



UN GLOBAL
COMPACT

COMMUNICATION ON PROGRESS

POLPHARMA GROUP





This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



DEAR COLLEAGUES, PARTNERS AND FRIENDS,

We are pleased to present you with the Communication on Progress Report providing up-to-date information on the status of implementation of the 10 Global Compact Principles by the Polpharma Group in Poland. The Report describes the policies and practices used by the company in 2017 and the steps taken to implement the Global Compact Principles. The document also outlines measurable results of our commitment to and continuous support of the Global Compact initiative.

Our business is based on the concept of sustainability. In our daily work, we follow Polpharma Group's Code of Ethics and the Social Responsibility Strategy. At the same time, we are aware that our impact goes far beyond the company's offices and manufacturing sites. For this reason,

we also engage our suppliers and partners in the supply chain in activities promoting human rights, improved work standards, protection of environment and anti-corruption. Our key expectations in this regard are described in the Polpharma Group's Supplier Code of Conduct.

We are the largest Polish pharmaceutical company and an important employer in the regions where we operate. We think about our responsibility globally, and by implementing the Social Responsibility Strategy we contribute to the achievement of 6 out of the 17 Sustainable Development Goals:

- 3. Good health and well-being
- 5. Gender equality
- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 12. Responsible consumption and production
- 16. Peace, justice and strong institutions.

For us, the philosophy of sustainable development is not only an important point of reference in the management process but also the foundation of our company's values. Therefore, minimizing our negative impact and creating the maximum positive impact on society and the environment is an integral part of our business goals for the upcoming years. The principles formulated within the Global Compact initiative will serve as signposts directing us on this journey.

Markus Sieger
President of the Management
Board of Polpharma SA
CEO of Polpharma Group

Principle 1.

UNGC: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2.

UNGC: Businesses should make sure that they are not complicit in human rights abuses.



HUMAN RIGHTS

The Polpharma Group in Poland operates based on the [Social Responsibility Strategy](#). It focuses on the following three areas: serving the patients and the community, ethical conduct of business and innovation and advancing knowledge.

Polpharma Group's commitments directly relating to human rights include:

1

Promotion of preventive care among patients and employees

4

Ensuring and promoting elevated standards of work safety

2

Supporting patient compliance

5

Building a culture of diversity

3

Strengthening corporate ethics

6

Building a responsible supply chain

The Polpharma Group has a Code of Ethics in place, as well as:



Code of Ethics Violation Reporting and Investigation Procedure



A procedure on prevention of mobbing and discrimination at work

We carefully review all reports of potential violations of the law, the Code of Ethics or internal regulations. If it is found that mobbing or discrimination (including harassment) occurred, corrective measures may include a conversation with the manager, education, coaching, change in position, and even termination of the employment contract, depending on the severity of the harmful or illegal behaviours. **In 2017, three formal complaints were filed.** In one of the cases, it was concluded that mobbing did not occur, but a decision was made to terminate the employment contract for other reasons. The second complaint was considered valid, and steps were taken in accordance with the company's internal regulations. The third complaint was not resolved in 2017.

In 2015, we announced our Supply Chain Sustainability Strategy. Polpharma Group's Supplier Code of Conduct is an important part of this document, and it defines the key requirements that our suppliers have to meet, including employment conditions and employee rights. **In 2017, all of our suppliers received and committed to adhering to the Code of Conduct.**

To meet the needs of blind and partially sighted people, all package inserts of our medicines are available in audio format at the

toll-free number 800 706 848. In line with the EU requirements, Braille is featured on the packaging of all of our products.

We understand the right to health and the key role of prophylaxis and early disease prevention in assuring it. Therefore, we carry out programmes addressed to those at risk and create online educational resources. We also help patients follow doctor's orders. In 2017 our messages reached **nearly 18 million people**, both directly (through screening tests and conferences) and indirectly (through the media), and our health education websites were visited by over 5.4 million unique visitors.

We are members of the Ethics Ombudsman Coalition group within the framework of the programme "Business and Human Rights. Implementation of the UN Guiding Principles on Business and Human Rights 2014-2020". The Coalition is a platform for exchanging knowledge on the best Polish and foreign business ethics management practices. In 2017, the Coalition's efforts included a presentation of the results of the "Standards of managing ethics systems at Polish organisations" survey and publication of the guidebook "Preventing corruption and malpractices: a system-wide protection of whistle-blowers in Poland".



Principle 3.

UNGC: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4.

UNGC: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5.

UNGC: Businesses should uphold the effective abolition of child labour.

Principle 6.

UNGC: Businesses should uphold the elimination of discrimination in respect of employment and occupation.



LABOUR STANDARDS



Our Social Responsibility Strategy defines our commitments in the area of labour standards. These include [policy creation and educating managerial staff to build a culture of diversity](#). This allows us to diminish the risk of employment discrimination.

Diversity management is a conscious effort on the part of our company to see the differences between the employees and develop appropriate strategies, policies and programmes. The purpose of diversity management is to create a work environment where all employees feel respected and appreciated and have the right conditions to live up to their full potential. In May 2015, we became a signatory to the Diversity Charter and have been actively involved in promoting this initiative ever since. Intergenerational management is one of the crucial aspects of diversity management in the Polpharma Group.

We combat discrimination of people with disabilities, seeking to increase employment of this workforce group at our organisation. Based on the findings of the access audit conducted by the Integration Foundation, we made the necessary alterations in our Warsaw office to accommodate the needs of people with motor disabilities, as shown by the [certificate "Obiekt bez barier" \(Building without barriers\)](#).

Payroll policy is an important component of our efforts to prevent discrimination. The same remuneration rules apply to all Polpharma employees. The company has a fair and transparent payroll policy in place, with a function valuation committee, an assessment system, and a bonus system, and remuneration is determined based on the employee's qualifications and grading. All staff members hired under an employment contract, including both full-time and part-time employees, have the same access to fringe benefits and other benefits to which they may be entitled under the regulations of the relevant Group company.

We implement the Sustainable Supply Chain Strategy, which allows to take care of compliance with relevant work standards also at our suppliers and business partners. Forming the basis of the

Strategy the Polpharma Group's Supplier Code of Conduct defines the key requirements that our suppliers have to meet, including employment conditions and employee rights as well as occupational health and safety.

We assure the freedom of association for our employees. We have collective agreements covering almost all employees at the Pharmaceutical Works in Starogard Gdański, Polfa Warszawa and Medana Pharma. In other Polpharma Group companies and divisions, including the Manufacturing Divisions in Duchnice and Nowa Dęba, the Biotechnology Division in Gdańsk and the Trade Office in Warsaw, remuneration regulations apply. [In 2017, a total of 63.52% of all Polpharma Group in Poland employees were covered by collective agreements.](#)

Also noteworthy are the collaborative efforts between the company and the trade unions [to prevent mobbing, discrimination and corruption](#). The unionists actively support the development and delivery of training and awareness campaigns addressing these issues, and representatives of the trade unions participate in the work of the Anti-Mobbing Committee.



Principle 7.

UNGC: Businesses should support a precautionary approach to environmental challenges.

Principle 8.

UNGC: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9.

UNGC: Businesses should encourage the development and diffusion of environmentally friendly technologies.



THE ENVIRONMENT

Environmental commitments play an important part in our Social Responsibility Strategy.

As part of our environmental goals, we have committed to:

Reduce electricity consumption. Our focus areas in 2017 included optimisation of the central dust collection system, optimisation of the compressed air station, modernisation of the primary chilled water circulation system, and implementation of an automated restart of HVAC system after a temporary voltage failure.

Reduce heat consumption. In 2017, our efforts to reduce heat consumption included the use of heat recovery for heating the central heating water and replacement of steam traps in the heating system in some of our production floors.

Reduce water intake. In 2017, we focused on reducing consumption of purified water used in manufacturing at the water demineralisation station and shortening of the washing recipes.

Maximise the use of recycled primary packaging.

Maximise the percentage of waste sent to recycling. In 2017, our result was 72%, and we constantly raise awareness among our employees of the importance of these efforts through education during periodic training.

Reduce generated waste. In 2017, we eliminated solid waste from the wastewater treatment process and reduced consumption of gelatine mass.

Our efforts in the area of sustainable development are based on the Integrated Environmental and OHS Management System compliant with the international standards ISO 14001 (environmental management), OHSAS 18001 and PN-N-18001 (OHS management) and PN-EN 17025 (quality management in research laboratories). As part of this System, we implement our environmental policies, including Environmental Sustainability Policy, Occupational Health and Safety Policy and Laboratory Management Policy.

Detailed directions of our environmental efforts are defined in our declarations of principles:



GREEN PROCESS DECLARATION

optimising and streamlining technological and support processes;



SOLVENT MANAGEMENT DECLARATION

minimizing solvent use and using solvents with the lowest possible level of toxicity;



WASTE MANAGEMENT DECLARATION

minimizing waste and maximising recycling;



GREEN TRANSPORT DECLARATION

promoting the use of public transport and cycling; promoting safe and green transport of goods.



ENVIRONMENTAL CARE THROUGHOUT THE ENTIRE VALUE CHAIN



Raw material sourcing

We qualify our raw material suppliers in accordance with the Good Manufacturing Practice

We modify our manufacturing technologies to use raw materials, solvents and packaging that are safer for the environment

We raise awareness of the standards among our suppliers

We make group purchases of raw materials to use synergies and minimise our carbon footprint



Manufacturing

We use state-of-the-art and cost-effective technologies that are safe for our employees and the environment

We monitor and manage our environmental footprint

We implement modern and eco-friendly solutions and invest in environmental education of our employees

We improve recycling and waste disposal



Sales and marketing

We use e-invoices

We use packaging that can be recycled or recovered

Meeting high environmental standards is something we require not only from ourselves but also from our suppliers. Our key requirements in this regard are described in the Polpharma Group's Supplier Code of Conduct.

The Polpharma Group is also a member of the Partnership "Together for the Environment" initiated by the UNEP/GRID-Warsaw Centre in collaboration with the United Nations Environment Programme (UNEP).

Principle 10.

UNGC: Businesses should work against corruption in all its forms, including extortion and bribery.



COMBATING CORRUPTION

One of the commitments made by Polpharma Group as part of the Social Responsibility Strategy is to strengthen the company's ethics culture by combating corruption. To live up to this commitment, we actively involve our top and middle management in promoting our ethical principles within the company, and every employee is required to attend ethics training at least once every two years.

The Polpharma Group has a uniform Code of Ethics based on common values. It was published in a booklet format, and all employees received their own

copy in their native language. In addition to the Code, Polish companies in the Polpharma Group also have other procedures in place, including anti-corruption, conflict of interest management and acceptance of gifts, invitations and other benefits. The conflict of interest management procedure includes investigation of conflicts of interest between employees, as well as between employees and third parties, such as suppliers and customers. In 2017, a conflict of interest survey was carried out among the management and certain employee groups. Based on the survey



results, appropriate steps were taken to minimise the risk of conflicts of interest, including changes in the reporting structure or line.

The Polpharma Group has set up a system of information on suspected corruption to the Compliance Officer. **In 2017, no cases of corruption were recorded**, and no suspicion of corruption was reported.

We educate our employees on how to combat fraud. In 2017, we developed both classroom training and e-learning modules for our existing employees and new hires and set up a dedicated intranet website with tutorials. We constantly remind our staff how to report violations in mailings and during employee trainings.

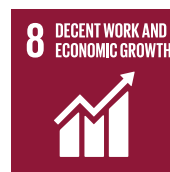
As a signatory to the Medicines for Europe Industry Code, we use the Code as a resource for our website where we publish information about offering payments to public officials, sponsored conferences, and congresses for medical organisations and healthcare professionals.

We also engage our suppliers and partners in the supply chain in our effort to combat corruption. Our key expectations in this regard are described in the Polpharma Group's Supplier Code of Conduct.



POLPHARMA GROUP'S COMMITMENT TO THE FULFILMENT OF PARTICULAR SUSTAINABLE DEVELOPMENT GOALS

Polpharma Group's Social Responsibility Strategy also serves as a tool to meet challenges faced by the pharmaceutical industry and the Polish economy as a whole. By implementing the Strategy, we contribute to the fulfilment of **6 out of the 17 Sustainable Development Goals** adopted for the world by the United Nations:





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