

Sino Biopharmaceutical Limited

Internal Carbon Pricing (ICP) Policy

1. Introduction

As climate change intensifies and global focus on low-carbon transition continues to rise, Internal Carbon Pricing (ICP) has become a key instrument for enterprises to address climate transition risks and facilitate low-carbon decision-making. Sino Biopharmaceutical Limited (hereinafter referred to as “the Company”) has introduced an internal carbon pricing mechanism to quantify and financialize carbon emissions, underpin emission reduction actions and corporate decision-making, and advance the delivery of the Company’s carbon neutrality targets.

2. Objectives of the Company’s Internal Carbon Pricing Implementation

The Company’s core objectives for implementing internal carbon pricing are as follows:

- Strengthen decision-making and risk governance

The Company models and forecasts prospective carbon taxes, carbon trading mechanisms and other climate-related regulatory obligations. Carbon cost-benefit are embedded into the Company’s strategy and financial planning to ensure climate-related matters are adequately considered in decision-making processes, and to strengthen the Company’s management capacity over physical and transition risks associated with climate change.

- Drive energy efficiency and low-carbon investments

The Company delivers holistic carbon emission cost-benefit assessments and integrates carbon impacts into investment due diligence. This incentivizes the Company to prioritize capital deployment in renewable energy, energy-efficient equipment and low-carbon product portfolios to improve overall energy efficiency.

- Identify low-carbon opportunities and generate tangible value

Through the rollout of internal carbon pricing, the Company translates climate externalities into measurable internal performance metrics to facilitate efficient resource allocation across the organization.

- Support climate target delivery and regulatory alignment

This mechanism supports the Company’s delivery of national carbon peaking and

carbon neutrality strategies, as well as the achievement of the Company' s self-established corporate carbon neutrality commitments.

3. Scope of Application

Internal carbon pricing shall be incorporated into cost-benefit assessment procedures for capital expenditures related to energy consumption and carbon reduction, as well as operational projects with material carbon emission impacts within Scope 1 and Scope 2 emission sources.

4. Types of Internal Carbon Prices

The Company adopts Shadow Price as its internal carbon pricing methodology. When conducting investment or project appraisals, carbon emissions will be multiplied by the set internal carbon price and incorporated into analyses as an additional cost or benefit factor. Such internal financial simulation enables the Company to accurately reflect the implicit costs of carbon emissions and improve the quality of corporate decision-making.

5. Internal Carbon Pricing

The Company plans to set the internal carbon price at CNY 350 per tonne of carbon dioxide equivalent (tCO₂e). This benchmark draws on recommendations from the World Bank, aligning with the Paris Agreement pathway to limit global warming to below 2°C, which suggests carbon prices should range from USD 50 to USD 100 per tonne by 2030.

The Company will continuously monitor external policies and industry trends, and conduct an annual review to verify the reasonableness of the internal carbon price. This ensures the price consistently reflects real climate costs and delivers effective governance outcomes.

6. Reference Implementation Case

For the solar power generation project at the manufacturing site of Beijing Tide Pharmaceutical, a subsidiary of the Company, the analysis below is conducted purely from a cash-saving perspective (carbon value excluded). Beijing Tide provides factory rooftops and space for the installation of power distribution network facilities for the photovoltaic (PV) project. During the first 25 years of PV plant operation, Beijing Tide will enjoy a 12% discount on electricity tariffs. The average electricity price after the 12% discount is approximately CNY 0.6797 per kWh. The power generation capacity of the PV plant in the first year is 2.6 million

kWh.

Beijing Tide Pharmaceutical Co., Ltd. will achieve electricity cost savings of CNY 211,000 in the first year, calculated as 2.6 million $\times$ (0.7724 – 0.6797). When a shadow carbon price of CNY 350 per tCO₂e is taken into consideration, an additional annual internal benefit of CNY 480,000 can be recognised.

7. Supplementary Provisions

For any matters not covered herein, or where provisions of this policy conflict with applicable national laws, regulations and normative documents, the national laws, regulations and government provisions shall prevail.