

**2019**

**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE  
REPORT**

Sisram Med  
Stock Code: 1696.HK

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## 1. ABOUT THIS REPORT

This report covers the environmental and social impacts of Sisram Medical Ltd (the “Company”) in 2019 and highlights its efforts to inspire health and well-being among people and the community at large.

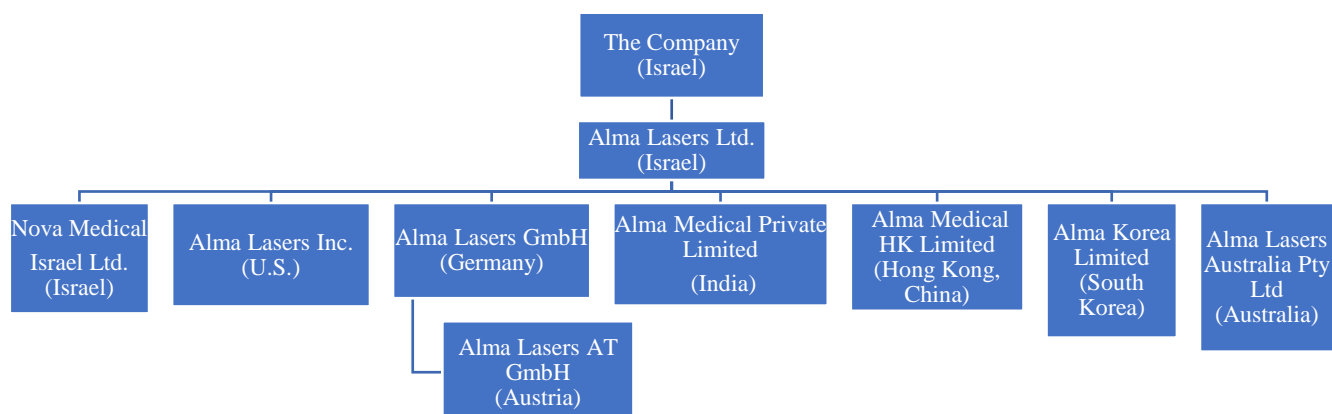
### Report Content and Topic Boundaries

This report documents January 1, 2019, through December 31, 2019, unless otherwise noted.

The data and information in the Report are referenced from the archived questionnaires, records and statistics of Sisram Medical Ltd. The Report covers the information of the Company and all its subsidiaries (the “Group”).

Compared with last year, the newly established Nova Medical Israel Ltd., Alma Lasers Australia Pty Ltd and Alma Korea Limited have been included into the scope of this report.

This simplified corporate structure of the Group which shows all subsidiaries of the Company and the locations of its subsidiaries is as follows:



### Report Framework

The Group prepared this report in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hongkong Limited. This is the Group’s third Environmental, Social and Governance (hereinafter referred to as “ESG”) report, with the most recent ESG report being the 2018 ESG Report that was published in April 2019.

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## 2. PROMOTING SOUND ESG GOVERNANCE

Being a world-leading provider of energy-based solutions for the surgical, medical aesthetics and beauty markets, the Group adheres to its corporate philosophy of “Enhancing Quality of Life”, through:

- Products satisfying patients’ unmet needs
- Efficient use of natural resources
- Raw materials sourced from an environmentally and socially sound supply chain
- Responsible production processes that are not hazardous to people or the environment
- Commitment to ethical and honest business practices

ESG management is embedded into the fabrics of the Group’s business operation. Our ESG governance framework lays out a rational and informed process via which organizational leadership identifies, evaluates, and addresses ESG risks and opportunities in the commercial environment. In the meantime, we fully engage our internal ESG working group to provide support and valuable insight as we strive to continuously improve our ESG practices.

### ESG Governance Framework



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## Stakeholder Engagement and Materiality Assessment

The Group holds its stakeholders' opinions of its business in high regard, and continuously make efforts to connect with its stakeholders and better understand their expectations. The Group defines its stakeholders to be individuals and organizations who can impact or be impacted by its operations. The Group's stakeholders include shareholders, governments and regulatory bodies, employees, suppliers, communities, etc.

In 2019 the Group conducts assessments to identify ESG issues that are most relevant to the its business operation via Macro-policy and industry trends research, as well as peer benchmarking. Material issues identified include environmental management, product quality and recall management, marketing practices, talent attraction and retention, etc.

In this report, the Group has addressed all ESG issues that it determined are material to its business.

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### Methods for Engagement

#### Shareholders

- ✚ Shareholder meetings
- ✚ Information disclosure, etc.

#### Governments and regulatory bodies

- ✚ Anti-corruption management
- ✚ Information disclosure, etc.

#### Customers

- ✚ Annual satisfaction surveys
- ✚ Communication with customer service representatives, etc.

#### Employees

- ✚ Communicate company strategy through presentations, videos and articles
- ✚ Training activities, etc.

#### Suppliers & distributors

- ✚ Supplier management policy
- ✚ Annual supplier audit, etc.

#### Communities

- ✚ Corporate charitable activities
  - ✚ Employee volunteerism, etc.
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### 3. PROTECTING OUR PLANET

The Group takes a precautionary approach to environmental sustainability efforts, believing that environmental stewardship is imbedded in the important connection between the health of the planet and the health of the people. The Group strives to improve its operational efficiencies and reduce environmental footprint.

The Group strictly abides by the regulations and laws related to environmental protection applicable to its operations and there was no report of any violation during the reporting period.

Aspect	Main laws and regulations identified by jurisdictions
Environmental protection	<p><b>Israel:</b> <i>Packaging Law (Packaging Management Law) 2011, Israeli Dangerous Substances Law 5753-1993, The Pharmacists Regulations (Radioactive Elements and By Products) 1980, etc.</i></p> <p><b>U.S.:</b> <i>Environmental Protection Act, etc.</i></p> <p><b>India:</b> <i>Environment Protection Act 1986, Wildlife (Protection) Act 1972, Forests (Conservation) Act 1980, Water (Prevention and Control of Pollution) Act 1974, etc.</i></p> <p><b>EU:</b> <i>German Environmental Protection Act (Bundes-Immissionsschutzgesetz), Austrian Environmental Protection Act, etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

#### 3.1 Managing Our Environmental Footprint

The Group's process consists of product design, research and development, raw materials procurement, assembly of semi-finished products, as well as calibration, integration, customization and testing. For a substantial majority of the main consoles of our treatment systems and almost all applicators for our treatment systems, the production process of the semi-finished product is conducted in-house at the production facilities in Caesarea, Israel. For a very small portion of certain products, the final steps of production and assembly products are conducted in Germany.

The Group actively assesses its environmental impact from a life-cycle perspective, and works to mitigate such impact accordingly.

## Life-cycle Environmental Management

	Research & development	Raw materials	Manufacturing	Disposal
<b>Impact</b>	Impact on the environment and human health from the Group's products.	Environmental impact from the Group's suppliers.	Products assembled manually with little resources consumed and emission involved.	Impact by the Group's products after their end-of-life as electronic wastes.
<b>Actions taken</b>	All products developed are CE/FDA approved, and comply with relevant laws and regulations.	The Group's suppliers have to comply with our environmental management requirements.	Paper and plastics wastes from production and packaging materials used for finished products are recycled by an authorized waste contractor.	Raw materials such as metals, plastics scrapped from handpieces returned by customers after the products' end-of-life are recycled by authorized waste contractors.

In 2019, the Group initiated a lean manufacturing process which consist of two major aspects: 1). monitoring production overtime with maximum limits set for each employee & department; and 2). better organization in the setting of the office. In addition, Alma Lasers Ltd. is currently consolidating its production sites and warehouses, which, once completed, will enable it to increase operational efficiency and achieve better environmental management outcomes.

### 3.2 Reducing Emissions

In the production process, the Group's technicians assemble the semi-finished main consoles and applicators for the treatment systems mainly by using manual tools. Therefore, the Group consumes no natural gas, gas or other fuels of direct combustion and does not produce any hazardous substance or any material environmental pollutants during the production process. The Group's emissions mainly comprise the exhaust of its vehicles, the greenhouse gases (GHGs) indirectly emitted during its operation, and such non-hazardous wastes as plastics, and administration related waste.

In Israel and Germany, the Company and its subsidiaries mainly generate packaging waste (cartons and plastics) and general office waste. Other subsidiaries mainly generate general office waste as they are responsible for the distribution of medical equipment. Since there is no waste generated during production and the amount of office related waste is not significant, the Group does not track the data regarding total non-hazardous waste produced.

Emission type	Environmental impact	Efforts to mitigate impact
<b>Greenhouse gas emission</b>	GHG emissions from the consumption of electricity and the usage of gasoline and diesel fuel by the Group's motor	<ul style="list-style-type: none"> <li>Energy saving measures to reduce carbon emission.</li> </ul>
<b>Wastes</b>	The Groups mainly generates non-hazardous wastes as plastics, and other office wastes.	<ul style="list-style-type: none"> <li>Set duplex printing as the default mode for most network printers and disseminate information by electronic means as far as possible.</li> <li>Printed paper not in use is shredded and collected by an authorised recycling company.</li> </ul>

### Emissions Indicators

Indicator	Unit	2017	2018	2019
GHG emissions from motor vehicles gasoline and diesel fuel consumed	tCO <sub>2</sub> -eq	529	455.3	633.5
GHG emissions from purchased electricity	tCO <sub>2</sub> -eq	881.2	857.2	1,168.3
Total GHG emissions <sup>1</sup>	tCO <sub>2</sub> -eq	1,410.2	1,312.5	1,801.8
GHG emissions intensity	kgCO <sub>2</sub> -eq/ US\$1,000 of sales	10.3	8.5	10.4

Note:

- The GHG emissions are calculated according to Greenhouse Gas Protocol tool for stationary combustion (Version4.7) and mobile combustion (Version2.6), published by World Resources Institute; data cover the Group's operation in Israel, Germany, South Korea, India and US.

### 3.3 Improving Resources Efficiency

The Group in its operation consumes energy, water and packaging material such as plastics and cartons. To implement its impact on natural resources, the Group actively implements resources saving measures in its daily operation.

Resource type	Environmental impact	Efforts to mitigate impact
<b>Energy</b>	The Group consumes electricity in its office and manufacturing activities. In addition, the Group's motor vehicles consumed gasoline and diesel fuels.	<b>Purchased electricity:</b> <ul style="list-style-type: none"> <li>Use energy-saving light bulbs.</li> <li>Switch off all electrical appliances or, where appropriate, switch them to the energy-saving mode when not in use.</li> </ul> <b>Vehicle Maintenance:</b> <ul style="list-style-type: none"> <li>Avoid sudden acceleration as it increases fuel consumption.</li> <li>Switch off when idling.</li> </ul>
<b>Water</b>	The Group consumes water from municipal sources; the Group has no problem in obtaining appropriate water	<ul style="list-style-type: none"> <li>Fix dripping taps immediately.</li> <li>Determine water requirements for each facility and check usage frequently.</li> </ul>



<b>Packaging materials</b>	Packaging materials used for finish products include plastic suitcases, paper boxes, etc.	<ul style="list-style-type: none"> <li><i>Packaging materials not in use are collected and recycled by an authorized company.</i></li> </ul>
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The Group's total water consumption intensity in 2019 witnessed a 5% compared to last year. For energy saving, the Group does that by continuously switching to LED lighting, but has not started tracking total energy saving data.

#### Use of Resources Indicators<sup>1</sup>

	Indicator	Unit	2017	2018	2019
<b>Energy</b>	Total electricity consumption	kWh	1,159,420	1,127,564	1,551,467
	Electricity consumption intensity	kWh/US\$1,000 of sales	8.47	7.33	8.94
	Total diesel fuel consumed by the Group's motor vehicles	Liters	102,790	80,868	108,752
	Total gasoline consumed by the Group's motor vehicles	Liters	111,770	105,162	150,756
<b>Water</b>	Total water consumption <sup>2</sup>	Tons	6,574	6,145	6,586
	Water consumption intensity	Kg/US\$1,000 of sales	48.0	39.9	38.0
<b>Packaging materials</b>	Plastic suitcases (for handpieces)	Tons	/	/	21.1
	Paper boxes (for spare parts)	Tons	/	/	1.4

*Note:*

1. Use of resources data cover the Group's operation in Israel, Germany, South Korea, India and US.

2. Water consumption data cover consumption in Germany, South Korea and Israel. As all of the Group's offices are leased, the water usage of the rest of the subsidiaries was included in the management fee and therefore and the figures were not available.

## 4. VALUING OUR PEOPLE

The sustainability of the Group's business is fueled by the talent, diversity and dedication of its employees. The Group's remains steadfast in fostering a diverse and inclusive culture, safeguarding its employees' rights, and investing in their career growth and development. In addition, the Group works to ensure employee health, safety, and wellness.

The Group's efforts to promote well-being for its people also extend to the communities where it operates, as it seeks to make a real difference in people's lives through a variety of charity and community engagement initiatives.

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## 4.1 Talent Recruitment & Retention

### Employee Right and Benefits







Being a responsible employer, the Group complies with applicable employment laws and regulations in countries where it has employees. The Group resolutely prohibits the use of child labor and all forms of forced labor. In addition, the Group strives to safeguard the rights of its employees in every aspect covering recruitment and dismissal, compensation and benefits, etc.

During the reporting period, there were no reported violations of laws and regulations with respect to employment and labor practices.

Aspect	Main laws and regulations identified by jurisdictions
Employment	<p><b>Israel:</b> <i>The Israeli Severance Pay Law, The Employment of Women Law, The Sick Pay Law, The Annual Leave Law, Minimum Wage Law, etc.</i></p> <p><b>U.S.:</b> <i>Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act, Fair Labour Standards Act, etc.</i></p> <p><b>India:</b> <i>Employees compensation Act 1923, The Payment of Wages Act 1926, The Maternity Benefit Act 1970, etc.</i></p> <p><b>EU:</b> <i>Buergerliches Gesetzbuch (German Civil Code), Bundesurlaubsgesetz (National Vacation Law), etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>
Child labour and forced labour	<p><b>Israel:</b> <i>Youth Labour Law 1953.</i></p> <p><b>U.S.:</b> <i>Fair Labour Standards Act, and various relevant state laws.</i></p> <p><b>India:</b> <i>Child and Adolescent Labour (Prohibition and Regulation) Act 1986, Juvenile Justice (Care and Protection) of Children Act 2000.</i></p> <p><b>EU:</b> <i>Charter of Fundamental Rights of the European Union, Art. 32: Prohibition of Child Labour and Protection of Young People in the Workplace.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

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## Employee Rights and Benefits Overview

	<b>Recruitment and dismissal</b> Recruitment and dismissal practices within the Group are conducted according to relevant local laws and articles stipulated into the employment contract, and in mutual agreement between the Group and its employees.
	<b>Compensation</b> The Group's employee compensation is structured in alignment with local regulations and minimal wage requirements.
	<b>Benefits</b> Employee benefits vary by country and comply with relevant national regulations, which typically include retirement plans, social insurance, legal housing insurance, commercial insurance, and allowances (e.g. transportation, lunch, mobile phone, etc.).
	<b>Working time</b> Employee working time varies in jurisdictions where the Group is operating, and employees are entitled to payments or compensatory hours for working overtime.
	<b>Holidays</b> The Group offers its employees paid vacations in accordance with local laws and regulations, such as parental leave, bereavement leave for immediate family, etc.
	<b>Promotion</b> Each employee undergoes an annual talent review process where they meet with their managers for a performance review

## Diversity and Inclusion at Workplace

Diversity and inclusion are not only cornerstones of the Group's business, they are essential to create meaningful products and services for people to use around the world. As the Group keeps growing its business, it now has a workforce of 511 people, of whom 31% are female.

The Group recruits new employees based on the evaluation of individuals, without regard to race, religion, color, national origin, age, gender, marital status, disability, or any other legally protected basis. In addition, the Group works to provide a work environment that ensures every voice is heard and everyone feels valued. For example, the Group actively engages with its employees through activities such as employee roundtable discussions, meetings with the Group's CEO, etc.

Each year, Alma Lasers Ltd. holds a Best Employee Awards ceremony to recognize those who have made outstanding contribution to the Group's business. The Best Employee Awards is a key platform for Alma Lasers Ltd. to enhance its inclusion efforts in the workplace. In 2019, a total of 11 employees were awarded.

### Employment Indicators

Indicator		2017	2018	2019
Total number of staff (number of people)		388	433	511
Gender	Male	272	307	352
	Female	116	126	159
Age Group	<30y	35	41	48
	30-50y	270	297	355
	>50y	83	95	108
Employment type	Full-time	368	407	488
	Part-time	20	26	23
Geographical region <sup>1</sup>	Israel	230	251	303
	U.S.	91	87	101
	Germany & Austria	36	41	46
	India	31	53	51
	Australia	/	/	1
	Hong Kong	/	1	3
	South Korea	/	/	6
Total employee turnover rate <sup>2</sup> (%)		12.02	16.09	18.76
Gender	Male	10.82	14.96	18.33
	Female	14.71	18.71	19.70
Age Group	<30y	45.31	30.51	32.39
	30-50y	6.90	16.34	18.95
	>50y	4.60	6.86	10
Geographical region	Israel	8.37	8.39	13.43
	U.S.	22.22	38.73	27.86
	Germany & Austria	12.20	0	8
	India	3.13	8.62	32.89
	Australia	/	/	50
	Hong Kong	/	0	0
	South Korea	/	/	25

Note:

1. In 2019, the Group established three subsidiaries in Israel, South Korea and Australia, named Nova Medical Israel Ltd., Alma Korea Limited., and Alma Lasers Australia Pty Ltd respectively.

2. Including voluntary turnover, lay-off, work-related fatalities, and retirement; calculated as: employee turnover/ (employee turnover + number of workforce).

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## 4.2 Talent Development

The Group places a strong emphasis on talent development, and helps employees pursue rewarding careers and realize their full potential. The Group's training programs comprise of new employee orientation, management development program, and team leader development plan.

### •New hires orientation

- The orientation provides newly hired employees with a general overview of the Group's business, combined with technical trainings.

### Management development program

- This programs provides employees with trainings of managerial skills and other types of soft skills.

### Team leader development plan

- This training program is designed to help employees improve their mentoring skills.

## 2019 Talent Development Work Progress Overview

1



### Talent Review Process

Initiated a talent review process within the Group built upon principles such as work objectives setting, 94% of the Group's employees and managers participated.

2



### Strengthen middle-level management

Organized two management development programs, 50% of the Group's middle-level managers participated.

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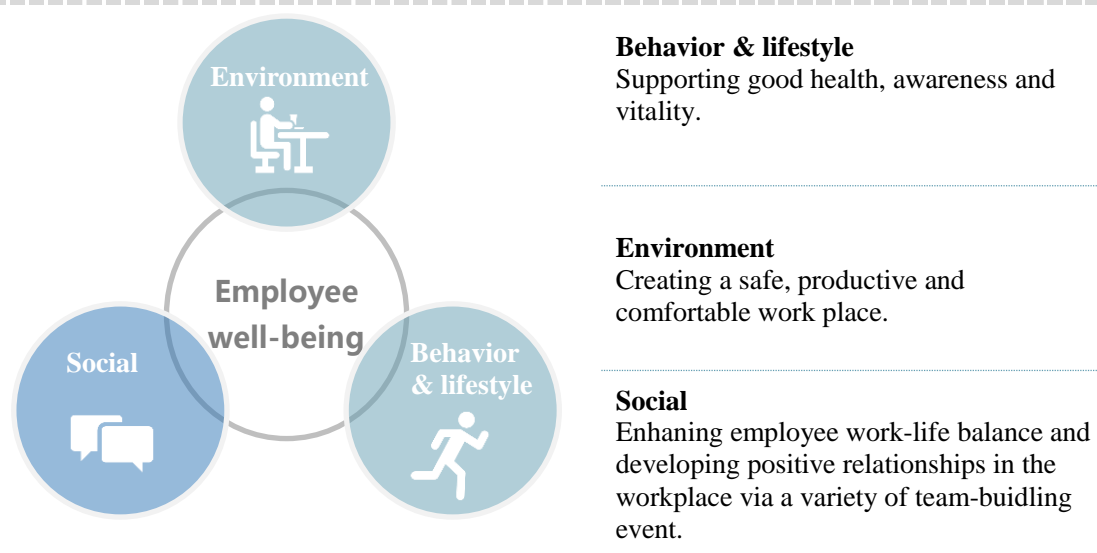
The Group evaluates effectiveness of training by testing its employees for their knowledge and on-the-job skills, to help ensure they are capable of performing their job functions. Employees who have failed the evaluation test cannot be qualified to perform job tasks until they are re-trained and passes the test successfully to the instructor's complete satisfaction.

### 4.3 Health, Safety and Wellness

Employee health, safety and wellness are material to the Group as people are the greatest assets of its business. The Group strictly adheres to all local relevant laws in regulations. During the reporting period, there were no reported violations of laws and regulations with respect to employee occupational health and safety.

Aspect	Main laws and regulations identified by jurisdictions
<b>Occupational health and safety</b>	<p><b>Israel:</b> <i>The Israeli Work Safety Ordinance (New Version) 1970, The Labour Inspection (Organization) Law 1954, The Safety at Work Regulations (Safety Glasses) 1947, Regulations of the Labour Supervision Organization (Provision of Information and Employee Training) 1999, Safety at Work (Occupational Hygiene and Safety Dealing with Laser Radiation) Regulations 2005, etc.</i></p> <p><b>US:</b> <i>Occupational Safety and Health Act.</i></p> <p><b>India:</b> <i>The Factories Act, 1948, The Contract Labour (Regulation &amp; Abolition), etc.</i></p> <p><b>EU:</b> <i>Arbeitsschutzgesetz (Labour Protection Law), Unfallverhuetungsvorschrift (Accident Prevention Regulation), etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

Employee well-being is embedded within the Group's own operations, which focuses on three main dimensions: behavior & lifestyle, social, and environment.



## Health and Safety Indicators

Indicator	Unit	2017	2018	2019
Lost days due to work-related injury <sup>1</sup>	No. of days	11	152	3
Number of work-related fatalities	No. of ppl	0	0	0
Number of employees participating in work safety trainings	No. of ppl	/	214	345
Number of employees participating in fire drills	No. of ppl	/	275	333

*Note:*

*1. In 2019, one employee at Alma Lasers Ltd. had a car accident on his way to work. The lost days due to work-related injury in 2019 was the time the employee took to recover.*

### Creating a Safe Work Environment

The Group has adopted work environment procedures which, among other things, require new employees to undergo mandatory safety trainings and follow a special protocol for operating lasers. The laser-safety training covers explanations about the laser station, safety precautions, tool calibrations and correct use, general explanations about lasers, dangers and the damage it can cause to the eyes. Our employees that work with lasers are provided with suitable protective equipment such as goggles and gloves for protection to ensure workplace health and safety.




Alma Lasers Ltd. has set up a safety committee. Compromising of management and employee representatives, and a third-party safety contractor, the committee is responsible for effectively formulating, executing and monitoring the health and safety programs. Committee members meet every year to review hazards identified in the workplace, conducted situation appraisal and formulated response procedures accordingly.

The Group conducts regular work safety trainings covering topics such as safe equipment operation, workplace hazards identification, etc. The Group also organizes yearly fire drills to improve employees' emergency awareness and preparedness.

The Group has in place systems that help to track, manage and report occupational injuries. In the event of work-related safety incidents, the Group provides all necessary and timely medical treatment and support to affected employees, and as prevention measures, the Group will investigate root causes and implements corrective actions accordingly.

### Supporting Work-life Balance

Work-life balance is important part of the Group's corporate culture. In addition to provide employees with paternity/maternity leave and flexible hours for working mothers, the Group organizes team-building activities on a regular basis, which offers its employees an opportunity to better connect with and develop a positive relationship with their colleagues. Such activities include but not limited to:

- 
-  Annual company retreat
  -  Open-day event for employees and their families
  -  Office holiday parties

## Helping Employees Live Healthy

The Group is committed to creating a culture that inspires every employee to integrate physical activity into their everyday lives and eat healthy every day.

In 2019, Alma Lasers Ltd. organized free fitness classes for its employees twice a week, which offer the opportunities for employees to reach their fitness goals and connect with others. In addition, a corporate sponsored, 3-month nutrition class was open to all employees in Alma Lasers Ltd., where they learned how to keep a healthy diet in daily life.

## 4.4 Giving Back to Communities

The Group is committed to supporting and adding value to the communities where its employees live and work around the world. The Group's charity and community engagement initiatives include caring for children with special needs, supporting women suffering from critical diseases, as well as fighting hunger in the community, etc.

In 2019, the Group made a total of \$15,312 corporate charitable donations to the communities where it operates globally.

### **Nova Medical Israel Ltd. Contributes to Raising Awareness for Breast Cancer**

For many women, living and coping with breast cancer could be daunting. During the Breast Cancer Awareness Month in 2019, Nova Medical Israel Ltd. organized a community charity event for 30 women in treatment of or recovering from breast cancer, where it partnered with professionals from the cosmetic industry such as make-up artists and hair stylists to give these women a free makeover. The event not only brought the support these women needed in their journey of fighting the disease, but also raised public attention and awareness of breast cancer.

### **Food Drive Initiative at Alma Lasers Inc.**

Food drives are a great way to raise awareness about hunger within a community and inspire others to take action. In 2019, Alma Lasers Inc., partnered with the US Northern Illinois Food Bank, organized a food drive initiative to encourage individuals to make canned foods or cash donations. The food drive raised approximately \$2,000 in cash and food items to help those in need.



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**Alma Lasers Ltd. Supports Children with Special Needs**

Each year, Alma Lasers Ltd. encouraged its employees to walk out of the office and give back to the community through volunteering. In 2019, Alma Lasers Ltd. organized a community engagement event to support children with special needs at a local school. 18 employees volunteered to help renovate the school yard and brought gifts to the students, extending their warmth and care to those children.

**Community Investment Indicators**

Indicator	Unit	2017	2018	2019
Corporate charitable donations made	USD	7,000	51,400	15,312
Total hours contributed to community engagement work by employees	Hours	/	/	250

## 5. STRENGTHENING OUR PRACTICES

The Group is committed to operating as an ethical, responsible and sustainable company throughout its operation. This is reflected in the Group's high-quality products and services, responsible management of its supply chain, as well as the integrity the Group upholds in conducting business.

### 5.1 Product Stewardship

The success of the Group's business depends on its ability to consistently delivering products that are safe, effective and high quality. The Group is committed to developing, producing and marketing safe, effective and reliable top-quality products in full compliance with national and international standards, regulations and directives, to the full satisfaction of domestic and global customers.

The Group's product stewardship focuses on product quality and safety, product innovation, as well as product labelling and operating manuals.

During the reporting period, there were no reported violations of laws and regulations with respect to product health and safety, labelling, and intellectual property protection.

Aspect	Main laws and regulations identified by jurisdictions
Product quality assurance	<p><b>Israel:</b> <i>Medical Device Law 2012, The Medical Device (Medical Device Registration and Renewal) Regulations 2013, The Israeli Public Health Regulations (Clinical Trials in Human Subjects), etc.</i></p> <p><b>US:</b> <i>501 (K) clearance, Radiation Control Provisions, etc.</i></p> <p><b>India:</b> <i>Grading and Marking Act 1937, ISI (Certification Mark) Act 1952, The Food Safety and Standards Act (FSS) 2006, Export (Quality Control and Inspection) Act 1963, etc.</i></p> <p><b>EU:</b> <i>CE Marking, German Medical Devices Act (Medizinproduktegesetz), Austrian Trade Law (Gewerberecht), etc.</i></p> <p><b>PRC:</b> <i>Regulations on Supervision and Administration of Medical Devices, Guideline for Clinical Trial of Medical Devices, The Product Quality Law of the PRC, etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>
Intellectual property	<p><b>Israel:</b> <i>The Patents Law 1967, The Trade Marks Ordinance 1972, The Copyright Law 2007, The Patents and Designs Ordinance 1924, etc.</i></p> <p><b>PRC:</b> <i>Patent Law of the PRC, The Trademark Law of the PRC, etc.</i></p> <p><b>India:</b> <i>The Copyright Act 1957, The Patents Act 1970, The Designs Act 2000, etc.</i></p> <p><b>EU:</b> <i>German Copyright Law (Urheberrechtsgesetz), European Patent Convention, European Union Trade Mark Regulation.</i></p> <p><b>US:</b> <i>Copyright Act, Patent Act, etc.</i></p> <p><b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i></p>

Product labelling	<b>India:</b> <i>The Legal Metrology Act 2009, Legal Metrology (Packaged Commodities) Rules 2011.</i> <b>EU:</b> <i>EU MDD 93/42/EEC, etc.</i> <b>US :</b> <i>Federal Trade Commission Act, etc.</i> <b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i>
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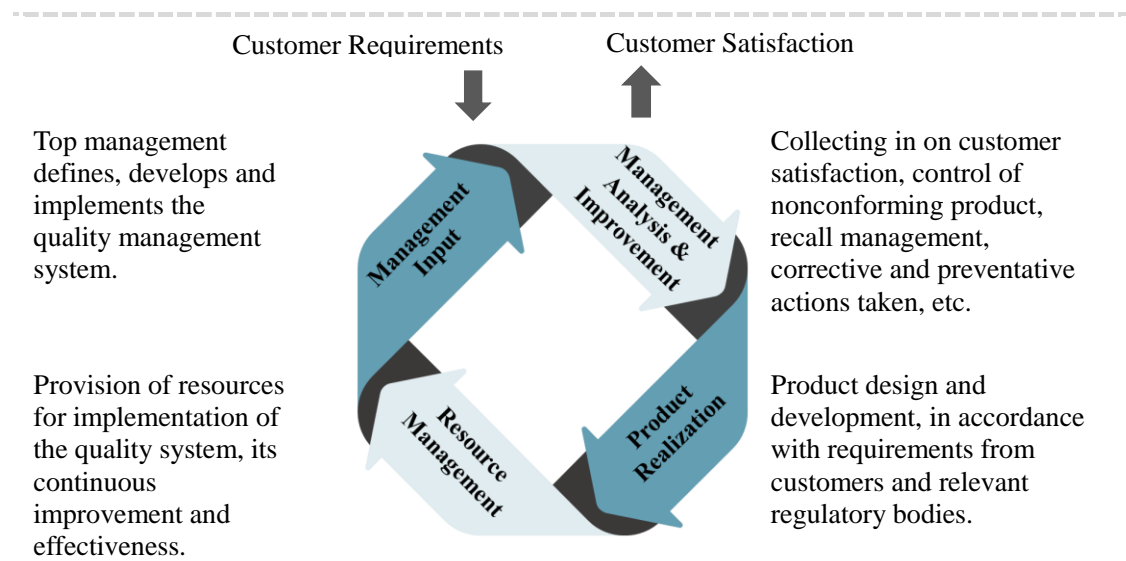
### Product Stewardship Indicators

Indicator	Unit	2017	2018	2019
Percentage of total products recalled due to safety and health reasons	%	0	0	0

### Product Quality and Safety

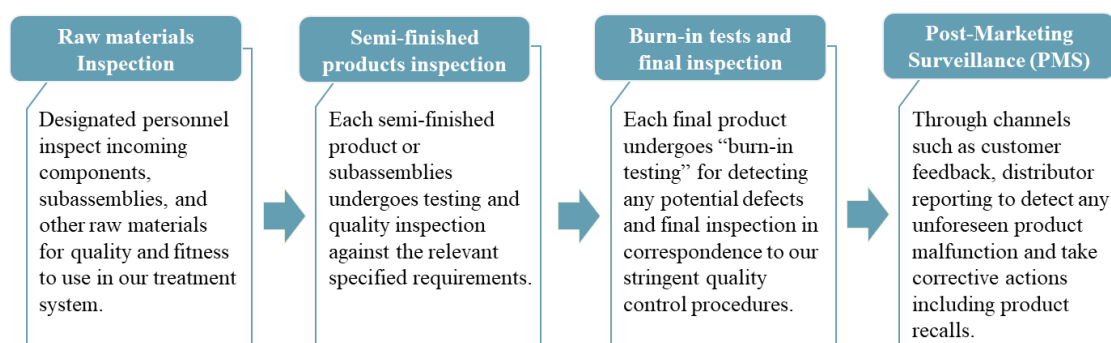
The Group establishes, documents, implements, and maintains a Quality Management System (QMS) in accordance with the requirements of applicable statutory and regulatory requirements.

### Continual Improvement of Quality Management System



The Group has a Quality Assurance Process in place spanning the entire life-cycle of its products. With it, the Group is able to ensure that product development performance is consistent with its stringent quality control protocols. Post-marketing surveillance allows the monitoring of the performance of the Group's products in use and gather information necessary to detect any unforeseen malfunction via channels such as customer feedback and distributor reporting.

## Product Quality Assurance Process



When failure of its products may compromise the safety of users, the Group will employ Recall and Field Safety Corrective Action and Procedure (FSCA). Depending on the situation and degree of the malfunction, the FSCA typically include return of the device to its supplier, device modification including software upgrades and change to labelling or user instructions, device exchange, device destruction and other necessary measures. For malfunction concerning a series of products, the Group will implement a product identification and traceability procedure to ensure that customers of the faulty devices be notified of any potential hazards, and relevant distributors well aware of their responsibility in tracing the suspected faulty devices for recall. Corrective action will follow the recall procedure to prevent recurrence of the problem. During the reporting period, the Group had not been subject to any product recalls due to safety and health reasons.

## Product Quality and Safety Certifications

Certification	Alma Lasers Ltd.	Alma Lasers Inc.	Alma Lasers GmbH
<b>ISO13485:2016</b>	√	√	√
<b>Medical Device Single Audit Program (MDSAP)</b>	√		√
<b>EC Certificate of Full Quality Assurance System</b>	√		√

## Product Innovation

Patient safety and quality are fundamental to the Group’s ongoing success. The Group continues to innovate new products and services that enhance patient safety and drive improved patient outcomes. In 2019, total investment in Research & Development amounted to \$10,470,000 representing 6% of the Group’s total sales.

The Group has established relevant policy to protect its proprietary position by, among other methods, filing patent and trademark applications in various jurisdictions such as the U.S., Europe and the PRC related to its proprietary technology, inventions and improvements that are important to the development of its business. In addition, the Group employs a manager of intellectual property (“IP”), who carries out this policy, with assistance from an external counsel.

## IP Management Procedure



### Management responsibility

- ✚ The Group employs a manager of intellectual property, who carries out this policy, with assistance from an external counsel.
- ✚ Distributors under the supervision of a regional sales manager who coordinates with manager of intellectual property to prevent IP right infringement at the regional level.



### Daily monitoring and Management

- ✚ Ensure awareness of IP rights protection among R&D, clinical, regulatory, marketing, and sales personnel.
- ✚ Clearance search, and freedom to operate and patentability assessment conducted for development of new products.
- ✚ Periodic reviews of new patent applications and trademarks across the world to keep employees updated of any changes.





### Remedial actions in the event of infringement

- ✚ The manager of IP and outside counsel assess the situation and take appropriate action where necessary.
- ✚ Actions include further IP registrations, warning letters, or invitations to mediation.

## Product Labelling and Manuals

Product labelling and operating manuals are critical for the safe and efficient use of the Group's products. To assure compliance with EU regulations, Health Canada, the FDA requirements or any documents specified by national or regional regulations, the Group has a Labelling and Operating Manual Work Instruction in place, which defines the method and information for marking and labelling finished products.

What follow are examples of some of the information included in the operating manuals and labelling attached to the Group's products.

 Product Labelling	<ul style="list-style-type: none"> <li>✚ The use and the purpose for which it is designated.</li> <li>✚ Indicating the product's expiration date.</li> <li>✚ Indicating in the event that the product is designated for single use.</li> <li>✚ Special precautions.</li> </ul>
 Operating Manual	<ul style="list-style-type: none"> <li>✚ Information needed to use it safely and conditions in which it is not recommended or forbidden to use the product.</li> <li>✚ Side effects that may derive as a result of product usage and the contraindications.</li> <li>✚ Warnings and precautions that should be taken while operating and using the product.</li> <li>✚ Precautions that should be taken in the event of exposing the product to exceptional weather conditions, magnetic or electric fields, pressure changes, etc.</li> </ul>

## 5.2 Cultivating Good Customer Relation

The Group's commitment to customer service is at the core of all it does. The Group complies with relevant laws and regulations and strives to cultivate good customer relation by reducing products and service-related complaints, implementing responsible sales and marketing, and safeguarding data security and customer privacy.

During the reporting period, there were no reported violations of laws and regulations with respect to marketing and advertising, customer data and privacy matters.

Aspect	Main laws and regulations identified by jurisdictions
Product advertising	<b>Israel:</b> <i>Consumer Protection Law 1981.</i> <b>U.S.:</b> <i>Federal Trade Commission Act.</i> <b>India:</b> <i>Code for Self-Regulation in Advertising.</i> <b>EU:</b> <i>Gesetz gegen unlauteren Wettbewerb (Act against Unfair advertising Practices).</i> <b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i>
Customer data protection and privacy	<b>Israel:</b> <i>Consumer Protection Law 1981.</i> <b>U.S.:</b> <i>Fair Credit Reporting Act, etc.</i> <b>India:</b> <i>Information Technology Act 2000, Indian Penal Code 1860.</i> <b>EU:</b> <i>Bundes-Datenschutzgesetz (German Data Protection Act), European Data Protection Convention, etc.</i> <b>PRC:</b> <i>The Law of the PRC on the Protection of Rights and Interests of Consumers.</i> <b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i>

### Customer Relation Management Indicators

Indicator	Unit	2017	2018	2019
Number of reported violations of consumer data security and privacy	Number of cases	0	0	0

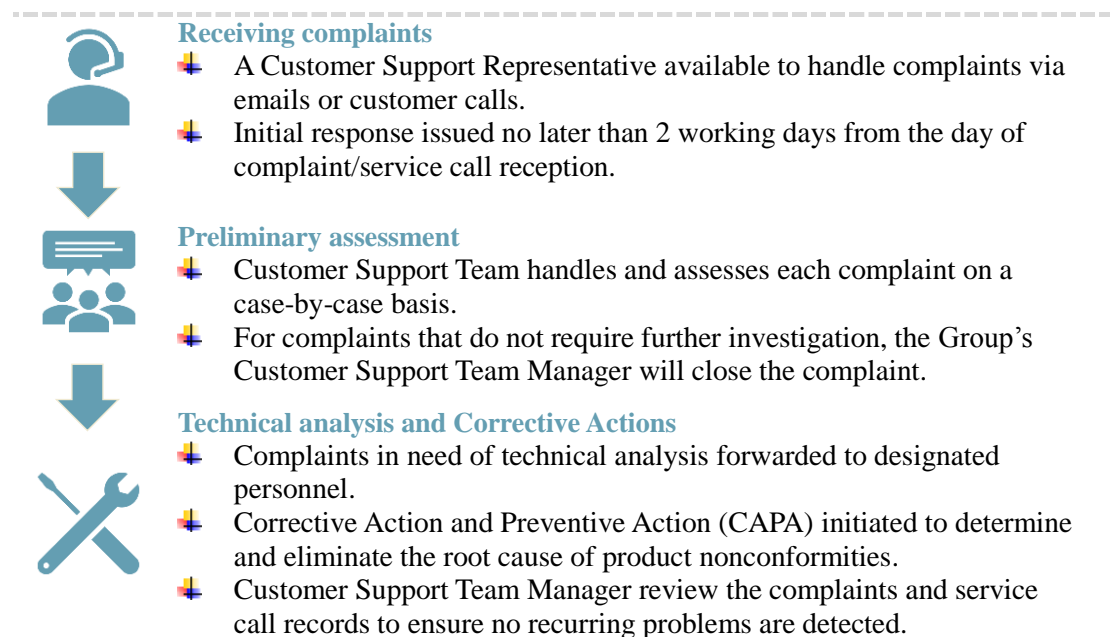
### Products and Service-Related Complaints

The Group has a well-established management procedure to handle products and service-related complaints from customers. In addition, the Group's customer service system runs on SAP, an enterprise resource planning software, with which it can review each service call status, as well as monitor each case of customer complaints in accordance to their importance from low to high.

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## Customer Complaints Management Procedure

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### Responsible Sales and Marketing

The Group adheres to ethical sales and marketing practices in all its business and ensures that its products are marketed and advertised accurately and are in line with local laws and regulations. The Group's clinical team is responsible for reviewing and approving all marketing collateral, websites and videos before they are made public. In addition, the Group's corporate marketing team defines the visual language which distributors and subsidiaries are expected to follow, so as to ensure that marketing materials represent the Group's brand in a way that is truthful, using clear messaging and modest, mirroring the Group's own values.

In countries where the Group sells products through regional distributors, it enters into a distribution agreement with them, and required them to submit their own advertising and promotion materials for approval.

In addition, the Group's sales representatives undergo yearly training sessions relating to responsible sales and marketing, including fair disclosure of product information to customers, responsible use and management of product labelling, etc.

### Privacy and data security









Protecting the privacy of its customers, clients, staff, and other business partners is an inherent part of the Group's Employee Code of Conduct, which specifies that employees are expected to preserve the confidentiality of information including that of customers, suppliers, etc., unless disclosure is required by law, regulation, or legal or judicial process.

The Group in Israel manages its data security in accordance with the HIPPA regulation (Health Insurance Portability and Accountability Act of 1996), which was created to protect health information existed in the healthcare industry.

### 5.3 Sustainable Supply Chain








The Group works to extend its commitment to sustainable practices across supply chain. The Group classifies its suppliers into five categories (A-E, A- Critical, E-non-critical) based on the service supplied or materials critically as affect to the quality of its finished products, and has a well-established manage system in place to effective mitigate risks from the supply chain.

The Group requires its suppliers to present formal accreditation to ISO 13485 and/or ISO 9001 when entering into business with us. In the absence of such credential, however, a questionnaire evaluating quality capabilities is needed for suppliers' categories A, B, C & D.

Products and Services Purchased		Management Approach
Type	Definition	
Category A	Turn-Key & Calibration Subcontractors	
Category B	Subcontractors for Material & Services to Company's specifications	
Category C	Manufacturers of Components to own specs Contract Laboratories	
Category D	Suppliers and Distributors of <i>Off The Shelf</i> materials	
Category E	Consultants	
		<b>Establish policies</b>  Purchasing Procedures  Terms & Conditions of Supply  Supplier Quality Standards <b>Assess risks</b>  Supplier evaluation on quality capabilities  Require suppliers to fill in a quality evaluation questionnaire <b>Monitor &amp; manage performance</b>  Conduct supplier on-site audits  Develop and confirm progress on corrective action plan

In addition to traditional considerations of price and quality, in 2019, the Group began integrating social and environmental criteria into its Terms & Condition of Supply, covering environmental and social aspects such as labor standards, health and safety, energy and water consumption, as well as pollution mitigation, etc.

#### Examples of Supplier Environmental and Social Requirements

Environment	 Does the facility review its environmental performances annually?  Does the facility monitor and track energy consumption?  Does the facility regularly test air emissions?  Does the facility have a program and/or procedure to reduce pollution? And waste in its operations?
Social	 Are young workers (above the legal minimum age, but under the age of 18 requiring protective restrictions) employed in accordance with the Law?  Are the workers free to resign from their employment at any time? Without penalty, giving reasonable notice?  Does the facility have a written corporate responsibility policy or statement commitment that defines its approach to labor, health, and Safety standards?



## Supply Chain Management Indicators

Indicator		2017	2018	2019
Total number of suppliers		401	553	903
Geographical region	MENA (Middle East & North Africa)	193	241	354
	North America	40	81	74
	Asia Pacific	26	70	68
	Europe	117	161	407

### 5.4 Compliance, Ethics and Integrity

The Group is fully committed to conducting business with the highest integrity and in compliance with relevant laws and regulations. The Group's Employee Code of Conduct outlines expectations of employee conduct relating to each other, its business partners, customers, and corporate resources, which serves as the foundation of the Group's culture of ethics and compliance.

During the reporting period, there were no reported violations of laws and regulations with respect to bribery, extortion, fraud, money laundering and other corruption related aspects.

Aspect	Main laws and regulations identified by jurisdictions
Anti-corruption	<b>U.S.:</b> <i>Foreign Corrupt Practices Act.</i>
	<b>India:</b> <i>Prevention of Corruption Act 1988, The Benami Transactions (Prohibition) Act 1988, Indian Penal Code 1860, The Prevention of Money Laundering Act 2002.</i>
	<b>EU:</b> <i>Bundes Anti Korruptionsgesetz (German Anti-Corruption Law), Anti Korruptions Verordnung (Anti-Corruption Act).</i>
	<b>International conventions:</b> <i>UN Convention against Corruption (UNCAC), OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.</i>
	<b>Other jurisdictions:</b> <i>the Group adheres to relevant local laws in regulations.</i>

#### Anti-corruption policy

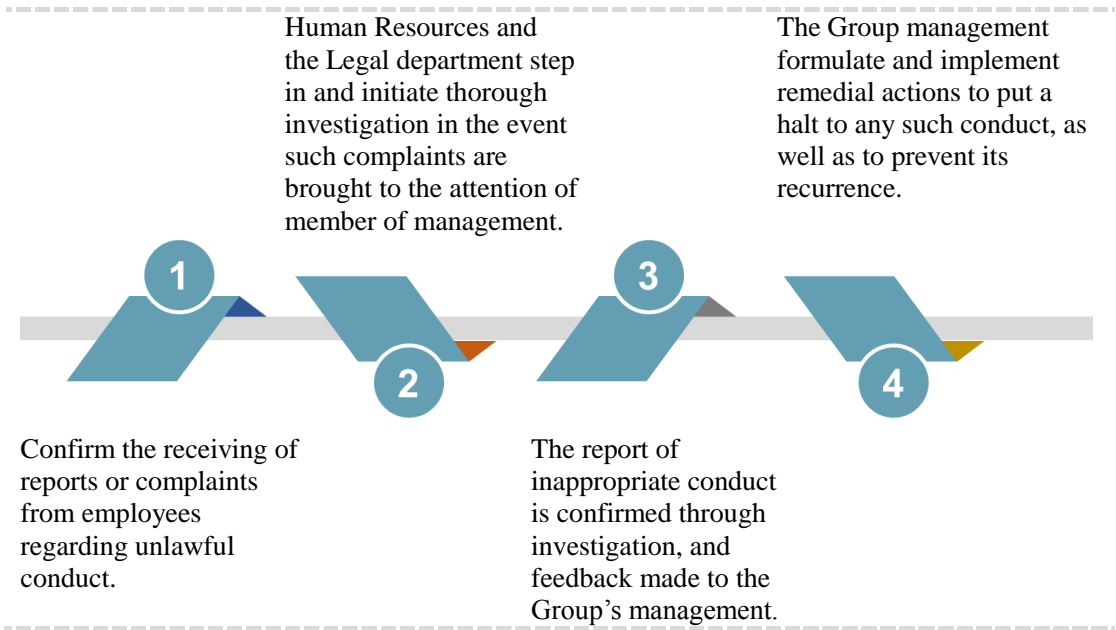
Anti-corruption is material to the Group because its business is built on trust with customers and its reputation for fair and ethical business dealings. According to the Group's Employee Code of Conduct, all employees are prohibited from offering or accepting bribes, as well as using other means to obtain undue or improper advantage, which may give rise to conflict of interest. In addition, employees are responsible for promptly reporting any actual, attempted or apparent violations. The Group's anti-corruption management policy covers a wide variety of areas including conflict of interest, gifts and entertainment, bribery, etc.

#### Whistle-blowing Procedures and No Retaliation Policy

The Group provides employees with well-defined and accessible channels such as a compliant box or intranet webpage for reporting corruption related matters. Anyone reporting in good faith will be protected from reprisal and adverse employment actions and all reports are kept confidential.

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# Complaints and Whistle-blowing Management Procedure



## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
A. Environment		
Aspect A1: Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.1 Managing Our Environmental Footprint 3.2 Reducing Emissions
KPI A1.1	The types of emissions and respective emissions data.	3.2 Reducing Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Reducing Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Reducing Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved	3.2 Reducing Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2: Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	3.3 Improving Resources Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	Policies on minimising the issuer’s significant impact on the environment and natural resources.	3.1 Managing Our Environmental Footprint
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions	

	taken to manage them.	
B. Social		
Aspect B1: Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Talent Recruitment and Retention
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
Aspect B2: Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	4.3 Health, Safety and Wellness
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3: Development and Training		
General Disclosure B3	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	4.2 Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	/
KPI B3.2	The average training hours completed per employee by gender and employee category.	/
Aspect B4: Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Talent Recruitment and Retention
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
Aspect B5: Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	5.3 Sustainable Supply Chain
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	

Aspect B6: Product Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.1 Product Stewardship 5.2 Cultivating Good Customer Relation
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.1 Product Stewardship
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	5.2 Cultivating Good Customer Relation
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.1 Product Stewardship
KPI B6.4	Description of quality assurance process and recall procedures.	5.1 Product Stewardship
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Cultivating Good Customer Relation
Aspect B7: Anti-corruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.4 Compliance, Ethics and Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Aspect B8: Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.4 Giving Back to Communities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	