



PHARMESIS INTERNATIONAL LTD

SUSTAINABILITY REPORT 2022

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1. ABOUT PHARMESIS INTERNATIONAL LTD AND ITS SUBSIDIARIES

Listed on the Main Board of the Singapore Exchange in October 2004, Pharmesis International Ltd. (“**Pharmesis**”) specialises in the manufacture of pharmaceutical products, including western medicine and Traditional Chinese Medicine (“TCM”). Under our two subsidiaries, Chengdu Kinna Pharmaceutical Co., Ltd and Sichuan Longlife Pharmaceutical Co., Ltd, we specialise in the manufacturing of pharmaceutical products in the form of tablets, granules, pills, etc, including TCM formulated products for the treatment of illnesses relating to the liver and gall bladder, jaundice and clears heat toxic etc. Additionally, our business also includes the research and development, production, sale and marketing of pharmaceutical products.

Our pharmaceutical products are sold in the People’s Republic of China (“PRC”) under the “国嘉” brand. Our main products are ATT, Gulin Gansu and Er Ding granules. Our Gulin Gansu is under the National TCM Protection List and also the first TCM formulated products to be awarded the “Product of Designation of Origin and Geographical Indications of the PRC”. Leveraging our strong research and development capabilities and in-house expertise in pharmaceutical products for the treatment of illnesses relating to the liver and gall bladder, we successfully improved the coating technology of ATT tablets and had received several awards in recognition of this achievement.

2. ABOUT THE SUSTAINABILITY REPORT

The Group issues a Sustainability Report on an annual basis, and had published its Sustainability Report 2022 (“**SR 2022**”) for the financial year ended 31 December 2022 (“FY2022”) in April 2022. This is the Sustainability Report 2022 published by the Group and will cover the period from 1 January 2022 to 31 December 2022 (“FY2022”).

No external assurance has been sought for this sustainability report. However, the Group endeavours to continuously improve the content and quality of our non-financial disclosures in alignment with the reporting principles of SGX-ST, GRI and TCFD. We have relied on internal data monitoring and verification to ensure accuracy of this Report. We will work towards internal review and/or external assurance for our future sustainability reports.

In line with our environmental conservation efforts, hard copies of this Report will not be printed. An electronic version of this report is made available on the SGXNET and company’s website.

3. REPORTING FRAMEWORK

This Report has been prepared in accordance with the Practice Note 7.6 Sustainability Reporting Guide issued by the SGX-ST and with reference to the Global Reporting Initiative (“GRI”) Standards, the sets of standards issued by the GRI Global Sustainability Standards Board. The GRI Standards sets out generic sustainability factors, general principles and indicators for the Group to report on sustainability policies, practices, performance and targets that is in line with the global best practices for reporting on economic, environmental and social topics.

In specific, this Report references to the following topic-specific disclosures:

GRI 102: General Disclosure 2016
GRI 103: Management Approach 2016
GRI 201: Economic Performance 2016
GRI 403: Occupational Health and Safety 2016
GRI 417: Marketing and Labeling 2016

4. BOARD STATEMENT ON SUSTAINABILITY

The Board of Directors (the “**Board**”) of Pharmesis International Ltd has considered sustainability issues as part of its strategic formulation and provided direct guidance to the Company’s management (the “**Management**”) in the preparation of this report. Based on the guidelines of Global Reporting Initiative (“**GRI**”) Standards, the Board and the Management determined the material environmental, social and governance (**ESG**) factors relevant to the Group. The Management then further assesses, monitors and documents the Group’s efforts in managing the identified material ESG factors. The Board has overseen the management and monitoring of the material ESG factors. The Board and the Management will continue to work closely to ensure that the Group has a structured and functioning sustainability reporting framework. We hope this report will help our stakeholders to understand the Group and its business decisions, and allow the Group to be sustainable in the long run.

5. MATERIALITY ANALYSIS AND MATERIAL FACTORS

A Sustainability Steering Committee comprising senior representatives from different business units and functions, led by the CEO, will be responsible to address all sustainability issues concerning the Group.

The committee undertook a materiality assessment process based on Global Reporting Initiatives (GRI) Standards to identify our material factors that are significant to our businesses and our stakeholders and ultimately form the content of this report.

This process included reviewing our corporate commitments, policies, risks and regulation requirements and engagement with staff and external stakeholders in order to continue to improve our sustainability performance by strategically focusing on material topics which span the economic, environmental, social and governance (ESG) aspects over the coming years.

We have worked through GRI’s 4 steps of materiality – identification, prioritisation, validation and review – to determine an indicative list of material factors. As a first step, Pharmesis undertook an internal assessment to better understand the impacts from our business activities, reviewing our internal risk assessments, strategy and policy commitments, and considered the sustainability disclosure of our peers. Senior management and select members of the Board were involved and engaged in this identification and prioritisation process. We have prioritised three Material Factors, Economic Performance, Product Quality and Safety & Occupational Health and Safety.

6. KEY STAKEHOLDERS

Our key stakeholders are our business associates, employees, regulators, and investors.

Key stakeholder Methods of engagement

Our Key Stakeholders	Forms of Engagement	Key Topics
Business Associates	One-on-one meetings Conferences Site visits Email and phone communication Marketing and distribution Manufacturing and product quality	Marketing and distribution Manufacturing and product quality Supply and logistics Financials Business opportunities Market conditions Regulatory landscape
Employees	Goals determination and work plans Messages from management Performance appraisals Team briefings	Work safety awareness Productivity measures Promoting teamwork
Regulators	Email and phone communication Formal applications and approvals	Compliance Permits and licences Regulatory landscape
Investors	AGM / EGM Email and phone communication SGXNET announcements Corporate website	Company performances Future directions

7. MATERIAL FACTORS

We believe the following factors are relevant for the long term sustainability of the Group:

Focus	Objective & Target	Policies, Performance and Practices												
<p>Economic Performance</p>	<p>Objective: To ensure the Group is in good financial health and is poised for sustainable generation of shareholder value.</p> <p>Target: To achieve and maintain profitability (positive profit before tax).</p>	<table border="1" data-bbox="863 416 1377 663"> <thead> <tr> <th>(RMB million)</th> <th>FY2022</th> <th>FY2021</th> </tr> </thead> <tbody> <tr> <td>Total revenue</td> <td>50.4</td> <td>52.8</td> </tr> <tr> <td>Profit/(loss) before tax</td> <td>(3.2)</td> <td>2.1</td> </tr> <tr> <td>Total Equity</td> <td>57.0</td> <td>60.1</td> </tr> </tbody> </table> <p>FY2022 was another challenging year as the world continued to battle against the COVID-19 pandemic for the third year. Throughout the pandemic, China has adhered to a strict zero-Covid policy that aims to stamp out all outbreaks and chains of transmission using a combination of border controls, mass testing, quarantine procedures and lockdowns.</p> <p>Many Chinese cities were placed under full or partial COVID-19 lockdowns in FY2022, affecting consumer spending and demand for our products. Chengdu was also in a lockdown for two weeks in September 2022 in order to contain the spread of Covid-19 which has affected our production.</p> <p>In addition, a record heat wave and accompanying drought has also impacted our production. Despite the above challenges, the Group managed to minimise the decrease in revenue to 4.6% in FY2022 as compared to FY2021.</p> <p>Did not achieved positive profit before tax in FY2022.</p>	(RMB million)	FY2022	FY2021	Total revenue	50.4	52.8	Profit/(loss) before tax	(3.2)	2.1	Total Equity	57.0	60.1
(RMB million)	FY2022	FY2021												
Total revenue	50.4	52.8												
Profit/(loss) before tax	(3.2)	2.1												
Total Equity	57.0	60.1												

Focus	Objective & Target	Policies, Performance and Practices
Product Quality and Safety	<p>Objective: To ensure that product quality and safety is never compromised.</p> <p>Target: To achieve zero drug safety incident</p>	<p>Product quality and safety are core to our commercial reputation and consumers' expectations. We are committed to responsible sourcing as it helps assure safety and quality of our end products. We have always stressed the importance of drug quality and safety in our operations in each stage of our production process as evidenced by the GMP certifications over our production facilities.</p> <p>Achieved zero drug safety incident in FY2022.</p>
Occupational Health and Safety	<p>To ensure that our manufacturing facilities remain free from risk to employees, or any other persons on our premises.</p> <p>Target: To achieve zero workplace injuries</p>	<p>Commitment to the safety of our people and of those we work with.</p> <p>Our safety practices outlines the work procedures such that workers can carry out their jobs effectively.</p> <p>Review of safety practices.</p> <p>Achieved zero workplace injuries in FY2022.</p>

8. “Comply or explain” & TCFD (“Taskforce on Climate-related Financial Disclosures”)

During 2022, the Directors and management attended updated sustainability training in-line with the SGX enhanced requirements on sustainability reporting (Practice Note 7F) and TCFD (Taskforce on Climate-related Financial Disclosures).

As Pharmesis International Ltd does not fall within the TCFD-identified industries, we have yet to include climate related disclosures in this Report. We are still in the process of setting up our process for collecting and analysing data on our climate-related risks and opportunities and our emissions data, and will continue to monitor and periodically assess the need to include climate-related disclosures in future sustainability reports.

9. Sustainability contact

We welcome your views and feedback on our sustainability practices and reporting at enquiry@pharmesis.com.

GRI Standards Content Index

The GRI Content Index references the Pharmesis International Ltd's Sustainability Report 2022 ("SR"), and the Annual Report 2022 ("AR").

GRI Standards	Disclosure Title	Page Reference
General Disclosures		
102-1	Name of organisation	Sustainability Report 2022, Page 3
102-2	Activities, brands, products, and services	Sustainability Report 2022, Page 3
102-3	Location of headquarters	Sustainability Report 2022, Page 3
102-4	Location of operations	Sustainability Report 2022, Page 3
102-5	Ownership and legal form	Sustainability Report 2022, Page 3
102-6	Markets served	Sustainability Report 2022, Page 3
102-7	Scale of organisation	Sustainability Report 2022, Page 3
102-8	Information on employees and other workers	Not applicable
102-9	Supply chain	Not applicable
102-10	Significant changes to the organisation and its supply chain	Not applicable
102-11	Precautionary Principle or approach	AR: Corporate Governance (Pages 17-39)
102-12	External initiatives	Not applicable
102-13	Membership of associations	Not applicable
102-14	Statement from senior decision-maker	AR: Letter to Shareholders (Pages 4-8)
102-15	Key impacts, risks, and opportunities	AR: Operations Review (Page 9, 10)
102-16	Values, principles, standards, and norms of behavior	Sustainability Report 2022, Page 3
102-17	Mechanisms for advice and concerns about ethics	AR: Corporate Governance (Pages 17-39)
102-18	Governance structure	AR: Corporate Governance (Pages 17-39)
102-40	List of stakeholder groups	Sustainability Report 2022, Page 5
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Sustainability Report 2022, Page 5
102-43	Approach to stakeholder engagement	Sustainability Report 2022, Page 5
102-44	Key topics and concerns raised	Sustainability Report 2022, Page 5
102-45	Entities included in the consolidated financial statements	AR: Investments in Subsidiaries – Note 11 to the Financial Statements (Page 85)
102-46	Defining report content and topic Boundaries	Sustainability Report 2022, Page 4
102-47	List of material topics	Sustainability Report 2022, Page 4
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Sustainability Report 2022, Page 3

GRI Standards	Disclosure Title	Page Reference
General Disclosures		
102-51	Date of most recent report	Sustainability Report 2022, Page 3
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Sustainability Report 2022, Page 7
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report 2022, Page 3
102-55	GRI content index	Sustainability Report 2022, GRI Content Index
102-56	External assurance	No external assurance

GRI Standards	Disclosure Title	Page Reference
Material Topics		
Economic Performance		
103-1	Explanation of the material topic and its Boundary	Sustainability Report 2022, Page 6
103-2	The management approach and its components	Sustainability Report 2022, Page 6 AR: Operations Review (Page 9, 10)
103-3	Evaluation of the management approach	Sustainability Report 2022, Page 6 AR: Operations Review (Page 9, 10)
201-1	Direct economic value generated and distributed	Sustainability Report 2022, Page 6
Product Quality and Safety		
103-1	Explanation of the material topic and its Boundary	Sustainability Report 2022, Page 7
103-2	The management approach and its components	Sustainability Report 2022, Page 7
103-3	Evaluation of the management approach	Sustainability Report 2022, Page 7
417-2	Incidents of non-compliance concerning product and service information and labelling	In FY2022, there were no incidents of non-compliance concerning product and service labelling.
Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	Not applicable
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	There were no cases of employees experiencing occupational diseases. There were no fatalities involving employees in 2022.
403-3	Workers with high incidence or high risk of diseases related to their occupation	Not applicable
403-4	Health and safety topics covered in formal agreements with trade unions	Not applicable