

SUSTAINABILITY REPORT 2021



*Transforming medical technology
and advancing quality of life worldwide*



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Elos Medtech cares

Elos Medtech is a global CDMO company, with a responsibility that goes beyond just delivering high-quality medical devices. Our goal is to improve the lives of millions of patients, and to promote the more sustainable development of medical technology.

We take long-term financial, social, and environmental responsibility for our business and how it affects our stakeholders. Like all companies seeking growth and earnings, our challenge is to optimize our social and our environmental commitment in parallel. Through our activities, we contribute directly to some of the UN's 17 Sustainable Development Goals.

Our sustainability strategy is part of the Group's overall strategy and mission. We believe that customer-focused business

development and an ethical approach to our business relationships help us build a sustainable organization. Higher levels of job satisfaction, commitment, and motivation are the results when our employees feel that they can contribute to improvements, sustainable solutions, and patients' improved quality of life.

Elos Medtech AB's sustainability report has been prepared on the basis of the Global Reporting Initiative (GRI) Standards, and refers to the 2021 financial year. The report covers production sites and the head office. Risks related to sustainability are described in connection with the information in Elos Medtech AB's general description of risk management in the Annual Report on pages 6–10.

Three sustainability areas

At Elos Medtech, we have identified three critical success factors for our sustainability agenda. In these, we have set goals to ensure that we make continuous improvements. The guiding principles for our sustainability management activities are described in our CARE areas. This is where our business has the greatest impact, and it is also here that we have the greatest opportunity to improve the health and quality of life for millions of patients.

Care for our business

Our focus is on delivering medical device and services of the right quality, at the right time and at the right price. We aim to be a first-class partner and offer our customers innovative, sustainable, and efficient solutions.

Read more on page 4



Care for our people

Our employees are our greatest asset, and committed employees go that extra mile, are more creative, and learn faster. Therefore, it is important for us to provide all employees with a safe work environment that encourages personal and professional development.

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Care for our responsibilities

We operate in many places around the world and our employees represent a diversity of cultures and backgrounds. We strive to make a positive contribution to the communities in which we operate, and aim to minimize our environmental impact.

Read more on page 8



Care for our business

Elos Medtech has the right knowledge and expertise, which means that we can develop and manufacture the best production solutions and products in partnership with our customers.

Close and long-term relationships with our business partners are central to our business model, and this is both a strategic focus area and a goal. Development and technical expertise in our specialized areas, coupled with high product quality and customer support, are crucial to our customers' overall view of their partnership with us.

Customer satisfaction

The results of the 2021 customer survey show that our customers have a very positive image of our delivery and their collaboration with us. We are described as a valued partner that works actively to improve the customer experience and improve overall customer satisfaction. The survey is analyzed, and key account managers are responsible for initiating improvements that lead to more satisfied customers and an improved customer experience. We are continuously developing our organization and strengthening our business areas to improve our ability to meet our customers' expectations.

Product quality

The core of our business is the desire to ensure product performance while investing in sustainable solutions. We and our partners are guided by the same mission: to help people live rich, active, and meaningful lives. Another much appreciated quality is our responsiveness and ability to react quickly to changes and find

solutions, as this allows our customers to optimize their supply chains. A further key aspect of a successful partnership is the value we add in the form of expertise in design for series production and high quality in the processes. Our expert skills in design and development, which are driven by our collaborative approach, shorten product development times and time-to-market.

Sustainable investments

Our goal is to allocate more than five percent of our investments to initiatives that reduce our environmental impact. By having a clear goal, we want to create awareness of our environmental impact in connection with decisions. This type of investment must have a clear purpose, such as to reduce use of energy and water, or to reduce carbon dioxide emissions. In 2021, we continued to invest in our production sites, for example by installing heat exchangers that will reduce NOx emissions. We have continuously replaced old equipment with new and more sustainable technology for lighting and air compression. Most of our investments can be considered sustainable as they contribute to improved resource efficiency.

Examples of energy saving activities

- Searching for leaks in the air compressor system
- Replacing fluorescent lights with LED lights
- Updating systems for heat, ventilation, and air conditioning
- Reducing water consumption

What is quality in the medical device industry?

"This is a complex question to answer as it is a combination of many factors – being capable of developing and manufacturing high-quality medical devices does not happen overnight.

It takes knowledge, experience, capacity, and a robust management system that is well-rooted in the organization. I also believe that an important factor as a CDMO is to be flexible – both in your ability to handle changes and in the setup of your

management system – so that you can quickly adapt to new or changed requirements.

But above all, you need to understand and be responsive to both the stated and unspoken needs of the customer, and share your knowledge to provide the best support and solutions."

Sofia Andersson, Quality Engineer at Elos Medtech

Ready for MDR?

Placing new medical devices on the European market is a complex process, and understanding and adapting to MDR (Medical Device Regulations) can be difficult.

To comply with MDR, all medical devices need to be classified appropriately, and all technical documentation and evidence of compliance needs to be available. Also, the necessary systems to handle clinical evaluation, quality management, post-market surveillance, and liability for defective devices must be up and running.

Over the years, Elos Medtech has established quality management processes and documentation procedures to ensure compliance with adequate regulatory requirements.

Large responsibility

CDMO is short for Contract Development and Manufacturing Organization. As the name suggests, it is an organization that provides development and manufacturing services. Full-service CDMOs take responsibility for all steps throughout the development and manufacturing process: from concept, design for manufacturing, and development, to regulatory, prototyping, and testing, and through validation, manufacturing, and delivery. A CDMO does not only handle the outsourced manufacturing of medical devices, it also handles all the innovation and development work that occurs prior to manufacturing.



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Our goal is to allocate more than five percent of our investments to initiatives that reduce our environmental impact.

Care for our people


The commitment and determination of our employees are crucial to giving us a competitive advantage. We aim to offer an attractive and safe workplace.

Our corporate culture is based on three strong core values: passionate, trustworthy, and results-oriented. These values guide us in our daily work and foster unity at our global sites.

A healthy and safe workplace

Our employees need to feel safe and respected at the workplace. Our goal is to be accident-free, i.e. to have no accidents that lead to absence from work. Nevertheless, injuries do occur, and the most common causes are related to heavy lifting, repetitive work, handling of machines, and slip and fall accidents. Our employees have access to occupational healthcare or health and wellness insurance. In response to the pandemic, we have reviewed all our procedures for reducing the spread of infection and thus creating a safe workplace for our employees, while at the same time delivering vital medical technology products to our customers.

In addition to monitoring developments and following the applicable rules in Sweden, Denmark, China, and the United States, we have also introduced stricter hygiene and safety procedures. These include face mask requirements, limiting the number of



*Passionate,
trustworthy, and
results-oriented*

physical meetings and the number of participants at these, as well as social distancing and zoning measures at the workplace and in lunchrooms.

We have also taken several measures to ensure that all our services and solutions remain available to our customers in the medtech industry, even in situations where activities are restricted by the authorities. In both China and the US, the authorities have categorized our workplaces as high-priority, and we have been granted permission to continue operating during the pandemic.

Employee influence

All our employees need to have good opportunities to grow and develop, regardless of gender and cultural background. Personal development plans are reviewed annually, and results are linked to individual goals to ensure career development. On average, each employee undergoes approximately 12 hours of task-specific training per year, as well as taking part in internal and external courses.

Management changes in Denmark and Sweden

In April, Tina Friis-Poulsen was appointed as new Managing Director for Elos Medtech in Gorlose, Denmark. Tina Friis-Poulsen has been with the company for more than 10 years as Quality and Regulatory Manager, and has previously also been leading and responsible for Group QA/RA.

Based on our good experiences of the increased exchange of knowledge and the collaboration between Timmersdala and Skara over the past year, we have decided to appoint a joint Managing Director for Skara and Timmersdala. At the end of the year, Sam Svännel was appointed to this new position.

Innovation is an integral part of evolution

"Innovation is an important part of my life because I believe it is an integral part of evolution, and we cannot evolve without being innovative. My impact on innovation in medtech is that I make sure to promote our product, and make sure that we live up to the safety and performance requirements in each country."

Azfar Rehman, Regulatory Affairs Professional at Elos Medtech



Making a difference in peoples' lives worldwide

"The industry has changed and has become a very digital industry. As a manufacturer of medical devices, we work with the latest technology of CNC machinery, laser equipment, and robots. I have always been interested in technology, and it is important for me to work with products that make a difference in peoples' lives. For that reason, the medtech industry was the obvious choice for me."

Andreas B Ingemann, Product Development Engineer at Elos Medtech

Care for our responsibilities

The third Care area is about sustainability, ethics, and trustworthiness. Our employees' commitment and willingness to take responsibility are essential to the success of our business.

Our production technology includes polymer injection molding and various types of metal processing, such as grinding, turning, and milling. From a lifecycle perspective, most of our production has a very limited environmental impact. Our ambition is to constantly identify areas for improvement, define goals, and act on them.

Energy and water

Reducing the climate impact of the business is a long-term commitment. We systematically collect data on energy use to identify areas for improvement. Renewable energy sources normally account for more than 60 percent of our energy use, and our goal is to increase this share. The result for 2021 was 54 percent. The extremely fast growth in our Memphis site, where the relative share of renewable is lower than the average, is the reason for the decreased share during 2021. 100 percent of the electricity purchased at our sites in Sweden, Norway, and Denmark is renewable.

All sites are connected to municipal treatment plants via the sewage system. A small part of the process water is contaminated by metal residues and oil. This is treated as contaminated waste and disposed of by certified waste service providers.

In China, the wastewater equipment has reduced the consumption of water used to rinse the tanks of the ST line. In 2021, 20 tanks of water were reused compared to 13 tanks in 2020.

All core raw materials, metals and plastics are sorted for recycling. Examples of other recycled, non-hazardous waste include cardboard, paper, wood, and plastic. We work continuously to improve our internal solutions for recycling supporting production materials such as oil and water. We have engaged certified service providers for suitable disposal, incineration, landfill, and recycling services.

The CO₂ emissions per SEK million sank, from 7.4 tons/SEK million to 6.4 tons/SEK million.

Sustainability reporting

During 2021, a new reporting tool was introduced to make the data more reliable and easier to process. At the same time, some emission factors were updated with the latest information, and some calculation measures were reviewed. In general, everything correlates to previous years but, in some areas, the difference coming from the update as such is worthy of comment.

The majority of Elos Medtech's greenhouse gas emissions originate from the energy used to run our production sites and the transportation of material. We collect data on electricity used, district heating, transportation of raw material and finished goods, employee travel etc. to identify more efficient and sustainable solutions. Greenhouse gas intensity is measured yearly, and in 2021 the ratio decreased. In 2021, we also worked to offset our carbon footprint from 2020 by means of CO₂ removal certificates. During 2021, the purchased certificates offset around 75 percent of our CO₂ footprint from our activities in 2020. Similar certificates for 2021 will be purchased retroactively in 2022.

Compliance

Our employees undergo regular compliance training regarding medical devices and environmental management. Employees are encouraged to report all suspected compliance failures regarding values, policies, and business ethics to their line manager, local management team, or our secure and independent whistleblower function. Our quality management systems comply with standards and regulations for medical devices. All our sites are inspected yearly by an external inspection body, or notified body, for compliance with applicable standards.

Community involvement

We are increasing our community involvement by offering apprenticeships and participating in student fairs. The goal is to generate interest in our industry and to inspire students to apply for jobs with us after graduating. In Denmark, we have been running apprenticeship programs for many years. This type of collaboration makes it easier for Elos Medtech to attract apprentices, while also making training in automation technology and precision technology much more interesting.



SILVER

2021
ecovadis
 Sustainability
 Rating

Silver medal after EcoVadis's assessment

Today's supply chains are increasingly extensive and complex, which has led to a strong need for standardized sustainability assessment. This is where EcoVadis comes into play.

EcoVadis is an ESG (environmental, social, and governance) assessment platform that provides companies with a universal sustainability rating. EcoVadis reviews companies across areas such as environmental efforts, labor and human rights, ethics, and sustainable procurement impacts.

For many years, we have focused on how Elos Medtech can improve in caring for our people, business, and responsibilities, along with minimizing our environmental impact by developing action plans to improve our sustainability performance. Among other tools, we have used EcoVadis to measure our sustainability efforts. We have set a goal to improve our EcoVadis rating every year.

This year's assessments of Elos Medtech shows that we have improved in all areas and moved from a bronze to a silver rating. Comparing our rating to other companies in our segment, our score is higher than 89 percent of the other companies.



Cutting cutting oil

When working with the fine tolerances of medical device components and products made from titanium and stainless steel, CNC machinery is required to whittle down these materials to sheer perfection. During CNC-turning, we use cutting oil to ensure a consistently high quality of our dental products. Last year, our production site in Denmark installed a new machine that will handle the used cutting oil so that it does not need to be disposed of as chemical waste.

Instead, with the new machine, the cutting oil from the machining process is filtered and recycled. We normally consume about 10,000 liters of cutting oil per year in Denmark alone – but, with our new machine, we can reuse nearly all of it.

CO₂ intensity down by

14%

Stakeholder dialogue

By participating in stakeholder dialogues, Elos Medtech aims to create value for its stakeholders.

Elos Medtech engages in dialogue with its stakeholders to develop the business and create value for our stakeholders. The purpose is to build long-term relationships, obtain a better understanding of what is important to our stakeholders, and continuously improve our sustainability efforts.

Elos Medtech engages in continuous dialogue with key stakeholders to balance and optimize different interests, expectations, and wishes. Our most important stakeholders are employees, customers, the Board of Directors and owners, suppliers, authorities, society at large, and schools and universities (future employees).

Stakeholder group	Dialogue	Stakeholder expectations
Employees	Workplace meetings General meeting Employee surveys Performance evaluations Safe workplace coordinating councils (SAM) Management meetings business risk analysis, SWOT	Skills development (training) Customer satisfaction Environmental commitment Leadership – strategy (strategic platform) Ethics and compliance
Board of Directors and owners	Board meetings Employee surveys – interviews Annual General Meeting Assessment of business risk	Sustainability reporting – environmental commitment Strategic platform Policies – Code of Conduct Ethics and compliance Human rights Long-term profitability Customer satisfaction (sustainable customer solutions)
Customers	Business Review Conferences – trade fairs Customer surveys Audits	Product quality and safety Compliance – quality management Business continuity plan Supplier management Product performance and quality Market presence
Suppliers	Audits Questionnaire on qualifications	Business continuity plan Environmental commitment
Society at large	Local initiatives – study visits Authorities	Human rights Investments for sustainable solutions Environmental commitment Regulatory commitment
Schools, universities – future employees	Meetings Networking Study visits – talks University lecturers on local apprenticeships	Sponsorship of local training programs Career opportunities Diversity Sustainability reporting

Materiality analysis

By conducting a materiality analysis, Elos Medtech has defined its most important sustainability issues.

Elos Medtech has a comprehensive materiality analysis to define our most important sustainability aspects, and this analysis is revised annually. The materiality analysis is based on conclusions from external and internal dialogues, external trends, Elos Medtech's strategy, SWOT analyses, evaluations of risks and opportunities, and sustainability frameworks such as the Global Reporting Initiative and the UN Global Compact.

The materiality analysis comprises eleven significant aspects that are presented below, together with an illustration that shows where in our value chain the impact is made. For each aspect, key performance indicators have been defined that are followed up regularly and used as a basis for information about the company's sustainability management activities.

	Suppliers	Elos Medtech	Customers and consumers
Care for our business			
Customer satisfaction		●	●
Product performance and quality	●	●	●
Investments in sustainable solutions	Can be influenced – for example, waste management service providers	●	
Care for our people			
Empower people to make a difference		●	
Safe and healthy workplace		●	
Promote best practices and diversity, including human rights	●	●	
Care for our responsibilities			
Ethics and compliance	●	●	●
Energy management		●	
Emissions of greenhouse gases	●	●	
Water management	●	●	
Waste management	●	●	

Care for our business

MA 1 Customer satisfaction

- The survey and the overall partnership score show that our customers are very pleased with us and see us as a trusted business partner.
- Customers continue to acknowledge the technical expertise and strong product quality Elos Medtech demonstrates.
- Customers purchasing our proprietary products especially appreciate the partnership, service, and the design and development competence, as well as the high product quality.

MA 2 Product performance & quality

Proprietary products	2021	2020
% of sales of proprietary products	15.2%	13.4%
Number of serious incidents	2021	2020
	0	0

MA 3 Investments in sustainable solutions

Investment objective	2021	2020
% of investment budget allocated to sustainability projects	5.0%	5.0%

Outcome investments	2021	2020
% of investment budget allocated to sustainability projects	5.0%	5.1%

MA = Material aspect

Care for our people

MA 4 Employment

Average number of employees	2021	2020
Sweden	125	128
Denmark	155	152
USA	144	133
China	111	109
Group total	535	522

Gender distribution	Women		Men	
	2021	2020	2021	2020
Board of Directors	25%	33%	75%	67%
Senior management	40%	36%	60%	64%
Local management	39%	38%	61%	62%
New employees	42%	20%	58%	80%
Group total	41%	38%	59%	62%

Staff turnover	2021	2020
Number of new hires during the year	145	42
Number of terminations during the year	115	72
Staff turnover	21%	13%

MA 5 Employee influence

	2021	2020
% of employees who have participated in company-wide training initiatives	40%	N/A*
% of employees who have had regular performance reviews	53%	66%
Average number of training hours per employee	12.0	10.1

* No company-wide training activities were carried out in 2020.

MA 6 Health and safety at work

The most common causes of injury

2021	2020
Repetitive work	Repetitive work
Handling of tools and machines	Handling of tools and machines
Lifting of heavy machinery	Lifting of heavy machinery
	Inhalation of chemicals

Absence and illness	2021	2020
Number of days of absence due to injury	86	237
% of sick leave	5.9	3.4

MA 7 Diversity and equal treatment

	2021	2020
% of Chinese management team with domestic background	80%	80%

Employees' length of employment	2021	2020
<5 years	272	279
6-10 years	140	132
11-15 years	44	42
>15 years	95	87

Care for our responsibilities

MA 8 Ethics & compliance

	2021	2020
% of employees who have taken part in compliance training activities	100%	100%
Number of internal audits at subsidiaries	17	19
Number of days with customer audits	25	12

To ensure that we continue to act as a trustworthy and honest company, we emphasize our Ethics & Compliance Helpline, where misconduct and violations of our Code of Conduct and business ethics can be reported. We encourage our employees to report any suspected violations of or non-compliance with Our Way and our business ethics.

MA 9 Environmental standards

Certificate

Subsidiary	Certificate
Elos Medtech Pinol	ISO 13485, ISO 13485 CMDCAS, ISO 9001, ISO 14001, MDSAP
Elos Medtech Timmersdala	ISO 13485, ISO 14001
Elos Medtech Skara	ISO 13485, ISO 14001
Elos Medtech Tianjin	ISO 13485, ISO 14001
Elos Medtech Onyx	ISO 13485

MA 10 Energy and water

Main activities for energy use

2021	2020
Production equipment	Production equipment
Lighting	Lighting
Ventilation	Ventilation
Cooling	Cooling
Heating	Heating
Transport	Transport
Computers & servers	Computers & servers

Energy	2021	2020
% of energy use from renewable sources	54.2%	53%*
Total energy use (GJ)	55,000	43,445
Energy intensity (GJ/SEK million in sales)	75	75

Water	2021	2020
Total water use (m3)	21,557	15,730

* The Nordic units stood still during parts of the year, due to covid-19, which meant that our Chinese and US sites accounted for a larger share of energy use, thus also reducing the share of energy use from renewable sources.

MA 11 Greenhouse gases

	2021	2020
CO2 equivalent greenhouse gas emissions (tons)	4,648	4,293
Including CO ₂ removal certificates in China and USA (tons)	2,105*	376**
Greenhouse gas intensity (tons/SEKm in sales)	6.4	7.4

* Only in China for 2021.

** These will be purchased retroactively for 2020 in 2021.

MA 12 Waste management

	2021	2020
Waste (tons)	334	125
Recycled waste (tons)	169	66
% of recycled waste **	51%	53%

** Adjusted for comparability.

About the sustainability report

This is Elos Medtech's sustainability report. It has been prepared in accordance with the stipulations in the Swedish Annual Accounts Act referring to sustainability reporting. This sustainability report also references GRI 103: Management Approach 2016. In conjunction with the GRI Standard, we have applied the

ISO 26000 guidance standard which provides a practical set of tools to measure and report on our social responsibility issues and practices. ISO 26000 offers guidance and recommendations on how to structure, evaluate, and improve social responsibility, including stakeholder relationships, and community impacts.

Gothenburg, 11 April, 2022

Lovisa Lander
Chairman of the Board

Birker Bahnsen
Board Member

Alexander Cicetti
Board Member

Stefano Alfonsi
Board Member

Jan Wahlström
CEO

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Elos Medtech AB (publ.), corporate identity number 556021-9650

Engagement and responsibility

It is the Board of Directors that is responsible for the sustainability report for the year 2021 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination

of the statutory sustainability report is different and substantially reduced in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gothenburg, 12 April, 2022

KPMG AB

Johan Kratz
Authorized Public Accountant

