraged cross-functional, interdisciplinary job rotation among employees. During the reporting period, we have revised the *Job Rotation Management Rules*, proposed key positions for the job rotation plan, and tracked the process. This project is focused on job rotation for three types of people, namely university graduates, employees in key positions, and senior executives. Then job rotation sharing meetings are then organized according to the actual situation.

Meanwhile, in order to encourage employees in active self-learning and improvement, we took Xuchang Zhende No.1 Factory as a pilot unit, and cultivated multi-skilled workers in 11 key positions to improve their overall level, optimize post allocation, and enhance their work efficiency, aiming to meet our employment demands and realize the strategic talent reserved for development.

Second Young Master-Hand Rating in 2013

To carry forward the spirits of dedication, innovation, contribution and persistent improvement, discover and cultivate excellent young skills talents within Zhende and cultivate knowledgeable, innovative and inter-disciplinary young skilled talents, we selected 18 skilled employees with innovations and a high effectiveness in their positions.

Smooth Career Development Channels

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 made available a transparent and smooth career development channel, including development paths for management and profession. On top of that, we support, encourage, and guide employees to continue their upward development by establishing a comprehensive reward system.

To attract and retain core talents and promote the common growth of the company and employees, we have put incentive measures in place.

In 2023, we have conducted an assessment for all employees in dimensions of capability, performance and value. The assessment conclusion were then presented through a grid-view tool in calibration meetings. The result determines the SABCD talent pool for 2024 (reserves for general manager, directors, senior managers/functional managers, manager assistants/sales managers, supervisors/workshop directors), covering more than 300 employees in total.

Staff incentives measures of Zhende Medical

Equity incentive

As of the end of the reporting period, Zhende implemented two phases of employee stock ownership plan. The first phase of the employee stock ownership plan met the unlocking conditions in July 2023, with a company level unlocking ratio of 28.529%; The second phase of the employee stock ownership plan met the unlocking conditions in December 2023, with a company level unlocking ratio of 20%.

Other cash incentives

During the reporting period, Zhende granted RMB 12.89 million of incentives to employees, including RMB 6 million of strategic coordination mechanism rewards, RMB 3 million of project rewards, and RMB 3.89 million of research and development rewards.

Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety

Zhende Medical places high value on the safety and health of our employees. We have established a sound occupational health and safety management system and formulated the *EHS Incident Management Rules*, the *EHS Change Management Rules*, the *EHS Supervision, Inspection and Hazard Rectification Management System*, the *EHS Training and Education Management Rules* and other internal systems. We have initiated an occupational health and safety management organizational structure that covers the headquarters and all subsidiaries. The President's Office of Zhende has an EHS Management and Decision-Making Committee, which shoulders the ultimate responsibility; the Management Committee has a EHS Office, which is responsible for the construction and operation of Zhende's EHS management system. Each department of Zhende's 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 of Zhende Medical

Hierarchical security control

Develop 1-5 classes of accident control indicators and cascade the objectives at all levels in the form of signing EHS responsibility letters.

Hazard identification, assessment and control

Formulate the *Management Rules for Hazard Identification, Assessment and Control* to comprehensively identify, assess, control and update hazards in production activities and daily management of Zhende.

Detection and prevention of occupational hazards

Regularly conduct occupational hazard factor testing to determine the affected positions and employees;
Formulate the *Occupational Health Examination Management System*, conduct regular occupational health examinations;
Formulate the *Labor Protection Equipment Management System*, distribute labor protection equipment to employees in specific positions;
Establish a special archive for every employee of occupational hazard positions.

Regular inspections and hazard rectifications

Conduct quarterly, monthly, and daily inspections.
Relevant personnel carry out daily inspections, regular inspections, special inspections, comprehensive inspections, and require to make rectifications for the hazards within a fixed period of time.

Safety production month activities

Organize safety production month activities every year.

To enhance employees' safety awareness and improve their relevant skills, we provide occupational health and safety themed training, covering all employees, especially those in specific positions. During the reporting period, we have organized 186 training sessions themed on occupational health and safety, with a total of 7,680 participants and 5,120 training hours. In addition, we also hold fire-fighting competitions, skill competitions, and other activities which further stimulate employees' interest in learning and increase their sense of participation.

Occupational Health and Safety Themed Training of Zhende Medical

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

Zhende has reduced work risks by means of technological innovations to ensure employees' safety and health. We carry out the lean logistics project, the robot arm project and the FB001 project to build an automated production process and liberate labor forces.

Technical Upgrading for Occupational Health and Safety of Zhende Medical

| | | |
|--|---|---|
| <p>Lean logistics project</p> <p>AGV unmanned self-driving vehicles were used to replace manual operations, reducing the work intensity of sorting and picking workers. Meanwhile, the AGV driving area and the staff walking area were separated to ensure personnel safety.</p> | <p>Robot arm</p> <p>Robot arms were used to replace workers to perform some high-risk and repetitive production tasks, improving production safety, reducing fences and other safety facilities, and enhancing the utilization efficiency of production space.</p> | <p>FB001 automatic</p> <p>FB001 automatic sewing equipment was introduced to achieve the continuous production mode, reducing labor intensity, and preventing employees from bending over for a long time.</p> |
|--|---|---|

As of the end of the reporting period, Zhende's 3 new subsidiaries have been certified by ISO 45001 occupational health and safety management system.

During the reporting period

Zhende had a work-related injury rate of **0.45** per one thousand resulting in **78** lost working days due to work-related injuries



Promote Green Development

- Green Operations: Protecting Our Beautiful Home
- Resource Conservation: Advancing Sustainable Development
- Zero Carbon Driven: Addressing Climate Change

Contribution to the SDGs



| KPI and Targets for 2030 | Targets for 2024 | 2022 | 2023 | Progress |
|--|--|------------------------------|-----------------------------|----------|
| 100% of factories maintain ISO 14001 certification | 1.Maintain 100% compliance of existing certification 2.New factories (e.g., in Kenya) have obtained certification 3.Improvements in Shaoxing and Huainan | 50% | 66.67% | ↗ |
| Over 80% of finished products use eco-friendly packaging | 68% | 55% | 65% | ↗ |
| Zhende is joining SBTi in 2023 and will set targets based on SBTi's goals | Down by 10% Submit the SBTi commitment | 104,743.61tCO ₂ e | 76,262.92tCO ₂ e | ↘ |
| Renewable electricity accounts for over 30% of total electricity consumption | >15% | 1.32% | 14.33% | ↗ |

Green Operations: Protecting Our Beautiful Home

Environmental Management System

Institutional Structure

Zhende Medical holds fast to the concept of green development and establishes a sound environmental management system. Zhende institutes an environmental management organizational structure covering the headquarters and all subsidiaries, with the EHS Department as the top authority for environmental management. We have formulated systems such as the *Environmental Protection Facility Management System*, providing regulations for waste gas emission, wastewater discharge, and waste management. We also conducted environmental supervision and management on the headquarters and subsidiaries through statements and other forms. In 2023, we invested RMB 10.4814 million in environmental protection.

During the reporting period, all environmental protection facilities operated normally. New investment projects adhered to local laws, regulations, and policy standards regarding environmental management at their operational sites. There were no incidents of violating environmental protection laws or regulations.

Environmental Protection Approach

To implement the environmental management system, Zhende has established a comprehensive and multi-dimensional environmental protection approach, which covers various aspects, including environmental protection training, 5S inspections to standardize electricity usage across all modules, and the development of environmental emergency response mechanisms. Through meticulous management practices, we aim to continuously enhance our environmental awareness and environmental management capabilities.

Environmental Training

- We actively organize environmental training covering topics such as relevant laws and regulations, emission standards, analysis of key provisions, standardized environmental management, and case studies. During the reporting period, we offered 12 online and offline environmental training sessions for all employees, with 2,678 participants.

5S Inspections

- We analyze current environmental pain points based on proposals for improvements. With the initial focus on energy conservation and consumption reduction, we continue to standardize electricity usage in offices and factory areas and conduct 5S (Sort, Set in Order, Shine, Standardize, Sustain) inspections of energy consumption to enhance all employees' water and electricity conservation awareness.



Emergency Plans and Drills

- We have developed the *Environmental Emergency Response Plan* and the *Comprehensive Emergency Rescue Plan for Safety Production Accidents*, along with specialized emergency plans. These plans detail management measures and handling procedures for environmental emergencies, based on environmental risk assessments and internal emergency supply investigations. Additionally, we conduct annual emergency training and drills for various environmental incidents, which effectively enhance our emergency response capabilities. During the reporting period, we carried out 10 environmental emergency drills.

Sharing Sessions on Environmental Protection

Zhende organized internal sharing sessions on environmental protection to enhance employee understanding and awareness of environmental protection and promote environmental protection practices through examples of corporate and individual efforts in this regard. Held at all production bases and workplaces of Zhende the sharing sessions helped participating employees to realize the significance of environmental protection for Zhende, themselves, and the society, and encouraged them to incorporate environmental protection into their daily work and life. As a result, our employees demonstrated increased awareness and eagerness towards office 5S management. They would turn off lights and air-conditioning when leaving and sort office waste into appropriate bins.

Zhende requires every workplace to conduct at least one type of routine safety drill each year, covering common scenarios such as fire, major safety incidents, and chemical spills. These drills provide employees with hands-on experience in real-life situations, thereby enhancing their ability to respond to various emergencies and improving their first aid skills and adaptability.

| No. | Drill Unit | Drill Type | Content | Number of Participants | Photo |
|-----|-------------------------------|---------------------------------|---|------------------------|---|
| 1 | Zhende Medical's headquarters | Fire drill | 1. Evacuation 2. Use of fire extinguishing equipment | 300 |  |
| 2 | Xuchang Zhengde | Drill on major safety incidents | 1. Correct evacuation routes 2. Self-rescue measures in the event of an accident | 500 |  |

As of the end of the reporting period, 66.67% of Zhende and its subsidiaries have been certified by ISO 14001 environmental management system review and received the certificate. Additionally, two subsidiaries have been honored with provincial-level "Green Factory" and municipal-level "Zero-Waste Factory" titles.

Provincial and Municipal-level Honors for Zhende Subsidiaries

| Company | Honor |
|--|---|
| Xuchang Zhende Surgical Dressing Co., Ltd. | Provincial-level "Green Factory" of Henan Province |
| Xuchang Zhengde Environstar Medical Products Co., Ltd. | Provincial-level "Green Factory" of Henan Province "Zero-Waste Factory" of Xuchang |
| Zhende Medical Co., Ltd. | "Zero-Waste Factory" of Shaoxing |

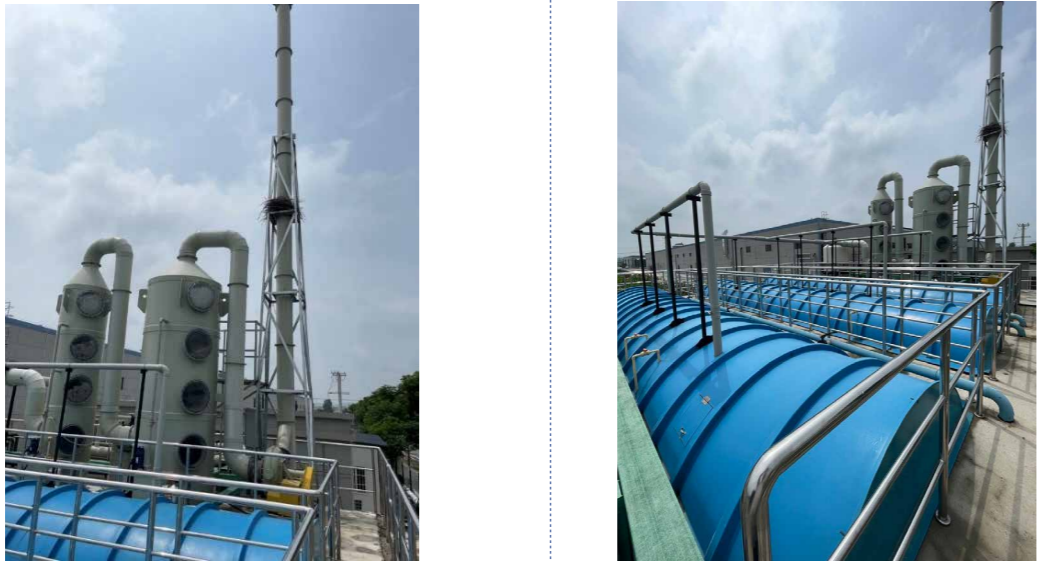
Emissions and Waste Management

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. During the reporting period, the headquarters and all subsidiaries adhered to discharge standards for wastewater, waste gas, and waste disposal. Moreover, a third-party testing agency was commissioned to test pollution sources including wastewater, waste gas and boundary noise. The testing results showed that all metrics met relevant discharge standards and there was no significant impact on the surrounding environment.

Wastewater Management

Zhende's wastewater mainly comes from production and domestic sources. Production wastewater mainly comes from the bleaching process, while domestic wastewater arises from office activities, cafeteria cooking, and other similar sources. 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.

Wastewater Discharge Standards and Key Control Indicators

| Category | Applicable Standards | Key Control Indicators |
|--|---|---|
| Wastewater | <i>Comprehensive Wastewater Discharge Standard</i> (GB 8978-1996) <i>Indirect Emission Limits of Nitrogen and Phosphorus Pollutants in Industrial Enterprise Wastewater</i> (GB 8978-1996) | pH, ammonia nitrogen, suspended solids, chemical oxygen demand (COD), five-day biochemical oxygen demand (BOD5) |
|  | | |
| Wastewater Treatment Facilities in Some Factory Areas of Zhende Medical | | |

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. For certain cotton dust-containing waste gas, Zhende uses dust removal units to eliminate the cotton dust.

Waste Gas Discharge Standards and Key Control Indicators

| Category | Applicable Standards | Key Control Indicators |
|-----------|---|---|
| Waste gas | <i>Comprehensive Emission Standard for Air Pollutants</i> (GB 16297-1996) <i>Emission Standard for Boiler Air Pollutants</i> (GB 13271-2014) | Non-methane total hydrocarbons, nitrogen oxides, particulate matter, sulfur dioxide, ethylene oxide, and odor |

Examples of Waste Gas Handling Measures



Ethylene oxide waste gas treatment

Ethylene oxide waste gas treatment facilities are introduced to the sterilization workshop, ensuring that ethylene oxide from the sterilization cabinets is filtered and treated before discharge.



Ammonia gas recovery and treatment

Ammonia gas recovery and treatment systems are introduced to ensure that non-methane hydrocarbons, nitrogen oxides, and smoke opacity in the waste gas meet discharge standards.



RTO system

RTO (Regenerative Thermal Oxidizer) is adopted for industrial waste gas treatment, offering efficient, energy-saving, and environmentally friendly performance.



Cotton dust treatment

Dust removal units are used to ensure compliant discharge of waste gas containing cotton dust.





Cotton Dust Treatment Facilities

Medical Waste Disposal Measures

| Category | Disposal Measures |
|---------------------|--|
| Hazardous waste | Hazardous waste is handled by a qualified third-party hazardous waste disposal unit in accordance with the <i>National Catalogue of Hazardous Wastes, the Measures on the Management of Hazardous Waste Manifests</i> and other related regulations. |
| General solid waste | Recyclable materials such as waste cardboard are sent to a third-party recycling unit for reuse. |
| | Leftovers and defective products are handled by a third-party general solid waste disposal unit. |

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. General solid waste, including recyclable materials, leftovers, and unqualified products, mainly comes from production, office, and other processes.

To comprehensively standardize the management process for solid waste, we have established the *Solid Waste Pollution Prevention and Control Management System*, which defines the responsible departments and work procedures. We have also set up a disposal management ledger system. These efforts ensure that solid waste is handled safely, environmental-friendly and efficiently, providing strong support for environmental management and compliance audits.

Waste Reduction and Resource Recovery Initiatives

Henan Zhende - PE Glove Scraps Recycling Project

- The production of PE gloves may generate a significant amount of scraps. This project involves recycling and granulating these scraps, turning potential waste into reusable plastic pellets. These pellets can then be used to produce new PE gloves and other plastic products, thereby increasing resource utilization and reducing waste.

Xuchang Zhengde - Cast Film Trimmings Recycling Project

- Cast film is a non-toxic, colorless, and odorless green material. The recycling project converts cast film trimmings into high-quality regenerated plastic pellets, which are then used to produce new film products. This process reduces waste, promotes resource recovery, and ensures effective resource circulation and reuse.

Shaoxing Zhende - Bleached Fabric Edge Cutting Project

- Originally, both edges of the degreased fabric were cut off, which resulted in significant waste of raw materials and generated a lot of waste. After the improvement project is implemented, one edge of the bleached fabric is folded instead of being cut off. This increases the utilization of raw materials and reduces waste. Moreover, the new method minimizes problems such as loose threads and small fabric fragments, thereby enhancing the final product quality.

Resource Conservation: Advancing Sustainable Development

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.

Water conservation is integrated into every aspect of production and operations. We implement measures across production, office, and residential areas to conserve water at the source. Meanwhile, we promote water recycling through rainwater collection, river water utilization, and wastewater treatment and reuse, thereby improving the utilization of water resources.

Water Conservation Measures and Results (Major)



Green office

Advocate for water conservation among employees and require them to turn off the faucet immediately after use.



Rainwater recycling

Plan and construct rainwater recycling facilities to promote the sustainable use of water resources.



Wastewater recycling

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.



Optimizing production process

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.



Water Recycling Facilities

The proportion of recycled water in use reached **56.40%** at Zhende¹.

Note 1: The data involves all operational sites in China.

Energy Management

The energy sources expended in Zhende's operation include natural gas, gasoline and diesel, consumed by company-owned vehicles, electricity and steam, wherein, electricity includes those come from municipal facilities, self-built solar panels, and purchased renewable electricity. We adhere to relevant regulations for energy management and have established procedural documents, such as the *Energy Management System*, the *Power Management System*, the *Resource and Energy Management*, and the *Energy Management Assessment System*, to standardize the construction of our energy management system.

Zhende has comprehensively reviewed its energy structure and implemented measures, such as using clean energy, adopting energy-saving equipment, and recovering waste heat and energy, to optimize the energy structure and enhance overall energy efficiency.

During the reporting period, electricity from renewable energy sources accounted for **14.33%** of Zhende's total energy use¹

Note 1: The data involves all operational sites in China.

Energy Conservation and Carbon Reduction Measures and Results(part)

Promoting green office

- Through the "I Suggest" energy-saving and consumption reduction proposal program, Zhende continuously optimizes electricity consumption control and resource integration in office areas, canteens, dormitories, and factories. By adopting sensor lights, setting timers for electrical appliances, reducing streetlights, and consolidating scattered offices and dormitories, we saved 1,634.93 MWh of electricity in 2023.
- We promote 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.

Using clean energy¹

- Use of renewable electricity: In 2023, the Anhui facility completed a new 1,599.4 KWP photovoltaic power project, and the first phase of the factory in Kenya newly built a 1,600 KWP photovoltaic power project. Construction is currently underway for photovoltaic power projects at the Shaoxing Phase II facility and the Jiangsu base, as well as a renewable energy project at the Kenya base.
- To date, photovoltaic power projects have been completed with capacities of 6.9 MWP at the Shaoxing base, 11.66 MWP at the Xuchang base, and 498.945 KWP at the Yiwu base.
- Natural gas is used to heat pressurized steam boilers. In 2023, a total of 1,252,191 m³ of natural gas was used.
- In 2023, Xuchang Zhende procured 121,872 tons of biomass energy steam, primarily used for production processes such as steam sterilization and gauze bleaching. Biomass energy steam, derived from agricultural waste like crop straw and livestock manure, is a renewable resource. Its use helps alleviate the pressure on traditional fossil fuels and aligns with sustainable energy development goals. Additionally, biomass energy steam produces relatively low emissions of carbon dioxide and other pollutants, reducing environmental impact and carbon emissions. As a sustainable, eco-friendly, and efficient energy form, the application and study of biomass energy steam will contribute to global sustainable energy development and the transformation of energy structures.



Adopting energy-saving equipment

- Horizontal steam boilers are upgraded to vertical boilers, reducing the average natural gas consumption per ton of steam from approximately 87 m³ to about 75 m³, improving energy efficiency by 16%. Each machine could save about 200,000 m³ of natural gas annually.
- Technological modification of the cooling pump system significantly reduces its energy consumption. After implementation of the project in 2023, a total of 53.79 MWh of electricity was saved.
- For the spunlaced nonwoven fabric drying system, a drum dryer is selected to enhance both energy efficiency and the physical properties of the product. Additionally, the existing drying exhaust pipes are rerouted to utilize residual heat for progressive drying, which not only improves product quality but also achieves energy saving and emission reduction.
- All equipment whose electric power exceeds 11 KW 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.
- A humidifier is used instead of a steamer, which saves electricity and steam required for boiling water. Approximately 105.18 MWh of electricity can be saved per month.
- Replacing fluorescent lights with LED energy-saving ones saves approximately 2.875 MWh of electricity per month at the Shaoxing headquarters, Xuchang base and Anhui base.



Recovering waste heat and energy

- Collecting the steam water generated by pressurized steam boilers for thermal energy recovery achieves energy savings of over 20% and water conservation of over 50%.



Steam waste heat recovery facilities

Optimizing production process

- Optimizing spunlace process parameters, such as pressure and water jet configuration, ensures product quality while achieving energy savings.
- Upgrading the weaving loom from a single layer to a double layer saves over 160 MWh of electricity annually.

Note 1: The data involves all operational sites in China.

Green building

- The Shaoxing high-performance medical device production base innovatively employs modular construction, shortening the construction period by 25%-30%, reducing water usage by approximately 50%, and saving up to 80% of timber. The project also significantly decreases construction waste by over 70% and effectively controls dust and noise pollution. Additionally, the thermal performance of the building envelope exceeds national standards by 20%, providing effective insulation in summer and winter, thus significantly enhancing energy efficiency and reducing energy consumption for heating and cooling.

Awareness training

- Zhende actively promotes energy-saving practices through comprehensive training and awareness programs. Energy conservation and emission reduction topics are incorporated into onboarding training, and specialized sessions are regularly organized for all employees. Zhende also standardizes electricity usage habits in both factories and offices and encourages energy-saving and consumption reduction practices across all roles. These initiatives have enhanced employee competency, raising their awareness and practical skills in energy conservation and consumption reduction.

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 environmental friendly production raw materials and packaging materials. These reduce the impact of material use on the environment.

Pathway to Green Packaging

Development of Eco-Friendly Packaging

- In response to customer demands for environmental sustainability, we continuously innovate eco-friendly packaging materials, focusing on aspects such as high temperature resistance and biodegradability.
- By conducting in-depth analyses of material performance, we ensure a balance between environmental benefits and practicality. We also rigorously monitor testing progress to ensure the project advances efficiently.

Packaging Lightweighting

- We optimize the design of paper boxes and cartons with the goal of reducing packaging weight by 5%, achieving both energy savings and cost optimization.
- The project will involve multiple types of testing to ensure quality and promote new standards for green packaging.

In its exploration and practice of recyclable and eco-friendly materials and packaging, Zhende is committed to leading the industry's green transformation. Progress has been made in reducing carbon emissions across the entire life-cycle of our products through continuous breakthroughs and innovations.

Achieving ISCC PLUS¹ Certification

Zhende Medical actively explores new ways towards energy conservation, efficiency enhancement and environmental protection. In 2023, our Xuchang facility received ISCC PLUS certification. Its surgical gown products use a circular value chain and certified materials to ensure a sustainable production process and minimize environmental impact. This certification underscores our commitment to environmental and social responsibility. Looking ahead, we will further our dedication to product circularity and traceability by promoting sustainable materials, advancing low-carbon production, and leading the industry in value chain sustainability. We are also committed to providing global sustainable solutions to help our customers achieve their green goals.



[Dasen Xu, CEO of Zhende Medical]

"As an industry leader, we are duty-bound to advance our sustainability goals and ensure our product solutions can help our customers achieve their own sustainability objectives."

"To fulfill this commitment, we will continuously enhance our efforts and work closely with our suppliers to develop innovative and sustainable solutions that align with the 'dual carbon' and circular economy strategic goals. Certifications like ISCC PLUS will strengthen our commitment to customers by providing crucial third-party verification, ensuring the integrity and high performance of our global supply chain."

Note 1: ISCC is an independent multi-stakeholder initiative and a leading certification system that supports sustainable, fully traceable, deforestation-free, and climate-friendly supply chains. It covers all sustainable raw materials, making it one of the largest certification systems in the world.

Actively Developing Eco-Friendly Alternatives to PFAS

In response to the environmental challenges posed by per- and polyfluoroalkyl substances (PFAS) and the increasingly stringent global scrutiny on PFAS, Zhende Medical is actively developing eco-friendly PFAS-free products. We are systematically reducing chemicals in the supply chain that could pose potential risks to the environment and human health, aiming to achieve zero use and zero discharge of hazardous chemicals in our supply chain. Through technological innovation and R&D, we are exploring environmentally friendly and health-conscious alternatives, such as bio-based compounds and silane compounds.



Using FSC-Certified¹ Packaging and Labels to Support Carbon Reduction throughout the Product Lifecycle

Zhende sources cartons, labels, and inner box packaging from FSC-certified suppliers. In 2023, we utilized 13.05 million FSC-certified packaging and labels, contributing to carbon reduction across the entire product life-cycle.

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.



Photo of Inner Box Packaging



FSC Certificate

During the reporting period
65%² of Zhende's finished products used recyclable packaging materials.

Note 2: The data involves all operational sites in China.

Target for 2024
68%

In packaging lightweighting, Zhende has promoted a green upgrade of product packaging through detailed design and material optimization. This effort has enabled a reduction in packaging weight and contributed significantly to the development of a green supply chain in the medical field.



Lightweighting of Surgical Gown Hang Tag

Surgical gown hang tag is an essential component of surgical gowns. Zhende Medical's R&D team reduced the weight of the white cardstock used for surgical gown hang tags by 14.3%, achieving a reduction in weight without affecting production efficiency or the wearing experience for medical staff, while ensuring no impact on the functionality of the product. This optimization saves about 3 tons of white cardstock annually, reducing resource consumption at the source and effectively lowering carbon emissions. It not only cuts production costs but also demonstrates our commitment to embracing low-carbon and environmentally friendly principles from the early stage of product design. It is a tangible example of our efforts to promote green healthcare and achieve sustainable development.



Green Upgrade of Mask Packaging Composite Film

For the widely used disposable masks in 10-mask packs, Zhende Medical has implemented a green upgrade of the packaging material. We have reduced the thickness of packaging film by 12% while maintaining packaging strength, product safety, and quality. This initiative not only conserves material usage from the source but also decreases waste generation, improving both the environmental and economic aspects of the product. It promotes effective resource use and recycling, contributing to the reduction of resource consumption and environmental pollution.



Zero Carbon Driven: Addressing Climate Change

Zhende Medical has made constant and proactive efforts to improve its climate change response mechanisms in alignment with relevant policies and guidelines. In 2023, Zhende enhanced its climate change response mechanisms in the dimensions of governance, strategy, risk management, and metrics and targets by referencing the requirements of the *International Financial Reporting Standard for Sustainability Disclosure No. 2—Climate-related Disclosures* (IFRS S2).

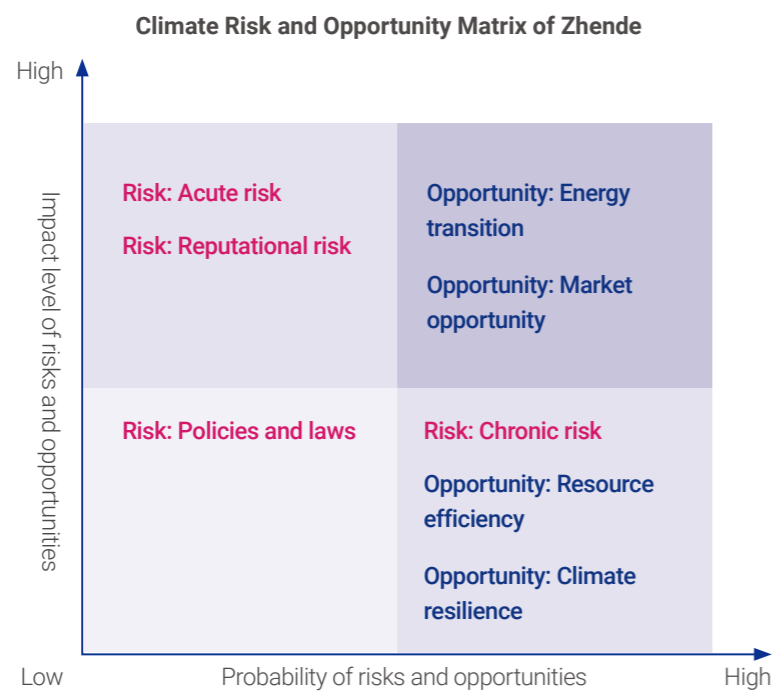
Climate Governance

Climate change is incorporated into our ESG management system. The Board of Directors, as the highest authority for climate governance, formulates and coordinates climate change response strategies, reviews climate-related management targets, such as greenhouse gas emissions, and assesses progress. The ESG Management Committee, as the decision-making and supervisory body in ESG management, identifies, prioritizes, analyzes, and manages climate risks and opportunities, sets climate-related goals, and oversees and supports specific initiatives. The Committee regularly reports on climate change response activities to the Board. The ESG Office, as the executive body of ESG management, implements and advances climate-related management tasks. It collaborates with relevant functional and business departments to integrate climate management into daily operations. Through energy-saving technological upgrades, transition to clean energy, and awareness training, the office aims to enhance climate management performance and achieve climate change management goals.

Besides, Zhende integrates greenhouse gas emissions performance into the long-term incentive plans for senior executives to encourage sustained economic and shareholder value creation.

Strategy

Analysis of Climate Risks and Opportunities



Major Climate Risks and Opportunities for Zhende

| Climate Risks and Opportunities | Description | Potential Impact | |
|---|---|------------------|--|
| | | Duration | Financial Impact |
| Risk: Acute physical risk | Extreme weather events triggered by climate change, such as frequent hurricanes and floods, may lead to severe consequences for Zhende, including asset damage, casualties, and disruptions to business operations, forcing Zhende to take immediate response measures and invest substantial resources to restore normal R&D and production as quickly as possible. | Short-mid term | Operating revenue ↓ Operating costs ↑ |
| Risk: Reputational risk | With the release of China's 'dual carbon' goals and growing focus on low-carbon transformation both domestically and internationally, Zhende risks reputation damage if we do not take proactive and effective climate actions and timely disclose relevant information to meet external stakeholder demands. | Short-mid term | Operating revenue ↓ |
| Risk: Chronic physical risk | Long-term climate changes, including persistent high temperatures, may impact Zhende's daily operations and lead to rising sea levels or ongoing heatwaves. For facilities near coastal areas, these changes could result in asset damage and may force Zhende to consider relocating or adjusting work hours to adapt to changes in the coastline and sustained high temperatures. | Long term | Operating costs ↑ |
| Risk: Policies and laws | Domestic and international climate policies and regulations are increasingly focused on encouraging companies to take proactive measures to address climate change and imposing restrictions on activities that may worsen it. To adapt, Zhende must promptly adjust its strategies related to energy consumption, emissions, and climate information disclosure; otherwise, we may face legal action and liability for failing to meet environmental management standards. | Short-mid term | Operating costs ↑ Operating revenue ↓ |
| Opportunity: Energy transition | With advancements in green energy technologies and the introduction of supportive policies, renewable energy sources are becoming more accessible and their prices are expected to steadily decrease. Proactively adjusting the energy consumption structure will not only help Zhende reduce energy costs but also effectively address the low-carbon challenges posed by regulatory requirements and end-market demands. | Mid-long term | Operating costs ↓ |
| Opportunity: Market opportunity | With growing global attention to climate issues and the release of the 'dual carbon' goals, green and sustainable products and services will be increasingly expected by the market and the public. Therefore, focusing on developing and providing climate and environmental-friendly products will inject new momentum into Zhende's business development and revenue growth. | Mid-long term | Operating revenue ↑ |
| Opportunity: Resource efficiency | By improving the efficiency of energy, water, and raw material usage, vigorously implementing green production practices, and establishing a comprehensive resource management system, Zhende can effectively reduce resource waste, lower operational costs, and achieve steady low-carbon development. | Mid-long term | Operating costs ↓ |
| Opportunity: Climate resilience | By selecting environmentally friendly suppliers and strengthening carbon emissions measurement and control capabilities, we can adapt more quickly to climate change. This will lay a solid foundation for us to seize climate-related business opportunities and further enhance the stability of our assets and daily operations, thereby positioning Zhende advantageously in future industry competition. | Long term | Operating costs ↓ |

Climate Risk and Opportunity Management

Zhende Medical incorporates climate risk and opportunity management into its corporate strategy and decision-making. We are committed to achieving carbon neutrality in our operations and value chain through measures such as low-carbon product development, clean energy use, equipment and process optimization, and green office practices, while seizing new market opportunities. Responding actively to global climate change challenges, Zhende has initiated the SBTi process and reports value chain greenhouse gas emissions in accordance with the *Greenhouse Gas Protocol*.

Actions to Address Climate Change

Green Products

- Zhende actively develops environmental-friendly products and engages third-party organizations to calculate the carbon footprint of our products based on international standards, thus providing customers with comprehensive product information, including carbon footprints. As of the end of the reporting period, we have achieved ISO 14067 certification for four products.
- Zhende also develops smart products to address the growing demand for carbon reduction. We optimize the environmental footprint of our products to help customers reduce carbon emissions during use.

Clean Energy

- We actively work to increase our use of clean energy by purchasing green power and utilizing self-built solar panels, geothermal energy, and other methods, thereby reducing carbon emissions.
- In 2023, our photovoltaic systems at the Shaoxing, Xuchang, and Yiwu bases generated a total of 1,016.50 MWh.
- Our Kenya factory plans to use renewable geothermal energy with an anticipated annual consumption of 144 MWh, set to begin in 2024.
- Our Xuchang base procured 121,872 tons of biomass energy steam in 2023.



Energy-saving Technological Transformation

- Zhende adopts high-efficiency and energy-saving equipment and implements technological upgrades to reduce carbon emissions in production and operations.

Green Office

- Disposable plastic cups and bottled water are eliminated from offices to reduce plastic waste.
- For newly renovated offices, we use high-quality materials and replace chemical treatments for formaldehyde gas with indoor plants.
- We have consolidated office areas to minimize the use of small, individual offices. At the Shaoxing headquarters, this consolidation saved eight office spaces, resulting in reduced electricity consumption for lighting and air conditioning.
- We have phased out high-energy-consuming office equipment and promoted the use of energy-efficient technologies and products, prioritizing those that are energy-saving, water-saving, environmentally friendly, and renewable.
- Our canteen sources organic or low-carbon vegetables with Zero Carbon certification.
- During lunch breaks and overtime, some lights are turned off, and computers are turned off or set to power-saving modes. Meeting room lights are turned off promptly, with reminders placed at entrances, reminding employees of turning off lights. All lights, computers and other electrical appliances are turned off after work hours.
- We adjust the switching time for factory area streetlights and compact water heaters.
- Natural lighting is used on sunny days to reduce the use of electric lighting.

Promotion of Carbon Reduction Awareness

- We utilize National Energy Conservation Week, National Low-Carbon Day, and other key events to promote carbon reduction awareness by various means.
- We conduct internal and external training on energy conservation, carbon reduction, and climate change response, and encourage our supply chain partners to transition towards a low-carbon economy.
- We post signs and slogans promoting the conservation of food, electricity, and water to create an atmosphere of practising frugality and opposing wastefulness.

Risk Management

Zhende Medical regularly identifies and assesses potential climate-related risks and opportunities in operations based on regional characteristics, industry attributes, and other factors, creating a climate risk and opportunity assessment matrix. By evaluating the likelihood and impact of these risks and opportunities, Zhende prioritizes them as the basis for decision-making in climate change response strategies and action plans, which supports its progress in a complex and changing climate environment. Additionally, we communicate regularly with stakeholders including customers, suppliers, and investors to gather their opinions and suggestions on climate-related risks and opportunities.

Climate-related risks are integrated into our overall risk management framework. We have established a cross-departmental climate risk management and coordination mechanism led by the ESG Office, aiming to enhance climate risk managements through annual performance data tracking and target evaluation.

Metrics and Targets

In 2023, we reviewed our carbon emission targets based on current energy use and carbon emissions, and adjusted management measures flexibly to align with development trends and industry best practices. Additionally, we conducted greenhouse gas accounting covering Scope 1 and Scope 2 emissions. As of the report's release, Xuchang Zhende has completed its ISO 14064 greenhouse gas inventory.



Targets:

During the reporting period, Zhende has initiated the process of joining the Science Based Targets initiative (SBTi) and is setting new greenhouse gas reduction targets in accordance with SBTi requirements. The new greenhouse gas targets will be disclosed after SBTi verification.

GHG Emissions in 2023

| Emission Type | Sources | GHG Emissions ¹ (Unit: tCO ₂ e) |
|---------------|-------------------------------|---|
| Scope 1 | Natural gas, gasoline, diesel | 2,969.77 |
| Scope 2 | Purchased electricity, steam | 73,293.15 |

Note 1: The data involves all operational sites in China.



07

To Be a Reliable Partner

- Innovation Leadership: Providing Zhende Solutions for Health Management
- Quality Service: Contributing Zhende Strength to Customer Success
- Win-Win Cooperation: Sharing Zhende Experience for Industry Development
- Community Engagement: Fulfilling Zhende Responsibilities for a Better Society

Contribution to the SDGs



| KPI and Targets for 2030 | Targets for 2024 | 2022 | 2023 | Progress |
|---|---|---------------|---------------|----------|
| 100% maintain ISO 13485 certification* Obtain CE/FDA certification as needed | 1. 100% compliance of existing certification 2. New factories (e.g., in Kenya) pass certification | 100% | 100% | ✓ |
| Customer net promoter score (International >60 / Domestic >80) | >60/>80 | 30.51/88.1 | 52.8/83.9 | ↗ / ↘ |
| Environmental and social risk assessments cover 100% of key suppliers | 1. 100% of qualified suppliers have signed the Supplier Code of Conduct and committed to social responsibility standards For key suppliers unable to provide third-party social responsibility reports, 100% will receive ESG or social responsibility training or communication | - | 80.00% | ↗ |
| Compliance management | 100% of factories receiving human rights audits | 100% | 100% | ✓ |
| Continue annual external donations | Continue annual external donations | RMB 5,274,000 | RMB 3,245,700 | ↘ |

Innovation Leadership: Providing Zhende Solutions for Health Management

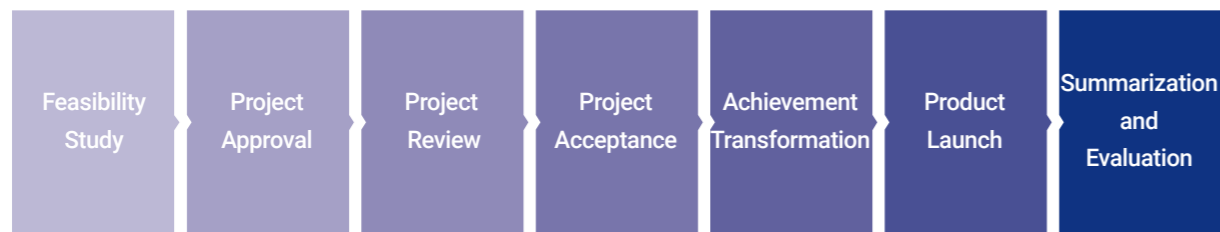
R&D and Innovation

R&D System Construction

Zhende upholds an innovation-driven development strategy while ensuring compliance throughout the R&D process. We have established a comprehensive product R&D management system that covers all stages, from demand analysis to market launch. This system, with clearly defined goals and standards at each stage, aims to accelerate product innovation, shorten time-to-market, and enhance product quality, thereby meeting customer demands and increasing corporate competitiveness.

Zhende has implemented the Integrated Product Development (IPD) consulting project, established a product line management mechanism, and formed a matrix management structure. This has led to the formation of a market-oriented, data-driven decision-making system. By conducting market research, managing requirements, and scientifically initiating projects, we advance product design and testing in parallel. These efforts, with a focus on strategic projects, have significantly improved R&D efficiency and efficiently addressed market demands.

Product Development Process



In addition to the ongoing optimization of the product development process, we also emphasize the construction of R&D platforms and the development of R&D talents. We have established four enterprise R&D centers at home and abroad, which have received a number of national and provincial honors.

R&D Platform Construction



Zhende actively engages in "industry-university-research cooperation" and continuously promotes industrial partnerships. Leveraging the provincial-level key enterprise research institute, we collaborate with academic institutions to establish postdoctoral research workstations, attract high-level talents, and enhance our technological innovation capabilities.

Industry-University-Research Cooperation Projects



R&D Investment and Achievements in 2023

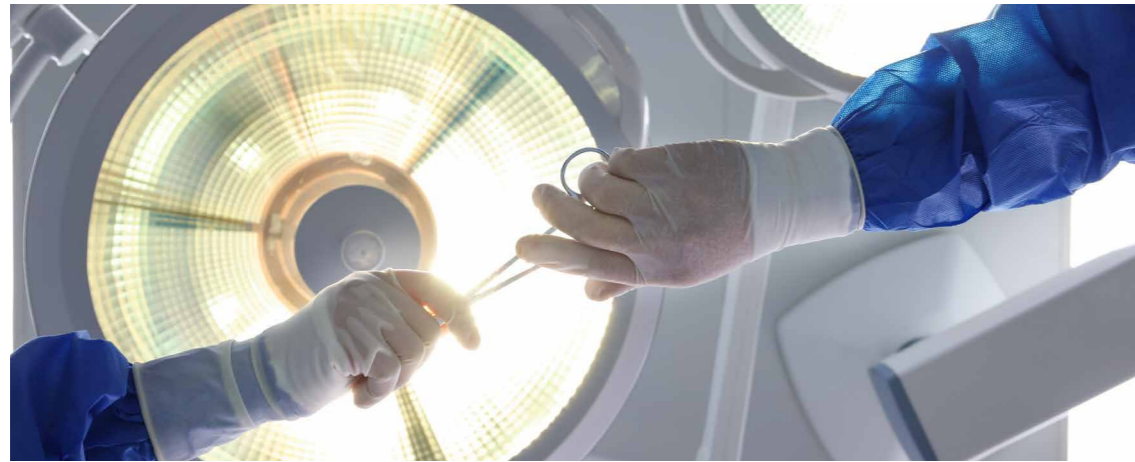
| R&D Investment: | | |
|--|--|---|
| In 2023, Zhende invested RMB 138.95 million in R&D, and was awarded 20 Class II and 2 Class III medical device product registration certificates, and 12 patents for invention. | | |
| R&D Project Progress: | | |
| <ul style="list-style-type: none"> The optimized skin-compatible hydrocolloid has received the expected user satisfaction in clinical trials and is now in production. Breakthrough progress has been made in the process and equipment development for dual-component hydrocolloid. Antibacterial dressings containing iodine analogs, PHMB, and hypertonic saline have completed laboratory research and entered the pilot and validation stages. Research on the release, antibacterial effectiveness, and safety (animal testing) of silver ions and PHMB in foam dressings has been completed. Study on the application of silver ion antibacterial technology to alginate and hydrophilic fiber dressings is established. | | |
| Honors and Awards | | |
| Project | Introduction | Award |
| Key Technology for Forming Highly Absorbent Biomass Fiber Dressings | The project improves the quality of wound care and the accessibility and affordability of functional dressing products in China. It also provides clinicians with diverse solutions for clinical wound care. | The 10 th "China Top 10 Textile Technologies" Emerging Technology Award |
| Functional Forming Technology of Textile Based High-end Dressings and Its Application on Complex Wounds | The project is innovative in its development of atomization-enhanced softening pretreatment, multi-thread parallel web laying technology and equipment, and graded gradient needle-punching structure formation technology. These advancements overcome the limitations of existing needle-punching processes and result in highly absorbent biomass dressings, such as alginate and chitosan. | First Prize of the Science and Technology Award of the China National Textile and Apparel Council |

Sustainable Product R&D

Zhende integrates the We Care sustainability strategy into every stage of product development, aiming to reduce the environmental impact throughout the life-cycle of products while ensuring product health and safety.

Developing Biodegradable Latex Medical Examination Gloves

Zhende Medical's natural latex gloves are made from rubber tree latex, a renewable resource, and are produced through an environmentally friendly, pollution-free process that involves low energy consumption and no harmful chemicals, making them suitable for medical use and ensuring the safety of both medical workers and patients. Additionally, these natural latex gloves are biodegradable, meaning they will gradually decompose into harmless substances in the natural environment without requiring substantial energy or special processing. Compared to gloves made from synthetic materials, the natural latex gloves require less energy during production and do not involve complex chemical reactions or high-temperature processes, thus less energy consumption and lower greenhouse gas emissions.



Developing Low Carbon Footprint Products for Cotton Gauze Pads and Abdominal Pads

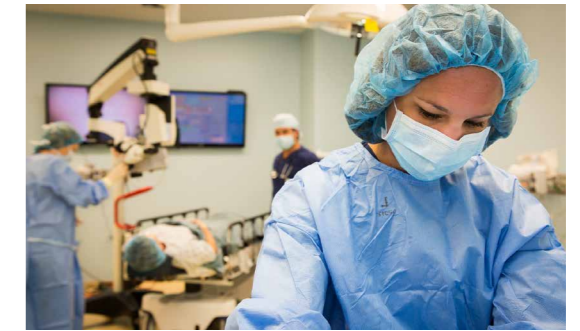
Gauze pads and abdominal pads are made from cotton, a natural fiber that is biodegradable and renewable. The products align with green, low-carbon emission practices throughout their life-cycle from the use of sustainable raw materials and processing technologies to the final product's degradation.

In 2023, we conducted carbon footprint certification for several products. The cradle-to-gate carbon footprint of gauze swabs NA241010000103-31 is 1.18 kg CO₂e, and that of abdominal pad NA241010000103-31 is 7.40 kg CO₂e. We closely monitor the carbon footprint of these product lines and continuously optimizes efficiency across the entire production process from raw material sourcing and manufacturing to waste disposal. We are committed to improve the use of green energy and green production practices and drive sustainable improvements in our products' low-carbon emissions.



Innovative Development of PFAS-Free AS&AR Surgical Gowns

In response to the REACH restriction proposal on perfluoroalkyl and polyfluoroalkyl substances (PFAS) issued by the European Chemicals Agency (ECHA), Zhende Medical endeavors to develop PFAS-free AS&AR (anti-alcohol, anti-blood, and anti-static) surgical gowns. We are currently developing PFAS-free AS&AR oil agent suppliers, and have partnered with a leading supplier to conduct sample trial production in the laboratory phase. Based on technological innovation and in-depth research, we actively explore and introduce eco-friendly and health-conscious alternative materials, such as bio-based compounds and silane compounds, to create a safer and healthier wearing experience for consumers.



Medical Accessibility

Expanding the Breadth and Depth of Medical Services

Zhende Medical actively promotes our healthcare business by creating professional and comprehensive product solutions tailored for home use, aiming to bring the expertise and quality honed over 30 years of serving hospitals to individual consumers.

We fully promote 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.

Meanwhile, 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 2023, the online fans of Zhende e-commerce shops exceeded 9 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, key customer operation system, as well as IP cooperation, dual brand product construction, and model market creation, etc.
- As of 2023, Zhende's coverage rate of top 100 chain pharmacies has reached 98%, totally over 170,000 pharmacies.

To promote Zhende's deep involvement in the global medical device value chain and enhance its global competitiveness, we have also continued to deepen 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.

Providing Safe and Efficient Medical Products

Upholding patient-centered values, Zhende is dedicated to creating a more humane and convenient medical experience through innovative technologies. We continuously develop medical devices and consumables to precisely address patient needs, offer more convenient services and greater comfort during treatment, and enhance patient recovery efficiency from multiple perspectives.

Super Absorbent Polyurethane Foam: Reducing the Hassle of Dressing Changes for Patients

Chronic wounds are often colonized by various types of bacteria. Zhende Medical's polyurethane foam dressings can effectively capture bacteria and internalize them into the core of the dressing, thereby reducing the number of living bacteria. For wounds with a lot of exudate, the dressings are designed to maximize their duration of use, decreasing the frequency of changes. This helps to minimize additional damage, protect the surrounding skin, and enhance wound healing efficiency. Additionally, fewer dressing changes can reduce the economic burden and psychological stress on patients, improving their overall comfort.



Bionic Construction of Alginate-Based Composite Hydrogels and In Situ Induction of Skin Wound Repair

Zhende Medical is committed to addressing industry pain points through innovative product development. Embracing the concept of natural protein-polysaccharide composites with multifunctional properties, we are developing protein-polysaccharide composite multifunctional hydrogel dressings based on sodium alginate, chitosan, and gelatin, using an environmentally friendly solvent system. The products are expected to offer high flexibility, excellent infection resistance, good biocompatibility, and enhanced wound healing capabilities. They will address the limitations of traditional hydrogel dressings, such as restricted expansion performance and lack of biological activity, meeting the needs of chronic wounds and better serving wound care and recovery.



Meanwhile, we fully understand the pressures and challenges faced by healthcare professionals. We focus on developing efficient and intelligent medical management systems and auxiliary tools. By introducing advanced technologies and products, we aim to help medical staff streamline workflows, ensure safety, enhance efficiency, and drive comprehensive improvements in medical quality.

Smart Surgical Waste Liquid Collection System: Reducing the Risk of Cross-Contamination in Surgery

The collection and handling of surgical waste liquids in the operating room are crucial for hospital infection control and preventing occupational exposure for medical staff. Many hospitals still rely on traditional waste collection methods, which pose higher infection risks. Zhende Medical's smart surgical waste collection system offers an advanced solution for managing surgical waste liquids. It enhances hospital infection control and reduces occupational exposure risks by providing closed management of surgical waste fluids from collection to disposal, separating operators from surgical waste fluids, and strengthening safety protection of operating room personnel.



Medical Knowledge Popularization

Zhende Medical has launched the "Zhende Station" WeChat account as a health advisory platform for the general public. The platform features contents like product knowledge, nursing guides, expert lectures, patient experience sharing, and product trial applications, and provides reliable nursing information and services. Additionally, Zhende has set up the Perfectleg information station on Xiaohongshu to disseminate knowledge about varicose veins and prevention. We have also implemented a regular release mechanism for healthcare knowledge, with our posts receiving over 100,000 views annually. Our goal is to spread more healthcare knowledge to countless homes to support their health anytime, anywhere.

Quality Service: Contributing Zhende Strength to Customer Success

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, 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

| Certificates | Coverage |
|-------------------------------------|--|
| ISO 13485 Certificate | Zhende Medical, Xuchang Zhende, Xuchang Zhengde, Henan Zhende and other subsidiaries |
| ISO 13485 Sterilization Certificate | Zhende Medical, Xuchang Zhende, Xuchang Zhengde and other subsidiaries |

Zhende has established a Quality and Regulations Center at the primary level, led by the Chief Quality Officer. The center includes the Quality Management Department, the CQS Department, and the Regulatory Affairs Department. It oversees the establishment and maintenance of our quality management system. During the reporting period, Zhende implemented a series of measures to enhance product quality management.

Product Quality Management Measures

Quality Inspection

In 2023, we conducted inspections and supervision of incoming materials, production and all other stages in strict compliance with internal quality management requirements, thereby increasing finished product acceptance rate. For outsourced testing, we select institutions with CNAS or CMA accreditation according to CNAS-CL-01 (ISO/IEC 17025:2017). We regularly evaluate these service providers, update their qualifications, and maintain a directory of outsourced testing service suppliers.

Quality Audit

During the reporting period, we conducted two comprehensive internal audits in accordance with the *Regulations for the Quality Management in the Production of Medical Devices*, ISO 13485, EU MDR and U.S. FDA regulations, to enhance its quality management system. Additionally, we underwent several external audits, including unannounced inspection by Zhejiang Medical Products Administration, GPM audit by the Inspector Management Center of Zhejiang Medical Products Administration, third-party audits by TUV and Intertek, and multiple client audits, all of which were successfully passed.

Non-conforming Product Control

Zhende strictly controls non-conforming products according to its non-conforming product control procedures. Any product that fails to meet the specified inspection requirements will be classified as non-conforming and must be handled through rework, concession acceptance, rejection, or scrap.

Process Optimization

During the reporting period, leveraging the "I CARE" process improvement initiative launched in 2023, we completed several quality management-related process improvements. These improvements covered areas such as general new products, novel products, change control, risk management, registration processes, UDI procedures (both at home and abroad), batch record processes, supplier management, customer complaint handling, corrective and preventive actions, CNAS-related processes, and document control. These efforts aimed to improve and strengthen our quality management system, ensuring its effectiveness and suitability.

Quality Awareness Training

We have consistently valued employee training in customer service-related knowledge and skills. Based on legal regulations, quality management system requirements, and market and customer concerns, we have organized and planned 15 training sessions on topics such as quality management systems for medical devices, medical regulations in the EU, the U.S. and the U.K., risk management, and basic microbiology. These sessions, including internal training and external training, involved 1,000 participants in total.

Zhende has established a product recall system. In line with the *Measures for the Administration of Medical Device Recalls* issued by the National Medical Products Administration (NMPA) and relevant recall regulations from the U.S. FDA, we have developed internal regulations such as the *Management Measures for Medical Device Recalls in China* and the *Management Regulations for Medical Device Recalls* in the U.S., which define the responsible parties, recall categories, and procedures. Additionally, regular mock recalls are conducted. During the reporting period, no product recalls occurred.

Product Recall Process



During the reporting period, we received administrative punishment from Shaoxing Administration for Market Regulation due to issues with advertising on e-commerce platforms. Subsequently, we conducted specialized training sessions to enhance employees' awareness of legal and regulatory requirements.

Customer Service

Zhende's customers mainly include domestic and foreign corporate customers and individual consumers. Our Quality and Regulations Center has established the Customer Quality Service (CQS) and After-Sales Quality Service departments. A series of management procedures have been developed, including the *Process Control Procedure Related to Customers*, the *Design and Development Control Procedure*, the *Alert System Management Procedure*, the *After-Sales Supervision Control Procedure*, the *Medical Device Adverse Event Management Procedure*, the *Customer Complaint Control Procedure*, the *Customer Satisfaction Survey Control Procedure*, and the *Risk Management Procedure*. We have set up a pre-sales and post-sales customer service framework, providing support through various channels such as customer service hotline, corporate email, and internal OA processes.

During the reporting period, we optimized the customer complaint process by establishing a linkage mechanism between customer service personnel and manufacturing facilities. This effort improved customer complaint handling efficiency, allowing for quicker responses to and resolution of customer feedback and complaints.

In 2023, we achieved a 100% complaint handling rate. Customer complaints were primarily related to product appearance, and our factories have initiated targeted correction to address these issues.

Meanwhile, we conducted customer satisfaction surveys, distributing questionnaires to previous clients, distributor clients, and retail customers. The overall Net Promoter Score (NPS) reached 83.89%.

To further enhance our customer service capabilities, we conducted training sessions for relevant personnel on topics such as "Customer Service", "Provision of Additional Customer Services", and "Customer Service Management Expert." These efforts strengthened employees' awareness of customer service, improved their professional skills, and increased overall customer satisfaction.



Data Security and Privacy Protection

To protect our data security and customer privacy, Zhende has implemented data security protection measures in strict compliance with relevant laws and regulations.

Zhende has established regulations such as the *Information Security Management Regulations*, and taken multiple measures to safeguard data security and customer privacy. During the reporting period, Zhende achieved Cybersecurity Classified Protection 2.0 certification.

Information Security Management Measures

Risk identification and assessment

Zhende introduced Sangfor's MSS (Managed Security Service) and conducted a pre-operation security assessment. This assessment involved identifying security flaws in areas such as strategy management, security protection, asset management, vulnerabilities, attack threats, and security incidents and developing improvement plans accordingly. These measures have significantly enhanced the overall security protection level of Zhende.

Information security audit

Zhende underwent third-party vulnerability assessments and performed targeted remediation based on the vulnerability scan reports provided by the third party.

Information security technology

Zhende conducts remote application level backup for disaster recovery in data centers in Shaoxing and Xuchang.

We have established a data backup system that backs up data every two hours.

Viruses are automatically detected and removed weekly through Endpoint Detection & Response (EDR).

Zhende's electronic file encryption is achieved through the Green-Shield terminal security management system.

Additionally, we conduct system permission management which ensures that employees in different positions can only check system information within their corresponding authority.

Supplier information security management

Zhende has established an audit team to assess the risks of proposed or adopted computer systems and to audit potential suppliers.

Emergency response

Zhende has established the *Procedure for Managing Computer System Emergency Incidents* to standardize the response procedures for issues such as system crashes, freezes, blue (or black) screens, communication interruptions, and system failures. This ensures that in the event of emergencies like system failures, security breaches, or data loss, there will be a prompt and accurate response, and that these issues will be addressed quickly and effectively.

Information security awareness training

To foster an information security culture, we offered employee training on information security awareness. Topics included common information security risks and response strategies, and our information security management regulations and requirements. 3,102 employees participated in such training sessions.

During the reporting period, there were no incidents where Zhende was punished by relevant authorities for violating laws and regulations related to information security and privacy protection.

Win-Win Cooperation: Sharing Zhende Experience for Industry Development

Industry Exchange and Cooperation

Partners are one of the important stakeholders of Zhende Medical. Adhering to the corporate value of "sharing success", we continue to advance mutual benefit and win-win results in the industry by participating in industry platform construction, joint training of industry talents, standard formulation, industry exchange activities.

Zhende actively engages in industry platform construction, taking the lead in establishing industry technology alliances and the Consumables Branch of the Zhejiang Medical Device Industry Association, to promote healthy and orderly industry growth. Additionally, Zhende strengthens industry-university-research cooperation, partnering with vocational institutions in Shaoxing, Henan and other regions to jointly develop industry professionals through "order class", framework agreement and other means. Furthermore, we have participated in the formulation (revision) of industry and group standards multiple times, facilitating overall advancement of the industry and product quality enhancement.

Participation in Standard Formulation in 2023

| | |
|---|---|
| Zhende led and participated in the formulation (revision) of 3 national standards. | <ul style="list-style-type: none"> GB-19082-2023 Disposable Protective Clothing for Medical Use GB19083-2023 Protective Face Mask for Medical Use GB/T 42770-2023 Stoma Plugs |
| Zhende completed the formulation (revision) of 19 industry standards, of which 5 were mainly drafted by us. | <ul style="list-style-type: none"> 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 Contact Wound Dressing - Part 1: Paraffin Gauze |
| Zhende completed the formulation (revision) of 12 group standards, of which 2 were completed during the reporting period. | <ul style="list-style-type: none"> Transparent Dressings Evaluation and Grading of Mask Breathability |
| Zhende is currently engaged in the drafting of 4 industry standards and 3 group standards. | |

We actively take part in or organize industry exchange activities to gain genuine feedback from clinical practice through in-depth interactions with medical professionals.

Participation in Industry Exchange Activities in 2023

| | |
|--|--|
| Spring/Fall China International Medical Equipment Fair (CMEF) | The 6th China Nursing Quality Conference |
| The 17th Congress of Chinese Society of Critical Care Medicine | Annual National Venous Infusion Therapy Conference of the Chinese Nursing Association |
| The 20th National Academic Conference on Stoma, Wound and Incontinence Care | The 6th Session of the 4 th Annual Conference on Operating Room Nursing in the Six Provinces and One City of East China |
| The 19 th National Disinfection Supply Center Development Forum | The 27 th National Conference on Operating Room Nursing |
| Cardiovascular Health Conference | 2023 Annual Academic Conference of the Chinese Burn Association |
| Fourth-Management Meeting - Zhende Nursing Management Experts Exchange Seminar | Zhende National Finals of Typical VTE Nursing and Prevention Cases |
| Zhende Stress Treatment and VTE Prevention Seminar | Summit on Long-Term Care for Ostomy, Wounds, and Incontinence |

Supply Chain Management

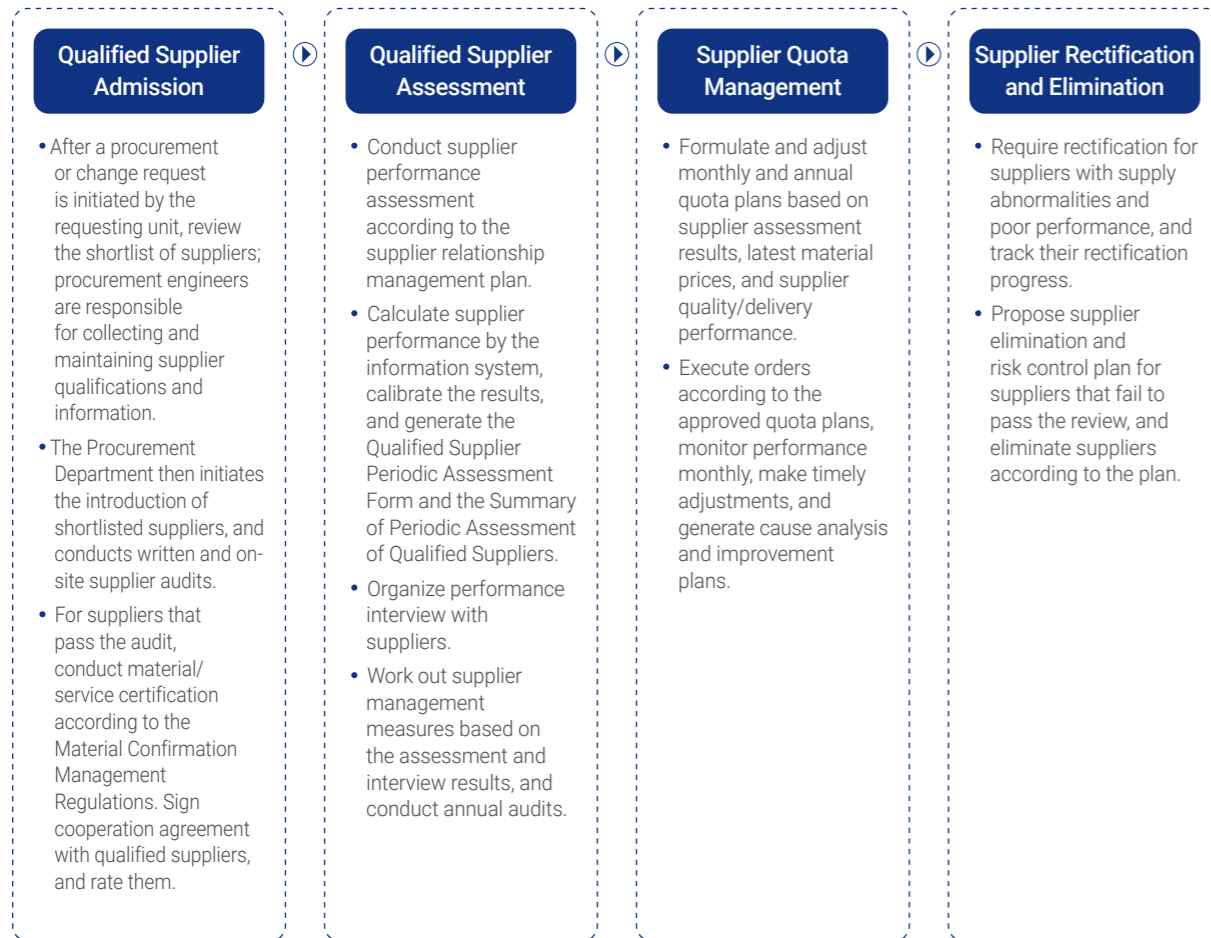
Zhende Medical categorizes suppliers from multiple perspectives to achieve comprehensive management. Based on category positioning and the relationship with suppliers, and in view of our actual business situation, suppliers are divided into three levels: core, important, and general. According to the 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.

Sustainable Supply Chain

Supply chain quality management and stability together constitute the core of our supply chain sustainability, supporting us to maintain competitive advantage when facing market fluctuations and uncertainties.

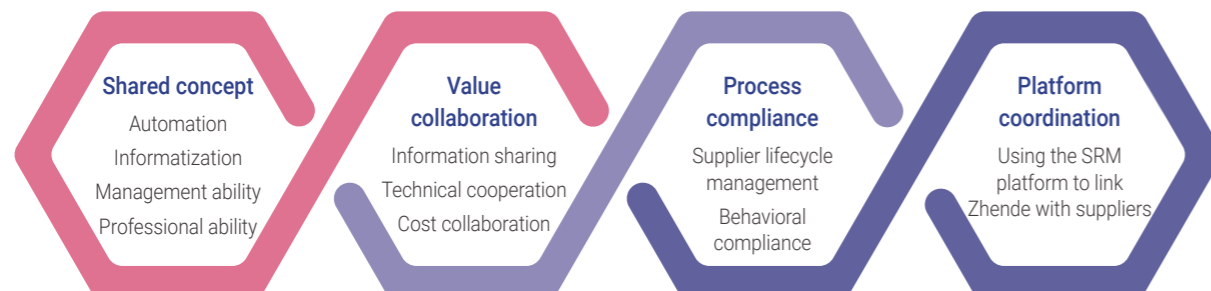
In supplier quality management, adhering to the idea of "shared concept, value collaboration, process compliance, and platform coordination", we have established a life-cycle management system that covers every stage from supplier sourcing to elimination. We have also formulated rules such as the *Qualified Supplier Admission Management Rules*, the *Qualified Supplier Assessment Management Rules*, the *Supplier Quota Management Rules*, and the *Supplier Rectification and Elimination Management Rules* to standardize life-cycle management of suppliers.

Life-cycle Supplier Quality Management



The Quality Management Department of the Quality and Regulations Center conducts periodic on-site audits of suppliers and completes the *Supplier Audit Report* to ensure the suppliers meet our quality control requirements. Additionally, we encourage supplier quality improvement by setting up a Quality Progress Award at the annual supplier conference to recognize suppliers that have demonstrated outstanding performance in quality.

In terms of supplier stability, 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.



In addition, Zhende has established the *At-risk Supplier Management Rules* to regularly identify and assess supplier risks, and to promptly and effectively monitor and address any issues that arise during cooperation. This helps safeguard project progress and ongoing supply needs while protecting our interests. Furthermore, Zhende has developed the *Supplier Survey Form* to systematically collect and review information on suppliers' capabilities and system development. This keeps us informed about supplier trends and ensures the stability and efficiency of our collaborative relationships.

Xuchang Zhende No.1 Factory Developed Coated Paper for Dressing Boxes to Enhance Supply Chain Stability

Xuchang Zhende Factory I previously used PS55 coated paper and Tyvek for its dressing box products. However, coating for PS55 has to be done abroad, while Tyvek 2FS faces extremely high supply challenges, with a risk of supply disruption in 2021, thus poor supply chain stability. To address this issue and reduce the risk of material shortages, Zhende has independently developed coated paper for dressing boxes by combining purchased base paper with in-house coating. This new approach reduced reliance on external raw materials and enhanced the sustainability of the supply chain.

Responsible Supply Chain

While strengthening our own ESG management, we are aware that environmental and social risks in the supply chain can also increase our ESG risks.

In 2023, we conducted environmental and social risk assessments on 653 suppliers through a questionnaire survey. The results showed that 32.16% of the suppliers had conducted assessments of their environmental and social impacts. Additionally, 12 suppliers underwent third-party human rights audits, and 2 suppliers achieved REACH certification for chemicals.

We have signed the *Social Responsibility Commitment* with over 470 suppliers. Additionally, social responsibility requirements are outlined in the *Procurement Agreements*, specifying our expectations for suppliers' environmental and social performance.

At Zhende's 2023 annual supplier conference, we held a special session to raise supplier awareness about environmental and social responsibilities. We encouraged compliance in supplier behavior, introduced our ESG system, and communicated our requirements for suppliers regarding environmental and social responsibilities. Additionally, we conducted ESG information exchange meetings online and offline, where we shared details about our ESG management and human rights audit processes.



2023 Zhende Supplier Conference



ESG Information Exchange Meeting

Furthermore, Zhende has incorporated supplier environmental and social responsibility targets into the performance evaluations of procurement personnel to support the effective development of a sustainable supply chain.

Community Engagement: Fulfilling Zhende Responsibilities for a Better Society

Zhende Medical engages in various charitable activities to give back to society to the best of its ability. We have established the *Management of External Donations* to oversee our donation activities in a unified manner. During the reporting period, Zhende made donations to support relief efforts in the Beijing-Tianjin-Hebei flood and the earthquake in Linxia, Gansu Province, students taking the college entrance exam, and the Asian Games.

Upholding the idea of giving back to society, Zhende actively participates in community volunteer activities. Formulated the *Management Rules for Volunteer Teams* and other regulations that cover both the headquarters and our subsidiaries, we have standardized and improved the organization of volunteer teams, enhancing the quality and efficiency of volunteer services. During the reporting period, we donated RMB 3.245 million, and 320 employees offered 1,953 hours of volunteer services.

Volunteer Activities in 2023

Plant a Tree for the Asian Games-Spring Fitness Walk at Yunsong Village

In April 2023, Zhende Medical's volunteer team, in collaboration with the Youth League Committee of Yuecheng District, organized a volunteer activity themed "Plant a Tree for the Asian Games-Spring Fitness Walk at Yunsong Village" in Potang Yunsong Village, Jianhu Sub-district. We expect to raise public awareness of environmental protection and encourage green actions to foster a better future.



Zhende Cares for "Children of the Stars"

In May 2023, Zhende Medical, in partnership with Haichang Ocean Park and JD Health, hosted a "Park Adventure with Pets" event to raise awareness for autistic children, also known as "children of the stars", and provide them with companionship and health support. With ongoing attention to these children, we expect early, accurate, and persistent interventions to help them integrate into society and lead independent lives.



Sending Warmth to Front-line Workers to Support the Asian Games

In 2023, as the Asian Games approached, the construction sites of the venues and various infrastructure projects in Shaoxing were bustling with outdoor workers. To help the front-line workers stay cool, in July 2023, Zhende Medical, in partnership with the Shaoxing Red Cross Society, donated cooling vests worth over RMB 1.93 million to front-line units.



ESG Performance Tables

Employee-related Performance

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|--|--------|-------|-------|-------|
| Employee Recruitment and Hiring | | | | | |
| Number of incidents punished for violating employment and labor laws and regulations | | # | 0 | 0 | 0 |
| Total number of employees ¹ | | Person | 8,027 | 8,485 | 6,717 |
| By employment form | Full-time employees under a labor contract | Person | 8,027 | 8,485 | 6,717 |
| | Full-time employees under labor dispatch | Person | 581 | 676 | 621 |
| By gender | Male | Person | 2,759 | 2,916 | 2,085 |
| | Female | Person | 5,268 | 5,569 | 4,632 |
| By work area | Chinese Mainland | Person | 7,655 | 8,182 | 6,185 |
| | Hong Kong, Macao, Taiwan, and overseas | Person | 372 | 303 | 532 |
| By age | >50 | Person | 189 | 201 | 373 |
| | 30-50 | Person | 6,441 | 6,807 | 5,133 |
| | <30 | Person | 1,397 | 1,477 | 1,211 |
| By management level | Front-line employees | Person | 7,710 | 8,148 | 6,422 |
| | Mid-level management | Person | 248 | 268 | 232 |
| | Senior management | Person | 69 | 69 | 63 |
| Percentage of female employees | | % | 65.63 | 65.63 | 68.96 |
| Percentage of female senior executives (above director level) | | % | 20.29 | 20.29 | 23.80 |
| Percentage of ethnic minorities | | % | 0.16 | 0.15 | 0.19 |
| Percentage of ethnic minorities and/or vulnerable groups in senior management team | | % | 1.7 | 1.7 | 1.9 |
| Coverage of diversity-related training | | % | 100 | 100 | 100 |
| Total number of new hires ¹ | | Person | 1,700 | 1,410 | 1,886 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|-------------------------------------|--|--------|-------|-------|-------|
| By employment form | Full-time employees under a labor contract | Person | 1,700 | 1,410 | 1,886 |
| | Full-time employees under labor dispatch | Person | 465 | 412 | 248 |
| By gender | Male | Person | 431 | 589 | 485 |
| | Female | Person | 1,269 | 978 | 1,401 |
| By work area | Chinese Mainland | Person | 1,700 | 1,410 | 1,886 |
| | Hong Kong, Macao, Taiwan, and overseas | Person | 0 | 0 | 0 |
| By age | >50 | Person | 21 | 25 | 19 |
| | 30-50 | Person | 912 | 784 | 1,094 |
| | <30 | Person | 767 | 601 | 773 |
| Percentage of new hires | | % | 21.18 | 16.62 | 28.08 |
| By gender | Male | % | 15.62 | 20.20 | 23.26 |
| | Female | % | 24.09 | 17.56 | 30.25 |
| By age | >50 | % | 11.11 | 12.44 | 5.09 |
| | 30-50 | % | 14.16 | 11.52 | 21.31 |
| | <30 | % | 54.90 | 40.69 | 63.83 |
| By work area | Chinese Mainland | % | 22.21 | 17.23 | 30.49 |
| | Hong Kong, Macao, Taiwan, and overseas | % | 0.00 | 0.00 | 0.00 |
| Employee turnover rate ² | | Person | 955 | 952 | 3,654 |
| By gender | Male | Person | 347 | 432 | 1,316 |
| | Female | Person | 608 | 520 | 2,338 |
| By age | >50 | Person | 35 | 29 | 182 |
| | 30-50 | Person | 619 | 567 | 2,375 |
| | <30 | Person | 301 | 356 | 1,097 |
| Employee turnover rate ³ | | % | 11.90 | 11.22 | 54.40 |
| By gender | Male | % | 12.58 | 14.81 | 63.12 |
| | Female | % | 11.54 | 09.34 | 50.47 |
| By age | >50 | % | 18.52 | 14.43 | 48.79 |
| | 30-50 | % | 09.61 | 08.33 | 46.27 |
| | <30 | % | 21.55 | 24.10 | 90.59 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|--------|---------------|--------|--------|--------|
| Employee Rights and Benefits | | | | | |
| Labor contract signing rate | | % | 100 | 100 | 100 |
| Employee compensation and benefits expenses ⁴ | | RMB 10,000 | 70,152 | 98,650 | 82,296 |
| New hire satisfaction ⁵ | | % | 86.0 | 92.0 | 93.3 |
| Employee Net Promoter Score (E-NPS) ⁶ | | % | 60.02 | 62.85 | 69.33 |
| Unadjusted average gender pay gap | | % | 108.2 | 106.6 | 105.3 |
| Ratio of highest annual salary to median annual salary | | % | 16.36 | 13.76 | 13.40 |
| Number of trade union members | | Person | 8,027 | 8,485 | 6,717 |
| Percentage of employees who are trade union members | | % | 100 | 100 | 100 |
| Percentage of employees covered by collective bargaining agreements | | % | 100 | 100 | 100 |
| Percentage of operational sites assessed for human rights impacts or risks | | % | 81.82 | 54.55 | 100.00 |
| Percentage of operational sites with labor and human rights certification | | % | 50.00 | 50.00 | 63.64 |
| Number of employees eligible for parental leave | | Person | 80 | 71 | 59 |
| By gender | Male | Person | 24 | 20 | 19 |
| | Female | Person | 56 | 51 | 40 |
| Number of employees taking parental leave | | Person | 80 | 71 | 59 |
| By gender | Male | Person | 24 | 20 | 19 |
| | Female | Person | 56 | 51 | 40 |
| Number of employees returning to work after parental leave | | Person | 80 | 71 | 59 |
| By gender | Male | Person | 24 | 20 | 19 |
| | Female | Person | 56 | 51 | 40 |
| Parental leave return rate | | % | 100 | 100 | 100 |
| By gender | Male | % | 100 | 100 | 100 |
| | Female | % | 100 | 100 | 100 |
| Number of employees still employed 12 months after returning from parental leave | | Person | 81 | 74 | 69 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|---|--------|------------------|-----------|-----------|-----------|
| By gender | Male | Person | 30 | 28 | 33 |
| | Female | Person | 51 | 46 | 36 |
| Parental leave retention rate ⁷ | | % | / | 92.50 | 97.18 |
| By gender | Male | % | / | 75.00 | 100 |
| | Female | % | / | 82.14 | 70.59 |
| Number of employee discrimination incidents | | # | 0 | 0 | 0 |
| Employee Training and Development | | | | | |
| Number of male employees receiving training | | Person | 2,759 | 2,916 | 2,085 |
| Number of female employees receiving training | | Person | 5,268 | 5,569 | 4,632 |
| Employee training coverage | | % | 100 | 100 | 100 |
| Total hours of employee training | | Hour | 630,120 | 560,859 | 435,076 |
| Average duration of employee training | | Hours/ Person | 78.50 | 66.10 | 64.77 |
| By gender | Male | Hours/ Person | 85.18 | 58.65 | 63.60 |
| | Female | Hours/ Person | 75.00 | 70.00 | 65.30 |
| Total training hours for front-line employees | | Hour | 605,311.5 | 537,130.5 | 404,586.0 |
| Number of front-line employees receiving training | | Person | 7,710 | 8,148 | 6,422 |
| Average training hours per front-line employee | | Hours/ Person | 78.51 | 65.92 | 63.00 |
| Total training hours for mid-level management ⁸ | | Hour | 19,840 | 18,760 | 25,954 |
| Number of mid-level management receiving training | | Person | 248 | 268 | 232 |
| Average training hours per mid-level management | | Hours/ Person | 80.00 | 70.00 | 111.87 |
| Total training hours for senior management | | Hour | 4,968 | 4,968 | 4,536 |
| Number of senior management receiving training | | Person | 69 | 69 | 63 |
| Average training hours per senior management | | Hours/ Person | 72.00 | 72.00 | 72.00 |
| Percentage of employees receiving regular performance and career development appraisals | | % | 100 | 100 | 100 |
| By gender | Male | % | 100 | 100 | 100 |
| | Female | % | 100 | 100 | 100 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|--|--------------|------------|------------|------------|
| By management level | Percentage of senior management receiving regular performance and career development appraisals | % | 100 | 100 | 100 |
| | Percentage of mid-level management receiving regular performance and career development appraisals | % | 100 | 100 | 100 |
| | Percentage of front-line employees receiving regular performance and career development appraisals | % | 100 | 100 | 100 |
| Coverage of employee training ⁹ | | % | 100 | 100 | 100 |
| Average training hours per employee ¹⁰ | | Hours/Person | 79 | 66 | 65 |
| Occupational Health and Safety¹⁰ | | | | | |
| Number of incidents punished for violating occupational health and safety laws and regulations | | # | 0 | 0 | 0 |
| Number of employees with occupational diseases | | Person | 0 | 0 | 0 |
| Injury rate per thousand employees ¹¹ | | % | 1.00 | 0.59 | 0.45 |
| Number of workplace injuries | | Person | 8 | 5 | 3 |
| Number of safety incidents | | # | 8 | 5 | 3 |
| Number of injury incidents | | # | 8 | 5 | 3 |
| Number of lost-time incidents | | # | 8 | 5 | 3 |
| Number of severe injury incidents | | # | 0 | 0 | 0 |
| Number of deaths due to work-related health issues | | Person | 0 | 0 | 0 |
| Number of recordable work-related health issues | | # | 0 | 0 | 0 |
| Total working hours | | Hour | 15,604,488 | 16,494,840 | 13,057,848 |
| Recordable injury rate per million working hours ¹² | | Cases/Hour | 0.51 | 0.30 | 0.23 |
| Total work hours lost due to injuries | | Hour | 1,128 | 1,272 | 624 |
| Number of deaths due to work-related injuries | | Person | 0 | 0 | 0 |
| Percentage of deaths due to work-related injuries | | % | 0 | 0 | 0 |
| Number of workdays lost due to injuries | | Day | 141 | 159 | 78 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|---|--|------|-------|-------|-------|
| Percentage of operational sites with health and safety risk assessments | | % | 100 | 100 | 100 |
| Percentage of employees receiving occupational health and safety training ¹³ | | % | 66.33 | 68.23 | 75.21 |

- The total number of employees and the total number of new hires are consistent with data disclosed in our annual report and include full-time labor contract employees from both the parent company and major subsidiaries. Part-time and other types of employees are not included.
- In 2023, Zhende adjusted its product structure and streamlined personnel in certain departments, leading to an increase in employee turnover.
- Employee turnover rate = (Number of employees who left / Total number of employees) * 100%
- Including salaries, bonuses, allowances, subsidies, and other benefits provided to employees.
- Based on the results of new hire satisfaction survey.
- Employee Net Promoter Score (E-NPS) = Percentage of employees willing to recommend Zhende to friends and family - Percentage of employees unwilling to recommend - Employee voluntary resignation rate.
- Parental leave retention rate = (Number of employees who returned to work and remained employed for 12 months after parental leave / Number of employees who returned to work after parental leave in the previous year) * 100%
- In 2023, Zhende strengthened training for mid-level management to improve their leadership.
- Coverage of employee training = (Number of employees who received training / Total number of employees) * 100%
- Average training hours per employee = Total training hours / Total number of employees
- Injury rate per thousand employees = Number of workplace injuries / (Total number of employees / 1,000)
- Recordable injury rate per million working hours = Number of workplace injuries / Total number of working hours * 1,000,000
- Percentage of employees receiving occupational health and safety training = (Number of employees receiving occupational health and safety training / Total number of employees) * 100%

R&D and Innovation Performance

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|--|------------|--------|--------|--------|
| R&D and Innovation | | | | | |
| R&D investment | | RMB 10,000 | 15,314 | 22,700 | 13,895 |
| Number of R&D personnel | | Person | 622 | 656 | 546 |
| Number of R&D projects | | # | 438 | 578 | 512 |
| Intellectual Property Protection | | | | | |
| Number of trademark applications during the reporting period | | # | 103 | 9 | 159 |
| Number of trademarks granted during the reporting period | | # | 337 | 47 | 17 |
| Number of patent applications during the reporting period | | # | 167 | 133 | 32 |
| Number of patents granted during the reporting period | | # | 212 | 121 | 79 |
| Total number of patent applications | | # | 1,077 | 1,120 | 1,152 |
| Total number of patents granted | | # | 537 | 635 | 871 |

Products and Customer Services Performance

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|----------------------|--------|-------|-------|-------|
| Quality Management of Products and Services | | | | | |
| Number of incidents punished for violating product and service related laws and regulations ¹ | | # | 1 | 1 | 1 |
| Number of products recalled due to safety and health issues | | # | 0 | 0 | 0 |
| Number of legal and regulatory violations related to health and safety in products and services provided | | # | 0 | 0 | 0 |
| Customer Relationship Management | | | | | |
| Customer Net Promoter Score (C-NPS) ² | Domestic market | % | 80.23 | 88.11 | 83.89 |
| | International market | % | 35.12 | 30.51 | 52.80 |
| Total number of complaints received about products and services | | # | 1,716 | 1,569 | 976 |
| Handling rate of complaints received about products and services ³ | | % | 100 | 100 | 100 |
| Data Security and Customer Privacy Protection | | | | | |
| Number of people covered by personal information security training for employees | | Person | 8,027 | 8,485 | 6,717 |
| Number of incidents punished for violating information security laws and regulations | | # | 0 | 0 | 0 |
| Number of confirmed incidents of leakage, theft or loss of client information | | # | 0 | 0 | 0 |

1. This pertains to the sales of Zhende's products in the domestic market. In 2023, we had one regulatory violation related to non-compliant medical device advertising. Following the incident, we promptly removed the advertisement, redesigned the content, and submitted it for review. Future advertisements will strictly adhere to relevant regulations.

2. Based on the results of customer satisfaction survey, including data from both domestic and international markets. Starting from 2022, we adopted the Customer Net Promoter Score (C-NPS) method, replacing the customer satisfaction survey method used in 2020 and 2021. Calculation Formula: Customer Net Promoter Score (C-NPS) = Percentage of promoters - Percentage of detractors.

3. Handling rate of complaints received about products and services = (Number of complaints about products and services that have been handled / Total number of complaints received about products and services) * 100%.

Community Public Welfare Performance

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|---|--|------------|--------|--------|--------|
| Total investment in public welfare and charity | | RMB 10,000 | 294.20 | 527.40 | 324.57 |
| Number of employees participating in voluntary activities | | Person | 160 | 184 | 320 |
| Total time of employee volunteer service | | Hour | 800 | 926 | 1,953 |

Environmental Performance

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|---|---------|----------------|------------|------------|------------|
| Environmental Management System | | | | | |
| Number of employees participating in environmental protection training | | Person | 3,082 | 3,154 | 3,102 |
| Percentage of employees who have received training on specific environmental issues | | % | 5.3 | 5.7 | 5.6 |
| Percentage of workplaces that have undergone environmental risk assessment | | % | 90 | 90 | 90 |
| Percentage of operational sites with environmental certification | | % | 50.00 | 50.00 | 66.67 |
| Number of incidents punished for violating environmental protection laws and regulations ¹ | | # | 1 | 0 | 0 |
| Total fines imposed for violations of environmental protection laws and regulations | | RMB 10,000 | 25.82 | 0 | 0 |
| Annual investment in environmental protection | | RMB 10,000 | 558.28 | 1,504.00 | 1,048.14 |
| Energy Management ² | | | | | |
| Total purchased electricity | | MWh | 81,285.78 | 91,169.39 | 60,796.85 |
| Purchased electricity from non-renewable sources | | MWh | 81,285.78 | 90,928.44 | 60,796.85 |
| Purchased electricity from renewable sources | | MWh | 0 | 240.95 | 0 |
| Self-generated solar photovoltaic electricity | | MWh | 0 | 966.85 | 10,165.05 |
| Natural gas consumption | | m ³ | 1,241,708 | 1,156,316 | 1,252,191 |
| Purchased steam consumption | | GJ | 434,887.8 | 465,487.5 | 358,558.8 |
| Gasoline consumption for official vehicles | | Liter | 80,000.99 | 72,575.35 | 72,940.00 |
| Diesel consumption for official vehicle | | Liter | 34,198.20 | 26,462.64 | 22,191.01 |
| Diesel consumption for fixed sources | | Ton | 4.00 | 4.00 | 4.15 |
| LPG consumption | | Ton | 4.29 | 5.59 | 3.76 |
| Renewable energy consumption ³ | | MWh | 0 | 1,207.80 | 10,165.05 |
| Total energy consumption | | MWh | 216,675.71 | 234,977.01 | 175,875.29 |
| Percentage of renewable energy in total energy consumption | | % | 0 | 0.51 | 5.78 |
| Packaging material usage by type | Paper | Ton | 42,000 | 37,300 | 25,000 |
| | Plastic | Ton | 14,300 | 10,500 | 600 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|----------------------------------|--------------|---------------|---------------|---------------|
| Total usage of finished product packaging materials | | Ton | 56,300 | 47,800 | 25,600 |
| Usage of environment-friendly packaging materials for finished products | | Ton | 28,150 | 26,290 | 16,640 |
| Percentage of environment-friendly packaging materials for finished products | | % | 50 | 55 | 65 |
| Total usage of non-renewable materials | | Ton | 14,300 | 10,500 | 600 |
| Total usage of renewable materials | | Ton | 42,000 | 37,300 | 25,000 |
| Percentage of recycled products and their packaging materials | | % | 74.60 | 78.03 | 97.66 |
| Total usage of recycled packaging materials | | Ton | 27,800 | 25,600 | 16,000 |
| Percentage of reusable and recyclable materials | | % | 49.38 | 53.56 | 62.50 |
| Water Resources Management | | | | | |
| Water consumption by source | Surface water | Cubic meters | 744,857 | 715,042 | 884,940 |
| | Municipal water supply | Cubic meters | 345,801 | 416,263 | 436,568 |
| Total water consumption | | Cubic meters | 1,090,658 | 1,131,305 | 1,321,508 |
| Total recycled water usage | | Cubic meters | 733,855.5 | 659,592.7 | 745,372.9 |
| Percentage of recycled water | | % | 67.29 | 58.30 | 56.40 |
| Wastewater Management | | | | | |
| Industrial wastewater discharge | | Ton | 293,916.8 | 384,321.7 | 483,204.5 |
| Chemical oxygen demand (COD) discharge | | Ton | 47.59 | 65.17 | 65.77 |
| Biological oxygen demand (BOD) discharge | | Ton | 55.15 | 52.23 | 45.1 |
| NH ₃ -N discharge | | Ton | 1.15 | 1.83 | 1.75 |
| Waste Gas Management | | | | | |
| Total emissions of waste gases | | Cubic meters | 209,965,214.3 | 209,965,214.3 | 187,788,814.9 |
| Particulate matter (PM) emissions | | kg | 113 | 144 | 98 |
| Nitrogen oxides (NOx) emissions | | kg | 243 | 310 | 212 |
| Sulfur oxides (SOx) emissions | | kg | 124 | 140 | 130 |
| Waste Management⁴ | | | | | |
| Quantity of non-hazardous waste by disposal method | Incinerated with energy recovery | Ton | 590.69 | 495.59 | 394.44 |
| | Recycled/reused | Ton | 3,624.25 | 4,690.78 | 4,314.03 |
| | Other ⁵ | Ton | 18.2 | 19.8 | 27.3 |

| Disclosures | | Unit | 2021 | 2022 | 2023 |
|--|----------------------------------|-------------------------------------|-----------|------------|-----------|
| Total non-hazardous waste | | Ton | Ton | 5,206.2 | 4,735.8 |
| Non-hazardous waste density (per unit of revenue) | | Ton/RMB 10,000 | 0.008 | 0.008 | 0.011 |
| Quantity of hazardous waste by disposal method | Incinerated with energy recovery | Ton | 18.17 | 7.51 | 29.74 |
| | Other ⁵ | Ton | 41.60 | 32.32 | 35.84 |
| Total hazardous waste | | Ton | 59.77 | 39.83 | 65.58 |
| Hazardous waste density (per unit of revenue) | | Ton/RMB 10,000 | 0.00012 | 0.00006 | 0.00016 |
| Total waste generated | | Ton | 4,292.91 | 5,246.00 | 4,801.35 |
| Total waste recycled | | Ton | 1,465.26 | 1,094.48 | 880.84 |
| Percentage of total operational waste transferred from landfills | | % | 0.34 | 0.21 | 0.18 |
| Climate Change Mitigation and Adaption⁶ | | | | | |
| Scope 1 GHG emissions | | Ton of CO ₂ e | 2,995.65 | 2,776.90 | 2,969.77 |
| Scope 2 GHG emission (location-based) | | Ton of CO ₂ e | 93,097.57 | 101,966.74 | 73,293.15 |
| Total GHG emission (Scope 1 + Scope 2) (location-based) | | Ton of CO ₂ e | 96,093.22 | 104,743.64 | 76,262.92 |
| GHG emission density (Scope 1 + Scope 2) (per unit of revenue) (location-based)) | | Ton of CO ₂ e/RMB 10,000 | 0.19 | 0.17 | 0.18 |

1. In 2021, Zhende's Suzhou manufacturing base received an administrative penalty from the Suzhou Industrial Park Ecological and Environmental Bureau for violating relevant regulations. After receiving the notice of the penalty decision, we took the matter very seriously. We promptly paid the fine in full, established a special rectification team, and completed the rectifications.

2. The energy management-related data covers all operational sites in China.

3. Renewable energy includes self-generated solar photovoltaic electricity and green power certificates.

4. The waste management-related data covers all operational sites in China.

5. Uniformly transported by third-party solid waste disposal units, and the treatment method is unknown.

6. Notes:

(1) The GHG emission data covers all operational sites in China.

(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)*, the *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 the *General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T32150-2015)*, the *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 CO₂, CH₄, and N₂O in Scope 1, and CO₂ in Scope 2. The selected GWP value comes from IPCCAR6, where CH₄ corresponds to a GWP value of 27.9 tCO₂e/tCH₄, and N₂O corresponds to a GWP value of 273 tCO₂e/tN₂O.

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 is 0.5568 tCO₂e/MWh, as published in the Announcement on the Release of the 2021 Power Sector CO₂ Emission Factor.

Governance Performance

| Disclosures | Unit | 2021 | 2022 | 2023 |
|---|--------------|--------|--------|--------|
| Corporate Governance | | | | |
| Number of board members | Person | 9 | 9 | 9 |
| Number of female directors | Person | 3 | 3 | 3 |
| Number of independent directors | Person | 3 | 3 | 3 |
| Percentage of female directors on the board of directors | % | 33.33 | 33.33 | 33.33 |
| Number of employee supervisors | Person | 1 | 1 | 1 |
| Number of shareholders' meetings | # | 4 | 3 | 3 |
| Number of board of directors' meetings | # | 9 | 12 | 6 |
| Number of supervisory board meetings | # | 7 | 9 | 6 |
| Anti-corruption and Anti-bribery | | | | |
| Number of directors participating in anti-corruption training | Person | 9 | 9 | 9 |
| Percentage of directors covered by anti-corruption training | % | 100 | 100 | 100 |
| Total hours of anti-corruption training received by directors | Hour | 36 | 36 | 36 |
| Hours of anti-corruption training per director | Hours/Person | 4 | 4 | 4 |
| Number of employees participating in anti-corruption training | Person | 3,082 | 3,154 | 3,102 |
| Percentage of employees covered by anti-corruption training | % | 38.40 | 37.17 | 46.18 |
| Total hours of anti-corruption training received by employees | Hour | 12,328 | 12,616 | 12,408 |
| Hours of anti-corruption training per employee | Hours/Person | 1.54 | 1.49 | 1.85 |
| Number of suppliers participating in anti-corruption training | # | 507 | 696 | 684 |
| Percentage of operational sites that have undergone corruption risk assessments | % | 100 | 100 | 100 |
| Percentage of sites audited for specific business ethics issues | % | 100 | 100 | 100 |
| Percentage of at-risk trading partners covered by the corruption and information security due diligence process | % | 100 | 100 | 100 |
| Number of reported incidents of corruption and bribery received | # | 0 | 0 | 0 |

| Disclosures | Unit | 2021 | 2022 | 2023 |
|---|------|------|------|------|
| Number of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period | # | 0 | 0 | 0 |
| Total number of confirmed incidents (in which employees were dismissed or disciplined due to corruption) | # | 0 | 0 | 0 |
| Total number of confirmed incidents (where contracts with business partners were terminated or not renewed owing to corruption-related irregularities) | # | 0 | 0 | 0 |
| Anti-unfair Competition | | | | |
| Number of cases in which Zhende was sanctioned by the relevant authorities for unfair competition practices in its operations or violations of the antitrust and anti-monopoly laws | # | 0 | 0 | 0 |

Economic Performance

| Disclosures | Unit | 2021 | 2022 | 2023 |
|---|------------|-------------|-------------|-------------|
| Economic Performance | | | | |
| Social contribution per share ¹ | RMB | 6.25 | 7.72 | 5.19 |
| Basic earnings per share | RMB/Share | 2.64 | 2.87 | 0.74 |
| Operating income | RMB 10,000 | 509,157 | 613,763 | 412,704 |
| Net profit attributable to ordinary shareholders after extraordinary gains and losses | RMB 10,000 | 50,204 | 70,197 | 18,958 |
| Total tax payments | RMB 10,000 | 9,900 | 26,630 | 33,172 |
| Total employee salaries and benefits paid by Zhende | RMB 10,000 | 70,152 | 98,650 | 82,296 |
| Interest on borrowings from banks and other creditors | RMB 10,000 | 1,690 | 3,354 | 2,893 |
| Value created for other stakeholders, such as donations to external parties | RMB 10,000 | 294 | 527 | 324 |
| Other social costs due to environmental pollution, etc. | RMB 10,000 | 25.82 | 0 | 0 |
| Total shares issued by Zhende | Share | 227,204,736 | 266,451,202 | 266,451,202 |

1. Social contribution per share = Basic earnings per share + (Total tax payments + Salaries paid to employees + Interest on borrowings from banks and other creditors + Value created for other stakeholders, such as donations to external parties - Other social costs due to environmental pollution, etc.)/Total shares issued by Zhende.

Supply Chain Performance

| Disclosures | Unit | 2021 | 2022 | 2023 |
|---|------|-------|-------|-------|
| Supply Chain Management | | | | |
| Number of suppliers in the Chinese Mainland | # | 478 | 667 | 653 |
| Number of suppliers in Hong Kong, Macao, Taiwan and overseas | # | 29 | 29 | 31 |
| Total number of suppliers | # | 507 | 696 | 684 |
| Percentage of target suppliers that have signed the Supplier Code of Conduct | % | / | / | 100 |
| Percentage of suppliers signing contracts with environmental, labor, and human rights provisions | % | / | / | 10 |
| Number of suppliers assessed for environmental, labor, and ethical aspects | # | / | 165 | 653 |
| Percentage of suppliers assessed for environmental, labor, and ethical issues among all suppliers | % | / | 23.71 | 95.47 |
| Percentage of target suppliers that have undergone on-site CSR audits ¹ | % | / | 53.33 | 80.00 |
| Number of suppliers assessed for environmental, labor, and ethical aspects and failed | # | 0 | 0 | 0 |
| Percentage of suppliers assessed for environmental, labor, and ethical aspects and passed | % | 100 | 100 | 100 |
| Number of suppliers identified as having actual and potential significant negative social and environmental impacts and receiving support in implementing corrective action plans | # | 0 | 0 | 0 |
| Percentage of suppliers agreeing to improvements after environmental and social impact assessments | % | / | 76 | 66 |
| Percentage of procurement staff who have completed sustainable procurement training | % | 100 | 100 | 100 |
| Percentage of procurement spending on local suppliers ² | % | 96.94 | 98.96 | 96.39 |

1. During the reporting period, Zhende strengthened ESG management of key suppliers. Suppliers with higher procurement amounts were included in the target scope of on-site assessments in areas such as environmental impact, labor practices, and ethics, and were evaluated through on-site inspections and comprehensive scoring. The total procurement amount from these key suppliers included in the ESG on-site audits accounted for over 50% of Zhende's total procurement.

2. The procurement spending on local suppliers is specifically for those located in the same area as Zhende's key operational sites.

Report Benchmarking Index Table

Benchmarking Index Table of the *Guidelines No.1 for Self-Regulation of Listed Companies on the Shanghai Stock Exchange: Standardized Operations (Revised December 2023)*

| Terms and Disclosure Content | Report Chapter |
|--|---|
| 8.1 Overview | Sustainable Development Management |
| 8.2 Operating principles | Anti-corruption and Business Ethics Anti-unfair Competition Intellectual Property Protection |
| 8.3 Social responsibility planning and working mechanism | Sustainable Development Management |
| 8.4 Social contribution per share | ESG Performance Tables |
| 8.5 Disclosure in CSR reports | About This Report |
| 8.6: (I) Construction of social responsibility system | 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. |
| 8.6: (II) Deficiencies and problems in the fulfillment of corporate social responsibility | |
| 8.6: (III) Improvement measures and detailed schedule | |
| 8.7 Employee rights and interests | Protecting Employees' Rights and Interests, Guaranteeing Compliant and Equal Employment Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety |
| 8.8: (I) Compliance with environmental protection laws and industry standards | Environmental Management System Emissions and Waste Management |
| 8.8: (II) Environmental protection plans | Environmental Management System |
| 8.8: (III) Use of natural resources | Water Resources Management Energy Management |
| 8.8: (IV) Disposal of pollutants | Emissions and Waste Management |
| 8.8: (V) Pollution control facilities | Emissions and Waste Management |
| 8.8: (VI) Environmental protection-related taxes and fees | Not applicable |
| 8.8: (VII) Environmental safety in the supply chain | Supply Chain Management |
| 8.8: (VIII) Other environmental protection responsibilities | Zero Carbon Driven: Addressing Climate Change |
| 8.9: (I) Environmental protection policies, goals, and results | Environmental Management System |
| 8.9: (II) Total annual resource consumption | ESG Performance Tables |
| 8.9: (III) Investment in environmental protection and environmental technology development | Emissions and Waste Management ESG Performance Tables |

| Terms and Disclosure Content | | Report Chapter |
|------------------------------|--|---|
| 8.9: | (IV) Types, quantities, concentrations, and destinations of pollutants emitted | Emissions and Waste Management |
| 8.9: | (V) Construction and operation of environmental protection facilities | Environmental Management System |
| 8.9: | (VI) Waste treatment and disposal, and waste product recycling | Emissions and Waste Management |
| 8.9: | (VII) Voluntary agreements signed with environmental protection authorities | Not applicable |
| 8.9: | (VIII) Rewards from environmental protection authorities | Not applicable |
| 8.9: | (IX) Other voluntary disclosure information | Environmental Management System Emissions and Waste Management Water Resources Management Energy Management Zero Carbon Driven: Addressing Climate Change |
| 8.10: | (I) New, modified, or expanded construction projects or significant investments | Environmental Management System |
| 8.10: | (II) Violations of environmental laws and regulations and resulting penalties | Not applicable |
| 8.10: | (III) Major environmental lawsuits or assets being seized, frozen, detained, pledged, or mortgaged | Not applicable |
| 8.10: | (IV) Key pollutant discharge units | Not applicable |
| 8.10: | (V) Impact of newly enacted laws and regulations on the company | Environmental Management System |
| 8.10: | (VI) Major environmental protection events | Not applicable |
| 8.11 | Environmental inspection | Environmental Management System |
| 8.12 | Information disclosure by key pollutant discharge units | Not applicable |
| 8.13: | (I) Product safety laws and regulations, and industry standards | Product Quality and Safety |
| 8.13: | (II) Production environment and processes | Product Quality and Safety |
| 8.13: | (III) Product quality safety assurance mechanisms and emergency response plans | Product Quality and Safety |
| 8.13: | (IV) Other production and product safety responsibilities | Product Quality and Safety |
| 8.14: | (I) Employee management systems and violation handling measures | Employee Recruitment and Hiring Employee Rights and Benefits |
| 8.14: | (II) Prevention of occupational hazards and associated safety measures | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety |
| 8.14: | (III) Employee training | A Comprehensive Talent Development System Smooth Career Development Channels |
| 8.14: | (IV) Other employee rights protection responsibilities | Employee Recruitment and Hiring Employee Rights and Benefits |
| 8.15 | Scientific ethics | R&D and Innovation |

GRI Standards (2021)

| | |
|-----------------------------------|---|
| Note | From January 1, 2023 to December 31, 2023, Zhende Medical prepared the report in compliance with the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |
| Applicable GRI industry standards | No applicable industry standards |

Zhende Medical has developed the Benchmarking Index Table based on the GRI principles combined with the material topics identified and the information disclosed in the 2023 Sustainability Report and ESG Report. Zhende has determined that the following topics are non-material and thus will not be included in the Benchmarking Index Table: GRI 202 (Market Presence), GRI 207 (Tax), GRI 301 (Materials), GRI 304 (Biodiversity), GRI 410 (Security Practices), GRI 411 (Rights of Indigenous Peoples), GRI 415 (Public Policy), and GRI 417 (Marketing and Labeling).

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|-----------------------------------|--|--|-------------------------------|--------|-------------|
| | | | Required Omissions | Reason | Explanation |
| General Disclosures | | | | | |
| GRI 2: General Disclosures (2021) | 2-1 Organizational details | About Zhende Medical | Not applicable for "omission" | | |
| | 2-2 Entities included in the organization's sustainability reporting | About This Report | | | |
| | 2-3 Reporting period, frequency and contact point | About This Report | | | |
| | 2-4 Restatements of information | ESG Performance Tables | | | |
| | 2-5 External assurance | Assurance Statement | | | |
| | 2-6 Activities, value chain and other business relationships | About Zhende Medical | | | |
| | 2-7 Employees | Employee Recruitment and Hiring ESG Performance Tables | | | |
| | 2-8 Workers who are not employees | ESG Performance Tables | | | |
| | 2-9 Governance structure and composition | Governance-First Principle: Protecting Investors' Rights and Interests | | | |
| | 2-10 Nomination and selection of the highest governance body | Governance-First Principle: Protecting Investors' Rights and Interests | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|-----------------------------------|--|--|----------------------------|------------------------------|---|
| | | | Required Omissions | Reason | Explanation |
| GRI 2: General Disclosures (2021) | 2-11 Chair of the highest governance body | See the 2023 Annual Report of Zhende Medical for details (http://www.cninfo.com.cn/new/disclosure/detail?stockCode=603301&announcementId=1219879722&orgId=9900035299&announcementTime=2024-04-27) | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | Governance-First Principle: Protecting Investors' Rights and Interests Sustainable Management Architecture and Responsibilities | | | |
| | 2-13 Delegation of responsibility for managing impacts | Governance-First Principle: Protecting Investors' Rights and Interests Sustainable Management Architecture and Responsibilities | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | Sustainable Management Architecture and Responsibilities | | | |
| | 2-15 Conflicts of interest | Protection of investors' rights and interests Anti-corruption and Business Ethics | | | |
| | 2-16 Communication of critical concerns | Stakeholder Communication | | | |
| | 2-17 Collective knowledge of the highest governance body | Sustainable Development Management | | | |
| | 2-18 Evaluation of the performance of the highest governance body | Omitted | 2-18-a 2-18-b 2-18-c | Confidentiality restrictions | This information will not be disclosed for the time being, due to confidentiality requirements. |
| | 2-19 Remuneration policies | Omitted | 2-19-a 2-19-b | Confidentiality restrictions | This information will not be disclosed for the time being, due to confidentiality requirements. |
| | GRI 2: General Disclosures (2021) | 2-20 Process to determine remuneration | Omitted | 2-20-a 2-20-b | Confidentiality restrictions |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|-----------------------------------|---|--|--------------------|--------|-------------|
| | | | Required Omissions | Reason | Explanation |
| GRI 2: General Disclosures (2021) | 2-21 Annual total compensation ratio | ESG Performance Tables | | | |
| | 2-22 Statement on sustainable development strategy | Sustainable Development Management Strategy Message from the Chairman | | | |
| | 2-23 Policy commitments | Anti-corruption and Business Ethics | | | |
| | 2-24 Embedding policy commitments | Compliant Operations Anti-corruption and Business Ethics Anti-Unfair Competition Intellectual Property Protection | | | |
| | 2-25 Processes to remediate negative impacts | Employee Recruitment and Hiring | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | Anti-corruption and Business Ethics | | | |
| | 2-27 Compliance with laws and regulations | Improve Governance System Care Employee Growth Promote Green Development To Be A Reliable Partner | | | |
| | 2-28 Membership associations | About Zhende Medical-Company Events in 2023 Industry Exchange and Cooperation | | | |
| | 2-29 Approach to stakeholder engagement | Sustainable Development Management-Participation of Stakeholders | | | |
| | 2-30 Collective bargaining agreements | Employee Rights and Benefits | | | |
| Material Topics | | | | | |
| GRI 3: Material Topics (2021) | 3-1 Process to determine material topics | Sustainable Development Management-Analysis of Material Topics | | | |
| | 3-2 List of material topics | Sustainable Development Management-Analysis of Material Topics | | | |
| conomic Performance | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|---|--|---|---|--------------------------------|--|
| | | | Required Omissions | Reason | Explanation |
| GRI 201: Economic Performance (2016) | 201-1 Direct economic value generated and distributed | ESG Performance Tables | | | |
| | 201-2 Financial implications and other risks and opportunities due to climate change | Zero Carbon Driven: Addressing Climate Change | | | |
| | 201-3 Defined benefit plan obligations and other retirement plans | Omitted | 201-3-a 201-3-b 201-3-c 201-3-d 201-3-e | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 201-4 Financial assistance received from government | Omitted | 201-4-a 201-4-b 201-4-c | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| Indirect Economic Impacts | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Community Engagement: Fulfilling Zhende Responsibilities for a Better Society | | | |
| GRI 203: Indirect Economic Impacts (2016) | 203-1 Infrastructure investments and services supported | Community Engagement: Fulfilling Zhende Responsibilities for a Better Society | | | |
| | 203-2 Significant indirect economic impacts | Community Engagement: Fulfilling Zhende Responsibilities for a Better Society | | | |
| Procurement Practices | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Supply Chain Management | | | |
| GRI 204: Procurement Practices (2016) | 204-1 Proportion of spending on local suppliers | ESG Performance Tables | | | |
| Anti-corruption | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Anti-corruption and Business Ethics | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|---|---|--|-------------------------------|--------------------------------|--|
| | | | Required Omissions | Reason | Explanation |
| GRI 205: Anti-corruption (2016) | 205-1 Operations assessed for risks related to corruption | ESG Performance Tables | | | |
| | 205-2 Communication and training about anti-corruption policies and procedures | Anti-corruption and Business Ethics | | | |
| | 205-3 Confirmed incidents of corruption and actions taken | ESG Performance Tables | | | |
| Anti-competitive Behavior | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Anti-Unfair Competition | | | |
| GRI 206: Anti-competitive Behavior (2016) | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | ESG Performance Tables | | | |
| Energy | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Energy Management | | | |
| GRI 302: Energy (2016) | 302-1 Energy consumption within the organization | Energy Management ESG Performance Tables | | | |
| | 302-2 Energy consumption outside of the organization | Omitted | 302-2-a 302-2-b 302-2-c | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 302-3 Energy intensity | Energy Management ESG Performance Tables | | | |
| | 302-4 Reduction of energy consumption | Energy Management | | | |
| | 302-5 Reduction in energy requirements of products and services | Energy Management | | | |
| Water and Effluents | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Water Resources Management Emissions and Waste Management | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|-------------------------------------|---|---|---|--------------------------------|--|
| | | | Required Omissions | Reason | Explanation |
| GRI 303: Water and Effluents (2018) | 303-1 Interactions with water as a shared resource | Water Resources Management Emissions and Waste Management | | | |
| | 303-2 Management of water discharge-related impacts | Emissions and Waste Management | | | |
| | 303-3 Water withdrawal | ESG Performance Tables | | | |
| | 303-4 Water discharge | ESG Performance Tables | | | |
| | 303-5 Water consumption | ESG Performance Tables | | | |
| Emissions | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Emissions and Waste Management Zero Carbon Driven: Addressing Climate Change | | | |
| GRI 305: Emissions (2016) | 305-1 Direct (Scope 1) GHG emissions | Zero Carbon Driven: Addressing Climate Change ESG Performance Tables | | | |
| | 305-2 Energy indirect (Scope 2) GHG emissions | Zero Carbon Driven: Addressing Climate Change ESG Performance Tables | | | |
| | 305-3 Other indirect (Scope 3) GHG emissions | Omitted | 305-3-a 305-3-b 305-3-c 305-3-d 305-3-e 305-3-f 305-3-g | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 305-4 GHG emissions intensity | Omitted | | | |
| | 305-5 Reduction of GHG emissions | ESG Performance Tables | | | |
| | 305-6 Emissions of ozone-depleting substances (ODS) | Zero Carbon Driven: Addressing Climate Change | 305-6-a 305-6-b 305-6-c 305-6-d | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 305-6 Emissions of ozone-depleting substances (ODS) | Omitted | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|---|--|--|--------------------|--------------------------------|--|
| | | | Required Omissions | Reason | Explanation |
| Waste | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Emissions and Waste Management | | | |
| GRI 306: Waste (2020) | 306-1 Waste generation and significant waste-related impacts | Emissions and Waste Management | | | |
| | 306-2 Management of significant waste-related impact | Emissions and Waste Management | | | |
| | 306-3 Waste generated | ESG Performance Tables | | | |
| | 306-4 Waste diverted from disposal | ESG Performance Tables | | | |
| | 306-5 Waste directed to disposal | ESG Performance Tables | | | |
| Supplier Environmental Assessment | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Supply Chain Management | | | |
| GRI 308: Supplier Environmental Assessment (2016) | 308-1 New suppliers that were screened using environmental criteria | Omitted | 308-1-a | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | ESG Performance Tables | | | |
| Employment | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |
| GRI 401: Employment (2016) | 401-1 New employee hires and employee turnover | ESG Performance Tables | | | |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | Employee Rights and Benefits | | | |
| | 401-3 Parental leave | ESG Performance Tables | | | |




| GRI Standards | Disclosure | Location | Notes to Omission | | |
|--|---|--|--------------------|--------------------------------|---|
| | | | Required Omissions | Reason | Explanation |
| Labor/Management Relations | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Rights and Benefits | | | |
| GRI 402: Labor/Management Relations (2016) | 402-1 Minimum notice periods regarding operational changes | Omitted | 402-1-a 402-1-b | Information missing/incomplete | This information is temporarily unavailable, so it cannot be fully disclosed. |
| Occupational Health and Safety | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| GRI 403: Occupational Health and Safety (2018) | 403-1 Occupational health and safety management system | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-2 Hazard identification, risk assessment, and incident investigation | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-3 Occupational health services | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-5 Worker training on occupational health and safety | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| GRI 403: Occupational Health and Safety (2018) | 403-6 Promotion of worker health | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety | | | |
| | 403-8 Workers covered by an occupational health and safety management system | Fulfilling the Primary Responsibility, Ensuring Occupational Health and Safety ESG Performance Tables | | | |
| | 403-9 Work-related injuries | ESG Performance Tables | | | |
| | 403-10 Work-related ill health | ESG Performance Tables | | | |

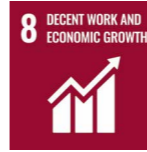


| GRI Standards | Disclosure | Location | Notes to Omission | | |
|---|--|---|--------------------|--------|-------------|
| | | | Required Omissions | Reason | Explanation |
| Training and Education | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics A Comprehensive Talent Development System | | | |
| GRI 404: Training and Education (2016) | 404-1 Average hours of training per year per employee | ESG Performance Tables | | | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | A Comprehensive Talent Development System | | | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | ESG Performance Tables | | | |
| Diversity and Equal Opportunity | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |
| GRI 405: Diversity and Equal Opportunity (2016) | 405-1 Diversity of governance bodies and employees | ESG Performance Tables | | | |
| | 405-2 Ratio of basic salary and remuneration of women to men | ESG Performance Tables | | | |
| Non-discrimination | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |
| GRI 406: Non-discrimination (2016) | 406-1 Incidents of discrimination and corrective actions taken | Employee Recruitment and Hiring | | | |
| Freedom of Association and Collective Bargaining | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|--|--|---|--------------------|--------------------------------|---|
| | | | Required Omissions | Reason | Explanation |
| GRI 407: Freedom of Association and Collective Bargaining (2016) | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Omitted | 407-1-a 407-1-b | Information missing/incomplete | This information is temporarily unavailable, so it cannot be fully disclosed. |
| Child Labor | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |
| GRI 408: Child Labor (2016) | 408-1 Operations and suppliers at significant risk for incidents of child labor | ESG Performance Tables Employee Recruitment and Hiring | | | |
| Forced or Compulsory Labor | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Employee Recruitment and Hiring | | | |
| GRI 409: Forced or Compulsory Labor (2016) | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | ESG Performance Tables Employee Recruitment and Hiring | | | |
| Local Communities | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Environmental Management System | | | |
| GRI 413: Local Communities (2016) | 413-1 Operations with local community engagement, impact assessments, and development programs | Omitted | 413-1-a | Information missing/incomplete | This information is temporarily unavailable, so it cannot be fully disclosed. |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | Omitted | 413-2-a | Information missing/incomplete | This information is temporarily unavailable, so it cannot be fully disclosed. |

| GRI Standards | Disclosure | Location | Notes to Omission | | |
|--|---|--|--------------------|--------------------------------|--|
| | | | Required Omissions | Reason | Explanation |
| Supplier Social Assessment | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Supply Chain Management | | | |
| GRI 414: Supplier Social Assessment (2016) | 414-1 New suppliers that were screened using social criteria | Omitted | 414-1-a | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| | 414-2 Negative social impacts in the supply chain and actions taken | ESG Performance Tables | 414-2-c 414-2-e | Information missing/incomplete | This information has not been collected, so it cannot be disclosed for the time being. |
| Customer Health and Safety | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Product Quality and Safety | | | |
| GRI 416: Customer Health and Safety (2016) | 416-1 Assessment of the health and safety impacts of product and service categories | Omitted | 416-1-a | Information missing/incomplete | This information is temporarily unavailable, so it cannot be fully disclosed. |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | Product Quality and Safety ESG Performance Tables | | | |
| Customer Privacy | | | | | |
| GRI 3: Material Topics (2021) | 3-3 Management of material topics | Sustainable Development Management-Analysis of Material Topics Data Security and Privacy Protection | | | |
| GRI 418: Customer Privacy (2016) | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | Data Security and Privacy Protection ESG Performance Tables | | | |

Benchmarking Index Table of SDGs

| SDGs | Targets | Report Chapter |
|---|--|---|
|  | <p>1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.90 a day.</p> <p>1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.</p> | <p>Innovation Leadership: Providing Zhende Solutions for Health Management</p> <p>Community Engagement: Fulfilling Zhende Responsibilities for a Better Society</p> |
|  | <p>3.8 Access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> | <p>Innovation Leadership: Providing Zhende Solutions for Health Management</p> <p>Community Engagement: Fulfilling Zhende Responsibilities for a Better Society</p> |
|  | <p>4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> | <p>Sharing Achievements of Development, Boosting Grow of Talents</p> |
|  | <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> | <p>Protecting Employees' Rights and Interests, Guaranteeing Compliant and Equal Employment</p> |
|  | <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> | <p>Emissions and Waste Management</p> <p>Water Resources Management</p> |
|  | <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p> | <p>Energy Management</p> <p>Zero Carbon Driven: Addressing Climate Change</p> |

| SDGs | Targets | Report Chapter |
|---|---|---|
|  | <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p> | <p>Protecting Employees' Rights and Interests, Guaranteeing Compliant and Equal Employment</p> <p>Sharing Achievements of Development, Boosting Grow of Talents</p> |
|  | <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p> | <p>R&D and Innovation</p> <p>Emissions and Waste Management</p> <p>Energy Management</p> <p>Zero Carbon Driven: Addressing Climate Change</p> |
|  | <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p> | <p>Zero Carbon Driven: Addressing Climate Change</p> |

Assurance Statement



INDEPENDENT VERIFICATION STATEMENT



Bureau Veritas Certification

Objectives of Work

Bureau Veritas Certification (Beijing) Co., LTD ("BUREAU VERITAS") has been engaged by [Zhende Medical Co., Ltd] (hereafter referred to as "[Zhende Medical]") to conduct an independent verification of its [Zhende Medical's 2023 Sustainable Development Report] (the "Report"). This Verification Statement applies to the related information included within the scope of work described below.

This information and its presentation in the report are the sole responsibility of the management of [Zhende Medical]. Our sole responsibility was to provide independent verification on the accuracy of information included.

Scope of Work

[Zhende Medical] requested Bureau Veritas to verify the accuracy of the following:

- Data and information included in the [Zhende Medical's 2023 Sustainable Development Report] for the [REPORTING PERIOD From January 1st, 2023 to December 31st, 2023].

Excluded from the scope of our Verification is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by [Zhende Medical]) and statements of future commitment;
- Financial data and information that has been audited by a third party.

Level of assurance: limited assurance level

Verification standard

International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), developed by the International Auditing and Assurance Standards Board;

Methodology

As part of its independent verification, Bureau Veritas undertook the following activities:

1. Interviews with relevant personnel of [Zhende Medical];
2. Review of documentary evidence produced by [Zhende Medical];
3. Audit of performance data, tracing and checking the sample data according to the sampling principle;
4. Review of [Zhende Medical] systems for quantitative data aggregation and analysis;


Our work was conducted against Bureau Veritas' standards for external Verification of Non-financial Reports, based on current best practice in independent assurance. The validation work was planned, carried out and concluded based on the limited, rather than absolute assurance, as determined by Bureau Veritas.



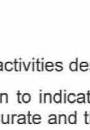


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Verification Conclusion




Bureau Veritas Certification

On the basis of our methodology and the activities described above, it is our opinion that:

- Nothing has come to our attention to indicate that the reviewed statements within the scope of our verification are inaccurate and the information included therein is not fairly stated;
- It is our opinion that [Zhende Medical] has established appropriate systems for the collection, aggregation and analysis of quantitative data. The performance data for [2023] has been disclosed and be with Comparability.


Statement of independence, impartiality and competence


Bureau Veritas is an independent professional services company that specialises in Quality, Environmental and Occupational Health and Safety, Social Responsibility with more than 190 years history in providing independent assurance services. Members of the assurance team have no interests or conflicts of relationship with [Zhende Medical]. We have conducted this verification independently and impartially. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.



Fanny Zou
Director of Greater China Region
Bureau Veritas Certification (Beijing) Co., LTD
[Aug.29, 2024]

Kathy Zhai
Assurance Team Leader
Bureau Veritas Certification (Beijing) Co., LTD
[Aug.29, 2024]





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