



弘和仁愛

HOSPITAL CORPORATION

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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3869

2022

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT



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## ABOUT THIS REPORT

### Report Overview

Hospital Corporation of China Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**” or “**We**”), is a hospital operation management platform in PRC led by a professional team with extensive experience in hospital management. This Environmental, Social and Governance (the “**ESG**”) Report (the “**Report**” or “**ESG Report**”) provides an overview of the Group’s ESG activities, challenges and measures taken for the year from 1 January, 2022 to 31 December, 2022 (the “**Reporting Period**”) and demonstrates its commitment to sustainable development. The Group is engaged in sustainable ESG management. It is committed to effectively and responsibly handling ESG affairs as a core part of the Group’s business strategy.

### Reporting Scope

This ESG Report mainly covers the operations of the Group and the hospitals owned, managed and founded by the Group (the “**Group Hospitals**”) in the People’s Republic of China (the “**PRC**”). The Group shall continue to understand its various businesses’ critical environmental, social and governance aspects and expand the scope of disclosure where appropriate.

### Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Exchange**”). During the preparation of this Report, the Group adopted the reporting principles set out in the ESG Reporting Guide as follows:

- **Materiality:** During the Reporting Period, material issues were identified through a materiality assessment and adopted as the ESG Report’s focus. Material issues have been reviewed and confirmed by the Board of Directors (the “**Board**”) and the Environmental, Social and Governance Working Group (the “**ESG Working Group**”). Please refer to the “Stakeholder Engagement” and “Materiality Assessment” sections for further details.
- **Quantitative:** Additional explanations have been added to the disclosed data to explain any standards, methodologies and conversion factors used in calculating emissions and energy consumption.
- **Balance:** The Group describes and discloses the relevant information and content about the Group objectively and fairly and will not be biased due to any factors.
- **Consistency:** The scope and approach of this Report are substantially consistent with the previous year, and explanations are provided regarding data with changes in the scope of disclosure and calculation methodologies.

## Forward-looking Statements

This Report contains forward-looking statements that are based on the Group's current expectations, estimates, projections, beliefs and assumptions regarding the business and markets in which it operates within the scope of its disclosure. These forward-looking statements are not guarantees of future performance and are subject to market risks, uncertainties and factors beyond the Group's control. Therefore, actual outcomes and returns may differ from the assumptions and statements contained in this Report.

## Contact Us

We welcome feedback and suggestions from stakeholders. Please contact us about this Report or the Group's sustainability performance at:

Website: [www.hcclhealthcare.com](http://www.hcclhealthcare.com)

Email: [hcclhealthcare@hcclhealthcare.com](mailto:hcclhealthcare@hcclhealthcare.com)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

### The Board

- Evaluate ESG-related risks and opportunities
- Formulate ESG management policies, strategies, priorities and objectives
- Review ESG-related targets
- Review the disclosures in the ESG Report
- Oversee all ESG issues

### ESG Working Group

- Collect and analyse ESG data and evaluate the effectiveness of policies and procedures
- Ensure the implementation of plans to achieve ESG targets
- Ensure compliance with relevant ESG laws and regulations
- Support the preparation of the annual ESG Report
- Report to the Board on all ESG-related issues

### The Board Statement

While striving to create value for its shareholders, the Group is committed to fulfilling its corporate social responsibility. We consider our ESG commitments part of our corporate social responsibility and are committed to integrating ESG considerations into our decision-making process. To achieve this goal, we have developed a core governance structure to ensure that ESG is consistent with the Group's strategic growth and to integrate ESG into our business operations. The Group's core governance structure comprises the Board and the ESG Working Group.

The Board has overall responsibility for the Group's ESG strategy and reporting. It is responsible for identifying and assessing ESG-related risks and opportunities, formulating relevant management policies, strategies, priorities and objectives, approving and publishing annual ESG reports, and ensuring that the Group has appropriate and effective ESG risk management and internal control systems in place.

### ESG Working Group

The Group's ESG Working Group, comprising core members of the Chief Executive Officer Committee (the "**CEO Committee**") and different function departments, assists the Board's oversight of ESG issues. The ESG Working Group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports.

The ESG Working Group arranges a meeting at least once a year to assess the effectiveness of current policies and procedures and develop appropriate solutions to improve the overall performance of ESG policies. At the meeting, the ESG Working Group discusses existing plans to monitor and manage the Group's sustainability objectives, mitigate potential risks and minimise negative impacts on the Group's business operations. The Group strives to integrate sustainable development into its business operations and fulfil its corporate social responsibility by setting ESG-related objectives and guidelines. The results of the discussions will be reported to the Board regularly to assess the effectiveness of the internal control mechanism and to review the progress of the objectives and guidelines. With the assistance of the ESG Working Group, the Board shall regularly review the Group's ESG objectives, progress and performance to make timely improvements.

The Board confirmed that it has reviewed and approved this Report. To its knowledge, this Report has identified material issues and presented the Group's ESG approaches and performance.

## STAKEHOLDER ENGAGEMENT

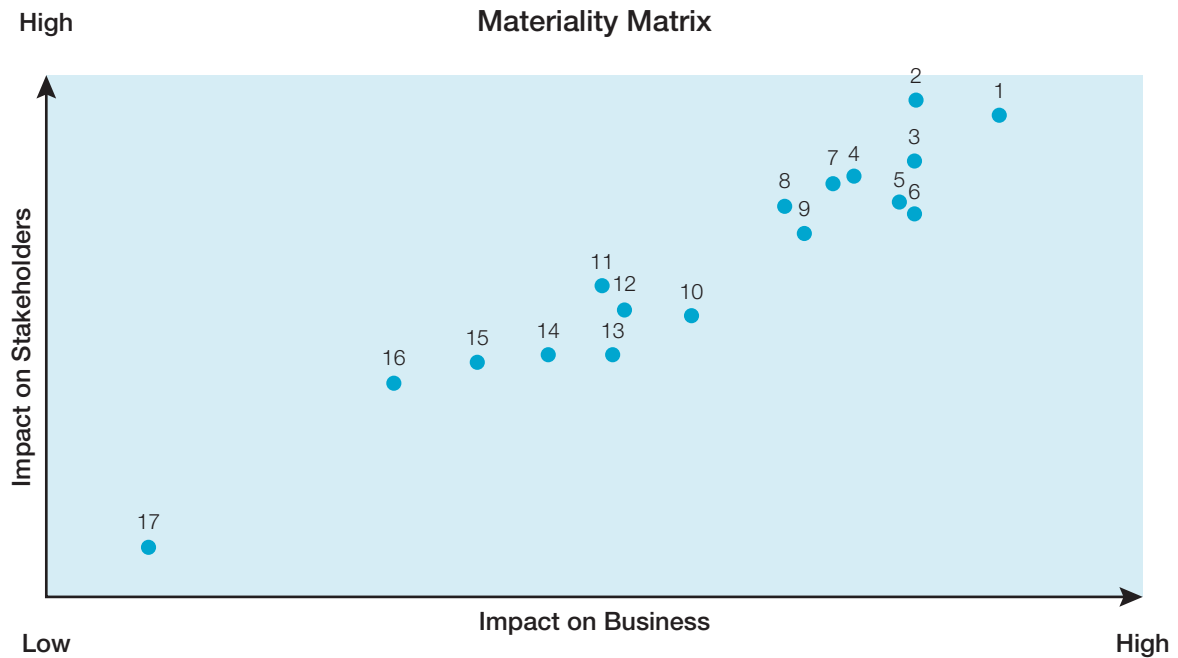
The Group attaches great importance to communication with stakeholders and actively understands their feedback on the Group's business and ESG issues. It is committed to integrating sustainable development into all aspects of its business. To fully understand the core concerns of stakeholders, we have been working closely with them through diversified communication channels, including but not limited to investors and shareholders, customers, suppliers, employees, government and regulatory bodies and the public, NGOs and the media.

Stakeholders	Communication Channels	Expectation
<b>Investors and Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings and Other Shareholders' Meetings</li> <li>• Financial Reports</li> <li>• Announcements and Circulars</li> <li>• Investor Relations Enquiry</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Corporate Governance Strategy</li> <li>• Financial Performance Development</li> <li>• Corporate Sustainability</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Administrator's Mailbox</li> <li>• Complaints Review Meeting</li> <li>• Telephone Hotline</li> <li>• Social Media Platforms</li> <li>• Emails and Website</li> </ul>	<ul style="list-style-type: none"> <li>• Performance of Service Responsibilities</li> <li>• Protection of Customer Privacy</li> <li>• Safeguard Customer Rights</li> <li>• Operation Compliance</li> <li>• Service Quality Guarantee</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Supplier Meetings and Events</li> <li>• Regular Audits and Assessments</li> <li>• Quotation and Bidding Process</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Competition</li> </ul>

**MATERIALITY ASSESSMENT**

To ensure that the disclosures reflect the Group’s efforts to address sustainability issues, the Group has conducted a material assessment to identify the priorities of different stakeholders. In addition to referring to its business development strategies and industry practices, the Group also identified a list of material ESG issues of the Group and prepared a questionnaire. The Group’s relevant stakeholders and management and staff of key functions assist in reviewing its operations, identifying relevant ESG issues, and assessing the importance of these issues to the Group’s business and stakeholders through the questionnaire.

Material issues in this Report refer to what may have a significant impact on the Group’s business operations and have a practical impact on stakeholders. The Group has analysed the survey results and presented them as a materiality matrix. The Board and the Working Group ultimately reviewed the results to ensure that they were consistent with the Group’s business nature and were broadly represented. During the Reporting Period, the Group’s materiality matrix is as follows:



No. Material Issues

1. Operational Compliance

No. Material Issues

10.



## A. ENVIRONMENTAL

The Group adheres to the green business concept and actively responds to low-carbon sustainable development. The Group attaches great importance to the impact of the operation and production of Group Hospitals on the environment, requiring them to establish and improve the environmental management system according to the actual situation. The Group is committed to creating an eco-friendly management development model.

### 2030 Environmental Targets

To support the global to address climate change and accelerate its pace of transition to a greener and low-carbon economy, the Group resolutely sticks to the national goals of “achieving carbon peak before 2030 and carbon neutrality before 2060” and promotes the evaluation of its strategies and measures to mitigate the impact of climate change. The Group has set various environmental targets at the Group level, taking 2022 as the base year to reduce the intensity by 2030:

Electricity Consumption Intensity	Water Consumption Intensity	Non-hazardous Waste Intensity	GHG Emissions Intensity
↓ 3%	↓ 5%	↓ 5%	↓ 3%

Setting these objectives guides the Group’s business strategies. The steps taken to achieve these goals are detailed below.

#### A1. Emissions

During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations concerning exhaust gas and greenhouse gases (“GHGs”), emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Environmental Protection Law of the PRC(《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC(《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes(《中華人民共和國固體廢物污染環境防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC(《中華人民共和國大氣污染防治法》) and the Regulations on the Administration of Medical Wastes(《醫療廢棄物管理條例》).

## *Air Emissions*

The Group's exhaust emissions from operations are mainly attributable to nitrogen oxides, sulphur oxides and particulate matter from petrol and diesel consumed by vehicles. In response to this, the Group actively takes the following emission reduction measures:

- Monthly maintain vehicles to effectively reduce fuel consumption, thus reducing exhaust emissions;
- Use standard petrol for vehicles and conduct an annual check to ensure that vehicles meet relevant emission standards; and
- Actively adopt emission reduction measures, such as considering the introduction of new energy sources, which will be described in the section "GHG Emissions".

During the Reporting Period, air emissions declined significantly compared to 2021 due to decreased vehicle usage. The Group's air emissions performance is summarised below:

<b>Types of Air Emissions</b>	<b>Unit</b>	<b>2022</b>	<b>2021</b>
Nitrogen Oxides (NO <sub>x</sub> )	kg	<b>556.27</b>	1,423.94
Sulphur Oxides (SO <sub>x</sub> )	kg	<b>1.36</b>	2.31
Particulate Matter (PM)	kg	<b>45.96</b>	77.82

## *Greenhouse gas ("GHG") Emissions*

The Group's primary GHG emissions derive from direct GHG emissions from fuels and refrigerants used in vehicles and hospital equipment (Scope 1) and indirect GHG emissions from purchased electricity (Scope 2). The Group actively implements electricity and energy conservation measures to manage GHG properly. Relevant measures will be described in the "Energy Management" section in aspect A2.

During the Reporting Period, the Group's total GHG emissions decreased significantly compared to 2021, thanks to effective energy-saving measures such as introducing new air-conditioning equipment and retrofitting air-conditioning units in some Group Hospitals, as well as the increasing employees' awareness of reducing GHG emissions. The Group's GHG performance is summarised below:

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator <sup>1</sup>	Unit	2022	2021
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	<b>2,470.49</b>	3,685.29
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	<b>15,402.70</b>	31,201.51
GHG Removals from Newly Planted Trees (Scope 1)	tCO <sub>2</sub> e	<b>16.24</b>	47.91
<b>Total GHG Emissions</b>	tCO <sub>2</sub> e	<b>17,856.95</b>	34,838.89
<b>Total GHG Emissions Intensity<sup>2</sup></b>	tCO <sub>2</sub> e/m <sup>2</sup>	<b>0.09</b>	0.17

Remark:

1. GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World

### *Waste Management*

The Group is committed to promoting the best use of materials in Group Hospitals to reduce waste generation at source. The Group adheres to waste management principles, strives to maintain high standards in waste reduction, and is committed to treating and disposing of all waste generated from the Group's business activities sustainably. The Group also ensures that all its waste management practices comply with relevant environmental laws and regulations. To raise employees' awareness of sustainable development, the Group also provides relevant support to employees on the importance of sustainable development. It educates them on skills and knowledge in sustainable development.

Due to its business nature, the waste generated by the Group is classified as hazardous and non-hazardous. Hazardous waste is mainly medical waste, and non-hazardous waste is mainly municipal waste generated by hospital operations.

### *Hazardous Waste – Medical waste*

Medical waste refers to waste generated in the process of diagnosis, treatment, care, etc., of patients. Medical waste may contain a large number of pathogenic microorganisms and harmful chemicals, and even radioactive and damaging substances, so medical waste needs to be handled with special care. The generating department separates hazardous medical waste, transfers it to the hazardous waste warehouse as required and places it in the designated garbage bags or containers according to designated areas. There are special staff responsible for medical waste management. During the handover process, the employees and the third-party organisation conduct double-checking, classification, weighing and scanning into the computer terminal, and classify and seal the medical waste to ensure timely and legal disposal.

At the same time, the Group continues to improve the responsibility policy for medical waste management and revises relevant rules, regulations and work processes. It standardises the management of hazardous waste generated by Group Hospitals and actively carries out publicity and training. Guidelines have been formulated on the handling and storing of medical waste to explain the procedures for handling hazardous waste to reduce unnecessary risks of exposure to pollutants and ensure that the treatment process complies with statutory requirements. Employees must be familiar with the dangerous waste handling procedures established by the Group and comply with such policies.

### *Non-hazardous Waste*

The Group will maximise the recycling of non-hazardous waste (such as paper, etc.) generated by its business activities to reduce waste generation. In the case of non-recyclable waste, this waste will ultimately be collected and disposed of on a regular basis by eligible waste service providers following collection and sorting.

In order to build a green office environment, the Group has carried out the renovation and expansion of garbage rooms in some Group Hospitals. Employees are organised to attend garbage classification training. Patients have received environmental protection publicity. All those measures strive to reduce and reuse waste in the operation process. In addition, the Group is committed to establishing a paperless operating environment, so it implements a number of measures to minimise the use of different resources by employees. We also place environmental messages on office equipment to remind employees of environmental protection to enhance their environmental awareness. In addition, we entirely use the online system in the office that allows general service notices and data to be transferred through the network system to establish electronic workflows:

### *Energy Management*

In its daily production operations, the Group's primary energy consumption is the purchased electricity, hospital equipment fuel consumption and vehicle fuel consumption. During the Reporting Period, the Group formulated relevant rules and regulations to achieve energy conservation and consumption reduction, and the appropriate measures are as follows:

- Optimise boilers and scientifically manage drying equipment to reduce natural gas usage;
- The elevator in the hospital is set as zoned and sub-floor-stopped based on the investigation situation;
- Select power-saving equipment and electrical appliances, and some Group Hospitals install photovoltaic energy-saving devices to reduce power consumption;
- Strengthen the maintenance of equipment to keep them in the best condition and use electricity efficiently;
- Office lights, air conditioners, computers, and heating boiler equipment should be turned off in time when not in use to avoid waste; and
- Use vehicles reasonably, advocate green and low-carbon travel, encourage the use of electric vehicles to replace fuel vehicles, actively scrap old vehicles with low fuel efficiency, and regularly maintain vehicles.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group conducts sustainability education and training from time to time. It educates employees on practical advice about eco-friendly lifestyles to raise their awareness of energy conservation by posting electricity-saving slogans. During the Reporting Period, the Group consumed a total of 24,776.03 MWh of energy.

Types of Energy	Unit	2022	2021
<b>Total Direct Energy consumption</b>	MWh	<b>5,331.42</b>	12,324.50
Petrol	MWh	<b>460.04</b>	815.18
Diesel	MWh	<b>443.22</b>	721.62
Towngas	MWh	<b>13.97</b>	–
LPG	MWh	–	19.53
Natural Gas	MWh	<b>4,414.19</b>	10,768.17
<b>Total Indirect Energy Consumption</b>			
Purchased Electricity	MWh	<b>19,444.61</b>	38,207.96
<b>Total Energy Consumption</b>	MWh	<b>24,776.03</b>	50,532.46
<b>Total Energy Consumption Intensity</b>	MWh/m <sup>2</sup>	<b>0.12</b>	0.24

### *Water Management*

The Group's water use is mainly domestic water in production and operation, and the water resources are taken from municipal water. Hence, the Group has no problems obtaining applicable water sources. The Group is aware of global water scarcity and actively takes measures to meet the challenges. We have established an internal water management policy to encourage all employees to adopt the habit of saving water and have put in place the following water conservation measures:

- Designated staff check the water supply facilities regularly; if there is water leakage or control devices are found to fail, they should be repaired in time to prevent long-term loss of domestic water;
- Adopt a time-based high and low-pressure water supply scheme;
- Use water supply facilities with good water-saving capacity as much as possible, and replace sensor faucets in key areas;
- Regularly check water supply pipes in case of water waste; and
- Strengthen water-saving publicity, post water-saving slogans, and guide employees to use water rationally.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group understands the importance of identifying and mitigating material climate-related issues, so it pays close attention to the potential impact of climate change. It is committed to managing potential climate-related risks affecting its business activities. According to the reporting framework

## B. SOCIAL

### B1. Employment

The Group has always regarded its employees as the core competitiveness of sustainable development.. Ther( it)13.9 ( adt)14sshi3.8 people-ordred 0 9.5 066development and protectsa

### *Compensation and Benefits*

The Group has established a fair, equitable, reasonable and competitive remuneration system. The Group will also conduct salary adjustments based on the results of performance appraisals. The Group has established a sound Social Security Provident Fund Management System and other systems to retain talents and strengthen employees' sense of belonging.

In addition to basic compensation, the Group also provides comprehensive benefits, including regular festive celebrations, to enhance employees' morale and a sense of belonging. Under the Social Security Law of the PRC, the Group also provides "five social insurance and one housing fund" for employees in Mainland China, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, so that employees can enjoy the protection of social insurance.

### *Working Hours and Rest Periods*

The Group has stipulated in the Employee Handbook the arrangement of working days and rest periods for employees to eliminate any form of forced labour. All work exceeding legal hours must be voluntary and receive appropriate overtime allowance. The Group also protects the legitimate rights and interests of employees in accordance with national and local laws, such as the Contract Law of the PRC, regulate the management of attendance and rest periods, and maintains regular working hours. The paid annual leave system has been conducted by regulations. Employees are entitled to multiple types of leave, including national statutory and other paid holidays, such as maternity and compassionate leave.

### *Equal Opportunity, Diversity and Anti-Discrimination*

Complying with national and local laws and regulations, the Group has formulated relevant systems to eliminate discrimination in the recruitment process so that any employee based on race, social status, religious belief, nationality, disability, age, marital status, gender and other factors can enjoy a fair treatment in recruitment, remuneration, training, promotion, termination of employment contract, retirement or other employment-related aspects. It also attracts professionals from different backgrounds to the Group.

### *Employee Communication Channels*

The Group actively dialogues with its employees through management mechanisms and different channels, such as the internal mail system, employee satisfaction questionnaires, meetings, etc., to understand their requirements and expectations for the Group. The Group stipulates in the Employee Handbook that any employee who has been intimidated, insulted, bullied or harassed (including sexual harassment) may report a complaint to the employee representative or directly to the head of the department. The Group shall deal with the complaint seriously upon receiving it, and all cases will be investigated and dealt with confidentially.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are limited to the Civil Code of the PRC, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Company Law of the PRC, and the Employment Ordinance of Hong Kong.

As of 31 December 2022, the total number of employees in the reporting scope was 3,265, all full-time. The breakdown of the number of employees are shown in the table below:

<b>Breakdown of Employees</b>	<b>2022</b>	2021
<b>Total</b>	<b>3,265</b>	3,257
<b>By Gender</b>		
Male	<b>1,036</b>	1,052
Female	<b>2,229</b>	2,205
<b>By Age</b>		
Under 30 years old	<b>1,122</b>	1,089
30-50 years old	<b>1,618</b>	1,687
Over 50 years old	<b>525</b>	481
<b>By Region</b>		
Mainland China	<b>3,264</b>	3,256
Hong Kong	<b>1</b>	1

During the Reporting Period, the Group's overall turnover rate was 10%, with the breakdown as follows:

<b>Employee Turnover Rate<sup>3</sup></b>	<b>2022</b>	2021
<b>Overall</b>	<b>10.0%</b>	9.2%
<b>By Gender</b>		
Male	<b>9.7%</b>	10.2%
Female	<b>9.8%</b>	8.8%
<b>By Age</b>		
Under 30 years old	<b>13.4%</b>	14.1%
30-50 years old	<b>6.7%</b>	6.6%
Over 50 years old	<b>11.2%</b>	7.3%
<b>By Region</b>		
Mainland China	<b>10.0%</b>	9.2%
Hong Kong	<b>0%</b>	0%

Notes:

- The employee turnover rate is calculated by the number of employees left during the Reporting Period divided by the total number of active employees in this category as of 31 December 2022 x100%.

### B2. Health and Safety

The Group attaches great importance to the health and safety of its employees and is committed to providing them with a healthy, safe and comfortable working environment. The Group strives to eliminate potential workplace health and safety hazards and do an excellent job in safety management at all levels to protect employees' safety and health.

The Group has achieved zero work-related fatalities for three consecutive years (including the Reporting Period). During the Reporting Period, the Group had not lost any working days due to work injury. The Group was also not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Occupational Safety and the Health Ordinance of Hong Kong, the Labour Law of the PRC and the Prevention and Treatment of Occupational Diseases Law of the PRC.

#### *Occupational Health and Safety*

The Group has continuously improved its occupational health and safety management system, strictly complying with relevant national laws and regulations such as the Law of the PRC on the Prevention and Control of Infectious Diseases. Occupational health and safety management has been institutionalised, changing from post-event treatment to pre-prevention. The Group regularly conducts medical examinations for those engaged in occupational hazard operations, including pre-job, on-the-job, and exit physical examinations and check-ups in emergencies. Moreover, annual health check-ups for employees are also provided.

At the beginning of each year, the Group formulates an annual infection management training plan for all personnel. Training and examinations on skills related to infection policies, medical waste

In response to this, the Group strictly implements the epidemic prevention guidelines of the Chinese Centre for Disease Control and Prevention to minimise business risks. To protect the health and safety of employees, the Group has formulated and adopted a series of epidemic prevention measures. For instance, employees were reminded to pay attention to personal hygiene, check their body temperature before entering the hospitals, and always wear masks.

## Management Training

The Group holds regular leadership training seminars and working meetings every year. The Group's senior management, hospital administrators and department heads provide targeted management ability and leadership improvement training programs for experienced and senior managers to strengthen their ability and leadership.

During the Reporting Period, the Group provided training to 3,148 employees, achieving a 96% coverage rate and 173,841 hours. The breakdown of training is as follows:

Composition of Employee Training <sup>4</sup>	2022	2021
<b>Overall</b>	<b>96%</b>	78%
<b>By Gender</b>		
Male	32%	28%
Female	68%	72%
<b>By Employment Category</b>		
Senior management	1%	4%
Middle management	11%	18%
General staff	88%	78%

Notes:

4. The employee training rate is calculated by the number of employees in the specific training category divided by the total number of employees in training during the Reporting Period x 100%.

The average number of hours of training received by employees during the Reporting Period is summarised as follows:

Average Number of Training Hours (Hours) <sup>5</sup>	2022	2021
<b>Overall</b>	<b>53.24</b>	16.69
<b>By Gender</b>		
Male	48.52	22.22
Female	55.44	14.05
<b>By Employment Category</b>		
Senior management	62.59	101.33
Middle management	79.70	37.71
General staff	49.75	7.23

Notes:

5. Average training hours of employees are calculated by the total number of training hours of employees in the specific category divided by the total number of employees in that category during the Reporting Period.

### B4. Labour Standards

#### *Prevention of Child and Forced Labour*

Abiding by relevant laws and regulations, the Group prohibits child and forced labour in its operations and stipulates that only employees who have reached the legal age are enrolled. During the recruitment process, the Group shall check the necessary personal information, such as identity documents, to ensure that applicants are legally qualified to work. In the event of non-compliance, immediate corrective action shall be taken to terminate the contract with the respective employee. The Group shall report to the relevant government authorities if necessary.

In addition, all employees must voluntarily and legally sign an employment contract with the Group, and each employee's employment contract clearly states their working hours, locations, descriptions and primary duties so as to ensure that employees are not assigned to perform work that is not within the scope of their duties. As per applicable laws and regulations, overtime work must be agreed upon and compensated with allowances or compensatory leave if required.



### *Supplier Management*

In order to strengthen standardised procurement management, the Group has introduced an enterprise resource planning (ERP) system that excellently improves the quality and management efficiency of supply chain services and reduces the use of resources in procurement. The Group has formulated relevant regulations such as the “Supplier Units and Sales Personnel Qualification Audit Management System (《供貨單位及銷售人員資格審核管理制度》)” and the “New Products Audit and Pharmaceuticals Quality Files Management System (《首營品種審核和藥品品質檔案管理制度》)” Those clarify the supplier access mechanism from multiple dimensions such as supplier qualification, scale, market position and customer structure to ensure that suppliers meet the Group’s supply chain management requirements.

The Group values anti-corruption work in the procurement process. The Group has formulated the “Code of Conduct for Procurement Related Personnel of Hospital Corporation and Group Hospitals (《弘和仁愛集團及成員單位採購相關人員行為準則》)”, and the “Procurement Service Management

During the Reporting Period, the Group strictly abided by relevant laws and regulations such as the Medical Produce Administration Law of PRC(《中華人民共和國藥品管理法》), the Regulations for the Implementation of the Drug Administration Law of the PRC(《中華人民共和國藥品管理法實施條例》), the Measures for the Administration of Pharmaceutical Trade License(《藥品經營許可證管理辦法》) and the Measures for the Supervision and Administration of Medical Device Business(《醫療器械經營監督管理辦法》). The Group cooperated with a total of 36 major medical equipment and drug suppliers, all located in the PRC.

### **B6. Product Responsibility**

Innovation drives the Group's focus on development while adapting to changes in health care policies and patient needs. Through continuous improvement in the quality of medical services and expansion of service management, the Group is committed to developing from a traditional general hospital chain group into a dedicated and excellent large-scale medical service technology group.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations concerning the quality of products and services provided that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Protection of Consumer Rights and Interests of the PRC, Advertising Law of the PRC, the Law on Doctors of the PRC(《中華人民共和國醫師法》), the Nurses Regulation (《護士條例》), and the Personal Data (Privacy) Ordinance(《個人資料(隱私)條例》)of Hong Kong. Given the nature of the Group's business, disclosure of product recall procedures and product recall quantities is not applicable.

#### *Operational Compliance*

The Group continuously improves the medical quality management system to minimise medical risks and ensure quality and safety. During the Reporting Period, the Group has enhanced management standards in operation management, performance management, medical insurance management, epidemic prevention and control under the Notice of the National Health Commission on Carrying Out the Special Inspection Action of Private Hospitals in 2022 together with the evaluation standards of graded hospitals, so as to ensure the stable development of Group Hospitals. During the Reporting Period, the Group rectified illegal construction and pollution discharge in Group Hospitals. Group Hospitals formulated plans for these problems and hidden dangers by self-inspection and implemented them step by step.

Additionally, the Group regulates the publicity of Group Hospitals and requires them to release objective and factual medical advertisements. It protect patient's right and interests from being harmed by false and misleading information.

### *Quality Management*

The Group timely adjusts hospital operation and management indicators, quality and safety indicators, medical insurance statistical indicators, etc., and standardises management behaviour. In addition, the Group conducts supervision to strengthen regular management of major adverse events to reduce losses. Internal reporting policy has been implemented to resolve similar hidden dangers in advance and to improve quality and safety management.

Based on the evaluation standards of graded hospitals, the Group has built a medical service quality evaluation system and a target assessment system. The Group supervises the progress of hospital grade review as planned, guides discipline evaluation, operation management, medical insurance management, performance management, etc., and actively carries out a series of work such as level-three check-ups and emergency drills.

During the Reporting Period, the Group always continued on COVID-19 prevention and control measures to ensure the normal development of the medical business. Group Hospitals maintained orderly and took appropriate measures. There were no significant accidents due to the suspension of treatment and business. Jinhua Guangfu Oncological Hospital (“**Jinhua Guangfu Hospital**”) completed the construction of backup designated hospitals according to the government’s requirements and successfully completed the phased task of epidemic prevention.

### *Patient Communication*

The Group attaches great importance to patient service, and patient satisfaction is one of the critical factors for sustainable development. The Group has strengthened the follow-up visits for discharged inpatients and outpatient and inpatient satisfaction surveys. Through questionnaires, mailboxes, online reviews, media and other channels, the Group has set up relevant functional departments to handle complaints and suggestions, continuously improving the service quality.

The Group requires that every complaint be handled appropriately. It prohibits employees from reaching private settlements with complainants so as to ensure that the Group can accurately receive patient feedback. The Group regards complaint management as an important part of continuous quality improvement. The Group endeavours to understand each complaint’s facts and root causes, identify the responsible parties and areas for improvement and make recommendations. The relevant departments immediately implement the necessary improvements to enhance Group’s service quality for future development. During the Reporting Period, 76 reports of major adverse events were received, representing a decrease of 7.3% compared with 2021. The amount of medical malpractice compensation incurred decreased by 37% over 2021.

### *Sustainable Innovation*

Supported by innovation and patient needs, the Group actively promotes the scientific research work of Group Hospitals under a learning organisation. Apart from strict training on the three fundamentals, the Group fosters scientific research and education. Employees are encouraged to apply for research topics at all levels and publish scientific research to promote the transformation of achievements and enhance the academic brand influence.

Based on the new generation of private network technology, the Group has established a large intranet between the Group and various Group Hospitals, which realises data interconnection and information resource sharing. During the Reporting Period, Jinhua Guangfu Hospital completed integrating and transforming the existing system. It passed the level-4 evaluation of the electronic medical record function for the first time. It improves the comprehensive service ability and refined management ability of the hospital. The Group's informatisation team independently developed interfaces to realise the implementation of the medical insurance compliance system in four hospitals in Zhejiang, leading to better quality and higher efficiency.

The Group also attaches great importance to protecting intellectual property rights. It strictly abides by the requirements of laws and regulations such as the Trademark Law of the PRC(《中華人民共和國商標法》)and the Patent Law of the PRC(《中華人民共和國專利法》). The Group values intellectual property protection on patent applications and trademark registrations. The Group also fully respects the intellectual property rights of its partners and strictly abides by the scope of licensing. During the Reporting Period, the Group invested over RMB1 million in scientific research and education, passed 31 provincial and municipal scientific research projects, published 59 papers in journals at different levels, obtained 3 patents, and held 20 continuing education projects.

### *Protection of Patient Privacy*

The Group strictly abides by various regulations to protect patients' interests and rights and respects their dignity with equal services. The Patient Privacy Protection System (《患者隱私保護制度》) has been formulated to maintain the integrity and confidentiality of patient files and respect patients' privacy, especially medical record information. The Group undertakes to fulfil confidentiality obligations. No complaints or disputes arose from patient privacy breaches during the Reporting Period. Departing employees must hand over the information and documents about patients to their departments before dismissal. In addition, the Group shall not provide patients' data to any third party for marketing purposes.

### B7. Anti-corruption

#### *Combating Corruption and Building a Clean Group*

The Group is committed to building a clean, healthy corporate system and combating corruption and other illegal business practices. The Group strictly implements laws and regulations such as the Notice on Printing and Circulating of Nine Guidance on the Professional Integrity of the Staff in Medical Institutions (《關於印發醫療機構工作人員廉潔從業九項準則的通知》) and Certain Provisions on Anti-Unfair Competition in the Pharmaceutical Industry (《醫藥行業關於反不正當競爭的若干規定》). The Group has specified strict requirements for fraud, conflict of interest, extortion, bribery, embezzlement, money laundering and other illegal acts in the Employee Handbook.

To establish an ethical, open and transparent corporate culture, the Group has formulated internal audit supervision systems such as Hospital Corporation Internal Audit Management System (《弘和仁愛醫療集團內部審計管理制度》) and Hospital Corporation Economic Responsibility Audit Management System (《弘和仁愛醫療集團經濟責任審計工作管理辦法》). The Group maintains good corporate governance and risk management by signing anti-fraud agreements with third-party intermediaries and procurement integrity agreements with major suppliers to safeguard stakeholders' interests with a clean, open and transparent corporate culture.

The Group has also established a transparent and open reporting channel under which employees, the public, patients and their families can report any misconduct or reasonably suspected corruption through the suggestion box, letter, telephone and online platforms. All reported cases will be handled confidentially to protect the identity and privacy of the whistleblower. The whistleblower shall not be treated unfairly, and his/her legal rights will be legally protected. The Board has the power to review any reported case.

#### *Anti-corruption Training*

The Group conducts anti-corruption training through online training and offline reading of materials. During the Reporting Period, the Group organised a total of 3 training sessions on integrity building and internal supervision over 6 hours. All directors, senior management and employees in critical positions such as finance and procurement attended the training. The Group continues to raise awareness of anti-corruption among personnel in key positions and enhance compliance and risk awareness through anti-corruption training and internal supervision. At the same time, it puts emphasis on the collection and storage of process data, which provides more convenience for post-event supervision, thus making economic operations more transparent and traceable and supervision more in-depth and effective.

During the Reporting Period, there were no concluded legal cases regarding any forms of fraud raised by the Group or its employees. The Group was not aware of any material non-compliance with relevant laws and regulations of bribery, extortion, fraud and money laundering. Such laws and regulations include but are not limited to the Criminal Law of the PRC(《中華人民共和國刑法》), the Company Law of the PRC(《中華人民共和國公司法》)and the Prevention of Bribery Ordinance(《防止賄賂條例》)of Hong Kong.

## B8. Community Investment

The Group has been actively engaged in social welfare activities through its influence and resources. It has formed a complementary and coordinated model of resource sharing with the communities where it is located through public welfare donations, free medical consultations, health education, volunteer activities, etc. The Group continues to make efforts and strives to become a warm enterprise.

During the Reporting Period, Shanghai Yangsi Hospital (“**Yangsi Hospital**”) was awarded the AAA credit rating; Jinhua Guangfu Hospital was awarded the title of “2022 Advanced Unit of the Municipal Hygiene and Health System(二零二二年市直衛生健康系統先進單位)” and the “Blood Donation Unit of the Provincial Hygiene and Health System(全省衛生健康系統愛心獻血單位)”, and was also awarded the title of “Double Strong and Six Good Private Hospitals of the Hygiene and Health System of Zhejiang Province(浙江省衛生健康系統雙強六好民營醫院)” together with Yongkang Hospital; Jiande Hospital of Traditional Chinese Medicine Co., Ltd. was awarded the title of “Health Promotion Hospital of Zhejiang Province(浙江省健康促進醫院)” and the title of “Senior Friendly Medical Institution of Hangzhou(杭州市老年友善醫療機構)”.

### *Public Donation*

The Group has carried out various forms of public welfare activities based on local conditions, focusing on vulnerable groups, including hand-in-hand with public welfare organisations, medical expenses waivers for people in difficulty, home delivery of medical treatment and medicine, blood donation etc., which have received wide praise from the community. During the Reporting Period, according to incomplete statistics, the Group carried out public welfare donations and provided medical fee reductions for screened patients with special hardship, etc., costing about RMB810,000. The Group organised over 100,000 ml of voluntary blood donation.

### *Charity Clinics*

The Group organises regular or occasional free medical consultations and special health activities for the community and special groups. The doctors answered questions on chronic diseases, frequent diseases, common diseases and epidemic prevention and control of residents. In addition, it also provides physical examination and guidance services such as measuring blood pressure, blood sugar, rational drug use, diet education, etc. It gives targeted diagnoses and treatment opinions according to the results of examinations to effectively help patients solve problems. During the Reporting Period, the Group conducted 146 free clinic activities, covering more than 16,000 people.

### *Health Education*

Acting as a medical institution, the Group actively promotes healthy lifestyles to the public and helps them correct bad habits. The Group helps improve people's health awareness, identify and avoid health risks, and contribute to a healthy China. During the Reporting Period, the Group completed 163 health education sessions with 8,230 attendances.

### *Voluntary Service*

The Group carries out various volunteer service activities, including cooperation with elderly care institutions, construction of a healthy community, door-to-door services for patients in difficulty, etc., to solve people's problems and convey positive social energy. During the Reporting Period, more than 170,000 people benefited from the volunteer services. A total of 411 medical personnel have been appointed for community-level medical assistance and technical guidance, assisting more than 50 primary health centres and clinics, with 36,088 patients directly served.

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas,  
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### Aspect 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 Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity	Emissions — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	2030 Environmental Targets
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

### Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced	Use of Resources — Use of Packaging Materials



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects, General

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### Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Noise Management

### Aspect 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.	Climate Change
KPI 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.	Climate Change — Physical Risk, Transition Risk

### Aspect 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, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

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**Aspect 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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Occupational Health and Safety

**Aspect B3: Development and Training**

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training — Professional Training, Management Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

**Aspect 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.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.1	Description of steps taken to eliminate such practices when discovered.	Labour Standards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI 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.	Supply Chain Management — Supplier Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Green Procurement
<b>Aspect B6: Product Responsibility</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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility — Patient Communication
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Sustainable Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Protection of Patient Privacy

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**Aspect 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.	Anti-corruption
KPI 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.	Anti-corruption — Combating Corruption and Building a Clean Group
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption — Combating Corruption and Building a Clean Group
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption — Anti-corruption Training

**Aspect 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.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment