



# 2018-19 CSR Report

Hanmi Sustainability

# Introduction

## Introducing the 2018-19 CSR Report

Hanmi Pharm published the South Korean pharmaceutical industry's first ever sustainability report in 2017, and is now pleased to present its second CSR Report covering 2018-2019. This report is, among other things, a record of the work we performed in 2018 as part of our ongoing efforts to realize the company's vision of transforming South Korea into a pharmaceutical powerhouse based on a spirit of 'creativity and challenge' and of becoming a company that is held in high esteem by its stakeholders.

Hanmi Pharm has focused its resources on developing high-quality, effective medicines to benefit human life. As a result, not only has the company attained eminence for its well-renowned innovative, incrementally-modified drugs and fixed dose combinations but it has also succeeded in making the leap to become South Korea's No. 1 pharmaceutical company with outstanding growth of its globally competitive, innovative new drug pipeline. Furthermore, through the transparent and ethical management of all its operations, Hanmi Pharm has strived long and hard to repay its stakeholders for the trust they have placed in the company.

The company's annual sustainability report is designed to demonstrate to all of our stakeholders - from customers to shareholders - the work being undertaken by the company. This report will also disclose the past results and current status of the innovative core strength management currently being pursued by the company with the aim of elevating the country to become a global pharmaceutical powerhouse.

## Reporting Principles

Hanmi Pharm's 2018-2019 CSR Report has been prepared in accordance with the GRI Standard's Core Option, which is the international guideline on sustainability reporting. The selection of key sustainability issues and the contents thereof, along with the scope and boundaries of the reporting are detailed on page 23 of the report, while other contents related to the GRI Standard can be viewed on page 100.

## Reporting Scope

This report covers Hanmi Pharm's performance in sustainability management during the period from January 1, 2018 to December 31, 2018. However, certain supplementary information related to the period up to April 2019 that may be useful to support stakeholders' decision-making has also been included. Furthermore, in respect of certain topics, in order to facilitate stakeholders' understanding of our company's entire sustainability management system relevant data from Hanmi Fine Chemical Company and Beijing Hanmi Pharmaceutical Company are also presented in this report.

## Assurance

The objectivity, impartiality and reliability of the contents presented in this CSR Report have been independently verified by a third party assurance specialist who was not involved in either the selection of the key reporting issues or the preparation of the report. The method and criteria used to verify the contents of this report, the results of the verification, and information about the assurers are set out on page 98 of the report.

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## Cover Story

The cover of Hanmi Pharm's CSR Report expresses the company's determination to become a global player on the basis of 'Creation and Challenge'.

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## CEO's Message



We would like to thank all the stakeholders of Hanmi Pharmaceutical for their unwavering support.

Since its foundation in 1973, Hanmi Pharm has led the development of South Korea's pharmaceutical industry. The company is now poised at a critical juncture in its bid to become a sustainable company that will continue to develop and flourish for the next 100 years.

Notably, the company's R&D Management strategy of developing Korea as a global pharmaceutical powerhouse has transcended the company to become the new industry standard for the future development of the domestic pharmaceutical industry. The 2018-19 CSR Report, the follow-up to our groundbreaking industry-first report in 2017, sets out the combined efforts and achievements of all our employees in terms of economic performance and diverse value-creating activities as well as our ambitious plans and commitment to transform Korea into a global pharmaceutical powerhouse.

**With our core spirit of creation and challenge, in 2018 Hanmi Pharm pursued growth through innovation to blaze the trail for Korea to become a pharmaceutical powerhouse.**

Hanmi Pharm's strong performance in 2018 in generating 93.7% of its domestic sales from products developed in-house was an achievement that the industry can be proud of and was recognized as a business model for other industry players to emulate. With 2018 marking yet another year in which the company led the industry in total R&D investment, Hanmi Pharm was able to produce notable results in such areas as obesity, diabetes, rare diseases, and non-alcoholic steatohepatitis (NASH). Currently, global players including Sanofi, Janssen, and Genentech are busy commercializing the innovative new drugs developed by our company. Furthermore, four drug candidates developed by our company were granted Orphan Drug Designation by the FDA.

The pioneering work of Hanmi Pharm over the past 40 years has been made possible not only by the efforts of Hanmi Pharm's employees but also through the wholehearted support and cooperation of its shareholders, customers, suppliers, and local communities.

Today, as we stand on the cusp of a new start, we recognize the importance of R&D as the foundation for sustainable growth and social responsibility as well as being the lifeblood and main mission of a pharmaceutical company. Therefore, armed with the spirit of 'creation and challenge' as our core competencies, we intend to strengthen our R&D platform. We will implement our corporate vision in a bold and determined manner by leveraging the internal strengths of our organization and our people.

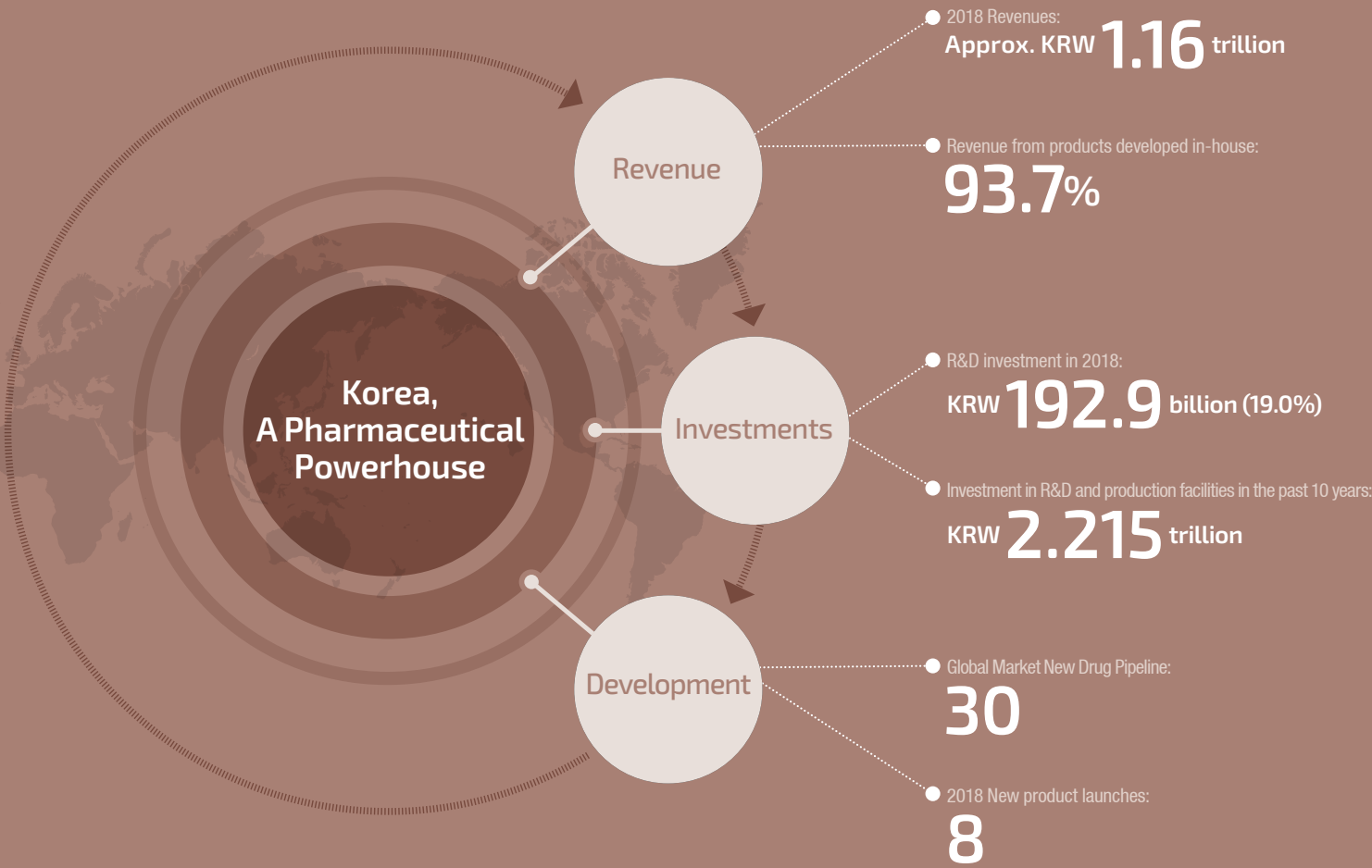
Through the development of innovative drugs, our company is building a hopeful future for the nation as a pharmaceutical powerhouse. We profoundly appreciate your affection and interest in all our endeavors, and hope that they will bear fruit in the future.

Thank you.

President & CEO Jong-Soo Woo   
 Joint Chairmen  
 President & CEO Se-Chang Kwon 

# 2018 Sustainability Management Highlights

## Results of the Korean Model R&D



## Intellectual property rights held



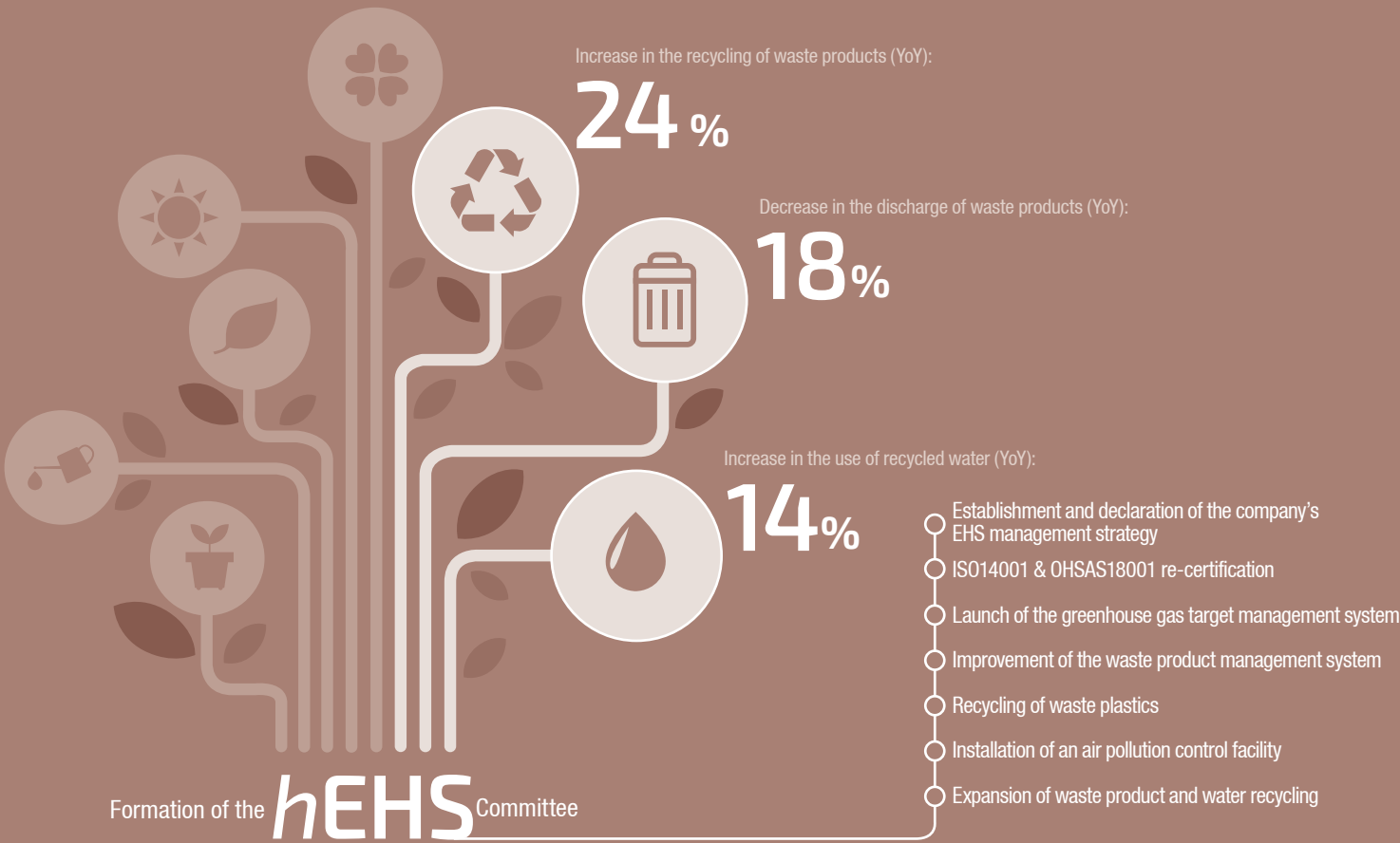
No. of patents registered by Hanmi Pharmaceutical in Korea and overseas: 1,529 (as at year end 2018)

## Global Standard Attainment

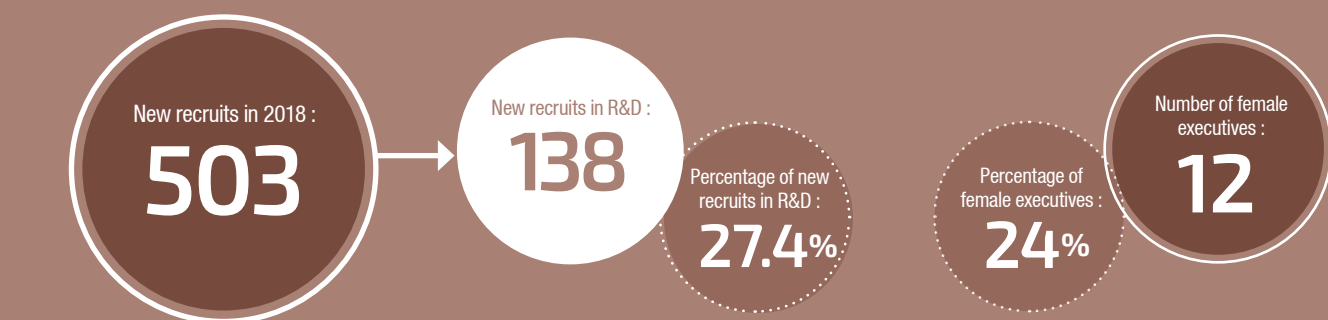
Status of GMP audits in 2018

|                        |   |  |   |   |  |
|------------------------|---|--|---|---|--|
| Paltan<br>Smart Plant  | <div>SANOFI</div> <div>Sanofi</div> <div>Regular vendor audit</div> | <div></div> <div>RUSSIA</div> <div>National public health agency audit</div> | <div></div> <div>CHINA</div> <div>National public health agency audit</div> | <div></div> <div>MSD</div> <div>Regular vendor audit</div>      |  |
| Pyeongtaek<br>Plant    | <div></div> <div>USA</div> <div>FDA PAI</div>                       | <div></div> <div>JANSSEN</div> <div>Regular vendor audit</div>               | <div>SANOFI</div> <div>Sanofi</div> <div>Regular vendor audit</div>         | <div></div> <div>SPECTRUM</div> <div>Regular vendor audit</div> | <div></div> <div>POLAND</div> <div>Apotex</div>                |
| Hanmi Fine<br>Chemical | <div></div> <div>USA</div> <div>FDA PAI</div>                       | <div></div> <div>JAPAN</div> <div>PDMA audit</div>                           | <div></div> <div>FRANCE</div> <div>Panipharma Biogaran</div>                | <div></div> <div>JAPAN</div> <div>Toyama Pfizer Sawai</div>     | <div></div> <div>SPAIN</div> <div>Normon&amp; Reig Jofre</div> |

## Environmental Management Results



## Creation of High-Quality Jobs



## Sustainability Management



## Social Contribution



## Certifications and Commendations



Best Family Friendly Company  
(Ministry of Gender Equality and Family)



Recognized as one of the best performing companies in the UN SDGBI  
(Korean Association for Supporting the United Nations' SDGs)



Sustainability Management Survey of Major Companies  
[2018 KoBEX SM Top Performer]



Compliance Program, CP Rating  
[Fair Trade Commission]



Corporate Credit Rating  
[Korea Investors Service/NICE Investors Service]



Environmental : B+  
Social : A  
Governance : B  
2018 ESG Rating for Major Companies  
[Korea Corporate Governance Service]

# Hanmi Overview

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## Company Introduction

### Hanmi Pharm, an R&D-oriented global pharmaceutical company

#### Overview of the company

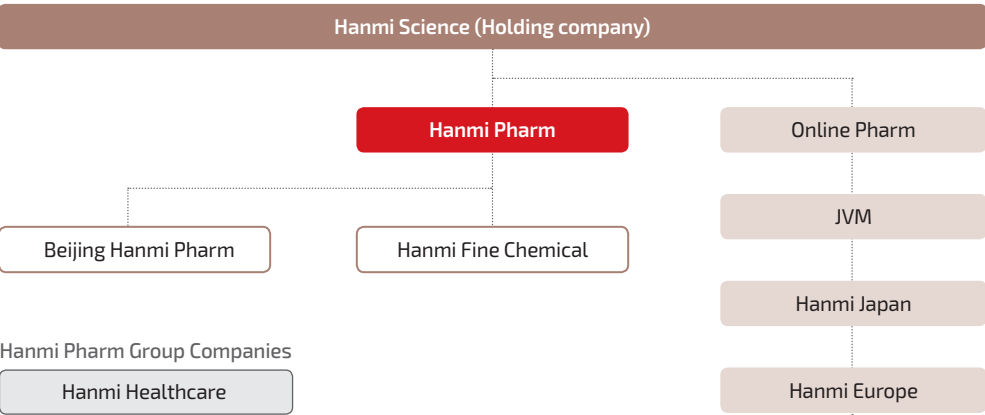
At Hanmi Pharm, we consider R&D to be the lifeblood of the pharmaceutical industry and we are showing our commitment to it by focusing our resources on continual bold investments to develop an efficient and strategic R&D model. In the future, we will deploy a globally competitive pipeline that will lead to the creation of innovative new drugs with the strong potential to succeed in the global market.

|                       |   |
|-----------------------|---|
| Company name          | Hanmi Pharm Company Ltd.  |
| CEO                   | Jong-Soo Woo, Se-Chang Kwon   |
| Date of incorporation | June 15, 1973 (Date of spin-off: July 1, 2010)  |
| Head Office           | 14 Wiryeseong-daero, Songpa-gu, Seoul, Korea  |
| Plant address         | ♦Paltan Complex : 214 Muha-ro, Paltan-myeon, Hwaseong-si, Gyeonggi-do, Korea<br>♦Pyeongtaek Complex : 114 Chupalsandan-ro, Paengseong-eup, Pyeongtaek-si, Gyeonggi-do, Korea<br>♦Research Center : 550 Dongtangiheung-ro, Hwaseong-si, Gyeonggi-do, Korea   |
| Total Revenue         | KRW 1.16 trillion (based on consolidated financial statements)  |
| No. of Employees      | 2,399 (including registered executives)   |
| Core Business         | ♦Key sectors : Production and sale of pharmaceuticals, development of innovative new drugs for the global market<br>♦Main products : Amodipin, Amosartan, Rosuzet, Esoomezol, Palpal, etc.<br>♦Product range : Prescription drugs (390 products), over-the-counter drugs (119 products), medical devices (4 products), cosmeceuticals (13 products), active pharmaceutical ingredients (6 products), etc. |

### Affiliated Companies

#### Holding company, key subsidiaries and affiliated companies

Hanmi Pharm sits beneath a holding company, Hanmi Science, and has two key subsidiaries of its own, namely Hanmi Fine Chemical, which manufactures and sells active pharmaceutical ingredients, and Beijing Hanmi Pharm, which manufactures and sells pharmaceuticals in Beijing, China.





Introduction to Beijing Hanmi Pharm

Overview of the company

Beijing Hanmi Pharm, a Chinese subsidiary established in 1996 with financing from Hanmi Pharm, has been growing steadily as an independent pharmaceutical company capable of executing every stage of the pharmaceutical business from R&D to production and sales. The fact that Beijing Hanmi Pharm not only possesses the capability to conduct its own R&D, but has also successfully established itself in China through constant communication with Chinese consumers and CSR activities, is a significant milestone for Hanmi Pharm in its goal is to become a global pharmaceutical player whose principal strengths are rooted in R&D.

|                       |   |
|-----------------------|---|
| Company name          | Beijing Hanmi Pharm Company Ltd.  |
| President             | Hae Ryong Yhim  |
| Date of incorporation | April 1, 1996   |
| Head Office           | No.10 Tianzhu West Road, Tianzhu Airport Industrial Zone A, Shunyi District Beijing   |
| Total Revenue         | KRW 228.2 billion   |
| No. of Employees      | 1,315   |
| Core Business         | • <b>Key sectors</b> : Production and sale of pharmaceuticals, development of innovative new drugs for the global market<br>• <b>Main products</b> : Medicine for children, such as Mamiai and Yitanjing<br>• <b>Product range</b> : 20 products including Mamiai, Yitanjing and Meichangan |

Introduction to Hanmi Fine Chemical

Overview of the company

Hanmi Fine Chemical has the capability and technology to produce world-class active pharmaceutical ingredients. The company intends to build a new plant equipped with state-of-the-art manufacturing equipment and seek partnerships with competitive suppliers. This will enable it to leverage these strengths to create an environment that can respond more flexibly to future demand, leading to higher profits and new opportunities in the outsourced manufacturing business (CMO). Furthermore, the company is currently engaged in the research and development of a more reliable quality management system as well as improvements to productivity.



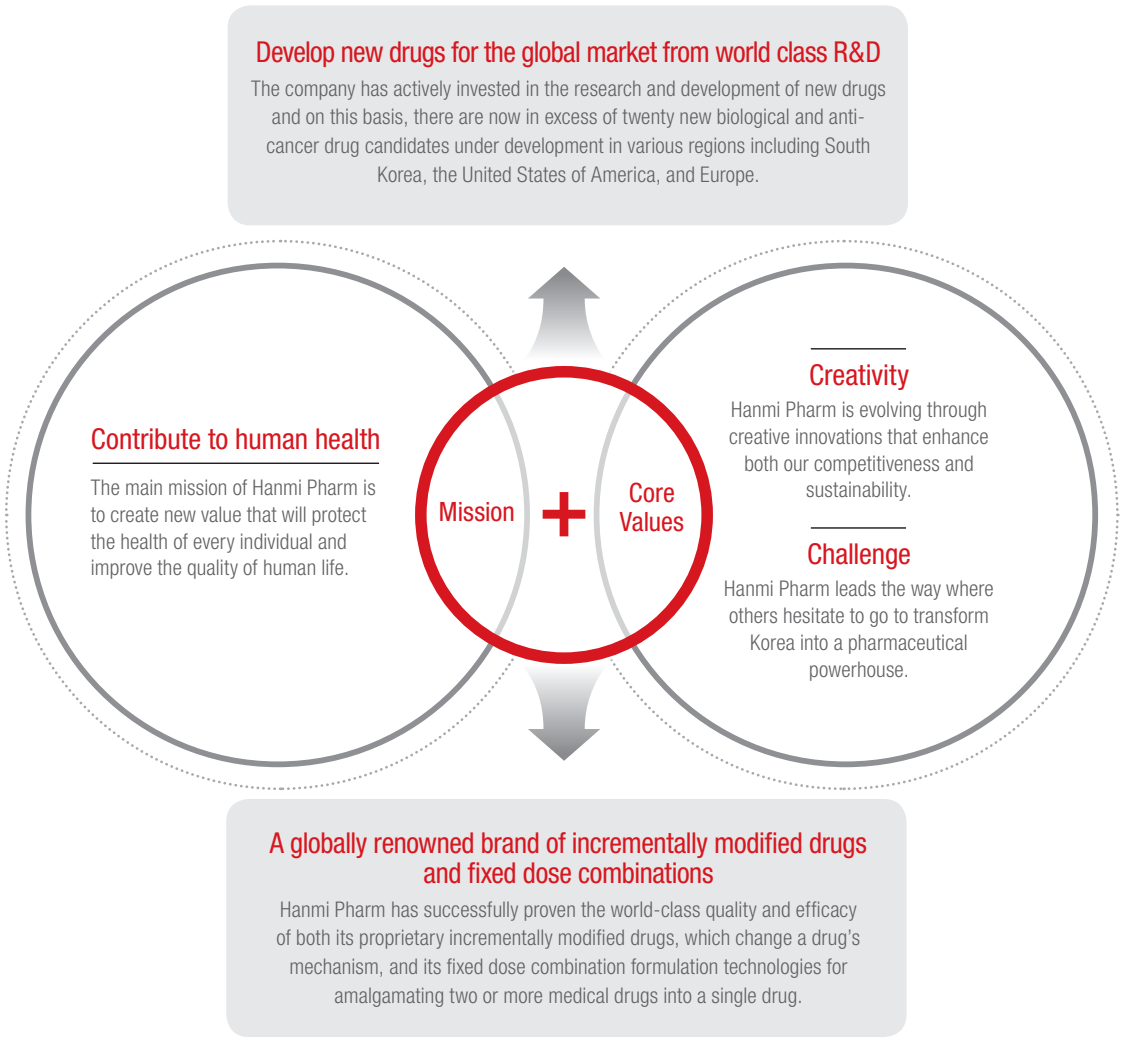
|                       |  |
|-----------------------|--|
| Company name          | Hanmi Fine Chemical Company Ltd.   |
| President             | Young-kil Chang  |
| Date of incorporation | February 22, 1984  |
| Head Office           | 57 Gyeongje-ro, Siheung-si, Gyeonggi-do, Korea (Jeongwang-dong)  |
| Total Revenue         | KRW 85.3 billion   |
| No. of Employees      | 279  |
| Core Business         | • <b>Key sectors</b> : Production and sale of active pharmaceutical ingredients, development of new synthesis techniques for developing drugs<br>• <b>Main products</b> : Cephalosporin antibiotics etc.<br>• <b>Product range</b> : Development and production of high-purity and highly complex active pharmaceutical ingredients (exported to 30 countries) |

Corporate Values

Contributing to human health and becoming a pharmaceutical powerhouse through 'Respect for People' and 'Value Creation'

The company's founding motto, "Developing better drugs for better human life", espouses the company's core management philosophies of 'Respect for People' and 'Value Creation', through 'creativity and challenge'. The DNA of 'creativity and challenge' is ingrained in each and every one of Hanmi Pharm's employees so that they may blaze a trail to seek out new challenges, which were the driving force in the company becoming the number one pharmaceutical company in Korea. In the future, we will apply these principles to grow into a pharmaceutical company that brings better health and a brighter future to patients thus fulfilling our vision to turn Korea into a pharmaceutical powerhouse. Furthermore, we at Hanmi Pharm will do our best to become a global pharmaceutical company that can fulfill its social responsibilities on the basis of "core strength management".

Hanmi Pharm Corporate Value System



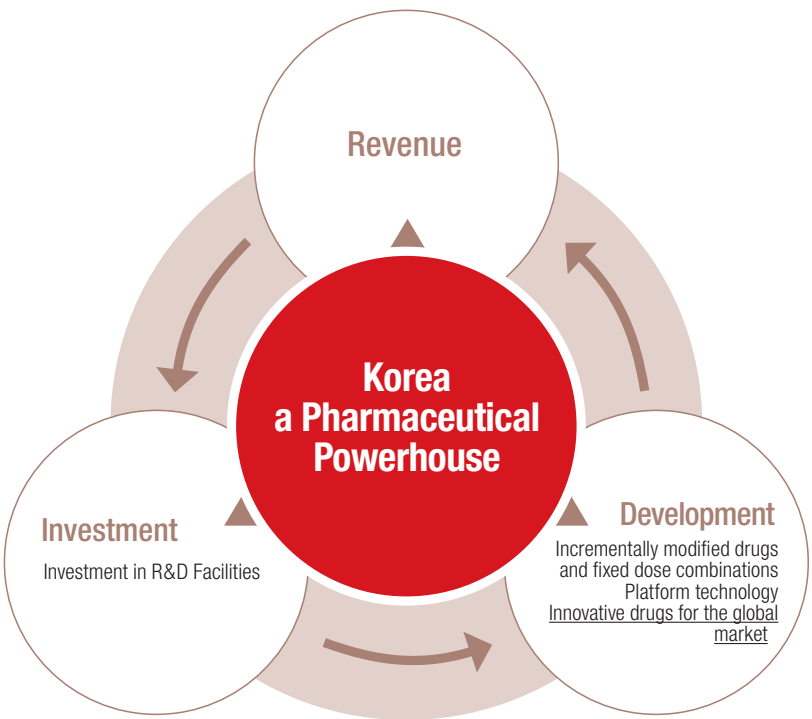
Business Model

Leveraging the Korean R&D Model to Generate and Distribute Profits

Hanmi Pharm's R&D strategy follows the so-called Korean R&D Model. This is defined as the virtuous circle created whereby the global pharmaceutical technology know-how accumulated over 40 years of ongoing R&D is used to successfully develop incrementally modified drugs and fixed dose combinations; thus creating new capabilities which are then reinvested to develop globally innovative new drugs

Hence, we strive to maximize profit generated from our own technologies, namely from the sale of incrementally modified drugs and fixed dose combinations as well as the export of technology including license-outs. The strong focus on reinvesting the profits earned into R&D reflects our dedication to building up future capabilities to create a high-quality revenue structure.

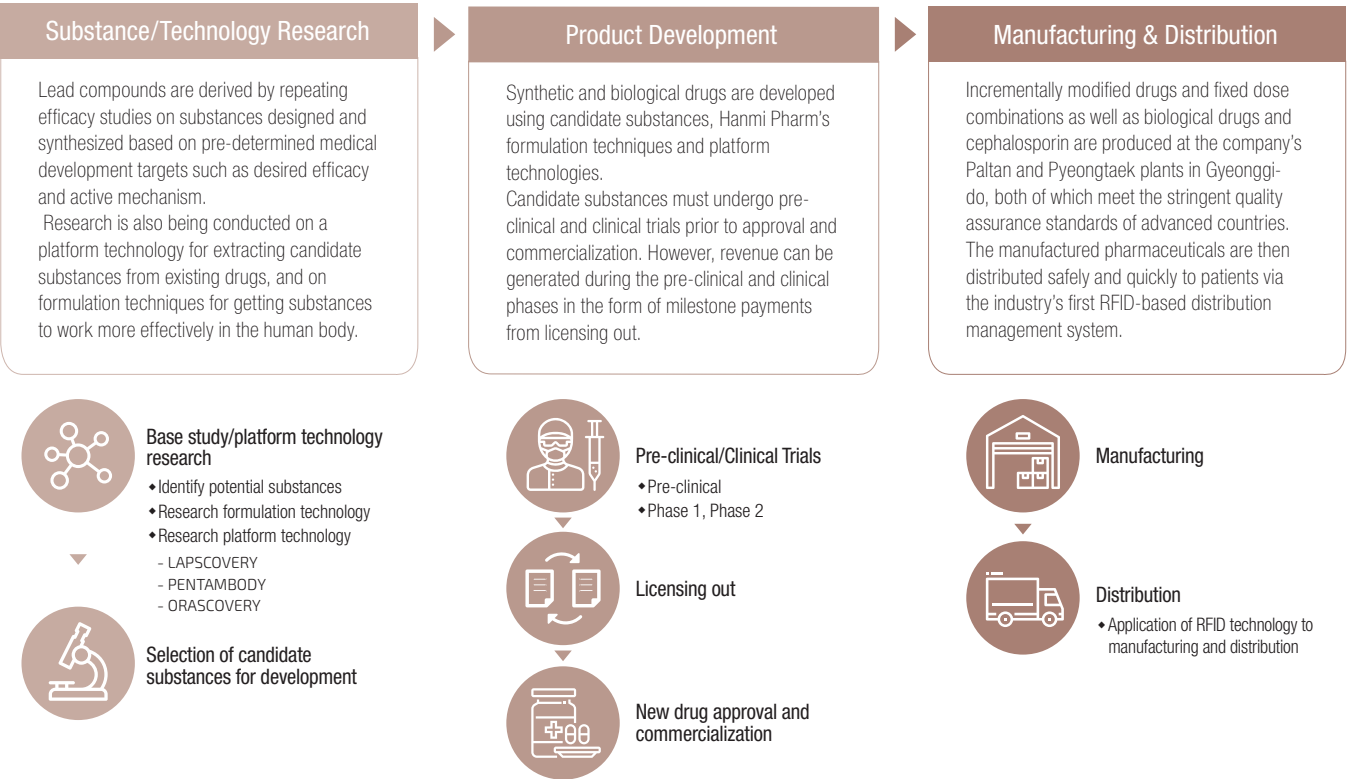
Profit generation and distribution per 'Hanmi's R&D Model'



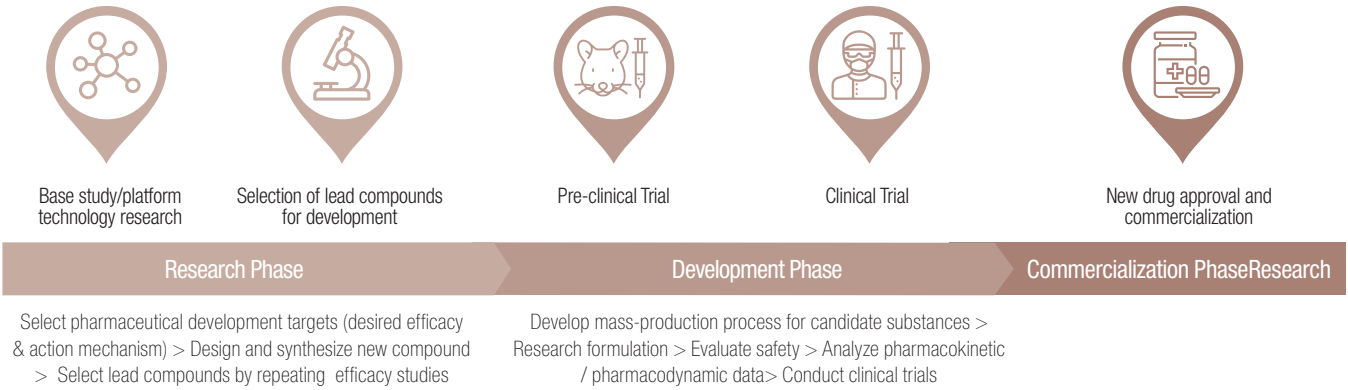
Development Path of Innovative New Drugs for the Global Market

Hanmi Pharm's R&D-oriented business strategy is unique to the domestic pharmaceutical industry for achieving growth by commercializing products developed entirely in-house rather than through the sale of generic drugs or the licensed sale of foreign brands. Hanmi Pharm will maintain its position at the forefront of the domestic pharmaceutical industry by leading the development of innovative new drugs for the global market, a path that other South Korean companies have not been able to follow.

Hanmi Pharm's New Drug Development Business Model



Hanmi Pharm's New Drug Development Process



## Governance

### Governance Specifically Oriented towards 'the Korean Model of R&D'

Hanmi Pharm is listed on the Korea Stock Exchange, with 41.4% of its shares held by Hanmi Science, 58.1% held by institutional investors, foreigners and minority shareholders, and 0.5% held as treasury stocks. The total number of shares issued is 11,385,691, and the company's total capital is KRW 789,256,471,111. Hanmi Pharm shareholders exercise their voting rights at shareholders' meetings and make suggestions and recommendations about the company's business performance and future vision.

Due to the complexity of the associated processes and the need for ongoing investment, the development of new drugs in the pharmaceutical industry requires a more stable revenue-investment model than any other industrial sector. Through governance that meets with the approval of the many different types of stakeholder, Hanmi Pharm has the highest level of R&D investment in the industry. By leveraging a robust revenue model and a rational governance structure that combine to attract long-term investments, Hanmi Pharm is well on its way to becoming South Korea's finest global pharmaceutical company.

#### Composition of Shareholders

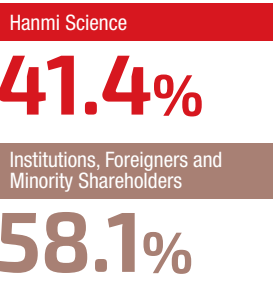
| Company Name        | Unit   | 2016       | 2017       | 2018       |
|---------------------|--------|------------|------------|------------|
| Total shares issued |        | 10,435,111 | 11,163,452 | 11,385,691 |
| Hanmi Science       | shares | 4,317,104  | 4,619,301  | 4,711,687  |
| Others              |        | 6,087,763  | 6,492,654  | 6,613,003  |
| Treasury Stocks     |        | 30,244     | 51,497     | 61,001     |

### An Independent and Objective Decision-Making Structure

#### Composition of the Board of Directors

With the exception of shareholder meetings, the company's Board of Directors (BoD) is the top decision-making body in respect of the company's business performing duties such as resolving major management-related issues. The Hanmi Pharm BoD comprises eight directors, three 3 of whom are non-executive. Currently, CEO Jong-Soo Woo and CEO Se-Chang Kwon are responsible for overseeing the management of the company's businesses and the management of new drug development, respectively.

Hanmi Pharm's Ownership Structure



### Appointment and Compensation of Directors

Candidates for the BoD must demonstrate their competence to contribute to the growth of the company and must be appointed in a transparent and fair manner. Candidates may not have had any business dealings with Hanmi Pharm in the three years prior to nomination. Appointment of suitably-qualified candidates nominated by the BoD must be approved at a regular shareholders' meeting before taking their seat and receiving compensation for their service.

#### BoD Composition

| Category               | Name           | Responsibilities         | Largest Shareholder / Major Shareholder Relationship |
|------------------------|----------------|--------------------------|--|
| Executive Director     | Jong-Soo Woo   | Business Management      | Executive  |
|                        | Se-Chang Kwon  | New Drug R&D             | Executive  |
|                        | Chong-Yoon Lim | Business Development     | CEO  |
|                        | Jong-Hoon Lim  | Management Planning /CIO | -  |
|                        | Gwan-Sun Lee   | Global Strategy          | -  |
| Non-executive Director | Dong-Ho Lee    | Non-executive Director   | -  |
|                        | Sung-Hoon Kim  | Non-executive Director   | -  |
|                        | Dong-Cheol Suh | Non-executive Director   | -  |

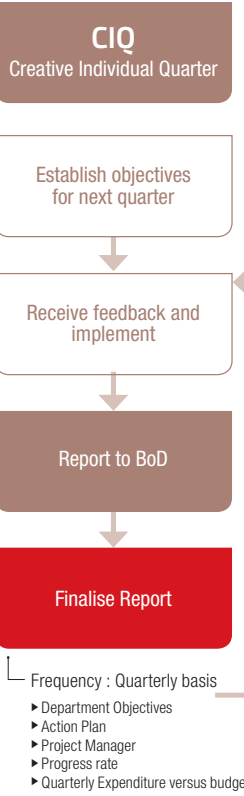
### Key Decisions Made by the BoD

Per the BoD operating regulations, a regular board meeting must be convened once every quarter, and special board meetings can be assembled at any time as and when necessary. In 2018, seven board meetings were held on seven occasions to vote on issues related to cash dividends and the adoption of stock grants. In addition, Hanmi Pharm's BoD monitors the performance of its board members. In the event that a job is suspected of or is being performed in a fraudulent manner, or triggers the risk of an ethics violation, the BoD may suspend the specific task from proceeding any further or ask the director to change the way in which the task is being executed. The attendance rate of non-executive directors at the seven BOD meetings held in 2018 was 100%.

#### 2018 BoD Meetings

| Session No. | Held On    | Agenda  |
|-------------|------------|---|
| 01          | 29.01.2018 | Announcement of the 2017 financial results  |
| 02          | 21.02.2018 | Discussion on convocation of the 8th general shareholders meeting and agenda<br>Discussion on declaration of cash dividend                            |
| 03          | 12.03.2018 | Approval of the 8th annual financial statements<br>Issuance of non-guaranteed bonds<br>Adoption of stock grant  |
| 04          | 02.05.2018 | Announcement of the 2018 1Q financial results<br>Reporting on the results of non-guaranteed bond issuance   |
| 05          | 31.07.2018 | Announcement of the 2018 2Q financial results   |
| 06          | 29.10.2018 | Announcement of the 2018 3Q financial results<br>Discussion on liquidizing accounts receivables from Online Pharm<br>Approval of secured FRN issuance |
| 07          | 13.12.2018 | Discussion on transfer of capital reserves  |

Review of Key Issues through CIQ



Review of and Decision Making regarding Key Issues

Besides holding BoD meetings to resolve key management-related issues, the company also convenes a meeting each quarter called the “Creative Individual Quarter” (or CIQ) to review task-related results. Created in May 1993, the CIQ is a program designed to transforming the company’s DNA of ‘Creativity and Challenge’ from abstract into reality. Under this program, each department comes up with a plan for tackling a specific task outside the scope of its main responsibilities, and is evaluated by top management each quarter on its progress thereon. During these quarterly CIQ meetings, each department must present its objectives in pursuing a given task, as well as the action plan, the task owner(s), and the extent to which each objective has been achieved. Each department is then given feedback from top management on the results achieved each quarter, and the feedback is referenced when setting the objectives for the next quarter.

Committee Activities to Ensure Effective and Transparent Management

Audit Committee

The company’s Audit Committee is an oversight body which, through a process of checks and balances, provides guidance and support to members of upper management to maximize enterprise value. All seats on the Audit Committee are filled by non-executive directors in accordance with Article 44 of the Articles of Incorporation, which stipulates that at least two-thirds of the Audit Committee seats must be filled by non-executive directors. Based on the operating protocol of the Audit Committee, regular Audit Committee meetings are held every quarter; and, additional special audit committee meetings may also be convened when deemed necessary. During Audit Committee meetings, agenda items related to the company’s financial statements and internal accounting management are discussed along with other business management risks that could have a significant impact on the business activities of the company. In addition to the Audit Committee, which is composed entirely of non-executive directors, the company also operates a compliance team, which is tasked with carrying out routine business audits as and when required. This team is responsible for internal audits, monitoring, the compliance program, and the prevention of corrupt management practices.



In February 2019, Hanmi Pharm Group created a separate audit committee for each of its listed subsidiaries. These audit committees are tasked with supervising the work and accounting in the subsidiaries with the purpose of increasing transparency and balance in the business managed by each subsidiary. Currently, three of Hanmi Pharm Group’s subsidiary companies operate audit committees, including those newly established by Hanmi Science, the holding company, and JVM, a subsidiary company, and that already operated by Hanmi Pharm. Despite having less than KRW 2 trillion in assets at the prior year end and therefore not being legally obliged to form audit committees, the management of Hanmi Pharm, Hanmi Science and JVM nonetheless made the decision to voluntarily establish said committees as a precautionary measure to ensure rational and transparent management of their companies.

Audit Committee Meetings

| Date       | Agenda   |
|------------|--|
| 29.01.2018 | <ul style="list-style-type: none"><li>• 2017 4Q financial statements</li><li>• 2017 4Q compliance program &amp; audit results, 2018 1Q compliance program &amp; audit plan</li></ul>   |
| 02.05.2018 | <ul style="list-style-type: none"><li>• 2018 1Q financial statement</li><li>• 2018 1Q compliance program &amp; audit results, 2018 2Q compliance program &amp; audit plan</li></ul>  |
| 31.07.2018 | <ul style="list-style-type: none"><li>• 2018 2Q financial statements</li><li>• 2018 2Q compliance program &amp; audit results, 2018 3Q compliance program &amp; audit plan</li></ul>   |
| 29.10.2018 | <ul style="list-style-type: none"><li>• 2018 3Q financial statements</li><li>• 2018 ISO37001 management review &amp; reporting of post-evaluation results</li><li>• 2018 3Q audit &amp; compliance programmanagement results, 2018 4Q audit &amp; compliance program management plan</li></ul> |

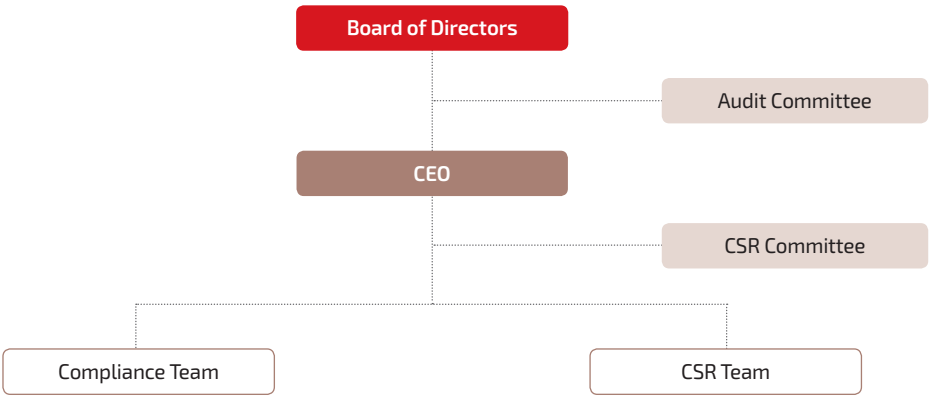
CSR Committee

Hanmi Pharm established its CSR Committee in 2017 to practice sustainability management and carry out transparent and strategic social contribution activities. The CSR Committee comprises the Chairperson (CEO) and 7 committee members (company executives). They investigate a wide range of issues such as ESG and CSV. Then, based on their findings, they discuss issues surrounding sustainability management as well as how items of the CSR agenda should be selected and implemented by the company.

CSR Committee Meetings

| Date       | Agenda  |
|------------|---|
| 24.01.2018 | <ul style="list-style-type: none"><li>• Mid-to-long term CSR strategy for 2018</li><li>• CPR education for all employees</li></ul>  |
| 11.04.2018 | <ul style="list-style-type: none"><li>• Publication of the 2017 CSR Report</li><li>• Results of 2018 1Q social contribution activities &amp; collection of donations</li><li>• Response to ESG external evaluation</li><li>• Donation of basic firefighting equipment to economically disadvantaged families in local communities (Hwaseong city)</li></ul> |
| 26.07.2018 | <ul style="list-style-type: none"><li>• Study on a companywide operating process for continuous ESG management</li><li>• 2018 1<sup>st</sup>-half progress report on employees’ social contribution activities and 2018 2<sup>nd</sup>-half plans</li><li>• Support for social enterprises and designated donation projects</li></ul>                       |
| 11.10.2018 | <ul style="list-style-type: none"><li>• Enhancement of the environment management system</li><li>• Operation of employee welfare points donation (matching grant) program</li><li>• 2018 2<sup>nd</sup>-half progress report on employees’ social contribution activities (volunteer work, donations) and plans</li></ul>                                   |

Organization Chart of Audit Committee & CSR Committee



## Governance of Key Subsidiary Companies

### Beijing Hanmi Pharm

#### Ownership Structure

Beijing Hanmi Pharm is a significant subsidiary of Hanmi Pharm, with more than half of the company's voting rights being owned by the parent company. As of December 31, 2018, Hanmi Pharm owns almost 74% of the shares of Beijing Hanmi Pharm.

#### Beijing Hanmi Pharm Shareholder Composition

| Name of Shareholder            | Share (%) |
|--------------------------------|-----------|
| Hanmi Pharm Company            | 73.7      |
| Beijing Zizhu Pharm. Co., Ltd. | 26.3      |
| Total                          | 100       |

#### Beijing Hanmi Pharm BoD

The Board of Directors of Beijing Hanmi Pharm comprises 5 business executives who are experts in their respective fields. They pass judgment on critical issues facing the company, take preemptive measures against different types of risks, and conduct in-house evaluations of management executives' job performance.

#### Information on the BoD of Beijing Hanmi Pharm

| Category  | Description   |
|---|---|
| Composition   | 1 chairman; 4 directors   |
| BoD Diversity   | 4 men, 1 woman  |
| Term of appointment                                     | 4 years   |
| Conflict of interest prevention                         | ·Directors must "notify the BoD of all circumstances in which conflicts of interest may arise, and such notifications must be referred to the BoD for deliberation". This applies even in circumstances that could potentially develop into a conflict of interest even if no conflicts exist at the moment in question.<br>·The relevant data were investigated and no conflicts of interest were discovered.  |
| Decision making on key sustainability management issues | ·To manage risk more effectively, Beijing Hanmi Pharm operates a 'risk management committee' which is further broken down into the 'financial risk management committee' and the 'environmental safety risk management committee'.<br>·The 'financial risk management committee' develops contingencies against financial risks such as foreign exchange rate risk, interest rate risk and credit rating risk, and also deals with strategic, operational and regulatory risks.<br>·The 'environmental safety risk management committee' is tasked with addressing the Chinese government's regulatory requirements for preventing air pollution. It develops procedures (written documents) for addressing risks like wastewater treatment risk, factory management risk, fire risk, safety accident risk, electricity shorting risk, hazardous substance risk, and special (narcotics, hormones, ephedrine, etc.) raw material risk, and sends recommendations on how to mitigate them.<br>·Each department implements specific response actions in accordance with the risk management policies approved by the committee. Each department closely collaborates with other departments in identifying, assessing and preventing risks. |
| BoD performance evaluation and compensation             | ·Every year, the company conducts evaluations of the performance of the BoD members. Compensation for the BoD is calculated based on a long-term business performance-based pay scheme that takes into consideration G&P. The CEO makes the final adjustment to the compensation amount before it is approved by the BoD and publicly disclosed in the company's annual report.<br>·The level of compensation is determined by the 'human resource development committee'. This committee considers the company's overall recruitment plan, the nature of the job, promotion, and job performance evaluations when determining the appropriate amount of compensation. This committee is composed of the president of the company, the heads of the human resources team and the evaluation audit team, and the heads of various departments.<br>·The compensation policy is approved by a vote, and is ultimately ratified provided that at least 2/3 of the committee members are present and that more than half of those present vote in favor of the policy. Stakeholders comments are accepted immediately and reflected in the policy if appropriate.  |

#### Decisions regarding Other Important Economic/Environmental/Social Issues

In order to pursue sustainability management more effectively at the companywide level, Beijing Hanmi Pharm formed a Sustainability TFT with working-level personnel from three business divisions. The TFT monitors sustainability management-related issues, conducts internal assessments, establishes corrective measures and reports the results of its actions.If critical issues are identified during monitoring, they are reported to the president of the company and then shared with the whole company. At the same time, efforts are initiated to rectify the problem.

#### Overview of Beijing Hanmi Pharm Certifications

| Certification                          | Certification Body and Country   |
|--|--|
| GMP certification for each dosage form | National Medical Products Administration (NMPA) (formerly China Food and Drug Administration (CFDA)) |
| GB/T 24001                             | China Certification Center Inc. (CCC)  |
| ISO 14001                              | China Certification Center Inc. (CCC)  |
| GB/T 28001                             | China Certification Center Inc. (CCC)  |
| OHSAS 18001                            | China Certification Center Inc. (CCC)  |

#### Beijing Hanmi Pharm's CSR Strategy

Beijing Hanmi Pharm pursues the same management philosophies as its parent company, namely 'Respect for People' and 'Value Creation.' These philosophies contain the idea that Beijing Hanmi Pharm exists to contribute to human health by creating better drugs for patients in need. This corporate mission is the basis of the company taking the lead in promoting a corporate culture of sharing. In particular, the company is pursuing the following six CSR strategies.

Beijing Hanmi Pharm's 6 Key CSR Strategies

1

Specialization in pediatric drugs and assistance for China's children in need.

2

Promote sustainable CSR and encourage employees to give back by supporting a company volunteer program.

3

Promote a corporate culture that espouses love for mankind by requiring new recruits to spend one day doing volunteer activities as part of their training.

4

The President of the company takes overall responsibility for CSR activities while the Vice President acts as the general manager of CSR activities. One staff-level employee is appointed as the CSR manager. Twice a year, CSR plans are drawn up, evaluated and have budgets approved.

5

CSR information is posted on the company's website (www.bjhanmi.com) and on the Mamiai website (www.bjmamiai.com). An annual desktop calendar, featuring images of employees engaging in volunteer activities, is produced and distributed with the aim of increasing employee participation and communicating about the company's activities with consumers.

6

As a means of encouraging voluntary participation, an award is given every 6 months to employees who proactively take part in volunteer work.



Beijing Hanmi Pharm Volunteers

#### Formation of CSR Committee and Volunteer Corps

In 2011, Beijing Hanmi Pharm established a CSR committee (comprising nine members chaired by the president) to promote sustainable management and execute its social contribution activities more transparently and strategically. In accordance with committee statutes, regular CSR committee meetings are held every 6 months, while special CSR committee meetings may be convened by the CSR committee chairperson as and when required. In addition to key issues about sustainability management, CSR results for the prior period, plans for forthcoming periods and budget allocations are discussed at these meetings. The CSR committee comprises the chairperson (President of Beijing Hanmi Pharm), the leader of the volunteer corps, the head of the labor union, the assistant administrator, and members of the planning, activity organizing, administrative support, and public relations teams. The committee operates in a very organized manner, with each member undertaking a clearly defined role on the committee. The volunteer corps comprises 163 people (as of December 2018).

Hanmi Fine Chemical

Hanmi Fine Chemical's two key management philosophies of ‘Respect for People’ and ‘Value Creation’ are shared with Hanmi Pharm. The company is able to manufacture high-quality medical drugs through sustained investment in R&D and manufacturing facilities. No effort is spared when it comes to fulfilling its mission and its social responsibilities as a corporation.

Shareholder Composition

As in the case of Beijing Hanmi Pharm, Hanmi Fine Chemical is a significant subsidiary of Hanmi Pharm as the parent company owns more than half of its voting rights. As of the end of 2018, Hanmi Pharm owns 63% of Hanmi Fine Chemical.

Hanmi Fine Chemical Ownership Structure

| Name of Shareholder                    | Share (%) |
|--|-----------|
| Hanmi Pharm Company                    | 63        |
| Institutional and individual investors | 37        |
| Total                                  | 100       |

Hanmi Fine Chemical BoD

The Board of Directors of Beijing Hanmi Pharm comprises business executives who are experts in their respective fields. They pass judgment on critical issues facing the company, take preemptive measures against different types of risks, and conduct in-house evaluations of management executives’ job performance.

Information on the BOD of Hanmi Fine Chemical

| Category                                    | Description   |
|---|---|
| Composition                                 | 1 executive director, 2 non-executive directors, 1 auditor  |
| Term of appointment                         | 3 years   |
| Conflict of interest prevention             | -Although Hanmi Fine Chemical is unlisted, it complies with the same BoD ethics regulations as Hanmi Pharm, its listed parent company.<br>-Therefore, directors must "notify the board of all circumstances in which conflicts of interest may arise and their notifications must be referred to the BoD for deliberation". At the present moment, there are no pending conflicts of interest.  |
| Business risk management                    | -The directors seek to overcome potential risks by communicating with stakeholders and operate a risk management system in order to generate economic, social and environmental values.<br>-The directors are building a system in which problematic practices and inefficient structures can be rectified through internal audits. Such rectifications will allow for a more transparent management that will in turn lead to further growth for the company.<br>-From top management through to teams in the field, all employees participate in the building of a risk response governance structure. Through this structure, the BoD oversees the risk management process. To illustrate the process, the directors receive reports of risk status on a regular basis, which enables them to identify and mitigate key risks as well as to be able to quickly disseminate and launch countermeasures in critical situations.<br>-Based on this risk management process, simulations are conducted for each type of risk with the objective of inspecting and/or enhancing the company's risk response capabilities. |
| BoD performance evaluation and compensation | -The members of Hanmi Fine Chemical's BoD are evaluated each year on their job performance.<br>-Compensation for the BoD is calculated based on the same short-term performance-based pay scheme as that adopted by Hanmi Pharm. The CEO makes the final adjustment to the compensation amount before it is presented at the general shareholders’ meeting for approval prior to disbursement.  |

Decisions regarding Other Important Economic/Environmental/Social Issues

In order to achieve sustained growth, Hanmi Fine Chemical balances monitoring financial risks together with non-financial risks including impact on local communities and the supply chain.

Hanmi Fine Chemical manages non-financial risk according to a 3-level risk management system. At level 1, risks are identified, risk factors are analyzed, and risks are monitored continuously at staff level. At level 2, the Sustainability Management CFT (Cross-Functional Team) with risk management personnel from 20 departments, discusses the risk guidelines and which countermeasures to adopt. At level 3, a top-level governance team determines comprehensive risk management policies and direction. More specifically, the Sustainability Management CFT monitors and assesses issues in order to establish and implement improvement solutions that align with the company vision of being a ‘Valuable Corporation’ that pursues ‘Sustainable Growth’ and promotes the ‘Hanmi Corporate Culture’. The results are then reported to the company and shared throughout the whole organization so that issues can be dealt with more effectively.

On top of this system, the company has established such bodies as the Quality Assurance Committee and the Industrial Health and Safety Environment Committee to oversee specific areas of its sustainability management. These efforts are part of the company's goal of realizing its vision through a highly efficient sustainability management system.

Hanmi Fine Chemical’s Certifications

| Certification   | Certification Body and Country   |
|---|--|
| BGMP certification  | Ministry of Food and Drug Safety, South Korea  |
| Certificate of Suitability (CEP), issued by the EDQM                  | European Directorate for the Quality of Medicines (EDQM)   |
| Injection manufacturing facility GMP suitability certification        | Medicines and Healthcare products Regulatory Agency (MHRA) formerly Medicines Control Agency (MCA), UK         |
| GMP audit and CGMP suitability  | The Food Drug Administration (FDA), USA  |
| EU GMP compliance certification for general plant (production line C) | BGV, Germany   |
| GMP audit and GMP certification                                       | Therapeutic Goods Administration (TGA), Australia  |
| GMP audit and suitability certification                               | PMDA, Japan  |
| CGMP suitability recertification                                      | The Food Drug Administration (FDA), USA  |
| GMP audit and suitability certification                               | COFEPRIS, Mexico   |
| ISO14001  | System Korea Certification (agency)/KAB (certification body)   |
| KOSHA18001  | Korea Occupational Health & Safety Agency  |
| OHSAS18001  | System Korea Certification (agency)/KAB (certification body)   |
| PSM P Grade   | Jungbu Office of the Ministry of Employment and Labor / Seoul Area Major Industrial Accident Prevention Center |

# 2018 Key Sustainability Issues Materiality Analysis

## Stakeholder Participation

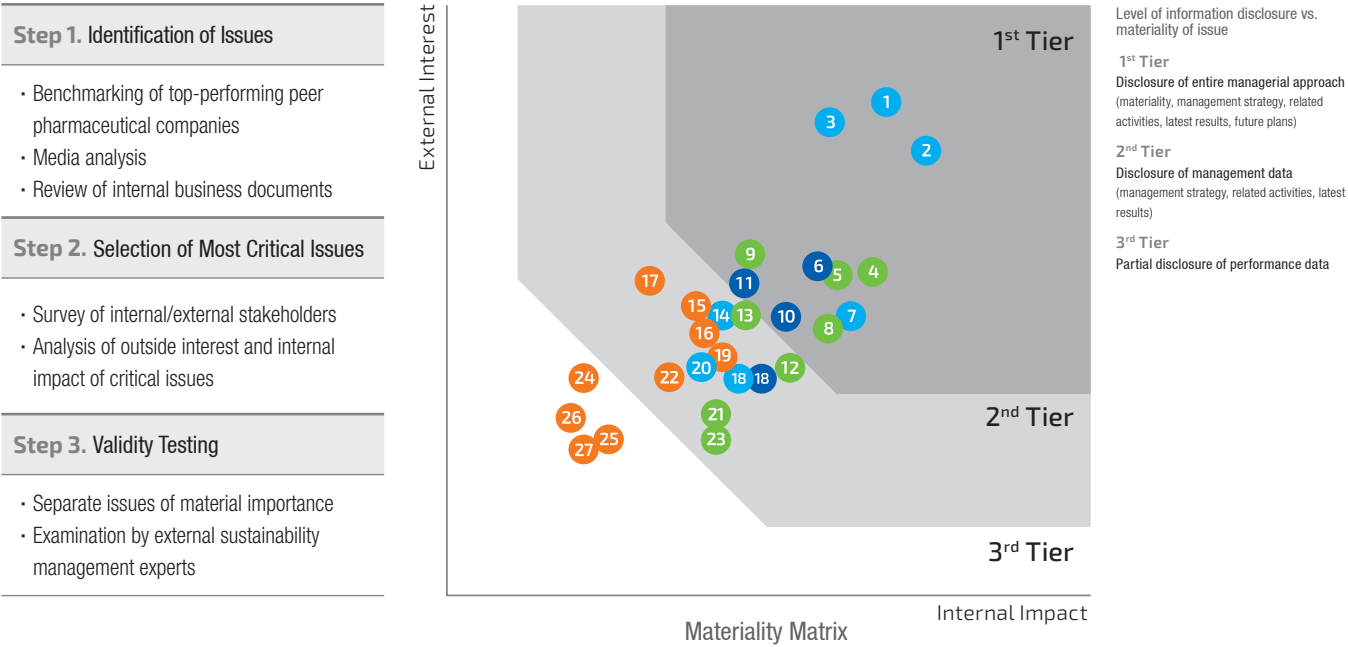
Hanmi Pharm has classified its key stakeholders into six groups based on the business model, business activities, and sustainability management of global pharmaceutical companies. We have summarized both the interests of stakeholders, collected from internal and external communication, and the main concerns of each group. The findings are presented in the table below.

| Key Stakeholder Groups        |  |   |
|-------------------------------|--|---|
| Group                         | Point of Interest  | Communication Channels  |
| Employees                     | As the main agents of Hanmi Pharm's business activities, employees expect the company to act as a responsible employer by operating fairly, providing reasonable compensation, and opportunities for personal growth.  | Company intranet, labor union, clean management board   |
| Suppliers                     | As the agents responsible for providing the products and services needed by Hanmi Pharm for its business activities, suppliers seek to grow in tandem with the company on the basis of stable partnerships.  | HMeps, Hanmi e-sarangbang   |
| Shareholders, Investors       | Shareholders and investors provide financial capital to the company in the expectation of business activities increasing corporate value.  | IR meetings, investors' conferences , overseas NDR  |
| Government & Related Agencies | Government and related agencies seek to drive the growth of the industry in a healthy direction by implementing regulations and policies. They oversee the market to ensure that companies run their business legally by complying with relevant laws and regulations. | Policy meetings, Korea Pharmaceutical and Bio-Pharma Manufacturers Association policy suggestions, etc. |
| Customers                     | Customers are the end-users of Hanmi Pharm's products whose health Hanmi Pharm seeks to improve. Customers expect corporations to develop innovative medicines and medical technologies.   | VOC, sales/marketing activities, feedback on website  |
| Communities, NGO              | As agents who reside in the same geographic location as Hanmi Pharm, they expect corporations to contribute towards increasing the quality of life and providing the infrastructure needed for daily life.   | VOC, beneficiaries of social contribution activities, local autonomous governments                      |

# Material Sustainability Topic

## Materiality Assessment Process

Hanmi Pharm regularly conducts materiality assessments in order to identify stakeholder issues and reflect them effectively in its management activities and has undertaken this again in 2019. A pool of issues was derived based on CSR-related international standard indexes such as the GRI Standards and the UN's SDGs and after benchmarking peer pharmaceutical companies, conducting media analysis, and mining the Hanmi Pharm stakeholder issue database, 176 relevant issues were identified. After surveying internal and external stakeholders, the original 176 issues were narrowed down to the 27 most critical issues, which in turn were ranked according to their importance. Finally, external sustainability management experts conducted a validity-testing exercise to determine each issue's materiality in enhancing sustainability management.



## Materiality Assessment Ranking of Key Issues & Their Classification

| Rank | Key Issues   | Included in   |
|------|--|---|
| 1    | Expand treatment range through the development of new drugs                          | Topic 1<br>Value Creation through R&D                                   |
| 2    | Expand global market entry   |   |
| 3    | Increase investments in R&D  |   |
| 7    | Acquire intellectual properties and enhance their utilization                        |   |
| 14   | Upgrade manufacturing facilities   |   |
| 18   | Increase customers' access to medical drugs (drug prices)                            |   |
| 20   | Strengthen communication with partner companies (strategic partnership companies)    | Topic 2<br>Leading Korea to become a pharmaceutical powerhouse          |
| 6    | Responsible sales and marketing that considers the social impact of medical drugs    |   |
| 10   | Data-based innovative sales and marketing  |   |
| 11   | Strengthen ethical and compliance management   |   |
| 18   | Increase customers' access to medical drugs (distribution)                           |   |
| 4    | Improve employees' work-life balance   | Topic 3<br>Putting people first: management based on respect for people |
| 8    | Improve human rights management  |   |
| 13   | Increase employees' Skills   |   |
| 9    | Recruit top talents & upgrade the human resource management process                  |   |
| 12   | Guarantee the health and safety of employees   |   |
| 5    | Improve the safety of medical drugs  |   |
| 21   | Strengthen customer information protection   | Topic 4<br>Putting into practice the value of togetherness              |
| 23   | Improve processing of customer complaints  |   |
| 17   | Support supplier companies & pursue mutual growth                                    |   |
| 22   | Establish and evaluate policies for enhancing the sustainability of the supply chain |   |
| 15   | Improve management of hazardous substances   |   |
| 16   | Strengthen waste management and expand recycling activities                          |   |
| 19   | Reinforce environmental management system  |   |
| 26   | Prevent water pollution  |   |
| 27   | Prevent air pollution  |   |
| 24   | Expand support for local communities   |   |
| 25   | Strengthen communication with local communities                                      |   |

# Value Creation through R&D

## Importance and Approach

Hanmi Pharm is dedicated to bringing better health to mankind by developing innovative new drugs for the global market. At Hanmi Pharm, we have come to understand that R&D is the core value for accomplishing this mission and consider R&D to be an obligation we must fulfill in order to make a meaningful contribution to the people of South Korea and our society. This is the reason why we focus the lion's share of our resources on R&D efforts across the company. We envision ourselves as a pharmaceutical company that can communicate the value our R&D activities create to our stakeholders and fulfill all of our social responsibilities.

### Limitations in Disclosing Performance Indicators

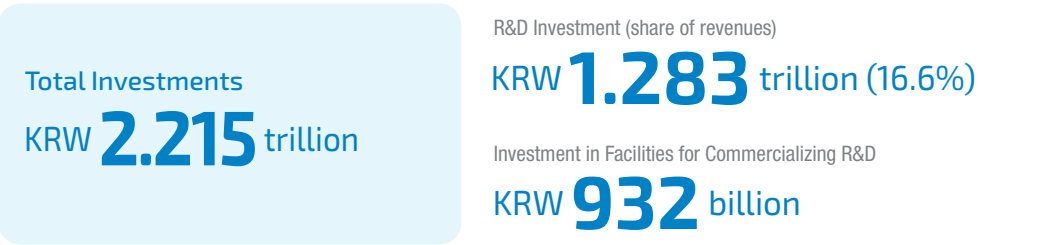
The quantitative indicators used in reporting the value created by R&D are based on data considered appropriate for visually representing the diverse values generated through R&D. The data were gathered from the media and various governmental agencies. The quantitative information contained in this section cannot be applied to assess similar information to compare performance to other companies or industries. Going forward, Hanmi Pharm will continue to study and adopt techniques for translating the values created by our R&D activities into visually representable data.



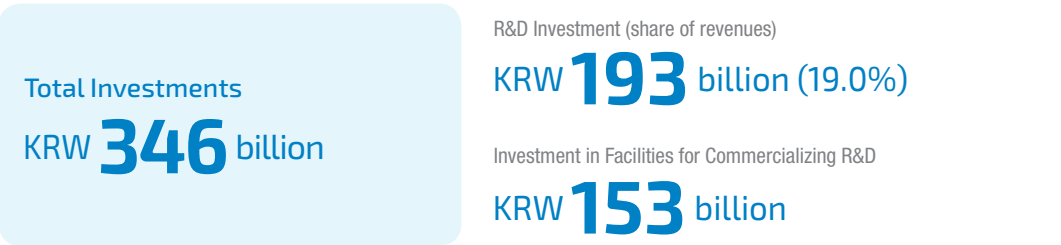
## Investment in R&D to Develop Innovative New Drugs for the Global Market

Hanmi Pharm engages in R&D-based business management to pursue its goal of creating 'innovative new drugs for the global market'. Over the past ten years, we have invested KRW 2.215 trillion in new drug research and development and in the construction of the manufacturing facilities required for the commercialization of new high-quality biological and synthetic drugs. This significant figure is equivalent to 28% of the company's entire revenues over the past ten years, far exceeding the level of other domestic pharmaceutical and bio-pharma companies. Hanmi Pharm will continue to make steady investments in future value-generating R&D and do our utmost to become a global pharmaceutical company that leads the country along the path to becoming a global pharmaceutical powerhouse.

### Past 10 years (2009~18)



### 2018



Industry Comparison of R&D Investment as Share of Revenue

| Category                     | R&D Investments as a Percentage of Revenue (%) |      |
|------------------------------|--|------|
|                              | 2016   | 2017 |
| All Companies                | 3.16   | 3.32 |
| Manufacturers                | 4.00   | 4.20 |
| Pharmaceutical Manufacturers | 6.07   | 6.02 |
| Hanmi Pharm                  | 18.4   | 18.6 |

Source: Korea Institute of S&T Evaluation and Planning. (Data on the R&D activities of Korean private companies)

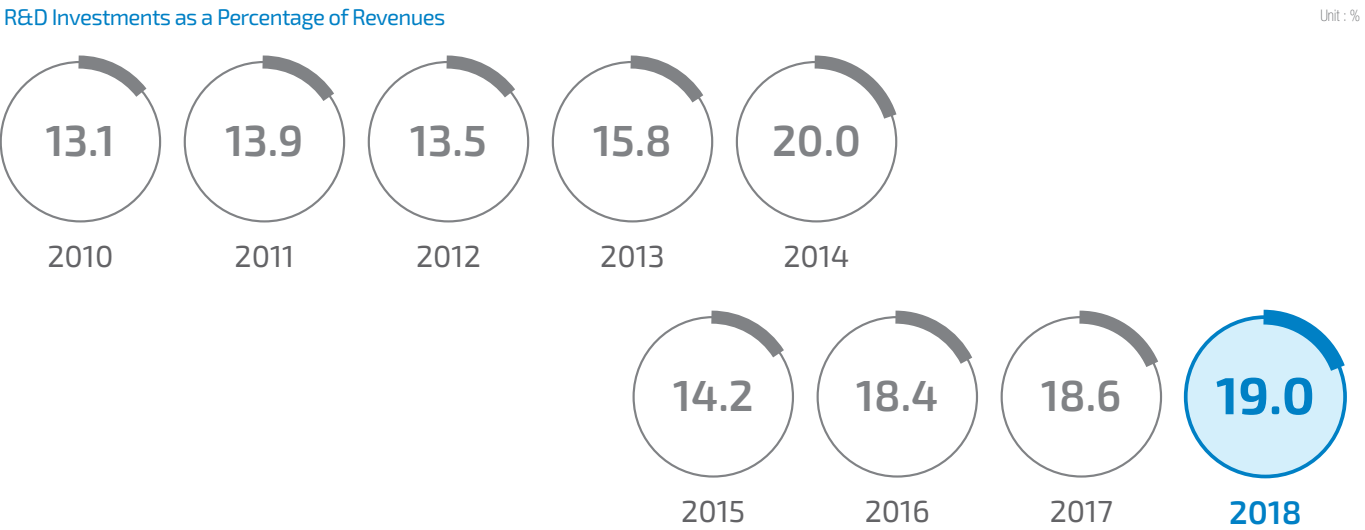
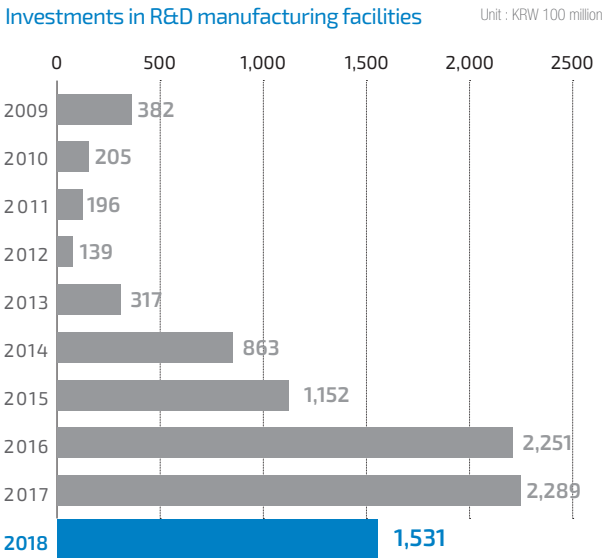
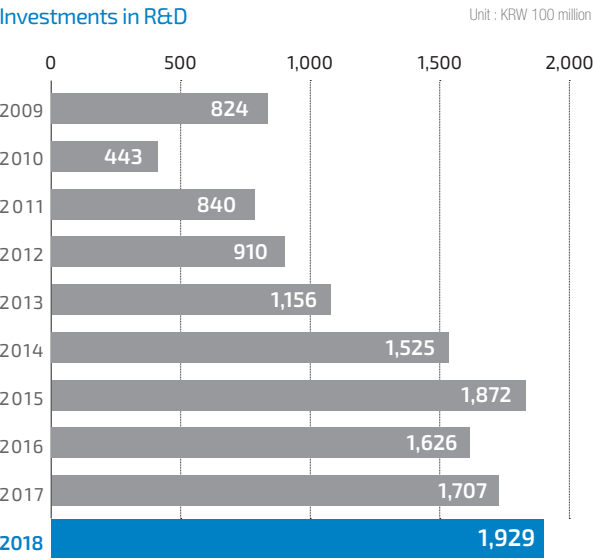
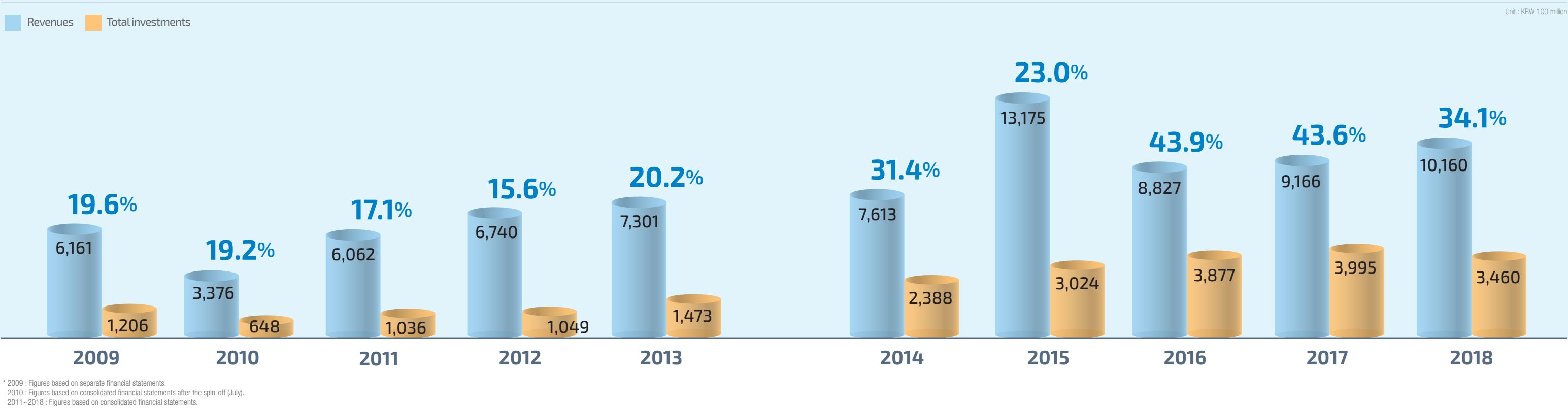
R&D Investment by 211 Large Domestic Companies in 2017 (Top 5 Companies)

| Rank | Company Name | R&D Investments as a Percentage of Revenue (%) |
|------|--------------|--|
| 1    | Company N    | 24.2   |
| 2    | Hanmi Pharm  | 18.6   |
| 3    | Company N    | 16.2   |
| 4    | Company D    | 13.2   |
| 5    | Company N    | 12.9   |

CEO Score Daily (2017 survey of revenue of top 500 large-size companies in South Korea.)

Investments in R&D & Facilities over the Past 10 Years

From supporting research into new drugs to investing in manufacturing facilities for commercialization, Hanmi Pharm spares nothing when it comes to creating innovative drugs. Notably, after signing significant new drug licensing-out deals in 2015, the company's annual investment in follow-up R&D and manufacturing facilities has amounted to 43.9% of its total revenue. This is equivalent to committing most of the company's earnings to developing its future corporate value.



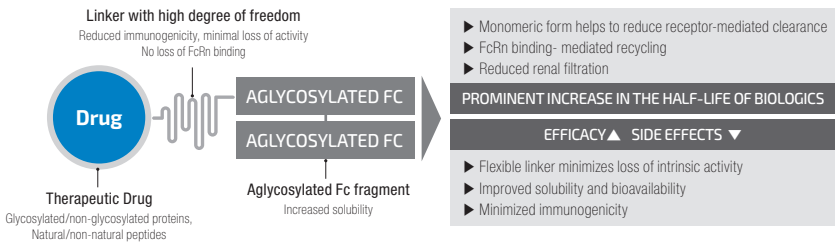
R&D Programs & Accomplishments

Hanmi Pharm is focusing all its resources on developing innovative new medical drugs for the global market. To that end, full use is made of the formulation technology and platform technologies that have been built up over the years in developing drugs in various therapeutic areas including, obesity/diabetes, anti-cancer, immunological diseases and rare diseases.

LAPSCOVERY™

Many biological drugs are made from proteins, but therapeutic proteins have very short half-lives (the time required for the concentration of a medical drug in the body to be reduced by half). Consequently, this results in the need for frequent dosages and inconvenience to patients. LAPSCOVERY™ is a revolutionary platform technology that prolongs the half-life of biological drugs so as to reduce side effects and patient inconvenience while improving efficacy.

LAPSCOVERY™ Long Acting Protein / Peptide Discovery Platform Technology



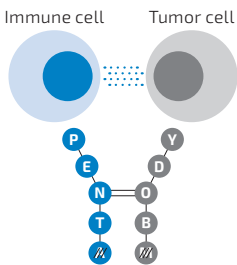
PENTAMBODY™

PENTAMBODY™ is a next-generation bispecific antibody platform technology developed by Beijing Hanmi Pharm in which a single antibody simultaneously binds to two different targets. With this technology, immunotherapy and targeted cancer therapy can be administered simultaneously. In particular, PENTAMBODY™'s structural similarity to the natural immunoglobulin G (IgG) in the human body makes triggering an immune response unlikely. It also has the advantage of being highly stable and demonstrates high production efficiency.

Next-Generation Biospecific Platform Technology

Pentambody™ Penta amino acid mutated bispecific antibody

1. Redirect immune cells to tumor cells.
2. Human IgG-like bispecific antibody structure
3. Good stability and high production efficiency.



New Chemical Entities

At Hanmi Pharm, we are focused on developing drugs for treating cancer and autoimmune diseases. We are especially interested in ways of improving the therapeutic effects of drugs while reducing side effects by developing drugs that selectively act on specific cancer-causing targets

New Biological Drugs

Following up on our discovery and ongoing developments in extending the half-life of therapeutics for diabetes, obesity, neutropenia, and human growth hormone deficiency, application of the LAPSCOVERY™ technology is being expanded into new indications in the rare disease spectrum.

New Incrementally Modified Drugs/Fixed dose combinations

An incrementally modified drug is one that improves an original drug by modifying its features such as form (pharmaceutical formulation) or structure (pharmaceutical salt) to achieve better safety and convenience when taking it. As is the case with innovative drugs, securing patent protection is the key to competitive advantage in the global market for incrementally modified drugs and fixed dose combinations. Recently, on the strength of the modified drug formulation and manufacturing technologies we have accumulated over the years, we have been seeking entry into global markets for new combinations drugs with improved efficacy and convenience.



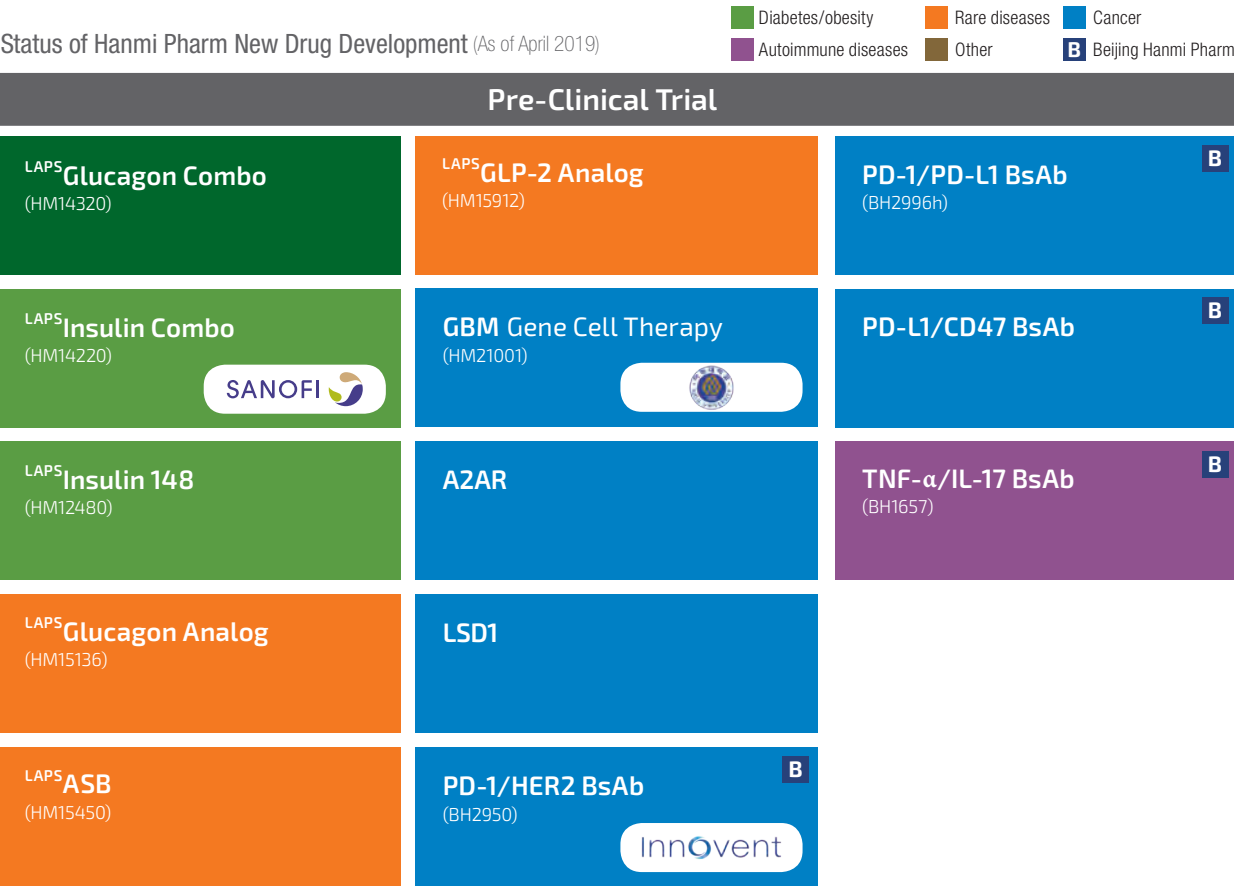
Global Market Entry and Expanded Therapeutic Range through Newly Developed Drugs

Currently, there are around 30 new drugs in Hanmi Pharm's development pipeline to treat obesity/diabetes, cancer, immunological diseases and rare diseases. The interim results of the phase 2 clinical trial of the anti-cancer drug Poziotinib (pan-HER inhibitor) being conducted by our partner company Spectrum are expected in the 2nd half of this year. In addition, the phase 3 clinical trial of Efpeglenatide, a biologic drug for diabetes and obesity, which was licensed out to Sanofi, is proceeding smoothly.



2019 J.P. Morgan Healthcare Conference

At the 2019 J.P. Morgan Healthcare Conference, the world's most prestigious conference in the field of biopharmaceuticals, Hanmi Pharm presented the results of clinical trials on HM15136 (obesity), HM15211 (nonalcoholic steatohepatitis) and HM43239 (acute myeloid leukemia), three drugs, which are being actively developed by the company. HM15136, HM15211 and HM43239 are all undergoing phase 1 clinical trials at present. As these cases show, Hanmi Pharm is concentrating all its capabilities on ensuring that the novel drugs under development by its global partners can be commercialized globally.



R&D personnel as a percentage of total personnel

16%

Hanmi Pharm R&D personnel recruitment levels

| Year | New R&D recruits<br>(No. of persons) |
|------|--------------------------------------|
| 2013 | 125                                  |
| 2014 | 85                                   |
| 2015 | 129                                  |
| 2016 | 93                                   |
| 2017 | 136                                  |
| 2018 | 138                                  |

### Employment Creation Effect

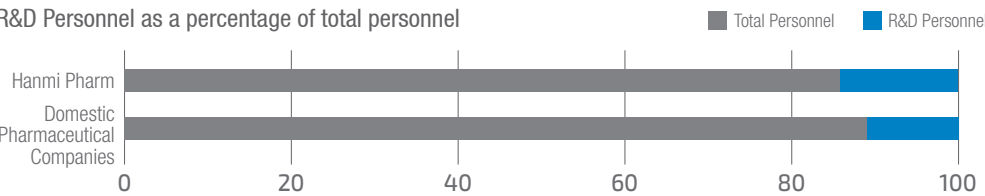
Recently, society has been requesting enterprises to create more jobs as a solution to pressing social problems such as rising youth unemployment. Hanmi Pharm has been pursuing many paths to create high-quality jobs in R&D. Hanmi Pharm employs many talented individuals, irrespective of gender, in both engineering and pharmaceuticals, thereby contributing to the development of the national economy and the pharmaceutical industry, while securing the human resources needed to ensure the growth of the company.

R&D Personnel Employment Data

| Category                                | Total Personnel<br>(persons) | R&D                 |           |
|---|------------------------------|---------------------|-----------|
|   |                              | Personnel (persons) | Ratio (%) |
| Domestic Pharmaceutical Industry (2017) | 95,524                       | 11,925              | 12.5%     |
| Hanmi Pharm (2017)                      | 2,271                        | 340                 | 14.9%     |
| Hanmi Pharm (2018)                      | 2,399                        | 383                 | 15.9%     |

Note: Affiliated companies are excluded.

R&D Personnel as a percentage of total personnel



Source : Korea Institute of S&T Evaluation and Planning (Data on R&D activities of South Korean private companies/2017)

### R&D Infrastructure

Hanmi Pharm currently employs a total of 599 R&D personnel at its Seoul Research Center in Songpa-gu, its R&D center in Dongtan, its Formulation Research Center within the Paltan Plant, and its Bio Process Research Center within the Pyeongtaek Bio Plant, as well as at its Beijing Hanmi Pharm and Hanmi Fine Chemical Research Centers.

Hanmi Pharm R&D Network

| Facility                            | Location                | R&D Personnel* | 주요 분야   |
|-------------------------------------|-------------------------|----------------|---|
| Hanmi Pharm Research Center         | Dongtan, Gyeonggi-do    | 155            | Biologics, chemical drugs                               |
| Seoul Research Center               | Songpa-gu, Seoul        | 105            | Clinical research, regulatory affairs, In/Out-licensing |
| Formulation Research Center         | Paltan, Gyeonggi-do     | 62             | New formulation methods, drug delivery technology       |
| Bio Process Research Center         | Pyeongtaek, Gyeonggi-do | 61             | Biologics manufacturing processes                       |
| Hanmi Fine Chemical Research Center | Siwha, Gyeonggi-do      | 47             | Mass production of active pharmaceutical ingredients    |
| Beijing Hanmi Pharm Research Center | Beijing, China          | 169            | New biologic drugs, new chemical drugs                  |
| Hanmi Pharm R&D personnel           |                         | 599            |   |

※Only research centers and departments whose expenses are reflected as R&D expenses are shown.

### The Largest In-house Development of Medical Drugs in South Korea's Pharmaceutical Industry

Through its sustained R&D efforts, Hanmi Pharm contributes to increasing not only its own competitiveness, but also that of both the pharmaceutical industry and Korea as well. Rather than importing market-proven products from global drug manufacturers and distributing them in the domestic market, the company is establishing 'pharmaceutical autonomy' with drugs manufactured exclusively with Korean technology. Although directly bringing in branded-drugs commercialized by global pharmaceutical companies could save the company the astronomical development costs of new drugs, it would entail paying huge royalties based on the prescription and sales levels of the drug. This means that a large share of the nation's pharmaceutical expenditure would end up in the hands of global pharmaceutical companies, which could adversely affect the finances of the national health insurance service. Another downside is that domestic companies would have to forgo the opportunity to acquire the ability to develop new drugs themselves. If a company's sales are dependent on imported merchandise without the ability to manufacture products themselves, in the event the global supplier suffers disruption, there is no easy way of resolving supply shortages. Thanks to continuous investment in R&D , in 2018 the company managed to earn 93.7% of its revenues from products developed in-house - a monumental achievement in the history of the domestic pharmaceutical industry. Going forward, the company will continue to strengthen its in-house development program to decrease its reliance on imported drugs.

Breakdown of Revenue of South Korea pharmaceutical companies in 2018 (unconsolidated financial statements)

| Company Name             | Revenue Derived from Merchandise |
|--------------------------|----------------------------------|
| Pharmaceutical Company A | 74%                              |
| Pharmaceutical Company B | 55%                              |
| Pharmaceutical Company C | 41%                              |
| Hanmi Pharm (2018)       | 6.3%                             |

Source : Based on 4th quarter business reports published by each company /%

※Merchandise revenue: Revenue from the sale of goods bought wholesale from elsewhere and sold with an added margin such as drugs imported from multinationals by domestic pharmaceutical companies.

※Product revenue: Revenue from the sale of products developed in-house and manufactured in Korea.

#### Improving the finances of the national health insurance service through pharmaceutical cost savings

Through financial support from its national health care policies, the government seeks to increase access to healthcare by reducing its complexity. The operation of the national health insurance program in particular must be financially sound because it is the foundation of public health and quality of life, while also serving as the chief means of financing the country's health service. Hanmi Pharm contributes to the financial soundness of South Korea's national health insurance program by supplying new incrementally modified drugs and fixed dose combinations through its world-class R&D capabilities.

The company calculated the cost savings generated by its drug development program in order to present factual evidence of the financial benefits gained from its R&D efforts to stakeholders. This calculation showed that based on list price, just across the top ten products, KRW 42.3 billion in cost savings were generated for the national health insurance program in 2018 by purchasing Hanmi Pharm products rather than other prescription drugs.

Although this figure was derived by the company itself based on a very limited utilization of publicly available data, it nonetheless demonstrates Hanmi Pharm's commitment to helping the finances of the nation's health insurance program through its R&D activities. In the future, the company will continue to improve the quality of information provided as well as persistently communicating the amount of effort the company is exerting to fulfill its responsibilities through its R&D activities to its stakeholders.

Expected cost saving benefit to the national health insurance program in 2018 (10 Key Products)

KRW 42.3billion



















Forecast cumulative benefits extrapolated since launch of each product

KRW 245.3billion

Source : UBIST DATA

1) Per tablet/capsule cost saving based on difference in the prescription cost Hanmi's drug and the prescription cost of the single ingredient original drug  
2) Based on a comparison with a fixed dose combination of the same strengths since comparisons with a single component pill for each ingredient was not possible.

Expected Cost Savings of Key Products

|   |   | Cost saving per tablet/capsule <sup>1)</sup> | 2018 Prescriptions | Expected Cost Saving   |
|---|---|--|--------------------|--|
|    |    | KRW 66                                       | 49,930,000 T       | <b>2018 : KRW 12.03 billion</b><br>Cumulative Prescription: 697.09 million T<br>Cumulative saving: KRW 162.64 billion  |
|   |   | KRW 356                                      | 24,520,000 T       |  |
|    |    | KRW 233                                      | 580,000 T          | <b>2018 : KRW 670 million</b><br>Cumulative Prescription: 2 million T<br>Cumulative saving: KRW 700 million            |
|   |   | KRW 231                                      | 570,000 T          |  |
|   |   | KRW 230                                      | 50,000 T           |  |
|   |   | KRW 556                                      | 290,000 T          |  |
|   |   | KRW 554                                      | 350,000 T          |  |
|    |    | KRW 63                                       | 5,370,000 T        | <b>2018 : KRW 2.34 billion</b><br>Cumulative Prescription: 12.15 million T<br>Cumulative saving: KRW 2.58 billion      |
|   |   | KRW 352                                      | 4,710,000 T        |  |
|   |   | KRW 364                                      | 970,000 T          |  |
|    |   | KRW 197                                      | 27,040,000 T       | <b>2018 : KRW 8.39 billion</b><br>Cumulative Prescription: 112.61 million T<br>Cumulative saving: KRW 18.52 billion    |
|   |   | KRW 105                                      | 20,016,000 T       |  |
|   |   | KRW 166                                      | 5,700,000 T        |  |
|  |  | KRW 133                                      | 12,230,000 T       | <b>2018 : KRW 2.68 billion</b><br>Cumulative Prescription: 74.03 million T<br>Cumulative saving: KRW 10.17 billion     |
|   |   | KRW 99                                       | 4,150,000 T        |  |
|   |   | KRW 287                                      | 1,770,000 T        |  |
|   |   | KRW 161                                      | 880,000 T          |  |
|  |  | KRW 92                                       | 7,240,000 C        | <b>2018 : KRW 660 million</b><br>Cumulative Prescription: 8.42 million C<br>Cumulative saving: KRW 770 million         |
|   |   |  |                    |  |
|  |  | KRW 270                                      | 28,640,000 T       | <b>2018 : KRW 7.73 billion</b><br>Cumulative Prescription: 131.06 million T<br>Cumulative saving: KRW 35.38 billion    |
|   |   |  |                    |  |
|  |  | KRW 136                                      | 10,730,000 C       | <b>2018 : KRW 1.46 billion</b><br>Cumulative Prescription: 12.73 million C<br>tabs Cumul. effect: KRW 1.73 billion     |
|   |   |  |                    |  |
|  |  | KRW 516                                      | 12,210,000 C       | <b>2018 : KRW 6.3 billion</b><br>Cumulative Prescription: 24.74 million C<br>tabs Cumulative saving: KRW 12.76 billion |
|   |   |  |                    |  |
|  |  | KRW 5  | 410,000 C          | <b>2018 : KRW 10 million</b><br>Cumulative Prescription: 10.22 million C<br>Cumulative savin: KRW 50 million           |
|   |   | KRW 5  | 160,000 C          |  |
|   |   | KRW 5  | 3,340,000 C        |  |

No. of Domestic and Foreign Patent Grants (based on 2018 data)

1,529

No. of Domestic Patent Grants (based on 2018 data)

138

No. of Foreign Patent Grants (based on 2018 data)

1,391

Strengthening Competitiveness by Securing Intellectual Property Rights

The goal of the pharmaceutical industry is to enable a healthy life for patients by researching and developing medical drugs for human health.

While technology development and the associated positive value it generates can be described qualitatively, data on the pharmaceutical patents owned by a company can also be used both as a quantitative measure and as a criterion for evaluating a company's R&D capability. As of December 2018, a total of 1,529 domestic and foreign patents have been granted to Hanmi Pharm, while 2,075 patent applications by the company are currently under examination.

Domestic and Foreign patent applications filed by Hanmi Pharm<sup>1)</sup> as of December 2018

| Category                       | Domestic | Foreign | Total |
|--------------------------------|----------|---------|-------|
| Patent Grants                  | 138      | 1,391   | 1,529 |
| Applications under examination | 236      | 1,839   | 2,075 |

Domestic patent applications filed<sup>2) 4)</sup>, 2014 - 2017

| Year  | Hanmi Pharm | Drug Company A | Drug Company B | Drug Company C | Drug Company D |
|-------|-------------|----------------|----------------|----------------|----------------|
| 2014  | 59          | 4              | 20             | 19             | 12             |
| 2015  | 39          | 7              | 16             | 13             | 24             |
| 2016  | 20          | 2              | 5              | 7              | 5              |
| 2017  | 8           | 1              | 2              | 1              | 5              |
| Total | 118         | 13             | 41             | 39             | 41             |

Foreign patent applications filed<sup>2) 4)</sup>, 2014 - 2017

| PCT <sup>3)</sup> | Hanmi Pharm | Drug Company A | Drug Company B | Drug Company C | Drug Company D |
|-------------------|-------------|----------------|----------------|----------------|----------------|
| 2014              | 23          | 6              | 13             | 10             | 9              |
| 2015              | 32          | 2              | 16             | 6              | 5              |
| 2016              | 30          | 6              | 13             | 11             | 20             |
| 2017              | 32          | 6              | 3              | 5              | 9              |
| Total             | 117         | 20             | 45             | 32             | 43             |

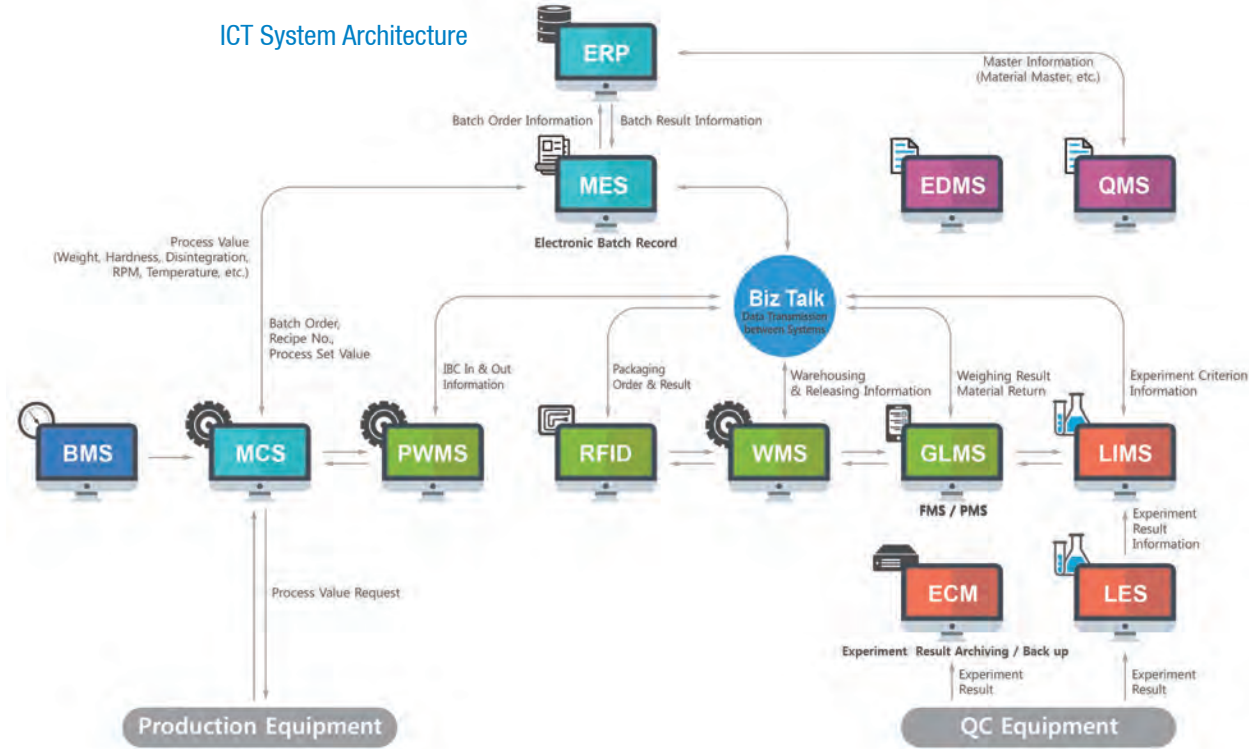
| US    | Hanmi Pharm | Drug Company A | Drug Company B | Drug Company C | Drug Company D |
|-------|-------------|----------------|----------------|----------------|----------------|
| 2014  | 22          | 4              | 11             | 8              | 5              |
| 2015  | 16          | 1              | 6              | 5              | 5              |
| 2016  | 20          | 1              | 5              | 7              | 10             |
| 2017  | 9           | 2              | 5              | 2              | 2              |
| Total | 67          | 8              | 27             | 22             | 22             |

1) Patents owned by Hanmi Pharm, Hanmi Science (excluding PCT patents; based on internal database)  
2) As information about patent applications filed by other companies is only available 1.5 years after they have been filed, the above data only covers the period from 2014 to 2017.  
3) PCT: Patent Cooperation Treaty  
4) Source : KIPRIS

Paltan Smart Plant



ICT System Architecture



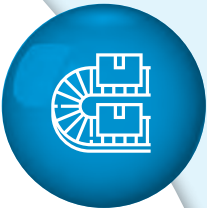
Paltan Smart Plant's Certification Status

| Certification   | Certification Body and Country                              |
|---|---|
| Certificate of GMP Compliance of a Manufacturer (PIC/S) | Korea / MFDS  |
| EU GMP Certificate (Renewed)                            | Germany / BGV   |
| Accreditation certificate of foreign drug manufacturer  | Japan / Pharmaceuticals and Medical Devices Agency          |
| Registration certificate of manufacturing site          | Gulf Cooperation Council (GCC)                              |
| GMP/GLP Certificate                                     | Peru / DIGEMID  |
| Registration certificate of manufacturing site          | Syria   |
| Certificate of Good Manufacturing Practice              | Kenya / Pharmacy and Poisons Board                          |
| ISO14001  | System Korea Certification (Agency)/KAB(certification body) |
| OHSAS18001  | System Korea Certification (Agency)/KAB(certification body) |

Strengthening competitiveness with world-class production infrastructure

Hanmi Pharm has continually made substantial investments in pharmaceutical production infrastructure that conforms with global standards.

Currently, the Paltan Industrial Complex, the facility that produces our core business lines of incrementally modified drugs and fixed dose combinations, comprises a pharmaceutical research center and solid formulation production unit, and a global smart plant with an annual production capacity of 6 billion capsules. Notably, the smart plant, which is housed on floors B1 to 8 of the building (an area equivalent to 4½ football fields) and was built at a cost of KRW150 billion, produces solid formulation products via processes that are 90% automated. The plant is a smart environment where workers, intelligent equipment (running on optimization software), and machines collaborate with each other through a network of information and communications technology (ICT) and the Internet of Things (IoT). In the event of an accident or other difficulty, such as a shortage of raw materials, the central control system intervenes to optimize the production system. The plant operates as a one-stop system in which 'formulation research' and 'production' are linked dynamically so that formulation techniques can be incorporated directly into the manufacturing process. This is why the facility is more than just a plant and is referred to as the Paltan Industrial Complex. With its end-to-end production system where research production and quality control are all integrated, the company is planning to begin a contract development and manufacturing organization (CDMO) business that will cater to global pharmaceutical companies.



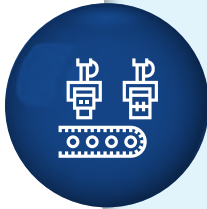
Automated Distribution

Efficiently automated flow of goods(AGF, RGV, Conveyor).



Production Automation

Semi-finished products supply line design, IBC auto-docking using AGF. Upon process completion, dirty IBC is transported to the cleaning room for cleaning and drying.



Installation of Advanced Equipment

Productivity and safety have been enhanced by the installation of the latest split valve device (to prevent cross-contamination and protect the operator) featuring a state-of-the-art safety system and a self-operating AGF (with a map recognition function).



Process Automation

Unmanned operation of some processes available at night time.



Linked to Network

Integrated operation of production and optimized quality control are attainable by connecting diverse computer systems such as ERP, MES, MCS, PWMS, WMS, GLMS, BMS, EDMS, LIMS, and QMS via a wired/wireless network.

Pyeongtaek Bio Plant



Pyeongtaek Bio Plant's Certification Status

| Certification  | Certification Body and Country                                |
|--|---|
| ISO14001   | Korea Foundation for Quality(Agency)/ KAB(certification body) |
| ISO13485   | SGS United Kingdom Limited                                    |
| OHSAS18001   | Korea Foundation for Quality(Agency)/ KAB(certification body) |
| EC Directive 93/42/EEC   | SGS United Kingdom Limited                                    |
| GMP Compliance on finished products (sterile) & pharmaceutical ingredients | Ministry of Food and Drug Safety                              |
| Registration certification of manufacturing site                           | Syria   |

Cepha Plant



Pyeongtaek Cepha Plant's Certification Status

| Certification  | Certification Body and Country |
|--|--------------------------------|
| Precision Pharmacy Inspection                        | KDMF                           |
| Preliminary GMP Inspection for each product category | MFDS                           |
| PIC/S Reference Plant Inspection                     | KFDA                           |
| EUGMP Compliant Business                             | LSJV Germany                   |

Hanmi Pharm's Bio Plant in Pyeongtaek manufactures biologics for the clinical trials and early commercialization of products in development.

Dedicated to producing high-quality pharmaceutical products in a safe and environmentally-friendly manner, the Pyeongtaek Bio Plant will serve as the base for the company's future core growth. Hanmi Pharm's Cepha Plant, which in 2013 became the first in Korea to receive EU-GMP certification for drugs for cephalosporin antibiotic, has sufficient production capacity to supply up to 70% of the domestic market for cephalosporin antibiotics. The plant was also chosen as the reference plant during the Ministry of Food and Drug Safety's campaign to become a PIC/S member.

Future Plans for Value Creation through Investment in R&D

Hanmi Pharm has prioritized core strength management to achieve its aim of becoming a global pharmaceutical powerhouse. For pharmaceutical companies, R&D is not only a means of generating future value, but is itself a core value that enables the company to fulfill its social obligations. Accordingly, management of the core strength is an essential virtue that underpins R&D activities. Through such efficient management of our business, we will strive to allocate the necessary human and financial resources for our global business and all areas of our R&D activities on a timely basis. Whether for new drug development, intellectual property or production infrastructure, every business project follows systematic internal management procedures at each stage covering the submission of business plans, resource allocation and obtaining approval to invest in new business, and implementing the budget. The company seeks to ensure sustained performance and value creation by means of detailed monitoring by the BoD of quarterly performance and review of plans for the next quarter through internal decision-making procedures such as CIQ (Creative Invidual Quarter).



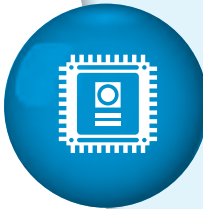
Wastewater Treatment Plant Operation

Construction of treatment plant for the proper disposal of wastewater; in accordance with the Chemicals Control Act, external impact evaluation /installation inspection/acquisition of operating permit; completion of process safety management report evaluation/installation process inspection/successful pilot operation



Managing External Impact Evaluation

Proactive accident prevention measures taken including weekly safety inspections during construction.



Installation of Wet Scrubber

Submission and approval of external impact evaluation for safely managing chemicals according to the amended Chemicals Control Act.



Residue Level Management

Monitoring of the building lobby and exterior, product and wastewater for residual cephalosporin to prevent off-site pollution.



Sterile manufacturing facility

Sterile production facility for injectable pharmaceutical powders boasting market-leading capacity. (approx. 100,000 vials per batch)



Sterile testing facility

Sterile testing by EU GMP conforming isolator installed in microbial laboratory.

Key Milestones in Hanmi Pharm's R&D History

1973

Incorporation of Hanmi Pharm Company. Company begins production and sale of T.S powder, the company's first product.

1984

Constructed the Paltan GMP plant in Paltan-myeon, Hwasung-gun, Gyeonggi-do.

1989

Exported ceftriaxone manufacturing technology to Swiss-based Roche.

1997

Agreed technology transfer of microemulsion formulation technology to Novartis for \$63 million.

2000

Developed the world's first oral formulation of anticancer drug Paclitaxel.

2001

Received US patent after becoming second company in the world to develop an oral formulation of the antifungal agent Itra tablet.

2004

Became first domestic pharmaceutical company to receive government approval for the manufacture of hypertension medication Amodipin, a new and improved version of amlodipine. Acquired US patent for Amodipin.

2005

Awarded New Technology Certificate for Amodipin (KT mark) by Ministry of Science and Technology. Won Grand Prize in New Drug Development from the government (Korea Drug Research Association) for Amodipin

2006

Successfully developed Maxibufen, an improved antipyretic syrup medication for children and infants.

2015

License-out for poziotinib agreed with Spectrum (USA). Signed licensing agreement for the Quantum Project with Sanofi (France).

2014

Obtained license to sell Triaxone in four European countries. Signed licensing agreement for LAPSGCSF with Spectrum (USA).

2013

First US FDA approval and launch for Korean incrementally modified drug for Esomezol. Received Minister's Award for the Best Biopharmaceutical Company from the Ministry of Trade, Industry and Energy (for the development of LAPSGCSF). Launched the country's first ARB+statin combination drug (Rovelito).

2012

LAPSExendin for type 2 diabetes selected as government-supported new drug development project.

2011

Signed agreement with MSD to export Amosartan to over fifty countries. Receives the Minister's Certificate of Recognition from the Korea Industrial Technology Association for 'LAPSCOVERY'.

2010

Won the Best Drug Research Award from the Korea Drug Research Association for Amosartan. Obtained regulatory approval for Pidogul from the UK's MHRA.

2009

Launched Amosartan, the world's first hypertension medicine made by combining Amlodipine and Losartan. Obtained approval for and launched Simvast CR Tablets, the world's first 'take anytime' drug for hyperlipidemia.

2008

The hypertension drug Amodipin selected as a benchmark case for product innovation (Samsung Economic Research Institute).



2016

The American Urological Association announces the Results of clinical trials for Hanmi Tams 0.4mg announced by American Urological Association. Presented clinical trial results of 2 targeted anti-cancer drugs at ASCO, including next generation RAF inhibitor. Signed licensing agreement for RAF targeted anti-cancer drug with Genentech.

2017

Rabone D, a 'SERM+Vitamin D' combination drug approved for sale. Became first South Korean pharmaceutical company to have a product listed in the U.S. drug encyclopedia (Esomezol).

2018

LAPSGlucagon Analog, Oraxol, and a next-generation medication for AML, granted Orphan Drug Designation by the US FDA. US FDA approves the sale of Hyalrheuma for treating arthritis.

Most Pharmaceutical Drug Patents

38 products

Based on drug patents registered at the Ministry of Food and Drug Safety (as of March 2019)

Most Global Licensing Agreements

12 / KRW 7 trillion

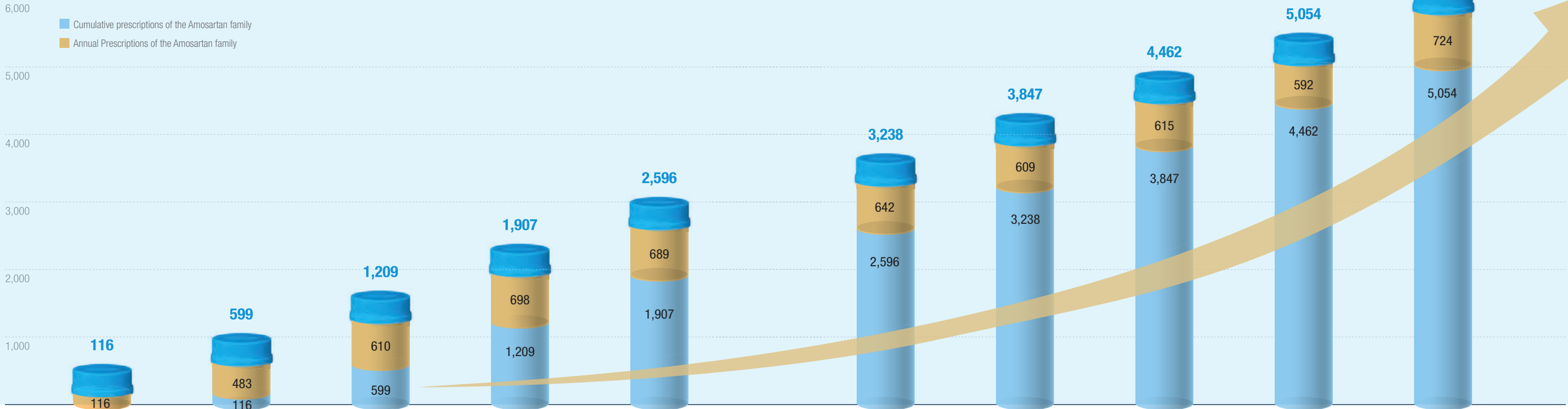
Hanmi Pharm's Book of Records - 'First', 'Largest, and 'Most'

| Year | Accomplishment   | Size                    |
|------|--|-------------------------|
| 1989 | First South Korean pharmaceutical company to export its technology to a global pharmaceutical player (largest at that time).<br>- Exported Ceftriaxone manufacturing technology to Roche.  | \$6 million             |
| 1997 | Achieved largest export of technology by a domestic pharmaceutical company at that time (surpassing its own record).<br>- Technology transfer of 'Micro-emulsion' formulation technology to Novartis.  | \$74 million            |
| 2004 | Launched Amodipin, South Korea's first modified drug created using an alternative pharmaceutical salt.<br>- 2008 revenues from the sale of Amodipin were the highest recorded to date for a modified drug.   | KRW 57 billion (2008)   |
| 2009 | First South Korean pharmaceutical company to launch the fixed-dose combination drug Amosartan.<br>- In 2014, Amosartan generated the highest ever revenue for a domestically developed combination drug.   | KRW 78 billion (2014)   |
| 2013 | Launched Rovelito, South Korea's first drug co-developed with a global pharmaceutical company.<br>- In 2014, this drug generated the highest ever revenue for a drug co-developed with a global pharmaceutical company.<br><br>Attained first FDA approval by a domestic company for an incrementally modified drug<br>- Esomezol, the world's first new salt version of Esomeprazole.   | KRW 19.9 billion (2014) |
| 2015 | Achieved largest export of technology by a domestic pharmaceutical company to date (surpassing own record).<br>- Licensed 2 biologic drugs for diabetes/obesity to Sanofi.   | € 2.93 billion          |
| 2016 | Achieved largest export of technology to date for a modified drug by a domestic pharmaceutical company (surpassing own record).<br>- Signed licensing agreement for an RAF-targeted anti-cancer drug with Genentech.   | \$ 910 million          |
| 2017 | Launched Monterizine, the world's first combination drug for treating patients with both asthma and allergic rhinitis.<br>Launched Rabone D, a 'SERM+Vitamin D' combination drug.<br>Became the first South Korean pharmaceutical company to have a product listed in the U.S. drug encyclopedia (Esomezol).<br>Became the first South Korean pharmaceutical company to receive the ISO37001 international standard certification for its corruption prevention management system. |                         |
| 2018 | Has the highest number of patents filed after the adoption of the Integrated Drug Approval-Patent System.<br><br>Becomes the first South Korean pharmaceutical to receive the ISO27001 certification for data protection management system.  | 122 cases               |

Source: "Hanmi DNA is Creating and Challenging ... Leading the pharmaceutical industry from the front as much as possible." Joongang Ilbo (24.05.2018)

10-Year History of Amosartan, Hanmi Pharm's Flagship Combination Drug

(Unit: KRW 100 million)



2009

- Amosartan launched (world's first drug combining Amlodipine camsylate +Losartan K, South Korea's first incrementally modified drug).
- Asia-Pacific region sales agreement signed with MSD.
- Awarded the South Korea Technology Grand Prize.

2010

- Awarded South Korea New Drug Development Award.
- Effectiveness as an early treatment for stage 2 high blood pressure proven.
- Awarded the IR52 Jang Young-sil Medal.
- Phase 1 clinical trials for obtaining European regulatory approval completed successfully.

2011

- High concentration Amosartan (10/50mg) launched.
- Phase 3 clinical trial results (ALOS-303 study) published in an international academic journal.
- Phase 3 clinical trial results (ALOS-301 study) published in an SCI-grade journal.
- Extension of global market export agreement agreed with MSD.

2012

- Phase 2 clinical trial results (ALOS-201 study) published in an SCIE-grade journal.
- Additional results of the phase 3 clinical trial (ALOS-302 study) published.
- Agreement signed with MSD to expand global partnership.

2013

- Regulatory approval obtained for 3 CIS nations.
- Global cooperation for marketing Amosartan expanded (Cozaar XQ).

2014

- Tablet relaunched in smaller size.
- Phase 4 clinical testing results announced comparing Amosartan with Losartan+HCTZ combination drug.
- Japanese patent for compound drug.

2015

- First domestic pharmaceutical company to print identification numbers on individual tablets.

2016

- Abstract for new phase 4 clinical trial announced at International Society of Hypertension.

2017

- Launched Amosartan Plus, the world's first CCB/ARB/Chlorthalidone triple drug combination medication.
- Launched Amosartan Q CCB/ARB/Rosuvastatin triple drug combination medication.
- Phase 3 clinical trial results of Amosartan Q announced at the European Society of Hypertension (ESH).

2018

- Clinical trial results of Amosartan family products announced at the Korea Society of Cardiology and several other academic conferences.
- Phase 4 clinical trial study of Amosartan selected as the best scientific paper. (Korea Society of Hypertension)
- Phase 4 clinical trial poster shown at the Europe Society of Hypertension.



Signing ceremony with MSD for sales licensing agreement for six Asia-Pacific countries (July 2009)



Recipient of the South Korea New Drug Development Award (February 2010)



Announcement of the results of the phase 4 clinical trial for Amosartan at the International Society of Hypertension (September 2016)

Amosartan Tablet

(Amlodipine/Losartan)

5/50mg



5/100mg



10/50mg



Amosartan Plus Tablet

(Amlodipine/Losartan/Chlorthalidone)

5/50/12.5mg



5/100/12.5mg



5/100/25mg



Amosartan Q Tablet

(Amlodipine/Losartan/Rosuvastatin)

5/50/5mg



5/100/5mg



5/50/10mg



5/100/10mg



5/50/20mg



5/100/20mg



Amosartan Family Product Lineup (2017)

| Category                               | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | Total   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| No. of patients (persons)              | 151,200 | 313,400 | 360,750 | 382,300 | 387,400 | 349,400 | 335,000 | 336,033 | 333,388 | 378,489 | 522,991 |         |
| Prescriptions <sup>1)</sup>            | 116     | 483     | 610     | 698     | 689     | 642     | 609     | 615     | 592     | 724     | 1,000   | 6,777.3 |
| Cumulative prescriptions <sup>1)</sup> | 116     | 599     | 1,209   | 1,907   | 2,596   | 3,238   | 3,847   | 4,462   | 5,054   | 5,777   | 6,777   |         |

1) UBIST (2009~2018, unit: KRW 100 million)

# Leveraging its Market-Leading Position to drive Korea to become a Pharmaceutical Powerhouse

## Importance and Approach

Hanmi Pharm products have an impact not only on the health of our customers but also on their lives. Pharmaceutical information must be accurately communicated to patients and medical professionals alike so that products can be used properly and safely. Therefore, Hanmi Pharm does its utmost to provide accurate and necessary information on our products in an appropriate manner for patients and medical professionals. As an ethical and responsible company, we abide by the rules of the market while aiming to generate profits only through legitimate means to ensure the sound growth of our organization. All employees are committed to achieving the best possible results in a just and ethical way to ensure the trust of all our stakeholders.



## Responsible Marketing that Considers Social Impact

Hanmi Pharm operates a regulatory affairs team and a compliance team to ensure that our marketing is conducted in a transparent fashion and that all our products are precisely labeled. These two teams ensure that our marketing and labeling activities comply with the relevant laws and regulations, such as the Pharmaceutical Affairs Act of Korea, and strive to monitor and prevent any exaggerated or misleading advertising of our products. Following an internal review, the marketing team selects the launch market and product target and sets the budget for promotional and marketing activities after considering the item's place in the product life cycle. While the activities of each marketing phase are being executed, the effectiveness and progress rate of the Action Plan are periodically converted into key performance indicators (KPI) and evaluated in-house. The results are then reported to top management, who become directly involved in making decisions about those issues. All this demonstrates the great sense of responsibility our company feels about the products we make for customers.



The requirement to submit a report on expenditures related to providing economic profit, as stipulated in article 47, clause 2 of the Pharmaceutical Affairs Act, which took effect in January 2018, has altered the pharmaceutical business environment. In response to this, Hanmi Pharm has launched a diverse set of marketing programs.

## Hanmi Pharm Continues to be Recognized as an Innovative Pharmaceutical Company

Recognition of and support for Innovative Pharmaceutical Companies was initiated by the Ministry of Health and Welfare of Korea based on the Special Act on Fostering and Support of the Pharmaceutical Industry, and the first commendations were awarded in 2012. Companies with the R&D capabilities and other competencies required to develop new drugs and enter the global market are recognized as an 'Innovative Pharmaceutical Company' and invited to participate in government-sponsored technology development projects. They are also accorded preferential consideration when pricing their drugs, as well as given tax subsidies and other types of government support. Hanmi Pharm was first recognized as an 'Innovative Pharmaceutical Company' in 2012 and has succeeded in retaining this award every year since then.

## Responding to Government Policies on Pharmaceuticals

Hanmi Pharm not only pursues its own growth but also strives to be a beacon for the pharmaceutical industry and the nation's industries as a whole. Our company is a leading member of the Korea Pharmaceutical and Bio Pharmaceutical Manufacturers Association and a number of other major pharmaceutical associations. We band together with our peers in the domestic pharmaceutical industry to present a united response to the government's pharmaceutical policies.

Data Based Sales & Marketing

Hanmi Pharm's online marketing is receiving a lot of attention as a new marketing and sales activity tool for promoting the latest trends in pharmaceutical products to medical professionals who are wary about meeting sales representatives from pharmaceutical companies following structural changes in the sales environment.

Evidence-based Marketing

Last year, Hanmi Pharm achieved the number one position in sales in the domestic outpatient prescription drug market. This was accomplished not through the sale of merchandise imported from abroad but with products developed with Hanmi's own resources. We are raising customer confidence in our products with differentiated products and evidence-based marketing and sales based on academic data.

Evidence-based Marketing Activities for Key Products

| Product          | Activity   |
|------------------|--|
| Amosartan        | Phase 4 clinical trial results announced at the ESH (Europe Society of Hypertension).<br>Phase 4 clinical trial study recognized by the Korea Society of Hypertension as the best scientific paper.<br>Results of clinical trials for the family brand presented at twelve important domestic academic seminars. |
| Rovelito         | Phase 4 research paper on Rovelito published in SCI-grade international academic journal (Drug Design, Development and Therapy).   |
| Monterizine      | Phase 3 research results announced at the Conference of the American College of Chest Physicians.<br>Phase 3 research paper published in SCI-grade international academic journal (Clinical Therapeutics).   |
| Hanmi Tams 0.4mg | Phase 3 research paper published in SCI-grade international academic journal (Current Medical Research and Opinion).   |
| Naxozol          | Phase 4 clinical trial results announced at symposiums held across the nation.   |

We also hosted the ‘Hanmi Weekend’ symposium at which we presented our company’s R&D strategy and vision, and medical data on the clinical efficacies of our incrementally modified drugs and fixed dose combinations currently on sale to private medical practitioners from across the country. Under the theme of ‘Hanmi R&D; Now and the Future’, we introduced the clinical efficacies of some of our leading incrementally modified drugs and fixed dose combinations, such as the Amosartan family of drugs, as well as Monterizine and Rabone D. We also introduced new drugs currently in the development pipeline, which are destined for global markets. We will continue to host this symposium on an annual basis in order to develop it into a venue for communicating with our customers about our R&D strategy, vision, and results, and for rolling out evidence-based sales and marketing.



Hanmi Weekend Symposium



Big Data Based Decision Making

In 2017, Hanmi Pharm successfully integrated the huge and diverse amount of data we had gathered over the preceding years and deployed a Big Data platform. Capable of providing unrestricted analyses of 8 TB of data, this platform combines high-quality internal data and external data collected through Online Pharm, RFID and ERP, to enable rational decision-making based on Big Data. Decision-making based on the new platform will permit the company to efficiently allocate its resources and improve work productivity when developing new combination drugs needed by patients and markets and establishing marketing and distribution strategies for these new drugs. Additionally, in February 2019, we formed the Data Science Team with the remit of realizing our vision of becoming a pharmaceutical powerhouse and developing next-generation growth engines. The team was assigned the mission of developing new business models that could place the company in a strong leadership position for the upcoming era of the Fourth Industrial Revolution in Healthcare. In the future, Hanmi Pharm will continue its company-wide investment and efforts to position itself as a leader in the field of medical care and the pharmaceutical ecosystem of the new era.



Live Symposium

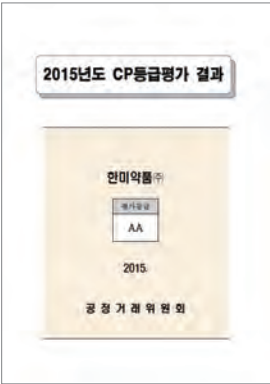
Live Symposium is the flagship service provided by medical portal HMP, through which clinicians can watch online lectures on clinical studies and acquire the latest medical information from renowned medical doctors. Lectures on diseases and medical products, based on the extensive product portfolio of Hanmi Pharm, are also available for viewing. Medical professionals often watch these lectures during their lunch and dinner breaks. Since the launch of the service in 2013, more than 1,200 lectures have been broadcast through Live Symposium, and the number of viewers has increased with each passing year. Live Symposium will continue to produce new contents about useful topics and assemble distinguished lecturers to provide viewers with convenient access to up-to-date academic information online.

i-hanmi

i-hanmi is a program operated by Hanmi Pharm that provides tailored, useful contents to doctors when they are treating patients. With this program, doctors can view the the development history of a particular drug, the latest treatment guidelines, the characteristics of a disease/medication, and insurance benefit information through a Q&A-based 1:1 feedback format. Since the program can be accessed via PC or mobile, the service can be used anywhere at any time. Medical professionals have expressed a high level of satisfaction with this video-detailed program which is available in several formats (1:1, group, or video).

Ethics and Compliance Management

To foster a culture of fair trade in South Korea's pharmaceutical industry, Hanmi Pharm adopted a fair trade compliance program (CP) back in 2007, and began undergoing biennial CP rating evaluations by the Korea Fair Trade Commision from 2013.The company was awarded an AA rating on two consecutive occasions in 2015 and 2017, thus maintaining the highest rating in the pharmaceutical industry. Furthermore, it was the first pharmaceutical company in South Korea to receive the ISO37001 certification, the international standard for anti-bribery management systems. This was a milestone event that raised the company's standards on ethics and compliance management to the next level.



2015 CP Rating Assessment Certificate  
Fair Trade Commission



2017 CP Rating Assessment Certificate  
Fair Trade Commission



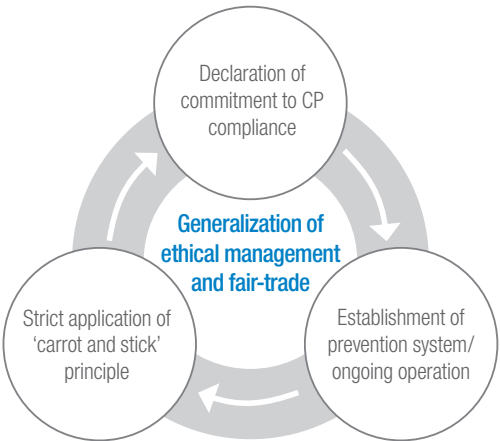
ISO37001 Certificate  
Korea Compliance Certification Assurance

Highest CP Rating in the Pharmaceutical Industry (twice consecutively in 2015 and 2017)

AA Rating

Korea's Industry-leading Fair Trade Self-Compliance Program

The Fair Trade Self-Compliance Program (CP) is a program a company must operate on its own initiative in order to comply with the laws on fair trade. For this purpose, Hanmi Pharm has developed and operates a system comprising the following seven elements: ① Institute CP and establish CP operating policy; ② Support from top management; ③ Self-compliance manual; ④ Educational training program, ⑤ Advance monitoring system; ⑥ System of incentives and sanctions; and ⑦ Assessment of effectiveness of CP education.



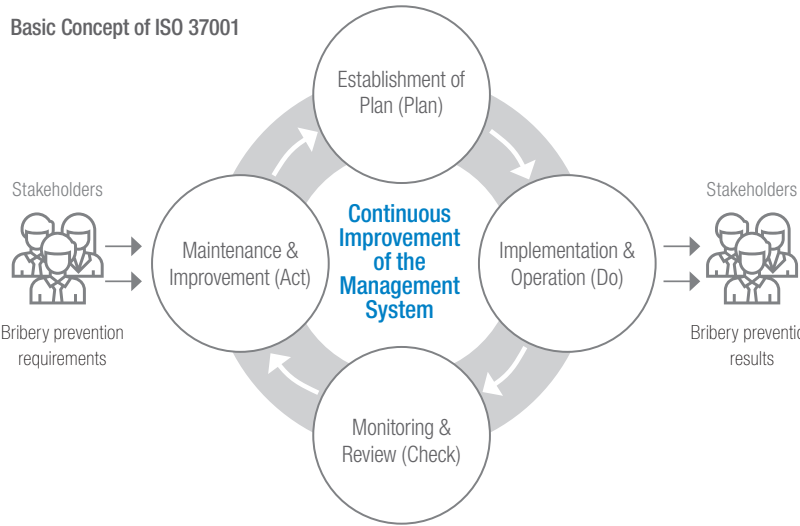
7 Key Elements of CP Composition

- Declaration of commitment to CP compliance
- ① Top management's declaration of voluntary compliance (Commitment)
- Establishment of prevention system/ongoing operation
- ② Appointment of a voluntary compliance officer  
③ Drafting/distribution of a voluntary compliance manual  
④ Implementation of training program  
⑤ Development of a monitoring system  
⑥ Development of a document management system
- Strict application of 'carrot and stick' principle
- ⑦ Imposition of penalties on employees who violate laws and regulations on fair trade

Implementation of ISO37001 (Anti-bribery Management Systems)

ISO 37001 (Anti-bribery Management Systems) is an international standard that sets out the requirements and guidelines to be implemented to control the risk of work-related bribery. In 2017, Hanmi Pharm became the first pharmaceutical company in South Korea to implement the ISO37001 certification standard. This was followed by its first ISO37001 audit in October 2018, the results of which showed that Hanmi Pharm was in full compliance. The audit proved to be an opportunity for raising awareness of the importance of bribery prevention and ethical management among employees. In the future, the company intends to work together with its employees to reduce the risk of violations of the law.

Basic Concept of ISO 37001



Establish Plan (Plan): Establish policy, target, process and procedures to prevent bribery.  
Relevant provision: (Article 4) Organization, (Article 5) Leadership, (Article 6) Planning, (Article 7) Support

Implementation & Operation (Do): Implement anti-bribery processes and procedures devised at planning stage.  
Relevant provision: (Article 8) Operation

Monitoring & Review (Check): Monitor anti-bribery policies and targets; report results.  
Relevant provision: (Article 9) Results and Evaluation

Maintenance & Improvement (Act): Identify instances of non-compliance and rectify through corrective actions.  
Relevant provision: (Article 10) Improvement

First for a South Korean Pharmaceutical Company!

ISO37001 Certification

[Hanmi Pharm Bribery Prevention Policy]

Hanmi Pharm, which leverages the twin ideals of creativity and challenge to pursue a management philosophy of "Respect for People, Value Creation," has drawn up an anti-bribery policy with the aim of strengthening its compliance management.  
All employees must be fully aware of and abide by the company's anti-bribery policy.

1. All forms of corrupt behavior, including the taking of bribes, are strictly prohibited.
2. All laws and internal regulations on the prevention of bribery must be strictly observed.
3. All acts of bribery and potential instances of bribery must be reported as soon as they become known.
4. Implementation of anti-bribery policies must contribute to protecting and enhancing the reputations of both individual people and the company as a whole.

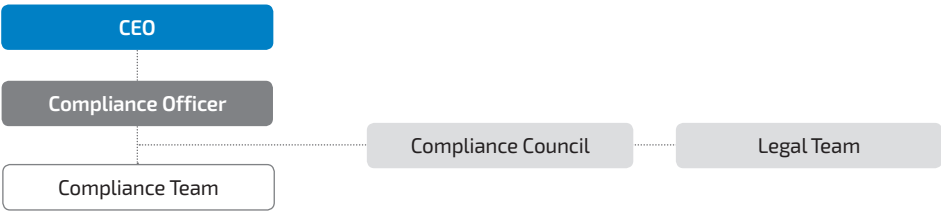
Through the implementation of the company's anti-bribery policy, driven by Compliance With employees ongoing commitment to implementing the company's anti-bribery policy supported by Compliance Officers invested with the authority to enforce anti-bribery measures, the company will strive to achieve its anti-bribery management targets while doing its very best to improve its anti-bribery management system.

President & CEO Jong-Soo Woo, Se-Chang Kwon

Compliance Operations Organization & Activities

The company has appointed a Compliance Officer, who reports directly to the CEO, to handle all activities related with ethics and legal compliance management, such as CP, bribery prevention management and internal audits. In addition, it operates a dedicated Compliance Team and has formed a separate compliance council to pro-actively assess and respond to risks endangering key departments.

Hanmi Pharm Compliance Organization



Third-Party CP education

Hanmi Pharm is making every effort to ensure that illegal activities do not occur by actively operating its compliance program and the anti-bribery management system (ISO37001). The CEO emphasizes the importance of ethics management and CP operation in his New Year's Greetings message, and again in a speech delivered on Self-Compliance Day (April 1st). The company also requires all employees to sign the 'Oath of Fair Trade Self-Compliance' and attend a special training session on ethical management. By strengthening regular CP training given to departments that have high potential exposure to legal violations, and by making CP education compulsory for new employees, the company has stressed the importance of CP.

In addition, the company has established the Compliance Council made up of representatives from key departments and is monitoring the risk of legal violations in advance through regular committee meetings. Through advance consultations on job tasks, CP monitoring, the listing of external parties that fall under the scope of the anti-graft law, the CP Help Desk and various other procedures, the company is trying to prevent illegal activities before they can take place. To convey the company's determination to root out illegal activities by third parties, the company is also extending its CP education campaign to third parties such as subcontractors, suppliers, or distributors. Educational sessions aimed at third-party CROs and CSOs teach our company's ethical management and our commitment to preventing infractions. These sessions also include the sharing of information on relevant laws, an explanation of the process for reporting violations, and classes on the code of fair competition and anti-graft law. In addition, the company conducts thorough post-hoc investigations through its internal whistleblower system (See the "Clean Management Shinmungo" and "Infraction Reporting" sections on the company website), on-site inspections, and regular (special) audits. Individuals who are found to have violated the company's CP are referred to the HR Committee to face disciplinary action, while individuals and teams identified as top performers in CP are given awards. This is how the company motivates its employees to comply with its CP.

2018 CP Top Performer Award

| Category                   | 1Q | 2Q | 3Q | 4Q | Total |
|----------------------------|----|----|----|----|-------|
| Top Performing Team/Region | 3  | 3  | 3  | 3  | 12    |
| Top Performer (Person)     | 5  | 5  | 5  | 5  | 20    |

With the above, Hanmi Pharm has deployed a powerful system for thwarting illegal behavior through the preemptive management of risk of violations, real-time monitoring, and post-hoc validations. To become a company that is trusted by the public, Hanmi Pharm will make absolutely sure that legal compliance management and ethics management are firmly entrenched at the heart of its operations.

Internal Whistleblower System  
(corporate intranet  
'Clean Management Shinmungo')

Hanmi Pharm's Anti-Bribery Education

|                                | Category                      |                | Unit     | 2016  | 2017  | 2018  |
|--------------------------------|-------------------------------|----------------|----------|-------|-------|-------|
| Anti-Bribery Education         | New Employees                 | Total Sessions | sessions | 3     | 3     | 5     |
|                                |                               | Participants   | persons  | 360   | 511   | 200   |
|                                |                               | Total Duration | hours    | 7     | 6     | 10    |
|                                | Domestic Divisions            | Total Sessions | sessions | 5     | 6     | 10    |
|                                |                               | Participants   | persons  | 770   | 717   | 634   |
|                                |                               | Total Duration | hours    | 5     | 6     | 10    |
|                                | Total                         | Total Sessions | sessions | 1     | 1     | 2     |
|                                |                               | Participants   | persons  | 2,188 | 2,356 | 2,402 |
|                                |                               | Total Duration | hours    | 0.5   | 1     | 2     |
| Disciplinary Cases for Bribery | Dismissal, Pay-cut, Reprimand |                | persons  | 35    | 18    | 15    |
| Bribery Risk Analysis          | Total no. of Plants           |                | sessions | -     | 5     | 5     |
|                                | Total no. of Plants Audited   |                |          |       | 3     | 5     |

Awards for Ethical Management

Hanmi Pharm has received a number of prestigious awards from the government in recognition of its contribution to promoting CP culture and its continuous operation of CP. During the 4-year period from 2014 to 2017, the company was honored on consecutive occasions with commendations from the President and the Chairperson of the Fair Trade Commission. In 2018, it was awarded a citation from the Minister of Health and Welfare for its role in establishing CP culture in the pharmaceutical industry. In February 2019, it received a citation from the Minister of Food and Drug Safety.

Awards

| Category | Total  | Category | Total                                       |
|----------|--|----------|---|
| 2014     | Fair Trade Commission Chairperson's Citation | 2017     | Fair Trade CommissionChairperson's Citation |
| 2015     | Fair Trade Commission Chairperson's Citation | 2018     | Minister of Health and Welfare Citation     |
| 2016     | President's Citation                         | 2019     | Minister of Food and Drug Safety Citation   |

Strengthened CP Capabilities

Hanmi Pharm actively participates in various CP operational programs, seminars and forums organized by the government, pharmaceutical associations, media and law firms to strengthen its CP capabilities. Furthermore, its Compliance Council, whose members are fully-qualified Clinical Compliance Certified Professionals (CCCP), is widely acknowledged in the industry for its CP expertise.

Trust Management

Hanmi Pharm has installed stringent internal regulations against the use of undisclosed information by our employees; with these regulations in place, the company will be able to meet its social responsibilities and preserve the trust it has built with its stakeholders. The company has drawn up stock trading guidelines on its own initiative called "Regulations for the management of inside information and the trading of specific securities (treasury stocks)." These guidelines apply to employees who manage the company's business performance, employees who are participating in a particular project, and other employees at Hanmi Pharm or Hanmi Science. Employees who manage the company's business performance figures are prohibited from trading Hanmi Pharm, Hanmi Science and JVM stocks from the day after important earnings announcements are made until the end of the relevant quarter,. At the end of each quarter, all employees must report the amount of company stocks that they have traded and the transaction price among other information through the company intranet. All employees have to sign a pledge to comply with the regulations on managing inside information and the trading of certain securities, and, twice a year, they must attend regular education on the trading of securities. Restricting the trading of company shares is a strong step that has no precedent in other industries, let alone in the pharmaceutical industry. Through such stringent measures, we will strengthen the trust of our customers and build a world-class internal management system.



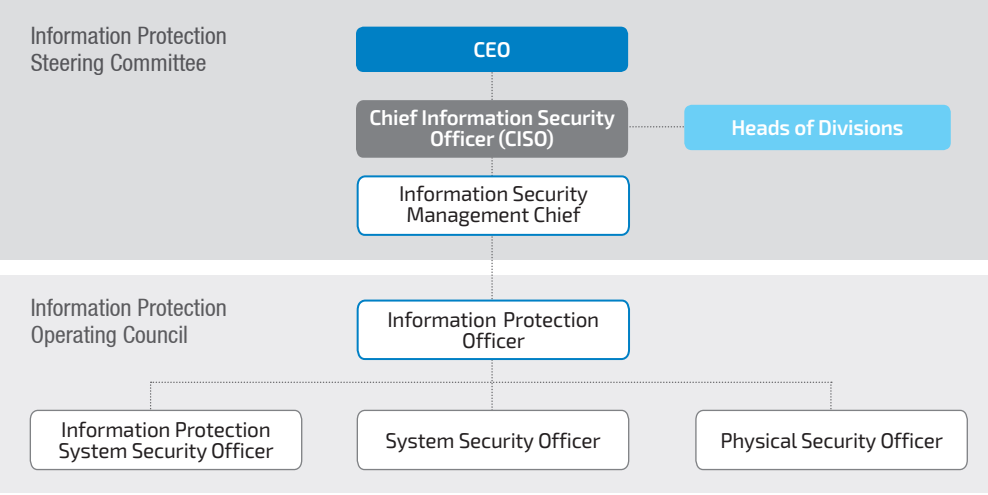
Fair Trade Commission Chairperson Citation



Minister of Food and Drug Safety Citation

International Standard on Information Security Management System (ISO27001) Certification

As one of the critical elements of sustainability management, Hanmi Pharm has established and presently operates an information security management system to protect its information assets from external and internal security risks. To ensure the functionality of the information security management system, the company established the Information Protection Committee and implemented regulations on security management. Furthermore, the company was able to leverage becoming the first pharmaceutical company to obtain ISO27001 certification, the international standard on information security management systems, to enhance the robustness of the company's diverse businesses under the wings of a global standard protection system.



ISO 27001 is an international standard on information security management systems established by the International Organization for Standardization (ISO). To become certified, a company must pass suitability assessments on 114 controls that cover 14 areas. These controls include information security policies, physical security, access control, and legal compliance. Having earned the ISO27001 certification, the company is able to fulfill the requirements for protecting research data generated when developing new drugs as well as satisfying the conditions necessary to protect information essential for its global business. For enhanced information security management, the company plans to gradually expand manpower to form a dedicated division.



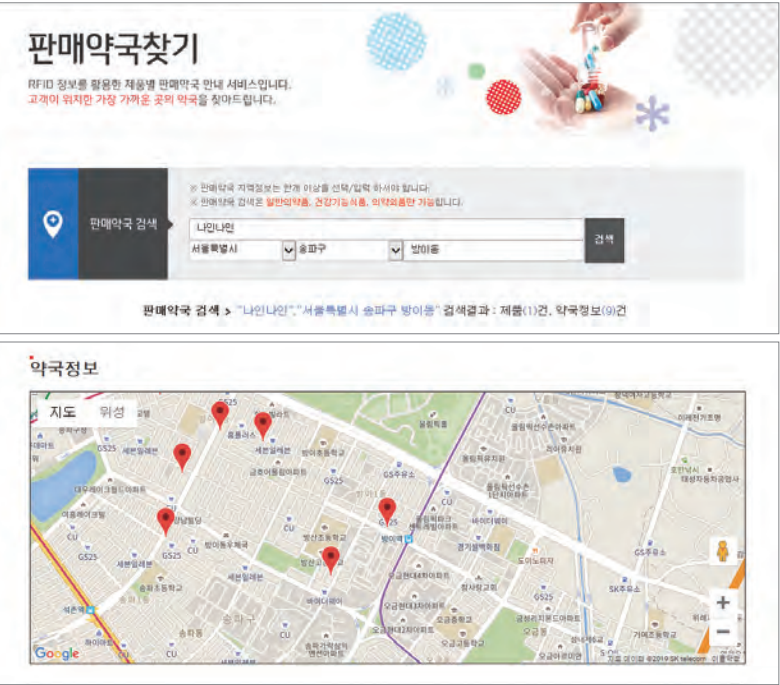
ISO27001 Certification Ceremony



ISO27001 Certificate

Improved Customer Access to Medical Drugs

The sales organization and distribution network of Hanmi Pharm covers the entire country, thus enabling all South Koreans to obtain prescription drugs made by Hanmi Pharm anywhere in the country. The Hanmi Pharm website also has a "Find a Pharmacy" service enabled by RFID information. If you search for a product in a specific geographical location, the service will suggest your nearest pharmacy, making the purchase much more convenient.



'Find a Pharmacy' service on the Hanmi Pharm website.

Review of Efforts to Lead the Pharmaceutical Industry and Future Plans

Hanmi Pharm is constantly striving to transform South Korea into a pharmaceutical powerhouse. Hanmi Pharm has determined that making a concerted effort to fulfill its social responsibilities as a corporation is a critically important step on the path to sustainable growth. Consequently, the company will maintain its data-based sales and marketing operation, and continue to innovate through Big Data in tandem with the Fourth Industrial Revolution. To operate a more improved legal compliance management and ethics management system befitting an industry leader like Hanmi Pharm, we will continuously expand and strengthen the value of our company under the guidance of our top management and the BoD. Although the operation of many programs designed to ensure fair competition depends on our Compliance Officers, CP Management Committee and Compliance Team, in reality it is the willingness of our employees to voluntarily comply with the fair trade regulations and report any violations of the fair trade law that forms the basis of all such programs. Hanmi Pharm understands that fair competition and ethics-related issues arising from in and outside the company pose critical risks that could directly affect the company. By constructing a system for responding to such issues, the company will preemptively thwart illegal forms of competition and establish an ethics culture deep within the company, leading the way to a mature and fair culture of competition. In order to execute this approach as our corporate strategy, the company announced "Core Strength Management" as its 2019 management slogan. Henceforth, we shall do our best to make the domestic pharmaceutical industry more financially robust as a way of repaying our stakeholders' trust.

# Putting People First: Management Based on Respect for People

## Importance and Approach

The first and foremost mission of Hanmi Pharm is to create new value so that the life and health of every person is protected and quality of life enhanced. Through business management based on respect for people that places customers and employees above all other considerations, Hanmi Pharm listens closely to the demands of stakeholders, whose voices are clamouring to be heard. Hanmi also works hard to increase its competitiveness by training key human resources and enriching its employees' quality of life, and strives to improve its corporate culture on a continuous basis.

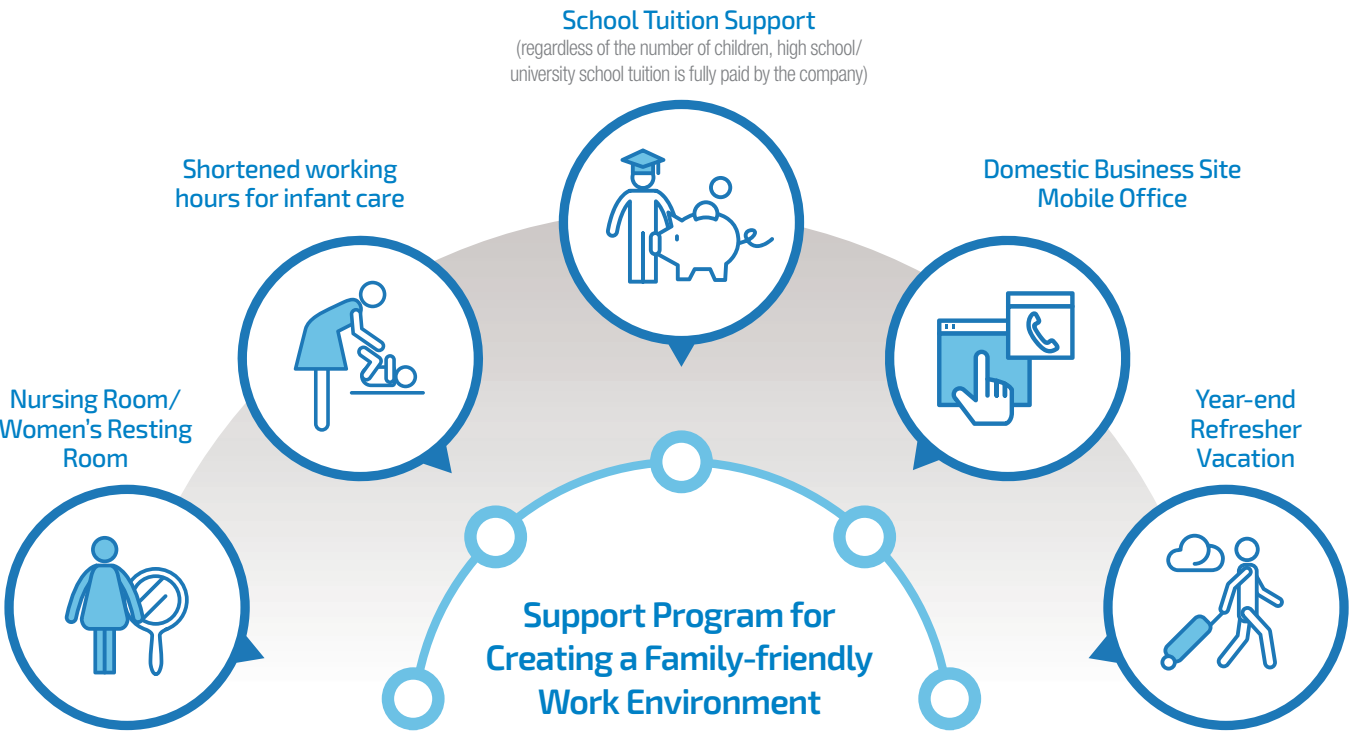


## Improving Work-Life Balance

### Best Family-Friendly Company

In 2018, the company was named a 'family-friendly certified company' by the Ministry of Gender Equality and Family, in recognition of its efforts to create a family-friendly corporate culture that could serve as a model for other companies. The company offers a range of benefits with the aim of enabling its employees to achieve a satisfactory work-life balance.

### Support Program for Achieving Work-Life Balance



### Stable Post-Retirement Life Program

Employees' job security is guaranteed until retirement at the age of 60 in order to allow employees to enjoy a high quality life post-retirement. The company has adopted a peak wage system in which wages peak at the age of 55 and thereafter are reduced by 0~20% annually with the exact reduction rate depending on the employee's job performance.

The company operates both a defined benefit (DB) and a defined contribution (DC) pension scheme, where the retirement pensions of employees are safely managed by depositing them in financial institutions. Employees may receive their pensions as either a lump sum or an annuity for a happy retirement.

Strengthening Human Rights Management

Implementing the 52-hour work week

To actively promote acceptance of the 52-hour work week, Hanmi Pharm has developed numerous measures for reducing working hours. Guidelines on complying with statutory working hours were communicated throughout the company, while a flexible working hours policy, a flexible working days policy and a work-from-home policy were introduced at each business site in order to enact the shortened working hours regulations.

Management of Employees with Disabilities

Hanmi Pharm seeks to promote the recruitment of persons with disabilities and help them settle into the company without any discomfort. After verifying the number of persons with disabilities working at each business site, the company works to improve their employment by making any necessary accommodations, and improving welfare benefits. The personal information of persons with disabilities is kept strictly confidential during and after their employment, such that they are not subjected to any disadvantages or discrimination with regard to work on the basis of disclosing their disability.

Sexual Harassment Prevention Committee

Hanmi Pharm runs a sexual harassment prevention committee at each of its business sites for the purpose of preventing sexual harassment in the workplace, providing counseling, and processing complaints. All complaints received by the committee are reported directly to the CEO, and the confidentiality of those involved is assured while the case is being reviewed. When a complaint is received, the committee holds a hearing after reviewing the results of the inquiry. After the case hearing ends, the victim of sexual harassment is first provided with psychological counseling and a period of leave, then receives support on returning to work through a process of ongoing monitoring, and is also given the opportunity to switch to a different department if desired.

Protection of Customer Service Workers

In response to the enactment of the Occupational Health and Safety Act, which is designed to protect the health of customer service workers, the company has established guidelines for protecting its customer service workers, and also provides them with training on emotional labor management and ways of avoiding health issues. Through a combination of online/offline training, counseling, and protective procedures for employees at domestic business units, IR Teams, and call centers, the company is creating a happy and healthy work environment.

Employee Labor Management Relations

Hanmi Pharm is working hard to incorporate its employees' ideas to improve its corporate culture and welfare benefits. To that end, a grievance committee has been formed at each business site to process any grievances filed by employees. Each quarter, the company encourages employees to hold discussions with each other through the Employee Association (equivalent to the Labor Management Association). Through the Employee Association, the company can listen to the opinions of both sides and thereby avoid one-sided arguments. The company also holds regular labor management workshops as a way of introducing a culture of communication. By the end of 2018, 1,753 employees had taken part in Employee Association meetings, a figure representing 73% of the total workforce. The laws and regulations on labor are strictly observed at all of the company's business sites, and the human rights of employees and their security of employment are guaranteed. In addition, the company is striving to protect the rights of employees at all business sites in accordance with the relevant codes, regulations, and laws, and in accordance with the Labor Standards Act unconditionally prohibits the use of forced and child labor.

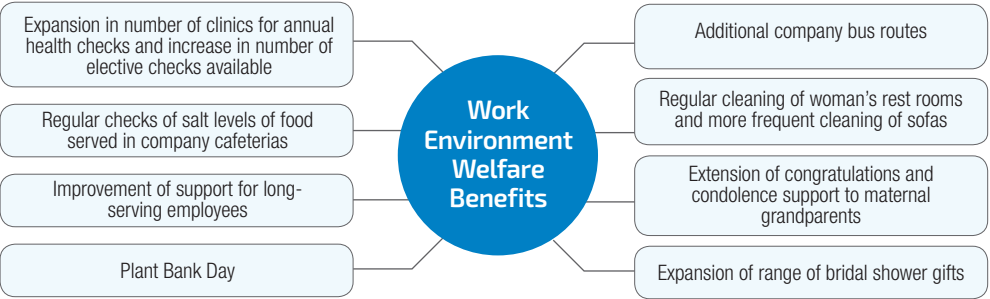
Operation of the Employee Association

| Category |                             | Unit   | 2016 | 2017 | 2018 |
|----------|-----------------------------|--|------|------|------|
| Total    | Total No. of Business Sites | No. of Business Sites  | 4    | 4    | 4    |
|          | Description                 | HQ : 8 employer members, 10 employee members<br>Paltan Smart Plant : 10 employer members, 10 employee members<br>Pyeongtaek Bio Plant : 7 employer members, 7 employee members<br>Research Center : 8 employer members, 8 employee members |      |      |      |

Operation of the Employee Association at Key Affiliates

| Category            |                             | Units   | 2016 | 2017 | 2018 |
|---------------------|-----------------------------|---|------|------|------|
| Beijing Hanmi       | Total No. of Business Sites | No. of Business Sites   | 1    | 1    | 1    |
|                     | Description                 | · Council (established and operated)  |      |      |      |
| Hanmi Fine Chemical | Total No. of Business Sites | No. of Business Sites   | 1    | 1    | 1    |
|                     | Description                 | · Labor Management Association is being operated.<br>· Changes in recruitment practices must be approved by the Association (over 50% of its members must vote in favor). |      |      |      |

Important Welfare Improvements Negotiated through the Employee Association



Number of Employees Who Received Human Rights Training

| Category |  | Unit    | 2016  | 2017  | 2018  |
|----------|--|---------|-------|-------|-------|
| Total    | No of recipients of human rights training  | persons | 2,085 | 2,271 | 2,399 |
|          | No. of human rights-related training hours | hour    | 1     | 2     | 5     |

At Hanmi Fine Chemical, employee representatives and the Labor Management Association hold periodic meetings in order to have regular communication. Important business changes are announced to employees and, when necessary, ad hoc meetings of the Labor Management Association are also held. Important issues relevant to the business are discussed, as well as subjects like HR policy, compensation, and welfare benefits. For example, on issues related to employee rights like recruitment practices, decisions must be approved by the association (over 50% of members must vote in favor). Meanwhile, the company's 'Saengmato (discussion for sharing opinions and ideas) Meetings' have laid down the foundation for a smooth exchange of dialogue between employees and labor management, thus supporting the growth of the company. Beijing Hanmi holds regular LMA meetings with the head of the council, during which the two sides discuss welfare issues and health and safety issues.

Percentage of Female Executives in 2018

24%

Awards

Selected as a Female-Friendly Workplace

2009

Received Citation for Excellence in Gender Equality in Recruitment (JVM)

2017

First Pharmaceutical Company to Receive the BPW Gold Award

2018

※ BPW: Korea Federation of Business & Professional Women

Strengthened Competitiveness through Promotion of Female Executives

Hanmi Pharm provides equal opportunities when it comes to recruitment and promotions irrespective of gender. Through various policies, the company is creating a work environment that is friendly to women, thereby expanding women’s participation in our society so that they can elevate their status. Of the 49 executives currently working for the company, twelve (24%) are women. Female executives are actively working not only in R&D fields such as clinical development, regulatory affairs, overseas businesse, and research, but also in the supervision of manufacturing plants and in marketing.

Number of Female Executives

| Year | Total No. of Executives | No. of Female Executives | %   |
|------|-------------------------|--------------------------|-----|
| 2017 | 53                      | 12                       | 23% |
| 2018 | 49                      | 12                       | 24% |

\* ncludes directors

Employee Welfare Benefits

Hanmi Pharm provides free annual health checkups to its full-time employees, so they can take care of their health, and gifts welfare points on the two major national holidays, as well as Labor Day, and birthdays. Other types of welfare benefits include long-term employment (10 years, 20 years, 30 years) awards, subsidized lunch and public transportation expenses. Each month, employees can apply for free condominium timeshare nights, while top performing employees at Hanmi Pharm and Beijing Hanmi are given the chance to visit South Korea/China as part of a South Korea-China exchange program.



Hanmi Pharm Group Worker Welfare Fund

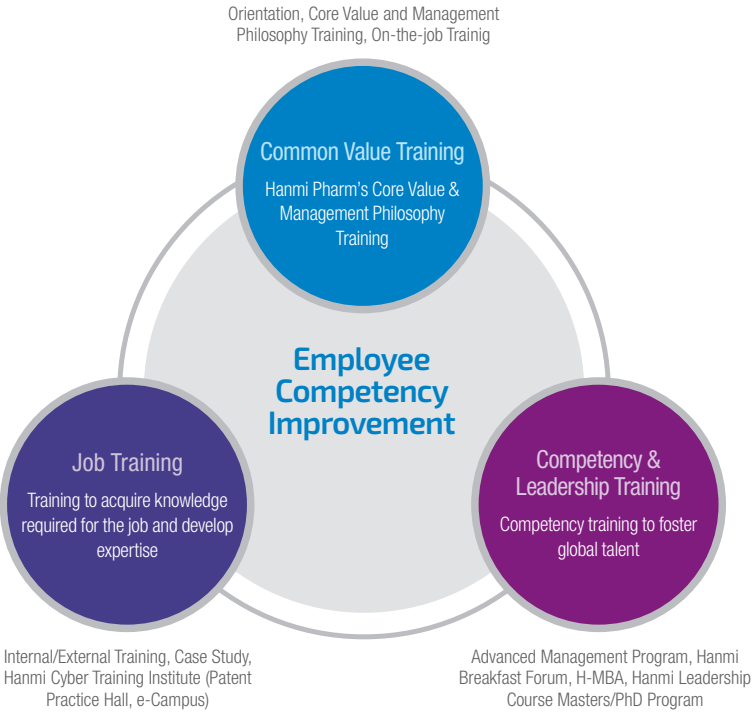
Hanmi Pharm, in partnership with Hanmi Science, established the Hanmi Pharm Group Welfare Fund to help employees enjoy stable lives and receive better welfare benefits. This fund is financed by corporate earnings and is used for the benefit of employees and their children, such as school expenses, family event support, and health checkups.

Employee Welfare Improvements

| Category                               | Description  |
|--|--|
| Healthcare Support                     | - Annual health checkup<br>- Influenza vaccination   |
| Congratulations and Condolence Support | - Monetary contribution for marriage of employee or family member, 60th or 70th birthday of parents or death of family member.<br>- Floral tribute, honeymoon leave, bereavement leave<br>- Infant accessories for new births, gift for child's 1st birthday.  |
| Welfare Points                         | - Welfare points for long-term employees (10/20/30 years) (KRW 500,000/ KRW 800,000/ KRW 1,200,000)<br>- Welfare points equal to KRW 300,000 (KRW 100,000 on Lunar New Year and Harvest Festival / KRW 50,000 on birthday / KRW 50,000 on Labor Day) each year<br>- Issuance of welfare credit card to employees |
| Sponsor Company Discount Benefits      | - Discounts from businesses registered on the Welfare Mall (shopping malls, hospitals, travel agencies, etc.)<br>- Employee discounts on stays in condominiums (corporate membership)<br>- Employee discounts offered by the Chinese restaurant Eoyang   |
| Work Environment                       | - Employee lounges where employees can enjoy free refreshments and rest are available at all business sites<br>- Free home←→work shuttle bus and company uniform support.  |

Improving Employees' Competencies

Hanmi Pharm firmly believes that employees' personal growth will translate into the growth for the company, and thus provides diverse educational opportunities for them to improve their competencies, which they can then put to good use on the job.



Every year, the company selects top talents to attend a five-month course of online H-MBA training. Those who do well in the H-MBA online program can receive full tuition support to enroll on an MBA program in South Korea or abroad. Furthermore, employees are improving their knowledge and job skills through mandatory participation in external seminars and internal training. Through its Career Development Center (CDC), Hanmi Pharm encourages employees to rotate their jobs. Generally, any employee can transfer jobs either by applying for an opening in a department that has advertised a job on the company’s internal job posting board or, by uploading their résumé in advance, and being contacted by a department that needs to fill a position. For the sake of win-win growth for both the company and employees, Hanmi Pharm is planning to build a more systematic educational program.

H-MBA

H-MBA is the name of the in-house MBA program launched in 2011 by Hanmi Pharm. The program was relaunched as Real-MBA in 2018. Employees can take online courses in HR organization, accounting, management strategy, marketing, and finance, and can also attend offline special lectures on the Fourth Industrial Revolution and a discussion-based class in which participants learn about the latest case studies and issues.

| Category                                | 2017 | 2018 | 2019 |
|---|------|------|------|
| No. of graduates                        | 36   | 21   | 20   |
| Cumulative no. of graduates (2011~2019) | 276  |      |      |

New recruits in 2018

503persons

(Highest number of new recruits in the pharmaceutical/bio industry)

Recruitment of Top Talent & Advancement of the Management Process

Last year, Hanmi Pharm recruited the highest number of new personnel among all domestic pharmaceutical and bio-pharmaceutical companies.

New recruitment by domestic pharmaceutical companies in 2018

| Rank | Company Name | Total No. of Employees in 2017 | New Hires in 2018 |
|------|--------------|--------------------------------|-------------------|
| 1    | Hanmi Pharm  | 2,230                          | 503               |
| 2    | Company S    | 1,408                          | 487               |
| 3    | Company S    | 2,022                          | 444               |
| 4    | Company J    | 2,022                          | 480               |
| 5    | Company B    | 1,049                          | 339               |

\*Source: Ranking of domestic pharmaceutical and bio-pharmaceutical companies in terms of new hires in 2018 (Newsday, 16.10.2019).



Pharmaceutical/Bio Pharmaceutical Industry Job Fair



Hanmi Pharm Recruitment Notice on KakaoTalk

To recruit the best talents, the company holds diverse recruitment sessions and hires prospective employees using several different interview formats. The company frequently meets young jobseekers through pharmaceutical/bio pharmaceutical industry job fairs, job fairs for mid-sized firms, and job fairs organized by the Songpa-gu district. Prospective employees who pass an on-the-spot interview at college campus recruitment events held across the country are given the opportunity to be hired as top talents through the company's campus recruitment program, which provides the benefits of skipping the application screeningprocess. In addition, the company uses the KakaoTalk Plus Friend service as a channel for answering questions about the recruitment process in real time.

In 2018, the company introduced AI-enabled interviews during the open recruitment season. Applicants are interviewed in front of a webcam-enabled computer. During the interview, the computer asks a set of customized questions, and then assesses the applicant's answers by analyzing the person's voice, facial expressions, and vocabulary. The AI interview can be an effective means of conducting an objective and unbiased assessment of prospective employees, eliminating subjective judgment from the recruitment process. Hanmi Pharm also runs a diverse range of recruitment programs such as 'Job Specific Recruitment Talk' held at Hanmi Pharm's HQ where jobseekers can have frank discussions with company employees.

Employee Development and Evaluation/Compensation

By offering the best wages and incentive program in the industry, Hanmi Pharm has maintained a working environment in which talented individuals receive fair compensation and are committed in their work for the company. Team members are evaluated on how well they score in the EMP (Elite Manifesto Program), which describes the virtues that all elite Hanmi employees should follow, while team leaders and executives are evaluated against the HLP (Hanmi Leadership Program) to further their leadership skills. The company also runs the CIQ (Creative Individual Quarter) strategy incentive program, which pays a performance-based bonus according to ability. The CIQ is Hanmi Pharm's unique program to set creative goals every quarter with each employee's performance evaluated for task-handling efficiency, task innovativeness, and contribution to the company. The SEM (Speed Evaluation Monthly) program enables the company to increase employee morale as domestic business units can compensate employees quickly on a monthly basis for generating outstanding revenues. We have also adopted the stock grant system to motivate employees to work harder. This system, adopted with the consent of the BOD in 2018, is a compensation system in which a select number of employees with outstanding performance records are given shares in the company as a reward for their effort.



10 Elite Hanmi Virtues

01. People who respect and value principle
02. People who are active and creative
03. People who break stereotypes in the past
04. People who are patient, commit and eager to achievement
05. People who are trusted by sincerity and responsibility
06. People who value organization more than themselves
07. People who are willing to pay attention to everything
08. People who work deeply in everything
09. People who are enthusiastic about work
10. People who sweat for the best

**EMP** : The Elite Manifesto Program is a program in which an individual employee conducts a personal assessment to determine whether they are performing their work in accordance with the 10 Virtues of Elite Hanmi Employees. Afterwards, their team leader and an executive give coaching and feedback to guide the employee toward becoming an elite Hanmi employee.

**HLP** : The Hanmi Leadership Program is a program whereby employees are evaluated on the 10 Hanmi leadership virtues that a leader should possess and trained to become leaders.

**CIQ** : The Creative Individual Quarter is Hanmi Pharm's unique program to set creative goals every quarter with each employee's performance evaluated for task-handling efficiency, task innovativeness, and contribution to the company; and feedback being provided thereon.

**SEM** : The Speed Evaluation Monthly is a program in which a domestic business unit is promptly compensated for its performance every month.

Tackling Employee Health and Safety Issues

Recent workplace accidents at industrial sites such as power plants have attracted the attention of both the government and society to the issue of occupational safety. This has led to stricter regulations on health and safety in the workplace. Hanmi Pharm complies with the 'health and safety management regulations' set forth in the Occupational Safety and Health Act, and is building a work environment that is safe and pleasurable to work in. At the same time, we are studying the extent to which working environment directly affects the body and health of our employees, and are working at alleviating any problems through exhaustive monitoring of the work environment. As a result of such persistent efforts, the company was awarded a Citation for Industrial Accident Prevention Activities by the Korea Occupational Health and Safety Agency and was selected as a 'Business that Excels in Worker Health Improvement Activities' in recognition of its highly proficient employee health and safety management capabilities.

Occupational Health and Safety Committee

As stipulated by the Occupational Health and Safety Act, Hanmi Pharm operates an Occupational Health and Safety Committee, which is composed of employees, and employer members drawn from plant heads, executives, and health and safety related personnel. Through quarterly committee meetings and ad hoc special meetings, the company engages in continuous discussions with employee representatives. With regard to the agenda and issues discussed at the meetings, the company seeks improvement in employees' health and safety by implementing corrective measures that produce tangible results.

Participants are notified well in advance of meetings to ensure that their suggestions on issues concerning health and safety improvements are actually reflected. Furthermore, health and safety related regulations are designed and implemented with full input from employees in the form of review and approval by the head employee representative. Through on-site inspections by health and safety related personnel and the online communication channel, the company is reinforcing the communication system.



OHSAS18001

Accident Rate

0%

Occupational Health and Safety Committee & Key Agenda Improvements

| Agenda               |  | Areas for improvement  |
|----------------------|--|--|
| Paltan Smart Plant   | <ul style="list-style-type: none"><li>-Issues concerning industrial accident prevention planning</li><li>-Issues concerning the drafting and revising of regulations on health and safety</li><li>-Issues concerning planning and implementation of health and safety training</li><li>-Issues concerning hazard prevention</li><li>-Issues concerning managing, maintaining and improving employee health</li></ul> | <ul style="list-style-type: none"><li>-Draw up/ revise regulations (convert confined spaces into healthy areas to work in, lock out/tag out, implement rules on rewarding teams with a good safety record, safety rules for environmental works)</li><li>-Select and distribute additional face masks following change in antiseptic solution</li><li>-Provide emergency medical kits in case of hazardous material leaks (laboratory, hazardous material storage, hazardous material handling process)</li><li>-Place additional grounding wires in hazardous material handling zones</li><li>-Install an additional local ventilation system for the health of laboratory workers</li></ul>                                |
|                      |  | <ul style="list-style-type: none"><li>-Check the pilot run data in the process safety report of Plant 2 LAPs-Carrier &amp; order corrective action</li><li>-Distribute and enforce use of hearing protection gear to shield against noise emitted by the Plant 2 Weighing Room and place warning signs</li><li>-Conduct an investigation of harmful factors to the musculoskeletal system on the members of the IM2 Team and the Production Control Team's Weighing Part</li><li>-Conduct a process risk assessment to prevent burns, and distribute protective gear</li><li>-Implement confined space safety measure at the Plant 2 freezer/refrigerator access point (place oxygen level detector/access ledger)</li></ul> |
| Pyeongtaek Bio Plant |  |  |

Employee Health Checkups and Health Management

Hanmi Pharm has instituted pre-employment health checkups, regular health checkups, random health checkups, and special health checkups for all its employees. Firstly, all employees assigned to hazardous worksites must undergo a pre-employment health checkup, after which employee health is examined through regular checkups and periodic special checkups. During this series of checkups, employees who are recommended for follow-up monitoring must receive health counseling twice per year and start following an individually tailored health improvement program. Employees who handle hazardous substances in particular must undergo special checkups. Employees who are classified as requiring special medical observation for one of the diseases defined by the Ministry of Labor and Employment or whose health data reveal an abnormality, must receive counseling from an employee health manager, have their health monitored, and receive guidance on managing their health if they are diagnosed with a disease through the health checkup (whether caused by workplace related factors or other individual factors).

In addition, every month, Hanmi Pharm promotes an employee health promotion day to investigate factors that are harmful to the musculoskeletal system and eliminate or improve them to create a more comfortable working environment.

Hanmi Fine Chemical provides periodic health checkups for its employees and has enrolled in worker accident compensation insurance as a contingency against work-related injuries. In the case of Beijing Hanmi Pharm, the company guarantees the health and safety of its employees in cooperation with the Beijing Municipal Public Security Bureau, the Beijing Municipal Human Resources and Social Security Bureau, the public fire department and the Beijing Municipal Administration of Quality and Technology.

Health and Safety at Hanmi Pharm Workplaces

| Business Site        | Category                         | Unit    | 2016    | 2017      | 2018      |
|----------------------|----------------------------------|---------|---------|-----------|-----------|
| Paltan Smart Plant   | Total no. of workers             |         | 517     | 566       | 624       |
|                      | No. of disaster victims          | persons | 0       | 0         | 0         |
|                      | Industrial accident rate         |         | 0       | 0         | 0%        |
|                      | Accident rate per 1M labor hours | %       | 0       | 0         | 0         |
|                      | Total no. of working hours       | hours   | 995,104 | 1,040,000 | 1,132,800 |
|                      | No. of working days lost         | days    | 0       | 0         | 0         |
|                      | Rate of working days lost        | %       | 0       | 0         | 0         |
| Pyeongtaek Bio Plant | Total no. of workers             |         | 386     | 547       | 577       |
|                      | No. of disaster victims          | persons | 0       | 1         | 0         |
|                      | Industrial accident rate         |         | 0%      | 0.18%     | 0%        |
|                      | Accident rate per 1M labor hours | %       | -       | 1.12      | -         |
|                      | Total no. of working hours       | hours   | 615,912 | 890,832   | 1,031,816 |
|                      | No. of working days lost         | days    | 0       | 0         | 0         |
|                      | Rate of working days lost        | %       | 0       | 0         | 0         |
| Research Center      | Total no. of workers             |         | 140     | 144       | 156       |
|                      | No. of disaster victims          | persons | -       | -         | -         |
|                      | Industrial accident rate         |         | 0%      | 0%        | 0%        |
|                      | Accident rate per 1M labor hours | %       |         | -         | -         |
|                      | Total no. of working hours       | hours   | 269,600 | 271,200   | 297,920   |
|                      | No. of working days lost         | days    | 0       | 0         | 0         |
|                      | Rate of working days lost        | %       | 0       | 0         | 0         |

Health & Safety Data of Key Affiliates

| Company             | Category                         | Unit    | 2016      | 2017      | 2018      |
|---------------------|----------------------------------|---------|-----------|-----------|-----------|
| Beijing Hanmi Pharm | Total no. of workers             | persons | 1,344     | 1,319     | 1,315     |
|                     | No. of disaster victims          |         | 1         | 4         | 0         |
|                     | Accident rate                    | %       | 0.07%     | 0.30%     | 0%        |
|                     | Accident rate per 1M labor hours |         | 0%        | 0%        | 0         |
|                     | Total no. of working hours       | hours   | 2,806,272 | 2,754,072 | 2,630,000 |
|                     | No. of working days lost         | days    | 7         | 194       | 0         |
|                     | Rate of working days lost        | %       | 0.002%    | 0.057%    | 0%        |
| Hanmi Fine Chemical | Total no. of workers             | persons | 241       | 268       | 279       |
|                     | No. of disaster victims          |         | 0         | 0         | 0         |
|                     | Accident rate                    | %       | 0%        | 0%        | 0%        |
|                     | Accident rate per 1M labor hours |         | 0%        | 0%        | 0%        |
|                     | Total no. of working hours       | hours   | 574,544   | 603,504   | 515,784   |
|                     | No. of working days lost         | days    | 0         | 0         | 0         |
|                     | Rate of working days lost        | %       | 0%        | 0%        | 0%        |

Work Environment Assessment & Management

In order to prevent both work-related and non-work-related diseases, Hanmi Pharm continuously monitors the health of its employees. Based on our work-environment assessment and management policy, we take readings of the work environment every 6 months. As hazardous elements could be released during the product manufacture and technology development stages, we check whether these elements exceed the exposure limit set by law. When it is determined that the limits have been exceeded, we immediately implement corrective measures to ensure employee health is unharmed.

In addition to regularly administered health checkups, Hanmi Fine Chemical also provides special health checkups to researchers and plant workers who may be exposed to chemicals for long periods of time. This is the extent to which Hanmi Fine Chemical is committed to protecting the health of its employees from the work environment and reducing the likelihood of outbreaks of disease.

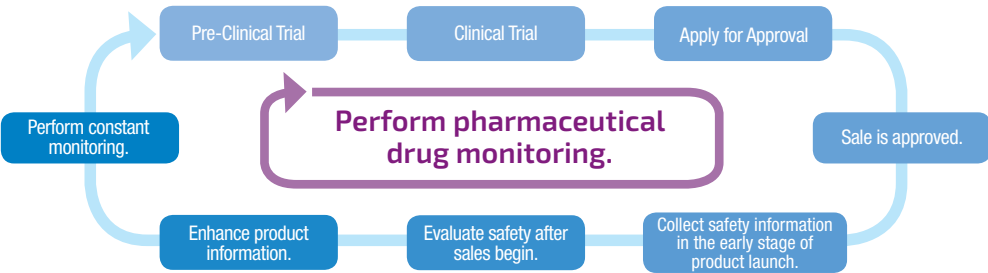
Beijing Hanmi Pharm encourages its employees to undergo periodic health checkups to prevent illnesses caused by stress and other health risks and to enroll in a chronic disease insurance program.

Improve the Safety of Pharmaceutical Drugs

Pharmaceutical Drug Monitoring System

Because the products made by Hanmi Pharm can directly affect people’s health and life, the company seeks to consolidate customer trust by constantly monitoring its ability to guarantee product safety. From the product development stage right through to the day government approval for commercialization of a product expires, the company manages the safety profile of each product through full-cycle pharmaceutical drug monitoring. The company runs various drug monitoring schemes to reduce potential risks and assist customers with safe use of the product.

Development of New Drugs & Pharmaceutical Drug Monitoring



The importance of drug monitoring has grown in recent years, and government regulations have been reinforced in response to this trend. To keep pace with the trend, Hanmi Pharm has been giving pharmaceutical drug monitoring training to all its employees. Employees who come across negative information about the safety of a Hanmi Pharm product must report it to the Drug Safety & PV Team within 24 hours. The PV Team gathers safety related reports through the 24/7 PV Hot Line, fax, mail, and the Customer Center. Safety data collected in this way is used for the early detection of unknown adverse reactions, to determine the risk factors behind the adverse reaction and the corresponding action mechanism, and as a reference for comparing the substance’s efficacy against its potential risk. Ultimately, pharmaceutical drugs made safe for consumption will contribute to improving public health.

Use of Proven Ingredients

Last year, Valsartan, a drug for hypertension, caused a controversy in the pharmaceutical industry due to the presence of carcinogenic impurities. This crisis resulted in the suspension of sales of 219 hypertension drugs. Hanmi Pharm, however, was unaffected by the Valsartan crisis and was once again able to gain the confidence of customers because it had maintained its business strategy of only using pharmaceutical ingredients developed in-house.

Hanmi Pharm purchases about 48% of the ingredients used in its products from South Korea’s best pharmaceutical ingredient manufacturers. In addition, we have developed our own internal regulations (supplier management and evaluation standards) in order to implement strict quality control with such tools as the ingredient supplier certificate and the ingredient verification certificate.

Hanmi Pharm’s Pharmaceutical Ingredient Supply Sources in 2018

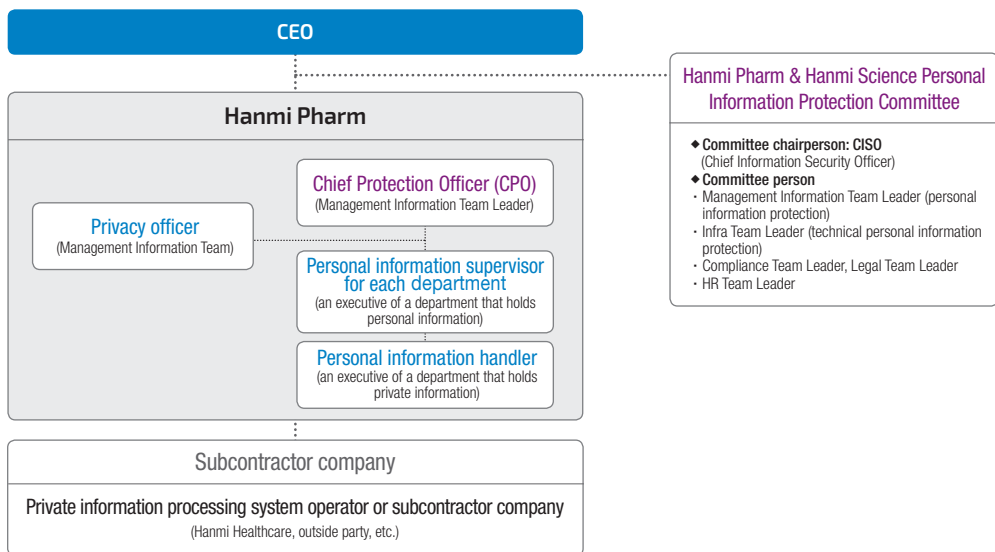
| Supply Source               | Purchase Amount (KRW) | Ratio (%) |
|-----------------------------|-----------------------|-----------|
| South Korea                 | 48,201,921,310        | 48.3      |
| Asia                        | 18,764,292,434        | 18.8      |
| Europe                      | 16,905,108,263        | 16.9      |
| North America/Latin America | 15,917,962,866        | 15.9      |
| Oceania                     | 75,064,942            | 0.1       |
| Total                       | 99,864,349,815        | 100       |

## Strengthening Protection of Customer Information

### Plan for Internal Management of Personal Data Protection

Hanmi Pharm established an internal management plan in accordance with Articles 24 and 29 of the Personal Information Protection Act and Articles 21 and 30 of the Enforcement Decree of the Personal Information Protection Act, which stipulate that the security of personal information processing must be ensured and measures must be implemented to ensure the safety of personal information. Also, to execute the internal management plan, the company has appointed personal information protection manager and protection officers. Based on the personal information internal management plan, personal information is managed through the collect-hold-use/provide-destroy lifecycle stages.

### Organizations Involved in Protecting Personal Information and their Activities



Hanmi Pharm has disclosed its policy on processing personal information on the company website in order to protect subjects' private information in accordance with Article 30 of the Personal Information Protection Act and to smoothly handle concerns related to personal information.



'Personal Information Processing Policy' page on the company website

Furthermore, to protect private information more effectively, the company periodically gives online and offline training to its employees and conducts regular internal audits, in accordance with the internal management plan.



Personal information protection training for employees

## Customer Information Protection

The Hanmi Pharm Call Center collects only such customer information that is necessary for processing customer opinions and does so in accordance with the relevant laws. The collected personal information is held for a certain period of time for reference in related cases. However, extra precautions are taken to ensure that the information is not used for any other purposes and that unauthorized access is prohibited.

All inquiries received by the call center are recorded and kept for 10 years for the purpose of retrieving the dialogue in the future, responding efficiently to inquiries of a similar nature, improving the quality of the counseling or evaluating the counselor. Customer opinions collected via the company website are also handled appropriately in accordance with the company's Personal Information Processing Policy.

## Improved Processing of Customer Concerns

### Group Central Call Center

In 2014, we installed a central call center in order to respond more effectively to customer inquiries through a single channel, irrespective of the nature of the inquiry. As of 2018, more than 320,000 customer inquiries have been handled by the call center..

The inquiries received can broadly be grouped into queries about side effects and issues about product satisfaction. Inquiries related to the side effects of drugs are reported to the PV Team immediately upon receipt, while inquiries related to product satisfaction are reported to the CV Team for a prompt and accurate response. At the same time, the company seeks to ensure that any chance of a similar problem recurring in the future has been eliminated. When the use of a Hanmi Pharm product results in harm to a customer, the company resolves such disputes by adhering to the consumer dispute resolution guidelines established by the Korea Consumer Agency.

### VoC Cases at Call Centers by Year

| Year       | Cases   |
|------------|---------|
| 2014       | 63,373  |
| 2015       | 62,935  |
| 2016       | 71,578  |
| 2017       | 61,591  |
| 2018       | 62,284  |
| Cumulative | 321,761 |

### 2018 VOC Cases Received & Resulting Changes

| Product   | Complaint                            | Changes  |
|---|--------------------------------------|--|
| Mok-N Spray   | Leaks                                | Under certain conditions, leakage may occur from the sterilized filter.<br>Warnings were added to packaging:<br>* The product may leak when exposed to high temperatures<br>* The product may leak when stored upside down |
| Maxibupen Syrup 75ml  | Damaged during delivery.             | - Strengthened case and vinyl wrapping<br>- Logistics company warned to be more careful  |
| Hanmi Flu sol.  | Taking precise amounts is difficult. | - Measuring cup added  |
| Triaxone Injection (Type II)<br>Hanmi Cefotaxime Sodium Injection (Type II) | It is hard to combine the drugs.     | - Change of design by including a picture on the front of the package<br>- Pamphlet containing guidance on precautions distributed   |

## Review of Management Based on Respect for People & Future Plans

Hanmi Pharm has numerous human resource programs for identifying and training the top talents in Korea. On top of these programs, the company is working hard on its human resource management to create high-quality jobs and protect the human rights of its employees. In the future, Hanmi Pharm will focus on strengthening its R&D capabilities, continue to create quality jobs, introduce innovations to its HR platform such as online-/offline- based training programs, and reform company culture to promote a better work-life balance. We shall not only comply with the Personal Information Protection Act, but will also develop personal information protection devices that work on the online platform. Finally, by making product information centered on product safety available to customers and by developing customer-oriented services, we will do our best to protect the health and personal information of both our customers and our stakeholders.

# Practicing the Value of Togetherness

## Importance and Approach

The last line of our corporate motto, which reflects the company's philosophy and spirit, is: "I shall devote myself to personal growth and social volunteer work". In other words, as members of the local community, contributing to the positive development of the society we all live in means putting into practice the company's spirit. With this spirit serving as the foundation, we will put into practice the value of togetherness for all our stakeholders.

The remarkable growth of Hanmi Pharm, which has driven the growth of the domestic pharmaceutical industry for the last forty years, is an achievement that was only made possible by R&D investment-fueled growth combined with interest and love from our stakeholders, including our customers, partners, and local communities.

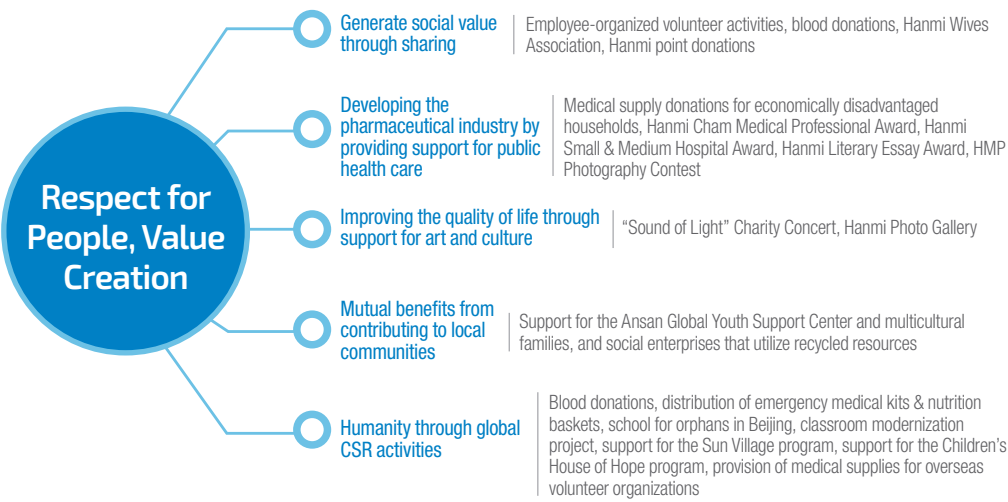
Hanmi Pharm will strive for coexistence with our partners and local communities while working together to realize the value of cooperation. Furthermore, as a leading pharmaceutical company, we will establish an advanced environmental management system for the sake of the health and prosperity of future generations, and strive to realize the values of win-win growth and togetherness.



## Expanded Support for Local Communities through Strategic Social Contribution Activities

Our company operates a systematic social contribution program based on our management philosophy of ‘Respect for People’ and ‘Value Creation’. In September 2017, in an industry first, we formed a CSR Committee to assist in implementing our social contribution activities in a more transparent and strategic way. The committee reviews and assesses the progress and results of social contribution activities and develops mid- and long-term plans for future key activities. Additionally, the committee is also interested in establishing a transparent culture of donation. To that end, the committee has also been tasked with examining the propriety and effectiveness of donations, and approving them where appropriate.

System Chart of Hanmi Pharm’s Social Contribution Activities



Hanmi Pharm’s Social Contributions (Based on unconsolidated annual report)

| Category |   | Unit            | 2016   | 2017    | 2018     |
|----------|---|-----------------|--------|---------|----------|
| Total    | Social contribution activity expenditure                      | KRW 100 million | 1.7    | 2.1     | 1.8      |
|          | Sponsorship and donations                                     |                 | 9.7    | 50.3    | 37.7     |
|          | Material (medical supplies) donations                         |                 | 2.7    | 8.8     | 8.5      |
|          | Total donations   |                 | 12.4   | 59.1    | 46.2     |
|          | No. of employees who donated blood                            | persons         | 681    | 623     | 562      |
|          | No. of employees who performed volunteer work (persons/hours) | persons/hour    | 25/100 | 234/774 | 306/1198 |

Key Affiliates’ Social Contributions

| Category            |                                     | Unit     | 2016 | 2017  | 2018  |
|---------------------|-------------------------------------|----------|------|-------|-------|
| Beijing Hanmi Pharm | Cash donations                      | 1000 CNY | 281  | 2,581 | 6,414 |
|                     | Material donations                  |          | 131  | 4,512 | 182   |
|                     | Total donations                     |          | 412  | 7,093 | 6,596 |
|                     | Employee volunteering hours         | hours    | 850  | 1,015 | 1,107 |
|                     | No. of employees in volunteer corps | persons  | 60   | 171   | 163   |

Hanmi Pharm's Blood Donations

Cumulative volume of donated blood (as of April 2019)  
**2,539,840cc**

Years of operation (cumulative)  
**39 years**

Number of participants (cumulative)  
**7,937 persons**

Hanmi Pharm's Volunteer Work

Cumulative number of participants / 2018

**604 persons**  
**306 persons**

Volunteer hours

Cumulative / 2018

**2,292h**  
**1,198h**

Points Donation Program\_ Cumulative Monetary Value of Donated Points

**KRW 13,469,859**

Generate social value through sharing

Blood Donations

Hanmi Pharm has been involved in blood donation campaigns and related activities for the longest period of time among all domestic pharmaceutical companies. In November 1980, Chairman Lim Sung-ki, the founder of the company, opened the country's first 'house of blood donations' at City Hall subway station in Seoul. This became the catalyst in 1981 for starting the company's 'Blood Donation of Love' campaign. Ever since then, through the Korea Blood Disease and Cancer Association, the blood donation cards donated by employees have been sent to organizations and individuals who are in need of blood. 'Blood Donation of Love' is one of Hanmi Pharm's most significant social contribution activities and has its own New Year kickoff ceremony. Three or four times every year, company-wide blood donations take place at the company's Seoul HQ, research center, Paltan Smart Plant, and Pyeongtaek Bio Plant, as well as at Hanmi Fine Chemical and salesforce training sites.

Employee Volunteering Activities

Since 1981, Hanmi Pharm has organized volunteer work activities through the 'Cheongrokhoe', a company networking club comprised of female employees, in a bid to generate social value through sharing. However, from 2017, this activity has been expanded to encourage all company employees to participate in volunteer work activities. The company's periodic volunteer work activities are primarily focused on helping underprivileged groups such as elderly people living alone and children from economically disadvantaged households. The distribution of basic fire prevention equipment to underprivileged people was one example of the company's determination to spread a warmhearted culture of sharing throughout the rest of our society. In recognition for these efforts, in 2018 the company was presented with the Corporate Excellence in Social Contribution Activities Award by the Hwaseong Volunteer Work Center as well as receiving a commendation from Pyeongtaek City Government.



Employee Welfare Point Donations (Matching Grant)

Since 2018, Hanmi Pharm has been running a donation program called the 'Points Donation Program' to spread a voluntary and heartwarming donation culture among its employees. This is a company-wide program where employees donate as many welfare points as they want, which are then added to the company's matching fund and given as cash donations directly to people in dire need of assistance, such as single parent households, children with disabilities, and infants suffering from rare diseases.

Hanmi Wives Association

Launched in 2009, the Hanmi Wives Association Charity Bazaar is a regular social contribution event of Hanmi Pharm organized by the family members of company executives. The proceeds collected through the bazaar are used to fund projects related to the rehabilitation of homeless people and an education program geared to youngsters.



Point donation ceremony

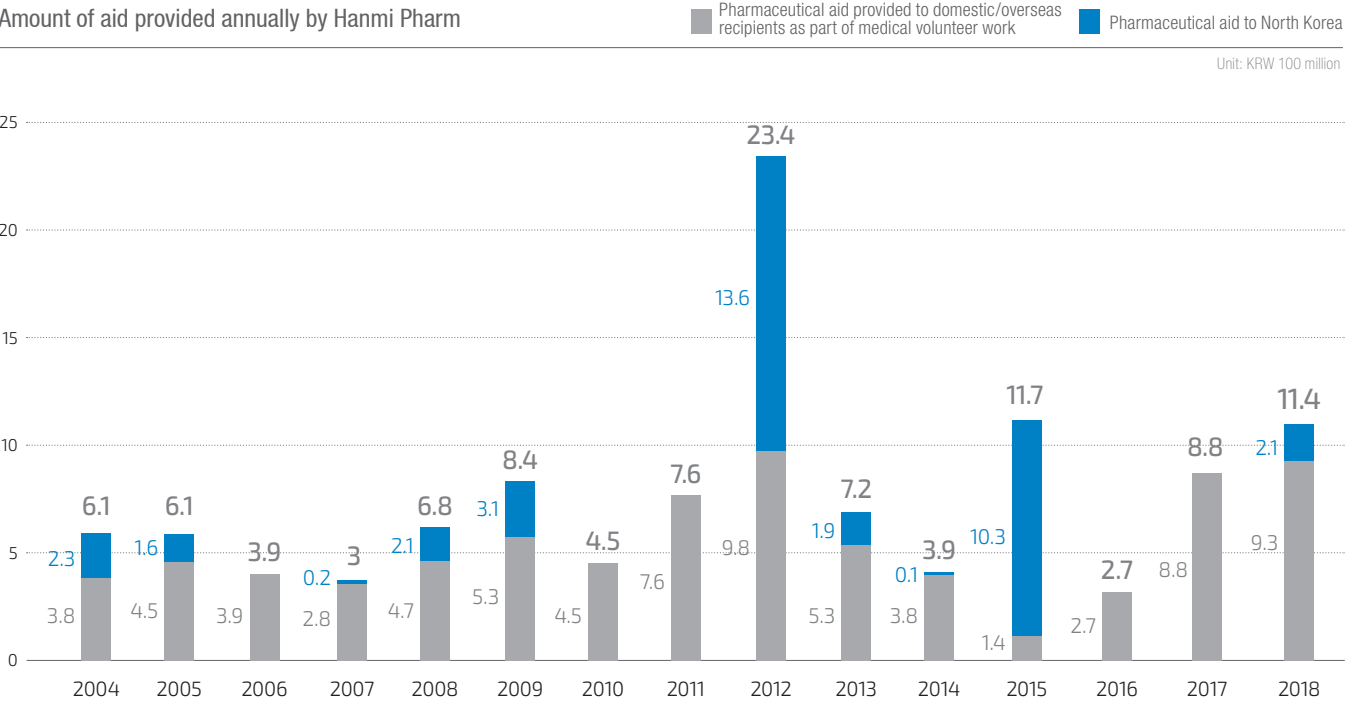


The Hanmi Wives

Developing the Pharmaceutical Industry by Providing Support for Public Healthcare

Pharmaceutical Aid

Amount of aid provided annually by Hanmi Pharm



Cumulative amount of pharmaceutical aid (2004–present)

**KRW 11.6 billion**

Cumulative Pharmaceutical aid to North Korea

**KRW 3.7 billion**

By providing free medical treatment in areas stricken by disaster and supplying medicine to groups that provide volunteer medical services in deprived areas, both in South Korea and overseas, Hanmi Pharm is fulfilling the basic mission of a pharmaceutical company, namely, respecting human life.

Since 2004, we have sent pharmaceutical drugs worth approximately KRW 11.6 billion to places suffering from a severe shortage of essential medicines.

Hanmi Pharm has also been sending medical drugs to treat North Korean children since 1997. In so far as domestic circumstances will allow, we have been making every effort to send as much aid as possible to the children of North Korea through the non-profit organisation 'Medical Aid for Children'. In particular, we provide support for natural disasters such as the flood disaster in North Korea. Indeed, whenever North Korea faces natural disasters such as flooding, we redouble our efforts to send medicine to the affected areas.

Pharmaceutical aid for North Korean children: major contributions

| Year | Description  | Amount(KRW) |
|------|--|-------------|
| 2012 | Dispatch of supplies for flood damaged areas in North Korea (nutritional drips, antipyretic drugs, etc.) via overland route          | 1.3 billion |
| 2013 | Pyongyang Mangyongdae Children's Hospital (essential pediatric medicine, nutritional supplements)                                    | 200 million |
| 2015 | Pyongyang Mangyongdae Children's Hospital (pediatric nutritional supplements, cold medicine)   | 1 billion   |
| 2018 | Five hospitals, including Pyongyang Mangyongdae Children's Hospital, Taedong-gang District People's Hospital, State Railway Hospital | 200 million |

Recognizing and Supporting Medical Professionals' Contributions

Hanmi Pharm established the 'Hanmi Cham Medical Professional Award' in collaboration with the Seoul Medical Association to support the public health system by recognizing top medical professionals for their contributions to the development of medical technology, health policy, and the growth of local communities through volunteer work. In addition, the company jointly established the 'Hanmi Small & Medium Hospital Award' with the Korea Small & Medium Hospital Association to recognize the heads of small and medium-size hospitals who contribute to improving the health of local community residents and the business environment of small and medium-size hospitals. With these annual gestures, Hanmi Pharm is trying to support notable professionals and organizations who are working hard for society's good.

| Award Name                            | Overview  |
|---------------------------------------|---|
| Hanmi Cham Medical Professional Award | <ul style="list-style-type: none"><li>• Awarded to a medical professional or organization that is an inspiration to the local community</li><li>• Established in 2002, the award is given jointly with the Seoul Medical Association</li><li>• The winner is selected from candidates nominated by the heads of district (gu) doctor associations in Seoul, hospital directors and medical center directors</li></ul>   |
| Hanmi Proud Doctor Award              | <ul style="list-style-type: none"><li>• Awarded to a medical professional who has made a significant contribution to the development of medicine, medical techniques or health care policy</li><li>• Established in 2008, the award is given jointly with the Korean Medical Association (KMA)</li><li>• The winner is selected from candidates nominated by the KMA chairperson, the chairs of the KMA's regional chapters, and the deans of medical schools</li></ul> |
| Hanmi Small & Medium Hospital Award   | <ul style="list-style-type: none"><li>• Awarded to a small or medium-size hospital that has contributed to improving public health or improved healthcare management</li><li>• Established in 2007, the award is given jointly with the Korea Small and Medium Hospital Association (KSMHA)</li><li>• The winner is selected from candidate hospitals nominated by the chair of the KSMHA and the chairs of the KSMHA's regional chapters</li></ul>                     |

Contributing to Medical Professionals' Culture

Hanmi Pharm encourages medical professionals to take up cultural pursuits that could help build trust and generate empathybetween medical professionals and patients. Through cultural awards, the company is taking the lead in building a warm and wholesome culture throughout the medical community.

| Award Name                 | Overview   |
|----------------------------|--|
| Hanmi Literary Essay Award | <ul style="list-style-type: none"><li>• This award was established to deepen the relationship between doctors and patients by sharing doctors' true stories about their experience treating patients.</li><li>• Established in 2001, the 18 recipients of the award all went on to become essayists.</li><li>• Essays may be submitted by any doctor licensed in South Korean.</li></ul>   |
| HMP Photography Contest    | <ul style="list-style-type: none"><li>• Established to encourage doctors to pursue a hobby and develop a warm sensibility.</li><li>• Established in 2013, the contest is organized by the medical portal HMP and sponsored by Hanmi Pharm and Hanmi Photo Gallery.</li><li>• HMP nominates members, with preliminary judging undertaken by Hanmi Photo Gallery, before the winners are selected by the Director of the Korea Institute of Photography and Culture.</li></ul> |



Sound of Light Charity Concert

Sound of Light Hope Fund Cumulative Contributions

240million

Cumulative number of children with disabilities who have received support

171persons

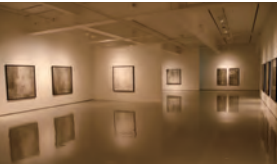
Improving Quality of Life through Support for Art and Culture

Sound of Light Charity Concert

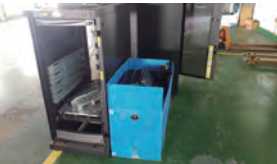
Since 2013, Hanmi Pharm has partnered up with the Medical Philharmonic Orchestra (MPO) to hold the annual Sound of Light Charity Concert.

Hanmi Pharm sponsors this concert in the form of regular concert performances, which are held as fundraisers for the Sound of Light Hope Fund with proceeds used to promote arts education for children with disabilities.

The fund has supported Eoullimdan, a children's choir at the Seongdong Welfare Center for the Disabled, and the Blue Angels Choir at the Cheongrogwon Welfare Center for the Severely Handicapped, located in Iksan for the past six years.



The Museum of Photography, Seoul



Cumulative support for multi-cultural households

Approx. KRW 520 million

Cumulative number of recipients of support

43,892persons

The Museum of Photography, Seoul

Since 2002, Hanmi Pharm has been supporting the Ga-hyeon Foundation of Culture to encourage the popularization of art and culture, and development of the country's photography culture.

The Ga-hyeon Foundation of Culture is a non-profit cultural foundation that opened The Museum of Photography, Seoul, the country's first photograph museum and is involved in various cultural and artistic projects. In the pursuit of nurturing and popularizing the photographic arts and supporting photographic research products and creative works of art, the foundation holds photo exhibitions showcasing the works of artistically and historically significant photographers from Korea and around the world, operates projects to support photographers as well as running the various education programs through the Hanmi Photo Academy. The programs supported by The Museum of Photography, Seoul help to develop the Korean photographic arts and educate the general public, demonstrating that the company's CSR programs not only contribute to humanity by developing drugs to improve physical health but also contribute to the country's mental wellbeing

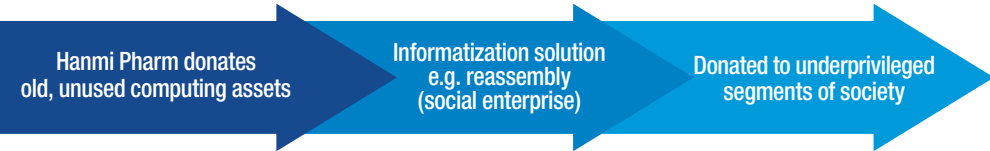
Hanmi Photo Academy Operational Status

| Category               | 2016 | 2017 | 2018 |
|------------------------|------|------|------|
| Participants (persons) | 135  | 154  | 130  |

Mutual benefits from contributing to local communities

Resource Recycling Campaign through Mutual Cooperation with Social Enterprises

Hanmi Pharm is taking the lead in promoting the recycling of computing assets by implementing a recycling program. We are collaborating with the social enterprise 'Comwin' to provide information technology to underprivileged segments of society through the use of recycled computer assets.



Support for Children of Multicultural Households

Since signing the agreement on the "Support for Children of Multicultural Households and Migrants" project with Ansan City in 2011, Hanmi Pharm has cooperated with the Ansan Global Youth Support Center to provide support to 43,892 individuals.

The project not only provides programs aimed at helping multicultural families maintain a basic stand of living but also includes language awareness education, mentoring, support for running an alternative school, and Korean history discovery fieldtrips to facilitate adjusting to life in Korea. The various programs outlined above are managed



Ansan Global Youth Support Center – Elementary school children of the Korean History Discovery Team

by the Global Citizenship Forum, which was founded to help youths from multicultural families become well-adjusted members of South Korean society. In 2018, the project helped 9,542 children with cultural diversity education, next-generation skill development, and visits to their second homeland.

Beijing Hanmi Pharm – Humanity through CSR Activities

Beijing Hanmi Pharm pursues the same management philosophies as its parent company, namely ‘Respect for People’ and ‘Value Creation’. These two principles advocate the idea that Beijing Hanmi Pharm exists to contribute to human health by creating better medicines to save human lives. This sense of its corporate mission is the reason why the company has taken the lead in spreading a corporate culture of sharing. Beijing Hanmi Pharm was founded in 1996 principally with the purpose of improving the health of children in China. Even before the formal establishment of diplomatic relations with China, Lim Sung-ki, the founder and Chairman of Hanmi Pharm, used to travel there frequently, where he observed the lack of and urgent need for pediatric medication, whose dosage and administration need to be controlled more meticulously than with adults. Thus, the company set out to enter the pediatric medication market in China. The company’s commitment to improving the health of children has driven the company to launch CSR activities in order to contribute to the development of local communities in China, as well as South Korea. This is why Hanmi Pharm has grown to become a South Korean company beloved by Chinese consumers.

1) Blood Donation of Love

Beijing Hanmi Pharm introduced a Blood Donation of Love program to China that is similar to the one that is the flagship CSR campaign at its parent company in Korea. Since 2011, the company has ushered in the New Year by donating blood. China is a country where the culture of selling blood is deeply rooted. Beijing Hanmi Pharm has been playing a significant role in demonstrating love for fellow human beings by transforming this culture of selling blood to a culture of donating blood.



Beijing Hanmi Pharm’s Blood Donation of Love campaign



Mamiai Emergency Medical Kit donation ceremony



Bathroom donation ceremony for a Sun Village



Birthday celebration at a cerebral palsy rehabilitation orphanage

2) Medical Supplies for Children – “Mamiai Emergency Medical Kit”

Since 2000, Beijing Hanmi Pharm has donated medical drugs to the children of China. The company had been providing periodic donations to areas suffering in the wake of natural disasters such as earthquakes but then decided to start a more ambitious and larger-scale, systematic donation project and began producing Mamiai Emergency Medical Kits. Since 2012, the company has distributed medical kits to 30 orphanages in Beijing and Hebei Province. Additionally, since 2015, the company has distributed roughly 1,000 medical kits to 1,000 schools in rural Yunnan, Sichuan Guizhou and Guangxi Provinces among others through the China Youth Cultural Art Fund. The company plans to continue with these activities in the years to come.

3) Contribution to Local Communities – Aid for Sun Village

Sun Village is an institution for children abandoned following their parents’ imprisonment. Unlike orphanages, which are operated with government funding, Sun Village receives no governmental support because the children technically still have legal guardians. Therefore, Sun Village operates a farm with the children to generate income to pay for the children’s lodging and tuition expenses. Beijing Hanmi Pharm donates material aid in the form of medical supplies, free flu vaccinations, and support for modernizing and replacing faulty or obsolete bathroom equipment and 200 employees undertake volunteer work there every year, with a total of 1,400 employees donating 5,600 hours of their time to work there since 2011.

4) Aid for the ‘Children’s House of Hope’ Facility and the Cerebral Palsy Rehabilitation Orphanage

Orphans suffering from incurable or acquired diseases need the protection of special facilities. The Children’s House of Hope is a facility that cares for these special orphans, usually up to the age of 3. The Cerebral Palsy Rehabilitation Orphanage is, as its name suggests, a special orphanage established for the purpose of rehabilitating orphans afflicted with cerebral palsy. Beijing Hanmi Pharm has always harbored deep sympathy for orphans living in such difficult circumstances and wants them to feel loved by society and help them grow up as healthily as possible, while seeking to alleviate their pain by donating medications, baby formula, and daily necessities, as well as cleaning their rooms, playing with them, and watching movies together.



Gwangae Elementary School classroom modernization project



“Mamiai Nutrition Basket” Project



2017 Award for Excellence in Social Contribution Activities

5) Beijing Guangai Elementary School Classroom Modernization Project

Beijing Guangai Elementary School, located on the outskirts of Beijing, is a school for orphans. The classroom environment was very reminiscent of South Korean classrooms in the 1960s, with old desks and blackboards, and obsolete heating and air-conditioning systems, such that the whole school was in dire need of an overhaul. To help the school, Beijing Hanmi Pharm began a classroom modernization project in 2015, completely replacing classroom walls, floors, heating and air conditioning systems, and desks and chairs. It has also provided LCD projectors, screens, and laptops among other devices, creating a much better and more professional educational environment for students.

6) “Mamiai Nutrition Basket” Project

In China there is a huge wealth gap between urban and rural areas. To help children in rural areas, Beijing Hanmi Pharm launched the “Mamiai Nutrition Basket” project in 2017 in collaboration with the China Youth Cultural Art Fund. Through this project, 84,000 boxes of baby formula worth around 4 million CNY were sent to approximately 15,000 malnourished children living in impoverished areas like Yunnan, Sichuan, Jiangxi, Qinghai, and Xinjiang

7) Children’s star/ Li Bing Chang An Project

‘Children’s star’ and ‘Li Bing Chang An’ are public-benefit medical conference programs launched by Beijing Hanmi Pharm in cooperation with the Beijing Medical Fund. The goal of the conferences is to increase medical knowledge in the fields of pediatrics and gastroenterology and to serve as a venue where young doctors can absorb and share their experiences and improve their treatment and drug prescription skills. Some 288 conferences have been held to date, attracting the participation of 12,000 medical specialists in pediatrics and gastroenterology and receiving a great deal of support from doctors in China.



Training for young doctors

In recognition of the sincere way Beijing Hanmi Pharm purses its global social contribution activities, the company was awarded the South Korea Presidential Award for Global CSR in 2014. In 2017, the company was presented with the Award for Excellence in Social Contribution Activities at the 2017 China Social Public Deed Festival and the Socially Responsible Corporation Award at the 2017 Moyeongje.

Review of Social Contribution Activities & Future Plans

In September 2017, Hanmi Pharm established the CSR Committee to function as a steering organization that could drive the company’s social contribution activities in a more systematic way and allocate the company’s resources where they are most needed. Comprising the chairperson (CEO) and 5 members (1 external advisor and 4 executives), the CSR Committee meets regularly to discuss the company’s CSR activities. To promote a more transparent donation culture, the CSR Committee must approve all CSR activities whose cost exceeds KRW 50 million and also review the results of such activities so that their effectiveness and cost performance can be referenced when planning for the next quarter. Smaller CSR activities that do not need committee approval are managed by a dedicated employee who allocates resources wherever and whenever they are needed. In the future, we shall continue to pursue our CSR activities for the greater good of local communities and the development of the country. We shall do so in a transparent manner by disclosing the operational record, performance and costs of our activities, so that our efforts can leave a positive impression on our society.

### A More Robust Environmental Management System

With each passing year, the impact of corporate business activities on the environment and society becomes ever greater. To minimize our impact on the environment and meet our social responsibilities, the company remains alert to potential environmental problems and is considering many different angles to lessen the impact.

When Hanmi Pharm adopted ISO14001, the international standard on environment management systems, in 2012, we established a firm direction and strategy for environmental management, and developed a global standard environment management system that could minimize detrimental effects on the environment.

More specifically, as part of our efforts to reduce the levels of hazardous substances produced during the manufacturing processes, the company created one manual, 22 regulations and 17 guidelines for controlling the key environmental categories of water quality, air quality, waste products, and chemical substances. By reducing energy consumption and greenhouse gas emissions, the company is contributing to green management and augmenting its action plan for lowering pollutant levels. In addition, to prepare for sudden accidents that are difficult to predict or hard to control, the company passed regulations on managing situations and risks related to selected relevant potential situations. Thus, Hanmi Pharm has put in place a system for pre-managing environmental accidents; and carries out environment performance evaluations based on ISO14001 and its own internal performance evaluation (CIQ) system. In the case of Beijing Hanmi Pharm, there are no physical or regulatory risks from climate change, and any issues that emerge are handled in accordance with Chinese governmental environmental regulations.



ISO14001 certificate

#### Hanmi Pharm Environmental Management Training Status

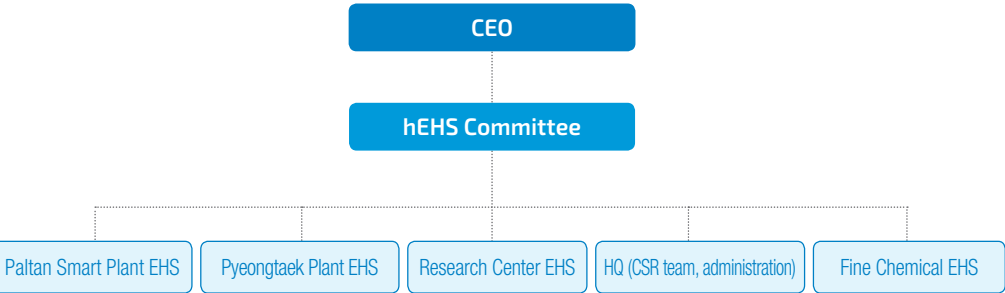
| Business Site        | Description  | Frequency    |
|----------------------|--|--------------|
| Paltan Smart Plant   | <ISO 14001 Environment Education><br>Environmental Management (water quality, air quality, waste material, chemicals) Guidelines and Regulations | Once a month |
| Pyeongtaek Bio Plant |  |              |
| Fine Chemical        |  |              |

With the aim of advancing environmental management at group level, Hanmi Pharm established and proclaimed an ‘EHS Management Policy’ for implementing EHS management in February 2019, and set up the hEHS Committee (Hanmi EHS committee) to function as an EHS oversight organization.

The hEHS Committee meets quarterly to establish goals and plans for Hanmi Pharm Group's environmental management strategy and holds company-wide discussions on how to comply with all types of related regulations.



Hanmi Pharm EHS Management Policy



Waste Material Discharge Amount  
Compared to the Previous Year

18% DECREASED

Waste Material Recycling Rate Compared to  
the Previous Year

24% INCREASED

### Increased Recycling of Waste Materials

Hanmi Pharm undertakes many activities related to resource-conversion of waste materials and recycling. The Paltan Smart Plant succeeded in recycling waste sludge, which previously it had simply disposed of. Through utilization of the newly constructed wastewater treatment facility and the resource-conversion of waste plastics, the Pyeongtaek Smart Plant managed to reduce the company's waste material discharge by 18% and increase recycling by 24% over the previous year.

#### Hanmi Waste Material Discharge and Recycling Data

| Category                              | 2017  | 2018  |
|---------------------------------------|-------|-------|
| Waste Material Discharge Amount(tons) | 1,943 | 1,588 |
| Waste Material Recycle Rate (%)       | 22%   | 46%   |

### Stricter Management of Chemical Substances & Deployment of an Environmental Accident Response System

Hanmi Pharm conducts annual inspections of the level of chemical substance emissions, and has tightened the inspection of its facilities and management of equipment for reducing chemical emissions. Particularly, by using annual pollutant release and transfer register (PRTR) data for chemical substances as a reference, the company checks how much its environmental emissions rate varies in relation to changes in manufacturing output. The Paltan Smart Plant obtained a ‘low hazard’ rating after it submitted an off-site impact analysis report for its hazardous chemical handling facility, and was subsequently removed from the list of ‘major risk manufacturing sites’. To comply fully with all legal requirements, the company has tightened its regular inspections of chemical substances and its policies on the storage of hazardous chemicals. It is also working hard to prevent accidents caused by chemical substances and strengthen accident countermeasures.

Furthermore, the company has established a comprehensive accident response system, which is based on an emergency response protocol and firefighting organizations structure, and also conducts fire drills with local fire departments every year.

#### Enhanced Safety Management of Hazardous Chemical Substances in 2018

| Business site        | Description   |
|----------------------|---|
| Paltan Smart Plant   | Displayed laws related to each material and established new chemical substance checklist, reinforced spill kit. |
| Pyeongtaek Bio Plant | Regularized review of laws on chemical substances, installed local ventilation in research laboratories.        |
| Research Center      | Deployed the LMO* Management System.  |

\*LMO (Living Modified Organisms) management system: Systematized LMO management process for securing biological safety, such as hazard evaluation of genetic recombination experiments.

### Water Usage and Wastewater Management

To reduce the amount of water it uses, Hanmi Pharm has installed water saving devices at its plants, and is now focusing on increasing its use of recycled water. Thanks to these efforts, the amount of recycled water (R/O concentrated water) used by the company in 2018 was 14% higher than the previous year.

| Category  | Unit | 2015   | 2016   | 2017   | 2018   |
|---|------|--------|--------|--------|--------|
| Paltan Smart Plant Recycling Water (R/O concentrated water) | ton  | 12,879 | 14,683 | 34,483 | 39,348 |

\*R/O Concentrated Water: R/O Concentrated Water refers to waste water generated from mains water in a water purification plant as part of the purification process for making pharmaceutical-grade pure water. This concentrated water is cleaner than tap water, but was disposed of as a useless by-product of the pharmaceutical manufacturing process. Now, however, at the Paltan Smart Plant, it is recycled.

### Efforts to Reduce Air and Water Pollution

Hanmi Pharm is fully dedicated to blocking the release of environmentally harmful substances produced during manufacturing processes. To that end, it has installed precipitators and absorption towers even at the manufacturing facilities that are not classified as air pollutant discharging facilities as defined in the Clean Air Conservation Act. Our research center has also been making investments, such as installing an air pollution prevention facility, to minimize the effects of development on the surrounding area. To improve and manage the quality of its wastewater, the Pyeongtaek Bio Plant has installed a new wastewater treatment plant and, since 2017, has been processing the high concentration wastewater produced at the site on its own. Meanwhile, the Paltan Smart Plant has expanded its wastewater treatment plant facility and reduced the concentration levels of suspended solids in the wastewater; and begun operating a water quality TMS (tele-monitoring system) and sharing real-time data with the Ministry of Environment.

Air and Water Pollution Reduction Measures in 2018

| Business Site        | Description  |
|----------------------|--|
| Paltan Smart Plant   | Real-time monitoring of water quality with TMS* operation  |
| Pyeongtaek Bio Plant | Installation and operation of a new high-concentrate water treatment facility  |
| Research Center      | Installation of air pollution prevention equipment (additional installation scheduled in 2019)                           |
| Fine Chemical        | Installation of a water tele-monitoring system<br>(a pilot project run by City Hall & the Korea Environment Corporation) |

\*Water TMS (Tele-monitoring System): This is a water pollutant discharge status monitoring system consisting of continuous automatic measuring devices attached to the end-stage processing facility of national public sewage/wastewater end treatment facilities and the dewatering outlets of discharge level 1 ~ 3 manufacturing plants. The automatic measuring devices are connected online to a control center operated by the Korea Environment Corporation.

### Efforts to Reduce Energy Consumption & Greenhouse Gas Emissions

Our company is making tremendous efforts to reduce its energy consumption and greenhouse gas emissions, which are becoming increasingly important day by day. Since the Paltan Smart Plant was designated in 2017 as a facility that must manage its greenhouse gas and energy targets, the company has been disclosing statistics on its results in reducing energy & greenhouse gases through the environmental information disclosure system. The Pyeongtaek Bio Plant achieved savings of KRW 412 million per year by utilizing the high-temperature energy generated from its wastewater treatment facility. In addition, we periodically replace high-energy inverters and LEDs throughout our company, while indirectly consuming environmentally-friendly energy as we are supplied with steam generated from renewable energy sources. In this way, we are constantly working to reduce our greenhouse gas emissions and contribute to the global struggle against climate change.

Energy Usage by Hanmi Pharm

| Category                         | 2017    | 2018    |
|----------------------------------|---------|---------|
| Energy consumption (GJ)          | 730,291 | 787,172 |
| Greenhouse gas emissions (tCO2e) | 45,669  | 49,244  |

### Natural Habitat Protection Activities

Hanmi Pharm employees contribute directly to the protection of natural habitats and the environment by collaborating with related organizations. The Pyeongtaek Bio Plant received a certificate of appreciation from the city of Pyeongtaek in 2018 in recognition of its ‘1 Company, 1 Stream’ cleanup campaign to protect the environment around the plant. Hanmi Fine Chemical not only takes care of its industrial complex site and cleans up nearby streams, but also formed the Purumi Corps to perform monthly on-site green protection work. The company reduced the amount of water pollutants flowing into local streams - a measure which reversed the population decline of various organisms living in the streams. Employees also carry out various environmental protection activities in collaboration with members of the local community, such as volunteering with multicultural children to help tidy the neighborhood.



### Review of Environmental Management Future Plans

Hanmi Pharm strives to keep the environmental effects of its operations to a minimum, in order to protect the environment of each local community. The company regularly evaluates its efforts in this area, as well as its efforts to protect the health and safety of its employees. For this purpose, the company launched the hEHS Committee in 2019 as an organization for overseeing EHS throughout the company. From now on, this committee will drive the company-wide effort to manage the environment. The company also plans to deploy a company-wide BCMs system to avoid operational interruptions caused by environmental accidents and further boost stakeholders' trust in our products. We have set ourselves the goal of acquiring the ISO22301 certification on the BCMs system in 2019. Hanmi Pharm understands that world-class competence in environmental management could be the starting point for advancing the Korean pharmaceutical industry and thereby pave the way to becoming a global pharmaceutical powerhouse. This is why we are committed to working continuously on our environmental management.

### Support for Suppliers and Mutual Growth

Hanmi Pharm is doing everything it can to ensure mutual growth work for our key suppliers. We have created education programs designed to improve our suppliers' understanding of the pharmaceutical industry amid the rapidly changing market environment. We run classes on purchasing and logistics while adhering to the principles of ethical management. We also get together with our suppliers to debate ways of supplying us with the high-quality raw materials needed for our high-speed production line, which is equipped with the most advanced equipment. Particularly in 2019, we plan to start hosting an annual suppliers' meeting to discuss a range of issues including GMP education, supplier management policy, purchasing guidelines for ethical management, and suggestions from our suppliers. We hope these meetings will lead to a consensus on a practical and effective means of achieving mutual growth. We will begin making cash payments to small-sized suppliers to level the playing field in subcontracting transactions. Going forward, Hanmi Pharm will continue to strengthen its social values through mutual growth with our partner companies.

Policy and Evaluation for Enhancing Sustainability of the Supply Chain

As a manufacturer of pharmaceutical drugs that directly affect human life, Hanmi Pharm is making every effort to find and select suppliers who can meet our stringent standards. We are committed to preventing illegal behavior as defined in the laws on fair trade. As part of this effort, we have established, and are faithfully complying with Hanmi Pharm's Code of Ethics on Purchasing. By respecting our code of ethics, we provide equal opportunities to all suppliers to provide their products, and we do our best to make sure a good supplier is not excluded because of unfair purchasing behavior.

Hanmi Pharm's Code of Ethics on Purchasing

- 1

There shall be no consideration other than the profit of the company when trading with a supplier.
- 2

Employees shall not engage in any act of collusion that may affect decision making when carrying out purchasing activities with a supplier.
- 3

The selection and registration of a customer shall proceed in a rational manner and be based on objective and impartial evaluation standards.
- 4

Trading shall be based on the principle of fair competition, while personal connections such as school ties and regionalism shall be excluded.
- 5

Employees shall neither accept unauthorized client entertainment nor personal presents of any kind from any supplier.
- 6

Employees shall not engage in unfair behavior of any form that would take advantage of our superior position and authority when trading with a supplier.
- 7

Employees shall never disclose important information about our company.
- 8

Employees shall not make any false report and shall always respect the principle of transparency in all purchasing activities.
- 9

Employees shall remind counterparts that if a company is found to have given a personal present or hosted a member of our company, the transaction will be suspended immediately.
- 10

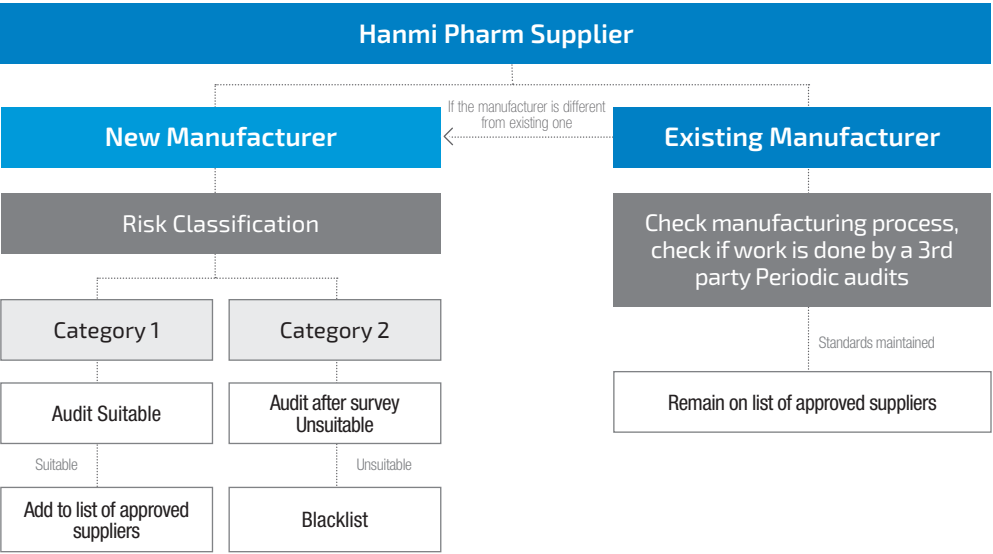
If any of the above principles is violated, I will readily accept any punishment imposed by the company.

Additionally, Hanmi Pharm operates internal guidelines that boost our ability to provide excellent pharmaceutical drugs with proven quality to consumers. Through these guidelines (supply chain management and evaluation), we can effectively manage and evaluate all our suppliers, whether they supply services, raw materials, semi-finished products or finished products. With these guidelines in place, we conduct regular audits of current suppliers as well as new ones, and we are working to supply customers with medical drugs of better quality.

When selecting new suppliers, we categorize them on the basis of risk, dividing them into manufacturers and consignees of imported drugs, manufacturers and subcontractors of key ingredients and manufacturers and subcontractors of excipients and other materials. We then evaluate them through strenuous audits and surveys, before selecting a supplier whose quality can be assured.

For existing manufacturers, we not only carry out a 'Regular Supplier Audit' once every 2~5 years and commend 'Excellent Suppliers' but, when needed, we provide support and risk management for work environment-related aspects (environment, safety, health) of their business operation.

Supplier Evaluation & Management Procedure



Hanmi Pharm Supplier Status

| Category |                        | Unit     | 2016  | 2017  | 2018  |
|----------|------------------------|----------|-------|-------|-------|
| Total    | Total no. of suppliers | Unit     | 159   | 175   | 190   |
|          | No. of new suppliers   |          | 80    | 27    | 15    |
|          | Total purchases        | KRW 100M | 3,736 | 3,922 | 4,794 |

Key Affiliates Supplier Status

| Category      |                            | Unit | 2016 | 2017 | 2018 |
|---------------|----------------------------|------|------|------|------|
| Beijing Hanmi | Total no. of suppliers     | Unit | 119  | 97   | 121  |
|               | No. of new suppliers       |      | 39   | 13   | 33   |
|               | No. of suspended suppliers |      | 18   | 39   | 15   |
|               | No. of changed suppliers   |      | 5    | 4    | 6    |

Review of Supply Chain Management (Mutual Cooperation) and Future Plans

Hanmi Pharm is working tirelessly to reap the value of mutual growth by managing the supply chain in a transparent and systematic manner. We are pushing ahead with the formation of an advanced supply chain ecosystem by continuously searching for and selecting outstanding companies with the highest quality products. In the future, the company intends to operate a wide range of programs through transparent and fair supply chain management and expansion. We shall not only produce pharmaceutical drugs of the highest quality, but also leverage the value of mutual growth and cooperation.

# 2018

## Financial & Non-Financial Statements



## Financial Performance

### Creation and Allocation of Economic Value

Hanmi Pharm allocates the economic value created through its business activities to R&D, employee education and training, social contribution activities, mutual growth with suppliers, dividends, and taxes paid to the government.

Table of Economic Value Created and Allocated by Hanmi Pharm (based on unconsolidated financial statements)

| Category                 |   | Unit     | 2016     | 2017  | 2018  |     |
|--------------------------|---|----------|----------|-------|-------|-----|
| Economic Value Created   | Revenue                                   | KRW 100M | 6,878    | 7,026 | 7,950 |     |
|                          | Domestic                                  |          | 5,787    | 5,518 | 5,976 |     |
|                          | Exports (Excluding upfront/milestones)    |          | 814      | 932   | 1,528 |     |
|                          | Upfront/milestones                        |          | 277      | 577   | 446   |     |
| Economic Value Allocated | Total R&D Expenditure                     | KRW 100M | 1,383    | 1,487 | 1,599 |     |
|                          | Employee Education & Training Costs       |          | 83       | 35    | 23    |     |
|                          | Social Contribution Work Cost + Donations |          | 14       | 61.2  | 48    |     |
|                          | Purchases from Suppliers                  |          | 3,736    | 3,922 | 4,794 |     |
|                          | Dividends                                 | KRW      | -        | 56    | 57    |     |
|                          | Earnings per Share (EPS)                  |          | 379      | 3,507 | 1,128 |     |
|                          | ROE                                       |          | %        | 0.7   | 6.7   | 2.3 |
|                          | Corporate Tax Expense (Refund)            |          | KRW 100M | -281  | -142  | 106 |

Table of Economic Value Created and Allocated by Beijing Hanmi Pharm (based on unconsolidated financial statements)

|                          | Category                                  | Unit     | 2016      | 2017      | 2018      |
|--------------------------|---|----------|-----------|-----------|-----------|
| Economic Value Created   | Revenue                                   | 1000 CNY | 1,105,299 | 1,278,630 | 1,371,481 |
|                          | Domestic                                  |          | 1,090,612 | 1,271,386 | 1,366,512 |
|                          | Exports (Excluding upfront/milestones)    |          | 1,786     | 1,297     | 4,969     |
|                          | Upfront/milestones                        |          | 12,901    | 5,947     | -         |
| Economic Value Allocated | Total R&D Expenditure                     | 1000 CNY | 102,398   | 96,762    | 163,052   |
|                          | Employee Education & Training Costs       |          | 3,558     | 3,616     | 3,382     |
|                          | Social Contribution Work Cost + Donations |          | 412       | 7,244     | 6,596     |
|                          | Purchases from Suppliers                  |          | 183,652   | 174,267   | 256,502   |
|                          | Dividends                                 | KRW      | -         | -         | -         |
|                          | Earnings per Share (EPS)                  |          | -         | -         | -         |
|                          | ROE                                       | %        | 15.8      | 15.7      | 17.5      |
|                          | Corporate Tax Expense (Refund)            | 1000 CNY | 24,024    | 30,673    | 36,039    |

Table of Economic Value Created and Allocated by Hanmi Fine Chemical (based on unconsolidated financial statements)

| Category                 |   | Unit     | 2016     | 2017  | 2018   |      |
|--------------------------|---|----------|----------|-------|--------|------|
| Economic Value Created   | Revenue                                   | KRW 100M | 930      | 872   | 853    |      |
|                          | Domestic                                  |          | 300      | 305   | 300    |      |
|                          | Exports (Excluding Upfront/milestones)    |          | 630      | 567   | 553    |      |
|                          | Upfront/milestones                        |          | -        | -     | -      |      |
| Economic Value Allocated | Total R&D Expenditure                     | KRW 100M | 5,759    | 5,774 | 5,835  |      |
|                          | Employee Education & Training Costs       |          | 0.55     | 0.43  | 0.57   |      |
|                          | Social Contribution Work Cost + Donations |          | 2        | 2     | 2      |      |
|                          | Purchases from Suppliers                  |          | 728      | 682   | 690    |      |
|                          | Dividends                                 | KRW      | -        | -     | -      |      |
|                          | Earnings per Share (EPS)                  |          | 702      | 6,735 | -1,480 |      |
|                          | ROE                                       |          | %        | 1.1   | 9.4    | -2.1 |
|                          | Corporate Tax Expense (Refund)            |          | KRW 100M | 16    | 2      | -3   |

Performance Data Summary for the Past 3 Years

The company has maintained a platform for growth by expanding its new drug pipeline, releasing new products, and increasing sales of existing products.

As a result of focusing resources on developing products in-house through steady R&D investments, in 2018, 93.7% of revenue were generated from the sale of internally developed products.

Performance Data Summary for the Preceding 3 Years (based on unconsolidated financial statements)

|             | Category                            | Unit     | 2016  | 2017  | 2018  |
|-------------|-------------------------------------|----------|-------|-------|-------|
| Hanmi Pharm | Revenue                             |          | 6,878 | 7,026 | 7,950 |
|             | (1) Finished goods                  |          | 4,608 | 4,978 | 6,085 |
|             | (2) Merchandise                     |          | 1,757 | 1,330 | 1,285 |
|             | (3) Contract manufacture            |          | 155   | 139   | 134   |
|             | (4) Upfront/milestones              | KRW 100M | 277   | 577   | 446   |
|             | (5) Other                           |          | 80    | 3     | 0     |
|             | COGS                                |          | 3,813 | 3,455 | 4,290 |
|             | (1) Finished goods                  |          | 2,014 | 2,088 | 3,017 |
|             | (2) Merchandise                     |          | 1,681 | 1,270 | 1,188 |
|             | (3) Contract manufacture            |          | 117   | 98    | 85    |
|             | COGS ratio                          | %        | 55.4  | 49.2  | 54.0  |
|             | Selling and Administrative Expenses | KRW 100M | 1,881 | 1,778 | 1,785 |
|             | Cost Income Ratio                   | %        | 27.3  | 25.3  | 22.5  |
|             | Operating Profit                    | KRW 100M | -44   | 470   | 433   |
|             | Operating Profit Margin             | %        | -0.6  | 6.7   | 5.4   |
|             | Pretax Profit                       | KRW 100M | -242  | 244   | 234   |
|             | Pretax Profit Margin                | %        | -3.5  | 3.5   | 2.9   |
|             | Net Profit                          | KRW 100M | 39    | 387   | 128   |
|             | Net Profit Margin                   | %        | 0.6   | 5.5   | 1.6   |

Environmental Management Performance

Hanmi Pharm is constantly monitoring and resolving the types of environmental problems that can occur during the product manufacturing stage. Through the adoption of the ISO14001 environmental management system in 2012, the company has implemented a globally recognized environmental management system, thus enabling it to establish a clear direction in its environmental management and minimize negative impacts on the environment.

Energy Consumption

Energy Consumption Rates of Hanmi Pharm

| Category             |                             |             | Unit    | 2016    | 2017    | 2018    |
|----------------------|-----------------------------|-------------|---------|---------|---------|---------|
| Total                | Direct Energy Consumption   | LNG         | GJ      | 202,971 | 207,786 | 228,220 |
|                      | Indirect Energy Consumption | Electricity |         | 372,258 | 522,505 | 558,952 |
|                      | Total Energy Consumption    |             |         | 575,229 | 730,291 | 787,172 |
| HQ (Seoul)           | Direct Energy Consumption   | LNG         |         | 5,451   | 5,511   | 6,883   |
|                      | Indirect Energy Consumption | Electricity |         | 13,426  | 13,205  | 13,246  |
|                      | Total Energy Consumption    |             |         | 18,877  | 18,716  | 20,129  |
| Paltan Smart Plant   | Direct Energy Consumption   | LNG*        |         | 107,475 | 135,066 | 144,184 |
|                      | Indirect Energy Consumption | Electricity |         | 267,627 | 407,854 | 435,606 |
|                      | Total Energy Consumption    |             |         | 375,102 | 542,919 | 579,790 |
| Pyeongtaek Bio Plant | Direct Energy Consumption   | LNG         | 78,723  | 55,413  | 64,617  |         |
|                      | Indirect Energy Consumption | Electricity | 79,143  | 89,944  | 98,745  |         |
|                      | Total Energy Consumption    |             | 157,866 | 145,357 | 163,362 |         |
| Research Center      | Direct Energy Consumption   | LNG         | 11,372  | 11,796  | 12,536  |         |
|                      | Indirect Energy Consumption | Electricity | 12,062  | 11,502  | 11,355  |         |
|                      | Total Energy Consumption    |             |         | 23,298  | 23,891  |         |

\* Paltan Industrial Complex: Includes LNG, acetylene, diesel and petroleum  
\* Energy consumption for the Paltan Industrial Complex was calculated using the conversion factor for the Greenhouse Gas Emissions Target Management System (9.6MJ/kwh) rather than the standard conversion factor of 3.6MJ/kwh.

Energy Consumption Rates of Affiliates

| Category            |                             |                    | Unit | 2016    | 2017    | 2018    |
|---------------------|-----------------------------|--------------------|------|---------|---------|---------|
| Beijing Hanmi Pharm | Indirect Energy Consumption | Electricity        | GJ   | 29,861  | 27,118  | 32,130  |
|                     | Total Energy Consumption    |                    |      | 29,861  | 27,118  | 32,130  |
| Hanmi Fine Chemical | Direct Energy Consumption   | Diesel (Petroleum) |      | 367     | 261     | 274     |
|                     |                             | Electricity        |      | 112,831 | 110,588 | 105,059 |
|                     | Indirect Energy Consumption | Steam              |      | 71,551  | 62,896  | 60,298  |
|                     | Total Energy Consumption    |                    |      | 184,749 | 173,745 | 165,631 |

Water Usage

Water Consumption Rates of Hanmi Pharm

| Category             | Unit | 2016    | 2017    | 2018    |
|----------------------|------|---------|---------|---------|
| Total                | tons | 306,433 | 448,023 | 779,312 |
| HQ (Seoul)           |      | 21,239  | 20,168  | 23,513  |
| Paltan Smart Plant   |      | 100,922 | 157,987 | 176,826 |
| Pyeongtaek Bio Plant |      | 171,144 | 258,544 | 565,721 |
| Research Center      |      | 13,128  | 11,324  | 13,252  |

\*Pyeongtaek Bio Plant: Water consumption increase due to the addition of 2 W.F.I (Water for Injection) generators.

Water Consumption Rates of Affiliates

| Category            | Unit | 2016    | 2017    | 2018    |
|---------------------|------|---------|---------|---------|
| Beijing Hanmi Pharm | tons | 54,640  | 52,492  | 57,749  |
| Hanmi Fine Chemical |      | 108,543 | 157,948 | 131,217 |

Amount of Water Recycled or Reused

| Category           | Unit | 2016   | 2017   | 2018   |
|--------------------|------|--------|--------|--------|
| Paltan Smart Plant | tons | 14,683 | 34,483 | 39,348 |

Water Pollutant Emissions

Water Pollutant Emission Rates of Hanmi Pharm

| Category             | Unit | 2016  | 2017  | 2018  |
|----------------------|------|-------|-------|-------|
| Paltan Smart Plant   | COD  | 0.561 | 0.518 | 0.868 |
|                      | SS   | 0.118 | 0.099 | 0.296 |
|                      | T-N  | 1.218 | 0.660 | 1.161 |
|                      | T-P  | 0.011 | 0.023 | 0.005 |
| Pyeongtaek Bio Plant | COD  | 0.315 | 1.762 | 6.713 |
|                      | SS   | 0.164 | 2.403 | 2.992 |
|                      | BOD  | 0.087 | 0.708 | 2.480 |
|                      | T-N  | 0.361 | 0.570 | 9.837 |
|                      | T-P  | 0.094 | 0.032 | 0.157 |

Water Pollutant Emission Rates of Affiliates

| Category            | Unit | 2016  | 2017  | 2018  |
|---------------------|------|-------|-------|-------|
| Hanmi Fine Chemical | COD  | 1.099 | 2.089 | 0.829 |
|                     | SS   | 0.571 | 0.807 | 0.324 |
|                     | BOD  | 1.491 | 2.643 | 0.522 |
|                     | T-N  | 0.210 | 0.444 | 0.257 |
|                     | T-P  | 0.002 | 0.001 | 0.004 |

Greenhouse Gas Emissions

Greenhouse Gas Emission Rates of Hanmi Pharm

| Category             | Unit                         | 2016   | 2017   | 2018   |
|----------------------|------------------------------|--------|--------|--------|
| Total                | Direct Emissions (Scope 1)   | 10,890 | 11,011 | 12,112 |
|                      | Indirect Emissions (Scope 2) | 26,549 | 34,658 | 37,132 |
|                      | Total Emissions (Scope1 +2)  | 37,439 | 45,669 | 49,244 |
| HQ(Seoul)            | Direct Emissions (Scope 1)   | 306    | 309    | 382    |
|                      | Indirect Emissions (Scope 2) | 1,739  | 1,710  | 1,716  |
|                      | Total Emissions (Scope1 +2)  | 2,045  | 2,019  | 2,098  |
| Paltan Smart Plant   | Direct Emissions (Scope 1)   | 5,530  | 6,931  | 7,402  |
|                      | Indirect Emissions (Scope 2) | 12,998 | 19,809 | 21,156 |
|                      | Total Emissions (Scope1 +2)  | 18,528 | 26,740 | 28,558 |
| Pyeongtaek Bio Plant | Direct Emissions (Scope 1)   | 4,416  | 3,109  | 3,625  |
|                      | Indirect Emissions (Scope 2) | 10,250 | 11,649 | 12,789 |
|                      | Total Emissions (Scope1 +2)  | 14,666 | 14,758 | 16,414 |
| Research Center      | Direct Emissions (Scope 1)   | 638    | 662    | 703    |
|                      | Indirect Emissions (Scope 2) | 1,562  | 1,490  | 1,471  |
|                      | Total Emissions (Scope1 +2)  | 2,200  | 2,152  | 2,174  |

Greenhouse Gas Emission Rates of Affiliates

| Category            | Unit                         | 2016   | 2017   | 2018   |
|---------------------|------------------------------|--------|--------|--------|
| Beijing Hanmi Pharm | Indirect Emissions (Scope 2) | 5,010  | 4,550  | 5,391  |
|                     | Total Emissions (Scope1 +2)  | 5,010  | 4,550  | 5,391  |
| Hanmi Fine Chemical | Direct Emissions (Scope 1)   | 25     | 14     | 18     |
|                     | Indirect Emissions (Scope 2) | 16,604 | 16,073 | 15,295 |
|                     | Total Emissions (Scope1 +2)  | 16,629 | 16,087 | 15,313 |

\* Hanmi Pharm, Hanmi Fine Chemical: The CO2 emission factor at which the level of electricity usage meets the standard for greenhouse gas emissions target management was applied.

\* Beijing Hanmi Pharm: The CO2 emission factor set by the Beijing Climate Change Research Center was applied

Air Pollutants

Air Pollutant Emission Rates of Hanmi Pharm

| Category             | Unit            | 2016  | 2017   | 2018   |
|----------------------|-----------------|-------|--------|--------|
| Paltan Smart Plant   | Dust            | 0.813 | 2.199  | 1.017  |
|                      | SOx             | -     | -      | 0.002  |
|                      | NOx             | 1.450 | 6.735  | 6.137  |
|                      | Dichloromethane | -     | -      | 0.014  |
|                      | THC             | -     | 0.097  | 10.773 |
| Pyeongtaek Bio Plant | Dust            | 0.357 | 0.517  | 0.371  |
|                      | Ammonia         | 0.150 | 0.087  | 0.034  |
|                      | NOx             | 1.283 | 3.069  | 4.533  |
|                      | Zinc Compound   | 0.001 | 0.0002 | 0.007  |

Air Pollutant Emission Rates of Affiliates

| Category            | Unit            | 2016  | 2017  | 2018  |
|---------------------|-----------------|-------|-------|-------|
| Hanmi Fine Chemical | Dust            | 2.270 | 1.631 | 0.765 |
|                     | SOx             | 0.467 | 0.380 | 0.288 |
|                     | Ammonia         | 0.061 | 0.047 | 0.115 |
|                     | HCl             | 0.260 | 0.238 | 0.132 |
|                     | HCHO            | 0.002 | 0.002 | 0.001 |
|                     | Chloroform      | 0.225 | 0.068 | 0.010 |
|                     | Dichloromethane | 1.151 | 1.325 | 5.171 |

\* In the case of the HQ and Research Center, the annual amounts of air pollutants generated are less than 2 tons. Therefore, these business sites are classified as Level 5 and Level 4 business sites, respectively, and thus were excluded from the air pollutant report.

\* As Beijing Hanmi Pharm complies with China's air pollution standards, it was excluded from the report.

Waste Material Discharge

Waste Material Discharge Rates of Hanmi Pharm

| Category             |                                    |                            | Unit | 2016  | 2017  | 2018  |
|----------------------|------------------------------------|----------------------------|------|-------|-------|-------|
| Total                | Amount of waste materials produced | Business Site (General)    | tons | 954   | 1,055 | 1,277 |
|                      |                                    | Business site (Designated) |      | 116   | 889   | 311   |
|                      |                                    | Total                      |      | 1,070 | 1,943 | 1,588 |
|                      | Amount of waste materials recycled |                            |      | -     | 432   | 736   |
|                      | Waste material recycling rate      |                            | %    | -     | 22%   | 46%   |
| HQ                   | Amount of waste materials produced | Business Site (General)    | tons | 43    | 43    | 43    |
|                      |                                    | Business site (Designated) |      | 3     | 3     | 3     |
|                      |                                    | Total                      |      | 46    | 46    | 46    |
|                      | Amount of waste materials recycled |                            |      | -     | -     | -     |
|                      | Waste material recycling rate      |                            | %    | -     | -     | -     |
| Paltan Smart Plant   | Amount of waste materials produced | Business Site (General)    | tons | 676   | 729   | 1,017 |
|                      |                                    | Business site (Designated) |      | 57    | 61    | 81    |
|                      |                                    | Total                      |      | 733   | 790   | 1,098 |
|                      | Amount of waste materials recycled |                            |      | -     | 351   | 618   |
|                      | Waste material recycling rate      |                            | %    | -     | 44%   | 56%   |
| Pyeongtaek Bio Plant | Amount of waste materials produced | Business Site (General)    | tons | 206   | 250   | 183   |
|                      |                                    | Business site (Designated) |      | 32    | 797   | 170   |
|                      |                                    | Total                      |      | 238   | 1,047 | 353   |
|                      | Amount of waste materials recycled |                            |      | -     | 81    | 118   |
|                      | Waste material recycling rate      |                            | %    | -     | 8%    | 33%   |
| Research Center      | Amount of waste materials produced | Business Site (General)    | tons | 29    | 33    | 34    |
|                      |                                    | Business site (Designated) |      | 24    | 28    | 57    |
|                      |                                    | Total                      |      | 53    | 61    | 91    |
|                      | Amount of waste materials recycled |                            |      | -     | -     | -     |
|                      | Waste material recycling rate      |                            | %    | -     | -     | -     |

Waster Material Discharge Rates of Affiliates

| Category               |                                       |                            | Unit  | 2016  | 2017  | 2018  |
|------------------------|---------------------------------------|----------------------------|-------|-------|-------|-------|
| Beijing<br>Hanmi Pharm | Amount of waste materials<br>produced | Business Site (General)    | tons  | 142   | 85    | 127   |
|                        |                                       | Business site (Designated) |       | -     | -     | -     |
|                        |                                       | Total                      |       | 142   | 85    | 127   |
|                        | Amount of waste materials recycled    |                            | -     | -     | -     |       |
|                        | Waste material recycling rate         |                            | %     | -     | -     | -     |
| Hanmi<br>Fine Chemical | Amount of waste materials<br>produced | Business Site (General)    | tons  | 221   | 169   | 160   |
|                        |                                       | Business site (Designated) |       | 9,370 | 8,261 | 8,668 |
|                        |                                       | Total                      |       | 9,591 | 8,430 | 8,828 |
|                        | Amount of waste materials recycled    |                            | 6,131 | 6,123 | 4,776 |       |
|                        | Waste material recycling rate         |                            | %     | 64%   | 73%   | 54%   |

Human Resource Management Performance

To promote based on respect for people, Hanmi Pharm is doing everything it can to manage its employees' health and enhance their welfare, and runs a wide range of programs designed to promote their ongoing growth and development.

Key Recruitment Indicators

Employee Statistics at Hanmi Pharm

| Category                              |                    |                      | Unit    | 2016  | 2017  | 2018  |
|---------------------------------------|--------------------|----------------------|---------|-------|-------|-------|
| Number of employees for each category | Total              |                      | persons | 2,085 | 2,271 | 2,399 |
|                                       | Place of Work      | HQ (Seoul)           |         | 256   | 299   | 307   |
|                                       |                    | Paltan Smart Plant   |         | 517   | 566   | 624   |
|                                       |                    | Pyeongtaek Bio Plant |         | 460   | 619   | 666   |
|                                       |                    | Research Center      |         | 147   | 144   | 156   |
|                                       |                    | Smart Office         |         | 705   | 643   | 646   |
|                                       | Type of Job        | Manufacturing        |         | 752   | 949   | 1,040 |
|                                       |                    | Sales                |         | 699   | 643   | 644   |
|                                       |                    | Research             |         | 399   | 417   | 465   |
|                                       |                    | Administration       |         | 197   | 221   | 207   |
|                                       | Type of Employment | Permanent            |         | 2,047 | 2,142 | 2,275 |
|                                       |                    | Temporary            |         | 38    | 129   | 124   |
|                                       | Gender             | Men                  |         | 1,535 | 1,629 | 1,719 |
|                                       |                    | Women                |         | 550   | 642   | 680   |
|                                       | Executive          |                      |         | 38    | 41    | 43    |

Employee Statistics at Affiliates

| Category               |                    |                | Unit    | 2016  | 2017  | 2018  |
|------------------------|--------------------|----------------|---------|-------|-------|-------|
| Beijing<br>Hanmi Pharm | Total              |                | persons | 1,344 | 1,299 | 1,315 |
|                        | Department         | Manufacturing  |         | 260   | 269   | 308   |
|                        |                    | Sales          |         | 820   | 756   | 736   |
|                        |                    | Research       |         | 168   | 170   | 164   |
|                        |                    | Administration |         | 90    | 97    | 97    |
|                        | Type of Employment | Permanent      |         | 1,344 | 1,299 | 1,315 |
|                        |                    | Temporary      |         | -     | -     | -     |
|                        | Gender             | Men            |         | 644   | 615   | 624   |
|                        |                    | Women          |         | 700   | 684   | 691   |
|                        | Executive          |                |         | 6     | 7     | 10    |
| Hanmi<br>Fine Chemical | Total              |                | persons | 241   | 268   | 279   |
|                        | Department         | Manufacturing  |         | 180   | 205   | 214   |
|                        |                    | Sales          |         | 2     | 1     | 1     |
|                        |                    | Research       |         | 43    | 45    | 47    |
|                        |                    | Administration |         | 13    | 14    | 14    |
|                        | Type of Employment | Permanent      |         | 227   | 258   | 274   |
|                        |                    | Temporary      |         | 17    | 10    | 2     |
|                        | Gender             | Men            |         | 195   | 207   | 214   |
|                        |                    | Women          |         | 46    | 61    | 62    |
|                        | Executive          |                |         | 3     | 3     | 3     |

Employee Composition and Diversity at Hanmi Pharm

| Category |                                       | Unit           | 2016  | 2017  | 2018  |
|----------|---------------------------------------|----------------|-------|-------|-------|
| Total    | Total                                 |                | 2,085 | 2,271 | 2,399 |
|          | Department                            | Manufacturing  | 752   | 949   | 1,040 |
|          |                                       | Sales          | 699   | 643   | 644   |
|          |                                       | Research       | 399   | 417   | 465   |
|          |                                       | Administration | 197   | 221   | 207   |
|          |                                       | Executive      | 38    | 41    | 43    |
|          | Gender                                | Men            | 1,535 | 1,629 | 1,719 |
|          |                                       | Women          | 550   | 642   | 680   |
|          | Number of employees with disabilities |                | 5     | 4     | 4     |
|          | Age Group                             | 30 or younger  | 149   | 744   | 773   |
|          |                                       | 30~49          | 1,887 | 1,468 | 1,550 |
|          |                                       | 50 or older    | 49    | 59    | 76    |

Employee Composition and Diversity at Affiliates

| Category            |                                       | Unit           | 2016  | 2017  | 2018  |
|---------------------|---------------------------------------|----------------|-------|-------|-------|
| Beijing Hanmi Pharm | Total number of employees             |                | 1,344 | 1,299 | 1,315 |
|                     | Department                            | Manufacturing  | 261   | 270   | 309   |
|                     |                                       | Sales          | 820   | 756   | 738   |
|                     |                                       | R&D            | 169   | 172   | 167   |
|                     |                                       | Administration | 94    | 101   | 101   |
|                     | Gender                                | Men            | 644   | 615   | 624   |
|                     |                                       | Women          | 700   | 684   | 691   |
|                     | Number of employees with disabilities |                | 7     | 15    | 18    |
|                     | Age Group                             | 29 or younger  | 646   | 540   | 504   |
|                     |                                       | 30~49          | 683   | 743   | 797   |
|                     |                                       | 50 or older    | 15    | 16    | 14    |
| Hanmi Fine Chemical | Total number of employees             |                | 241   | 268   | 279   |
|                     | Department                            | Manufacturing  | 135   | 205   | 214   |
|                     |                                       | Research       | 43    | 46    | 48    |
|                     |                                       | Adminsitration | 63    | 17    | 17    |
|                     | Gender                                | Men            | 193   | 210   | 217   |
|                     |                                       | Women          | 48    | 58    | 62    |
|                     | Number of employees with disabilities |                | 1     | 0     | 1     |
|                     | Age Group                             | 29 or younger  | 43    | 89    | 96    |
|                     |                                       | 30~49          | 176   | 162   | 163   |
|                     |                                       | 50 or older    | 22    | 17    | 20    |

Continuous Employment and Career Breaks at Hanmi Pharm

| Category |                                |  | Unit    | 2016 | 2017 | 2018 |
|----------|--------------------------------|--|---------|------|------|------|
| Total    | Average duration of employment |  | years   | 5.5  | 5.5  | 5.9  |
|          | Number of leavers              |  | persons | 387  | 312  | 341  |
|          | Employee turnover ratio        |  | %       | 15.9 | 13.6 | 14   |
|          | New hires                      |  | persons | 351  | 459  | 390  |
|          | New hire ratio                 |  | %       | 14.4 | 20   | 16   |
|          | Parental Leave                 | Number of employees taking leave   | persons | 37   | 43   | 42   |
|          |                                | Number of days of leave used   | days    | 154  | 176  | 242  |
|          |                                | Number of employees who returned to work after leave                             | persons | 35   | 41   | 41   |
|          |                                | Number of employees who worked for at least 12 months after returning from leave | persons | 30   | 28   | 40   |

Continuous Employment and Career Breaks at Affiliates

| Category            |                                | Unit   | 2016    | 2017 | 2018 |     |
|---------------------|--------------------------------|--|---------|------|------|-----|
| Beijing Hanmi Pharm | Average duration of employment | years  | 4.3     | 4.6  | 4.8  |     |
|                     | Number of leavers              | persons  | 413     | 349  | 309  |     |
|                     | Employee turnover ratio        | %  | 30.7    | 26.9 | 23.5 |     |
|                     | New hires                      | persons  | 319     | 260  | 266  |     |
|                     | New hire ratio                 | %  | 23.7    | 20   | 20.2 |     |
|                     | Breast-feeding Leave           | persons  | 33      | 43   | 37   |     |
|                     |                                |  | 6       | 9    | 10   |     |
| Hanmi Fine Chemical | Average duration of employment | years  | 9.24    | 8.65 | 8.36 |     |
|                     | Number of leavers              | persons  | 25      | 10   | 36   |     |
|                     | Employee turnover ratio        | %  | 10.4    | 3.9  | 13   |     |
|                     | New hires                      | persons  | 20      | 25   | 47   |     |
|                     | New hire ratio                 | %  | 8.3     | 9.8  | 17   |     |
|                     | Parental Leave                 | Number of employees taking leave   | persons | 1    | 4    | 1   |
|                     |                                | Number of days of leave used   | days    | 245  | 112  | 206 |
|                     |                                | Number of employees who returned to work after leave                             | persons | 1    | 1    | 2   |
|                     |                                | Number of employees who worked for at least 12 months after returning from leave | persons | 0    | 1    | 1   |
|                     |                                |  |         |      |      |     |

Periodic Reviews of Employee Job Performance and Career Development at Hanmi Pharm

| Category |   | Unit  | 2016  | 2017  | 2018  |
|----------|---|-------|-------|-------|-------|
| Total    | Number of employees   |       | 2,085 | 2,271 | 2,399 |
|          | Number of employees who received job performance and career development reviews |       | 2,085 | 2,271 | 2,399 |
|          | Total   |       | 752   | 949   | 1,040 |
|          | Manufacturing   | Men   | 526   | 659   | 738   |
|          |   | Women | 226   | 290   | 302   |
|          | Sales   | Total | 699   | 643   | 644   |
|          |   | Men   | 676   | 613   | 613   |
|          |   | Women | 23    | 30    | 31    |
|          | Research  | Total | 399   | 417   | 465   |
|          |   | Men   | 199   | 208   | 225   |
|          |   | Women | 200   | 209   | 240   |
|          | Administration  | Total | 197   | 221   | 207   |
|          |   | Men   | 104   | 116   | 110   |
|          |   | Women | 93    | 105   | 97    |
|          | Executive   | Total | 38    | 41    | 43    |
|          |   | Men   | 30    | 33    | 33    |
|          |   | Women | 8     | 8     | 10    |

Periodic Reviews of Employee Job Performance and Career Development at Affiliates

| Category            |   | Unit  | 2016  | 2017  | 2018  |
|---------------------|---|-------|-------|-------|-------|
| Beijing Hanmi Pharm | Number of employees   |       | 1,344 | 1,299 | 1,315 |
|                     | Number of employees who received job performance and career development reviews |       | 1,344 | 1,299 | 1,315 |
|                     | Total   |       | 260   | 269   | 308   |
|                     | Manufacturing   | Men   | 119   | 125   | 146   |
|                     |   | Women | 141   | 144   | 162   |
|                     | Sales   | Total | 820   | 756   | 736   |
|                     |   | Men   | 431   | 396   | 381   |
|                     |   | Women | 389   | 360   | 355   |
|                     | Research  | Total | 168   | 170   | 164   |
|                     |   | Men   | 63    | 58    | 59    |
|                     |   | Women | 105   | 112   | 105   |
|                     | Administration  | Total | 90    | 97    | 97    |
|                     |   | Men   | 25    | 30    | 29    |
|                     |   | Women | 65    | 67    | 68    |
|                     | Executive   | Total | 6     | 7     | 10    |
|                     |   | Men   | 6     | 6     | 9     |
|                     |   | Women | 0     | 1     | 1     |
| Hanmi Fine Chemical | Number of employees   |       | 241   | 268   | 279   |
|                     | Number of employees who received job performance and career development reviews |       | 241   | 268   | 279   |
|                     | Total   |       | 180   | 205   | 214   |
|                     | Manufacturing   | Men   | 156   | 166   | 175   |
|                     |   | Women | 24    | 39    | 39    |
|                     | Sales   | Total | 2     | 1     | 1     |
|                     |   | Men   | 2     | 1     | 1     |
|                     |   | Women | -     | -     | -     |
|                     | Research  | Total | 43    | 45    | 47    |
|                     |   | Men   | 25    | 29    | 29    |
|                     |   | Women | 18    | 16    | 18    |
|                     | Administration  | Total | 13    | 14    | 14    |
|                     |   | Men   | 9     | 9     | 9     |
|                     |   | Women | 4     | 5     | 5     |
|                     | Executive   | Total | 3     | 3     | 3     |
|                     |   | Men   | 3     | 3     | 3     |
|                     |   | Women | -     | -     | -     |

Average Annual Compensation per Person at Hanmi Pharm \*

| Category    |   | Unit | 2016       | 2017       | 2018              |
|-------------|---|------|------------|------------|-------------------|
| Hanmi Pharm | Total average annual compensation per person    | KRW  | 56,077,253 | 57,035,582 | <b>66,274,637</b> |
|             | Average rate of increase in annual compensation | %    | -7%        | 2%         | <b>16%</b>        |

Average Annual Compensation per Person at Affiliates

| Category            |   | Unit | 2016       | 2017       | 2018              |
|---------------------|---|------|------------|------------|-------------------|
| Beijing Hanmi Pharm | Total average annual compensation per person    | CNY  | 123,609    | 137,278    | <b>173,132</b>    |
|                     | Average rate of increase in annual compensation | %    | 4%         | 11%        | <b>26%</b>        |
| Hanmi Fine Chemical | Total average annual compensation per person    | KRW  | 55,489,376 | 54,581,806 | <b>52,009,416</b> |
|                     | Average rate of increase in annual compensation | %    | -3.7%      | -1.6%      | <b>-4.7%</b>      |

\*Compensation Amount = Salary, Bonus, Overtime Pay, Severance Pay, Social Security Contributions

Average Annual Salary per Person at Hanmi Pharm \*

| Category |               |       | Unit | 2016       | 2017       | 2018              |
|----------|---------------|-------|------|------------|------------|-------------------|
| Total    | All employees | Women | KRW  | 43,398,000 | 43,504,102 | <b>48,906,295</b> |
|          |               | Men   |      | 52,055,614 | 52,609,428 | <b>60,013,539</b> |
|          |               |       |      |            |            |                   |

Average Annual Salary Amount per Person at Affiliates \*

| Category            |               |       | Unit | 2016       | 2017       | 2018              |
|---------------------|---------------|-------|------|------------|------------|-------------------|
| Beijing Hanmi Pharm | All employees | Women | CNY  | 113,696    | 123,119    | <b>149,418</b>    |
|                     |               | Men   |      | 124,146    | 139,115    | <b>169,388</b>    |
| Hanmi Fine Chemical | All employees | Women | KRW  | 36,395,695 | 40,634,037 | <b>40,124,532</b> |
|                     |               | Men   |      | 49,943,073 | 52,005,171 | <b>55,405,094</b> |

\*Salary Amount = Sum of Salary, Bonus, and Overtime Pay

Key Governance Indicators

Remuneration of Directors/Auditors at Hanmi Pharm

| Category |   |                                 |                         | Unit    | 2016    | 2017    | 2018           |
|----------|---|---------------------------------|-------------------------|---------|---------|---------|----------------|
| Total    | Director & Auditor Remuneration                       | Number of persons               | Executives              | persons | 33      | 33      | <b>35</b>      |
|          |   |                                 | Non-executive directors |         | 3       | 3       | <b>3</b>       |
|          |   |                                 | Consultants             |         | 1       | 1       | <b>1</b>       |
|          |   |                                 | Advisors, Auditors      |         | 1       | 4       | <b>4</b>       |
|          |   |                                 | Total                   |         | 38      | 41      | <b>43</b>      |
|          |   | Total amount paid               | Executives              | KRW 1M  | 7,025.8 | 7,206.9 | <b>8,514.8</b> |
|          |   |                                 | Non-executive directors |         | 135.6   | 138.0   | <b>156.0</b>   |
|          |   |                                 | Consultants             |         | 171.2   | 175.3   | <b>201.5</b>   |
|          |   |                                 | Advisors, Auditors      |         | 40      | 402.3   | <b>378.0</b>   |
|          |   |                                 | Total                   |         | 7,372.6 | 7,922.6 | <b>9,250.3</b> |
|          |   | Average amount paid to 1 person | Executives              |         | 212.9   | 218.4   | <b>243.3</b>   |
|          |   |                                 | Non-executive directors |         | 45.2    | 46.0    | <b>52.0</b>    |
|          |   |                                 | Consultants             |         | 171.2   | 175.3   | <b>201.5</b>   |
|          |   |                                 | Advisors, Auditors      |         | 40      | 100.6   | <b>94.5</b>    |
|          |   |                                 | Total                   |         | 194.0   | 193.2   | <b>215.1</b>   |
|          | BoD Director & Auditor Remuneration (September, 2018) | Number of persons               | Executive directors     | persons | 3       | 5       | <b>5</b>       |
|          |   |                                 | Part-time Directors     |         | -       | -       | <b>-</b>       |
|          |   |                                 | Non-executive directors |         | 3       | 3       | <b>3</b>       |
|          |   |                                 | Auditors                |         | -       | -       | <b>-</b>       |
|          |   |                                 | Total                   |         | 6       | 8       | <b>8</b>       |
|          |   | Total amount paid               | Executive directors     | KRW 1M  | 1,029   | 1,668   | <b>1,874.6</b> |
|          |   |                                 | Part-time Directors     |         | -       | -       | <b>-</b>       |
|          |   |                                 | Non-executive directors |         | 136     | 137.8   | <b>156.0</b>   |
|          |   |                                 | Auditors                |         | -       | -       | <b>-</b>       |
|          |   |                                 | Total                   |         | 1,165   | 1,805.8 | <b>2,030.6</b> |
|          |   | Average amount paid to 1 person | Executive directors     |         | 343     | 333.6   | <b>374.9</b>   |
|          |   |                                 | Part-time Directors     |         | -       | -       | <b>-</b>       |
|          |   |                                 | Non-executive directors |         | 45      | 45.9    | <b>52.0</b>    |
|          |   |                                 | Auditors                |         | -       | -       | <b>-</b>       |
|          |   |                                 | Total                   |         | 233     | 225.7   | <b>253.8</b>   |

Compensation of Directors/Auditors at Affiliates

|                     |                                 | Category                       |                         | Unit    | 2016      | 2017      | 2018       |
|---------------------|---------------------------------|--------------------------------|-------------------------|---------|-----------|-----------|------------|
| Beijing Hanmi Pharm | Director & Auditor Remuneration | Number of persons              | Executive directors     | persons | 5         | 5         | 5          |
|                     |                                 |                                | Part-time Directors     |         | -         | -         | -          |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Auditors                |         | -         | -         | -          |
|                     |                                 |                                | Total                   |         | 5         | 5         | 5          |
|                     |                                 | Total amount paid              | Executive directors     | KRW 1M  | 4,757,187 | 6,514,046 | 11,699,698 |
|                     |                                 |                                | Part-time Directors     |         | -         | -         | -          |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Auditors                |         | -         | -         | -          |
|                     |                                 |                                | Total                   |         | 4,757,187 | 6,514,046 | 11,699,698 |
|                     |                                 | Average amount paid per person | Executives              | CNY     | 1,585,729 | 2,171,348 | 3,899,899  |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Consultants             |         | -         | -         | -          |
|                     |                                 |                                | Advisors, Auditors      |         | -         | -         | -          |
|                     |                                 |                                | Total                   |         | 1,585,729 | 2,171,348 | 3,899.899  |
| Hanmi Fine Chemical | Director & Auditor Remuneration | Number of persons              | Executive directors     | persons | 3         | 3         | 3          |
|                     |                                 |                                | Part-time Directors     |         | -         | -         | -          |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Auditors                |         | 1         | 1         | 1          |
|                     |                                 |                                | Total                   |         | 4         | 4         | 4          |
|                     |                                 | Total amount paid              | Executive directors     | KRW 1M  | 551       | 407       | 559        |
|                     |                                 |                                | Part-time Directors     |         | -         | -         | -          |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Auditors                |         | 132       | 145       | 161        |
|                     |                                 |                                | Total                   |         | 683       | 552       | 720        |
|                     |                                 | Average amount paid per person | Executive directors     |         | 184       | 135       | 186        |
|                     |                                 |                                | Part-time Directors     |         | -         | -         | -          |
|                     |                                 |                                | Non-executive directors |         | -         | -         | -          |
|                     |                                 |                                | Auditors                |         | 132       | 145       | 161        |
|                     |                                 |                                | Total                   |         | 316       | 280       | 347        |

Composition of Executives and BoD at Hanmi Pharm

|       |                                   | Category                              |                         | Unit    | 2016 | 2017 | 2018 |
|-------|-----------------------------------|---------------------------------------|-------------------------|---------|------|------|------|
| Total | Composition of Executives and BoD | Number of members of the BoD          | Executive directors     |         | 3    | 5    | 5    |
|       |                                   |                                       | Non-executive directors |         | 3    | 3    | 3    |
|       |                                   | Number of executives aged 30~50       | Total                   | persons | 21   | 20   | 21   |
|       |                                   |                                       | Men                     |         | 15   | 15   | 15   |
|       |                                   |                                       | Women                   |         | 6    | 5    | 6    |
|       |                                   | Number of executives aged 50 or above | Total                   |         | 17   | 21   | 22   |
|       |                                   |                                       | Men                     |         | 15   | 18   | 18   |
|       |                                   |                                       | Women                   |         | 2    | 3    | 4    |

Composition of Executives and BoD at Affiliates

|                     |                                   | Category                              |                         | Unit    | 2016 | 2017 | 2018 |
|---------------------|-----------------------------------|---------------------------------------|-------------------------|---------|------|------|------|
| Beijing Hanmi Pharm |                                   | Number of members of the BoD          | Executive directors     |         | 5    | 5    | 5    |
|                     |                                   |                                       | Non-executive directors |         | -    | -    | -    |
|                     |                                   | Number of executives aged 30~50       | Total                   |         | 3    | 3    | 5    |
|                     |                                   |                                       | Men                     |         | 2    | 2    | 5    |
|                     |                                   |                                       | Women                   |         | 1    | 1    | -    |
|                     |                                   | Number of executives aged 50 or above | Total                   |         | 2    | 2    | 5    |
|                     |                                   |                                       | Men                     |         | 2    | 2    | 4    |
|                     |                                   |                                       | Women                   |         | -    | -    | 1    |
| Hanmi Fine Chemical | Composition of Executives and BoD | Number of members of the BoD          | Executive directors     | persons | 3    | 3    | 3    |
|                     |                                   |                                       | Non-executive directors |         | -    | -    | -    |
|                     |                                   | Number of executives aged 30~50       | Total                   |         | 1    | -    | -    |
|                     |                                   |                                       | Men                     |         | 1    | -    | -    |
|                     |                                   |                                       | Women                   |         | -    | -    | -    |
|                     |                                   | Number of executives aged 50 or above | Total                   |         | 2    | 3    | 3    |
|                     |                                   |                                       | Men                     |         | 2    | 3    | 3    |
|                     |                                   |                                       | Women                   |         | -    | -    | -    |

# Appendices

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Third-Party Assurance Statement

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GRI Standards Index

## Third-Party Assurance Statement

### To the Management of Hanmi Pharm (Inc.) and Its Stakeholders

#### Foreword

The Korean Standards Association (hereinafter “Assurer”) has been requested by Hanmi Pharm to perform an independent verification of its 2018 Hanmi Pharm Sustainability Report (hereinafter “the Report”). The Assurer has verified the validity of the data contained in the Report and expressed an independent opinion on assurance. Hanmi Pharm is responsible for all of the statements and data included in the Report.

#### Independence

As an independent assurance agency, with the exception of providing third-party assurance services, the Assurer has no stakeholder relationship in Hanmi Pharm’s business activities and has no relationship with the Assurer that could damage its independence or that is aimed at making a profit.

#### Assurance Standard & Level

The Assurer has performed a ‘moderate level’ assurance on the Report’s adherence to the Principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the reliability of the data included in the Report. The assurance has been performed using the AA1000 Assurance Standard, with the 2018 Addendum and GRI Standards serving as the assurance standards.

#### Assurance Type and Scope

The Assurer has performed a Type 2, moderate level of assurance using the AA1000 assurance standard (AA1000AS), which means that the accuracy of the statements made by Hanmi Pharm and the performance data contained in the Report have been evaluated. The scope of the assurance includes a review of the system and activities aspects of Hanmi Pharm’s sustainability management, including its policies and objectives, business, standard, and performance, for the reporting period running from 1 January 2018 to 31 December 31 2018. Furthermore, the assurer has performed an assurance on the environmental, social, and financial data pertaining to the company’s overall economic performance. The assurance on stakeholder engagement was limited to a review of the materiality evaluation process.

#### Assurance Method

The Assurer relied on the following methods for gathering information, documents and other evidence related to the scope of assurance.

- Investigation and analysis of Hanmi Pharm’s sustainability management as reported in the media.
- Review of the management system and processes used by Hanmi Pharm in improving its sustainability management and writing its reports.
- Review of financial performance data, auditor’s report on financial statements, and consistency in the disclosed data.
- Review of internal documents and basic materials.

#### Assurance Findings and Opinion [Assurance Principles / Process Aspects]

After reviewing the draft of the Report and its contents, the Assurer has provided suggestions for improving the Report, which has in turn been duly revised based on those suggestions. The Assurer did not find any content in the Report which contained a major error or was presented inappropriately. The Assurer would like to present the following as its opinion of the ‘2018 Hanmi Pharm Sustainability Management Report’.

#### Inclusivity - Does Hanmi Pharm include stakeholders in responding strategically to sustainability?

It has been verified that Hanmi Pharm recognizes the importance of engaging stakeholders in its sustainability management efforts and is striving to establish a process for engaging them. It has also been verified that Hanmi Pharm defines employees, suppliers, shareholders/investors, government & related agencies, local communities and NGOs as individual stakeholder groups and has separate communication channels for each group. It has been verified that the company regularly collects a diverse range of opinions through these channels.

#### Materiality - Did Hanmi Pharm include in the report any important information that could assist the stakeholders in making sensible decisions?

It is the opinion of the Assurer that Hanmi Pharm did not omit information that could be important to its stakeholders. It has been verified that Hanmi Pharm carried out a materiality evaluation on issues identified by internal/external environmental analysis, and that the findings have been reflected in the contents of the Report.

#### Responsiveness – Did Hanmi Pharm respond appropriately to stakeholders’ interests and demands?

It has been verified that Hanmi Pharm works hard to respond to stakeholders’ interests and demands by reflecting their opinions in the Report. Also, no evidence could be found to suggest that Hanmi Pharm reported its response measures to important stakeholder issues in any way that could be considered improper.

Impact – Did Hanmi Pharm adequately monitor the impacts on its stakeholders?

It has been verified that Hanmi Pharm monitors the impacts on its stakeholders from its updated assurance standard business activities and that the results of the monitoring have been properly reflected in the Report.

Review of the Report’s Adoption of the GRI Standards

The Assurer has verified that the Report was drawn up in accordance with the GRI Standards Core Option and that the contents of the Report associated with the Universal Standards and Topic-specific Standards were created from the very same reference material provided to the Assurer by Hanmi Pharm.

Universal Standards

The Assurer has verified that the Report complies with the requirements of the Core Option's Universal Standards and has reviewed the following indexes: 102-1 to 102-13 (Organizational Profile), 102-14 (Strategy), 102-16 (Ethics and Integrity), 102-18 (Governance), 102-40 to 102-44 (Stakeholder Engagement), 102-45 to 102-56 (Reporting Practice), 103 (Management Approach) and Topic-specific Standards.

The Assurer has verified the specific disclosure items of the material aspects (derived through the reporting item determination process) and reviewed the following indexes:

- Economy : 201-1
- Environment : 302-1, 303-3, 303-5, 305-1, 305-2, 305-7, 306-1, 306-2
- Society : 401-1, 401-2, 401-3, 403-1, 403-2, 403-3, 404-2, 404-3, 405-1, 405-2, 408-1, 409-1, 412-2, 413-1,414-2,415-2, 416-1, 416-2, 417-1, 417-2, 418-1, 419-1

Opinion on Individual Areas & Recommendations for Improvements [Implementation Results / Issues Aspects]

The Assurer makes the following recommendations with regard to establishing a sustainability management strategy at the company-wide level and continually responding to issues.

**Economic Area** : Hanmi Pharm is making the maximum effort required to become a social company that contributes to human health based on its corporate philosophy of “Creating Better Medicines for Precious Human Lives”. The company is paving a new path for the domestic pharmaceutical industry by becoming the first domestic pharmaceutical company to receive US FDA approval for a modified drug, forming R&D partnerships with global companies, and expanding its drug pipelines and other innovative new drug projects. However, in order to reach a higher level as a global pharmaceutical company, the company must improve its overall responsiveness to changes in the global business environment. To meet this challenge, it is recommended that the company pursue partnerships with global companies and continuously manage the financial and non-financial risks facing it.

**Environmental Area** : Every year, Hanmi Pharm seems to be upgrading itself in the environmental area, establishing an environmental safety policy at the group level and setting up the Environment Safety Heath Committee to oversee the policy. The company should also be praised for proclaiming a preemptive approach to environmental safety and adopting an environmental management system in order to minimize negative impacts on environmental pollution and the environment. It is recommended that the company broaden its ambitions in terms of, for example, its environmental improvement targets and suggest the following actions for implementing the recommendations.

- 1) Create a reference document on the standardized environmental index.
- 2) Establish mid-term and long-term quantitative targets.
- 3) Disclose the company’s progress rate on the indexes in the report.

**Social Area:** The company should be commended for establishing a CSR committee to discuss and making decisions on CSR agenda selection and CSR operation, as well as various economic, environmental and social issues. It has been confirmed that the company has pro-actively adopted global standards for the operation of its environmental management system, health safety management system, anti-bribery prevention management system, and information security management system. Since such systems are deployed for each area, it is recommended that the company monitor, measure, and evaluate the impact of its operational activities in the future. Furthermore, it is the hope of the Assurer that the long-term quantitative targets for each key management area in the context of sustainability, together with the performances on the targets, will be managed by the company.



The Korean Standards Association (KSA) is a special corporation established under the Industrial Standardization Act in 1962. As a knowledge service organization, the KSA provides and disseminates industry standardization, quality management, sustainability management, KS & ISO certifications. Notably, in its multiple roles as the ISO 26000 supervisory agency, the appointed GRI education agency, the AA1000 certification agency, the Korea Sustainability Index (KSI) management agency, the UN CDM management body, and the Greenhouse Gas & Energy Management System certification body, the KSA is contributing to sustainability development in South Korean society.

May 2019  
KSA Chairman **Lee Sang-Jin**

이 상진

GRI Standards Index

Universal Standards

| Category               | GRI No  | Index Name   | Page                       | Note              |
|------------------------|---------|--|----------------------------|-------------------|
| Organizational Profile | 102-1   | Name of the organization   | 10                         |                   |
|                        | 102-2   | Activities, brands, products, and services                         | 10                         |                   |
|                        | 102-3   | Location of headquarters   | 10                         |                   |
|                        | 102-4   | Location of operations   | 10                         |                   |
|                        | 102-5   | Ownership and legal form   | 10                         |                   |
|                        | 102-6   | Markets served   | 10                         |                   |
|                        | 102-7   | Scale of the organization  | 10                         |                   |
|                        | 102-8   | Information on employees and other workers                         | 10                         |                   |
|                        | 102-9   | Supply chain   | 13-14                      |                   |
|                        | 102-10  | Significant changes to the organization and its supply chain       | -                          | No major changes. |
|                        | 102-11  | Precautionary Principle or approach                                | 17, 49-50                  |                   |
|                        | 102-12  | External initiatives   | 7-8                        |                   |
|                        | 102-13  | Membership of associations   | 7-8                        |                   |
| Strategy               | 102-14  | Statement from senior decision-maker                               | 3-4                        |                   |
|                        | 102-15* | Key impacts, risks, and opportunities                              | 17, 49-50                  |                   |
| Ethics and Integrity   | 102-16  | Values, principles, standards, and norms of behavior               | 12                         |                   |
|                        | 102-17* | Mechanisms for advice and concerns about ethics                    | 49-50                      |                   |
| Governance             | 102-18  | Governance structure   | 16                         |                   |
| Stakeholder Engagement | 102-40  | List of stakeholder groups   | 23-24                      |                   |
|                        | 102-41  | Ratio of employees for whom collective bargaining agreements apply | 55-56                      |                   |
|                        | 102-42  | Identifying and selecting stakeholders                             | 23                         |                   |
|                        | 102-43  | Approach to stakeholder engagement                                 | 23                         |                   |
|                        | 102-44  | Key topics and concerns raised                                     | 23                         |                   |
| Reporting Practice     | 102-45  | Consolidated financial statements                                  | 83                         | Annual report     |
|                        | 102-46  | Defining report content and topic boundaries                       | 24                         |                   |
|                        | 102-47  | List of material topics  | 24                         |                   |
|                        | 102-48  | Restatements of information  | -                          | No major changes  |
|                        | 102-49  | Changes in reporting   | -                          | No major changes  |
|                        | 102-50  | Reporting period   | 1                          |                   |
|                        | 102-51  | Date of most recent report   | 1                          |                   |
|                        | 102-52  | Reporting cycle  | 1                          |                   |
|                        | 102-53  | Contact point for questions regarding the report                   | 1                          |                   |
|                        | 102-54  | Claims of reporting in accordance with the GRI Standards           | 1                          |                   |
|                        | 102-55  | GRI Index  | 100-101                    |                   |
|                        | 102-56  | External assurance   | 96                         |                   |
| Management Approach    | 103-1   | Explanation of the material topic and its boundary                 | 25, 43, 53, 67             |                   |
|                        | 103-2   | The management approach and its components                         | 26-42, 44-52, 54-66, 68-86 |                   |
|                        | 103-3   | Evaluation of the management approach                              | 26-42, 44-52, 54-66, 68-86 |                   |

\* Contains indicators that do not belong to the core option or additional information.

Topic-Specific Standards

Economic Performance(GRI 200)

| Category                  | GRI No | Index Name  | Page  | Note   |
|---------------------------|--------|---|-------|--|
| Economic Performance      | 201-1  | Direct economic value generated and allocated                                   | 82    |  |
|                           | 201-2  | Financial implications and other risks and opportunities due to climate change  | 75    |  |
|                           | 201-3  | Defined benefit plan obligations and other retirement plans                     | 54    |  |
| Indirect Economic Impacts | 203-1  | Infrastructure investments and services supported                               | 68-72 |  |
|                           | 203-2  | Significant indirect economic impacts   | 32-33 |  |
| Anti-corruption           | 205-1  | Operations assessed for risks related to corruption                             | 50    |  |
|                           | 205-2  | Communication and training about anti-corruption policies and procedures        | 50    |  |
|                           | 205-3  | Confirmed incidents of corruption and actions taken                             | 50    |  |
| Anti-competitive Behavior | 206-1  | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | -     | During the reporting period, there were no acts of anti-competitive behavior or legal actions. |

Environment Performance(GRI 300)

| Category            | GRI No | Index Name   | Page  | Note  |
|---------------------|--------|--|-------|---|
| Materials           | 301-2  | Recycled input materials used  | -     | Recycling of pharmaceutical ingredients is prohibited |
| Energy              | 302-1  | Energy consumption within the organization                                     | 84    |   |
|                     | 302-4  | Reduction of energy consumption  | 77    |   |
| Water and Effluents | 303-3  | Water withdrawal   | 76    |   |
|                     | 303-5  | Water consumption  | 85    |   |
| Biodiversity        | 304-3  | Habitats protected or restored   | 78    |   |
| Emissions           | 305-1  | Direct (Scope 1) GHG emissions   | 86    |   |
|                     | 305-2  | Energy indirect (Scope 2) GHG emissions  | 86    |   |
|                     | 305-5  | Reduction of GHG emissions   | 77    |   |
|                     | 305-7  | Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions | 86    |   |
| Effluents and Waste | 306-1  | Water discharge by quality and destination                                     | 76-77 |   |
|                     | 306-2  | Waste by type and disposal method  | 76    |   |

Social Performance(GRI 400)

| Category                        | GRI No | Index Name  | Page   | Note                                |
|---------------------------------|--------|---|--------|-------------------------------------|
| Employment                      | 401-1  | New employee hires and employee turnover  | 59, 90 |                                     |
|                                 | 401-2  | Benefits provided to full-time employees that are not provided to temporary or part-time employees                            | 57     |                                     |
|                                 | 401-3  | Parental Leave  | 90     |                                     |
| Occupational Health and Safety  | 403-1  | Workers representation in formal joint management-worker health and safety committees   | 61     |                                     |
|                                 | 403-2  | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 62     |                                     |
|                                 | 403-3  | Workers with high incidence or high risk of diseases related to their occupation  | 63     |                                     |
|                                 | 403-4  | Health and safety topics covered in formal agreements with trade unions   | 61-63  |                                     |
| Training and Education          | 404-2  | Programs for upgrading employee skills and transition assistance programs   | 58     |                                     |
|                                 | 404-3  | Percentage of employees receiving regular performance and career development reviews  | 91     |                                     |
| Diversity and Equal Opportunity | 405-1  | Diversity of governance bodies and employees  | 89,96  |                                     |
|                                 | 405-2  | Ratio of basic salary and remuneration of women to men  | 93     |                                     |
| Child Labor                     | 408-1  | Operations and suppliers at significant risk of incidents of child labor  | 55     | No cases of child labor             |
| Forced or Compulsory Labor      | 409-1  | Operations and suppliers at significant risk of incidents of forced or compulsory labor                                       | 55     | No cases of forced labor            |
| Human Rights Assessment         | 412-2  | Employee training on human rights policies or procedures  | 56     |                                     |
| Local Communities               | 413-1  | Operations with local community engagement, impact assessments, and development programs                                      | 72-73  |                                     |
| Supplier Social Assessments     | 414-2  | Negative social impacts in the supply chain and actions taken   | 79-80  |                                     |
| Public Policy                   | 415-1  | Political contributions   | -      | No cases of political contributions |
| Customer Health and Safety      | 416-1  | Assessment of the health and safety impacts of product and service categories   | 64     |                                     |
|                                 | 416-2  | Incidents of non-compliance concerning the health and safety impacts of products and services                                 | -      | No cases of infringement            |
| Marketing and Labeling          | 417-1  | Requirements for product and service information and labeling   | 44     |                                     |
|                                 | 417-2  | Incidents of non-compliance concerning product and service information and labeling   | -      | No cases of infringement            |
| Customer Privacy                | 418-1  | Substantiated complaints concerning breaches of customer privacy and losses of customer data                                  | -      | No cases of infringement            |
| Socioeconomic Compliance        | 419-1  | Non-compliance with laws and regulations in the social and economic area  | -      | No cases of infringement            |

