

2023 Sustainability Report



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Message From Our CEO

Dear Healthcare Services Group stakeholders,

On behalf of the entire Healthcare Services Group (HCSG) family, I am pleased to provide you with our Company's first Sustainability Report. In this report, we highlight how we strive to live out our Purpose of "Fostering Fulfillment In Communities". Our Purpose inspires us to contribute positively to every community we touch.

With a heritage of excellence spanning half a century, HCSG serves the environmental, dining, and nutrition needs of healthcare communities. As a partner possessing proven systems, innovative resources, and dedicated team members who go beyond traditional expectations, HCSG delivers extraordinary experiences and enhanced outcomes.

Our Environmental, Social, and Governance (ESG) Committee, comprised of select members of our Board of Directors, provides formal oversight of our ESG initiatives and incites progress toward meeting our objectives. Across our organization, we view ESG matters as integral when designing our enterprise approach to sustainability. We recognize we are on a journey, and very much appreciate your continued collaboration and feedback.

Sincerely,

Ted Wahl
Chief Executive Officer



Our Approach to Sustainability

HCSG is committed to creating value that supports the well-being of our employees, clients, vendors, shareholders, and communities.

We strive to put our values into everyday actions, including reducing environmental impact, providing engaging and rewarding work for our employees, and always leading with integrity.

We integrate environmental, social, and governance objectives into our decision-making to deliver long-term value to our stakeholders. In doing so, we are guided by feedback from our stakeholders and third-party frameworks, including the Sustainability Accounting Standards Board (SASB) Professional & Commercial Services standard and the Task Force on Climate-Related Financial Disclosures (TCFD).

Our executive leadership, led by our CEO, is responsible for the Company's efforts in developing, implementing, monitoring, and reporting on HCSG's sustainability objectives and programs. Ultimate oversight for our sustainability-related initiatives lies with the ESG Committee of the Board. Formed in 2022, the ESG Committee assists the Board in reviewing, evaluating, and providing guidance to manage and monitor progress concerning social, employment, governance, diversity and inclusion, environmental, and other matters of interest to the Company and its stakeholders.

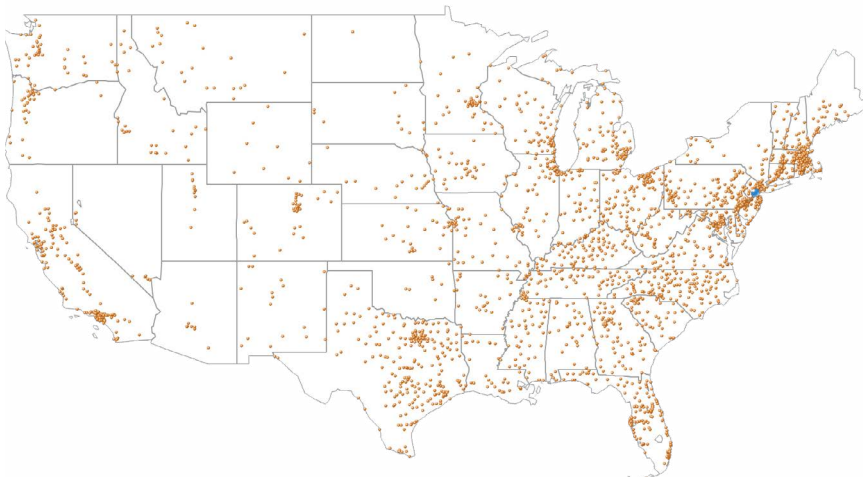
About This Report

This report provides an overview of our governance, oversight, policies, programs, and performance around the issues important to the sustainability of our Company. Unless otherwise specifically stated, this report covers HCSG's performance in 2022 through the publication of this report.

About Healthcare Services Group



Healthcare Services Group (HCSG) is an experienced leader in managing housekeeping, laundry, dining, and nutritional services within the healthcare industry. With more than 45 years of experience, HCSG aims to provide improved operational, regulatory, and financial outcomes for our clients. We achieve this by designing and implementing efficient systems, holding our teams accountable, measuring and reporting our results, and designing quality-assurance programs to continually assess and improve our programs. We pursue excellence via an ever-evolving and ever-expanding focus on training and the development of team members at every level.



48

States

5^K

Accounts

36^K

Employees

\$1.6^B

Revenue

Our Purpose, Vision, and Values



“

Our Purpose, Vision, and Values represent the future of the Company – what our future looks like and how we deliver it. In the months and years ahead, we will fully realize these words in the most special type of way. In a way that touches every one of us, from our Associate level right on through our Senior Leadership Team – pride in every employee – and in a way that provides the Company’s pathway to delivering extraordinary outcomes.”

Ted Wahl

Chief Executive Officer



Purpose

Our Purpose is “Fostering Fulfillment In Communities.” It is our enduring statement about why HCSG exists. It connects everyone in the organization to something bigger than themselves and provides a lasting, binding force for unified action throughout the Company. Our Purpose engages and inspires us to make positive contributions to every community of which we are a part and to nurture happiness and satisfaction in people’s lives.



Vision

Our Vision is “To Be The Choice For Our Customers.” It represents the future we are committed to deliver and serves as a stake in the ground for establishing near-term priorities and long-term goals. We strive every day to fulfill our Vision and create the future in which HCSG is The Choice for clients, employees, vendors, and shareholders alike.



Values

Our Values are Integrity, Collaboration, Empowerment, and Passion & Perseverance (or Grit). The foundation of everything we do lies in our commitment to an absolute adoption of our Values. Not some, but all. Not some of the time, but all the time. Our Values influence the decisions we make and the actions that follow.

Our Services Offerings

With a heritage of excellence spanning half a century, HCSG serves the dining and environmental needs of healthcare communities. As a partner possessing proven systems, innovative resources, and dedicated team members who go beyond traditional expectations, HCSG delivers truly exceptional experiences and enhanced outcomes.

Owners, operators, residents, and patients entrust us to keep their communities safe while providing the highest satisfaction. We take that seriously and are proud of the over 90% client retention rate, which reflects our commitment to quality and service.

Our services are supported by well-designed and well-executed professional training programs for all employees, critical to delivering effective, efficient, and quality services. Our commitment to excellence and adhering to stringent industry regulations is the focus of our multi-level, field-based management structure.

Environmental Services

HCSG's foundation begins with our Environmental Services. For more than 45 years, HCSG has successfully developed housekeeping and laundry programs, prioritizing infection prevention and control while complying with regulatory guidelines and standards. Our comprehensive hands-on training, quality assurance measures, multi-level management support system, detailed performance evaluation, and reporting allow us to meet highest satisfaction for both the client and resident communities.

As an experienced partner, we understand the challenges healthcare administrators face daily. Through our robust operational structure, HCSG can support communities through consistent outcomes, positively contributing to our clients' operational, regulatory, and financial success.

A key element of a successful environmental services program is a hands-on approach to training employees at every level. Our training, compliance, and operational procedures are structured to meet the vigorous local, state, and federal requirements guided by the Joint Commission standards.

Dining Services

A nutritious and enjoyable dining experience is a significant responsibility for the communities we serve. With more than 20 years of dining experience, we have developed a systematic approach to dining and clinical services that demonstrates success at all types of facilities.

We understand that meals are often the most anticipated and cherished parts of a resident's day. It can be one of the few aspects of their lives in which they retain control. As such, we strive to provide an exceptional dining experience that caters to their needs and preferences. HCSG continually seeks feedback to enhance our services to consistently deliver the highest quality dining experience for every meal, every day.

HCSG's Culinary Excellence team comprises a network of executive chefs and culinary specialists dedicated to enhancing the dining service in every community we support. Our hands-on skill development and leadership training empower our associates with knowledge and expertise. This investment offers valuable career advancement and development for our team members and complements our efforts to deliver impeccable service and improved operational and regulatory outcomes.

Nutrition Services

As one of the industry's largest employers of Registered Dietitians, we are committed to helping thousands of communities nationwide to ensure nutrition is top of mind and utilized as one of the first tools toward healthful living. Through our Nutrition Services, we empower residents with the highest level of choice while creating personalized meal plans that support nutritional requirements and personal preferences.

HCSG dietitians are educated and trained to provide the best patient-centered nutritional practices and collaborate closely with Medical Directors, Administrators, Directors of Nursing, and Dining Managers to deliver people-centered nutritional care.

To achieve optimal client and resident satisfaction, we provide HCSG Dietitians with training and practical experience in diverse healthcare settings, such as acute care, senior living, and rehabilitation centers. This collaborative approach aims to deliver optimal nutritional and regulatory outcomes that foster ongoing resident satisfaction.

Recognition, Support, Partnerships



In our pursuit of “Fostering Fulfillment in Communities,” we recognize the crucial role of a dedicated and inspired team, wholeheartedly committed to making positive contributions to every community we serve, nurturing happiness and satisfaction in people’s lives. Discover our support, partnerships, and recognition as we build and maintain our robust team.



Most Trustworthy Companies In America 2023

HCSG is recognized as one of *Newsweek* and *Statista*’s “Most Trustworthy Companies in America” for the **second consecutive year**. This recognition highlights our commitment to providing exceptional healthcare services to our partner facilities.

The second annual listing of the “Most Trustworthy Companies in America” comprises 700 U.S. companies across 23 industries, evaluated based on trust by customers, employees, and investors.



America’s Greatest Workplaces 2023

We are beyond grateful to be named one of “America’s Greatest Workplaces” in 2023 by *Newsweek* and *PLANT-A Insights Group*. This recognition highlights our commitment to organizational stability and growth through productivity, career development, and a positive work-life balance where team members feel respected and valued.

Newsweek and *PLANT-A Insights Group* compiled this list from more than 389,000 U.S. company reviews, selecting the top 1,000 companies. Companies are then evaluated based on eight categories (company image, corporate culture, working environment, work-life balance, training and career progression, compensation and benefits, sustainability awareness, and proactive management of the diverse workforce).



America's Greatest Workplaces for Job Starters 2023

Our commitment to job advancement and career growth at HCSG is unmatched. That is why we were especially proud to receive the honor of one of "America's Greatest Workplaces for Job Starters" in 2023 by *Newsweek* and *PLANT-A Insights Group*.

The list comprises 450 U.S. companies leading the way for job starters. The recognized companies were determined by over 146,000 employee reviews and increased new opportunities for growth.



Military Times Best for Vets

HCSG prides itself on going above and beyond for active and veteran military members and their families. From our nationwide opportunities to our pledge to support the hiring of service members and their spouses, we take pride in having America's heroes on our team.

Completed in August 2022, *Military Times* conducted a survey of organizations covering the policies and practices that make companies a great place to work for current and future employees within the military community. With hundreds of entries, only 175 companies made the list, and HCSG is honored to be one of them.



Employer Support of the Guard and Reserve

A long-time partner of the Employer Support of the Guard and Reserve (ESGR), HCSG signed a statement of support for the Uniformed Services Employment and Reemployment Rights Act in August. Our support of this Act provides our leadership with the tools they need to effectively manage employees who serve in the Guard and Reserve. HCSG appreciates the values, leadership, and unique skills service members bring to the workforce.



Military Spouse Employment Partnership

We understand the challenges of being a military spouse. Our partnership with the Military Spouse Employment Partnership (MSEP) shows our commitment to rolling with the changes in life that a military family may experience.

We offer career opportunities within the 48 contiguous U.S. states, providing military members and their families with options wherever they may reside.



RecruitMilitary

RecruitMilitary is a leading organization in the U.S. connecting employers with veterans, transitioning military, and military spouses, via services that include contingency recruiting, career fairs, job boards, employer branding, and a military-centric publication, *Search & Employ*® magazine.

Our Communities



We empower our employees to seek opportunities to provide an ongoing positive impact in our communities. Some of the ways HCSG and our partners positively impact our communities are:

Supporting and recognizing volunteer efforts within the communities we serve.

Encouraging employees to lead volunteer efforts, resulting in thousands of hours of community service and engagement projects completed every year.

Initiating financial relief efforts for employees who have been impacted by natural disasters, personal tragedy, or other hardships through our Going Beyond Assistance Fund.

MLK Day of Service – Bensalem Office

In remembrance and celebration of Dr. Martin Luther King, Jr., HCSG employees volunteered at the Jarrettown UM Church for a Caring for Friends meal assembly.

Caring for Friends is a nonprofit organization in Philadelphia, PA, that shares food and friendship with homebound, unhoused, and hungry people in the community and surrounding areas. Starting as a neighborly mission for founder Rita Ungaro-Schiavone, it has since expanded and partnered with fellow nonprofit Philabundance to provide services to facilities, shelters, and other soup kitchens.

[Read more](#)



Hurricane Ian Community and Customer Support

In September 2022, Hurricane Ian made landfall in the Gulf region of the U.S. The storm hit Florida especially hard, becoming the deadliest hurricane to rip through the state since 1935. Many of HCSG employees, partner facilities, and their residents felt the impacts of the storm. Long-term care facilities housing some of our country's most fragile population were flooded and forced to evacuate. But through such dire times, HCSG team members stuck by their residents' sides to offer a helping hand.

In Fort Myers, FL, an Account Manager and two of his team members stayed at a partner facility for four days working around the clock to ensure that all residents received nutritious meals. They worked through generator failure, limited equipment, and water issues without complaints – just compassion.

In Hialeah, FL, an Account Manager's facility took in more than 100 residents not already residing there. She kept the kitchen running as normal – motivating her staff while also engaging in the operational needs throughout the facility. She was recently promoted to Account Manager from a Manager-In-Training a week prior to the storm and demonstrated HCSG's core values and her dedication to the team and residents immediately.



[Read more](#)

Resident Prom – A Night to Remember

With a partnership spanning over two decades, the HCSG teams serving the Beverly Farm residents in Illinois are committed to living out our Company purpose, Fostering Fulfillment in Communities.

An example of this commitment occurred in late April when Beverly Farm hosted a prom for its residents during their annual Family Weekend. Beverly Farm is a residential community supporting adults with developmental and intellectual disabilities.



[Read more](#)

HCSG Teams Celebrate Weddings Nationwide

HCSG Account Managers in Oregon and West Virginia had the opportunity to go above and beyond by organizing wedding receptions at our partner facilities with short notice to support residents.

The effort from these teams demonstrates the extraordinary care and empathy that HCSG team members bring to their work daily. We are inspired by their dedication to making a difference in the lives of the community residents and their families. These acts of kindness remind us of the importance of our work and the positive impact it has on the residents and families we serve daily in thousands of partner communities nationwide.



[Read more](#)

Our People



Our people are at the very core of everything that we do. Whether it's our dedicated associates working in facilities, our field-based managers, or our home office team, we coalesce around our Purpose, Vision, and Values to create value for all our stakeholders.

Supporting that diverse team of individuals drives us to continuously improve and provide developmental opportunities for every team member, ever aiming to have the happiest, healthiest, and most engaged workforce. We encourage our employees to reach their full potential. We support our exemplary workforce by empowering them to find fulfillment in all aspects of their lives.

HCSG strives to build out a workforce where employees can have opportunities for career growth, and so we work to minimize the use of temporary (non-regular) employees.

Recruiting

We strive to attract and retain employees through competitive compensation and benefits, opportunities for personal development, and engaging opportunities for every phase of an employee's career. To ensure we have the right people to deliver for our customers, HCSG forecasts hiring needs and actively develops managers to fill open positions.

Leveraging Technology

In a competitive job market, HCSG utilizes iCIMS recruiting platform to access over 25+ major job boards, such as Glassdoor, Indeed, and LinkedIn to access as many potential candidates as possible. iCIMS assists in keeping applicants on file electronically, allowing us to go back and source from past applicants. Additionally, our presence on social media allows HCSG to attract thousands of candidates who may not have been actively looking on job boards, allowing them to apply with one click to any local postings in their area.

Division Staffing Coordinators (DSC)

Our DSC team is made up of seasoned professionals who are dedicated to finding the perfect position for every applicant. With their extensive knowledge, they educate our Account Managers on best practices related to recruiting strategies, interview processes, and tracking applicants. Additionally, they provide support in challenged markets with targeted recruiting events and other unique initiatives to draw the best candidates in.





Talent Development

HCSG takes the development and education of our associates very seriously. We not only want to attract and retain great employees, but we also want to have a team of engaged and high-performing people at the top of their game.

Our promotions-from-within philosophy opens the door to a stimulating and robust career with HCSG. From our Manager-In-Training (MIT) program to our Leadership Empowerment Apprentice Program (LEAP), HCSG offers training programs to help develop our team members' careers.

We understand that an inclusive, well-executed, and professional onboarding and training program for our employees is critical to effective, efficient, and quality services. That is why we employ a highly specialized curriculum training program to ensure appropriate skills and compliance to reach on-site employees who must deliver quality services.

Our Training team is made up of legal and industry subject matter experts who provide medical training services and training services in the fields of regulatory compliance to long-term care facilities and rehabilitation centers.

LearnUpon

We utilize a web-based Learning Management System (LMS) to train our employees. Utilizing our LMS allows us visibility into employee compliance with our copyright-protected, mandatory in-service, and job-specific training, which is designed to meet Centers for Disease Control and Prevention (CDC), Centers for Medicare & Medicaid Services (CMS), Occupational Safety and Health Administration (OSHA), and other governmental agency regulations.

Training is delivered online in video format both on hire and on a monthly basis. Managers are also expected to view the videos and pass the Code of Ethics and Business Conduct and Healthcare Fraud and Abuse quizzes. Line staff competency quizzes are conducted at the end of each training session, and records are easy to retrieve upon surveyor request, as quiz results are stored electronically in our systems.

Our ability to leverage technology has provided our Company with the ability to deliver compliant, concise, and consistent regulatory, policy, and procedural training to our managers and line staff.

Leadership Empowerment Apprenticeship Program (LEAP)

The Leadership Empowerment Apprenticeship Program (LEAP) is one of the first healthcare management apprenticeships registered with the U.S. Department of Labor (DOL) for dining and environmental services. The 12-month program is uniquely designed to educate field-level employees on essential skills within dining or environmental services to prepare them for management opportunities within HCSG.

Since its inception in 2021, almost two dozen associates have completed the program and been promoted into leadership roles.



Manager-In-Training (MIT) Program

We take the development and education of our associates very seriously. We not only want to attract and retain great employees, but we also want to have a team of engaged and high-performing people at the top of their game. Our promotions-from-within philosophy opens the door to a stimulating and robust career with HCSG.

Our exciting Manager-In-Training (MIT) program allows individuals to learn and grow at an established company with over 45 years of experience. The custom interactive program guides trainees through hands-on and computer-based training.

The rigorous program focuses on different aspects of managing an account, including:

- Business Operations
- Financial/Budgetary Management
- HCSG's Purpose, Vision, and Values
- Human Resources Management
- Client Relations

As the training is specific to HCSG systems and programs, this allows the Account Manager to manage an efficient operation while having the confidence to tailor programs to meet patient/facility-specific needs.



2022 Program Highlights:

1,606
enrolled

529
promoted to
Account
Manager

10
promoted to
District
Manager

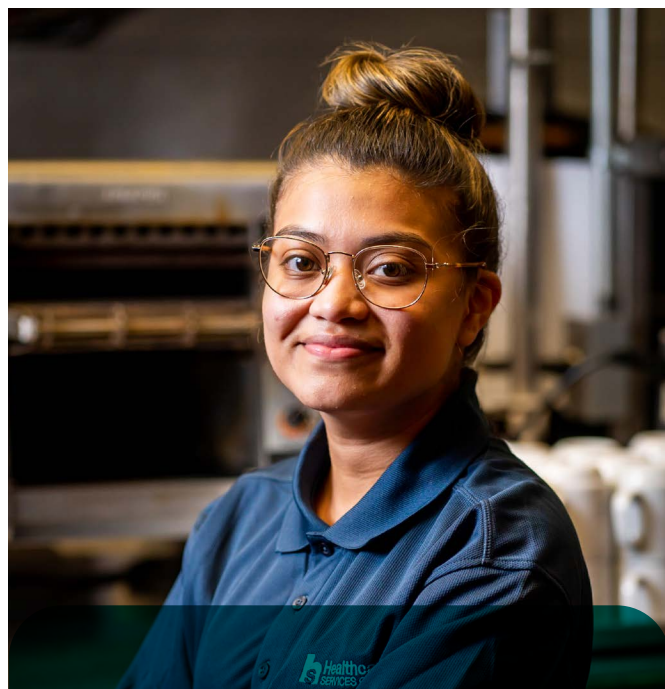
Diversity & Inclusion

HCSG is proud to be an equal opportunity employer committed to all employees and applicants regardless of race, color, religion, sex, national origin, age, disability, genetics, ethnicity, pregnancy status, gender identity, sexual orientation, marital status, political opinions or affiliations, veteran status, or other legally protected classes. HCSG also complies with applicable state and local laws and federal law requirements that govern nondiscrimination in every location where we operate.

We are committed to fostering and supporting a vibrant company culture that encourages employees to bring their authentic and best selves to serve our resident and client communities. We believe all employees, regardless of position, age, race, religion, beliefs, socioeconomic background, or gender, should work in an environment where they are safe, respected, and treated fairly, with their viewpoints, thoughts, and ideas encouraged and embraced.

All of our employees must complete annual diversity training. Our Chief Compliance Officer has executive responsibility for our commitment to fostering a safe and inclusive workplace and, along with our ESG Committee, provides ultimate oversight over our compliance with EEO regulations.

Supporting our objective to recruit a diverse workforce, the Company has relationships with several Historically Black Colleges and Universities (HBCUs). We are currently working to expand our HBCU relationships, particularly focused on degree-driven jobs such as registered dietitians. The Company posts its job openings on HBCUs' job boards and works to recruit from those schools.



Celebrating and Creating Diversity Among Our Teams

Our workforce consists of:

71%
Females

64%
Minorities

Field-based management positions:

74%
Females

49%
Minorities

Top quartile of compensation for employees:

62%
Females

57%
Minorities



Benefits

HCSG offers a comprehensive array of benefits to support our associates' and their families' health and well-being:



Benefits
An array of medical, dental, vision, and other supplemental health plans



Training and Development
Our promotions-from-within philosophy opens the door to a robust career with HCSG



Nationwide Opportunities
Transfers are available Nationwide – great for active military families



Paid Time Off
Holidays and vacation for eligible employees



Employee Stock Purchase Plan
Investment opportunities are available to all eligible employees after two years of service

Free Benefits

We also pride ourselves in offering complimentary benefits to support our associates' and their families' health and well-being.



Telemedicine
As an HCSG employee, you, your spouse, and your dependents will have access to doctors 24/7/365 with \$0 copays



Employee Assistance
The Employee Assistance Program offers a variety of free health, mental fitness, financial, and family services to help promote well-being and enhance the quality of life for employees and their families



Prescription Discounts
The SmithRx drug savings program entitles you and your dependents to 80% discounts on most FDA-approved prescription medications. The program is 100% free to use – there are no deductibles, no maximums, and no pre-existing condition exclusions



Discount Programs
Through TicketsAtWork, employees can access thousands of exclusive discounted tickets for concerts, amusement parks, sporting events, travel, rental cars, mobile phone plans, and more



Compensation

As part of our compensation strategy, the Company offers variable performance-based incentive pay to its employees. Our Business Development team receives incentive pay based on existing-client and new-client revenue generation. There are also variable incentive payments made based on performance for Operations employees. In that regard, Directors of Operations and District Managers receive incentive payments based on their performance with consideration going to outstanding customer service, excellent compliance record, and meeting budget requirements. Account Managers and staff employees are all eligible for deficiency-free incentive pay and survey excellence pay.

Employee Feedback & Communication

In 2022, the Company implemented a formal ongoing program to gauge employee satisfaction. The program provides a more systematic approach to assessing employee satisfaction via anonymous surveys related to all facets of company engagement, facility operations, and job satisfaction.

At HCSG, we believe our employees should be able to work in a safe environment and feel free to voice their concerns at any time, which is why our hotline is available 24 hours a day, seven days a week, and administered through a third party. If employees are aware of any potential wrongdoing in the workplace, they are trained and encouraged to use this anonymous hotline.



The Going Beyond Assistance Fund (GBAF), a 501(c)(3) nonprofit, was formed by HCSG to serve as a charitable employer-sponsored disaster relief organization to provide emergency, hardship, and disaster assistance to HCSG employees and their dependents or family members.

The GBAF relies primarily on individual donations from employees to fund this program. Whether made as a recurring donation or a one-time gift, contributions by employees and donations of others make a meaningful difference for other members of the HCSG family that unexpectedly find themselves in need.

Since GBAF's inception in August 2021, we have distributed more than 250 grants totaling \$250,000.

Environment

We are committed to minimizing our environmental impact. Consistent with our [Environmental, Health, and Safety Policy](#), the Company seeks innovative ways to reduce the impact our services have on the environment and to minimize our use of natural resources and generation of waste. In addition, we take action to utilize chemicals and supplies that are safer for the environment, for our employees, and for those we serve.

The ESG Committee of the Board oversees and monitors the Company's enterprise-wide approach to environmental management and sustainability. All relevant employees receive environmental safety and compliance training depending on their roles.

Our initiatives to reduce our environmental footprint include:

- Leveraging chemicals and supplies with an array of environmental certifications, such as Green Seal, UL ECOLOGO, USDA Certified Biobased Products, and Green Guard Gold
- Use of concentrated chemicals, which reduce water use and transportation loads, resulting in reduced fuel consumption and lower emissions
- Utilizing paper products that are 99% ECOLOGO certified, 50% compostable, 90% EPA compliant, and Green Seal Certified
- Leveraging technology for improved outcomes, such as electrostatic sprayers that offer eco-friendly, touchless application for effective, even coverage of chemicals while reducing cross-contamination
- Utilizing proprietary food production software and menu design to minimize food waste
- Leveraging locally sourced produce, bakery goods, and dairy products, as available
- Minimizing drop shipments of food products to reduce fuel consumption and resulting emissions
- Ensuring major suppliers are committed to environmental management and sustainability initiatives
- Fitting office space with window tinting and motion-detection and energy-efficient LED lighting fixtures to reduce energy consumption
- Implementing a robust recycling program and the installation of filtered-water stations at our office to reduce the impact and usage of disposable products.

Responsible Supply Chain

Our commitment to “Fostering Fulfillment In Our Communities” extends to our supply chain. Our supply-chain management program is led by our Chief Administrative Officer, along with our SVP of Finance and Strategic Sourcing in charge of implementation. The ESG Committee provides Board oversight of our responsible supply chain efforts.

To ensure significant suppliers are aligned with our sustainability objectives, we employ a process to evaluate our national and larger regional providers through obtaining and reviewing ESG-related reports, such as sustainability and certification reports. We use a procurement system that helps us to monitor supplier compliance across our range of standards and requirements, and we regularly communicate with major suppliers regarding environmental and sustainability issues, whether those issues are acute or broad, industry-wide issues.

How We Operate



Ethics and Compliance

All facets of our business rely on our [Code of Ethics and Business Conduct](#), which sets forth the guidelines for our entire organization. Our Board has ultimate oversight for our business ethics and compliance programs, with our designated Chief Compliance Officer (CCO) holding day-to-day responsibility for administering our compliance programs. The CCO provides our Audit Committee of the Board with updates on management’s legal and regulatory compliance efforts and investigation matters at the quarterly Audit Committee meetings. In addition, the CCO provides quarterly reports to the Board regarding legal and regulatory compliance issues. The CCO also attends regular meetings with the Nominating, Compensation and Stock Option Committee.

HCSG takes a multi-department approach to audits of operations for ethical compliance. First, the Compliance Department is responsible for the Company’s enterprise risk management functions, which includes regular inspection and auditing of ethical compliance in enterprise and operational functions. Second, audits of the following are performed by both the Compliance Department and separately by Operational Leadership:

- **Expense report reviews** are undertaken to confirm that payments of expenses (both through corporate credit and purchasing cards, as well as employee paid expenses) are not “excessive” or made in violation of the Company’s Code of Ethics and Business

Conduct. This review is coupled with a review of “manual check requests” to ensure that any remittances made outside our expense program are reviewed. Expense report summaries and systems access are reviewed regularly on a national basis to capture anomalies and trends.

- **Routine payroll audits** are conducted regularly to confirm that fraud is not occurring through our payroll systems.
- **Facility, district, and division budgets** are set annually and monitored throughout the period to ensure expenditures and revenues are consistent with contractual requirements and normal business practices. Anomalies are investigated when appropriate to ensure adherence to the Code of Ethics and Business Conduct.

All full-time and part-time employees receive training on our ethics and anti-corruption policies and programs when they join the Company and receive annual training on our anti-corruption policies and must certify annual compliance with our Code of Ethics and Business Conduct. The Company utilizes an enterprise-wide Learning Management System to conduct and monitor required training. In addition, HCSG works with an independent consultant to conduct a review of its training materials to ensure that the Company’s training, including training on the Company’s ethical standards, comports with relevant industry, SEC, and regulatory standards.



Compliance Hotline

To help ensure compliance, HCSG maintains an ethics and compliance hotline that is available to all employees and other stakeholders to anonymously submit allegations of violation of our Code of Ethics and Business Conduct and other employee relations matters. An independent third-party vendor operates the hotline service that is available 24/7. The process to report an incident is proactively communicated to employees via the Company's ethics and compliance hotline posters, which are provided at each of the facilities that HCSG services, as well as at our corporate office, on our Company intranet homepage (HUB), and referenced in the Employee Handbook, the Code of Ethics and Business Conduct, and other relevant trainings.

When a complaint is raised, it is reviewed and entered into our compliance activity log, where it is expeditiously reviewed, responded to, and investigated by the appropriate personnel, depending on the nature of the complaint. All reported incidents are investigated until resolved. Our CCO, in consultation with human resources and other senior management, is required to coordinate reporting compliance activity to our Audit Committee of the Board on a quarterly basis and provide a high-level summary and analysis of the compliance period.

Data Privacy and Security

We take the privacy and security of patient and employee information seriously and seek to align to best practices such as the National Institute of Standards and Technology (NIST) and ISO 27001 standards. We take into consideration regulatory and business requirements into our data privacy and security program planning, where applicable.

Our data security initiatives are led by our Manager of Information Technology, with ultimate oversight of data privacy and security residing with our ESG Committee of the Board.

We use intrusion protection/firewall, anti-bot, and anti-virus software to defend against cyber threats. We minimize the risk of electronic security breaches via ongoing, mandatory employee training; by limiting access to data; and by incorporating database encryption, Google cloud hosting and security, dual authentication, local and cloud backups, physical security, and mandatory password updates.

We have in place a [Privacy Policy](#) for web users and Residents/Patients Rights and Privacy Policy within our Employee Handbook, which pertains to Health Insurance Portability and Accountability Act (HIPAA) privacy. In order to efficiently and securely track employees' time records, we utilize a biometric timekeeping system and have a Biometric Information Privacy Policy. This policy is provided to employees during onboarding along with a Biometric Timeclock Consent Form, which employees must sign and acknowledge. We conduct annual mandatory employee training on data privacy and security and provide regular training that addresses HIPAA privacy.



In addition to measures mentioned above, we have several programs and tools in place to monitor, manage, and mitigate potential threats and risks, including:

- Intrusion protection/firewall
- Anti-bot and anti-virus software
- Limiting data access
- Database encryption
- Dual authentication
- Physical security
- Third-party 24/7/365 endpoint monitoring and response in in case of data breaches and cyberattacks
- Quarterly internal and external security vulnerability assessments
- Annual penetration test
- Single-sign-on user access with one-time password and multi-factor authentication
- Real-time email scanning and filtering
- Cloud-based vendor platforms subject to Security Operations Center (SOC) reporting standards
- A 3-2-1 backup strategy with separation of storage and authentication credentials

As data privacy and security can evolve rapidly, we continuously monitor regulatory and industry developments in order to adequately maintain the effectiveness of our practices.

TCFD Index

We are committed to providing transparency on our climate change risk management, governance and performance. The Task Force on Climate-Related Financial Disclosures (TCFD) has developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders. A summary of our response to the TCFD-recommended disclosures is below.

Governance

Board oversight – Our Board of Directors (Board) has ultimate oversight of climate change-related risks and has delegated oversight of climate-related risks to the ESG Committee. They are responsible for reviewing and providing guidance on the Company's enterprise-wide approach to environmental management and sustainability, including climate-related risks as part of its wider sustainability oversight.

Management oversight – Our executive leadership, including our CEO, is responsible for overseeing climate-related risks and opportunities and how to apply policies and strategies to address such risks in our operations.

Strategy

As a professional and commercial services provider, we do not believe climate change poses an immediate significant financial impact to our business. However, we take seriously the potential for reputational and business disruption which could occur under extreme weather and natural disasters. In response, we monitor industry-focused information sources on evolving risks, evolving litigation patterns involving the industry, pay attention to the environmental concerns raised via shareholder proposals at companies in the sector, and seek input from our stakeholders.

Risk Management

Our executive leadership and Board are focused on managing and mitigating various risks to our business and financial performance, including environmental risks, which includes climate change. Such risk management topics are reviewed and discussed among our leadership team across the entire organization. Consideration of such risks is implemented as part of operating and investment decision-making process.

Metrics

We do not currently report our carbon emissions.

SASB Index

The following table provides data and information for Healthcare Services Group utilizing the Sustainable Accounting Standard Board's (SASB) – Services sector, Professional & Commercial Services industry standard. This data represents the Company's performance and disclosures for the fiscal year ending December 31, 2022.

CATEGORIES	ACCOUNTING METRIC	CODE	INFORMATION
Data Security	Description of approach to identifying and addressing data security risks	SV-PS-230a.1	We use intrusion protection/firewall, anti-bot, and anti-virus software to defend against cyber threats. We minimize the risk of electronic security breaches via ongoing, mandatory employee training; by limiting access to data; and by incorporating database encryption, Google cloud hosting and security, dual authentication, local and cloud backups, physical security, and mandatory password updates.
	Description of policies and practices relating to collection, usage, and retention of customer information	SV-PS-230a.2	See our Healthcare Services Group, Inc. Privacy Policy .
	(1) Number of data breaches, (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII), (3) number of customers affected	SV-PS-230a.3	Not reported.
Workforce Diversity & Engagement	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees	SV-PS-330a.1	Our workforce consists of 71% women and 64% minorities. Among field-based management positions, 74% are women and 49% are minorities. Women and minorities are among our top quartile of compensation for employees at 62% and 57%, respectively. For details, see <i>Diversity & Inclusion</i> .
	(1) Voluntary and (2) involuntary turnover rate for employees	SV-PS-330a.2	Not reported.
	Employee engagement as a percentage	SV-PS-330a.3	Not reported. For more information, see <i>Talent Development & Recognition</i> .
Professional Integrity	Description of approach to ensuring professional integrity	SV-PS-510a.1	We are guided by our Code of Ethics and Business Conduct that applies to our Company and our subsidiaries. Our Board of Directors has ultimate oversight for our business ethics and compliance programs, with our designated chief compliance officer holding day-to-day responsibility for administering our compliance programs. For details, see <i>Ethics and Compliance</i> .
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	SV-PS-510a.2	Any material losses would be reported in our 10-K or 10-Q filings.
Activity Metrics	Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract	SV-PS-000.A	Approximately 35,700 employees.
	Employee hours worked; percentage billable	SV-PS-000.B	Not reported.



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If you have any questions regarding
this Report, please contact us at
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