



2024

Sustainability Report

YUNNAN BAIYAO GROUP CO., LTD.

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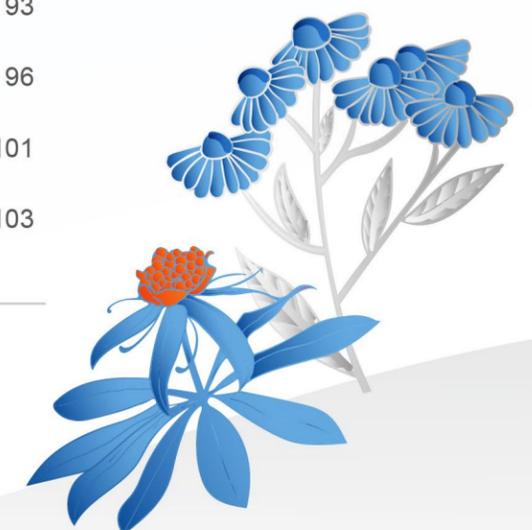
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ABOUT THIS REPORT

This report marks the first sustainability report issued by Yunnan Baiyao Group Co., Ltd. We have previously published corporate social responsibility (CSR)/ESG reports for 18 consecutive years. It gives stakeholders information on Yunnan Baiyao's social responsibility practices and performance in the areas of management, environment, society, and public welfare in accordance with the principles of standardization, transparency, objectivity, and comprehensiveness.

Reference Standards

This report is prepared in accordance with *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)* and with reference to the reporting standards such as the Global Reporting Initiative (GRI) Core Option standard of the Global Sustainability Standards Board (GSSB) and the Chinese Academy of Social Sciences' *China Enterprise CSR Reporting Guidelines (CASS-CSR4.0)*.

Report Scope

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

Report Period

The report covers the period from January 1, 2024 to December 31, 2024, and serves as the annual report.

Data Sources

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

Report Reliability Assurance

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

Statement Explanation

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

Report Format

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



BOARD SUSTAINABILITY STATEMENT

Yunnan Baiyao highly recognizes the importance of sustainability for its long-term and stable operation and actively undertakes corporate social responsibility. The Company and the Board of Directors follow the requirements of the China Securities Regulatory Commission's *Guidelines for Corporate Governance of Listed Companies* and the *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)* and establish a three-layer ESG (Environmental, Social and Governance) governance structure "decision-making, supervisory, and execution layers" with clear powers and responsibilities. The Board of Directors of Yunnan Baiyao has incorporated the concept of sustainability into the consideration and decision-making process of the Company's major matters, and has gradually established and improved sustainability management and governance mechanisms to promote the Company's high-quality and sustainable development.

Yunnan Baiyao values the opinions and suggestions of all stakeholders, continues to identify and evaluate materiality issues, and engages in exchanges and communications with stakeholders in various forms, including information disclosure and media communications. We strictly comply with the relevant requirements of regulatory authorities, closely follow the development trends of industry policies and professional fields, and rank the material sustainability-related issues in combination with the focus of rating agencies. In 2024, we have included the significant financial impacts arising from the sustainability issues related to the enterprise or those expected to affect the enterprise into our considerations of the materiality of these issues, as a key reference for sustainability information disclosure to continually improve our sustainable development.

This report provides a detailed disclosure of the progress and effectiveness of the Company's sustainability efforts in 2024, and was considered and approved at the 2025 first session of the Tenth Board of Directors and the 2025 first session of the Tenth Supervisory Committee of Yunnan Baiyao on March 31, 2025.

MESSAGE FROM THE CHAIRMAN

As a Chinese poem goes, “The river is wide at full tide; a strong wind sends the sail surging forward.” The year 2024 is a crucial year for fully implementing the spirit of the 20th National Congress of the Communist Party of China and advancing the construction of Chinese-style modernization. It is also an important year for Yunnan Baiyao as it strives for high-quality development and takes significant steps forward. Guided by Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, we have diligently studied and implemented General Secretary Xi Jinping’s important statements on the development of TCM and his significant speeches during his visit to Yunnan. Following the directive from the Yunnan Provincial Committee of the Communist Party of China and the Yunnan provincial government to “cultivate Yunnan’s TCM industry into a world-class modern industry,” we will unwaveringly pursue the path of protecting and inheriting TCM, uniting our efforts to create a Yunnan “model” for high-quality development in the TCM industry.



Zhang Wenxue
Party Committee Secretary and Chairman of Yunnan Baiyao Group

Over the past year, amid an ever-changing external environment, Yunnan Baiyao has steadfastly pursued progress while ensuring stability, leveraging opportunities to advance in a coordinated manner across business development, technological innovation, ecological conservation, and rural revitalization. We deeply understand the concept of sustainable development, adhere to strategic guidance, and promote the coordinated development of the century-old Baiyao in terms of scale, quality, and structure. The Company will shoulder the responsibilities of a “chain leader” by promoting coordinated development across the industry chain, refining its focus on core areas, expanding the leadership of advantageous products, and accelerating the construction of the industrial system. Centered on the principles of “strengthening principal businesses, stabilizing growth, and ensuring sustainability,” we aim to create a comprehensive industrial chain for Yunnan-branded TCM materials. We will focus on expanding the long-term potential of pharmaceuticals, health products, TCM resources, and commercial logistics, thus achieving self-driven leapfrog development. By 2025, the Company will further establish an R&D innovation system and operational management capabilities that align with Baiyao’s strategic development phase. We will balance TCM and innovative drugs, focus on inheritance and innovation while actively developing TCM and ethnic medicines, and adopt a differentiated approach to develop more competitive and promising innovative drugs. We will continuously explore the integration of modern technology with traditional medicine, driving development through innovation and earning trust through quality.

Pursuing Excellence in Governance

Yunnan Baiyao strives for strategic and high-quality development through robust Party building, continues to explore more reasonable and efficient operational models, management systems and business mechanisms, insists on promoting the comprehensive leadership of the Party and the in-depth integration of the sustainability concept

and corporate governance, and deepens the construction of the modern enterprise system with Chinese characteristics to support the sustainable development of the Company. Guided by Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, we always adhere to the Party’s leadership and strengthen the Party building, improve our internal control systems and risk management mechanisms under the leadership of the Party to ensure the compliance and soundness of the Company’s operations and safeguard the high-quality development of Yunnan Baiyao through our leadership in high-quality Party building. At the same time, we focus on improving sustainability management, gradually construct a sound sustainability governance system, integrate sustainability concepts into the Company’s strategic planning, establish a win-win sustainable development model with all stakeholders and transform governance efficiency into a lasting driving force for sustainable development, thus supporting the century-old Baiyao to elevate from “excellence” to “outstanding” with excellent governance.

Strengthening the Foundation of the Industry

Yunnan Baiyao, as the “chain leader” in the high-quality development of the Yunnan TCM industry, leverages the resource and geographical advantages of Yunnan Province, pragmatically promotes the coordinated development of policies, resources, and capital, builds a large cluster in the TCM industry, and supports “excellent TCM products” by “excellent Yunnan TCM resources.” The Company aligns itself with contemporary trends, centering its efforts on developing a “Seed Chip,” while wholeheartedly working to strengthen the foundation of the TCM industry. The Company has taken on significant responsibilities, responds to the national action for the revitalization of the seed industry, and vigorously promotes the cultivation of superior TCM materials and the development of germplasm resources to provide solid guarantee for the industrial development. Yunnan Baiyao always puts the quality of its products first, and ensures the authenticity and medication safety of medicinal materials through a

quality traceability system covering planting, processing and circulation. We have established three major systems, namely “Baiyao Preferred,” “Baiyao Certified” and “Baiyao Owned,” to promote the development of standardization, scaling, branding and digitalization of the TCM industry. We have built an industrial internet platform for the TCM industry, a new TCM origin trading market, and a sound industrial service ecosystem to gradually form an industrial cluster involving various entities participating in planting, processing, circulation, and other activities, and enhance the synergy of all links in the industrial chain. Looking ahead, Yunnan Baiyao will continue to cultivate the industrial chain of TCM, underpinning the sustainable development of the ecological and industrial chain through technological empowerment and full-chain coordination.

Practicing Low-Carbon Development

Guided by the national “dual-carbon” strategic goal, Yunnan Baiyao actively responds to the challenges of climate change, accelerates its low-carbon transformation, builds a green development model, and makes efforts to achieve harmonious coexistence between humanity and nature. Leveraging Yunnan’s unique ecological advantages and taking biodiversity conservation as the principle, we shape a vision for sustainable development of TCM from the cultivation of medicinal seedlings to the green upgrading of the entire industrial chain through digital empowerment and technological innovation. We launched a pilot project for carbon management target planning and system and platform construction within the Health Products Business Group, established commitments to address climate change, developed a robust carbon management system, built a carbon emission monitoring platform covering the entire production process, and promoted low-carbon transformation in four aspects: product design, raw material procurement, manufacturing, and logistics, thus forming a comprehensive low-carbon sustainable development strategy. Moving forward, Yunnan Baiyao will incorporate green concepts into its corporate development, advocate low-carbon green office and production, build a green supply

chain system, and contribute to achieving the “dual-carbon” goal. At the same time, we will join hands with shareholders, customers, employees and all sectors of society to march towards a green and low-carbon future.

A journey of a thousand miles starts with shared commitments. The year 2024 is a year of practical action and perseverance for Yunnan Baiyao, marked by overcoming challenges and steady progress. Guided by the sustainability concept, Yunnan Baiyao has partnered with all stakeholders to actively fulfill its environmental, social and corporate governance responsibilities. We focus on “improving quality and efficiency” across the industrial chain, value chain and production factors to promote the construction of an excellent operation system. We are concerned about environmental issues and global climate change, persist in biodiversity conservation and practice the concept of green development. We consolidate product quality, build a sustainable supply chain, and are committed to providing customers with high-quality, safe, reliable and environmentally friendly products and services. We care about the well-being of our employees, attach importance to the cultivation and development of our employees, and build an outstanding talent team. We will continue to improve our corporate governance and enhance our risk response capabilities to safeguard the long-term sound development of the enterprise.

Stars guide the dreamers and time honors the strivers. The year 2025 is a crucial year for Yunnan Baiyao’s “2+3” strategy, and marks the launch of a three-year action plan for the high-quality development of the Yunnan TCM industry. In the coming year, Yunnan Baiyao will uphold the mission of “to guard life and health”, respond to the call of the national strategy, fulfill its corporate social responsibilities, pursue excellence in governance, strengthen the industrial foundation, lead a green future, and contribute to social harmony and sustainable development with the strength of Baiyao.

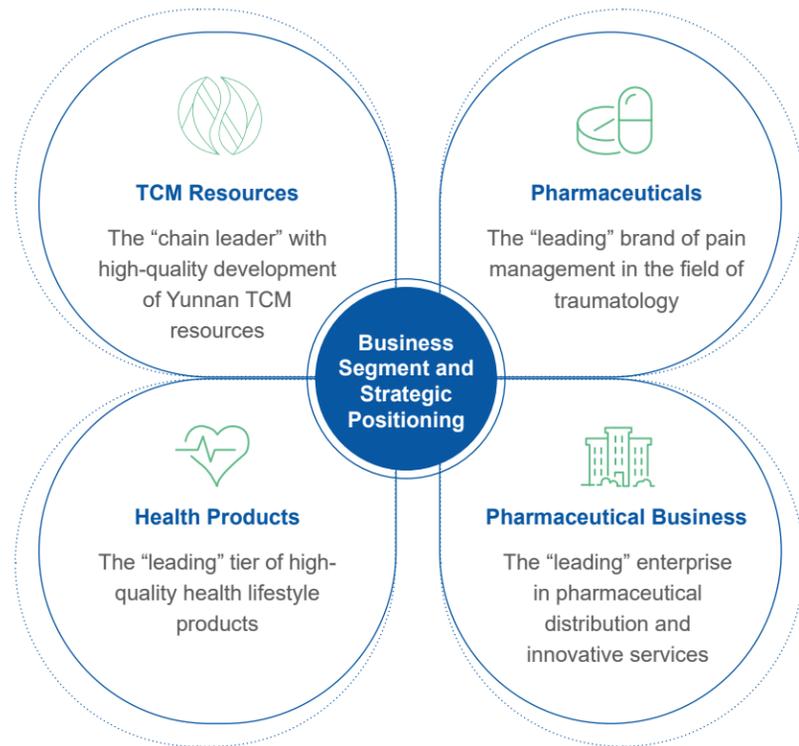
About Yunnan Baiyao

Company Profile

Yunnan Baiyao Group Co., Ltd. was formerly known as Yunnan Baiyao Factory. As a 122-year-old national brand in China, Yunnan Baiyao is dedicated to its corporate mission of “to guard life and health,” integrates TCM into modern life, and continually innovates to meet the growing health needs of consumers.

Business Presence

Yunnan Baiyao formulated four strategic positions based on the Company’s strategic objectives, which were divided into four segments.



Strategic Planning

Yunnan Baiyao leverages three curves to deliver three-layered connotations

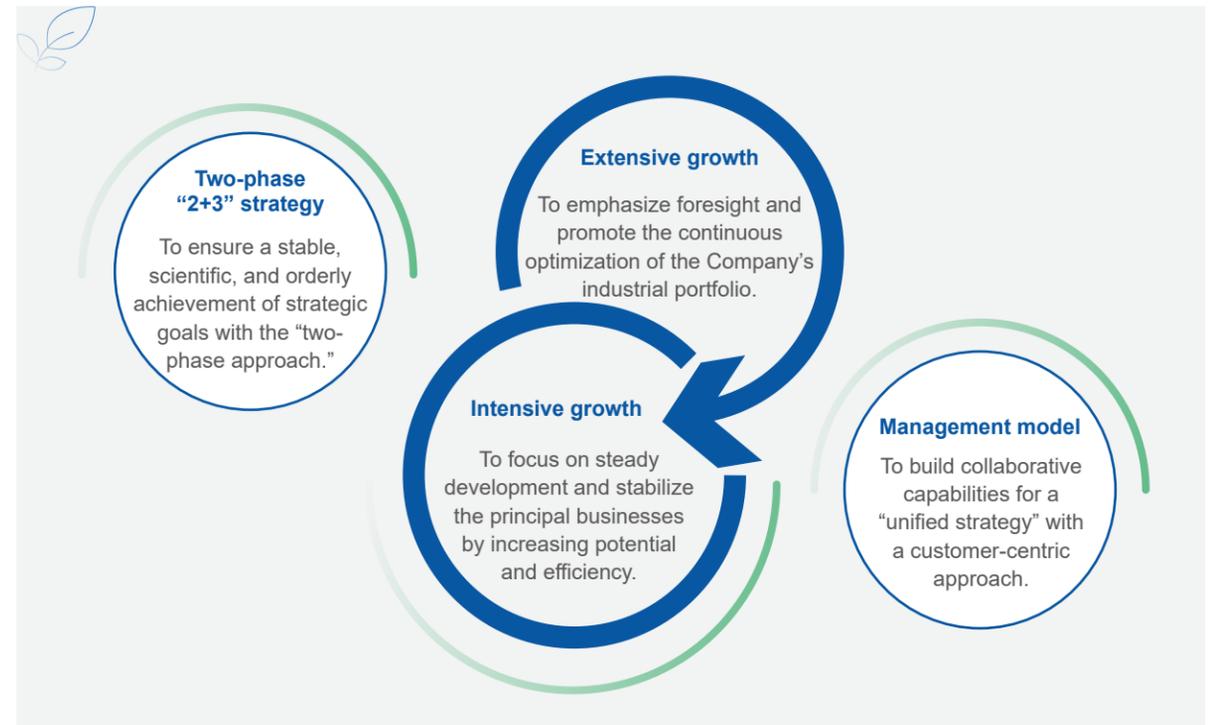
- Enhancing health through the rejuvenation of TCM and the innovation of new technologies, thus reducing the burden of disease and extending healthy lifespans.
- Improving quality of life with “Big Health” solutions for oral care, bone injuries, and more, elevating living standards and creating joyful moments.
- Radiating beauty with “Big Health” solutions for skin care and women’s health, satisfying the desire for beauty and helping individuals shine inside and out.

Mission and Vision of Yunnan Baiyao



Yunnan Baiyao adopts a dual approach of “intensive and extensive growth” to deliver its strategic objectives in an orderly manner.

Strategic Path of Yunnan Baiyao



In addition, the Company will continue to develop the strategic management capability system in five dimensions: strategic management, group management and control, effective operation, innovation management and professional business.

Strategic Management

To promote the Company’s strategic management capability system, continuously improve the strategic closed-loop management system, and lead the Company to achieve its long-term strategic objectives.

Group Management and Control

To construct a strategic management and control capability system for a multi-industry, cross-region large-scale modern pharmaceutical industrial group to effectively support the Company’s strategic objectives.

Excellent Operation

To construct a lean operation system and operation capabilities matching the Company’s scale, achieve a refined management across the industry chain, value chain and production factors, and improve the Company’s operational efficiency and competitiveness.

Capability Guarantee of Yunnan Baiyao

Innovation Management

To focus on the construction of the R&D and capability system to support sustainable development, and provide competitive advantages by effective business development empowered through digital intelligence.

Professional Business

To strengthen professional business capabilities in solidifying segments such as medicine and “Big Health,” as well as functional capabilities such as finance, risk, brand and market value management to ensure high-quality implementation of strategies.

Honors and Awards

Fortune's top 500 Chinese companies for 15 consecutive years

Fortune

2024 Future Healthcare 100 Innovation Awards · Annual Leading Enterprise

Sina Finance

Top 25 Most Valuable Global Pharmaceutical Brands

Brand Finance, the leading international brand value consultancy

No. 45 in China's Best Brands

Interbrand, a global strategic brand management consulting and design company

No. 2 in the Brand Influence List of TCM Enterprises in 2024

2024 Healthy China Communication Forum, jointly organized by the China Health Culture Association and the China Health TeleVision (CHTV) of the National Health Commission of the People's Republic of China

Selected into the "China ESG Listed Company Pioneer 100" list

China Media Group Finance Program Center

The case of "Yunnan Baiyao Toothpaste Intelligent Factory - A Century-old Brand Practicing Industry 4.0" was selected as one of the outstanding cases in the Scenario Innovation Dimension of the Best Practice Cases of Digital Transformation of China Association for Public Companies in 2024

China Association for Public Companies (CAPCO)

No.5 in "Top 100 TCM Enterprises in China"

China National Pharmaceutical Industry Information Center (CPIIC)

"Application Practice Project of Data Elements Promoting the Development of New Quality Productivity" won the Best Practice Award of Data Governance

2024 DAMA China Data Management Summit

Won the "Tianma Award for Investor Relations Chinese Public Company" for the fourth consecutive time

Securities Times

Ranked 71st in the Kantar BrandZ Top 100 Most Valuable Chinese Brands and 1st in the healthcare industry

Kantar Company

"2024 Excellent Practice Case of the Board of Directors among Listed Companies" "Best Practice Cases for Sustainable Development among Listed Companies"

China Association for Public Companies (CAPCO)

Awarded an A-level ESG rating by MSCI ESG Ratings for the fourth consecutive time

Morgan Stanley Capital International (MSCI), the world's leading index compiler

Materiality Assessments

Dual Materiality Analysis

In current complex and ever-changing socio-economic development environment, sustainability factors have become the core indicators for assessing corporate sustainability and market competitiveness, and the principle of dual materiality plays a pivotal role in this system. Yunnan Baiyao adheres to the concept of sustainable development, deeply analyzes and balances the factors affecting both impact materiality and financial materiality as key bases for formulating corporate strategic plans and decision-making.

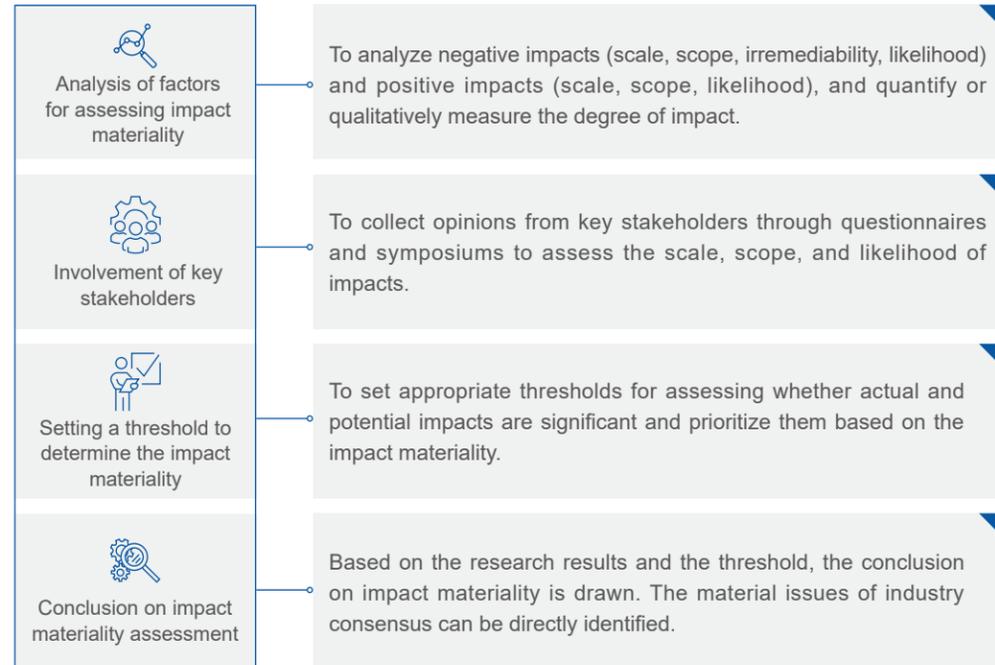
Yunnan Baiyao incorporates the demands and expectations of stakeholders regarding corporate management and development into its comprehensive considerations to meet the compliance requirements on dual materiality as outlined in the *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)*, and will conduct the identification and assessment of dual materiality issues for the first time in 2025.

Based on the industry characteristics of our pharmaceutical sector and the professional features of our business field, we conduct researches in accordance with the three-step process of "identification, research, and analysis" to fully understand the impact materiality and financial materiality of ESG-related issues on the Company. We have actively responded to the new requirements of regulators for disclosure of issues and identified 27 material issues from the perspectives of both companies and stakeholders. We were actively conducting stakeholder researches to determine the priority of issues by impact materiality in 2024. After communication and discussion with competent departments closely related to sustainable development issues, as well as investigation into the data performance of each issue in the past financial years and the plans in the future financial years, the Company arrives at a determination of financial materiality and finalizes the 2024 dual materiality matrix of Yunnan Baiyao. This matrix can intuitively help the Company achieve overall improvements in various aspects, including strategic goal planning, efficient corporate governance, accurate information disclosure, stronger market competition, and stakeholder communication, which provides a reference for the management and operation of the Company's sustainable development related affairs, thereby advancing towards a higher level and more sustainable development prospects.



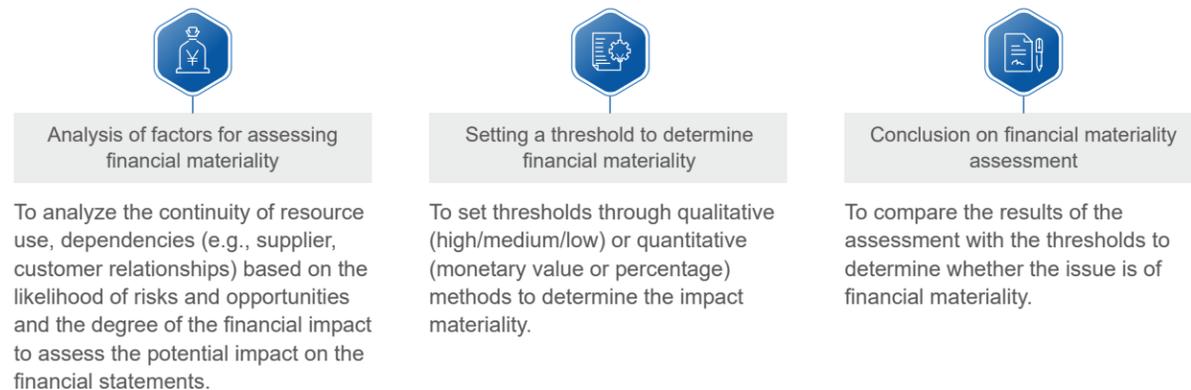
Impact Materiality

We have built a multi-dimensional and multi-faceted analysis system to identify the impact materiality. Based on the connection between business and macro policies, we conducted an in-depth analysis over the all-round impact of macro policies in China and at the business locations on the overall operation, and conduct researches on employees, customers, suppliers and other stakeholders online or offline in accordance with the specific laws and regulations related to the industry and its own business characteristics, so as to gather feedback and expectations from all parties on the operations of the Company, and to comprehensively measure the impact of issues on different stakeholders, including its depth, breadth and duration, and then summarize the impact materiality for each issue in this year to provide a solid basis for the Company's strategic adjustment and the formulation of action plans.



Financial Materiality

As the capital market pays increasing attention to sustainable development elements, the correlation between the Company's issues and financial performance has become increasingly obvious, and the assessment of financial materiality has become a core consideration in the Company's strategic planning and resource allocation. To this end, Yunnan Baiyao's social responsibility management team systematically reviews and organizes data clues in the Company's financial records that are closely related to sustainable development issues. We conducted an in-depth analysis of the actual role of sustainable development issues in the Company's financial structure during this year, aiming to provide reliable guidelines for the development of corporate financial strategies and business planning related to sustainability.



Communication with Stakeholders

Yunnan Baiyao attaches importance to the demands of stakeholders and maintains communication with them through various channels. Based on the nature of Company, industry trends and the Company's own development, we identify key stakeholders, including shareholders and investor organizations, customers and consumers, employees, business partners, government departments and regulators, the media and the public, communities and NGOs, and proactively meet their demands and expectations.

Stakeholders	Key Communication Topics	Communication Channels
<p>Shareholder and investor institutions</p>	<ul style="list-style-type: none"> Standardized operation Information disclosure Risk control Reasonable return on investment 	<ul style="list-style-type: none"> Information disclosure On-site communication and report at shareholders' meetings On-site, phone, email, interactive platform and other other forms of research Steadily increasing performance, and stable dividends
<p>Clients and consumers</p>	<ul style="list-style-type: none"> Consumer rights protection Guarantee of product quality and safety Customer privacy protection Intellectual property protection 	<ul style="list-style-type: none"> Customer satisfaction survey Product recall system Integrated customer service system Product service and quality assurance
<p>Business partners</p>	<ul style="list-style-type: none"> Integrity in business Supply chain sustainability Timely communication 	<ul style="list-style-type: none"> Standardized management and implementation of contracts and agreements Regular conferences and networking events Strict implementation of the bidding system Collaboration in social responsibility
<p>Employees</p>	<ul style="list-style-type: none"> Good working environment Welfare and benefits Career development 	<ul style="list-style-type: none"> Workers' congress Training, lectures, salons and other communication activities Thematic networking activities Employee feedback from work summary
<p>Governmental departments/regulators</p>	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance operation Paying taxes in accordance with the law Joint development 	<ul style="list-style-type: none"> Information disclosure Fulfilling all obligations in accordance with laws and regulations Undertaking government projects Reporting the Company's business performance on a regular basis Association activities and communications
<p>Media and community public</p>	<ul style="list-style-type: none"> Financial performance Enterprise management Information disclosure 	<ul style="list-style-type: none"> Press releases and publications Media interviews
<p>Communities and NGOs</p>	<ul style="list-style-type: none"> Community relations Promoting health knowledge 	<ul style="list-style-type: none"> Volunteer service Community activities Exchanges and interviews

Conclusion on Materiality Analysis

Issues of both financial and impact materiality

- Energy utilization
- Safety and quality of products and services
- Inclusive healthcare
- Innovation driven
- Sustainable value chain
- Ecosystem and biodiversity protection

Issues of impact materiality but without financial materiality

- | | |
|-------------------------------------|---|
| Environmental compliance management | Rural revitalization |
| Addressing climate change | Compliant operation |
| Employee equality and diversity | Corporate governance |
| Employee rights and benefits | Circular economy |
| Employee training and development | Data security and customer privacy protection |
| Occupational health and safety | Intellectual property protection |
| Social contribution | Promoting industry progress |
| Responsible marketing | Business ethics |

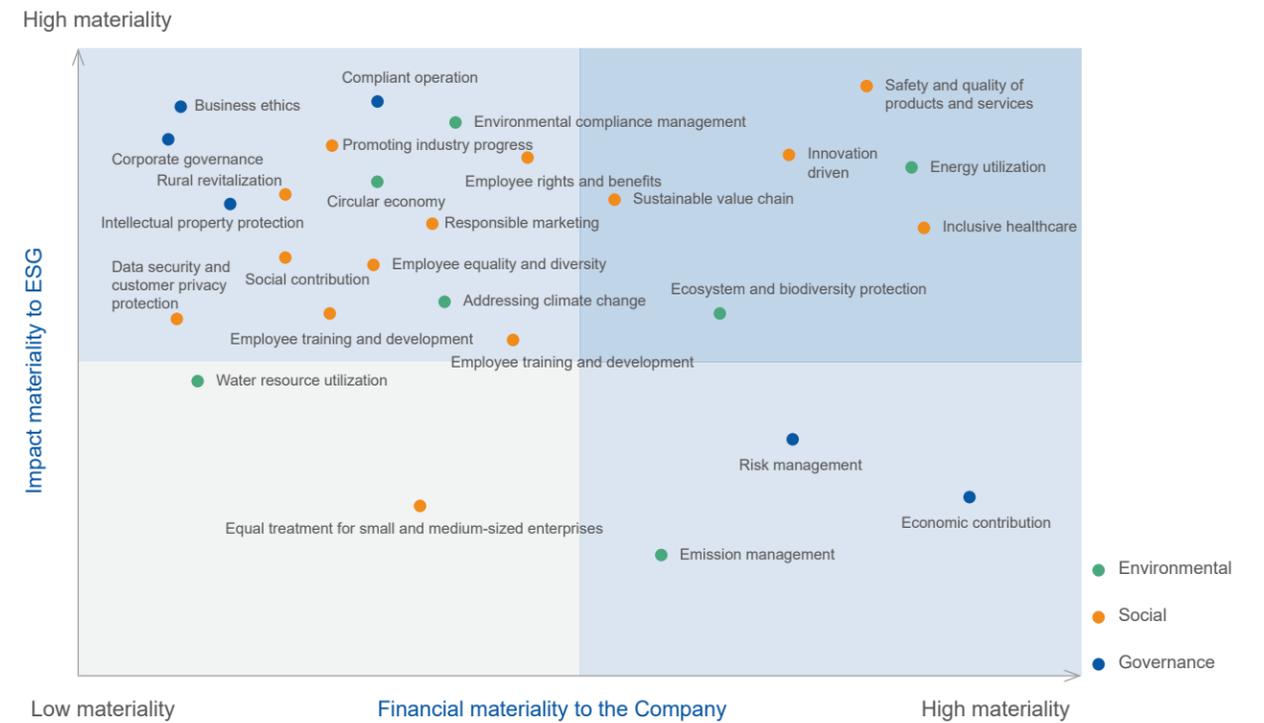
Issues of financial materiality but without impact materiality

- Emissions management
- Risk management
- Economic contribution

Issues without financial materiality and impact materiality

- Water resource utilization
- Equal treatment for small and medium-sized enterprises

2024 Sustainability Dual Materiality Matrix of Yunnan Baiyao



2024 Material Issues of Yunnan Baiyao



Sustainability Management

Yunnan Baiyao has always been committed to long-term healthy development, continues to optimize and upgrade sustainability strategies and management systems, and promotes the improvement of the Company's sustainability governance efficiency, thereby effectively implementing sustainability-related tasks and promoting the Company's sustainable development.

Sustainability Governance

To improve the Company's sustainability management capabilities, Yunnan Baiyao has built a scientific and efficient ESG management system with well-defined levels, clear power, and responsibilities in accordance with the latest requirements from regulatory authorities and industry standards and the Company's actual business operations.

ESG Management System

Yunnan Baiyao has established a three-tier ESG governance structure with the ESG Leading Team as the leading body, the ESG Promotion Office as the core management institution, and ESG working teams as the main force for execution, which provides effective support for the Company's sustainability efforts.

Sustainability Training

To follow the external sustainability development trend as well as to enhance the Company's overall sustainability knowledge and practice, Yunnan Baiyao has actively carried out sustainability-specific training. In 2024, we organized a special training and sharing session focused on key topics such as the interpretation of the latest sustainable development policies, trends in sustainable development within the TCM industry, and the assessment and improvement of current sustainability management practices, so as to enhance the capabilities of employees at all levels in implementing and practicing sustainability, thereby ensuring the orderly development of the Company's sustainability initiatives.

ESG Annual Training *Pragmatic Sustainability Management for Sustainable Development of a Century-Old Brand of Yunnan Baiyao*

To continuously improve the sustainability management capability at all levels and departments of the Company, in 2024, Yunnan Baiyao carried out the training of *Pragmatic Sustainability Management for Sustainable Development of a Century-Old Brand* for the Board of Directors, management, heads of departments and business groups and key personnel. The training promoted sustainability-related concepts, sustainability status and development trends in the global and pharmaceutical industries, as well as Yunnan Baiyao's sustainability highlights and future efforts to continuously optimize sustainability governance and system construction, reinforcing the blueprint for Yunnan Baiyao's green, healthy, and long-term development under the auspices of sustainability concepts.



ESG Governance Structure of Yunnan Baiyao

<p>Leadership</p>	<p>ESG Leading Team</p>	<p>Personnel Composition:</p> <p>The vice chairman and the president lead the team, with the Chief Financial Officer and Secretary of the Board of Directors serving as vice directors and the top managers of functional departments and business groups as team members, to jointly lead and be responsible for the Company's ESG efforts.</p> <p>Main Responsibilities:</p> <p>Responsible for establishing the ESG management structure, reviewing ESG strategies, policies and objectives, and ensuring the effective ESG risk management and internal control system of the Company. On this basis, the leading team implements strategic planning and system building, identifies management risks and opportunities, and conducts performance evaluation and goal planning.</p>
<p>Management</p>	<p>ESG Promotion Office</p>	<p>Personnel Composition:</p> <p>Composed of professionals from the ESG-related departments, serving as the central management team for the Company's ESG efforts.</p> <p>Main Responsibilities:</p> <p>Covering the overall coordination, strategic guidance, organizational arrangements, coordination and promotion of ESG-related tasks, as well as the promotion of development and ensuring that safeguards are in place.</p>

<p>Execution</p>	<p>ESG Work Teams</p>	<p>Personnel Composition:</p> <p>The working teams include external coordination, information disclosure, overall promotion, financial support, legal and patent affairs, risk control management, brand promotion, quality control, employee care, supply chain ecosystem construction, green environmental protection coordination and strategic planning.</p> <p>Main Responsibilities:</p> <p>Responsible for the implementation and promotion of ESG specific projects and work, including but not limited to meeting organization, information in time, report preparation, information disclosure, external communication, image maintenance, and consulting services selection and control, to ensure efficient and orderly ESG practices and enhance the Company's transparency and image.</p>
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Sustainability Strategy

Yunnan Baiyao closely follows the national “14th Five-Year Plan,” attaches great importance to its corporate responsibility in the environmental, social and governance aspects, and is committed to achieving coordinated development, and deeply integrates the sustainability concept into the development strategy. With the highest mission of “to guard life and health,” we embrace inheritance and innovation, surpass ourselves to embark on a new journey, and elevate the century-old Baiyao from “excellence” to “outstanding.” Yunnan Baiyao regards intensive and extensive growth as equally important and promotes them in a synergistic manner. While strengthening its internal strength, Yunnan Baiyao remains committed to exploring new avenues for growth externally. This dual-driven model not only ensures the stability and sustainability of our operations but also enables us to respond flexibly to market changes. The Company flexibly adjusts the proportion between these two aspects according to its own development stage and market environment to ensure continuous exploration of new growth opportunities while maintaining core competitiveness, thereby promoting the long-term development of the Company.

Sustainability Risks

With its in-depth exploration and practical experience in risk management, Yunnan Baiyao has established a set of risk identification, assessment, and response mechanisms tailored to the Company’s operational characteristics and has systematically incorporated sustainability-related risks. In terms of governance structure, the Company has established a multi-level management system covering the Company and its subsidiaries to ensure the comprehensive and in-depth implementation of sustainability-related risk management.



The Company continuously promotes sustainability-related risk assessment of each business line location and thoroughly identifies potential risk points. In addition, the Company has gradually integrated sustainability risks into its investment analysis and decision-making process to avoid potentially high-risk investments and to ensure the safety and sustainability of the Company’s investments, thereby enhancing the Company’s overall effectiveness of risk management and the quality of its investment decisions. In 2024, the Company updated its assessment results for emerging risks and developed corresponding countermeasures.

Emerging Risk Assessment

Risks	Risk Description	Potential Impact	Countermeasures
Digital Transformation Risks	Improper technology transformation is difficult to meet the actual needs of the Company; Enterprise data leakage is caused by data security vulnerabilities.	<ul style="list-style-type: none"> Increased operating costs Data breach Compliance risk 	To strengthen planning and management of digital transformation, improve data security management system, and continuously carry out data security training for employees to cope with the risk of IT innovation.
Climate Change Risks	Climate change may lead to instability in the supply of TCM materials.	<ul style="list-style-type: none"> Increased production costs Decline in product quality Impact on market share and brand image 	To establish diversified supply channels and improve the sustainable supply chain system.
Intellectual Property Risks	The Company may face the risk of intellectual property infringement.	<ul style="list-style-type: none"> Financial losses Brand image damage Market order damage 	To carry out intellectual property risk checks, identify and reveal potential risks in all aspects of intellectual property management.

Sustainability Objectives

ESG Strategic Objectives of Yunnan Baiyao

Environmental

Climate change

Objective

To launch a pilot project within the Health Products BG. The BG has set the dual-carbon strategic goals of "achieving carbon peak by 2028; operational carbon neutrality and a **100%** renewable energy usage ratio by 2030; and value chain carbon neutrality by 2050."

Progress in 2024

In progress

Pollutant emissions

Objective

100% compliance with pollutant discharge standards

Progress in 2024

Completed

Pollution incident

Objective

0 occurrence of environmental pollution incident

Progress in 2024

Completed

Social

Rural revitalization

Objective

To continually carry out rural revitalization-related activities

Progress in 2024

Multiple measures to promote rural revitalization

Safe production

Objective

To identify safety risk points, achieve safety and reduce safety accidents

Progress in 2024

Investigated and rectified **2,755** potential safety hazards

Talent team

Objective

To build a team of high-quality talents

Progress in 2024

Orderly promoted such activities as building the talent team and attracting and training employees

Corporate Governance

Business ethics

Objective

Signing of the *Commitment to Integrity Practice* by managers and employees in key positions

Progress in 2024

Completed

Compliance management

Objective

Compliance training covers all employees

Progress in 2024

Completed

Equal treatment for small and medium-sized enterprises

Objective

To strictly control the project payment cycle and do not delay payments

Progress in 2024

Completed

Products

Promoting radiopharmaceutical business

Objective

To tap into the radiopharmaceutical field and establish the innovative drug R&D system led by radiopharmaceuticals

Progress in 2024

The Phase I/IIa clinical trial of INR101 therapeutic radiopharmaceutical Injection for diagnosis has successfully been completed, about **1** month ahead of schedule. The IIT study of the INR102 therapeutic radiopharmaceutical project has been completed and **10** subjects were enrolled with their first cycle of dosing completed.

Innovation and breakthrough of R&D platform

Objective

To define the positioning of the four existing R&D centers, and drive the Company's innovation and breakthrough in R&D with platform innovation

Progress in 2024

The high-throughput computing center was put into use on January 10, 2024, the Tianjin Radiopharmaceutical R&D Center was put into use on November 18, 2024, and the Kunming Center was put into operation on November 19, 2024.

Innovative R&D of transdermal preparations

Objective

To continuously explore and study the transdermal preparations and the trauma field

Progress in 2024

In terms of transdermal preparations, there are currently **5** varieties under research with **1** variety under clinical trials and **1** variety under application for clinical trials, which will bring patients a more convenient and comfortable treatment experience.

Highlights of Sustainable Development Performance

Steady Progress with Legacy of Baiyao



- > Held **5** shareholders' meetings, **12** Board meetings and **6** Supervisory Committee meetings.
- > Held **4** performance briefings, received **52** investor surveys and more than **200** person-times, and responded to **156** inquiries at irm.cninfo.com.cn, with a response ratio of **100%**.
- > Conducted nearly **9** training sessions on diversified topics and compliance training, with a total of **thousands** of participants and **100%** coverage of key personnel.

Innovation-driven Exploration of New Horizons in TCM



- > The Pharmaceutical Business Group underwent a total of **5** audits by the drug regulatory authorities, with **100%** completion and approval of rectifications.
- > R&D investment amounted to about RMB **348** million.
- > Conducted research on the process about formula granules of **100** varieties and successfully completed experiments on **100** varieties.
- > The Phase II clinical trial of Pan-Panax notoginseng Tablets is progressing smoothly. As of the end of the Reporting Period, a total of **578** participants had been enrolled, achieving **82%** of the enrollment target.

Green Development for Deepening Ecological Civilization



- > Explored the path to cope with climate change, and launched a pilot project for carbon management target planning and system construction within the Health Products Business Group.
- > Shouldered the responsibilities as a chain leader, guided and drove the construction of larger-scale GAP bases with more varieties across the Yunnan province, and incorporating key varieties such as *Panax notoginseng*, *Paris polyphylla*, *Poria*, and *Dolomiaea costus* into a high-standard planting ecosystem, facilitated the coordinated development across the industry chain and the refined management from cultivation to processing and sales, providing a more efficient and healthy ecosystem for the entire industry chain.
- > Established planting standards and specifications, vigorously built the top ten standardized Yunnan medicinal planting demonstration bases, created a rational layout for authentic production areas, and filed for **12** new TCM varieties and **3** superior asexual strains, promoting the planting of over **150,000** mu of authentic Yunnan TCM materials.
- > The germplasm resource nursery for *Paris polyphylla* had collected **23** species, including **54** variants or populations of *Paris polyphylla* plants, and the Northwest Yunnan TCM Resource Nursery for Yunnan Provincial Medicinal Plants had collected over **150** medicinal plant species and showcased the cultivation of more than **20** specialty medicinal materials.
- > **100%** of exhaust gas, wastewater, and waste are discharged in compliance with the standards.
- > Comprehensive annual energy consumption is **24,351.00** tons of standard coal equivalent (tce).
- > The amount of reclaimed water is **25,950** tons.

People First for Strengthening the Foundation of Talent



- > The proportion of female employees in Yunnan Baiyao is **45.15%**, and that of ethnic minorities is **14.57%**.
- > The total cost of training at the Company's headquarters is about RMB **8.8312** million.
- > Total investment in safety amounted to approximately RMB **8.4857** million. A total of **210** safety inspections were carried out, identifying **2,755** potential hazards, achieving a **100%** rectification rate.

Cultivating Virtue and Embracing Responsibilities



- > In the model of "company + base + farmer", technical guidance is provided in the process, and assistance activities for TCM planting industry are carried out in poverty alleviation areas such as Weixi and Fugong, so as to promote rural employment, achieve industrial prosperity and become a new income growth driver for farmers in remote mountainous areas.
- > Implemented a model of collaboration with farmers, and helped increase farmers' incomes with diverse measures such as industrial empowerment, technology transfer, and order cooperation, ensuring the quality and supply of TCM materials and supporting the sustainable development of the industry.
- > Total input of RMB **800,000** for the Party building and grassroots government services.
- > Total external donations amounted to RMB **4.589** million.
- > Conducted free clinic activities, provided **109** item/time health tests, and served more than **400** patients.



Creating a “Seed Chip” for the Full-Chain Ecosystem of the TCM Industry

Amid the vigorous development of the TCM industry, the significance of the TCM seed industry as the foundation of the industry is becoming increasingly prominent. Yunnan Baiyao resolutely implements the new objectives and requirements for the high-quality development of the TCM industry put forward by the Sixth Plenary Session of the Eleventh Yunnan Provincial Committee of the Communist Party of China, focusing on the five objectives of “developing the seed industry from a high starting point, advancing cultivation with high standards, enhancing processing with high energy levels, expanding the market at a high level, and building the brand with a high stance.” With profound industry expertise and forward-looking strategic vision, Yunnan Baiyao places great emphasis on the TCM seed industry and makes every effort to create a “Seed Chip,” invigorates the construction of the full-chain ecosystem of TCM industry and drives high-quality development of the industry to new heights.

Dilemma of the Seed Industry and Responsibilities of Baiyao



Yunnan, known as the “Kingdom of Plants,” is rich in TCM material resources and hosts a diverse array of TCM ingredients, holding a significant position in the country. However, for a long time, the TCM seed industry in Yunnan has faced many challenges: uneven provenance quality, self-cultivation and self-collection of farmers, scattered transactions and a lack of quality testing, which make it difficult to guarantee the quality of planting and seriously restrict industrial upgrading. In this context, Yunnan Baiyao bravely participates in the construction of the TCM seed industry, striving to break through development bottlenecks.

Germplasm Resources: Balancing Protection and Development¹



Yunnan Baiyao attaches great importance to the protection and development of germplasm resources of TCM materials. After years of efforts, we have successfully overcome the problem of Yunnan *Paris polyphylla* from wild to artificial large-scale planting, collected 23 *Paris polyphylla* varieties across China, and established the world’s largest *Paris polyphylla* living germplasm resource nursery, laying a solid foundation for the protection of rare germplasm resources and the sustainable development of the *Paris polyphylla* industry. At the same time, we have completed the cultivation of several high-quality varieties such as *Dolomiaea costus*, *Aconitum vilmorinianum* and *Fritillaria cirrhosa*, built a germplasm resource nursery that preserves 105 kinds of authentic medicinal materials in northwest Yunnan, conducted the breeding research of multiple varieties, continuously enriched the germplasm resource reserve, and provided abundant “chip” materials for the development of the seed industry.

¹ For details, see the section “Biodiversity.”

Research Empowerment: Enhancing Technological Level of the Seed Industry



To enhance the technological level of the seed industry, Yunnan Baiyao continues to increase investment in scientific research. It established Yunnan Baiyao Group Seed Industry Technology Co., Ltd., and built an integrated modern seed innovation system of “breeding, propagation, and promotion.” We cooperated with Higentec to carry out *Panax notoginseng* molecular selection, and achieved rapid directional breeding with modern biotechnology. We introduced advanced breeding technologies and equipment from home and abroad, established an experimental R&D center at the headquarters, and equipped it with seed production workshops to promote the transformation of TCM breeding from reliance on traditional experience to a model based on scientific precision. We also established a testing platform for TCM seeds and seedlings to comprehensively verify and assess their authenticity and quality, providing assurance for high-standard planting in the seed industry.



Seed and Seedling Testing Laboratory

Variety Breeding: Fruitful Results¹



In terms of variety breeding, Yunnan Baiyao has achieved fruitful results. Six superior varieties of *Paris polyphylla* were bred, and the cultivated *Paris polyphylla* seedlings are excellent in quality and strong adaptability, which effectively improved the planting yield and quality. We have also made important progress in selection and breeding of *Fritillaria cirrhosa*, *Yunnan Angelica sinensis*, *Dolomiaea costus* and other varieties, and established harvesting bases and nursery bases for a number of superior varieties, to provide a high-quality provenance guarantee for industrial development.



Medicinal Material Planting and Domestication Base of Yunnan Baiyao

Operation Innovation: Exploring New Development Model



Yunnan Baiyao explores innovative operating models, takes varieties as the core, builds a model of “one variety + one expert team + one variety manager + 3 to 5 partners,” integrates scientific research resources, to form a base cluster for seed collection, seedling, and demonstration planting. We cooperated with Yunnan Academy of Agricultural Sciences, Southwest Forestry University, and other scientific research institutions to jointly carry out breed selection and technical research, accelerate the transformation and application of scientific research results, and enhance the collaborative innovation capacity of the industry.

Benefiting the People: Sharing the Results of Seed Industry Development



The development of seed industry is not only related to the enterprise itself, but also closely related to the interests of planting enterprises and farmers. Yunnan Baiyao focuses on serving the GAP system across the Yunnan province and self-built planting bases, promotes the selection and breeding of seedlings, and integrates the entire process of “seedling-planting-harvesting” into the digital planting system to achieve full traceability and closed-loop production management. We should strictly measure the yield and inspect the quality, verify the planting benefits, promote the formation of high-quality seedling base clusters, and guarantee the profitability of planting enterprises and farmers.

Full-Chain Construction: Consolidating the Foundation of Industrial Development



As the foundation, the seed industry provides strong support for Yunnan Baiyao Group to build a full-chain ecosystem.



Process

- To promote standardized cultivation with high-quality provenance and advanced cultivation techniques
- To translate GAP² specifications into easy-to-understand and easy-to-use standards;
- To promote the order planting model and maintain stable cooperative relationships with farmers.

Results

- Self-built, co-built and shared **over 4,000** mu GAP base
- Drove more farmers to participate in standardized planting, and improved the management level and economic benefits of the planting end
- Ensured the supply and quality of medicinal materials and increase farmers' income

Process

- To establish Wenshan Sanqi Digital Industry Platform and Lijiang Digital TCM Industry Platform;
- To adopt the fresh processing model to clean, select and slice the medicinal materials as needed when they are fresh.

Results

- Shortened the supply chain and production chain, and improved the utilization of raw materials
- Avoided cost increases and quality losses caused by traditional multi-step processing, and improved product quality and market competitiveness



Washing Process of TCM Materials



TCM R&D Laboratory of Yunnan Baiyao

Looking ahead, Yunnan Baiyao will continue to deepen its efforts in the TCM seed industry, and consistently improve the technological content of the “Seed Chip,” and enrich the variety reserves. We will continuously improve the construction of the full-chain ecosystem, strengthen the collaborative innovation across all stages, and promote the standardization, scaling, branding and digitalization of the TCM industry. We will made more efforts to support farmers and agriculture, promote rural revitalization, and contribute to the high-quality development of the TCM industry in Yunnan and even across China, while promoting the TCM culture.



Process

- To build a specialized service-oriented market of origin and build a new specialized TCM market pattern of “1 + 1 + N”;
- To create a digital platform for the Yunnan TCM industry, and provide public services for the upstream and downstream of the industrial chain;
- To focus on the main production areas of Yunnan medicine, build a new specialized market of origin, and integrate the resources and processing capacity of origin;
- To take advantage of Wenshan, Tianbao and other ports to expand international import and export trade.

Results

- Enhanced market influence
- Formed a complete industrial closed-loop

Process

- To invest resources to build a public platform for scientific research of TCM, and conduct innovative R&D of diversified TCM products;
- To build a multi-level brand system for Yunnan medicines and establish a full-chain standard system in collaboration with relevant parties;
- To adopt digital means for precision marketing.

Results

- Carried out Phase II clinical studies on Pan-Panax notoginseng Tablets, an innovative drug in the Class 1.1 TCM, and advanced Phase III clinical design and preparation of Fuqi Guben Ointment, a new TCM, as well as the secondary development of 20 varieties, such as several core products and Gongxueing Capsule.
- Improved the quality of TCM and the online presence of the Yunyao brand.

² GAP: Good Agricultural Practice.

01



Steady Progress with Legacy of Baiyao

Yunnan Baiyao insists on integrating the Party's leadership with sustainability principles into its corporate governance, treating corporate governance as a key task for achieving high-quality development. Guided by risk management, the Company has built an organizational structure with clear responsibilities, strengthened anti-corruption efforts, implemented robust internal controls, and continuously enhanced operational efficiency.



Leadership in Party Building

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, Yunnan Baiyao Group's Party Committee has thoroughly studied and implemented the spirit of the 20th National Congress of the Communist Party of China and the Third Plenary Session of the 20th Central Committee. The Company consistently upholds the Party's leadership, strengthens Party building, emphasizes its leadership in Party building, and focuses on deepening "integration and inclusion." The overall approach to Party building is defined in the "1346" strategy, which includes: "One Goal," "Three Major Projects," "Four-Dimensional Integration," and "Promoting Six Key Developments." Through these initiatives, the Company seeks to transform the political advantages of Party building into a competitive edge for guiding key operations, uniting the workforce, and driving corporate growth. High-quality Party building serves as the foundation for Yunnan Baiyao's high-quality development.



Strategic Planning

Yunnan Baiyao held a meeting to discuss Party building and the construction of Party discipline, signing the 2024 *Statement of Party Building Work Objectives* and the *Statement of Party Discipline Construction*. The Company also formulated and issued "two handbooks and four lists" to guide the year's work, establishing a system for implementing responsibilities.



System Construction

The Company conducted a comprehensive review, identification, and updating of its existing regulations. Forty-two systems were developed and issued in such areas as Party building, discipline inspection, supervisions, and publicity, including the *Opinions on Strengthening and Improving Party Building Work at Yunnan Baiyao Group Co., Ltd. (Trial)*.



Work Implementation

A Party building work system was established, including a "task list, responsibility list, and evaluation list," which ensures systematic management and effective implementation of goals through "overall planning, arrangement, and assessment."

During the Reporting Period, Yunnan Baiyao exerted all efforts to enhance the overall capability of grassroots organizations. Through self-registration, unit recommendations, comprehensive assessments, and organizational reviews, 60 outstanding cadres were selected and added to the talent pool. Following the principle of "nurturing business backbones into Party members and Party members into business backbones," 95 Party members were developed. As of the end of the Reporting Period, there were 1,610 registered Party members, over 150 active applicants for membership, and more than 300 applicants for Party membership.

To strengthen the cohesion and leadership of the Company's Party organization, Yunnan Baiyao actively conducted Party building training. The training focused on Party theory, covering key Party thoughts, policies, and regulations. Through in-depth and systematic instruction, employees were able to better understand the core principles of the Party, providing a solid ideological foundation and strong spiritual support for the Company's development.



Strengthening Ideological Education and Theoretical Empowerment

In 2024, Yunnan Baiyao rigorously implemented the *Learning System of Party Committee Theoretical Learning Center Group* and the "First Topic" Learning System, guiding all Party members and cadres to deeply comprehend the Party's principles, guidelines, and policies. This aimed to enhance the political and theoretical knowledge of Party members and cadres. As of the end of the Reporting Period, Party committees at all levels had conducted over 40 centralized study sessions for the center group, while Party organizations at all levels held more than 520 "First Topic" and theoretical learning sessions.



Study Meeting of Party Committee Theoretical Learning Center Group of Yunnan Baiyao Group



Rotational Training for Party Affairs Personnel to Improve the Quality of Party Building

In April 2024, Yunnan Baiyao organized specialized rotational training to enhance the overall capabilities of grassroots Party organizations. The training aimed to guide Party organization secretaries and Party affairs personnel at the grassroots level in deeply studying and consciously implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era in a bid to strengthen their ideological foundation, guide their practical work, and drive organizational progress. The goal was to significantly improve their political awareness, theoretical knowledge, and professional competencies. As of the end of the Reporting Period, over 530 Party affairs personnel had participated in the rotational training, resulting in a notable improvement in the quality and efficiency of Party building efforts.



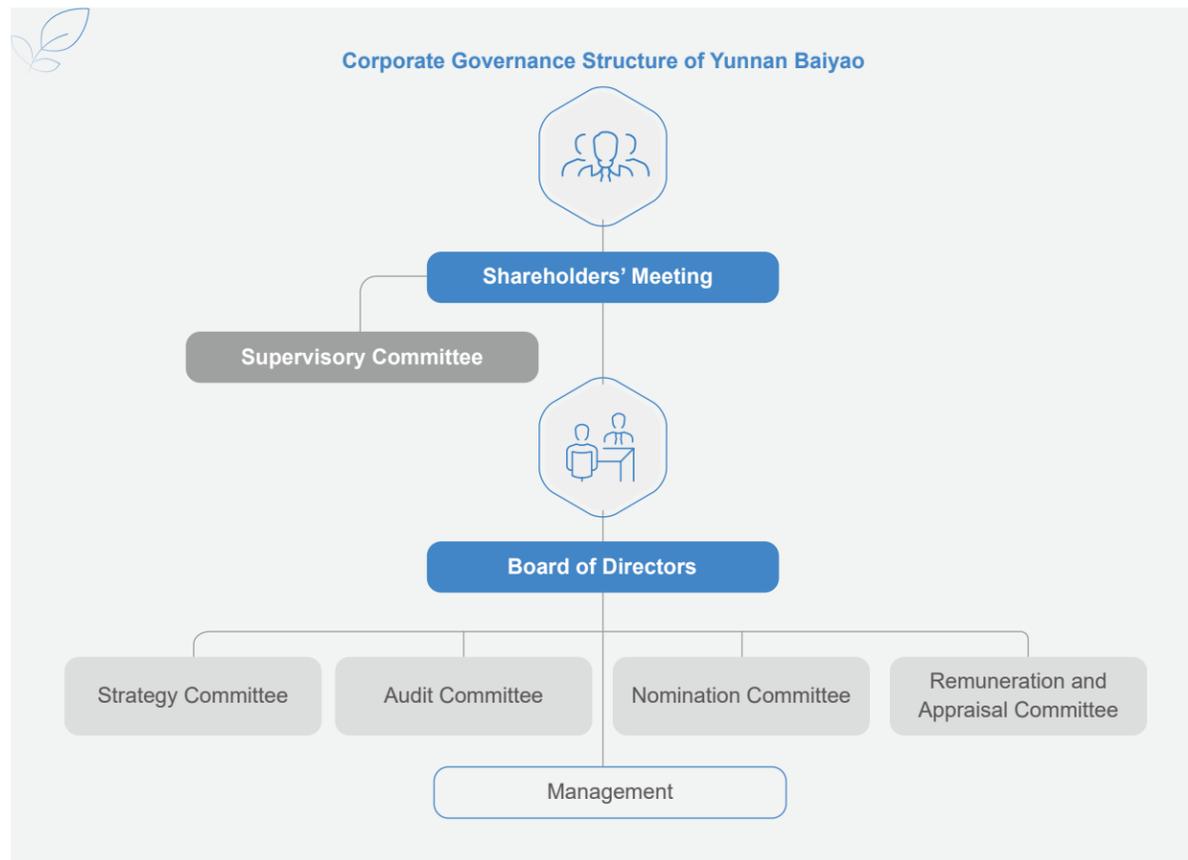
On-site Training for Party Organization Secretaries and Party Affairs Cadres

Operation of the Board of Directors

Yunnan Baiyao continuously improves its corporate governance system, establishing a well-defined governance structure with distinct roles and responsibilities. In accordance with legal regulations and internal procedures, the Company convenes the general meetings, meetings of Board of Directors, and meetings of Supervisory Committee, ensuring efficient operations, scientific decision-making, and effective supervision to guarantee the Company's high-quality development.

Corporate Governance

Yunnan Baiyao strictly adheres to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guidelines for Corporate Governance of Listed Companies*, and other relevant laws and regulations, complies with regulatory requirements, and thus establishes a comprehensive corporate governance structure based on the Company's current development status. The shareholders' general meetings, the Board of Directors, the Supervisory Committee and the management each exercise their respective rights of decision-making, business management, and supervision, ensuring a clear governance hierarchy that facilitates the full realization of both the Company's and investors' interests.



Shareholders' Meetings

Yunnan Baiyao adheres to the provisions of the *Articles of Association* and the *Rules of Procedure for Shareholders' Meetings*, effectively exercising the decision-making power of the shareholders' meeting on major matters of the Company. The Company follows principles of fairness, transparency, and rationality in convening, conducting, and voting at shareholders' meetings, protecting shareholders' rights to information, participation, and supervision, and ensuring equal treatment for all shareholders. In 2024, the Company held five shareholders' meetings.

Board of Directors

As of the end of the Reporting Period, the Company had

11 directors

with independent directors making up

36% of the total

Supervisory Committee

Yunnan Baiyao actively promotes the standardized and efficient operation of the Board of Directors in strict accordance with the relevant provisions of the *Articles of Association*, the *Rules of Procedure for Board of Directors* and the *Work System for Independent Directors*. Directors of the Company are elected or replaced by the shareholders' meeting and may be removed from office by the shareholders' meeting before the end of their term. The term of office for directors is three years, and they may be re-elected and re-appointed upon the expiration of their term. At the same time, we implement a top-down governance approach, with the Board of Directors overseeing the Strategy Committee, Remuneration and Appraisal Committee, Nomination Committee, and Audit Committee. We have established detailed implementation rules for each committee's role in corporate governance, ensuring that they perform their duties strictly within their defined authority. The Company regularly holds the Board meetings to facilitate collective decision-making on governance and strategic development. During the Reporting Period, the Company held 12 Board meetings, with a 100% attendance rate among directors.

Yunnan Baiyao upholds the independence of the Board of Directors as a key principle of corporate governance. The Board oversees the management team and ensures the effective implementation of Board resolutions, protecting shareholders' interests and promoting the Company's long-term sustainable development. As of the end of the Reporting Period, the Company had 11 directors, including 7 non-independent directors and 4 independent directors, with independent directors making up 36% of the total.

In the selection of Board candidates and the appointment of directors, we consider various factors such as age, industry experience, and professional capabilities to fully evaluate the candidates' diverse skills. The members of the Company's Board of Directors possess expertise and experience in multiple areas, including business management, law, finance, auditing, risk control, investment and mergers, R&D, and healthcare reform, ensuring the Board makes scientific decisions.

Yunnan Baiyao elects supervisors and conducts activities of Supervisory Committee in accordance with the *Company Law of the People's Republic of China*, the *Articles of Association*, the *Rules of Procedure for Supervisory Committee*, and other relevant laws, regulations, and internal systems of the Company. The Company stipulates that the Supervisory Committee must include shareholder representatives and an appropriate proportion of employee representatives, with employee representatives accounting for no less than one-third, elected democratically by the Company's employees through the employee representative congress. The Supervisory Committee has established rules of procedure, outlining the decision-making and voting processes, and holds at least one meeting every six months to effectively carry out its supervisory functions. As of the end of the Reporting Period, the Company had 3 supervisors, including 2 employee representatives and 1 shareholder representative, and held 6 meetings of Supervisory Committee.

Investor Communication

Yunnan Baiyao strictly adheres to the relevant regulations of regulatory authorities and has established a regular communication mechanism to create a comprehensive investor communication platform. The Company continuously organizes investor research activities to engage with investors and communicate the Company's operational status. During the Reporting Period, the Company held 4 performance briefings, conducted 52 investor research sessions both online and offline, received over 200 investor visits, responded to 156 inquiries at irm.cninfo.com.cn, with a response ratio of 100%, ensuring that communication channels between the Company, shareholders, and investors remain open and effective.

Risk Management

Yunnan Baiyao regards strengthening risk management and internal control systems as a key focus and actively carries out risk management audits and training. The Company is also advancing sustainability-related risk identification efforts to ensure sustainable business operations.

Risk Management System

The Board of Directors serves as the principal decision-making body for comprehensive risk management, bearing ultimate responsibility in this regard. The Audit Committee of the Board oversees the implementation of the Company's risk management activities. It delegates specific internal control evaluation and risk management tasks to the Audit Department and provides specialized reports to the Board of Directors.

Yunnan Baiyao adheres to a prudent operational philosophy and, in accordance with norms such as the *Comprehensive Risk Management System*, continuously optimizes its risk management measures. The Company regularly identifies internal risks and compiles an annual risk list. It evaluates and identifies key risks based on multiple factors, develops response plans, and monitors them dynamically, forming a closed-loop risk management system. Additionally, we incorporate the effectiveness of the risk control system's construction and implementation into performance evaluations, aiming to motivate employees to actively engage in risk control and enhance overall risk awareness across the Company.

Yunnan Baiyao conducts risk control training for all employees using both online and offline methods. The Company offers relevant course videos on the Baiyao Academy platform, making risk control learning more accessible. Furthermore, offline training activities, such as seminars and workshops, are organized to enhance learning outcomes through interactive sessions. We encourage trained employees to actively identify and report potential risks. Employees can report risk information through various channels, including "Baiyao Ding," email, and phone, cultivating a corporate culture of risk management that encourages voluntary participation and proactive



Yunnan Baiyao conducts risk control training for all employees using both online and offline methods



Employee Compliance Training Course "Risk Management and Professional Practice"

In 2024, the Company created and launched the employee compliance training course titled "Compliance First and Always" on the Baiyao Academy platform. The course covers five key modules: Compliance, Contracts, Intellectual Property, Anti-Bribery in the Pharmaceutical Industry, and Company Law and Governance. With a total duration of 479 minutes, the training is aimed at all employees below middle management and relevant members of the Legal and Compliance teams. Since its launch, the course has effectively equipped employees with legal and compliance knowledge, enhancing their ability to operate in compliance with business practices.

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Internal Audit and Internal Control

Yunnan Baiyao, in accordance with the *Internal Control Manual* and the *Internal Audit System*, entrusts the Audit Department with independently performing internal audits, fully exercising its internal supervisory authority. The aim is to ensure the Company's operations are healthy and compliant through supervision, evaluation, and service functions. During the Reporting Period, the Company updated and optimized internal audit systems, such as the *Economic Responsibility Audit Management Measures* and the *Management Measures for Rectifying Audit Issues*, to improve the efficiency and accuracy of auditing and effectively prevent potential new risks that may arise during the audit process. The Company has established a professional risk control team that regularly conducts internal control evaluations and ensures comprehensive audit coverage of all business entities by combining general and specialized audits. Special emphasis is placed on targeted supervision of key areas, critical funding, major projects, and the implementation of the Company's major strategies and decisions.

In response to risk factors identified during the audit, Yunnan Baiyao requires the relevant departments to immediately implement corrective actions, with the Audit Department continuously monitoring the progress. The Company adopts a result-oriented registration and write-off management mechanism to ensure that all identified risk factors are swiftly eliminated.

Business Ethics

Yunnan Baiyao continuously improves its business ethics management system, placing great emphasis on cultivating integrity awareness. The Company drives the ongoing update of its whistleblowing management system, firmly opposes unfair competition, upholds business integrity, and practices ethical business conduct.

Governance System of Business Ethics

Yunnan Baiyao follows the laws and regulations such as the *Company Law of the People's Republic of China*, the *Law of the People's Republic of China Against Unfair Competition*, and the *Anti-Monopoly Law of the People's Republic of China* as guiding principles. The Company adheres to internal anti-corruption policies such as the *Work System of Discipline Inspection Commission*, the *Work System of Letters and Visits*, the *Measures for Integrity Risk Control*, and the *Responsibility System for the Work of Clean and Honest Party Building*, and strengthens the implementation of 15 operational systems, including the *Opinions on Strengthening and Improving Discipline Inspection of Yunnan Baiyao Group Co., Ltd. (for Trial Implementation)*. In 2024, the Company also established 12 inspection systems, including the *Implementation Measures for Inspection Work (Trial)*, to ensure effective supervision and accountability mechanisms, regulate business ethics management requirements, and strengthen the Company's integrity defense line in all aspects.

Yunnan Baiyao continues to improve its supervisory mechanisms, promoting the formation of an "overall supervision" framework with coordinated efforts from supervisory bodies. The Company has established a work mechanism where the Party Committee provides unified leadership, grassroots Party organizations are responsible at different levels, inspection agencies organize implementation, the Discipline Inspection Department and Organizational Department assist, relevant functional departments cooperate, inspected Party organizations comply, and employees and the public participate. This system ensures the effective supervision of Party discipline and clean government at all levels. In 2024, Yunnan Baiyao continued to enforce the *Code of Conduct for Business Ethics*³, strictly prohibiting all employees (including non-regular employees) from engaging in unethical business practices such as corruption, bribery, unfair competition, and conflicts of interest, with a "zero tolerance" approach to violations, ensuring the Company's compliant operations.

We integrate the requirements of integrity practice into the management and assessment of key positions. Each year, according to their management authority, we require managers and employees in key positions to sign the *Commitment to Integrity Practice*, ensuring that employees strictly comply with integrity regulations, consciously accept supervision from relevant departments, and clearly define the primary responsibilities of leaders at all levels in managing business ethics.

Reporting Management

Yunnan Baiyao places great importance on the critical role of supervision and whistleblowing in promoting business ethics. In accordance with national laws and regulations, the Company continuously improves its mechanisms for whistleblowing and handling issue leads, handling each whistleblowing report and issue leads according to procedures, and continuously enhancing the standardization and rule of law of the whistleblowing process. We make reporting channels public and encourage employees, users, and other stakeholders to supervise and report any violations of regulations, discipline, or laws.

The Company focuses on protecting the legitimate rights of whistleblowers and enforces the whistleblower protection clauses in the *Work System of Discipline Inspection Commission*, strictly adhering to confidentiality requirements. Without the whistleblower's consent, we do not disclose any personal information or the contents of the report in any form. We strictly implement mechanisms for confidentiality, avoidance of conflicts of interest, and accountability in whistleblowing, fully protecting whistleblowers and preventing any form of retaliation.

Business Ethics Reporting Channels of Yunnan Baiyao

Address: Yunnan Baiyao Discipline Inspection Commission, 3686 Yunnan Baiyao Street, Chenggong District, Kunming City
Email: byxfjb@ynby.cn

Tel: 0871-66203262
Website: <http://www.yunnanbaiyao.com.cn/>

³ Code of Conduct for Business Ethics: <https://www.yunnanbaiyao.com.cn/view/ynbyPc/1/46/view/5897.html>

Integrity Awareness Cultivation

Yunnan Baiyao has implemented integrity education regularly and organizes various training activities for all employees, such as expert-led seminars on "Key Issues and Prevention in Medical Anti-Corruption," training sessions on integrity in the workplace and anti-commercial bribery, and integrity-related knowledge competitions, further enhancing the integrity and compliance awareness of both management and staff. In 2024, the Company conducted 10 anti-corruption training sessions for managers and key personnel, with over 600 participants and 100% coverage for key positions.

Anti-Unfair Competition

Yunnan Baiyao strictly complies with the requirements of the *Law of the People's Republic of China Against Unfair Competition* and firmly opposes unfair competition practices such as false advertising, monopolistic behavior, and infringement of trade secrets. The Company is committed to maintaining a fair, transparent, and healthy market competition environment, ensuring the authenticity and accuracy of market information, protecting intellectual property, and promoting fair competition to contribute to the sustainable development of the industry. As of the end of the Reporting Period, the Company itself had not engaged in any unfair competition and had not suffered any financial losses due to unfair competition or other violations.



Party Building and Party Discipline Work Meeting

In January 2024, Yunnan Baiyao held a Party building and Party discipline work meeting. The meeting conveyed the key speeches of General Secretary Xi Jinping and the spirit of important meetings at the central and provincial levels, with five grassroots Party organizations sharing their work experiences. The Group's Discipline Inspection Commission Secretary summarized the work of 2023 and outlined tasks for 2024. The Party Committee signed responsibility statements with secondary units. The meeting emphasized that Party building leads the high-quality development of Yunnan Baiyao, calling for adherence to Party leadership, focusing on "integration and inclusion," and deeply understanding the connection between strict Party governance and corporate development. Under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, Yunnan Baiyao will implement the requirement to promote development through Party building, and drive the Company to new heights.



Party Building and Party Discipline Work Meeting



02

Innovation-driven Exploration of New Horizons in TCM



Yunnan Baiyao has always inherited the culture of TCM, closely following the development trends of the industry, and focusing on product quality and innovation. We center our efforts on customer needs, promote inclusive healthcare development, collaborate with suppliers, and build a sustainable supply chain to support the long-term healthy growth of the Company.



Product Quality

Yunnan Baiyao attaches great importance to the quality and safety of its products, always considering them as the core foundation of the Company's development. We are always committed to providing consumers with high-quality, safe, and reliable products.



Quality Control

Yunnan Baiyao strictly adheres to relevant laws and regulations, such as the *Drug Administration Law of the People's Republic of China*, the *Regulations on the Supervision and Administration of Medical Devices*, the *Supervision and Administration of Drug Manufacturing*, and the *Good Clinical Practice (GCP)*. In 2024, the Company revised 52 existing regulatory documents for drugs, medical devices, and other business categories. New internal systems were also added, such as the *Annual Report Management Procedures for Drug Marketing Authorization Holders*, the *Management Procedures for Drug Production Sites*, and the *Risk Assessment Operation Procedures for Drug Marketing Authorization Holders*, ensuring that product quality remains compliant with market demands and industry standards.

In 2024, Yunnan Baiyao invested approximately

RMB **579,100** in quality improvement projects

The Company has established a quality management system that spans the entire industry chain, covering product R&D, production, sales, and other stages. This ensures that the quality and safety of our products are controlled throughout their lifecycles. Moreover, we have formed a dedicated technical quality management committee to enhance the quality and safety responsibilities across all business groups, and promote the systematic advancement of technical quality efforts in every business group, thereby ensuring the efficient implementation of our industry-wide quality management system. In 2024, Yunnan Baiyao invested approximately RMB 579,100 in quality improvement projects⁴.

In 2024, the Pharmaceutical Business Group of Yunnan Baiyao formed a "5P (GAP, GLP, GMP, GSP, and GVP)" integrated quality management model based on the entire industry chain to improve the industry's quality ecosystem. In June 2024, the GLP center of the Yunnan Baiyao Institute of Materia Medica successfully passed the regular review by the National Medical Products Administration (NMPA), meeting the requirements of the quality management system.

⁴ This data covered the Yunnan Baiyao Pharmaceutical Business Group and the Yunnan Pharma.

Quality Risk Management

In 2024, Yunnan Baiyao continued to strengthen its quality risk management efforts, closely monitoring potential quality risks in processes and adopting proactive or retrospective approaches for effective control. At the same time, the Company regularly conducts internal testing and preventive testing for potential risks, formulating risk mitigation measures for business development as needed to fully ensure the safety and effectiveness of products.

During the Reporting Period, the Company performed comprehensive assessments of the possibility and impact of quality risks, determining their risk levels. Based on these risk levels, we took appropriate control measures, and evaluated the effectiveness of these measures continuously until the risks were reduced to an acceptable range.

Risk Level	Control Measures
"Very Low" or "Normal"	To maintain the current risk management level and continue to monitor the risk
"High," "Very High," or "Extreme"	To communicate with relevant parties in a timely manner and propose targeted risk control measures, such as reducing, avoiding, or transferring the risk
Inherent risks that cannot be resolved	To develop emergency or preventive measures and implement them with approval from department heads and quality managers

Quality Audits

In 2024, Yunnan Baiyao's business groups conducted quality audits to ensure the continued effectiveness of quality risk management.



The Pharmaceutical Business Group underwent regular quality management system inspections by the drug regulatory authority every year. In 2024, the BG underwent 5 audits by the regulatory authority, successfully completing all rectifications and passing the audits.

The Health Products Business Group conducted inspections based on the *Inspection Points and Judgment Principles for Cosmetics Production Quality Management Specifications* and the *Code of Practice for Quality Management in the Production of Cosmetics*. It conducted a thorough review over the quality management systems at its manufacturing sites for compliance, integrity, adequacy, and effectiveness. Also, the Health Products Business Group organized department managers to review the quality objectives from the previous audit cycle and set new quality objectives for the next cycle. During the audit, 11 non-compliance items were found, all of which have been rectified.

In 2024, Yunnan Pharma conducted 5 internal quality audits, including both comprehensive and specialized internal audits, focusing on various elements of the Company's quality management system. The audits identified 5 deficiencies, all of which have been rectified on time. Furthermore, the Company underwent 9 external audits, 4 of which were regulatory audits and 5 were conducted by business partners. During the regulatory audits, 16 deficiencies were identified, all of which have been rectified.

Quality Culture Construction

Yunnan Baiyao considers quality awareness and culture construction as one of its core tasks. In the new employee orientation training, the Company has added a mandatory course on quality culture to cultivate quality awareness from the onboarding and help new employees deeply understand the critical role of quality in the Company's development. Throughout the year, the Pharmaceutical Business Group, Health Products Business Group, and Yunnan Pharma organized a total of 395 quality training sessions, effectively improving employees' understanding of the importance of quality and their practical capabilities. Yunnan Pharma also actively organized employees to participate in the "Speak Out Your Voice on Quality" theme activity during Quality Month, encouraging employees to share their views on quality in the Baiyao Forum, thereby stimulating employees' enthusiasm for participating in quality management.

Quality and Safety Training

Annual Employee Quality Training Sessions



Annual Employee Quality Training Attendees



Annual Employee Quality Training Hours



Pharmacovigilance

Yunnan Baiyao conducts pharmacovigilance through two main channels to promote rational drug use among the public. In addition, the Company organizes activities like the "Drug Safety, Ensured by Laws" campaign to educate consumers on how to read drug instructions and use medications safely, and introduces the "Jingjie Xiao'an" app to spread medication safety concepts. The Company also participates in the public awareness campaign themed "Join 'Seven Entries' to Build Defense Together," informing community residents about adverse drug reactions, medical device adverse events, and preventing drug abuse, while also standardizing the disposal of expired household medicines to prevent drug abuse and environmental contamination.

Activity of Household Expired Medicine Collection and Rational Medication

During the 47th National "Quality Month" in September 2024, in response to the "Theme Activity of 2024 Household Expired Medicine Collection and Rational Medication, Environmental Protection in Yunnan Province" jointly organized by the Medical Products Administration of Yunnan Province, the Department of Ecology and Environment of Yunnan Province, and the Health Commission of Yunnan Province, Yunnan Baiyao's 13 stores totally collected more than 300 boxes of expired household medicines at offline event sites, contributing to the spread of drug knowledge.



Expired Medicine Collection Activity

Product Recall

Yunnan Baiyao strictly follows the *Drug Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Recall*, and other relevant laws and regulations. The Company developed the product recall management systems such as the *Drug Recall Management Procedure* and the *Disposal Management of Drug Safety Incidents*. We categorized and graded the reasons for product recalls and developed detailed recall plans accordingly. Then, appropriate measures were taken for the recalled products. Yunnan Baiyao also regularly conducts product recall drills to ensure that employees are familiar with the recall process and evaluate its effectiveness, ensuring that in the event of an actual recall, the process is completed in a timely and orderly manner. During the Reporting Period, Yunnan Baiyao did not initiate any product recalls.

In 2024, the Company's Pharmaceutical Business Group regularly organized mock recall drills, which helped employees become familiar with the recall process and assessed its effectiveness. This ensured that in the event of an actual recall, the relevant work could be completed accurately, efficiently, and in an orderly manner. During the Reporting Period, we conducted a mock recall drill of Pudilan Anti-inflammatory Tablets, and the assessment results were satisfactory. We also conducted a mock recall drill, selecting two types of products: a batch of toothpaste (Yunnan Baiyao Toothpaste - Spearmint Type) and a batch of cosmetics (Yangyuanqing Anti-hair Loss Shampoo). The recall team developed a recall plan based on investigation and evaluation, and by checking sales records, confirmed the expected quantity for recall, and notified distributors to stop selling and shipping. After the recall report from distributors was submitted, the recall team compared it to the expected quantity and successfully completed the mock recall.

R&D Innovation

In 2024, Yunnan Baiyao regards R&D innovation as the core driving force for sustainable development, continuously expands into cutting-edge technological fields, closely follows global pharmaceutical R&D trends, and deepens its innovative layout. We continue to improve our product R&D pipeline and strengthen intellectual property protection, empowering health with science and technology, and relentlessly working to protect life and health.

R&D Innovation Management

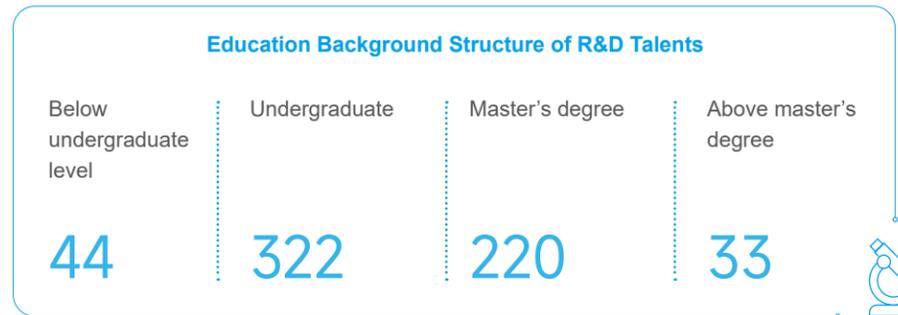
Yunnan Baiyao always focuses on closely integrating R&D management with practical R&D activities, and continuously improving its unique R&D management system. The Company has implemented six core management systems, including the *Specification on Management of Entrusted Scientific Research Project Funds*, the *Management Measures for Internal Entrusted Research in Yunnan Baiyao Group's R&D Projects*, and the *Measures for Management of R&D-type Governmental Projects in Yunnan Baiyao Group's Central Research Institute*, to promote the efficient management and collaborative operation of R&D projects. In 2024, the Company invested approximately RMB 348 million in R&D.

R&D Platform Development

In 2024, Yunnan Baiyao built a differentiated R&D platform, steadily advancing the work of major centers. The Company further clarified the roles of its existing four R&D centers and actively promoted the construction of the Wuxi and U.S. R&D centers. These platforms drive continuous innovation and breakthroughs of the Company in R&D.

R&D Talent Introduction

Yunnan Baiyao has taken a number of measures in terms of R&D talents and actively built an innovative R&D system that is compatible with the Company's strategic development. During the Reporting Period, Yunnan Baiyao further increased its efforts in building a team of high-level R&D personnel specializing in TCM and innovative drugs, with the aim of continuously attracting and cultivating top-notch R&D talents in the pharmaceutical field, injecting a continuous stream of impetus into the company's innovative development. In 2024, Yunnan Baiyao had a total of 619 R&D personnel, accounting for 6.67%.



R&D Innovation Practice

Yunnan Baiyao strengthens R&D investment and talent development, continuously enhances core competitiveness and drives both technological innovation and product development by adopting a diversified model including independent R&D and cooperative development.

• Technological Innovation

Yunnan Baiyao's technological innovation projects span drug design, clinical trials, drug safety assessments, and more, aiming to accelerate the R&D process and improve success rates.

Positioning of the Four Existing R&D Centers

Kunming R&D Center

Kunming R&D Center focuses on the R&D of TCM materials and natural drugs, striving to build an integrated R&D platform that combines internal research and external sharing. The GLP center passed national re-inspection and successfully carried out various validations and trial operations, providing strong support for steady project advancement and normal operations.



Tianjin R&D Center

Tianjin R&D Center focuses on the R&D and transformation of radiopharmaceuticals, working to improve radiopharmaceutical R&D efficiency and build its own R&D capabilities. The center completed its relocation and officially started operation in 2024, providing new technical support and R&D platforms for innovation in the radiopharmaceutical field.



Shanghai R&D Center

Shanghai R&D Center specializes in innovative drugs (chemical and biological drugs), establishing a specialized R&D experimental center with early-stage R&D and small-scale process development as its core capabilities. This center is expected to start operations in the first half of 2025, providing strong support for the R&D of innovative drugs.



Beijing Center for High-Throughput Computing

Launched in 2024, Beijing Center for High-Throughput Computing uses big data and AI computational power to build a target discovery and drug optimization platform. The center continuously improves the target discovery process, and supports drug design and optimization. It has integrated a comprehensive set of public and internal databases, and created the world's largest single-cell transcriptomic dataset.



Key Technological Innovation Initiatives of Yunnan Baiyao

Quickly screen key technology projects to prepare for the announcement

- The Company is committed to constructing a key technology project for high-throughput analysis of natural small molecules from Yunnan's unique plants and AI-assisted rapid drug screening. The project is currently prepared for the announcement, helping enhance the Company's industry visibility.



Complete the experiment for the process research on formula granules

- The Company conducted the process research on formula granules of 100 varieties, successfully completed the experimental work on all 100 varieties and prepared related research reports.



Add the extract of Yunnan Baiyao to the list of toothpaste ingredients

- The Company conducted research on the project titled "Add the extract of Yunnan Baiyao to the list of toothpaste ingredients," providing technical support for the Group's product innovation in the health products field.



Continuously promote collaborative projects on skin-beautifying and anti-aging technologies

- The Company completed two research projects, including the study of anti-aging effects of natural plant extracts and the molecular mechanism research of *Paris fargesii* extracts, which further advanced the Company's technological innovation in the realms of skin beauty and anti-aging.



Product Innovation

In the field of TCM modernization, Yunnan Baiyao actively promotes the deep integration of TCM and modern technology. By employing advanced scientific and technological methods, the Company undertakes in-depth research and development of TCM products.

R&D of Innovative TCM

In 2024, we further advanced a series of innovative drug projects such as Pan-Panax notoginseng Tablets, Fuqi Guiben Ointment, and classic large-scale varieties like Gongxuening and Qixuekang. These drugs have significantly improved in terms of efficacy and safety, providing patients with more high-quality treatment options.



Pan-Panax Notoginseng Tablets

Pan-Panax notoginseng Tablets are a new TCM syndrome-based drug with the Company's own intellectual property rights. The Phase II clinical trial of Pan-Panax notoginseng Tablets is progressing smoothly. As of the end of the Reporting Period, a total of 578 participants had been enrolled, achieving 82% of the enrollment target.

Fuqi Guben Ointment

Fuqi Guben Ointment is the first syndrome-based new drug. The Company officially launched the Phase III clinical trial of Fuqi Guben Ointment in 2024. It also completed the preliminary preparation and review of materials for the Phase III clinical trial, submitted communication materials to the Center for Drug Evaluation (CDE), and advanced the project steadily.

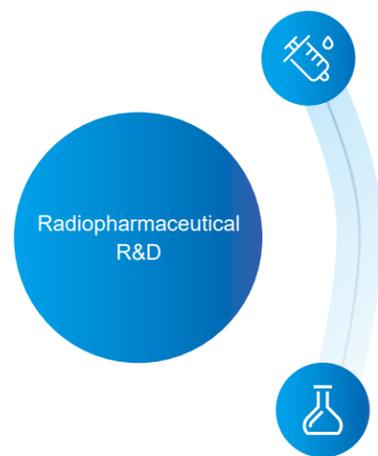
Qixuekang Oral Liquid

The Company has achieved significant clinical research results in the field of cardiac and vascular health. Data from 109 participants showed that Qixuekang Oral Liquid can effectively improve endothelial function and hypertension. The research findings have been presented at professional conferences and published in SCI journals.

Gongxuening Capsule

Currently, Yunnan Baiyao has completed the closing meeting for its multicenter clinical study on reducing post-abortion bleeding. The Company has initiated a clinical study on reducing vaginal bleeding after medical abortion and has enrolled 65 subjects. Furthermore, the Company has completed 12 studies on the safety and toxicology of animal pharmacokinetics, pharmacology, and toxicology.

In the field of radiopharmaceutical R&D, Yunnan Baiyao keeps up with international technological advancements and actively develops new targets in nanobody and cyclic peptide radiopharmaceutical pipelines, quickly advancing radiopharmaceutical research projects.



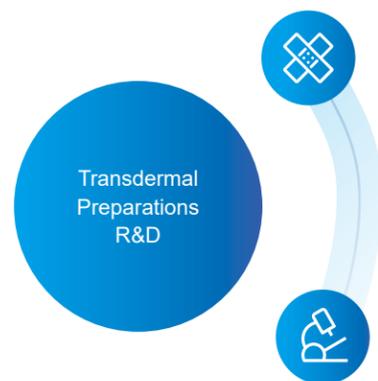
INR101 Injection Diagnostic Radiopharmaceutical Project

The chemical Class 1.1 innovative radiopharmaceutical diagnostic drug for PET imaging of PSMA-positive lesions in prostate cancer patients has successfully completed its Phase I/IIa clinical trial, finishing about 1 month ahead of schedule. Clinical results have demonstrated its excellent stability and safety.

INR102 Therapeutic Radiopharmaceutical Project

The Company started non-clinical research for INR102 two months ahead of schedule, successfully completing pre-IND communications and officially starting IND preparation. Also, the IIT study was completed, with 10 subjects enrolled and the first dosing cycle completed.

Transdermal preparations are a type of topical medication that delivers drug components through the skin. Yunnan Baiyao currently has five transdermal formulations under R&D, with one entering clinical trials and another to be filed for clinical trials. These would offer patients a more convenient and comfortable therapeutic experience.



Flurbiprofen Cataplasms

The Company has successfully obtained the clinical trial approval and initiated the clinical study, which has also completed the preclinical trial phase. Significant progress has been made in the development of transdermal formulations, with the formal clinical trial expected to commence in 2025.

Loxoprofen Sodium Cataplasms

The preclinical research has been completed, and the Company plans to start clinical trials in 2025. It is expected to provide a new treatment option for patients with pain.



Yunnan Baiyao has launched a series of medical devices related to medical treatments, including the smart non-invasive electroacupuncture instrument and stroke rehabilitation treatment device. The Company has completed the first registration/filing of four medical devices and continued registration for eight medical devices, supporting the processes of diagnosis, treatment, and rehabilitation.



Development of New Medical Devices

In 2024, Yunnan Baiyao launched 10 new products, including five micro-innovation products (such as the Acupoint Stimulator 3C/3E, Pain Relief Instrument 2C/2E, and Therapeutic Electrodes with Enhanced Functions) and five new products (such as the Fuyang Juanbi Pack, Mid-frequency Pulse Therapy Device 2 types, and two new versions of the simulated massage device for neck and waist). The launch of these products highlights the Company's ongoing efforts to continuously innovate and optimize its product line, driving the deep integration of technology and market demand.



Development Matrix for New Medical Devices

Promoting Industry Progress

In 2024, Yunnan Baiyao actively promoted the integration of industry, academia, and research, aiming to foster close cooperation within the industry and enhance technological innovation capabilities. Through high-level expert exchange activities and strengthening cross-disciplinary strategic cooperation, the Company has achieved significant results in driving pharmaceutical R&D innovation while expanding its presence in the industry.

Initiatives Related to Industry Development

“Huanzhang Forum”

In 2024, Yunnan Baiyao successfully hosted six sessions of the “Huanzhang Forum,” inviting top Chinese and international experts, including Kong Fanpu, former Director of the CDE, to discuss cutting-edge areas such as pharmaceutical evaluation, medical devices, TCM, and radiopharmaceutical R&D. The “Huanzhang Forum” serves as an important platform for Yunnan Baiyao’s medical research exchanges, offering opportunities to learn about frontier scientific innovations and introduce breakthrough technologies and projects.

“Huanzhang Forum” Exchange Session

Industry Associations

Yunnan Baiyao’s subsidiary, Yunhe Pharmaceutical (Tianjin) Co., Ltd., joined the Radiopharmaceutical Branch of China Isotope & Radiation Association and serves as a vice-chairman unit. Yunnan Baiyao also joined the Pharmaceutical Affairs Management Professional Committee of the Chinese Pharmaceutical Association and established close cooperation with the China Association of Gerontology and Geriatrics.

First Board Meeting of Radiopharmaceutical Branch of China Isotope & Radiation Association



University-Enterprise Cooperation

Yunnan Baiyao collaborates with the Academy of Military Medical Sciences and Qinghai University to conduct clinical studies on the high-altitude adaptability of Qixuekang. The trials, conducted in locations such as Golmud, Nagqu, and Baingoin, demonstrated that Qixuekang significantly improved the high-altitude response of participants.



Completion of Clinical Trial on "Qixuekang Oral Liquid's Acute High-Altitude Adaptability"

On September 5, 2024, Yunnan Baiyao's national drug standard revision for *Panax notoginseng* achieved significant progress, marking the announcement of the draft revision to the Pharmacopoeia Standard for *Panax notoginseng*. Through collaborations with institutions such as the Yunnan Provincial Institute for Food and Drug Administration, Kunming University of Science and Technology, and Yunnan Hongxiang Chinese Medicine Technology Co., Ltd., Yunnan Baiyao strengthened its leadership in standards and quality, promoting in-depth research and standardization of *Panax notoginseng* cultivation, harvesting, and processing.

Ethics in Medical Technology

Yunnan Baiyao strictly adheres to a series of scientific ethics standards to ensure that all research activities comply with ethical standards. These include, but are not limited to, the *Drug Administration Law of the People's Republic of China*, the International Council for Harmonisation's *E8 (R1): General Considerations for Clinical Studies*, ICH-GCP, the *Drug Clinical Trial Management Regulations*, the World Medical Association's *Declaration of Helsinki*, the *Technology Ethics Review Measures (Trial)*, the *Opinions on Strengthening the Governance of Scientific and Technological Ethics* and the *Ethical Review Measures for Life Sciences and Medical Research Involving Human Subjects*.



Training on GCP Basic Knowledge and Ethical Regulations

On November 13, 2024, the Shanghai Center of the Central Research Institute of Yunnan Baiyao organized a training session on GCP basic knowledge and key ethical regulations to enhance employees' understanding and application of scientific ethics standards.

During the Reporting Period, **no** violations of scientific ethics occurred.



Intellectual Property Protection

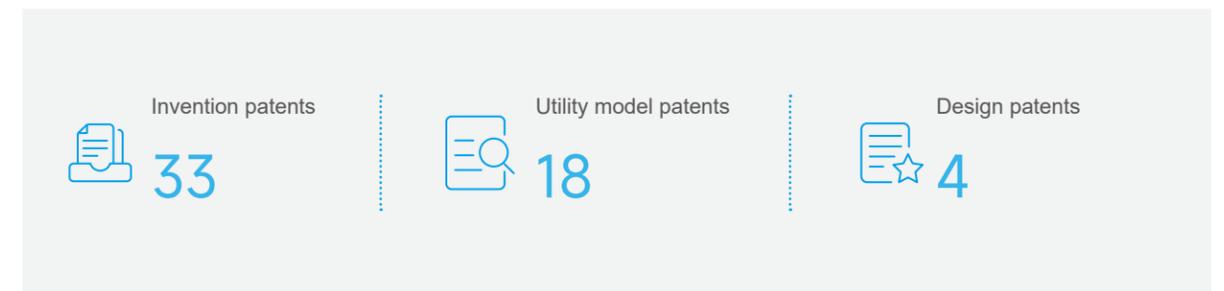
Yunnan Baiyao recognizes that intellectual property protection is the core support for the Company's long-term competitiveness. The Company adheres to international standards and complies with relevant laws such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, continuously improving its *intellectual property management system*. In 2024, the Company formulated the Intellectual Property Management System, which clearly defines the application process, maintenance measures, utilization strategies, and protection mechanisms for the Company's intellectual property. Aside from that, the Company's Medical Devices BU completed the CQM intellectual property management system certification in 2024.



Certificate of the CQM Intellectual Property Management System for Medical Devices BU of Yunnan Baiyao

At the same time, in response to 25 trademark applications that are similar to the Company's trademarks "Yunnan Baiyao" and "Yangyuanqing," Yunnan Baiyao actively took legal action. A total of 40 trademark cases were successfully concluded within the year, with a success rate of 77.5%. As of the end of the Reporting Period, Yunnan Baiyao had obtained a total of 73 software copyrights.

During the Reporting Period,



Intellectual Property Related Data

Indicators	Unit	2024 Data
Patent Application Quantity	Invention Patents	55
	Utility Model Patents	39
	Design Patents	4
Patent Authorization Quantity	Invention Patents	33
	Utility Model Patents	18
	Design Patents	4
Expenses from Intellectual Property Declaration	RMB	1,789,669
Expenses from Intellectual Property Disputes and Arbitration	RMB	1,300,000

Customer Service

Yunnan Baiyao always places the customer first, safeguards their legal rights and strives to provide an excellent service experience. Through strengthening customer service management, practicing responsible marketing, ensuring customer privacy and security, and other measures, the Company continually optimizes its service quality. Also, we work to improve healthcare accessibility, striving to ensure all customers have access to high-quality and affordable medical services.

Customer Relationship Management

Yunnan Baiyao follows the *Customer Response Management System* to standardize the process for handling customer complaints, ensuring that customer complaints are followed up and resolved effectively. In accordance with the *Internal Communication and Handling Mechanism for New Product Complaints of Yunnan Baiyao*, the Company speeds up the resolution of customer complaints, actively responding to customer feedback, and continuously improving service quality. In 2024, Yunnan Baiyao provided a variety of communication channels for customers. During the Reporting Period, all customer complaints have been effectively resolved.

Customer Complaint Channels



Pharmaceutical Customers

- Customer Response Center, Portal Website, WeChat Official Account, National 12315 Internet Platform, and ODR Business Processing Channels.



Health Product Customers

- Including Customer Service Department, Sales Department Staff, Contracted Manufacturers, Medical Institutions, etc., or via consumer hotline, letters, faxes, and the internet. During the Reporting Period, all customer complaints have been effectively resolved.

Customer Complaint Handling Process



Customer Type	Processes	Target and Outcome
<p>Medical Institutions</p>	<p>Receive complaints, classify and evaluate, investigate, formulate solutions, respond to the customer, summarize and file, follow up.</p>	<p>To establish dedicated teams, maintain complete records, conduct rapid categorization and assessment, conduct objective investigations and develop feasible solutions, and implement tracking and revisit to ensure the satisfaction of medical institutions.</p>

Customer Satisfaction

Yunnan Baiyao's customer satisfaction efforts focus on both medical institutions and manufacturers. For medical institutions, we conduct satisfaction surveys through questionnaires, face-to-face meetings, and phone interviews. The survey covers areas such as order response, product variety fulfillment, delivery timeliness and accuracy, and customer service quality. During the investigation process, we select the subjects and communicate with the relevant functional departments, develop and implement an investigation plan. After collecting the issues, we coordinate solutions with all parties involved. Finally, we provide feedback to the customers and follow up through revisit. For manufacturers, we periodically select strategic or potential manufacturers and assess their satisfaction through the form of questionnaire surveys. Feedback mainly focuses on supplier needs, authorization cooperation, and retail store service, with overall positive feedback.

Responsible Marketing

In 2024, Yunnan Baiyao implemented the *Marketing Service Procurement Management Measures of Yunnan Baiyao Group (Provisional)* and the *Brand Trademark Authorization and Use Management Details of Yunnan Baiyao Group (Trial)* to internally regulate responsible marketing, ensuring that marketing procurement projects follow established systems, reducing operational risks of the Company, and ensuring compliant procurement activities. The Company also adjusted and revised the endorsement and authorization process for five brand trademarks to reduce operational risks and ensure compliance and responsibility in marketing activities.

Yunnan Baiyao's advertising compliance approval process includes brand material consultation, internal advertising release applications, WeChat brand zone release applications, etc., ensuring all advertising activities comply with industry regulations. To ensure marketing activities align with industry norms and policy requirements, the Company organized multiple industry-related policy training sessions during the Reporting Period. These sessions covered topics such as regulatory requirements in the pharmaceutical sales sector, medical insurance fraud cases, and more, helping employees stay informed about industry trends. In 2024, the Pharmaceutical Business Group organized 17 training sessions on marketing compliance for management personnel, new employees, and key positions, with nearly 1,800 participants, reinforcing compliance awareness among marketing staff. In accordance with the Company's tiered talent training strategy and talent development plan, the Pharmaceutical Business Group has carried out a series of responsible marketing trainings in the development of a talent capability model to provide high-quality services to customers and to ensure that employees are well-versed in marketing standards, terminology, and product knowledge related to quality, business ethics, and responsible marketing.

In addition, the Company pays close attention to trademark registration issues to prevent unfair competition due to trademark infringement. Yunnan Baiyao actively defends its interests and ensures fair competition, taking a "zero-tolerance" approach to infringement of its trademarks. In 2024, the Company filed lawsuits against several online stores for infringing on its trademarks, with 88 cases concluded, totaling RMB 10 million in litigation costs.

Customer Type	Processes	Target and Outcome
<p>Manufacturers</p>	<p>Receive complaints, record, analyze, process and reply, summarize and file.</p>	<p>To timely reassure the manufacturers, and if necessary, transfer the matter to the relevant departments. To contact the manufacturers within 24 hours and, in special circumstances, complete the handling within a maximum of 3 days. To ensure that the complaint documents are fully archived.</p>
<p>Retail Store Customers</p>	<ul style="list-style-type: none"> • Service-related complaints: receive, reassure, record, investigate, apologize, discipline, and file. • Price and refund-related complaints: receive, reassure, record, process, and file. 	<p>Medicines are non-returnable and non-exchangeable once sold (except in cases of quality issues). Price complaints require verification of market basis, and returns and refunds will be considered for those that meet the criteria.</p>

Information Security and Privacy Protection

Yunnan Baiyao continues to enhance its information security management capabilities, effectively prevents information leaks and privacy risks, and safeguards customer trust and security.

Information Security

The Company strictly adheres to all relevant laws and regulations regarding information and data security in the regions where we operate. These include the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law*, the *Data Security Law*, and the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests*. In 2024, we developed the *Data Security Management Measures of Yunnan Baiyao Group Co., Ltd. (Trial)* and the *Management Measures for Personal Information Security of Yunnan Baiyao Group Co., Ltd. (Trial)*, which clearly outline the security management requirements for critical processes such as data classification, storage, transmission, and access, ensuring that data processing activities comply with laws and regulations as well as internal corporate policies to prevent the occurrence of data security incidents.

Information Security Governance Structure

Name of the Institution	Functional Position	Responsibilities
Data Governance and Security Management Taskforce	Leading body	Overall planning, coordination, demand management, inspection and evaluation, etc.
Digital Security Professional Group	Control Body	Responsible for reporting on digital security management to the Company's office meeting, and conducting the Company's digital security management work in accordance with the decisions made.
Digital Security Execution Group	Execution Body	Responsible for implementing the relevant decisions and work arrangements of the Group.
Digital Security Response Team	Permanent Virtual Organization	The team is composed of members from the Digital Security Execution Group according to actual needs. Its main responsibilities are to respond to, analyze, and handle information security incidents.

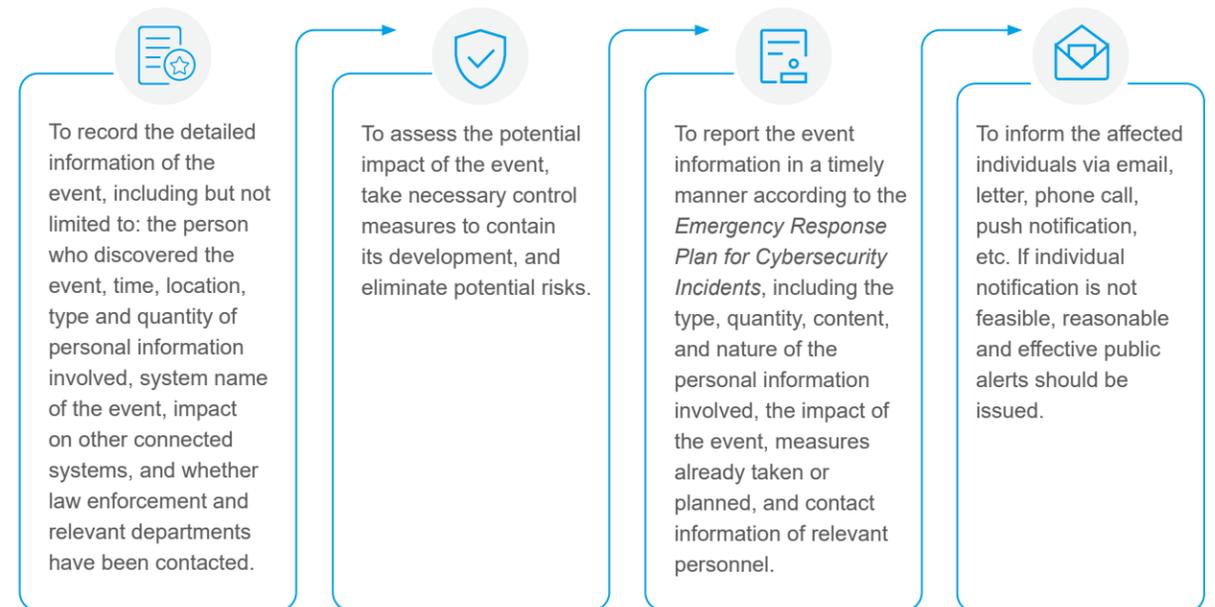
Yunnan Baiyao developed an emergency response plan and measures for information security incidents, and outlined communication and reporting processes to respond effectively to unexpected events. In 2024, the Company did not receive any complaints regarding user information security.

During the Reporting Period, Yunnan Baiyao regularly conducted information security tests and inspections, identified issues in advance, and took management and technical measures to reduce information security risks. In 2024, the Company conducted 30 information security risk assessments, including 26 penetration tests, 3 network attack-defense drills, and 1 level protection evaluation, identifying and rectifying 97 security risks.

Privacy Protection

Yunnan Baiyao understands that protecting user privacy is the foundation of establishing trust with customers. The Company strictly adheres to the *Personal Information Protection Law of the People's Republic of China* and other relevant laws and industry standards, and developed the *Explanation on the Protection of Privacy of User Data*. We are committed to respecting and protecting user rights, including access, correction, deletion, sharing, transfer of personal information, and modification of consent, ensuring that user privacy is fully protected.

Emergency Response Steps for Customer Privacy Breach Events



Information Security and Customer Privacy Training



Yunnan Baiyao has built a strong information security defense through systematic training, adopting the "Specialized Training + Flexible Model" approach. The Company organized four specialized training sessions during the year, training 768 employees in total. Each session lasted for 8 hours, ensuring depth and thoroughness. The training aimed to improve awareness of information security and customer privacy, while working closely with the cybersecurity team to integrate security culture through practical case studies, creating a solid "human defense" barrier for the Company's information security.

The Company organized **4** specialized training sessions during the year, training **768** person-times in total.

Healthcare Accessibility

Yunnan Baiyao always regards safeguarding the health of patients as the core mission of the Company. We are dedicated to improving healthcare accessibility and view promoting inclusive healthcare as an important social responsibility. We focus on the health needs of various patients, and through innovative marketing channels and the establishment of a modern warehouse logistics system, we ensure the supply of medical resources in cities, rural areas, and remote regions across China. Meanwhile, we actively explore smart healthcare solutions, providing more convenient and efficient medical services to a wide range of patients.

Strategic Planning for Healthcare Accessibility

Scientific Planning

Based on the healthcare needs of regional endpoints, the Company ensures that medical resources are reasonably distributed among regions, avoiding over-concentration in some areas and shortages in others.

Cooperation and Win-Win

The Company strengthens the close cooperation and efficient linkage between various terminal medical institutions, establishes and improves the cooperation mechanism, and promotes the sharing of resources and the complementarity of strengths.

Efficient Management

The Company is dedicated to establishing chronic disease management centers, cancer prevention and treatment centers, and kidney disease patient management initiatives. By leveraging advanced information systems, we aim to significantly enhance patient health management and support the development of related centers across numerous counties and cities, thereby expanding the reach of medical services and elevating their quality. Also, we are actively promoting the effective implementation of the "Intelligence Platform for Dian Yi Bao County Medical Community Grassroots Management" at the grassroots level, assisting nearly 317 grassroots medical institutions in advancing their information management capabilities.

Supply Optimization

To ensure the safety and efficiency of the drug supply chain, the Company continually improves the drug traceability management system, drug operation management platform, and SPD logistics system, ensuring the timely supply, accuracy, and safety of drugs, which effectively reduces medical risks and promotes the continuous improvement of overall healthcare services.

Pharmaceutical Supply Guarantee

Yunnan Baiyao is always committed to ensuring the supply of medicines, with a particular focus on the stability of key varieties, such as drug shortages, drugs subject to special administration, and emergency medications.



Supply Assurance Initiatives and Performance of Various Medicines

Drug Shortages

We have implemented a dynamic monitoring and timely updating mechanism to ensure that the management of national and provincial shortage drug lists reaches an efficiency rate of 99% and 90%, respectively. In case that immunoglobulin supply is tight, we have established solid partnerships with 15 manufacturers, successfully increasing the 2024 purchase volume by 26.6%.

Drugs Subject to Special Administration

This category includes 35 varieties and 51 specifications, including narcotic drugs, Class 1 psychotropic drugs, and controlled chemicals. We have achieved a near 100% supply rate within 24 hours through an efficient supply guarantee system.

Emergency Medications

Yunnan Baiyao has established a comprehensive inventory management and emergency response mechanism to ensure rapid resource allocation in emergencies. In 2024, the Company successfully completed 16 special demand orders. In the case of peritoneal dialysis liquid supply, we collaborated with manufacturers to offer home delivery services, providing services to nearly 1,800 patients, with a quarterly cumulative delivery of 35,000 items.

Pharmaceutical Distribution

The Company actively responds to customer urgent needs, providing efficient emergency distribution services to medical institutions at all levels across the Yunnan province. In 2024, Yunnan Baiyao successfully completed 2,531 emergency deliveries. To improve the efficiency of emergency deliveries, the Company optimized several aspects:

To ensure sufficient staff are on hand to execute emergency orders on a 7×24-hour basis.

To implement multi-warehouse collaboration, so that when the central warehouse has insufficient inventory or is unable to operate due to anomalies, the sub-warehouses can promptly take over the emergency tasks.

To develop a transfer process to support multimodal transportation, ensuring that orders are fully traceable throughout the delivery process.

To integrate our own fleet, third-party delivery services, and public transportation (such as subways, high-speed trains, and airplanes), and provide sufficient transportation resources for emergency orders. As of the end of the Reporting Period, the Company had completed 102 high-speed train deliveries, a year-on-year increase of 152.1%. Compared with full-truckload emergency direct delivery services, the cost was reduced by 60%, and the timeliness was improved by 40%.

Supply Chain Management

Yunnan Baiyao is committed to building a responsible and sustainable supply chain system. Through a comprehensive supplier lifecycle management system, the Company clearly defines suppliers' responsibilities in environmental protection, labor management, data security, and business ethics, steadily advancing high-quality development in the value chain to achieve a win-win situation for all parties involved.

Supplier Management System

Yunnan Baiyao strictly adheres to relevant laws and regulations, such as the *Product Quality Law of the People's Republic of China*, the *Tendering and Bidding Law of the People's Republic of China*, the *Drug Administration Law*, the *Measures for the Supervision and Administration of Drug Manufacturing*, the *Code of Practice for Quality Management in the Production of Cosmetics*, and the *Measures for Cosmetics Registration and Filing Management*. The Company continues to update various supplier management and procurement-related rules and regulations, such as the *Procurement Management Manual of Yunnan Baiyao Group (Trial)*, the *Procurement and Bidding Implementation Details of Health Products Business Group of Yunnan Baiyao Group (Trial)*, and the *Legal and Compliance Daily Procurement Management Rules (Version 2024)*. The Company has also successfully launched a group procurement platform and supplier management portal systems to fully digitize processes, including supplier access, bidding evaluation, and performance management.

In 2024, Yunnan Baiyao, driven by project management, delved deeply into several key areas such as supplier management, process optimization, carbon emission control, introduction of new technologies and materials, and risk management. The Company introduced the PILOT Leading Model⁵, combined with the actual operational conditions at present, and accurately focused on five core directions: procurement, inventory, operations, logistics, and technology. It formulated and refined management strategies and performance evaluation indicators that match these areas, thereby laying a solid foundation for the efficient operation and sustainable development of supply chain management.

Supplier Management System

Supplier Access and Classification

The Company develops corresponding supplier access requirements according to business needs across six major procurement committees, including production, daily operations, branding, digital, pharmaceutical materials, and engineering. Suppliers are selected based on quality, cost, delivery, and service criteria.

Supplier Assessment and Evaluation

The Company conducts semi-annual and annual supplier evaluations and a comprehensive performance evaluation from dimensions such as quality, cost, service, after-sales, technology, and innovation. Suppliers with poor performance are urged to make rectifications and track the effectiveness until the rectifications are completed.

Meanwhile, an efficient appeal mechanism has been established. If suppliers have any objections to the assessment results, they may submit their concerns through the designated appeal channels. Upon receipt, we will process the appeal promptly and provide feedback.

Supplier Audits

The Company conducts work in accordance with the supplier audit plan. Based on the audit results, it jointly compiles the *Supplier On-site Audit Assessment Report* with the suppliers to analyze the main issues and propose corrective actions. It also urges suppliers to complete the rectifications on time to meet compliance requirements.

As of the end of the Reporting Period, Yunnan Baiyao has completed on-site audits of 30 suppliers in the pharmaceutical category, 17 in the health product category, and 4 in the TCM resources category.



To strengthen management and awareness regarding integrity within supplier partnerships, the Company has added integrity clauses to procurement contracts, requiring all new suppliers to sign contracts with procurement regulations. At the same time, the Company ensures the protection of small and medium-sized enterprise investors' rights, strictly controlling the project payment cycles, and ensuring that there are no overdue payments in business transactions. As of the end of the Reporting Period, 100% of supplier procurement contracts had been signed.

Number of Suppliers for Yunnan Baiyao

Indicators	Unit	2024
Total Suppliers	Quantity	287
Suppliers in Yunnan Province	Quantity	41
Suppliers (in other provinces and regions in Chinese Mainland except Yunnan Province)	Quantity	244
Overseas Suppliers (including Hong Kong, Macau, Taiwan)	Quantity	2
Key Suppliers	Quantity	138

In 2024, Yunnan Baiyao focused on upstream supply chain innovation, upgrading its supplier portal, and developing a new SRM⁶ system. Through visualized interaction, it facilitates information sharing and integrates big data and AI technologies to build price forecasting models. The Company introduced item-specific traceability and connected the production system to advance quality control, significantly enhancing production efficiency, resource utilization, and sustainable development capabilities.

Sustainable Supply Chain

Yunnan Baiyao places great importance on the environmental and social risks associated with its suppliers. During the Reporting Period, the Company drafted the *Supplier ESG Management Manual*, which systematically outlines the background, expected outcomes, objectives, and evaluation methods of the supplier ESG assessment project. Through these evaluations, the Company encourages suppliers to improve their ESG performance, thus enhancing the overall sustainability and competitiveness of Yunnan Baiyao's supply chain. As of the end of the Reporting Period, 80% of the products procured by the Company were certified according to third-party environmental or social standards.

⁵ Refers to Performance, Innovation, Lean, Operational Excellence, Technology Enablement.

⁶ Supplier Relationship Management.

ESG Management System of Suppliers

<h1>E</h1> <p>Environmental</p>	Energy Management <ul style="list-style-type: none"> To develop and implement energy-saving plans to improve energy efficiency. To prioritize the use of renewable energy or clean energy.
	Resource Management <ul style="list-style-type: none"> To promote resource recycling and reuse to reduce waste. To manage water resources rationally to reduce water consumption and pollution.
	Greenhouse Gas Emissions <ul style="list-style-type: none"> To measure and report greenhouse gas emissions. To set emission reduction goals and action plans.
	Environmental Compliance <ul style="list-style-type: none"> To ensure that production and operations comply with environmental regulations and rectify violations in a timely manner.
<h1>S</h1> <p>Social</p>	Labor Rights <ul style="list-style-type: none"> To comply with labor laws and regulations to protect workers' rights, including work hours, wages, benefits, and safety. To prohibit the use of child labor and forced labor.
	Health and Safety <ul style="list-style-type: none"> To provide a safe working environment and establish a sound occupational health and safety management system. To regularly train employees on health and safety.
	Human Rights <ul style="list-style-type: none"> To respect and protect the human rights of employees, and prohibit any form of discrimination and harassment. To support employees' freedom of association and collective bargaining.
	Community Engagement <ul style="list-style-type: none"> To actively participate in the development and public welfare activities of the local community to promote its sustainable development.
	Business Ethics <ul style="list-style-type: none"> To adhere to the code of business ethics, and prohibit any form of corruption, fraud, and unfair competition.
<h1>G</h1> <p>Governance</p>	Corporate Governance Structure <ul style="list-style-type: none"> To establish a sound corporate governance structure, including clear responsibilities of the board of directors and decision-making mechanisms. To conduct regular internal audits and risk assessments.
	Supply Chain Management <ul style="list-style-type: none"> To effectively manage the supply chain, ensuring that suppliers also meet ESG requirements. To establish a supplier evaluation and supervision mechanism.

In 2024, Yunnan Baiyao conducted ESG evaluations for major suppliers with significant procurement amounts in both pharmaceuticals and health products. With the evaluation, we identified and mitigated environmental, social, and governance risks within the supply chain, ensuring supply chain stability. We regularly collect ESG data and reports from suppliers, track and analyze performance, and provide feedback and improvement suggestions to suppliers based on the evaluation results. Outstanding suppliers are recognized and rewarded, while those who continuously fail to meet standards may have their orders reduced or face termination of cooperation. This encourages continuous optimization of the supply chain. In addition, Yunnan Baiyao continuously optimizes the content and methods of training to ensure that the outcomes of the training can effectively be translated into ESG improvement measures in suppliers' actual operations, thus helping create a greener, more equitable, and more sustainable supply chain ecosystem. During the Reporting Period, Yunnan Baiyao did not experience any time or financial losses due to the impact of suppliers.

Annual Supplier Conference of Yunnan Baiyao Group

In January 2024, Yunnan Baiyao held its Annual Supplier Conference, with over 170 supplier partners in attendance. During the conference, Yunnan Baiyao and its suppliers jointly issued a "Commitment on Sunshine and Green Procurement," promising to jointly practice transparent procurement, ensure fair transactions, prioritize environmentally friendly and sustainable products and services, reduce environmental impact, and embrace the concept of sustainable development.



Annual Supplier Conference of Yunnan Baiyao

ESG Training and Exchange to Build a Path to Sustainable Development

From May to October 2024, Yunnan Baiyao successfully organized on-site ESG training and exchange activities for six core suppliers in Kunming, covering 33% of the mainstream suppliers. This activity aimed to deepen suppliers' understanding and practice of ESG concepts, share best practice cases through face-to-face interactions, and discuss how to effectively integrate ESG principles into daily operations, contributing to the overall sustainable development of the supply chain.



ESG Exchange Session with Suppliers

03



Green Development for Deepening Ecological Civilization

Yunnan Baiyao always adheres to the concept of green development, integrating ecological civilization construction into the Company's development strategy. By actively addressing climate change, implementing biodiversity conservation projects, optimizing environmental management systems, and rationally utilizing natural resources, the Company continues to deepen its green development path and contribute to building a sustainable future where humans and nature coexist in harmony.



Addressing Climate Change

Yunnan Baiyao recognizes the profound impact of climate change on the global ecological environment and human health. As such, the Company has made “addressing climate change” a cornerstone of its sustainable development strategy. In alignment with the national “dual-carbon” goals and its unique characteristics, Yunnan Baiyao adheres to relevant international agreements, including the *United Nations Framework Convention on Climate Change* and the *Paris Agreement*. Furthermore, the Company references the framework and suggestions in the *IFRS Sustainable Disclosure Standard No. 2 (IFRS S2) on Climate-related Disclosure*, issued by the International Sustainability Standards Board (ISSB). Starting from four aspects, i.e. governance, strategy, risk management, metrics, and goals, we continuously improve the climate change governance system. We actively engage in the identification of risks and opportunities related to climate change, and strive to meet the challenges posed by climate change. While enhancing the Company’s adaptability to climate change, we also contribute to the fulfilment of global climate goals.

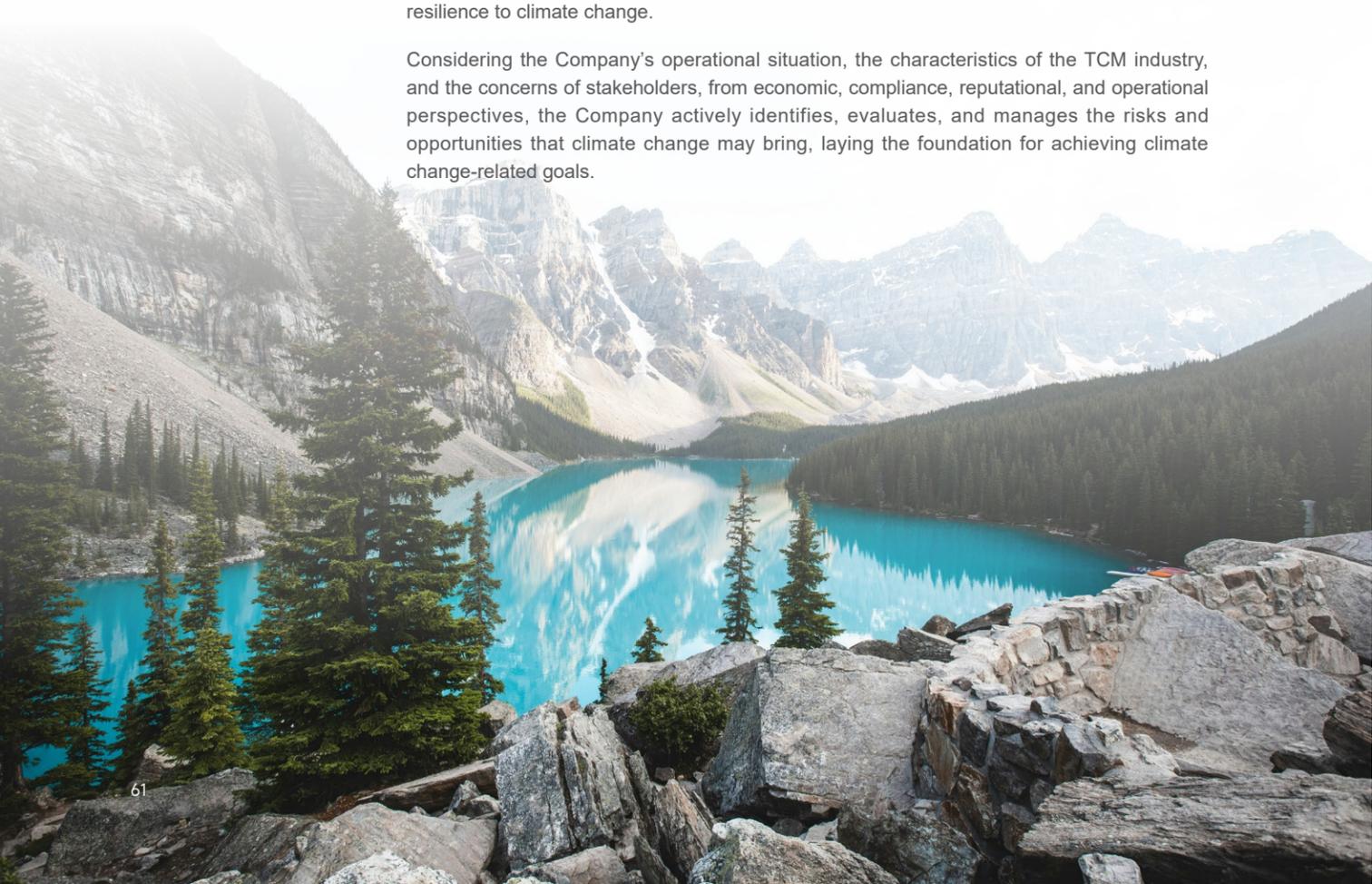
Climate Governance

Yunnan Baiyao attaches great importance to climate change governance, continuously strengthening the management and monitoring of climate change issues, and gradually undertaking tasks such as climate change strategy development, risk management, indicator monitoring, and information disclosure. We also continue to enhance the supervision and support of climate change response efforts, allocate resources reasonably and improve the Company’s climate change governance.

Climate Strategy

Yunnan Baiyao fully understands the impact of climate change on the Company’s business, strategy, and finances. The Company is actively promoting the transition to a green and low-carbon business model, intensifying efforts to reduce carbon emissions, and enhancing resilience to climate change.

Considering the Company’s operational situation, the characteristics of the TCM industry, and the concerns of stakeholders, from economic, compliance, reputational, and operational perspectives, the Company actively identifies, evaluates, and manages the risks and opportunities that climate change may bring, laying the foundation for achieving climate change-related goals.



Climate-related Risks and Countermeasures of Yunnan Baiyao

Risk Type	Risk Description	Countermeasures
Physical risks	 <p>Acute risks</p> <p>Frequent occurrence of extreme weather such as floods, high temperatures and typhoons, which will lead to:</p> <ol style="list-style-type: none"> 1. Power supply and water supply risks, increasing the uncertainty of stable production and operation of Yunnan Baiyao. 2. The supply risk of TCM materials, which may lead to the difficult harvest of raw materials on schedule and the rise of drug prices. 3. Transportation risks, causing delays or disruptions in transportation, which in turn affect the upstream and downstream operations of the Company. 4. Employee health and safety risks, which may pose a threat to the health and safety of operating employees. 	<ul style="list-style-type: none"> ● To pay close attention to weather forecasts and get extreme weather information in time. ● To make a comprehensive consideration of retail and large suppliers in the selection of suppliers, so as to ensure supply stability. ● To enhance the Company’s emergency response capabilities for extreme weather conditions, conduct emergency drills, and improve employee safety awareness.
	 <p>Chronic risks</p> <p>The gradual global warming and rising sea levels, which will cause:</p> <ol style="list-style-type: none"> 1. The change of the growing environment of TCM materials, which may affect the quality and efficacy of TCM materials. 2. Global water quality changes and the emergence of new pollutants, affecting normal production and operations. 3. High temperatures are more frequent in the summer, requiring more energy to regulate the temperature for production and operations, which leads to increased operating costs. 4. The risks of heatwaves, droughts, and fires are on the rise, which may lead to major accidents and disruptions in company operations. 	<ul style="list-style-type: none"> ● To stay tuned for reports on warming trends, take actions to address climate change, and enhance the Company’s resilience to climate change. ● To conduct conservation research on the important medicinal materials involved in the Company’s business, understand their suitable growth conditions, carry out artificial cultivation base experiments, and ensure the quality of TCM materials. ● To implement energy-saving technological transformation projects to improve the efficiency of energy systems.
Transition risks	 <p>Policy and legal risks</p> <p>Chinese and international regulatory authorities are imposing increasingly stringent requirements on the management of the Company’s greenhouse gas emissions, with continuously rising standards for carbon emission control. This poses climate change-related legal risks for the Company.</p> <p>The increasingly tight regulatory requirements for wild animals and plants at home and abroad will lead to restrictions on the use of TCM materials and the normal supply of products.</p>	<ul style="list-style-type: none"> ● To continuously monitor changes in external policies and plan for climate change response actions. ● To promote the Company’s low-carbon transformation and strive to achieve green operations and lean management. ● To carry out the substitution research of medicinal materials to reduce the probability of drugs being affected. ● To plan for reservation and processing of key TCM materials in advance.

Risk Type	Risk Description	Countermeasures
Policy and legal risks	Carbon trading, carbon tax, environmental protection tax and other policies are gradually implemented. The Company will face increasingly higher costs in the carbon market, which requires the Company to continuously increase its efforts in energy conservation and emission reduction.	<ul style="list-style-type: none"> To develop and utilize clean energy sources, such as photovoltaic power generation and other green electricity applications. To prioritize low-energy consumption and new energy equipment when purchasing new equipment. To conduct energy saving renovation of the existing equipment.
	Regulators have higher requirements for the accuracy of environmental data declared by enterprises, increasing the pressure of environmental information statistics and compliance risks of Yunnan Baiyao.	<ul style="list-style-type: none"> To enhance the Company's digital management and strengthen its capabilities in data collection and analysis. To monitor important environmental indicators in the process of production and operation. To make information disclosure in strict accordance with compliance requirements.
Transition risks	As the government pays more attention to low-carbon matters, and requires enterprises to adopt energy-efficient equipment, clean energy, and low-carbon production technologies, Yunnan Baiyao needs to invest more costs in low-carbon production and operation.	<ul style="list-style-type: none"> To continuously promote the transformation to low-carbon and energy-saving technologies. To reduce low-carbon input costs through optimizing business processes and recycling resources. To select more energy efficient raw materials and suppliers.
	The market has presented more preference for low-carbon and energy-saving companies and products, increasing the pressure on Yunnan Baiyao's low-carbon production and operation.	<ul style="list-style-type: none"> To study and judge the market trend, timely adjust the business deployment. To carry out lightweight transformation of packaging materials to show the Company's green awareness to consumers.
Reputational risks	Stakeholders are paying closer attention to how companies respond to climate change. If Yunnan Baiyao fails to address such concerns in a timely and effective manner, it may lead to a decline in the Company's reputation and impact its value.	<ul style="list-style-type: none"> To enhance communication with stakeholders to fully understand their opinions and suggestions on the Company's climate change-related work. To disclose the Company's progress actively and transparently in addressing climate change, such as green packaging, sustainable procurement, and circular economy.

While actively identifying and addressing climate change-related risks, Yunnan Baiyao also pays attention to the development opportunities that climate change may bring. The Company strives to seize these opportunities to blaze new trails for its sustainable development.

Climate-related Opportunities for Yunnan Baiyao

Opportunity Type	Opportunity Description
Energy Supply	Opportunities to improve energy efficiency With the continuous introduction of low-carbon technologies, Yunnan Baiyao can use emerging energy-saving processes to improve the efficiency of resource and energy use in its production and operations, effectively reducing operational costs.
	Opportunities in Clean Energy Utilization China is advancing the construction of a new energy system and has formulated incentive policies and measures to support enterprises in strengthening the use of clean energy. Yunnan Baiyao can respond to the national energy strategy by actively deploying the use of clean energy, thereby reducing the costs associated with the Company's low-carbon transformation.
Products and Services	Opportunities in industry development The growing concern and preference for green products and eco-friendly factories by both the government and consumers present an opportunity for Yunnan Baiyao to enhance its market competitiveness by promoting its commitment to sustainability.

“Biomass Gasification Gas and Natural Gas” Dual-Energy Centralized Intelligent Heating Project at Qidian Raw Material Center

In 2024, the Qidian Raw Material Center constructed two 25-ton biomass gasification heating systems. The newly established centralized intelligent heating platform allows the coupling of biomass gasification gas and natural gas to supply heat. After the completion of the project, it is expected to save energy costs by RMB 8 to 10 million per year. It will efficiently utilize about 53,400 tons of agricultural and forestry residues annually, reduce the use of standard coal by 26,700 tons, cut carbon dioxide emissions by 69,000 tons, sulfur dioxide emissions by 226 tons, and nitrogen oxides emissions by 197 tons, significantly reducing the total greenhouse gas emissions from the Raw Material Center.



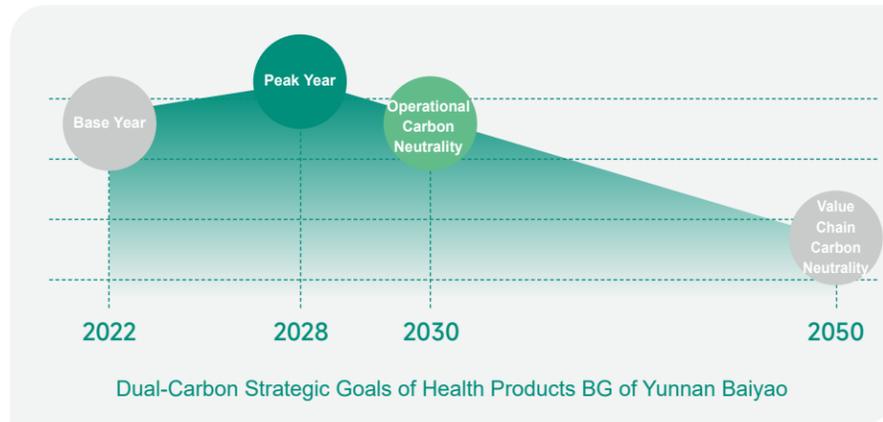
Biomass Gasification Gas Heating System at Qidian Raw Material Center

Climate Risk Management

Yunnan Baiyao places great importance on the risks posed by climate change, particularly the potential impact on the TCM supply chain. The Company identifies, assesses, and manages climate risks. The Company implements climate risk management requirements in its daily operations, continuously monitors climate risks that may be faced in the planting, harvesting, and storage of TCM materials, formulates preventive strategies and response measures, and urges all functional departments and subsidiaries to implement the relevant work. Moving forward, we will continue to improve our climate risk management system, build a management framework, and enhance the collection and analysis of greenhouse gas emissions data. Based on these analyses, we will adjust our climate risk management strategies and work mechanisms to ensure the sustainability of key operational areas, including the supply of TCM materials and pharmaceutical production.

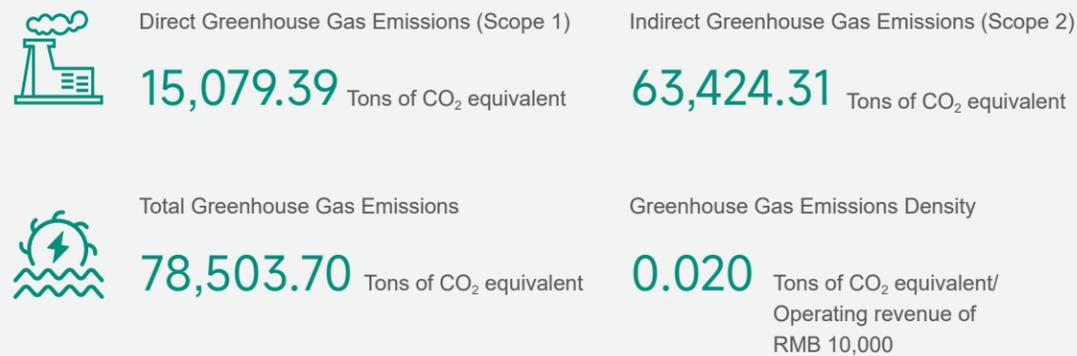
Climate Indicators and Goals

To effectively supervise and continuously strengthen the governance of climate change and enhance emission reduction efforts, the Company has launched a pilot project for carbon management target planning and system construction within the Health Products Business Group, as part of the overall Yunnan Baiyao Carbon Management Target Planning and System Construction. Based on its current carbon emission status and future development plans, the Health Products Business Group has set the dual-carbon strategic goals⁷ of “achieving carbon peak by 2028; operational carbon neutrality and a 100% renewable energy usage ratio by 2030; and value chain carbon neutrality by 2050.” The BG has established clear indicators for responding to climate change and tracks key indicators annually to review and assess the Company’s progress in achieving its “dual-carbon” goals.



At the same time, the Company has been carrying out multiple carbon reduction measures, including energy conservation, emissions management, and the use of low-carbon raw materials. The Company continues to increase its investments in these areas, identifies further carbon reduction potential, and contributes to achieving the national “dual-carbon” goals. Yunnan Baiyao will further strengthen its climate indicators and goal management, collaborate with upstream and downstream partners in the value chain to explore low-carbon emission reduction pathways, and jointly achieve a green, low-carbon transformation.

2024 Greenhouse Gas Emissions of Yunnan Baiyao



⁷ Basis for Selecting the Base Year and Target Year for Carbon Emission Reduction Goals: The year 2022 is defined as the base year for carbon target setting, as it is the first year in which the Health Products Business Group has complete and accurate carbon emission accounting data. In conjunction with the national dual-carbon goals timeline and decarbonization pathway planning, the short-term target year is set for 2030, and the long-term target year is set for 2050.

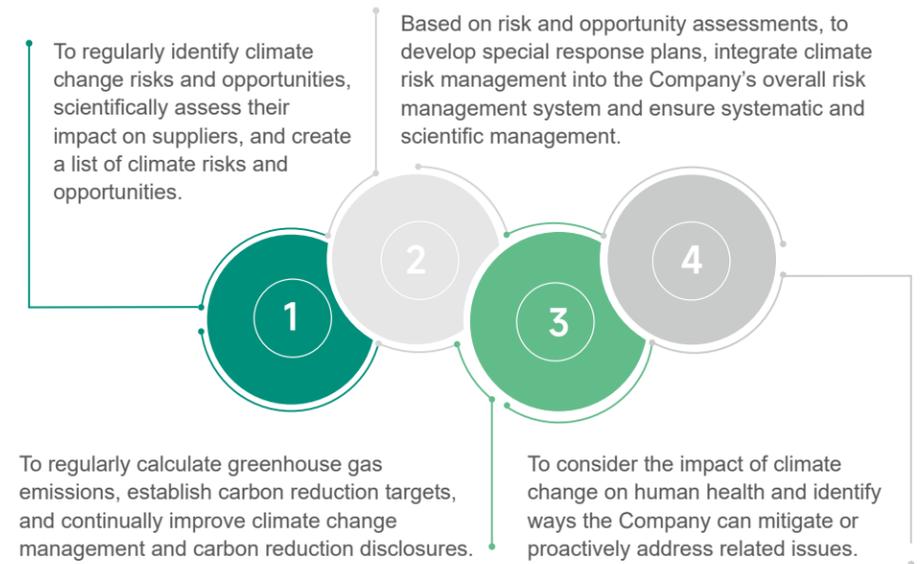
Low-Carbon Empowerment for a Green Journey

Climate Commitment

In 2024, Yunnan Baiyao actively explored climate change response pathways, with the Health Products Business Group serving as a pilot to develop carbon management targets, systems, and platforms. The Company’s climate change response commitments, carbon management systems, and carbon reduction actions are being enhanced to improve the Company’s overall climate change governance and create a comprehensive low-carbon and sustainable development strategy.

The Health Products Business Group developed the following climate change commitments, providing a clear framework for implementing the Company’s dual-carbon strategy:

Commitment Related to Climate Change:



Management System

To achieve climate commitments and improve carbon management, the Health Products Business Group implements the PDCA (Plan-Do-Check-Act) management concept. The BG has developed the *Carbon Management Manual of Yunnan Baiyao Health Products Business Group*, which clearly defines the carbon management organizational structure and responsibility distribution, standardizes carbon emission data management processes, continuously improves carbon management performance and climate performance, and support the Health Products Business Group in continuously achieving the goal of carbon emission reduction.

Carbon Management Organizational Structure



Carbon Management Responsibility Distribution

Carbon Management Steering Group

- Responsible for discussing the overall strategy and development goals of carbon management, and conveying the Company's carbon management goals and strategic requirements for development.
- Responsible for guiding and making decisions on carbon management, and establishing collaborative communication mechanisms and rules of procedure for working groups.

Carbon Management Execution Group

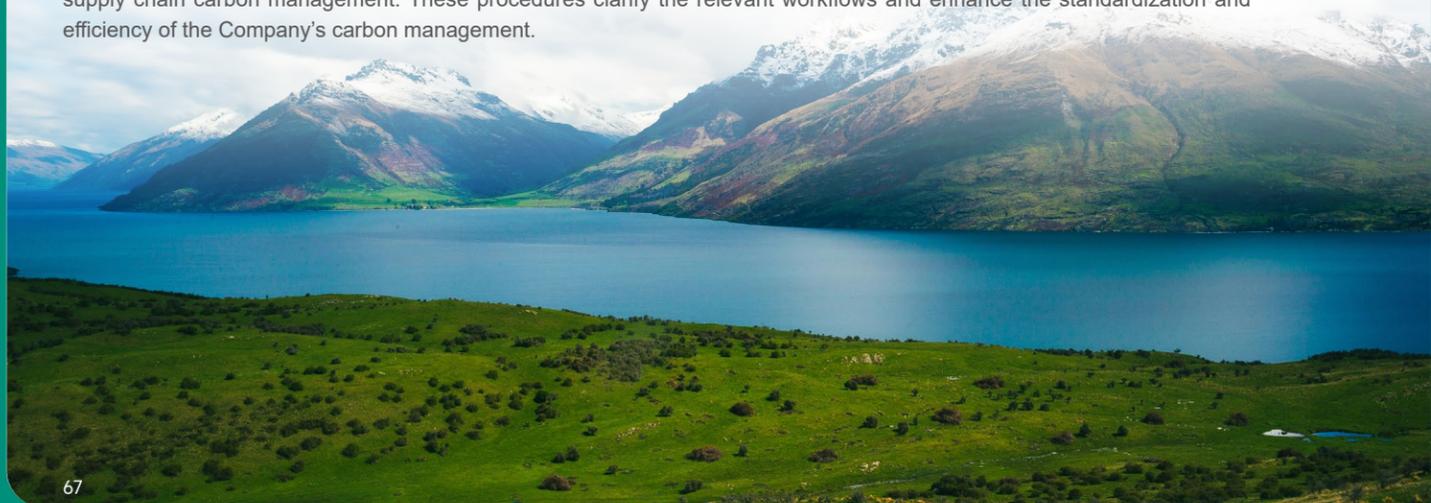
- Responsible for establishing and improving the carbon management system, and formulating and issuing relevant procedures and implementation details for carbon management.
- Responsible for developing the overall plan, goals, and indicators for carbon management, setting emission reduction goals and assessment mechanisms, and supervising and auditing the implementation of carbon reduction goals by various business departments.
- Responsible for coordinating the collection, statistics, and accounting of carbon management-related data, and supporting the aggregation and organization of carbon emission information in the Company's ESG report.

Functional Departments and Business Centers

- Responsible for implementing carbon management requirements in all business processes, including assessing carbon emission policies, collecting and analyzing carbon emission data, advancing energy-saving and technological renovation projects, strengthening the management of waste (solid waste, wastewater, and waste gas), and developing low-carbon products.

The Health Products Business Group is continuously upgrading its personalized carbon management system to achieve end-to-end carbon management across the entire value chain. The system is comprehensive and standardized, including seven core modules: organizational carbon management, product carbon management, supply chain carbon management, carbon reduction management, factor library management, dual-carbon knowledge repository, and dashboard monitoring. Thus, the Company conducts refined management and scientific analysis of relevant data and information. Among them, the organizational carbon and product carbon management modules comply with international standards such as the GHG Protocol, ISO 16064, and ISO 14067, and have passed the conformity assessment by Intertek.

Apart from that, we have formulated control procedures for the four key aspects of carbon management: organizational carbon accounting, product carbon footprint accounting, carbon target setting and emission reduction management, and supply chain carbon management. These procedures clarify the relevant workflows and enhance the standardization and efficiency of the Company's carbon management.

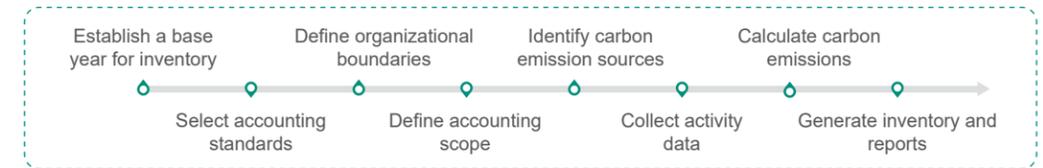


Key Processes for Carbon Management



Organizational Carbon Accounting

Process



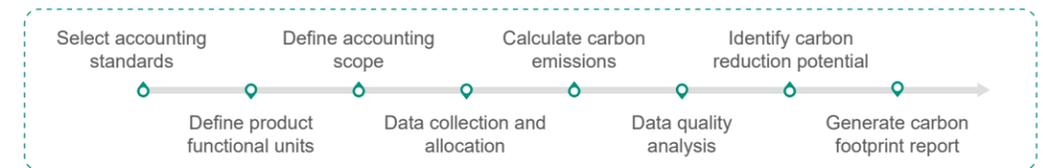
Significance

- To understand the impact of our own operations on climate change.
- To provide data support for identifying significant emission sources and setting carbon reduction targets.



Product Carbon Footprint Accounting

Process



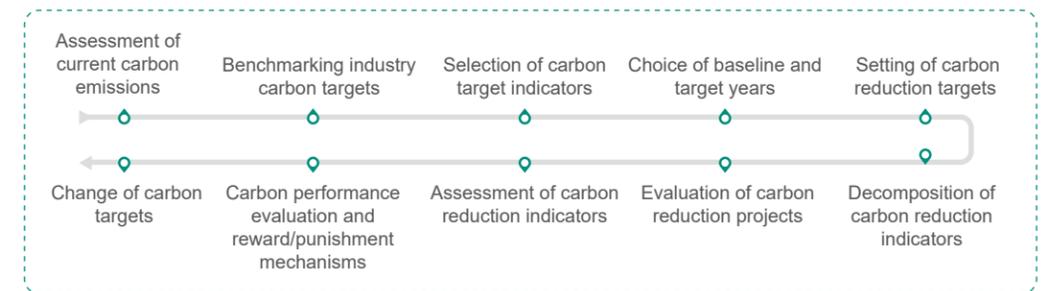
Significance

- To understand the carbon emissions of different product lines.
- To provide data references for low-carbon design and low-carbon procurement of products.



Carbon Target Setting and Reduction Management

Process

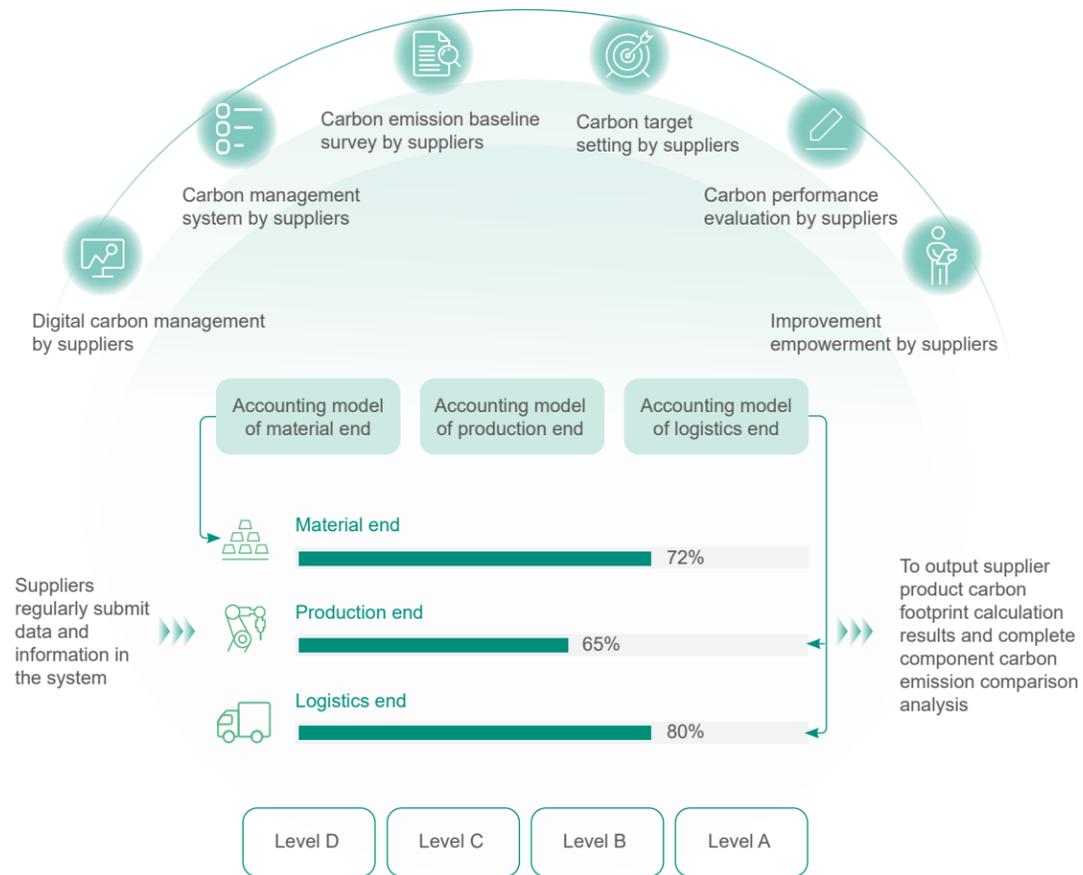


Significance

- To refine the Company's carbon emission reduction strategy, clarify the pathways for emission reduction, and effectively promote the low-carbon transition.

Supply Chain Carbon Management

Process



Significance

- To enhance the carbon management capabilities of suppliers to support the low-carbon transition and sustainable development of the value chain.



Actions

The Health Products Business Group actively implements carbon reduction measures in four key areas: product low-carbon design, raw material low-carbon procurement, green manufacturing, and low-carbon logistics.

Low-Carbon Product Design

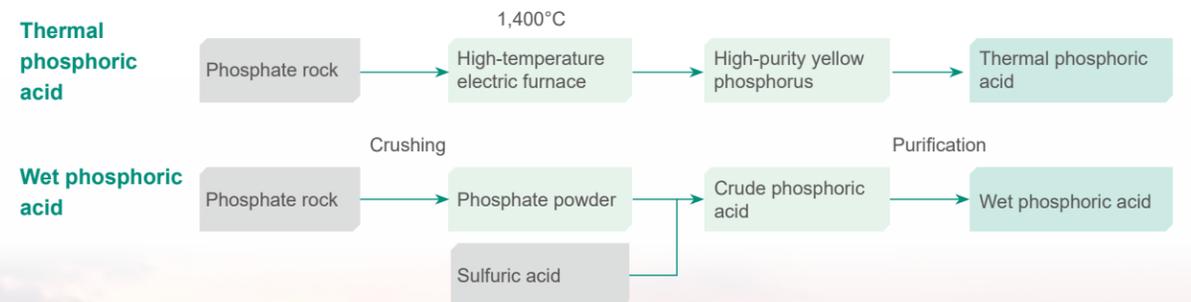
Main actions

- To continuously promote product lightweighting
- To select low-carbon and environmentally friendly raw materials
- To reduce the residual rate of products during their lifecycle
- To introduce product carbon footprint assessment in new product development

Low-Carbon Toothpaste Ingredient

Yunnan Baiyao conducted a low-cost technology R&D project to transform the production process of anhydrous calcium hydrogen phosphate, a key ingredient in toothpaste. By switching from a thermal phosphoric acid method to a wet phosphoric acid method, the Company reduced energy consumption and carbon emissions during the production process. It is estimated that this transformation will save 1.064 tons of CO₂ equivalent per ton of calcium hydrogen phosphate produced.

Comparison of Two Production Processes



Low-Carbon Sourcing of Raw Materials



Main actions

- To conduct a survey on carbon emissions in the supply chain
- To encourage suppliers to increase the proportion of renewable energy use
- To promote the use of low-carbon and environmentally friendly raw materials among suppliers
- To introduce carbon performance assessment for suppliers

Conducting Supplier Carbon Performance Evaluation

Based on indicators such as the carbon targets set by suppliers, the results of carbon accounting, carbon reduction measures, and the proportion of clean energy applications, the Company evaluates the current state of suppliers' carbon management capabilities and completes the scoring of carbon performance evaluations. The focus is on comparing the carbon performance evaluation results of different suppliers within the same procurement category, identifying supplier partners with outstanding performance in low-carbon and sustainable management, and supporting low-carbon procurement decisions for key projects.

Green Production and Manufacturing

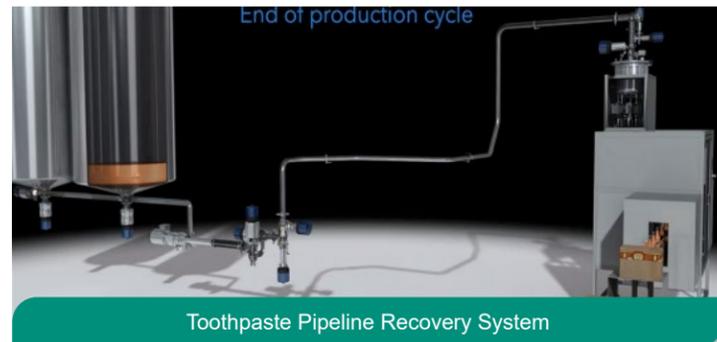


Main actions

- Utilization of renewable energy
- Continuous advancement of energy-saving and technological renovation projects
- Waste minimization
- Establishment of environmental and energy management systems
- Low-carbon commuting and business travel for employees

Toothpaste Pipeline Recovery

By employing toothpaste recovery technology within pipelines, the Company uses a Pigging System to recover toothpaste from the finished product pipelines, which saves 122.4 tons of toothpaste annually and avoids the wastewater treatment issues associated with cleaning the toothpaste pipelines, thereby significantly reducing the difficulty of wastewater treatment.



Toothpaste Pipeline Recovery System

Low-Carbon Logistics and Transportation



Main actions

- To shift from road to rail transport and optimize logistics transportation links
- To increase the proportion of new energy transport vehicles
- To use recyclable packaging and transportation equipment

Recycling of Transit Cardboard Boxes

For the cardboard boxes used in our operations, we have implemented a system where semi-finished cardboard boxes are produced in coordination with downstream contract manufacturing facilities, enabling the recycling of transit boxes within the production process. In collaboration with upstream suppliers based on the cardboard boxes we purchase, we have achieved a recycling loop for packaging material boxes with suppliers. In 2024, our cardboard box procurement volume decreased by 75%, reducing the consumption of 1.2 million cardboard boxes.



Recycling of Transit Cardboard Boxes



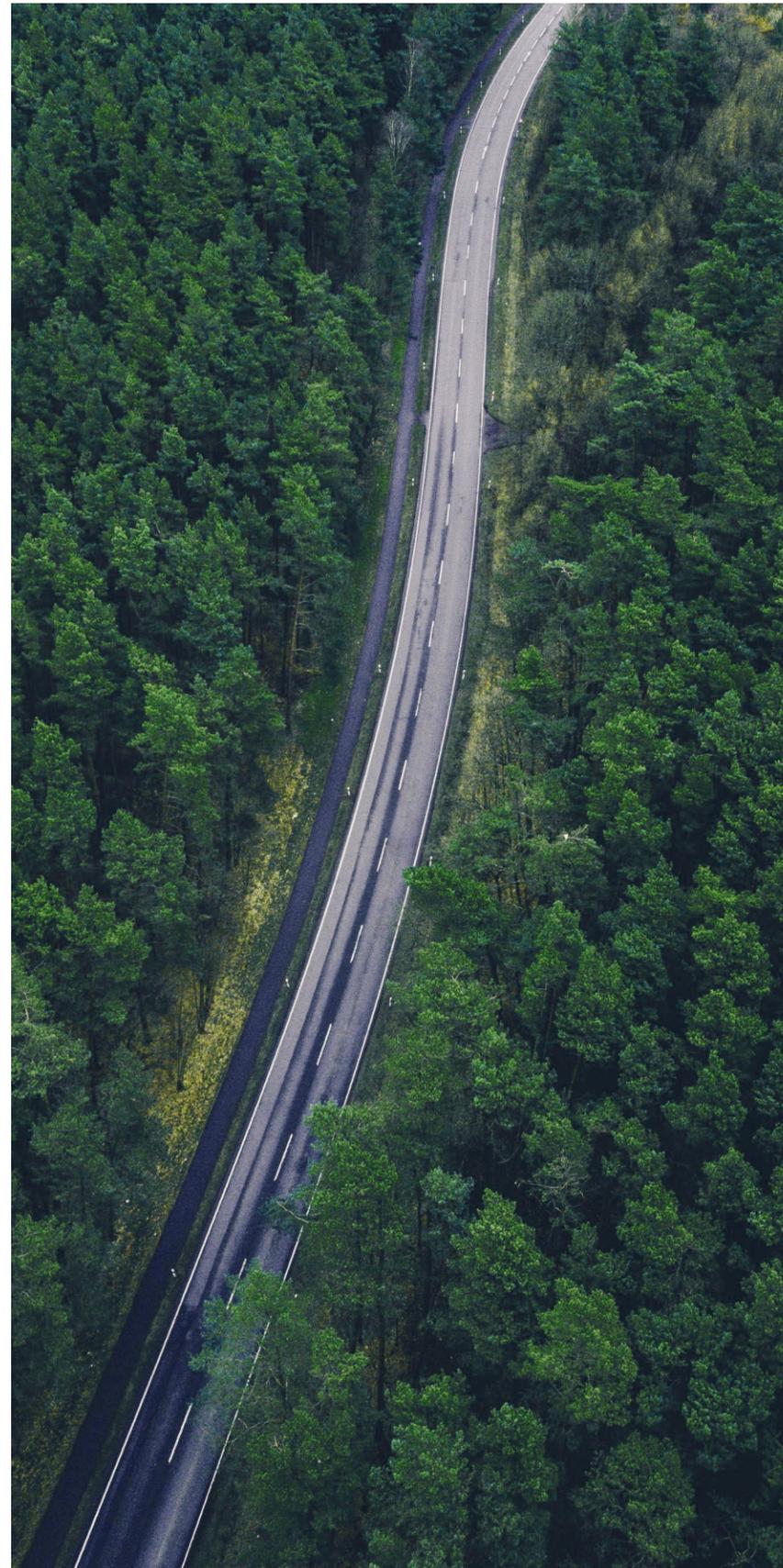
Biodiversity Protection

Yunnan Baiyao, as a successor of TCM, regards TCM materials as valuable resources, placing high importance on the protection of TCM materials and other biological resources. By leveraging the Company's platform advantage in plant research and conservation, Yunnan Baiyao has initiated multiple biodiversity protection efforts, striving to achieve harmonious development between the Company's production operations and the natural environment.

The Company strictly adheres to laws and regulations such as the *Wildlife Protection Law of the People's Republic of China*, the *Regulations of the People's Republic of China on Wild Plants Protection*, the *Regulations for the Implementation of the Drug Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Registration of the People's Republic of China*, and the *Law of the People's Republic of China on TCM*. During its business activities, including the layout of medicinal materials, drug processing, and production, the Company always follows the principles of authenticity and regional distribution characteristics of medicinal materials, continuously strengthening the protection and management of authentic medicinal resources. We implement ecological and economic cyclic cultivation and harvesting methods for medicinal materials, minimizing the negative impact caused by the Company's operations on the local ecosystem. At the same time, we actively take measures to protect endangered and rare medicinal materials, contributing to the protection of biodiversity at the sites where we operate while improving the quality and supply capacity of medicinal materials.

Building a Treasury of TCM Materials

We place great importance on the protection and development of TCM material resources. Yunnan is known for its high-quality medicinal varieties, such as *Dolomiaea costus*, *Angelica sinensis*, *Panax notoginseng*, and *Yunnan Paris polyphylla*, which have been prioritized as key varieties for the development of Yunnan medicine. We are actively engaged in protecting TCM resources and reducing the risk of species endangerment. Leveraging the Company's extensive experience and resources in the TCM industry, we are committed to conducting research, collection, and protection of TCM materials. In 2024, the Company carried out field research on wild resources such as *Fritillaria cirrhosa*, *Rodgersia sambucifolia Hemsley*, and *Onosma paniculatum*. Moreover, we continued research on the cultivation, processing, output, and testing of major species like *Licorice*, *Astragalus*, *Pinellia ternata*, *Scutellaria baicalensis*, *Saposhnikovia divaricata*, and *Yam* in cultivated varieties. The Company has long been dedicated to the introduction, domestication, and cultivation technology research, as well as the breeding of superior strains and planting promotion of authentic TCM materials in Yunnan. We conduct in-depth research on resource-specific varieties in the field, overcoming technical bottlenecks and solving technical challenges to improve per-mu yield, thus ensuring the smooth development of the industry. Over the years, the Company has carried out research on the domestication and cultivation of rare resources and the construction of cultivation bases. We have successfully achieved artificial cultivation and domestication as well as large-scale production of varieties such as Yunnan *Paris polyphylla* and *Onosma paniculatum*. Additionally, we have established several local medicinal plant species resource nurseries to reduce the risk of species endangerment and ensure the sustainable development and utilization of wild resources.



Germplasm Resource Nursery for Paris Polyphylla

Initiated by Tai'an Company at the planting end of TCM materials, the resource nursery covers most of the *Paris polyphylla* species distributed in China, and has planned a comprehensive seed preservation mechanism integrating live species, gene preservation and propagation, which provides a good platform for resource preservation, scientific research, popularization of science and industrial development of *Paris polyphylla*.

In 2024, based on years of accumulated seed preservation, the Company precisely selected and bred three specialized superior *Paris polyphylla* strains. Seed orchards, seedling breeding bases, and demonstration planting bases were established for each, achieving a correspondence between field planting and the production of specialized products, making a significant contribution to maintaining the genetic advantages of *Paris polyphylla*. The successful breeding of superior *Paris polyphylla* strains represents a major advancement in the research of *Paris polyphylla* breeding and has effectively driven the development of the *Paris polyphylla* industry. As of the end of the Reporting Period, the resource nursery had collected 23 species, including 54 variants or populations of *Paris polyphylla* plants, making it the largest and most diverse live germplasm resource nursery for *Paris polyphylla* in the world.



Germplasm Resource Nursery for *Paris polyphylla*

Northwest Yunnan TCM Resource Nursery for Yunnan Provincial Medicinal Plants

The Company, referencing the national medicine monograph *Yulong Materia Medica*, established a provincial-level medicinal plant germplasm resource nursery in Tai'an Township, Lijiang, covering an area of 180 mu. The nursery includes a field display area for medicinal plants, a cold-resistant variety planting area, and a greenhouse area. It had collected over 150 medicinal plant species and showcased the cultivation of more than 20 specialty medicinal materials, laying a solid material foundation for the inheritance of ethnic medicinal culture and the protection of species resources.



Northwest Yunnan Resource Nursery for Yunnan Provincial Medicinal Plants

Upholding the Breeding of Superior TCM Varieties to Create Shared Ecological Circle

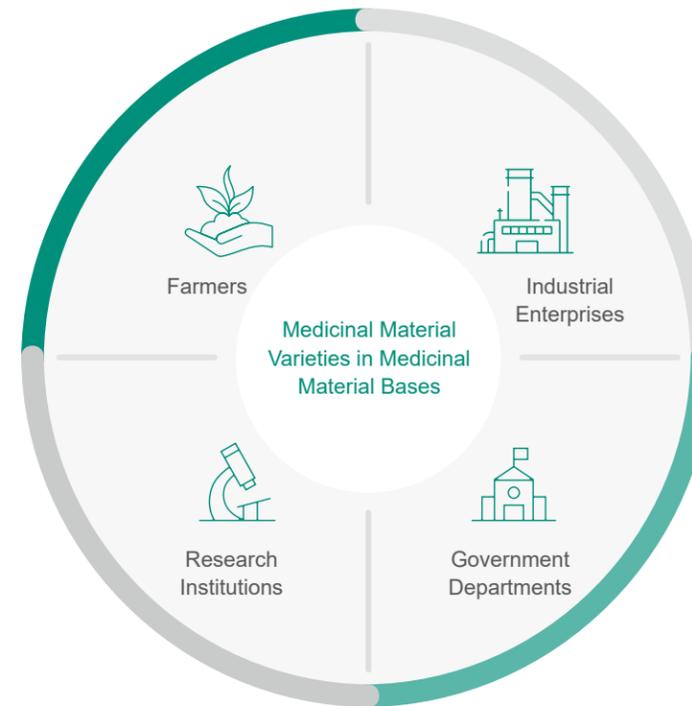
Yunnan Baiyao has been dedicated to the research of Yunnan's authentic medicinal materials for over 20 years, consistently conducting foundational research on the breeding of new medicinal material varieties to effectively address the challenges in the development of medicinal materials. The Company continues to accelerate the breeding process of superior medicinal materials, focusing on solving issues such as severe degradation of varieties, poor uniformity, and a lack of superior strains. As of the end of the Reporting Period, the Company had filed for 12 new TCM varieties and 3 superior asexual strains, promoting the planting of over 150,000 mu of authentic Yunnan TCM materials.



Superior Variety Certificate for *Dolomiaea costus*

Yunnan Baiyao has built a digital platform "Digital Cloud Medicine" for the TCM material industry, based on its 1+1+N strategy (i.e., one industry internet trading platform + one product, one production area layout + multiple replication of production area projects). The platform will provide services to planting partners, including tender procurement, contract farming cooperation, shared processing, shared warehousing, land leasing, testing, logistics, finance, and insurance. On one hand, farmers can achieve a "worry-free sales, better prices, and sustainable" profit cycle, ensuring the benefits and stable development of the entire planting cycle. On the other hand, the platform will provide consumers with high-quality products and services, forming a traceable industrial chain that drives the collaborative development of the entire upstream and downstream supply chain. This will help create a mutually beneficial and shared ecological circle centered on medicinal material bases and varieties, with the participation of farmers, businesses, governments, and research institutions. We focus on base construction as the starting point, technical support as the entry point, long-term mutual benefit development as the principle, and continuous resource security as the goal. We aim to cultivate superior varieties, strengthen the construction of local medicinal material bases, establish technical standards, and improve quality standards, while implementing the strategic guidelines of "storing medicines in the warehouse, in the land, and through technology." We are also working to share and co-build bases outside Yunnan province, promoting the domestication of wild resources, such as *Atractylodes lancea* and *Saposhnikovia*, to prevent local residents from overharvesting wild resources and causing environmental damage, thus effectively protecting the ecological environment of multiple areas.

Shared Ecological Circle of TCM Resources



Maintaining Ecological Sustainability of the TCM Material Industry Chain to Create Shared Ecological Circle

Yunnan Baiyao is leading, guiding and driving the construction of larger-scale GAP bases with more varieties across the Yunnan province, and incorporating key varieties such as *Panax notoginseng*, *Paris polyphylla*, *Poria*, and *Dolomiaea costus* into a high-standard planting ecosystem. We further promote the high-quality development of Yunnan's TCM material industry, establish planting standards and specifications, vigorously build the top ten standardized Yunnan medicinal planting demonstration bases, and create a rational layout for authentic production areas. The promotion of GAP standards has facilitated the coordinated development across the industry chain and the refined management from cultivation to processing and sales, providing a more efficient and healthy ecosystem for the entire industry chain.

In terms of seedling cultivation, we start from the cultivation of raw medicinal materials' seeds and strictly control every link of the entire industry chain, with the aim of building a high-quality management system that is traceable throughout the entire process. With regional planning of TCM materials and optimization of planting techniques, as well as high-standard GAP cultivation, we ensure the high quality of these materials and enhance the production efficiency of each base. In the field of production and processing, we actively build the Lijiang Digital TCM Industry Platform to meet the needs of different stages, including the supply of raw medicinal materials, production and processing, packaging and storage, and digital traceability. This enables diversified customization and provides customers with high-quality TCM products.

Ecological Environment Management of the TCM Material Industry Chain



Breeding

- To study seed sources and soilless cultivation with genetic engineering, enhance disease resistance and growth rates of TCM materials, select suitable environmental conditions and breeding techniques, effectively cultivate high-quality TCM materials, and significantly reduce reliance on wild resources to achieve ecological protection.



Base Site Selection

- To establish strict ecological environment standards, and conduct regular monitoring over the quality of air, soil, irrigation water, and processing water to ensure compliance with national environmental quality standards, providing a healthy ecological environment for the growth of TCM materials.



Planting

- To reasonably plan planting areas, promote high-standard planting techniques for TCM materials, increase yield, efficiently utilize and protect natural resources.
- To ban the use of highly toxic pesticides, nitrate nitrogen fertilizers, and unregistered fertilizers, promote green plant protection techniques, combine agricultural, biological, and physical control methods to effectively reduce the use of chemical fertilizers and pesticides, minimizing the damage to soil and ecosystems.
- When chemical control is necessary, use the minimum effective dosage and select highly efficient, low-toxicity, and low-residue pesticides to minimize environmental impact.
- To implement crop rotation and deep plowing to optimize soil structure, reduce the occurrence of pests and diseases, promote natural balance between crops, restore soil nutrients and biodiversity, and protect the stability of farmland ecosystems.



Production

- To use domesticated varieties instead of wild ones as raw materials for medicinal production and strictly implement biodiversity protection for wild and protected species.



Processing

- To promote fresh processing techniques to reduce resource waste and environmental pollution caused by repeated drying and reprocessing of medicinal materials.

Environmental Management

Environmental Management System

Yunnan Baiyao adheres to the concept of green development, continuously optimizing its environmental management mechanisms. By establishing a comprehensive environmental management system and implementing environmental protection measures, the Company effectively strengthens the prevention and control of pollution from exhaust gas, wastewater, and solid waste, as well as their emission management, and continuously enhances the Company's ability to manage and mitigate environmental risks, striving to achieve a harmonious unity of economic and environmental benefits. In doing so, Yunnan Baiyao sets an example for the sustainable development of the TCM industry.

Yunnan Baiyao pays close attention to the relevant policies and strategic developments of national environmental protection. It strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, and the *Noise Pollution Prevention Law of the People's Republic of China* to ensure that its business operations are in line with environmental management requirements. Within the Company, a series of management systems have been established, including the *Environmental Protection Management System*, the *Environmental Risk Grading Method*, and the *Environmental Risk Hidden Trouble Inspection, Investigation, and Management Method*. These systems strengthen the implementation of environmental protection responsibilities, clarify the duties of environmental work, define the scope and boundaries of environmental responsibilities, enhance emergency management of environmental risks and management of environmental protection facilities, and strengthen the management of pollutant emissions. Environmental protection responsibilities are assigned to each business unit, with environmental target responsibility agreements signed, requiring all production units to implement environmental protection in accordance with the law. The Company has also developed an *Emergency Response Plan for Environmental Incidents*, which has been filed with the local environmental protection department to assess and prevent significant environmental impacts.

In 2024, Yunnan Baiyao's Pharmaceutical Business Groups and Health Products Business Group actively responded to the Company's requirement to further enhance environmental protection management, established environmental management systems tailored to the characteristics of their respective businesses and strengthened the improvement of the Company's overall environmental management system.

Environmental Management System of Yunnan Baiyao



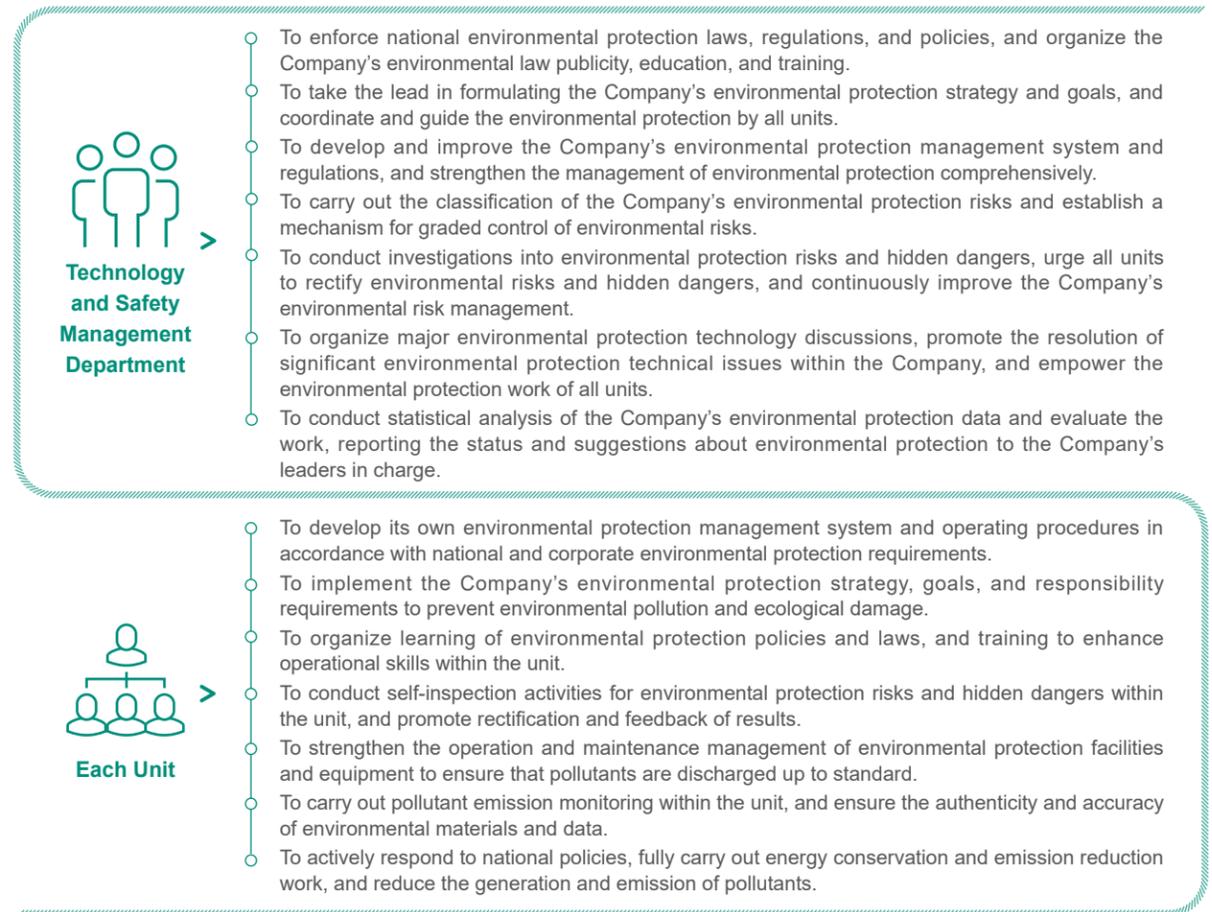
- Considered and approved the *Environmental Management Measures for the Pharmaceutical Business Group (Trial)*, which clearly defines the organizational structure and responsibilities for environmental protection, as well as the tasks and requirements. The management content includes prevention of new pollution sources, management of pollution sources, environmental approval management, emergency management, publicity, education and training, and day-to-day management.
- Developed the other secondary management systems such as the *Management Details for Environmental Online Monitoring Equipment of the Pharmaceutical Business Group* and the *Management Details for Emergency Response Plan for Environmental Incidents of the Pharmaceutical Business Group* to enhance environmental risk control and urge all responsible entities to fulfill their duties.



- Developed the *Clean Production Regulations* to strengthen the clean production.

In 2024, to enhance the systematic and professional nature of environmental management, the Company established an environmental management structure with well-defined rights and responsibilities. The Technology and Safety Management Department was designated as the department in charge of the Company's environmental protection affairs. Moreover, all units were required to set up a dedicated environmental management department as needed, to appoint full-time or part-time environmental personnel, and to coordinate and promote the environmental protection within their respective units.

Environment Management Structure



Emergency Response Drill and Training for Environmental Incidents at Yuhua Preparation Center

On November 28, 2024, to enhance employees' emergency response capabilities when facing sudden incidents during operations, the Yuhua Preparation Center organized training and emergency drills focused on the emergency handling of sewage pipeline blockages at the wastewater treatment station. The activities included learning about emergency rescue knowledge for sewage pipeline blockages, identifying the causes of such incidents, and effectively strengthening employees' professional knowledge and skills in dealing with environmental incidents.



Emergency Response Drill and Training for Environmental Incidents at Yuhua Preparation Center

Yunnan Baiyao's 2024 Environmental Protection Work Conference and Environmental Protection Promotion Meeting

On October 31, 2024, Yunnan Baiyao held its 2024 Environmental Protection Work Conference and Environmental Protection Promotion Meeting. Over 40 participants attended the meeting, including the heads of units involved in pollutant emissions and environmental management personnel. At the meeting, the current environmental protection situation had been analyzed, the Company's environmental status reported, and all units were required to strengthen the management of environmental baseline data, promote the investigation of risks and hidden dangers, and address environmental issues through technological innovation. Furthermore, the meeting promoted the Company's environmental management system, clarified the environmental responsibilities of each unit, and deployed the environmental work for 2025. It proposed to achieve the goals of lawful and compliant environmental operations and pollutant emissions up to standard through measures such as consolidating the foundation, implementing responsibilities, rectifying hidden dangers, and upgrading technology.



Meeting Site

As of the end of the Reporting Period, Yunnan Baiyao has not experienced any significant incidents of litigation or corresponding penalties due to violations of environmental regulations. There have been no instances where pollutant emissions have adversely affected the local community residents. The Company and its nine subsidiaries that are subject to environmental protection administrative licensing have all obtained the necessary discharge permits in accordance with regulations. In compliance with the requirements of their discharge permits, they have engaged third-party testing units with CMA certification to regularly monitor wastewater, exhaust gas, and noise levels, ensuring that all indicators are within the required limits. Besides, after inviting a qualified third-party assessment unit for evaluation, Yunnan Pharma has passed the certification audit of the ISO 14001 Environmental Management System.



Environmental Management System Certification of Yunnan Pharma

Achievement of Environmental Goals by Yunnan Baiyao in 2024

Environmental goals	Achievement in 2024
100% compliance with pollutant discharge standards	✓ Achieved
0 occurrence of environmental pollution incident	✓ Achieved

Exhaust Gas Management

The Company achieved a

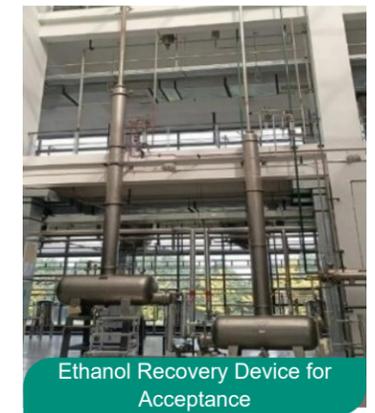
100%

compliance rate for exhaust gas emissions

The exhaust gas of Yunnan Baiyao mainly consists of sulfur dioxide, nitrogen oxide and particulate matter produced in the production process. The Company strictly complies with national laws, regulations, and standards such as the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Comprehensive Emission Standard for Air Pollutants*, the *Emission Control Standard for Volatile Organic Compounds from Industrial Enterprises*, and the *Emission Standard for Air Pollutants from the Pharmaceutical Industry*. Each business unit is required to fully equip the corresponding environmental protection facilities for all exhaust gas emission links, set monitoring indicators, and regularly inspect the tail gas emission outlets. End-of-pipe treatment facilities are installed at locations with larger emission volumes, and professional third-party companies are engaged to conduct regular inspections. This ensures the stable and compliant emission of all types of exhaust gases and eliminates fugitive emissions. To reduce the volume of exhaust gas emissions, the Company continuously optimizes production processes and uses clean fuels, effectively reducing the environmental impact of exhaust gas emissions. In 2024, the Company achieved a 100% compliance rate for exhaust gas emissions.

Introduction of Ethanol Condensation and Recovery Device at Yuhua Preparation Center

In 2024, Yuhua Preparation Center of Yunnan Baiyao made significant progress in the introduction of environmental protection technologies by completing the acceptance of an ethanol condensation and recovery device. This device is used for the distillation of ethanol waste liquid, such as residual liquid and substandard products generated in the production line, in the recovery tower. The recovered ethanol concentration can reach 85%-90%, which can be reused for disinfection of equipment, floors, and pipelines in the production workshop. After calculation, this device has reduced the emission of volatile organic compounds by more than 20 tons during the "14th Five-Year Plan" period, greatly promoting the Company's exhaust gas reduction.



Ethanol Recovery Device for Acceptance

Exhaust Gas Emission of Yunnan Baiyao in 2024⁸

Indicators	Unit	2024
Total exhaust gas emission	10,000m ³	52,868.87
Particulate matter	Ton(s)	0.27
NO _x	Ton(s)	7.36
SO _x	Ton(s)	0.02
Volatile Organic Compounds (VOCs)	Ton(s)	24.03
Exhaust gas emission density	10,000m ³ /Operating revenue of RMB 10,000	0.013

⁸ Due to the increase in the statistic standards, exhaust gas emission increased in 2024 compared to that in 2023. As specified by the Company's environmental protection management system, the exhaust gas emission data statistics in 2024 covered all production areas under the Company's environmental protection management.



Wastewater Management

Yunnan Baiyao's wastewater mainly comes from discharges generated from the production of pharmaceuticals and health products and domestic sewage. The Company strictly adheres to national and regional management requirements, such as the *Water Pollution Prevention and Control Law of the People's Republic of China*, in carrying out wastewater treatment. It enhances its internal wastewater management through multiple means, including establishing internal regulations like the *Management Details for Wastewater Treatment Stations* and the *Inspection Management Details for Rainwater and Wastewater Facilities*, assigning dedicated teams for wastewater management, standardizing environmental protection records, and engaging in environmental technology exchanges with neighboring enterprises and units in the field of wastewater treatment. We have set up dedicated wastewater treatment tanks at the end of the production process. These ponds reduce pollutant concentrations through sedimentation, filtration, microbial degradation, and adsorption. Online monitoring equipment is used to ensure that the treated wastewater meets the required standards before it is discharged as stipulated.

Wastewater Prevention and Control of Yunnan Baiyao

Building a comprehensive water pollution governance system

- To implement multi-stage treatment processes and degrade various types of pollutants through continuous multiple treatment stages.
- To install automated online monitoring systems for water pollution sources and connect them to national, provincial, and municipal regulatory platforms to transmit monitoring data in real-time, and engage third-party units for regular maintenance and management to ensure the stable operation of the online systems.
- To conduct regular maintenance, upgrades and transformation of wastewater treatment facilities to ensure their long-term, efficient, and stable operation.

Reducing wastewater pollutant concentration

- To strengthen source control, optimize production processes and reduce the generation of pollutants at the source.
- To intensify end-of-pipe treatment, select appropriate treatment technologies based on the characteristics of the wastewater and treatment objectives, and ensure stable and reliable treatment outcomes.

Improving water usage processes

- To promote water recycling technologies and enhance measures for the reuse of treated wastewater (such as reclaimed water) to reduce the volume of wastewater generated.

Upgrade and Transformation of Qidian Wastewater Treatment Tank

In 2024, the Company carried out an upgrade and transformation of the wastewater treatment tank in the Qidian Industrial Zone. This involved cleaning, anti-corrosion treatment, and replacement of facilities in multiple ponds, including the thickening tank and the regulating tank, which effectively prevented wastewater leakage, extended the service life of the tanks, and reduced maintenance and replacement costs. The upgrade of the wastewater treatment tank enhanced the operational efficiency of the wastewater treatment station and further ensured the compliant discharge of wastewater in the Qidian Industrial Zone.



Upgrade and Transformation of Qidian Wastewater Treatment Tank

In 2024, the Company has monitored and uploaded key water quality indicators in accordance with the requirements of the higher-level environmental protection authorities, ensuring compliant discharge and avoiding impacts on rivers and soil.

Wastewater Discharge of Yunnan Baiyao in 2024⁹

Indicators	Unit	2024
Total wastewater discharge	Ton(s)	1,012,618.24
Chemical Oxygen Demand (COD)	Ton(s)	84.83
Ammonia nitrogen	Ton(s)	2.00
Reclaimed water	Ton(s)	25,950
Wastewater discharge density	Ton(s) / Operating revenue of RMB10,000	0.25

⁹ Due to the increase in the statistic standards, wastewater discharge increased in 2024 compared to that in 2023. As specified by the Company's environmental protection management system, the wastewater discharge data statistics in 2024 covered all production areas under the Company's environmental protection management.

Solid Waste Management

Yunnan Baiyao's solid waste includes hazardous waste and non-hazardous waste. Hazardous waste includes waste drugs, medicines and experimental waste liquids, etc; non-hazardous waste mainly consists of medicine residue and sludge generated in the production process. The Company strictly complies with laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *National Catalogue of Hazardous Wastes (2016)*, and industry waste disposal standards. It has established internal regulations like the *Management Details for Solid Waste Environmental Protection* to classify and manage various types of solid waste and strictly differentiate between hazardous and non-hazardous waste. Adhering to the principles of reduction, resource utilization, and harmlessness, the Company continuously strengthens the standardized management and resourceful use of solid waste. In 2024, the Company achieved a 100% compliance rate in the disposal of hazardous waste.

Measures for Solid Waste Treatment and Resource Utilization



- General waste, including household waste, is collected and transported to the sanitation station for incineration.
- General solid waste with recyclable value, such as discarded TCM materials, fragments of medicinal materials, dust, and packaging cardboard boxes, is collected and regularly sold to recycling companies for recycling. For example, sludge after fermentation is used for soil improvement in landscaping, and medicinal residues after fermentation are used to produce organic fertilizers.



- Hazardous waste generated in production workshops is managed by designated personnel. Accounts are established and clear labels and signs are used. It is stored in designated areas and collected by categories before being handed over to a third party for disposal.
- For laboratory hazardous waste, we have formulated the *Laboratory Hazardous Waste Prevention and Control Responsibility System* and the *Laboratory Environmental Control Procedures* to clarify and strictly implement the laboratory waste treatment standards. Following the principle of "Unified Collection, Classified Disposal, and Elimination of Hidden Dangers," hazardous waste is managed exclusively, accounts are established, and disposal is carried out by third-party professional disposal companies.

Waste Discharge of Yunnan Baiyao in 2024¹⁰

Indicators	Unit	2024
Hazardous waste discharge		
Waste drugs, drugs HW03	Ton(s)	139.14
Experimental liquid waste HW49	Ton(s)	28.94
Other hazardous waste	Ton(s)	25.38
Total amount of hazardous waste	Ton(s)	193.47
Intensity of hazardous waste	Kilogram(s) / Operating revenue of RMB10,000	0.048
Non-hazardous waste discharge		
Drug residue, sludge	Ton(s)	26,207.34
Household waste	Ton(s)	856.80
Total amount of non-hazardous waste	Ton(s)	27,064.14
Intensity of non-hazardous waste	Ton(s) / Operating revenue of RMB10,000	0.0068
Total		
Total amount of solid waste	Ton(s)	27,257.61
Discharge intensity of solid waste	Ton(s) / Operating revenue of RMB10,000	0.0068

¹⁰ Due to the increase in the statistic standards, waste discharge increased in 2024 compared to that in 2023. As specified by the Company's environmental protection management system, the waste discharge data statistics in 2024 covered all production areas under the Company's environmental protection management.

Resource Utilization

Yunnan Baiyao always regards resource conservation as a crucial strategy for sustainable development. Adhering to the philosophy of "Efficient Utilization and Green Development," the Company is committed to promoting a resource-conserving production model. Through technological innovation, process optimization, and the scientific allocation of resources, the Company continuously improves resource efficiency and reduces the consumption of energy, water, and raw materials. Meanwhile, Yunnan Baiyao actively promotes the circular economy model, advocates green office practices, and drives the resourceful utilization of waste to achieve closed-loop resource management. Looking ahead, Yunnan Baiyao will continue to deepen its resource-conserving practices, implement green development concepts, and contribute to the building of a resource-conserving and environmentally friendly society.

Energy Management

Yunnan Baiyao adheres to the development policy of energy conservation and consumption reduction, and continuously improves its energy management system to enhance energy utilization efficiency. The Company strictly complies with laws and regulations such as the *Energy Conservation Law of the People's Republic of China*. Internally, it has established the *Energy Management Measures* and optimized other secondary management systems, and refined other secondary management systems, such as the *Reward and Punishment Details for Energy Conservation*, the *Energy Audit and Performance Assessment Details*, and the *Energy Use Plan Management Details*, which standardize the energy management mechanism and processes. The Company requires each manufacturing unit to set up an energy management organization to coordinate energy management efforts, clarify responsibilities, implement improvement measures, improve the energy management system, optimize the construction and operation of energy systems, and promote energy-saving technologies.

Optimization and Retrofit of the Power System at Yuhua Industrial Zone

In 2024, in response to the long-standing issues in the air compression and vacuum systems of the Yuhua Industrial Zone, the Company launched a power system retrofit project. By optimizing the configuration of air compressors in the workshops to create an energy-saving air supply mode, transformations in the air transportation system were achieved. The project also involved purchasing new vacuum pumps, replacing cooling towers, and installing constant-pressure air supply control systems to revamp the vacuum system. After the retrofit, the air compression system achieved energy savings of over 15%, while the vacuum system realized energy savings of more than 20%, yielding notable energy-saving benefits.



Optimized and Retrofitted Power System

Energy Consumption of Yunnan Baiyao in 2024¹¹

Indicators	Unit	2024	
Diesel consumption	Ton(s)	1.42	
Gasoline consumption	Ton(s)	22.21	
Natural gas consumption	10,000 m ³	686.52	
Purchased electricity	MWh	64,441.65	
Purchased steam	GJ	213,075.17	
Usage of clean energy	Hydropower	kWh	51,553,317.26
	Solar photovoltaic	kWh	3,274,076.00
Comprehensive energy consumption	Ton(s) of standard coal	24,351.00	
Comprehensive energy density	Ton(s) of standard coal/Operating revenue of RMB10,000	0.0061	

¹¹ The statistical data follows the reporting standards of the National Bureau of Statistics.

Energy Management Measures of Pharmaceutical BG of Yunnan Baiyao

- An energy conservation inspection team was established to conduct monthly checks and provide guidance to energy-consuming units. For energy consumption points with potential for energy savings, the team implements energy-saving project retrofits, corrects inefficiencies, conducts on-site training, promptly eliminates non-standard energy usage, establishes a long-term energy-saving mechanism, enhances energy efficiency, and thus reduces production costs and energy waste.
- Energy-saving indicators are integrated into the performance evaluation of departments and employees, which motivates all staff to actively participate in environmental management, fostering a resource-conserving enterprise.
- The Company has optimized and renewed key systems such as the air compression and chilled water systems, which help reduce energy consumption, improve the precision and efficiency of energy management, and thus effectively control energy costs and achieve energy-saving and emission reduction goals.



Water Resource Management

Yunnan Baiyao places great emphasis on the conservation and protection of water resources, strictly adhering to laws and regulations such as the *Water Law of the People's Republic of China*. Internally, the Company has established management systems and operational procedures, including the *Non-pharmaceutical Water System Management Procedures* and the *Safety Standards and Operating Procedures for Secondary Water Supply System Posts*, which advocate water conservation across all production and operation departments. The Company also undertakes energy-saving technological transformation projects to enhance water use efficiency and reduce water loss.

Water Resource Management Measures of Pharmaceutical BG of Yunnan Baiyao

- The Company has established water resource management systems such as the *Water Conservation Management System*, the *Measurement Management System*, and the *Regular Inspection and Maintenance Management System for Water Use Equipment*, which involve irregular inspections and maintenance of water use points, as well as monitoring of water quality indicators, ensuring the timely identification and resolution of water-related issues, resolutely preventing occurrences of water leakage, overflow, dripping, and seepage, and thereby reducing water use risks.
- The Company developed comprehensive records for water use management, conducted monthly statistical calculations of water usage at each water consumption point, organized and analyzed the data, and assessed the actual water use. It also made unified arrangements for water use across business groups and formulated annual water use plans.
- The Company has integrated water use management into its performance assessment system, and has implemented a system of rewards for water conservation and penalties for excessive water use.
- In 2024, the Qidian Raw Material Center of the Pharmaceutical BG passed the water balance test, demonstrating its good capability in the scientific and efficient use of water resources.



单位名称	测试时间	测试平衡率	有效时间	验证机关(章)
云南白药集团中药资源有限公司	2024-12-23	97.42%	2027-12-22	昆明市计划节约用水办公室

Water Balance Test Certificate for Qidian Raw Material Center

Waste Heat Recovery Project for Condensate System at Qidian Raw Material Center

In 2024, the Qidian Raw Material Center initiated a waste heat recovery project for its condensate system to address the issues of energy waste caused by direct discharge of condensate and the increased volume of wastewater treatment. The Company developed its own treatment device, utilizing a plate heat exchanger for the heat exchange treatment of condensate. Potable water was selected as the heat exchange medium. After heat exchange, the potable water is used for production in the extraction workshop, while the low-temperature condensate serves as makeup water for the circulating water system. The project effectively recovers waste heat and reduces water consumption. It saves over 2,100 tons of steam and RMB 585,000 in thermal energy costs annually. It also reduces the need for potable water makeup by 100m³ per day, saving about RMB 200,000 in water fees and RMB 445,000 in wastewater treatment costs, which significantly enhanced both environmental and economic performance.



Condensate Heat Recovery System

Water Consumption of Yunnan Baiyao in 2024

Indicators	Unit	2024
Water consumption	Municipal tap water Ton(s)	1,329,515.54
Water consumption density	Ton(s)/Operating revenue of RMB10,000	0.33

Packaging Material Management

Yunnan Baiyao is committed to optimizing the use and management of packaging materials and other production resources, encouraging each business segment to explore pathways for lightweight and reduced packaging based on its own characteristics. The Company has taken a series of measures, including optimizing packaging design, promoting the use of environmentally friendly materials, reducing excessive packaging, and recycling scrap materials and packaging from the production process, to reduce the demand for raw materials and lower resource consumption and environmental impact. In 2024, the Company worked with suppliers to carry out several exploratory practices in reducing and recycling packaging materials, striving to minimize packaging waste.

Packaging Material Conservation Measures of Yunnan Baiyao

Products | Packaging Material Optimization Measures

Toothpaste	For the printing of toothpaste boxes, transfer printing technology has been adopted to replace the traditional film lamination printing method. Once fully implemented, it is expected to reduce costs by over 10%, saving more than RMB 2.6 million annually.	Coating for Toothpaste Packaging Paper Box
	The Company promoted the lightweight toothpaste composite soft tubes. The thickness of the 5-gram Ice Lemon Mint toothpaste soft tube has been reduced from 275 microns to 200 microns. Over 400,000 of these lighter tubes have been put into the market. The reduction in thickness of the toothpaste soft tubes can decrease the use of plastic, thereby reducing environmental pollution.	Toothpaste Tube
Shampoo	The Company has successfully developed a new type of dual-core pump packaging for shampoo. This packaging is the first in China to achieve a quantitative ratio of 9:1 for shampoo dispensing. The metal spring inside the pump has been replaced with a plastic "umbrella-shaped" spring, effectively creating a recyclable and environmentally friendly packaging solution.	Shampoo Bottle

Organizing the "Supply Chain Packaging Innovation Forum"

To promote the upgrade and innovation of product packaging, Yunnan Baiyao organized the "Supply Chain Packaging Innovation Forum," which was attended by the Company's marketing department, R&D department, and suppliers. During the forum, experts and representatives from various sectors engaged in in-depth discussions about advanced packaging technologies and cutting-edge packaging materials currently available on the market. They also shared the latest industry trends and practical experiences. Through cross-departmental and cross-disciplinary cooperation and exchange, the Company has made ample technical preparations for future product packaging and laid a solid foundation for further enhancing the sustainability of packaging materials.



Supply Chain Packaging Innovation Forum

Packaging Material Consumption of Yunnan Baiyao in 2024

Indicators	Unit	2024
Paper	Ton(s)	15,000
Plastic	Ton(s)	4,267
Glass	Ton(s)	807
Aluminum	Ton(s)	2,900
Composite soft package	Ton(s)	3,632
Packaging material consumption	Ton(s)	26,606
Density of packaging material consumption	Ton(s)/Operating revenue of RMB10,000	0.0067

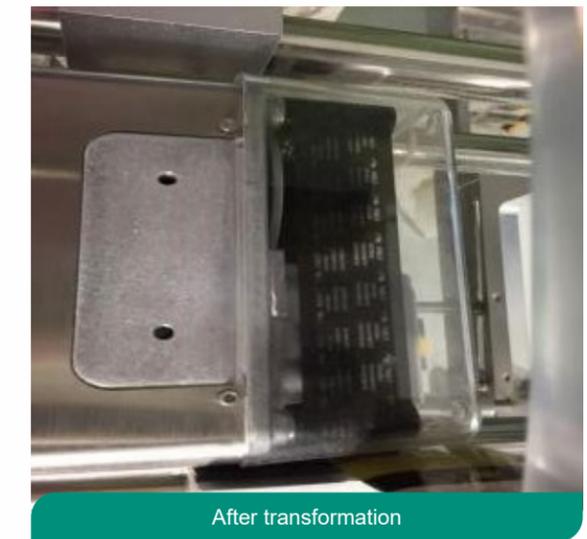
Green Office

Yunnan Baiyao integrates the concept of green development into every aspect of its operations, actively advocates and implements green office practices, and is committed to creating a low-carbon and environmentally friendly working environment. To enhance employees' awareness of energy conservation, the Company continuously strengthens publicity and education. It posts signs in offices and other operational areas to remind staff to turn off lights and water taps when not in use, set air conditioning temperatures and usage times reasonably, and encourages the reuse of paper and paperless office practices to cultivate green living and working habits among employees. Meanwhile, the Company strengthens daily supervision to ensure that employees put the green office concept into practice.

Implementation of Multiple Green Office and Production Measures by TCM Resources BG

In 2024, the TCM Resources BG carried out several notable practices in green office and production. Through refined management, the BG effectively advanced the Company's energy conservation, consumption reduction, and green operation processes.

Regarding the use of ribbon in coding machines, the BG optimized the usage of the ribbon through minor technical adjustments and employee training. Originally, each roll of ribbon (33mm × 450m) was used only once and then discarded. Now, by adjusting the coding position, each roll can be reused twice. As a result, the ribbon consumption of each device over 24 hours has been reduced from two rolls to one. With a cost of RMB 120 per roll, two devices save RMB 6,000 in consumables per month, amounting to an annual savings of about RMB 40,000.



In terms of paperless office practices, the Company actively introduced electronic storage cards, which digitally and accurately record information about goods, achieving a complete replacement of traditional paper storage cards. During the Reporting Period, the Company handled a large volume of business shipments and receipts, with a total of 46,987 batches shipped and received throughout the year. In this process, the use of electronic storage cards saved a total of 46,987 sheets of paper, significantly reducing paper consumption.

04

People First for Strengthening the Foundation of Talent.



We always adhere to the philosophy of "People First" and are committed to providing a diversified, fair, inclusive, and accessible working environment for our employees. Through a comprehensive compensation system, performance incentives, and career development plans, we ensure the basic rights and interests of our employees, pay attention to employee support and care, and actively promote employee growth and well-being. At the same time, we strengthen our occupational health and safety management system to ensure the physical and mental health and occupational safety of our employees.



Protecting Employees' Rights and Interests

Yunnan Baiyao focuses on all employees, making the vision tangible so that employees can see it, touch it, and aspire to it. Yunnan Baiyao effectively safeguards the legitimate rights and interests of employees, adheres to diversified and equal employment, and is committed to building harmonious labor relations, creating a workplace environment that is equal, diverse, transparent, and gives a sense of belonging.

Complaint Employment

Yunnan Baiyao strictly complies with relevant laws and regulations, including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Labor Rights Protection Law*, and the *Prohibition of Child Labour Provisions*. The Company advocates equal employment policies, adheres to compliant recruitment and employment practices, firmly opposes all forms of child labor and forced labor. At the same time, the Company revised and improved a series of internal rules and regulations, including the *Recruitment Management System of Yunnan Baiyao Group Co., Ltd.*, the *Labor Contract Management System*, and the *Dual-Channel Management Measures for Employee Career Development* to ensure the compliance and fairness of recruitment. During the Reporting Period, there were no incidents of illegal use of child labor or forced labor.

The Company is dedicated to building a capable and efficient workforce, adhering to the principles of open recruitment, strict selection, fair competition, and matching people with the right positions. It clearly defines job positions and staffing requirements, setting up positions based on job needs and hiring personnel for those positions. In the "2024 China Best Employer" selection jointly initiated by Zhaopin.com, employer brands and professional academic institutions, Yunnan Baiyao stood out for its excellent employer brand building and employee experience, winning the "Most Innovative Spirit Employer Award." In the flagship awards organized and reviewed by the HR management think tank HRflag, the Company received the "2024 Flag Award" (OneFLAG® AWARDS), demonstrating its outstanding performance in HR management.

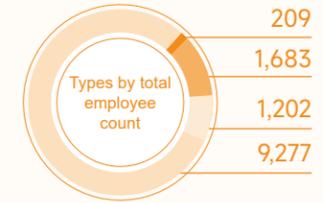


Employment Details in 2024

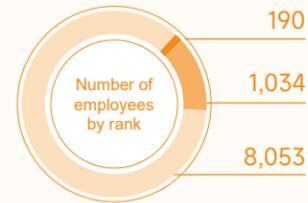
Employee Employment

Total number of employees¹²

12,371 Persons



- Interns
- Subcontracting staff
- Labor contract employees
- Labor dispatch employees



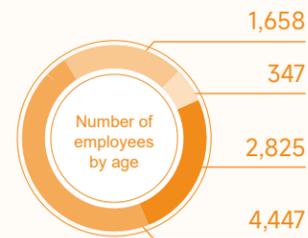
- Senior management¹³
- Middle management
- Junior employees



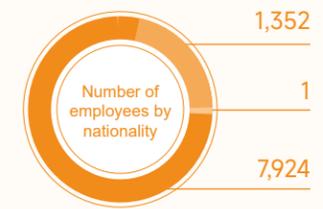
- Sales staff
- Technical staff (including R&D staff)
- Production staff
- Financial staff
- Administrative staff



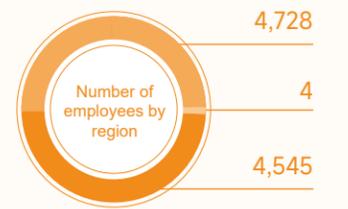
- Male employees
- Female employees



- 30 and below
- 31 to 40
- 41 to 50
- 51 (inclusive) and above



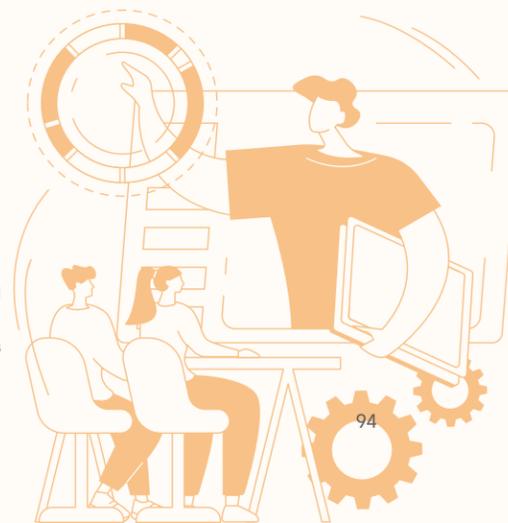
- Han
- Ethnic minorities
- Overseas employees



- Yunnan Province
- Hong Kong, Macao, Taiwan and overseas
- Chinese Mainland (excluding Yunnan)

¹² The total employee count includes employees under labor contracts, labor dispatch, interns, and outsourced personnel.

¹³ The scope includes individuals holding executive positions within the Company and its business groups.



Talent Attraction

On the basis of market-oriented employment, Yunnan Baiyao has built a community relationship between the enterprise and talents. It forms a community of shared interests with all employees, a community of shared endeavors with key employees, and a community of shared destiny with core employees. By creating these three types of communities, the Company attracts and retains talents.

In 2024, to effectively meet the needs of the Company's strategic planning and continuous business development, the Company further improved its talent selection and employment mechanism, achieving refined management in recruitment classification and procedures. Through diversified channels and promotional platforms such as social recruitment, campus recruitment, and internal recommendations, the Company focused on areas like drug innovation, lean manufacturing, quality management, marketing, and internationalization. It continuously enriched and expanded career development pathways for employees, attracting high-quality, versatile, and high-level talents to join the Company. This enhanced the match between introduced talents and job requirements, cultivated and motivated talent development, and retained talents through corporate culture and atmosphere.

During the Reporting Period, the Company increased its efforts to recruit high-level talents for senior management positions and innovative drug R&D. A total of more than 40 high-level talents were precisely introduced, including 3 senior vice presidents at the group level and 10 doctoral students. This provided strong talent support for the high-quality development of the TCM industry in Yunnan Province and the Company's high-quality and sustainable development.

Equality, Inclusion and Diversity

Yunnan Baiyao always adheres to the principles of fairness, transparency, and diversity, and opposes all forms of discrimination based on education, gender, ethnicity, religion, region, appearance, age, marital status, health, and reproductive status. In recruitment, the Company has established clear anti-discrimination policies to prevent any discrimination risks.

At the same time, the Company firmly prohibits any form of harassment, including verbal, written, visual, or physical contact. To protect employees' rights and interests, the Company has established accessible and effective channels for complaints and whistleblowing, as well as investigation and handling mechanisms. Employees who experience harassment may report it at any time, and the Company will respond promptly in accordance with relevant regulations while fully safeguarding the privacy of the employee. In 2024, no incidents of discrimination or harassment occurred.

The Company advocates multiculturalism, enhances cultural exchanges, and raises employees' awareness and consciousness of anti-discriminatory actions to actively promote the harmony and progress of the Company's cultural atmosphere. In 2024, Yunnan Baiyao had up to 45.15% of female employees, and up to 14.57% of employees of ethnic minorities. In 2024, the employee turnover rate of Yunnan Baiyao was 9.16%.



Yunnan Baiyao had up to

45.15%

of female employees



Empowering Talent Development

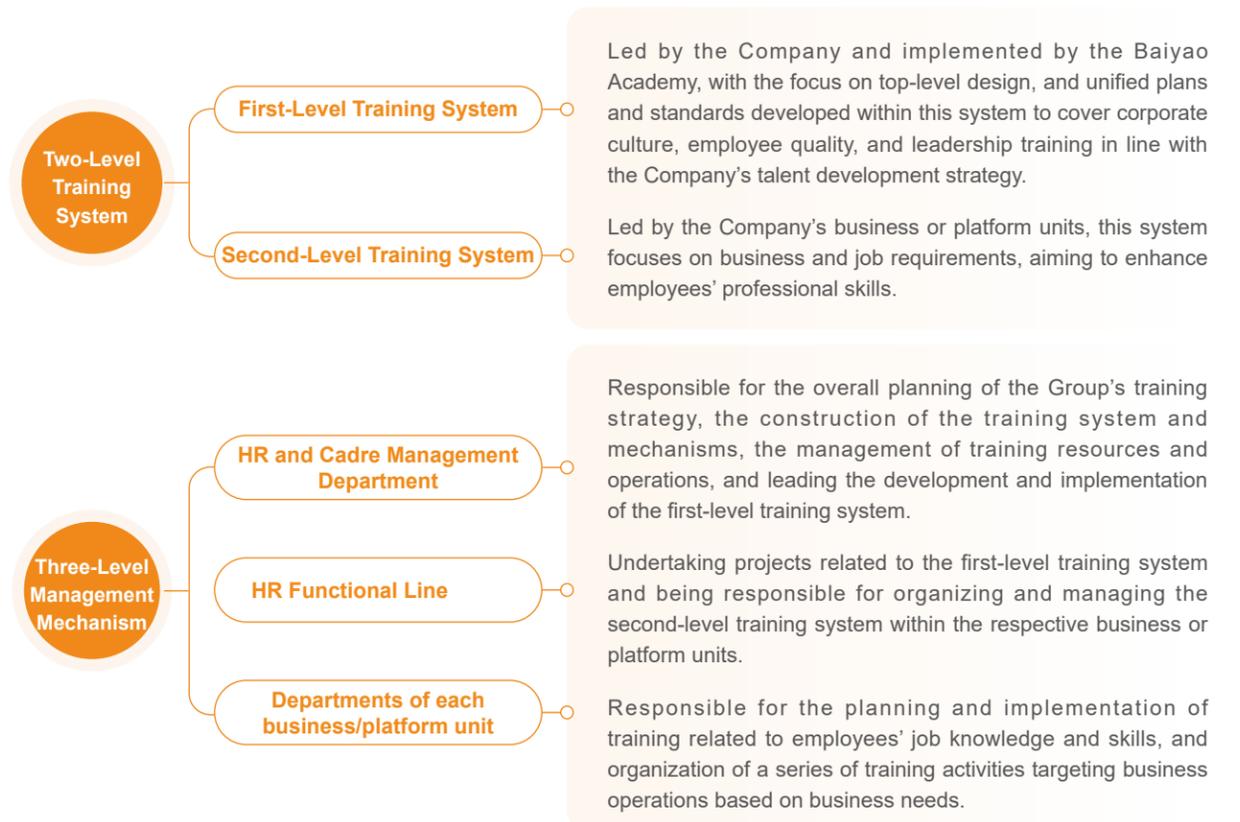
Yunnan Baiyao is committed to building a team of dedicated and capable leaders, as well as a well-structured talent pool. The Company continuously enhances the professionalism, career orientation, and market competitiveness of its leadership and talent team, fosters a supportive environment for talent development, and strives to cultivate a high-caliber workforce to fuel the Company's growth.

Talent Development

To meet the needs of the Company's strategic planning, business development, and organizational capability building, Yunnan Baiyao has continuously deepened its "internal cultivation + external talent introduction" dual-wheel driven talent supply chain mechanism. It insists on focusing on internal cultivation for management cadres and giving equal weight to internal cultivation and external introduction for professional talents. Through effective cadre management and talent cultivation mechanisms, the Company has cultivated a high-quality talent pool that meets the future strategic development needs.

In 2024, the Company adhered to the principle of Party management of talent, ensuring the correct direction and clear goals of talent cultivation. It optimized and improved the two-level training system and the three-level management mechanism, clarified organizational responsibilities, and made task division clear. It also strengthened the systematic management of talent cultivation and enhanced the effectiveness of empowerment and development.

Two-Level Training System and Three-Level Management Mechanism



In 2024, Yunnan Baiyao continued to optimize and improve its talent development system, which is centered around the job qualification system. Focusing on “people” and “professions,” the Company concentrated on building management cadres, professional technical talent pools, and high-skilled talent pools. By creating a favorable learning and growth environment and mechanism, and adhering to a “learner-centered and practice-based” approach for contextual learning, the Company implemented a job rotation policy under the guidance of the principle “training aligned with combat, integrating training and combat,” the Company strengthened employees’ peripheral work experience in real combats and built real-world scenarios and challenges in the learning process. It also emphasized the development of a diversified knowledge system for talents, achieving a win-win situation between personal value and the Company’s strategic goals.

Talent Cultivation System

Employee Hierarchy	Training Plan	Training Objectives	Progress in 2024
<p>Senior management</p>	Senior Management Training Program	To enhance senior management to deeply understand the Company’s overall strategy and business deployment, be more clear about the Company’s long-term development plan, and be more deeply understand the Company’s vision and mission, so as to much more effectively lead the Company towards achieving its preset goals.	The Company organized and conducted the first session of the Senior Management Training Program - the 2024 Peking University Senior Workshop of Yunnan Baiyao Group.
<p>Middle management</p>	Middle Management Training Program	To promote the middle management’s strategic thinking and leadership skills, deepen their understanding of the Company’s business, and develop their decision-making and team management skills, such that they can become an effective backup force for the Company’s senior management.	The Company organized and conducted three sessions of the Middle Management Training Program, namely the Yunnan University of Chinese Medicine 2024 Yunnan Baiyao Group Senior Workshop on the Inheritance and Innovation of TCM, the Middle Management New Entry Class Training Program, and the Middle Management Xuanjia Army Advanced Training Program.
<p>Back-up management</p>	Middle Management Successor Training Program	Focusing on the Company’s strategy, business development, and organizational capability requirements, the program aims to accelerate the structural and qualitative upgrade of the cadre echelon, stimulate the internal driving force of the cadre team, and cultivate versatile middle management successors to meet future management challenges and leadership tasks.	The Company organized and conducted one session of the Middle Management Successor Training Program - 2024 Middle Management Successor Development and Assessment Program.
<p>New employees</p>	New Employee Training Program	To help new comers quickly integrate into the Company culture, enhance their identification with the Company culture, and deepen their understanding of the Company’s core business, so as to ensure that they can achieve comprehensive quality expansion in the early stage of their career in the Company, laying a solid foundation for their long-term development.	The Company organized and conducted two sessions of the New Employee Training Program - “New Beginnings, Growing Hope” Yunnan Baiyao April 2024 New Employee Training and the “Ambitious Aspirations, Shining Future” Yunnan Baiyao August 2024 New Employee Training.

Highlights of 2024 Training Programs

Yunnan Baiyao Senior Workshop on Exploration and Practice of Intelligent Manufacturing and Digital Transformation

In 2024, Yunnan Baiyao hosted the “Yunnan Baiyao Senior Workshop on Exploration and Practice of Intelligent Manufacturing and Digital Transformation.” A total of 62 professional technical personnel and enterprise managers with intermediate and senior titles participated in the study. Focusing on the core theme of intelligent manufacturing and digital transformation, the program deepened participants’ understanding of these areas, injecting new momentum into the high-quality development of the industry and the transformation of Yunnan’s TCM sector.



On-site Training of the Senior Workshop on Exploration and Practice of Intelligent Manufacturing and Digital Transformation

Peking University Senior Workshop of Yunnan Baiyao Group

In 2024, the Company collaborated with the Institute of New Structural Economics at Peking University to hold the “Peking University Senior Workshop of Yunnan Baiyao Group.” The program covered topics such as “Macroeconomics and Development Trends of the TCM Industry,” “Corporate Development Strategy and Digital Transformation,” and “Leadership.” About 120 members of the Group’s Party committee, directors, supervisors, senior management, and some middle managers attended the study, further enhancing their strategic innovation capabilities and leadership skills.



On-site Training of the Peking University Senior Workshop

Middle Management New Entry Training Program

To help newly promoted middle managers quickly adapt to their new roles and enhance their management capabilities, Yunnan Baiyao launched the 2024 Middle Management New Entry Training Program. Aimed at 90 newly promoted middle managers, the program focused on strengthening team leadership, collaboration, and decision-making and problem-solving abilities. The training included leadership courses such as *Financial Business Thinking*, *Human Resource Management for Non-HR Managers*, *Coaching Leadership: How to Coach Subordinates*, and the flipped classroom *Outstanding Manager’s Voyage Workshop*, improving leadership and management skills in various management scenarios and promoting organizational efficiency.



On-site Training of the Middle Management New Entry Training Program

Middle Management Successor Development and Assessment Program

To effectively motivate successor cadres to seize opportunities, face challenges, and strive for success, and to stimulate the internal driving force of the successor cadre team, the Company followed the principles of openness, fairness, competition, and merit selection in 2024. Centered around cultivating a cadre and talent team that is politically conscious, courageous in responsibility, strong in execution, disciplined, and ambitious, the Company organized and launched the Middle Management Successor Development and Assessment Project, infusing new vitality into the Company’s cadre team building.



Middle Management Successor Development and Assessment Program



Data of Employee Training in 2024¹⁴



Total Number of Participants

56,448



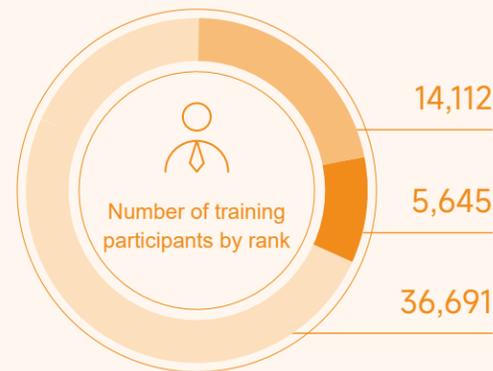
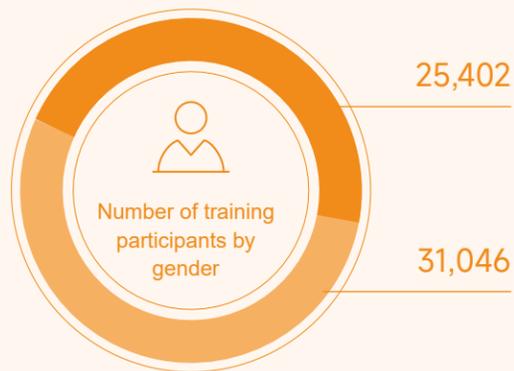
Total Training Duration

325,839.46 Hours



Training Duration Per Person

35.12 Hours



Female employees | Male employees | Senior management | Middle management | Junior employees



Total Annual Training Cost

RMB 8.8312 million



Training Cost Per Person

RMB 951.95



¹⁴ The statistic standard for the employee training data covered only the employees subject to labor contracts.

Promotion Mechanism

Yunnan Baiyao has established fair, just, transparent, and objective evaluation criteria, and further refined its dynamic and efficient job management system, providing employees with equal opportunities for promotion. The Company prioritizes internal employees for promotion opportunities, strengthens career development paths, and through dynamic adjustments and alignment with strategic needs, offers clear channels for advancement, thus achieving the optimal allocation of human resources and the strategic goal of talent development.

Through a dual-wheel driven model of "internal cultivation and external talent introduction," we have established a scientific and rational job management system, job level system, job qualification system, employee evaluation system, and a dual-channel career development system to promote continuous talent development, help employees understand their current positioning within the Company, clarify career development directions, and open up future career development pathways, enhancing the Company's competitiveness in attracting and retaining talent. Employees can choose their career development direction based on their professional knowledge, skills, and personal characteristics, clarify their career development path within the Company, participate in the job level evaluation of their professional group, understand their job level within the group, and under the guidance of their superiors, identify areas for personal capability improvement and develop a personal career plan. Job qualification levels serve as the professional foundation for job level promotion and are an indispensable criterion for evaluation. Employees can achieve job level promotion by enhancing their personal capabilities and value contributions.

Performance Incentives

Yunnan Baiyao has established the *Performance Management System* and developed a comprehensive performance management framework, which emphasizes positive incentive orientation and drives high-quality growth. Tailored to the functions and key business areas of each department, and in conjunction with employees' job responsibilities, the Company developed specific performance assessment plans for every employee. These plans cover differentiated assessment weights, clear criteria, and rational assessment cycles, ensuring the effectiveness of performance evaluations. The assessment outcomes are closely linked to critical decisions such as salary adjustments and promotion opportunities for employees, thereby safeguarding the fairness and validity of the evaluation process.



Employee Performance Evaluation System

Improving the Well-being of Employees

Yunnan Baiyao focuses on value creation and has built a compensation system based on value contribution, establishing a virtuous cycle of creation and distribution. The Company adheres to the principle of valuing contributors, continuously optimizes its compensation incentives and performance management system. The Company also pays special attention to the needs and expectations of female employees and actively organizes a variety of cultural and sports activities, striving to enhance employees' sense of happiness and belonging.

Remuneration and Benefits

In strict compliance with laws and regulations such as the *Social Insurance Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Management Measures for Share Incentives of Listed Companies*, the *Rules for the Listing of Stocks on the Shenzhen Stock Exchange*, and the *Guiding Opinions on the Implementation of the Pilot Employee Stock Ownership Plan for Listed Companies*, Yunnan Baiyao has established internal management systems and norms, including the *Salary Management System of Yunnan Baiyao Group Co., Ltd.*

The Company has developed a fair, just, and market-competitive compensation and benefits system. It implements a diversified wage system and a compensation incentive mechanism that grows in tandem with the Company's performance, continuously improving employees' remuneration and welfare. The Company strictly enforces statutory holidays, paid annual leave, marriage and bereavement leave, maternity leave, nursing leave, and other holidays as stipulated by national and local regulations. It provides comprehensive protection for all regular and dispatched employees, including pensions, medical care, unemployment, work-related injury, and maternity insurance, as well as housing provident funds, to ensure employees' basic welfare needs. In addition, the Company distributes festival gift packages to employees during the "two festivals" (Spring Festival and Mid-Autumn Festival) each year and offers a warm work environment.

Employee Care

In 2024, Yunnan Baiyao revised the *Employee Welfare Management Measures*, further increasing meal allowances and labor protection standards to enhance employee welfare. The Company also introduced a wedding welfare program to encourage employees to actively respond to the national policies on marriage and childbirth. The supporting service environment and free facilities available to employees were also included in the management measures, improving the work experience and perception of corporate care among employees. In addition, the Company revised and issued the *Leave Management Measures*, adding parental leave and only-child care leave in accordance with national policies to further improve employee leave benefits.

During the Reporting Period, the Company actively carried out employee hardship assistance and warmth-giving activities to ensure that warmth was promptly conveyed to every employee. We conducted a survey of the employees in difficulty, formulated the *Warmth-Giving Activity Plan of Yunnan Baiyao Group Trade Union*, and organized consolation visits for employees in difficulty and model workers. The Company also continued to conduct activities such as birthday celebrations, childbirth condolences, and hospital visits for employees, delivering care to every employee. During major festivals, we organized warmth-giving activities and distributed festival consolation gifts to employees, conveying sincere care and blessings.

The Company advocates a balance between work and life for employees, implementing genuine care and concern. We have created a warm and comfortable working atmosphere for employees, continuously improving their job satisfaction, dedication, and happiness. In 2024, we opened sports and cultural facilities such as basketball courts, tennis courts, and gyms to enrich employees' spare time, enhance their physical fitness and mental outlook, and strengthen team cohesion. We also partnered with China National Petroleum Corporation to issue fuel cards and signed the *Cooperation Agreement for Vehicle Annual Inspection Service* with several motor vehicle inspection agencies to provide convenient door-to-door vehicle pick-up and delivery services for employees. The Company provided employees with benefits such as discounted swimming cards and appliance discounts, which were widely praised.

Care for Female

The Company strictly enforces policies and regulations regarding the protection of female employees' labor rights and special interests. It has signed a special collective contract for the protection of female employees' rights and interests to safeguard their legal rights in accordance with the law. In 2024, to further enhance the care and protection of female employees, the Company formulated the *Special Collective Contract for the Protection of Special Rights and Interests of Female Workers*, which explicitly stipulates a range of safeguard measures for female employees and states that the Company should legally prevent and stop sexual harassment against female employees through verbal, written, pictorial, or physical means. If a female employee encounters sexual harassment at work and reports or complains to the employer, the Company should promptly accept, investigate, and handle the case or refer it to the relevant authorities, while legally protecting the female employee's personal privacy. Also, the Company collaborates with medical examination institutions to conduct lectures on *Caring for Women's Health* and offers free physician consultations on medical examination reports to disseminate health knowledge, provide psychological counselling, and enhance the Company's care for female employees.

Care on International Women's Day (March 8) and Benefit Activities for Female Employees

On the occasion of the 2024 International Women's Day (March 8), Yunnan Baiyao, in response to the call of the Women's Committee of Yunnan Federation of Trade Unions, jointly carried out the fourth phase of the "Bringing Happiness Together" Caring Program for Female Employees in Yunnan Province. A total of 15,672 female employee participants from 16 prefectures and cities across Yunnan province participated through the "Baiyao Life+" online platform for benefit activities. The cumulative number of transactions reached 930, with sales amounting to RMB 146,400, and the Company provided a preferential subsidy of RMB 119,800. In addition, the Yunnan Baiyao Group Trade Union, in collaboration with the Yunnan Trade Union of Education and Health, held a "Internal Purchase Activity of March 8th Worker Benefit" at the Workers' Sanatorium of Yunnan Province. A total of 14 types of benefit products were displayed on-site, with 76 transactions made offline, generating sales of RMB 5,731, of which the Company's subsidy amounted to RMB 4,687.

A total of **15,672** female employee participants from 16 prefectures and cities across Yunnan province participated through the "Baiyao Life+" online platform for benefit activities. The Company provided a preferential subsidy of **RMB 119,800**.

Employee Communication

Yunnan Baiyao has effectively advanced the construction of grassroots democratic politics and has always attached great importance to communication with employees. It fully leverages the enthusiasm of its cadres and employees, establishes multi-channel and multi-level communication mechanisms to ensure smooth communication, listens to employees' voices, and fosters a united, harmonious, and positive organizational atmosphere, thus maximizing the protection of employees' legitimate rights and interests.

To enhance the convenience and efficiency of communication, Yunnan Baiyao further enriched and optimized employee feedback channels in 2024. The Company uses such channels as the OA system, collaborative document-sharing forms, suggestion boxes, and email to ensure that employees could submit their opinions and suggestions in a timely and convenient manner. Employees could provide feedback on system optimization, process adjustment, training satisfaction, and registration information, among other aspects, to help the Company continuously improve its internal management and service quality. Through these feedback channels, employees' voices can quickly reach the executives, enabling the Company to better respond to employees' needs and enhance overall work efficiency and employee satisfaction.

Protecting Health and Safety

Yunnan Baiyao always puts employee health and safety first, fully implements the work policy of “safety first, prevention foremost, and comprehensive management.” The Company has established a sound safety management system, enforces strict safety regulations, and actively cultivates a comprehensive safety culture, all to provide employees with a safe and healthy working environment.

Safety Management System

Yunnan Baiyao strictly adheres to laws and regulations such as the *Work Safety Law of the People's Republic of China*, and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*. In line with the Company's actual operations, it continuously revises and improves a series of internal safety management systems, including the *Production Safety Target Management System*, the *Production Safety Responsibility System* and the *Safety Training and Education Management System*. For specific scenarios in production, we have formulated targeted systems such as the *Safety Management System for Warehouses and Tank Areas*, the *Fire Prevention, Explosion Prevention and Fire Prohibition Management System*, the *Management System for Hazardous Chemicals and Significant Hazardous Sources*, and the *Management System for Precursor Chemicals* to meticulously manage high-risk areas and raw materials used in production, so as to more effectively identify, prevent and control potential safety risks. The Company has also established a Work Safety Management Committee to comprehensively promote the Company's management in safety-related affairs and ensure the effective implementation of primary safety responsibilities.

By introducing safety facilities such as interlocking devices, alarm systems, and detection equipment, the Company has significantly enhanced its inherent safety and substantially reduced accident risks at production sites. Regular safety inspections are conducted, and 62 safety emergency drills have been organized to strengthen employees' emergency response capabilities. During the Reporting Period, Yunnan Baiyao's total investment in safety amounted to approximately RMB 8.49 million. A total of 210 safety inspections were carried out, identifying 2,755 potential hazards, all of which were rectified, achieving a 100% rectification rate.

During the Reporting Period, Yunnan Baiyao's total investment in safety amounted to approximately	A total of
RMB 8.49 million	210 safety inspections were carried out
identifying	achieving a
2,755 potential hazards	100% rectification rate

Safety Culture Construction

Yunnan Baiyao continues to advance its safety culture construction, always adheres to the principle of “full participation and comprehensive coverage.” The Company is committed to promoting the in-depth implementation of its safety system through innovative online and offline training models. It has meticulously planned and successfully completed 203 safety education training sessions, with a total of 19,652 participants.

The safety training content includes modules such as quality and safety onboarding for new employees, re-education on quality and safety following job changes, in-depth analysis of Standard Operating Procedures (SOPs), authoritative interpretations of quality regulations, specialized training on laboratory quality and safety, and training for those responsible for cosmetic quality and safety. These efforts have enhanced employees' safety awareness and professional skills, strengthening the foundation of the Company's safety culture.



New Employee Safety Training

Safety training sessions for new employees of Yunnan Baiyao last about three hours and cover essential topics such as basic knowledge of safety production, interpretations of safety laws and regulations, guidance on occupational health protection, and practical safety skills exercises. We place particular emphasis on critical areas such as fire safety, electrical safety, and elevator usage. Through case sharing and practical drills, the training significantly enhances emergency response capabilities and risk prevention awareness of new employees, reinforcing their recognition and implementation of the safety culture.



On-site Safety Training for New Employees

Occupational Health Protection

Related Data on 2024 Yunnan Baiyao Occupational Health

Number of work-related injuries

9 Persons

Number of work-related deaths

0 Persons

Lost working hours due to work-related injuries

856 Hours

Injury rate per million work hours¹⁵

42.94%

Yunnan Baiyao strictly adheres to relevant laws and regulations, including the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Regulations on Occupational Health Management in the Workplace*, which continuously strengthens the prevention and control of occupational health hazards, and ensures the safety and health of its employees. During the Reporting Period, a total of 2,767 employees completed occupational disease examinations.



Occupational Health Promotion



First Aid Training for Employees

In 2024, Yunnan Baiyao held the First Session of Employee First Aid Training Course, with 48 employees participating in total. The training featured a special invitation to a team of instructors from the American Heart Association (AHA), providing a comprehensive curriculum on basic first aid knowledge and practical exercises. The course covered essential life support techniques and detailed the six key chains of survival. Through group practice, participants mastered practical skills that enabled them to “dare to save, be able to save, and know how to save,” allowing them to respond swiftly and effectively in emergencies, thereby minimizing harm.

¹⁵ The statistic standard for the number of injuries per million hours worked only covered the employees subject to labor contracts and labor dispatch

05



Cultivating Virtue and Embracing Responsibilities

Yunnan Baiyao actively practices corporate social responsibility by deeply integrating into the national rural revitalization strategy and actively engaging in the development and construction of local communities. Through concrete actions, the Company empowers communities and promotes their prosperous development. We actively carry out charitable activities, demonstrating our commitment to social responsibility in multiple ways.



Rural Revitalization

Yunnan Baiyao thoroughly implements the decisions and deployments regarding rural revitalization from the Central Committee of the Communist Party of China, the State Council, as well as the provincial Party committee and government. Leveraging the Company's industrial advantages, we have outlined our work strategies, developed specific plans, and refined our measures. We adhere to a rural revitalization model that integrates "organizational leadership, integration of Party building, technical guidance, leading wealth generation, talent cultivation, and consumer support," which promotes a dual-driven development of industrial and talent revitalization, fostering sustainable progress in rural economies and improving residents' living standards.

Engagement with Grassroots Communities to Support Rural Harmony and Stability

In 2024, Yunnan Baiyao continued to promote the reforms to "delegate power, streamline administration and optimize government services," and further enhanced grassroots government service capabilities. The Company optimized and upgraded relevant facilities in poverty alleviation areas, established a liaison office for NPC deputies, convenient health service stations, occupational health centers, laborer rest stations, dispute mediation rooms, and community activity centers to foster rural harmony and stability. The community activity center strengthens the cohesion of grassroots Party organizations. As of the end of the Reporting Period, Yunnan Baiyao had invested a total of RMB 800,000 for assistance sites, rural grassroots Party and mass activity facilities, and Chazhiluo Village Party Member Activity Room/prefecture-level exhibition hall for inheritance of peacock dance, an intangible cultural heritage.



Liaison Office for NPC Deputies in Chazhiluo Village, Pantiange Township

Technical Guidance to Energize Rural Revitalization

Yunnan Baiyao leverages its industrial characteristics and technical capabilities to actively promote investment, breeding, cultivation, procurement, and promotion of TCM materials. In 2024, we utilized the natural resource advantages and industrial status of Xinle Village and Chazhiluo Village in Pantiange Township to develop the *Dolomiaea costus* Cultivation Technical Solutions, which provides professional guidance on *Dolomiaea costus* cultivation techniques. Farmers can apply these innovative methods to other economic crops, ensuring the sustainable development of their agricultural economies. As of the end of the Reporting Period, Yunnan Baiyao had totally trained 10 leading wealth creators, achieving an innovative yield of 500 jin (=1/2 kilogram) of corn and 800 jin of *Dolomiaea costus* per mu, resulting in an additional income of RMB 3,500 per mu, thereby helping farmers to continuously increase their earnings.



Innovative Planting Experimental Field

Golden Autumn Scholarship to Boost Rural Talent Revitalization

Yunnan Baiyao firmly believes in the principle that "To revitalize talent, education comes first." The Company actively engages in educational assistance for rural areas, encourages students to use the knowledge gained during their higher education to give back to their hometowns, thereby bringing fresh blood to the rural revitalization efforts.

In 2024, Yunnan Baiyao conducted a college admission survey across Pantiange Township, visiting 86 students who successfully gained admission to undergraduate and vocational programs. Through the "Golden Autumn Scholarship" program, the Company awarded a total of RMB 153,000 in scholarships to these students, helping them fulfil their dreams of attending university.



Education Support Activity of Yunnan Baiyao



2024年云南白药集团“乡村振兴、金秋助学”活动

Expanding Channels to Co-Create the Blueprint for Rural Revitalization

Yunnan Baiyao fully leverages its industrial advantages by procuring TCM materials, including *Fritillaria cirrhosa*, *Fritillaria unibracteata*, fresh *Fritillaria*, and *Dolomiaea costus*, through Shangri-La Tianquan Chuanbei Technology Co., Ltd., Hezheng Tibetan Medicine Industry Co., Ltd., and Jingxiang Breeding and Planting Co., Ltd. In total, we procured 36,286.4 kilograms of these materials and 1.5863 million seedlings of *Dolomiaea costus*, generating total sales of RMB 2.316 million. This effectively addressed the sales difficulties faced by local farmers of TCM materials, broadening their paths to wealth and income growth.



Supporting Farmers to Enhance Rural Revitalization

In practice, Yunnan Baiyao consistently adopts a pragmatic approach, truly centering its efforts on the needs of rural communities and the populace. The “Baiyao Model” for rural revitalization has been developed and refined over the years, gaining widespread recognition across various sectors of society and receiving multiple awards related to social welfare and public service.

List of Social Welfare Awards Won by Yunnan Baiyao in 2024

Best Practice Case for Rural Revitalization:

Yunnan Baiyao’s initiative titled *Balancing Inheritance and Innovation for Diverse Growth of Specialty Industries* was selected as a Best Practice Case for Rural Revitalization by the China Association for Public Companies. The Company has received this honor for the second consecutive year since the association first launched its collection of best practice cases in rural revitalization in 2022.

Community Care

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

Free Medical Consultation Event at Wenshan Rehabilitation Hospital

In 2024, Yunnan Baiyao’s subsidiary, Hefei Medical Technology Co., Ltd., actively participated in the large medical support activity of “Harmonious Society, Healthy China - Caring for Pain Patients,” which provided free on-site examinations, assessments, diagnoses, and treatments for attending pain patients. The event attracted over 400 patients, with the medical team offering health consultations to 212 elderly individuals. They conducted 109 health screenings and provided vertebral treatments and home rehabilitation training guidance for 89 mobility-impaired seniors.



Free Medical Consultation Event at Wenshan Rehabilitation Hospital

Social Care

During the Reporting Period, the Company actively participated in multiple social welfare projects and encouraged employees to engage in volunteer activities, resulting in a total of

RMB **4.589** million in external donation.

Yunnan Baiyao actively responds to social needs, and contributes to social value by organizing volunteer activities, donating materials, and participating in social welfare projects.

In 2024, Yunnan Baiyao implemented systematic regulations for public welfare activities and donations in accordance with the *Public Welfare Donation Management Measures of Yunnan Baiyao Group Co., Ltd.*, which enhances the transparency and efficiency of the Company’s charitable actions, expanding the influence of its corporate culture. During the Reporting Period, the Company actively participated in multiple social welfare projects and encouraged employees to engage in volunteer activities, resulting in a total donation of RMB 1 million in materials, and a total of RMB 4.589 million in external donation.

“Healthy Oral 123 Plan”

On World Oral Health Day 2024, Yunnan Baiyao launched the “Healthy Oral 123 Plan,” aimed at enhancing public attention to gum health through simple oral care rules: “1 good toothpaste, brush twice a day, rinse for 30 seconds.” The Company also collaborated with the RedNote IP Truth Research Institute to hold the “Healthy Oral, Count on 1, 2, 3” pop-up event in Shanghai. The event featured interactive elements such as a truth check-in map and gum care tasks, educating users about gum health while strengthening emotional connections. The online campaign achieved over 490 million topic exposures and 3.35 million interactions, significantly raising public awareness of oral health care.



“Healthy Oral, Count on 1, 2, 3” Pop-up Event

“Let’s Play Basketball” Tournament

In 2024, Yunnan Baiyao hosted the “Let’s Play Basketball” tournament for college students, aiming to connect young people and promote a healthy lifestyle. We partnered with several pharmacies and health & public welfare team of Keep to start a campus-based initiative that promotes the integration of fitness and health. The tournament took place in key cities such as Kunming, Shanghai, Changsha, and Guangzhou, leveraging both online platforms and offline interactions to achieve over 300 million online exposures and 4.2 million interactions, reaching an audience of 110 million. Yunnan Baiyao also launched a charitable donation plan, encouraging participants to contribute through sports by synchronizing with Keep’s public welfare running courses, and showcasing the Company’s social responsibility.



Group Photo of Youth Players from the Basketball Tournament

Sponsorship of Hong Kong-Zhuhai-Macao Bridge (Hong Kong Section) Half Marathon

On January 5, 2024, the Hong Kong-Zhuhai-Macao Bridge (Hong Kong Section) Half Marathon of Bank of China (Hong Kong) successfully took place. The bridge is the longest bridge-cum-tunnel sea crossing in the world. Yunnan Baiyao sponsored the event with HKD 250,000 and provided some of its aerosol products for participants. The event attracted nearly 7,000 runners.



Hong Kong-Zhuhai-Macao Bridge (Hong Kong Section) Half Marathon

Appendix

Performance Table

Dimension	Indicators	Unit	2024	
Governance	Business Ethics			
	Compliance training	Compliance training sessions	Times	9
		Compliance training coverage	%	100
Environmental	Addressing Climate Change			
	GHG emissions	Direct greenhouse gas emissions (Scope 1)	Ton(s) of CO ₂ equivalent	15,079.39
		Indirect greenhouse gas emissions (Scope 2)	Ton(s) of CO ₂ equivalent	63,424.31
		Total greenhouse gas emissions	Ton(s) of CO ₂ equivalent	78,503.70
		Intensity of greenhouse gas emissions	Ton(s) of CO ₂ equivalent/ Operating revenue of RMB10,000	0.020
	Environmental Management			
	Exhaust gas	Total exhaust gas emissions	10,000m ³	52,868.87
		NO _x	Ton(s)	7.36
		Particulate matter	Ton(s)	0.27
		SO _x	Ton(s)	0.019
		VOCs	Ton(s)	24.03
		Exhaust gas emission density	10,000m ³ /Operating revenue of RMB10,000	0.013
	Wastewater management	Total wastewater discharge	Ton(s)	1,012,618.24
		COD	Ton(s)	84.83
		Ammonia nitrogen	Ton(s)	2.00
		Reclaimed water	Ton(s)	25,950
		Wastewater discharge density	Ton(s)/Operating revenue of RMB10,000	0.25
	Waste management	Waste drugs, drugs HW03	Ton(s)	139.14
		Experimental liquid waste HW49	Ton(s)	28.94
		Other hazardous waste	Ton(s)	25.38
		Total amount of hazardous waste	Ton(s)	193.47
		Intensity of hazardous waste	Kilogram(s)/Operating revenue of RMB10,000	0.048
		Drug residue, sludge	Ton(s)	26,207.34
Household waste		Ton(s)	856.80	
Total amount of non-hazardous waste		Ton(s)	27,064.14	
Intensity of non-hazardous waste	Ton(s)/Operating revenue of RMB10,000	0.0068		

Dimension	Indicators	Unit	2024	
Environmental	Resources Utilization			
	Waste management	Total amount of solid waste	Ton(s)	27,257.61
		Discharge intensity of solid waste	Ton(s)/Operating revenue of RMB10,000	0.0068
	Energy management	Coal consumption	Ton(s)	0
		Gasoline consumption	Ton(s)	22.21
		Diesel consumption	Ton(s)	1.42
		Natural gas consumption	10,000 m ³	686.52
		Purchased electricity	MWh	64,441.65
		Purchased steam	Ton(s)	213,075.17
		Hydropower	kWh	51,553,317.26
		Solar photovoltaic	kWh	3,274,076.00
		Comprehensive energy consumption	Ton(s) of standard coal equivalent	24,351.00
		Comprehensive energy density	Ton(s) of standard coal equivalent/ Operating revenue of RMB10,000	0.0061
	Water resources management	Water consumption	Ton(s)	1,329,515.54
		Water consumption density	Ton(s)/Operating revenue of RMB10,000	0.33
	Packaging material consumption	Paper	Ton(s)	15,000
		Plastic	Ton(s)	4,267
		Aluminum	Ton(s)	2,900
		Composite soft package	Ton(s)	3,632
		Glass material	Ton(s)	807
		Packaging material consumption	Ton(s)	26,606
	Density of packaging material consumption	Ton(s)/Operating revenue of RMB10,000	0.0067	
Social	Employee Employment			
	Total employee count ¹⁶		Person	12,371
	Types by total employee count	Labor contract employees	Person	9,277
		Labor dispatch employees	Person	1,202
		Intern	Person	209
		Subcontracting staff	Person	1,683
	Number of employees by rank ¹⁷	Senior management ¹⁸	Person	190
		Middle management	Person	1,034
Junior employees		Person	8,053	

¹⁶ The total employee count includes employees under labor contracts, labor dispatch, interns, and outsourced personnel.

¹⁷ The employee count by all types includes only employees under labor contracts.

¹⁸ The scope includes individuals holding executive positions within the Company and its business groups.

Dimension	Indicators	Unit	2024	
Social	Number of employees by type of work	Sales staff	Person	5,433
		Technical staff (including R&D staff)	Person	1,276
		Production staff	Person	1,760
		Financial staff	Person	277
		Administrative staff	Person	531
	Number of employees by gender	Male employees	Person	5,088
		Female employees	Person	4,189
	Number of employees by age	30 and below	Person	2,825
		31 to 40	Person	4,447
		41 to 50	Person	1,658
		51 (inclusive) and above	Person	347
	Number of employees by nationality	Han	Person	7,924
		Ethnic minorities	Person	1,352
		Overseas employees	Person	1
	Number of employees by region	Yunnan Province	Person	4,545
		Chinese Mainland (exclusive Yunnan)	Person	4,728
		Hong Kong, Macao, Taiwan and overseas	Person	4
	Employee training ¹⁹			
	Total training duration		Hours	325,839.46
	Total number of participants		Person-times	56,448
	Training duration per person		Hours	35.12
	Total annual training cost		RMB million	8.8312
	Training cost per person		RMB	951.95
	Number of training participants by gender	Male employees	Person-times	31,046
		Female employees	Person-times	25,402
	Number of training participants by rank	Senior management	Person-times	5,645
		Middle management	Person-times	14,112
		Junior employees	Person-times	36,691
	Health and safety			
Occupational safety performance	Number of work-related injuries and deaths	Person	9	
	Lost working hours due to work-related injuries	Hours	856	
	Number of injuries per million hours worked ²⁰	%	42.94	
	Occupational disease examination participants	Person	2,767	

¹⁹ The statistic standard for the employee training data covered only the employees subject to labor contracts.

²⁰ The statistic standard for the number of injuries per million hours worked only covered the employees subject to labor contracts and labor dispatch.

Dimension	Indicators		Unit	2024	
Social	Safety management	Safety investment	RMB million	8.49	
	Safety inspection	Safety inspection sessions	Sessions	210	
		Number of safety hazard inspected	Entries	2,755	
	Safety training	Safety emergency drill sessions	Sessions	2	
		Safety education training sessions	Sessions	10	
		Safety training attendances	Person-times	19,652	
	Product Quality and Safety				
	Quality and safety training	Quality and safety training coverage	%	100	
		Quality and safety training sessions	Times	395	
	R&D and Innovation				
	R&D and Investment			RMB million	348
	Number of patent applications	Invention patents	Quantity	55	
		Utility model patents	Quantity	39	
		Design patents	Quantity	4	
	Patent authorization quantity	Invention patents	Quantity	33	
		Utility model patents	Quantity	18	
		Design patents	Quantity	4	
	Customer Services				
	Customer complaint resolution rate			%	100
	Supply Chain Management				
	Total number of suppliers			Quantity	287
	Key suppliers			Quantity	138
	Chinese suppliers	Suppliers in the local province	Quantity	41	
Chinese suppliers (other provinces and regions in Chinese Mainland except the local province)		Quantity	244		
Overseas suppliers (including Hong Kong, Macao and Taiwan)			Quantity	2	
Public welfare					
External donation			RMB million	4.589	

Shenzhen Stock Exchange Index

Dimension	Series No.	Topic	Corresponding Article	Corresponding Section
Environmental	1	Addressing climate change	Articles 21-28	Green Development for Deepening Ecological Civilization – Addressing Climate Change
	2	Pollutant discharge	Article 30	Green Development for Deepening Ecological Civilization – Environmental Management
	3	Waste disposal	Article 31	Green Development for Deepening Ecological Civilization – Environmental Management
	4	Ecosystem and biodiversity protection	Article 32	Green Development for Deepening Ecological Civilization – Biodiversity Protection
	5	Environmental compliance management	Article 33	Green Development for Deepening Ecological Civilization – Environmental Management
	6	Energy utilization	Article 35	Green Development for Deepening Ecological Civilization – Resource Utilization
	7	Water resource utilization	Article 36	Green Development for Deepening Ecological Civilization – Resource Utilization
	8	Circular economy	Article 37	Green Development for Deepening Ecological Civilization – Resource Utilization
Social	9	Rural revitalization	Article 39	Cultivating Virtue and Embracing Responsibilities – Rural Revitalization
	10	Social contribution	Article 40	Cultivating Virtue and Embracing Responsibilities – Community Care, Social Care
	11	Innovation driven	Article 42	Innovation-driven Exploration of New Horizons in TCM - R&D Innovation
	12	Technology ethics	Article 43	Innovation-driven Exploration of New Horizons in TCM - R&D Innovation
	13	Supply chain safety	Article 45	Innovation-driven Exploration of New Horizons in TCM – Supply Chain Management
	14	Equal treatment to SMEs	Article 46	Innovation-driven Exploration of New Horizons in TCM – Supply Chain Management
	15	Product and service safety and quality	Article 47	Innovation-driven Exploration of New Horizons in TCM – Product Quality
	16	Data safety and customer privacy protection	Article 48	Innovation-driven Exploration of New Horizons in TCM – Customer Service
	17	Employee	Article 50	People First for Strengthening the Foundation of Talent

Dimension	Series No.	Topic	Corresponding Article	Corresponding Section
Sustainability related governance	18	Due diligence	Article 52	Steady Progress with Legacy of Baiyao – Risk Management
	19	Communication with stakeholders	Article 53	Issue’s Materiality Assessment – Communication with Issue-related Stakeholders
	20	Anti-commercial bribery and anti-corrupt	Article 55	Steady Progress with Legacy of Baiyao – Business Ethics
	21	Anti-unfair competition	Article 56	Steady Progress with Legacy of Baiyao – Business Ethics

Feedback Form

Dear Readers,

Thank you very much for your attention and support for Yunnan Baiyao’s sustainable development. To provide you with more professional and valuable information on environmental, social, and governance aspects, and to further enhance the quality of our sustainability report, we invite you to respond to the relevant questions in the feedback form.

1. Are you satisfied with the report? Please provide your evaluation.

2. Do you believe that our fulfillment of social responsibility has been fully disclosed?

3. Is the information you wish to know fully disclosed in the report?

4. What suggestions do you have for improving the report?

Your Information

Name:

Fax:

Organization:

Phone Number:

Position:

Email:



Address: No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province

Postal Code: 650500

Tel: 0871-66226106

Company website: www.yunnanbaiyao.com.cn