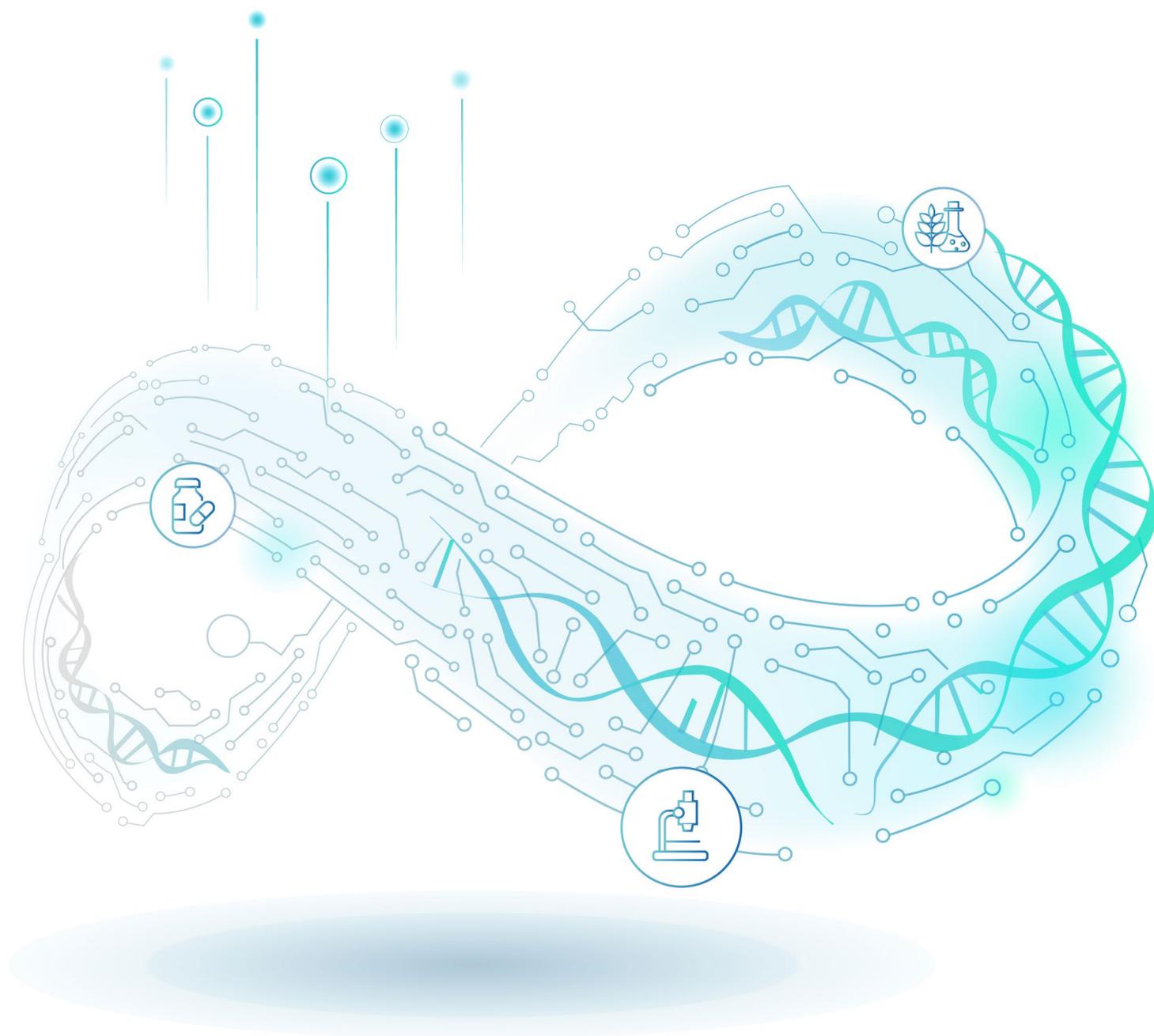




2022

CORPORATE SOCIAL RESPONSIBILITY REPORT

AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
YUNNAN BAIYAO GROUP CO., LTD.



ABOUT THIS REPORT

This report marks Yunnan Baiyao Group Co., Ltd.'s 17th consecutive release of a Corporate Social Responsibility (CSR) report. 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 adheres to the Shenzhen Stock Exchange's *Guidelines for Listed Companies' Social Responsibility* and is in accordance with the Global Reporting Initiative (GRI) *Core Option standard* of the Global Sustainability Standards Board (GSSB) as well as 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, 2022, to December 31, 2022, and serves as the annual report.

Data Sources

Unless otherwise specified, the financial data in this report come 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 and Board of Supervisors. 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).



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MESSAGE FROM THE CEO



2022 was a year of global upheaval and turbulence, but it was also a year in which Yunnan Baiyao maintained its artisanal spirit and actively pursued innovation. In October of 2022, the successful convention of the 20th National Congress of the Communist Party of China (hereinafter referred to as the "CPC") marked the advent of a new era for the continued advancement and rejuvenation of the Chinese nation, following the illustrious blueprint of Chinese-style modernization. Meanwhile, Yunnan Baiyao celebrated its 120th anniversary after surviving more than a century of trials and tribulations. Throughout these many years, we have always upheld the corporate mission, "To Guard Life and Health," and have evolved from a traditional pharmaceutical company into a modern, integrated medical and health enterprise. Looking ahead, we will energetically advance our digital transformation, develop new products, and further expand innovative business cooperations, leading to significant growth. We will steadily progress towards becoming a provider of comprehensive pharmaceutical and healthcare solutions as we fulfill our national mission and social responsibility. Our company generated a total operational revenue of RMB 36.488 billion in 2022, an increase of RMB 0.114 billion from the same period of the previous year's RMB 36.374 billion, with a growth rate of 0.31%. The net profit attributable to the parent company was RMB 3.001 billion, a net increase of RMB 0.196 billion from the same period of the previous year's RMB 2.805 billion, with a growth rate of 7.00%. The ethos of Yunnan Baiyao is built from a foundation of craftsmanship and entrepreneurship, the spirit of which we assiduously nurture in our ceaseless quest for excellence and self-renewal. This ethos echoes the company's mission to guard the life and health of the people, and bears witness to the turbulent century-long history of our company. As we progress towards realizing a healthy China and fulfilling the Chinese dream, we will continue to make Yunnan Baiyao even more illustrious, dynamic, and enduring.

Just as raw jade must be cut and polished in order to become a gem, to reach the heights of success one must first persevere and be dedicated. We have been devoted to our undertaking over the past 120 years. In honor of Yunnan Baiyao's 120th anniversary, we proposed the philosophy of "assisting our nation and its families in achieving their goals for health and prosperity." We remain committed to our company's mission to guard life and health, drawing on the essence of traditional Chinese medicine (hereinafter referred to as "TCM"), and striving to become a leading global enterprise while continuing to express our Chinese heritage. We continue to innovate and develop new products while broadening our business scope through our "New Baiyao, Comprehensive Health" strategy. To lay a solid foundation for achieving our international development goals, we are upgrading our brand operation and management and expanding our overseas marketing channels. Earlier this year, we signed an agreement that laid a framework for strategic cooperation with Yunnan University of Chinese Medicine. This agreement strengthened our company's collaboration with the university in pursuing the innovation and growth of Yunnan's ethnic medicine industries, including through the creation of a national lab that will be key for the study of emerging medicines and their use in clinical settings. At our corporate headquarters, we held the 2022 Annual Conference and the Brand Planning Communication Meeting themed "Building Strength for a Bright Future," where we discussed the company's long-term strategic development and vision for the brand. In partnership with Peking University, we hosted the "Pharmaceutical Innovation and Technology Frontier Forum 2022" in the middle of the year. Over 500 renowned scholars and professionals in the medical sector gathered to explore new ideas for medical innovation and development. We completed our board election at the end of the year and set sail with a new board of directors. We commemorated our 120th anniversary, launching the "Qiyun Science Award" and unveiled the Yunnan Baiyao New Museum and Yunnan Baiyao Exploration Gallery. Time inevitably passes, and Yunnan Baiyao now finds itself in a unique moment. Having maintained its vitality throughout its 120-year journey, it is now looking forward to embarking from a historical new starting point with a historical new mission. Looking ahead, we are ready to embrace the next stage of development and embark on a new journey in this era of progress.

With an enterprising spirit and an eye for innovation, we enthusiastically embrace emerging technologies and refine the essence of traditional Chinese medicine culture by leveraging the latest in scientific advances. We'll extract the essence and discard the dross, enabling the culture of traditional Chinese medicine to span across time and radiate brilliance and vitality. We have proposed a development strategy of "1+4+1" based on our resources, advantages, and future goals, with a focus on boosting the traditional Chinese medicine industry and targeting highly

valued segmented markets, adding upwards of tens of billions of RMB worth of value. We are taking an ecological development approach and have built a business matrix for the four major fields of oral care, skin care, orthopedics, and women's health. We plan to continue to embrace digital transformation, strategically collaborating with Huawei in AI medicine development. In this way, we envision empowering an innovative medical screening process while leveraging topnotch research resources to promote a high-quality structure of radiopharmaceuticals. In our pursuit of groundbreaking technological innovation, we have allocated more capital, strengthened our investment in basic research, and increased the proportion of highly skilled workers who play an important role in the innovation process. Our goal is to transform Yunnan Baiyao into a technologically advanced pharmaceutical company focusing on innovation.

Unswervingly dedicated and innovative, we remain steadfast in our commitment to our mission and to corporate responsibility, and we strive to fulfill our value to society in every aspect of our business. For Panax notoginseng and other traditional Chinese medicinal materials, we have created a digital management platform that we are constantly optimizing. This platform has transformed these herbs' traditional agricultural management model into a quasi-industrial management model. Through the power of big data, farmers working in herb cultivation can use this platform to collect and analyze data, contributing to significant improvements in efficiency and increased returns on investment. We also launched a user-oriented traditional Chinese medicinal materials asset system in 2022, allowing consumers to directly customize their required medicinal materials through the Yunnan Baiyao website. This system even enables users to specify the part or size of the herbs they want to purchase. Through this system, we have fostered a closer connection with our users and expanded the reach of Yunnan Baiyao's health benefits to more people.

Rome wasn't built in a day, and neither was Yunnan Baiyao. In the past 120 years, from 1902 to 2022, we have undergone a process of innovation and transformation as well as serving as a historical witness to our continuous growth. The growth and accumulation over these 120 years has laid a solid foundation for Yunnan Baiyao's future development. As we journey towards the next century, Yunnan Baiyao, as a provider of comprehensive pharmaceutical and healthcare solutions, pledges to "embrace the light and keep growing." We will use technology to propel ourselves to the forefront of the global stage, to guard life and health with unwavering vigor, and to assist our nation and its families in achieving their goals for health and prosperity.

- Dong Ming, Chief Executive Officer

ABOUT US

Company Profile

Formulated in 1902, Yunnan Baiyao is widely recognized as the most innovative representative of time-honored Chinese brands, combining brand, product, and company name in one.

In 1971, Yunnan Baiyao Factory was established following instructions from Premier Zhou Enlai. In 1993, Yunnan Baiyao became the first listed company in Yunnan on the Shenzhen Stock Exchange. It achieved "Five Unifications" in 1996 and successfully implemented corporate reformulation in 1999. In 2005, the Company launched the "Stabilizing the Center and Expanding the Wings" product strategy and began implementing the "New Baiyao, Comprehensive Health" industry strategy in 2010. It has gradually developed from a traditional Chinese medicine company into one of the leading enterprises in China's comprehensive health industry. Since its listing in 1993, the Company has continuously paid dividends to shareholders for 30 consecutive years. From 2016 to 2019, the Company completed mixed-ownership reform in two steps, further stimulating its development momentum through innovations in system and mechanism.

The Company is committed to integrating traditional Chinese medicine into modern life. It has gradually evolved from a traditional pharmaceutical company producing a single Baiyao powder to a leader in China's pharmaceutical and health industry with a rich portfolio. The Company's products and services include pharmaceuticals, personal healthcare products,

traditional Chinese medicinal materials, and pharmaceutical logistics. It has 36 product categories and 390 varieties, with 12 products generating more than RMB 100 million in sales revenue each. Notably, its toothpastes, aerosols, woundplasts, and plasters are all top-selling products across the country.

The Company has established a business group system to drive the expansion of its existing businesses. These groups include the Pharmaceutical Business Group, the Health Products Business Group, the Traditional Chinese Medicine Resources Business Group, and Yunnan Pharmaceutical Co., Ltd. (responsible for pharmaceutical logistics operations). Each business group assumes its own responsibilities and collaborates with one another, and their main businesses have reached a leading level in the industry. With production bases in Kunming, Dali, Wenshan, Lijiang, Wuding, and Wuxi in Jiangsu and Hefei in Anhui, the Company has deployed sales channels that cover the entire country.

Yunnan Baiyao regards guarding life and health as its corporate mission and is committed to becoming a leading provider of comprehensive pharmaceutical and healthcare solutions. Based on its mission and vision, the Company has established a strategic goal of "1+4+1" (Traditional Chinese Medicine + Oral Care, Skin Care, Orthopedics, And Women's Health + Digitalization) while consolidating its existing business. It has optimized its industrial, research and development systems,



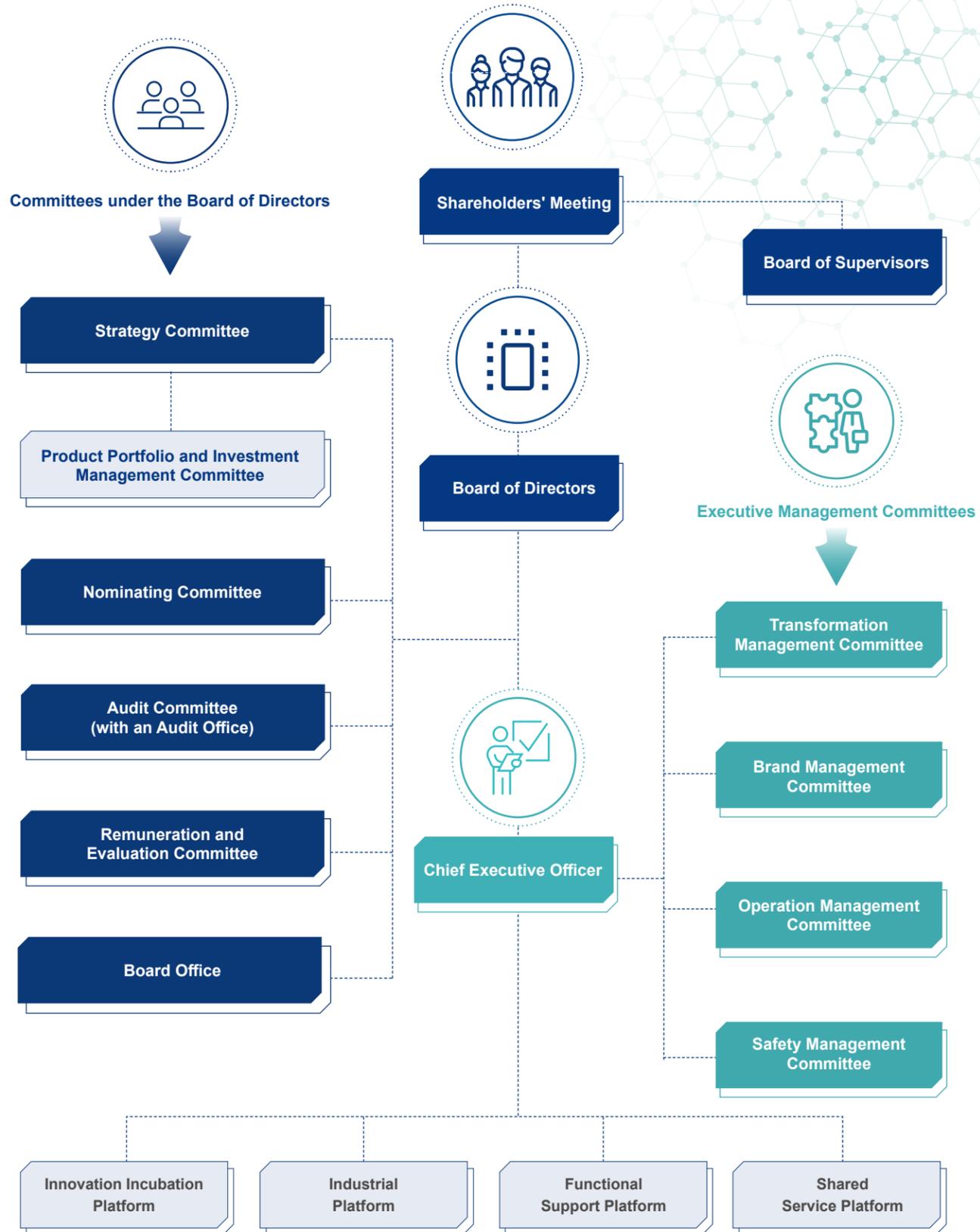
and expanded its presence in Beijing, Shanghai, Hong Kong, Hainan, and Korea, which have become critical strategic pillars for Baiyao to leverage global resources and better serve the needs of the Chinese market. Various business activities have already taken place in these areas, including fundamental research, commercial development, product innovation, and marketing.

The Company always adheres to the core concept of long-term development. We focus on the development strategy of "1+4+1" and drive our growth through three main drivers: products, innovation, and research and development, to promote a non-continuous leap towards the second growth curve, contributing to the development of China's healthcare industry.

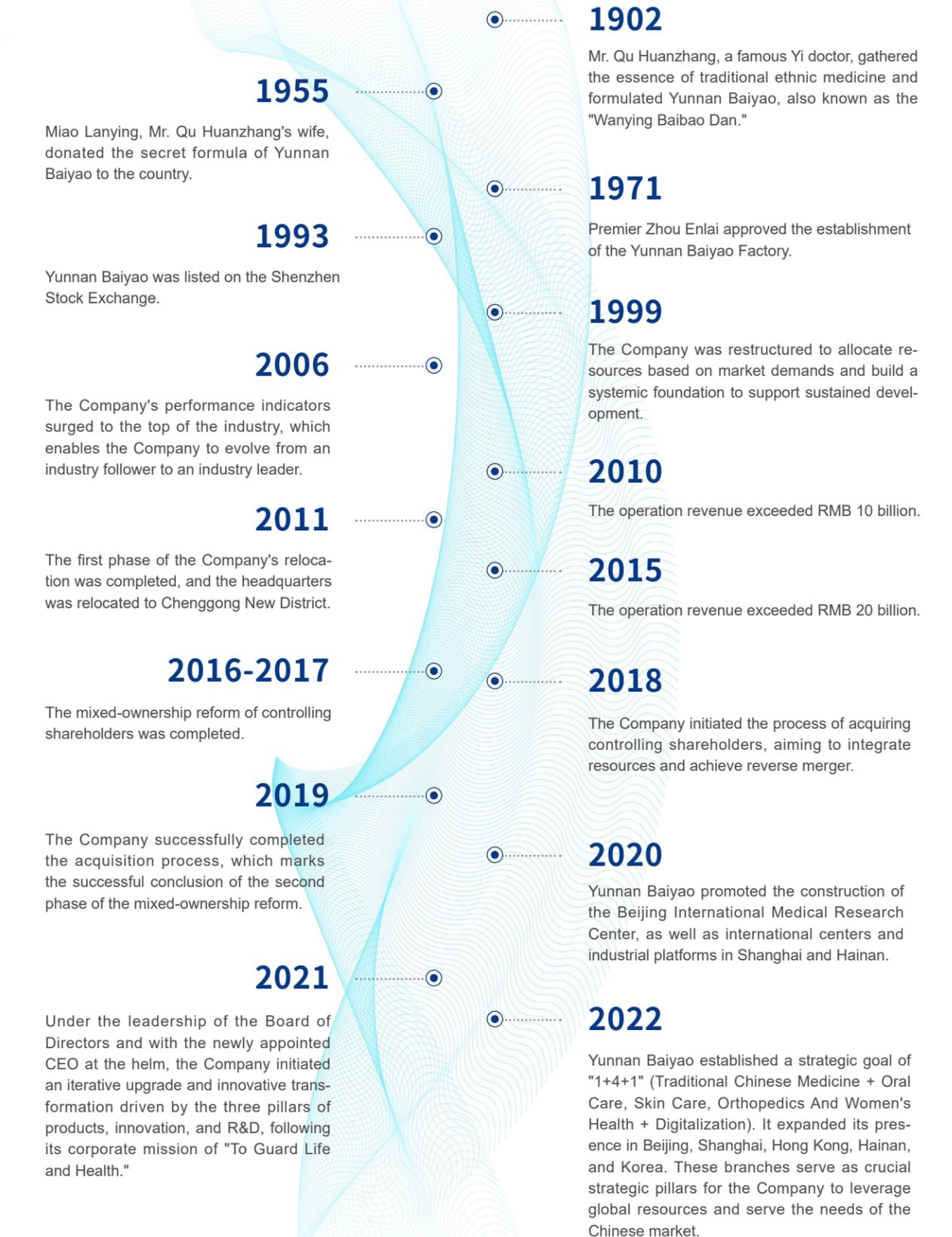
Corporate Culture



Organization Structure



Historical Evolution



Impression of Yunnan Baiyao in 2022



Honors and Awards



The 2022 CBCSD Sustainable Development CEO Forum unveiled its 2022 China Corporate Sustainability Index Report, which recognized Yunnan Baiyao as one of the "Top 100 Chinese Enterprises for Sustainable Development," ranking in joint fourth place.



The Shenzhen Stock Exchange released the *Notice on the Assessment Results of Information Disclosure for Listed Companies on the Shenzhen Stock Exchange Main Board in 2021*. Yunnan Baiyao received an A-class evaluation for 16 consecutive years from the Shenzhen Stock Exchange.



Yunnan Baiyao maintained its A rating in 2022 for its ESG performance, as assessed by MSCI.



Yunnan Baiyao was honored with the Best Investor Relations Award for Chinese Listed Companies in the 13th Investor Relations Award for Chinese Listed Companies (Tianma Awards) selection by the Securities Times.



Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd. was selected as one of the "Top 10 Green Food Enterprises" in Kunming.



Yunnan Baiyao's "Baoqi" *Panax notoginseng* ranked first on the "Top 10 Famous Medicinal Herbs" list in Kunming.

排名	企业名称	品种名称
1	云南白药集团中药资源有限公司	三七
2	云南白药集团中药资源有限公司	重楼
3	云南白药集团中药资源有限公司	天麻
4	云南白药集团中药资源有限公司	独活
5	云南白药集团中药资源有限公司	羌活
6	云南白药集团中药资源有限公司	防风
7	云南白药集团中药资源有限公司	白芷
8	云南白药集团中药资源有限公司	川芎
9	云南白药集团中药资源有限公司	当归
10	云南白药集团中药资源有限公司	熟地黄



Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd. was selected as one of the first batch of key units to be cultivated and supported by the National Traditional Chinese Medicinal Materials Standardization and Quality Assessment Innovation Alliance. The selection reference was the new version of *Quality Management Standards for the Production of Chinese Medicinal Materials*.



The China Association for Public Companies (CAPCO) held a conference to establish the Information and Digitization Committee, and released the Typical Cases of Digital Transformation of Chinese Listed Companies. The report selected 101 digital transformation cases of listed companies, among which there were 26 outstanding cases. Yunnan Baiyao's Digital Panax notoginseng Industry Platform - Empowering Century-Old Chinese Medicine to Embark on Industry 4.0 was one of the outstanding cases in digital transformation for products and services.



With its demonstration model of "Full life-cycle management," Yunnan Baiyao Group Wenshan Qihua Co., Ltd. was selected as one of the fourth batch of provincial service-oriented manufacturing demonstration enterprises (projects and platforms) released by the Yunnan Provincial Department of Industry and Information Technology.



At the 7th IDC China Digital Transformation Annual Ceremony hosted by IDC (International Data Corporation) in 2022, Yunnan Baiyao Group's digital transformation development project won the 2022 IDC China "Annual Future Enterprise Award," and the ONE-BY digital talent full life cycle management platform won the "Best in Future of Work" award.



According to the 2022 Global Healthcare Brand Value List released by the British brand evaluation agency Brand Finance, Yunnan Baiyao was listed as one of the "Top 25 Pharma Brands" with a brand value of USD 813 million.



The China Association for Public Companies released the list of cash dividends for A-share listed companies in 2021, and Yunnan Baiyao was selected for both the "Generous Return List" and the "Sincere Return List" for A-share listed companies.



Rank	Brand	Brand Value (USD million)	% Change
1	Johnson & Johnson	212,200	+10.1%
2	Pfizer	102,500	+15.2%
3	Novartis	98,800	+12.5%
4	Roche	95,200	+8.7%
5	Merck	88,100	+9.3%
6	Abbott	85,300	+11.0%
7	Amgen	82,400	+13.8%
8	Novo Nordisk	78,900	+14.5%
9	Sanofi	76,500	+10.2%
10	Boehringer Ingelheim	73,200	+12.0%





Important Visits

On March 31

Wang Jianying, Secretary of the Party Committee of Yunnan University of Finance and Economics, and her delegation of 11 people visited the Company. They were received by Chief HR Officer Yu Juan.



On May 19

Major General Lu Chuangang, Member of the Standing Committee of the Yunnan Provincial Party Committee and Commander of the Provincial Military Region, visited the Company and was received by CEO Dong Ming.



On July 6

Yang Dawei, Director of the Enterprise Leadership Management Division of the State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government, Wang Hongxin, Secretary of the Party Committee and Chairman of the Yunnan Provincial State-owned Equity Operation Management Co., Ltd., Li Yinglin, Deputy Secretary of the Party Committee and General Manager, and other leaders of the Equity Operation Management Co., Ltd visited Yunnan Baiyao for research and investigation. They visited the logistics center, aerosol production line, and intelligent toothpaste factory, Yunnan Baiyao Museum, and had a discussion with the Joint Chairman of Yunnan Baiyao, Chen Fashu, Chairman Wang Minghui, CEO Dong Ming, Executive Director Yang Changhong, Director Chen Yanhui, and Secretary of the Board Qian Yinghui.



On March 25

Ma Zhongjun, Deputy Secretary of Wenshan Prefecture Party Committee and Governor of Wenshan Prefecture, visited the Company for research and investigation with his delegation. They were received by CEO Dong Ming, Yin Pinyao, COO, Senior Vice President and President of the Traditional Chinese Medicine Resources Business Group, and Zhu Zhaoyun, Academician of Chinese Academy of Engineering and Director of Traditional Chinese Medicine Research and Development.

On April 21

Na Yunde, then Secretary of the Nujiang Prefecture Party Committee, and his delegation of 6 people visited the Company. They were received by Yin Pinyao, Group's COO, Senior Vice President, and President of the Traditional Chinese Medicine Resources Business Group, along with Lu Hongdong, Deputy Secretary of the Party Committee of Yunnan Baiyao.



On May 20

Yu Qineng, head of the Economic Investigation Team of the Yunnan Provincial Public Security Department, and Zhang Yaogui, Secretary of the Party Committee of the Environment Food and Medicine Investigation Team, led a team to hold a symposium on police-enterprise cooperation at the Company. The symposium aimed to strengthen police-enterprise cooperation, promote the co-construction of police and enterprises, better guard the legitimate rights and interests of enterprises, and serve the healthy development of enterprises. Both sides had in-depth discussions on the above topics and signed the *Police-Enterprise Co-Construction Agreement*. CEO Dong Ming attended the symposium and signed the agreement.



On November 19

Zhang Chunxian, Vice Chairman of the Standing Committee of the National People's Congress and member of the Party Group, Liu Hongjian, member of the Yunnan Provincial Party Committee and Secretary of the Kunming Municipal Party Committee, visited Yunnan Baiyao. They were accompanied by Wang Minghui, Chairman of Yunnan Baiyao Group, Zhu Zhaoyun, Academician of the Chinese Academy of Engineering and strategic scientist of Chinese medicine of Yunnan Baiyao Group, and Yang Changhong, Executive Director of Yunnan Baiyao Group.

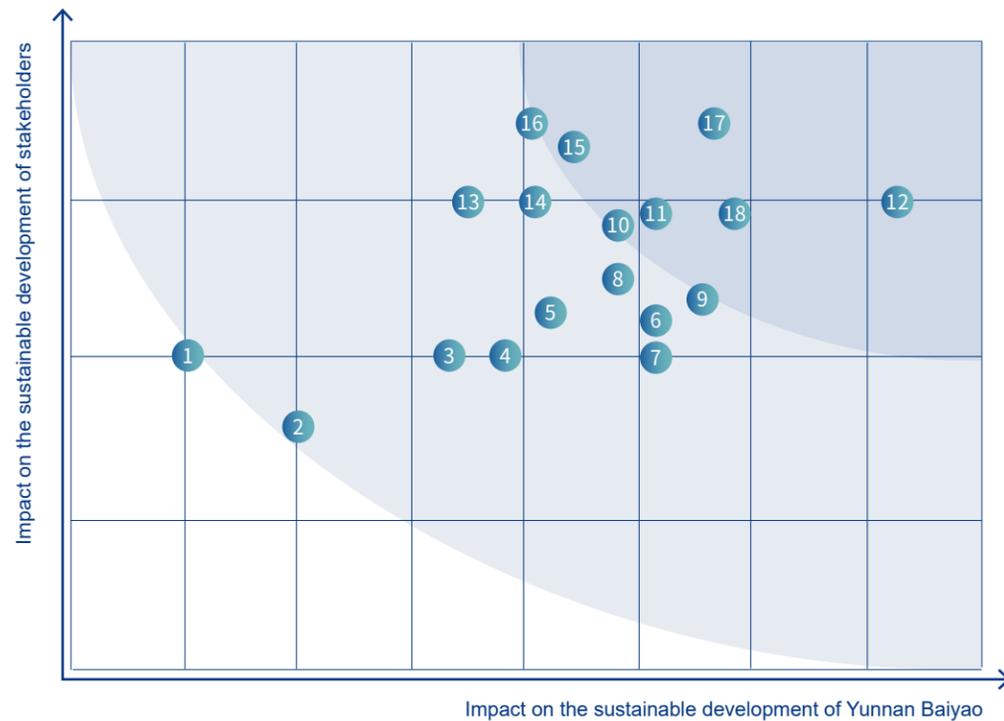


SOCIAL RESPONSIBILITY MANAGEMENT

Social Responsibility Management

Yunnan Baiyao has always insisted on constantly improving its social responsibility management system while maintaining steady business growth. We coordinate and direct the Company's sustainable development practices, fulfill our national mission, and demonstrate our accountability and commitment. As to sustainable development, we focus on the aspects that matter most to the capital market and engage in various forms of communication and collaboration with stakeholders. We regularly review substantive issues in light of external trends and our own business operations, and prioritize timely and relevant disclosure of substantive issues based on their importance and boundaries.

Identification and analysis of substantive issues matrix



1	Internationalization process	10	Green product service
2	Participating in public welfare activities	11	Employee care
3	Driving progress in the industry	12	Safe production
4	Contribution to national and regional economy	13	Anti-corruption
5	Recruitment	14	Occupational health
6	Environmental management	15	Green and low-carbon development
7	Continuous innovation	16	Corporate culture
8	Supply chain management	17	Customer value creation
9	Emissions management	18	Training and development

Social Responsibility Communication

Yunnan Baiyao places a high value on stakeholder communication. Based on its own operation and governance, the Company takes into account each stakeholder's unique needs and characteristics and solicits the suggestions of stakeholders such as government and regulatory agencies, shareholders, customers, employees, communities, and the general public through various channels. It identifies each stakeholder's feedback and expectations of the Company, establishes an efficient stakeholder communication feedback mechanism, and responds to the needs of all parties in a targeted manner, thereby comprehensively improving the Company's social responsibility performance. The specific methods employed are as follows:

Interested parties	Expectations and demands	Our response
 Shareholders	<ul style="list-style-type: none"> Standardized operation Reasonable return on investment 	<ul style="list-style-type: none"> Compliance Information Disclosure Comprehensive reports at shareholders' meetings On-site, phone, email, interactive platform, and other forms of research Steadily increasing company value, and ensuring stable dividends
 Customers	<ul style="list-style-type: none"> Consumer rights protection Ensuring 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
 Partners	<ul style="list-style-type: none"> Integrity in business Supply chain sustainability Timely communication 	<ul style="list-style-type: none"> Standardized management and execution of contracts and agreements Regular exchange conferences and networking events Strict implementation of the bidding system "Coming Home" activities Collaboration in social responsibility
 Employees	<ul style="list-style-type: none"> Good working environment Good welfare and benefits Vocational skills training and career development paths 	<ul style="list-style-type: none"> Staff Congress Training, lectures, salons and other communication activities Themed networking activities Employee feedback from work summary
 Government / Associations	<ul style="list-style-type: none"> Compliant operation Paying taxes in accordance with the law Joint development 	<ul style="list-style-type: none"> Policy consultation Fulfilling all obligations in accordance with the law and regulations Undertaking government projects Reporting the Company's business performance on a regular basis Association activities and exchanges
 Community public	<ul style="list-style-type: none"> Reducing the impact of production and operation on the surrounding environment Promoting health knowledge Assisting disadvantaged groups 	<ul style="list-style-type: none"> Carrying out the "Into Baiyao" activities for public visits Public opinion management and media communication Carrying out public welfare activities such as building a harmonious community, respecting and assisting the elderly, poverty alleviation and education assistance

2022 RESPONSIBILITY STORY - PRESERVING A CENTURY-OLD HERITAGE AND UPHOLDING THE SPIRIT OF CRAFTSMANSHIP

Mr. Qu Huanzhang, a renowned Yi doctor, formulated Yunnan Baiyao in 1902 by fusing traditional Chinese medicine and ethnic medicine. Yunnan Baiyao, with 120 years of continuous construction and development, has adhered to the Baiyao spirit for over a century and integrates modern advanced technology into production. The Company is constantly innovating and breaking new ground, and it has now grown into a large modern pharmaceutical group with two national first-class protected traditional Chinese medicine varieties, 19 dosage forms, and over 300 varieties.

- 
 With **120** years of continuous construction and development
- 
19 dosage forms
- 
 Over **300** varieties



Craftsmanship and Source: The Foundation of Quality

The saying "only good medicinal materials make good medicine" is widely accepted. To produce high-quality products, Yunnan Baiyao carefully chooses and compares medicinal materials from various sources. This is a crucial step for the Group in improving the quality of its products and the value of its entire industrial chain.

Seventeen years ago, Yunnan Baiyao Group initiated its industrial layout with a foresighted perspective and established a complete industry chain, successfully ensuring the quantity and quality of its pharmaceutical products. For example, at the Group's Wuding medicinal materials planting base, the quality of medicinal materials is carefully controlled from the beginning of the cultivation process. This approach has contributed to not only the production of high-quality medicinal materials varieties, but also a series of impressive achievements in the field of medicinal materials cultivation. The cultivation and domestication of *Paris polyphylla*, a wild plant species, required countless efforts, perseverance, and time from the dedicated Baiyao team.



Paris polyphylla

Paris polyphylla is a kind of traditional Chinese medicine that is one of Yunnan Baiyao Group's key strategic herbs. Recent research has revealed that both *Paris polyphylla* and its chemical constituents have a wide range of physiological activities, including antibacterial, anti-inflammatory, anti-tumor, sedative, and analgesic properties, cough and asthma relief, and anti-fertility effects, implying a significant potential for use in medical fields. However, as wild *Paris polyphylla* grows slowly, the consumption of its medicinal material far outpaces its growth rate.

With the rapid growth of the Chinese healthcare industry, there has been a substantial increase in the use of medicine derived from raw materials sourced from *Paris polyphylla* by pharmaceutical companies. However, the excessive exploitation of this resource over a prolonged period has reduced the quantity of wild *Paris polyphylla*. It takes 8 to 10 years to grow *Paris polyphylla* from planting to harvesting, and in order to obtain more raw materials, pharmaceutical companies have significantly increased the procurement price of this resource. This significant procurement price hike has further fueled farmers' enthusiasm towards picking and digging, enabling a digging speed surpassing the natural growth rate of *Paris polyphylla*. Consequently, this valuable resource has become increasingly scarce.

In the 1970s, the wild *Paris polyphylla* in China had been over-harvested to extinction. At that time, China relied primarily on imports from Southeast Asia to obtain the plant, and a lack of resources became a bottleneck for the sustainable development of the Yunnan Baiyao industry. Because relying solely on wild resources was no longer feasible in order to meet market demand, artificial cultivation became the unavoidable solution to the *Paris polyphylla* shortage. In this context, Premier Zhou Enlai issued an important directive to domesticate Yunnan Baiyao's raw material plant from the wild to artificial cultivation. Yunnan Baiyao Group began looking into ways to ensure a steady supply of raw medicinal materials. Among the 24 subspecies of *Paris polyphylla* worldwide, the Company visited South America, Europe, and Africa, bringing back 23 seeds for further study in China. After two decades of meticulous research, *Paris polyphylla* was eventually transformed from a wild plant to a factory-produced medicinal materials.

“ The reason for the century-long success of Yunnan Baiyao lies in two main pillars: the spirit of craftsmanship and the spirit of entrepreneurship. The former ensures quality, efficacy, and reputation, while the latter drives the growth and expansion of the business into an industry. ”

- Premier Li Keqiang



Advanced Deployment of Chonglou Industry in Multiple Locations - Yunnan Baiyao (Lijiang) Ecological Science and Technology Industrial Park

In February 2017, Yunnan Baiyao Group collaborated with the Yulong People's Government of Lijiang City in accordance with its comprehensive health strategy, leveraging Yunnan Baiyao's advantages in brand, technology, and talent, as well as the superior traditional Chinese medicinal and biological resources in Yulong County, to establish a "Yunnan Baiyao (Lijiang) Ecological Science and Technology Industrial Park" in Tai'an. The park completed the construction of infrastructure, environment renovations, temperature-controlled greenhouses, and other facilities after three years following the project plan. Its seed germination chambers were established, and the decoction pieces production line renovations were completed, obtaining a permit granted for production. The total investment was nearly RMB 100 million.

As for *Paris polyphylla*, the park has completed germplasm conservation, display planting, and seedling cultivation after three years of construction, covering a total of 107 acres, with 82 acres dedicated to germplasm planting and 25 acres to seedling cultivation. Additionally, it has constructed a *Paris polyphylla* germplasm nursery, amassing 23 species and 53 varieties of *Paris polyphylla* plants. This has transformed it into a comprehensive site boasting with a wide variety of species in Northwest Yunnan. In compliance with GAP¹ requirements, the park has established various types of planting management and protection techniques systems, as well as a traceability system for *Paris polyphylla*. It has obtained 1 invention patent, 3 new varieties, 1 high-quality variety, and 4 local standards.

It has obtained
1 invention patent
3 new varieties
1 high-quality variety
4 local standards



Paris polyphylla planting

¹ GAP, short for Good Agricultural Practice, is a set of operating standards aimed at agricultural product production, including crop planting and animal breeding. The purpose of this standard is to enhance the quality and safety management level of agricultural production bases, making it an effective means and tool.

Advanced Deployment of *Paris Polyphylla* Industry in Multiple Locations – Yunnan Baiyao Wuding Planting Base

As the *Paris polyphylla* planting industry grows, there is a severe shortage of seedlings in the market, especially high-quality ones. At the same time, due to the difficulty of growing *Paris polyphylla* and long cultivation cycle, we face significant constraints in cultivating and promoting *Paris polyphylla*. Through years of efforts, the Wuding Planting Base has studied the entire growth cycle from seed to commercial medicinal materials, and has successfully achieved artificial cultivation of *Paris polyphylla* var. *yunnanensis*.

The new *Paris polyphylla* var. *yunnanensis* varieties "Baiyao *Paris polyphylla* var. *yunnanensis* No. 1" and "Baiyao *Paris polyphylla* var. *yunnanensis* No. 2," were registered on June 29, 2014. They are the new varieties through artificial cultivation obtained by the Wuding Planting Base through single-plant selection and phased propagation. As the independently developed intellectual property of Yunnan Baiyao Group, these two varieties have laid a solid foundation for the breeding, standardized cultivation and planting promotion of high-quality *Paris polyphylla*. These efforts have boosted the healthy development of the *Paris polyphylla* planting industry.

Preserving Founding Principles and Committing to the Development Mission

On the occasion of Yunnan Baiyao 120th anniversary, the Company proposed the philosophy of "assisting our nation and families in achieving their goals for health and prosperity." The founder and subsequent inheritors of the Company have consistently demonstrated an unwavering devotion to the country and the public, which has become deeply ingrained in the brand's heritage.

"The Yunnan Baiyao powder protected health over a century ago. However, in this technologically dominated era, businesses must change their approach to serving and protecting users." CEO Dong Ming emphasized that after 120 years of the national brand's existence, it is critical to determine the Company's mission and responsibility to the nation. In response, Yunnan Baiyao will provide product solutions based on the most advanced production relations and productivity of this era, which is connected with the future development planning of the

Company. "To guard life and health" has always been Yunnan Baiyao's core value. Dong Ming stressed that during wartime, we guarded people by healing injuries; whereas, during peacetime, Yunnan Baiyao would expand into the field of comprehensive health.

Looking ahead, Yunnan Baiyao will maintain its "New Baiyao, Comprehensive Health" strategy, leveraging its existing capital, brand, channels, and market positioning advantages to consolidate and improve its existing business sectors. With a more open mindset, Yunnan Baiyao will create an integrated industrial ecosystem in finance, capital, industry, products, and services. The aim is to foster new innovative capabilities and facilitate its ecological development. In doing so, we will promote strategic planning and commercial model innovation to increase the Company's core competitiveness in the future.

2022 RESPONSIBILITY STORY - INNOVATING AND EXPLORING TO EMPOWER INDUSTRY GROWHT

Looking back on the 120-year development journey of Yunnan Baiyao, the Company has always pursued technological innovation while maintaining its century-old brand and traditional Chinese medicine culture. The Company has adopted various strategies such as "Stabilizing the center and expanding the wings" and "New Baiyao, Comprehensive Health," with a focus on the "medicine" while continuously expanding its business. The 120th anniversary of Yunnan Baiyao not only commemorates its past achievements but also marks a new beginning and a time of growth.

Yunnan Baiyao has always been driven by the spirits of entrepreneurship and craftsmanship, and it gathers strength from all parties and achieves even more remarkable accomplishments in the relentless pursuit of self-improvement. Yunnan Baiyao is unwavering in its commitment to creating, sustaining, and extending the legacy of its renowned Baiyao products as it works to realize the Chinese Dream and build a healthy China.



Innovation Forum Promotes Integration of Industry, University and Research

The Peking University-Yunnan Baiyao International Medical Research Lab's research accomplishments truly serve society's "last mile," representing an exploration of the integration of industry, university, and research between the two medical brands, Peking University Health Science Center and Yunnan Baiyao. According to Academician Qiao Jie, the integration of the academic and industrial innovation chains has long been a weak point in China's medical innovation landscape, which necessitates collaborative efforts from experts and scholars from various fields to address the challenges of insufficient quantity, low quality, fragmentation, and unevenness in health and medical technology innovation.

“ Universities must collaborate with enterprises, hospitals, and research institutions. Only by firmly integrating these four technological forces can we connect the academic and industrial innovation chains. ”

—Qiao Jie, Academician of the Chinese Academy of Engineering and Executive Vice President of Peking University

The Peking University-Yunnan Baiyao International Medical Research Center will recruit and gather top international talents in various disciplines, and cultivate a globally competitive team of experts to support the Center's development through high-level innovative research and talent cultivation. This effort will promote multiple disciplines to reach world-class levels, generate significant international academic achievements, and cultivate a group of scientists with significant international influence. Both parties are currently engaged in technology transfer activities, hoping to truly lead the way in the fields of traumatology and osteology on a national and even global scale.



Pharmaceutical Innovation and Technology Frontier Forum 2022

In light of this, the "Pharmaceutical Innovation and Technology Frontier Forum 2022," was hosted by the Peking University Health Science Center and Yunnan Baiyao Group, and was organized by the Peking University-Yunnan Baiyao International Medical Research Center. The event included "Academic Reports," the "Baiyao and Pharmaceutical Innovation Forum," and the "Baiyao and Clinical Transformation Forum." We leveraged the talent advantages of Peking University and the market advantages of Yunnan Baiyao Group to promote deep integration of industry, university, and research in the pharmaceutical industry, achieving true unity of economic and social benefits.

This forum focused on the forefront of medical technology development in the new era, bringing together well-known domestic and foreign experts in the fields of oncology, reproductive medicine, trauma orthopedics, pharmacy, dentistry, and medical aesthetics. They discussed and exchanged advanced medical concepts, technological innovations, and service experiences on the forum. It showcased the latest achievements in medical technology development at home and abroad. Participants planned to promote the future development of medicine, striving to create a high-end medical academic brand with international influence that was refined and distinctive.



Pharmaceutical Innovation and Technology Frontier Forum 2022

Constant Exploration to Facilitate Industry Development

Yunnan Baiyao has been closely collaborating with various sectors of society, including the government, universities, institutions, and experts, to promote innovation in medical and health technology, and to drive high-quality development in the biopharmaceutical industry, as evidenced by its rapid development. On the occasion of its 120th anniversary, Yunnan Baiyao once again intensified its efforts and announced that it will jointly host the "Qiyun Conference on Life and Health Science" (hereinafter referred to as the "Qiyun Conference") in August 2023 with the Kunming Municipal People's Government and Peking University, ushering in a new era in the development of Yunnan's biopharmaceutical industry.



"Qiyun Conference on Life and Health Science" opening ceremony

As a high-level and high-standard industry conference in the life sciences and medical field in China, the Qiyun Conference will be redesigned and upgraded based on the "Pharmaceutical Innovation and Technology Frontier Forum," which had been held for two consecutive years. The conference aims to comprehensively improve the innovative capabilities of industry, academia, and research in the field of biomedicine and comprehensive health. It also promotes industry-university-research integration, and plays a strategic supporting role in the high-quality development of the biopharmaceutical industry at a higher level and on a larger scale. It strives to make contributions to supporting the construction of a healthy China and promoting the innovative development of life sciences.

Meanwhile, the Fujian Fashu Charity Foundation donated RMB 120 million to establish a non-profit science award called the "Qiyun Science Award," which will be presented during the Qiyun Conference to recognize top Chinese scientists who have made outstanding contributions in the field of life sciences and healthcare. We hope that, under the direction of the "Qiyun Conference on Life and Health Science" and the "Qiyun Science Award," more outstanding talents can be gathered to jointly promote the development of China's life sciences and medical industry to guard life and health.



Fujian Fashu Charity Foundation donation ceremony for establishing the "Qiyun Science Award"

We guard life and health through product innovation, promoting biopharmaceutical science and industry development through the Qiyun Conference and Qiyun Science Award. In addition, Yunnan Baiyao continues to contribute to public health and health equity through various means. Yunnan Baiyao held the opening ceremonies of the Yunnan Baiyao Museum and Yunnan Baiyao Exploration Gallery to commemorate its 120th anniversary. The Yunnan Baiyao Museum "connects the past" by promoting traditional Chinese medicine culture, introducing the history of Chinese and Western medicine, and telling the development history of Yunnan Baiyao over the past 120 years. The Yunnan Baiyao Exploration Gallery "reflects the future" by offering various services in fields such as orthopedics, medical cosmetology, and skin and oral health services.

"Yunnan Baiyao aims to become a leading provider of comprehensive pharmaceutical and healthcare solutions in about 15 years," Dong Ming said. The Company will adopt a "dual-engine drive" strategy, combining endogenous growth with external expansion. It strives to be a practitioner and paragon of Chinese medical culture and industry. It also aims to become an innovator and pioneer of the "Chinese approach" to medical and health care, ultimately contributing to the well-being of humanity.

CORPORATE GOVERNANCE

Yunnan Baiyao continues to improve its corporate governance structure and has developed a more comprehensive plan in accordance with its digital transformation strategy. Through systematic capacity building in organizational structure, management system, business processes, technological means, and supervisory mechanisms, the Company has strengthened its internal control through digitalization. The internal control system framework has become more complete and reasonable, meeting the needs of enterprise development. The Company also persists in advancing anti-corruption and integrity of its CPC team, effectively protecting the rights and interests of investors, and utilizing excellent governance to contribute to the Company's long-term sustainable development.

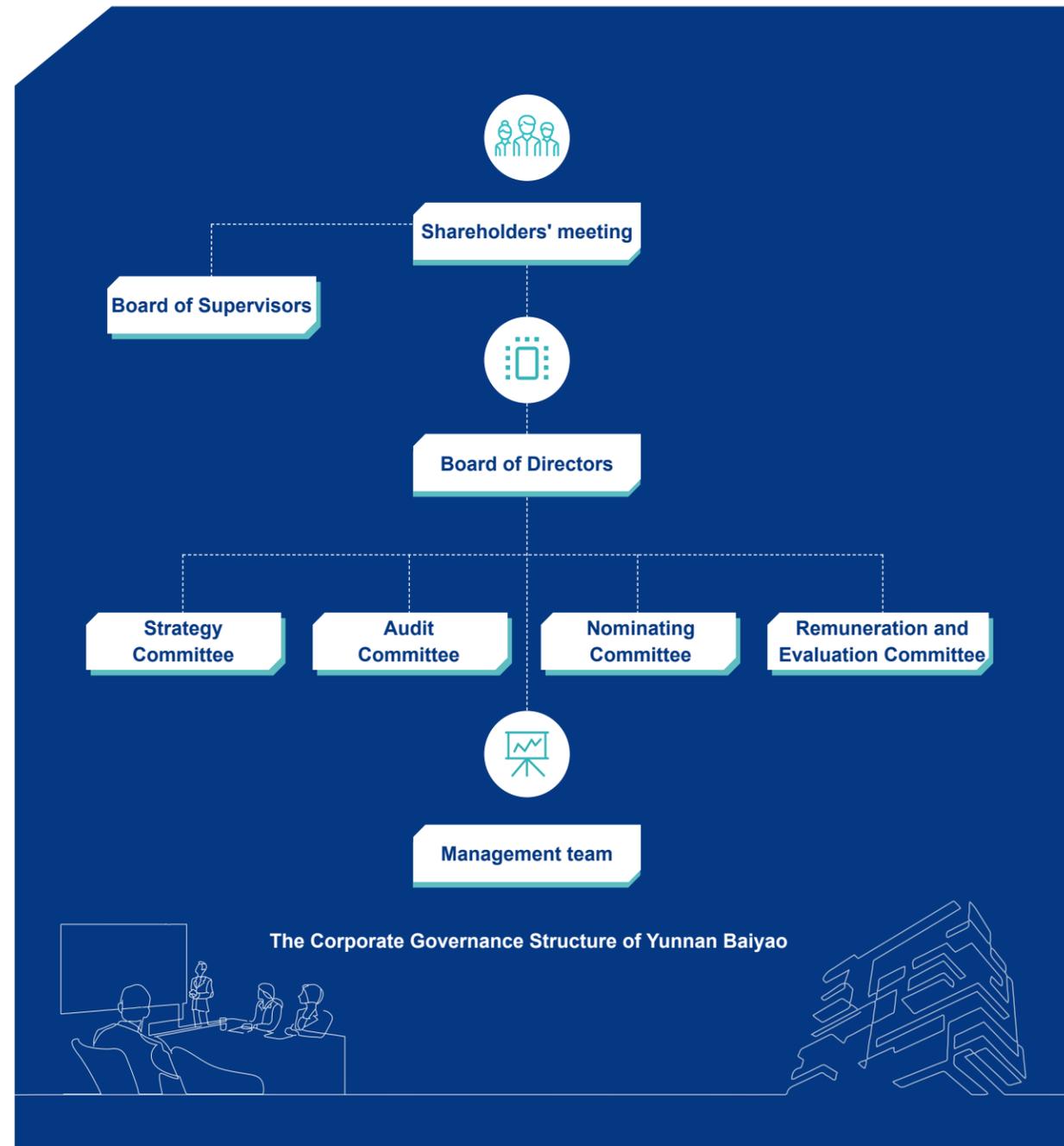
This chapter corresponds to the following Sustainable Development Goals:



01

Corporate Governance

Yunnan Baiyao adheres strictly to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and other relevant laws and regulations. It continually improves its corporate governance structure based on its actual development and the requirements of regulatory authorities. It has established a multi-level management system that is based on the Company's *Articles of Association* and covers all aspects of its operations, forming a decision-making and management structure primarily consisting of the shareholders' meeting, the Board of Directors, the Board of Supervisors, and the management team. This structure aims to protect the interests of the Company and all shareholders.



Yunnan Baiyao strictly follows the provisions and requirements of the *Articles of Association* and the *Rules of Procedure for Shareholders' Meetings*. It standardizes the procedures for convening, holding, and voting at shareholders' meetings, treats all shareholders equally and ensures that shareholders can fully exercise their rights. The Company held two shareholders' meetings in 2022.



Yunnan Baiyao strictly follows the relevant provisions of the *Articles of Association* and the *Rules of Procedure for the Board of Directors*, actively promoting the standardized and efficient operation of the Board of Directors. All Directors of the Company strictly carry out their work in accordance with regulations, attend board meetings and shareholders' meetings diligently, and fulfill their duties as directors with due diligence. Independent directors review relevant proposals based on independent judgment and express independent opinions in a responsible manner towards the Company, all shareholders, and investors.

Yunnan Baiyao has been continuously promoting the diversification of the Board. The Board of Directors consists of seven directors and four independent directors. Board members have diverse professional backgrounds in fields such as law, finance, auditing, management, risk control, investment, mergers and acquisitions, and medical reform, bringing diversified experience and expertise to the Company. The Board of Directors has four well-functioning specialized sub-committees: the Strategy Committee, the Audit Committee, the Nominating Committee, and the Remuneration and Evaluation Committee.



Yunnan Baiyao elects the Board of Supervisors in strict accordance with laws and regulations such as the *Company Law*, the *Articles of Association*, and the *Rules of Procedure for the Board of Supervisors*. The Board of Supervisors consists of four supervisors, including two employee representatives and two shareholder representatives. They fulfill their duties with integrity, diligence, and responsibility, supervising the company's financial status and the legality and compliance of The Board of Directors and senior managers' performance. They effectively safeguard the legitimate rights and interests of the Company and the shareholders.



Yunnan Baiyao has been constantly improving its internal control system. It has created the *Internal Control Management Manual* and implemented risk assessment and control in business processes in conjunction with the special supervision system, internal information system, Party building and integrity, and asset management.

The Audit Committee under The Board of Directors is responsible for supervising the internal control, internal audit, and audit of the annual report. It authorizes the Audit and Risk Control Department to carry out specific internal control, and facilitates the real-time inspection and improvement of the Company's internal control design and operation through routine audits, special audits, and special investigations. This has promoted continuous improvement of internal control quality, and ensured the Company's stable and proper operation.

In 2022, Yunnan Baiyao continued to advance its internal control system construction, establishing and improving internal control regulations and business processes to comprehensively strengthen its internal control framework. With this foundation in place, we persisted in creating a conducive atmosphere for internal control within the Company, conducting self-assessments to generate internal control reports. Through the "Risk Management Online" platform, we regularly disseminated risk prevention and control knowledge related to internal control, internal audit, risk management, and asset management, cultivating a corporate culture of risk management with company-wide participation. Throughout the year, Yunnan Baiyao maintained effective internal control over all major risks.

Shareholders and Investors' Rights and Interests

Yunnan Baiyao is committed to guarding the legitimate rights and interests of shareholders and investors, taking effective measures to ensure they receive reasonable returns on their investments. The Company closely attends to the expectations and requirements of investors and shareholders, and diligently fulfills its information disclosure obligations. The Company regularly holds investor interviews and communication activities, promptly disclosing its operating conditions and business progress to investors, establishing an efficient and smooth interaction and communication mechanism to ensure the legitimacy and effectiveness of company decisions. It highly values and carefully listens to the opinions and suggestions of small and medium-sized investors and overseas institutional investors, adopts and implements reasonable ones, effectively guarding their interests. In 2022, the Company planned to distribute cash dividends of RMB 15.2 (including tax) per 10 shares to all shareholders, based on the total share capital of 1,784,262,603 shares after deducting the 12,599,946 shares repurchased and held in a dedicated stock repurchase account. The total amount of cash dividends distributed was RMB 2,712,079,157. This made the Company one of the listed companies with the highest shareholder returns in A-shares.

Building upon truthful, accurate, complete, timely, and fair information disclosure, Yunnan Baiyao utilizes a variety of tools, including the Investor Relations section of the official website, the Interaction Easy platform of the Shenzhen Stock Exchange, the investor interaction platform, investor interviews, and roadshows, to establish a comprehensive and 24/7 investor communication platform, ensuring investors receive real-time information. In 2022, the Company answered 516 inquiries through investor hotline and we held 72 online or on-site investor relations activities, and received 268 institutional investors and analysts. We answered 342 questions with a perfect response rate of 100%. The Shenzhen Stock Exchange has consistently ranked the Company's high-quality information disclosure and investor relationship management as Class A for 16 consecutive years, which demonstrates its leadership position in this domain.



516 inquiries answered through investor hotline



72 investor relations activities held online or on-site



268 institutional investors and analysts received



342 questions answered



A perfect response rate of **100%**

Owing to its excellent performance in the capital market, Yunnan Baiyao has been included in various indices such as the MSCI Index, the FTSE Emerging Markets Index, the Shanghai and Shenzhen 300 Index, and the CSI 100 Index. The Company has also proactively responded to the capital market's expectations and concerns regarding environmental, social, and governance issues. In 2022, Yunnan Baiyao's MSCI ESG rating continued to maintain an A rating, which makes the Company the only listed pharmaceutical company on the Shenzhen Stock Exchange to receive an A rating for two consecutive years. Additionally, the Company continued to hold the highest rating in Yunnan Province, and is the only listed company in the province to receive an A rating.

Party Building

Yunnan Baiyao consistently regards enterprise development as its guiding principle, remains committed to following the CPC's leadership and has appointed an assistant to liaise with multiple grassroots Party organizations. The assistant is responsible for following up on Party affairs and group work of the responsible Party organizations, conveying the basic requirements and innovation demands to each grassroots Party organization, and ensuring the timeliness and effectiveness of various work. Through these efforts, the Company achieves full process clarity of various activities in the Party-mass system.

Yunnan Baiyao adheres to the principle of "listening to and following the Party," actively carries out Party-building work under the correct direction, demonstrates the exemplary role of advanced models, and inspires Party organizations at all levels and the majority of Party members so as to learn from the exemplary individuals and strive for progress.

At the Group's Party committee level, the first issue system and the centralized group theoretical study system are adopted, with multiple organized learning sessions throughout the year. In accordance with the arrangements and deployment of the provincial Party committee's "Two New" Work Committee, which focuses on newly emerging industry organizations and new social organizations, regular democratic life meetings are held for the study of Party history education. In the *Grassroots Party Organization Quarterly Work Guidance Manual*, the theoretical learning direction and content for grassroots Party organizations are specified, and the corresponding learning materials are compiled and distributed by the Party-mass Work Department. Each grassroots Party organization, based on the actual work, conducts centralized theoretical learning through various forms, such as individual study, Party group study, internal branch study, external branch study, secretary's Party lectures, expert Party lectures, and on-site teaching. In 2022, a total of over 150 centralized theoretical learning sessions were organized, and all 64 grassroots Party organizations held democratic life meetings. The training involved 1,458 Party members, covering 100% of Party members, including 65 new members.

Yunnan Baiyao's Learning about the 20th CPC National Congress

After the successful conclusion of the 20th CPC National Congress, the Party Committee of Yunnan Baiyao promptly invited Zhu Zhaoyun, the Group's representative, to convey the key points of the congress and conduct a series of study sessions to implement its spirit. This quickly created an atmosphere of enthusiasm for learning and implementing the 20th CPC National Congress spirit throughout the Company, ensuring that its principles are effectively implemented within Yunnan Baiyao.

The Party Committee emphasized that the study, promotion, and implementation of the 20th Party Congress's spirit should be the primary task and long-term strategic mission for the current and future periods. It explicitly requested that party organizations at all levels should demonstrate a strong sense of political responsibility, make rapid arrangements to fully engage in the learning and implementation of the 20th CPC National Congress spirit. Theoretical learning groups at every level should prioritize studying the 20th CPC National Congress spirit, with party members and leaders, particularly those in leadership positions, taking the lead in learning and applying the principles. At the same time, all departments should spearhead the effort to learn and apply those directives to present a new look in the future.



Yunnan Baiyao's study session about 20th CPC National Congress

Anti-Corruption and Integrity

In 2022, Yunnan Baiyao marked its 120th anniversary. Over the past year, under the guidance of the Group's Party Committee and the higher-level Discipline Inspection Committee, the Group's Discipline Inspection Committee carried out a comprehensive study and implementation of the 20th National Congress of the CPC's spirit. This effort helped to deepen the understanding of the crucial importance of the "two establishments," effectively reinforced the "four consciousnesses" and steadfastly maintained "four self-confidences" to achieve the "two guards." With a focus on Party building and integrity, the Company adheres to laws and regulations, integrates these principles into daily operations, and strives to create a corruption-free ecosystem that will enable stable and sustainable development for the century-old enterprise.

Internal Anti-Corruption System

Yunnan Baiyao is committed to continuously enhancing its discipline inspection and supervision system, deepening its efforts to address both symptoms and root causes, and strengthening the construction of a culture of integrity in the new era. The Company educates and guides Party members to improve their awareness of integrity and establishes a system combining punishment, power regulation and education to achieve better institutional results and greater governance efficiency. In 2018, the Compilation of Discipline Inspection and Supervision System of Yunnan Baiyao was completed, comprising various documents such as the *Disciplinary Committee System*, the *Lettering and Reporting System*, the *Integrity Risk Prevention and Control Management Measures*, and the *Party Building and Integrity Construction Work Responsibility System*, was established. In 2022, timely updates and adjustments were made to ensure alignment with the Company's operational characteristics.

Integrity Management Building

In accordance with the unified arrangements of the Party Committee of the Company, the Discipline Inspection Committee organized study sessions for all Party members through individual self-study and collective learning. The members focused on General Secretary Xi Jinping's report at the 20th National Congress of the CPC, the revised *Constitution of the Communist Party of China*, and the *Work Report of the Nineteenth Central Commission for Discipline Inspection* on the 20th National Congress of the CPC. A total of four concentrated theoretical study sessions were organized throughout the year.

The construction of integrity management is a crucial aspect of Yunnan Baiyao's anti-corruption and integrity promotion efforts, and it is a long-term, arduous and complicated systematic project. Starting from the characteristics of modern corporate governance, the Discipline Inspection Committee of Yunnan Baiyao carries out its inspection and supervision in combination with the Company's risk prevention and control, internal audit, internal control, business compliance and process management. The committee actively explores the ways of effective integration of disciplinary inspection work and business development. Its members diligently fulfill their supervisory responsibilities and foster a working atmosphere that abides by regulations and respects integrity. The committee continuously strengthens anti-corruption supervision and culture construction, promotes the construction of a clean culture within the Company, and gradually establishes a long-term mechanism for the prevention of corruption and risk management.

At the beginning of 2022, Yunnan Baiyao officially released its Business Ethics and Code of Conduct. CEO Dong Ming took an oath on behalf of all employees, after which all staff members signed the *Yunnan Baiyao Business Ethics and Code of Conduct Commitment*. The Group's Discipline Inspection Committee emphasized the concept of "not daring to be corrupt, cannot be corrupt, and do not wish to be corrupt." While strictly supervising and enforcing discipline, they held pre-appointment integrity reminder talks with 205 department heads, managers, and key personnel in positions such as engineering construction and supply chain operations, according to adjustments in administrative and Party organization structures. All signed the *Commitment to Integrity and Clean Practice*, clarifying the responsibilities, scope, and content for each level of management in Party building and integrity.

Yunnan Baiyao consistently implements the policy of setting up integrity warnings in prominent locations for all ongoing construction projects and issuing integrity reminders in the procurement transfer box. During important holidays such as New Year's Day, Spring Festival, Mid-Autumn Festival, and National Day, anti-corruption messages are sent to all Party members in advance. Throughout the year, six pre-holiday integrity reminders were given, and there were no violations of regulations among Yunnan Baiyao's management personnel during these holiday periods.

Welcoming the 20th CPC National Congress and Embarking on a New Journey - The Party Building and Integrity Lecture

On October 19, 2022, to further strengthen Party conduct and integrity education, and solidify the ideological and moral defense against corruption, the joint Party Committee and Discipline Inspection Committee of Yunnan Institute of Materia Medica, Central Research Institute, and Strategy Development Research Institute invited Li Jin, Secretary of the Discipline Inspection Committee of Yunnan Baiyao, to give a special lecture on Party conduct and integrity themed "Welcoming the 20th National Congress and Embarking on a New Journey."

More than 40 participants attended the lecture in the No. 4 Conference Room of the Yunnan Institute of Materia Medica, including the Company's Discipline Inspection Committee members, secretaries of Discipline Inspection Committees from the business groups, relevant personnel from the Process Management Center, members of the joint Party Committee and Discipline Inspection Committee, secretaries and members from subordinate Party branches. Other Party members and cadres participated simultaneously through Tencent Meeting.



Li Jin, secretary of the Disciplinary Committee of the Company, lectures on the construction of Party building and integrity management

"Anti-Corruption and Integrity Promotion" Education and "Integrity Warning" Education

In 2022, the Secretary of Yunnan Baiyao's Discipline Inspection Committee lectured twice on integrity. Party members and staff in key positions were organized to watch clean governance educational videos such as *Integrity in Mind*, *Nanhua Business Story*, *Building Nests to Invite Phoenixes*, *Integrity in Action in State-owned Enterprises* and *Practices of Anti-corruption in Yunnan*. Over 30 staff in key positions were organized to visit the National Security Education Center of Yunnan Province. Party members of the Company also carefully studied the spirit of the conference held by the Provincial Discipline Inspection Commission and the Provincial Supervision Commission on further strengthening Party building and integrity for provincial state-owned enterprises following the implementation of the 20th CPC National Congress spirit. Throughout the year, grassroots Party organizations carried out 51 study sessions on integrity management, with nearly a thousand participants.



Mr. Xu Dong gives a briefing on process management



Dong Xun, secretary of a primary-level party committee, delivers a concluding speech

PIONEERING THE IDEA OF "COMPREHENSIVE HEALTH" AND PROVIDING QUALITY AND INNOVATIVE PRODUCTS

Yunnan Baiyao, formulated in 1902, is a time-honored brand and a well-known trademark in China. The Company is among the first batch of national innovative enterprises, and its main economic indicators remain at the forefront of China's traditional Chinese medicine industry. Guided by an innovation-driven development philosophy, the Company reshapes its multi-brand system through technology, product, and management innovations and strives to build an all-encompassing pharma industrial chain that includes Chinese patent medicine, personal care products, health care products, and commercial logistics. As a result, we have successfully expanded our pharmaceutical brand into the healthcare and services sectors. We have consistently ranked first on Chinese brand lists published by Interbrand, Hurun, and The Brand Consultancy.

This chapter corresponds to the following Sustainable Development Goals:



Gaining Insights into Healthcare Needs and Offering a Diverse Portfolio of Products

As a representative brand in traditional Chinese medicine and orthopedics and traumatology solutions, Yunnan Baiyao builds on its past legacy and combines TCM with modern science and technology. We follow our users' footsteps by constructively developing and refining our product offerings based on consumers' demands, and aim to address problems in modern medicine and modern life. The Company enhanced product management across the board by focusing on the business segments of TCM, orthopedics, skin care, and oral care in 2022. Our efforts in a wide range of areas have also enabled ongoing breakthroughs in healthcare products and oral care solutions and ensured steady revenue streams from all lines of business.

Building a Stronger Brand

In 2022, Yunnan Baiyao launched a series of internal and external integration activities. As a result, we clarified our brand architecture, developed and implemented brand and trademark regulations, created a brand marketing matrix, established a brand ecology, and built internal publicity channels. Furthermore, we have invigorated Yunnan Baiyao quality and efficiency operations, integrated the product portfolio of the business unit, established a vertical communications platform, and organized various activities through the platform Youliaoshe to share best practices. In celebration of Yunnan Baiyao's 120th anniversary, we engaged in a variety of activities to build a greater brand reputation, reduce costs while improving efficiency, leverage our consumer operations strategy, and create smooth channels for brand collaboration, ushering in a new era for Yunnan Baiyao through innovations.

Obtaining Recordation Certificates for its Highland Bio-Energy Healthcare Products

On December 30, 2022, Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd. developed seven Highland Bio-Energy healthcare products, which included Fish Oil Soft Capsules, Coenzyme Q10 Soft Capsules, Broken-Wall Ganoderma Lucidum Spore Powder Granules, Broken-Wall Ganoderma Lucidum Spore Powder Capsules, Melatonin Tablets, Melatonin Soft Capsules, and Spirulina Capsules, and obtained the corresponding recordation certificates. These products can provide wide-ranging healthcare functions, including reducing blood fat, enhancing immunity, resisting oxidation, and improving sleep quality.



Yunnan Baiyao's Highland Bio-Energy healthcare products

Establishing ToothTalk SKU- the Framework for a Comprehensive Oral Health Solution

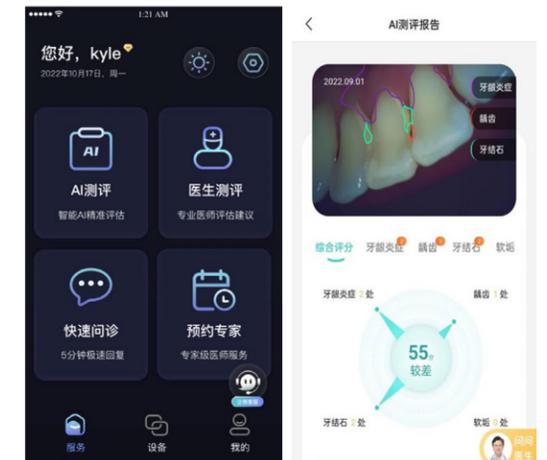
From July to December 2022, Yunnan Baiyao brought 23 SKUs from its ToothTalk product line to market, marking the establishment of a framework for the comprehensive oral health solution. The products include ToothTalk Smart Magic Box, dental mirror, electric toothbrush, water flosser, mouth rinse, and mouth spray. Our ToothTalk products have ranked first in the mouth spray category on Douyin, an emerging e-commerce platform.



ToothTalk SKU-comprehensive oral health solution

Launching the Smart Oral Health Integration Box with Kanya Platform

In 2022, Yunnan Baiyao's Oral Intelligent Care Comprehensive Solution BU partnered with Kanya Platform and jointly launched a Smart Oral Health Integration Box. They improved user experience by adding user-friendly functions, such as online inquiry in the Box and telephone inquiry with oral health experts, to provide one-stop solutions. The Integration Box also leveraged its "3+1+1" Intelligent Hardware, offering comprehensive support to users' oral health. Additionally, we launched the AI dental photo evaluation service on the Kanya App, allowing users to get their oral health checked by AI Oral Expert with a quick click. The App also provides some knowledge on oral health and could give users personal care recommendations. Users' regular use of the feature can help them address common oral issues in a timely manner.



User interface of Smart Oral Health Integration Box

Baoqi *Panax notoginseng* being Included in the 2022 Top 10 Local Specialties List of Yunnan

Having passed 208 safety testing procedures by the globally trusted SGS (Société Générale de Surveillance) in Switzerland, Yunnan Baiyao's Baoqi *Panax notoginseng* product was of superior quality. Our *Panax notoginseng* plant was grown in fully traceable GAP-compliant plant bases that has successively passed the organic certification by the Japanese Agricultural Standards, the US National Organic Program and China Quality Mark Certification Group, and met the "Euro Leaf" logo use requirements. Wenshan Prefecture Government awarded a Wenshan *Panax notoginseng* Geographic Label to our product. We employ modern GMP-compliant cleaning and processing techniques to produce *Panax notoginseng* decoction pieces so as to eliminate mud, bacteria, parasite, and other impurities. For the cooked *Panax notoginseng* powder, we adopt modern steaming techniques instead of the traditional frying procedure to protect effective ingredients from loss.

Yunnan Baiyao is the first company in the industry to use freeze drying technique (FD) in production. Therefore, our product contain only 3% of water, retaining more effective ingredients. The amount of saponin in our Baoqi *Panax notoginseng* product surpass the national threshold by 20%.



Yunnan Baiyao's Baoqi *Panax notoginseng*

Building Better Platforms

In 2022, Yunnan Baiyao used insights from its business operations and future outlook to accelerate the construction of its platforms. The Company improved upon its multi-dimensional network at headquarters, subsidiary, and individual levels in order to build a better marketing service network and align business operations across various platforms. We enhanced our variety strength by introducing more high-quality varieties, and increased customer loyalty by launching value-added service projects. The level of integration between the parent company and subsidiaries was further enhanced, and subsidiaries gained a more prominent competitive advantage in community-level medical markets.

Developing the Smart Management Platform for Primary-Level Medical Institutions

In 2022, Yunnan Baiyao's Smart Management Platform for primary-level medical institutions focused on medicine management in primary-level medical institutions of the tightly knit county-level medical community and the Company constantly improved the Platform by adding more user-friendly features. Bearing the special characteristics of medicine management in primary-level medical institutions in mind, Yunnan Baiyao embedded different levels and categories of authority and functions into the Platform and flexibly adjusted them to meet the management requirements in different counties, meeting the operation and management needs of primary-level medical institutions.

In the regulator end of the county-level medical community, we enabled data collection and analysis, and added large screens for data display and monitoring designed specifically for dynamic and multi-dimensional surveillance of primary-level medical institutions and calculating the number of feverish patients. This provided an effective new tool at the community level, and it further enhanced our support to the supervision of primary-level medical institutions in the county-level medical community.

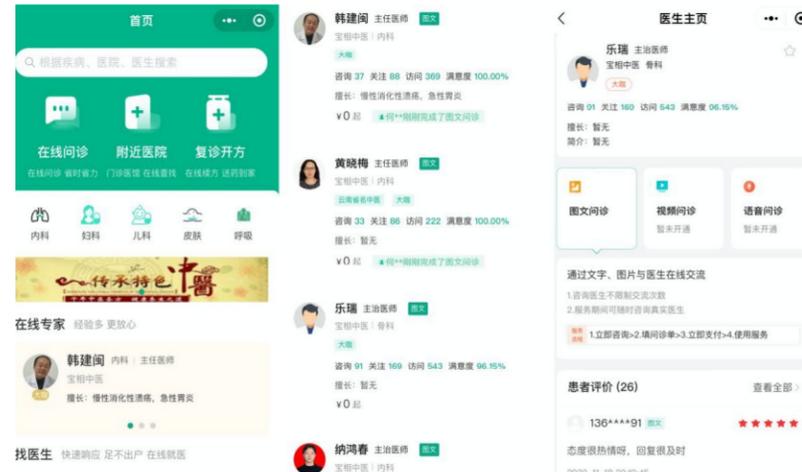
In terms of its promotion and application, the Platform continuously explored more possibilities for cooperation within the county-level medical community. After successfully developing a pioneering informatized management system for community-level medical institutions that was modeled on our pilot regional tightly knit medical community, we sought to spread the system to a broader regional market. Our Smart Management Platform was included in the *Industry Progress Report on Medicine Distribution in China 2022* as a classical case.



Application of Yunnan Baiyao's Smart Management Platform for community-level medical institutions

Launching a Digital TCM Medication Platform

In 2022, Yunnan Baiyao integrated the entire industrial supply chain by connecting patients to TCM hospitals, pharmacies, pharmaceutical companies, and upstream plantations. Patients could consult doctors, get prescriptions and medicine, and have their herbal medicine boiled and delivered to their home via physical pharmacies, TCM hospitals or clinics, online TCM hospitals, and online pharmacies. In this way, a customer-oriented platform business model took shape.



User interface of Yunnan Baiyao's Digital TCM Platform-Baoxiang TCM

Launching a One-Stop Medicine Search Platform

In 2022, Yunnan Baiyao leveraged information technologies and integrated core internal resources to launch a Cloud Medicine Search platform. The platform has provided a value-added service in full life cycle management of products to upstream manufacturers and ensured a complete cycle of services where we make a product precisely reach target customers during the introduction phase, prove fast-selling during the growth phase, achieve innovations and make breakthroughs during the mature phase, and receive collaborative solutions during the decline phase. The platform aims to help manufacturers better serve patients, offer a private medicine purchase channel for corporate clients, and create a closed-loop system for pharmacies to capitalize on private traffic marketing.



User Interface of the One-Stop Medicine Search Platform

Pursuing an Innovation-Driven Strategy to Power the Healthcare Sector

Boosting R&D Continuously

Yunnan Baiyao regards R&D and innovation as the keys to boosting product vitality. The Company continues to improve its R&D capability by establishing more than ten national and provincial research platforms for its R&D teams and establishing R&D centers together with a host of research institutions, colleges, and universities. Focusing on the pharmaceutical sector, the Company strengthens talent recruitment, encourages scientific research and exchanges, and combines basic and clinical research. These efforts have ensured commercialization of outputs, interdisciplinary growth, and innovative development. The industry chains for natural products developed by our Corporate Technology Center comply with the *Good Agricultural Practices for Chinese Crude Medicine (GAP)*, the *Good Laboratory Practices for Non-Clinical Laboratory Studies (GLP)*, the *Good Manufacturing Practices for Medical Products (GMP)*, and the *Good Supply Practices for Pharmaceutical Products (GSP)*. We have the first pharmaceutical technology center that obtains national certification in Yunnan, as well as the 7th entity that received such an honor in Yunnan. Our Medicine Safety Assessment Center of Yunnan Institute of Materia Medica passed the assessment of the National Administration of Traditional Chinese Medicine, received the national Grade-3 lab accreditation on TCM toxicology, and passed the GLP-compliance inspections by China Food and Medicine Administration and US Food and Medicine Administration, respectively.

Yunnan Baiyao's R&D Platforms

National Scientific Research Platforms

- Medicine Safety Assessment Center (First pharmaceutical center to obtain national GLP certification in Yunnan)
- Yunnan Baiyao Nationally Certified Corporate Technology Center
- National and Local Joint Engineering Research Center for Development of New Ethnic Medicine Products in Southwest China
- Biomedicine Pilot Scale Production Center of National (Kunming) Biological Industry Hub - Pilot Scale Production Platform of Traditional Chinese Medicine and Herbal Medicine
- National Grade-3 Laboratory on Quality Assessment of Traditional Chinese Medicine
- National Grade-3 Laboratory on Traditional Chinese Medicine Toxicology
- Yunnan Baiyao Postdoctoral Research Station

Provincial Research Labs/Centers

- Yunnan Natural Medicine Engineering Research Center
- Yunnan Key Corporate Laboratory for Innovation of Development of Traditional Chinese Medicine and New Ethnic Medicine Products
- Jiangsu Engineering and Technology Research Center of New Transdermal Medicine Delivery Systems



Yunnan Institute of Materia Medica Obtained Plentiful Research Achievements In 2022

In 2022, Yunnan Institute of Materia Medica achieved fruitful research achievements, which are listed as follows: Our first-in-class novel traditional Chinese medicine product, *Quan Sanqi Tablet*, was approved by the National Medical Products Administration for clinical trials. Two types of medicine, Compound Sulfamethoxazole Tablets and Metronidazole Tablets passed the consistency evaluation of chemical medicine. Xianghuo Spray passed the on-site GMP-compliance inspections and obtained the approval document for the preparation registration of medical institutions in Yunnan. Regarding our Foods for Special Medical Purposes Project, we completed the construction of production lines and established a quality management system. We also wrapped up the design and R&D of alimentary formula food for special medical purposes Katetai, finished the filing material, and submitted it to the State Administration for Market Regulation. Moreover, our eye training lamp and scar gel obtained the National Registration Certificate for Medical Devices.



Fruitful results achieved by Yunnan Institute of Materia Medica

Initiating Basic Research in Oral Health in 2022

In 2022, Yunnan Baiyao's Technology R&D Center in Health Products BG focused on product development in oral health, cleaning, and skin care segments. Underpinned by product development and basic research, our Center adhered to the principle of short-term and long-term product planning and coordination. While understanding and responding to the new regulations, we carried out R&D of new products, provided technical data support, engaged in basic research, protected intellectual property, and published new scientific discoveries and theories in order to guarantee scientific verification of products, both old and new. We attempted to address remaining challenges in the techniques for manufacturing paste for professional tooth cleaning, polishing, enamel regeneration and anti-dentin sensitivity, and find ways to convert bagasse into toothpaste abrasive.

Partnering with BASF to Conduct Skeletal Formula Research

In 2022, Yunnan Baiyao collaborated with BASF, the world's largest chemical enterprise, to jointly build an innovative platform for researching the skeletal formula of cleaning products in Shanghai. Building on BASF's future trend forecasts of emerging raw materials and its high-throughput screening of surfactants, the Company focused on researching the sulfonate and taurine systems to complete the trend analysis of the skeletal formula for shampoo products.

By December 31, 2022, Yunnan Institute of Materia Medica had a total of 239 employees, including 121 master's and doctoral degree holders, 63 with senior professional titles, 1 academician from Chinese Academy of Engineering, 1 expert receiving the State Council Special Allowance, and 19 provincial-level talents. The Yunnan Baiyao Postdoctoral Research Station collaborated with the Peking University Health Science Center Postdoctoral Mobile Station to jointly recruit one postdoctoral fellow. Furthermore, Yunnan Institute of Materia Medica brought in 22 new employees, including 14 with master's degrees. The institute actively collaborated with various universities, providing entrusted training to 11 postgraduate students and internships to 103 students.

Yunnan Institute of Materia Medica employed

239 people

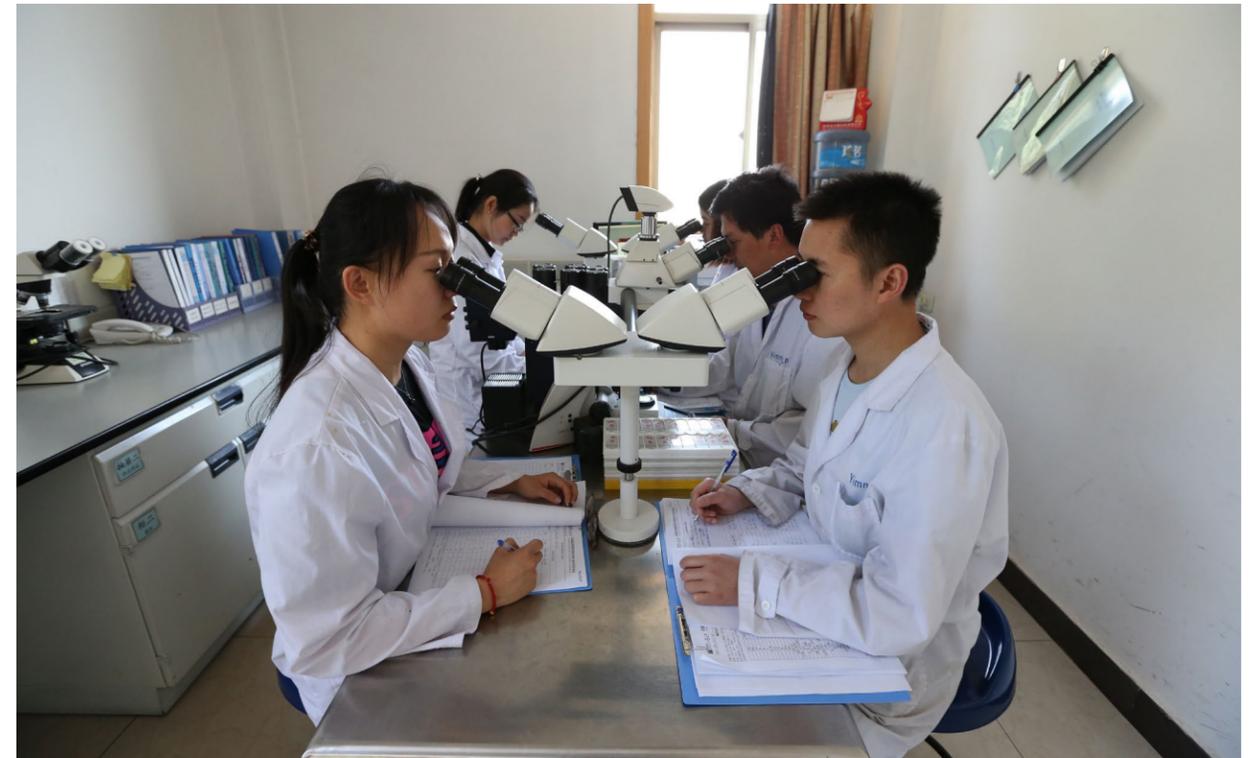
1 academician from Chinese Academy of Engineering

121 master's and doctoral degree holders

1 State Council Special Allowance expert

63 with senior professional titles

19 provincial-level talents



Peking University-Yunnan Baiyao International Medical Research Center

Deepening Strategic Cooperation

Leveraging its market strength and relying on brand value platforms, Yunnan Baiyao partners with famous universities and research institutions to deepen strategic cooperation and conduct all-round cooperation in relevant areas. The Company pursues an innovation-driven development strategy and strives for breakthroughs in strategic cooperation. In 2022, we achieved remarkable results in many of our strategic cooperation projects, laying a solid foundation for the creation of new business segments.

Peking University-Yunnan Baiyao International Medical Research Center Conducted Many Activities

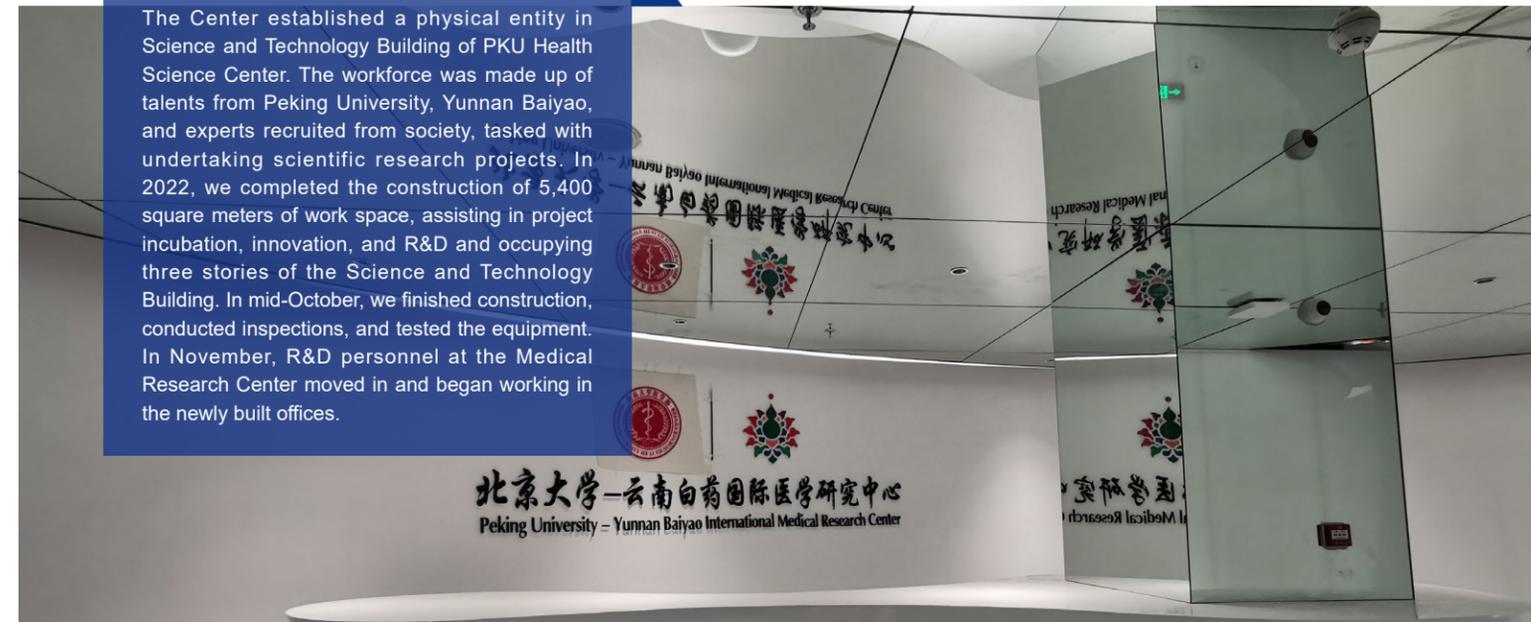
In 2022, Peking University-Yunnan Baiyao International Medical Research Center, based on its needs, leveraged PKU's academic resources, gave full play to the university's strengths in talent attraction and discipline platforms, as well as Yunnan Baiyao's market advantages, encouraging project cooperation across various disciplines. This collaboration promoted technological innovation, research commercialization, and deep industry-university-research integration, achieving both economic and social benefits and accelerating the innovative development of the "Big Health" industry in Yunnan.

With the coordination and support of different PKU departments, Peking University-Yunnan Baiyao International Medical Research Center has attracted a host of influential experts in the medical field. By adhering to the policy of "attracting more talent with our existing talent pool," the Center aims to select more outstanding and high-potential talents and highlights the pioneering role of leading experts in providing strategical and intellectual support. At the Pharmaceutical Innovation and Technology Frontier Forum in August 2022, we organized a recruitment ceremony for the first batch of senior research fellows, who were all leading medical experts in different fields, including Academician Zhan Qimin, Academician Qiao Jie, Academician Jiang Baoguo, Professor Zhang Ning, Professor Zhou Demin, Professor Ye Min, Professor Deng Xuliang, and Professor Li Hang.



Recruitment ceremony for senior research fellows

The Center established a physical entity in Science and Technology Building of PKU Health Science Center. The workforce was made up of talents from Peking University, Yunnan Baiyao, and experts recruited from society, tasked with undertaking scientific research projects. In 2022, we completed the construction of 5,400 square meters of work space, assisting in project incubation, innovation, and R&D and occupying three stories of the Science and Technology Building. In mid-October, we finished construction, conducted inspections, and tested the equipment. In November, R&D personnel at the Medical Research Center moved in and began working in the newly built offices.



Peking University-Yunnan Baiyao International Medical Research Center

Pharmaceutical Innovation and Technology Frontier Forum 2022

In August 2022, Yunnan Baiyao held the Pharmaceutical Innovation and Technology Frontier Forum 2022 in the Headquarters' Baiyao Park in Kunming city. The Company invited academicians from the Chinese Academy of Engineering and the Chinese Academy of Sciences, leading experts and scholars from well-renowned research institutes, hospitals, universities and enterprises in China, and more than 500 medical professionals. The event was also livestreamed. Dozens of experts and scholars discussed the latest trends, exchanged views on the future of traditional Chinese medicine, oral health, skin care, bone injury treatment and female care, and shared insights into technological breakthroughs and prospects. Going forward, Yunnan Baiyao will make greater efforts to build the Forum into one of the most prestigious and influential international academic brands held in Yunnan province.



Pharmaceutical Innovation and Technology Frontier Forum 2022

Yunnan Baiyao and Livzon Pharmaceutical Group Reaching Strategic Cooperation in Herbal Medicine

On October 12, 2022, both Chinese Medicinal Resources Divisions of Yunnan Baiyao and Livzon Pharmaceutical Group held an online meeting themed "Mutual Development Through Collaboration & Strategic Cooperation Agreement Signing," in order to promote innovation and quality improvement in the TCM industry and steer the industry toward an industrialized, modern and standardized path. Both sides exchanged views on the building of manufacturing centers for TCM raw materials and application of research outputs, and signed strategic cooperation agreements on *Paris polyphylla*.



Signing ceremony of Yunnan Baiyao and Livzon Pharmaceutical Group

Yunnan University of Chinese Medicine Signing a Strategic Cooperation Agreement with Yunnan Baiyao Group

On February 21, 2022, Yunnan University of Chinese Medicine and Yunnan Baiyao Group signed a strategic cooperation framework agreement. Both sides aimed to deepen university-enterprise cooperation and promote the innovative development of traditional Chinese medicine and ethnic medicine industries in Yunnan by jointly building state key laboratories and Academician Zhu Zhaoyun Research Station, improving talent training hub, and conducting R&D and clinical application of new medicine. After signing the framework agreement for strategic cooperation, both sides combined their work and actual conditions and established a Key Laboratory for Inheritance, Innovation and Commercialization of Ethnic Medicine to carry out in-depth research in this area. They would jointly apply for certification of a provincial-level key lab from 2022 to 2023, and then apply for certification of a state key lab after achieving some basic research results.

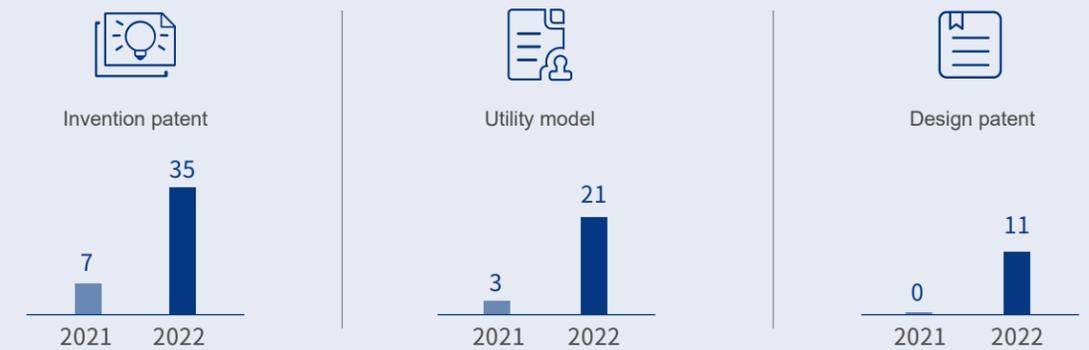


Signing ceremony of Yunnan University of Chinese Medicine and Yunnan Baiyao Group

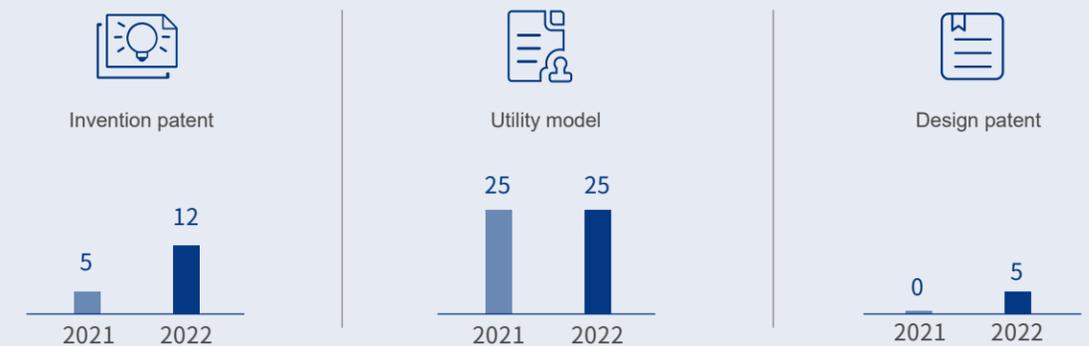
In 2022, Yunnan Baiyao applied for 67 patents including 35 invention patents, 21 utility models, and 11 design patents. The Company licensed 42 patents, including 12 invention patents, 25 utility models, and 5 design patents.

Total Number of Yunnan Baiyao's Patents

Number of patents applied in 2022



Number of patents licensed in 2022



Prioritizing Quality and Producing Premium Yunnan Baiyao Products



Yunnan Baiyao complies with the *Medicine Administration Law of the People's Republic of China*, the *Regulations on the Supervision and Administration of Medical Devices*, the *Measures for the Administration of Medicine Regulation*, the *Measures for the Supervision and Administration of Pharmaceutical Production*, the *Measures for the Supervision and Administration of Medical Device Production*, the *Measures for the Administration of Registration and Recordation of Medical Devices*, and other applicable laws and regulations.

In 2022, the Company published the *Outline on Quality Culture of Yunnan Baiyao Group*, emphasizing the Company's policy of "Quality and Customer First" and outlining its quality mission of "Honoring Quality and Integrity, Inheriting and Innovating, and Striving for Excellence," its vision of "Making Quality a Part of Yunnan Baiyao Employees' DNA," and its values of "Inheritance, Innovation, Integrity, Rigor, Responsibility, Perseverance," as well as establishing quality behavioral guidelines for all to follow. Our Pharmaceutical BG also published the *Quality Management Manual*, integrating various business units and providing systemic planning for quality management of medicine and medical devices.

Improving the Quality Management System

In 2022, responding to the market demand, Yunnan Baiyao optimized the quality management system for pharmaceutical production, strengthened the holder management system, and continually enhanced control of entrusted production. Specifically, the Company updated the *Entrusted Production Management Procedure* and the *Finished Product Release Operating Procedure* and added the *Release Operating Procedure for Entrusted Production of Medicinal Preparations*. It also prepared entrusted production quality agreements, which clarified the rights and responsibilities of both entrusted parties, effectively monitored product quality throughout the production process, and ensured the safety and reliability of the entrusted medicine.

Yunnan Baiyao's Institutional Documents of Quality Management System in 2022

Quality Management System of Medical Device Production

By the end of 2022, Yunnan Baiyao had developed 69 institutional documents regarding ISO 13485 medical device quality management system in line with internationally accepted standards. Considering the release of new regulations and internal and external audits, the Company substantially revised 10 GMP management systems for medical devices, and developed 4 new systems, i.e., the *Entrusted Production Management Procedure*, the *Rework Control Management Procedure*, the *Authorized Sampling Management Procedure*, and the *Product Return Management Procedure*, to ensure the adequacy, effectiveness and suitability of our quality management system.

Quality Management System of Medicine and Medical Device Distribution

By the end of 2022, Yunnan Baiyao conducted special audits of internal documents and systems. In accordance with the principle of "Writing down what we've done," the Company developed 7 new GSP operating procedures, including the *Transport, Loading and Unloading Operating Procedure*, the *Inventory Check Operating Procedure*, the *Operating Procedure for the Filing of New Pick-up Vehicles*, and the *Recall and Recovery Operating Procedure*. It comprehensively optimized the GSP system in accordance with new regulations and the principle of "doing what we've written down." In terms of building a GVP quality management system, the Company strengthened the management of GVP activities and quality control, and updated 31 current GVP management documents, including the *Main Document of the GVP System*, the *Management Procedure on GVP Internal Audit*, and the *Management Procedure on GVP Institutions and Personnel*, based on such new regulations as the *Specifications for GVP Quality Management* and the *Guiding Principles for GVP Detection*. Moreover, the Company also developed the *Management Procedure for Regular Data Analysis and Reporting*, the *Management Procedure for Information System* and the *Operating Procedure for Creating the Main Document of Pharmacovigilance System*, to ensure consistent GVP compliance at Yunnan Baiyao.

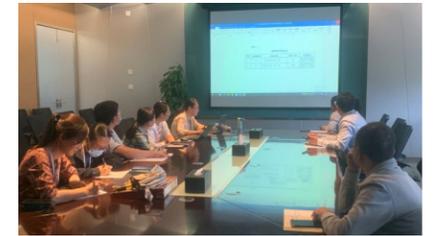
Good Manufacturing Practices (GMP) for Pharmaceutical Products

By the end of 2022, there were 202 public documents regarding the GMP quality management system, 180 process control procedures and 780 equipment operating procedures. In the technical documents, there were 800 technical documents regarding standards for internal control of medicinal products, including herbal medicine decoction pieces, intermediate products, packaging materials, and finished products. Yunnan Baiyao had a total of 1,962 GMP public and technical documents.

Pharmaceutical GMP Training

In 2022, Yunnan Baiyao carried out 129 training sessions on GMP quality control, covering the drug, medical device, and pharmacovigilance quality management topics. 2,513 employees from the Quality Management Department, the Analysis and Testing Center, and the Production OU participated in the training. The duration of the training was 278.24 hours.

The Company engaged a third-party trainer to assist in the development of a full-cycle training management model featuring "Preliminary Investigation+Orderly Organization+Diversified Content+Process Supervision" to ensure trainees can achieve positive learning outcomes, combine training with daily work, and meet the goal of learning through training and application of training outcomes in work. 47 advancement training sessions were planned and held for 93 of our employees. Each session took into account the requirements of QA, QC, OU, and other functional departments, covered Yuhua, Qidian, Dali, Wuxi, and other production sites, and imparted systematic knowledge in quality, production, validation, laboratory control, R&D registration, plants, facilities and equipment, regulations, and comprehensive management.



On-site gmp training

Good Supply Practices (GSP) for Pharmaceutical Products

By the end of 2022, there were 36 GSP management systems and 22 operating procedures for pharmaceutical products, as well as 36 management systems and 21 operating procedures for medical devices. Yunnan Baiyao had a total of 116 GSP management documents.

Good Pharmacovigilance Practices (GVP) of Pharmaceutical Products

By the end of 2022, there were 31 GVP management documents: 23 Standard Management Procedures (SMP) and 8 Standard Operating Procedures (SOP). These documents effectively guided the Company's GVP work.

Manufacturing Systems of Medical Devices and Industrial Products

By the end of 2022, there were 131 documents on medical device systems, including 66 standard management procedures (SMP), 17 standard operation procedures (SOP) for process control, 32 standard operating procedures (SOP) for equipment operation, and 14 standard operating procedures (SOP) for equipment maintenance. The Company also developed 39 new control procedures and 30 management procedures regarding the ISO 13485 quality management system for medical device production. Yunnan Baiyao had 78 internal control quality standards on medical devices and industrial products.

Pharmaceutical GMP Training

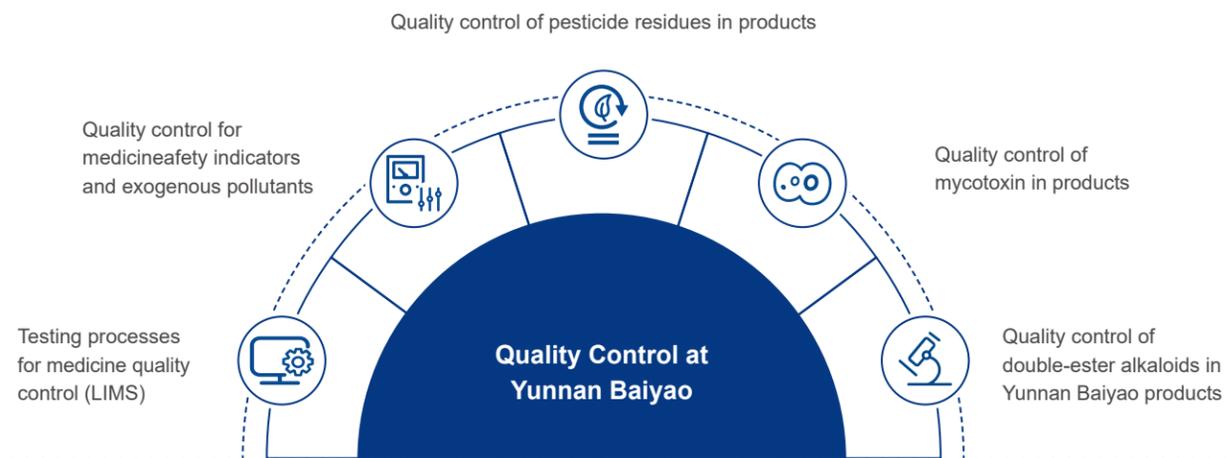
In 2022, Yunnan Baiyao provided pre-employment training to all new hires in order to fully implement the Company's quality policy, drive continuous improvements to quality management, and ensure the sustainability and effectiveness of our GSP system. According to new issues and developments arising from real work, the GSP Department conducted targeted training and increased training opportunities focused on special skills. Furthermore, the Company implemented an IT skills improvement program to address employees' difficulties with computer operations, stayed up to date with newly released rules and regulations, and made corresponding interpretations of them to inform employees. In this way, the Company successfully completed its annual training plan for 2022 by organizing 32 medicine GSP training sessions and 22 medical device GSP training sessions, covering all the key personnel working on medical device GSP management.

Yunnan Baiyao focuses on the "Four Lines of Defense" in quality management, strengthens the management of medicine production and supervision, and regulates and directs the on-site work. The Company maintains quality assurance and compliance, updates the *Implementation Rules for Quality Assessments and Rewards*, and regularly conducts daily and special quality inspections.

1,200 testing items in 5 fields of medicines, food, cosmetics, medical devices, clean environment, and pharmaceutical packaging materials have received validation from China Inspection Body and Laboratory Mandatory Approval (CMA)

The Company has built a comprehensive testing capability platform that can test our medicine, cosmetics, medical devices, herbal medicine, decoction pieces, and a clean environment, providing a wide range of technical testing services for Yunnan Baiyao's business units and groups. In 2022, we made breakthroughs on 411 testing items, including the detection of pesticide residues in TCM pieces and hazardous substances in health products. Currently, 1,200 testing items in 5 fields of medicine, food, cosmetics, medical devices, clean environment, and pharmaceutical packaging materials have received validation from China Inspection Body and Laboratory Mandatory Approval (CMA), addressing product quality risks and further improving the quality of our products.

Yunnan Baiyao has created an internal quality control system for key lab parameters and implemented quality controls in daily testing as well as process control to ensure the accuracy of the test data. We also follow the principle of "manual comparison, standard recovery, blind sample testing, and cross-lab comparison" in implementing quality controls.



Yunnan Baiyao's Technical Capability in Product Testing Reaching the Standards of First-class National Laboratory

Building on years of experience in quality control, Yunnan Baiyao has built accurate and reliable testing methods for different types of products. In the past three years, more than 70 projects in the fields of medicine, cosmetics and medical devices, have achieved good performance results when benchmarked against capability standards stipulated by first-class national labs. All of them have obtained certificates of satisfactory results, demonstrating that our testing capabilities have reached national-level standards.

The technical operational model for our innovative third-party testing platform has been highly praised by Yunnan Administration for Market Regulation, Yunnan Medical Products Administration, Food Safety Office of Yunnan Provincial Government, and Yunnan Provincial Center for Disease Control and Prevention. Besides conducting testing and quality controls for Yunnan Baiyao products, the platform also provides third-party inspections and testing services for other companies. We are now a high-end public service platform for inspection and testing technology that covers quality testing, standard development and revision, and method development for pharmaceutical products, cosmetics and medical devices from Southwest China. Our services have been recognized by more than 100 companies, including Kunming Jida Pharmaceutical Co., Ltd, Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd, Yunnan Xitao Green Pharmaceutical Co., Ltd, Yunnan Hongxiang Herbal Medicine Technology Co., Ltd, Yunnan Phytopharmaceutical Co., Ltd, Kunming Herbal Medicine Co., Ltd, and Yunnan Dachu Food Co., Ltd. In 2022, we provided 5,089 technical services reports to various companies, empowering the high-quality development of the pharmaceutical industry in Yunnan with our cutting-edge technology.

A New Granule Packaging Production Line being Put into Operation at Yunnan Baiyao's Granule

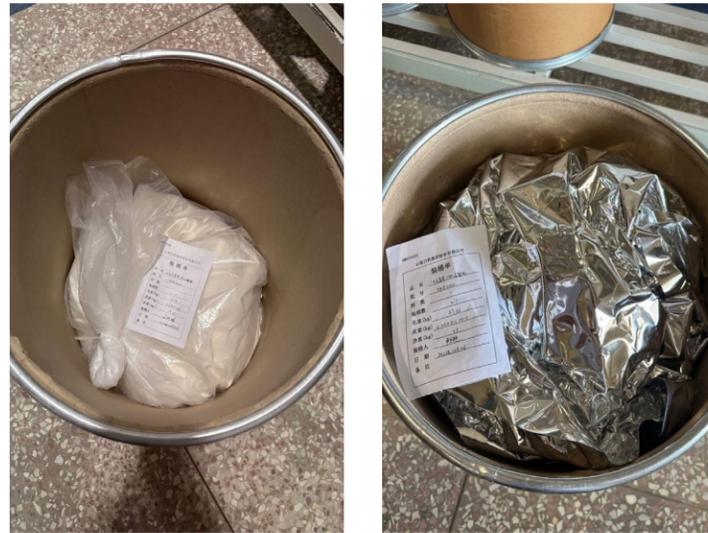
In 2022, Yunnan Baiyao purchased a fully automatic granule packaging production line and installed it in the Granule Southwest Unit of the Production and Manufacturing Center, to improve the overall brand image and quality of the Company's granule products. After purchasing the equipment, the Company renovated the plants and installed the machines in accordance with the installation requirements, and then applied for GMP-compliance inspection. To better control product quality, the Company's Quality Management Department planned and coordinated the implementation of various tasks. Specifically, it developed 6 SOP for equipment use and maintenance and 2 SOP for equipment cleaning; completed 2 equipment verification plans and their reporting; developed and implemented 1 cleaning validation plan and report; developed and implemented process validation plans and reports for 2 varieties; completed the risk assessment for mixed production on the same line; developed and implemented a continuous stability testing plan; and created and reviewed the technical processes and volume production records. Yunnan Medical Products Administration conducted on-site GMP-compliance inspections on our new granule packaging production line on May 26 and 27, 2022 and announced the result of pass on June 20, 2022.



Automatic granule packaging production line

Conducting Research on Raw Material Packaging to Ensure Better Quality

In 2022, the Quality Management Department of Yunnan Baiyao conducted various studies including accelerated testing to better control the loss on drying (or moisture) of the extract and ensure the quality of the product on market. The Company changed its packaging method for *Panax notoginseng* saponins and Erigeron extract powder from double-layer low-density polyethylene pharmaceutical packaging to a combination of low-density polyethylene pharmaceutical packaging in the inner layer and aluminum-plated (PET/VMPET/PPP) triplex sealing packaging in the outer layer. Furthermore, the outer layer was sealed with a thermoplastic method, which makes the packaging more air-proof and contaminant-resistant, to ensure the product quality.



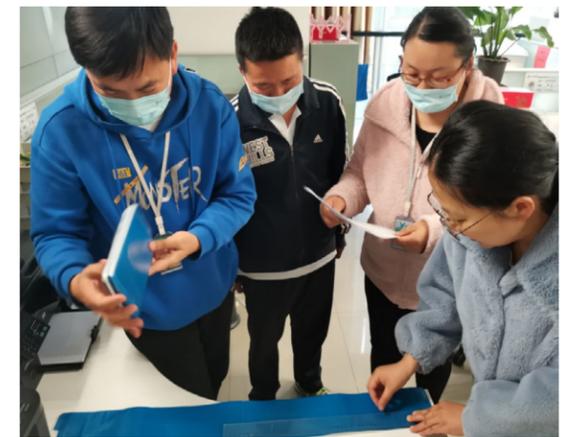
Before and after the change of raw material packaging

Making Efforts to Enhance the Quality and Content of *Panax Notoginseng* Saponins (For Injection)

In 2022, the National Institutes for Food and Medicine Control initiated a new batch of *Panax notoginseng* saponins control extracts (110870-201904). Based on the announcement and actual needs, Yunnan Baiyao organized its project teams and conducted extensive research on the purification and refining processes of the product, in order to improve the quality of *Panax notoginseng* saponins (for injection) and ensure that products manufactured after the transition period can meet the new requirements on control extracts. After research and sample testing, our teams made sure that the content of *Panax notoginseng* saponins (for injection) met the requirements without conversion stipulated in the new standards, achieving a breakthrough in enhancing the consistency of product content and its corresponding preparation, successfully completing the transfer of product manufacturing technology, and increasing our volume production capability for high-quality products. Three batches of products, each consisting of 700 kg, were manufactured, and they contain an average of 90.3% *Panax notoginseng* saponins and a maximum of 91.4%. The stability testing results for the injection proved satisfactory.

Improving Overall Manufacturing Technology for Class I Medical Devices to Meet Compliance Requirements

In early 2022, the National Medical Products Administration issued new *Class I Medical Device Product Catalog (2021 No.107)*, significantly raising the recordation threshold for Class I medical devices, as well as regulating previously filed products. Yunnan Baiyao's Quality Management Department actively responded to changes made to Class I medical devices classification in accordance with new regulations by reviewing and improving product technical requirements across the board, and updating product specifications. The Company also changed its recordation records for 20 types of Class I medical devices, re-applied for entrusted production recordation records for 4 types of products including bandages, and obtained new valid production filing certificates for Class I medical devices, all done within the required time limit thanks to its preemptive planning and detailed arrangements. This ensured that all of the Company's products fully comply with the new Catalog and that the technical requirements for Class I medical devices have been enhanced overall.



Training on *Class I Medical Device Product Catalog* and establishment and pilot testing of standard projects in 2022

Updating Quality Standards for Medical Devices to Preempt Risks

In 2022, Yunnan Baiyao explored new elasticity testing methods for its elastic adhesive bandages based on the product monitoring data. The Company brought together Wuxi Pharmaceutical Co., Ltd, the Analysis and Testing Center, and an entrusted third party to conduct a comparative study of the three parties' testing methods. Ultimately, the item of rebound elasticity in the *YY/T 0148-2006 standard* was selected to replace the previous elasticity testing indicator. After requesting a reassessment of product technical requirements from Yunnan Institute for Medical Device Testing and passing third-party inspections, the Company obtained recordation approval documents for changing technical requirements of elastic adhesive bandage products, to preempt the risk of unqualified elastic adhesive bandages in spot checks.

云南省医疗器械检验研究院 检验报告首页			
报告编号	报告日期	报告名称	报告类型
YB20220307	2022.03.07	弹性模量	型式检验
委托方	云南白药集团股份有限公司	受托方	云南省医疗器械检验研究院
委托方地址	云南省昆明市西山区滇池路100号	生产单位	云南白药集团医药有限公司
生产单位	云南白药集团医药有限公司	生产地址	云南省昆明市西山区滇池路100号
检验项目	弹性模量	检验标准	YY/T 0148-2006
检验日期	2022年03月07日	检验地点	云南省昆明市西山区滇池路100号
检验结果	合格		
检验依据	依据GB 21082-2014《弹性模量》和YY/T 0148-2006《弹性模量》标准进行检验。		
检验结论	依据GB 21082-2014《弹性模量》和YY/T 0148-2006《弹性模量》标准进行检验，检验结果符合标准要求。		
备注	检验方法：YY/T 0148-2006《弹性模量》标准。		

Testing report from Yunnan Institute for Medical Device Testing

Fostering a Strong Quality Culture

Yunnan Baiyao is constantly working to foster a strong quality culture, striving to integrate this culture into management practices, expanding its scope of work in product quality, and improving its quality management level. Furthermore, the Company strengthens employees' identification with its quality culture and continuously adds value by leveraging the orientation, cohesion, restriction, and radiation of a quality culture.

During its marvelous 120-year journey, Yunnan Baiyao has always prioritized product quality and customer services and regarded quality as the lifeline for its long-term development, gaining market recognition. Quality is the foundation. Without it, there is no way to build a brand, compete in the market or achieve long-term growth, especially for pharmaceutical companies for which quality is the cornerstone.

National Quality Month Activities Themed "Promoting Breakthroughs and Innovations in Quality, and Building a Quality Powerhouse"

The 2022 National Quality Month activities themed "Promoting Breakthroughs and Innovations in Quality, and Building a Quality Powerhouse" provided a great platform for Yunnan Baiyao Group to enhance employees' awareness of quality and increase corporate cohesion. They also served as a good opportunity for the Company to scale new heights in quality and march toward bigger goals.

The Company's senior leadership placed a high value on Quality Month Activities. Acting in accordance with the guiding principles of the *Notice on Conducting 2022 Quality Month Activities (2022-1235)* issued by Yunnan Medical Products Administration, the Company put the Technical Quality Committee in charge of organizing and conducting a series of activities, developing activity plans for the Quality Month, and striving for innovations and breakthroughs in both activities and their presentation forms, to ensure effective implementation of Quality Month activities. On February 26, Li Jin, Technical Quality Committee Director of Yunnan Baiyao Group, announced the launch of the National Quality Month activities and defined the company-wide theme as "Seize the Moment in Promoting Breakthroughs and Innovations in Quality, and Embrace a Bright Future through Building a Quality Powerhouse."



Li Jin, Technical Quality Committee Director of Yunnan Baiyao, announces the launch of the National Quality Month activities

The Company organized a variety of activities during the Quality Month to encourage employees to take an active part in them, in order to ensure that the anticipated effect can be achieved. With slogans and banners, the Company attempted to foster a good atmosphere where everyone cares about quality, everyone highly values quality, and everyone participates in quality activities. We also used posters to promote the Quality Month theme from various perspectives to practically improve employees' quality awareness and reach a company-wide consensus on boosting corporate growth by pursuing quality.



Posters and slogans for National Quality Month Activities

Promoting and Distributing the Quality Management Manual

The Quality Management Department under the Production and Operation Center of Pharmaceutical BG formed a Quality Control Team and developed a *Quality Management Manual*. The Manual provided guidelines for quality management activities and applied to product development, manufacturing, sales, and after-sales processes and services in Pharmaceutical BG. We distributed 202 copies to 20 departments and 3 subsidiaries. Each department organized its own training sessions on implementation of the *Manual*. Our Quality Control Team will revise and update the Manual based on the suggestions and feedback from our employees.

The Company arranged for relevant personnel to attend the awarding ceremony of the *Quality Management Manual* at Dali Pharmaceutical Co., Ltd. to highlight the importance of the Manual to lifecycle management of product quality and document system consistency and improvement. In addition, publicity sessions were held and they elicited positive feedback from employees of the subsidiary, providing momentum for future implementation and improvement.



Awarding ceremony of the Quality Management Manual

Holding Thematic Activities on Building a Correct Mentality on Quality as well as Thematic Activities on Bottom-Line Mentality on Quality and Pursuit of Upper Limits

In 2022, Yunnan Baiyao conducted publicity sessions themed "Quality is the Lifeline for a Company" for a second time based on the Quality Month activities, to further improve employees' quality awareness and boost corporate growth. The Company held thematic activities on building a correct mentality on quality, as well as thematic activities on bottom-line mentality on quality and pursuit of upper limits.



Thematic activities on Building a Correct Mentality on Quality/Thematic activities on Bottom-Line Mentality on Quality and Pursuit of Upper Limits

Company-Wide Quality Improvements - Quality Control Team Activities

In 2022, Yunnan Baiyao carried out company-wide quality control team activities, and strictly followed the procedures of reviewing and registering topics, conducting activities, summarizing activity results and writing a report, publishing and evaluating internally, selecting representative work for national publication, and summarizing and promoting results and highlights. The Company registered 138 topics, evaluated 77 topics internally, and selected 30 topics for nationwide publication. While achieving outstanding results, we instilled the company-wide quality improvement concept into all employees' minds, shaping employees' logical thinking abilities like problem discovery and Plan-Do-Check-Act (PDCA), and fostering a good quality culture that prioritizes teamwork in solving problems.



Interviews with Quality Control teams

Engaging in Industry Exchange Events

Tengchong Scientists Forum

From December 1 to 3, 2022, Yunnan Baiyao co-hosted the 2022 Tengchong Scientists Forum - Entrepreneur Innovation Forum to build an open, empowered, and shared ecosystem.



2022 Tengchong Scientists Forum

The theme for this Forum was "Science and Technology Leading the Future." The Forum aimed to pool global scientific, technological, and innovation resources, promote exchanges and cooperation in science and technology between China's eastern and western areas, and spur Yunnan to build itself into a science and innovation hub radiating throughout South Asia and Southeast Asia. These efforts enhanced Yunnan's capability in boosting high-quality development through scientific and technological advances. The 2022 Forum gathered academicians and leading experts, passed down the founding spirit of National Southwest Associated University, and established a structure of "1+10+N," writing a new chapter of "Science and Comprehensive Health."

Entrepreneur Innovation Forum

On December 3, 2022, Yunnan Baiyao Group and TusHoldings co-hosted the sub-forum of Entrepreneur Innovation Forum. Supported by Tengchong Municipal People's Government, Yunnan Alumni Association of Tsinghua University, and TusStar, the sub-forum brought together businessmen and entrepreneurs of high-growth firms, specialized and sophisticated enterprises that produce new and unique products, innovative start-ups from China's top innovative cities such as Beijing, Shenzhen, Shanghai, and Guangzhou, as well as business representatives of companies included in the TusStar Demo Day. Focusing on corporate development and the pursuit of "Tower Top Effect," corporate representatives shared their views on the promotion of technological innovation by entrepreneurs, the innovative development of industries, and the creation of an open innovation ecosystem with global competitiveness.



2022 Entrepreneur Innovation Forum

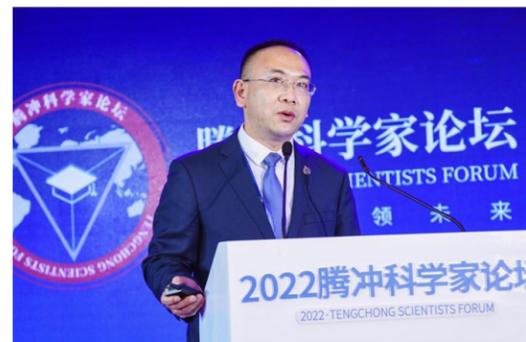
Lancang-Mekong Forum on Exchanges in Science, Technology and Culture

On December 1, 2022, Lancang-Mekong Forum on Exchanges in Science, Technology and Culture was held. Zhu Zhaoyun, academician of the Chinese Academy of Engineering and TCM strategy scientist of Yunnan Baiyao Group, delivered a keynote speech entitled "Ecological Civilizations and Natural Medicine." Dong Xun, general manager of Yunnan Baiyao Institute for Strategic Development and Director of Yunnan Institute of Materia Medica, shared his views on the topic "Innovative Development of TCM Doctors and Herbal Medicine." Zhu and Dong also discussed with representatives from the Lancang-Mekong region on sustainable development and cooperation in traditional medicine.



Yunnan Baiyao's CEO Dong Ming

Dong Ming, CEO of Yunnan Baiyao Group, put forward three curves for Yunnan Baiyao's development: product-driven, innovation-driven, and R&D-driven curve. At present, Yunnan Baiyao is at the top of the product-driven curve, meaning the Company had produced premium products to drive its long-term development over the past 20 years. The innovation-drive curve is built around resource endowment and corporate DNA of Yunnan Baiyao. The Company values the provision of solutions to meet users' needs. Relying on Yunnan's rich natural resources and research outputs in plants during these years, the Company delves deeper into the functions of plants and provides a technological platform for innovative development. Our R&D-driven curve is forward-looking. The Company has invested in technology R&D programs in the filed of general medical technology, injecting strong momentum into innovation.



Academician Zhu Zhaoyun (Left) and Director Dong Xun (Right)

Product Recall and Handling Mechanism

At Yunnan Baiyao, we always provide responsible products to consumers, and we've developed and continually updated the sampling and recall procedures. The Company updated the internal *Medicine Recall Management Procedures* in accordance with the *Measures for the Administration of Medicine Recalls (Draft for Comments)* issued by the National Medical Products Administration on September 27, 2021. For products that do not meet the standards in sampling, the Company will immediately form a task force to conduct self-inspection, investigate and analyze the causes, assist regulatory authorities in inspections, and start internal management processes to take the necessary corrective and preventive measures (CAPA). We will immediately contact the appropriate personnel to investigate and assess the safety risks of defective medicine after receiving complaints and notifications of potential safety hazards in our organization. Based on the findings of the analysis, we will then write an investigation and evaluation report. If a recall is necessary, our team will determine the recall level, create a recall plan, and ask for recall instructions based on the *Medicine Recall Management Procedures*. After the quality director approves the plan and gives instructions, we will start the recall process. In 2022, Yunnan Baiyao recorded no medicine recalls due to quality and safety issues.

In 2022, Yunnan Baiyao recorded **No** drug recalls due to quality and safety issues.



Supplier Quality Management

Based on the annual supplier audit plan, actual supply conditions, and indicators for product safety and quality, Yunnan Baiyao included 90 suppliers of raw and auxiliary materials, as well as internal packaging materials, in the audit list for 2022. Suppliers were divided into 12 audit groups according to different stages. The Company completed the audit of 68 suppliers in 2022; of these, 33 were performed on-site and 35 online. Suppliers who did not get our audit in 2022 will receive priority in 2023.

Yunnan Baiyao continually improves its supplier review, access, and exit processes, standardizes supply chain management, clearly defines the duties of various departments, and promotes cross-functional cooperation. The Company also actively communicates with suppliers and maintains a good relationship with them. These efforts ensure consistency in product quality. During the supplier evaluation stage, we examine the qualifications of new material suppliers, carry out extensive evaluations, such as approval, experimental use, and on-site audits for request changes and plan assessments, and create a list of qualified suppliers based on the results of the preliminary evaluation. Additionally, we dynamically manage these qualified suppliers. When adding new suppliers and materials, or revoking supplier qualifications, we should fill in the application form and submit relevant materials in accordance with the supplier management process and the *Change Control and Management Procedures*.

In terms of supply chain management and control, such as procurement or bidding, Yunnan Baiyao reviewed and optimized the entire supply chain in 2022 and completed the revision and approval of the *Procurement Process Manual*, the *Documentation Form Manual*, and *SOP Manual*.

These measures further improved the regulations on daily procurement management, open and transparent mechanisms on procurement operation, fixed asset procurement decision-making process, and bidding management rules for fixed assets procurement projects. We organized all employees from the Supply Chain Operation Center to participate in process review and optimization and study the newly revised *Documentation Form Manual*, *SOP Manual*, and *Procurement Process Manual* to regulate the process and management system of procurement activities.

In terms of evaluating and controlling supplier risks, Yunnan Baiyao evaluated the qualifications of newly added suppliers, and referred to the risk assessment opinions of TianYanCha.com. If there are problems in logistics, quality, or manufacturing adaptability in our daily operations, we will urge suppliers to address them as soon as possible. Moreover, we maintain daily communication with major suppliers to stay up to date with their business status. Additionally, we normally check the product after its arrival to ensure it meets our standards before making payments to avoid financial risks.

Yunnan Baiyao advocates the use of the portal system to suppliers and provides systemic online training to help them quickly understand our material requirements and system operations. The usage rate of the portal system reached 92.7%. We've added 7 close suppliers: 1 for raw and auxiliary materials and 6 for packaging materials. The system prepares us to seamlessly integrate the Warehouse Management System (WMS) and Quality LIMS Platform, reducing human errors and significantly increasing procurement efficiency. The entire procurement process is traceable in the system.

BUILDING CUSTOMER TRUST AND SERVING MODERN HEALTHY LIFESTYLES

To provide satisfying consumer experiences, Yunnan Baiyao consistently adheres to a customer-first service philosophy, building a multi-channel marketing network for customers, exploring innovative marketing strategies, refining user management, and ensuring user privacy and security. Concurrently, the Company actively promotes the development of a modern pharmaceutical logistics system, thereby improving access to healthcare resources and protecting the nation's health.

This chapter corresponds to the following Sustainable Development Goals:



Multi-channel Outreach for Satisfactory Experiences

With the principle of "all for customers," Yunnan Baiyao strives to provide comprehensive and full lifecycle services by utilizing various marketing channels and establishing long-term, stable relationships with its customers. Yunnan Baiyao, with the most professional service team, provides specialized, personalized, and systematic services while appreciating customers' suggestions and feedback. The Company responds quickly to customer's needs, which increases customer satisfaction.

Diversified Marketing Channels

In order to increase brand influence and to expand the market, Yunnan Baiyao has consistently enriched its marketing channels and stepped up promotional efforts. The Company consistently broadens its sales channels across online platforms and physical stores to provide customers with satisfying consumption experiences. We have created online sales channels that cover the Company's full range of products, including pharmaceuticals, personal care products, supplements, health care products, health foods, and pharmaceutical services, by developing long-term, stable cooperation with online platforms like Tmall, JD.com, Pinduoduo, Douyin, and WeChat Mall. The Company promotes experiential marketing, improves the interactive experience of consumers, and enhances multi-channel, multi-faceted marketing networks by establishing offline stores in Kunming, Dali, Lijiang, Tengchong and other cities, and deeply cooperating with large supermarkets in various locations. This elevates the consumers' product experience and service satisfaction.

The Company continued its information technology construction efforts in 2022 with the goal of providing data-driven and intelligent services to its users. The 2022 "Epoch-making Cloud" membership system of "Baiyao Life+" was launched, and the system categorizes users based on different label types, and allows for diverse, customized, precise and effective marketing outreach. During the reporting period, the Company added 180,000 new members, representing a 52% increase over 2021. The number of members who repurchased increased by 80% over 2021, with repeat purchase amounts increasing by 15%.

Through continuous expansion of online and offline marketing channels and the implementation of information technology construction efforts, Yunnan Baiyao achieved significant breakthroughs in a variety of areas, including new product development, e-commerce, brand operations, strategy, and professionalism throughout the year.

Yangyuanqing's Exploration of the Third Communication Scenario for Consumers

Through the launch of the "Yangyuanqing Community Blossom Plan," Yangyuanqing has interacted deeply with potential users through "Hair Care Stations" and "Anti-Hair Loss Aerobics," breaking away from the original scenarios of the retail scene and entering communities, business districts, camping sites, and offices. In 2022, a total of 106 community events, 4 business district events, and 2 large-scale camping events were held. Through these activities, its official WeChat account gained 27,424 new followers and the brand reached more than 10.04 million customers, penetrating more than 60 external social groups. Market research and users' feedback were integrated to drive and maintain long-term business growth.

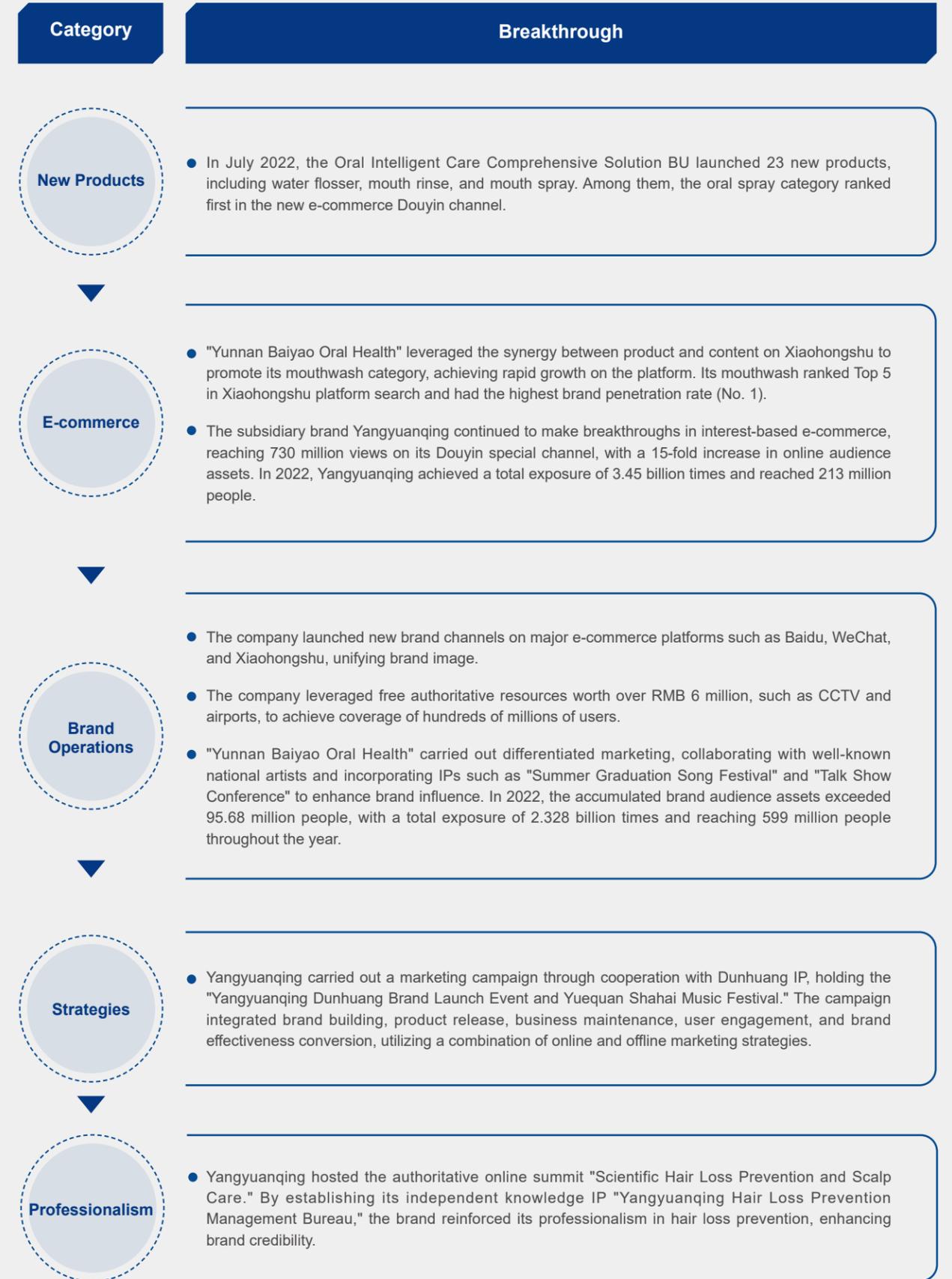


Yangyuanqing Anti-Hair Loss Aerobics Base



Hair Care Station





Innovating Marketing Strategies to Drive Responsible Marketing

Yunnan Baiyao responds to the "Internet + Healthcare" online consumption mode by innovating product marketing models and actively connecting with e-commerce platforms to increase product market share and business coverage while building self-operated channels.

We formed a functional food product management team and an interest-based e-commerce product team in 2022, as well as a self-operated channel for functional food products. We continuously tested channel strategies, improved user profiles, and optimized product experience to gain user's trust and quickly establish the business chain.

We tested the online fission activity "Earning Rewards through Product Referral" based on the new retail channel brand "Baiyao Life +," iterated smooth user operation processes, and achieved double growth in the number of corporate WeChat's new followers and traffic generated by the Company's mini program.

In 2022, we took advantage of the national and provincial governments' favorable policies on traditional Chinese medicine and built a new "Internet + Urban Central Pharmacy" industry chain centered on patients. We increased the promotion and sale of traditional Chinese medicine decoction pieces throughout the province at various levels of terminal medical institutions. Simultaneously, we collaborated with pharmaceutical service centers in Dali City, Yongshan County, and other locations, adding nearly 100 new clients by leveraging the Yunnan Baiyao brand and quality advantages. In 2022, Yunnan Baiyao achieved a record-breaking sales revenue of more than RMB 100 million in traditional Chinese medicine decoction pieces, with sales increased 2.4 times compared to the same period in 2021.



In 2022, Yunnan Baiyao achieved a record-breaking sales revenue of more than RMB **100** million in traditional Chinese medicine decoction pieces



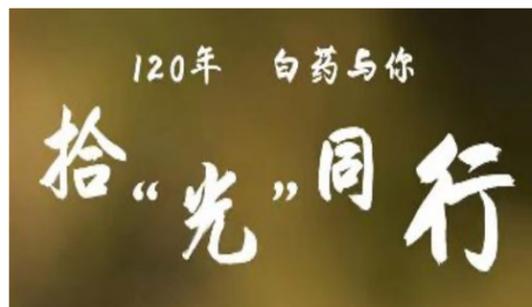
Sales increased by **2.4** times compared to the same period in 2021

Creating a Communication Matrix by Linking Official Accounts

In 2022, Yunnan Baiyao celebrated its 120th anniversary. The company created a video using Mao Buyi's song "The Collector of Light" as its background music. It linked 12 official Yunnan Baiyao accounts as promotional platforms to build a communication matrix, achieving 150,000 natural view counts, 2,000 likes, over 3,500 shares, and over 160,000 live view counts of the video.



Yunnan Baiyao's 120th anniversary



The music video *The Collector of Light*

Furthermore, we actively practice responsible marketing in all aspects of our sales process and place a high priority on training our employees in responsible marketing and advertising practices. We launched the "Youliao Club" campaign in 2022, inviting industry professionals to share their insights in four sessions covering topics "Efficient Marketing in the Health Industry Under Traffic Anxiety," "Private Domain Real Growth of Brand Users in 72 Hours," "Short Video Marketing Drives Brand Growth Throughout the Entire Chain Evolution," and "Trademark and Brand Marketization." More than 200 employees from the Company's various business units and marketing departments took part in the "Youliao Club" campaign. Yunnan Baiyao held four brand and user marketing training sessions with over 200 participants during the reporting period, effectively improving our employees' comprehensive service capabilities and sales skills.



During the reporting period, the number of brand and user marketing training sessions conducted by Yunnan Baiyao was

4



The number of study visits exceeded

200 participants



Private Domain Real Growth of Brand Users in 72 Hours



Efficient Marketing in the Health Industry Under Traffic Anxiety



Short Video Marketing Drives Brand Growth throughout the Entire Chain Evolution



Trademark and Brand Marketization

Yunnan Baiyao combines its daily operations with public welfare and traditional culture, including operating urban health center, carrying out free clinics, providing health consultation services and providing free traditional Chinese medicine experience while constantly innovating its sales model. The Company aims to increase its brand influence and foster the growth of a thriving market by promoting health knowledge and raising national health awareness.

Urban Health center Operated by Yunnan Baiyao

In 2022, Yunnan Baiyao started to operate urban health center, creating a "Mobile Urban Health Center" model, reaching out to enterprises, communities, and schools, and conducted health consultation services and volunteer clinics nearly 40 times, promoting the health of the nation while spreading the brand.

"Winter Diseases, Summer Treatment" Campaign Offering Free TCM Services

In 2022, Yunnan Baiyao City Health Center TCM Clinic initiated a "Winter Disease, Summer Treatment" free clinic and TCM experience activity. The on-site event included free eye, skin, and nasal allergy screenings, as well as TCM experience projects such as moxibustion, acupuncture, and shoulder-neck-waist-knee therapy. Residents could experience the diagnosis and treatment based on their individual needs and enjoy the benefits of TCM development. This campaign helped residents understand their health conditions and promoted the traditional culture of TCM health preservation.



"Winter Diseases, Summer Treatment" Free clinic

Refining Customer Management and Perfecting Customer Service in a Tiered Approach

Yunnan Baiyao constantly improves its customer service system, thoroughly understands customers' needs and protects customers' rights and interests while increasing customer satisfaction through policies, service standards, and feedback handling.

System Guarantee

- In 2022, Yunnan Baiyao revised the *Customer Management System* and *Customer Complaint Handling Procedure for Chain Stores* and added new regulations such as the *Customer Complaint Management System* which standardizes the management of store customers and members, as well as the complaint-handling processes.

Service Standards

- In 2022, adhering to the Three No's principle, Yunnan Baiyao deepened its customer-centric service philosophy and established a dedicated personnel mechanism to respond quickly to business needs, ensuring that no issue is left unanalyzed, no preventive measures are left unimplemented, and no training is left undone.

Complaint Handling and Feedback

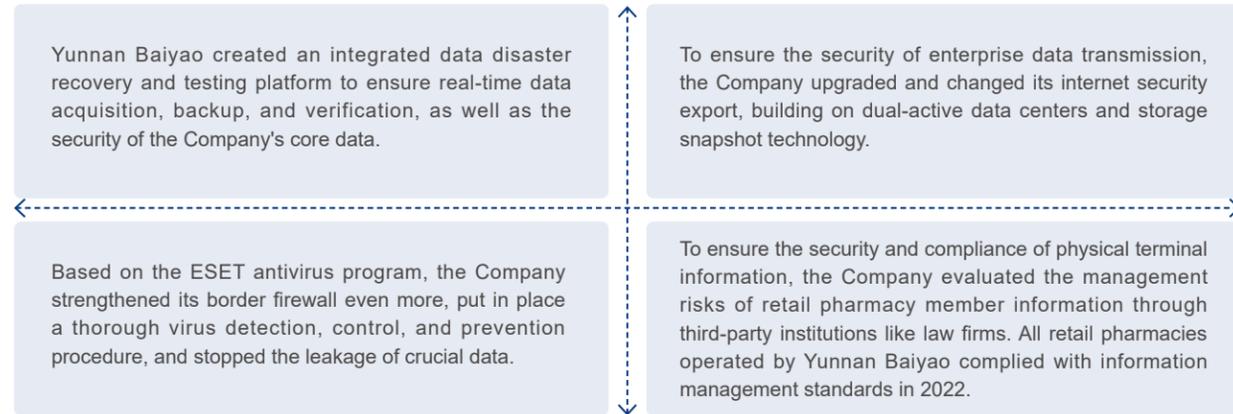
- In 2022, Yunnan Baiyao deepened its understanding and recognition of a customer-centric approach by establishing a first-inquiry responsibility system and a feedback system to listen to customer's voices, in order to optimize the service standards for customer reception and enhance customer satisfaction.
- In 2022, the average user satisfaction of Yunnan Baiyao's stores in all channels of the e-commerce platforms was 93.25%, an increase of 4% from 2021.
- In 2022, Yunnan Baiyao utilized various platforms to reach customers, including the 4001000538 hotline, its official WeChat account, and its official website. The Company's e-commerce platform conducted statistical analysis and feedback on customer complaints regarding membership gifts, delivery, unfulfilled promises, incorrect refund/compensation procedures, product quality, and other issues. Throughout the year, a total of 301 online and offline complaints were received, all of which were responded to and resolved within 24 hours, with the resolution rate reaching 100%.

In 2022, Yunnan Baiyao organized a series of training programs to reinforce its customer-oriented service concept among its employees. These online and on-site programs covered topics such as health management and TCM health knowledge to enhance employees' expertise in providing professional health management services. The Company also carefully reviewed customers' feedback and requests from its free clinic activities. It summarized users' needs and explored future initiatives to improve its overall customer service capabilities, demonstrating its unwavering commitment to delivering exceptional customer service.

Yunnan Baiyao improved its community operation system in 2022 by implementing the "Product + Service + Community" model, to increase customer loyalty and community engagement. Store members, online customer activity groups, specific activity groups, and sharing experts are the four distinct groups of customers in the Company's community. The Company was able to better understand its customers' needs and provide tailored product and service offerings by curating customized content, benefits, and activities for each group, which attracted more target customers and helped customers fully appreciate the unique advantages and value of Yunnan Baiyao's products and services.

Ensuring Information Security at All Levels

Yunnan Baiyao strictly adheres to the laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and the *Personal Information Protection Law of the People's Republic of China*, constantly improving its information security management system and prioritizing customer data information security and privacy protection to prevent any leakage of customer information.



In 2022, there was **No** network information security incident in Yunnan Baiyao.

Constructing a Medicine Distribution Network through Logistics Development

Yunnan Baiyao is market-oriented, constantly improving the construction of its modern pharmaceutical logistics system, improving logistics and transportation capabilities, and stabilizing product storage to build a healthy pharmaceutical industry chain. It aims to improve pharmaceutical accessibility, provide better services to the public, and protect the nation's health.

Enhancing Accessibility to Medicine

Full-coverage Marketing Strategy

In 2022, the Company expanded its presence in Yunnan by implementing a full-coverage marketing strategy for end channels within the province. It built strong business relationships with all of Yunnan's tertiary hospitals and more than 90% of the secondary hospitals. Basically, a full-channel layout covering all county-level and higher medical institutions in the province was achieved. Meanwhile, the Company achieved 100% coverage of major retail chain pharmacies throughout the province through commercial distribution.

Digital Medicine Cloud Platform

Yunnan Baiyao actively develops a digital medicine cloud platform with the primary goal of meeting the consumers' full lifecycle health management requirements. The platform is based on big data and artificial intelligence in traditional Chinese medicine, and it aims to achieve intelligent hospital management, auxiliary diagnosis and treatment, health management, pharmaceutical logistics supervision, and intelligent decoction and dispensing through digitalization, standardization, modernization, and industrialization. It achieves visualized pharmaceutical services and traceability of the entire medication process, resolving the problem of high-quality decoction for hospitals and small clinics and ensuring that patients receive quality medical treatment and medication.



Intelligent decoction and dispensing



Medicine traceability

To implement the national strategy of "Internet + Internet of Things + TCM Health," we actively explore the Internet medical market, develop modern smart logistics, establish, and constantly improve the circulation system of traditional Chinese medicine planting, breeding, initial processing, packaging, warehousing, transportation, and sales, and provide home delivery services of traditional Chinese medicinal materials, thereby improving medical accessibility.

Ensuring Medicine Supply

Yunnan Baiyao actively improves the accessibility of its products to communities and remote areas, promoting the clinical use of existing products to fully unleash their commercial potential, and further improving medicine affordability for patients and consumers to ensure the supply of medicine to grassroots and remote regions and to meet the special medication needs of certain groups.

In order to ensure the medicines in short supply, the Company has assigned dedicated personnel to monitor the market supply based on the list of medicines in short supply published by China and Yunnan Province, as well as the key monitoring list of medicines in short supply in China and Yunnan Province over the last three years. This is done to ensure maximum supply and to deal with potential market medicine shortages. Yunnan Baiyao followed up on a total of 46 varieties (80 products) of medicines in short supply in 2022.

To ensure emergency medicines supply, the Company has updated the catalog of emergency medicines and classified them based on their indications and medicine classification standards. We monitor the shelf life of emergency medicines and conduct regular inspections and early warning management on the supply and inventory of emergency products to ensure the availability of emergency medicine in hospitals and to contribute to the protection of users' health and safety. Yunnan Baiyao has followed up on a total of 55 types (224 products) of emergency medicine as of 2022.

Yunnan Baiyao followed up on a total of **46** varieties (**80** products) of medicines in short supply

Yunnan Baiyao followed up on a total of **55** types (**224** products) of emergency medicines

FOCUSING ON ENVIRONMENTAL SAFETY TO ENHANCE SUSTAINABLE VALUE CHAIN MANAGEMENT

Yunnan Baiyao is committed to environmentally friendly and sustainable development, with a focus on environment protection and safety concerns. Through practical actions, we continuously optimize resource utilization, promote energy conservation and waste reduction, and carry out green and low-carbon operations. We also actively promote biodiversity conservation and contribute to the value chain's environmental benefits, improving our ability to manage the value chain sustainably and fulfilling our corporate responsibilities from all perspectives.

This chapter corresponds to the following Sustainable Development Goals:



Protecting Endangered Wild Plants through Source Management

Yunnan Baiyao, who believes in "helping the world with medicine and restoring the true nature of medicinal materials," recognizes that traditional Chinese medicinal materials are derived from nature and is committed to protecting endangered wild plants and achieving sustainable development of traditional Chinese medicinal materials.

Protecting Endangered Wild Plants

Yunnan Baiyao abides by the *Regulations of the People's Republic of China on Wild Plants Protection*, making effective use of plant medicinal resources while protecting endangered wild plant species. The risks of using endangered wild animals and plants are assessed during the development of medicinal materials. The Company aims to rationally develop natural resources and comprehensively promote biodiversity conservation by establishing an authentic Yunnan Chinese medicinal material gene bank and remaining committed to the protection of nationally endangered species, domestication of wild plants, and selection and cultivation of Chinese medicinal material varieties.

Yunnan Baiyao established a dedicated company in 2001 to carry out pre-breeding work for the "domestication of wild plants" in order to meet its own development needs and achieve the sustainable utilization of medicinal resources. The company gradually met the demand for medicinal supplies by selecting and cultivating high-quality seeds to improve disease resistance and developing large-scale planting. Yunnan Baiyao began trial planting of *Paris polyphylla* var. *yunnanensis* in 2001, and in 2005, the Company began scientific research on the domestication of wild *Psammosilene tunicoides*. The successful domestication of wild varieties of distinctive traditional Chinese medicinal materials, like *Paris polyphylla* var. *yunnanensis*, has been accomplished after nearly 20 years of work. This has satisfied the needs of the Company as well as those of the domestic pharmaceutical companies and the entire market.

The Company has been successful in making the transition from fully using wild resources to using domesticated varieties. To domesticate *Fritillaria cirrhosa* resources and set up a tissue culture lab in 2022, Yunnan Baiyao invested over RMB 1.5 million. This was done in order to implement interdisciplinary cross-disciplinary breeding work for medicinal plants by fusing traditional breeding with tissue culture technology. After years of research and development, the new *Knoria valerianoides* varieties "Yunji 1" and "Yunji 2" which were cultivated in 2022, have been widely adopted and have provided significant economic and social benefits.

Yunnan Baiyao believes in green development and has assessed the circulation, reserves, estimated consumption, risks, and measures of traditional Chinese medicinal materials destined for industrial development in accordance with the National Medical Products Administration's *Technical Guidelines for Chinese Medicinal Resources Assessment* and other regulations and technical guidance principles. Projects involving critically endangered wild animals and plants are not permitted. Building on this foundation, we are actively engaged in new variety of research and development with technological advantages to establish a traditional Chinese medicinal materials gene bank. This ensures the completeness and sustainable utilization of wild resources, full protection of the ecological environment and biodiversity, and harmonious coexistence of humans and nature.

New *Knoria Valerianoides* Varieties Developed and Bred by Yunnan Baiyao

In 2022, the Company made full use of the collected and preserved various types of wild Chinese medicinal plant germplasm resources to carry out new variety research. We bred the "Yunji 1" and "Yunji 2" *Knoria valerianoides* new varieties suitable for controlled cultivation, and promoted their planting in suitable areas. By replacing wild resources with artificially cultivated varieties, we achieved effective protection of wild resources and rational development and utilization of resources. While ensuring market demand, we effectively protected biodiversity and demonstrated the Company's sense of social responsibility.



Knoria valerianoides Medicinal Plant Cultivation Base



Whole plant of *Knoria valerianoides*

Building a Sustainable Supply Chain with Responsible Procurement

A sustainable supply chain management system has been established by Yunnan Baiyao, which strengthens the quality and safety oversight of upstream pharmaceutical materials. The Company ensures sustainable supply chain management for traditional Chinese medicine throughout the entire process, from procurement and production to packaging, by building a thorough traceability system for quality monitoring. This strategy ensures the realization of both industrial economic value and environmental value and guides the green and sustainable development of the industry chain.

Source Control

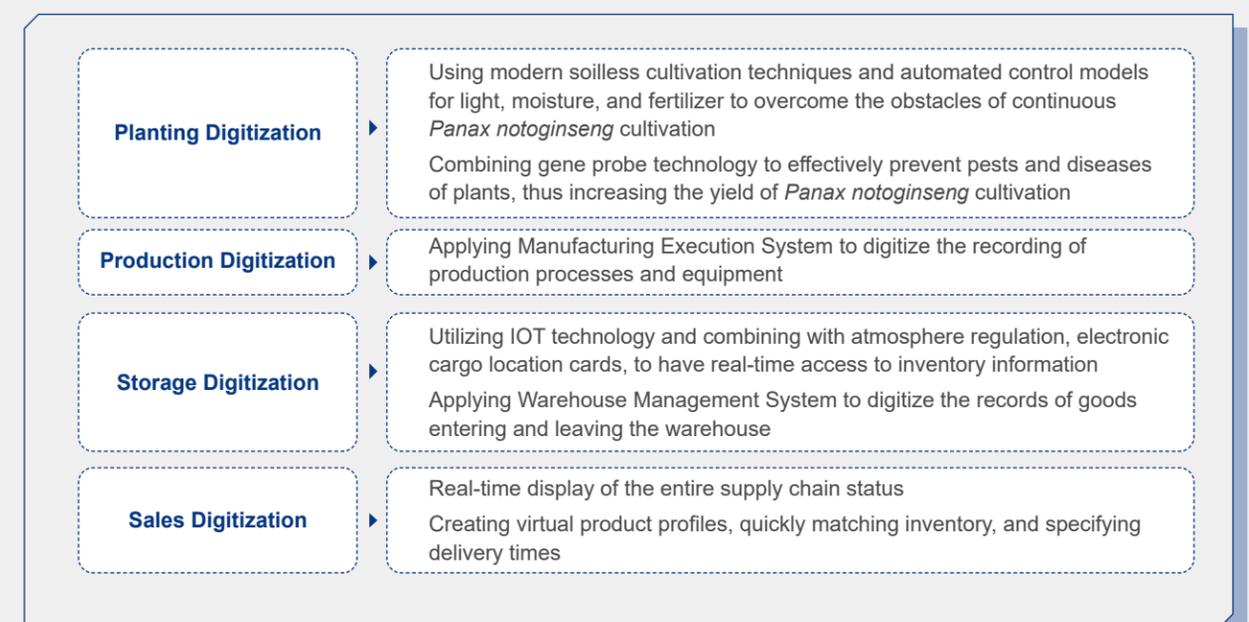
Yunnan Baiyao has been working on developing its own traceability system since 2018. The Company has successfully established a comprehensive traceability system that includes agricultural operation information at the planting stage, processing information at the production stage, and storage information at the warehousing stage through continuous research and development. This system ensures the authenticity, accuracy, and complete traceability of nearly a thousand self-produced medicinal materials and prepared slices. Yunnan Baiyao integrated the system with the Medical Products Administration of Yunnan Province's medicine traceability system in 2022, uploading existing traceability data to the regulatory platform and obtaining government approval for the traceability content.

We actively participated in the construction of the Yunnan Province Traceability Technology Service Platform based on the "Traditional Chinese Medicinal Materials + Internet" mindset. We created the "Yun Yao Traceability Platform" to provide traditional Chinese medicinal materials with information, data, quality inspection, high-quality seed sources, and expert

technical services. This platform builds a standardized and digitized chain for traditional Chinese medicinal materials, ensuring that their sources can be traced, destinations can be verified, responsibilities can be held accountable, and the entire process can be tracked. The platform achieved full coverage of raw material cultivation, quality control in the manufacturing process, and warehousing storage. Yunnan Baiyao traced more than ten times in 2022, adding 11 new traceable enterprises and involving Yunnan local traditional Chinese medicinal materials such as *Paris polyphylla*, *Panax notoginseng*, *Gastrodia elata*, *Carthamus tinctorius*, *Salvia miltiorrhiza*, *Amomum villosum*, *Aucklandia lappa* Decne., *Angelica sinensis*, *Platycodon grandiflorus*, *Gentiana macrophylla*, and *Knoria valerianoides*.

We transformed traditional agricultural products through advanced technological tools to achieve digital empowerment in 2022 by utilizing new technologies, new equipment, and new processes across diverse application scenarios. This method maximized the value of data extraction while also allowing customers to easily trace the origins of our products.

Digital Empowerment



Packaging Materials Usage

Yunnan Baiyao actively promotes green packaging materials, employs a circular production mode, continuously optimizes product packaging, promotes packaging reduction, and engages in organized packaging material recycling in order to reduce packaging material usage and minimize the negative impact on the environment. Yunnan Baiyao explored a full-scenario of packaging material reduction for the use of toothpaste products in 2022.

Paper Box Lightweighting

We conducted feasibility testing and prepared technical reserves in 2022 to eliminate film coating on toothpaste paper boxes. It was demonstrated through relevant tests on products without film coating that there was no significant difference in product runnability, logistics transportation, and drop test compared to those with a film coating. If toothpaste paper boxes can be manufactured without film coating, the use of PET film will be reduced by approximately 47 tons per year.

Carton Optimization

We collaborated with the manufacturers to carry out the reuse of medicine box logistics cartons, increasing the supply chain's efficiency in using cartons and lowering the manufacturers' overall carton purchasing volume. This was done to increase environmental protection awareness and conserve social resources. We were successful in reusing 134,600 logistics cartons for medicine boxes in 2022, with an average of 45,000 per quarter.

Toothpaste Tube Lightweighting

Because of the ongoing advancements in packaging technology, thinner sheets can now provide the same level of barrier protection. These lightweight new materials can better protect the safety of the toothpaste body and reduce the usage of raw materials because the thickness of many mainstream toothpaste products' tubes on the market has been reduced to 250 microns, and even some have been reduced to 180 microns. We formed a special project team in cooperation with relevant toothpaste tube suppliers to get ready for the updating and transformation of the Company's soft tube toothpaste packaging. Two years of testing revealed no appreciable differences between the thinner toothpaste tube packaging and the original thickness packaging.

Packaging Optimization

To reduce waste pollution and material costs, we promoted the replacement of granular and strip packaging. Currently, the packaging replacement for 22 varieties has been completed.

Yunnan Baiyao Packaging Material Usage in 2022

Category	Unit	Usage Volume
Paper	Ton	1.45
Plastic	Ton	3,500
Glass	Ton	890
Aluminum	Ton	1,650
Composite Flexible Packaging	Ton	1,988

Improving Environmental Protection to Promote Circular Economy

Yunnan Baiyao is dedicated to "ecological harmony and green development." It actively assumes environmental responsibilities and works to establish and improve an environmental management system. The Company strictly enforces various waste discharge management measures and actively investigates the application of new energy technologies in order to deeply integrate the concept of sustainable development into all stages of production and operation, achieving continuous improvement in environmental performance. In 2022, the Company had no environmental pollution accidents.

Environmental Management

Yunnan Baiyao strictly adheres to the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste*, the *Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise* and other laws and regulations. Internally, the Company has formulated and implemented environmental management policies such as the *Environmental Protection Management System*, the *Environmental Protection Responsibility System*, the *Environmental Protection Approval Management System* and the *Hazardous Waste Management System*. In 2022, the Company signed the *Environmental Protection Responsibility Agreement*, clearly defining the primary persons responsible for environmental protection, continuously improving the environmental management system, and striving to achieve coordinated progress between enterprise development and environmental protection.

Waste Management

Yunnan Baiyao incorporates green development concepts into every stage of production and operation, strictly controlling wastewater, exhaust gas, and waste generation and discharge. To strengthen corporate environmental protection responsibilities, the Company establishes specialized accounts for each subsidiary, conducts monthly statistical analysis on environmental protection work, strictly records and monitors various pollution indicators, and ensures emissions meet required standards after proper treatment.

The Company established an environmental risk identification mechanism, strengthened environmental inspections on a continuous basis, and performed regular environmental supervision work. We analyze identified environmental risks, conduct environmental hazard inspections, and proactively assist each polluting unit in addressing any issues discovered during inspections by developing effective rectification plans and measures, thereby improving the specialized emergency response plans. This reduces the negative environmental impact of project construction and production operations and assists the Company in effectively avoiding environmental risks.

Wastewater Management

Wastewater treatment facilities are established in each factory, treating wastewater generated from production and daily life to render it harmless. Continuous 24-hour monitoring of pollutant data is uploaded to provincial and municipal environmental protection authorities, ensuring that discharge standards are met before being discharged into municipal sewage pipelines or reused as reclaimed water, preventing harmful pollutants from seeping into the ground or flowing into rivers.

Exhaust Gas Management

For dust generated during the cutting and crushing of raw materials, bag-type dust removal devices are installed at the source to prevent dust emissions.

Non-hazardous Waste Management

Daily generated medicine residues are transferred to third-party disposal institutions for organic composting treatment, achieving resource utilization of waste.

Hazardous Waste Management

Proper disposal is carried out by third parties with hazardous waste treatment qualifications.

Exhaust Gas Management for Newly Produced Toothpaste

For newly produced toothpaste, the toothpaste powder raw material is transported through pipeline pneumatic conveying, which reduces dust and odor diffusion problems caused by manual feeding and other open processes. Dust filters and collection devices are installed in all stages involving powder production, strictly controlling dust overflow.

The Company has actively supported research, development, and innovation in the optimization of production processes. This has been done by carefully examining and improving optimization strategies, concentrating on the most important and challenging aspects of its work, and experimenting with new technologies. By increasing production capacity, we avoid the environmental effects of waste emissions, and we further improve production efficiency and attain sustainable development in production and operation. By coordinating technical exchanges, carrying out environmental protection education, and offering technical support for environmental protection projects, the Company achieved resource utilization of waste in 2022, ensuring the sustainability of its ongoing production and operation.

Panax Notoginseng Plantation Achieving Waste Material Resource Utilization

Wenshan Qihua Company adopts advanced online monitoring technology for gas boiler flue gas emissions. A closed treatment process is adopted in wastewater treatment, achieving recycling through the recovery of *Panax notoginseng* cleaning water, partial wastewater preparation as reclaimed water, biogas recovery from wastewater, and condensate water recovery. In 2022, the total wastewater treatment volume was 268,537 cubic meters, biogas recovery volume reached 181,495 cubic meters, and 589 tons of steam were produced. The *Panax notoginseng* cleaning water reuse volume was 153,460 cubic meters, reclaimed water usage volume was 2,900 cubic meters, and condensate water recovery reached 24,546 cubic meters throughout the year. This saved the Company approximately RMB 2.0894 million in energy consumption costs, enabling rational use of environmentally friendly energy, ensuring that external water and atmospheric emissions are discharged under regulations, and achieving the company's energy-saving and environmental goals.

Advanced Wastewater Treatment Technology Applied in Health Product Projects

The Company conducted in-depth research and discussions on production wastewater treatment in 2022 during the reconstruction of the newly-built wastewater treatment plant, which obtained preliminary stage results and gained experience for future similar projects.

In terms of production wastewater treatment, toothpaste production wastewater has complex components and is considered difficult-to-treat industrial wastewater. The pollutants in traditional Chinese medicine production wastewater are relatively simple in composition and have good biodegradability. They can be effectively treated through various methods such as physical and biochemical processes. The old wastewater treatment plant in the Yuhua Industrial Park has long suffered from a lack of phosphorus, requiring the addition of phosphorus to the adjustment tank separately. However, toothpaste wastewater contains higher levels of phosphorus, which can balance out the wastewater from the treatment plant, saving treatment costs.

By mixing toothpaste wastewater with traditional Chinese medicine wastewater in the Yuhua Industrial Park, we have effectively diluted pollutant concentrations and improved wastewater biodegradability. The newly-built wastewater treatment plant in the project has a treatment capacity of 1,200 cubic meters per day. The surplus treatment capacity constructed in this project can be used for wastewater treatment in the Yuhua Industrial Park, reducing the pressure of the old wastewater treatment plant and facilitating resource allocation at the group level. The treated reclaimed water can be used for irrigation of the factory's greenery, saving water costs.

Exhaust Gas Emission in 2022

Emission Source	Unit	2020	2021	2022
Emission Volume	10,000 m ³	3,994.00	2,313.00	5,086.90
Particulate Matter	Ton	0.83	0.46	0.19
Nitrogen Oxide Emissions	Ton	4.91	2.29	4.18

Wastewater Discharge in 2022

Discharge Source	Unit	2020	2021	2022
Wastewater Discharge	Ton	313,340.00	395,550.00	297,193.88
COD	Ton	10.74	6.97	6.97
Ammonia Nitrogen	Ton	0.21	0.166	0.166

General Waste Discharge in 2022

Emission Source	Unit	2020	2021	2022
Medicine Residues and Sludge	Ton	16,125.82	17,869.56	21,218.41

Hazardous Waste Emission in 2022

Emission Source	Unit	2020	2021	2022
Waste Medicine and Medicine HW03	Ton	7.80	11.19	1.30
Laboratory Waste Liquids HW49	Ton	10.92	9.92	11.83

In 2022, we promoted national environmental laws, regulations, policies, and the latest developments through environmental festivals such as "World Environment Day" and "Earth Day," actively carried out environmental education activities, created a good learning atmosphere for environmental protection, and continuously improved employees' environmental protection awareness.



Carbon Emission Management

Yunnan Baiyao, as a key energy consumption regulatory unit, actively responds to the national "Dual Carbon" strategy. The Company improves the construction of the online energy monitoring system, implements the energy-saving target responsibility system, continuously improves the energy management system, actively applies energy-saving transformation technology, strengthens energy-saving publicity, and raises awareness of "Dual Carbon" among all employees. Simultaneously, we are investigating digital energy management, which involves the use of digital and intelligent technologies to improve energy management and unlock more energy-saving potential.

Exploring the "Carbon Footprint" of Toothpaste Packaging

As a leading modern traditional Chinese medicine manufacturer, Yunnan Baiyao's Supply Chain Operation Center, as the bridge department for the group's external material procurement, upholds a high sense of social responsibility and has established a project team to set "Dual Carbon" goals for the development of packaging materials. We have selected toothpaste products, which have the highest usage of packaging materials in the Company, and have made initial attempts to establish a carbon emission accounting system to lay a solid foundation for promoting more varieties in the future.

Based on the initial results of this project, the total carbon emissions of PE particles, toothpaste tubes, paper boxes, and cartons required to produce one tube of toothpaste are calculated to be between 113.52 and 115.67 grams, and the total carbon emissions of the corresponding material transportation process are between 0.0761 and 6.89 grams per unit.

Based on the calculated carbon emissions at each stage, we suggest considering more environmentally friendly materials in the raw material stage to reduce carbon emissions generated during raw material production, and evaluating the necessity of using colored paper boxes or cartons that are not directly exposed to consumers during packaging production for transportation purposes.

The Toothpaste Tube Lightweight Project

With the continuous development of packaging technology, thinner sheeting can achieve the same barrier protection effect. We try to use 250 microns thick sheeting to replace the current 270 microns thick sheeting.

After three months of trial and investigation, there was no significant difference between the finished product of the reduced-thickness toothpaste tube packaging and the original one. We actively promoted the use of a 30-gram toothpaste tube as the first pilot for reducing the thickness of the soft tube. If there are no obvious problems after the product is put into the market and circulated, we will further promote the replacement of all soft tubes with 250 microns thickness. According to preliminary estimates, if we calculate based on the annual use of 400 million toothpaste tubes in the company, the replacement can reduce the use of 150 tons of PE per year, which is equivalent to RMB 1.25 million at the current PE market price for toothpaste and can reduce carbon emissions by 40,265.6 kilograms of carbon dioxide annually, which is equivalent to the effect of planting 2,200 new trees every year.

Use of Resources

In 2022, Yunnan Baiyao strictly followed the *Law of the People's Republic of China on the Conservation of Energy* and other relevant laws and regulations, implemented *Energy Management Measures* and other policies within the Company, and improved the energy management system by systematically standardizing the work of various energy-using units. We further strengthened the energy-saving target responsibility system, incorporated energy usage into employee salary performance assessments, and actively experimented with new technologies and processes to improve energy and resource utilization efficiency. The total energy cost of the Company in 2022 was RMB 110.646 million, with an energy consumption cost of RMB 30.47 per RMB 10,000 of output value and an energy consumption of 0.00839 tons of standard coal per RMB 10,000 of output value.

We thoroughly examined the existing energy usage structure and actively investigated new ways to achieve sustainable production through the use of renewable energy technologies and energy-saving measures. Based on the Company's characteristics, we conducted in-depth research on photovoltaic renewable energy in 2022 and launched a preliminary investigation into the photovoltaic power generation project. We actively investigated new energy-saving technology applications in a variety of fields to provide a solid support for the Company's low-carbon development.

Energy and Water Usage in 2022

Energy Indicator	Unit	2020	2021	2022
Electricity Consumption	kWh	390,080,000	56,800,000	60,930,863
Gasoline	Ton	26.13	27.83	29.49
Diesel	Ton	1.62	1.48	1.59
Natural Gas	10,000 m³	931.65	1,086.27	1,165.47
Comprehensive Energy Consumption	10,000 Tons of standard coal	1.72	2.15	2.30
Comprehensive Energy Consumption per RMB 10,000 of Revenue	Tons of standard coal/RMB 10,000	0.0053	0.0059	0.0063
Water Consumption	Ton	1,094,269	1,368,045.18	1,382,044.72
Water Consumption per RMB 10,000 of Revenue	Tons/RMB 10,000	0.3342	0.3761	0.3787

Building a Safe and Healthy Industrial Park with Orderly Production

Yunnan Baiyao has always adhered to the concept of "people-oriented and safe development," establishing and improving its safety management system, broadening the scope of hazard investigation and remediation, promoting safety culture construction, and overall improving the company's safety management level.

Safety Management System

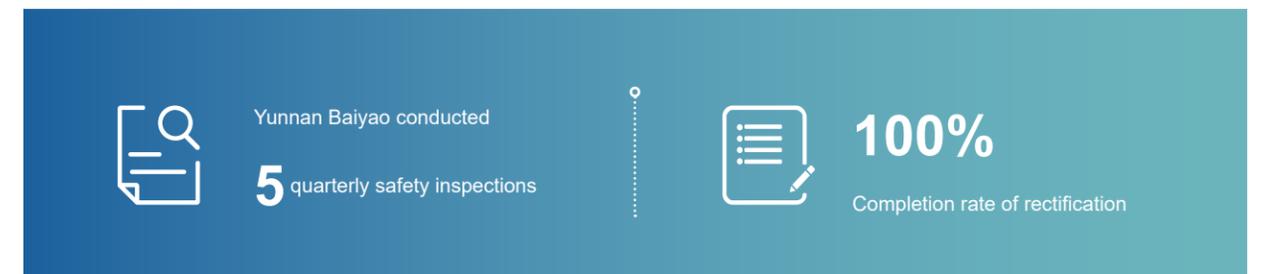
Yunnan Baiyao strictly abides by the *Work Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and other laws and regulations. Combined with its own operation, Yunnan Baiyao has formulated and implemented internal policies, such as *Work Safety Target Management System*, the *Work Safety Responsibility System* and the *Safety Training and Education Management System*, which have comprehensively standardized the company's safety management. In 2022, Yunnan Baiyao revised the *Work Safety Responsibility System* and added the *Safety Risk Management System* to further assume the main responsibilities of production safety of the enterprise and strengthen the control of safety risks.

Yunnan Baiyao has established a safety management system structure with distinct rights and obligations, with the Safety Management Committee serving as the highest accountable body for safety work. Senior executives from the Company and the heads of all departments serve on the committee, which is responsible for reviewing significant production safety issues and shouldering the main responsibility of workplace safety. The Committee is in charge of production safety, fire safety, occupational health, and emergency management through its office for safety management.

In 2022, Our Yuhua Industrial Park and Qidian Branch Plant established a double prevention mechanism and re-formulated emergency plans to further ensure the orderly implementation of emergency rescue work in order to implement the working principle of "Safety and prevention first, and comprehensive treatment" and improve the Company's overall emergency handling capacity.

In order to eliminate potential safety hazards in time, Yunnan Baiyao strictly implemented production safety supervision and inspection measures, carried out in-depth safety inspection, potential risks investigation and management in key and risk points. In the meantime, we closely monitored the employees' operations to ensure that safe production was carried out in a way that effectively prevented safety accidents. We also made sure that the safe production input was complied with the *Work Safety Law of the People's Republic of China*.

In 2022, Yunnan Baiyao conducted five quarterly safety inspections, consisting of four cross-inspections and one special inspection. 1,146 potential hazards were identified, with a rectification completion rate of 100%.



Workplace Safety Office Rectification

In April 2022, Kunming Emergency Management Bureau surveyed Qidian Industrial Park, finding that the operation valve and connector of the foam fire extinguishing device were too close to the protection zone, which made it inconvenient to operate in case of fire. In view of this potential hazard, the Company arranged qualified fire fighting agencies to ensure smooth connection and valve opening for fire fighting in case of fire emergencies, and addressed similar problems in Yuhua Industrial Park.



Workplace safety office rectification

The Pedestrian-Vehicle Separation Project of Yuhua Industrial Park

The main road to the north of No. 1, 2 and 3 factory buildings in Yuhua Industrial Park is the main passage for truck loading and unloading, leading to high traffic pressure. In addition, a lack of speed limit signs and mirrors in many blind sections leads to large safety risks. During the inspection, the emergency management department of Yunnan Baiyao issued a rectification notice to implement pedestrian-vehicle separation management on the factory roads so as to reduce the traffic pressure. Meanwhile, speed limit signs were installed at the main intersections and mirrors were installed on the blind sections to reduce traffic safety risks.



The Pedestrian-Vehicle Separation Project of Yuhua Industrial Park

Yuhua Industrial Park Pipe Network Leakage Inspection

In 2022, in the process of safety inspection, we found the pressure of the system pipe network in Yuhua Industrial Park dropped unusually, that the stabilized pressure pumps started frequently, and that there were pipe network leakage problems. To reduce the loss and find the leak point as soon as possible, we organized the Workplace Safety Office to develop a search plan. At first, we found out which section of pipe network was leaking by dividing the sections, and then we used professional instruments to find the specific leak points. After nearly 10 days of divisional inspection, it was preliminarily determined that there were leakage points in two sections of pipe network. Afterwards, we arranged our employees to use professional instruments to listen to the sound of underground water flow. After half a month's hard work of listening to the sound of underground water in the whole factory, we finally found the specific locations of the two leakage points.



Yuhua industrial park pipe network leakage inspection

Safety Culture Development

Yunnan Baiyao places a high value on strengthening the construction of safety education and training, improving the training system, insisting on developing and implementing an annual safety education and training plan, instilling and cultivating safety concepts in employees, and improving their safety management ability, safety knowledge, and skills.

In 2022, Yunnan Baiyao actively carried out safety consultation day publicity activities both online and offline, Group Workplace Safety Comprehensive Knowledge Competition, Ankang Cup Practical Operation Competition, fire evacuation emergency drills, and other safety education activities, in accordance with the annual safety education and training plan, effectively improving employees' safety awareness and labor skills. In 2022, the Company held 18 education training sessions with 16,408 participants, one comprehensive emergency drill, and 22 other drills, including fire accidents, evacuation, electric shock accidents, and limited space accidents.

The Company held Occupational Health Promotion Week activity in early 2022 and organized employees to participate in occupational health knowledge training. A total of 2,074 employees attended the training and completed the online exam. The Workplace Safety Office released promotional materials available on our WeChat platform, and a total of 1,025 employees viewed the videos and training materials.

Furthermore, to improve its safety management level, the Company conducts safety education and training for contractors, suppliers, and other relevant parties and encourages them to conduct regular internal training based on their own industry characteristics in order to improve their safety awareness and prevent the occurrence of safety accidents.

There were no major safety incidents or work-related deaths in Yunnan Baiyao in 2022.



The number of safety education training sessions conducted by the Company was

18



2,074

employees attended the occupational health training and completed the online exam

2022 Ankang Cup Safety Competition

In 2022, the Company organized Ankang Cup New Work Safety Law Knowledge Competition. More than 2,000 employees participated in the month-long competition. The repeated participation enabled the employees to gain a full understanding of the relevant contents of the *Work Safety Law of the People's Republic of China*.



2022 Ankang Cup Safety Competition

GROWING TOGETHER WITH EMPLOYEES AND CREATING A SAFE AND HARMONIOUS WORKPLACE

As a company with a century-long history, Yunnan Baiyao is aware that its employees are its greatest asset in achieving sustainable growth. Adhering to the principle of lawfulness and compliance, the Company regularly conducts employee training, organizes volunteer activities, cares for employees, attends to employee's needs, and collaborates with employees to foster a free, equal, and friendly corporate culture.

This chapter corresponds to the following Sustainable Development Goals:



05



Remaining People-oriented and Being Creative and Innovative

To ensure equal development rights of employees and pursue mutual benefits of the Company and employees, Yunnan Baiyao develops remuneration and incentive plans and improves employee promotion system based on the principle of legal, compliant, and equal employment.

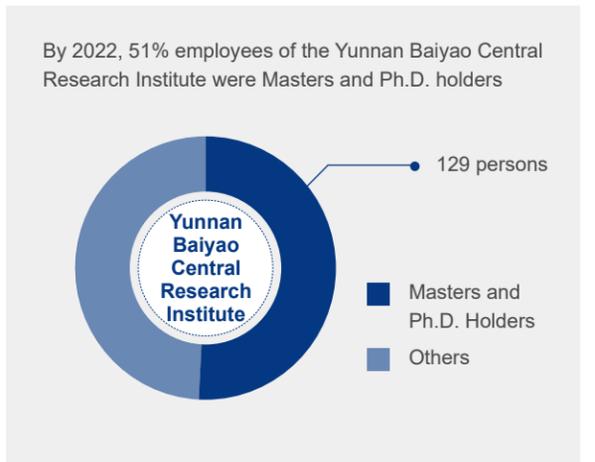
Employment Compliance

Yunnan Baiyao strictly complies with laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, and the *Law of the People's Republic of China on the Protection of Minors*; Yunnan Baiyao also formulates internal management systems such as the *Recruitment Management System*, and implements internal management policies such as the *Basic Standards for Enterprise Internal Control*, the *Measures for the Management of Job Qualifications*, and the *Measures for the Management of Rotation* and the Company will continuously build its human resource system.

In adherence to the principles of legal and diversified recruitment, the Company resolutely opposes all forms of discrimination based on gender, ethnicity, religion, or political stance, and incorporates the labor principles of prohibiting child labor and opposing forced human rights into the Company's management requirements. The Company signs labor contracts with employees, establishes labor relations, and guards all employee rights and interests in accordance with the principles of equality, willingness and consensus.

Yunnan Baiyao continues to optimize its position management, establish a dynamic *position management system*, expand channels for employee professional development, and train and develop interdisciplinary talents in order to promote the Company's development. To achieve its talent development and planning goals, the Company strengthened its R&D team in 2022 by establishing a central research institute and recruiting highly educated scientific researchers and investment personnel.

As of 2022, Yunnan Baiyao Central Research Institute had a total of 253 employees, including 129 with Master's and Ph.D. degrees. The institute hired 37 employees for pharmaceutical research and development, 12 employees for daily chemical research and development, and 15 employees for strategic commercial investment positions. Among these new hires, 40 held Master's and Ph.D. degrees.



Remuneration and Incentives

Yunnan Baiyao strictly follows the 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 *Measures for the Administration of Share Incentives for Listed Companies*, the *Rules for the Listing of Stocks on Shenzhen Stock Exchange*, the *Guidance on the Pilot Implementation of Employee Stock Ownership Plan for Listed Companies*, etc., formulates the *Remuneration Management System of Yunnan Baiyao Group Co., Ltd.*, the *Articles of Incorporation*, the *Employee Stock Ownership Plan*, the *Stock Incentive Plan* and other internal management systems. The Company offers pension, medical care, unemployment, work-related injury, maternity and other insurance for all employees, as well as housing provident fund, enterprise annuity, commercial insurance and Employee Stock Ownership Plan (ESOP), and rolls out other measures to effectively protect the legitimate rights and interests of employees.

Yunnan Baiyao established a job qualification system and adopted a performance-linked remuneration system in 2022 to promote talent development and meet the Company's strategic needs by recognizing employees' value. To assess the depth and breadth of employees' abilities and knowledge, the Human Resources Department collaborated with experts in developing a 10-dimensional qualification management system covering strategic operations management, technology and quality, analysis and testing, finance and economics, etc. The Company established an employee performance evaluation system to assess employees' performance and ability monthly and annually. The evaluation results are divided into five grades and are jointly determined by the employees and their superiors. Monthly performance results are reflected in monthly bonuses, while annual performance results are reflected in year-end bonuses and remuneration adjustments. In this way, a closed loop of employee ability, position, evaluation, and incentive process has been formed.

The Company continues to improve the employee performance appraisal system, transitioning from an offline appraisal platform to an online information management platform, managing employee performance filling, review, evaluation, and feedback in a systematic manner, and realizing the standardization, dynamism, agility, and transparency of performance information management.

Promotion Mechanism

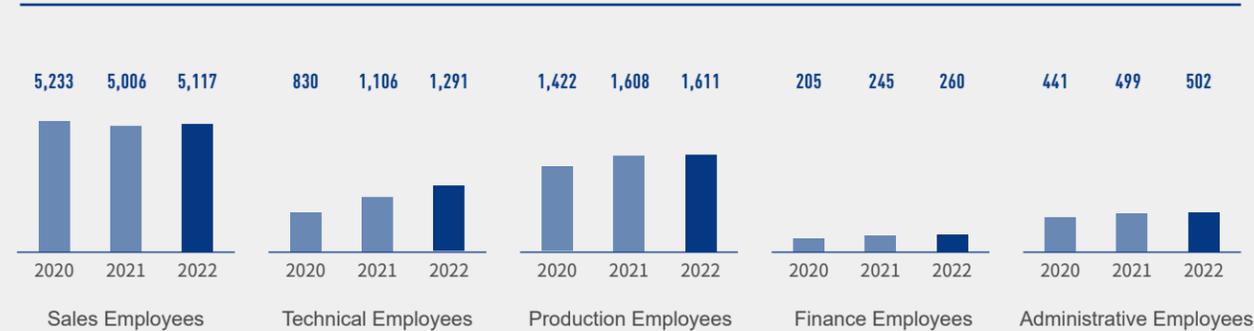
To establish a dynamic position management system and to provide employees with equal promotion opportunities, Yunnan Baiyao develops the Position Management System, optimizes the "721" employee training system, establishes a "Y-shaped" employee development channel, and updates its position overview. To ensure the fairness of the promotion system, the Company creates a learning map, uses curriculum development as a link to make breakthroughs, creates a key path to guide employee development and training, and evaluates employee performance objectively using scientific evaluation methods such as the *IBM PRG Position Evaluation Tool* and *Position Evaluation Score Sheet*.

In 2022, to help employees clarify their direction and recognize their own value, Yunnan Baiyao comprehensively sorted out positions, standardized job titles, clarified talent standards and certification management guidelines, and achieved standardization and precision in talent training, evaluation, and selection.



In 2022, Yunnan Baiyao had a total of **8,781** employees, as shown in the table:

By Job Type (Person)



By Gender (Person)

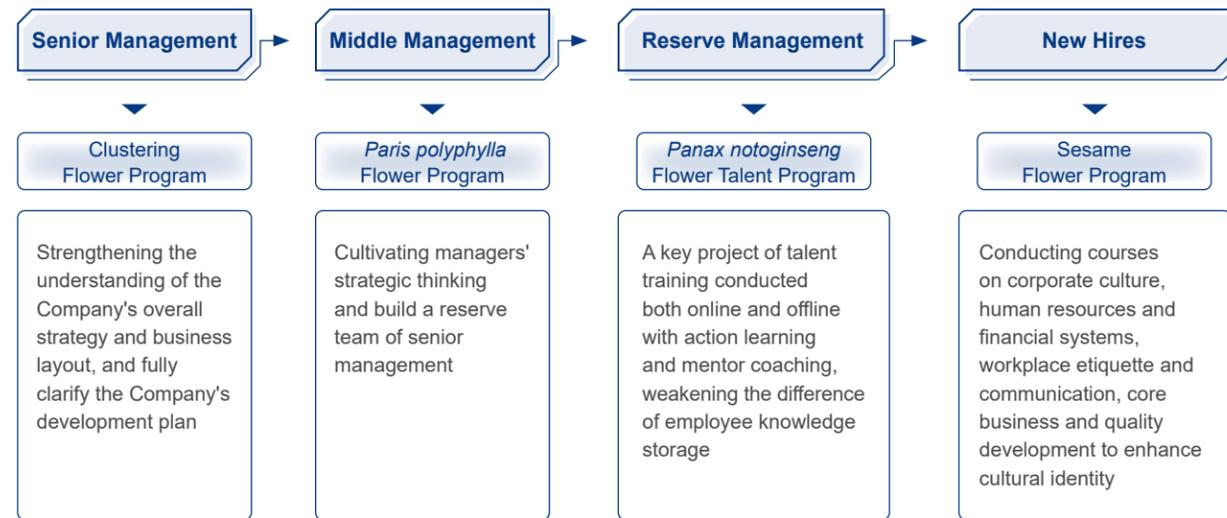


Carefully Cultivating Employees and Nurturing Talents

Yunnan Baiyao insists that employees are key to company growth and highlights personal development of its employees. It established the Baiyao Academy to develop a scientific and organized training system, carrying out targeted training for employees at various levels, and putting General Secretary Xi Jinping's proposed talent-training concept of "gathering and utilizing talents from all over the world" into practice.

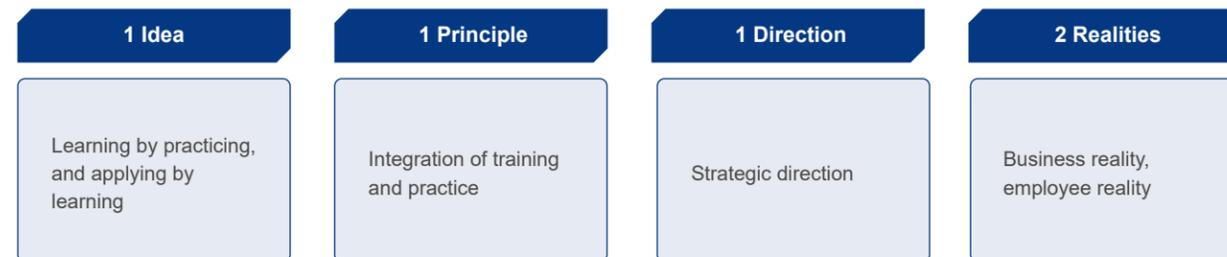
"Flourishing Flowers" Talent Training System

The Company founded the Baiyao Academy in order to bring together elites, address pain points, gather true knowledge, transmit culture, push boundaries, and develop a talent training system with "Flourishing Flowers."



"Flourishing Flowers" Talent Training System

In 2022, Yunnan Baiyao reviewed and upgraded the *Panax notoginseng* Flower Talent Training Program, improved the training system using the "1112 Model," and assisted project managers in consolidating and improving their capabilities. The Company also created a *Project Manager Workbook*, established a case library, summarized project management experience and work methodology, and achieved a significant breakthrough from scratch.



"1112" Model

"Sesame Flower" New Hire Training

Seven departments, including the Human Resources Center, the Pharmaceuticals BG, and the SmartCloud Health BU, were organized by Yunnan Baiyao to provide training for new hires. This was done to aid in their quick integration into the corporate culture, to help them develop values that are coordinated and unified with the Company, sort out the proper quality concepts, and thoroughly acquire knowledge and skills in safety, operation, and procurement, and to empower new hires.

In 2022, the Company provided a total of 43 business development courses, primarily for new hires, with a total course length of 2,105 minutes.



New hire training activities

Outdoor Training for Project Managers in the "Panax Notoginseng Flower" Program

In May 2022, Baiyao Academy carried out an outdoor training for project managers in the "Panax notoginseng Flower" Program. We organized team building activities and fun games, and a number of experience activities such as herbal plant sharing and night conversations around the stove. The activities strengthened the sense of cooperation and trust between teams, enhanced the cohesion and sense of mission of the project manager team, and deepened the concept of win-win cooperation.

The Company has refined the outdoor development activities into a case model with the themes of symbiosis, co-prosperity, sharing, win-win outcome, and sympathy, and synchronously enriched the case library of the *Workbook for Project Managers*.



"Blind Walk" game and "Herbal Plant Sharing" activity

Building a Team of Internal Trainers

Yunnan Baiyao has developed a team of internal trainers to discover the Company's invisible knowledge, foster corporate culture and other types of expertise, and lay an important theoretical foundation for training programs such as Sesame Flower, *Panax notoginseng* Flower, and Executive Face-to-face Programs. Based on the talent planning strategy, the Company, led by internal trainers, has built a qualification system covering 11 departments, including the Medicine Research Institute, Supply Chain Operation Center, and Engineering Construction Development Center. By developing training courses, the Company aims to accelerate employee growth and promote the implementation of various business initiatives.

In 2022, the Company trained 140 internal trainers and created 30 courses, and the total duration of training courses was 1,428 minutes.

Skill Master Studio

Baiyao Academy established the Fan Zhiwei National Skill Master Studio for technical breakthrough, innovation, leadership, and heirloom, cultivating professional talents, assisting in the resolution of equipment problems in the production operation area, and serving as the backbone for the Company's key projects.

The Skill Master Studio continues to cultivate talent, improve skills and recruit talent for the Company by spreading the Yunnan Baiyao spirit throughout society. At the same time, thanks to the Skill Master Studio, the Company overcame many technical challenges and completed several projects, such as boiler waste heat recycling project. The boiler waste heat recycling project was chosen as an innovation subsidy project for Yunnan Province employees in 2022.

Yunnan Baiyao leveraged its corporate resources and technological advantages to establish the first university-enterprise innovation studio in collaboration with Yunnan Vocational College of Mechanical and Electrical Technology. The innovation studio trained one chief technician of Kunming's "Spring City Plan" program and one chief technician of Yunnan Province's "Xing Dian Talent" program in 2022, serving as a new model of talent training in the new era.

In 2022



The innovation studio trained **1** chief technician of Kunming's "Spring City Plan" program

1 chief technician of Yunnan Province's "Xing Dian Talent" program



CPC Member Training

Yunnan Baiyao's Party organizations adopt the first issue system and the study system of central theoretical study group. By various kinds of training organized by the primary-level Party organizations including self-learning, joint learning in internal branches, listening to lectures given by the Party secretary and on-site learning, we enable Party members to learn and implement the spirit of the 20th CPC National Congress and enhance their political awareness and awareness of rules.

Party Committee Central Group Training

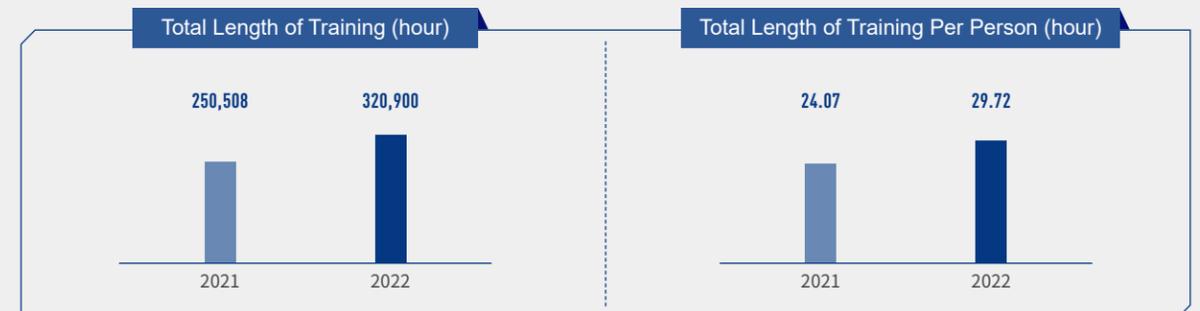
Yunnan Baiyao carried out training for Party members and organizes theoretical study with coherence of learning, thinking and application, unity of knowledge, and faith and action as the core philosophy. The Company carried out a series of activities to deeply study the spirit of the 20th CPC National Congress to integrate it into all aspects of company operation.

In 2022, the Company conducted more than 150 times of centralized theoretical study, and the total number of participants in the training of Party members was 1,458, and all Party members participated in training.



Meeting on studying the spirit of the 20th CPC National Congress

Employee Training



Being Equal, Inclusive, Voluntary and Earnest

Yunnan Baiyao places a high value on employees' rights and interests, strictly complies with legal and regulatory requirements, and aids employees in realizing their own value, fostering corporate culture by creating a democratic communication platform and planning volunteer activities.

Equal Communication

Yunnan Baiyao strictly follows the laws and regulations such as the *Constitution of Chinese Trade Unions* and the *Regulations on Employees Congress*, and has formulated internal systems such as the *Management System of Employees Congress*, the *System of Employees Supervisors* and the *Workbook for General Election of Primary-level Trade Unions* to establish a sound system of management and smoothen the communication between employees and the Company.

The Company continues to improve its employees' communication system and holds regular employee representative meetings to hear employees' voices and ensure that employees have the right to information, participation, and corporate management oversight. Furthermore, the Company has established the Yunnan Baiyao WeChat group, creating a real-time communication mechanism that strengthens the Company's response to employees' feedback, fully protects employees from all aspects of infringement of their rights, and enhances their sense of well-being.



Volunteer Service

Yunnan Baiyao demonstrates the responsibility of national enterprises by actively engaging in public welfare activities and volunteer work, planning a number of events like effective communication and embracing change, and offering guidance on mental health issues through public welfare lectures.

Employees of Yunnan Baiyao volunteered a total of 14,692 hours in 2022, an increase of 45.08% compared with last year.

In 2022, employees of Yunnan Baiyao volunteered a total of

14,692 hours



Launching Health Lecture Series

In 2022, Yunnan Baiyao launched training lecture series both online and on site to spread health knowledge to the society, and invited the author Xu Zhiyuan to discuss life and health to raise the society's attention to health and demonstrate the bravery to take on social responsibility as a national enterprise.



Yunnan Baiyao conducts health lectures



Author Xu Zhiyuan is discussing guarding life and health with Yunnan Baiyao's CEO Dong Ming and Professor Zhang Ning in the livestream

Caring for Employees and Seeking Harmonious Development

According to Yunnan Baiyao, employees are the foundation of the Company's long-term operation and development. The Company has undertaken a number of heartwarming initiatives to enhance employees' sense of belonging, including providing benefits, organizing regular cultural and sporting events, and caring for employees especially female employees.

Employee Benefits

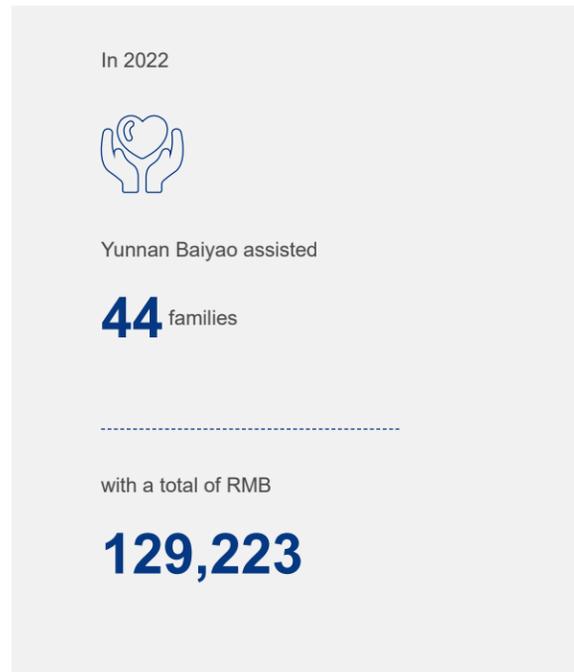
Yunnan Baiyao takes protecting life and health as its mission and attaches great importance to the health and life needs of its employees. In order to provide employees with a convenient lifestyle that meets their various needs in life and work, the Company built the Yunnan Baiyao Life Home online welfare platform and frequently hosts shopping promotions.

The Company organizes "Face-to-face True Feelings and Warmth" heartwarming activities, and provides holiday gift baskets and welfare points for staff members during the Spring Festival, Mid-Autumn Festival, and other traditional Chinese holidays. It also routinely schedules employee medical checkups, increases staff members' awareness of their own health and safety, and guards the necessities in production and daily life.

Employee Care

Yunnan Baiyao pays close attention to its employees, develops a humane management system, intensifies care for model employees, and pays condolence visits to model employees and front-line employees to convey the Party and State's care and love for employees, as well as to express respect for them.

In accordance with the internal rules and regulations of the *Standards and Procedures for Establishing a File for Employees in Difficulty in the Trade Union*, the Company has launched a series of humane care programs for employees, including birthday care, childbirth visits, hospital visits, and assistance for employees in need. Through the dynamic monitoring of employees' home visits, we can understand the thoughts and emotions of employees, care about their living conditions, and help them address their problems in life. Yunnan Baiyao assisted 44 families with a total of RMB 129,223 in 2022.



Showing Cares for Employees

Last year, Yunnan Baiyao continued to pay attention to employees' life and health safety. Based on the principle of integrating prevention and treatment, the trade union organized a scientific selection of a total of 13 kinds of anti-inflammatory, cough, cold and fever medicine produced by Yunnan Baiyao, assembled them overtime, and delivered the protection care packages to front-line employees' home at the first time.

On December 13, 2022, the Company completed the first task of distributing a total of 5,000 copies; on December 21, it completed all distribution tasks, with a total of 13,000 copies distributed, showing care and providing help for front-line employees in key areas nationwide.



Protection care package

Carrying Out Cultural and Sports Activities

On the occasion of the 120th anniversary of the birth of Yunnan Baiyao, various commemorative activities were carried out to vigorously promote corporate culture. On Labor Day and the Dragon Boat Festival, it held competitions with the labor spirit and zongzi culture as the theme; on June 1, the primary-level trade unions led and organized parent-child activities for employees; and youth activities with the theme of "Friendship and Dating" were held in collaboration with other organizations. Through various initiatives like a competition of radio exercise, basketball competition, tea culture lecture, and flower arrangement art, the Company supports employees' physical and mental well-being.

The Company has organized activities such as radio exercise competitions, basketball matches, and offering discounted swimming cards with the themes of enhancing friendships and promoting physical fitness. To cultivate an appreciation for life's pleasures, the Company has hosted events like tea culture lectures and flower arrangement art activities.

The mutual assistance fund for Yunnan Baiyao employees reached RMB 667,200 in 2022, with 5,437 participants and a total annual expenditure of RMB 415,700.



In 2022, the mutual assistance fund for Yunnan Baiyao employees reached RMB

667,200

Caring for Female Employees

Yunnan Baiyao actively participates in the formulation of the *Convention of the Guidance Manual for the Promotion of Gender Equality in the Workplace*, signs the *Special Collective Contract for the Protection of Special Rights and Interests of Female Employees* with female employees, establishes an internal women employees' organization, and protects the legal rights and interests of female employees in the political, economic, cultural, educational, labor and social and family aspects.

Every year on March 8, Women's Day, the women employees' organization organizes inclusive activities for female employees, and this year it worked with the Company to set up a pilot HPV vaccination site. These initiatives encourage female employees to be conscious of their own cervical health. The women employees' organization closely heeds the direction of the Yunnan Provincial Women Workers Committee of the Federation of Trade Unions and is listed on the All-China Federation of Trade Union's list of the female worker contact units.

Launching Beneficial Activities for Female Employees

Yunnan Baiyao has implemented the requirements of the Yunnan Provincial Federation of Trade Unions, vigorously caring for female employees, and carried out the "Rendezvous at Trade Union and Happiness Gathering," "May 1 Women's Care Action" and "Women's Day" series of thematic activities together with the Women Workers' Committee of the Yunnan Federation of Trade Unions. These actions have provided sincere support to female employees and strived to improve the quality of life of female employees, driving the whole society to jointly create a warm workplace atmosphere of care and concern for female employees.

On March 8, 2022, the Company actively cooperated with the second inclusive activity for female employees organized by the Yunnan Women Workers Organization. It provided special packages exclusive to female employees based on their living and working needs of female employees via Baiyao online mall and Yunnan State Farms Premium, with the transaction volume reaching 8,008 orders and sales totaling RMB 733,842.



Posters of beneficial activities for female employees

CREATING A BETTER HOME AND BUILDING A HARMONIOUS NEIGHBORHOOD

Yunnan Baiyao takes it as its responsibility to promote rural revitalization and the development of harmonious communities. With abundant pharmaceutical resources, the Company makes the most of its advantage to jointly promote the development of communities, improving community health and forming community health culture.

This chapter corresponds to the following Sustainable Development Goals:



06



Contributing to Rural Revitalization and Providing Derivative Functions

Yunnan Baiyao studies and carries out General Secretary Xi Jinping's important discourse on rural revitalization. In adherence to the purpose that rural revitalization is comprehensive revitalization, the Company actively undertakes the corporate social responsibility of consolidating and expanding the achievements of poverty eradication and achieving rural revitalization, places great importance on rural revitalization work, and continuously increases efforts to help the rural areas.

Building an Interests Linking Mechanism in the Traditional Chinese Medicinal Materials Industry

Based on its corporate advantages, Yunnan Baiyao signed a strategic cooperation agreement with Weixi County to build a long-term interest linkage mechanism for the development of traditional Chinese medicinal materials industry with the "Group + Company + Cooperative + Farmers" cooperation model.

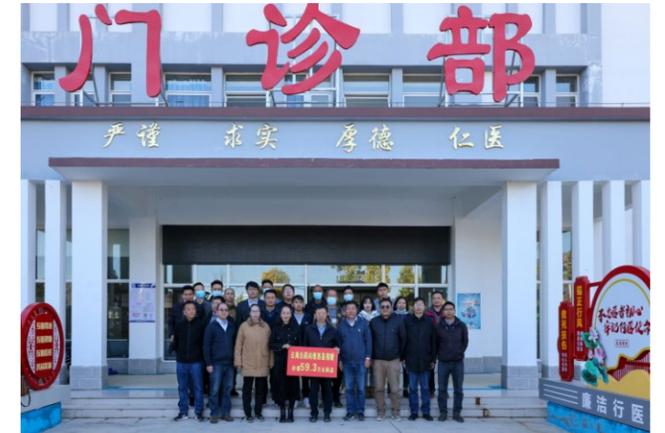
In 2022, with the principle of "integrated planning, coordinated layout, localization and steady progress," the Company established pilot demonstration planting sites for traditional Chinese medicinal materials to guide farmers to participate in investment, change the concept of traditional planting and actively integrate into industrial development. In addition, Yunnan Baiyao has adopted the method of buying instead of donating to purchase many varieties of traditional Chinese medicinal materials such as *Aucklandia lappa* Decne., *Platycodon grandiflorum*, *Dipsacus asperoides* and *Gentiana macrophylla* in Diqing Prefecture and Weixi County. As of the end of 2022, the Company purchased traditional Chinese medicinal materials for a total amount of RMB 4.45 million.



Geography of Weixi County

Helping to Promote Rural Health

Yunnan Baiyao is committed to the building of healthy counties, and has long offered medicine, sanitary and medical resources to poverty-stricken areas, paying close attention to villagers' health and solving their difficulties in using medicines. In November 2022, Yunnan Baiyao launched the medicine donation activity themed "Revitalizing Health In Rural Areas" and donated medicines worth RMB 593,000 to help alleviate the financial pressure of the villagers.



Health Assistance Donation Activity for rural revitalization

Supporting Education

Yunnan Baiyao is deeply aware of the power of education. The Company attaches great importance to the education and assistance of minors, offers all kinds of educational aid and assistance, and raises the consciousness that knowledge changes fate. At the same time, the Company encourages rural students to use the power of knowledge to give back to their hometown, build their hometown and drive the development of their hometown.

In June 2022, Yunnan Baiyao carried out the "June 1 Children's Day School Sponsorship" activity, donating school bags and other stationery and household medicines for a total amount of more than RMB 8,000; in November 2022, it carried out the "Golden Autumn Scholarship for Rural Revitalization" activity, sponsoring a total of 85 rural college students with a total amount of RMB138,000.



Golden Autumn Scholarship Activity for rural revitalization

Contributing to the Building of a Healthy China in Many Aspects

In 2022, Yunnan Baiyao, guided by the spirit of the 20th CPC National Congress and based on the reality of the enterprise, initiated a number of social activities, such as "Sending Health to the Border" and "Care for Runners," focusing on social problems, continuously contributing to the building of healthy China, and realizing both economic and social values.

"Sending Health to the Border" Public Welfare Action

Yunnan Baiyao, as a company that won the title of "Outstanding Group for Poverty Alleviation" in Yunnan Province, insists on donating medicine to the border areas every year and organizing special training on orthopedic treatment, maternal and child health care and other related topics.

From October 27 to 28, 2022, Yunnan Baiyao, in collaboration with Tongji Hospital of Shanghai Tongji University and the First People's Hospital of Yunnan Province, carried out charity consultations on orthopedics, gastroenterology, neurology and other related diseases, and provided training to primary-level doctors to improve local medical standards.



Yunnan Baiyao's "Sending Health to the Border" Activity

Launching "Care for Runners" Action

In 2022, Yunnan Baiyao launched the "Care for Runners" Action with online platforms to build a scientific and safe sports platform for runners, popularizing first-aid safety knowledge by explaining sports health and inviting experts to demonstrate, and guarding the safety of every participant.

By 2022, the "Care for Runners" Action had been launched in 114 cities, with more than 200 "Injury-free Training Camp" events held and more than 10 people participating in the 5.8km online "Injury-free Running" challenge.



"Care for Runners" Action - Thematic event on the Parent-Child Love Running Day

Participating in Public Welfare and Delivering Warmth

Yunnan Baiyao is dedicated to corporate social responsibility, participating in a variety of public welfare activities, and actively implementing community-building projects to give back to society.

Yunnan Baiyao participated in 17 public welfare projects including donation of materials and construction of medical training, with a total donation of RMB 14,034,900.

Supporting Shanghai

With deep love, Shanghai and Yunnan Working Together to Tide over Difficulties

In March 2022, Yunnan Baiyao actively cooperated with the Yunnan Provincial Health Commission and coordinated the Company's internal resources to complete the loading and delivery of 9,600 boxes containing four varieties of medicines with a total worth of RMB 20.95 million, at the lowest price and the fastest speed.

On April 1, 2022, Yunnan Baiyao sent an emergency shipment to Shanghai, donating products such as Banlangen granules, Shangfengting capsules, Danxi Yupingfeng granules, 75° alcohol disinfection wipes, flat-shaped medical masks and other daily products such as Yunnan Baiyao toothpaste and Yangyuanqing shampoo to meet the needs of people in Shanghai.



Rushing to Shanghai

Co-Building the Community

Yunnan Baiyao has always been concerned about the joint building of the community, providing diversified benefits to the residents of Yunnan, Kunming and Chenggong Industrial Park for a long time. Yunnan Baiyao donated 7,100 packages worth RMB 4,678,900 to local farmers, sanitation employees, urban management officers, special police officers, and traffic cops in the Company's vicinity in 2022.

Sending Blessings for the Chinese New Year to Contribute to Community Building

On the occasion of the Chinese New Year, Yunnan Baiyao continued its annual "Building Harmonious Neighborhoods" activity. The Company organized visits to villagers, sanitation employees and the police around the Company, conveying care for the community, sending New Year gifts to the members in the community, and bringing the community the greetings of Baiyao people.



Leaders of the CPC Committee of Yunnan Baiyao pay a visit to the community



Feedback Form

Dear readers,

Hello!

We appreciate your patience as you read this report. This is the 17th year in a row that we have published our CSR report to the community, and we are eager to improve its quality through your reading and evaluation to meet our stakeholders' demands. As a result, we have created the following feedback form in the hopes that you will evaluate this report and provide valuable feedback to assist us in making continuous improvements to the report.

1. Your overall evaluation of this report

Very good Good Fair Poor Very poor

2. Your evaluation of the readability of this report

Very good Good Fair Poor Very poor

3. Your evaluation of the structural arrangement of this report

Very good Good Fair Poor Very poor

4. Whether the content disclosed in this report meets your expectations

Yes No Not sure

5. Does this report fully reflect the social responsibility undertaken by Yunnan Baiyao?

Fully reflected Partially reflected Not reflected

Feedback Form for Yunnan Baiyao Group Co., Ltd. 2022 Corporate Social Responsibility and ESG Report

Name:

Tel:

Unit:

Email:

Address:

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

Postcode: 650500

Website: www.yunnanbaiyao.com.cn

Tel: 0871-66226106

Yunnan Baiyao Group Co., Ltd.

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

Postal Code: 650500

Company website: www.yunnanbaiyao.com.cn

Tel: 0871-66226106