Reducing our ecological footprint

GRI 3-3

Goal

By 2030, we will significantly reduce GHG emissions, introduce circular principles, and reduce waste impact.

Our work supports

SDG 9: Industry, Innovation and Infrastructure

We are committed to creating a reliable healthcare infrastructure while consistently innovating to better serve our customers and end users.

SDG 11: Sustainable Cities and Communities

We plan to increase renewable energy use and reduce our operational waste for a positive effect on society.

SDG 12: Responsible Consumption and Production

We are working to reduce environmental impact per device and increase circularity, while integrating eco design principles into new products.

SDG 13: Climate Action

We have committed to near-term reduction targets for our Scope 1, 2, and 3 emissions as validated by SBTi.

UNGC Principle 7

Businesses should support a precautionary approach to environmental challenges.

UNGC Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

UNGC Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Key stakeholder expectations are increasingly focused on the ecological footprint of the health solutions they choose. At SHL Medical, we are dedicated to reducing our GHG emissions, adopting circular economy principles, and reducing and recycling waste to minimize our impact on the environment. This commitment sets the foundations for how we operate, ensuring that climate and circularity are two core elements of our strategy to reduce our ecological footprint.

To this end, we have already begun discussing the short-term and long-term targets of our Sustainability Strategy with customers and suppliers, seeking collaboration opportunities that enable us to decrease our emissions while developing products that fulfill both customer and environmental demands. In 2023, we kicked off solution-oriented projects that include integrating more sustainable materials in our products and packaging, optimizing our energy usage, and improving shipment configuration.

We have also set measurable targets to demonstrate our commitment to reduce our ecological footprint as we progress towards 2030.

Combating climate change by reducing our GHG emissions

At SHL Medical, we are committed to supporting our customers on their path to net-zero by providing safe and sustainable autoinjectors. In collaboration with our partners, we continue to find innovative solutions for operating more efficiently and reducing the carbon footprint of our products. In 2022, SHL Medical pledged to reduce its greenhouse gas emissions, in line with science-based reduction targets validated by the Science Based Targets Initiative (SBTi) a year later.

These targets provide a clearly defined pathway to reduce greenhouse gas (GHG) emissions, in line with the goals of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels.

During 2024 we will build on the progress made in 2023 to develop a specific climate transition plan that is aligned with our near-term climate-related targets.

Highlights

- Expanded renewable electricity sourcing to US and Taiwan sites
- Launched projects to improve energy efficiency across our facilities
- Achieved Carbon Disclosure Project (CDP) Climate Change C level
- Ambitious climate targets approved by the Science Based Targets Initiative (SBTi)

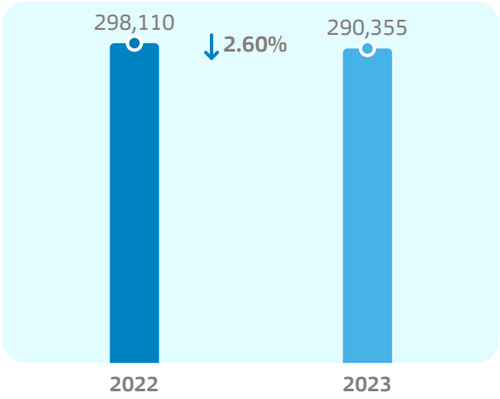
GHG performance

GRI 305-1, 305-2, 305-3

This commitment includes reducing Scope 1 and 2 greenhouse gas emissions by 42% and Scope 3 greenhouse gas emissions by at least 51.6% per million units sold, both by 2030 and compared to a 2022 base year. The Scope 3 target focuses on reducing emissions from purchased goods and services, downstream transportation, and employee commuting.

SHL Medical's total GHG emissions decreased by 2.6% (or 7,755 tons of carbon dioxide equivalents (tCO_2e)) compared to 2022 (see below chart). The decrease in GHG emissions can be attributed to substantial reductions in Scope 1 and Scope 3 emissions, despite an increase in overall business growth driving production volumes, capital investments, and operating expenditures. Our performance across all emissions types are shown in the following charts.

Total gross global emissions (metric tons of CO_2 equivalent)



Target

Reduce absolute Scope 1 and 2 GHG emissions by -42%

Progress

Our total Scope 1 and 2 GHG emissions increased by 0.23% compared to our 2022 base year.

Target

Reduce Scope 3 GHG emissions by -51.6% per million units sold

Progress

Our total Scope 3 GHG emissions reduced by -33% per unit sold compared to our 2022 base year.

Scope 1 emissions

In 2023, SHL Medical's Scope 1 emissions decreased by 30.49% (or 193 tCO_2e) compared to 2022. This is primarily due to reductions in fugitive emissions from refrigerant leaks. Company facilities' fuel consumption represents the most emitting category for Scope 1, due to the use of company vehicles, which accounted for 12% in Scope 1 emissions. Even if Scope 1 emissions represent less than 1% of our GHG emissions, we will continue to monitor its evolution closely, especially in light of our recent and upcoming business acquisitions.

Scope 2 emissions

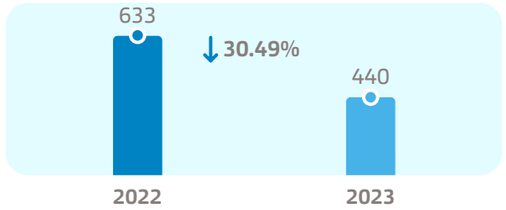
In 2023, SHL Medical's Scope 2 emissions increased by 0.69% (or 298 tCO_2e) compared to 2022. Our manufacturing sites in Taiwan implemented best practices to limit their Scope 2 emissions, including operational improvements, such as the isolation of pipe systems and the replacement of heating, ventilation, and air conditioning systems. We also carried out energy audits in all of the manufacturing locations.

Purchased electricity represents 100% of our Scope 2 emissions. In spite of business growth, our emissions remain almost the same, mainly because of renewable electricity purchased during the 2023 reporting period for our sites located in Taiwan and US.

Our performance in 2023 was impacted by the emission factors of the electricity grid, mainly in Taiwan.

SHL Medical will recalculate its base year emissions in case of structural changes (mergers, acquisitions, and divestments) that affect base year emissions by at least 5%. While LCA Automation (see 'Key 2023 Highlights' section for more information) has been included in this year's GHG emissions calculations.

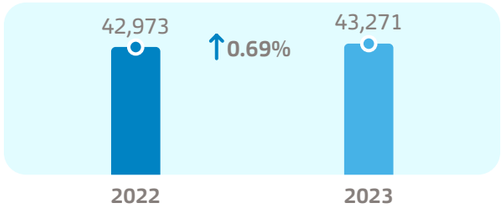
Scope 1 gross global emissions (metric tons of CO_2 equivalent)[1], [2]



1 On-site stationary combustion of fossil fuel burning equipment and emissions from company-owned or leased vehicles.

2 Note: These figures include recent acquisition LCA Automation.

Scope 2 gross global emissions (metric tons of CO_2 equivalent)[1]



1 Purchase of electric power (market-based method)

Scope 3 emissions

In 2023, SHL Medical's Scope 3 emissions decreased by 3.09% (or 7,860 tCO_2e) compared to 2022, even with an increase in business growth, capital investments and operating expenditures. A breakdown of these emissions is provided on the next page.

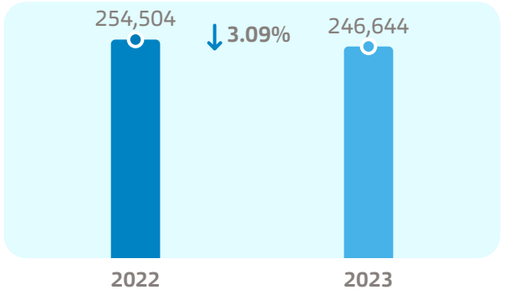
We have established a target to reduce Scope 3 GHG emissions by -51.6% per million units sold by 2030, from a 2022 base year.

In 2023, our intensity-based Scope 3 GHG emissions decreased 33% per unit sold, compared to 2022.

Similar to most in the manufacturing industry, our Scope 3 emissions make up the largest proportion of gross global emissions, contributing up to 85% of our total GHG emissions. The majority of these emissions (57%) came from purchased goods and services. SHL Medical's other most important emission categories are capital goods and downstream transportation with 18% and 11% contribution within Scope 3 respectively. The remaining Scope 3 categories, which include fuel and energy-related activities, waste generated in operations, business travel, employee commuting, end-of-life treatment of sold products, and franchises represent less than 14% of our total Scope 3 emissions.

SHL Medical have chosen to take a 'market led' approach to calculating its Scope 3 emissions, rather than a location based one.

Scope 3 gross global emissions (metric tons of CO_2 equivalent) [1]



1 Purchased goods and services, capital goods, fuel and energy-related activities not included in Scope 1 and 2, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, end-of-life treatment of sold products, downstream transportation, investments.

Gross global emissions (metric tons of CO_2 equivalent)

SCOPE 3 CATEGORY	2022 EMISSIONS (TCO_2e)	2023 EMISSIONS (TCO_2e)	% GHG CHANGE
Purchased goods and services	145,191	125,723	-13%
Capital goods	45,197	67,294	49%
Fuel-and-energy-related activities	8,753	9,794	12%
Upstream transportation and distribution	14,237	12,424	-13%
Waste generated in operations	95	133	41%
Business travel	2,129	4,985	134%
Employee commuting	8,983	10,655	19%
Upstream leased assets	-	-	-
Downstream transportation and distribution	23,5796	13,380	-43%
Processing of sold products	-	-	-
Use of sold products	-	-	-
End of life treatment of sold products	353	354	0%
Downstream leased assets	-	-	-
Franchises	-	-	-
Investments	498	1,902	282%
Total	**254,504**	**246,644**	**-3%**

Purchased goods and services

Emissions from purchased goods and services decreased by 13% compared to 2022. SHL Medical's business growth in 2022 directly impacted emissions from services' operating expenditure, purchased finished goods and raw materials. In 2023, we initiated a program to consolidate information and ensure data accuracy.

Capital goods

Capital goods related emissions increased by 49% compared to the previous year, mainly from business growth being almost double that of 2022.

Fuel and energy related activities

This category encompasses upstream emissions from fuel and energy. The emissions went up by 12% compared to the previous year, which can be explained due to increase of energy consumption.

Downstream transportation and distribution

Downstream transportation and distribution represent the third highest category of our Scope 3 emissions. These emissions decreased by 47% compared to 2022 due to a shift from air to sea shipments, a trend we wish to continue. In 2023, we further reinforced our data quality and scope to ensure data transparency and accuracy in this reporting area.

Waste generated in operations

The emissions related to waste generated in operations increased by 41% compared to the previous year, which can be explained by the increase in waste volumes. In 2023, we again reinforced data quality, building on the activity-based data in our calculations. More details are available in the waste reduction and recycling section of this report (see 'Conserve Natural Resources' section for more information).

Business travel

Business travel encompasses the transportation of employees for business-related activities with vehicles not owned or operated by SHL Medical. In 2023, business travel emissions increased by 134% compared to 2022. There was a substantial increase in long-haul flights, partially driven by the new site under construction in the US as well as the full opening of Taiwan to foreign travelers in 2023 following COVID-19.

Employee commuting

Employee commuting accounts for emissions related to employees traveling between their homes and worksites. Our 2023 footprint increased by 19% compared to the 2022 base year level. To mitigate the increase in employee commuting emissions, our sites support communal transport options.

We understand we need more insights into employee habits and behaviors to develop better target-based solutions. To this end, we envision carrying out employee surveys in the future.

Our 2023 highlights to reduce Scope 3 emissions

Sea freight

At SHL Medical, we are prioritizing the switch from air to sea shipments wherever possible. In 2023, we achieved a 54% emissions reduction by moving 55% of products (by weight) from air to sea compared to 2022, despite a 27% increase in overall weight transported.

Recycled pallets

In 2023, we launched the first pilot to replace pallets made of virgin polypropylene (PP) with those made from recycled PP. Results showed that we were able to reduce the carbon footprint related to the raw materials used in the pallets by 50%. We will continue to look at opportunities to reduce the environmental footprint associated with the pallets' manufacturing across the entire life cycle.

Shipments optimization

In 2023, SHL Medical initiated several projects with customers to optimize shipment loads by shifting from single to double-stacking. This enables us and our customers to better use container storage space, consequently reducing costs and emissions. Initial results show a reduction of 58% CO_2e emissions related to transportation of goods for one of our customers.

Environmentally friendly commuting

At SHL Medical, we focus on supporting our employees to commute in a more sustainable manner. In Taiwan, there are company shuttle buses that run between public transportation hubs and our sites. In Switzerland and Sweden, employees have bikes available for their commuting during working hours. We are also investigating the installation of on-site electric vehicle (EV) charging stations in many of our sites.

Increasing our use of renewable electricity

Energy use and GHG emissions are linked. 99% of all SHL Medical's Scope 1 and 2 emissions come from purchased electricity (Scope 2). As a result, we have committed to increasing the share of renewable electricity to 100% across all our sites by 2030.

We have initiated a program that focuses on a diverse set of electricity sourcing options, depending on those available in local markets. We focused on investments in self-generated (on-site) electricity, such as photovoltaic solar energy, or purchases of renewable electricity provided by local utility providers.

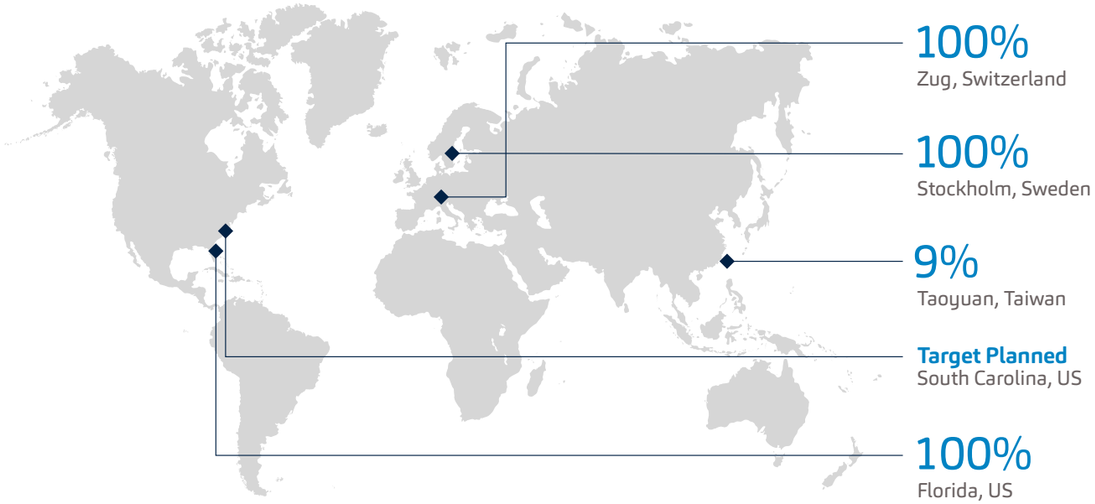
Target

100% renewable electricity share in all our sites by 2030

Progress

In 2023, we achieved 12% share of renewable electricity.

Share of renewable energy in 2023



However, often these options provide insufficient supply or are not available. Therefore, we are focusing on sourcing Energy Attribute Certificates (EACs) in the short term and virtual or physical Power Purchase Agreements (PPAs) over the mid to longer term.

Sourcing renewable electricity: 2023 performance

In 2023, 12% of our purchased electricity across all our sites was sourced from renewable energy sources. This included either the direct supply of renewable electricity or the purchase of energy attribute certificates.

In 2023, we sourced 100% of site electricity consumption for our Florida (US) site using renewable electricity certificates. The site also has photovoltaic solar panels installed on the roof of the manufacturing plants, which support the needs for lighting, heating, and air conditioning.

At our Taiwan site, which accounts for 96% of our total global electricity consumption, we initiated two physical Power Purchase Agreements (PPAs), helping us achieve a total share of renewable electricity at the site of 8.9%. Our Swiss headquarters and Sweden site operate with 100% renewable electricity (hydropower) provided by local utilities providers since 2022.

Taiwan site signs on for solar energy

The site recently signed power purchased agreements (PPA's) with two utility providers to source renewable electricity from solar powerplants in Taiwan. Through to the end of 2023, we employed 8.9% renewable electricity at the Taiwan site. Our objective is to gradually increase the share of our renewable electricity in coming years.

US site in Florida shifts to 100% renewable electricity

SHL Medical purchased renewable energy certificates (RECs) for our Florida site, which enabled the site to shift to 100% renewable electricity in 2023. This helped reduce the site's Scope 1 and 2 GHG emissions by 99%, making a significant contribution to SHL Medical's overall emission reduction goals.

Improving energy efficiency across our sites

We are continuously exploring energy optimization levers at all our sites, including ways to improve electrical and thermal efficiency, alongside improvements in technology efficiency.

To identify opportunities for improvement, our manufacturing sites carried out energy audits and created action plans. In 2023, we consumed 87 gigawatt hours (GWH) of energy. For a further breakdown, please see the below table.

Comparison of energy consumption within the organization in MWh

GRI 302-1

METRIC	2022	2023
Total fuel consumption within the organization from non-renewable sources	79,801	76,133
Total fuel consumption within the organization from renewable sources	228	10,418
Total energy consumption within the organization	80,029	86,551

We continually seek to set the highest environmental standards when building and renovating company facilities. As a consequence, energy efficiency standards are at the heart of our new site planning and investment decisions.

Continuous improvement

Taking meaningful climate action, including minimizing negative environmental impacts, requires taking a holistic approach, with contributions from everyone. At SHL Medical, we understand the importance of ideation and taking a bottom-up approach to identifying opportunities for improvement—including those relating to energy efficiency and environmental topics.

That is why we drive a culture of Continuous Improvement (CI), which is essential to progress on our environmental journey. Our CI program was launched in 2019 and allows our colleagues to share suggestions and ideas. This program encourages our employees to take an active role in identifying opportunities to increase energy efficiency and reduce waste, among others. All employees can access and submit their improvement suggestions. These ideas are shared via quarterly communications, which include a quarterly award ceremony to recognize colleagues who contributed.

Our program has been widely recognized for its impact. SHL Medical was recognized with three awards in 2023 from two of Taiwan's prestigious competitions, the Excellent Practice Award (EPA) from the Association of Quality Managers, and the Taiwan Continuous Improvement Awards (TCIA) from the Corporate Synergy Development Center. The winning projects involved warehouse optimization efforts which lead to important energy savings.

South Carolina site to meet LEED silver requirements

Our new manufacturing site in South Carolina (US) has been designed to meet the LEED (Leadership in Energy and Environmental Design) sustainable building requirement's silver certification. The new plant also includes a capacity of 2 GWH photovoltaics energy on-site. In addition, we are committed to sourcing the remaining needs of energy from renewable sources to achieve 100% renewable electricity from the beginning of operations.

New state-of-art site in Zug, Switzerland

SHL Medical is constructing a new manufacturing site in Zug. The site is designed to meet demanding sustainability criteria including photovoltaics, energy-efficient utilities and facilities, and a heating and cooling system that reuses water from the local lake. We are committed to using 100% renewable electricity since the start of the operations.

Embracing circularity

At SHL Medical, we are dedicated to embracing circularity within not only our own operations but also across our value chain in which we operate. This means moving away from a traditional linear business model characterized by a 'take, make and dispose' model and moving towards a more circular, closed loop, where the entire product lifecycle aims to achieve greater resource efficiency, longevity and recycling.

This makes sense not only from a sustainability perspective but also in term of improved resource efficiency, thereby increasing business resilience. Moving to a more circular approach also fosters greater innovation, including in design. Key is encouraging more data driven decision making, helping to ensure the lowest environmental impact across all stages of a product's lifecycle.

SHL Medical's business model, with an emphasis on in-house capability, enables full control over the entire innovation, development, and production process.

Target

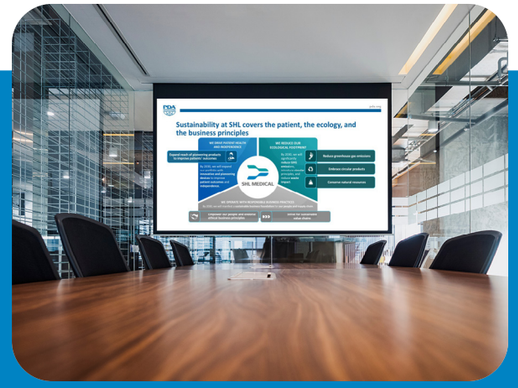
Reduce 30% of environmental impact per device by 2030

The acquisition of LCA Automation (see 'Key 2023 Highlights' section for more information). further strengthens our vertical integration. Our recent launch of a partnership program also helps foster the right partner ecosystems for SHL Medical to innovate, all of which opens up more opportunities for a more circular business model.

In 2024, we will define the metrics used to measure this target so that we can monitor and report on progress.

PDA circular economy

On 16th October, 2023, we attended the 2023 PDA (Parenteral Drug Association) Circular Economy in the Pharmaceutical Industry Workshop in Gothenburg, Sweden. Engaging with fellow leaders at this event and gaining industry insights help us reinforce ethical business practices across our processes and further underline our commitment to sustainable business practices across our supply chain and beyond.



Adopting eco-design principles

In recent years, we have seen an increased demand for more sustainable products from our customers due to their own net-zero commitments. SHL Medical recognizes the importance of integrating sustainability in our product design, development, and manufacturing processes and have placed eco-design at the core of our circularity ambition.

We have set a target for 100% of new products to adhere to eco-design principles by 2025.

Applying eco-design principles entails following a systematic approach that aims to design and manufacture products with the least amount of environmental impact throughout the product lifecycle and without compromising product performance, patient safety, functionality, or quality.

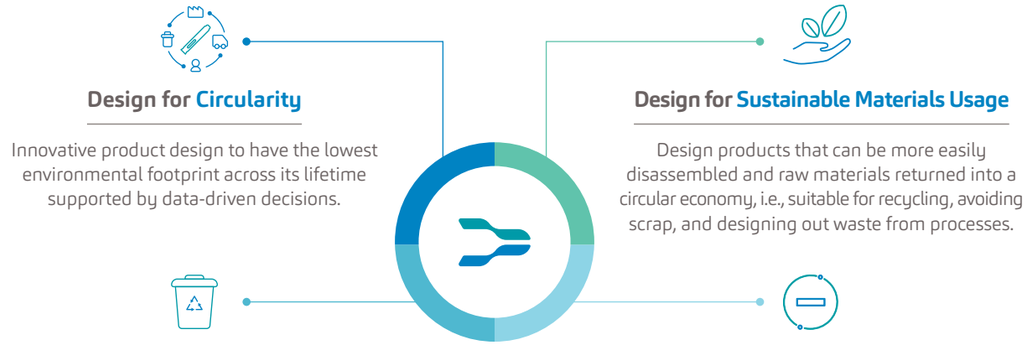
Target

100% of new products to adhere to eco-design principles by 2025

At SHL Medical, we have defined four main principles into our design and manufacture processes, design for circularity, design for sustainable materials usage, design for zero waste, and design for less.

In 2024, we will further refine our sustainability principles in eco-design criteria and embed them throughout the innovation, development and manufacturing of our devices. KPIs will be defined in 2024 to allow monitoring during the same year.

The four principles of eco-design



Recycled polyethylene terephthalate (PET) trays

After conducting a materials and environmental evaluation, we trialed changing existing polystyrene (PS) trays for trays made fully of recycled PET, while using the same tooling. The internal use of trays, together with plastic waste related to the manufacture of devices, account for 64% of total waste.

Changing tray materials provides a significant opportunity to dramatically increase what we can recycle and reduce the volume of waste.

Life cycle assessments (LCAs)

Eco-design is about taking an innovative product design process, supported by data-driven decisions, to reduce a product's environmental footprint across its lifetime. Key in this process is initiating environmental LCAs to help influence our product development decisions.

To this end, SHL Medical conducts ISO 14040/14044 compliant LCAs to quantify environmental impact. In 2023, we had a third-party review the life cycle assessment of our main platform, from "cradle to gate". This allowed us to identify opportunities to improve the design and manufacturing process.

The LCA gives our customers unprecedented insights into the autoinjector's environmental impacts, from cradle to gate.

Conserve natural resources

Our commitment to sustainability extends to the responsible management of waste and water resources.

Waste reduction and recycling

GRI 306-2

We approved targets to recycle more than 80% of our waste by 2025, thereby reducing the amount of waste sent to landfill, as well as reducing the overall amount of generated waste by 20% by 2030.

We recorded 5,185 tons of waste in 2023, a 10.2% increase compared to the previous year (see below table) due largely to a compound annual growth rate of 21% compared with the previous year.

In our journey to improve waste management, we have increased waste recycling by 3.7% compared to last year and further reduced our landfilled waste, which now accounts for only 0.89% of our total waste.

Our ambition is to eliminate it. This increase was achieved by reinforcing our internal sorting practices and collaboration with local waste management service providers. For further details on waste diverted from disposal, please see Appendix A, table GRI 306-4.

Target

Recycle >80% of our waste by 2025

Progress

74% of waste was recycled in 2023.

Target

Reduce total generated waste by 20% by 2030

Progress

Waste increased by 10.21% compared to our 2022 base year.

Waste generated in metric tons

GRI 306-3

TOTAL WEIGHT OF WASTE GENERATED IN METRIC TONS	2022	2023
Hazardous	727	670
Non-hazardous	3,977	4,514
Total	**4,705**	**5,185**

1 Our offices in Sweden and Switzerland have been excluded from the calculations as the amount of waste is negligible.

The largest contributor to waste is currently plastic waste related to the manufacture of devices and internal use of trays, contributing 64% of total waste. Secondly, hazardous halogenated waste related to surface treatments of springs needed for our products, accounts for 10%. Finally, there is non-hazardous household waste generated from canteens and leisure areas, that accounts for 7%.

We maintain stringent environmental records and inventory of both hazardous and non-hazardous waste. We also keep track of how much waste is recycled, sent to landfill and incinerated, with or without energy recovery. We made significant strides in improving the accuracy and quality of our waste data over the last year.

All of our sites have in place projects to reduce waste generation and increase recycling. In 2024, we are reinforcing these plans to further drive performance improvements while delivering impressive business growth. To raise employee awareness on how to handle manufacturing waste, SHL Medical sites will continue to provide employee training on waste reduction and sorting. These ongoing efforts will require careful planning and coordination with employees, customers, and suppliers.

Water use

Water scarcity is an increasingly important global challenge due to rising temperatures leading to both increased flooding and droughts. These events directly affect the availability of fresh water for local communities and introduce risks to business. Therefore, water stewardship is a topic that requests our attention even though we do not consider it material, owing to the risk posed to our business or our impact in this environmental area.

SHL Medical is committed to effective water management. Our environmental, health and safety policy, Code of Conduct and Supplier Code of Conduct (see 'Ensuring responsible business practices' section for more information) all set out our vision and expectations regarding the appropriate management of waste and the management of potential water-related risks across our own operations and those of our suppliers.

The environmental impact related to water withdrawal is estimated to be low since all of our sites are located in low-risk locations according to the classification of Aqueduct Water Risk Atlas of the World Resources Institute (WRI). Our own materiality assessment also identified water stewardship as having a low impact on businesses within the medtech industry.

We mostly use water for domestic purposes in our headquarters, research centers, and manufacturing sites. In our headquarters and office based in Switzerland and Sweden, we use tap water for exclusively domestic use. At our manufacturing sites located in Taiwan and the US, we use groundwater from our own wells, in addition to municipal tap water for domestic use. The consumption of processed water is limited to some specific processes. In these cases, we continuously monitor usage to ensure efficient use.

Since some of our Taiwan manufacturing sites are situated near rivers, we monitor the quality of water released into those rivers to ensure it is in accordance with local regulations and industry best practices. In cases where wastewater from certain processes does not meet the quality parameters required, we collect the wastewater as hazardous waste and dispose of it appropriately through certified providers.

In 2023, water withdrawals decreased by 15% compared to 2022. We have also reduced the quantity of effluent generated that are eliminated as chemical waste by 13% in 2023 versus 2022 levels. This latest result was achieved through various process improvements such as increasing the number of closed loop cycles in our spring cleaning processes.