1 About the Report

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

1.1 Reporting Standards

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

Materiality: We have identified and disclosed the process and criteria for material ESG issues in our Reports. We have also identified and disclosed the results of significant stakeholder engagement in our ESG Report. The management has confirmed the applicability of the 2020 materiality assessment to the current year.

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

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

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

1.2 Reporting Scope

The Report presents the Group's overall performance regarding sustainable development from 1 January 2022 to 31 December 2022 (hereinafter referred to as the "**Year**" or the "**Reporting Period**"). Unless otherwise stated, the Report covers healthcare business directly controlled by the Group. One scope of environmental key performance indicators (KPIs) was added in the Year, covering Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Company Limited[1]. The scope of social key performance indicators covers the whole group. Please refer to the Corporate Governance Report section in the annual report or the Group's official website (http://www.knhosp.cn/en) for detailed information about the corporate governance of the Group.

1 Since the main business income of Pingyang Changgeng Yining Hospital Company Limited ranks among the top three in the Group for the Year, considering that the higher proportion of revenue has a correspondingly greater impact on KPIs, Pingyang Changgeng Yining Hospital Company Limited is an important subsidiary of the Company. Therefore, we added Pingyang Changgeng Yining Hospital Company Limited as one of the data collection scopes for the Year.

1 About the Report

1.3 Reporting Language

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

1.4 Approval of the Report

The Report passed the internal review procedures of the Group and was approved by the Board of Directors on 28 April 2023.

1.5 Release of the Report

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

1.6 Feedback on the Report

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

2 About the Group

The Group is a large private medical group that offers a full range of specialized medical services for patients with psychiatric illness, providing specialized diagnosis and treatment services for schizophrenia, anxiety, depression, bipolar disorder, senile dementia and other types of psychiatric illness. In responding to the "Healthy China" strategy, apart from psychosis, we have been expanding the elderly medical sector rapidly and introduced the Taiwan nursing model for the elderly, developed diagnosis and treatment services for common geriatric illnesses and chronological diseases at a fast pace, taking care of the elderly. To better provide high quality medical services to vast patients, the Company has independently established the first independent internet hospital in Wenzhou, providing diagnosis and treatment services for the entire community with over millions of diagnoses annually. Running 41 branches at present, the Group is a psychosis hospital chain group with the largest scale in the country.

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

Award/honour	Awarding authority
High and New Technology Enterprise (高新技術企業)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳), Zhejiang Provincial Department of Finance (浙江省財政廳) and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation (國家稅務總局浙江省)
Clinical Research Center for Mental Disorders (精神心理疾病臨床醫學研究中心) has been recognized as Clinical Research Center of Zhejiang Province (浙江省臨床醫學研究中心)	Wenzhou Municipal Committee of the CPC (中共溫州市委) and Wenzhou Municipal People's Government (溫州市人民政府)
2021 Enterprise with Outstanding Contribution of Lucheng District (2021 年度鹿城區突出貢獻企業)	Lucheng District Committee of Wenzhou Municipal of the CPC (中共溫州市鹿城區委) and Lucheng District of Wenzhou Municipal People's Government (溫州市鹿城區人民政府)
Kangning Clinical Research Center for Mental Disorders (康寧精神心理疾病臨床醫學研究中心) has been recognized as Clinical Research Center of Zhejiang Province (浙江省臨床醫學研究中心)	Lucheng District Committee of Wenzhou Municipal of the CPC (中共溫州市鹿城區委) and Lucheng District of Wenzhou Municipal People's Government (溫州市鹿城區人民政府)
2021 Top 50 Excellent Private Medical Institutions of the Best Brand Communication Medical Institutions (2021 年度最佳品牌傳播醫療機構優秀非公醫療機構 50 強)	dxy.cn (丁香園) and y.dxy.cn (醫院匯)
LEAP Station (博士創新站)	Office of Talent Work Leading Group of Wenzhou Municipal Committee of the CPC (中共溫州市委人才工作領導小組辦公室) and Wenzhou Association for Science and Technology (溫州市科學技術協會)
2nd Group Prize of the First "Pihai Cup" Futsal League (Unit Division) of Wenzhou (溫州市首屆"匹海杯"五人制足球聯賽(單位組)團體二等獎)	Ouhai District Football Association (甌海區足球協會)

2 About the Group

Award/honour	Awarding authority
Executive Committee Unit of the National Social Medical Psychiatric Development Collaboration Network (全國社會辦醫精神科發展協作網執委單位)	Chinese Hospital Association Private Hospitals Branch (中國醫院協會民營醫院分會)
2021 Lucheng District Top 100 Enterprises (2021年度鹿城區百強企業)	Wenzhou Lucheng District Enterprise Federation (溫州市鹿城區企業聯合會), Wenzhou Lucheng District Entrepreneurs Association (溫州市鹿城區企業家協會) and Wenzhou Lucheng District Industrial Economic Federation (溫州市鹿城區工業經濟聯合會)
Advanced Cognitive Impairment Diagnosis and Treatment Center Construction Unit (高級認知障礙診療中心建設單位)	National Health Commission Capacity Building and Continuing Education Center

3 Chairman's Statement

Dear stakeholders,

In 2022, the complex situation of the COVID-19 pandemic (the "Pandemic"), which has been recurring and aggravated with changes over the past century, has led to a sharp increase in the uncertainties of global socio-economic development. Faced with multiple pressures such as the continuous economic downturn and the accelerating reform of diversified and complex medical insurance payment methods, the Group adhered to the development strategy of "100 years of health and well-being" under the active guidance of macroeconomic policies, further enhancing the medical quality and service level with the overall business maintaining good development momentum through continuous strengthening and improvement of the internal management system.

While steadily promoting the business development of its own hospital, the Group also actively promotes the sustainable development of the medical service industry and fulfills its social responsibilities. We have been concerning about the impact of our business operations on the environment and society, and always uphold the business philosophy of taking responsibility for patients, employees and the environment. At the same time, we have established close relationships with all stakeholders, identified important issues related to the environment, society and governance, and established a sound environmental, social and governance system to strengthen the standardized management of sustainable development.

We have committed to attracting talents of high calibre, increasing investment in scientific research and innovation, as well as closely collaborating in conducting in-depth exchanges with universities, well-known experts and R&D teams at home and abroad. At the same time, we actively recruit top talents in the fields of technology and innovation globally to build a team of experts with high academic standards, rich diagnostic experience and industrial influence to maintain a high level of medical service capabilities and actively promote the building of a "Healthy China".

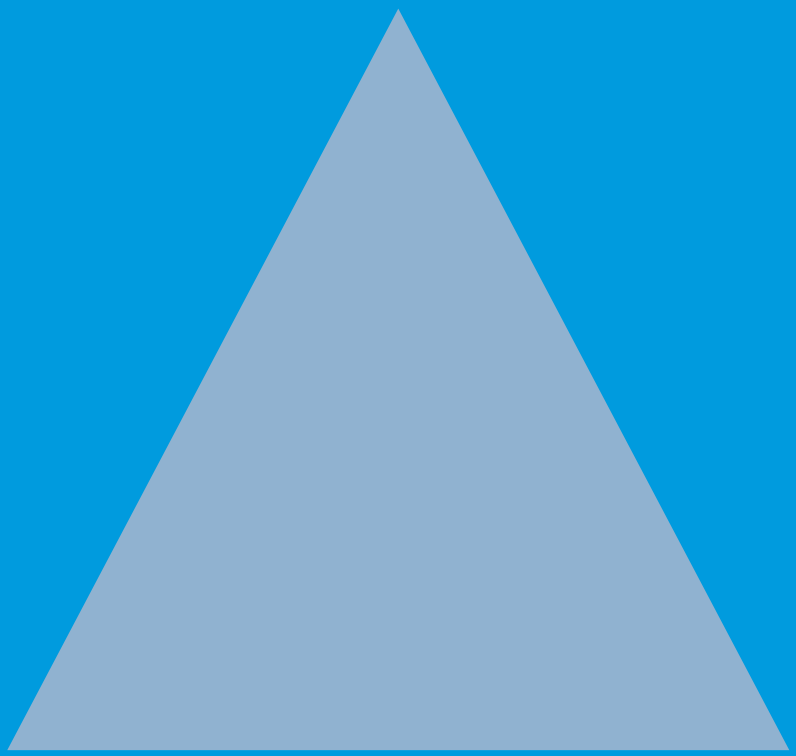
In addition to the concern over business development, we vigorously pay attention to the impact of business activities on the environment. We have entrusted third party organizations with recognized qualifications in respect of medical wastes management, ensuring proper disposal of such wastes and compliance with laws and regulations. Meanwhile, we aggressively control greenhouse gases emissions, effectively utilize natural resources, heighten precautions for and control of pollution, and enhance the environmental awareness of the employees. We fully fulfill our commitment to environmental protection and practice green medical management to promote sustainable development.

3 Chairman's Statement

Looking forward, the Group will make full use of the opportunities brought by favorable policies in the general health industry to fully integrate into the strategy of 'Healthy China' and focus on meeting the needs of patients for medical

4 Sustainable Development Strategy

4 Sustainable Development Strategy



4 Sustainable Development Strategy

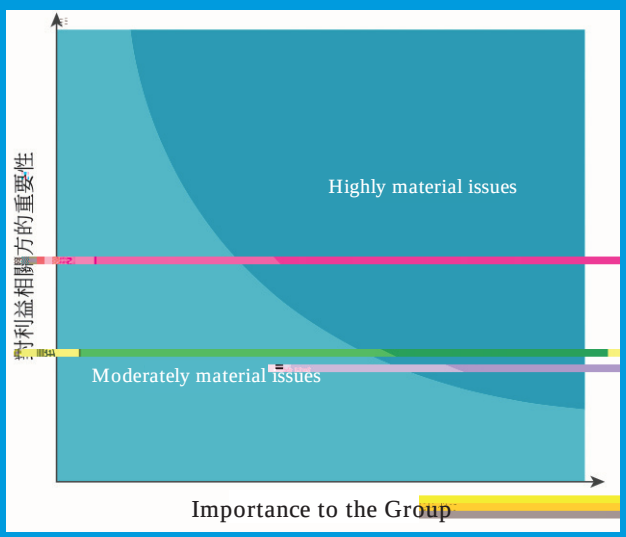
Stakeholders	Communication channels	Issues concerning ESG
Employees	• Performance appraisal • Employee Intranet • Employee communication meeting • Group discussion/meeting • Special consultative committee/panel discussion groups • Volunteer activities	• Talents incentives • Employees development and trainings • Employees' remunerations and benefits • Employee diversity and equality • Employees occupational health and safety
Shareholders/investors	• Results announcement/corporate communications • Meetings • Interim and annual reports • Shareholders' site visits	• Investment returns • Compliance operation • Technologies and innovations
Government and regulatory authorities	• Meetings • On-site investigation • Compliance report	• Implementation of energy conservation and emission reduction • Contribution to community • Medical accessibility/inclusiveness
Counterparties/business partners	• Strategic cooperation projects • Lectures/seminars/workshops • Meetings • Reports • Visits	• Facilitation of industry development • Exchange of industrial experiences
Suppliers	• Supplier management procedures/ assessment system	• Sustainable supply chain management • Win-win cooperation with suppliers • Green procurement • Fair and open procurement
Media	• Results announcement • Press conference/press release • Interviews with the senior management	• Protection of ecological environment • Information disclosures • Responsible marketing
Communities/ non-government groups	• Community investment plans • Community activities • Donations	• Contribution to community • Implementation of energy conservation and emission reduction • Medical accessibility/inclusiveness

4 Sustainable Development Strategy

4.4 Materiality Assessment

The Group conducted materiality assessment through online survey in 2021 by inviting internal and external stakeholders. The ESG Working Group and the management confirmed that the results for 2021 are still applicable to the Year as (i) there were no significant changes in the business and operating environment during the Year, (ii) the results of materiality assessment for 2021 could nevertheless respond to the expectations of stakeholders, and (iii) there were no material changes in the materiality order. Readers can refer to the ESG report of 2021 for the method and process of materiality assessment.

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



4 Sustainable Development Strategy

Highly material issues

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

Moderately material issues

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

5 Standardizing Hospital Management

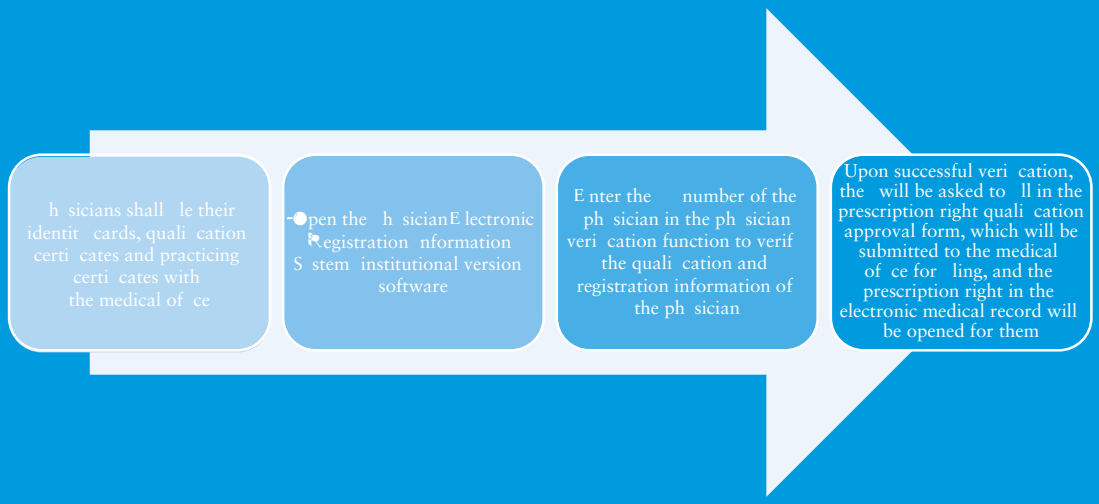
In line with the Group's core value of "Respecting Life and Serving Humbly", we have actively enhanced the service level of our medical institutions, endeavoured to provide safe and reliable medical services, and fulfilled its medical commitment to caring for patients and their families, providing healthcare services of better quality for people.

5.1 Quality of Healthcare Services

In respect of the business operation of the Group, we attach great importance to the quality and safety of healthcare services. We continued to carry out supervision and management on all our medical institutions in strict compliance with the Mental Health Law of the PRC (《中華人民共和國精神衛生法》), the Regulation on the Administration of Medical Institutions (《醫療機構管理條例》

5 Standardizing Hospital Management

We established a complete assessment system, and formulated the Implementation Rules for the Management of Regular Assessment of Physicians (《醫師定期考核管理實施細則》), specifying clearly the process for verification and approval of physicians' qualification information, to ensure the quality of physicians' services. At the same time, we would also conduct regular assessment of work quality for medical staff of all levels with contents and rules of the assessment based on respective position of professions.



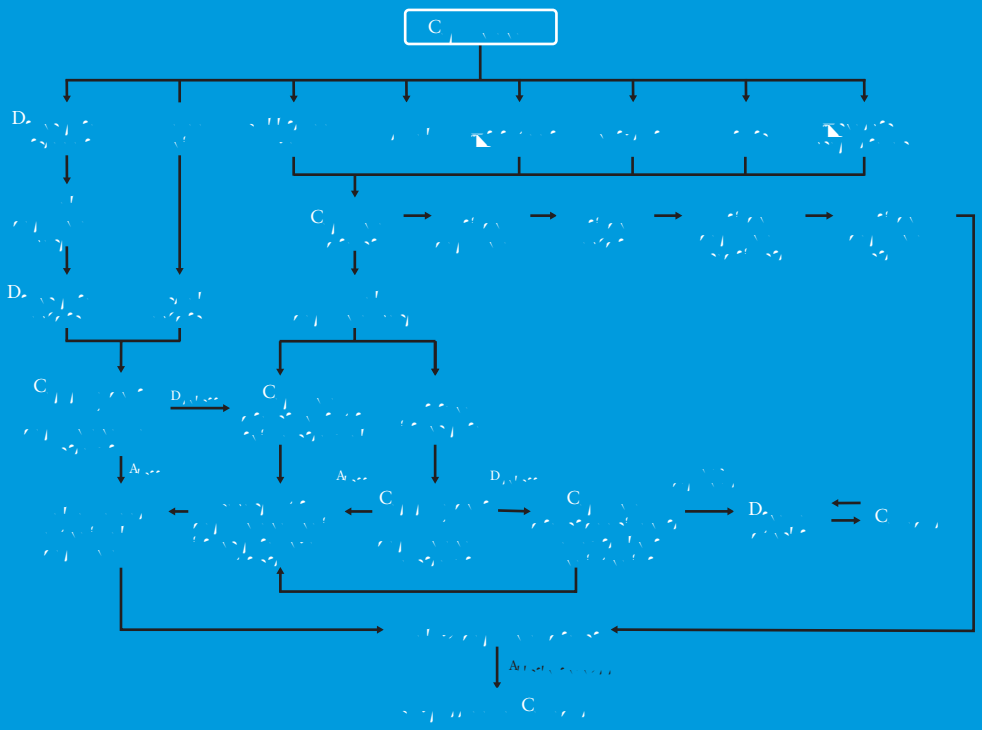
rocess for veri cation and approval of ph sicians quali cation information

Customer Services and Complaints Handling

We actively listen to the needs and concerns of patients and their families in order to continuously improve the quality of medical services. We arrange proper treatment and nursing services for patients according to their race, belief, custom, habit, taboo and psychological status to show utmost respect for them during our healthcare services.

We have formulated the Complaint Management System (《投訴管理制度》), which standardizes the complaints processing mechanism and punitive measures. Patients and their families can lodge complaints and make suggestions through telephone, complaint centre website, letters, visiting the complaint centre, suggestion boxes at nurse stations and other channels. When a complaint is accepted, we will investigate and verify relevant complaints in accordance with our standard complaints handling procedures, and timely inform the complainants the progress and results in handling the complaints. In order to understand the satisfaction level of patients with our hospital services, the relevant departments will regularly summarize and analyse complaint cases to complete a Report on the Investigation and Rectification of Patient Satisfaction (《患者滿意度調查整改報告》). The service quality committee will also discuss in quarterly meetings the common problems that arise from each individual case and recurring complaints, draw up improvement countermeasures, and follow up on the handling of each unsolved problem.

5 Standardizing Hospital Management



Process for Complaint Handling

During the Reporting Period, the Group totally received 89 complaints, all of which have been properly handled. In the future, we will continue to improve the service quality of our hospitals so as to provide patients and their families with high quality services.

In order to further enhance the quality of our medical services and keep abreast with modern lifestyle, the Group has actively explored and adopted a new service pattern of "Internet + medical health". We provide "remote", "accurate" and "smart" mental health services through the application of online clinic platform with information technology and big data. In addition, we have independently developed various technical systems suitable for specialty hospitals, with an aim to improve the efficiency and medical quality of medical staff and further enhance the medical management standard of the Group. During the Year, in response to of the Notice on Enhancement of Internet Medical Services for COVID-19 issued on the official website of the National Health Commission, our Internet hospital of Wenzhou Kangning Hospital launched specialty free consultation, with specialists on medical, pharmaceutical and psychological counselling and psychological treatment offering online one-stop voluntary services, such as infection prevention,

5 Standardizing Hospital Management

In respect of business information disclosure, the Group strictly complies with laws and regulations, such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Regulations on the Customs Protection of Intellectual Property Rights of the People's Republic of China (《中華人民共和國知識產權海關保護條例》). We adopt a zero-tolerance attitude towards all fraudulent use of false and misleading trade descriptions to ensure that the public can receive accurate and complete information.

5.3 Protection of Intellectual Property Rights

The Group deeply understands that intellectual property protection is an important part of maintaining competitiveness, therefore we strictly comply with laws and regulations including), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Regulations on the Customs Protection of Intellectual Property Rights of the People's Republic of China (《中華人民共和國知識產權海關保護條例》), and strive to protect the patent rights, trademark rights, copyrights and other intellectual property rights of the Group and external business partners. We have formulated the Hospital Intellectual Property Management System (《醫院知識產權管理制度》) to increase awareness of intellectual property protection, protect and encourage employees to invent and innovate, safeguard the legitimate rights and interests of hospitals, and promote the prosperity and development of medical care, teaching, and scientific research.

5.4 Supply Chain Management

The Group values the mutual benefit and long-term relationship with its suppliers, and is committed to building a healthy, long-term, sustainable and responsible supply chain. We strictly comply with laws and regulations, such as the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), the Implementation Regulations of the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法實施條例》), the Regulations on the Administration of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), the Measures for the Administration of Toxic Drugs for Medical Use (《醫療用毒性藥品管理辦法》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures for the Administration of Licenses for Medical Device Operating Enterprises (《醫療器械經營企業許可證管理辦法》), and have formulated internal systems such as the Measures for the Administration of Suppliers (《供應商管理辦法》) and the Procurement Management System (《採購管理制度》) to regulate the admission, procurement and evaluation of business-related suppliers and to protect practically the quality of medical services.

5 Standardizing Hospital Management

The Group has set strict selection criteria for suppliers, and considered suppliers according to factors such as strong production capacity, technical and quality assurance capabilities, production management, price and materials that meet environmental protection requirements with priorities. In addition, the Group recognises the importance of managing environmental and social risks in the supply chain. In the selection process, it will consider supplier's performance in environmental and social responsibilities, such as whether it complies with national and local environmental standards, whether it adopts green procurement, ensures that no child labour and forced labour is employed, and whether a reasonable working environment is provided to employees. We will also conduct independent review on supplier with a total contract amount of more than RMB300,000 in accordance with the Contract Management System, and enter into anti-commercial bribery agreement with supplier with a total contract amount of more than RMB100,000 to prevent the occurrence of bribery and corruption through third parties.

In addition, the Group continuously monitors the quality of incoming materials, and conducts quarterly and annual assessments on the service level of suppliers at different stages of project and contract execution to ensure that the selected suppliers meet various business needs.

During the Reporting Period, the Group involved a total of 344 medical device suppliers. At present, the supplier practice is implemented in a total of 92 suppliers only of the headquarter and the Wenzhou region, and is not yet implemented in other branches. All of them are from China. The distribution of their numbers by region are as follows:

Region	Number of Suppliers (units)
Zhejiang Province	199
Guangdong Province	26
Jiangsu Province	25
Hebei Province	23
Shanghai Municipality	16
Shandong Province	14
Jiangxi Province	10
Henan Province	8
Anhui Province	6
Beijing Municipality	6
Hunan Province	5
Fujiane	8ETiers (units)

5 Standardizing Hospital Management

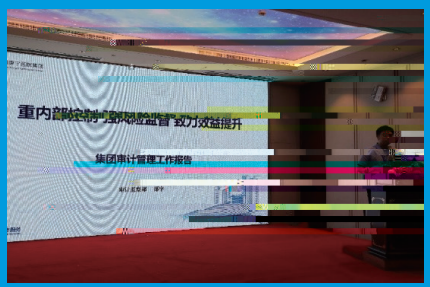
5.5 Business Ethics and Anti-Corruption

The Group is committed to maintaining the highest standards of business ethics, and strictly complies with laws and regulations, including the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Code of Conduct for Practitioners in Medical Institutions (《醫療機構從業人員行為規範》), the Issuance of Notice on Nine Prohibitions on Strengthening the Establishment of Medical and Health Ethics (《關於印發加強醫療衛生行風建設"九不准"的通知》), the Provisions on Establishing Bad Records for Commercial Bribery in Purchase and Sale of Pharmaceuticals (《關於建立醫藥購銷領域商業賄賂不良記錄私的規定》) and the Issuance of Notice on the Special Action Plan for Rectifying and Regulating the Drug Market Order throughout the PRC (《關於印發"全國整頓和規範藥品市場秩序專項行動方案"》), to eliminate any form of commercial bribery, bribery conduct and other acts of provision or acceptance of improper benefits. During the Reporting Period, the Group did not receive any litigation against the Group or its employees in relation to corruption, bribery, extortion, fraud or money laundering.

We have formulated internal management systems, such as the Implementation Plan for the Construction of Clean Hospitals (《清廉醫院建設實施方案》), the Implementation Plan for the Construction of Ethics (《行風建設實施方案》), the Standards for Integrity and Self-discipline (《廉潔自律工作規範》), the Management System of Civilized Medical Practice (《文明行醫管理制度醫療》) and the Nine Prohibitions on the Establishment of Health Ethics (《衛生行風建設九不准》) to standardize the professional ethics of medical staff and prevent the acceptance of bribery in any form, such as the private collection of drug rebates issued by the pharmaceutical companies. In order to strengthen the supervision of personal behaviour of medical staff, we have set up a whistleblowing hotline to encourage employees, the public, patients and their families to report possible illegal and non-compliance conduct within the Group. The identity information of the whistle-blower will be strictly kept confidential, in order to timely discover and rectify various types of misconducts.

We also actively carry out the establishment and promotion of a clean governance culture, strengthen daily anti-corruption education, and cultivate the awareness of honesty and integrity of all employees. During the Year, we conducted several training sessions on anti-corruption and anti-fraud for Board members and all employees to enhance their awareness of compliance.

Staff Conference-Anti-Corruption and Anti-Fraud Training



The Group's Interim Promotion Campaign-Anti-Corruption and Anti-Fraud Training

6 Professional Medical Team

The Group always regards employees as the key force for the healthy development of the Company, and is committed to protecting the rights and interests of employees, caring for the physical and mental health of employees, creating a fair, open and harmonious working environment for employees, establishing a sound human resources management system, and realizing the common development of the Company and employees.

6.1 Employment

The Group strictly complies with laws and regulations related to labour and employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on the Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Child Labour (

6 Professional Medical Team

Recruitment, Promotion and Dismissal

The Group has formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of "fairness, impartiality and openness" in considering the academic qualifications, working experience and skills of the applicants to assess whether they have met the requirements of the employment positions. And background factors of the applicants, such as gender, age, nationality, religion, family status, race, marital status and other categories protected by law, do not affect the interviews, employment and job opportunities of the applicants. We systematically carry out annual human resources planning and select multiple channels to attract talents based on comprehensive factors such as talent demand analysis and recruitment costs. Recruitment channels include internal competitive recruitment and external recruitment (such as job fairs, campus recruitment, online and intermediary agencies, etc.). The human resources department will select the appropriate recruitment channels according to the specific job positions and market conditions.

In order to prevent child labour and forced labour, we will strictly check the identity documents of candidates during the recruitment process and sign labour contracts with employees on an equal, voluntary and consensus basis to ensure that they have reached the legal working age. In addition, we promote the concept of work-life balance and set the working hours of employees in line with the relevant labour laws to protect employees' legal rights. In the event of non-compliance conduct involving child labour and/or forced labour, both the employer and the employee may terminate the labour contract immediately to protect their legitimate labour rights and interests. The Group will deal with non-compliance incidents in accordance with the law. During the Reporting Period, there was no case of child labour or forced labour discovered by the Group.

We recommend employees for promotion based on the results of the Group's performance and human resources planning, as well as individual performance of the employees, and through the results of internal performance reviews. The Group implements a key performance indicator assessment scheme to set individual targets for departments and employees, and conducts annual assessments to measure the functional performance of the department as a whole and individual employees.

Employees may resign if they so wish. Employees may voluntarily terminate their employment relationship with the Group, provided they should reach agreement with their supervisors and confirm their last working day. The human resources department will also understand the reasons for the resignation of employees through resignation interviews to manage the employees' resignation-related matters, so as to improve the deficiencies in corporate management and retain talents. In order to prevent any unfairness, we have made arrangements in accordance with the relevant laws and regulations and the contents of the labour contract.

6 Professional Medical Team

"Love in Kangning and Warm Ten Thousand Families" Charity Symposium

Celebration for 20th employment anniversary

"Love in Kangning, Walking Together" Family Outdoor Tour

Summer Cultural and Creative Activities – Parent-child Tour of Aquarium

6.3 Health and Safety Management

As a provider of professional medical services, we pay special attention to the physical and mental health of our employees. We are committed to providing a safe and healthy working environment for all employees and strictly comply with laws and regulations, such as the Law on Prevention and Control of Occupational Diseases of the People's Republic of China (《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 Confirmation of Occupational Diseases (《職業病診斷與鑒定管理辦法》), and the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》). During the Reporting Period, the Group did not violate any relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

6 Professional Medical Team

In order to strengthen the management measures of the Group's occupational health and safety management, 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》) which are based on the objectives of "Focus on prevention, Ensure key points and Assure safety" to implement the measures of "anti-fire, anti-theft, anti-robbery, anti-explosion, anti-

6 Professional Medical Team

During the past three years (including the Reporting Period), there was no serious work-related fatal accident involving employees, and the cumulative number of lost working days due to work-related injuries throughout the Year was 1,373 days. The types of work-related injuries included moving and carrying patients, slips and traffic accidents. The Group has formulated various internal policies and guidelines for the prevention, mitigation and handling of emergencies and safeguarding the health and safety of employees, such as enhancing publicity and training activities and increasing lighting systems. In the future, we will actively explore and improve these policies and strive to provide and maintain a safe working environment for our employees.

6.4 Cultivation of Medical Personnel

The Group believes that talents are the foundation for long-term competition and development of an enterprise.

6 Professional Medical Team

We also actively invest in different forms of training to ensure advancement in the professional development of medical staff. This Year, the National Continuing Medical Education Program of Psychosomatic Medicine Model Application Ability Improvement Class of General Practitioners was successfully held by Hiroshi Miyamoto, the chief physician of the Department of Clinical Psychology of the Kangning Hospital affiliated to Wenzhou Medical University. The learning purpose of this training is expected to be better translated into the daily work principles and techniques of doctors, which will effectively promote the improvement of the level and quality of medical services, improve the quality of life of patients and improve the relationship between doctors and patients. Two forms of online and offline trainings were available for this study session, and more than 3,000 medical staff in total have participated in the study session.

2022 National Continuing Medical Education Program

7 Green Hospital Management

As a company committed to providing quality medical services, we not only pay attention to the health of our patients, but also take responsibility for environmental protection and ensure that our business activities will not cause too much impact on the environment. We strictly abide by the Environmental Protection Law of the People's

7 Green Hospital Management

We are aware of the impact of greenhouse gas emissions and are determined to play an active role in managing and minimizing greenhouse gas emissions. The Group has implemented a number of emission reduction measures at the locations where it operates. Please refer to the section headed "Energy Management" for further details.

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 10,197.81 tonnes of CO_2e during operation, with an intensity of 0.22 tonnes of CO_2e per person, representing an increase of approximately 23.18% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor our greenhouse gas emissions and take measures to reduce emissions and energy use, and strive to reduce energy use.

7.2 Energy Management

The healthcare system is one of the largest energy consumers in the community. Hospitals are generally open 24 hours a day and have extremely complex energy requirements such as specific airflow control and specialized heating, ventilation and air-conditioning systems and energy-intensive medical equipment. Nevertheless, the Group adheres to the green office, continuously monitors and controls the power consumption in the process of business operation, and identifies and reviews the implementation of various energy management. We strictly comply with the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Notice of the General Office of the State Council on Strictly Implementing the Air-conditioning Temperature Control Standards for Public Buildings(《國務院辦公廳關於嚴格履行公共建築空調溫度控制標準的通知》), the Notice of the General Office of the State Council on Strictly Implementing the Air-conditioning Temperature Control Standards for Public Buildings (《國務院辦公廳關於嚴格履行公共建築空調溫度控制標準的通知》) and the Decision of the State Council on Strengthening Energy Conservation(《國務院關於加強節能工作的決定》) and other laws and regulations, and formulate the Energy Conservation Management System to reduce unnecessary energy consumption opportunities. In addition, the Group has established a working leadership group to promote energy conservation in public institutions and focus on cultivating employees' awareness of energy conservation. Through various measures, the Group ensures that every medical staff understands the importance of saving resources.

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 16,040.74 MWh of electricity during operation, with an intensity of 340.67 kWh per person, representing an increase of approximately 28% as compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor our energy use and take energy saving measures to reduce our energy use.

7 Green Hospital Management

In order to reduce the Group's energy consumption and achieve the energy consumption target, we have adopted the following energy-saving measures at the locations of our operations:

7 Green Hospital Management

In order to further improve the utilization efficiency of water resources and achieve the water consumption target, the Group has adopted the following measures:

Measures to save water

- Regularly check the readings of the water meter. Once any damage or leakage is found, repair work will be arranged in time and daily maintenance management will be strengthened to minimize any waste caused by leakage
- Choose water-saving appliances, such as toilets with dual-flush functions
- Advocate the use of rainwater recycling system, such as central condensate recycling system and secondary water supply system, to recycle waste water
- Put up water-saving notices to raise water-saving awareness

7.4 Paperless Office

Given the printing of patients' medical records and inspection reports is the reason why we use a lot of paper, the Group actively advocates paperless office to gradually achieve paperless medical records, and advocates to save files in electronic forms, such as keeping electronic medical records of patients for any query in the future, to reduce copying and printing paper consumption. We will print relevant medical records at the request of patients or their families. In addition, we use our self-developed and customized mobile office platform, "Cloud Office Series", to improve the efficiency of various business processes and reduce the cost of using paper. Details of the measures are as follows:

Measures to reduce paper consumption

Cloud Communication	• Employees transfer information and documents in the form of electronic communication and electronic files, and use the system to quickly access the information of the necessary contacts, so as to realize the paperless address book
Cloud Approval	• Employees can submit approval applications for personnel, finance, materials and information through their mobile phones, and the system will send approval messages in real time to further realize paperless business approval
Cloud Storage	• As a safe and reliable document library of the Group, various measures to maintain information security are implemented in the system to monitor the sharing and access of documents in real time
Cloud Decision-making	• Integrate and refer to the hospital's various operational indicators, and present the data analysis results on the mobile terminal in the form of charts to help managers make decisions based on scientific evidence and data
Cloud Salary	• Employees can check their salary details through the system at any time

7 Green Hospital Management

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 60,357.51 kg of papers, with an intensity of 1.28 kg per person. In the future, we will continue to monitor paper consumption and adopt conservation measures to reduce paper use.

7.5 Waste Management

Waste management is an integral part of preventing environmental pollution. The Group has launched a series of management measures to reduce waste and improve the effectiveness of resources. The wastes generated in our production operations are mainly divided into hazardous wastes and non-hazardous wastes. In order to properly manage waste disposal, we have implemented classified management of waste and formulated a comprehensive waste treatment system to regulate the storage, collection, transportation and recycling of waste.

Hazardous wastes

The Group has engaged a qualified third party to assist all of our medical institutions in the proper collection, storage and disposal of medical wastes in accordance with applicable laws and regulations such as the Medical Waste Management Regulations (《醫療廢物管理條例》), Medical Waste Management Measures for Medical an.5 (l)075js9.rdous was

7 Green Hospital Management

In addition, the Group encourages and supports the responsible use of materials. Through waste reduction measures from different sources, the Group expects to continuously reduce the generation of solid waste, such as encouraging employees to use recyclable and reusable products as much as possible and reusing stationery items such as envelopes and binders. In order to avoid excessive purchase of supplies, the Group will take inventory of various supplies and assess their consumption in a timely manner.

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. recorded a total output of non-hazardous waste of 4,844,600.00 kg, with an intensity of 102.89 kg per person; and a total output of hazardous waste, including medical waste, computers, used ink cartridges and used batteries, of 61,453.00 kg, with a density of 1.31 kg per person. The output of non-hazardous waste and hazardous waste increased compared to last year, mainly due to the increased scope of data collection for the Year. In the future, we will continue to monitor the output of waste and adopt waste reduction measures to reduce waste generation.

7.6 Response to Climate Change

Climate change has become a major challenge to the development of human society and the global political and economic landscape. As a healthcare service group, the Group is deeply aware of the adverse impacts of climate change on the health and safety of individuals and communities, which may also pose risks to our commitment to improving people's health and well-being. Therefore, we actively identify various climate risks and formulate corresponding climate risk mitigation measures to mitigate and adapt to the direct impacts of climate change. At the same time, the Group has set greenhouse gas emission targets to contribute to the mitigation of climate change by standardizing emission management and improving energy and resource utilization.

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

Entity Risk

Increased temperatures and extreme weather events, such as typhoons and rainstorms, may cause serious damage to hospital facilities and employee safety, disrupt medical services, affect stable operations and cause property damage. In addition, as temperatures rise, more refrigeration equipment will be used in hospitals, resulting in increased power demand and operating expenses. In order to cope with these severe conditions, the Group will actively develop emergency plans for extreme weather to ensure the provision of safety measures for employees and patients, while ensuring the normal operation of the hospital.

7 Green Hospital Management

Transition Risk

As countries actively commit to achieving carbon neutrality targets, we expect that governments may implement more stringent policies and measures to achieve emission reduction targets. This may cause us to face issues such as increased costs and fines for non-compliance, which may require us to replace more efficient equipment to ensure future compliance. At the same time, we may also face changes in market demand due to our inability to adapt to climate change, which may harm our reputation and reduce our competitiveness, resulting in property damage. In view of this, we will pay close attention to the updates of laws, regulations and policies related to the environment and take corresponding measures in a timely manner to ensure our compliance and business stability.

8 Building a Healthy Community Together

The Group has always adhered to its business philosophy of "It is More Blessed to Give than to Receive". While promoting the development of healthcare services, the Group has not forgotten to actively participate in social welfare activities. Through professional healthcare services, the Group is committed to promoting community health and is more looking forward to building a healthy community with people from all sectors. During the Reporting Period, the Group invested more than RMB3.17 million in social welfare projects.

8.1 Participate in the fight against the Pandemic

Case Sharing: Public welfare activities with the theme of "Support Pandemic Prevention"

During the Year, recurrent outbreak of the Pandemic has caused a large number of infection cases across the country, resulting in a very tight supply of fever reducing medicines. Among them, many frontline personnel responsible for environmental sanitation contracted fever due to work reasons, and therefore urgently needed fever reducing medicines and anti-epidemic supplies. In order to thank the frontline staff of environmental sanitation for their selfless efforts, the Party Committee of Wenzhou Kangning Hospital and the branch of Wenzhou Kangning Hospital of Peasants and Workers Party responded promptly and organized the collection of anti-epidemic materials such as masks, disinfectants and fever reducing medicines, hoping to help overcome the current difficulties. In this event, a total of 500 anti-epidemic kits were delivered to the personnel responsible for environmental sanitation to build a safety barrier against virus.

8 Building a Healthy Community Together

Case sharing: Fighting the Pandemic in a scientific way and organizing free online medical consultation

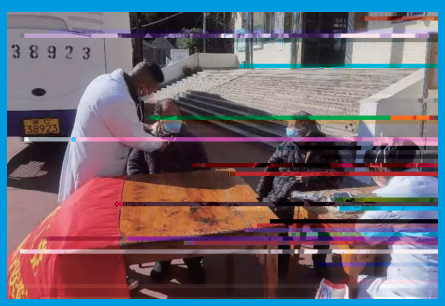
In response to the Notice on Promoting Internet Medical Services for COVID-19(《關於做好新冠肺炎互聯網醫療服務的通知》

8 Building a Healthy Community Together

8.2 Caring for Community Health

Case sharing: Charitable medical outreach program

Since the optimization and adjustment of the pandemic prevention and control policies, the number of patients in the fever clinics of medical institutions in various districts increased sharply, and it was particularly difficult for the elderly (especially those in nursing homes) to seek medical treatment. In order to better care for the elderly, we set up a voluntary medical outreach team to solve their problems in medical treatment and physical examination. We provided public welfare services for the elderly such as X-Ray and electrocardiogram examinations, physical examinations for common diseases of the elderly, and explanations on prevention and treatment of COVID-19 infections. At the same time, the mental health service volunteers of the Social Psychological Service Department of Wenzhou Kangning provided psychological counseling, psychological screening, psychological consultancy and other services for the elderly to help them alleviate the tension and anxiety during the epidemic.



8.3 Enhance Health Awareness

Appendix I: Sustainability Data Statement

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

	Unit	
Emissions[5]		
Nitrogen oxides (NOx)	kg	391.16
Sulphur oxides (SOx)	kg	1.95
Particulate Matters (PM)	kg	34.68
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	Tonnes of CO_2e	878.14
Indirect greenhouse gas emissions (Scope 2)	Tonnes of CO_2e	9,319.67
Total greenhouse gas emissions (Scope 1 & 2)	Tonnes of CO_2e	10,197.81
Greenhouse gas emissions per person[6]	Tonnes of CO_2e/person	0.22
Energy consumption		

3Tj7

enhoLiquefied pe (leum 0 Tcj/T10 1 Tf0 Tonnes of CO 1.95

6

Appendix I: Sustainability Data Statement

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

	Unit	
Total number of employees	Number	4,196
Number of employees by employee category		
Full-time employee	Number	4,196
Number of employees by gender		
Female employees	Number	2,795
Male employees	Number	1,401
Number of employees by employee rank		
Junior employees	Number	3,526
Middle management	Number	653
Senior management	Number	17
Number of employees by age group		
Employees aged under 30	Number	1,895
Employees aged between 30 and 50	Number	1,405
Employees aged above 50	Number	896
Number of employees by geographical region		
Employees from North China	Number	224
Employees from Northeast China	Number	178
Employees from East China	Number	3,497
Employees from Central China	Number	128
Employees from Northwest China	Number	23
Employees from South China	Number	146
Total employee turnover rate[7]	%	20.78
Employee turnover rate by gender		
Female employees	%	17.78
Male employees	%	25.73
Employee turnover rate by age group		
Employees aged under 30	%	21.00
Employees aged between 30 and 50	%	17.12
Employees aged above 50	%	57.33
Employee turnover rate by geographical region		
Employees from North China	%	31.67
Employees from Northeast China	%	21.89
Employees from East China	%	18.70
Employees from Central China	%	31.77
Employees from Northwest China	%	41.46
Employees from South China	%	31.16

7 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

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

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			Relevant sections
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7 Green Hospital Management - 7.2 Energy Management; 7.3 Water Resource Management; 7.4 Paperle 56 Td(including 4S-0.(3)Tj)s

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			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.	6 Professional Medical Team- 6.1 Employees' Employment; 6.2 Employees' Care and Welfare
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statement
B2: Health and safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6 Professional Medical Team- 6.3 Health and ScupatmPanagement
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6 Professional Medical Team- 6.3 Health and ScupatmPanagement
	B2.2	Lost days due to work injury.	6 Professional Medical Team- 6.3 Health and ScupatmPanagement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6 Professional Medical Team- 6.3 Health and ScupatmPanagement
B3：Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6 Professional Medical Team- 6.4 Cultivation of Medical Personnel
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6 Professional Medical Team- 6.4 Cultivation of Medical Personnel
	B3.2	The average training hours completed per employee by gender and employee category.	6 Professional Medical Team- 6.4 Cultivation of Medical Personnel

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			Relevant sections
B4: Labour standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6 Professional Medical Team-6.1 Employee Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6 Professional Medical Team-6.1 Employee Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	6 Professional Medical Team-6.1 Employee Employment
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	5 Standardizing Hospital Management-5.4 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	5 Standardizing Hospital Management-5.4 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5 Standardizing Hospital Management-5.4 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5 Standardizing Hospital Management-5.4 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5 Standardizing Hospital Management-5.4 Supply Chain Management

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			Relevant sections
B6: Product responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5 Standardizing Hospital Management- 5.1 Quality of Healthcare Services; 5.2 Management of Business Information
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the 556 Td(products and servicup opscltend serh0 -1.5

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index