
2017 Environmental, Social and Governance Report

LifeTech Scientific Corporation

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Environmental, Social and Governance Report

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ABOUT THE GROUP

LifeTech Scientific Corporation (“LifeTech” or the “Company”) and its subsidiaries (collectively the “Group”) are a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. Currently, the Group has three main product lines, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluders. The peripheral vascular diseases business mainly includes vena cava filters and stent grafts. The new product line cardiac pacing and electrophysiology is mainly related to pacemakers.

The Group currently has distributors in numerous countries across Asia, Africa, North America, South America and Europe, with sales network spreading all over the world. In the future, the Group will continue relying on its two core businesses, namely structural heart diseases business and peripheral vascular diseases business, to achieve its growth potential in 2018. The Group will also actively expand its product range and promote its established market position.

The products of the Group have been recognized by China Food and Drug Administration. The Group continuously invests in research and development to improve, upgrade and develop products in response to the demands of our various markets and customers. The Group’s broad portfolio of products, robust product development pipeline and strong research and development capabilities provide substantial opportunities for the Group to grow its business and revenue through further penetration into key international markets.

Corporate values

With the vision of “Innovation, Cooperation, Responsibility, Execution and Recognition”, we aim to provide global doctors and patients with safe and innovative medical devices to treat cardiovascular diseases.

ABOUT THE REPORT

This is the second Environmental, Social and Governance Report issued by LifeTech (the “Report”). The Report presents the policies, measures and performance of the Group in environmental, social and governance aspects to enable all stakeholders to better understand the Group’s progress and orientation in the subject of sustainable development.

The Report is compiled in Chinese and English and has been uploaded to the websites of The Stock Exchange of Hong Kong Limited (the “HKEx”) and the Group (www.lifetechmed.com).

Year of the Report

The information in the Report presents the performance of LifeTech in environmental protection and social responsibility from January 2017 through December 2017 (the “Year”). The Group is committed to issuing the Environmental, Social and Governance Report annually for your reference in the future to continuously enhance the Group’s information transparency.

Scope of the Report

The Report focuses on the operation of LifeTech in its production plant located in Shenzhen, China, which is in line with the report for the previous year. To facilitate readers to compare the Group’s performance in the Year with that in the previous year, a similar structure as the first report is adopted herein. The Report currently does not cover all operations of the Group; however, LifeTech aims to continuously improve internal data collection procedures to gradually expand the scope of disclosure.

Standard of the Report

The Report has been prepared in accordance with the “comply or explain” requirements under the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by the HKEx and based on the four reporting principles specified therein, i.e. materiality, quantitative, balance and consistency. To ensure the accuracy of environment-related key performance indicators (KPIs), the Group has also entrusted a professional consulting firm, Carbon Care Asia (CCA), to conduct a carbon assessment. In addition, the Report also includes individual KPIs specified in “recommended disclosures” of the Guide to enhance the effectiveness of the Report. The last chapter of the Report consists of a complete index to facilitate quick reference for readers.

Confirmation and Approval

Information recorded herein is collected from the official documents and statistical data of LifeTech and its subsidiaries, and management and operational information collected by them according to the policies of the Group. The Report was approved by the board of directors before the date of its disclosure.

FEEDBACK

The Group places high emphasis on the feedback of its stakeholders. If you are in doubt or have any recommendations in regards to the content or the presentation of the Report, you are most welcome to contact us through the following:

Address: Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen

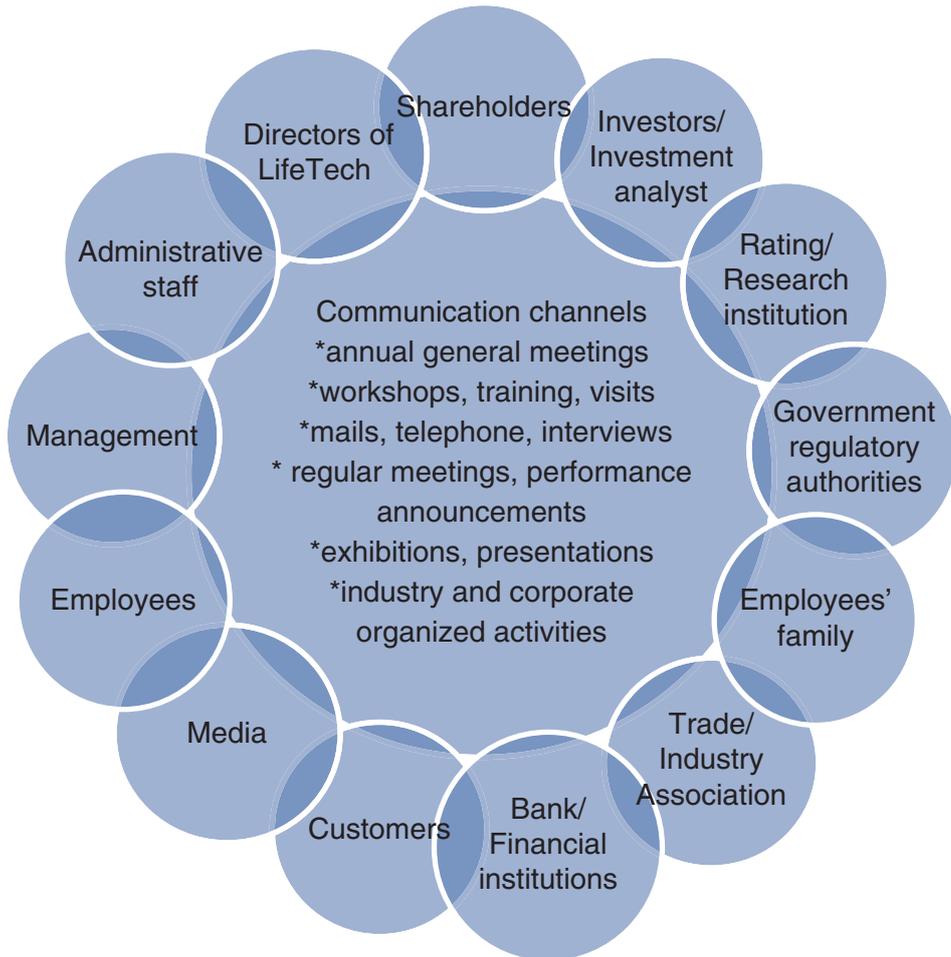
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STAKEHOLDERS' COMMUNICATION

Stakeholder engagement is an integral part of LifeTech's business management, allowing the Group to identify potential risks and business opportunities. To communicate with the stakeholders and to understand their insight would allow the business practices of the Group to be more in line with their needs and expectations, and enable proper handling of feedback from different stakeholders. Regular communication with key stakeholders within or outside the Group has been conducted by us through various channels, including interaction with investors. This can ensure that they have the opportunity to understand the Group's development and operational approach on the one hand and on the other hand for the Group to heed their opinions, so as to prioritize different issues by their importance and formulate corresponding policies.

Communication methods with stakeholders in the reporting period



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Major sustainable development issues in the reporting period

LifeTech has entrusted an independent consulting firm, as it did last year, to interview the top management in order to formulate the Group's sustainability strategy and direction and to identify the most important environmental and social issues for the Group and its stakeholders. Taking into account the opinions collected from the interviews and from the consulting firm, the Group selected four environmental and social categories out of the eleven environmental and social aspects from the Guide as the key issues for discussion in this report.



To ensure the effectiveness of communication with stakeholders, the Group is committed to transparent, honest and accurate communication and provides timely replies. In the future, the Group will enhance interaction with stakeholders, explore more diverse channels, increase opportunities for contact with stakeholders, and create win-win relationships for mutual benefits.

CHAIRMAN'S COMMENTS

As a leading supplier of medical devices in the industry, LifeTech aims to enhance the global health by leveraging our strong research and development (“R&D”) capabilities. While optimizing the product technologies, the Group puts emphasis on corporate responsibilities. We have a vision to carry out environmental protection and promote social development while expanding the business on the basis of sustainable development.

Environmental quality has a direct impact on human health. With a thorough knowledge on how the production processes could affect the environment, LifeTech values public health. The Environment Management Regulations of the Group was formulated internally to mitigate the burden laid on the environment by hazardous and non-hazardous waste. Waste solutions with chemicals from lab testing and analysis are delivered by the Group to qualified hazardous waste management institutions for further handling. To reduce the emission of air-pollutants, the Group put efforts in improving the absorption and processing of Ethylene Oxide during the year. In addition, the installation of sewerage treatment equipment of the Group is underway with the aim of conducting sewerage treatment by itself so as to consolidate the management of discharges.

Valuing the health and safety of employees, the Group has formulated an emergency plan to prevent the risks of chemical accidents and organized regular drills to ensure staff safety during emergencies. Furthermore, the Group regularly inspects the hazards of different jobs and arranges physical examination and safety training for staff. We also provide protective and safety equipment to ensure staff safety.

Staff training is the key to the expansion of operations and maintaining the competitiveness of the Group in the future. To withstand the fierce competition for talents in the medical device industry and relatively limited numbers of suitable domestic talents, the Group strives to attract and retain senior management. Meanwhile, the Group fills the key positions by way of continuous training and internal promotion with a clear and definite career path in order to develop the sense of affiliation of staff as a team. To enhance the professional knowledge of staff and respond to market demands, the Group regularly consults them to plan and arrange internal and external training programs.

As a responsible enterprise, LifeTech cares for society and makes contributions to the community regardless of geographical boundaries. Leveraging its proprietary medical technologies, the Group has collaborated with the local medical institutions in mainland China, Philippines and Peru respectively to perform voluntary treatment and serve the local people. The Group encourages the employees to take part in volunteer activities to cultivate the virtue of caring for society.

Although being in a leading position in the market now, LifeTech still takes it seriously on meeting the challenges ahead. LifeTech will continue to pursue the philosophy of “Innovation, Cooperation, Responsibility, Execution and Recognition” to maintain high standards of its products. Capitalising on the business advantages and resources of the Group, LifeTech will enhance its performances on environmental and social responsibility gradually, and thus lead the industry to achieve sustainable development.

LifeTech Scientific Corporation

Chairman

XIE Yuehui

ENVIRONMENTAL PROTECTION

The Group has formulated the principles and measures of environmental management and implemented them in the relevant operations producing emissions in accordance with the Environment Management Regulations. To mitigate the impact on the environment of waste, sewage and exhaust gas that are generated in the course of production at the Shenzhen plant, LifeTech has launched various management measures and internally monitored the progress by regular inspection on waste water, solid waste and use of energy. In addition, relevant department is responsible for external monitoring by conducting inspection annually.

Greenhouse Gas Emissions

Given the close relationship between greenhouse gas emissions, climate change and global warming, corporations from many countries have set measures and goals for carbon reduction. During the year, the Group has engaged Carbon Care Asia, a consultancy company, to conduct carbon assessment in order to quantify the greenhouse gas emissions (otherwise known as “carbon emissions”) generated from our operation. The quantitative measurement was conducted with reference to the guidebook issued by the NDRC of China¹ and international standards including ISO14064-1 and the Greenhouse Gas Protocol.

The greenhouse gas emissions of LifeTech are mainly generated from the fossil fuel used by the equipment and vehicles owned or controlled by the Group. Energy indirect greenhouse gas emissions are generated from purchased electricity. The Group will evaluate, record and disclose its greenhouse gas emissions and other environmental data on an annual basis. Data of subsequent years will be compared with those of this year as a basis respectively to review the effectiveness of the measures, which will facilitate the further setting of emission reduction targets in the future.

Scope of total greenhouse gas emissions	Source of emission	Emission in 2017 (in tons CO ₂ equivalent)
Scope 1: Direct greenhouse gas emissions	Combustion of fossil fuels - mobile source - petrol	49.5
	Greenhouse gas released during operation of equipment and systems	158.4
Scope 2: Energy indirect greenhouse gas emissions	Purchased electricity	1,334.7
Total greenhouse gas emissions		1,542.6
Greenhouse gas intensity (in tons CO ₂ equivalent/m ²)		0.257

¹ Accounting Methods and Reporting Guidelines for Greenhouse Gases Discharged by Machinery Equipment Manufacturers (Trial)

Waste

Waste generated by the Group is comprised of household refuse and waste generated during production and laboratory testing. LifeTech classifies waste into recyclables, non-recyclables and hazardous waste and dispose of them systematically. The Group requires that hazardous waste be stored in a warehouse with anti-corrosion flooring and leak-proof grooves to prevent residual liquid from seeping through and polluting the underground. Contractors who are responsible for hazardous waste treatment shall obtain the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the government authorities, and have the ability and capacity to perform hazardous waste treatment. Contractors shall classify solid waste and conduct treatment in compliance with the laws and contractual requirements to avoid secondary environmental pollution. To support recycling, LifeTech has scheduled recycling of packaging cartons, waste plastics and scraps and delivery of household refuse or waste which is difficult to recycle to environmental sanitation departments for proper treatment. During the year, LifeTech has commenced data collection of waste alkali to fully comprehend the environmental impact of the Group’s production, and thus facilitate our further efforts in environmental protection based on statistics in the future. Given the increased product output of LifeTech for the year, the hazardous waste production volume is higher than the previous year. During the year, hazardous waste intensity and non-hazardous waste intensity of the Group amounted to 0.00061 tonnes/m² and 0.0041 tonnes/m², respectively.

The Group also requires employees to implement waste reduction measures according to the environmental management principles. Regular inspections are conducted by the relevant departments of LifeTech to monitor waste control and deal with violations timely.

Summary and comparison of performance index for waste

		2016	2017
Hazardous waste	Waste acid (ton)	0.61	1.45
	Waste organic solution (ton)	0.96	2.15
	Waste alkali (ton)	0	0.05
Non-hazardous waste	Waste paper and waste plastic (ton)	6	3
	Waste plank (ton)	2	1.5
	Household refuse (ton)	25	20

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Waste Water

LifeTech has implemented the “rain and sewage diversion”, which means segregation of rain water and sewage. At the same time, the Group performs hierarchical management for polluted water from the plant. Although the Group has outsourced the washing process of steel parts to external firms, the Group has specified the management and emission measures and requirements regarding different types of waste water in the Environment Management Regulations.

Types of waste water		Discharge methods
Production waste water	Waste water from inspection, hyper filtration washing and workshop cleaning	discharged centrally to the municipal sewage pipe networks, thrushed into sewage treatment plants for treatment and discharge externally after the quality standard is met
	Waste solutions with chemicals from lab testing and analysis, and waste water from polishing process	collected in containers and delivered to hazardous waste treatment institutions without being directly discharged to the municipal sewage pipe networks
Sanitary sewage	Waste water from washrooms and pantries	processed by septic tanks in the industrial district, thrushed into sewage treatment plants through the municipal sewage pipe networks, and discharged externally after the quality standard is met

	2016	2017
Total reuse of polluted water (ton)	510	895

LifeTech conducts internal monitoring regularly on waste water in order to deal with violations timely, and external monitoring annually by patrols and inspections with records of inspection results. The Group is putting a set of waste water treatment system into testing. Once the testing is completed, the Group would be able to commence sewage treatment in its own capacity from next year.

Exhaust Gas

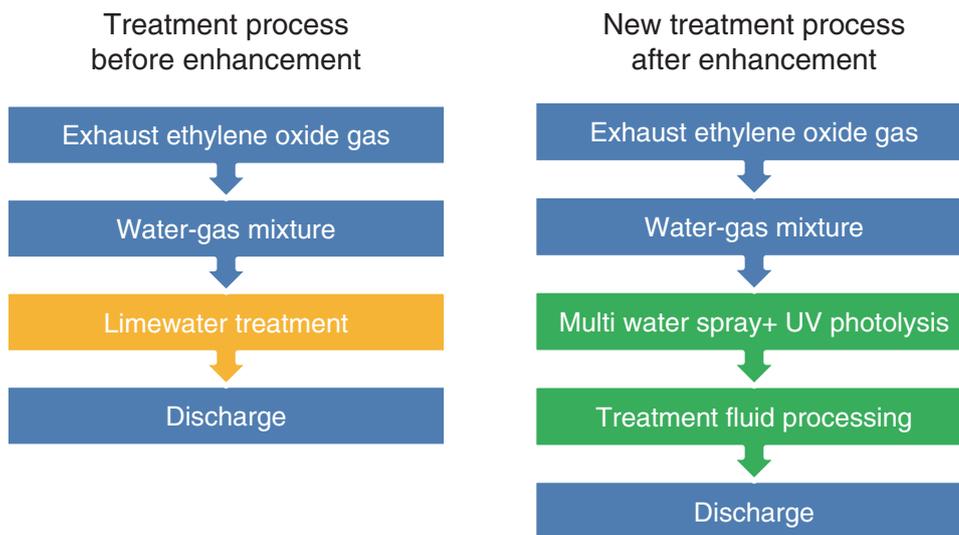
Exhaust gas emissions of the Group mainly include exhaust gas generated during production and laboratory testing, as well as air pollutants produced by gasoline vehicles, namely nitrogen oxides and sulphur oxides.

Exhaust Gas	Type	Emission in 2017 (kg)
	Sulphur oxides	22.235
	Nitrogen oxides	1.821
	Particulate matters	1.626

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The Group monitors the exhaust gas generated during production and laboratory testing to ensure that the exhaust gas emissions comply with established standards. Exhaust gas which does not meet the standards would be discharged after purification process. In addition, LifeTech is able to conduct neutralization and absorption of ethylene oxide from exhaust gas and lower the concentration level of exhaust gas emissions by enhancing its exhaust gas treatment facilities and techniques. Accordingly, the concentration level of ethylene oxide emissions has been reduced to $0.3\text{mg}/\text{m}^3$, which is lower than $4\text{mg}/\text{m}^3$ as stipulated by the Emission Limits of Air Pollutants (DB44/27-2001), a local standard in Guangdong Province.

Process flow charts before and after enhancement



In addition, the Group regularly monitors the vehicle use and vehicle exhaust gas emissions to minimize related environmental pollution and ensure that exhaust gas emissions comply with established standards. Once the emission level of a vehicle exceeds the standards, the vehicle would be prohibited from using for inspection and repair until its emissions resume standard compliance.

Use of Resources

The Group manages resource usage by paying attention to the details of internal operation, with an aim to avoid resource wastage and pollution. The Group has engaged different departments to monitor the use of energy such as electricity and fuel in accordance with the Energy Resources Control Procedures, and has set up various energy-saving measures. The Group has also formulated corresponding control guidelines for different resources such as water and packing materials as well as the use and efficiency management of machineries. Relevant departments are responsible for checking and recording usage. In severe cases, the relevant departments will implement remedial and prevention measures.

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Energy	Saving measures
Electricity	<ul style="list-style-type: none"> The Air Conditioning Management System is implemented across all production lines and offices, which sets out guidance for the usage, management and maintenance of air conditioners
	<ul style="list-style-type: none"> Turn off lights and unplug electrical appliances after work
	<ul style="list-style-type: none"> Avoid turning on equipment when not in use and switch off power after work
Water	<ul style="list-style-type: none"> Reuse waste water of the pure water system for cleaning the air conditioning system and reducing the monthly water consumption. If any abnormality is found, we will investigate the causes and take remedial measures
Packing material	<ul style="list-style-type: none"> Reuse non-product class packaging materials to reduce use of materials

During the year, as a result of the increased production volume, LifeTech's use of resources recorded a substantial increase as compared with 2016. The Group's emission treatment expenses also increased accordingly. Besides, LifeTech devoted more resources to environmental protection. For example, we have increased the number of ethylene oxide exhaust gas processors and industrial wastewater treatment stations as well as installed waste gas treatment devices at the laboratory floors of office buildings and research and development buildings. During the year, the water consumption density of the Group was 3.021 m³/m². The Group has also conducted its first statistical disclosure regarding the data of energy usage (see table below).

Comparison of summary of performance index for use of resources

		2016	2017
Water	Total water consumption (ton)	17,050 ²	18,151
Packing material	Paper (kg)	5,877	30,000
Expenses for environmental protection	Emission treatment (RMB)	16,230	31,005
	Protection and improvement of efficiency(RMB)	8,970	20,000
	Prevention and environmental protection(RMB)	141,950	1,128,850

Total Energy Consumption

Petrol	694.2 GJ
Diesel	29.66 GJ
Electricity	2,532.2 MWh
Total Energy Consumption	9,839.8 GJ
Energy Intensity (m ² area)	1.6378 GJ/m ²

² The total water consumption in 2016 is an adjusted figure, which uses the same statistical method as that for the total water consumption in 2017 to achieve consistency with the comparable data.

CARE FOR EMPLOYEES

Safety and Health

LifeTech pays high attention to employees' health and provides a safe working environment for them. The Group observes the requirements of the Safety Production Law and the Law of Occupational Disease Prevention and Treatment of the PRC. The Group adopts "Safety First, Prevention Foremost and Comprehensive Governance" as its production principle, actively seeks to optimize its internal safety and health management system and effectively prevents occupational injuries and diseases.

LifeTech is committed to preventing accidents. During production process, employees may face various high-risk tasks, including chemicals treatment, electrical engineering, metal cutting, thermal operation, aerial work, occupational noise and working in harmful gases or dusty conditions. In respect of potential dangerous accidents, LifeTech has formulated relevant systems for specific workplaces, including Hazardous Chemicals Safety Management System, Work Injury and Accident Administration System, Occupational Health Management System and Labour Protection Products Management System, to manage and ensure the safety of employees in various workplaces.

LifeTech provides protective supplies for employees involved in high-risk tasks, conducts regular equipment inspection annually and arranges health examination for employees involved in high-risk tasks. Moreover, the Group regularly organizes emergency and onsite handling drills to enhance the employees' response capabilities towards dangerous accidents.

The Safety Education and Training System has been formulated and implemented by the Group to offer safety training to our staff in different positions and levels. The Group has formulated the "Safety Education Level 1-3" program, which is prepared for new recruits to be trained at three different levels, i.e. company, department and working team, in which they will acquire knowledge of the manufacturing processes, hazardous factors, safety operation and equipment maintenance. In addition to arranging safety education training for new recruits, the Group also organized a series of targeted training courses during the year.

Targeted safety education training courses

Course	Training content
Safety education training	Fire safety, occupational health and dangerous chemical safety
Enhancement of health education to achieve Health for All	Handling emergency, CPR onsite first aid knowledge, prevention and treatment of common diseases

Working days and absentee days

Gender	Lost days due to work injury	Absentee days	Working days	Absentee rate
Male	0	51	57,021	0.089%
Female	0	60.5	64,242	0.094%

In addition to work safety, LifeTech also cares about the physical and mental health of its staff and added a training course for maintaining healthy mind in 2017. The course offers guidance on healthy psychology, methods and techniques to relieve stress. During the year, no case of breach of law or non-compliance in relation to health and safety or any case of working injury occurred in the Group's Shenzhen production plant.

Staff Training

Training of professional development and personal growth is one of the key points of LifeTech's policies. The Group's staff training focuses on the career development needs of staff. The Human Resources Department frequently communicates with staff of different levels and positions to understand and analyze their training needs, with an aim to plan, design and arrange suitable training. Training content covers marketing, production technology, research and innovation and office documentation as well as advanced training such as transferrable skills, management skills and career planning. For the appointment of senior positions, LifeTech conducts assessment on staff and promotes suitable staff internally.

In addition to internal training courses related to professional skills, the Group also provides new recruits and existing employees with opportunities for attending professional external training related to positions and tasks. Through organizing a variety of regular or project-based training courses, LifeTech has enhanced staff's perception of the Group and their knowledge of products, manufacturing processes and quality management. Therefore, employee quality has been improved, which is beneficial to their personal development. For the Plant Manager, Safety Officer as well as special operation personnel such as electricians and welders, the Group arranges specialized training to help them obtain accreditation from national regulatory authorities.

For staff training on product control, the Group has arranged 19 quality training courses. Among which, quality control trainings include the verified interpretation of ISO 11153-2014 sterilization (ISO 11153-2014滅菌確認解讀), the training on conversion to ISO 13485-2016 (ISO 13485-2016轉版培訓), the interpretation of regulations on quality control and releasing finished products (品質控制與成品放行法規解讀), the feedback process of substandard products (品質異常回饋流程) and the training on procedure document conversion (程序文件轉版培訓). Examination system has also been established by the Group for such training courses.

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Staff Management

The Group implements employee diversity and offers applicants equal opportunities. The selection criteria of employees are based on work and competency requirements, regardless of race, colour, religion, gender, marital status, age, nationality and other factors considered inappropriate under the local labour laws. During the year, LifeTech has employed 34 ethnic minority employees, representing 6.1% of the total employees.

	2016	2017
Male to Female employees ratio:	1.18:1	1.16:1

		Chief management personnel	Senior management personnel	Middle management personnel	General staff
Number of employees	Male	4	9	20	266
	Female	0	7	16	235

	Gender	Aged under 30	Aged 30-40	Aged 41-50	Aged 50 or above	Total
Number of staff	Male	122	155	15	7	299
	Female	98	145	13	2	258
Number of new recruits	Male	36	22	4	0	62
	Female	29	20	3	0	52
Loss of staff	Male	32	32	8	1	73
	Female	25	37	3	0	65
Staff turnover	Male	26%	21%	53%	14%	24%
	Female	26%	26%	23%	0%	25%

LifeTech communicates with staff about the information on corporate culture and personnel management system of the Group by means of the Staff Manual. The Staff Manual has described the Group's culture and the arrangements covering employment, codes of conduct, career development, remuneration and benefit packages, training and appraisals for staff to clearly understand their rights and responsibilities. Besides, the Group conducted staff interviews such as probationary and performance-based interviews in order to have a knowledge of the degrees of their job satisfaction.

The Group has complied with the requirements of laws and regulations relating to the Labour Law, Labour Contract Law, Law on the Protection of Minors and others. Background investigation will be launched on the applicants during recruitment of employees and identification documents will be inspected for new recruits so as to eliminate employment of any child labour. In case of any issue or default occurred on employment, our Human Resources Department will conduct investigations within 15 working days and handle it properly according to the policies of the Group based on specific scenarios. Confidentiality is procured in the course of investigation.

During the year, no case of breach of law or non-compliance in relation to employment and labour practices, including employment of child labour or forced labour, was identified in the Group's Shenzhen production plant.

RESPONSIBLE MANAGEMENT

Supply Chain Management

The medical device products directly relate to the user's safety and health; therefore the Group attaches great importance to the operational governance in our Shenzhen plant. We strive to attain a high standard of our supply chain management, internal control, product quality assurance and corporate ethics in order to ensure compliance with standards established by laws and regulations and to meet the expectations of the industry and our customers on our product quality.

To ensure that all products and services acquired comply with the specific requirements, LifeTech has formulated our Procurement Control Procedures for the suppliers of products or services relating to the finished goods of equipment to be used on human beings, under which our supply chain management department and quality department team with R&D engineers and technicians to monitor, evaluate and select suppliers.

According to the Supplier Evaluation guidelines, LifeTech evaluates the risks and capacities to determine the suppliers' ability in managing quality risk and delivery risk to select the most appropriate institution as the working partner of the Group. The evaluations on suppliers will be generally processed by our supplier management department and the results will be recorded in the Scoring Form for Re-assessment on Suppliers. Scoring is made according to the on-time delivery rate, pass rate of supplies, numbers of production line disruptions and customer complaints arising from supplies, notices of change and degree of satisfaction with services of the suppliers. If the supplier's assessment results or the quality of materials supplied are poor, quality assurance engineers or third-party auditors will inspect its plants and sanction improvements within a prescribed deadline, while more serious violators will even be disqualified immediately.

The Group also follows the Inspection and Test Control Process in the production process, and continues to monitor the quality of external supplies by inspection and checking throughout the warehousing and production stages. As a result, there are stringent systematic quality controls on upstream supply chain, throughout the stages of supplier selection, ongoing supplier management to supplies quality reassurance.

Product Responsibility

Products of LifeTech are used for the treatment of patients. According to the classification category of medical devices published by the CFDA, the products of LifeTech are substantially classified as Category 3, which have high risks on human bodies generally. Pursuing the corporate responsibility, LifeTech formulated the Procedures on Identifying Customer Demands and Evaluation Management in 2008 to allow various departments, staff and management to understand well the needs and expectations of customers, and thus improving our products and services.

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In the past decade, in response to the environmental and social changes, the Group continued to update its management procedures ranging from documentation standards, order evaluation, records of customer demands, organization structure to supply chain and adjustment of the responsibilities of the business department. The general management procedures include the process of collection of customer feedbacks, identification and assessment of customer demands, contract assessment and implementation, pre-sales and after-sales communication with customers, product return and replacement procedures. The management procedures have also well specified the responsibilities and authorities of the marketing department, sales department, research and development department, product quality management department, business department, supply chain management department and production department.

LifeTech formulated the Advisory Notice and Recall Program for after-sales management. We have purchased liability insurance for products to ensure compliance with the applicable laws and regulations of the relevant markets such as China, the United States and the European Union. Once a product in the market might be harmful to the user's health, the product recall program will be launched where safety notices, recall plans and corrective action reports will be formulated, and close communications will be established with the regulators, distributors and customers in the relevant markets by the corresponding departments. Thus, all defective products will be properly eliminated or remedied with the utmost care to assure our user's safety.

The quality of medical devices directly affects user's safety and health. In addition to internal quality management, LifeTech performs vigorous inspection on the materials provided by suppliers. Where suppliers change the materials or supply newly developed materials ("first articles"), the Group will assess and inspect the first articles to ensure safety of the materials. The entire process is performed by, among others, the R&D Department, Technical Process Department, Testing Department and project manager. If the first articles fail the inspection, suppliers are requested to re-supply samples for inspection where those who fail the testing will be replaced.

Inspection process of first articles:



The Group believes in independent innovation and respects the intellectual property rights of products. We implement a comprehensive system of intellectual property management. The R&D centre of the Group has a professional team with qualified patent agent that will evaluate the risk of infringement at all stages of R&D, apply for patents for the Group's independently developed products, and to strenuously protect the scientific research of our Group as well as those of the industry.

The Group attaches great importance to the confidentiality of product information and customer privacy. In this regard, we formulated the IT Management Regulations to standardize the rules for use of computers and peripheral device including photocopiers, facsimiles and printers by employees at work. The Group requires employees to back up important data at work and comply with information security management regulations and the Group's management regulations when using office computers and accessing to the Internet.

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For the management of LifeTech's external news and publicity, the Group formulated the LifeTech Press Release Administrative Measures to regulate the procedure of press release and ensure the authenticity and accuracy of information. The news coverage concerned includes, among others, product launch, obtaining of registration certificate, charitable activities and exhibition news. LifeTech complies with the national laws in relation to product health and safety, advertising and labelling, in a bid to allow customers, patients and the public to have more confidence in the Group's products and services by transmitting relevant information of the Group.

During the year, no illegal case associated with product liability was identified in the Group's Shenzhen production plant.

Anti-corruption

To prevent corruption, LifeTech has formulated the LifeTech Anti-Corruption Policy and the LifeTech Dealer/Agent Anti-Corruption and Compliance Policy to specify the standards of conduct which our staff and partners must comply with and explain the principles of handling of tenders, gifts, hospitality and donations. The Group also organized anti-corruption training courses for staff to enhance their understanding of domestic and foreign anti-bribery policies and regulations and risk prevention measures, and raise their awareness of anti-corruption through case studies.

The Group provides employees with mechanism to report any irregularities to the superior authorities anonymously. During the year, LifeTech's Shenzhen plant did not identify any cases of breach of law or non-compliance in relation to corruption.

COMMUNITY INVESTMENT

LifeTech is focused on making contributions to the medical device development and future of community. Since 2015, the Group has assisted employees in organizing volunteer groups to serve the community and has been committed to provide volunteer service for urban development, community building, poverty alleviation and environmental protection.

The Group is committed to fulfilling corporate social responsibility and pays attention to the society, which is not subject to category (from patients to general population) or geographical (from onshore to offshore) restrictions. During the year, the Group organized several voluntary medical activities, including providing medical diagnosis and treatment in Sichuan, Tibet, Peru and the Philippines.

In February 2017, LifeTech together with Philippines Heart Foundation, a well-known Philippines charitable organization, held a voluntary congenital heart defect (CHD) treatment activity called “Caring Congenital Heart Defect Children in Need” (關愛需要幫助的先心病兒童) at the Philippines General Hospital, successfully performing congenital heart disease occlusions for six children with CHD from Filipino poor families.

In June 2017, LifeTech formed a voluntary medical team with the pediatric cardiologists of Ganzi Tibetan Autonomous Prefecture People’s Hospital and West China Second University Hospital of Sichuan University, conducting a five-day voluntary CHD screening activity in Sertar County, Ganzi Prefecture. In August of the same year, West China Second University Hospital of Sichuan University successfully performed minimally invasive interventional occlusions for CHD for more than ten pediatric patients.

In November 2017, LifeTech together with Heart of Hope Foundation, a U.S. charitable organization, conducted an international charitable medical aid activity at the Dos de Mayo Hospital, a hospital in Peru, successfully performing interventional occlusions for CHD on 13 children who are from poor families in Peru. For all of the surgeries, the CHD occluder series product of LifeTech was used.

From 29 to 31 March 2017, Communist Youth League Hopes for New Heart-NU SKIN Greater China Children’s Heart Fund (共青希望新心-如新中華兒童心臟病基金會), LifeTech and West China Second University Hospital of Sichuan University co-established a voluntary medical team to perform a two and a half day voluntary screening of CHD in Li County, Aba Prefecture, Sichuan Province. The voluntary medical team successively conducted voluntary screening in Li County People’s Hospital, three local primary schools and four kindergartens. A total of 1,884 children were screened with 158 cases having complete echocardiography. During the preliminary screening, 27 children showed signs of CHD, and were sent to hospital for further diagnosis. In addition, the voluntary medical team sent personnel to notify the parents of pediatric patients so as to provide CHD knowledge explanation, caution reminder as well as undertake necessary counselling.

It is found that there is a higher prevalence rate of CHD in Tibet. LifeTech has gone deep into Tibet to perform CHD screening and medical diagnosis and treatment for the local children. We have also made full use of various resources to promote local treatment, which will greatly facilitate the healthy growth of children in Tibet. In October 2017, the Linzhi People’s Hospital in Tibet successfully performed three minimally invasive interventional closure procedures for CHD for the first time, filling the gap in the interventional treatment of CHD in the city. For the three surgeries, the CHD occluder series product of LifeTech was used.

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