



弘和仁愛
HOSPITAL CORPORATION

弘和仁愛醫療集團有限公司
Hospital Corporation of China Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3869

2021

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



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ABOUT THIS REPORT

INTRODUCTION

Hospital Corporation of China Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is a hospital operation and management platform in the PRC led by a professional team with extensive hospital management experience. The Group is principally engaged in (i) the operation and management of its privately owned hospitals; (ii) the provision of management and consultancy services to certain non-profit hospitals; and (iii) the sale of pharmaceutical products, etc. in the PRC. The purpose of this Environmental, Social and Governance Report (the “**Report**”) is to summarize the Group’s environmental, social and governance sustainability performance and measures for 2021.

ESG Governance Framework

The Group is committed to incorporating environmental, social and governance considerations into its decision-making process, advocating a sustainable approach to quality safety, environmental, employment and social responsibility, and maintaining a positive and open approach to communication with stakeholders, including shareholders, creditors, customers, suppliers, employees, regulators and the community, so as to understand their concerned areas, build long-term cooperation and mutual trust, and create long-term value. To achieve this goal, the Group has established an effective environmental, social and governance framework.

The board (the “**Board**”) of directors (the “**Director**”) of the Company has the overall responsibility for the Group’s environmental, social and governance strategy and reporting and is responsible for the assessment and determination of the environmental, social and governance related risks and opportunities of the issuer, ensuring the implementation of appropriate and effective environmental, social and governance risk management and internal control system with a view to establish relevant management principles, strategies, priorities and targets, and approving and publishing the environmental, social and governance report. The Board, with the assistance of the CEO Committee (the “**CEO Committee**”) and functional departments, shall regularly discuss and review the Group’s environmental, social and governance targets, progress and performance in a bid to make immediate improvement.

The CEO Committee and functional departments are responsible for assisting the Board’s supervision of ESG issues, carrying out specific tasks and promoting concrete implementation by members of the Group at the day-to-day operational level, collecting and analysing ESG data, monitoring and assessing the Group’s ESG performance, ensuring that the Group’s operations comply with relevant laws and regulations, and drafting ESG reports. At least once a year, the Group’s functional departments arrange meetings to assess the effectiveness of current policies and procedures and to develop appropriate solutions to improve the overall performance of the ESG policies. Existing and future plans are discussed at the meetings to monitor and manage the Group’s strategic objectives in relation to sustainability, mitigate and control potential risks and seek to minimise any negative impact on the Group’s business operations. The results of discussions at the meetings shall be

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reported to the CEO Committee, which reports the results to the Board on a regular basis to assist in the assessment and identification of the Group’s ESG risks and opportunities, and to evaluate the implementation and effectiveness of internal control mechanisms.



Reporting Guidelines

This report has been prepared in compliance with the reporting principles of materiality, quantitative, balance and consistency in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guidelines as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In compiling this ESG Report, the Group has applied the reporting principles in the above ESG Reporting Guidelines as follows:



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Materiality: A materiality assessment has been conducted to identify current materiality issues, taking into account the nature and development of the Group's business and this has led to a focus on the identified materiality issues for the compilation of this report. The Board and senior management have reviewed and confirmed the materiality of the topics as detailed in the section "Stakeholder Engagement and Materiality Assessment".

Quantitative: The criteria and methodology used to calculate the relevant data and the assumptions used in this report are subject to the methods and guidelines set out in the Reporting Guidance on Environmental KPIs and Reporting Guidance on Social KPIs of the Environmental, Social and Governance Reporting Guide. Where practicable, the Group's environmental and social key performance indicators are disclosed in quantitative terms.

Balance: This report has been prepared in an objective manner to ensure that the information disclosed is a true reflection of the Group's overall environmental, social and governance performance.

Consistency: The reporting methodology in this report is generally consistent with that of the previous year, with explanations for changes in the scope of disclosure and calculation of data, and further quantification of environmental, social and governance key performance indicators based on the previous year.

This Environmental, Social and Governance Report has been subject to the Group's internal review process and approved by the Board. Please refer to the "Corporate Governance Report" section of the Annual Report of the Group for the Group's corporate governance practices.

Scope of Reporting

This report covers the period from 1 January 2021 to 31 December 2021 (the "Reporting Period"), which is consistent with the Annual Report. Certain contents have been extended in order to enhance the comparability and foresight of the report. The scope of the report covers the specific environmental, social and governance policies and performance of the Group and its members under its management, including but not limited to the hospitals owned, managed and established by the Group (the "Group Hospital(s)").

Stakeholder Engagement and Materiality Assessment

The Group values its stakeholders and their views on the Group's business and environmental, social and governance aspects. The Group has maintained close communication with key stakeholders, including but not limited to shareholders and creditors, customers, suppliers, employees, regulators and local communities, and collected feedback from stakeholders through various communication channels in order to understand and respond to their concerns.

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In developing its operational and ESG strategies, the Group considers the expectations of its stakeholders through a diverse range of communication channels as follows:

Stakeholders	Communication channels	Expectations
Shareholders and Creditors	Financial Reports Annual General Meeting Company Website Investor Relations Enquiries Announcements and Disclosures	Business Strategy Financial Performance Corporate Governance Business Sustainability
Clients	Administrator's Mailbox Complaint Telephone WeChat Official Account	Quality of Service Customer Rights and Interests Customer Privacy
Suppliers	Business Meetings Quotation and Bidding Process Regular Audits and Assessments	Commitment Payment Plans Business Ethics and Reputation
Employees	Staff Performance Assessment Training Internal Policies Regular meetings	Rights and Benefits Staff Remuneration Development and Training Occupational Health and Safety
Regulatory Bodies	Legal Instruments and Notices Mandatory or Voluntary Disclosure	Compliance with Laws and Regulations Transparency of Internal Information
Local communities	Community Events Help & Donation	Business Ethics Equal Employment Opportunity Environmental Protection Epidemic Prevention

The management and staff of the Group's major businesses have been involved in the compilation of this report to assist the Group in reviewing its operations, identifying relevant environmental, social and governance issues and assessing the importance of these issues to its business and stakeholders. The internal materiality assessment has mainly taken into consideration the overall strategies, corporate values, operation and management system, industry policies and future challenges of the Group. Meanwhile, the Group has also collected feedbacks from its stakeholders with reference to the Environmental, Social and Governance Reporting Guidelines.



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In determining the significant environmental, social and governance issues of the Group covered in this report, the CEO Committee has fully discussed and reported to the Board based on feedback from relevant stakeholders collected by the functional departments. Significant environmental, social and governance issues of the Group, as determined and classified by their relative importance, include:

Category	Topics
Operating Practices	Medical Management (guaranteeing safety, improving quality and protecting privacy) Supply Chain Management Compliance Operation Anti-Corruption Initiative
Employment and Labour Practices	Employment Diversity and Equal Opportunities Health and Safety Development and Training Labour Standards
Environmental	Environmental Objectives Energy Saving and Emission Reduction Green Office Climate Change
Community	Community Services Public Charity

Enquiry and Feedback

This report is an annual report and is available in both English and Chinese. In case of inconsistency, please refer to the Chinese version of the report. This Report is published in PDF electronic form, which is available for download from the website of the Stock Exchange and the Group's official website. Should you have any comments or suggestions, please feel free to contact us at:

Website: www.hcclhealthcare.com

Email: hcclhealthcare@hcclhealthcare.com



A ENVIRONMENTAL

A1 Emissions

Indicators	Unit	2021
Nitrogen oxides (NO _x)	kilogram	1,423.935
Sulphur oxides (SO _x)	kilogram	2.314
Particulate matter (PM)	gram	77,816.702
Direct emissions (Scope 1)	tonnes of carbon dioxide equivalent	3,685.285
Indirect emissions (Scope 2)	tonnes of carbon dioxide equivalent	31,201.511
Greenhouse gas abatement (Scope 1)	tonnes of carbon dioxide equivalent	47.909
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	34,838.887
Greenhouse gas emissions intensity	kilogram of carbon dioxide equivalent/m ²	168.088
Total hazardous waste emissions	tonnes	1,085.46
Hazardous waste emission intensity	kilogram/m ²	5.237
Total non-hazardous waste emissions	tonnes	887.24
Non-hazardous waste emissions intensity	kilogram/m ²	4.281

With strict compliance with laws and regulations such as the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》, the Law on the Prevention and Treatment of Environmental Pollution Caused by Solid Wastes of the PRC 《中華人民共和國固體廢物污染環境防治法》 and the Regulations on the Administration of Medical Wastes 《醫療廢棄物管理條例》, the Group upholds sustainable development policies in relation to green and environmental protection. To better manage the Group's sustainability performance, the Group has set a target for the year ending 31 December 2024 ("FY 2024") to maintain exhaust gas and greenhouse gas emissions intensity, hazardous waste emission intensity and non-hazardous waste emissions intensity at or below the level of the Reporting Period for the next three years. The Group will continue to review progress against the target each year until 2024 and will continue to work towards the set target.



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Waste management

The Group has established and continuously improved the responsibility system for medical waste management, formulated and implemented regulations and workflow for medical waste management to regulate the management of waste generated by the Group Hospitals.

The Group dedicates staff to carry out waste management, sorts and collects medical wastes in the hospitals and transfers them to designated temporary storage sites, strictly manages access, seals medical waste in separate containers to weigh and register them. The Group also strictly abides by the rules on handover and registration, hands over medical waste to qualified medical waste disposal entities and disinfects the temporary storage sites after handover. The Group has developed contingency plans for medical and healthcare institutions in case of waste loss, leakage, spread and accidents, carried out specific environmental inspections on medical waste disposal, and conducted regular staff training.

Non-hazardous waste such as domestic waste is collected and placed separately from hazardous waste and handed over to a government-approved organisation daily for regular disposal.

Emission and waste reduction measures

The Group promotes environmental protection knowledge to employees and customers to improve their awareness of environmental protection, advocates green travel and double-side use of paper. New infrastructure renovation projects used energy-saving and environmentally friendly materials and energy-saving lighting sources, while gradually replacing the existing lighting with LED energy-saving lamps. The Group also upgrades and scientifically manages the boiler unit to effectively reduce the use of natural gas.



A2 Use of Resources

Indicators	Unit	2021
Total energy consumption	MWh	50,532.464
Energy consumption intensity	MWh/m ²	0.244
Direct energy consumption:		
Petrol	MWh	815.184
Diesel	MWh	721.620
Natural gas	MWh	10,768.170
Liquefied petroleum gas	MWh	19.526
Indirect energy consumption:		
Purchased power	MWh	38,207.962
Water consumption	tonnes	833,106.360
Water consumption intensity	tonnes/m ²	4.020

The Group adheres to a green economy, tightens energy management, cuts energy consumption, improves energy efficiency, reduces greenhouse gas and exhaust emissions and is committed to environmental sustainability.

Energy Management

The Group has developed a number of initiatives to save electricity according to its actual situation. The Group adjusts the number of the air-conditioning equipment turned on and their temperature according to the temperature change; Lifts are stopped at different districts and floors according to the usage to save electricity and improve the efficiency of lift use. The responsible person of each district is clearly defined to control the key lighting areas and eliminate unnecessary lights.

The Group strengthens vehicle management, implements one vehicle with one card for refuelling, defines responsibility for individual person, scientifically dispatches vehicles, promotes green and low-carbon travel, encourages the use of electric vehicles instead of fuel vehicles and reduces vehicle usage. It optimises boilers and water treatment units, scientifically manages drying equipment and effectively reduces the use of natural gas.

The Group plans to maintain energy consumption intensity at or below the level of the Reporting Period for the next three years and will continue to review progress against the target each year until 2024 and will continue to work towards the targets.

Water management

The Group's domestic water supply is mainly provided by the local water supply company and there were no problem in obtaining appropriate water sources during the Reporting Period. A dedicated staff is responsible for inspecting wastage, regularly checking water consumption and identifying leaks timely to reduce water wastage. The water supply is divided into high and low pressure supply periods, with the use of triangular valve regulators to control the amount of water coming out of the taps and the replacement of sensor taps in key areas.

The Group strictly manages domestic sewage and medical wastewater, strengthens sewage treatment in accordance with the "Design Code for Hospital Sewage Treatment", "Comprehensive Sewage Discharge Standard" and other regulations, clarifies responsibilities, formulates emergency response plans, conducts monthly sampling and testing of sewage, and accepts inspections and spot checks by relevant authorities to avoid environmental pollution caused by sewage. The Group attaches importance to sewage treatment and gradually upgrades or rebuilds aged sewage treatment systems as needed; commissions professional institutions to inspect pipelines and gradually upgrades old pipelines in the Group Hospitals and remodels rainwater pipes and manholes at the same time.

The Group plans to maintain water consumption intensity at or below the level of the Reporting Period for the next three years and will continue to review progress against the target each year until 2024 and will continue to work towards the targets.

Use of packaging materials

Due to the nature of the Group's business, the Group neither produce any finished goods nor have any industrial facilities. As such, no significant amount of packaging materials are used in daily operations.

A3 Environment and Natural Resources

The business activities of the Group have led to more energy consumption and emission of exhaust gas and disposal of waste (including more hazardous medical waste), which have negative impacts on the environment and natural resources. The Group is committed to actively take various measures to minimise the negative impact of business operations on the environment as practicable. It conducts specific inspections on sewage, waste gas emissions and medical waste treatment involved in its business activities, identifies problems in a timely manner, resolutely implements rectification and improvement, establishes a sound mechanism for regular environmental protection management, and makes pollution prevention and control a key management focus for the hospitals.



The Group aims to promote environmental protection in operations and pledges to continuously cultivate employees' habits and improve their awareness of environmental protection, starting with saving every piece of paper, every unit of electricity and every drop of water, and promoting the green and low-carbon travel mode. The Group is committed to building a green office environment, using environmentally friendly materials and appliances that save energy and water, conducting regular inspections and preventive pre-emptive management to identify problems and hidden dangers in time. We establish and improve the internal regulations and emergency plans of Group Hospitals in accordance with the relevant laws and regulations such as the "Design Code for Hospital Sewage Treatment", "Comprehensive Sewage Discharge Standards" and "Regulations on Medical Waste Management", to improve the quality of environmental management in all aspects from planning, execution, inspection and improvement, and to prevent and reduce negative impacts on the environment.

A4 Climate Change

The Group recognises the importance of identifying and mitigating significant climate-related risks and is committed to managing potential climate-related risks that may affect the Group's business activities. As such, the Group has established an effective policy and procedures to identify, monitor and manage environmental, social and governance issues including climate change.

Climate-related issues

The increase in frequency and severity of extreme weather, such as extreme cold, storms, heavy rainfall and typhoons, can affect the normal operation of the medical equipment in Group Hospitals by damaging the electricity grid or communication infrastructure, hinder and harm our employees, and disrupt the Group's supply chain, thereby disrupting or even interrupting the operations of Group Hospitals and damaging the Group's assets. As a countermeasure, the Group will identify such risks and prioritise those with serious implications so that measures can be taken in the first instance. At the same time, the Group will examine ways to improve its ability to cope with extreme weather conditions by improving emergency plans and upgrading equipment to reduce or avoid serious impacts on business operations.

The Group considers more stringent climate legislation in the future that are designed to support the vision of global decarbonisation. For example, the Stock Exchange requires listed companies to enhance climate-related disclosure in their environmental, social and governance reports. Stricter environmental laws and regulations may expose companies to higher operational and compliance costs, and corporate reputation may be diminished due to failure to meet climate change compliance requirements. To address policy and legal risks as well as reputational risks, the Group regularly monitors existing and emerging trends, policies and regulations relating to climate to avoid increased costs, fines for non-compliance or reputational risks due to slow response.

B SOCIAL

Employment and Labour Practices

B1 Employment

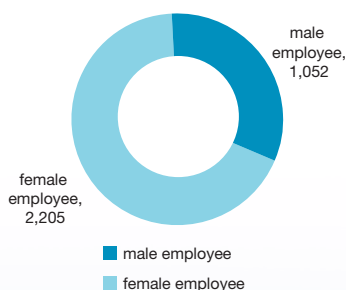
The Group is committed to establishing a scientific management system that integrates the laws of medicine with the modern enterprise system, and consolidating and enhancing its core competencies to maintain long-term competitive advantages in strategy, talent, management, technology, capital and branding, to achieve the goals of value enhancement, employee growth and social responsibility.

The Group strictly complies with the relevant provisions of the Civil Code of the People’s Republic of China 《中華人民共和國民法典》, the Company Law of the People’s Republic of China 《中華人民共和國公司法》, the Labour Contract Law of the People’s Republic of China 《中華人民共和國勞動合同法》, the Labour Law of the People’s Republic of China 《中華人民共和國勞動法》, Hong Kong Employment Ordinance (香港《僱傭條例》) and other laws and regulations, and continues to improve employee management system to eliminate the employment of child labour and other forced labour. We insist on equal employment, treating employees of different nationalities, races, religions, genders and ages fairly, and creating a diverse, inclusive, fair and reasonable workplace environment for our employees. We insist on equal pay for equal work and sign employment contracts in accordance with the law, with a 100% labour contract signing rate.

During the Reporting Period, the Group’s head office, supply chain companies and the Group Hospitals employed a total of 3,257 full-time employees.

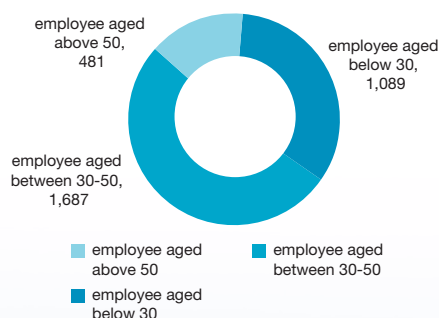
By gender (persons):

Gender of employees



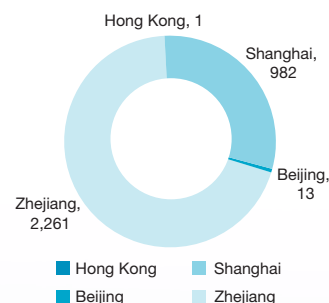
By age (persons):

Employee age group

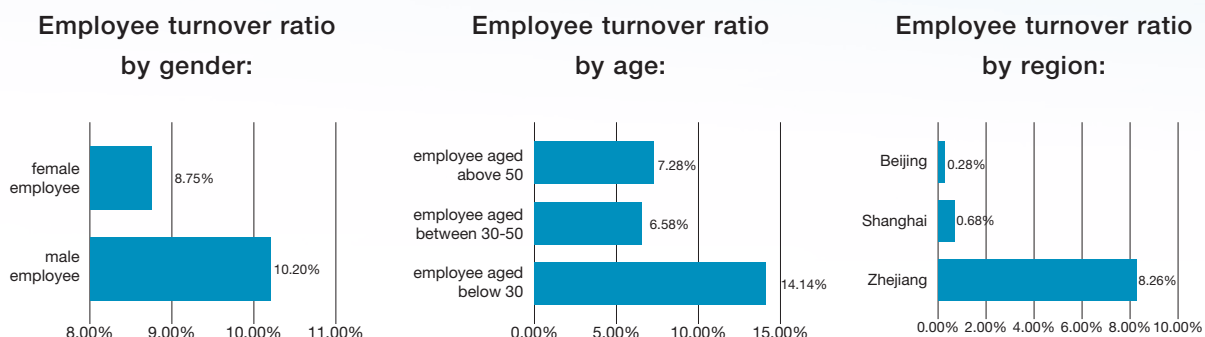


By region (persons):

Regional structure of employees



The total employee turnover ratio for the Reporting Period was 9.2%.



Compensation and benefits

The Group is committed to establishing a fair, reasonable and competitive remuneration and welfare system, strictly implementing the Hospital Corporation Employee Handbook (《弘和仁愛集團員工手冊》) and other systems and paying social insurance (with a 100% social insurance coverage rate) and housing fund as well as mandatory provident fund in accordance with the law. We optimize the performance appraisal model, improve performance feedback channels and enhance the non-wage benefits, such as various festivals and holidays benefits, of our employees.

B2 Health and Safety

The Group attaches great importance to providing a healthy and safe working environment for employees, making great efforts to prevent the occurrence of occupational hazards, and taking care of their physical and mental health.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations that would have a material impact on the Group, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). There were no work-related fatalities in each of the past three years (including the Reporting Period). In addition, the Group did not have any number of working days lost due to work-related injuries during the Reporting Period.

Internal Health and Safety Management System

We continuously improve our occupational health and safety management system, strictly comply with the Law of the People's Republic of China on the Prevention and Treatment of Infectious Diseases (《中華人民共和國傳染病防治法》) and other relevant national laws and regulations, and arrange health screening and physical examination for employees to seek preventive healthcare. Through the institutionalisation of occupational health and safety management and the clarification of responsibilities, infection management has shifted from passive to proactive and from reactive to preventive; through systematic and complete safety management standards, we have reduced infection rates and infection incidents caused by poorly executed preventive surveillance to safeguard health and safety of our employees and patients.

Raising employees' risk awareness and response capacity

The Group makes an annual training plan on infection management for staff at all levels at the beginning of each year and conducts training and examinations on infection policies and regulations, medical waste handling, occupational protection and other related knowledge and skills in accordance with the training plan to help staff understand the rules, regulations and operational procedures on occupational health and safety and to enhance their ability to prevent infection incidents and control occupational hazards.

Responding to the Covid-19 ("Covid-19") pandemic

As a result of the Covid-19 outbreak, the Group is highly conscious of the potential health and safety implications for its employees. In response to the national public health measures and actions, the Group promptly established crisis management team to coordinate and monitor the implementation of health and safety policies to maintain normal operations. The Group has enhanced the hygiene in operation areas to ensure a healthy and safe working environment by providing adequate protective gear and surgical masks for employees and implementing stringent temperature checks for employees and visitors before entering the workplace.

B3 Development and Training

The Group set up a training centre to improve the professional quality of staff. After researching the needs of the Group Hospitals in terms of talent echelon building, the Group set up the "Group Training Centre (弘和仁愛醫療集團培訓中心)", established management unit, clarified management responsibilities, implemented the organisation and carried out the work plan.



We procured and used informative tools such as the “Medical Vision (醫視界)” examination system for medical practitioners, the tribasic training system (三基培訓系統), and the DingTalk Video Conferencing system (釘釘視頻會議). To address the problems of insufficient teachers and venues for skills training in the Group Hospitals, and the low pass rate of the examination for practicing physicians and practicing assistant physicians in Group Hospitals, the hospitals were urged to establish a sound examination management system for practicing physicians, establish personnel files for reference, improve the intensity and quality of study, strengthen training, conduct paper examination every week, and share teachers and venues. The number of employees passing the examination for the qualification of practicing physicians and practicing assistant physicians in 2021 increased significantly, with Cixi Union Hospital (“Cixi Hospital”) increased by 58.9%, Yongkang Hospital by 119.1%, and Jiande Hospital of Traditional Chinese Medicine Co., Ltd. (“Jiande Hospital”) by 212.5%.

To provide all employees space for growth and development, we have developed a comprehensive training system to ensure they stay competitive. The Group and its subordinated Group Hospitals are jointly responsible for staff training. The Group has held training sessions on professional, management, general and other development.

Professional training

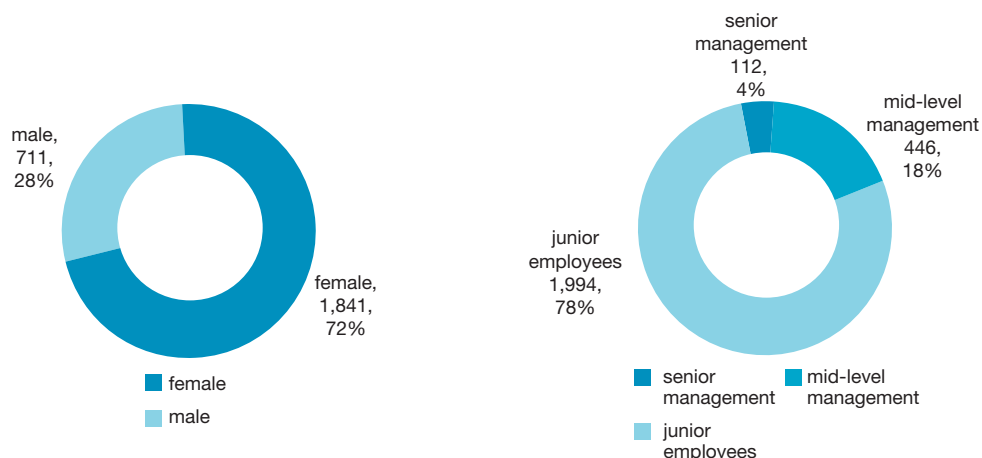
According to the specific needs of different professional paths, the Group has created systematic and in-depth vocational courses for staff involved in key positions, especially doctors and nurses. During the Reporting Period, professional learning activities are carried out for different professional paths. We absorbed and introduced advanced technologies through mutual exchanges and visits with leading enterprises in China.

Management Training

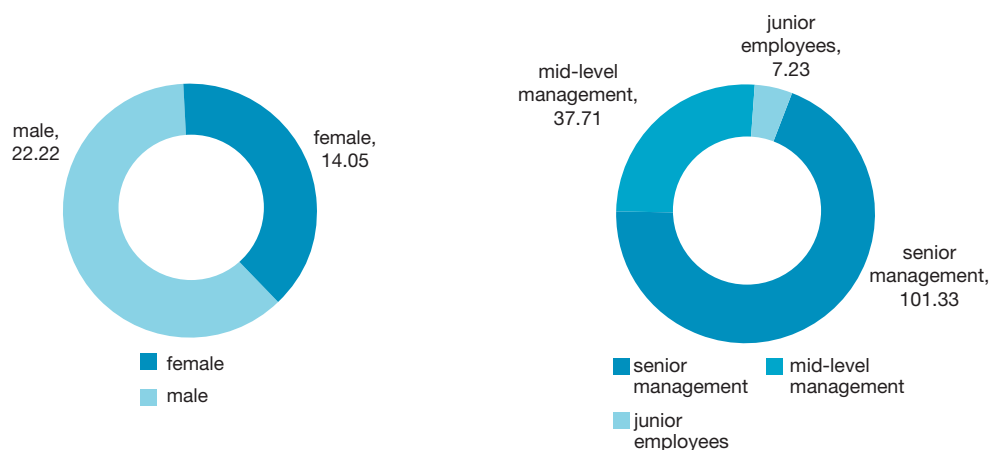
The Group holds a series of leadership training seminars or meetings each year attended by Group senior management, hospital administrators and department heads to provide targeted training on management and leadership enhancement for experienced and senior managers.

The Group conducted appropriate vocational training for employees during the Reporting Period. The trained employees accounted for 78.35% of the total employees and the employees achieved an average training hour of 16.69 hours, as summarised in the following breakdown:

Employees trained by gender and employee type (person-time):



Average number of training hours for employees by gender and employee type (hours):



B4 Labor Standards

Child labour and forced labour are strictly prohibited in the employment process in accordance with the laws and regulations such as the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 and the Provisions on the Prohibition of Using Child Labour 《禁止使用童工規定》. During the Reporting Period, the Group was not aware of any material non-compliance relating to child labour and forced labour that would have a material impact on the Group.



The Group strictly observes the relevant legal requirements and will not employ children who are under the legal working age. The Group will collect essential personal documents such as identity cards during the recruitment process to verify the identity of interviewees to ensure that applicants are legally qualified to work. In case of non-compliance, the Group will take immediate corrective action, terminate the contract with the respective employee and report to the relevant authorities if necessary.

To prevent forced labour, the human resources department ensures that employees are provided with adequate rest days and also avoids engaging administrative suppliers and contractors with any bad record of child labor or forced labour. The Group does not compel any employee to work overtime in any form against their will or impose any form of work-related corporal punishment or coercion on employees.

Operating Practices

B5 Supply Chain Management

The Group adheres to providing high-quality medical technology and services to patients and strictly comply with the Medical Product Administration Law of the PRC (《中華人民共和國藥品管理法》), the Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), the Measures for the Administration of Pharmaceutical Trade License (《藥品經營許可證管理辦法》), the Measures for the Supervision and Administration of Medical Devices (《醫療器械經營監督管理辦法》) and relevant laws and regulations. Through optimising and improving the supply chain management system, we continue to improve the overall service quality of the Group and Group Hospitals. During the Reporting Period, there is no recall incident in the supply chain of the Group due to safety and health reasons.

Building a management platform

In accordance with the strategic position of the supply chain, the Group has invested a lot of manpower and resources in setting up a supply chain management platform in Hangzhou and has obtained the Good Supply Practice for Pharmaceutical Products (“GSP”) certificate and Class III medical device business license approved by the National Medical Products Administration. Since 1 July 2021, the Group’s supply chain management platform has been providing supply chain management services for drugs, equipment and consumables to the Group Hospitals, and the quality and efficiency of the supply chain has been significantly improved. For this key performance indicator, we have defined supplier as the direct supplier connecting with the supply chain management platform.

Supplier access mechanism

The Group has formulated the supplier access mechanism for supply chain services which clarifies the requirements for supplier qualification, scale, market position and customer structure to ensure that suppliers meet the Group’s supply chain management requirements with due consideration to fair competition. The Group conducts strict assessment of suppliers’ environmental and social risks. According to legal regulations and industry requirements, we consider factors including environmental assessment reports, emission permits, environmental system certifications and production safety permits when selecting suppliers. Besides, we actively encourage suppliers to use more environmentally friendly products and services by considering important factors including the use of recyclable and biodegradable raw materials for packaging, reuse of environmentally friendly boxes, use of paper sealing strips and electric trucks for transportation when hiring suppliers.

During the Reporting Period, the Group maintained equal hiring and evaluation practices for all of 28 suppliers. The number of suppliers by geographical regions is as follows:

North China	North East China	East China	West China	Total
1	1	25	1	28

Management and monitoring mechanisms

In order to implement the supply chain strategy and system regulations, the Group has established a Group Procurement Management Committee. Meanwhile, we have formulated and promulgated the “Management System for Standardising the Procurement of Pharmaceuticals and Equipment within the Group System” (《關於規範集團體系內藥品及設備採購管理制度》) and the “Procurement Service Management Standards and Procedures of Hospital Corporation” (《弘和仁愛醫療集團採購服務管理規範和流程》), which clarify the relevant evaluation and approval procedures for tender procurement in order to control procurement risks, regularly review the performance of suppliers and ensure their service quality, environmental protection, social and governance performance are satisfactory and consistent.

According to the Group's supply chain management requirements, the Code of Conduct for Suppliers shall be signed by the drugs, equipment and consumables suppliers while the service and maintenance suppliers shall be managed with reference to the Code of Conduct for Suppliers, to ensure that they oppose commercial corruption and unfair competition, promote energy conservation and emission reduction, raise awareness of environmental protection, and regulate suppliers' behaviour. During the Reporting Period, 22 drugs, equipment and consumables suppliers have signed relevant code of conduct clauses.

B6 Product Responsibility

The Group is seeking development through innovation and has taken the initiative to adapt to the changing needs of patients, the requirements of environmental protection and the new healthcare reform policy by changing its conventional thinking and continuously improving the quality of medical services.

Improving system building and compliance operation

The Group pays close attention to the quality and safety of medical services provided by the Group Hospitals and strictly complies with the Regulations on the Administration of Medical Institutions 《醫療機構管理條例》, the Law of the People's Republic of China on Medical Practitioners 《中華人民共和國醫師法》, the Regulations of the People's Republic of China on Nurses 《中華人民共和國護士條例》, the Measures for the Administration of Medical Quality 《醫療質量管理辦法》, the Measures for the Administration of Medical Advertisements 《醫療廣告管理辦法》 and other laws and regulations relating to medical services, and constantly improves the medical quality management system and ensures its effective operation in order to minimise medical risks and ensure the quality and safety of medical services. With a view to optimising the functions of professional departments, the Group has established the Jinhua Office, which is close to the front line of hospital management, and enhanced organisation construction, quality and safety management, hospital operation management, performance management, medical insurance management, epidemic prevention and control, and training management to ensure the steady development of the Group Hospitals. With strict compliance with the Advertising Law of the PRC 《中華人民共和國廣告法》, the Measures for the Administration of Medical Advertisements 《醫療廣告管理辦法》, the Regulation on the Administration of Medical Institutions 《醫療機構管理條例》, Law of the PRC on Traditional Chinese Medicine 《中華人民共和國中醫藥法》 and other laws and regulations, documents such as the Precautions for New Media Operation 《新媒體運營注意事項》 is implemented to regulate the marketing activities of each Group Hospital and insist on launching objective and real medical advertisement for the elimination of false publicity while subject to the supervision and management of the local market regulation authorities, with the purpose to establish a good image.

Enhancing medical practice capabilities

During the Reporting Period, the Group managed and operated five medical institutions, including one Class III hospital, three Class II hospitals and one hospital constructed with reference to Class II hospital, with 2,810 beds available.

The medical service capacity of the Group Hospitals is as follows:

Indicators	Unit	2021	2020	% of Increase
Medical business income	RMB100 million	21.35	19.61	9%
Outpatient and emergency service volume	person-time	2,539,067	2,247,491	13%
Inpatient volume	person-time	86,459	80,724	7%
Volume of surgery	case	34,913	31,917	9%
Inpatient surgery volume	case	21,375	19,405	10%
Volume of microsurgery and interventions	case	7,710	6,849	13%
Level 3 or 4 surgery volume	case	9,418	8,421	12%

Strengthening the quality management of healthcare services

By implementing operation controls in line with the characteristics of the healthcare industry, the Group strengthens the quality management of medical services, handles adverse events appropriately, and builds a harmonious doctor-patient relationship to ensure effective hospital operations and safeguard public health.

The Internal Reporting System for Major Adverse Events (《重大不良事件內部報告制度》) was revised to further amend the definition of major adverse events, improve the handling process and scope of responsibility and establish a rapid response mechanism. Through regular or irregular reporting of COVID-19 epidemics, medical insurance funds, major financial matters and major medical claims by the Group Hospitals, and immediate intervention by the Group's functional departments such as medical management, legal affairs and finance departments, the Group is capable to reduce losses and effectively standardise and strengthen the management of major adverse events in the Group and Group Hospitals. The Group revised the Complaint Management System (《投訴管理制度》) and the Regulations on the Administration of Reporting of Adverse Events (《不良事件上報管理規定》) to properly respond to the complaints, pursuant to which, we have enhanced the follow-up visits to inpatients upon discharge and standardise satisfaction survey of outpatients and inpatients. The Group keeps improving service quality by collecting



complaints and suggestions through extensive channels such as questionnaires, mailboxes, internet comments and the media. During the Reporting Period, the Group received 262 complaints and disputes, representing an increase of 1.9% over 2020, but the amount of compensation decreased by 33.0% over 2020.

The Group organizes lean projects for continuous improvement of various work. It has organised the Lean Project Competition for three consecutive years. In 2021, each Group Hospital formulated corrective measures, implemented and evaluated 124 projects to be improved, of which 34 were commended and promoted by the Group, which helped all departments of the Group Hospitals to enhance their awareness of standard management, master the application of management tools and continuously improve their management.

In addition, the Group enhances the quality of medical business and the efficient use of medical resources by means of information technology. During the Reporting Period, the Group Hospitals continued to promote the extensive use of medical business systems such as Hospital Information System (“HIS”)/Picture Archiving and Communication System (“PACS”)/Laboratory Information Management System (“LIS”) to improve the informationization level of the entire medical business process. Meanwhile, the Group introduced professional application systems in the vertical aspects of medical quality control, such as surgical anesthesia testing system and patient follow-up system, etc. In line with the medical insurance policy on promoting (Disease) Diagnosis Related Groups (“DRGs”)/Diagnosis-Intervention Packet (“DIP”), the Group introduced tools for case quality monitoring and clinical pathway control, and used the DRGs system as basis to promote the continuous improvement of medical service quality and efficient utilization of medical resources.

The Group has established a recall system for pharmaceutical products and medical devices to destroy recalled products safely and properly. Meanwhile, it conducted regular self-inspection in accordance with the Medical Product Administration Law of the PRC 《中華人民共和國藥品管理法》 and other legal provisions, accepted product inspection and guidance from health administration departments and drug supervision and management authorities. During the year, the Group did not recall any products for health and safety reasons, nor did it receive any complaints about its products and services.

Strengthening scientific research

The Group actively promotes scientific research in the Group Hospitals, creates a learning organisation, increases investment in scientific research and education on the basis of strict training on the three fundamentals, encourages the application of research projects, publishes research achievements and promotes the transformation of achievements in practice. We attach great importance to the protection of intellectual property rights and implement the requirements of the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and other laws and regulations. On the one hand, we consolidate the protection of intellectual property rights through patent application and trademark registration; on the other hand, we fully respect the intellectual property rights of our partners and strictly comply with the authorised scope of use. During the Reporting Period, over RMB1.3 million was invested in total, 20 provincial and municipal scientific research projects were passed, 111 papers were published in journals at different levels, 6 patents were obtained, and 25 continuing education programmes were held to improve the comprehensive quality of talents and enhance the academic influence of the hospitals.

Improving the evaluation process of medical quality

The Group and the Group Hospitals build a medical service quality evaluation system based on relevant laws and regulations, using the evaluation standards of graded hospitals as the basis, and develop a target assessment system to ensure that targets are achieved. The medical services of the Group Hospitals and the related management and consultation services activities of the Group did not involve the recall of products. Please refer to the section of Supply Chain Management for other disclosures.

The Group supervises the priorities of operation in hospitals and implements process control. For instance, it supervises the grade assessment progress and medical quality management of the Group Hospitals; provides guidance on discipline assessment, operations, marketing, medical insurance and performance management; participates in a series of work such as level-3 check-ups and emergency drills to enhance the operational capability of the quality and safety management system of each hospital.

The Group organises specialized work meetings on illegal construction and non-compliant issues in the Group Hospitals, requiring them to pay high attention to keep the bottom line and red line. The Group Hospitals adopt more stringent requirement than the government to eliminate potential safety hazards, make emergency plans and conduct drills, and try their utmost to avoid injuries and fatalities. Self-examination and self-correction are requested to be conducted in each hospital with rectification plans accordingly. All hospitals have conducted self-examination, formulated rectification plans and put them into practice step by step to ensure the safety of people and property.



Patient privacy protection

The Group strictly observes and implements various systems for the protection of patients' rights, respects their rights and dignity, provides equal services and protects patients' rights and interests. The Group strictly complies with the laws and regulations such as the Measures for the Administration of Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》), the Nurses Regulations (《護士條例》) and Law on Practicing Doctors of the PRC (《中華人民共和國執業醫師法》), and has formulated the Patient Privacy Protection System (《患者隱私保護制度》) applicable to the hospital, respects patients' personal privacy, especially their information and medical records, and makes every effort to fulfil its duty on confidentiality. There were no complaint or dispute arising from the disclosure of patient privacy during the Reporting Period.

B7 Anti-corruption

The Group is committed to upholding the ethical standards of self-restraint and integrity, conscientiously implementing anti-corruption policies, actively promoting the values of integrity and honesty, and continuously building a healthy and honest corporate culture.

The Group strictly complies with various national and industry laws and regulations related to anti-corruption, including the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Notice on Printing and Circulating of Nine Guidance on the Professional Integrity of the Staff in Medical Institutions (《關於印發醫療機構工作人員廉潔從業九項準則的通知》) and Certain Provisions on Anti-Unfair Competition in the Pharmaceutical Industry (《醫藥行業關於反不正當競爭的若干規定》). Based on the actual situation, the Group has made strict requirements in the Hospital Corporation Staff Handbook (《弘和仁愛醫療集團員工手冊》) on fraud, conflict of interest, bribery and information confidentiality, etc.; It also established internal audit supervision systems such as Hospital Corporation Internal Audit Management System (《弘和仁愛醫療集團內部審計管理制度》) and Hospital Corporation Economic Responsibility Audit Management Measures (《弘和仁愛醫療集團經濟責任審計工作管理辦法》) to clarify the supervision and inspection mechanism.

Prevention and Supervision

At present, the Group has adopted a number of measures to prevent employee corruption, including signing procurement integrity agreements with all major suppliers, publicising monitoring and reporting methods, and encouraging employees, the public, patients and their families to report violations against the law through letters, phone calls and the internet. In addition, the Group's Board of Directors has the authority to review any suspicious incidents and the Group adopts a zero-tolerance attitude to all forms of deception, bribery, forgery, extortion, embezzlement and money laundering.

Anti-corruption training

The Group conducted training for employees through a combination of online training and offline reading of training materials. A total of 4 sessions related to integrity and internal supervision were organised during the Reporting Period, with an accumulated training hours of over 6 hours for the senior management of the Group as well as employees in key positions in the finance and procurement departments. Through anti-corruption training and internal supervision, the Group constantly reminds employees in key positions to strengthen their full awareness of the importance of anti-corruption. Employees are urged to enhance their compliance and risk awareness while upholding the bottom line of integrity and honesty, pay more attention to the collection and maintenance of process information to provide more convenience for post-event supervision and inspection, and make economic operations more transparent and traceable, and supervision more effective.

Thanks to the anti-corruption awareness of all employees and the well-functioning anti-corruption prevention, supervision and post-checking mechanism, there were no corruption proceedings, penalties or sanctions brought or concluded against the Group and its employees during the Reporting Period.

Community

B8 Community Investment

The Group focuses on the contributions to human health and takes social responsibility. It has formed a model of resource sharing, complementary advantages and balanced development with the communities through public welfare donations, charity clinics, health education and voluntary activities. It has expanded the depth and breadth of medical services to create a harmonious community atmosphere and gain social recognition. In 2021, the credit rating of Shanghai Yangsi Hospital (“**Yangsi Hospital**”) was 3A; Zhejiang Jinhua Guangfu Oncological Hospital (“**Jinhua Hospital**”) was awarded the National Gold Prize for Blood Donation and was granted 5A status as a private non-enterprise by the Jinhua Civil Affairs Bureau; and Cixi Hospital was selected as the first batch of “Age-Friendly Medical Institutions” by the Ningbo Municipal Health Commission.



Public Donation

Focusing on the disadvantaged groups, the Group has carried out various forms of public welfare activities in accordance with local conditions, including hand-in-hand with public welfare organisations, medical fee waivers for the needy, home delivery of medical treatment and medicine, and blood donation, etc., which have received wide praise from the community. During the Reporting Period, the Group donated for public welfare and took measures to help patients with special hardship by reducing or waiving their medical fee, which amounted to approximately RMB1.67 million in total according to rough statistics. During the Reporting Period, the Group organised a total of over 130,000ml of voluntary blood donation.

Charity Clinic

Through organising regular or occasional charity clinics and specialised health activities for the community and special groups, the Group helps them detect diseases at an early stage, correct bad lifestyles, build convenient channels for medical treatment and enhance people's well-being. During the Reporting Period, a total of 176 medical consultations were conducted, covering nearly 18,000 attendance.

Health Education

To contribute to the building of healthy China, the Group actively plays its part as medical institution to promote health concept and habits to public, and raise their health awareness to identify and avoid health risks. 104 health education sessions were completed throughout the year with 10,705 attendance.

Voluntary service

To solve people's personal problems and convey positive energy to the society, the Group carried out various forms of voluntary service activities including cooperation with nursing institutions for the elderly, construction of healthy community, on-site services for patients in difficulty, etc. A total of over 25,000 persons benefitted from these voluntary services.

Primary medical assistance and technical guidance

We have sent more than 1,000 health technicians to help over 50 primary health centres and health offices with about 3,000 patients served directly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDELINES INDEX

Subject areas, aspects, general disclosures and key performance indicators	Chapter/Statement
<p>Aspect A1: Emissions</p> <p>For emissions, greenhouse gas emissions, discharges to water and land, production of hazardous and non-hazardous waste, etc.:</p> <p>(a) policy; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	Emissions
Key Performance Indicator A1.1	Types of emissions and associated emission data. Emissions
Key Performance Indicator A1.2	Direct and energy indirect GHG emissions (in tonnes) and intensity, if applicable. Emissions
Key Performance Indicator A1.3	Total volume (in tonnes) and intensity of hazardous waste generated, if applicable. Emissions
Key Performance Indicator A1.4	Total volume (in tonnes) and intensity of non-hazardous waste generated, if applicable. Emissions
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Key Performance Indicator A1.6	Describe the methods used to dispose of hazardous and non-hazardous waste and describe the waste reduction targets and the steps taken to achieve these targets. Emissions
<p>Aspect A2: Use of Resources</p> <p>Policy on efficient use of resources (including energy, water and other raw materials).</p>	Use of resources
Key Performance Indicator A2.1	Total direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type (in thousand of kWh) and intensity (e.g. per unit of production, per facility). Use of resources – Indicators
Key Performance Indicator A2.2	Total water consumption and intensity (e.g. per unit of production, per facility). Use of resources – Indicators
Key Performance Indicator A2.3	Describe the energy efficiency targets and the steps taken to achieve these targets. Use of resources – Energy management
Key Performance Indicator A2.4	Describe any problems in accessing the appropriate water source, and the water efficiency targets and the steps taken to achieve these targets. Use of resources – Water management
Key Performance Indicator A2.5	Total quantity of packaging material used in the finished product (in tonnes) and, if applicable, per unit of production. Use of resources – Use of packaging materials



Subject areas, aspects, general disclosures and key performance indicators	Chapter/Statement
<p>Aspect A3: Environment and Natural Resources Policy on minimising the significant impact of the issuer on the environment and natural resources.</p>	Environment and natural resources
<p>Key Performance Indicator A3.1 Describe the significant impacts of business activities on the environment and natural resources and the actions taken to manage such impacts.</p>	Environment and natural resources
<p>Aspect A4: Climate Change Policy on identifying and responding to significant climate-related issues that have and may have an impact on the issuer.</p>	Climate change
<p>Key Performance Indicator A4.1 Describe significant climate-related issues that have and may have an impact on the issuer, and actions to cope with these issues.</p>	Climate change
<p>Aspect B1: Employment For compensation and dismissal, recruitment and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and other benefits and welfare:</p>	Employment
<p>(a) policy; and (b) information on compliance with relevant laws and regulations that have a material impact on the issuer.</p>	
<p>Key Performance Indicator B1.1 Total number of employees by gender, type of employment (e.g. full-time or part-time), age group and region.</p>	Employment
<p>Key Performance Indicator B1.2 Employee turnover ratio by gender, age group and region.</p>	Employment
<p>Aspect B2: Health and Safety For the provision of a safe working environment and protecting employees from occupational hazards:</p>	Health and safety
<p>(a) policy; and (b) information on compliance with relevant laws and regulations that have a material impact on the issuer.</p>	
<p>Key Performance Indicator B2.1 The number and rate of work-related fatalities in each of the past three years (including the reporting year).</p>	Health and safety
<p>Key Performance Indicator B2.2 Number of days lost due to work-related injuries.</p>	Health and safety
<p>Key Performance Indicator B2.3 Describe the occupational health and safety measures adopted, and the related methods of implementation and supervision.</p>	Health and safety

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Subject areas, aspects, general disclosures and key performance indicators		Chapter/Statement
Aspect B3: Development and Training		Development and training
Policy on enhancing the knowledge and skills of employees to perform their job duties. Describe training activities.		
Key Performance Indicator B3.1	Percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training
Key Performance Indicator B3.2	The average number of training hours completed per employee by gender and employee category.	Development and training
Aspect B4: Labour Standards		Labour standards
For the prevention of child labour or forced labour:		
(a) policy; and		
(b) information on compliance with relevant laws and regulations that have a material impact on the issuer.		
Key Performance Indicator B4.1	Describe the measures to review recruitment practices to avoid child labor and forced labor.	Labour standards
Key Performance Indicator B4.2	Describe the steps taken to eliminate a breach if one is identified.	Labour standards
Aspect B5: Supply Chain Management		Supply chain management
Environmental and social risk policy on managing the supply chain.		
Key Performance Indicator B5.1	Number of suppliers by region.	Supply chain management – Supplier access mechanism
Key Performance Indicator B5.2	Describe the practices relating to the engagement of suppliers, the number of suppliers where the practices are being implemented, and implementation and supervision methods.	Supply chain management – Supplier access mechanism, management and monitoring mechanisms
Key Performance Indicator B5.3	Describe practices for identifying environmental and social risks at each stage of the supply chain, and related implementation and supervision methods.	Supply chain management – Management and monitoring mechanisms
Key Performance Indicator B5.4	Describe practices to promote the use of environmentally friendly products and services in the selection of suppliers and related implementation and supervision methods.	Supply chain management – Supplier access mechanism



Subject areas, aspects, general disclosures and key performance indicators	Chapter/Statement
<p>Aspect B6: Product Responsibility For the health and safety, advertising, labelling and privacy and remedies in relation to products and services provided:</p> <p>(a) policy; and (b) information on compliance with relevant laws and regulations that have a material impact on the issuer.</p>	Product responsibility
<p>Key Performance Indicator B6.1 Percentage of the total number of products sold or shipped that have to be recalled for safety and health reasons.</p>	Product responsibility – Strengthening the quality management of healthcare services
<p>Key Performance Indicator B6.2 The number of complaints received about products and services and how they are dealt with.</p>	Product responsibility – Strengthening the quality management of healthcare services
<p>Key Performance Indicator B6.3 Describe practices relating to observing and protecting intellectual property rights.</p>	Product responsibility – Strengthening scientific research
<p>Key Performance Indicator B6.4 Describe the quality assurance process and product recall procedures.</p>	Product responsibility – Strengthening the quality management of healthcare services, Improving the evaluation process of medical quality
<p>Key Performance Indicator B6.5 Describe the consumer data protection and privacy policy and the related implementation and supervision methods.</p>	Product responsibility – Patient privacy protection



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Subject areas, aspects, general disclosures and key performance indicators	Chapter/Statement
Aspect B7: Anti-corruption For the prevention of bribery, extortion, fraud and money laundering: (a) policy; and (b) information on compliance with relevant laws and regulations that have a material impact on the issuer.	Anti-corruption
Key Performance Indicator B7.1 The number of corruption cases brought against the issuer or its employees that were concluded during the Reporting Period and the outcome of such proceedings.	Anti-corruption
Key Performance Indicator B7.2 Describe precautionary measures and reporting procedures, and related implementation and supervision methods.	Anti-corruption
Key Performance Indicator B7.3 Describe the anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment Policy on community engagement to understand the needs of the communities and ensure community interests are considered in business activities.	Community investment
Key Performance Indicator B8.1 Focus area of contribution.	Community investment
Key Performance Indicator B8.2 Resources used in focused areas.	Community investment



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