

# Sustainability at Medartis

The trends of recent years and the advent of new regulations have confirmed the importance of making environmental, social and governance (ESG) principles integral to the way Medartis does business and reflect it in its corporate culture. Sustainability was and will continue to be an integral part of how Medartis sources, designs, manufactures and distributes its solutions with the goal of improving the carbon footprint and circularity of its operations. Medartis acts according to its stated mission: "Restoring quality of life". Although patients and its immediate customers – surgeons and healthcare professionals – are at the centre of its thinking, it also considers other stakeholders and social aspects relevant to creating holistic value for its shareholders and society as a whole.

Formal requirements and regulatory frameworks for environmental and social reporting are increasing, especially for listed companies that operate internationally. This is no longer limited to large companies in high-impact industries. The year 2022 has shown in an exemplary way that the globalised world is highly interconnected; geopolitically, socially as well as environmentally. Events in one place in the world can quickly start a conflagration and impact demand, supply and inflation, even though Medartis' business model is largely based on trauma surgery and is therefore more resilient than other businesses.

At Medartis, the goal has always been to work closely with surgeons to develop highly accurate and innovative products that make a positive contribution to patient outcomes and quality of life. At the same time, Medartis strives to make a positive contribution to society by ensuring that the benefits of its actions exceed the resources it consumes. Since its inception 25 years ago, Medartis has always been on the lookout for ways to reduce its regional footprint and make improvements for its employees and other stakeholders. In order to increase transparency and make the measures accessible to external stakeholders, Medartis has now published this special ESG chapter for the second time. Each year it becomes more comprehensive and detailed. In 2022 it comprises energy figures of Scope 1 and 2 and material consumption of all Medartis sites worldwide (previously only Switzerland) and the CO<sub>2</sub> balance was calculated based on recognised scientific standards.

Medartis favours a system that relies on accountability and self-initiative. Medartis will therefore continue to drive its own transparency and monitoring over the coming years. In 2023, Medartis will also review its processes to assure broad alignment with the United Nations Global Compact (UNGC) and identify any opportunities for improvement. Aligning its existing initiatives with the United Nations Sustainable Development Goals (SDGs) is the obvious next step. In addition, Medartis will engage in dialogue with its stakeholder partners and upstream suppliers to achieve systematic improvements throughout the entire value chain. To meet the increasing requirements in a timely manner, Medartis created a Sustainability Supervisory Board and an ESG Committee in January 2023. This Board is led by Medartis' Board of Directors under the direction of Nadia Tarolli Schmidt and the

Committee consists of three EMB members. Chief Operating Officer Mario Della Casa heads up the new processes while the senior and middle management team is involved in different areas. The table below shows the allocation of sustainability responsibilities at Board, management and functional levels.

<b>Supervisory Board</b> (Board of Directors)	Nadia Tarolli Schmidt	
<b>ESG Committee</b> (EMB)	Mario Della Casa (Lead) Anthony Durieux-Menage Mareike Loch	
<b>Project Core Team</b>	Axel Maltzen (Operational leader)	
	Medartis subsidiaries	Commercial
	Production Basel, CH	Production Warsaw, US
	R&D	Human Resources
	Purchasing	Legal & Compliance
	Project Coordination	Communication / Reporting

Material sustainability aspects are reviewed regularly by the Finance and Audit Committee of the Board (FAC). In 2023, Medartis will also introduce a more formal reporting process based on the internationally recognised GRI sustainability reporting standard. GRI is a non-profit, multi-stakeholder organisation that provides companies with a systematic basis for informing stakeholders on corporate responsibility in a concise and comparable manner.

## Relevance and sustainability analysis

The key topics identified in the 2022 assessment are displayed in the illustration on the next page. By addressing and reviewing these topics regularly, the company ensures long-term performance, identifies high-level risks and opportunities, and strengthens relationships with its stakeholders. The relevance and sustainability overview is based on a top-down assessment of key decision makers within the company. In future, Medartis also wants to include an outside-in perspective by integrating

external stakeholders and selected managers into the discussion. To reduce its environmental impact, Medartis has identified the following footprint areas, which mainly relate to a responsible production and supply chain:

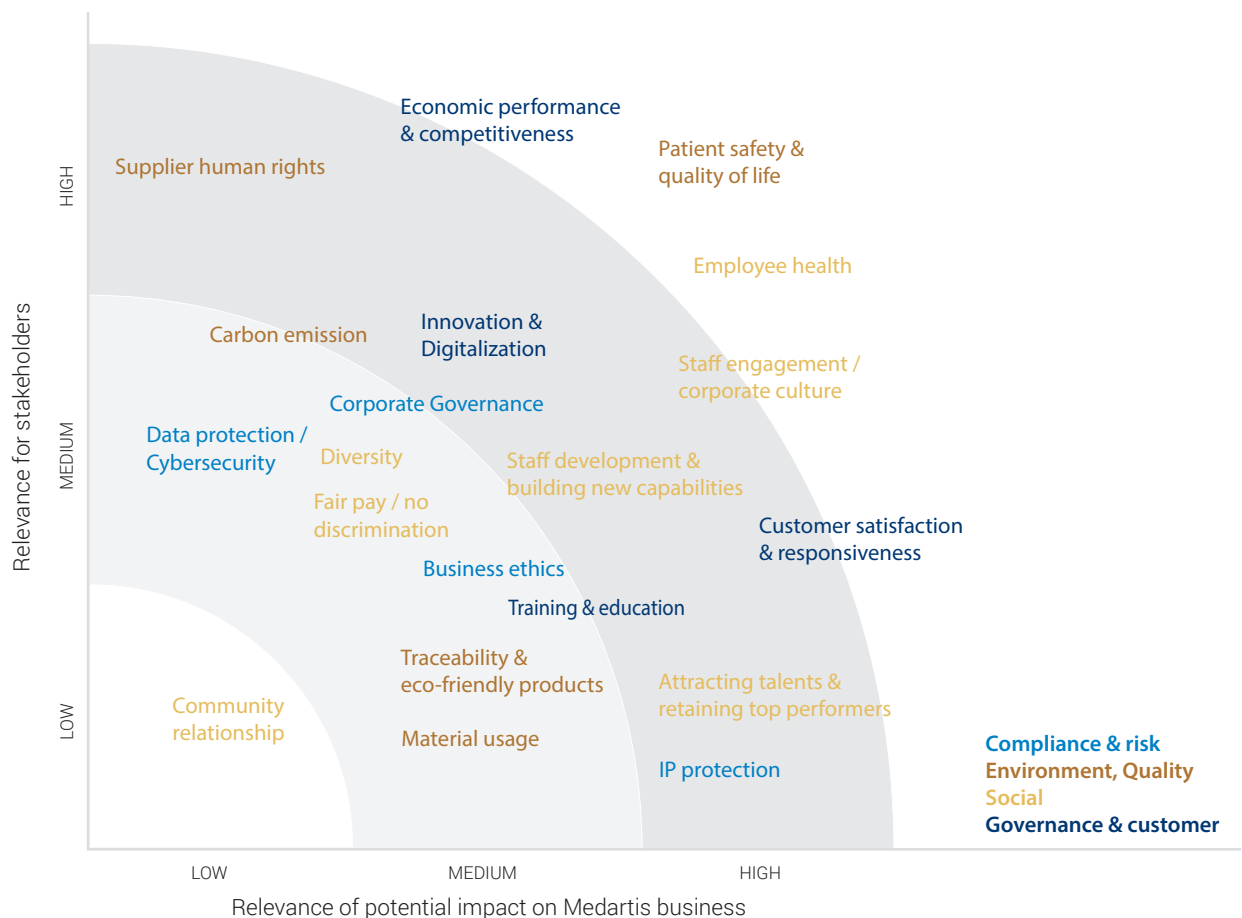
- Energy efficiency and substitution of carbon energy
- Reduction of scrap rates
- Traceability and eco-friendly products
- Recycling of used raw materials and reduction of auxiliary materials
- Smart design and packaging
- Further improvements in production efficiency and conversion to paperless processes

For these areas, it will measure its impact in terms of carbon, volume, circularity and other environmental indicators. In 2023 the company will refine the process by including the following stakeholder categories:

- Customers
- Employees
- Academia and opinion leaders
- Shareholders / owners
- Patients
- Suppliers / partners

Additional stakeholder groups include:

- Media representatives
- Notified bodies
- ESG and governance rating agencies
- Industry associations
- Regulators



To understand their specific needs, Medartis fosters interactive dialogue and a feedback culture on many levels and through various channels. Here are two examples of how stakeholder demands can change and evolve.

- A) A few years ago, portfolio managers were mainly interested in share price development, payout, ROIC and good business practice, while ESG criteria were only used as a means of exclusion in the event of serious violations. Today, ESG topics have become an integral factor for most investors. ESG analysis is often delegated from portfolio managers to dedicated rating agencies, which assess companies according to standardised criteria.
- B) With the advent of international hospital networks and outpatient treatment centres, reproducible, reliable and more affordable treatment options have become more important. These networks, many of which belong to large, international companies, are increasingly focused on sustainability, and ethical supply chains are gaining in importance.

As for the environment, the company has also identified activities and initiatives that focus on enhancing the positive impact on employees, customers and society:

- Staff engagement/corporate culture
- Diversity
- Customer satisfaction and responsiveness
- Employee health
- Attracting and retaining talent and top performers
- Corporate governance
- Fair pay and gender equality

## Production and Supply Chain

As a responsible company, Medartis wants to regularly monitor and optimise its environmental performance to understand the impact from its operations and to also identify opportunities to reduce its footprint. Climate protection is a global task that calls on all companies and countries to act. Global warming, emissions from production resources, and economical use of non-renewable resources are global issues that need to be tackled collectively. Medartis is keen to do its bit in bringing about such improvements. This means tackling key issues such as:

- reducing our carbon footprint
- using renewable energy along our value chain
- reducing waste
- optimising our packaging (reusable or recyclable)

- use of titanium as our main raw material from reliable sources (US, Japan) only








Surgical plates, screws, surgical guides and jig instruments are the principal products of Medartis. They are produced from titanium derivative rods or metal blocks on CNC milling and turning machines. In the manufacturing process, water-based emulsions and cutting oil are used as cooling agents during the fabrication process, followed by cleaning, packaging and sterilisation. CNC machines and sterilisation are powered mainly by electricity. Other indirect production activities relate to metal instruments and surgical containers for use in surgical procedures in hospitals or other inbound treatment centres.

Medartis currently manufactures its standard portfolio of plates and screws centrally at a single site in Switzerland, which meets high Swiss production standards. With the acquisition of Nextremity Solutions Inc. in May 2022, a second production site in the USA (Warsaw, Indiana) was added. Medartis now also produces drilling aids, jigs and implants for foot and ankle surgery. In order to optimise the distribution of its production volumes and also to optimise its global production footprint, From 2024, Medartis will also manufacture some of its traditional plates and screws in the US.

Compared to manufacturing companies in other industries, the footprint in terms of energy consumption, material use and emissions is relatively modest. Its core activities in metal processing are highly automated, efficient and run 24/7. Medartis also does not source critical raw materials, alloys or auxiliary materials consisting of tin, tungsten, tantalum or gold as defined in the "Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour" (DDTrO). In the case of alloys or derivatives, the limits set by this ordinance are not reached by Medartis. With regard to child labour, Medartis assesses the risk as very low. Medartis does not source its raw materials from countries classified by the UN, ILO or Unicef as high-risk countries in the relevant area (non-agricultural sectors). The company also requires its suppliers to ensure that sources are traceable and that child labour is prevented along the value chain. This survey and the company's own assessment are repeated regularly.

Medartis upholds its commitment to operate in an environmentally responsible manner. It achieves this by focusing on the areas where actions and measures will have the greatest impact. Since Medartis wants to gain more clarity about the cost-benefit balance of individual measures, especially abroad in its sales subsidiaries, the implant maker has not yet set itself any official volume targets. For the time being, the key priorities remain resource efficiency, energy, water consumption, and waste management. Medartis' biggest environmental impact (Scope 1 and 2) occurs during the production of final or semi-finished products.

## Production and environmental KPIs

			HQ and Swiss manufacturing 2021	HQ and Swiss manufacturing 2022	Total incl. all subsidiaries 2022
	<b>Energy</b>				
	Electricity	MWh	4,416	4,738	6,064
	Heating	MWh	1,080	784	784
	Natural Gas	MWh	-	-	484
	Cooling	MWh	932	1,289	1,289
	Machine hours	Hours	172,144	223,783	264,603
	<b>Water</b>				
	Water consumption	m3	5,571	6,051	6,773
	Consumption per day	m3	15.3	16.5	18.6
	Cooling water flow rate	m3	177,643	169,611	169,611
	Cooling water per machine hour	m3/hours	1.0	0.76	0.76
	<b>Compressed air</b>				
	Compressed air <sup>1</sup>	m3	7,318,153	7,992,273	-
	Energy efficiency <sup>1</sup>	Joule per litre	391.2	389.7	-
	<b>Recycling / reusable materials</b>				
	Titanium recycled (net)	Tons	14.4	16.7	17.6
	Steel recycled (net)	Tons	-	-	6.9
	Brass recycled (net)	Tons	-	-	0.8
	Paper / cardboard <sup>1</sup>	Tons	6.5	24.4 <sup>2</sup>	-
	Paper / cardboard per capita	kg/employee	21.1	75.8	-
	Office paper consumption <sup>1</sup>	million sheets	1.6	1.7	-
	Office paper per capita	sheets/employee	5,550	5,280	-
	<b>Special waste</b>				
	Aqueous rinsing liquids	Tons	107.7	96.0	96.0
	Cooling emulsion (for milling machines)	Tons	30.8	42.5	42.7
	Cutting oil (for CNC machines)	Tons	1.4	3.4	3.64
	<b>Other waste requiring control</b>				
	Electrical appliances (SWICO goods)	Tons	0.5	1.7	1.7
	Wood	Tons	8.8	10.2	10.2
	Others	Tons	0.0	0.1	0.1
	<b>Residential waste</b>				
	Sweepings <sup>1</sup>	Tons	21.5	33.8 <sup>2</sup>	-
	Sweepings per capita	kg/employee	76.6	105	-

The table shows the production and environmental KPIs of Medartis. As Medartis took over the production site in Warsaw IN during 2022, the types of recycling documented there differ from those recorded in Basel, so not all categories are available.

<sup>1</sup> This KPI is currently only collected at the largest facility in Switzerland.

<sup>2</sup> The significant increase in paper and commercial waste in Basel is due to the clearing of a floor for the construction of a bioskills laboratory. This resulted in 31 pallets of paper being recycled from the archive (approximately 11.5 tons). In addition, approximately 10 tons of commercial waste (sweepings) were recycled from the archive. It should also be noted that the proportion of remote working has decreased significantly in 2022 due to the easing of the Covid situation, which means that commercial waste has generally increased compared to 2021.

## Energy efficiency

In 2019, Medartis decided to enter into a target agreement with the Swiss federal government to increase energy efficiency with the help of the Energy Agency for Industry (EnAW). In this way, Medartis is making a significant contribution to government efforts to use energy efficiently and reduce greenhouse gas emissions.

Medartis Switzerland receives its district heating from the local energy supplier IWB. It is produced at the waste incineration plant in Basel from waste incinerated there, mainly domestic waste. This district heating product is 100% CO<sub>2</sub>-neutral and is used in both the production and administrative areas of the building. The waste heat from the industrial plants is not only used for heating, but also for cooling, thanks to the largest absorption chiller of its kind in Switzerland. The corresponding district heating powerbox has been certified by TÜV Süd. In addition, Medartis obtains 100% of its electricity from renewable sources, for the most part from hydropower. This makes the Medartis headquarters in Basel CO<sub>2</sub>-neutral.

Intelligent building controls allow us to make efficient use of a wide range of applications. Saving energy without compromising quality – this also applies to the use of electrical energy. LED technology is used consistently in all conversion and renovation work. Whenever



IWB Powerbox, Stücki Business Park



Certificate of Energy Agency



Energy certificate TÜV Süd for IWB

## INSIGHT TALK

### Dr Paulina Witt: How eco-friendly is orthopaedic surgery and what can be done to make it more sustainable?

Dr Paulina Witt is a consultant hand surgeon working at the NHS Royal Devon & Exeter in the UK. She was one of the study leaders of a global survey under the patronage of FESSH (European Societies for Hand Surgery) on the emerging topic of ESG and "green surgery".

#### How much greenhouse gas is emitted on average during a hand operation?

This is a question that is really difficult to answer, we are still at the beginning of understanding and hand surgery itself is a very diverse field. It ranges from very complex reconstructions or replanting of limbs to simple carpal tunnel decompression. Literature suggests that a surgery is estimated to produce 150 to 270 kilograms of carbon dioxide equivalent (CO<sub>2</sub>-eq). That equates to drive from London to Edinburgh in a petrol car versus estimates from another study that say carpal tunnel decompression would generate on average approx.60 kilograms CO<sub>2</sub>-eq. In this case it appears to be dominated by processing and facilities related factors.

**Some surgeons and hospitals are promoting local rather than general anaesthesia. Where do you see the role for the often cited WALANT approach (Wide Awake Local Anaesthesia No Tourniquet), where the patient is awake under local anaesthesia?**

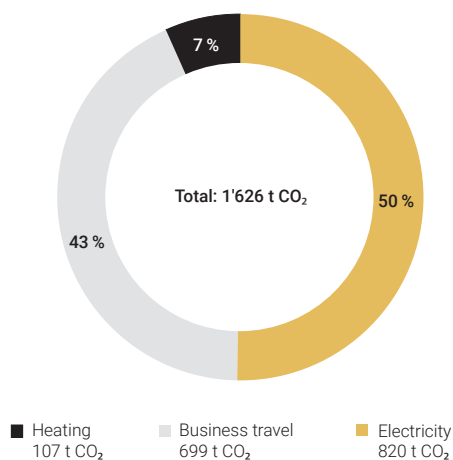
Hand surgery is in the unique position of only requiring an isolated body part as the surgical field. Avoiding the need of volatile anaesthetic gases significantly cuts down on the carbon footprint due to their large greenhouse effect. Anaesthetic gases are estimated to represent 5% of the carbon footprint of the NHS, so that's quite substantial and a single inhalation anaesthesia appears to be equivalent to 22 kg of CO<sub>2</sub>-eq. Due to the COVID-19 pandemic, we've actually seen a significant surge in these non-drug general anaesthesia approaches to surgery, especially in the hand surgery and a trend away from main theatres. So there is very open horizon to what will be possible with regards to surgical procedures under WALANT regional and blocks.

possible, we try to purchase equipment with the highest energy class. Wherever it makes sense, we use motion detectors for lighting in our headquarters. In 2022, we have replaced a large part of the lighting in our headquarters with LED bulbs.

## Monitoring of carbon footprint

Since 2022, Medartis has been working with Swiss Climate, a agency in the fields of CO<sub>2</sub>-management, sustainability, CO<sub>2</sub>-offsetting and energy, to prepare its carbon footprint. By recording Scope 1 and Scope 2 emissions, Medartis has established a first starting point for its CO<sub>2</sub>-balance and has already identified potential for improvement. Further steps will be taken in the future, in particular with regard to the inventory of Scope 3 emissions.

This carbon footprint has been prepared in accordance with the International Organization for Standardization (ISO), standard 14064-1: "Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (2018)". CO<sub>2</sub>e-emissions are calculated and reported in accordance with the principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) based on ISO 14064-1. Emissions are



categorised into three groups: Scope 1 covers direct emissions from owned or controlled sources, Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company, and Scope 3 includes all other indirect emissions that occur in a company's value chain.

The Scope 1 and 2 CO<sub>2</sub>-emissions per Medartis employee in

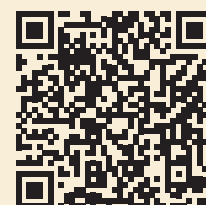
### **In the UK, the trend towards sterile packaging is more pronounced than in most other countries. Is there a trade-off between infection risk and environmental matters?**

Yes, there is a trade-off between the two. The question being asked would then be, whether it is justified. Obviously for me as a surgeon, paramount is achieving and maintaining a low infection risk. Patient safety is the ultimate goal. If we look at surgical practice and infection risk across the globe, there's a huge variation internationally within hospitals, between hospitals and even between individual surgeons in each hospital. So we need to really start to benchmark and set out standards. A migration to single-use, individually-wrapped, pre-sterilized small orthopaedic implants actually came to play based on a Scottish Department of Health executive in 2006, where concerns were raised regarding potential contamination, residual organic matter in the re-sterilization process and issues with regards to corrosion of the implants. But that is now 17 years ago. I think this definitely needs to be addressed in further research.

### **Where do you think the implant suppliers have the greatest leverage in reducing waste during a surgery?**

The greatest leverage of the industry is actually to realize their

key role in the supply chain. The industry itself determines what products are available to the consumers. We are all part of one large supply chain and we all have an obligation. So the same multilevel approach would apply to the industry. Carbon footprint mapping, offset procurement and supply chain, research with regards to the requirements and best practice of sterile packaging, but also supporting clinicians to establish evidence based best practice and evaluating alternatives. It is worthwhile exploring the sterile barrier systems for reusable bags, for example, steel containers versus single use wraps, polypropylene wraps. So all of these are little things that need addressing reusable material, fatigue, reprocessing, and it might be worthwhile to integrate carbon footprint analysis or life-cycle analysis into current practice, research and then educate, engage and lobby.



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2022 were roughly two tons. Empirical data shows that Scope 1 and 2 emissions from companies in the healthcare sector account for approximately 15% of total emissions. The vast majority of emissions come from upstream Scope 3, which includes emissions from purchased materials, capital equipment and the global supply chain.

### CO<sub>2</sub>-balance by scope and type

Scope 1 (direct emissions)			
Source	Unit	Quantity	Tons of CO <sub>2</sub>
<b>Heating</b>			
Natural gas	kWh	236'537	48
Heating oil	kWh	216'342	58
Subtotal			<b>106</b>
<b>Electricity, own production</b>			
Subtotal			<b>0</b>
<b>Business travel (company-owned vehicles)</b>			
Petrol-powered vehicles	l	63'364	152
Diesel vehicles	l	176'082	468
Gas-powered vehicles	kg	1'328	4
Hybrid vehicles	km	381'000	55
Ethanol-powered vehicles	km	134'281	10
Subtotal			<b>689</b>
<b>Total direct emissions</b>			<b>795</b>
Scope 2 (indirect emissions)			
Source	Unit	Quantity	Tons of CO <sub>2</sub>
<b>Electricity consumption</b>			
Mix	kWh	1'569'852	818
100% renewable	kWh	4'963'674	2
Subtotal			<b>820</b>
<b>Heating</b>			
District heating	kWh	784'255	0
District cooling	kWh	1'289'143	0.07
Electric heat pump	kWh	44'030	1
Subtotal			<b>1</b>
<b>Business travel</b>			
Electric vehicles	kWh	18'000	10
Subtotal			<b>10</b>
<b>Total indirect emissions</b>			<b>831</b>
<b>Total emissions (Scope 1 and 2)</b>			<b>1626</b>

The term CO<sub>2</sub> is used synonymously with CO<sub>2</sub>e and means the sum of carbon dioxide and other emissions, e.g. methane (CH<sub>4</sub>) or nitrous oxide (N<sub>2</sub>O).

### Use of materials

Medartis' main materials are titanium and the respective alloys TAN and TAV. On average, approx. 90% of the residual quantities generated in the production process are recycled. For this purpose, Medartis separates metal chips and swarf from the oil residues that arise in the manufacturing process.

In H2 2022, all frequency converters at the Basel site were replaced and checked, optimised and harmonised the operating parameters of the ventilation systems. The times of active ventilation on the office floors were minimised, and the temperature was reduced by about 1 degree. Also in view of a possible power shortage in Europe after the outbreak of war in Ukraine. These measures will have a positive impact on our carbon footprint.

Previously, gas cylinder bundles, which contained argon gas used in the laser cutting of titanium sheets had to be replaced every two days. In 2022, Medartis installed a fixed gas tank that is filled every 4-6 weeks by a gas carrier, thus reducing transport considerably. This is another step towards energy efficiency at the Basel site.

By consolidating our two US sites into a single location in Warsaw, Indiana, Medartis will optimise its logistics chain in the USA, reduce transportation of goods between the sites and save energy by operating only one site instead of two.

In 2022, a pilot project was launched with the 'Eco House Recycling' company. Collection bins are located throughout the headquarters building in Basel. This expands the recycling options available to employees, from empty PET bottles and paper to plastic containers, tin, polystyrene, beverage cartons, ink cartridges and much more. This local company is associated with Atelier93, a community service programme that aims to reintegrate job seekers into the primary labour market as quickly as possible, and the Bürgerspital Basel, the region's largest employer of people with disabilities.

### Code of Conduct

Environmental stewardship is part of Medartis' training and education activities. It is also embedded in the guiding principles of the company's Code of Conduct, which encourage management, employees and suppliers to integrate environmental protection into their daily responsibilities. Nowadays, supply chain networks are under increasing scrutiny to fulfil social and environmental responsibilities, which spurs us on to examine upstream (supply) and downstream (demand) implications.

For partner companies and upstream suppliers, Medartis uses the Corporate Social Responsibility Code, which specifies its expectations regarding environmental protection in addition to social and legal requirements, and is available on the company's website. These provisions are a supplementary component of supplier contracts and are also subject to subsequent random checks. Medartis requests certificates from suppliers to confirm compliance. These suppliers also have to respect the ETI Base

Code ([www.ethicaltrade.org](http://www.ethicaltrade.org)), an internationally recognised code of labour practice founded on the conventions of the International Labour Organization (ILO).

In 2022, the main challenges for Medartis' operations were global supply bottlenecks as well as rising energy and freight costs, which made the environment for its production teams even more difficult. In the past years, Medartis also focused on protecting its personnel from COVID infection in the workplace by continuously updating and implementing a safety concept as well as conducting information campaigns to encourage the workforce to be cautious outside work as well and get vaccinated. Thanks to these measures, far-sighted planning by management and the safety stock of core raw materials, Medartis ended the past year without any significant supply shortfalls. Thanks to lean management and further process optimisation, it increased its underlying production efficiency and offset higher freight costs and FX headwinds.

Although the production workforce in Switzerland remained more or less stable at approximately 90 people, output in 2022 increased by more than 20% to over 3.7 million plates and screws produced at its principal production facility in Basel.

## Focus on automation

With more than 20 years of production experience, Medartis is constantly challenging itself to eliminate waste and steps that do not add value. It is continuously looking for ways to use new technology to improve product attributes, reduce machine times, lower raw material input and manual labour, and improve the workplace (lean management). More output with the same resources puts Medartis in a position to minimise its environmental footprint.

With an organic growth profile several times higher than GDP, Medartis is focusing on relative energy efficiency rather than absolute energy demand. With this goal in mind, the company is continuing to introduce automation and technology in its factory to ensure precise, time-saving and low-waste production of its screw and plate implants. The introduction of automation enables real-time adjustments for optimal efficiency and helps the company to shift responsibilities from low-skilled manual labour to monitoring, supervision and validation of equipment. Below are some examples that Medartis is currently implementing:

- An important milestone in 2022 was the roll-out of the new cleanroom, which will provide greater production flexibility, reduce transportation and throughput times. The new addition to the modern facility in Basel will enable Medartis

to reduce the cost of packaging and labelling non-sterile and sterile implants by an average of 20-40%. Production lead times will be reduced by up to five days. The cleanroom was certified by TÜV in April 2022. A process based on ultrapure water and ultrasonic has been validated for final cleaning before products enter the cleanroom, which eliminates the need for chemical detergents and thus improves the environmental footprint. The water used in the cleanroom to wash the implants must be changed frequently, but the waste water can be returned to the normal water cycle. The introduction of in-house final cleaning and packaging eliminates the need for daily transport to suppliers and ensures that these production steps are carried out in a carbon-neutral manner.

- After two years of planning and a test phase, the semi-automatic storage and picking system by Swiss manufacturer Kardex was launched in December 2022. The 400 m<sup>2</sup> facility with around 6,000 storage locations in the form of rotating boxes make an important contribution to the company's delivery readiness, while maintaining the same number of employees and double the utilisation of the warehouse space.
- With the introduction of a fully-automated measuring cell in screw production, the operations team was able to reduce the measuring times for the quality inspection of its screws by 25%, increase the quality of the measurements and also introduce non-destructive testing, which significantly reduces scrap rates.
- By digitalising its production processes, Medartis aims to significantly reduce administrative work, increase the quality of documentation and traceability, and save valuable paper resources with paperless production. After the implementation of a paperless warehousing, Medartis will focus on paperless documentation of purchased products and digital packaging/labelling processes in 2023.

## No compromise on quality and safety

The integrity of Medartis products and the health and safety of patients are paramount and are supported by state-of-the-art quality management systems in production and development. Medartis medical devices are subject to regulatory surveillance at a global level by the appropriate competent authorities. Notified bodies and approved bodies routinely verify that Medartis' processes and products comply with applicable standards, guidelines and regulations from the initial concept for a product to the end of its lifecycle. The product lifecycle is comprised of the following main steps:



- Product idea
- Product development and design control
- Transfer of the design to manufacturing
- Supplier management
- Monitoring of process stability
- Overall risk management
- Pre-and post-market clinical studies
- Regulatory submissions
- Supervision of sales activities, downstream marketing
- Post-market surveillance

Management is responsible for implementing legal requirements, and controls are in place to ensure product safety in the work environment. The company also applies risk management and design control processes to product development.

Medartis further specifies and verifies strict requirements in terms of product traceability and the validation of sterile and non-sterile implants. In addition, the company attaches great importance to possible corrective and preventive actions should they be necessary. Medartis AG maintains a quality management system certified by TÜV Rheinland LGA Product GmbH in accordance with EN ISO 13485:2016, with validity until 3 February 2026 (reg. no. SX 1809678-1). TÜV Rheinland LGA Product GmbH certified Medartis AG as compliant with the Medical Device

Regulation (MDR) 2017/745 on 21 April 2022, valid until 29 December 2026 (reg. no. HZ 1809678-1), EUDAMED single registration no. CH-MF-00002291.

In the US, Medartis medical devices are regulated by the United States Federal Drug Administration (FDA). Implants and specific instruments are subject to premarket notification submissions. Medartis carefully monitors changes within the regulatory environment in relevant markets and ensures that the products it sells meet the local requirements. In markets where Medartis products are sold indirectly through distributors, the partner company assumes this obligation.

## Data Protection and ICT Security

Protecting the processing of individuals' personal data is not only legally binding, but also extremely important to Medartis and its companies. We treat personal data with the utmost care and respect. We protect it against manipulation, loss, destruction and unauthorised processing. We process it lawfully, comprehensibly and in good faith. Personal data are collected and used only if there is a purpose based on a defined legal basis. Medartis appropriately processes and protects personal data that are by nature extraordinarily sensitive with regard to fundamental rights and freedoms.

## Excellence is in our DNA

With almost CHF 30 million invested in modern machinery at its headquarters in Basel, Medartis has ensured that it has the necessary tools to produce implants with outstanding precision. The company also places great emphasis on highly trained staff and strict manufacturing tolerances. Last November, Medartis installed two new lathes in its screw production facility on the 3rd floor of its Basel headquarters. Despite the significant undertaking of installing new equipment, the company's excellent organisation and preparation ensured that ongoing operations were not disrupted.



Our data protection principles and rules are anchored in processes and guidelines. A data protection management system has been introduced for this purpose and is continuously being improved. Medartis takes suitable measures to fulfil legal requirements for confidentiality, integrity, availability and resilience. Procedures for regular review, assessment, evaluation, data protection-friendly default settings and order controls are also included in these measures.

In the context of processing activities that will be legally recorded, risk assessments are carried out with regard to the data subjects. Our external data processors are continuously monitored and legally required contracts are concluded after careful examination. Particular attention is paid to the transfer of data to third countries where there is insufficient data protection according to the EU Commission. If a data transfer to such a country is unavoidable, we ensure compliance with legal guarantees including EU standard contractual clauses.

Data protection awareness is spread by appropriate training and further methods. Last year, the company trained around half of all employees in this regard. One example of the fact that data protection has become increasingly important is that in 2022 more than 60 data protection topics were defined that are directly related to our business activities. Medartis has created a communication channel on its website that is dedicated to receiving communications and requests from data subjects concerning applicable data protection laws.

### ICT Security

The IT environment is constantly evolving as it becomes more complex and more intuitive. It is also harder to provide ICT services that comply with ICT security and various data protection regulations worldwide. In order to continue to ensure ICT security and data protection, Medartis invests in state-of-the-art firewalls and ransomware detection to comply with the latest security concepts. It works with Swiss-based and reputable partners who proactively help Medartis to operate a secure infrastructure, which is then audited by external companies.

For critical situations, we rely on state-of-the-art backup approaches with solutions from leading manufacturers. To ensure the availability of ICT services at all times, an additional backup data centre has been set up away from the headquarters for redundancy purposes, which can be used to operate all critical systems if required.

The ICT department of Medartis is constantly developing new processes, improving existing ones, and checking them for stability. Furthermore, it carefully reviews services used, keeps them up to date by means of automation and structured testing, and continuously reviews them in accordance with an internal CIP process. In addition to the technical measures, Medartis

relies on organisational measures such as regulations, employee training and sensitisation, and enables further training in the security area.

Medartis is working on sustainable management through digitisation, reduction of printers, recycling, and the use of energy-efficient equipment.

## Committed employees who are proud to work for Medartis

With the acquisition of Nextremity Solutions Inc. based in Warsaw, Indiana, USA, Medartis welcomed 97 new employees in the USA. Continued investment in people and processes resulted in the creation of another 85 positions, bringing its worldwide headcount from 684 to 866. Medartis has 321 employees at its headquarters in Basel, where all global functions are located.

Digitalisation and staff commitment remain important issues of concern as Medartis strives to build a learning and agile organisation that fosters entrepreneurship. E-learning options for employees/distributors/customers, livestream training sessions, and online onboarding/leadership/development activities are all important steps in this direction. Medartis advocates for a collaborative leadership model whereby everyone in the organisation works towards a common goal. In the first two global employee surveys, the company received above-average ratings in these areas. For similar reasons, the company also believes that diversity and a complete sense of belonging are a source of creativity and motivation that contributes to business success. To support these ambitions, the colleagues from Corporate Communications have introduced a mobile app to inform, connect and engage employees worldwide.

Employee feedback revealed that talent management, career development and a healthy work-life balance matter to staff. By contrast, equal treatment and fair compensation are practically already assumed. In addition, Medartis monitors diversity in terms of age, gender, ethnic origin and educational background. In 2022, the Group's gender diversity remained relatively balanced, albeit with room for further improvement: women account for 36% of all our employees worldwide. Their share in management positions is currently 7 %-points lower. Women are particularly underrepresented in manufacturing jobs and technical professions – a phenomenon that can be seen throughout the industry.

Remote and hybrid work has become an integral part of modern work, and general policies have been introduced at Medartis. In general, full employment has exacerbated the shortage of skilled workers, making employer branding activities more important.

Area	Key parameter	2021	2022
<b>Employees</b>	Total headcount	684	<b>866</b>
	Full-time equivalents	666	<b>769</b>
	Part-time employees	82	<b>97</b>
<b>Gender diversity</b>	Percentage of women (company-wide)	36%	<b>36%</b>
	Women in management positions <sup>1</sup>	31%	<b>29%</b>
<b>Turnover, safety and absence</b>	Staff turnover	13%	<b>14%</b> <sup>3</sup>
	Absence rate due to work-related accidents <sup>2</sup>	0%	<b>0%</b>
	Absence rate due to sickness <sup>2</sup>	2.9%	<b>3.2%</b>
	Work-related fatalities	0	<b>0</b>
	Substantiated cases of discrimination / harassment	2	<b>6</b>

<sup>1</sup> Group manager and above.

<sup>2</sup> Switzerland only. Proportion of absence time compared to target working hours.

<sup>3</sup> Including employees from NSI since the takeover in May 2022.

In 2019, the Swiss Federal Council implemented a new federal law on equality that made it mandatory for companies with over 100 employees to provide figures about certain aspects of their pay practices. For Medartis, which aims to treat people equally regardless of their gender, ethnic origin, religion or sexual orientation, this was an important impetus to systematically calculate and monitor salary discrepancies for its workforce in Basel.

Medartis' equal pay analysis in 2021 was audited by Ernst & Young and the report revealed that Medartis does not exert a "gender effect" on salaries. On average, women earn 4.8% less than their male colleagues. Taking into account personal and job-related characteristics such as experience, career history and education, women at Medartis earn 1.6% less than men, which means that there are no systematic or unjustified salary discrepancies for doing the same job. The figures – which are in line with internal statistics on salaries – are explained by the higher number of men in leadership positions, gender-specific demographic differences and the high number of women in part-time positions. The plan is to repeat this analysis at least every four years and also to include Medartis' international subsidiaries.

Medartis continues to offer apprenticeships and internships with the aim of offering jobs to as many people as possible. In Switzerland, the company currently offers apprenticeships in three areas – commercial, logistics and polytechnics – and employs 10 apprentices.

## Correct and ethical behaviour

The Medartis Code of Conduct defines the company's expectations for ethical behavior in all its business activities. It prohibits bribery, corruption, unfair competition, misleading marketing practices, harassment, conflict of interest, discrimination and unequal treatment. Medartis is committed to providing a workplace free from harassment and unlawful discrimination, for this Medartis maintains a public whistleblowing channel on its website where it is possible for employees and general public to report incidents anonymously.

The Code is an integral part of its employment contracts and is part of mandatory online training. Additional training is provided on a regional basis in response to employee feedback and other needs. The workforce is obligated to report any violation, suspected violation or misconduct. In 2022, 15 complaints were reported to the Ethics Committee. All allegations were promptly addressed by the committee. Six of the complaints were substantiated and resulted in a written warning. In 2022, no specific concerns were raised relating to human rights violations, so no remediation or mitigation actions needed to be taken.

Health awareness and safety trainings are given to all new employees due to their importance for the company. The vigilance and diligence of its employees also resulted in one of its lowest recorded years of lost-time injuries. No workplace fatalities or serious accidents were reported during the year.