

二十週年

20 YEARS ANNIVERSARY

ANNUAL ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

2017



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

(A joint stock limited liability company incorporated in the People's Republic of China)
Stock code: 2120

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1. About ESG Report

Wenzhou Kangning Hospital Co., Ltd. (“Wenzhou Kangning”) and its subsidiaries (“Kangning”, “the Group” or “we”) were established in 1996, with its head office located in Wenzhou City, Zhejiang Province, the People’s Republic of China (the “PRC” or “China”). It is primarily engaged in providing psychiatric specialty healthcare services, and is currently the largest private psychiatric specialty hospital group in China. As at 31 December 2017, the Group owned and managed 18 healthcare facilities, and the number of beds under operation and management was 4,550.

This report, as our second Environmental, Social and Governance Report (the “Report”), summarizes the principle and sustainable development concept adopted by the Group in the fulfillment of social responsibilities, expounds on relations between the Group and major stakeholders, and makes commitments and vision for its social responsibilities.

The Report is prepared in accordance with the ESG Reporting Guide (“the Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its contents also comply with the disclosure principle required in the Guide.

The Report mainly focuses on the Group’s core business and its overall performance in realizing sustainable development and fulfilling social responsibilities from 1 January 2017 to 31 December 2017 (the “Year” or the “Reporting Period”). Unless otherwise stated, the Report covers healthcare facilities of the Group located in the PRC.

The Group carried out the first calculation and reporting of sustainable development information in the Year, covering four key hospitals of the Group in operation, namely, Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd. It is hoped that the scope and depth of the coverage of environmental performance reports could be expanded in future to continuously monitor the sustainable development performance.

The Report is prepared in both traditional Chinese and English and released in the electronic form on the official website of the Company (<http://www.knhosp.cn/>) and the website of the Stock Exchange (www.hkexnews.hk). In case of discrepancy, the Chinese version shall prevail. Please refer to the section headed “Corporate Governance Report” in the annual report for detailed information about the corporate governance of the Group.

We welcome your opinions with regard to the Report. Please contact us via the following contact information for any inquiries or suggestions:

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2. Chairman's Statement

Dear stakeholders:

In 2017, with the constant deepening of the national healthcare reform policy and the continuous expansion of the mental health care service market, the Group's healthcare business also achieved rapid development. During the Group's stable development, we acknowledged its major responsibilities for the environment, society and people's well-being, thus we have been devoting resources to reviewing and improving the Group's policies on the environment, society and governance, proactively minimizing the potential impacts on the society and environment and improving our performance. In terms of environment, the Group paid an active attention to the impact of its operations on the environment and natural resources and formulated the Standards for the Enterprise's Operating Environment (《企業運營環境規範》) to encourage employees to make more effective use of resources in the business operations to cope with the global climate change.

With "human" as the core of hospital's sustainable development, talents are the significant strategic resources of the hospital. Therefore, the Group attached great importance to the employees' working environment and welfare by continuously optimizing the policies concerning employees' equal working environment and welfare. For instance, it established the women's federation and held regular meetings of employee representatives, so as to build up a working environment with mutual trust and maintain good labor relations.

With regard to the public welfare, we have also invested many resources in establishing several charity funds with a primary aim to offer relief for poor psychiatric patients in the community, while establishing educational development funds to sponsor the mental medical colleges and students, promote the development of scientific research for the psychiatric specialty in the industry, and enhance the development of the Big health industry.

Looking forward, by virtue of the great opportunity that the government encourages social capital to invest in medical institutions, the Group will continue to put efforts in the psychiatric specialty healthcare field through strengthening discipline construction and personnel training as well as improving the network of medical institutions. Meanwhile, the Group will always integrate the concept of sustainable development with its overall strategies, policies and business plans, in order to promote the efficiency of environment, social and governance, enhance the Group's influence and competitiveness in the society, provide better healthcare services for the patients and contribute our efforts to the realization of the strategic goal of healthy China.

Guan Weili

Chairman of the Board

Zhejiang, the PRC

July 2018

3. Sustainable Development Strategy

Following the concept of “better to give than to take,” Kangning attaches importance to the corporate social responsibilities in the business operation, and proactively reduces possible impacts on the environment and society. Based on the exchange of opinions with stakeholders via various channels, the Group has formulated its sustainable development strategy, comprising four categories, i.e., protection of people’s health, professional caring team, green and low-carbon culture and giving back to the public welfare of the community.



We identify different stakeholders, including investors/shareholders, customers, employees, government and regulatory authorities, suppliers and the public, listen to and understand their concerns in an open and active manner, and determine the scope to be covered by the Report relating to environmental, social and governance. We also continuously communicate and exchange opinions with stakeholders to understand their opinions and expectations and establish long-term and mutual-trust relations.

Stakeholder	Expectations and vision	Mode of communication
Investors/Shareholders	Compliance Company value enhancement Information transparency Effective communication	General meetings Interim and annual reports On-site reception Email
Customers	Customer service Customer complaint Medical service quality and safety	Customer satisfaction survey Customer complaint
Employees	Remuneration and welfare Occupational health and safety Training and development	Employees' activities Regulatory mechanism Training and assessment
Government and regulatory authorities	Compliance transparency and governance	Meeting On-site investigation Announcement
Suppliers	Transparent procurement Fair competition	Supplier evaluation
Public	Community service	Voluntary diagnosis activities

3.1. ESG Organization System

Integrating the sustainable development concept with its overall strategies, policies, and business plans, the Group established the special team responsible for the environment, society and governance to better manage relevant risks in the environment, society and governance, and promote the implementation of various environmental, social and governance policies by each department.

According to the Notification Concerning the Establishment of Special Team Responsible for the Environment, Society and Governance, the board of directors shall bear all the liabilities for the Group's environmental, social and governance strategies and reports, and lead the special team composed of the executive directors, general manager and representatives from main departments of the Group to make summary and reports to the board of directors on a regular basis, in order to provide assistance for the evaluation and determination of the effectiveness of the environmental, social and governance risk managements and internal monitoring system.

In addition to the implementation and promotion of the Group's sustainable development work, the special team responsible for environment, society, and governance mainly has the following responsibilities:

- Reviewing and supervising the Company's policies related to significant environmental, social and governance matters, relevant management, and performance;
- Enhancing employees' consciousness of environmental protection and social responsibilities;
- Promoting the implementation of various environmental, social and governance policies of each department;
- Reviewing and inspecting the Group's environmental, social and governance policies and routine matters;
- Ensuring the Group complies with relevant laws and regulatory requirements, supervising and responding to the latest environmental, social and governance topics; and
- Proposing relevant suggestions to the board of directors, and enhancing the Group's performance in the environment, society, and governance.

4. Protection of People's Health

With the vision of "Professional care for people's mental health", and the core values of "Respect and care for life and humble service", the Group continuously provides quality and wholehearted medical service for patients and their family members.

4.1. Protection of Patients' Safety

Our commitment to quality and safety of medical service is always top priority. The Group constantly strives to improve its medical service quality and perfect the quality control and management system. We strictly abide by the Administrative Regulations on Medical Institutions (《醫療機構管理條例》) and relevant laws and regulations and all the medical institutions of the Group have obtained the Medical Institution Business License. As we mainly serve patients with mental disorders, we have also developed systems such as the Medical Management Volume (《醫療管理分冊》) and the Nursing Management Volume (《護理管理分冊》) for the diagnosis and treatment of mental disorders in accordance with the Mental Health Law of the PRC (《中華人民共和國精神衛生法》), in order to regulate the work procedures of doctors, nurses and other medical care personnel to ensure the safety of patients.

4.2. Protection of Patients' Privacy

The Group attaches high importance to information security and protection of patients' privacy and adopts strictest standards in strengthening its information infrastructure and protecting patients' information. We have formulated rules such as the Protective Medical Rules and Rules for Protecting Patients' Privacy (《保護性醫療制度和保護病人隱私制度》) and Rules for Protecting Patients' Privacy, Respecting Patients' National Customs and Religious Beliefs (《保護患者隱私、尊重患者民族風俗和宗教信仰制度》), specifying the restrictions on collection, use and disclosure and procedures for maintenance of patients' information.

In addition, we have established the Information Management Committee to improve our information safety system and ensure our capabilities to protect the information system. Meanwhile, we have also set up the Information Working Committee for considering and making decisions on information safety issues of the Group. Only the relevant departments can have access to patients' information and each employee shall obtain proper approval from the superior before access to patients' information.

4.3. Anti-corruption

The Group is committed to anti-corruption with special focus on professional ethics of our medical staff, and strictly complies with relevant laws and regulations issued by the PRC government authorities, including the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Code of Conduct for the Practitioners of Medical Institutions (《醫療機構從業人員行為規範》), the Notice on Printing and Circulating of "Nine Prohibitions" for Strengthening Ethical Conduct in the Healthcare Industry (《關於印發加強醫療衛生行風建設「九不准」的通知》) and the Provisions on the Establishment of Commercial Bribery Records in the Purchase and Sale of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》). We implement zero-tolerance policy towards any acts of accepting bribes by medical staff in our hospitals. In addition, we have developed whistle-blowing procedures, including special hotlines and dedicated e-mail addresses, to accept reporting on corruption issues, with a view to preventing illegal activities such as money laundering and corruption. In 2017, there was no record of any corruption, bribery, fraud and money laundering and other misconducts for the Group.

4.4. Handling Patients' Opinions

The Group values patients' opinions and rights to drive for healthy business development. We have established different channels for patients or their families to express opinions or complaints. Upon receipt of inquiries or complaints, relevant departments will contact the patient to confirm the situations, claims, key facts and reasons of the complaint, and ensure that the opinions and complaints received will be responded and followed up properly according to the established complaint handling procedures. We will review and optimise the complaint management system on a regular basis so as to maintain the reputation and image of the Group.

4.5. Supplier Management

The Group emphasizes the supplier management, and strictly complies with the Drug Administration Law of the PRC(《中華人民共和國藥品管理法》), Regulations for Implementation of the Drug Administration Law of the PRC(《中華人民共和國藥品管理法實施條例》), Regulations for the Control of Narcotic Drugs and Psychotropic Drugs(《麻醉藥品和精神藥品管理條例》), Regulations for the Supervision and Administration of Medical Devices(《醫療器械監督管理條例》) and Management Provisions for Medical Device Distributing Enterprise License(《醫療器械經營企業許可證管理辦法》). We have also established the Procurement Management System (《採購管理制度》) to improve the accuracy and controllability of the material procurement, standardize and supervise the procurement activities.

In order to strengthen the anti-bribery management in the major procurement processes, we made revisions to the Contract Management System of Wenzhou Kangning Hospital Co., Ltd. (《溫州康寧醫院股份有限公司合同管理制度》), stipulating that the corresponding department shall carry out the anti-bribery and anti-corruption responsibility system for procurement contracts. As for the contract with a total amount exceeding RMB100,000, we shall review the independence of suppliers and enter into an anti-commercial bribery agreement.

When selecting suppliers, we not only evaluate their products, service quality, reputation and cost, but also check whether they make any commitment to compliance with laws and regulatory rules, and fulfillment of environmental and social responsibilities.

4.6. Respect for Intellectual Property Rights

In accordance with the laws and rules related to advertisement and intellectual property right such as the Advertising Law of the PRC (《中華人民共和國廣告法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and the Intellectual Property Law of the PRC (《中華人民共和國知識產權法》), the Group stipulates that all publicly available product and business information shall pass strict inspections to guarantee all the brand advertisements can convey complete, authentic and accurate information to the public without any false or misleading product descriptions, or infringements upon others' rights such as intellectual property rights, patent rights, and copyrights.

The Group has requirements for intellectual property rights in the internal operation, as well as strict standards for the selection of external suppliers. Suppliers shall guarantee all the technological and development achievements submitted during cooperation will not infringe upon any legitimate rights of any cooperative manufacturers such as the patent right, trademark right, and copyright. In case of violations by suppliers, we will consider suspending the cooperation.

5. Professional Caring Team

We regard employees as the most valuable assets and realize mutual growth with employees following the people-oriented management idea. The team provides the most dignified medical care for patients in the spirit of “humble service”. Committed to providing a safe, healthy and ideal working environment for employees, we have formulated the Manual of Hospital Employees, stipulating on employees’ welfare, rewards, punishments, recruitment, work-related injuries, education, and training, in order to entitle employees to provide service for the Company and realize professional development under a fair system. We were honored as 2016 Top Ten Best Employer of Private Hospital among Chinese Medical Institutions by Dingxiangyuan in 2017.

5.1. Overview of Fair Employment

We devote ourselves to providing a harmonious, tolerant, fair and non-discriminatory working environment. We have strictly complied with the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and formulated human resource policies in strict accordance with relevant laws and regulations. In order to improve the transparency, we have formulated the Recruitment and Employment Management System (《招錄管理制度》). Following the basic principle of “openness, fairness, and justice,” we only consider the educational background, working experience, training experience and skills regardless of the gender, marital status, family situation or disability during the recruitment of new employees. In screening and selection process, the HR Department will strictly examine the qualification of candidates with unified screening procedures to guarantee fair and just employment procedures and prevent employment of child labor. In addition, we also appraise employees’ performance, capabilities, dedication, and morality objectively on an annual basis in accordance with the Management Measures of Annual Appraisal of Employees (《職工年度考核管理辦法》), as the basis for the year-end bonus, salary adjustment, and promotion.

As at 31 December 2017, we had 1,298 employees, including 468 male employees and 830 female employees.

Total number of employees (by age)

<30 years old	Number	591
30-50 years old	Number	489
50+ years old	Number	218

In order to reduce the employee turnover, we will proactively have a face-to-face interview with employees who intend to quit the job to understand relevant reasons and identify and improve deficiencies in the corporate management. The employee turnover rate during the Reporting Period was 16.2%.

Meetings of Employee Representatives

Attaching great importance to relations with employees, the Group has proactively maintained effective communication with employees at various levels, established a mutual-trust working environment and maintained good labor relations. We deliberate, discuss and confirm the excellent figures of the year with employees on an annual basis at the meetings of employee representatives established in 2012. The 2017 meeting of employee representatives was held in March 2017, adopting the Work Report of Wenzhou Kangning Hospital and Work Report of Receipts and Expenses of Labor Union Expenditures of Wenzhou Kangning Hospital Co., Ltd. in 2016 by voting. Moreover, we also have constant communication channels for employees to freely express their opinions, and convey feelings of the common people to the higher authorities. Employees may voice their opinions on the Company to HR Department over the phone or in person, which can enhance the communication between employees at various levels.



2017 Meeting of employee representatives

Establishment of Women's Federation

The Group highly emphasizes and supports the career development of female employees. Female employees account for more than half of the total employees, and most of them work at the frontline posts, so they are the major force promoting the development of the Group. Therefore, we formally established the women's federation in November 2017 and solemnly held the first female meeting of employee representatives. The federation provides a platform for female employees to enhance their qualities and provide mutual assistance for others. We believe that the women's federation can give better play to the active role of female employees in participating in decision-making, protecting rights, enhancing efficiency and promoting development.



Establishment of Women's Federation

5.2. Employees' Salary and Welfare

For the purpose of attracting and retaining talents of high caliber, we are committed to providing fair and competitive remuneration and benefits to employees to recognize their outstanding performance and enhance their sense of achievement and belonging. We have comprehensive Employees' Remuneration System (《员工福利制度》) in place, and the HR Department will update the policies on benefits and remuneration on a regular basis.

We highly emphasize employees' benefits and arrange employees' working hours and overtime pay in strict compliance with the Labor Law of the PRC (《中华人民共和国劳动法》). In addition, we provide benefits for employees better than minimum requirements stipulated in the law. According to our established Management Measures for Asking for and Taking Leaves (《请休假管理办法》), in addition to the paid annual leave, sick leave, personal leave, maternity leave and occupational injury leave for all staff, the Group also offers abortion leave and breastfeeding leave for female employees in a better understanding of their need and paternity leave for male employees. Employees are also entitled to various allowances and perks, including five social insurances and one housing fund stipulated in the Social Insurance Law of the PRC (《中华人民共和国社会保险法》), i.e., pension insurance, maternity insurance, work-related injury insurance, unemployment insurance, medical insurance and housing provident fund. In daily work, we also provide food allowance, night meal allowance, high-temperature allowance in summer, birthday allowance, festival allowance and housing allowance.

Moreover, we hold diversified activities from time to time for employees, including basketball and football league matches, microfilm shooting, voluntary blood donation, voluntary service and large-scale anniversary parties, in order to help them have a balance between work and life and build team spirit. Outstanding employees will be invited to travel in Boracay Island in the Philippines in recognition of their contributions to the Company. In addition, last summer, we opened the “Happy Summer” child care center for employees’ children, for the purpose of reducing working parents’ burden.



Volunteer Team for Psychological Services



Celebration of the 20th Anniversary



Outstanding Employees Travelling in Boracay Island



Summer Holiday Child Care Center for Employees’ Children

5.3. Employees' Health and Safety

Employees in healthcare industry are more susceptible to occupational hazards. In view of this, we have established a comprehensive supervisory mechanism and allocated sufficient resources to provide a safe working environment for our staff and guarantee their health while keeping their working process under supervision. We have established a Medical Treatment Supervision Department and Nursing Safety Committee, made continuous summary and improvement, and improved medical care rules, in order to guarantee the safety of medical staff. In addition, we also offer a series of learning plans for medical staff, covering topics such as current situation and coping skills in respect of violence at workplace, self-improvement of our male psychiatric nurses, nosocomial infection management, service quality training, work-related stress and mitigating ways of nurses, and identification of high-risk patients, in order to enhance employees' understanding of safety at workplace.

In addition, we establish our security system based on the Fire Protection Law of the PRC (《中華人民共和國消防法》) and Administrative Regulations of Fire Control Supervision of Construction Works (《建設工程消防監督管理規定》), and engage a qualified third party to conduct the design of fire prevention facilities and use construction materials that meet the standard of fireproof performance, in order to protect the safety of employees and patients. Relevant facilities will not be used until they pass the inspection by the Firefighting Department. We have carried out fire drill in accordance with the requirement of the Firefighting Department, to enhance the fire prevention awareness of the whole staff and improve our fire evacuation equipment.

In terms of employees' health, employees who have worked at the Group for one year or above are entitled to an annual physical examination at the cost of the Group. In addition, we are concerned about employees' mental health and suggest that the employee in bad mood receive psychological assistance at the mental health center, which is free for our staff, at any time.

According to above policies and measures, we didn't have any sever accidents involving work-related deaths of employees during the Reporting Period.

5.4. Employees' Cultivation and Development

The Company emphasizes employees' cultivation and development and hopes to establish a professional team with the spirit of "humble service", in order to maintain its status as the largest private psychiatric specialty hospital in China. Thus, we have provided skill training and assessment for employees in accordance with the Education and Training Measures(《教育訓練辦法》), in order to guarantee the medical technology of the Group. In addition, we also provide a series of quality training and professional development opportunities for employees. Employees with outstanding performance and great potential are entitled to short-term advanced study and exchange with other domestic cities. Financial support is also offered to encourage employees to continuously carry out scientific research, and lead the development of the psychiatric specialty in the industry. The following is extracted from the training program in 2017:

Training program	Training purpose	Training contents
Business learning of the Nursing Department/operation assessment plans	Regularly guarantee nurses can be eligible enough to provide quality and professional service for patients, and indicate new employees can rapidly adapt to the changeable culture of the hospital.	Systematic assessment of nursing theories and technical operation of nurses; theoretical assessment shall be conducted every half a year, covering basic nursing, surgical nursing, and medical nursing; technical operation assessment shall be conducted every quarter, covering the venous indwelling needle, cardiopulmonary resuscitation, gastric lavage and sputum suction. The theoretical assessment and technical operation assessment have different requirements. Nurses shall pass exams and those fail in the exam shall take a make-up examination.
Business learning plans of the Nursing Department	Enable nursing staff to understand more knowledge than medical theories, and help them solve difficulties in the work.	15 times of business learning were carried out in the reporting period, during which different lecturers were invited to teach different topics such as hospital infection management, identification of high-risk patients and communication between nurses and patients.

Training program	Training purpose	Training contents
External learning plans	Enable nursing staff to have advanced learning in other hospitals, and apply practical experience to the Group.	164 times of external learning were provided for nursing staff during the reporting period, which helped them exchange opinions with other domestic nursing staff.
Business learning plans of physicians	Provide a platform for physicians to have medical exchanges, and understand the latest medical knowledge.	13 times of business learning were conducted during the reporting period, during which different lecturers were invited to give lectures on different topics such as Healthy China 2030, diagnosis and treatment guidelines for obsessive compulsive disorder and teaching of round standards. Sino-US training activities were held in June and August, during which Chinese and American physicians exchanged medical care experience with each other.
Scientific research scheme	Encourage employees to carry out scientific research projects, and lead the development of psychiatric specialty in the industry.	Kangning's medical staff are currently preparing for 10 scientific research projects, which are expected to be completed at the end of 2020.

6. Green and Low-carbon Culture

Proactively focusing on impacts of operating activities on the environment and natural resources, the Group has formulated the Enterprise Operation Environment Standards (《企業運營環境規範》), and encouraged employees to use resources during business operation in a more effective manner in response to global climate changes.

The global climate changes is a global topic that must be mindful. 195 countries worldwide had entered into the Paris Agreement (《巴黎協議》) in respect of undertaking to control the global warming, keeping the increase in global average temperature to well below 2 °C within the century, and further control the increase below 1.5 °C on the above basis, committed to deliver the idea that realize the green and low-carbon, climate adaptation and sustainable development in the whole world. The Group is committed to stop the global warming by fulfilling responsibilities set forth in the Paris Agreement and important policies such as the National Planning in Response to Climate Changes (2014-2020) (《國家應對氣候變化規劃(2014-2020年)》) and National Strategies in Response to Climate Changes (《國家適應氣候變化戰略》).

As a responsible enterprise, we carried out the first investigation of greenhouse gas emissions of the Group in accordance with the Greenhouse Gas Protocol jointly developed by World Resources Institute and World Business Council for Sustainable Development and ISO14064-1 determined by the International Standardization Organization. The investigation covers four hospitals under key operation (i.e. Wenzhou Kangning Hospital, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd. and Wenzhou Yining Geriatric Hospital Co., Ltd.). The summary of greenhouse gas emissions during the reporting period are as follows:

Summary of greenhouse gas emission		Unit	Quantity	Percentage
Scope 1	Direct greenhouse gas emission	Tonnes of carbon dioxide equivalent	309.90	5.76%
Scope 2	Indirect greenhouse gas emission caused by energy usage	Tonnes of carbon dioxide equivalent	4,953.22	92.10%
Scope 3	Other indirect greenhouse gas emission	Tonnes of carbon dioxide equivalent	115.02	2.14%
Total emissions of greenhouse gas		Tonnes of carbon dioxide equivalent	5,378.15	100.00%

Summary of greenhouse gas emission	Unit	Quantity
Floor area per m² (Scope 1, 2 & 3)	Tonnes of carbon dioxide equivalent/per m² of floor area	0.04
Per employee (Scope 1,2 & 3)	Tonnes of carbon dioxide equivalent/per employee	4.14

Scope 1: Direct greenhouse gas emission produced by sources owned and controlled by the Group.

Scope 2: Greenhouse gas emission indirectly caused by the power generation, heat supply, cooling or steam purchased by the Group.

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

After the investigation, our greenhouse gas emissions could be divided into direct emission (Scope 1) and indirect emission (Scope 2 and 3). The greenhouse gas emissions of various scopes are respectively produced by the fuel consumption of the Group, fuel oil used by its vehicles (Scope 1), power consumption in operation (Scope 2), plane emission, waste landfill and paper consumption during business trips (Scope 3), etc.

The Group didn't have any significant accidents that had adverse impacts on the environment and natural resources, and any environment-related punishments or litigation. The Group carried out the first calculation and reporting of greenhouse gas emissions to its offices this year. It is expected that the Group could expand the scope and depth of the coverage of environmental performance reports, bear responsibilities on the environment and society, and continuously monitor the sustainable development performance. In next year, it will make detailed analysis and review of the greenhouse gas emissions, and then compare with the performance of the current year to reduce the energy consumption, greenhouse gas emission and resource usage, enhancing the overall performance of environmental protection of the Group.

6.1. Green and Low-carbon Buildings

While reviewing the greenhouse gas emissions, the Group has also made efforts to save resources and reduce pollution in the site selection and establishment of new hospitals, preliminary dismantlement, planning, design, construction and debugging, with an aim to providing a healthy, comfortable and efficient space, thereby realizing harmonious co-existence with nature.

We strictly comply with the laws and regulations related to the discharge of pollutants and environmental protection such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》). Before we select locations for new hospitals, we will engage a qualified construction consultant to conduct environmental impact evaluation and environmental proposal design, and commence construction upon approval from the local environment authority for the environmental appraisal on the new hospital.

Construction waste and domestic garbage management

Prior to formal commencement of construction, we have formulated and implemented the construction waste management plans, in order to identify the type of recycled materials and determine whether the materials can be classified for on-site collection. Contractors are prohibited to pile up without permission or discharge construction waste into waterway or other sites nearby. Contractors are strictly guided to gather domestic waste at fixed locations and not to pile up and abandon arbitrarily, so as to reduce the impact on the environment.

Management of construction sewage and domestic wastewater

All the construction sewage produced on the construction site shall go through the sedimentation tank for discharge. Therefore, we establish sedimentation tanks at the mixing plant, concrete pump and transport vehicle cleaning station on the construction site, in order to guarantee that the sewage will not be directly discharged into the municipal sewage pipe network. Secondary sewage sedimentation tanks are established on some construction sites for recycling such as watering and dust removing. We also entrust contractors with regular removal of sediments in sedimentation tanks to maintain the normal operation of the sedimentation tanks. In terms of domestic wastewater management, we adopt the new-generation domestic wastewater management program, which enables the treated wastewater to be used as the supplement for the circulating cooling water, to water flowers and flush toilets, in order to enhance the water usage efficiency.

Pollutants and other pollution

We have formulated and implemented the air quality management plans during the construction period including protection of decoration materials, closure of passages, air-conditioner pipeline cleaning and protection, in order to minimize the impact on the environment.

The Group has established cleaning facilities at the entrance and exit of the construction site to clean every vehicle departing from the site, in a bid to prevent the pollution caused by the dust particles to the air. In addition, employees are required to cover the dusty materials such as cement, lime and soil during transportation, in order to prevent dust.

We protect the topsoil by storing and recycling soil, and confirm there are not any hazards or other sources of pollution on the site, in order to prevent the soil loss due to storm flow or weathering during the construction.

Internal design

In the internal design, all the oil paints and coatings used in the construction have passed the national quality inspection and are low-volatility materials. During the building system debugging, we also focus on the heat supply, ventilation, air-conditioning and refrigeration system (HVAC&R), electrical system, automatic building control, lighting control and air quality, in order to minimize the impact on the environment, and enhance users' satisfaction.

6.2.Green and Low-carbon Hospitals

The Group proactively advocates green and environment-friendly offices and tries to make greater contributions to the environmental protection by taking measures for reduction of greenhouse gas emissions and improvement of energy efficiency such as saving energy, implementing water resource management, waste recycling and paperless office in operation. It applied for the inspection and acceptance of completed environmental protection and obtained a Pollutant Discharge Permit in strict compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) within three months after the commencement of operation of a hospital. We have adopted the following measures to reduce the impact of emissions on the environment:

Electricity and energy conservation

In order to reduce the energy consumption in operation, we have formulated the Administrative Regulations on Electricity Utilization (《節約用電管理制度》) and have promoted saving electricity to employees in hospitals and offices.

The Group started in lighting systems by dividing the hospital into several lighting areas and establishing the lighting switches with independent control. Unnecessary lights may be turned off flexibly when patients don't need the lighting or employees are off work, away from seats, out for work or lunch. We will check the luminosity at different positions of the office on a regular basis, and reduce the number of modulator tubes at the place where the luminosity is higher than required, in order to reduce the energy consumption. The reduced modulator tubes will be recycled to replace the waste ones, in order to prevent waste.

The air-conditioner is one of the equipment with the highest power consumption, so we adopt the water-cooled air-conditioning system and avoid the installation of air-conditioners at the position directly in the sunlight, in order to enhance the energy efficiency. It is stipulated that air-conditioners should only be turned on only if above 34 degrees in summer or below zero degree in winter, and employees are encouraged to turn off the air-conditioner when they are away from the office.

Energy consumption

Total power consumption	kWh	7,040,829.38
Total intensity of power consumption (per m ² of floor area)	kWh/m ² of floor area	54.17
Total intensity of power consumption (per employee)	kWh/employee	5,424.37

Fuel consumption conservation

In order to reduce the fuel consumption, the Group regularly carries out inspection and maintenance of the fleet. Measures to keep proper air inflation and improve the automobile efficiency are carried out to reduce fuel oil consumption and emission of pollutants. We also offer adequate training for drivers to prevent idling engine and improve fuel oil efficiency.

Fuel consumption

Diesel consumed by the fleet	Tonnes	17.95
Gasoline consumed by the fleet	Tonnes	45.03
Liquefied petroleum gas consumed	Tonnes	27.13
Diesel consumed	Tonne	0.70
Liquefied natural gas consumed	Tonnes	18.10

Water conservation

Confronted with the crisis of the scarcity of global water resources, the Group has formulated the Management System for Water Supply (《供水管理制度》), and sewage is divided into domestic sewage and special wastewater in the hospital. We have adopted advanced sewage treatment system for sewage treatment and the sewage can only be discharged when it met the Standard for Sewage Discharge by Medical Institutions (《醫療機構污水排放標準》) (GB18466-2005).

We have established the “leading group for the water supply management of hospital”, and designated professional technicians to be responsible for the management, coordination and direction of different kinds of water supply in the Group. We have established and improved relevant management system to guarantee the normal water supply of the Group. Moreover, we monitor the sewage every day and maintain the drainage system on a regular basis in order to keep the sewerage system functioning properly and ensure the legal discharge of sewage.

We also encourage all staff and inpatients to cultivate the water saving awareness and implement “the user pays” practice by charging them fees based on the actual usage shown on individual water meters. Labels are posted in the toilets to remind users to save water, and equipment with the water-saving label and infrared sensing are installed, in order to save the domestic water.

Water consumption

Total water consumption	m ³	235,352.00
Total intensity of water consumption (per m ² of floor area)	m ³ /m ² of floor area	1.81
Total intensity of water consumption (per employee)	m ³ /employee	181.32

Paperless office

Case

Cloud Office Series

In order to build a green and paperless office, the Group has developed its own customised mobile office platform “Cloud Office Series” with multiple functions including cloud communication, cloud storage, cloud approval, which significantly reduce the cost of paper consumption and improve the efficiency of the operation process with a full electronic document management system.

Cloud communication

The cloud communication allows our employees to easily access the contact information needed with a tap of fingers and enables timely synchronisation of updated contacts. It replaced the paper-printed contact books, saving the every-other-year printing and disseminating work by realising paperless contacts.

Cloud storage



Cloud storage allows our employees to upload individual and department documents online and share them with others. Official documents of the Group can be directly sent to relevant employees via the cloud storage without printing and distributing paper ones, and access to the shared files can be monitored in real time.

Cloud approval



The Group integrates its existing personnel management, finance, supplies and information approval processes in the WeChat platform to achieve information-based management on all relevant procedures. Employees can submit applications for approval via their mobile devices, which will be immediately sent to the approvers who can then action conveniently even when they are out of office. Such paperless approval process aids our hospitals in moving towards a green office environment.

*Case***Paperless electronic medical record**

Printing and copying of medical records and testing reports, mainly in the clinical departments, account for a largest portion of the paper consumption in our hospitals. We have been striving to transform from printing paper medical records to using paperless electronic records. Medical records made by our medical staff are now stored electronically and can be accessed whenever necessary. As needed, the electronic records will be printed at the request of the patients or their families.

In addition, the Group developed the Regulation on Use of Office Paper (《辦公用紙規章》) to encourage employees to reduce paper consumption. Meanwhile, multi-function printers are used to replace general office equipment, without the need of buying a separate printer, copier, scanner and fax machine and helping to enhance energy efficiency. In order to encourage employees to print double-sided or use recycled paper, we preset the employees' computer and printers to default ink-saving and double-sided printing, posted reminders next to each photocopier and encourage employees to send messages via electronic communication technology whenever possible to reduce paper consumption.

Paper consumption

Paper consumption	Piece	5,493,740.00
Intensity of paper consumption	Piece/employee	4,232.47

Waste management

The Group established and improved the waste management procedures, and engaged a qualified professional collection and transportation company recognized by the government to dispose the waste in strict accordance with laws and regulations related to waste such as the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), the Regulations on the Prevention of Solid Waste Pollution in Zhejiang Province (《浙江省固體廢物污染防治條例》) and the Implementation Measures of the Management of Medical Waste for Medical Institutions (《醫療衛生機構醫療廢物管理辦法》).

The collection and transportation company shall provide a unified standard of special packaging containers and bags for collection of medical waste of the Group with medical waste warning signs clearly labeled on the containers. When transporting large-scale mobile collection boxes or packaging containers, we shall guarantee that containers are covered and fastened firmly, and the inner packing being sealed before putting into those containers for medical waste. All the large-scale mobile collection boxes, whether carrying waste or not, shall be fastened into the collection vehicles, in order to prevent the slide or turnover in the transportation. We are also equipped with sufficient safety equipment, pollution removing and cleaning tools and articles (such as individual protective clothes, standby plastic bags, sharp object collection boxes, sanitizers, particle absorbents, brushes, mops, shovels and buckets) to handle spillage accidents.

Medical waste must be classified for collection, treated separately, stored in designated places and supervised by a designated person as required. All medical waste shall be disposed by a professional collection and transportation company, and it shall complete registration with a signature during work handover.

In order to reduce the waste production in office and life, we will firstly evaluate the material quantity before procurement of office supplies, in order to avoid overstock. If there is any need for purchase of materials, we will give priority to the products that can be recycled or replenished, reducing the use of disposable or unrecyclable products. Employees are encouraged to repeatedly use the envelopes, folders, file cards and other stationery. We have also set guidelines for garbage classification in the office, and encouraged employees to classify materials for recycling such as metal cans, plastic products and waste paper, in order to reduce domestic garbage.

Non-hazardous waste

Quantity of non-hazardous waste	Tonne	92.22
Quantity of non-hazardous waste	Kiloliter (liquid)	36.40
Recycled quantity of non-hazardous waste	Tonne (solid)	21.18
Recycled quantity of non-hazardous waste	Kiloliter (liquid)	1.13
Intensity of non-hazardous waste (each employee)	Tonne/employee	0.07
Intensity of non-hazardous waste (each employee)	Kiloliter (liquid)/employee	0.03
Hazardous waste		
Quantity of hazardous waste	Number of computer	28

Reduction of business trips

We are well aware that business trips can cause more greenhouse gas emissions. Therefore, we encourage employees to replace unnecessary business trips with video conferences, and choose the direct-route flight for unavoidable business trips, in order to reduce the greenhouse gas emissions.

Business trips by plane

Business trips by plane	Tonnes of carbon dioxide equivalent	44.00
Intensity of business trips by plane	Tonnes of carbon dioxide equivalent/Employee	0.03

7. Giving Back to Public Welfare of the Community

The Group endeavors to serve the community and fulfill social responsibilities while pursuing for business development. We have organized different types of social affairs to communicate with social circles and build a beautiful and harmonious community. In 2017, we were honored the “China Red Cross Humanitarian Service Medal” by Chinese Red Cross.

7.1. Precision Assistance Project

We have carried out “voluntary diagnosis” in different communities for several times this year, such as the Fenglin Town Community Service Center and Guoxi Street Service Center, in order to further carry out the health and poverty relief and provide high quality and convenient medical service for the public, enabling them to “receive medical advice at their doorstep”. In addition, we held different theme activities in different months such as “Mental stress analysis and detection”, “musical treatment experience activity”, “sleeping cognitive behavior therapy workshop” and “opening day of hospital”, which enabled citizens to experience professional diagnosis and suggestions of doctors, and enhanced their knowledge of mental and psychotherapy and preventive consciousness.

On 10 October 2017 - World Mental Health Day, we held the opening day activity and designated medical care staff to establish the voluntary diagnosis station and psychological counseling station of the psychiatry department to provide mental health service for citizens, listen to their appeals and make an appointment of outpatient service; meanwhile, we popularized various mental health knowledge to citizens and bring the concept of “sharing health resources and building a harmonious family” to the community by placing publicity page, issuing health science popularization and making award-winning quiz about health knowledge.



Opening Day Activity of the Hospital

7.2. Cultivation of Medical Talents

We established a psychiatry school (the “School”) jointly with Wenzhou Medical University to cultivate psychiatric talents for the society. We provided fixed assets such as venues, houses and facilities free of charge to the School for its scientific research and teaching and agreed to donate RMB20 million in aggregate to the School. Boasting rich psychiatric clinic education resources, we can provide adequate faculty for the School, and invite domestic and foreign first-class experts and professors to engage in part-time or full-time teaching, scientific research and academic activities in the School.

7.3. Promotion of Industry Development

We always remember our initial intention and responsibility to promote the progress and development of the whole industry. We held several significant exchange activities in the industry during the year, making contributions to the development of the psychiatry in China.

In order to further enhance the concern over children’s mental health, the Group held the Kangning International Psychiatry Forum & Mental Health Week of Wenzhou Medical University jointly with the Psychiatry School of Wenzhou Medical University in September 2017, during which domestic and foreign experts on children’s mental health including the Chairman of World Child & Adolescent Psychiatry Association were invited, and over 400 industrial experts gathered together to discuss about the leading opinions and clinical practice in the field of children’s mental health. It established a platform for the exchange between psychiatric doctors and mental health experts.



Kangning International Psychiatry Forum & Mental Health Week of Wenzhou Medical University

In December 2017, we organized the Founding Conference of the Specialized Psychiatric and Mental Committee of Chinese Non-government Medical Institutions Association (CNMIA) & Psychiatric Practice and Management Summit Forum hosted by CNMIA, during which nearly 200 psychiatric and mental health experts nationwide had a further understanding of the development and prospects of the psychiatric and mental health, which initiated new thoughts on the future development of medical treatment.



Founding Conference of the Specialized Psychiatric and Mental Committee of Chinese Non-government Medical Institutions Association (CNMIA) & Psychiatric Practice and Management Summit Forum

8. Appendix: SEHK ESG Reporting Guide Content Index

Index content			Relevant sections
A. Environment			
A1: Emissions	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green and low-carbon culture
	A1.1	The types of emissions and respective emissions data.	Green and low-carbon culture, Abstract of sustainable development information
	A1.2	Greenhouse gas emissions in total and intensity.	Green and low-carbon culture, Abstract of sustainable development information
	A1.3	Total hazardous waste produced and intensity.	Green and low-carbon culture, Abstract of sustainable development information
	A1.4	Total non-hazardous waste produced and intensity.	Green and low-carbon culture, Abstract of sustainable development information
	A1.5	Description of measures to mitigate emissions and results achieved.	Green and low-carbon buildings, Green and low-carbon hospitals
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green and low-carbon buildings, Green and low-carbon hospitals
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green and low-carbon culture
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Abstract of sustainable development information
	A2.2	Water consumption in total and intensity.	Abstract of sustainable development information
	A2.3	Description of energy use efficiency initiatives and results achieved.	Green and low-carbon buildings, Green and low-carbon hospitals
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green and low-carbon buildings, Green and low-carbon hospitals
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	N/A, the Group's business didn't involve packaging materials
A3: Environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Green and low-carbon culture
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green and low-carbon culture

Index content			Relevant sections
B. Social			
B1: Employment	General disclosure	Information on the policies and 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.	Overview of fair employment, Employees' salary and welfare
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Overview of fair employment, Employees' salary and welfare
	B1.2	Employee turnover rate by gender, age group and geographical region.	Overview of fair employment, Employees' salary and welfare
B2: Health and safety	General disclosure	Information on providing a safe working environment and protecting employees from occupational hazards:	Employees' health and safety
	B2.1	Number and rate of work-related fatalities.	Employees' health and safety
	B2.2	Lost days due to work injury.	Not disclosed
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employees' health and safety
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employees' cultivation and development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employees' cultivation and development
	B3.2	The average training hours completed per employee by gender and employee category.	Employees' cultivation and development
B4: Labor standards	General disclosure	Information on preventing child and forced labor:	Overview of fair employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Overview of fair employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Overview of fair employment
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier management
	B5.1	Number of suppliers by geographical region.	To be reported in future reports
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier management

Index content			Relevant sections
B6: Product responsibility	General disclosure	Product responsibility: Information about health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress:	Respect for intellectual property rights
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	B6.2	Number of products and service related complaints received and how they are dealt with.	Handling patients' opinions
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respect for intellectual property rights
	B6.4	Description of quality assurance process and recall procedures.	N/A
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protection of patients' privacy
B7: Anti-corruption	General disclosure	Information on the bribery, extortion, fraud and money laundering:	Anti-corruption
	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
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
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.	Giving back to public welfare of the community
	B8.1	Focus areas of contribution (such as education, environmental issues, labor demands, health, culture and sports).	Giving back to public welfare of the community
	B8.2	Resources contributed to the focus area.	Giving back to public welfare of the community

溫州康寧醫院股份有限公司
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