

Environmental, Social and Governance Tear Sheet

Apyx[®]
MEDICAL



About this Tear Sheet

The following tear sheet provides disclosure in accordance with the Sustainability Accounting Standards Board (SASB) standards for the Medical Equipment and Supplies sector. In addition, we provide disclosure of additional environmental, social, and governance (ESG) metrics that are relevant to our business and identify where our efforts and programs are aligned with the United Nations Sustainable Development Goals (UN SDGs). This document covers the period Jan. 1, 2021 through Dec. 31, 2021, unless otherwise noted.



About Us

We are an advanced energy technology company with a passion for elevating people's lives through innovative products in the plastic surgery and general surgical markets. Known for our innovative Helium Plasma Technology, Apyx® is solely focused on bringing transformative solutions to physicians and their patients. Our Helium Plasma Technology is marketed and sold as Renuvion® in the plastic surgery market and J-Plasma® in the general surgical market. Renuvion and J-Plasma offer surgeons a unique ability to provide precise controlled heat to the tissue to achieve their desired results. We also leverage our deep expertise and decades of experience in developing unique waveforms through original equipment manufacturing (OEM) agreements with other medical device manufacturers.

Our objective is to achieve profitable, sustainable growth by increasing our market share in the Advanced Energy category, including the commercialization of products that have the potential to be transformational with respect to the results they produce for surgeons and their patients. To achieve this objective, we leverage our long history in the industry, including a reputation for quality, reliability, and evidenced-based medicine.



Oversight and Management of our ESG Program

The Governance and Nominating Committee of our Board of Directors provides oversight of our ESG initiatives. The Chair of this Committee has been actively involved in our work to date with our ESG efforts and continues to lead in providing suggestions as to what else can be done to further enhance our initiatives in this area, including a continued focus on Board diversity from the perspective of gender, ethnic/racial background, and relevant professional and educational experience. The Board also has a Regulatory Compliance Committee that provides oversight of our Regulatory practices, including interaction with the FDA and other regulatory bodies, and over our healthcare compliance activities, including product promotion. Our ESG initiatives are sponsored by our CEO and CFO and consist of a steering committee that includes all members of the executive management team as well as next level managers in Research & Development, Regulatory and Quality.

Activity Metrics

Sales/Revenue (\$M) at December 31, 2021	48,500
Full-Time Employees at December 31, 2021	270



Energy Management

We rely on third-party vendors for most of our components and are involved solely in the assembly of our final products. Because of this, the largest percentage of our energy use is attributed to air conditioning and lighting in our manufacturing facilities and offices. We are committed to continually reducing our energy footprint. A few examples of this are new air conditioning units with monitoring features that adjust the building temperatures according to occupancy, conversion of fluorescent tubes to LED lights, Ultraviolet Water Purifiers for drinking water, resulting in costs savings on delivery and consumption of plastic bottles, automatic timed lights that shut off outside of working hours, low volume bathroom fixtures for water savings, and a Fibertite roof to reflect light and save energy.

Electricity usage (MWh)



Water and Waste

We continually look at ways to reduce our environmental impact, with a focus on waste and recycling. We have all hazardous waste picked up and safely disposed of by an accredited third-party at both our US and Bulgaria facilities.

Recycling

We recycle aluminum cans and plastic bottles in all our offices. We use third parties to recycle our discarded electronics and fluorescent lightbulbs.

Water Usage

We use minimal water in our production process as our process is centered around assembly. The average monthly water usage in our US facility is 75.7 cubic meters. In Bulgaria, our water consumption is approximately 67-70 cubic meters per month.



Product Design & Lifecycle Management

Topic

Discussion of process to assess and manage environmental and human health considerations associated with chemicals in products, and meet demand for sustainable products

HC-MS-410a.1

We manufacture durable, reusable capital equipment as well as single-use, disposable handpieces that are disposed of after use for patient and physician safety. All of our products go through robust internal procedures to ensure compliance with The Restriction of Hazardous Substances Directive 2002/95/EC (RoHS) and EU Regulation 1907/2006, the REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals). We have third-party testing of our products and third-party audits of our processes and materials to ensure protection of human health and the environment.

Total amount of products accepted for take-back and reused, recycled, or donated, broken down by device/equipment and supplies

HC-MS-410a.2

We do not currently track this information.

Packaging Reduction Strategy

We are currently conducting a life cycle assessment to evaluate and help reduce the environmental impact of our packaging.



Social – Physicians and Patients

Affordability & Pricing

Topic

Ratio of weighted average rate of net price increases (all products) to the annual increase in the U.S. Consumer Price Index <i>HC-MS-240a.1</i>	In 2021 we did not have a price increase on our Advanced Energy products.
Description of how price information for each product is disclosed to customers or to their agents <i>HC-MS-240a.2</i>	In the US we sell directly to physicians, and use list prices that are negotiable. Outside of the US, for our international distributors we have pricing arrangements through contracts that are updated annually. All of our purchasing agreements include clauses for full confidentiality.

Ethical Marketing

Topic

Total amount of monetary losses as a result of legal proceedings associated with false marketing claims <i>HC-MS-270a.1</i>	\$0
Description of code of ethics governing promotion of off-label use of products <i>HC-MS-270a.2</i>	<p>The strategy around our marketing has been focused on evidenced-based medicine, user education, and patient safety. All promotional materials are reviewed and approved following Standard Operating Procedures under our Quality Management System. They all include risk language, disclaimers and all applicable references to ensure responsible promotion supported by science-based evidence. These materials also point to our Instructions for Use. The approval is done via collaboration with our commercial (Sales, Marketing), Medical Affairs, Research & Development and Regulatory departments, as well as our outside legal counsel. The Executive Management Team, supported by the Regulatory Compliance Committee of our Board of Directors, has ultimate oversight to ensure compliant and responsible promotion of Apyx Medical products and services.</p> <p>Training on compliant and responsible promotion is provided to all new employees, as well as existing employees, on an annual basis, based on our Standard Operating Procedures.</p>

Product Design

DESIGNED BY PHYSICIANS, FOR PHYSICIANS

Product design is critical to Apyx Medical's customers, and we evaluate our products with the rigor required for medical devices. We know it is our responsibility to ensure safe design for our patients and optimal efficacy for our physicians. We involve our physicians/customers in our new product development process:

- Prior to starting a project, we involve a select group of physicians in gathering Voice of Customer ("VOC") feedback through direct conversations and questionnaires. The data gathered during this process defines the user requirements and design inputs for the development project.
- We then assemble a Doctor Development Team ("DDT") to work with our engineering and marketing team members on the project. The DDT is chosen to represent a cross-section of all users who will be using the product in the market.
- Our Research & Development department divides the development phase of each project into multiple prototype rounds and the DDT is involved in each round. They provide feedback in the beginning of the round so our engineers know what they need to accomplish. Then, at the end of each round, the DDT and the Apyx team meet at a lab facility to review the prototypes in a simulated-use environment. This experience is extremely valuable. It allows the DDT to use the product as they would in surgery and provide very detailed feedback on what they like and what still needs to be addressed. This is crucial for us in understanding exactly what the physician needs the product to do, and to ensure product safety.
- Once the product is determined to be the final design, our products are tested to internationally recognized standards for biocompatibility, electrical safety testing, sterilization, and packaging validations.
- Once the product is ready for production, we perform a user validation of the commercially ready product with a group of surgeons that were not part of the DDT (to remove DDT bias from the validation). This validation also usually takes place in a lab facility to allow this different group of users to evaluate the product in a simulated-use environment. This user validation is also key to ensuring product safety. During the validation our Medical Affairs team performs the user training and reviews our Instructions for Use. This ensures that all aspects of the product meet the user needs, including training, packaging, and labeling.
- Using the totality of evidence obtained during the previous stages, technical documentation packages are submitted in each desired market (country or region) to obtain appropriate regulatory approvals. Once those approvals are obtained, and prior to releasing the product to the entire market, we perform a "soft launch" which makes the product available to a small group of physicians which includes the DDT and usually a handful of select physicians. They provide feedback on the initial clinical use of the product to ensure no changes need to be made prior to full release of the product to the general market.



Product Safety & Quality

Topic

Number of recalls, issues, total units recalled <i>HC-MS-250a.1</i>	0
List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database <i>HC-MS-250a.2</i>	0
Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience database <i>HC-MS-250a.3</i>	0
Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type <i>HC-MS-250a.4</i>	0

Our products are medical devices subject to rigorous quality and regulatory requirements globally. Apyx Medical's Leadership is committed to ensuring a quality culture, and we desire to be seen as the gold standard for product quality and regulatory compliance in our target market, plastic and cosmetic surgery. We hold MDSAP and ISO 13485:2016 certifications for our facilities in the US and Bulgaria, which means we maintain a Quality Management System that meets the regulatory requirements in the US, EU, Canada, Australia and Brazil as well as all countries in which we sell our products such as Mexico, and Israel. We hold ourselves responsible and accountable to report medical device adverse events and conduct periodic post market surveillance reporting per the EU Medical Device Directive (93/42/EEC) and new Medical Device Regulations (2017/745). We are dedicated to continuous improvement, making sure we are maintaining state of the art technology and design processes that solve clinically relevant solutions while minimizing product risks in accordance with the globally recognized standard ISO 14971:2019. We believe in truth in advertising and are resolved to promote our products ethically, using scientifically based objective evidence from sponsored clinical studies, product performance testing, and human factors engineering to support our product claims.

We measure ourselves with Key Performance Indicators for all company departments, customer satisfaction feedback, internal and external audits, and we review these results as a Management Team quarterly to make sure we are doing all we can to market reliable and effective medical devices while maintaining safe use for our physician customers and their patients.

Product testing

Apyx Medical's products are manufactured, processed, inspected, and tested in accordance with the US Food and Drug Administration Code of Federal Regulations Title 21, Part 820 in line with the Federal Food, Drug, and Cosmetic Act pertaining to Quality System Regulations (Good Manufacturing Practices for medical devices) and ISO 13485:2016. Our products also comply with country specific regulations for non-US markets where our products are sold.

Development (including safety testing) of our products is performed in compliance with national and international consensus standards for medical devices. Examples of applicable standards are:

- ISO 13485
- IEC 62366-1
- ISO 14971
- ISO 62304
- IEC 60601-1
- ISO 11135 -1
- IEC 60601-1-2
- ISO 11607-2
- IEC 60601-2-2
- ISO 15223-1
- ISO 10993-1



Clinical trials and research/publications

We partner with physicians to conduct clinical research to gather a better understanding of the safety and effectiveness of our products in both new and existing procedures and applications. We are committed to providing the users of our product with the clinical data they need to make evidence-based decisions on what is best for the care of their patients.

We have completed three Investigational Device Exemptions (“IDE”) or FDA approved clinical studies in pursuit of new specific indications in the cosmetic and aesthetic market. This represents a significant financial investment for a company of our size. Two of the three IDE studies have resulted in US FDA clearance for Renuvion for dermatological procedures for the treatment of moderate to severe wrinkles and rhytids, [The Use of J-Plasma® for Dermal Resurfacing](#) and [Renuvion Dermal System for Dermal Resurfacing](#).

The third IDE study resulted in US FDA clearance of Renuvion in subcutaneous dermatological and aesthetic procedures to improve the appearance of lax (loose) skin in the neck and under the chin, [Renuvion APR Device to Improve the Appearance of Lax Tissue in the Neck and Submental Region](#).

Our commitment to investing in clinical research has resulted in 38 peer-reviewed, published articles on our products in respected medical journals since 2018. Summaries of a few of our key publications on the use of Renuvion for Facial Renewal, our wrinkle reduction solution, and for the use of our Renuvion products for subdermal tissue contraction and improving appearance of lax skin can be found in our [online library](#).

We budget approximately \$200,000 annually to support investigator-initiated research. This is funding to support research grants submitted by physicians who have particular research interests and need financial support to be able to pursue these interests independent of Apyx.

Physician training program

Patient safety is critical to Apyx Medical. To ensure that all patients have a safe experience with our products, we created an educational program that is offered to every physician user after purchase of our equipment. We pride ourselves on safety and have a team of clinical nurses all over the world who are assigned to provide product training to all new users, live case demonstrations, and provide the guidelines to every new physician customer. Our guidelines are updated annually after review by our Medical Advisory Board.

On our physician portal we also have our Renuvion University that includes multiple videos and documentation that our physician customers can reference and that provides a venue to communicate directly to our Medical Affairs team. For patients, our Physician’s Finder portal allows them to find a provider in their area that has been educated on the safe and effective use of our products. We also provide ongoing case support to help any physicians who may have any questions.

We have a 24/7 customer outreach program where any physician user can reach out to our Medical Affairs team to pose questions or receive additional guidance when needed.

In 2021, we hosted our first User’s Meeting virtually, which was a two-day peer-to-peer event focused on how doctors are using our technology. We completed our second Users’ Meeting, held as our first in person event, in the first quarter of 2022 and expect this will become an annual event.

Supply Chain Management

Topic

<p>Percentage of entity's facilities and Tier I suppliers' facilities participating in third-party audit programs for manufacturing and product quality</p> <p><i>HC-MS-430a.1</i></p>	<p>100% of Apyx Medical critical Tier 1 suppliers maintain either ISO 13485 or ISO 9001 certifications.</p>
<p>Description of efforts to maintain traceability within the distribution chain</p> <p><i>HC-MS-430a.2</i></p>	<p>All traceability from raw material sourcing, production, and shipment of finished goods is maintained in SAP, our company enterprise requirements planning software (ERP).</p>
<p>Description of the management of risks associated with the use of critical materials</p> <p><i>HC-MS-430a.3</i></p>	<p>Please see our Conflict Minerals Report.</p>
<p>Supplier quality assurance program</p>	<p>All suppliers of materials and services are qualified before purchase, and an approved supplier list is maintained. We perform annual surveys/assessments of all suppliers, with audits every three years of critical suppliers. Suppliers of critical components or services are certified to recognized quality management system standards, such as ISO 13485 or 9001. Suppliers provide certificates of analysis or conformance for critical parts and services. Components undergo routine incoming inspection against required drawings and/or specifications and certificates are reviewed for compliance with Apyx requirements.</p>

SOCIAL – WORKFORCE & COMMUNITY

Human Capital Management

Training and development

All employees receive an annual performance review in which managers discuss growth opportunities and career development. During this review, job performance, adherence to core values and next year's development opportunities are discussed. Leadership development is important to us, and we invest in training courses for our employees. We empower our managers to customize training courses to their teams' needs and based on their development plans laid out in their annual reviews.

Employees are trained on our Standard Operating Procedures (SOP) and Work Instructions for their specific role within the company. These formalized documents ensure consistency throughout the process and help new hires get up to speed more quickly. We provide a product overview and method of action training related to our products, which includes sessions focused on how each of our products work. This is available regardless to the employee's role within the company. We also use third parties for annual compliance related training, and they serve as an opportunity for employees to enroll in additional trainings.

In 2021, our internship program focused on engineering and sales roles which resulted in interns becoming part-time regular employees. The engineering interns reported on their progress to leadership, providing an opportunity for our team to hear firsthand the value of the program. We plan to continue this program in 2022 and beyond.

Our employees move internally between departments to grow and develop within the company. This helps us to retain our talent and continue to grow and innovate our business. In 2021, we internally promoted 6% of our staff.



Employee engagement program

We conduct a new hire survey 60-90 days from an employee's start date to receive a better understanding of the effectiveness of their onboarding process. This helps determine if they received the proper training, resources, and information at the beginning of their time with us. This information is used to help us continuously improve our onboarding process. We also conduct employee exit surveys and have a feedback mechanism to better understand why employees make the decision to leave the company. Results are then shared with the management team in order to identify trends and implement necessary action items. Furthermore, we have an employee referral program for employees below the manager level. It is a great way to get our employees involved in the hiring process.

We also have suggestion boxes and suggestion "software" within Engagedly, our performance review and development software tool, to allow employees to have a voice in their workplace. We also have an open-door policy from the CEO down and throughout the organization.

After each quarterly earnings call, our CEO provides our employees with financial highlights for the quarter during a townhall meeting, which includes appreciation for their hard work and provides the opportunity for us to answer all employee questions. We also have a quarterly service recognition event for all on-site employees.

During 2021, our voluntary employee turnover rate was approximately 15%.

Benefits and wellness program

Our compensation programs are designed to align the compensation of our employees with our performance, and to provide the proper incentives to attract, retain and motivate them to achieve superior results. To create a sense of ownership, all full-time and salaried employees are eligible for stock options.

All employees are eligible for health insurance, paid and unpaid leaves, a retirement plan, and life and disability/ accident coverage. To encourage our employees to maintain a healthy lifestyle, preventative medical appointments get entered into a drawing for various prizes. Additionally, each month, we have distinct wellness events at our offices. In the month of May, we did a "Get Up" campaign for all employees to get up from their desks for 10 minutes at 10am local time to either walk or stretch, in order get to get circulation moving and to move their eyes away from their screens and workstations. We also have lunch and learns on topics we know are important to our employees such as how to meal prep in a healthy and efficient way.

We also offer a 401k plan to all employees, with a 90% participation rate.

We provide a hybrid onsite/offsite policy that allows for remote work for "non-essential to manufacturing" employees. This was prompted after directly hearing employee feedback on how important hybrid work was to them to allow for a strong work/life balance.

We also have a tuition reimbursement program, which includes book reimbursement, that all full-time employees who have been employed with Apyx Medical for at least ninety days can participate in.

Employee Health & Safety

The health and safety of our employees is our highest priority, and this is consistent with our operating philosophy. As part of our onboarding program, we ensure that all new hires read and sign an attestation that they have read our employee handbook that discusses formal policies on safety. We have also created safety data sheets for anyone who is in the manufacturing facility to understand the various materials on the floor.

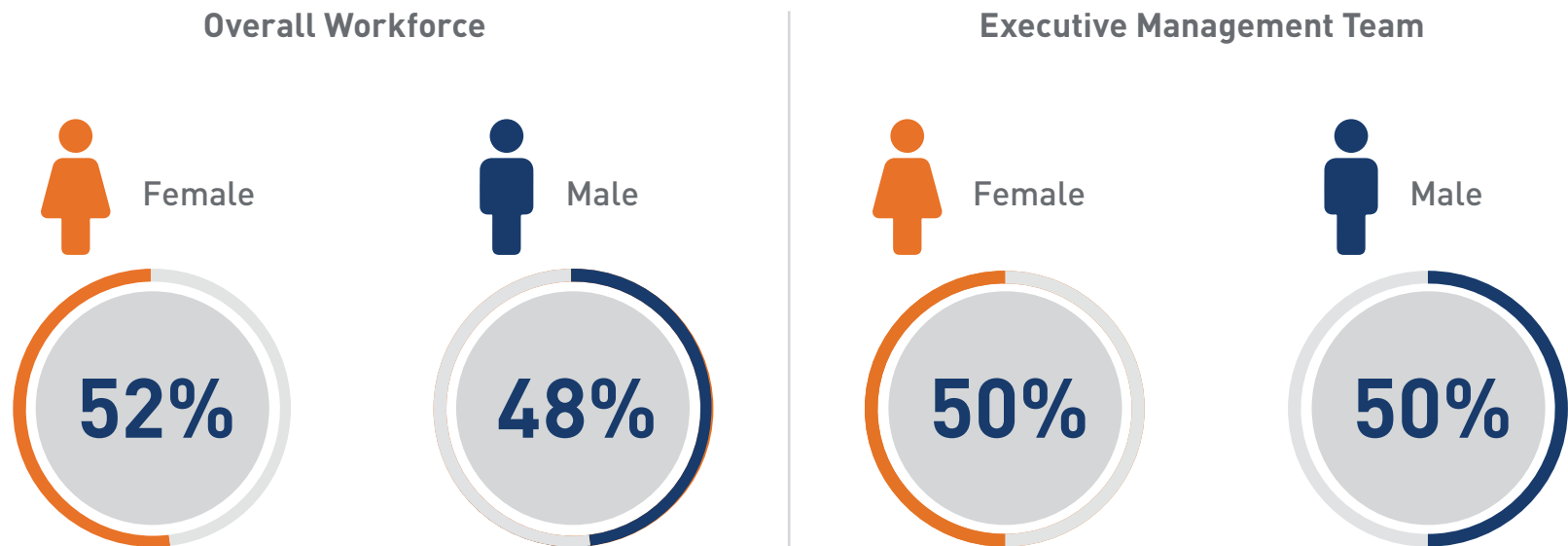
We have a Safety Committee comprised of 10 individuals across various departments including two directors and an OSHA-certified employee. This committee meets monthly to discuss any accidents within the facility and conduct a safety walkthrough of the building using our safety checklist.

We conduct regular fire drills and regularly audit our safety equipment. Additionally, we conduct safety related training on topics such as CPR and first aid. We have standard operating procedures for hazardous materials to ensure our employees stay safe and understand the associated risks. Apyx has an emergency response team that are CPR trained and are trained on our two AED machines located within the building. Additionally, we have two cleanup kits within the facility to ensure that any incident involving hazardous or biological waste is quickly and safely addressed.

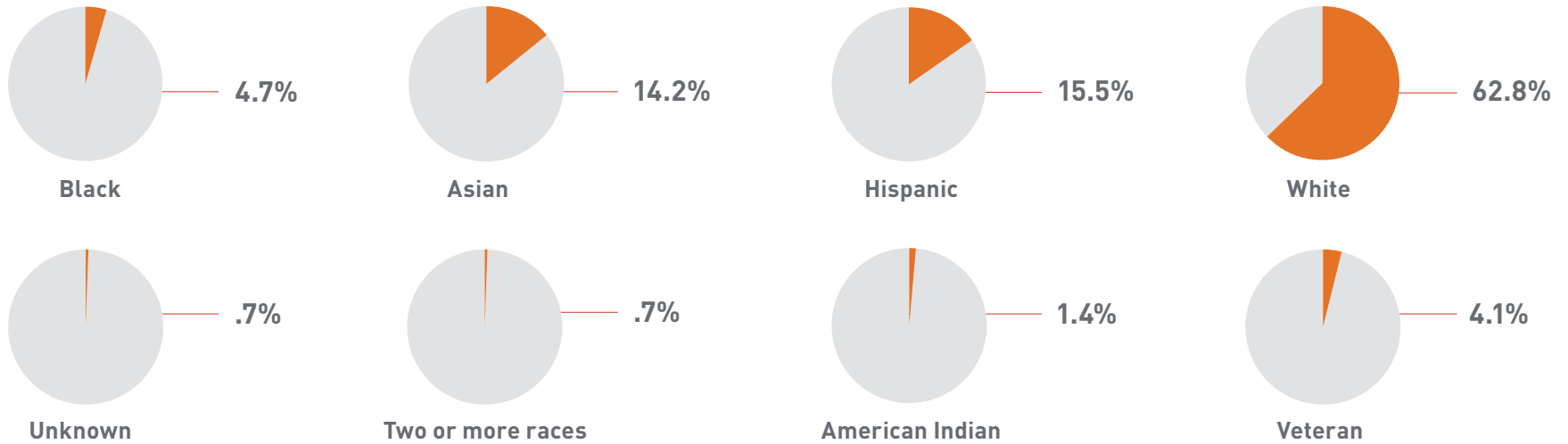
As part of our Quarterly Management Review meetings we discuss lost time accidents, safety initiatives in place and updates on any other safety related items to the full management team, including the CEO.

Diversity & Inclusion

We have worked to create a culture that embraces equality, diversity and inclusion and fosters an engaged and diverse workforce where everyone can be passionate about the work that they do. Employees are required to participate in an annual diversity training. Topics include diversity of thought/ideas and diversity in hiring/recruitment.



RACIAL AND ETHNIC DIVERSITY



YEARS AT APYX



Gender Pay Equity Program

Apyx is committed to pay equity. We regularly research market data to ensure pay is in line with the national and local employment markets regardless of gender. We look at related position data both externally and internally, regardless of who is currently in the position. This is done at all levels within the organization, from the CEO to our hourly employees.

Community Engagement

Each year we partner with Mildred Helms Elementary school in Florida, near our headquarters, to provide uniforms and other needed supplies to local kids in need. Employees are also encouraged to recommend charities and scholastic organizations that are important to them for corporate donations and sponsorship.

In 2022, we plan to hold community service activities around our Clearwater, FL headquarters for our employees to participate in.

GOVERNANCE

Business ethics program

We have a [Code of Conduct](#) that is reviewed and updated on an annual basis. This code is distributed to all employees as well as members of the Board of Directors for review and signature each year and is included as part of the new employee onboarding process. Any significant business ethics issues would be discussed with the Board and outside counsel.

Topics covered in this Code and training include, among others, workplace safety, anti-bribery and corruption information and details on our whistleblower policy. We use third parties for annual compliance related training for all employees. Our whistleblower hotline is maintained by a 3rd party and reports of incidents are provided on a monthly basis. Since at least 2019, no items have been reported through this hotline which is available to our employees in the US and Bulgaria. Signs are displayed in various areas through each operating facility. An update on any whistleblower reports is included as part of our Audit Committee quarterly meeting agenda.

Standard contract terms with our international distributors, include adherence to US and local anti-bribery and anti-corruption laws. Training is also provided to our sales reps and distributors on an annual basis.

Supplier Code of Conduct

We review the [Supplier Code of Conduct](#) on an annual basis and send out an annual ethics notification. Suppliers also have access to our Apyx Medical hotline to report any issues.

Our supplier quality department audits our suppliers at least every three years and provide corrective actions as needed. Our CFO has managerial oversight of our supplier code of conduct.

Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption <i>HC-MS-510a.1</i>	\$0
Description of code of ethics governing interactions with health care professionals <i>HC-MS-510a.2</i>	The large majority of cosmetic and plastic surgery procedures in the US are elective\non reimbursable procedures. We also have a zero-tolerance policy under the Sunshine Act that prohibits anyone within the Company from providing anything of value to physicians who perform their work in a reimbursable surgical environment.

Data Privacy & Security

We have an IT Security policy that is reviewed and updated on an annual basis. It is provided to new employees as part of the onboarding process, and IT Security training is given on an annual basis. In addition, in the first quarter of 2022 we engaged a third party to conduct a Cyber Security Audit. Based on the results of the audit, management will determine additional actions to be taken in order to mitigate any risks identified. To date we have not experienced data security breaches. We have also established an IT General Controls environment as part of our SOX compliance program. HIPPA compliance requirements are minimal, and PCI compliance does not apply to the business we are in.

Corporate Governance Highlights

Our Board of Directors currently consists of 8 members, 7 (87.5%) of whom are independent, including the Chairperson, and 2 (25%) of whom are female. The sole non-independent director is the CEO. Annual elections are held for all director positions. Shareholders have an opportunity to suggest nominees to the Board for consideration.

Each Board committee has a written charter which is available on the Company website. Updates or revisions to the corporate bylaws or committee charters requires a majority vote of the full Board. All members of all committees are independent. 3 of the 4 Board committees include at least one female member. Going forward, the Board will continue to seek to add diverse backgrounds and points of view to the Board and its committees.

The Board has 4 committees:



Audit



Regulatory and Compliance



Compensation



Governance and Nominating

The Audit Committee oversees the integrity of the financial statements of the Company and the qualifications, independence and performance of the independent auditors. Additionally, the Audit Committee has oversight responsibility for the performance of the Company's internal audit function and compliance with legal and regulatory requirements.

The Regulatory Compliance Committee provides oversight of management's efforts to comply with the requirements for a medical device company operating in a regulatory environment, including with respect to healthcare compliance, product quality and safety, interaction with the Food and Drug Administration and similar government authorities, and other matters as directed by the Board. The Company's Vice President, Quality Assurance and Regulatory Affairs attends all meetings of the Regulatory Compliance Committee and attends the portion of any Board meetings that includes discussion of any clinical trial to be included in a submission to the US Food and Drug Administration or any European Union equivalent agency. At least twice per year the Company's Vice President, Quality Assurance and Regulatory Affairs updates the Board on quality and regulatory matters.

The Compensation Committee, comprised of all independent directors, conducts an annual evaluation of CEO performance, recommends the annual management compensation plan to the Board, and assesses management performance to plan. The Compensation Committee is also responsible for reporting to the Board on CEO succession planning.

The Governance and Nominating Committee is responsible for: (i) identifying and recommending to the Board individuals qualified to become Board members and to recommend to the Board the director nominees for election at the annual meeting of shareholders or to fill vacancies; (ii) advise the Board about the composition of the Board and its committees and recommend to the Board proposed directors to serve on each Board committee; (iii) periodically review and evaluate the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, Board Committee Charters; and (iv) oversee the Board's self-evaluation of the performance of the Board and the Board Committees. The Governance and Nominating Committee has primary oversight responsibility with respect to ESG matters and updates the full Board on ESG matters on a regular basis.

Average Director Age

60

Years average director tenure

10

Independent Directors

87.5%

Female Board Members

25%

Ethnic/Racial Diversity

13%

- Board oversight of ESG led by Governance and Nominating Committee
- Board Regulatory Compliance Committee also in place
- Annual board and committee self-evaluations are performed
- Annual evaluation of CEO is performed by independent directors of the Company
- Majority vote standard for bylaws and charter
- Shareholders' right to act by written consent



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