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# **2018 Environmental, Social and Governance Report**

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**LifeTech Scientific Corporation**

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Stock Code: 01302.HK

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# Environmental, Social and Governance Report

## Contents

|  |    |
|--|----|
| About the Group                          | 2  |
| About the Report                         | 3  |
| Chairman's Message                       | 4  |
| Governance Structure and Risk Management | 5  |
| Stakeholders' Communication              | 6  |
| Environment Protection                   | 7  |
| Value Employees                          | 11 |
| Operation in Due Diligence               | 15 |
| Co-Building Community                    | 17 |
| KPI Overview                             | 18 |
| Report Content Index                     | 20 |

### About the Group

LifeTech Scientific Corporation (“LifeTech” or the “Company”) and its subsidiaries (collectively the “Group”) mainly engaged in developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. Currently, the Group has marketed its products in various countries across Asia, Africa, America and Europe with its sales network and distributors throughout the world.

As a responsible manufacturer of medical devices, the Group has passed certification of the ISO13485:2003 quality management system for medical devices and inspection of the Good Manufacturing Practice for Medical Devices in China. The Group has also been rated as a National High-Tech Enterprise, and has undertaken more than 50 government research projects. It has gained 65 patents during the year, with an aggregate of 875 patents having been approved.

During the year, the Group built and has started using R&D Laboratory of LifeTech Scientific (Shenzhen) Co., Ltd (“LifeTech Shenzhen”)<sup>1</sup>. The Group has adopted the design scheme for the laboratory to safeguard health of employees and avoid influence on the surrounding environment, which has been approved by relevant departments of environmental protection and water utilities of Shenzhen Municipal Government.

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<sup>1</sup> LifeTech Shenzhen is one of the main subsidiaries of the Company operating in China.

## Environmental, Social and Governance Report

### About the Report

This report is the third Environmental, Social and Governance (ESG) 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 stakeholders to understand the Group’s progress and direction in sustainable development issues. The Report is compiled in both Chinese and English, and has been uploaded to the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group’s website at [www.lifetechmed.com](http://www.lifetechmed.com).

### Scope of the Report

The Report presents the Group’s ESG performance for the period from 1 January, 2018 to 31 December, 2018 (the “Year”). The scope of the Report is consistent with that for the previous year, which covers the Group’s operation for development, manufacture and sales of medical devices, and focuses on the Group’s plant and office building located in Shenzhen<sup>2</sup>. The Report currently does not cover all the business operations; however, the Group keeps improving procedures of internal data collection and expanding disclosure scope.

### Standard of the Report

The Report has complied with “comply or explain” provisions set out in the *Environmental, Social and Governance Reporting Guide* (the “ESG Guide”) of Appendix 27 to the listing rules promulgated by the Stock Exchange, and taken the four reporting principles specified therein—materiality, quantitative, balance and consistency as a basis for preparing the Report. To ensure the accuracy of environmental KPIs (Key Performance Indicators), the Group has entrusted Carbon Care Asia, a professional consultant firm to conduct carbon assessment. In addition, the Report also includes individual KPIs in the suggested disclosure in the *ESG Guide* to enhance the effectiveness of reporting. A complete content index is attached in the last chapter hereof for easier reference in accordance with the *ESG Guide* while reading the Report.

### Confirmation and Approval

All information in the Report is from the Group’s official documents, statistics and management and operation information collected according to systems of the Group. The Report has been confirmed and approved by the Board of Directors of the Group.

### Opinions and Feedbacks

The Group values the opinions of stakeholders. If you are in doubt with or have any suggestions on the content or presentation of the Report, you may contact the Group through the following means:  
Address: LifeTech Scientific Building, No.22, Keji 12th Road South, Nanshan District, Shenzhen  
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Tel: +86-755-86026250

<sup>2</sup> The plant is managed and operated by LifeTech Shenzhen.

### Chairman's Message

Health is a necessity to promote human well-being, and also a basic condition for social development. Enabling everyone to acquire quality medical services is indispensable to achieve sustainable development. The *Outline of the Plan for Healthy China 2030* issued by the State Council of China in recent years also determines the importance of medical and health services to social development. LifeTech Scientific Corporation, adhering to the principle of “ideal, innovation, passion and team” through providing quality medical products, has continuously improved the level of community public health and created value for all sectors of society.

The Board of Directors has an unshirkable responsibility in sustainable development. The Board of Directors discusses ESG work concerning each business scope regularly, leads each executive department to set goals from top to bottom, and supervises their performance and progress to meet the standard.

Subjects related to sustainable development constitute risks to business of the Group. The Board of Directors is fully responsible for managing and preventing such risks. In terms of environment, we continuously monitor the environmental influences caused by production, and evaluate them to determine whether relevant adjustments need to be done. In terms of society, we monitor potential risks in supply chains constantly, and keep close communication and cooperation with suppliers to ensure the quality of raw materials and products.

In order to guarantee the importance of the Report, we have entrusted professional consultants to conduct interviews with the management so as to identify key issues to be highlighted in the Report and effectively respond to stakeholders' demands. In future, we will actively consider expanding the scale of communication between internal and external stakeholders for the purpose of further understanding their expectations and views, as a basis for continuously improving sustainable development performance.

The production of medical products has an influence on environment, so the management of the Group stresses on the management and control of emissions and the optimization of energy usage. We fully understand that environmental quality directly relates to overall health and long-term development of the community. While maintaining social health, the Group also guarantees health and rights and interests of employees, and provides a sound employment system and a healthy, safe working environment.

In the long run, LifeTech is devoted to being a pioneer of the medical product industry in sustainable development. With the support of stakeholders from all walks of life, we will sustain improving environmental and social performance. Through working hand in hand with the industry, we will integrate the concept of sustainable development into the operation standard of the industry so as to contribute to community and environmental health.

**XIE Yuehui**

*Chairman*

LifeTech Scientific Corporation

**Governance Structure and Risk Management**

The Group believes that risk management is an important part of daily management and good governance of enterprises. To enhance the effect of risk management, the Board of Directors takes full responsibility for risk management and supervision management of the internal monitoring system. Environmental and social risks constantly identified and managed by the Board of Directors include environmental policies and performance of the Group, and compliance of relevant laws and rules that have a great impact on the Company.

During the Year, assisted by the professional external consultants, the Group has further identified the following environmental and social risks and integrates response measures and management and control processes into corporation planning and management.

| Major risk                    | Influence  | Control measure   |
|-------------------------------|--|---|
| Emissions and noise pollution | The Group realizes that it may generate noise and exhaust gas during the production which has a certain impact on the surrounding environment. Under the policy background of increasing national and local legal standards, the Group shall supervise the environmental performance and effectively manage emissions.   | <ul style="list-style-type: none"> <li>- The Group commits to comply with relevant laws and rules of the State and develop a number of internal policies.</li> <li>- The Group has invested and used the latest technology to reduce the production of emissions.</li> </ul>  |
| Client health and safety      | Client's health and safety is the basis for the establishment and value of the brand of the Group. The supply, management and sales of medical devices have an inseparably effect on the operation in the healthcare industry, and the medical industry is also closely related to the physical safety. To maintain the confidence of customers and users on our products, the Group is required to maintain strict requirements on product quality and management at all times. | <ul style="list-style-type: none"> <li>- The Group has developed sound work policy on health and safety to ensure the health and safety of employees in the workplace, and has performed strict disinfection procedure for products.</li> <li>- The Group hopes to ensure conformation with the national or regional standards and consumer requirement by improving product quality through perfection of the quality control system.</li> </ul> |
| Product R&D and improvement   | The development of medical device industry shall be improved constantly according to the existing technology of the industry. During the operation process including adjustment of technological strategies, improvement or slight adjustment of existing products, and planning of new products to enter the market, the Group faces a range of environmental and social risks (such as fair competition, anti-corruption).   | <ul style="list-style-type: none"> <li>- The Group mobilizes resources, starts LifeTech Shenzhen R&amp;D Laboratory, and strengthens R&amp;D and improvement ability of new products and management matching;</li> <li>- The Group, through internal management policies on operation responsibilities, controls environmental and social risks in the input procedure of new projects or products.</li> </ul>                                    |

In the future, the Group will consider the incorporation of additional ESG risk classifications in terms of risk management, to identify its risks and opportunities in this regard and plan sustainable development strategies so as to improve its ESG performance.

### Stakeholders' Communication

LifeTech attaches great importance to the participation of stakeholders<sup>3</sup>, communicates with stakeholders through daily operation and different communication channels to establish mutual trust relations, which not only ensures stakeholders understand the development and operation policy of the Group, but also provides an opportunity for the Group to listen to opinions from stakeholders, and to review the potential risks and business opportunities in the sustainable development so as to further identify priorities of different subjects and develop relevant policies and measures.

In order to facilitate the sustainable development strategies and direction of the Group, and to identify environmental and social subjects which are critical to the Group and stakeholders, LifeTech has entrusted Carbon Care Asia, a professional consultant firm, to conduct interviews with the management. Combined with results of interviews and opinions from consultants, the Group has selected three options from eleven environmental and social aspects from the *ESG Guide*, as subjects to be focused in the Report, including emissions, employment and health and safety.

LifeTech understands the importance of communicating with stakeholders, and has established effective, accurate communication channels to provide real-time replies. In the days to come, the Group will continue to strengthen interaction with stakeholders and expand more diversified channels (such as conducting questionnaires among stakeholders) to increase opportunities to contact with them and create a mutually beneficial and win-win relationship.

### Main stakeholders and communication methods used during the Year



<sup>3</sup> Stakeholders, also called “interested parties” or “equity holders”, refer to the groups and individuals that have a great impact on corporation business, or would be influenced by the business, including internal and external groups or individuals.

### Environment Protection

#### Emissions

LifeTech pays attention to reduction of emissions produced during production. For this purpose, the Group has formulated the *Environmental Management System* to devote to reducing the influence on environment caused by business operations.

#### *Exhaust Gas*

According to regulations of the *Environmental Management System*, maintenance of vehicles of the Group shall be strengthened so as to ensure their emission reaching the standard. Administrative department supervises emissions produced during all the production and experiment processes to ensure the exhaust gas emission reaching the standard. Meanwhile, volatile organic compounds (VOC) like matters including benzene, cyclic aromatic hydrocarbons and aromatic hydrocarbons are generated during production of the Group. Such matters affect the environment and health of surrounding residents. The Group handles exhaust gases generated in production to avoid negative effects by recycling and destroying such matters (such as adopting methods like catalytic combustion, adsorption or absorption).

During the Year, exhaust gas emission of LifeTech mainly attributed to vehicles. Since the Group has reduced the usage of diesel fuel for automobiles (replaced by gasoline), the NO<sub>x</sub> emission is lower than that of the previous year. However, due to Guangdong and Hong Kong official vehicles for cross border frequently operating in and using gasoline sold in the mainland, the use of sulphur oxide emission factor for the Year is slightly adjusted causing the interannual differences in emissions. Detailed calculation results are shown in the chapter of KPI Overview herein.



## Environmental, Social and Governance Report

### Waste

For waste generated during production, the Group will conduct integrated processing according to the *Environmental Management System*.

| Waste classification | Processing method   |
|----------------------|---|
| Non-hazardous waste  | <ul style="list-style-type: none"> <li>— Engineering department is responsible for contacting qualified processing units to recycle and process recyclable waste;</li> <li>— Non-recyclable domestic waste is collected and transported by sanitation department.</li> </ul>  |
| Hazardous waste      | <ul style="list-style-type: none"> <li>— The Group will choose qualified processing organizations to perform regular processing.</li> <li>— Hazardous waste generated by different production departments shall be stored in designated hazardous waste bins and the Hazardous Waste Handover Form shall be completed.</li> </ul> |

About 13.2 tonnes of hazardous waste and about 118.2 tonnes of non-hazardous waste were generated during the Year. The significant increase in hazardous waste compared with previous years is mainly due to increase in capacity, expansion of laboratory and R&D of new products. The increase in non-hazardous waste is mainly caused by:

- Increase in LifeTech Shenzhen's capacity and expansion of employees and office space; and
- Wooden waste from renovation and redecoration of the plant and the increase of new equipment.

| Waste type          |                          | Amount of waste (tonne) |      |      |
|---------------------|--------------------------|-------------------------|------|------|
|                     |                          | 2018                    | 2017 | 2016 |
| Hazardous waste     | Waste acid               | 2.40                    | 1.45 | 0.61 |
|                     | Waste organic solvent    | 8.40                    | 2.15 | 0.96 |
|                     | Alkali waste             | 2.20                    | 0.05 | 0    |
|                     | Used mineral oil         | 0.20                    | —    | —    |
| Non-hazardous waste | Waste paper and plastics | 4.4                     | 3    | 6    |
|                     | Waste planks             | 3.8                     | 1.5  | 2    |
|                     | Domestic garbage         | 110                     | 20   | 25   |

## Environmental, Social and Governance Report

### Waste Water

LifeTech generates a certain amount of waste water during production. The Group, according to *Environmental Management System*, conducts diversion of rain and sewage water, and system management of industrial waste water, domestic sewage and rain.

| Waste water type       | Processing method   |
|------------------------|---|
| Industrial waste water | <ul style="list-style-type: none"><li>— Common industrial waste water, like general test waste water and clean water, is processed directly by entering a sewage treatment plant through municipal pipes.</li><li>— Chemical effluent and other waste water containing hazardous substances are treated by a qualified unit after collection in containers.</li></ul> |
| Domestic sewage        | <ul style="list-style-type: none"><li>— Domestic sewage mainly refers to waste water discharged from toilets and tea rooms. All the domestic sewage, upon septic tank treatment, is discharged to a sewage treatment plant through municipal pipes for treatment.</li></ul>   |
| Rain                   | <ul style="list-style-type: none"><li>— Rain is directly discharged outside by independent pipes.</li></ul>   |

### Greenhouse Gas

LifeTech entrusted Carbon Care Asia, an independent consultant firm, to perform carbon evaluation to quantify greenhouse gas (“GHG”) emissions (or referred to as “carbon emissions”) from its operations. Quantization is carried out according to the guideline<sup>4</sup> issued by the National Development and Reform Commission of China, as well as international standards including ISO14064-1 and Greenhouse Gas Protocol. Carbon emission of the Group mainly comes from purchased electricity (accounting for 95% approximately) of scope 2 (energy indirect emissions), followed by GHG and flowing combustion source discharged from equipment and system running (accounting for 5% approximately) of scope 1 (direct emissions). Detailed carbon emission evaluation results are shown in the chapter of KPI Overview herein.

The scope 1 (direct emissions) of the Year dropped by about 24% compared with that of the previous year, mainly due to the reduction of fugitive emissions caused by reduction of refrigerant use. The reason for the reduction of refrigerant use is that the Group replaces air conditioning of low cooling effect and high fault rate with newly set air conditioning as office cooling devices. In addition, because the original office area of the plant is decorated for a plant use, and capacity is expanded, this results in the rise of electricity use, and causes the increase in carbon emissions of scope 2 (energy indirect emissions).

<sup>4</sup> The Measuring and Reporting Guideline for Emissions of Greenhouse Gas for Machinery and Equipment Manufacturing Enterprises (Trial).

## Environmental, Social and Governance Report

### Use of Resources

LifeTech values the reduction of resource waste during the production and builds working environment that saves natural resources and reduces energy consumption. With the development of multiple measures in the *Energy Management Control Process* of LifeTech Shenzhen, treatment methods are adopted depending on different resource types.

| Resource type | Method  |
|---------------|---|
| Oil           | <ul style="list-style-type: none"><li>— Each department shall reasonably use oil products according to the requirement of equipment lubricating oil and waste oil recovery;</li><li>— All the replaced waste oil shall be uniformly reclaimed and handled by the use department and administrative department respectively;</li><li>— Vehicles of the Group shall be maintained regularly so that the oil consumption is within normal range.</li></ul> |
| Water         | <ul style="list-style-type: none"><li>— Water meters are installed as per production office area for water metering, monthly water volume is counted. In case of abnormalities, causes shall be found and measures taken;</li><li>— Administrative department shall often check the water use, and if faucets or valves are found to have any damage, they shall be timely repaired and replaced.</li></ul>   |

During the Year, the total water consumption of the Group declines about 48% from the previous year, mainly because the volume of cleaning tank is reduced by 30% in the plant without affecting the capacity, which leads to the reduction of water consumption in the production process. Summary of resource use data is shown in the chapter of KPI Overview herein.

### The Environment and Natural Resources

LifeTech produces some hazardous gases due to the nature of its own business. To ensure the operation does not affect surroundings and natural resources, the Group has entrusted a qualified third-party company to provide solutions to the production and laboratory exhaust gases. To guarantee the normalization of operation of treatment equipment of exhaust gases, the Group also has invited a third-party company to conduct operation training to employees so as to ensure any equipment failure can be handled timely and correctly.

In the following year, the Group will add policies and provisions on GHG management in the current *Environmental Management System* to regulate the management of reduction of GHG. The Group abides by national and local regulations and standards related to polluted emissions, such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and the *Comprehensive Emission Standard of Air Pollutants* (GB16297-1996). No cases that violate laws or regulations are found relating to emissions of the Group in the Year.

### Value Employees

#### Employment System

LifeTech values establishment of the improved employment system. At present, the Group has formulated policies like the *Employee Manual*, the *Attendance and Leave Management System*, the *Recruitment Management System* and the *Promotion Management System* to regulate management of salary and dismissal, recruitment and promotion, working hours, vacation and other treatment and welfare of the Group.

Other than basic salaries, the Group also provides extra welfare to employees. Concerning employees who work overtime past 7 pm on working days, the Group provides free supper for them according to unified standards. Meanwhile, to alleviate the housing issue of fresh graduates, the Group also provides employees in need with dormitories. For employees who do not enjoy dormitory welfare, traffic subsidies may be granted according to the nature of the position.

LifeTech respects the right of male employees to paternity leave. If male employees comply with relevant provisions of the national family planning policy, they may enjoy fifteen calendar days of paternity leave. For female employees, in addition to maternity leave and breast-feeding leave, antenatal examination leave can be enjoyed in the case of providing a doctor's certificate.

HR department and senior management are responsible for relevant work of promotion of employees in the Group, and the following evaluation management methods are adopted.

| Evaluation item       | Evaluation content  | Evaluation method                            |
|-----------------------|---|--|
| Comprehensive quality | Working attitude, professional ethnics and company identity                           | Questionnaire                                |
| Business ability      | Position knowledge, professional techniques, English, software operation, etc.        | Written exam, interview and actual operation |
| Management capacity   | Leadership ability, communication ability, cooperation ability and management ability | Case analysis and interview, etc.            |
| Report on duty        | Work planning for future jobs   | PPT etc.                                     |

After evaluation, the results are calculated based on different evaluation items, and the *Promotion Evaluation Approval Form* is completed by HR department, which is submitted to relevant department and management for approval.

Diversification has always been the pursuit of the Group. During the Year, a total of 43 ethnic minorities and 2 foreigners are working in the Group, accounting for 7.3% of the total employees, higher than 6.1% of last year.

The Group conforms to relevant laws and rules, including *the Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, etc. No cases that violate laws or regulations are found relating to employment of the Group in the Year. Going forward, the Group will develop policies concerning fair opportunities and anti-discrimination so as to build a systematic working management system.

### Health and Safety

As a firm focusing on medical device production, LifeTech values the health and safety of employees in the workplace. The Group has developed relevant regulations like the *Occupational Health Management System*, the *Industrial Accident Management*, and the *Labour Insurance Supplies Management System*, dedicating to the decrease of accidents and dangerous occurrences.

### Occupational Disease Management

According to the provisions of the *Occupational Health Management System* of LifeTech, the general manager is fully responsible for the occupational health management of the Group in order to protect employees from occupational hazards. In addition, the safety officer of the Group is responsible for conducting training to employees in high-risk positions and inspecting whether the employees wear protective equipment when on a worksite.

### Occupational Injury

If an employee sustains an injury as result of an accident arising out of and in the course of employment, the injured employee shall be sent to hospital for medical treatment immediately. All the advance medical expenses are paid by the Group uniformly. After the accident occurs, the department of the injured employee shall timely submit the *Accident Investigation Report* to the administrative department. At the same time, safety officer shall submit an occupation injury application to the social security department. After the injured employee recovers, if he/she is able to continue engaging the original work, he/she can return to work after receiving safety training; if not, other suitable positions shall be arranged.

**Safety Education Training**

Safety training is an important part for implementation of policy of “safety first, prevention centred, comprehensive governance” of the Group, therefore, LifeTech has formulated the *Safety Education Training System* to regulate relevant work of safety training.

Safety training in the Group includes three parts:

| Employee type  | Training requirement   |
|----------------|--|
| Safety officer | <ul style="list-style-type: none"> <li>• Persons concerned may take positions only after acquiring the safety qualification certificates certified by the supervision and administration department of safety production;</li> </ul>   |
| Practitioners  | <ul style="list-style-type: none"> <li>• New employees must take their positions after accepting three-level safety education training and passing the examination. Three-level safety education includes:                             <ul style="list-style-type: none"> <li>✓ Company: safety officer is responsible for training including courses of fire safety, occupational health safety and safety regulations of the Group;</li> <li>✓ Department: department head is responsible for training about on-site evacuation, use of safety equipment and safety production status of departments, etc.</li> <li>✓ Team: team leader introduces production characteristics of posts, use of personal protective equipment and other protective measures.</li> </ul> </li> <li>• Special operation staff shall take their positions after accepting specific safety operation training, and obtaining the corresponding qualification certificates.</li> </ul> |
| Other staff    | <ul style="list-style-type: none"> <li>• In case of transferring or leaving posts over six months, staff concerned shall take part in safety training organized by the department and team, and qualified ones can work in the new positions;</li> <li>• When using new processes or new devices, based on their characteristics, safety training shall be taken to relevant staff.</li> <li>• When carrying out a risky overhaul project, safety requirements shall be raised on constructors and the implementation of all safety measures shall be checked.</li> </ul>  |

The Group has strictly complied with relevant laws and regulations, including the *Law of the People’s Republic of China on Safety Production*, the *Law of The People’s Republic of China on Prevention and Control of Occupational Diseases* and the *Fire Protection Law of the People’s Republic of China*. No cases that violate laws or regulations are found relating to health and safety of the Group in the Year.

## Development and Training

LifeTech values training of professional skills of employees, devotes itself to helping employees improve skills required by their career development. It has formulated *Training Management System* to regulate training procedures of employees. The training form in the Group includes internal training and external training, which aims to ensure the different needs of employees in different positions. Training schedule mainly includes:

| Training form and arrangement |   |
|-------------------------------|---|
| Internal training             | It refers to the training form that the Group’s internal lecturers give lectures, and the content involves training for new employees, induction training for operation employees, and professional skills training.  |
| External training             | It means the form that on condition that internal training can’t meet the business development of the Group, external resources are used to achieve the training of employees. External training consists of two forms: external assignment training and inviting external lecturers. |

After the training is finished, HR department will assess the training effect to judge whether to reach the expectation. Relevant training results will be recorded in the employee training files for reference in days to come. Employees who want to attend an external training shall submit the *Training Application* firstly, and may attend the training after obtaining approval. In the meantime, after training, they shall communicate with other employees through forms like sharing session.

Average training hours  
for employees  
41.8 hours

## Labour Standards

LifeTech prohibits behaviours including hiring child labour or forced labour in the workplace, which is stated in the *Employee Manual*.

The original identity documents of successful candidates shall be checked at the time of employment. If it becomes apparent that a candidate is under the age of 18 years or has provided false information, the candidate concerned will be disqualified by the Group. Meanwhile, the Group grants employees the right to resign freely. If an employee resigns for personal reasons, he shall complete *the Resignation Application* in advance and submit it to the Human Resources department for approval. Furthermore, the Group encourages employees to improve working efficiency, and balance between work and leisure. In case that it is necessary to work overtime due to the work arrangement, application shall be made to superior management. After working overtime, employees may take time off according to relevant arrangement.

The Group conforms to relevant laws and rules, including the *Labour Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Protection of the Minors*, etc. No cases that violate laws or regulations are found relating to child labour or forced labour of the Group in the Year.

### Operation in Due Diligence

#### Supply Chain Management

LifeTech understands the importance of supply chain management to its own operation. Through internal management systems like the *Purchase Control Procedures*, the Group devotes itself to managing all kinds of risks during purchasing.

To guarantee the selection of suppliers meet the requirement, the purchasing department, quality management department, and R&D department of the Group are responsible for different aspects of evaluation of suppliers respectively.

| Department                    | Responsibility   |
|-------------------------------|--|
| Purchasing department         | Mainly responsible for the procurement of materials and equipment required for the Company's production and R&D and supplier management, including supplier development and evaluation, business negotiation, order management and supplier performance management, etc. |
| Quality management department | Mainly responsible for verification, supervision of products provided by suppliers and product test.   |
| R&D department                | Mainly responsible for quality risk evaluation and supplier selection to suppliers.  |

In addition, the purchase contract stipulates that suppliers must comply with laws and rules, or international standards on environment, health and safety, as well as human rights, consciously reduce the environmental and social risks encountered by the supply chain.

#### Product Responsibility

##### *Health and Safety*

Life Tech has formulated the *Inspection and Test Control Procedure* and the *Sterilization Confirmation Procedure* to ensure that our products meet the Group's requirements on health and safety. The *Inspection and Test Control Procedure* specifies the requirements on quality control of products, in which the requirements on procedure for inspecting supplied materials, finished products and releasing the finished products is specified, ensuring the products meet the national and industrial technical requirements. In addition, a sterile product is also very important to the health and safety of users. The *Sterilization Confirmation Procedure* requires confirmation of the process of product sterilization and strict monitoring of the sterilization process parameters of the products.



## Environmental, Social and Governance Report

### *Maintenance of Customer Information*

The contracts with customers stipulate that the Group undertakes to protect customer information, including but not limited to:

- Technical information: designs, drawings, specifications and moulds, etc.;
- Commercial information: sales information, customer list, price, purchase means and product features; and
- Other information: development concept of new products or future development plans etc.

### *Label Management*

For the purpose of regulating the management of product labels, the Group has enacted the *Language, Label Control Procedures*. Registration department is responsible for reviewing the regulatory compliance of labels. Meanwhile, product development department is responsible for providing details of products, guaranteeing the customer's right to know.

### *Intellectual Property Right*

As a medical device manufacturer that owns independent intellectual property rights, while protecting our intellectual property rights from infringement, the Group also undertakes to respect the intellectual property rights of other partners. *Confidentiality agreements* signed with different partners stipulate that both parties shall respect the intellectual property rights of the counterparty. In case of any violation, the corresponding result shall be borne by the violating party, including: claims, business losses, legal arbitration and other penalties, etc. The Group sets intellectual property department, taking full responsibility for relevant matters of intellectual property rights.

### *Recovery*

If any adverse events related to product quality occur, the Group will investigate, analyze and deal with incidents in accordance with the *Adverse Event Reporting Procedures* and relevant laws and regulations. If remedial measures are required after delivering, the Group will issue a notice of advice for the purpose of supplementing the information or proposing appropriate measures in accordance with the *Notice of Advice and Recall*, and recall the product if necessary. All product quality problems and the resulting recalls will be reported to the regulatory authorities in a timely manner.

### *Customer Complaints*

LifeTech values the opinions from customers on products of the Group, and to this end, the *Processing Procedure for Customer Complaints* is specially formulated to specify the channels for receiving and flows for addressing customer complaints. When the Group receives customer complaints, an initial response will be made to customers within 24 hours. If relevant problems do exist, investigation and analysis shall be made on the event and improvement measures shall be raised.

Since the business of the Group does not involve advertising products to the public, therefore, relevant policies are not formulated. The Group complies with relevant laws and rules, like *Product Quality Law of the People's Republic of China*. No cases that violate laws or regulations are found relating to product responsibility of the Group in the Year.

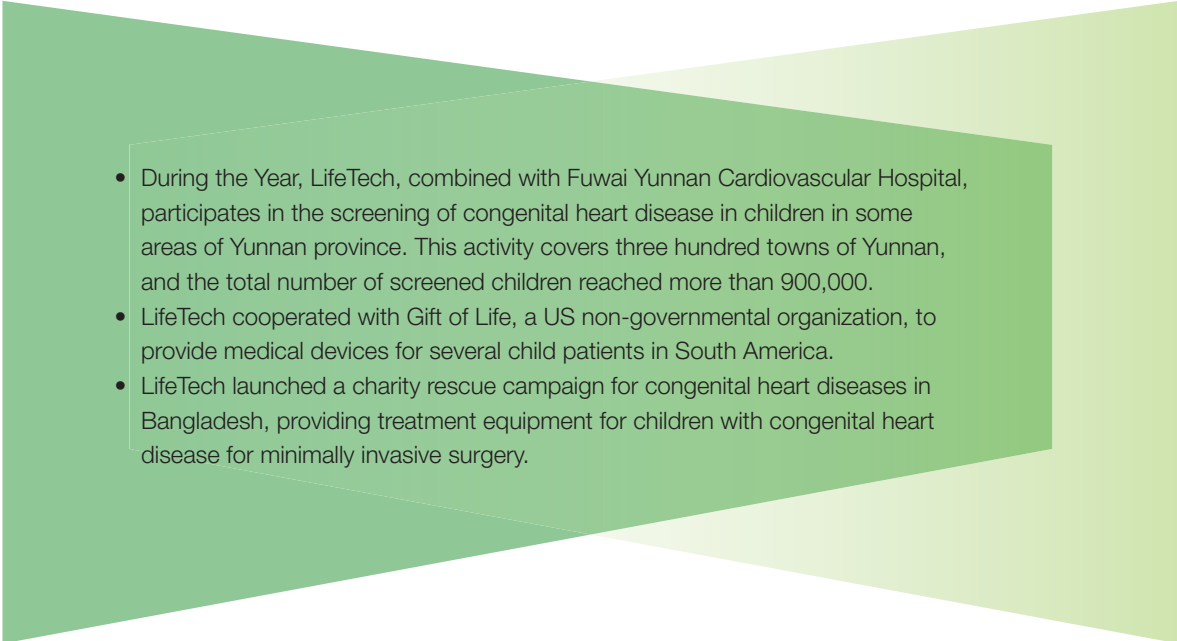
### Anti-corruption

LifeTech prohibits any corruption related to bribery, extortion, blackmail and money laundering in daily operation. *LifeTech Anti-Corruption Policy* provides that employees of the Group are not allowed to provide any articles of value to customers, governmental officers or other third parties. In case that relevant conditions are found, any employee or partner can report to the relevant departments of the Group by phone or email. All the reports are submitted anonymously. The Group prohibits retaliation against informers.

The Group conforms to relevant laws and rules, including the *Anti-Unfair Competition Law of the People's Republic of China*, the *Law of the People's Republic of China on Anti-Money Laundering* and other applicable laws and rules. No cases that violate laws or regulations are found relating to corruption of the Group in the Year. There are no corruption lawsuits related to the Group and employees in the Year.

### Co-Building Community

LifeTech has always attached great importance to commitment to social responsibility, focused on needs of communities where it located in, and helped more patients be able to live a healthy life again by its own professionalism in medical devices. In the Year, LifeTech invested totally about RMB100,000 for community investment.

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- During the Year, LifeTech, combined with Fuwai Yunnan Cardiovascular Hospital, participates in the screening of congenital heart disease in children in some areas of Yunnan province. This activity covers three hundred towns of Yunnan, and the total number of screened children reached more than 900,000.
  - LifeTech cooperated with Gift of Life, a US non-governmental organization, to provide medical devices for several child patients in South America.
  - LifeTech launched a charity rescue campaign for congenital heart diseases in Bangladesh, providing treatment equipment for children with congenital heart disease for minimally invasive surgery.

The Group will implement the existing community investment measures to the corporate's policy level to develop the community investment policy and improve systems like management procedures and investment direction in terms of community investment.

## KPI Overview

## Environmental Performance

| Environmental KPI  | Amount  |         | Unit  |
|--|---------|---------|---|
|  | 2018    | 2017    |   |
| <b>Air emissions</b>   |         |         |   |
| Nitrogen oxides  | 12.2    | 22.2    | Kilograms                                   |
| Sulphur oxides   | 2.2     | 1.8     | Kilograms                                   |
| Inhalable suspended particles  | 1.0     | 1.6     | Kilograms                                   |
| <b>GHG emissions</b>   |         |         |   |
| Scope 1  | 157.0   | 207.9   | Tonnes of Co <sub>2</sub> -e                |
| Scope 2  | 3,130.8 | 1,334.7 | Tonnes of Co <sub>2</sub> -e                |
| Total GHG emissions  | 3,287.8 | 1,542.6 | Tonnes of Co <sub>2</sub> -e                |
| GHG density<br>(Area per square metre)                                   | 0.24    | 0.26    | Tonnes of Co <sub>2</sub> -e/m <sup>2</sup> |
| <b>Hazardous waste</b>   |         |         |   |
| Total amount<br>of hazardous waste                                       | 13.2    | 3.7     | Tonnes                                      |
| Density of hazardous waste<br>(Area per square metre)                    | 0.0010  | 0.0006  | Tonnes/m <sup>2</sup>                       |
| <b>Non-hazardous waste</b>   |         |         |   |
| Total amount of<br>non-hazardous waste                                   | 118.2   | 24.5    | Tonnes                                      |
| Density of non-hazardous waste<br>(Area per square metre)                | 0.009   | 0.004   | Tonnes/m <sup>2</sup>                       |
| <b>Sewage</b>  |         |         |   |
| Total amount of sewage   | 1,825   | 895     | Tonnes                                      |
| <b>Energy consumption</b>  |         |         |   |
| Gasoline   | 216.2   | 192.8   | megawatt hour (MWh)                         |
| Diesel   | 7.5     | 8.2     | MWh   |
| Purchased electricity  | 5,939.8 | 2,532.2 | MWh   |
| Total energy consumption   | 6,163.5 | 2,733.2 | MWh   |
| Energy density<br>(Area per square metre)                                | 0.45    | 0.46    | MWh/m <sup>2</sup>                          |
| <b>Water consumption</b>   |         |         |   |
| Total water consumption  | 9,490   | 18,151  | m <sup>3</sup>                              |
| Water consumption density (Area<br>per square metre)                     | 0.7     | 3.0     | m <sup>3</sup> /m <sup>2</sup>              |
| <b>Packaging materials used for<br/>finished products</b>                |         |         |   |
| Total amount of<br>Packaging materials                                   | 16.8    | 30.0    | Tonnes                                      |
| Density of Packaging materials<br>(Area per square metre)                | 0.0011  | 0.0023  | Tonnes/m <sup>2</sup>                       |
| Density of Packaging materials<br>(calculated by<br>production capacity) | 0.0001  | —       | Tonnes/piece of products                    |

**Social Performance**

| Employee distribution       |                   |       | Distribution and proportion of the number of employees leaving their jobs | Distribution and proportion of the number of new employees |
|-----------------------------|-------------------|-------|---|--|
| Gender                      | Male              | 324   | 87 (26.9%)  | 124 (38.3%)  |
|                             | Female            | 294   | 72 (24.5%)  | 98 (33.3%)   |
| Employment Category         | Chief executive   | 4     | 0 (0.0%)  | 0 (0.0%)   |
|                             | Senior executives | 14    | 1 (7.1%)  | 0 (0.0%)   |
|                             | Middle management | 52    | 7 (13.5%)   | 4 (7.7%)   |
| Age                         | General staff     | 548   | 151 (27.6%)   | 218 (39.8%)  |
|                             | Less than 30      | 248   | 77 (31.0%)  | 222 (89.5%)  |
|                             | 30-40             | 315   | 78 (24.8%)  | 0 (0.0%)   |
|                             | 41-50             | 42    | 3 (7.1%)  | 0 (0.0%)   |
|                             | Above 50          | 13    | 1 (7.7%)  | 0 (0.0%)   |
| <b>Rate by gender (M:F)</b> |                   | 1.1:1 | 1.2:1   | 1.3:1  |
| <b>Total</b>                |                   | 618   | 159 (25.7%)   | 222 (35.9%)  |

| Occupational safety and health performance     | Total     |
|--|-----------|
| Number and rate of work-related deaths         | 0, (0.0%) |
| Number and proportion of work-related injuries | 0, (0.0%) |
| Number of working days lost due to work injury | 0         |
| Number of absent days                          | 163       |

Report Content Index

| Main category                                   | Content   | Page index and remarks   |
|---|---|--|
| <b>A1 Emissions</b>                             |   |  |
| General disclosure                              | Information on:<br>(a) the policies; and<br>(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. | 7-10   |
| A1.1  | The types of emissions and respective emissions data.   | 7-9, 18  |
| A1.2  | Greenhouse gas emissions in total (in tonnes) and intensity.  | 18   |
| A1.3  | Total hazardous waste produced (in tonnes) and intensity.   | 8, 18  |
| A1.4  | Total non-hazardous waste produced (in tonnes) and intensity.   | 8, 18  |
| A1.5  | Description of measures to mitigate emissions and results achieved.   | 7-9  |
| A1.6  | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.  | 8  |
| <b>A2 Use of Resources</b>                      |   |  |
| General disclosure                              | Policies on the efficient use of resources, including energy, water and other raw materials.  | 10   |
| 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).  | 18   |
| A2.2  | Water consumption in total and intensity (e.g. per unit of production volume, per facility).  | 18   |
| A2.3  | Description of energy use efficiency initiatives and results achieved.  | 10   |
| A2.4  | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.   | 10; There is no issue in sourcing water that is fit for purpose. |
| A2.5  | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.  | 18   |
| <b>A3 The Environment and Natural Resources</b> |   |  |
| General disclosure                              | Policies on minimising the issuer's significant impact on the environment and natural resources.  | 10   |
| A3.1  | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   |  |

| Main category                      | Content   | Page index and remarks |
|------------------------------------|---|------------------------|
| <b>B1 Employment</b>               |   |                        |
| General disclosure                 | Information on:<br>(a) the policies; and<br>(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. | 11                     |
| B1.1 (parts)                       | Total workforce by gender, employment type, age group and geographical region.  | 19                     |
| B1.2 (parts)                       | Employee turnover rate by gender, age group and geographical region.  | 19                     |
| <b>B2 Health and Safety</b>        |   |                        |
| General disclosure                 | Information on:<br>(a) the policies; and<br>(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.   | 12-13                  |
| B2.1                               | Number and rate of work-related fatalities.   | 19                     |
| B2.2                               | Lost days due to work injury.   | 19                     |
| B2.3                               | Description of occupational health and safety measures adopted, how they are implemented and monitored.   | 12-13                  |
| <b>B3 Development and Training</b> |   |                        |
| General disclosure                 | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | 14                     |
| B3.2 (parts)                       | The average training hours completed per employee.  | 14                     |
| <b>B4 Labour Standards</b>         |   |                        |
| General disclosure                 | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.  | 14                     |
| B4.1                               | Description of measures to review employment practices to avoid child and forced labour.  |                        |
| B4.2                               | Description of steps taken to eliminate such practices when discovered.   |                        |
| <b>B5 Supply Chain Management</b>  |   |                        |
| General disclosure                 | Policies on managing environmental and social risks of the supply chain.  | 15                     |
| B5.2 (parts)                       | Description of practices relating to engaging suppliers, and how they are implemented and monitored.  |                        |

| Main category                    | Content   | Page index and remarks |
|----------------------------------|---|------------------------|
| <b>B6 Product Responsibility</b> |   |                        |
| General disclosure               | Information on:<br>(a) the policies; and<br>(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. | 15-16                  |
| B6.2 (parts)                     | Products and service related complaints received and how they are dealt with  | 16                     |
| B6.3                             | Description of practices relating to observing and protecting intellectual property rights.   | 16                     |
| B6.4                             | Description of quality assurance process and recall procedures.   | 16                     |
| B6.5                             | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | 16                     |
| <b>B7 Anti-corruption</b>        |   |                        |
| General disclosure               | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.  | 17                     |
| 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.  |                        |
| B7.2                             | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.  |                        |
| <b>B8 Community Investment</b>   |   |                        |
| General disclosure               | 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.  | 17                     |
| B8.1                             | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).   |                        |
| B8.2                             | Resources contributed (e.g. money or time) to the focus area.   |                        |