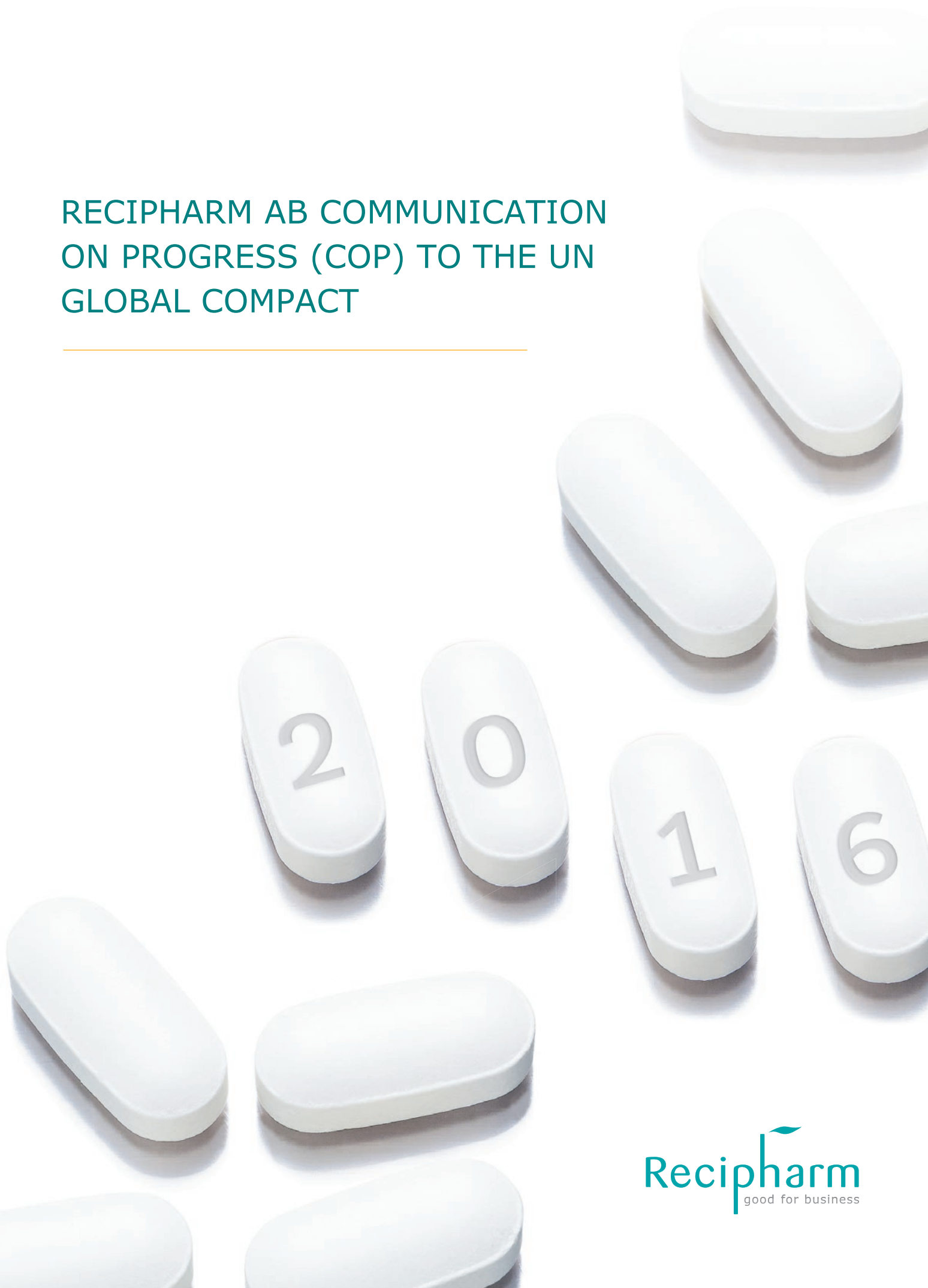


# RECIPHARM AB COMMUNICATION ON PROGRESS (COP) TO THE UN GLOBAL COMPACT

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## UNIQUE GLOBAL PLATFORM FOR FUTURE GROWTH

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We made significant progress on our strategic commitments during the year – including the expansion of our geographic footprint beyond our strong European base, and building on our public listing in 2014 to leverage international investment.

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### STRATEGIC ACQUISITIONS

Through acquisitions in 2016, we established a strategic presence in both the emerging Indian market, and the innovative US market. Our geographic footprint is now unique in the CDMO industry, and going forward we will capitalise on our access to new customers, markets, capabilities and commercial synergies – and all the opportunities this brings.

In India, our acquisition of Nitin Lifesciences in April 2016, which manufactures injectables, gives us access to the rapidly expanding Indian market, as well as the growing demand for exports to other emerging markets. Our second acquisition in India, which is a combined development and manufacturing facility that was finalised in Q1 2017, is a game changer for Recipharm as it will allow us to provide

our customers around the world with cost-effective development services that are typically labour-intensive, such as analytical and quality services. This development capacity in an emerging market is again unique in the CDMO industry, which we will capitalise on by integrating such services into our developing global business.

In May 2016, we took our first step into the US, which is the world's largest CDMO market and one of the most innovative, by acquiring a small development company. The acquisition provides us with a shop window for US customers, and we are now considering further acquisitions in the country. In a similar way, we are developing our green field start-up in Israel, which is also a highly innovative market albeit much smaller, with great potential for us to share cutting-edge expertise and services with the rest of the Group.

We also made complementary acquisitions to our strong portfolio in Europe. In February 2016, we acquired Mitim S.r.l in Italy, which provides sterile liquids manufacturing services – a segment with good growth potential and attractive margins. Another acquisition in Sweden was in the solids segment, which is a mature market, but gives us access to strategically important customers.

#### INTEGRATING NEW ACQUISITIONS INTO THE GROUP

The effective integration of new acquisitions into the Recipharm Group is essential for the successful development of our business. Our approach to integration involves drawing on the local resources, expertise and management structures, whilst unifying them around our four core values and our long heritage in the CDMO industry.

The integration of new acquisitions strengthens our customer offering and provides opportunities for commercial synergies, such as using our geographic footprint to gain access to international markets for our acquired companies. Another important commercial synergy is cross-selling, where we can offer customers various manufacturing and development services from our different facilities.

#### STRONG FINANCIAL PERFORMANCE

Building on our status as a listed company, we carried out a rights issue of shares for the first time in June, which strengthened our balance sheet and equity, and later we issued 1 billion SEK of convertible bonds in October. Issuing such bonds is unusual among Swedish companies but has provided us with access to international financial markets. A benefit of being one of only a few listed CDMO companies is that we are more transparent, which provides greater security for our customers and investors.

In 2016, we met our target EBITDA margin of 16 per cent. With net sales of SEK 4.7 billion, 38 per cent higher than 2015, we are well positioned to achieve our growth target of at least SEK 8 billion in net sales by 2020.

We developed a good platform for future organic growth during the year, with investments in increased lyophilisation capacity in Italy and Germany, and blow-fill-seal capacity in France, which are both segments with high growth potential. Our new base in India also offers excellent potential for organic growth – both in the rapidly growing Indian market, and other emerging markets.

During the year, our plans to be a leader in serialisation – the track and trace of pharmaceuticals – progressed according to plan and we are well positioned to meet the forthcoming regulations in the US in 2017, and the EU in 2019. Being ahead of the game in terms of serialisation will provide us with a competitive advantage and ensure that our organic growth is not limited by new industry regulations.

#### STREAMLINING OUR OPERATIONS

We have implemented lean programmes at almost all our facilities. Lean helps us make long-term step-by-step efficiency improvements, which have been particularly successful in our operations in Portugal and Spain for example during the year. Our new acquisitions in India also offer opportunities to streamline our operations by integrating cost-effective standardised services into our customer offering, which will provide us with competitive advantages.

Our cost efficiency programme in Sweden has led to positive results over the past two years. We believe there are further improvement opportunities and we will seek to implement these during the coming years.

“ Our geographic footprint is now unique in the CDMO industry, and going forward we will capitalise on our access to new customers, markets, capabilities and commercial synergies – and all the opportunities this brings.

#### OUR APPROACH TO SUSTAINABILITY

As a company working with human health, it is natural for us to take our responsibility seriously. We also see increasing interest in sustainability from our investors and employees.

In 2016, we identified the most important sustainability issues together with our stakeholders. We also formally committed to the principles of the UN Global Compact, which we have followed for many years. The principles are a base for our sustainability work going forward. This annual report is also the first report in accordance with the sustainability reporting guidelines from the Global Reporting Initiative. In 2017 we will be focusing our sustainability efforts on reducing greenhouse gas emissions and further improving governance of business ethics and supplier assessment.

#### CAPITALISING ON OUR UNIQUE OPPORTUNITIES AHEAD

We have some exciting years ahead of us at Recipharm, with large transactions and numerous opportunities to capitalise upon. Our unique geographical footprint that we expanded to cover three continents in 2016 also provides us with the foundations to become a global leader in the CDMO industry.

Finally, I want to express my gratitude to all the hard work and fantastic personal investments that have been made throughout the organisation this past year. We want to continue to be best-in-class in all areas of our operations, which makes your individual contributions essential to our long-term success.



Thomas Eldered, CEO

## SUSTAINABILITY

Recipharm takes responsibility for all aspects of our operations by mitigating negative impacts, and taking advantage of opportunities. Recipharm's operations are based on the conviction that high ethical standards, accountability and good stakeholder relations create long-term benefits. This approach permeates all our decisions, policies and activities.

### NEW APPROACH TO SUSTAINABILITY

In 2016, we began a process to improve our sustainability work and develop our sustainability reporting. Recipharm has assigned to United Nations' Global Compact and acknowledges the 10 principles concerning human rights, anti-corruption, labour and environment. During the year we conducted stakeholder dialogues and identified three focus areas going forward.

Long-term success requires Recipharm to use natural resources in a sustainable manner and continuously reduce our environmental impact. One focus is therefore to reduce greenhouse gas emissions, primarily by working with energy consumption and transport. The

second focus area is supplier assessment and monitoring. Good relations with suppliers and other business partners are important for Recipharm to be able to operate successfully. This also involves ensuring sustainable and ethical conduct among suppliers. The third focus area is economic value. Good corporate governance means that the company is managed in accordance with the owners' interests, but also that Recipharm shall deliver value for other stakeholders, such as customers and employees. Effective management and control mechanisms influence external confidence in the company and ultimately its ability to deliver good business results.

### FOCUS AREAS

We have identified three focus areas going forward. More information about the rationale behind our priorities is included in our GRI-Appendix.

#### Reduced greenhouse gas emissions



Long-term success requires Recipharm to use natural resources in a sustainable manner and continuously reduce our environmental impact.

#### Supplier assessment and monitoring



To be able to operate successfully, it is important that Recipharm have good relations with business partners and ensure sustainable and ethical conduct among suppliers.

#### Economic value



Good corporate governance in accordance with the owners' interests and delivering value to our stakeholders, such as customers and employees.

### About the sustainability report

This is the first year Recipharm reports sustainability information in accordance with the Global Reporting Initiative (GRI) guidelines G4 – Core level.

This report also serves as Recipharm's Communication on Progress Report to the UN Global Compact. Recipharm's GRI-Appendix with GRI-index and associated reporting information is available on Recipharm's website [www.recipharm.com/sustainability/gri-report](http://www.recipharm.com/sustainability/gri-report)





## OBJECTIVES AND RESULTS 2016

### 1 Establish sustainability reporting in accordance with GRI G4

A priority in our sustainability work has been to ensure that our systems and processes are adapted to meet the requirements of the GRI Sustainability Guidelines. We conducted a materiality analysis during the year to identify focus areas, performed a risk analysis and stakeholder dialogues. During the year, we also developed processes to collect sustainability data.

### 2 Assign to UN Global Compact

Recipharm assigned to the ten principles of United Nations' Global Compact in May 2016. Work on the adaptation of internal processes and management is ongoing and will continue throughout 2017.

### 3 Develop Recipharm's environmental management system

The ambition for Recipharm's environmental management system is to achieve ISO 14001 certification in all our operating companies. The focus in 2016 has been on Recipharm's facilities in Brescia, Masate and Pessac. The facility in Pessac achieved ISO 14001 certification in December 2016 and the facility in Masate is expected to achieve certification in spring 2017. Work in Brescia is ongoing.

### 4 Develop internal governance

Recipharm's internal control systems and governance processes are continuously developed to ensure appropriate standards. Internal policies, including the Code of Conduct, have been updated in 2016. One priority has been our work with supplier auditing. We established a supplier Code of Conduct during the year, and have worked to communicate the Code and begin auditing supplier compliance.

## SUSTAINABILITY OBJECTIVES IN 2017

During 2016, we have carried out stakeholder dialogues on sustainability with main shareholders, customers and employees. Together with a materiality analysis, these discussions have been used as the basis for setting our objectives and priorities for 2017:

- 1 Reduce Recipharm's environmental impact. The overall objective is to reduce the amount of greenhouse gas emissions per employee. Our environmental management system will be developed to gradually certify all operating companies according to ISO 14001.
- 2 Recipharm will continue to monitor suppliers' compliance with the Supplier Code of Conduct, with a focus on the suppliers of active ingredients (APIs).
- 3 Recipharm's internal control and Business Conduct Guidelines will be further developed around processes for review, communication and training. Procedures for prevention of corruption will be strengthened. Work to develop internal processes to align with Global Compact will also continue.



## EMPLOYEES

Recipharm has grown substantially in recent years, primarily through acquisitions. As we continue to grow, our objective is to maintain Recipharm's flat organisational structure, which allows effective decision making. The diversity we now have, combined with the resources available to a company of Recipharm's size, is a valuable asset.

### RECIPHARM'S EMPLOYEES

At the end of 2016, the Group had 3,537 (2,569) employees, of which 3,207 (2,314) on permanent contracts and 330 (255) on temporary contracts. As the Group grows, we strive to find a balance between the need to enrich the organisation with new competence, whilst also drawing on existing experience and procedures. During 2016, employee turnover within Recipharm was 13 per cent.

### HEALTH AND SAFETY

Recipharm shall be a safe, healthy and pleasant workplace. All our companies have detailed employee and safety legislation manuals to ensure we comply with the relevant labour and safety legislation. All employees have the right to join trade unions, and we work actively with unions on health and safety issues. 83 per cent of Recipharm's employees are covered by collective bargaining agreements.

Most of Recipharm's facilities currently have an occupational health and safety system certified according to OHSAS 18001. 52 per cent of the total workforce is represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. During the year, a total of 126 (134) work-related accidents were reported. Most involved minor injuries among manufacturing employees. The accident rate in 2016 was 0.023 (0,030) per cent, which is considered to be low. All operating companies actively monitor work-related accidents and take corrective actions in the event accidents occur.

Sick leave amounted to 4.7 (5.0) per cent. Sick leave is relatively evenly distributed between men and women and between age groups. Follow up and possible actions are managed at local level.

### EMPLOYEE DEVELOPMENT

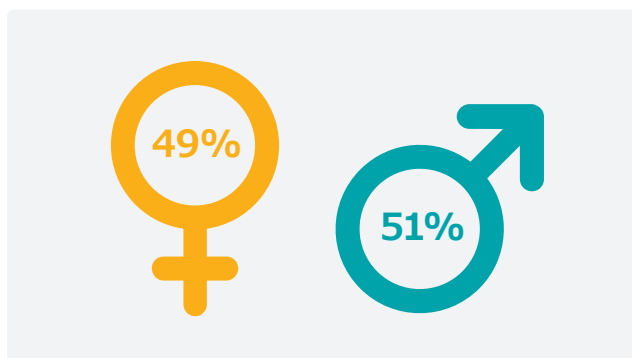
Employee competence and commitment are crucial to Recipharm's future success. We value the competence and collective industry experience of our employees, and we encourage personal development and initiatives for knowledge sharing. At Recipharm, the exchange of professional skills and knowledge is similar to that of a small company, but within an international network and brand.

Strategic competencies, positions and special areas critical for Recipharm's success are identified. Employee development is therefore in line with the role and needs of the individual. Adequate training and development of people is ensured on local level. Individual performance and development reviews should generally be carried out on an annual basis.

### EQUALITY AND DIVERSITY

Recipharm's Code of Conduct states that all employees and job applicants should be treated equally. Discrimination based on gender, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation, or age may not occur. No cases of discrimination were recorded in 2016.

Of Recipharm's employees, 49 (55) per cent are women and 51 (45) per cent men. In management positions, 39 (40) per cent are women and 61 (60) per cent men. Recipharm strives to increase the proportion of female managers.



## ENVIRONMENT

**Recipharm's greatest environmental impact is from energy consumption, emissions and waste at its manufacturing and laboratory facilities. Emissions from transports and travel also contribute to the company's environmental impact.**

### ENVIRONMENTAL MANAGEMENT SYSTEM

Recipharm's facilities all have the relevant environmental permits required by law in each country. All business units are actively monitored and no deviations were noted in 2016.

We are committed to ensuring that all our operating companies have environmental management systems certified to ISO 14001. Our goal is to certify newly acquired facilities to ISO within two years of being incorporated into the Recipharm Group. In 2016, environmental management systems have been introduced in Pessac and Masate. During 2017, we plan to continue the work in Italy and develop plans for our new facilities in Uppsala and India.

### ENERGY AND GREENHOUSE GAS EMISSIONS

Reducing energy consumption and greenhouse gas (GHG) emissions are Recipharm's most important environmental objectives. We report our GHG emissions and how we manage our climate impacts in the annual CDP Climate Change questionnaire. Responding to CDP supports further improvements in our environmental and climate work, and provides us with feedback on our climate reporting and actions. Recipharm's CDP reporting in 2015 was graded at level C-. The CDP data for 2016 will be submitted in May 2017.

In 2016, Recipharm's direct and indirect carbon emissions amounted to 40,486 (30,422) tonnes. This is equivalent to 8.7 (9.0) tonnes per SEKm of sales and 13.8 (15.1) tonnes per employee. The calculation method was improved in 2016 and data from previous years has been updated to allow comparisons to be made.

Our direct emissions result from use of natural gas and oil in manufacturing and development facilities, and from company owned vehicles. Our indirect emissions result from energy use in our manufacturing and development facilities, which relates to electricity consumption and use of district heating, cooling and steam. Indirect GHG emissions also include business travels.

The increase in total GHG emissions in 2016 primarily resulted from the company's growth. Long-term, our most important measures to reduce GHG emissions will be related to energy consumption in our facilities.

In 2016, Recipharm worked with a number of projects to reduce energy consumption by upgrading systems for ventilation, lightning and heating.

### WATER AND WASTE

From 2016, we began to compile water and waste data for all our manufacturing and development facilities.

Our process wastewater primarily results from cleaning of equipment. The quantity of drug residues in our wastewater is small and all Recipharm facilities are authorised to release wastewater into normal sewage systems for processing in treatment plants. In 2016, a sewer system downstream to our facility in Monts, France, was flooded due to rain. This caused contamination in the nearby river. Water samples included product residues. No deviations from normal routines were recorded at the facility. Recipharm is cooperating with the local authorities to prevent such an incident in the future.

Because most of our facilities handle final formulation and packaging, with only a small number of chemical synthesis operations, our emissions of solvents to the air are small. All units comply with their respective environmental permits by a wide margin.

### WATER AND WASTE

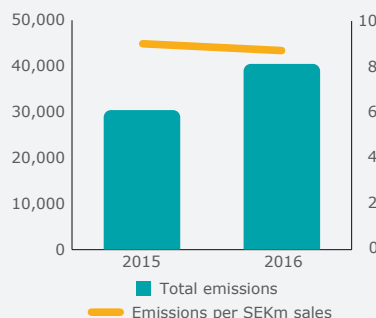
Water	1,580,312 m <sup>3</sup>
Of which own sources	969,814 m <sup>3</sup>

The water used is municipal water and ground water from own sources. Most of the consumption is used in production processes in one specific facility in Italy.

Waste	3,193 tonnes
Of which hazardous waste	1,396 tonnes

The table shows total amount of waste generated and waste defined as hazardous.

### GREENHOUSE GAS EMISSIONS



The table shows Recipharm's total amount of greenhouse gas emissions and emissions per SEKm of sales.



## RESPONSIBLE BUSINESS AND CORPORATE GOVERNANCE

**Recipharm's operations affect people's lives and health. This means that, in addition to complying with laws and regulations, our business must also be conducted in a responsible and ethical manner.**

### GOVERNANCE AND BUSINESS ETHICS

Ethics are managed by our ethical guidelines – our Code of Conduct. The guidelines cover business ethics and relations with employees, customers, suppliers, authorities, competitors and other actors. Our guidelines explicitly prohibit any interference that aims to create undue advantage for Recipharm and/or for individual employees. None of Recipharm's operating companies during the year reported deviations from the Code of Conduct. Compliance to the Code is reported and reviewed through a Letter of Assurance process.

As part of our 2017 sustainability objectives, we will continue to develop the model for how we monitor our Code of Conduct. The focus will be on implementation, monitoring and employee training. We also follow ongoing developments concerning anti-corruption legislation and will continue to strengthen the organisation and our competence to ensure necessary adaptation.

### UN GLOBAL COMPACT

Recipharm assigned to the United Nations' Global Compact (UNGC) in May 2016. This means that Recipharm is committed to promoting the UNGC's ten principles on human rights, labour, environment and anti-corruption. We also support all internationally recognised principles on human rights, International Labour Organization (ILO) core conventions, and are committed to develop our work with these matters.

### SUPPLIER REQUIREMENTS

Our suppliers provide active ingredients, raw materials, packaging materials as well as machine and laboratory equipment. We also have agreements with service providers. To enable us to keep our commitments with customers and other stakeholders, we place high standards on safety, quality, price, performance and the capacity to deliver.

Our internal requirements on ethics, work environment and conditions, environmental impact and management are governed in Recipharm's Global Policy. In 2016, we developed equivalent standards for suppliers in a Supplier Code of Conduct. We strive to ensure that suppliers actively endorse the requirements of the Supplier Code of Conduct, and we began the communication and follow-up of the Code in 2016.

There are legal requirements for us to make regular audits of our suppliers to verify they comply with the pharmaceutical industry's quality system, Good Manufacturing Practice (GMP). In connection with these audits, compliance with our Supplier Code of Conduct will be reviewed. If necessary, specific audits focusing on sustainability matters will be conducted.

In 2016, Recipharm assessed twelve of our key suppliers. Four of the assessments generated action plans, but no major deviations from the Code of Conduct were identified.

## OUR VALUES

### Entrepreneurship

- We are innovative and creative in finding ways to develop and improve our business
- We are open to change but respect that it can take time to achieve
- We have a "can do" attitude and always take on challenges with a mindset that nothing is too difficult

### Reliability

- We create trust by always delivering on promises
- We deliver with quality and in time
- We are honest and always follow our Code of Conduct

### Professionalism

- We maintain a high level of competence to deliver a return on investment to our stakeholders
- We are flexible, service minded and always looking for the best solutions
- We learn from our mistakes
- We show respect – to customers, peers, partners and managers

### Tenacity

- We show commitment in everything we do
- We are committed to reaching our goals
- We are persistent and we will not give up easily
- If we encounter an obstacle, we try harder to find a solution



## CASE: ENVIRONMENTAL AWARD



### RECIPHARM'S NINTH INTERNATIONAL ENVIRONMENTAL AWARD

Recipharm grants annually the International Environment Award for best environmental performance, practice or innovation, in order to encourage and inspire best practice and foster dialogue in the pharmaceutical industry.

This year Alistair Boxall, professor in environmental science at the University of York, was granted the award for his research into the impact of chemical contaminants on the environment and human health. Spanning more than two decades, Professor Alistair

Boxall's research has led to an improved understanding of the emerging ecological and health risks posed by chemical contaminants, including pharmaceuticals and nanoparticles, in the natural environment.

“Alistair Boxall's work, which extends far beyond measuring concentration levels, has helped change attitudes and improve understanding of the detection, fate, effect and risks of contaminants on both human health and whole ecosystems.

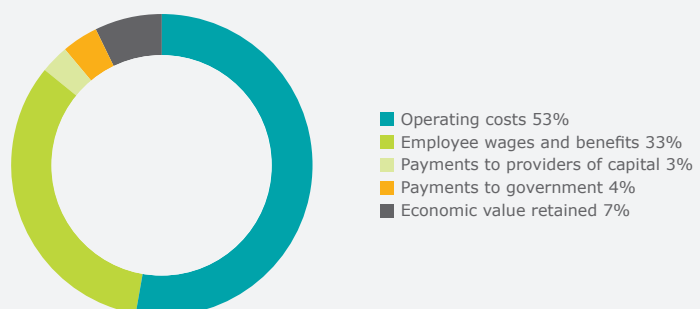
Lars Backsell, Chairman of the Board of Recipharm

### OUR ROLE IN SOCIETY

Recipharm companies engage in social aspects relevant to Recipharm's operations. Our companies work locally with various issues depending on local priorities. Our internal guidelines for ethical behaviour – the Code of Conduct – govern which activities local companies can engage in. We take our responsibility to operate within the framework of competition law in all our activities.

The Recipharm Code of Conduct complements this legislation and prohibits partnerships or agreements with competitors regarding price, terms or other areas. We operate in a strictly regulated market, where all our products and services are subject to regulation and requirements regarding ingredients, preparation and quality control.

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED



Net sales in 2016 totalled SEKm 4,678 (3,389). The diagram shows how much that was reinvested and distributed to Recipharm's stakeholders.



# RECIPHARM

## GRI APPENDIX 2016

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Recipharm's sustainability report is in accordance with the Global Reporting Initiative (GRI) sustainability reporting guidelines G4, level Core. Our sustainability report is presented yearly as part of our annual report, and this document supplements the information provided in the annual report. No third party has audited the sustainability report and we will evaluate the need for external review.

In this document, we present our GRI-index, describe our stakeholder dialogue and how we have selected our most material sustainability aspects. We also outline the underlying methods and assumptions used for the sustainability data.



## GRI INDEX

The following list references the GRI indicators that Recipharm has decided to report on.

AR = Annual report; GRI = GRI Appendix; DMA = Disclosure on Management Approach

Indicator	Description	Reference
G4-1	CEO's statement on the organisation's sustainability strategy	AR 4–5
G4-3	Name of the organisation	AR 29
G4-4	Primary products and services	AR 18–21
G4-5	Location of organisation's headquarters	AR 1
G4-6	Countries where operations are conducted	AR 1
G4-7	Nature of ownership and legal form	AR 88–89
G4-8	Markets served	AR 1
G4-9	Scale of the organisation	AR 1,3, 55, 61
G4-10	Total number of employees	GRI 24
G4-11	Employees covered by collective bargaining agreements	GRI 24
G4-12	Describe the organization's supply chain	AR 6–8, 10
G4-13	Significant changes during the reporting period	AR 2–3
G4-14	Organisation's compliance with the precautionary principle	GRI 4
G4-15	External initiatives that the organisation subscribes or endorses	AR 23
G4-16	Memberships of associations	GRI 3–4
G4-17	Entities included in the scope of the report	AR 58–59, GRI 3
G4-18	Process for defining report content	AR 22–23, GRI 3
G4-19	Material aspects of sustainability identified	GRI 3
G4-20	Aspect boundaries within the organisation	GRI 3
G4-21	Aspect boundaries outside the organisation	GRI 3
G4-22	Restatements of information	AR 22
G4-23	Significant changes from previous reports	AR 22
G4-24	Stakeholder groups with whom the organisation is engaged	GRI 3
G4-25	Basis for identification and selection of stakeholders	GRI 3
G4-26	Approaches to stakeholder engagement	GRI 3
G4-27	Topics and concerns raised through stakeholder engagement	GRI 3
G4-28	Reporting period	GRI 1
G4-29	Date of publication of most recent report	AR 22
G4-30	Reporting cycle	GRI 1
G4-31	Contact person for questions regarding the report	GRI 4
G4-32	Reporting level and GRI Index	GRI 1
G4-33	External audit	GRI 1
G4-34	Governance structure for the company	AR 26, 33–36
G4-56	The organisation's values, codes of conduct etc.	AR 26
<b>DMA</b>	<b>Economic performance</b>	AR 11–13, 27
EC1	Direct economic value generated and distributed	AR 27
<b>DMA</b>	<b>Emissions</b>	AR 22–23, 25
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	GRI 4
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	GRI 4
<b>DMA</b>	<b>Supplier assessment for environment, labor practices, impacts on society and human rights</b>	AR 22–23, 26, GRI 3
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	AR 26, GRI 3
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	AR 26, GRI 3
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	AR 26, GRI 3
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	AR 26, GRI 3
<b>DMA</b>	<b>Occupational health and safety</b>	AR 24
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	GRI 4

## STAKEHOLDER DIALOGUE

Recipharm has identified employees, customers, owners, investors, analysts, suppliers and government agencies as key stakeholders. The company has an ongoing dialogue with all relevant stakeholders regarding important business topics, including sustainability. As part of preparing priorities and reporting, Recipharm has had specific meetings with the four largest institutional owners, carried out a survey with employees and conducted two workshops within the Group Management Team.

Recipharm's key stakeholders	Forum for dialogue	Key topics and Recipharm's response
Owners, investors and analysts	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Ongoing contact</li> <li>• Capital Market Day</li> <li>• Annual general meeting</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Scope and objectives</li> <li>• Prioritized areas</li> <li>• Current performance</li> <li>• Planned activities</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Regular dialogue</li> <li>• Performance reviews</li> <li>• Conferences</li> <li>• Wider input survey open for all employees</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reviews</li> <li>• Personal and team contribution to sustainability</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Ongoing contact</li> <li>• Responding to several customers' sustainability surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Customer meetings addressing sustainability</li> <li>• Customers' sustainability requirements</li> <li>• Recipharm's performance regarding sustainability</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Procurement requirements</li> <li>• Ongoing contact</li> <li>• Supplier audits</li> </ul>	<ul style="list-style-type: none"> <li>• Start of implementation of Recipharm's Supplier Code of Conduct</li> <li>• Sustainability assessments included in supplier quality audits</li> </ul>
Government agencies	<ul style="list-style-type: none"> <li>• Ongoing contact</li> </ul>	<ul style="list-style-type: none"> <li>• No specific topics raised in 2016</li> </ul>

The table shows Recipharm's key stakeholders, the forum for dialogues and their key topics and Recipharm's response. Recipharm is also responding to the key topics and concerns in the annual report and this GRI Appendix.

## MATERIAL ASPECTS AND BOUNDARIES

Recipharm conducted a materiality analysis during 2016. The analysis was based on Recipharm's strategy, sustainability context and stakeholder expectations. Recipharm's management team made the prioritizing of the most material sustainability topics. The table below lists the sustainability topics that have been defined as the most material to Recipharm.

### Material GRI G4 aspects

- Economic Performance
- Emissions
- Supplier Environmental Assessment
- Supplier Assessment for Impacts on Society
- Supplier Assessment for Labor Practices
- Supplier Human Rights Assessment
- Occupational Health and Safety

The table shows Recipharm's material sustainability aspects.

Recipharm's sustainability report focus on the material topics but also addresses other aspects of sustainability when relevant. Recipharm will develop the sustainability work gradually and have an active dialogue with stakeholders for input on Recipharm's priorities and improvements.

### Boundaries

Recipharm's sustainability report covers the entire Group, excluding the newly acquired operations in India, unless other is stated. The material sustainability aspects have impacts on our own business and our employees.

Some of the aspects have impacts beyond Recipharm's organizational boundaries, such as assessment and monitoring of suppliers. In the sustainability report, we continuously describe the impact of each sustainability aspect, both within and outside the company.

## GOVERNANCE

As a company listed on NASDAQ OMX Nordic Mid Cap Recipharm follows Swedish Code of Corporate Governance. Recipharm has developed a number of governing documents, such as the Code of Conduct and Internal Control Standards. Auditing and monitoring are achieved with the help of external resources and through self-evaluation. Self-evaluation includes monitoring of local companies' compliance with Recipharm's Code of Conduct, Internal Control Standards and other rules and guidelines through a Letter of Assurance process.

Targets are monitored regularly and Recipharm's operating companies are responsible for implementation and management. Overall control is carried out at the group with direct feedback to the CEO and the Board.

Recipharm applies an ISO 14001 certified environmental management system and a management system for health and safety, certified according to OSHAS 18001, across the majority of Operating Companies. Internal governing document Global Policy was introduced 2005 and complemented in 2008 with Recipharm's Code of Conduct. Recipharm became members of the UN Global Compact in 2016, a commitment to support the ten principles regarding human rights, anti-corruption,



labour and environment. Recipharm is taking the precautionary approach into account in the company's risk management processes. Work methods and processes are constantly adapted to external expectations, requirements and legislation relevant to Recipharm. Recipharm is a member of the Swedish Life Science Industry Organization, SwedenBIO, where Recipharm's CEO is a member of the board.

## BACKGROUND DATA FOR GHG CALCULATIONS

All calculations are made according to the Greenhouse Gas (GHG) Protocol. Direct GHG emissions in Scope 1 includes combustion of natural gas and oil for our factories and premises and fuel for company vehicles. Energy indirect GHG emissions in Scope 2 include consumption of electricity, district heating, cooling and steam. Emissions of other indirect GHGs in Scope 3 include business travel by train and airplane, but exclude e.g. upstream and downstream transportation of products due to insufficient data.

Calculation of GHG emissions	Source of data
Combustion of natural gas and oil	Conversion factor for natural gas and oil from Greenhouse Gas Protocol.
Fuel from business travel in company vehicles	Statistics on fuel consumed or distance travelled gathered from employee expenses. Assumptions of gasoline cars when unknown and conversion factors from Greenhouse gas protocol.
Electricity	Country by country data for conversion factors from "Reliable Disclosure Systems for Europe – Phase II" (RE-DISS II) project, which was supported by the European Commission through the Intelligent Energy Europe (IEE). When specific agreement for 100 % renewable energy, zero emissions assumed.
District heating, cooling and steam	Statistics from suppliers.
Business travel	Data on emissions from travel agencies when possible, conversion factors from Greenhouse gas protocol when only distance travelled is known.
Transportation of material and other potentially relevant indirect emission sources	Insufficient activity data, further evaluation during 2017.

## KEY PERFORMANCE INDICATORS

This section contains data on disclosures that are not fully reported in the annual report.

Greenhouse gas emissions	2016	2015
Scope 1 (Use of natural gas and oil in premises, and fuel in company vehicles)	15,379	12,442
Scope 2 (Electricity, district heating, cooling and steam)	24,436	17,517
Scope 3 (Business travel by train and airplane)	671	463
<b>Total</b>	<b>40,486</b>	<b>30,422</b>

The table shows the total direct and indirect greenhouse gas emissions from the reported sources.

Number of employees	2016	Share of women	2015	Share of women
Total number of employees	3,537	49 %	2,569	55 %
Permanent contract	3,207	49 %	2,314	56 %
Full time	2,979	46 %	2,111	52 %
Part time	228	91 %	203	91 %
Temporary contract	330	52 %	255	53 %

The table shows the total number of employees by employment contract and gender.

Health and safety	2016	2015
Injury rate (IR), number of injuries per working day	0.00023	0.00030
Occupational diseases rate (ODR) rate based on number of occupational diseases per working day	0.00004	0.00002
Lost day rate (LDR) rate based on number of lost days from injuries and occupational diseases per working day	0.00343	0.00185
Absentee rate (AR) rate based on number of days of absence per working day	0.04745	0.05046

The table shows the rate of injuries, occupational diseases, lost days and absentee. No work-related fatalities in the reporting period. No information on independent contractors.

Economic value generated and distributed	2016	2015
Revenues	4,678	3,389
Operating costs	-2,459	-1,759
Employee wages and benefits	-1,551	-1,176
Payments to providers of capital	-119	-77
Payments to government	-200	133
Economic value retained	350	511

The table shows the direct economic value generated and distributed.

## Contact

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