

溫州康寧醫院股份有限公司

Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock code: 2120



2021

Environmental, Social and
Governance Report



1 About the Report

Wenzhou Kangning Hospital Co., Ltd. (“Wenzhou Kangning” or the “Company”) and its subsidiaries (together the “Group” or “we”) are pleased to announce our Environmental, Social and Governance (“ESG”) Report. The Report summarizes the Group’s practice in sustainable development concept as well as what we have done with regard to the fulfilment of our corporate social responsibilities.

1.1 Reporting Standards

The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) (hereinafter referred to as the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities (《證券上市規則》) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report complies with all “comply or explain” provisions as set out in the Guide, the content of which conforms to the reporting principles regarding “Materiality”, “Quantitative”, “Balance” and “Consistency” contained in the Guide. Readers may refer to Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index of the Report for quick search.

Materiality: Our materiality assessment was conducted in 2020, which was based on the materiality of our business operations and the expectations of our stakeholders. The management has confirmed the applicability of the 2020 materiality assessment to the current year.

Quantitative: The Group has disclosed the statistical standards, methods, calculation tools and sources of conversion factors for all information in the Report.

Balance: The Report presents an impartial description of the Group’s performance during the reporting period to avoid the choices, omissions or presentation formats that may unduly impact the decisions or judgments made by its readers.

Consistency: Unless otherwise indicated, the statistical methods and standards for data disclosed in the Report are consistent with those in previous years. If there are any changes that may affect the comparison with previous reports, we will make a clear explanation.

1.2 Reporting Scope

The Report presents the Group’s overall performance regarding sustainable development from 1 January 2021 to 31 December 2021 (hereinafter referred to as the “Year” or the “Reporting Period”). Unless otherwise stated, the Report covers healthcare business directly controlled by the Group. Two scopes of environmental key performance indicators (KPIs) were added in the Year, covering Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. The scope of social key performance indicators covers the whole group. Please refer to the Corporate Governance Report section in the annual report or the Group’s official website (<http://www.knhosp.cn/en>) for detailed information about the corporate governance of the Group.



1 About the Report

1.3 Reporting Language

The Report is released electronically in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

1.4 Approval of the Report

The Report passed the internal review procedures of the Group and was approved by the Board of Directors on 11 May 2022.

1.5 Release of the Report

A soft copy of the ESG Report is published on the official website of the Company (<http://www.knhosp.cn/en>) under Information Disclosure in the section of Investor Relations and on the HKEx news of the Stock Exchange (www.hkexnews.hk).

1.6 Feedback on the Report

Your opinions on the Report will be highly valued. Please contact us via email (email address: ir@knhosp.cn) for any inquiries or suggestions on the Report or the ESG issues of the Group.

2 About the Group

The Group is a large private medical group that offers a full range of specialized medical services for patients with psychiatric illness, providing specialized diagnosis and treatment services for schizophrenia, anxiety, depression, bipolar disorder, senile dementia and other types of psychiatric illness. Adhering to the core value of “Respecting Life and Serving Humbly”, the Group is devoted to providing dignified healthcare services to patients with mental disorders, striving to be a professional guardian of mental health. To better provide high quality medical services to vast patients with mental disorders, the Company has established a diagnosis and treatment service network that is “based in Wenzhou, intensively cultivated in Zhejiang and radiated across the country” through a combination of chain operation, online and offline channels. Among these, Wenzhou Kangning Hospital (also known as “**Kangning Hospital affiliated with Wenzhou Medical University**”) is the only private psychiatric specialized hospital among the Key National Hospitals for Specialized Clinical Psychiatry. As of 31 December 2021, the Group has set up 27 psychiatric specialized hospitals (including one Internet hospital) in China, covering 7 provinces and 13 cities.

Meanwhile, we are actively responding to the “Healthy China” strategy and the outline of the “14th Five-Year Plan” promulgated by the state, focusing on various issues in people’s livelihood including mental health, social psychological service and elderly care. During the Year, the Group continued to expand its industrial chain layout and explored the transformation and upgrading of its business model.

Mental Health

- Improve the systematic construction of the “Internet mental health platform”, and accelerate the integration of offline services of physical hospitals and the Internet remote off-hospital services

Social Psychological Service

- Explore service model for mental health of children and adolescents, such as day care centres and mental healthcare stations in schools

Elderly Care

- Strengthen the layout of the elderly rehabilitation medical sector, by starting construction for projects namely, Wenzhou Ouhai Yining Elderly Hospital, Qidu International Health & Pension Centre and Taizhou Regional Central Hospital



2 About the Group

The following are the awards/honours received by the Group during the Reporting Period:

Award/honour	Awarding authority
Third Prize of Smart Hospital HIC Case Contest – Social Psychology (智慧醫院HIC案例大賽三等獎社會心理)	Guangzhou Ailibi Management Consulting Co., Ltd. (廣州艾力彼管理顧問有限公司), Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
Third Prize of Smart Hospital HIC Case Contest – Single Disease (智慧醫院HIC案例大賽三等獎單病種)	Guangzhou Ailibi Management Consulting Co., Ltd. (廣州艾力彼管理顧問有限公司), Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
Third Prize of Smart Hospital HIC Case Contest – Coin Purse (智慧醫院HIC案例大賽三等獎零錢包)	Guangzhou Ailibi Management Consulting Co., Ltd. (廣州艾力彼管理顧問有限公司), Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
2021 Top 100 Ailibi Most Competitive Non-Governmental Hospital Groups (2021屆艾力彼醫院競爭力社會辦醫·醫院集團100強)	Guangzhou Ailibi Management Consulting Co., Ltd. (廣州艾力彼管理顧問有限公司), Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
2021 Top 100 Ailibi Most Competitive Non-Governmental Hospitals (2021屆艾力彼醫院競爭力社會辦醫·單體醫院100強)	Guangzhou Ailibi Management Consulting Co., Ltd. (廣州艾力彼管理顧問有限公司), Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)

3 Chairman's Statement

Dear stakeholders,

In 2021, the COVID-19 pandemic (the “**Pandemic**”) lingered worldwide, disrupting and casting uncertainties over global economic activities, which had a profound impact on our daily lives and changed our behaviour patterns and even habits. Despite such difficult circumstances, the Group has always adhered to the core value of “Respecting Life and Serving Humbly” by adopting refined management measures. While actively fulfilling the duty of epidemic prevention as a medical practitioner, the Group endeavoured to maintaining the continuous development of the healthcare business.

While steadily developing its owned hospitals business, the Group has vigorously promoted the sustainable development of the medical service industry and fulfilled its social responsibilities. We closely monitored the impact of business operations on the environment and society, and have always upheld the operating principle of being responsible to patients, employees and environment. We have maintained good and close communication with all stakeholders, identified key issues related to the environment, society and governance and established a sound environmental, social and governance system to strengthen the standardized management of sustainable development.

We also continued to bring in high-end talents and increase investment in scientific research and innovation, and actively lined up with domestic and overseas universities, renowned experts and R&D teams to conduct in-depth cooperation and exchange. Meanwhile, we recruited leaders in the field of technology and innovation worldwide, striving to maintain a high level of medical service capabilities and actively promote the construction of “Healthy China” through building a team of experts with high academic standards, rich diagnostic experience and certain industry influence.

In addition, we closely monitored the impact of our business activities on the environment. With respect to medical waste management, the Group has engaged qualified third parties to guarantee the proper disposal of all of its medical wastes in accordance with applicable laws and regulations. In the meantime, we actively managed greenhouse gas emissions, made effective use of natural resources, strengthened pollution prevention and control, and strived to enhance the environmental awareness of all staff. We fully fulfilled our commitment to environmental protection and practiced green medical management.

Looking into the future, we will continuously focus on the real health needs of people, respond to the national investment guidelines, intensively cultivate the primary medical service market in Zhejiang, strengthen the construction of a talent team in the field of psychological health and mental health and elderly rehabilitation, and strive to achieve stable and sustainable development of the Group.

GUAN Weili

Chairman

Zhejiang, the People's Republic of China (“PRC”)

May 2022



4 Sustainable Development Strategy

With a vision to “Building itself into a loving hospital”, the Group is committed to providing high quality healthcare services. While developing our business, we attached importance to the management of sustainable development of enterprises, never forgot to fulfil our corporate social responsibilities and give back to the society and insisted on integrity services. We actively integrated sustainable development concepts into the consideration of overall business development plan covering healthcare team, healthcare services, environment, community and other sectors, and implemented sustainable development policies in daily operations, so as to continuously improve our ESG performance and create value for all stakeholders.

4.1 Statement of the Board of Directors

The Group understands that the leadership and participation of the Board of Directors are essential to sustainable development and is committed to incorporating ESG concepts into business operations. To strengthen the management of sustainable development, we have established an ESG system. As the highest decision-making level of the Group, the Board of Directors is responsible for the ESG strategies and reporting of the Group. Meanwhile, the Board of Directors is responsible for overseeing the performance and progress of all ESG work, and reviewing and approving ESG management policies and strategies, including ESG material issues, risks and opportunities. To effectively leverage ESG management, the Board of Directors has approved the establishment of an ESG Working Group that is authorized to monitor and promote measures on various ESG issues. During the Reporting Period, we have established ESG-related goals, which will demonstrate the effectiveness of our ESG management, and we will refine our measures in line with the progress of our goals. The goals we have set are aimed at providing transparency on our sustainability efforts and illustrating how we are operating our business responsibly.

4.2 ESG System

We have issued the Notification Concerning the Establishment of the ESG Working Group (《關於成立環境、社會及管治專責小組的通知》) and set up an ESG Working Group composed of the executive directors, the general manager, the board secretary and representatives from main departments of the Group. The Working Group formed an ESG system covering the Board of Directors, management and various functional departments to strengthen the standardized management of sustainable development.

4 Sustainable Development Strategy

The Board of Directors	<ul style="list-style-type: none"> • Undertake all obligations towards ESG strategies • Identify, evaluate and determine ESG-related risks • Establish appropriate ESG risk management and internal control systems
The Management	<ul style="list-style-type: none"> • Evaluate and manage risks during operation • Ensure the effectiveness of the risk management and internal control systems to the Board of Directors
The ESG Working Group	<ul style="list-style-type: none"> • Identify significant ESG issues • Review and supervise relevant policies and practices • Report to the Board of Directors and propose appropriate suggestions on a regular basis
Each Department	<ul style="list-style-type: none"> • Execute ESG policies • Collect internal policies and data • Give feedback on the effectiveness of policies and provide recommendations for improvement

ESG structure



4 Sustainable Development Strategy

4.3 Communication with Stakeholders

The Group values the trust and support of stakeholders, actively communicates with stakeholders, and attaches great importance to the suggestions and feedback of stakeholders, thereby incorporating their opinions into the formulation of the sustainable development direction of the Group to optimize the Group's ESG management and decision-making. In the Year, we communicated with our stakeholders through various channels, including patients and their families, employees, shareholders/investors, government and regulatory authorities, counterparties/business partners, suppliers, media and communities/non-government groups, with the expectation to establish a long-term and trustful relationship.

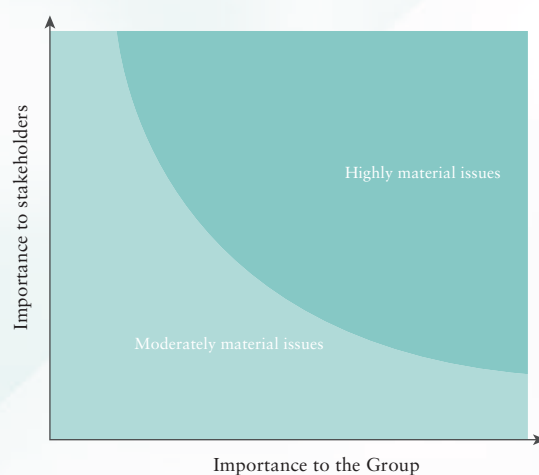
Stakeholders	Communication channels
Patients and their families	<ul style="list-style-type: none"> • Daily operation/communication • Service centre • Consultation group • Satisfaction survey and feedback form • Telephone
Employees	<ul style="list-style-type: none"> • Performance appraisal • Employee Intranet • Employee communication meeting • Group discussion/meeting • Special consultative committee/panel discussion groups • Volunteer activities
Shareholders/investors	<ul style="list-style-type: none"> • Results announcement/corporate communications • Meetings • Interim and annual reports • Shareholders' site visits
Government and regulatory authorities	<ul style="list-style-type: none"> • Meetings • On-site investigation • Compliance report
Counterparties/business partners	<ul style="list-style-type: none"> • Strategic cooperation projects • Lectures/seminars/workshops • Meetings • Reports • Visits
Suppliers	<ul style="list-style-type: none"> • Supplier management procedures/assessment system
Media	<ul style="list-style-type: none"> • Results announcement • Press conference/press release • Interviews with the senior management
Communities/non-government groups	<ul style="list-style-type: none"> • Community investment plans • Community activities • Donations

4 Sustainable Development Strategy

4.4 Materiality Assessment

The Group conducted materiality assessment in 2020 with reference to various external reporting requirements and taking into account its business operation status and the concerns of various stakeholders. Considering that 1) there were no significant changes in the business and operating environment during the Year and 2) the results of materiality assessment could nevertheless reflect the expectations of stakeholders, the management of the Group therefore confirmed that the results of materiality assessment for 2020 are still applicable to the Year. Readers can refer to the ESG report of 2020 for the method and process of materiality assessment.

The Group has identified a total of 35 issues covering ESG, including 22 highly material issues and 13 moderately material issues, which are highlighted to varying degrees in the Report and are taken as key considerations in formulating ESG policies and strategies.





4 Sustainable Development Strategy

Highly material issues

- Climate change
- Effective utilization of resources
- Up-to-standard discharge of wastewater and measures for emission reduction
- Establishing and improving medical waste management procedures
- Formulation of guidelines and objectives for environmental protection
- Provision of competitive remuneration, benefits and promotion channels
- Setting up School of Mental Health in cooperation with Wenzhou Medical University to cultivate medical talents
- Employment in compliance with laws and regulations
- Employment relationship
- Provision of training and skill enhancement courses for employees
- Safe working environment
- Attention to employees' safety and health
- Establishment of a sound medical quality management system
- Safeguarding customers' legal rights and interests
- Safeguarding customers' privacy
- Establishment of an effective mechanism for handling customer complaints
- Emergency management
- Strict implementation of admittance and review standards for suppliers
- Respecting and protecting intellectual property rights
- Allocating more resources to support the development of neighbouring communities
- Promoting health education
- Inclusive medical health services

Moderately material issues

- Up-to-standard discharge of waste gas and measures for emission reduction
- Greenhouse gas emission reduction
- Energy consumption
- Utilization of water resources
- Employee equality and diversity
- Promotion of investment activities for the advancement of the medical undertaking
- Formulation of policies and systems for preventing bribery, extortion, fraud and money laundering
- Service compliance
- Business ethics
- Enhancing sustainable operation capability
- Economic performance
- Engagement in public charity and volunteer activities
- Corporate image

5 Fulfilling Medical Commitments

Since establishment, the Group has been adhering to the core value of “Respecting Life and Serving Humbly” and insisting on the tenet and professional ethics of “civilized service, scientific diagnosis, reasonable medication, strict privacy and honest medical practice” to standardize the management of all its medical institutions, with an aim to provide patients with high-quality and reliable medical services and fulfil its medical commitments to caring for patients and their families.

5.1 Quality of Healthcare Services

In respect of the business operation of the Group, we attach great importance to the quality and safety of healthcare services. We continued to carry out supervision and management on all our medical institutions in strict compliance with the Mental Health Law of the PRC (《中華人民共和國精神衛生法》), the Regulation on the Administration of Medical Institutions (《醫療機構管理條例》), the Detailed Rules for the Implementation of the Regulation on the Administration of Medical Institutions (《醫療機構管理條例實施細則》), the Regulation on the Urgent Handling of Public Health Emergencies (《突發公共衛生事件應急條例》), the Regulation on the Handling of Medical Accidents (《醫療事故處理條例》), the Regulation on the Prevention and Handling of Medical Disputes (《醫療糾紛預防和處理條例》) and other laws and regulations relating to healthcare services.

We also set up a medical quality and safety management committee (the “Committee”) in accordance with the hospital evaluation standards and the Measures for the Administration of Medical Quality (《醫療質量管理辦法》) issued by the National Health and Family Planning Commission, and formulated the constitution of the Committee to standardize the management systems of the Committee. The responsibilities of the Committee, as a core institution for hospital management, include formulating quantitative criteria and grading criteria to manage and supervise medical quality and safety and, in conjunction with departmental targeted accountability systems, realize scientific diagnosis and reasonable medication. In addition, we set up a nursing supervision department and a nursing quality and safety committee, with an aim to improve and ensure the quality and safety of nursing works. We also established and improved the regular assessment system for physicians, and formulated the Implementation Rules for the Management of Regular Assessment of Physicians (《醫師定期考核管理實施細則》) to ensure the quality of physicians’ services.

In order to create harmonious hospitals and improve the service quality of our hospitals, we value the feedback of our patients and their families and arrange proper treatment and nursing services for patients according to their race, belief, custom, habit, taboo and psychological status to show utmost respect for them during our healthcare services. In addition, the Group is committed to building a good relationship with patients and has formulated the Complaint Management System (《投訴管理制度》), which standardizes the relevant processing procedures and punitive measures for possible medical disputes and complaints, and strives to improve the patient’s medical experience. Patients and their families can make complaints and suggestions through telephone, complaint centre website, letters, visiting the complaint centre, suggestion boxes at nurse stations and other channels. When a complaint is accepted, relevant departments and handling personnel will take a serious attitude, take facts as the basis and take laws and regulations as the criteria to investigate and verify relevant complaints in accordance with our standard procedures, handle cases



5 Fulfilling Medical Commitments

impartially, and strive to protect the legitimate rights and interests of both parties. We will also timely inform the complainants the progress or opinions and results in handling the complaints. In addition, we handle medical disputes in accordance with the Regulation on the Handling of Medical Accidents (《醫療事故處理條例》) and other regulations, standardize the handling procedures and handle reports according to the procedures to ensure the quality of cases handling. In order to understand the satisfaction level of patients with our hospital services, we regularly summarize the content of our outpatient satisfaction questionnaires and telephone surveys on a monthly basis, analyse complaint cases and prepare a Report on the Investigation and Rectification of Patient Satisfaction (《患者滿意度調查整改報告》). We also set up a quarterly service quality committee to announce the summarized analysis of the survey data at each quarter-end meeting, discuss and analyse the common problems that arise from each individual case and recurring complaints, draw up improvement countermeasures, and follow up on the implementation of each unsolved problem in a timely manner.

During the Reporting Period, the Group totally received 88 complaints, of which nearly 95% (83 complaints) have been properly handled during the Reporting Period. Due to the negotiation process involved, we cannot ensure that all disputes could be properly handled during the Reporting Period. In the future, we will continue to improve the service quality of our hospitals so as to provide patients and their families with high quality services.

In order to further enhance the quality of our medical services and keep abreast with modern lifestyle, the Group has actively explored and adopted a new service pattern of “Internet + medical health” by setting up Yining Psychology Internet hospital. We seek to realize “remote”, “accurate” and “smart” mental health services through the application of the Internet diagnosis and treatment platform with information technology and big data. In addition, we set up a wholly-owned subsidiary, Zhejiang Jerinte Health Technology Co., Ltd. (浙江傑翎健康科技有限公司), to engage in IT industry-related research and development, which covers information technology, software products, big data etc., with an aim to change the current status of psychiatric hospitals in utilizing informatization technology. We have independently developed various technical systems suitable for specialty hospitals. For examples, the Group has independently developed mobile nursing system, personnel management system, medical record management system, hospital information management system (HIS), laboratory information management system (LIS), electronic medical record system (EMR), cloud hospital system, cloud office system, cloud life system, etc., which are suitable for specialty hospitals, with an aim to improve the work efficiency and medical quality of medical staff and further enhance the medical management standard of the Group.



Hospital information management system (HIS)



Laboratory information management system (LIS)



Electronic medical record system (EMR)



5 Fulfilling Medical Commitments

5.2 Information Security Management

The Group attaches great importance to information security and privacy management and has established a sound information security and privacy management system to handle business-related information prudently. We strictly abide by the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保守國家秘密法》), the Regulations on the Implementation of the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保守國家秘密法實施條例》), the Regulations on the Protection of Computer Software of the PRC (《中華人民共和國計算機軟件保護條例》), the Advertising Law of the PRC (《中華人民共和國廣告法》) and other relevant laws and regulations. We have formulated and carried out the Rules for Protecting Patients' Privacy (《患者隱私保護制度》) to specify the principles and requirements for protecting patients' privacy during clinical consultation, examination, operation, treatment and transport for patients, as well as restrictions on collection, use and disclosure of patients' information. We have also formulated the Rules for Safety Management Work of Information Technology Department (《信息技術部安全管理工作制度》), Hierarchical Management System for System Operation Authority (《系統操作權限分級管理制度》), Software Legalization Management System (《軟件正版化管理制度》) and other internal management systems to enhance information security and privacy protection and strictly manage control over operation authority of application system, control over user permission, control over server operation authority and control over database operation authority. We adopt a zero-tolerance approach to any deceptive acts of using false and misleading trade descriptions, so as to ensure accurate and complete information is conveyed to the public.

5.3 Protection of Intellectual Property Rights

The Group attaches great importance to the protection of intellectual property rights and strictly complies with the Patent Law of the PRC (《中華人民共和國專利法》), the Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), the Trademark Law of the PRC (《中華人民共和國商標法》), the Copyright Law of the PRC (《中華人民共和國著作權法》), the Regulation on the Customs Protection of Intellectual Property Rights of the PRC (《中華人民共和國知識產權海關保護條例》) and other relevant laws and regulations, and strives to protect the patent rights, trademark rights, copyrights and other intellectual property rights of the Group and external business partners.

5.4 Adhering to Honesty and Integrity

The Group attaches great importance to the cultivation of an integrity culture, strictly complies with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Code of Conduct for the Practitioners of Medical Institutions (《醫療機構從業人員行為規範》), the Notice on Printing and Circulating of "Nine Prohibitions" for Strengthening Ethical Conduct in the Healthcare Industry (《關於印發加強醫療衛生行風建設「九不准」的通知》), the Provisions on the Establishment of Commercial Bribery Records in the Purchase and Sale of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), the Notice on Printing and Circulating of the "National Special Action Plan for Rectifying and Standardizing Drug Market Order" (《關於印發「全國整頓和規範藥品市場秩序專項行動方案」的通知》) and other relevant laws and regulations, resolutely rejects commercial bribery and the offering or acceptance of other illegitimate benefits and adheres to honest medical practice. The professional ethics of medical staff is also one of the aspects that we attach great importance to. We have formulated the Implementation Plan for the Construction of Incorrupt Hospitals (《清廉醫院建設實施方案》), the Implementation Plan for the Construction of Ethics (《行風



5 Fulfilling Medical Commitments

建設實施方案》), the Standards for Integrity and Self-discipline Works (《廉潔自律工作規範》), the Civilized Medical Practice Management System (《文明行醫管理制度》), the Nine Prohibitions for Strengthening Ethical Conduct in the Healthcare Industry (《醫療衛生行風建設九不准》) and other internal management systems, with an aim to establish the positive image of medical staff and prohibit medical staff from any financial impropriety or accepting bribes, such as receiving drug kickbacks from pharmaceutical companies without permission. In addition, we have evaluated our internal control and risk management and strived to reasonably ensure the legal compliance of our operation and management, our asset safety and the authenticity and integrity of our financial reports and related information, improve our operational efficiency and effectiveness, and promote the implementation of our development strategies.

In order to promote the integrity of our hospitals, ensure the healthy development of the Group's business, severely crack down on unhealthy practices and corrupt behaviour and strengthen the supervision on the personal conduct of our medical staff, we have implemented a rewarded tip-off system and clarified the punishment and handling measures for fraudulent and corrupt behaviour. During the Year, we have provided anti-corruption trainings to our directors and staff to strengthen the Group's anti-corruption and integrity management and education. We have also set up a tip-off hotline and a WeChat account to accept tip-offs from our staff, the public, patients and their families by letters, phone calls, e-mails or other means. We also accept tip-offs on potential internal illegal activities within the Group through other tip-off platforms that the Group has announced to the public. We undertake to, and will, keep the informant's identity strictly confidential in an effort to discover and correct all kinds of misconduct in a timely manner.

During the Reporting Period, there was no record of litigation or any corruption, bribery, extortion, fraud and money laundering against the Group or our employee.

5.5 Supply Chain Obligations

A sustainable supply chain is an integral part in maintaining the stable development of business. As such, the Group actively fulfils its supply chain obligations, and strictly complies with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), 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》), Regulations for the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), Measures for the Administration of Medical Toxic Drugs (《醫療用毒性藥品管理辦法》), Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and Management Provisions for Medical Device Distributing Enterprise License (《醫療器械經營企業許可證管理辦法》) and other laws and regulations. We have also established the Administrative Measures for Suppliers (《供應商管理辦法》) and the Procurement Management System (《採購管理制度》) and other internal systems to regulate the access, procurement, evaluation and other works concerning business-related suppliers and effectively ensure the quality of medical services.

The Group has formulated strict criteria in selecting suppliers and gives priority to suppliers with strong production, technical and quality assurance capabilities while taking into account factors such as production management, prices and eco-friendly materials. In addition, the Group pays attention to the environmental and social risks relating to the supply chain. We will conduct review on the independence of suppliers with a total contract amount exceeding RMB300,000 in accordance with our Contract Management System (《合同管理制度》) and enter into an anti-commercial bribery agreement with suppliers with a total contract amount exceeding RMB100,000.

5 Fulfilling Medical Commitments

In addition, the Group constantly supervises the quality of warehousing materials and performs quarterly and annual appraisal and assessment on the service standards of our suppliers at different stages of project and contract execution, in a bid to ensure that the selection of suppliers meets various business needs.

During the Reporting Period, a total of 236 medical device suppliers were involved in the Group, all of which were from the PRC. The number of the suppliers by geographical region is as follows:

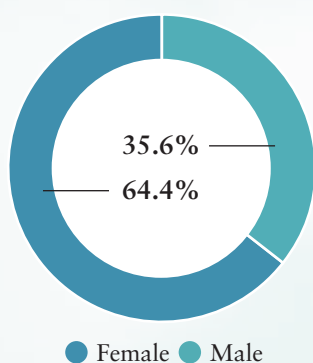
Region	Number of suppliers
Zhejiang Province	109
Hebei Province	28
Guangdong Province	25
Jiangsu Province	15
Shanghai	15
Shandong Province	10
Henan Province	7
Jiangxi Province	7
Anhui Province	5
Hunan Province	5
Fujian Province	3
Hubei Province	3
Beijing	2
Liaoning Province	1
Sichuan Province	1



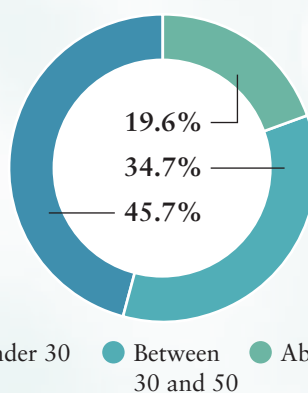
6 High-calibre Professional Team

The Group regards employees as its most valuable asset. We attach great importance to the building and management of our talent team and have formulated the Employee Manual (《員工手冊》) and established a sound human resource management system, with an aim to create a harmonious and ideal working environment for our employees. As of 31 December 2021, the Group had a total of 3,667 employees. The graphs below show the percentage of employees by gender and age group:

Percentage of employees by gender



Percentage of employees by age group



6.1 Management of Employee Recruitment

The Group is committed to creating a workplace environment with diversity, equality and no harassment or discrimination for the employees and is concerned about the rights and interests of the employees. We strictly abide by laws and regulations related to labour and employment such as the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law on the Protection of Minors of the PRC (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工的規定》), and adopted a Board diversity policy to ensure a balance of skills, experience and other aspects in the Board to enhance its effectiveness and achieve a high standard of corporate governance. Meanwhile, we have formulated our Employee Manual (《員工手冊》), setting out provisions concerning all aspects of human resources management, such as recruitment, promotion, dismissal, compensation, working hours and leaves. During the Reporting Period, the Group did not violate any laws and regulations relating to the remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labour or forced labour, and no child labour or forced labour cases were found in the Group.

In addition, the Group has formulated the Recruitment and Employment Management System (《招錄管理制度》) and has always adhered to the concept of “Openness, Justice and Fairness” in recruitment. We implement annual human resource planning in a standardized manner and utilize multiple channels to select talents by considering comprehensive factors such as talent demand analysis and recruitment costs. Each department will formulate job responsibilities and requirements for each position, and the human resources department will screen suitable candidates as per such requirements. We take candidates’ educational background, work experience, skills and other factors as employment criteria to provide job opportunities and equal chances of having an interview and getting hired to candidates of different gender, age, nationality, religious beliefs, family background, race, marital status and other categories protected by law.

6 High-calibre Professional Team

During the recruitment process, the Group undertakes a rigorous review of candidates' identity documents and concludes labour contracts with employees on the basis of equality, voluntariness and mutual agreement after negotiation to prevent the employment of child labour or forced labour. In addition, we advocate the concept of work-life balance, set the working hours of employees in accordance with relevant labour laws, and implement a flexible working schedule and a two-day break per week to preserve the legitimate rights and interests of our employees. In the event of forced labour, employees have the right to terminate their employment relationships with the Group in accordance with the relevant terms of their labour contracts. The Group will deal with such non-compliance events in accordance with laws and regulations. If any employee intends to resign, the employee needs to submit a resignation report in advance, and the human resources department will endeavour to look for the reasons for resignation through interviews, so as to manage the matters related to employee resignation and thereby improve the deficiencies in corporate management. We will make arrangements in accordance with relevant laws and regulations and the terms of the labour contract to eliminate any unfair treatment to any party.

6.2 Employees' Benefits and Welfare

Employees' benefits and welfare are an important factor for attracting and retaining talents. We offer attractive remuneration packages to employees. The Group offers various leave entitlements, such as statutory holidays, annual leave, marriage leave, compassionate leave, maternity leave, miscarriage leave, paternity leave, lactation leave, sick leave, work injury leave, personal leave, etc. We also provide employees with food allowances, night meal allowances, allowances for working under high temperature, holiday subsidies, as well as accommodation arrangements or housing subsidies and other benefits. In accordance with the Labour Law of the PRC and the laws and regulations relating to social security, the Group also makes contributions to the national pension schemes for eligible employees. Such social security benefits cover basic medical insurance, basic endowment insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund and corporate annuities.

We have set up the Employee Ranks and Remuneration Scheme (《員工職級及薪酬方案》) to improve the employee salary and promotion management system. Remunerations to our employees are based on a combination of six major items paid for each position on a monthly basis, namely post salary, seniority salary, management position allowances, title allowances, education allowances and external supplementary salary. In order to improve the work quality and efficiency of employees, the Human Resources Department of the Group will regularly conduct annual performance appraisals for employees. Substance and terms of an assessment varies, depending on profession and position of an employee, but assessment items basically cover performance indicators such as working plans and advice, moral merits, duty performance, work execution capability, labour discipline and service quality. Based on the results of the annual performance appraisal of employees, we fairly select outstanding employees, issue year-end bonuses, adjust salaries and jobs, and ensure that reasonable and satisfactory compensation is given to different employees.



6 High-calibre Professional Team

In addition, in order to comply with the Regulations on Work Injury Insurance (《工傷保險條例》) and the Provisions of the Supreme People's Court on Several Issues concerning the Trial of Administrative Cases on Work Injury Insurance (《最高人民法院關於審理工傷保險行政案件若干問題的規定》), the Group has formulated an employee work injury management system to safeguard the interests of employees in a timely manner, standardize the procedures for employee injury declaration and expense reimbursement, and provide employees with a basis to follow in the event of work-related injuries. In respect of facilities, employees of our hospitals may register for free parking to facilitate them entering and leaving our hospitals.

6.3 Occupational Health and Safety

As a provider of professional medical services, we pay special attention to the physical and mental health of our employees. In order to provide a safe working environment for employees, the Group strictly complies with the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Measures for the Administration of Occupational Health Examination (《職業健康檢查管理辦法》), the Measures for the Administration of Diagnosis and Identification of Occupational Diseases (《職業病診斷與鑑定管理辦法》), the Fire Protection Law of the PRC (《中華人民共和國消防法》) and other laws and regulations. During the Reporting Period, the Group did not violate any relevant laws and regulations regarding the provision of a safe working environment and the protection of employees from occupational hazards. During the last three years, including the Reporting Period, the Group did not have any severe accidents involving work-related fatalities of employees. The Group lost a total of 631 workdays due to work injury during the Year. The Group has established various internal policies and guidelines for preventing, mitigating and handling emergencies and safeguarding the health and safety of employees. In the future, we will actively explore and improve such policies and strive to provide and maintain a safe working environment for our employees.

In addition, we have formulated the Hospital Security Management System (《醫院保安管理制度》) and the Hospital Fire Safety Management System (《醫院消防安全管理制度》) and have implemented the measures for “preventing fire, theft, robbery, explosion, damage, fraud, info-theft and public security incidents” by adhering to the principles of “taking precautions as the main task, ensuring major issues are addressed and safeguarding safety”, in order to provide a safe environment for medical, teaching and scientific research activities. To ensure the health of employees, we provided a physical examination for eligible employees who had worked at the Group's hospitals in July this Year, and in particular, employees who were engaged in radiological medical services and special examinations were entitled to an annual targeted occupational health check.

Due to the sudden attack of a novel coronavirus in 2020, for the health and safety of the employees of the Group, we completely implemented the State Council's epidemic prevention and control decision and deployment, and formed “The Leading Committee for Prevention and Control of Spreading of COVID-19” (防控新型冠狀病毒感染肺炎領導小組) led by our chairman and general manager to provide guidance to all branches of the Group in respect of the epidemic prevention and control measures at different places of business. Meanwhile, in addition to launching a three-level emergency response plan to adjust the outpatient service hours of our hospital according to the needs of epidemic prevention and control and implement closed management for our hospital wards, we also strengthened the health monitoring of our staff and the monitoring of our working environment by carrying out temperature testing

6 High-calibre Professional Team

for hospital admissions to protect the health of our medical staff and patients in our hospitals. In response to the Notice on Further Doing a Good Job in the Nucleic Acid Testing of Novel Coronavirus 《關於進一步做好新冠病毒核酸檢測工作的通知》 issued by the Health Commission of Wenzhou, after deliberation, the frequency of routine novel coronavirus nucleic acid (throat swabs) testing for all employees of our hospitals was further increased to once every two days in order to strengthen the defence line in our hospitals.



Temperature testing before admission



6 High-calibre Professional Team

In order to pay attention to the physical and mental health of employees, the Group kept organizing employee care activities from time to time while actively preventing the risk of COVID-19, such as “Care Activity For Women’s Day”, “Couples’ Day”, “General Manager (Dean)’s Staff Seminar for Love in Kangning, Sharing the Future”, etc. Under the leadership of the Party Committee of the Group, we held a “Secretary’s Heart-to-Heart Meeting” to encourage the enterprising spirit of the party activist. We also attached great importance to balance work and life of our employees. The Group organized “Summer Care Class for 2021” for employees’ children during this summer vacation to show our care for employees’ families. To enhance their sense of belonging to the Company, we also organized “New Employee Seminar” and “Employee’s First Anniversary” respectively for new employees and employees who have worked for one year.



General Manager (Dean)’s Employee Seminar for Love in Kangning, Sharing the Future



Secretary’s Heart-to-Heart Meeting



Summer Care Class for 2021



New Employee Seminar

6 High-calibre Professional Team

6.4 Cultivation of Medical Personnel

Outstanding talents are particularly important for the sustainable and long-term business development of the Group. We put great emphasis on the training and development of medical personnel, proactively establish “in-hospital teaching” and promote the coordinated development of medical practice, education and research. We formulate annual plans for employee training, ward clinical diagnosis and treatment teaching and annual plan of various management training according to the job requirements of each professional position, and devote to provide employees with pre-job training (such as stress management and workplace relations) and on-the-job professional knowledge training to continuously improve their professional quality. The percentage of employees trained and average training hours of employees of the Group by gender and employee type during the Reporting Period are as follows:

	Percentage of Employees Trained ¹	Average Training Hours ²
By gender		
Female employees	84.82%	27.00 hours
Male employees	77.49%	30.00 hours
By employee type		
Junior employees	79.87%	26.30 hours
Middle management	90.98%	37.50 hours
Senior management	100%	12.00 hours

¹ Percentage of employees trained = the number of employees trained under each type ÷ the number of employees under each type × 100%

² Average training hours = total training hours of employees under each type ÷ total number of employees under each type

We are engaged in different forms of training to further improve the professional level of our medical staff. In 2020, Wenzhou Kangning Hospital was admitted as one of the standardized training bases for resident doctors in the PRC in the third round of selection by the relevant authority. According to the teaching syllabus of medical schools and the teaching requirements of clinical departments, the teachers of “in-hospital teaching” will plan the teaching tasks for the academic year/semester, carry out targeted assessment and intensive training for trainees, conduct simulated examination, and organize assessment of both theoretical knowledge and skills, so as to ensure the quality of standardized training for resident doctors. In the Year, our primary task is to cultivate the clinical diagnosis and treatment ability of general psychiatric department, and trainees are required to have certain ability to deal with other diseases closely related to mental diseases. At the same time, we also provide targeted teaching and assessment for the nursing department to further enhance the professional level of nursing staff.



6 High-calibre Professional Team

Wenzhou Kangning Hospital also has been approved to establish the post-doctorate work station in Zhejiang Province, which is committed to training young postdoctoral scholars as clinical research talents, and has carried out special research in the aspects of mental health of children and adolescents, such as being tired of learning, dropping out of school, family relations, as well as the pathogenesis of mental illness, such as children's hyperactivity disorder, autism etc., and digital psychiatry, with a view to promoting the development of psychiatry.

In addition, the Alzheimer's Disease International Diagnosis and Treatment Centre (阿爾茨海默病國際診療中心) jointly established by Wenzhou Kangning and Wenzhou Medical University has become an international science and technology cooperation base for digital psychiatry and Alzheimer's disease, mainly carrying out science and technology project cooperation, talent introduction and cultivation, cooperation management, academic exchanges, etc. In the Year, a total of 12 research projects were carried out to help strengthen the healthcare system, improve medical practice and advance excellence in clinical care. We have maintained close cooperation with internationally renowned psychiatric research institutions and universities in the United States, Australia and Canada, and have extensively attracted foreign scholars for exchange and study. By setting up a "research corner", we have strengthened the research atmosphere in the hospital to encourage laboratory researchers and doctoral and postgraduate students to go abroad for further studies, and established an exchange mode of "bringing in and sending out" researchers, to promote the development of medical talents.

7 Green Hospital Management

The Group actively responds to the national mission of environmental protection and attaches great importance to environmental responsibility, and strictly complies with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), continuously identifies and manages the adverse impact of any enterprises' business operation on resource application and the environment, and devotes to adopt environmental protection technologies and solutions to improve the environmental protection management mechanism as far as practicable. In addition, we actively implement a number of green medical management measures, strive to do a good job in energy conservation and emission reduction work, to make contribution for building an environmentally friendly society. In the Year, the Group did not violate any regulations on environmental protection, and did not have any significant accidents that had adverse impacts on the environment and natural resources or any environment-related punishments or litigation.

During the Reporting Period, we have set initial targeted targets for energy conservation, water conservation and greenhouse gas and waste reduction. In the future, we will maintain or reduce energy use, water use, greenhouse gas emissions and waste generation at a similar level of business operation. We will review the implementation progress of various environmental targets, indicators and measures, and explore more green environmental opportunities. In the future, we will set more specific quantified environmental targets to effectively protect the environment and cherish natural resources.

7.1 Management of Greenhouse Gas Emissions

In order to prevent the significant impact of climate change on business operations, the Group continues to pay attention to China's measures and strategies on dealing with climate change, and actively identifies, quantifies and manages risks and opportunities relating to climate change. We also gradually improve the mechanism to respond to climate change and strive to realize low-carbon hospital operation.

We observed the greenhouse gas emissions in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) jointly developed by World Resources Institute and World Business Council for Sustainable Development and ISO14064-1 formulated by the International Standardization Organization, and intensified and implemented the measures of various energy conservation and low-carbon hospital operation to achieve the reduction of greenhouse gas emissions according to the relevant results. During the Reporting Period, the greenhouse gas emissions under key operation of Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. are as follows:

	Unit	2021
Scope 1 Direct greenhouse gas emissions	Tonnes of carbon dioxide equivalent ("CO ₂ e")	655.56
Scope 2 Indirect greenhouse gas emissions	Tonnes of CO ₂ e	7,623.49
Total greenhouse gas emissions	Tonnes of CO ₂ e	8,279.05
Greenhouse gas emissions per person [^]	Tonnes of CO ₂ e/person	0.08

Scope 1: Direct greenhouse gas emissions produced by fuel consumption of fixed equipment and vehicles owned and controlled by the Group.

Scope 2: Greenhouse gas emissions indirectly caused by the use of electricity related to the Group's business activities.

[^] Calculated based on the number of employees at the end of the Year and the number of discharged patients during the Reporting Period



7 Green Hospital Management

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. consumed a total of 8,279.05 tonnes of greenhouse gas emissions during operation, with an intensity of 0.08 tonnes of CO₂e per person, representing an increase of approximately 20.80% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor our greenhouse gas emissions and take mitigation measures to reduce greenhouse gas emissions.

7.2 Energy Management

The Group advocates green office and continuously monitors and controls the power consumption in the process of business operation, identifies and reviews the implementation of energy management from various aspects. We strictly comply with the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Notice on Issuing of the “13th Five-Year” Plan for the Conservation of Energy Sources by Government Agencies (《關於印發公共機構節約能源資源「十三五」規劃的通知》), the Regulations on Energy Conservation of Public Institutions (《公共機構節能條例》) and other laws and regulations, so as to implement the measures for energy conservation and reduce unnecessary energy consumption opportunities. In addition, the Group has established a work leading group to promote the “Energy Conservation Campaign by Public Institutions”, and focuses on cultivating employee’s awareness of energy conservation, and takes various measures to ensure that every medical staff understands the importance of saving resources.

In order to improve the energy efficiency and reduce unnecessary energy waste, we divided the hospital office into several different zones with lighting switches that can be independently controlled to flexibly use the work mode of the lighting system to reduce power consumption. We advocate to use modulator tubes with high energy efficiency to the greatest extent in offices and conference rooms. If the light of day can meet the job requirements, we encourage the medical staff to light off. In addition, in order to moderately reduce the number of modulator tubes for places where the luminosity is higher than required, we will regularly measure the brightness of different positions, to reduce the waste of electricity. Apart from regular cleaning the lighting devices, we also regularly clean air-conditioning filters, and strictly monitor the indoor temperature of various departments and wards of the hospital to save electricity, in a bid to ensure proper use of the air conditioning system.

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. consumed a total of 12,495.48 MWh of electricity during operation, with an intensity of 118.60 kWh per person, representing an increase of approximately 17.48% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor our energy use and take energy saving measures to reduce our energy use.

7 Green Hospital Management

7.3 Water Resource Management

We are well aware of the importance of water resources. In order to reduce our demand for water resources, we actively implement different measures of water use and water management, make good use of water recycling technologies, enhance water reuse, improve water use methods in our business operations and reduce waste water discharge. We focus on cultivating employees' habit of saving water, raising their awareness of water conservation, and hope to carry out basic environmental protection education from the source. In addition, we post various signs in the toilets to remind users to turn off the tap tight and make good use of the functions of double-system flush toilets. The Group will regularly check the reading on water meter, once damage leakage is found, we will immediately arrange maintenance work and enhance its daily maintenance and management, so as to minimize the waste caused by leakage. Moreover, we use a central condensate recovery system and a secondary water supply system to recycle wastewater to make better use of water resources.

The Group's water comes from the municipal water supply and we did not have any water access problems during the Reporting Period.

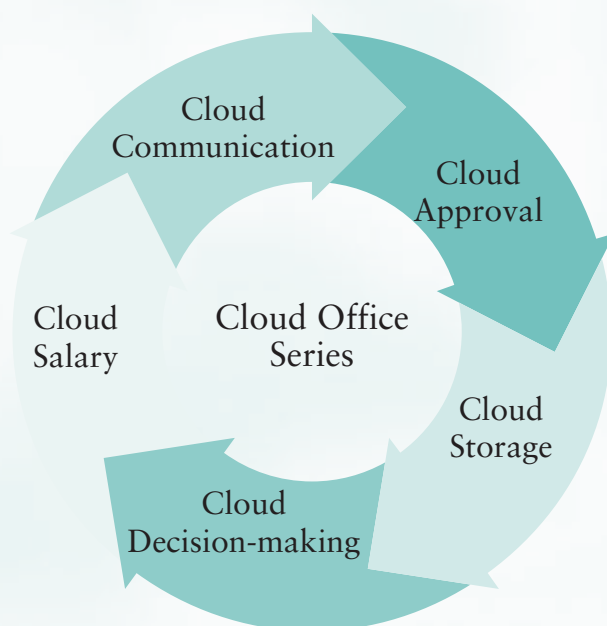
During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. consumed a total of 490,033.00 m³ of water during operation, with an intensity of 4.65 m³ per person, representing an increase of approximately 25.81% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor water usage and adopt conservation measures to reduce water use.



7 Green Hospital Management

7.4 Paperless Office

Given the printing of patients' medical records and inspection reports is the reason why we use a lot of paper, the Group actively advocates paperless office to gradually achieve paperless medical records, and advocates to save files in electronic forms, such as keeping electronic medical records of patients for any query in the future, to reduce copying and printing and paper consumption. We will print relevant medical records at the request of patients or their families.



Furthermore, we provide services including “Cloud Communication”, “Cloud Approval”, “Cloud Storage”, “Cloud Decision-making” and “Cloud Salary” through setting “Customized” mobile office platform – “Cloud Office Series”, in an effort to reduce the paper consumption while improving the efficiency of business operation. The Group encourages its employees to use electronic communication technology and electronic archives form for sending messages and files. The “Cloud Communication” allows the Group’s employees to easily access to the contact information needed with a tap of fingers, realizing paperless contacts. “Cloud Storage” is a safe and reliable repository of the Group. We implement various measures to safeguard information security and monitor the access to the shared files in real time. “Cloud Decision-making” integrates data of various operating indicators of the hospital and presents the data analysis results in the form of charts on the mobile terminal, providing scientific basis and data support for managers’ decision-making. Employees can access to their salary details at any time via “Cloud Salary”. Employees can also submit applications for personnel management, finance, supplies and information approval via their mobile devices, which will be immediately sent via “Cloud Approval” system to achieve paperless approval process.

7 Green Hospital Management

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. consumed a total of 17,173.55 kg of papers, with an intensity of 0.16 kg per person, representing an increase of nearly 20.41% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor paper consumption and adopt conservation measures to reduce paper use.

7.5 Waste Management

The Group encourages and supports the responsible use of all kinds of materials and advocates waste reduction from the source in a hope to reduce the generation of solid waste. For example, we encourage our employees to use recyclable and reusable products and repeatedly use envelopes, spring binders and other stationeries. The Group also calculates the inventories of various materials and assesses the consumption from time to time to avoid excessive purchase.

In respect of waste disposal, the Group strictly complies with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Regulations on the Prevention of Solid Waste Pollution in Zhejiang Province (《浙江省固體廢物污染防治條例》), Administrative Measures for Kitchen Waste in Urban Areas of Wenzhou City (《溫州市區餐廚垃圾管理辦法》) and other laws and regulations to collect and manage recyclable, non-recyclable wastes and hazardous wastes by category, and recycle waste paper, metal, plastic products and discarded batteries. In addition, we have installed oil fume purification units for canteen and oil-water separators, and set a dedicated recycle bin at the designated place to collect waste oil from kitchen which would be handed over to the professional environmental service contractors approved by the relevant administrative and regulatory departments for further disposal so as to strengthen our pollution prevention.

In respect of medical waste, the Group has employed qualified third parties to properly collect, store and dispose medical waste for all our medical institutions in accordance with the Regulations on the Administration of Medical Waste (《醫療廢物管理條例》), Implementation Measures of the Management of Medical Waste for Medical Institutions (《醫療衛生機構醫療廢物管理辦法》), Technical Specifications for the Centralized Disposal of Medical Waste (《醫療廢物集中處理技術規範》), and other applicable laws and regulations. We make use of the qualified packing bags and sharps boxes specifically for medical waste to pack and collect various medical waste by category, and set a recycle case at the designated temporary storage point of medical waste. It is prohibited to collect, store, transport and dispose of medical waste that is incompatible in nature and not securely packaged, and to store medical waste in general waste. Treated medical waste will be further processed by designated qualified third parties. We have set a radioactive liquid waste treatment facility in our hospital and regulated the operations in the use, storage and disposal of radiation sources and liquid wastes to enhance the safety management on wastes of biological and radiation sources.



7 Green Hospital Management

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd. recorded a total output of non-hazardous waste of 4,448,000.00 kg, with an intensity of 42.22 kg per person. The total output of hazardous waste included 34,355.00 kg of medical waste, computers, waste ink cartridges and waste batteries, with an intensity of 0.33 kg per person.

7.6 Response to Climate Change

The global impact of climate change is becoming increasingly apparent. The Group is aware of the adverse health and safety impacts of climate change on individuals and communities. As a medical service provider, we may face risks in our commitment to improving people's health and well-being. In order to reduce the direct impact of, and adapt to, climate risk, we carry out climate risk assessment to identify and assess the potential risks in our business operation and promote the development of our climate risk mitigation measures. At the same time, the Group takes the initiative to reduce carbon footprint by making a greenhouse gas emissions target and put efforts to mitigate climate change.

The Group identifies the following climate risks that may affect the Group's business:

Entity Risk

Increased temperatures and extreme weather events, such as typhoons and rainstorms, may cause serious damage to hospital facilities and employee safety, disrupt medical services, affect stable operations and cause property damage. As temperatures rise, more refrigeration equipment will be used in hospitals, resulting in increased power demand and operating expenses. As part of emergency policy, the Group will actively develop contingency plans for extreme weather events to ensure that safety measures are provided to staffs and patients.

Transition Risk

As various countries are actively committed to achieve "carbon neutrality", we expect the government may impose more stringent policies and measures to realize the carbon emissions reduction targets, and we may face an increase in cost and violation fines as a result of our delayed response in this regard. In order to ensure compliance in the future, we need to replace more efficient equipment, thus the expected cost will be higher. At the same time, we may face the change in market demand as a result of our failure to respond to climate change, resulting in reputation damage, competitiveness decline and property losses. In this regard, the Group will closely monitor the update of all relevant environmental laws and regulations and take corresponding measures in a timely manner.

8 Building a Healthy Community Together

The Group has always adhered to its consistent business philosophy of “It is More Blessed to Give than to Receive”. While promoting the development of healthcare services, the Group has not forgotten to actively participate in social welfare activities. Through professional medical services, the Group is committed to promoting community health and is more looking forward to building a healthy community with people from all sectors. During the Reporting Period, the Group invested more than RMB6.80 million in social welfare projects.

8.1 Supporting Community Epidemic Prevention and Control

In view of the repeated outbreaks of the epidemic, the risk level has been elevated or closed management measures have been implemented, and the people are required to undergo multiple rounds of nucleic acid testing and vaccination in some regions. The Group fully supported the community epidemic prevention and control work and resolutely adhered to the principle of “Responding to the Call, Obeying the Dispatch, Arriving Immediately and Providing Full Services”. As the Group has fully conducted emergency sampling training and actual combat drills during the epidemic, we dispatched members of our medical team to participate in the emergency anti-epidemic support team immediately upon the outbreak of the epidemic and provided external epidemic assistance. The medical team of the Group not only participated in assisting people in Liuhe District of Nanjing and Wanquan Town of Pingyang County to undergo nucleic acid sampling and testing day and night, but also participated in the vaccination work in Yuhang District of Hangzhou City and Ouhai District of Wenzhou City. At the same time, as a psychiatric specialist medical service provider, the Group paid special attention to the mental health of the public. Considering the mobility safety of patients, the Group’s psychiatric team adhered to the value of “Respecting Life and Serving Humbly” through door-to-door condolence and medicine delivery to patients and providing public welfare psychological lectures for more than 10 enterprises, institutions and schools, including special lectures on regulation of negative emotions, special lectures on workplace stress reduction and group counselling on mental health for special groups, to help the community’s anti- epidemic with practical actions and protect the lives of the people.



Nucleic acid sampling in Liuhe District of Nanjing City



Vaccination in Yuhang District of Hangzhou City



Door-to-door condolence and medicine delivery



Public welfare mental health lectures

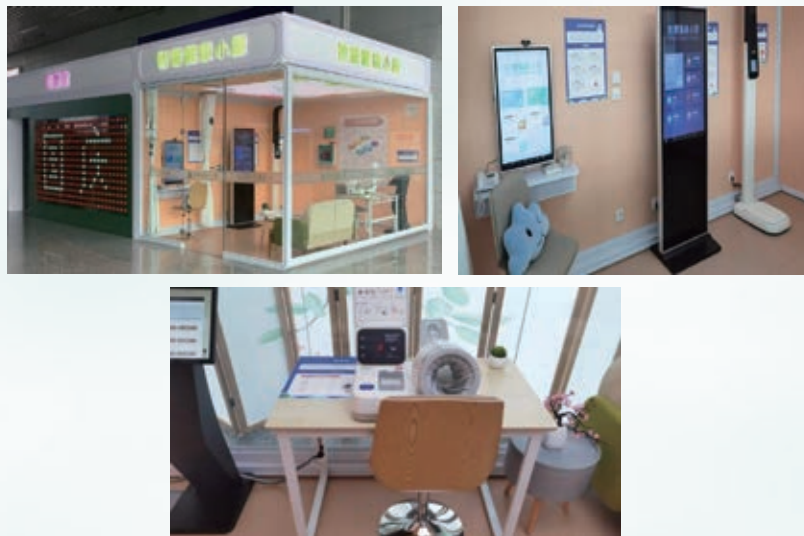


8 Building a Healthy Community Together

8.2 Actively Promoting Social Mental Service Projects

As a large-scale psychiatric specialist medical service organization in China, the Group has been actively responding to the requirements of the construction of the national social mental service system and providing the society with social and human services with Kangning's characteristics.

Through the establishment of Zhejiang Jerinte Health Technology Co., Ltd. (浙江傑翎健康科技有限公司), the Group has invested heavily in IT research and development and actively carried out social mental service projects to establish the country's first smart health cabin at the high-speed rail station, which was formally put into use at Wenzhou South Station on 1 October 2021, in order to provide high-quality health services to those in need with the concept of "Internet +". The smart health cabin is equipped with various simple and easy-to-use medical equipment, which can meet the self-management needs of passengers such as health self-examination, remote consultation and psychological counselling. The exterior design of the cabin not only improves its aesthetics, but also adds a number of educational games to attract parents to bring their children to experience.



Smart health cabin at Wenzhou South Station

To celebrate the coming Children's Day, the Group, together with Pan Luomin Charity Art Studio (潘羅敏慈善藝術工作室) and Wenzhou City Ouhai District Xinghai Public Welfare Centre (溫州市甌海區星海公益中心), presented a "festive gift package" to children with autism, and held free graffiti activities in the open space, enabling children to use the brush to describe their inner thoughts and also express their emotions in the paintings, activate the free association of individuals and feel the happiness that belongs to their hearts. At the same time, we also held the launching ceremony of the "Parents Classroom" to provide family training guidance for parents of children with autism, and on-site volunteers accompanied the children to play in one-on-one or two-on-one groups, through which those children spent a relaxing and happy Children's Day.

8 Building a Healthy Community Together



Children Development Behaviour Centre -Parents Classroom

8.3 Promoting the Development of the Mental Healthcare Industry

The Group actively invests resources to promote the healthcare development. Zhejiang Jerinte Health Technology Co., Ltd. (浙江傑翎健康科技有限公司), a subsidiary of the Group, signed a strategic cooperation agreement with Left Hand Doctor (左手醫生) to integrate innovative technologies and combine the Internet and medical expertise to jointly build a new artificial intelligence medical platform. We are committed to building an intelligent assistance system for psychiatric hospitals across the country to reduce the rate of misdiagnosis and improve the consistency of diagnosis, thereby improving the quality and efficiency of psychiatrists' diagnosis.



Xu Yi, chairman of Zhejiang Jerinte Health Technology Co., Ltd., and Zhang Chao, founder and CEO of Left Hand Doctor, attending the signing ceremony with the senior management teams of both parties

Appendix I: Sustainability Data Statement

During the Reporting Period, the Group had two additional environmental key performance indicators (KPIs), covering Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd. and Pingyang Kangning Hospital Co., Ltd., the sustainability data statement in the subject area of environment of which is set out as follows:

	Unit	2021
Emissions*		
Nitrogen oxides (NOx)	kg	304.22
Sulphur oxides (SOx)	kg	1.62
Particulate Matters (PM)	kg	26.61
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	Tonnes of CO ₂ e	655.56
Indirect greenhouse gas emissions (Scope 2)	Tonnes of CO ₂ e	7,623.49
Total greenhouse gas emissions (Scope 1 & 2)	Tonnes of CO ₂ e	8,279.05
Greenhouse gas emissions per person [^]	Tonnes of CO ₂ e/person	0.08
Energy consumption		
Natural gas consumption	m ³	148,518.00
Liquified natural gas consumption	kg	7,400.00
Liquefied petroleum gas consumption	Tonnes	6.91
Gasoline consumption	Litre	103,359.98
Diesel consumption	Litre	8,656.16
Consumption of purchased electricity	MWh	12,495.48
Consumption of purchased electricity per person [^]	kWh/person	118.60
Water consumption		
Water consumption	m ³	490,033.00
Water consumption per person [^]	m ³ /person	4.65
Paper consumption		
Paper consumption	kg	17,173.55
Paper consumption per person [^]	kg/person	0.16
Waste production		
Non-hazardous waste production	kg	4,448,000.00
Production of non-hazardous waste per person [^]	kg/person	42.22
Hazardous waste production	kg	34,355.00
Production of hazardous waste per person [^]	kg/person	0.33

* We calculate the Group's air pollutant emissions with reference to the Stock Exchange's "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs".

[^] Calculated based on the number of employees at the end of the Year and the number of discharged patients during the Reporting Period

Appendix I: Sustainability Data Statement

The following is the Group's human resources data statement for the Year:

	Unit	2021
Total number of employees	Number	3,667
Number of employees by gender		
Female employees	Number	2,361
Male employees	Number	1,306
Number of employees by employee category		
Junior employees	Number	3,120
Middle management	Number	532
Senior management	Number	15
Number of employees by age group		
Employees aged under 30	Number	1,678
Employees aged between 30 and 50	Number	1,271
Employees aged above 50	Number	718
Number of employees by geographical region		
Employees from North China	Number	38
Employees from Northeast China	Number	93
Employees from East China	Number	3,439
Employees from South China	Number	97
Total employee turnover rate*	%	18.93%
Employee turnover rate by gender*		
Female employees	%	18.08
Male employees	%	20.41
Employee turnover rate by age group*		
Employees aged under 30	%	18.78
Employees aged between 30 and 50	%	15.94
Employees aged above 50	%	24.02
Employee turnover rate by geographical region*		
Employees from North China	%	26.92
Employees from Northeast China	%	11.43
Employees from East China	%	18.04
Employees from South China	%	42.94

* Employee turnover rate is calculated based on the number of employees lost divided by the sum of the number of employees lost and the number of employees at the end of the Year



Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections	
A. Environment				
A1: Emissions	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7	Green Hospital Management -
			7.1	Management of Greenhouse Gas Emissions;
			7.5	Waste Management
	A1.1	The types of emissions and respective emissions data.		Appendix I: Sustainability Data Statement
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	Green Hospital Management -
			7.1	Management of Greenhouse Gas Emissions;
				Appendix I: Sustainability Data Statement
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	Green Hospital Management -	
		7.5	Waste Management;	
			Appendix I: Sustainability Data Statement	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	Green Hospital Management -	
		7.4	Paperless Office;	
		7.5	Waste Management;	
			Appendix I: Sustainability Data Statement	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	7	Green Hospital Management -	
		7.1	Management of Greenhouse Gas Emissions;	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7	Green Hospital Management -	
		7.4	Paperless Office;	
		7.5	Waste Management;	

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections	
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7	Green Hospital Management -
			7.2	Energy Management;
			7.3	Water Resource Management;
			7.4	Paperless Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7	Green Hospital Management -
			7.2	Energy Management;
			Appendix I: Sustainability Data Statement	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7	Green Hospital Management -
			7.3	Water Resource Management;
			Appendix I: Sustainability Data Statement	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7	Green Hospital Management -
			7.2	Energy Management;
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7	Green Hospital Management -
			7.3	Water Resource Management;
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable as the Group's business does not involve packaging materials	



Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections	
A3: Environment and natural resources	General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7	Green Hospital Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7	Green Hospital Management
A4: Climate change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7 7.6	Green Hospital Management - Response to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7 7.6	Green Hospital Management - Response to Climate Change
B. Social				
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6 6.1 6.2	High-calibre Professional Team - Management of Employee Recruitment; Employees' Benefits and Welfare
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.		Appendix I: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.		Appendix I: Sustainability Data Statement

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections	
B2: Health and safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6 6.3	High-calibre Professional Team - Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6 6.3	High-calibre Professional Team - Occupational Health and Safety
	B2.2	Lost days due to work injury.	6 6.3	High-calibre Professional Team - Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6 6.3	High-calibre Professional Team - Occupational Health and Safety
B3 : Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6 6.4	High-calibre Professional Team - Cultivation of Medical Personnel
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6 6.4	High-calibre Professional Team - Cultivation of Medical Personnel
	B3.2	The average training hours completed per employee by gender and employee category.	6 6.4	High-calibre Professional Team - Cultivation of Medical Personnel
B4: Labour standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6 6.1	High-calibre Professional Team - Management of Employee Recruitment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6 6.1	High-calibre Professional Team - Management of Employee Recruitment
	B4.2	Description of steps taken to eliminate such practices when discovered.	6 6.1	High-calibre Professional Team - Management of Employee Recruitment



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			Relevant sections	
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	5	Fulfilling Medical Commitments -
			5.5	Supply Chain Obligations
	B5.1	Number of suppliers by geographical region.	5	Fulfilling Medical Commitments -
			5.5	Supply Chain Obligations
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5	Fulfilling Medical Commitments -
			5.5	Supply Chain Obligations
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5	Fulfilling Medical Commitments -
			5.5	Supply Chain Obligations
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5	Fulfilling Medical Commitments -
			5.5	Supply Chain Obligations
B6: Product responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5	Fulfilling Medical Commitments -
			5.1	Quality of Healthcare Services;
			5.2	Information Security Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the Group operates the healthcare business, there are no products sold or shipped subject to recalls for safety and health reasons	
	B6.2	Number of products and service related complaints received and how they are dealt with.	5	Fulfilling Medical Commitments -
			5.1	Quality of Healthcare Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5	Fulfilling Medical Commitments -
			5.3	Protection of Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	5	Fulfilling Medical Commitments -
			5.1	Quality of Healthcare Services
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5	Fulfilling Medical Commitments -
			5.2	Information Security Management

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			Relevant sections	
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5	Fulfilling Medical Commitments -
			5.4	Adhering to Honesty and Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5	Fulfilling Medical Commitments -
			5.4	Adhering to Honesty and Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5	Fulfilling Medical Commitments -
			5.4	Adhering to Honesty and Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	5	Fulfilling Medical Commitments -
			5.4	Adhering to Honesty and Integrity
B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8	Building a Healthy Community Together
	B8.1	Focus areas of contribution.	8	Building a Healthy Community Together
	B8.2	Resources contributed to the focus area.	8	Building a Healthy Community Together

溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.