

# Ensuring responsible business practices:

## Maintaining good governance

GRI 3-3



### Goal

By 2030, we will manifest a sustainable business foundation for our people and supply chain.

## Our work supports



### SDG 8: Decent Work and Economic Growth

Our success depends on the growth and satisfaction of our people. We aim to provide a high-quality work environment where everyone receives competitive benefits.



### SDG 9: Industry, Innovation and Infrastructure

We approach our work with an emphasis on ethical behavior with strong risk assessment protocols relating to environmental and social welfare. We also support volunteering in a variety of community events.



### SDG 12: Responsible Consumption and Production

Healthier people and supply chains contribute to a healthier society. We take a proactive approach to the well-being of our labor force and the development of transparent supply chains so we can practice mindful consumption of resources.

#### UNGC Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

#### UNGC Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

#### UNGC Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

#### UNGC Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labor.

#### UNGC Principle 5

Businesses should uphold the effective abolition of child labor.

#### UNGC Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### UNGC Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

We believe that transparency is critical to building trust with our stakeholders and driving change. As we work to embed our Sustainability Strategy within our overall business strategy, we are also improving our governance related protocols and procedures to ensure ethical and fair business conduct.

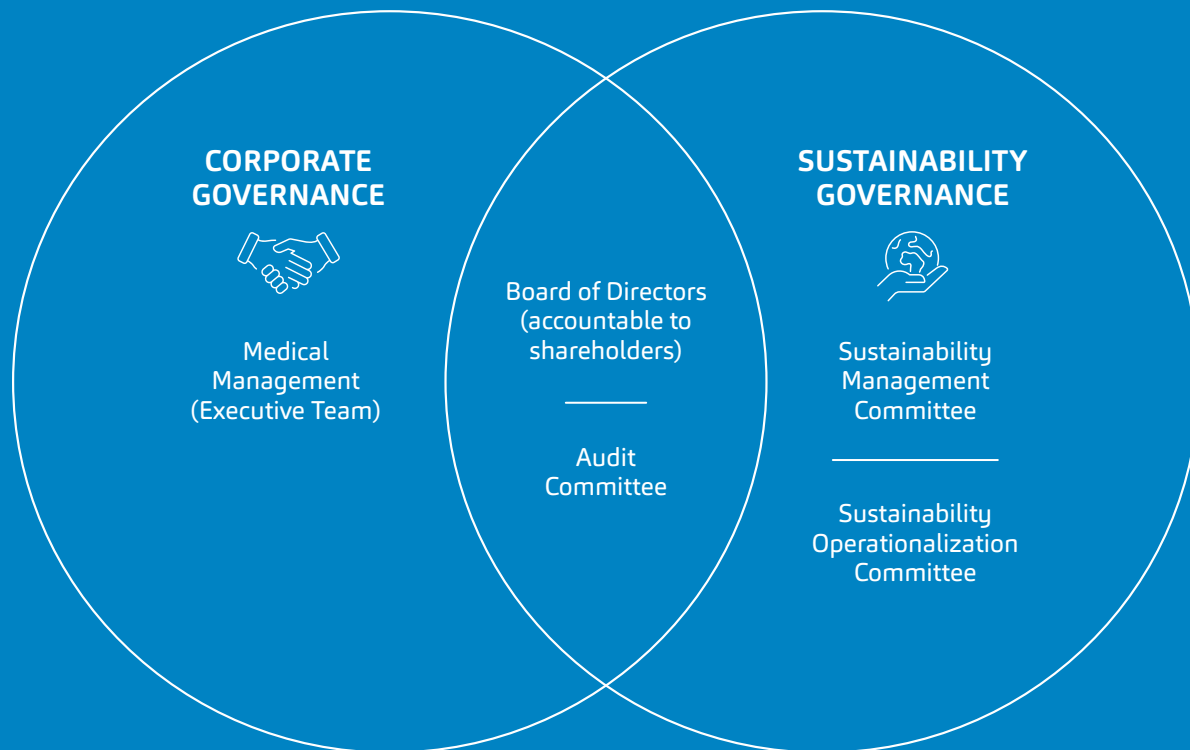
# Governance structures

GRI 2-9, GRI 2-13

SHL Medical has defined a robust governance structure that enables us to support delivery of our strategic goals including the Sustainability Strategy 2030 priorities.

Our Organizational Regulations have established the powers and duties and delegation of the governing bodies and functions in the company; namely, the Board of Directors, Executive Team, and Audit Committee, which play a role in both corporate and sustainability governance. Other committees involved in sustainability governance include the Sustainability Management Committee and the Sustainability Operationalization Committee.

## SHL Medical corporate governance structure



# Board of Directors (BoD)

GRI 2-9, GRI 2-10, GRI 2-11, GRI -2-12, GRI 2-14, GRI 2-18, GRI 2-19, GRI 2-20

SHL Medical's BoD acts as an advisory board, approving financial and Sustainability Strategy and advising on new developments. It consists of up to six Board members and three 'Observers' that meet quarterly. The BoD appoints and supervises the CEO, who also serves as Chair of the Board, to streamline decision-making. Overarching responsibility for sustainability and publicly disclosed sustainability information is held by the CEO. All members of the Board, including Observers, are nominated and elected by shareholders at the annual general meeting of the company for a six-year term. Observers do not vote.

From 2024, our shareholders will evaluate the BoD's performance annually. The BoD will also evaluate the performance of the Executive team on an annual basis. Board Members and Observers are not compensated for services rendered. The BoD approves remuneration for Executive Team members, which is externally benchmarked and designed to incentivize sustainable business growth and innovation. Compensation includes fixed pay in the form of an annual base salary and may also include bonuses and incentives, as laid out in respective employment agreements. SHL Medical does not currently incentivize the Board or Executive based on sustainability performance.

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|--|---|---|
| <p><b>Ulrich Faessler</b><br/>CEO &amp; Chairman</p> <ul style="list-style-type: none"> <li>Swiss national, non-independent</li> <li>Former CEO and Chairman of a Swiss precision tooling company</li> <li>Board member since 2018; Chairman since 2020</li> </ul> | <p><b>Steffen Oppenländer</b></p> <ul style="list-style-type: none"> <li>German national, independent</li> <li>advises on private equity and corporate mandates in complex transactions</li> <li>Board member since 2020</li> </ul> | <p><b>Thomas Ebeling</b></p> <ul style="list-style-type: none"> <li>Swiss national, independent</li> <li>experienced healthcare executive</li> <li>Board member since 2023</li> </ul>   |
| <p><b>Stephen Oesterle</b></p> <ul style="list-style-type: none"> <li>US national, independent</li> <li>healthcare investor and consultant with background in medical and technology sectors</li> <li>Board member since 2020</li> </ul>                           | <p><b>Andreas Aschenbrenner</b></p> <ul style="list-style-type: none"> <li>German national, non-independent</li> <li>industrial goods and corporate finance group</li> <li>Board member since 2020</li> </ul>                       | <p><b>Petra Rumpf</b></p> <ul style="list-style-type: none"> <li>Swiss national, independent</li> <li>experienced board member and Chairwoman at Straumann, experienced healthcare executive in strategy and transformation</li> <li>Board member since 2020</li> </ul> |

# The Audit Committee

GRI 2-14

Audit Committee members provide oversight of the financial reporting and audit process, the company's system of internal controls ensuring compliance with laws and regulations. Led by the CFO, the Audit Committee meets three times a year. In addition, Audit Committee members follow progress on non-financial reporting requirements bi-annually, including those relating to sustainability matters.

## Audit Committee Internal Members

- Ulrich Faessler, CEO
- Anne Pagenkemper, CFO

## Audit Committee External Members

- Petra Rumpf
- Pascal Noël
- Steffen Oppenländer



# Executive Management Team

GRI 2-23

The Medical Management Team (MMT) make up SHL Medical's Executive Team, which is responsible for day-to-day operational leadership and management. The MMT consists of the CEO and other senior executives, and in its extended form, the eMMT, which includes two general managers. The MMT controls governance mechanisms that include: reviewing and guiding annual budgets, strategy, and innovation/R&D priorities; overseeing major capital expenditures, value chain engagement, and the setting of corporate targets; and monitoring progress towards corporate targets.

All sustainability policy commitments are approved by our CEO, as the most senior member of our company, and they apply to all SHL Medical subsidiaries.

## SHL Medical Management Members\*

- Ulrich Faessler, CEO & Chairman
- Markus Puusepp, Chief Growth Officer
- Ralph Howald, Chief Technology Officer
- Martin Turvill, Chief Operations Officer
- Said Djaouat, Chief Quality and Regulatory Officer
- Satbir Bains, Chief Human Resources Officer
- Sebastien Martin, Chief Digital Implementation Officer
- Dietmar Bettio, Chief Digital Transformation Officer
- Kimberlee Steele, General Manager SHL Medical North America
- Anne Pagenkemper, Chief Financial Officer
- Barbara Lange, Chief Legal Officer

\* As of 2024

# Sustainability Management Committee

## GRI 2-17

The Sustainability Management Committee (SMC) is headed up by the Head of Sustainability (HoS), who reports directly to the CEO. This Committee sets the direction of SHL Medical's Sustainability Strategy and oversees the implementation of strategic initiatives to reach 2030 sustainability targets across all locations. The HoS shares updates and expertise at Executive meetings, quarterly Board meetings, and twice-yearly Audit Committee meetings.

# Sustainability Operationalization Committee

The Sustainability Operationalization Committee (SOC) monitors the implementation of the Sustainability Strategy, including monitoring deadlines and ensuring cross-functional alignment between initiatives and departments to ensure successful implementation. The SOC meets on a monthly basis during the initial phases of the strategy implementation. SOC members include the initiative sponsor, c-suite executives, and senior representatives from relevant functions.



One of the most transformative regulatory changes in the EU is the Corporate Sustainability Reporting Directive (CSRD). Although SHL Medical is not required to report against CSRD requirements until 2028, we are steadily working to put systems in place to prepare for this eventuality.

As a global company that operates on three continents, we also hold ourselves to a high standard of reporting in the interim. We aim to provide relevant sustainability information to our key stakeholders and to provide a clear perspective on our targets, as well as our progress against them. Our reporting will comply with emerging relevant reporting standards.

Here is an overview of our voluntary reporting (see ['Key 2023 Highlights'](#) section for more information):

- We issued our first sustainability report in April 2023.
- In the 2023 Sustainability Report, we are reporting 'with reference to' the Global Reporting Initiative (GRI). GRI is a framework for corporate sustainability reporting established in 1997. This widely recognized framework guides organizations like SHL Medical to share our economic, environmental, and societal impacts in a transparent and consistent manner. We will increase transparency in the future as we pursue a reporting status of 'in accordance with GRI'.

- Our key stakeholders request annual reporting of key performance indicators (KPIs) as well updates on related governance, policies, and risks. Reporting must be in accordance with SFDR (Sustainable Finance Disclosure Regulation) Art.91 and NFRD2.
- We report annually with EcoVadis and in November 2023 we achieved an EcoVadis Silver score.
- We report annually on CDP and scored a C-rating in 2023, an improvement from our D-rating in 2022.
- In September 2023, we became a signatory to the UN Global Compact's ten principles, which will require us to annually report our progress towards the ten principles of UNGC.

We will continuously improve our processes surrounding data collection and consolidation to comply with and fulfill these and future sustainability obligations.

# Transparency, accountability and reporting

## GRI 2-3

As we enter our second year of annual sustainability reporting, we continue to respond to the evolving sustainability landscape. The public is increasingly aware of the large collective effort needed to ensure a sustainable future.

The expectations of our customers, suppliers, and consumers are shifting in favor of companies that have understood their risks and opportunities. This includes setting tangible goals and plans, ensuring transparency and accountability regarding their actions and reporting openly with all stakeholders in order to build trust. We continue to work hard to meet these ever-evolving expectations.

# Risk management, identification, and response

GRI 2-25

Risk management is a critical element of SHL Medical's current success and future viability. We manage and assess risk through several mechanisms, including enterprise risk management (ERM), business continuity management (BCM), and crisis management. We also have a process for identifying, assessing, and responding to climate-related risks and opportunities across our value chain, including our direct operations as well as the upstream and downstream parts of the value chain.

## Key operational risks

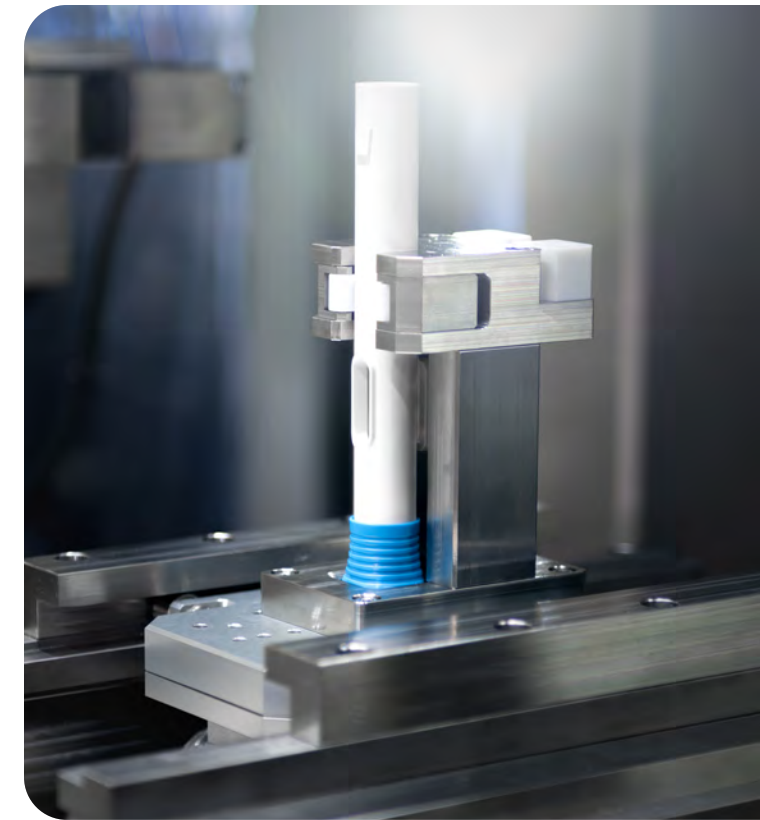
SHL Medical compiles an annual ranking of major risks based on total financial cost impact, alongside an evaluation of whether the risk is increasing, decreasing, or newly added. Such risks include geopolitical risk, business continuity risk, and sustainability risk.

## How we assess sustainability-related risk

At SHL Medical, we assess numerous ESG-related risks, with climate being of central importance. We assess risk through a qualitative risk matrix, structured by physical (acute and chronic), and transition risks (regulatory, technological, market, and reputation). For the assessment, internal and external sources are leveraged to assess the level of vulnerability: based on a qualitative scale and potential opportunities. Our level of vulnerability to climate events (physical risks) and/or to the transition to a lower-carbon economy (transition risks) are assigned one of four levels of vulnerability: Negligible, Limited, Intermediate, or High. Risks are also assigned a timeframe, whether Short-term (0-5 years), Medium-term (6-10 years), or Long-term (11-20 years).

SHL Medical will focus on reinforcing the risk assessment methodology, integrating it into multi-disciplinary, company-wide risk management processes and defining periodicity of review.

We also voluntarily submit yearly reports to the global rating organizations CDP and EcoVadis (see ['Key 2023 Highlights'](#) section for more information). As part of these assessments, we received feedback on areas of risk and areas for improvement.



## Key sustainability-related risks

The systems and processes outlined here have helped us identify a number of specific near-term risks that include the evolving legal and regulatory landscapes, carbon pricing regulations (potential supply chain impacts), supplier actions and expectations, availability of biobased materials for low-carbon products, our reputation as a result of striving to meet sustainability targets, and extreme weather events that may have an acute physical and chronic physical risk on our supply chain or direct operations.



# Corporate ethics

GRI 2-23, 2-24, 205-2

At SHL Medical, all employees, from the Board and Executive team down to the newest hire, are responsible for considerate and ethical behaviors. We comply with all labor and employment laws, regulations, and rules in the jurisdictions we operate in and ensure that our conduct with employees meets the highest ethical and professional standards. Our long-standing employee Code of Conduct prohibits corruption and reinforces our expectations towards any violations, such as discrimination and bullying, that could detract from a safe and healthy workplace.

In 2023, we reinforced this approach by initiating the development of a whistleblower system.

We also committed to delivering ethics training for 100% of employees annually by 2025. We are currently developing this program and will begin implementation in 2024.

## Target

**Ethics training for 100% of employees annually by 2025**

Here are some of the most salient ethics topics for SHL Medical:

## Policy commitments

GRI 2-23

We care about our business and are committed to the highest standards of business ethics and behavior. We are expected to demonstrate personal integrity and live the values and behaviors that underpin all our work.

Our Code of Conduct and Environmental, Health and Safety policy are essential to ensure all employees and partners adhere to our principles. New hires acknowledge these expectations during onboarding and receive ongoing training. These policies apply globally to all employees.

Our Code of Conduct and Environmental, Health and Safety policy are central to ensuring our employees and partners apply the principles we strive for at SHL Medical. Employees acknowledge the Code of Conduct expectations during hiring processes. Employees are trained during their onboarding and throughout their careers to ensure they understand SHL's expectations relating to environment, health and safety.

In addition, we have a Suppliers Code of Conduct, which we communicate directly to our suppliers via our website, that outlines our expectations on ethics and governance.

# Human rights

GRI 2-23

SHL Medical is firmly committed to upholding human rights in all areas of our operations, as laid out in the UN Global Compact (see '[Key 2023 Highlights](#)' section for more information). Adherence to the highest standards in this area help shape a sustainable and ethical supply chain as well as fair recruitment and labor practices for our employees and candidates.

We are currently examining the status of related risks, including child labor and human trafficking, migrant labor, and potential conflict minerals used in our manufacturing. Further details are listed below.

## Child labor and human trafficking

In line with the principles of the UN Global Compact and the Sustainable Development Goal 8 for Decent Work and Economic Growth, SHL Medical does everything in its power to prevent child labor, slavery, and human trafficking and to support fair, voluntary labor practices. Although we have protocols in place to screen and verify all candidates' ages, we operate in and are supplied from countries classified as "enhanced" risk. To mitigate this risk and uphold our human rights obligations, we will run a human rights risk assessment in 2024.

## Migrant labor

SHL Medical pays special attention to regulations related to migrant workers and is monitoring new regulatory frameworks closely. We will comply with all relevant regulations and take measures to fulfill requirements in due course.

## Conflict minerals

A screening for the existence of conflict minerals, tungsten, tantalum, and gold (collectively referred to as 3TG) in our products revealed there is no evidence of 3TG raw materials in final products or "intentionally" integrated in processes. We understand the importance of this issue and will continue to evaluate it on an ongoing basis.

## Anti-discrimination and anti-bullying

We strive to create a work environment that is free from discrimination based on one's identity and are working to create a DEI program to address gender gaps, which includes evaluating our approach to gender equality in compensation (see '[Diversity, Equity, and Inclusion](#)' section for more information).



# Anti-corruption

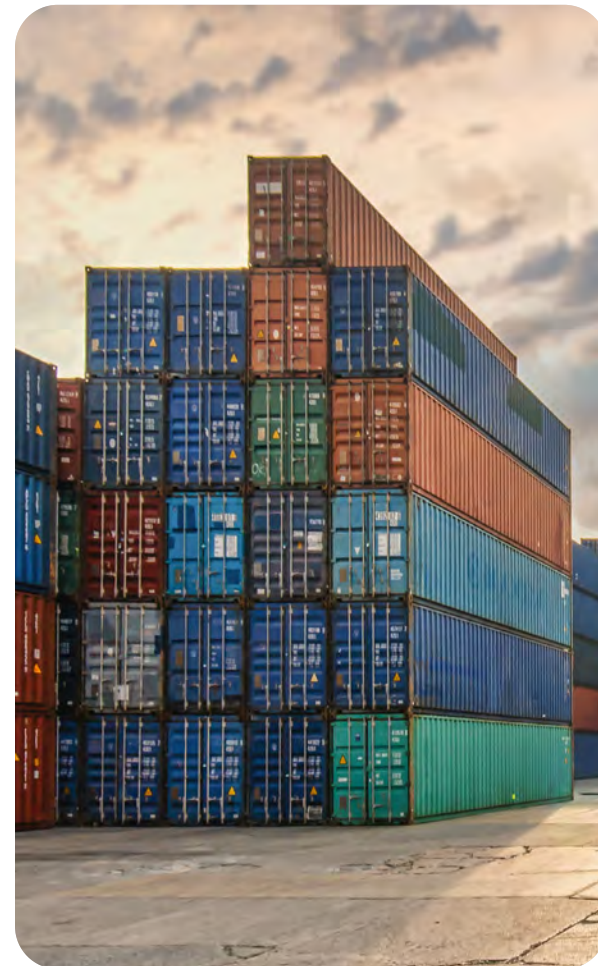
## GRI 2-15

Our Code of Conduct lays out clauses on conflicts of interest, insider trading, business integrity, and fair competition. Further details of which are listed below:

- **Conflicts of interest:** Our employees are required to provide written disclosure of any actual or potential conflict of interest that could influence one's judgement in a particular course of action. When members of the Board or Executive Team disclose a conflict of interest, appropriate measures are applied to avoid interference with the company's decision-making, which may include abstaining from participation in discussions or voting.
- **Insider trading:** All our employees are required to comply with relevant laws and regulations on insider trading and trade secrets. Employees agree not to use or profit from information about SHL Medical's customers or vendors received in the course of their employment, including to trade in the shares and securities of those customers, vendors, or their relevant competitors.
- **Business integrity and fair competition:** SHL Medical prohibits any form of bribery, illegal inducement, extortion, embezzlement, corruption, and criminal conduct in the conduct of its business affairs. SHL Medical conducts business in a manner that complies with fair business practices and applicable competition and anti-trust laws.

# Trade compliance

SHL Medical plays an active role in commercial transactions that cross national boundaries, which exposes the company to various trade-related compliance risks. SHL Medical complies with applicable laws, regulations, and rules governing the cross-border exchange of goods, services, and data, including export controls, embargoes, trade sanctions, and customs measures.



# Communication on critical concerns

## GRI 2-25, GRI 2-26

Our Code of Conduct encourages any employee who becomes aware of any actual or suspected non-compliance to immediately report the matter to their superior or to the HR Department, the Legal Department, or any C-Level Officer, who will then investigate all reports or complaints. The identity of the reporting employee and the content of the report are confidential and only disclosed on a need-to-know basis or as required by applicable laws during the investigation. Any actual or potential retaliation for making a good-faith report or complaint is strictly prohibited.

SHL started the process in 2023 to identify a third-party provider for a whistleblower platform allowing both external stakeholders and employees to voice their concerns. This will be rolled out in 2024.

# Information and cybersecurity

We are committed to the responsible use of information in our business processes, including personal information, and we adhere to appropriate standards to achieve this purpose. We have robust governance, processes, and policies in place to ensure the security of our data and IT systems. All SHL Medical employees participate in the annual mandatory training in information management. To prevent IT system interruptions, we maintain risk-based service continuity and system recovery plans, which are tested periodically. We also conduct ongoing vulnerability analyzes to ensure the effectiveness of our cybersecurity controls. SHL Medical's Cyber Security Operations Center operates 24 hours a day and analyzes events and reports on potential security incidents. We did not experience any material cybersecurity incidents.



# Engaging with industry associations

## GRI 2-28

SHL Medical engages directly with industry associations to drive collaboration and advance shared priorities across several sustainability areas. More recently we have joined the organizations below.

- **Association for the Decarbonization of Industries in Switzerland:** We joined in 2022 to support the development of green hydrogen production processes, using novel technologies

like methane pyrolysis and hydrogen electrolysis. The association's focus to drive innovation to support decarbonization ties in seamlessly with our Sustainability Strategy and reflects shared ambitions around the decarbonization of our industry.

- **MedPharma Plastics Europe (MPPE):** MPPE is a sector group created in 2014, made up of European plastic converters (EuPC) and companies involved in the plastic medical devices and pharmaceutical packaging supply chain. We became an MPPE member in 2023 and participate in the Sustainability Working Group which has a focus on circularity and related governance. SHL Medical's representatives were also invited to speak at the 2023 MPPE conference in Belgium.



# Maintaining supply chain excellence

SHL Medical manages a comprehensive supply chain of suppliers that includes over 70 tier-1 vendors that all meet our quality and operational standards, supplying us materials and mechanical components among other purchased goods. We follow strict measures, which include a systematic supplier approval process with periodical audits and reassessments, all with the purpose of maintaining the qualification status of our supply base and consistently assuring the highest quality.

The standards we set for our suppliers are consistent with the high expectations we hold for ourselves. Our focus on supplier excellence also includes monitoring daily performance metrics, assessing supply based risks, ensuring compliance monitoring, driving continual improvement, and striving for a sustainable business partnership through close supplier collaboration and governance.

These exacting standards have historically been maintained by requiring our suppliers to sign a Supplier Code of Conduct.

Due to the increasing importance of the sustainability landscape and the growing challenges around compliance, in 2023 we issued an updated Code of Conduct to our suppliers. This agreement reinforces our expectations of them, including how they can help contribute to a sustainable value chain that supports our Sustainability Strategy 2030 and associated targets.

Through this process, we aim to ensure sustainable business conduct and accountability across the supply chain, including compliance with evolving regulations that impact SHL Medical's supplier relationships. The process also allows us to identify and mitigate any social and environmental risks arising from our suppliers.

This Supplier Code of Conduct is available on our website in Mandarin and English, and includes relevant clauses on Human Rights and Labor, Health and Safety, Environment, Ethics, Management System, and Quality.



Target

**100% of strategic suppliers and 75% of other suppliers to sign our Supplier Code of Conduct by 2025**

## Supplier assessments

We are also assessing suppliers across various social and environmental criteria related to our targets. This qualification process involves inquiring about their environmental, social, and governance performance and commitments. This includes any targets set and how they are communicated, with an emphasis on carbon footprint and Scope 3 emissions. All newly selected suppliers are requested to set a strategy to reduce Scope 1, 2, and 3 GHG emissions. This includes undertaking a reasonable effort to set ambitious SBTi-aligned targets (see [‘Combating Climate Change by Reducing Our GHG Emissions’](#) section for more information) and demonstrate emission reductions through 2030 and beyond. The screening also helps reinforce our positions on conflict minerals and child labor, among other things. Suppliers must agree to support due diligence through data sharing upon SHL Medical’s request.

Our suppliers have been receptive to our efforts so far, and we expect to continue collaboration on GHG reduction, for example, transitioning towards renewable energy usage.

Target

**90% of relevant suppliers to be covered by a sustainability assessment by 2025**

## Engaging suppliers

In 2023, we set targets for 100% of strategic suppliers to sign our Supplier Code of Conduct by 2025 and for 90% of relevant suppliers to be covered by a sustainability assessment by 2025. Strategic suppliers include any supplier of materials used directly for device manufacturing and shipment.

Supplier engagements will be introduced as a constant recurring agenda item in our regular business reviews with key suppliers. Through our Code of Conduct engagement and supplier assessment, we aim to ensure sustainable business conduct and accountability across the supply chain, including compliance with evolving regulations that impact SHL Medical’s supplier relationships. In this way, we can help identify and mitigate potential social and environmental risks arising from our suppliers.

As our supplier engagement program will be primarily implemented in 2024, we will share progress against our supplier-related targets in our next report.

