



# 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



## 2019 ANNUAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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## 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 fourth Environmental, Social and Governance Report (the “Report”). The Report aims to summarize the Group’s sustainable development concept as well as what we have done with regard to the fulfillment of our corporate social responsibilities.

### Reporting Standards

The contents covered in the Report are in compliance with the disclosure obligations and reporting principles required in 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.

### Reporting Scope

The Report presents the Group’s overall performance in realizing the sustainable development concept from 1 January 2019 to 31 December 2019 (hereinafter referred to as the “Year” or the “Reporting Period”). Unless otherwise stated, the Report covers healthcare business directly controlled by the Group. Please refer to the section headed “Corporate Governance Report” in the annual report or the Group’s official website (<http://www.knhosp.cn>) for detailed information about the corporate governance of the Group.

### Reporting Language

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

### Feedback on the Report

Your valuable comments are of great importance for the Group to determine our sustainable development strategies. Please contact us via email (email address: [ir@knhosp.com](mailto:ir@knhosp.com)) for any inquiries or suggestions.

## 2. About the Group

Wenzhou Kangning Hospital (Kangning Hospital affiliated with Wenzhou Medical University) is currently the only non-government 3A Class psychiatric specialty hospital in China and a Key National Hospital for Specialized Clinical Psychiatry. With Wenzhou Kangning Hospital as its core, the Group has business operations all over China, and is

## 2. About the Group

Honorary title	Awarding authority
Top ten best employer of private hospital among Chinese medical institutions in promotion development in 2018 (2018年度中國醫療機構最佳僱主民營醫院晉升發展十強);	DXY (丁香園)
Top ten best employer of private hospital among Chinese medical institutions in working environment in 2018 (2018年度中國醫療機構最佳僱主民營醫院工作環境十強);	
Top ten best employer of private hospital among Chinese medical institutions in remuneration packages in 2018 (2018年度中國醫療機構最佳僱主民營醫院薪酬福利十強);	
Top ten best employer of national private hospital among Chinese medical institutions in 2018 (2018年度中國醫療機構最佳僱主全國民營醫院十強);	
Top ten best employer of private hospital among Chinese medical institutions in medical quality in 2018 (2018年度中國醫療機構最佳僱主民營醫院醫療質量十強);	
Top ten best employer of private hospital among Chinese medical institutions in infrastructure in 2018 (2018年度中國醫療機構最佳僱主民營醫院基礎設施十強);	
Top ten best employer of private hospital among Chinese medical institutions in culture and emotions in 2018 (2018年度中國醫療機構最佳僱主民營醫院文化情感十強)	
Top 100 hospitals in the ranking list of the competitiveness of non-public	

## 2. About the Group

Honorary title	Awarding authority
2018 Meritorious Enterprise (2018年度功勳企業)	CPC Wenzhou Lucheng District Committee (中共溫州市鹿城區委), People's Government of Lucheng District, Wenzhou (溫州市鹿城區人民政府)
2017-2018 Collective Model in Wenzhou (溫州市2017-2018年度模範集體)	CPC Wenzhou Municipal Committee (中共溫州市委), Wenzhou Municipal People's Government (溫州市人民政府)
2014-2018 Advanced Unit for Association Work (2014-2018年協會工作先進單位)	Wenzhou Municipal Association of Senior Health Science and Technology Workers (溫州市老衛生科技工作者協會)

### 3. Chairman's Statement

Dear stakeholders:

From early 2020 to date, uncertainties still surround the development of the COVID-19 outbreak which has caused worldwide panic and brought people psychological burdens in varying extents. As a psychiatric specialized medical service provider, we pay special attention to mental health of the public. With the core value of "Respecting Life and Serving Humbly", the Group is devoted to providing professional healthcare services for the public. During the epidemic period, we provided remote diagnosis and treatment through cloud hospitals and offered door-to-door inspection and drug delivering, so as to ensure the drug supply for patients of long-term medication with chronic mental disorders. We also provided free psychological crisis intervention for the public through the psychological counseling hotline and Internet hospital platforms.

While doing epidemic prevention work, the Group actively promoted the sustainable development of the healthcare industry and performed its corporate social responsibilities. We paid attention to the impact of our business operations on the environment and society and advocated responsible operations. The Group maintained communications and exchanges with various stakeholders, built a sound Environmental, Social and Governance (hereinafter referred to as "ESG") organization system and maintained high-level medical services by cultivating a professional healthcare service team, which together has promoted a healthy society. In addition, the Group pays attention to environmental issues, actively raised employees' environmental protection awareness and enhanced pollution prevention to attain green hospital operations.

Looking ahead, we will continue to perform our corporate social responsibilities, explore and build an Internet medical integration model. We will maintain a humble and open mind to achieve the steady and sustainable development of medical services and create more values for society.

GUAN Weili

*Chairman of the Board*

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

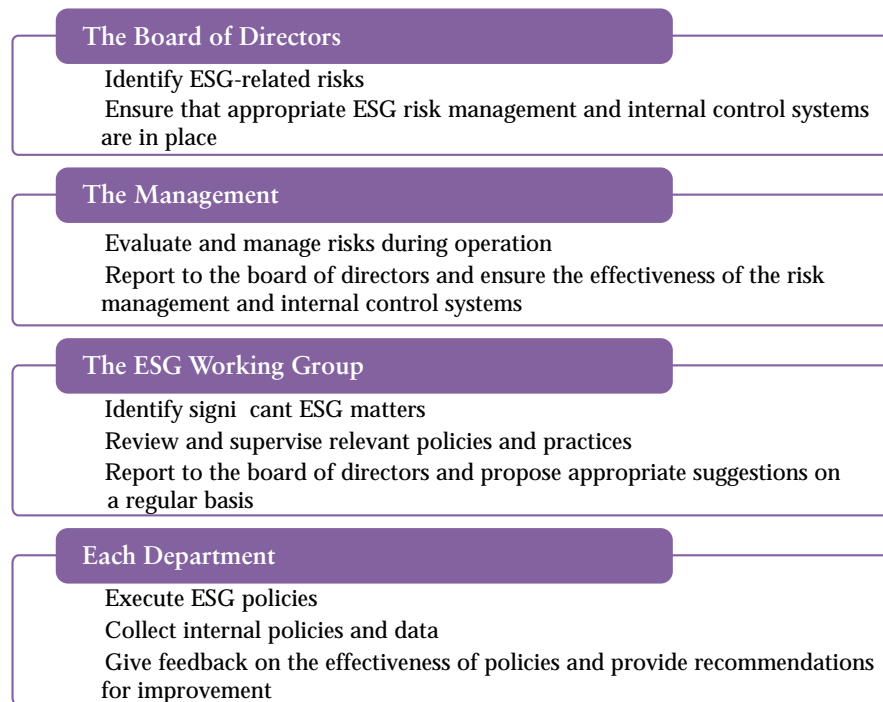
July 2020

## 4. Sustainable Development Strategy

## 4. Sustainable Development Strategy

### 4.1. Environmental, Social and Governance Structure

The board of directors undertakes all obligations towards ESG strategies and reporting, is responsible for evaluating and determining ESG-related risks, and ensures that appropriate and effective ESG risk management and internal control systems are in place. To continuously improve the ESG performance, 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.



Environmental, social and governance structure

The ESG working group is primarily responsible for identifying significant ESG matters, reviewing and supervising relevant policies and practices, and reporting to the board of directors and proposing proper suggestions on a regular basis to enhance our ESG performance.

## 4. Sustainable Development Strategy

### 4.2. Stakeholder Engagement

The Group listens to stakeholders' opinions with regard to ESG issues in an open-minded manner and actively understands their concerns to work out the sustainable development strategies of the Group, with the expectation to establish a long-term and trustful relationship with our stakeholders. In the Year, we communicated and had exchanges with our stakeholders, including patients and their families, employees, shareholders/investors, government and regulatory authorities, counterparties/business partners, suppliers, media, and communities/non-government groups through the following channels.

Stakeholders	Communication channels
Patients and their families	<ul style="list-style-type: none"> <li>• Daily operation/communication</li> <li>• Service center</li> <li>• Consultation group</li> <li>• Satisfaction survey and feedback form</li> <li>• Telephone</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Performance appraisal</li> <li>• Employee Intranet</li> <li>• Employee communication meeting</li> <li>• Group discussion/meeting</li> <li>• Special consultative committee/panel discussion groups</li> <li>• Volunteer activities</li> </ul>
Shareholders/investors	<ul style="list-style-type: none"> <li>• Results announcement/corporate communications</li> <li>• Meetings</li> <li>• Interim and annual reports</li> <li>• Shareholders' site visits</li> </ul>
Government and regulatory authorities	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• On-site investigation</li> <li>• Written replies to the public consultation</li> <li>• Compliance report</li> </ul>
Counterparties/business partners	<ul style="list-style-type: none"> <li>• Strategic cooperation projects</li> <li>• Lectures/seminars/workshops</li> <li>• Reports</li> <li>• Visits</li> </ul>

## 4. Sustainable Development Strategy

Stakeholders

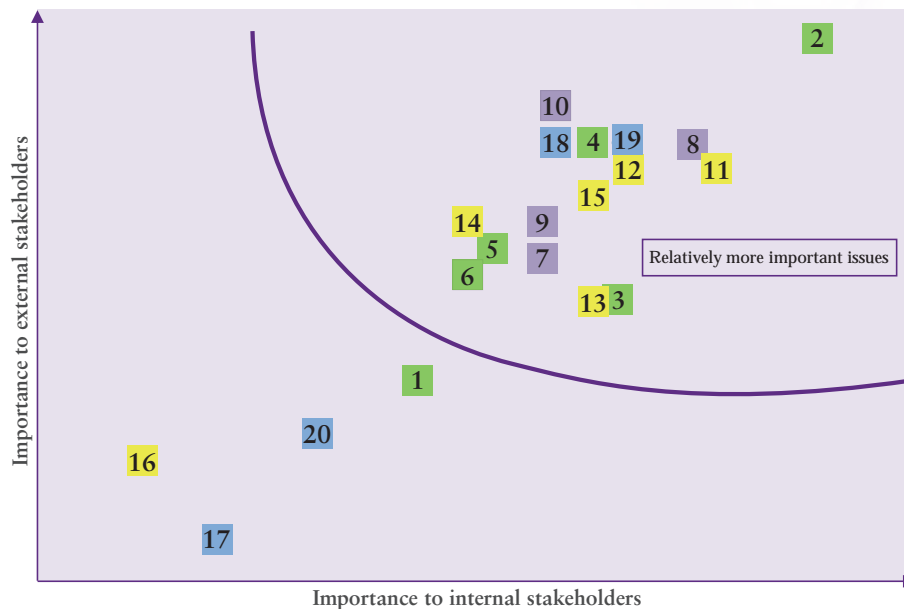
Communication channels

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Suppliers

## 4. Sustainable Development Strategy

Materiality Matrix of Wenzhou Kangning



Green Hospital Operation	Professional Medical Team	Fulfilling Medical Commitments	Promoting a Healthy Society
1 Reduce greenhouse gas emissions	7 Employment in compliance with laws and regulations	11 Establish a sound medical quality management system	17 Allocate more resources to support the development of neighboring communities
2 Establish and improve medical waste management procedures	8 Pay attention to employees' safety and health	12 Safeguard customers' legal rights and interests and privacy	18 Organize engagement in public charity and volunteer activities
3 Effectively utilize resources (including energy, water, paper and other raw materials)	9 Provide competitive remuneration, benefits and promotion channels	13 Establish an effective mechanism for handling customer complaints	19 Set up School of Psychological Medicine in cooperation with Wenzhou Medical University to cultivate medical talents
4 Up-to-standard discharge of waste gas and waste water and measures for emission reduction	10 Provide training and skill enhancement courses for employees	14 Work out policies and systems for preventing bribery, extortion, fraud and money laundering	20 Promoting investing activities for the advancement of the medical undertaking
5 Protect bio-diversity and reduce damage to forest and cropland		15 Strictly implement admittance and review standards for suppliers	
6 Formulate guidelines and objectives for environmental protection		16 Respect and protect intellectual property rights	

## 4. Sustainable Development Strategy

We have prepared a Materiality Matrix (as shown in the figure above) based on the results of the questionnaire to demonstrate the importance of each issue to our internal and external stakeholders and use the matrix as the basis for our preparation of the Report. During the Year, our internal and external stakeholders identified 16 relatively more important issues in total.

No.	Relatively more important issues	Relevant sections
2	Establish and improve medical waste management procedures	Green Hospital Operation
3	Effectively utilize resources (including energy, water, paper and other raw materials)	Green Hospital Operation
4	Up-to-standard discharge of waste gas and waste water and measures for emission reduction	Green Hospital Operation
5	Protect bio-diversity and reduce damage to forest and cropland	Green Hospital Operation
6	Formulate guidelines and objectives for environmental protection	Green Hospital Operation
7	Employment in compliance with laws and regulations	Professional Medical Team
8	Pay attention to employees' safety and health	Professional Medical Team
9	Provide competitive remuneration, benefits and promotion channels	Professional Medical Team
10	Provide training and skill enhancement courses for employees	Professional Medical Team
11	Establish a sound medical quality management system	Fulfilling Medical Commitments
12	Safeguard customers' legal rights and interests and privacy	Fulfilling Medical Commitments
13	Establish an effective mechanism for handling customer complaints	Fulfilling Medical Commitments
14	Work out policies and systems for preventing bribery, extortion, fraud and money laundering	Fulfilling Medical Commitments
15	Strictly implement admittance and review standards for suppliers	Fulfilling Medical Commitments
18	Organize engagement in public charity and volunteer activities	Promoting a Healthy Society
19	Set up School of Psychological Medicine in cooperation with Wenzhou Medical University to cultivate medical talents	Promoting a Healthy Society

## 5. Fulfilling Medical Commitments

“Respecting Life and Serving Humbly” is the core value of the hospital operation of the Group. We are earnestly improving the service level of our medical institutions to fulfill our medical commitments to caring for patients and their families.



Core value

### 5.1. Compliance of Medical Services

We give high priority to the quality of healthcare services and devote ourselves to providing safe and reliable medical services. We carried out supervision and management on healthcare service quality and safety in strict accordance with the Regulation on the Administration of Medical Institutions (《醫療機構管理條例》), 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》), Mental Health Law of the PRC (《中華人民共和國精神衛生法》) and other laws and regulations on healthcare services. According to the hospital evaluation standards and Measures for the Administration of Medical Quality (《醫療質量管理辦法》) issued by the National Health and Family Planning Commission of the PRC, we set up a medical supervision department and a medical quality and safety management committee, working out quantitative criteria and grading criteria for regulating medical quality and safety to ensure scientific diagnosis and reasonable medication. In respect of nursing services, we also set up a nursing supervision department and a nursing quality and safety committee, which implement nursing safety management and continue to improve nursing procedures and quality.

## 5. Fulfilling Medical Commitments

### 5.2. Management of Business Information

The Group strictly complies with the Advertising Law of the PRC 《中華人民共和國廣告法》, 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 Intellectual Property Law of the PRC 《中華人民共和國知識產權法》, the Regulation on the Customs Protection of Intellectual Property Rights 《知識產權海關保護條例》 and other laws and regulations that protect privacy. We take a cautious approach on disclosure of business information to ensure authentic, accurate and complete information is conveyed to the public without any false and misleading descriptions to deceive patients and their families, or infringements upon the intellectual property rights, legal patent rights, trademark rights, copyright and other legal rights of the Group and our partners. The Group has formulated the Rules for Safety Management Work of Information Technology Department 《信息技術部安全管理工作制度》 and Hierarchical Management System for System Operation Authority 《系統操作權限分級管理制度》 to enhance information security construction and regulate control over operation authority of application system, control over user permission, control over server operation authority and control over database operation authority, in order to improve the information security systems.

We rigorously protect the privacy of our patients and their families and worked out the Rules for Protecting Patients' Privacy 《病人隱私保護制度》 to specify the provisions for protecting patients' privacy during clinical consultation, examination, operation, treatment and transport for patients. Apart from restrictions on collection, use and disclosure of patients' information, we also arranged 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 standard healthcare services.

## 5. Fulfilling Medical Commitments

### 5.3. Adhering to Honest Medical Practice

The Group adheres to honest medical practice and has zero tolerance towards all forms of bribery. We conduct honest medical operation in strict compliance 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》) and other relevant laws and regulations. Our Contract Management System (《合同管理制度》) has been put in place to strengthen the review of procurement contracts. As for a contract with a total amount exceeding RMB100,000, we shall review the independence of suppliers and also enter into an anti-commercial bribery agreement with relevant suppliers.

We set up a tip-off hotline to encourage our staff, the public, patients and their families to report potential internal illegal activities of the Group, in order to enhance the supervision on the conduct and integrity of our medical staff. During the Reporting Period, there was no record of litigation or any corruption, bribery, extortion, fraud and money laundering against the Group or our staff.

### 5.4. Handling of Medical Complaints

We strictly comply with Regulation on the Urgent Handling of Public Health Emergencies (《突發公共衛生事件應急條例》), Regulation on the Handling of Medical Accidents (《醫療事故處理條例》), 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, and listen attentively to the opinions of patients and their families, so as to provide quality medical services on a continuous basis. The Group has formulated the Complaint Management System (《投訴管理制度》), which specifies the channels for complaints, lays out the complaint handling mechanism and punitive measures, and provides complaint processing results in due course. We will collect and sort out complaints on a regular basis, and a report on the Investigation and Rectification of Patient Satisfaction (《患者滿意度調查整改報告》) will be prepared by relevant departments. A discussion will be conducted at the quarterly meeting of the Service Quality Committee over the common problems that arise from each individual case and recurring complaints, for drawing up improvement countermeasures, and following up on the implementation of each unsolved problem. During the Reporting Period, the Group totally received 42 complaints, of which nearly 90% (37 complaints) have been properly handled.

## 5. Fulfilling Medical Commitments

### 5.5. Supply Chain Management

The Group reinforces supply chain management in strict compliance 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 Supplier 《供應商管理辦法》 and the Procurement Management System 《採購管理制度》 to supervise the quality of warehousing materials and regulate the procurement activities. When selecting suppliers, we will appraise the new suppliers' qualification and give priority to suppliers with strong production, technical and quality assurance capabilities; normal production management; reasonable prices; and eco-friendly materials. We perform quarterly and annual appraisal on our suppliers, conduct unannounced inspections to suppliers with quality problems, and give feedback based on the appraisal to urge the suppliers to improve their product and service quality.

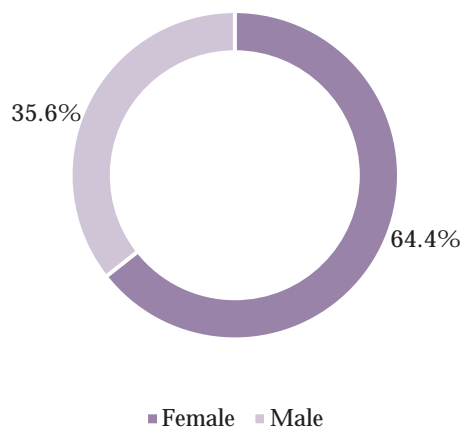
In the Year, a total of 110 medical device suppliers were involved in our four key hospitals, namely Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd., all of which are from the PRC. The number of the suppliers by geographical region is as follows:

Geographical region	Number of suppliers
Zhejiang	75
Shanghai	8
Guangdong	6
Jiangsu	5
Henan	4
Beijing	3
Hubei	2
Jiangxi	2
Shandong	2
Anhui	1
Fujian	1
Hunan	1

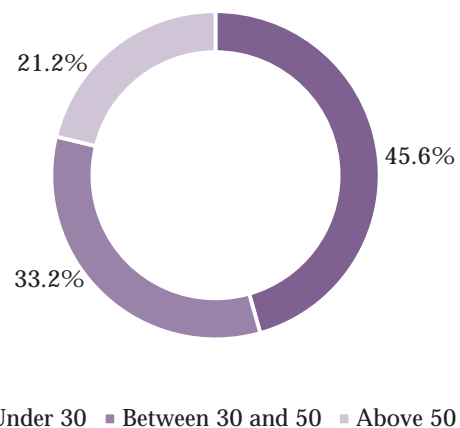
## 6. Professional Medical Team

Employees are the foundation for driving the Group’s hospital operations. We attach great importance to the building and management of our talent team. We establish a sound human resource management system to create an ideal working environment for our employees and attract and retain talents by offering decent benefits and remuneration. As at 31 December 2019, the Group had a total of 2,845 staff members. The graphs below show the percentage of employees by gender and group:

Percentage of employees by gender



Percentage of employees by age group



### 6.1. Management of Employee Recruitment

The Group values talent recruitment management and strictly abides by laws and regulation related to employment regulations such as the Labor Law of the PRC 《中華人民共和國勞動法》, the Labor Contract Law of the PRC 《中華人民共和國勞動合同法》, the Law on the Protection of Minors 《未成年人保護法》 and the Provisions on the Prohibition of Using Child Labor 《禁止使用童工的規定》, in an effort to create a harmonious, equitable, pluralistic working environment. The Board has adopted a Board diversity policy and discussed all measurable objectives set for its implementation. The Group recognizes and embraces the benefits of having a diverse Board, and strives to ensure a balance of skills, experience and diversity perspectives to enhance the effectiveness of the Board and achieve a high standard of corporate governance.

## 6. Professional Medical Team

We have formulated the Employee Manual (《員工手冊》) and the Recruitment and Employment Management System (《招錄管理制度》), which specifies the basic principles of employee recruitment and employment and arrangements in connection with various jobs. During the recruitment of employees, we follow the principles of “Openness, Justice and Fairness” and consider whether the candidates’ educational background, work experience and skills meet the requirements of the post they apply for. Background factors such as their gender, age, nationality, religious beliefs, family background, race, marital status and other categories protected by law will not affect their chances of having an interview and getting hired. We systematically implement annual human resources planning and undertake various talent recruitment activities, and will strictly check the candidates’ identity documents so as to avoid employing child labor. In addition, we implement a flexible working schedule coupled with standard working hours to prevent forced labor or exploitation. In the event of forced labor, employees are entitled to terminate employment in accordance with relevant provisions in the labor contract. 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, pluralism, anti-discrimination, prevention of child labor or forced labor.

### 6.2. Employees’ Benefits and Remuneration

Employees’ benefits and remuneration are important factors in attracting and retaining talents. The Group has established a sound employee remuneration management system which works in line with the performance appraisal mechanism to ensure employees receive reasonable remuneration. The annual performance appraisal of employees is organized by the Human Resource Department in coordination with each functional department and branch. The appraisal of our medical staff consists of three parts, including “appraisal items”, “summary of work” and “work plan”. The appraisal results will be used as the basis for the selection of outstanding employees, the distribution of the year-end bonus, and the adjustment of remuneration and position.

In terms of benefits and remuneration policy, the Group strictly complies with the relevant laws and regulations of China’s national and regional governments to provide eligible employees with pension insurance, medical insurance, unemployment insurance, occupational injury insurance, maternity insurance and housing provident fund. The Group adopts two days off per week, and employees also enjoy all statutory holidays, annual leave, marriage leave, bereavement leave, maternity leave, miscarriage leave, paternity leave, lactation leave, sick leave, occupational injury leave, and personal leave. We also provide food allowance, night meal allowance, high-temperature allowance, festival allowance, accommodation or housing allowance for our employees.

## 6. Professional Medical Team

### 6.3. Occupational Safety and Health

We care for our employees' physical and mental health and strictly comply 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. 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.

In addition, the Group offers employees free access to our gym, swimming pool, etc. that aims to create a culture of occupational safety and health. Employees who have worked at the Group's hospitals for one year or above are entitled to an annual physical examination, and employees who are engaged in radiological medical services and special examinations are entitled to an annual targeted occupational health check.

To help employees balance life and work, we organize a variety of staff activities from time to time, including charity banquet, outdoor team building activity, staff charity auction, family baking day, company spouses day, volunteering Christian association, Thanksgiving and New Year concert.

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 or have any severe accidents involving work-related deaths of employees. The Group lost a total of 628.5 workdays due to work injury during the year.

## 6. Professional Medical Team

### 6.4. Cultivation of Medical Talents

To continue to raise staff's professional quality and guarantee the medical talent structure and talent reserve of the Group, we adjust the resources for staff training from time to time. Based on the job requirements of each professional post, the Group formulates an annual plan for staff training, clinic teaching in wards and emergency drills, to provide pre-employment training and on-the-job professional knowledge training with an emphasis on both theories and skills for our employees. Training is conducted in the forms of business learning, skill operation, tutorial, practical

## 7. Green Hospital Operation

The Group actively promotes green corporate culture. We strictly comply with the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, and carry out green hospital operation in all aspects. During the Reporting Period, 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.

### 7.1. Management of Greenhouse Gas Emissions

To cope with climate change, China issued the National Plan on Climate Change (2014-2020) 《國家應對氣候變化規劃(2014-2020年)》, the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the PRC 《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要(2016-2020年)》, National Strategies for Adaption to Climate Change 《國家適應氣候變化戰略》 and the 2019 Annual Report on China's Policies and Actions for Coping with Climate Change 《中國應對氣候變化的政策與行動2019年度報告》. The Group adhered to China's strategies against climate change, disclosed and compared greenhouse gas ("GHG") emissions and energy consumption in the Report with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and committed to realizing low-carbon hospital operation.

We carried out a carbon audit 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. In the Year, we updated the calculation method of GHG emissions, and included more categories of measurable GHG emissions. The carbon audit covers four hospitals under key operation of the Group (i.e. Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd.). The GHG emissions during the Reporting Period are as follows:

Greenhouse gas emissions and removals	Unit	2019
Scope 1 Direct GHG emissions	Tonnes of carbon dioxide equivalent ("CO <sub>2</sub> e")	453.7
Scope 1 GHG removals	Tonnes of CO <sub>2</sub> e	1.2
Scope 2 Indirect GHG emissions	Tonnes of CO <sub>2</sub> e	7,813.9
Scope 3 Other indirect GHG emissions	Tonnes of CO <sub>2</sub> e	5,611.4
<b>Total GHG emissions</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>13,877.9</b>
<b>GHG emissions per person<sup>^</sup></b>	<b>Tonnes of CO<sub>2</sub>e/person</b>	<b>0.6</b>

Scope 1: Direct GHG emissions produced by sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly caused by the power generation, heat supply, cooling or steam purchased by the Group.

Scope 3: GHG emissions indirectly produced by sources related to the Group's business activities but not owned or directly controlled by the Group.

<sup>^</sup> 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 Operation

According to the carbon audit results, the Group's GHG emissions could be divided into direct emission (Scope 1) and indirect emission (Scope 2 and Scope 3). The GHG emissions of various scopes are respectively generated by the fuel consumption of fixed equipment and of vehicles of the Group (Scope 1), power consumption (Scope 2), water consumption, wastewater discharge, emission from business travel of employees, waste disposed at landfill and paper consumption (Scope 3) during business operation, etc. We planted a total of 50 trees within the scopes of carbon audit, which helped remove about 1.2 tonnes of CO<sub>2</sub>e. In the Year, the total GHG emissions in Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd. recorded 13,877.9 tonnes of CO<sub>2</sub>e with an intensity of GHG emissions of 0.6 tonnes of CO<sub>2</sub>e per person.

In order to enhance the management on GHG emissions, the Group intensifies the measures of various low-carbon hospital operation in accordance with the carbon audit results. We advocate green travels, encourage the use of public transportation, use video conferencing to reduce unnecessary business trips overseas, and choose direct flights for inevitable business trips. Next year, we will continue to monitor the GHG emissions in each scope, and carry out identification, quantification, management and reporting on climate risks and opportunities so as to enhance the Group's overall performance in the subject area of environment.

### 7.2. Energy Management

The Group strictly complies 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, and actively implements energy management. Wenzhou Kangning has established a work leading group to promote the "Energy Conservation Campaign by Public Institutions" and made energy conservation and consumption reduction plans. The Group improves its education on energy conservation through different channels to enhance the energy-saving awareness of the medical staff.

We implement energy management in various aspects. Some of the Group's offices and conference rooms adopt natural lighting to the greatest extent and modulator tubes with high energy efficiency. We divide the hospital into several different zones with lighting switches that can be independently controlled to enable medical staff to flexibly use the lighting system. For places where the luminosity is higher than required, we will moderately reduce the number of modulator tubes. We also regularly clean the lighting devices and air-conditioning filters, reasonably adjust the operation of elevators and strictly monitor the indoor temperature of various departments and wards of the hospital, so as to improve the energy efficiency.

In the Year, Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd. consumed a total of 9,711.6 MWh of electricity during operation, with an intensity of 430.2 kWh per person. Next year, we will continue to monitor the Group's power consumption in its business operation so as to implement proper energy-saving measures.

## 7. Green Hospital Operation

### 7.3. Water Resource Management

The Group concerns about the crisis of the scarcity of water resources and is committed to improving water resource management, cultivating employees' habit of saving water. We have installed a central condensate recovery system and a secondary water supply system to recycle wastewater and make better use of water resources. We also post various signs in the toilets to remind users to turn off the tap tight and use water as needed by making good use of the functions of double-system flush toilets. Meanwhile, the Group regularly checks the reading on water meter and promptly repairs problematic water pipes to enhance its daily maintenance and management.

In the Year, Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd. consumed a total of 349,477.0 m<sup>3</sup> of water during operation, with an intensity of 15.5 m<sup>3</sup> per person. We will continue to monitor the Group's water consumption in its business operation and promote the good use of water resources.

### 7.4. Paperless Office

In order to improve the efficiency of completing various operation processes and reduce the costs of paper consumption, the Group has developed its own "Customized" mobile office platform "Cloud Office Series" with the uniqueness of the Group's healthcare business, actively achieving green and paperless office.

"Cloud Office Series" provides services including "Cloud Storage", "Cloud Salary", "Cloud Communication" and "Cloud Approval". "Cloud Storage" is a safe and reliable repository of the Group. Employees can upload individual and department documents to the "Cloud Storage" and share documents peer to peer. In support of various measures to safeguard information security, we monitor the access to the shared files in real time. Employees can access to their salary details at any time via "Cloud Salary".

## 7. Green Hospital Operation

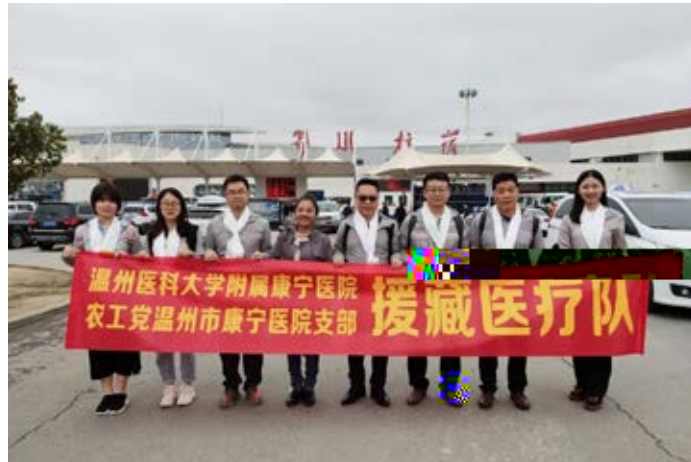
### 7.5. Waste Management

The Group supports waste reduction from the source. We encourage our employees to reduce the use of disposable and unrecyclable products and repeatedly use envelopes, spring binders and other stationeries. We also calculate the inventories of various materials from time to time to avoid waste caused by excessive purchase. Meanwhile, 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 Administration of Medical Waste (《醫療廢物管理條例》), Regulations on the Prevention of Solid Waste Pollution in Zhejiang Province (《浙江省固體廢物污染防治條例》), 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》), 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 manage various wastes.

We make wise use of the qualified packing bags and sharps boxes specifically for medical waste to pack and collect various medical wastes by category, and store them in a recycle case at the designated temporary storage point of medical waste. Medical wastes will be then properly collected, stored and disposed of by professional environmental service suppliers recognized by relevant administrative regulatory departments for the Group. For biological and radiation sources, 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. 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 qualified undertakers for further disposal so as to strengthen our pollution prevention.

## 8. Promoting a Healthy Society

While promoting the development of healthcare services, the Group cares about society and organizes community welfare activities emphatically. We live out the corporate belief that “It is More Blessed to Give than to Receive” mainly through our medical specialties so as to promote a healthy society. As a psychiatric specialized medical service provider, the Group pays special attention to the mental health of the public. We publicize knowledge of mental health to the public via our official account in WeChat from time to time, and hold diversified mental health promotion activities to advocate love and care.



### Medical Team for Aiding Tibet

In response to the “Healthy China Action” (健康中國行動) issued by the Central Government of the PRC, we implemented the ten-year aid-Tibet program commencing from 2019. We dispatched senior management, section heads and psychological consultants to Tibet, and carried out medical aids in mental health specialties. In addition, Wenzhou Kangning also practiced remote diagnosis and treatment for patients in Tibet via “Internet Hospital”, improving the quality of local mental health services and facilitating poverty relief through health improvement.

## 8. Promoting a Healthy Society

## Appendix I: Sustainability Data Statement

The following is the sustainability data statement in the subject area of environment of Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd. for the Year:

Environment	Unit	2019
<b>Emissions</b>		
Nitrogen oxides (NO <sub>x</sub> )	kg	147.8
Sulphur oxides (SO <sub>x</sub> )	kg	0.9
Particulate Matters (PM)	kg	14.0
<b>Greenhouse gas emissions and removals</b>		
Direct GHG emissions (Scope 1)	Tonnes of CO <sub>2</sub> e	453.7
GHG removals (Scope 1)	Tonnes of CO <sub>2</sub> e	1.2
Indirect GHG emissions (Scope 2)	Tonnes of CO <sub>2</sub> e	7,813.9
Other indirect GHG emissions (Scope 3)	Tonnes of CO <sub>2</sub> e	5,611.4
Total GHG emissions (Scope 1, 2 & 3)	Tonnes of CO <sub>2</sub> e	13,877.9
Total intensity of GHG emissions per person <sup>^</sup>	Tonnes of CO <sub>2</sub> e/person	0.6
<b>Energy consumption</b>		
Natural gas consumed	m <sup>3</sup>	107,000.5
Liquefied petroleum gas consumed	Tonnes	15.6
Gasoline consumed	Litre	51,495.9
Diesel consumed	Litre	8,675.9
Kerosene consumed	Litre	5,030.0
Total consumption of purchased electricity	MWh	9,711.6
Consumption of purchased electricity per person <sup>^</sup>	kWh/person	430.2
<b>Water consumption</b>		
Total water consumption	m <sup>3</sup>	349,477.0
Water consumption per person <sup>^</sup>	m <sup>3</sup> /person	15.5
<b>Paper consumption</b>		
Total paper consumption	kg	36,367.8
Paper consumption per person <sup>^</sup>	kg/person	1.6
<b>Waste</b>		
Total production of non-hazardous waste	Tonnes	3,388.6
Production of non-hazardous waste per person <sup>^</sup>	kg/person	150.1
Production of hazardous waste	Tonnes	37.0
Production of hazardous waste per person <sup>^</sup>	kg/person	1.6

<sup>^</sup> 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:

Social		2019
<b>Total number of employees</b>	Number	2,845
<b>Number of employees by gender</b>		
Female employees	Number	1,832
Male employees	Number	1,013
<b>Number of employees by employee type</b>		
Short-term contract employees	Number	124
Junior employees	Number	2,372
Middle management	Number	339
Senior management	Number	10
<b>Number of employees by age group</b>		
Employees aged under 30	Number	1,297
Employees aged between 30 and 50	Number	946
Employees aged above 50	Number	602
<b>Number of employees by geographical region</b>		
Employees from North China	Number	112
Employees from East China	Number	2,657
Employees from South China	Number	76
<b>Total employee turnover rate*</b>		22.6%
<b>Employee turnover rate by gender*</b>		
Turnover rate of female employees		22.6%
Turnover rate of male employees		25.8%
<b>Employee turnover rate by age group*</b>		
Turnover rate of employees aged under 30		18.2%
Turnover rate of employees aged between 30 and 50		20.5%
Turnover rate of employees aged above 50		29.3%
<b>Employee turnover rate by geographical region*</b>		
Turnover rate of employees from North China		1.3%
Turnover rate of employees from East China		20.0%
Turnover rate of employees from South China		1.3%

\* 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

<b>A1:</b>	<b>General</b>	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.	Green hospital operation- Management of greenhouse gas emissions; waste management
<b>Emissions</b>	<b>disclosure</b>		
	A1.1	The types of emissions and respective emissions data.	Sustainability data statement
	A1.2	Greenhouse gas emissions in total and intensity.	Green hospital operation- Management of greenhouse gas emissions; sustainability data statement
	A1.3	Total hazardous waste produced and intensity.	Green hospital operation-Waste management; sustainability data statement
	A1.4	Total non-hazardous waste produced and intensity.	Green hospital operation-Waste management; sustainability data statement
	A1.5	Description of measures to mitigate emissions and results achieved.	Green hospital operation- Management of greenhouse gas emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green hospital operation-Paperless office; 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.	Green hospital operation-Energy management; water resource management; paperless office
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Green hospital operation-Energy management; sustainability data statement
	A2.2	Water consumption in total and intensity.	Green hospital operation-Water resource management; sustainability data statement
	A2.3	Description of energy use efficiency initiatives and results achieved.	Green hospital operation-Energy management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green hospital operation-Water resource management
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable, the Group's business does not involve packaging materials
A3: Environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Green hospital operation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green hospital operation

## Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

### Relevant sections

#### 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.	Professional medical team- Recruitment and employment management; employees' benefits and remuneration
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability data statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Sustainability data statement
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.	Professional medical team- Occupational safety and health
	B2.1	Number and rate of work-related fatalities.	Professional medical team- Occupational safety and health
	B2.2	Lost days due to work injury.	Professional medical team- Occupational safety and health
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Professional medical team- Occupational safety and health
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Professional medical team- Cultivation of medical talents
	B3.1	The percentage of employees trained by gender and employee category.	Professional medical team- Cultivation of medical talents
	B3.2	The average training hours completed per employee by gender and employee category.	Professional medical team- Cultivation of medical talents

## Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections
<b>B4:</b> Labor 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 labor.	Professional medical team- Recruitment and employment management
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Professional medical team- Recruitment and employment management
	B4.2	Description of steps taken to eliminate such practices when discovered.	Professional medical team- Recruitment and employment management
<b>B5:</b> Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Fulfilling medical commitments- Supply chain management
	B5.1	Number of suppliers by geographical region.	Fulfilling medical commitments- Supply chain management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Fulfilling medical commitments- Supply chain management
<b>B6:</b> 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.	Fulfilling medical commitments- Compliance of medical services; management of business information
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's healthcare business
	B6.2	Number of products and service related complaints received and how they are dealt with.	Fulfilling medical commitments- Handling of medical complaints
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Fulfilling medical commitments- Management of business information

## Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

			Relevant sections
	B6.4	Description of quality assurance process and recall procedures.	Fulfilling medical commitments- Compliance of medical services
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Fulfilling medical commitments- Management of business information
<b>B7: Anti- corruption</b>	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.	Fulfilling medical commitments- Adhering to honest medical practice
	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.	Fulfilling medical commitments- Adhering to honest medical practice
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Fulfilling medical commitments- Adhering to honest medical practice
<b>B8: Community investment</b>	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.	Promoting a healthy society
	B8.1	Focus areas of contribution.	Promoting a healthy society
	B8.2	Resources contributed to the focus area.	Promoting a healthy society

