



Sustainability Report 2017

Communication on Progress
to the United Nations
Global Compact



WE SUPPORT



Preface

- Statement of continued support by the Chief Executive Officer -

We are happy to release our third Sustainability Report, which gives us a chance to present our progresses made, but also reflect on the challenges still ahead of us.

Behind us lies a successful year, showing that Optima is on track towards sustainable and long-term economic growth. Also, regarding the ecological and social dimensions of sustainability, more practices were integrated step-by-step into the company's daily business: Optimization of logistics, use of certified materials or the introduction of sustainability topics in auditing our suppliers, to name a few examples.

This report is also our annual Communication of Progress (COP) and will be published on the UN Global Compact Website. Hereby, we reaffirm our commitment to core values and the 10 Principles in the areas of human rights, labor, environment and anti-corruption we made with the signing of the UN Global Compact in 2014.

Since 1984, Optima Pharmazeutische GmbH provides high-quality healthcare products. Improving the ecological, economic and social impacts of our actions have been guidelines of our entrepreneurial activity from the very beginning.

We invite all business partners and other interested parties to join and support us in realizing this vision, and get in contact with us in case of any questions or suggestions.

Wang, Mai 2017

Michael Kroll

Stefan Kroll

Managing Directors Optima Pharmazeutische GmbH



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Further information:

Optima: Corporate Sustainability website
<http://nachhaltigkeit.optimapharma.de/index.php/en/sustainability/sustainability.html>

United Nations Global Compact
<http://www.unglobalcompact.org/>



1 Human Rights

Principle 1: We support and respect the protection of internationally proclaimed human rights

Principle 2: We make sure that we are not complicit in human rights abuses

Human Rights in our own operations

Optima declares its full support for the United Nations Universal Declaration of Human Rights.

Optima's operations are based in Germany and Switzerland. According to the Verisk Maplecroft Human Rights Risk Index 2016, these countries have a low prevalence of human rights-related risks (see "Further information"). Therefore, direct implications are not likely. Our research and development activities are carried out exclusively in Germany, in cooperation with renowned research institutions. All quality standards and sector commitments are fully adhered to. One of our main research partners is also a signee to the UN Global Compact.

Human rights in our supply chain

In its supply chain, Optima collaborates with a number of tier 1 suppliers and contract manufacturers, which are located in Germany and France. Therefore, the exposure to human rights-related risks in case of tier 1 suppliers is also considered minimal.

Our detailed sustainability standards for our suppliers require them to adhere to the UN Global Compact Principles (see "Further information").

Also, tier 1 suppliers are requested to report any human rights-related incidents in their own operations or supply chains to Optima. As a measurement of outcome, we monitor the number of complaints, incidents or other issues related to human right abuses, both in our own operations and our supply chain. In the last year, as in the year before, **no** such incidents were brought to the knowledge of Optima.

✓ 0 human rights-related incidents



In late 2016/early 2017, Optima itself completed a document assessment by ethical trade initiative SEDEX.

We took this as an opportunity to also include the issues addressed here in our own supplier audits. To this end, we extended our own supplier audit process with relevant sustainability topics based on the standards put forward by the Ethical Trade Initiative (ETI Base Code, see “further information”). These topics were addressed during the on-site audits. For Human Rights topics, this includes the following criteria:

- Management systems / Code Of Conduct for sustainability management
- Harsh or inhumane Treatment
- Entitlement to work

In addition, audited suppliers are requested to declare conformity to the ETI Base Code, as well as to Optima’s Standards For Sustainable Procurement, and all applicable national and international laws and regulations.

In the reporting year, we have successfully conducted audits at two of our main suppliers. Following our own risk assessment, we have thus covered all suppliers with even a remote exposure to said risks.

✓ Two successful on-site supplier audits addressing human rights issues

Human rights in the downstream value chain

Concerning downstream value chain partners (e.g. in logistics and distribution), Optima has limited insight into human rights conditions. However, approx. 89% of Optima’s sales volume is directed to EU countries and 11% to Australia, New Zealand and Canada, therefore a broad compliance of value chain partners with the existing legal requirements can be assumed.

Regarding our downstream value chain partners, we encourage partners to participate in voluntary sustainability and human rights codices, like the UN Global Compact or the



German Sustainability Codex. In 2016, about **two thirds** of our key customers were signatories to the UN Global compact or similar voluntary codices (e.g. German Sustainability Codex), and/or have an own policy for the protection of human rights. Although this share was not increased in 2016, it is planned to keep engaging with value chain partners on this topic.

✓ 2/3 of key customers are publicly committed to fighting human rights abuses

Further information

Ethical Trading Initiative: <http://www.ethicaltrade.org>

Optima: Standards for Sustainable Procurement (German)

http://nachhaltigkeit.optimapharma.de/images/microsites/nachhaltigkeit/pdf/standards_for_sustainable_procurement.pdf

SEDEX: <https://www.sedexglobal.com>

Verisk Maplecroft: Human Rights Risk Index 2014

http://reliefweb.int/sites/reliefweb.int/files/resources/2016_ITF_Human_Rights_Index_2016-01.pdf



2 Labour

Principle 3: We uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

Working conditions

We strive to ensure optimal working conditions for all employees, meeting and where possible exceeding all legal requirements.

Optima enables and encourages part-time employment of employees of both genders.

Equal opportunities and employee rights

Optima guarantees its employees the freedom of association and the right to collective bargaining as regulated by national and European laws and standards.

Optima is an equal opportunities employer. We strive actively against discrimination of employees. We fully comply with national and European employee protection and anti-discrimination legislation.

We provide ongoing training and qualification initiatives to our employees, and focus on a long-term, cooperative HR development strategy.

In the context of the relocation of our headquarters in 2017, we will offer compensation for longer commuting distances in the form of financial support for commuting expenses as





well as for lunch options offered at the new location. For details on the planned relocation, see chapter 3.

We monitor the number of incidents regarding employee rights or discrimination (e.g. formal complaints, legal conflicts etc.), of which there were **none** in the last year. For 2017, we aim to keep this number at zero.

✓ 0 labour rights-related incidents

No child or forced labour

Our employment policy is in accordance to legal requirements and we have no employees under the age of 18. The same applies to any kind of forced or compulsory labour.

Labour standards in our supply chain

The vast majority of our tier 1 suppliers are located in Germany and other neighboring countries that have:

- a low level of child labour risk according to the Child Labour Index 2014
- a low level of working conditions risk according to the Working Conditions Index 2014 (see “Further information”)

Our supplier standards for sustainable procurement explicitly include the compliance with all legal requirements and the labour-related Principles of the UN Global Compact.

Our key supplier audits conducted in 2016 (see chapter 2) also covered labour topics based on the standards put forward by the Ethical Trade Initiative (ETI Base Code, see “further information” in Chapter 1), such as:

- Freedom of employment
- Freedom of association
- Safety and hygienic conditions
- Child labour
- Working conditions, flexibility, remunerations and benefits



Accordingly, we have thus covered all suppliers with a potential exposure to said risks.

✓ Two successful on-site supplier audits addressing labour issues

Further information

Optima: Standards for Sustainable Procurement

http://nachhaltigkeit.optimapharma.de/images/microsites/nachhaltigkeit/pdf/standards_for_sustainable_procurement.pdf

Maplecroft: Child Labour Index 2014

<http://maplecroft.com/portfolio/new-analysis/2013/10/15/child-labour-risks-increase-china-and-russia-most-progress-shown-south-america-maplecroft-index/>

Maplecroft: Working Conditions Index 2014

<https://maplecroft.com/portfolio/new-analysis/2014/01/29/world-cup-host-qatar-among-11-countries-downgraded-Isquoextreme-riskrsquo-working-conditions-maplecroft-index/>



3 Environment

Principle 7: We support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Environmental sustainability is a key concern of the management and the employees alike. Although Optima's products do not require large amounts of energy or natural resources in production or use, we accomplish the responsibility for minimizing negative impacts. While Optima is not directly exposed to significant environmental risks, energy and resource availability play an important role.

Energy use

Energy production and use is a main source of greenhouse gas emissions. The use of renewable energies is a way to reduce energy-related emissions. For heat supply in our own office facilities, we use renewable energies in the form of pellet / woodchip heating.

Efficient energy and resource use is a topic that needs to be integrated broadly into business process. Optima has therefore extended its internal Quality Management Guidelines to cover these topics in relevant processes, for example in the training of new and existing staff members.

Contract manufacturers are also instructed to optimize energy efficiency. Optima requests yearly energy consumption figures from all contract manufacturers, related to the work carried out for Optima.

Within our on-site supplier audits conducted in 2016, we have also covered the subject of environmental impacts, including:

- Existence of an environmental policy and dedicated responsible person
- Continuous improvement of environmental performance
- Compliance with all applicable laws and regulations



- ✓ 100% of contract manufacturers report on energy consumption
- ✓ Two successful on-site supplier audits addressing ecological issues

Transportation & Mobility

Regarding energy use for transportation and packaging, Optima is working continuously on optimizing production structure and processes. One example is the restructuring of production for one of our main products. Since 2015, production and final packaging are done at the same location.



Optima's electric company car, a Volkswagen e-Golf

In 2016, we also centralized distribution by sending out individual shipments directly from the premises where product are packaged and stored. This eliminates the need of having the packaged products sent back to our headquarters for distribution. We expect to see positive results by this measure on our emissions balance in the coming year.

Regarding sustainable employee mobility, Optima continued to use a battery-electric vehicle. The charging station provides power from renewable sources, and therefore allows emission-free business travels. The car has been used widely for near- to medium-range travels, and feedback by employees is decidedly positive. In the reporting period, 13

000 km were travelled and Greenhouse gas emissions in the magnitude of 2500 kg were avoided compared to an efficient diesel vehicle.

As a reaction to the ongoing uncertainty about real-world diesel vehicle emissions and their potential dangers for environment and human health, Optima will refrain from buying diesel vehicles in the future, and will opt for more eco-friendly options wherever possible.

- ✓ Continued use electric vehicle & charging infrastructure
- ✓ 13 000 km travelled emission-free, 2 500 kg CO2e avoided



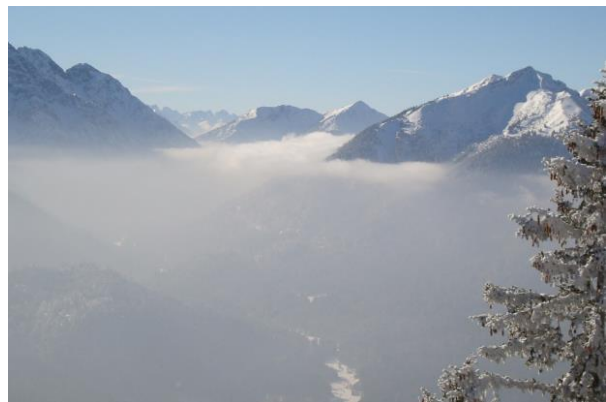
Resource-friendly expansion strategy

Due to constantly growing company activity, we are reaching the limits of our current headquarter building. We have therefore assessed several options to extend our current facility, erect a new building or relocate to another location. In 2016, we decided to move to an existing building approximately 30 km from our previous location. Besides practical advantages, this solution also has ecological benefits, since materials and energy consumption and therefore greenhouse gas emissions for constructing a new building are avoided, which would have had a significant impact on our carbon footprint.

Downside to this solution is, however, that for some employees commuting distances may be longer to the new location. To compensate for ecological effects, Optima compensates all non-avoidable emissions also from employee commuting.

Greenhouse gas emissions balance

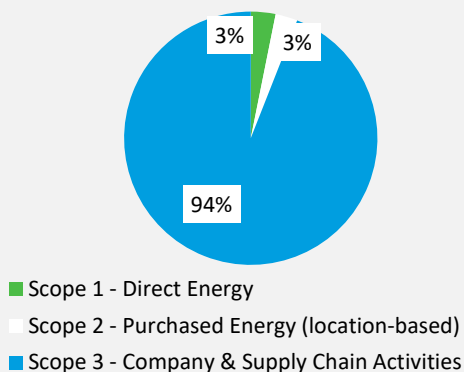
Starting with the year 2012, we are assessing our annual Corporate Carbon Footprint, meaning the greenhouse gas emissions balance of all company operations, including up- and downstream processes of the value chain. The advantage of the Carbon Footprint is that it includes emissions from energy and fuels, material-related emissions of the upstream and downstream value chains as well as other indirect emission sources like business travel and commuting of employees. Thus, it gives valuable insights into the ecologic hotspots of a company's environmental balance and provides a single indicator that is easy to monitor.



The calculation itself is carried out by our environmental consulting partner DFGE – Institute for Energy, Ecology, Economy, in accordance with the GHG Protocol standard.



Carbon Footprint 2015 - Scopes



The total emissions for Optima amount to **611 t CO₂e** for calendar year 2015.

Of these, 3% are caused by consumption of fuels for vehicles and heating (Scope 1). Emissions from purchased energy (Scope 2) also amount to 3%. The majority of emissions, with 94%, are other indirect emissions that occur along the value chains.

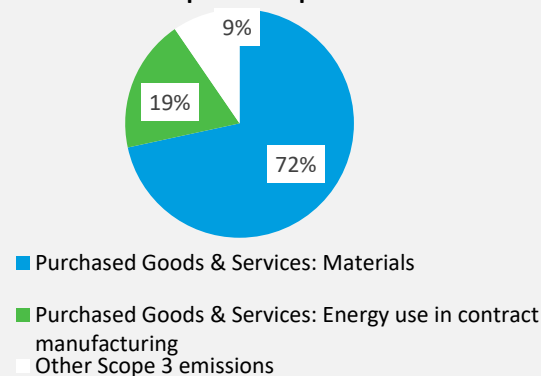
Compared to the previous year, absolute emissions have increased notably, mainly due to much higher sales and production figures.

Within Scope 3, especially the category of Purchased Goods & Services influences our emissions balance. This category includes the energy related emissions of contract manufacturing as well as value chain emissions of the materials used in production. The following graphic shows the share of emissions within Scope 3.

Besides the absolute emission amounts, we calculate our “emission intensity”, i.e. the relative emissions per piece of production output. This provides a clearer view of improvements in efficiency, even if the absolute carbon footprint is increasing due to growth in business activity. From 2014 to 2015, relative emissions could be significantly reduced by 32%, to a value of **88 g CO₂e per piece** of output produced (including Scope 1, 2 and 3 emissions).

Besides an optimized production structure and planning, this was also due to changes in the product palette and scale effects of largely increased production volume. For 2016/17, emissions per output may be more stable.

Carbon Footprint - Scope 3 breakdown



✓ Relative emissions reduced by over 30%

✓ Two successful on-site supplier audits addressing ecological issues



To allow an even more efficient management of environmental impacts, Optima will direct additional resources in 2017 to continuously monitor environmental KPIs like energy and resource use, both within own operations and supply chain.



Supported Reforestation/Community support project “Kariba REDD+” in Zimbabwe

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Optima - a climate-neutral company

Energy and resource consumption and related emissions can be reduced by efficiency measures – but only to a certain point. However, Optima also takes responsibility for all non-avoidable emissions. Therefore, we compensate all our Scope 1, 2 and 3 emissions as calculated in the Carbon Footprint, by financing certified emission reduction projects.

Since 2014, Optima has supported a reforestation and community support project in Zimbabwe through the purchase of Verified Carbon Standard emission reduction certificates. This project not only contributes to reducing

Greenhouse gas emissions, but also provides sustainable livelihood options for local communities, by funding healthcare centers, community gardens, school fee subsidies etc.

The Carbon Footprint as well as the compensation have been certified by TÜV Hessen, and Optima has been awarded as “climate neutral company” according to the TÜV ProfiCert Standard Climate Neutrality.

Optima has committed itself to continue the compensation of 100% of non-avoidable emissions over the coming years. In 2017, this ongoing compensation has been re-audited successfully by TÜV Hessen.



✓ 100% of Scope 1+2+3 emissions compensated



Natural resources / raw materials

An important focus area regarding environmental impacts is the provenience of natural raw materials used. Depending on the method and region of production, these may have larger or smaller environmental impacts. In the case of Optima's products, paper is the most relevant material by quantity, as it is used in the individual product package, as well as for shipping boxes, leaflets etc.



Optima's goal is to use as much recycled paper as possible. For the remaining amount of non-recycled paper, we are using FSC (or alternatively PEFC) certified paper, wherever available. In 2016, we have managed to use 100% certified (or recycled) paper for all product packaging and in our office operations

Equally, Optima's tier 1 suppliers and contract manufacturers are requested to use recycled paper wherever possible, and FSC (or PEFC) certified paper in all other cases. If no certified products are available, materials from known and legal

sources must be used, which do not cause avoidable negative ecological and social impacts like deforestation, land use conflicts etc.

✓ 100% certified paper for product packaging and office use

Regarding product ingredients, two important naturally sourced materials are ethanol and soy lecithin, which may be related to increased ecological impacts. However, the absolute amount of material used is limited. Optima's tier 1 suppliers are requested to comply with all applicable environmental, health, labour and social standards when sourcing natural materials, and ensure that they do not cause avoidable negative ecological and social impacts like deforestation, land use conflicts etc.



Waste and recycling

Regarding our products, the central focus lies on supreme quality and safety, but we also care about their end-of-life phase: Our products are not harmful to the environment and can be safely disposed of by regular means. Paper boxes, leaflets, empty glass containers and plastic caps can and should be recycled.

Through their innovative formulation and application method, our liposomal eye sprays have a much longer usage time compared to alternative products. This means that the amount of waste is reduced drastically compared to other products, especially those with one-dose packaging.

Further information:

DFGE/Optima: Carbon Footprint Balance Year 2016 - Management Summary

<http://nachhaltigkeit.optimapharma.de/index.php/en/sustainability/climate-protection.html>

TÜV Hessen: Certificate– Climate Neutrality

http://nachhaltigkeit.optimapharma.de/images/microsites/nachhaltigkeit/pdf/optima_tuevhessen_klimaneutralitaet.pdf

South pole Group: Kariba REDD+ Reforestation Project Description & Video

<http://www.thesouthpolegroup.com/projects/community-development-protects-forests#>



4 Anti-Corruption & Fair Business Practice

Principle 10: We work against corruption in all its forms, including extortion and bribery.

Clear stance against corruption

Optima condemns all forms of corruption. We believe in fair and open competition and are convinced that quality, innovation and efficiency are the key to long term business success.

The commitment to prevent all forms of corruption has been integrated in our internal Quality Management Handbook.

Anti-corruption action in our value chain



Optima has issued clear standards for its suppliers that include the compliance with all legal requirements and requests them to adhere to the UN Global Compact Principles on fighting corruption.

The 2014 Corruption Risk Index by Maplecroft shows that the countries in which Optima operates and where the majority of suppliers are located have a “low” risk of corruption, with the exception of Austria with “medium” risk (see “Further Information”).

Optima monitors the number of incidents related to corruption of any form, both within the company and the supply chain. In the last year, there were **none** such incidents brought to the knowledge of Optima. We aim to keep up this performance in the coming year.

✓ 0 corruption-related incidents



Furthermore, we monitor the share of key customers that have published an own code of conduct or policy regarding corruption and/or are signatures to the UN Global Compact or similar codices. In the last year, about **two thirds** of our key customers have made such a public commitment.

Within our on-site supplier audits conducted in 2016, we have also covered the subject of business ethics based on the standards put forward by the Ethical Trade Initiative (ETI Base Code, see "further information" in chapter 1), including:

- Bribery and fraud prevention
- Existence of a business ethics policy / code of conduct
- Compliance with all applicable laws and regulations

- ✓ 2/3 of key customers are publicly committed to fight corruption
- ✓ Two successful on-site supplier audits addressing business ethics issues

Further information:

Maplecroft: Corruption Risk Index 2014

<http://maplecroft.com/portfolio/new-analysis/2013/09/24/corruption-risk-index-reveals-long-term-lack-will-tackle-corruption-brics/>



5 Community Engagement

Optima compensates all its Greenhouse Gas emissions by funding certified projects around the world. However, as a locally rooted company, Optima would like to contribute to an intact and valuable environment in our Bavarian home region. Therefore, in 2015 Optima decided to support the regional initiative “Bergwald-Projekt e.V.”, which is working to re-naturalize and stabilize endangered forest areas in the Bavarian mountain regions, which were affected by climate change-related developments like storms, temperature changes and vermin damages.



Plantation of oak trees by Bergwaldprojekt e.V.
© Bergwaldprojekt e.V., www.bergwaldprojekt.de

With its continued support in 2016, Optima has enabled the plantation of another 5000 trees in the community of Röttingen in Lower Franconia, enabling the reforestation and stabilization of more than a hectare of forest. Several endemic tree species were combined here to form a natural forest composition, with resilience to temperature extremes, droughts and vermin.

Since 2014, Optima is also supporting the Plant for the Planet Foundation. It is a non-profit organization based in Bavaria that has the mission to combat climate change by promoting reforestation and the planting of new forests in Germany and

all over the world. With Optima’s contribution, trees were planted that each year sequester CO₂ in the order of magnitude of Optima’s total Carbon Footprint.

In 2016, the contribution by Optima was extended for another 10.000 trees in order to compensate for former Greenhouse Gas emissions.

Further information:

Bergwaldprojekt & Plant for the Planet: Information, Project Report and Certificates
<http://nachhaltigkeit.optimapharma.de/index.php/nachhaltigkeit/klimaschutz/weitergehendes-engagement-fuer-den-klimaschutz>

Plant for the Planet: Supporter List.
<http://www.plant-for-the-planet.org/de/unterstuetzen/partnerschaft>



6 Outlook

As result of our continued growth, in 2017 Optima will relocate to a larger facility. Also at our new location, we will strive to reduce our ecological impact on a day-to-day basis. We hope to provide even more attractive working conditions for our employees and to keep exceeding the expectations of our customers and the users of our products.

With the integration of sustainability topics in our supplier audits, we have made another step to extend out supply chain engagement. The next step will be to collaborate more intensively with selected suppliers towards actual improvements.

We invite all partners, customers, suppliers and other stakeholders to communicate openly with Optima regarding all sustainability topics.

All new information and reports will be published in the sustainability section of our homepage:

<http://nachhaltigkeit.optimapharma.de/index.php/en/sustainability/sustainability.html>



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