

LEO Pharma A/S

Communication on
Progress 2018

• Dermatology
beyond the skin



“ We pioneer dermatology by looking beyond today to constantly improve and extend what’s possible for the benefit of patients.

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01.

Our responsible commitment

As a global company, we have the opportunity as well as the obligation to pursue our business and strategic objectives in a way that fulfills our responsibilities to the society we operate in. This is reflected in our CSR Commitment.

I am pleased and proud that, as a UN Global Compact member, LEO Pharma supports the Ten Principles, which cover the areas of human rights, labor, environment and anti-corruption. We remain committed to engaging with our stakeholders. From 2018 onwards, we will report on our progress, actions and measurements of outcomes, as we integrate the UN Global Compact principles into our business strategy, our culture and our day-to-day operations.

Gitte P. Aabo
President & CEO



UN GLOBAL COMPACT

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

COMMUNICATION ON PROGRESS

We welcome feedback on its contents.

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Gitte P. Aabo
President & CEO



Our mission

We help people
achieve healthy skin

Our vision

We are the preferred dermatology
care partner improving people's
lives around the world

Our values

Integrity
Customer focus
Innovation
Passion
Adaptability

**Dermatology
beyond the skin**



LEO Pharma at a glance

As a leader in medical dermatology with a robust pipeline, a wide range of therapies, and a pioneering spirit, LEO Pharma's purpose is to make a true difference in the lives of people living with skin diseases.



LEO FOUNDATION

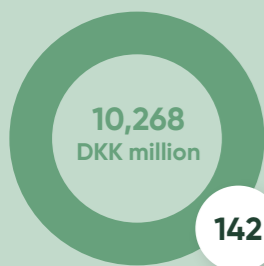
Foundation ownership

LEO Pharma is owned by the LEO Foundation. The main purpose of the foundation is to ensure the long-term independence and success of LEO Pharma. The foundation is also strongly engaged in global philanthropic activities, supporting the best dermatology research worldwide.

www.leo-foundation.org

Total revenue of established and innovative portfolio

Established



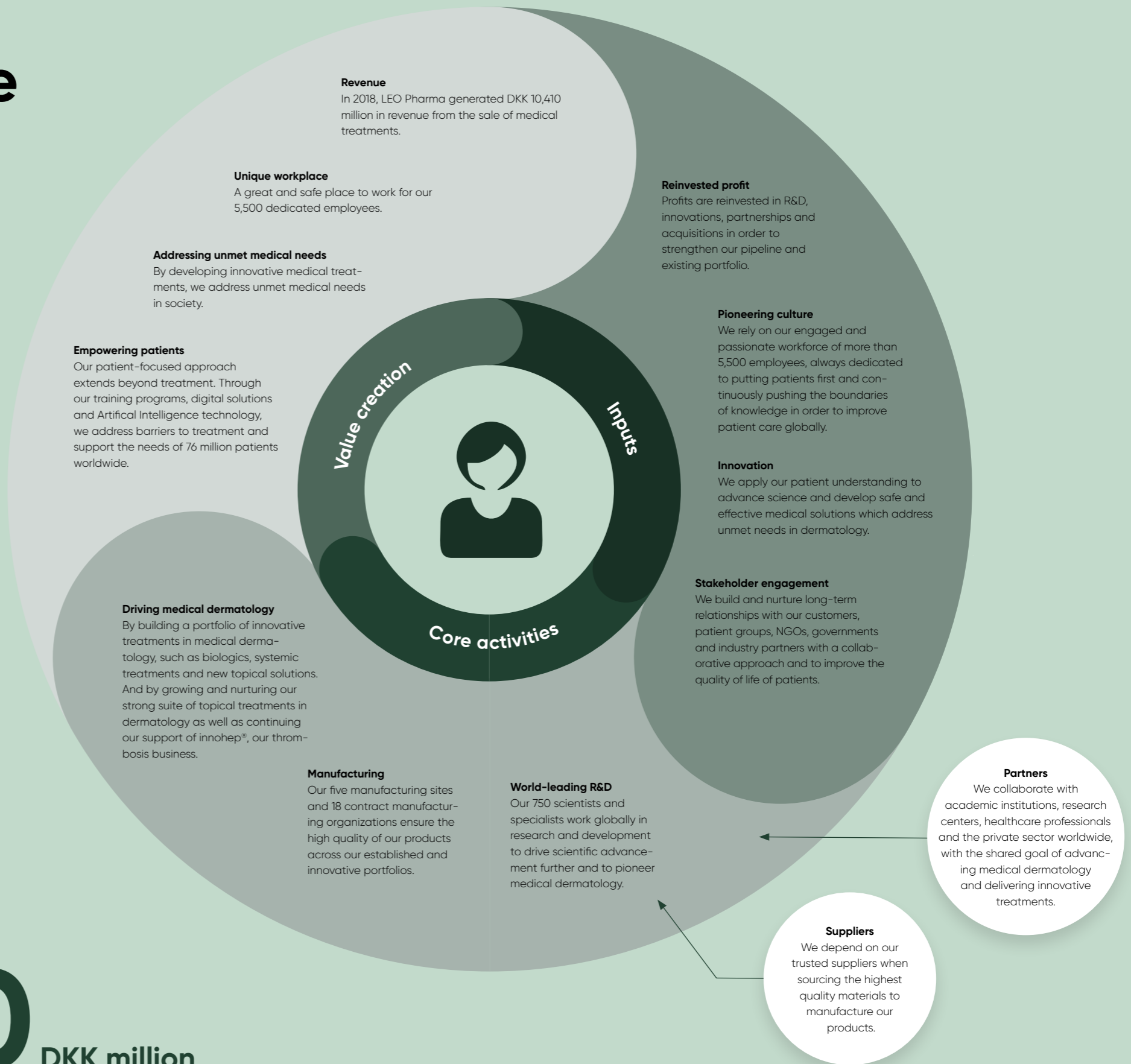
Innovative

More than
5,500
employees

18%
of revenue invested in R&D

76 million
patients in more than 130 countries
benefiting from our treatments

Revenue
10,410 DKK million



Our Business

02.



Our Strategy

Dermatology is changing. Enabled by science and technology, a new era in dermatology with completely new types of treatments is advancing rapidly. This will fundamentally change the lives of millions of people who do not have the right treatment options for their skin diseases today.

LEO Pharma's ambition is to be the key driver in this change, and we have already taken giant leaps in strengthening our position at the forefront of medical dermatology.

Towards 2025, we will increase our focus on R&D, innovation, strategic partnerships and acquisitions, with the aims of broadening our portfolio of treatment offerings comprising oral, biologic and topical treatments, and investing in treatments for rare skin diseases.

We drive medical dermatology to help people achieve healthy skin.

The aspiration of LEO Pharma's 2025 strategy is to help 125 million people by 2025.

Expanding our established portfolio

LEO Pharma has a longstanding heritage in dermatology and a strong portfolio of topical treatments. Our established portfolio forms the foundation on which we will forcefully build our innovative offerings to ensure we remain at the forefront of scientific developments. We will continue to expand this part of our business, with a focus on increasing efficiency and profitability, mainly in targeted areas in Region Europe+ and Region International.

Building our innovative portfolio

With the successful launch of our product for moderate-to-severe psoriasis, ongoing phase 3 trials for our pipeline product for atopic derma-

titis, and several other biologics in our pipeline, LEO Pharma's biotech foothold in dermatology is growing. We will continue to invest and improve our ability to tap into the world's most important innovation environments by strengthening our R&D footprint, mainly in the United States. This includes partnering with researchers and other companies who work on technologies in this field, with the aim of discovering and launching our first treatment for a rare skin disease by 2025.

Fostering the world's best dermatology R&D

The long-term ambition of LEO Pharma R&D is to prevent and cure skin diseases by developing personalized solutions. We will achieve this through targeted investments in R&D, strategic partnerships and acquisitions, as well as an increased focus on digitalization as a key capability for competitiveness.

LEO Pharma's strategy towards 2025 will require substantial investments over the coming years, not least in R&D and in product launches, which will lay the groundwork for the company's future growth and profitability.

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Our CSR Commitment

Corporate social responsibility (CSR) is embedded in LEO Pharma's business and in the behavior of LEO Pharma people.

At LEO Pharma we have a business-driven CSR approach, acknowledging our economic, social, and environmental responsibility, and promoting the Ten Principles of the United Nations Global Compact, which cover the areas of human and labor rights, environment, and anti-corruption.



We commit to operating in a way that contributes to realization of the UN Sustainable Development Goals (SDGs) and supports the global agreement to address society's greatest challenges towards 2030. We believe that aligning our business with the SDGs will help us be stronger and more sustainable, while also contributing to improve health globally.

LEO Pharma's CSR Commitment 2018-2020 defines our CSR focus areas in which we take action to contribute to the SDGs. This commitment is built on three pillars:

Empowering patients

We are dedicated to always putting the patient first. We build on deep patient insights in researching and developing new, safe and effective medicines to treat skin diseases. We collaborate with our stakeholders in healthcare – including patient organizations, policy makers, HCPs, payers and NGOs – to raise awareness of the importance of dermatological health and to address the barriers to healthcare faced by our patients.

Sustainable operations

We are committed to operating our business sustainably. We nurture the commitment and passion of our employees to face the challenge of future uncertainties to fulfill our LEO Pharma 2025 strategy. As a healthcare company, we want to minimize the impact of our business operations on the environment – not only today, but well into the future.

Business integrity

Integrity is one of our core values at LEO Pharma. We uphold high ethical standards throughout our value chain by being accountable and transparent, respecting human rights, and maintaining sound governance.



WE SUPPORT



Helping people achieve healthy skin

Our CSR Commitment 2018-2020

Empowering patients

-  Expanding dermatological solutions
-  Removing barriers to healthcare
-  Strengthening patient voice

Sustainable operations

-  Climate change, environment and energy
-  Mental well-being at work
-  People development

Business integrity

-  Employee safety
-  Personal data protection
-  Anti-corruption
-  Responsible supply chain management
-  Animal welfare



THE GLOBAL GOALS
For Sustainable Development

Towards the UN Sustainable Development Goals



Empowering patients

Patients are our first priority. At any point in time, an estimated one in four people worldwide is living with a skin disease, making these diseases some of the most prevalent worldwide.

LEO Pharma's ambition is to drive medical dermatology and develop medical treatments that help people with skin disease improve their quality of life. We do this by constantly improving our understanding of the patient needs and the barriers to treatment they face.

At the core of this are our R&D efforts. LEO Pharma offers a broad range of important standard treatments, as well as new innovative solutions for skin diseases.

We have built one of the strongest pipelines in eczema – an area of significant unmet medical needs – and recently entered the field of rare dermatological diseases.

Patients also face significant barriers to healthcare because skin diseases are often overlooked and under-represented in the training of physicians. This leads to long periods where treatable conditions go undiagnosed or untreated, causing a great burden on patients, healthcare systems and society. LEO Pharma is working with physicians and patient organizations to address this awareness gap. Our educational and training programs help patients prepare for their consultations

with physicians. Moreover, LEO Innovation Lab is building digital solutions to improve the diagnosis of skin disease and to help patients and physicians monitor the progress of treatment.

Patients with skin diseases deserve a stronger voice in society. A key challenge for access to healthcare in psoriasis and eczema is the low prioritization of these diseases in health systems around the world. LEO Pharma is committed to raising awareness of skin conditions and supporting patient organizations in advocating their cause so that patients have access to the healthcare services and treatments they need.

LEO Pharma programs for achieving our strategy towards 2025

-  Expanding dermatological solutions
-  Removing barriers to healthcare
-  Strengthening patient voice

“ I try to remind myself that how my skin looks is the least important thing about me. As long as I am as healthy, as I can be with an autoimmune disease, then how my skin look visually doesn't matter. I refuse to let psoriasis be my defining feature!

Judith Duncan, Scotland
Mobile Marketing Campaign Manager
and blogger @theweeblondie

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Removing barriers to healthcare

We want to support patients in getting access to the dermatological care they need. This includes raising disease awareness through the training of healthcare professionals, digital innovation to improve the speed and accuracy of diagnosis, and identifying solutions to improve access to dermatological services.

Psoriasis Academy

Engaging and empowering people living with psoriasis

LEO Pharma Psoriasis Academy is an educational and train-the-trainers initiative that offers a unique global program to improve the consultation dialogue between patients and their healthcare practitioners.

The program strives to promote person-centered care and patient empowerment in the field of psoriasis by providing communication strategies that help empower patients to take control of their condition.

LEO Pharma collaborates with a multi-disciplinary global faculty in the development and facilitation of the train-the-trainers program. The faculty possesses expertise in fields including: dermatology, psychology, psychodermatology, patient communication/empowerment, dermatology nursing and patient advocacy.

So far, National Psoriasis Academy Workshops have been conducted in 20 markets, reaching more than 1,600 HCPs, including dermatologists, nurses and student doctors.

Mobile access to treatment

Bringing dermatology health care to remote areas in Egypt

Under the name "Geldy Elaziz", which in Arabic means "My dear skin", LEO Pharma Egypt established a comprehensive skin health program to help people with skin diseases in remote and under-privileged areas of Egypt.

Four local venues were rebuilt into fully equipped clinics to host the activities. The project was run in partnership with the Egyptian Medical Student Association (EMSA) and a local Egyptian NGO, Shamseya, which works to create sustainable, community-based solutions to local healthcare challenges.

The program included town hall awareness meetings, medical check-ups, diagnosis and prescription. Medical students helped prepare individual follow-up plans for patients, taking severity, costs and duration of required treatment into consideration.

The project activities covered four districts in the two Egyptian governorates of Gharbeya and Minya, in coordination with local NGOs. LEO Pharma helped 305 attendees through the town hall awareness meetings, in addition to sponsoring 690 dermatology check-ups and 101 follow-up cases.

“ If we want to identify benefits that we bring to a patient with a therapy, then we always have to ask the patients about their individual needs.

Kristian Reich

Professor for Translational Research in Inflammatory Skin Diseases, University Medical Center Hamburg-Eppendorf and Skinflammation@, Hamburg, Germany.



LEO Pharma Egypt established a comprehensive skin health program to help people with skin diseases in remote and under-privileged areas of Egypt.

Strengthening patient voice

Empowering patients to be included, valued and able to live life free of restraints of their disease.

Exposing the true burden of psoriasis

Helping people with skin diseases means much more than delivering pharmaceutical treatments. It means understanding patients and including their voice in healthcare policies and decisions.

In the UK and Ireland, LEO Pharma runs the Voices in Partnership (ViP) program, inviting a group of patients to get involved at the heart of our business. Working in partnership together helps us understand how we can best give patients a voice to drive positive change and address their challenges. Our ViPs are our patient conscience, telling us when we get it right, and more importantly, when we get it wrong.

Teaming up with the Patients Association, an independent national charity campaigning for improvements in health and social care, supported by an expert multidisciplinary task force and some of our ViPs, we developed the PSO What? report, which aims to expose the true burden of psoriasis. Uncovering many areas of challenge, the report calls for three key efforts:



Building on the PSO What? report and aiming to advance HCP education and patient care, the "PSOMorbidities" (psoriasis co-morbidities) education program was developed for healthcare professionals, comprising a website, educational tools and consultation resources.



“ I was pleased to get the opportunity to be involved in LEO Pharma’s considerations in relation to investing in the development of treatment. Throughout the process, both LEO Pharma and PellePharm showed a sincere interest in the patient-related outcomes.

Matthew Holbert
Member of the Board of Trustees of the Gorlin Syndrome Group.

Engaging patients in assessing business opportunities

2018 saw LEO Pharma engaging with people from the Gorlin Syndrome Group in assessing whether and how we should invest in a business opportunity and thereby enter a new area. One of these people is Matthew Holbert, member of the Board of Trustees of the Gorlin Syndrome Group and a Gorlin Syndrome patient. Matthew participated in the review of the business case regarding LEO Pharma’s collaboration with PellePharm.

Matthew’s story:

“I was diagnosed with Gorlin Syndrome when I was in my late thirties, by which time I’d already had about 20 basal cell cancers (BCC) removed. In the 20 years since then, I’ve had one or two operations per year for BCCs due to the lack of other medical treatment or solutions.

So the worst things about the disease are the surgery, the scarring and the pain. But it’s also very important to me to highlight the psychological effect of Gorlin Syndrome. I often hear people say ‘it must get easier for us over time’, because we know what to expect. It is the complete opposite. Because you do know what to expect. You know that you will be going to hospital five or six times around the surgery. You know that you will have to overcome pain and scarring.

So the main concern people with the disease have is about the future. Because you just don’t know when you might get another BCC and require

surgery again. You can’t make plans for yourself or your family because you worry about whether and when you might need surgery again. It is those uncertainties that cause the high prevalence of depression and anxiety among people with Gorlin Syndrome. It feels like it is your identity that is being eroded. So anything that stops that feeling has got to be good.

Therefore, I was pleased to get the opportunity to be involved in LEO Pharma’s considerations in relation to investing in the development of treatment. Throughout the process, both LEO Pharma and PellePharm showed a sincere interest in the patient-related outcomes. For example, they started off by researching people’s stories rather than going through textbooks or scientific journals. That’s a very unusual and very refreshing approach.

I think the reason we feel so desperate is that we really want to find something that is designed for us, but there is just nothing that is customized to our needs. Therefore, I think the fact that pharma is now looking into rare diseases has really positive implications for us. And so far, it has been a very positive experience to work together with LEO Pharma and PellePharm. I hope we can continue into the future.”

“ We pioneer dermatology by looking beyond today to constantly improve and extend what’s possible for the benefit of patients.



Sustainable operations


Our aim is to grow our business sustainably. We foster a workplace where employees can thrive and manage our environmental footprint to promote a healthy planet.

We want to pioneer innovations in medical dermatology while progressing towards a prosperous future for all.


To fulfill our LEO Pharma strategy moving towards 2025, we need a talented, motivated, and diverse workforce. We want to increase our employees’ satisfaction and motivation by creating a good and healthy working environment that fosters a culture of curiosity, collaboration and innovation, and supports their well-being at work.

At our manufacturing sites, we have a responsibility to minimize the impact of our business and strive to strengthen the environmental performance of our operations. This includes reducing our CO₂ footprint in production and maintaining sound environmental practices to help shape a sustainable future for generations to come.

LEO Pharma programs that support our efforts to contribute to a sustainable future

 Climate change, environment & energy

 Mental well-being at work

 People development

Reducing our environmental footprint

LEO Pharma strives to have a positive impact on the health of the planet through sound environmental stewardship and practices.

Our ambition is to meet or exceed performance requirements for environmental regulatory compliance standards in all facilities.

In 2018, we reached our goal to obtain ISO 14001 certifications in accordance with the new ISO standard for all five manufacturing sites by end of 2018. Our goal to obtain ISO 50001 certifications for all manufacturing sites has been delayed and is expected to be achieved no later than 2020.

Setting new environmental goals for 2020

This year, we have continued our focus on improving our energy and environmental performance across our business.

Our approach to achieving our 2020 energy savings target includes purchasing efficient lighting and performing infrastructure upgrades and replacements that minimize our direct energy consumption. In 2018, we made significant progress towards our target by replacing four hydraulic engines with energy efficient electric equivalents at LEO Pharma's Ballerup site. We have also initiated a process of replacing a significant share of our lighting with more energy efficient LED light fixtures. In 2019, we will continue to invest in new technologies to help us reduce the energy consumption of our operations.

We want to look at the bigger picture regarding the impact that climate change has on our operations. Therefore this year, we engaged with an external partner and established a company-wide carbon footprint baseline, which will serve as the basis for understanding major climate change contributors that we will look into in 2019. We will also develop a plan for climate change mitigation and resilience.

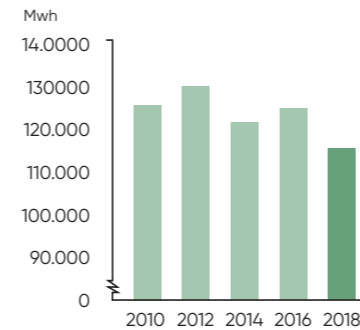
To continue to run an environmentally sustainable business, we will still monitor and improve other areas of our environmental footprint where we maintain a strong performance. This includes our efforts relating to waste reduction and recycling.

OUR GOALS FOR

2020

- To save an amount of energy corresponding to 10% of our energy consumption in 2013 via energy saving projects.
- To align our climate ambitions to meet EU targets.

Total energy consumption at our sites



Reducing waste

At our site in Cork, Ireland

Our site in Cork, Ireland uses about 500,000 liters of ethanol annually in two different production processes. Instead of buying 99% pure ethanol for both processes, the ethanol used in the first process is re-distilled on site and re-used in the second process, which only requires 93% pure ethanol. All ethanol used in both processes is re-distilled and sold to a company in the UK that uses it for other industries, such as bio-ethanol fuel production, textiles, and chemicals. This means that there is no ethanol waste stream from the production processes. This re-use also reduces the need to purchase about 100,000 liters of 99% pure ethanol per year.

At our site in Esbjerg, Denmark

LEO Pharma's production facility in Esbjerg, Denmark handles 70,000 tons of pig mucosa per year. However, only 1% of the pig mucosa contains the core ingredient needed to make the active pharmaceutical ingredient (API). To reduce our waste, we found a way to dispose of processed pig mucosa that brings value to the community around the Esbjerg facility. Since 2011, we have been working with the Danish company Hede-Danmark, which specializes in making good use of organic materials for agricultural purposes, to turn mucosa waste into Fertigro®, a high potency organic fertilizer. With Fertigro®, we are able to reuse 95% of mucosa waste for a product that brings organic material and nutrients to the fields of about 300 farmers in the Esbjerg area.

Another valuable waste product is Fertifed®, a high potency fat product delivered to biogas plants. Fertifed® contains a high amount of carbohydrates that can be easily transformed into methane.

Both Fertigro® and Fertifed® contribute to LEO Pharma's circular economy life cycle management.



Building a unique workplace driven by a strong purpose

We want to create an environment where our employees are empowered to grow and shape the future.

In 2018, LEO Pharma undertook a comprehensive global research study among our employees. Supplemented by the latest employee survey, it showed that employees consider LEO Pharma to be a unique workplace, characterized by:

- Being purpose driven and having real focus on improving patients' lives due to the foundation ownership.
- Having a high level of trust and people who are empowered to make an impact and grow.
- Having a caring culture with helpful and collaborative colleagues, creating an environment where each employee can be their best professional self.

The goals are backed up by a development plan for the employee's current job and potential future job roles.

Leadership as a key enabler

We know from our benchmarking that we have strong leaders at LEO Pharma, and we see strong leadership as a key enabler for our change journey. In 2018, we prepared and adopted a leadership development strategy for developing the most critical leadership behaviors for executing the LEO Pharma 2025 Strategy. In 2019, we will start to launch the leadership development program for those who are new to the leadership role as well as our senior leaders.

Sustainable work-life balance

Our approach to sustainable work-life is anchored in our new Position on Mental Well-being at Work.

As a caring healthcare company, we recognize that a productive work-life balance is based on a healthy work life, encompassing good physical and mental well-being. This is a prerequisite for performance in a modern globalized workplace. A sustainable working environment is important in giving our employees satisfaction and enabling them to lead good lives at work and with their friends and families.

We are proud that our employees feel that they belong to a unique workplace. We do not take this for granted and will continue to develop our people and enhance their well-being at work.

Enabling people and LEO Pharma to grow

In December 2018, we launched LEO GROW, a new global process that ensure managers

and employees have ongoing conversations about performance and development. As part of this, the agreed business goals are supplemented with behavior goals to ensure a dual focus on both what to deliver and how to deliver.

We achieved a high sustainable engagement score of 83%, meaning that LEO Pharma employees are highly motivated and committed, and feel a very strong connection to the overall purpose of LEO Pharma.

Gender diversity in management

We achieved our goal to have at least two female members on the Board of Directors by 2019 already in 2017.

In 2018, we set the goal to have at least three female board members on the Board of Directors of LEO Pharma A/S (in addition to the employee-elected board members) by 2021.

Currently, as one female member resigned during the course of 2018, one of the eight Board of Directors members is female.

Women represent a total of 41% of management positions at levels below the Board of Directors of LEO Pharma A/S.

Statutory report on gender diversity, pursuant to section 99b of the Danish Financial Statements Act.



Business integrity

At LEO Pharma, we want to be valued not only for our treatments, but also for the way we work.

Integrity is one of our core values, and we are committed to acting ethically and responsibly throughout our business. Whether it is finding technological alternatives to animals in science for our research, safeguarding data privacy, or our zero tolerance to bribery and corruption, we apply high standards of ethical practice throughout our business and supply chain.

Integrity also defines how we approach dialogue with our stakeholders, including our suppliers. We want to build trust by listening to their concerns and communicating transparently about LEO Pharma. To build and maintain trust with our stakeholders, we work with a number of programs in our CSR Commitment 2018-2020 that focus on integrity.

“ Integrity is one of our core values, and we are committed to acting ethically and responsibly throughout our business.

We are guided by national law and international frameworks in our approach to responsible business practice. This includes the UN Global Compact, as well as international conventions such as the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

We also comply with our legal obligations, including the social responsibility reporting under Danish law, the UK Bribery Act, Foreign Corrupt Practices Act, the UK Modern Slavery Act, and the General Data Protection Regulation (GDPR).

LEO Pharma programs that contribute to upholding the high integrity standards of our business



Employee safety



Personal data protection



Anti-Corruption



Responsible supply chain management



Animal welfare



Strengthening a culture of safety by engaging employees

Maintaining positive safety performance requires strong, proactive and credible leadership, and direct engagement with our employees across the company.

At LEO Pharma, we are determined to protect our employees by avoiding potential accidents and promoting a safe working environment and culture. Our approach to LEO Pharma employee safety is anchored in our Occupational Health and Safety policy, yet we believe that a true culture of safety relies on continued direct engagement with our colleagues.

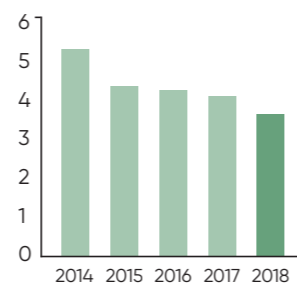
Our ambition is to have a safety performance that is on par with the best in our industry by 2020. Until now, this has been measured in the LTI rate. With an LTI rate of 3.7 in 2018, down from 4.1 in 2017, we are moving in the right direction.

In 2018, we introduced a "Best in Safety" project. One element of the "Best in Safety" project is training managers in production to lead by example

and motivate their teams through ongoing safety training and shop floor "toolbox talks". These interactive sessions strengthen a culture of safety by encouraging employees to engage in their own safety and address potential safety issues through reflections on everyday situations.

In 2019, we will focus on safety as a guiding principle when designing new solutions, and we will introduce a data-driven approach to find the best risk mitigation solutions for preventing incidents. We will also develop and report on new value-creating KPIs that help us improve our safety performance, while working proactively to identify and manage risks and prevent accidents.

LTI rate* at LEO Pharma manufacturing sites:



*LTI rate per million working hours calculated as:

$$\frac{\text{(Number of injuries with more than one day absent from work} \times 1,000,000 \text{ working hours)}}{\text{Total number of working hours based on local standard working hours}}$$

A safer year in Dublin

In 2018, LEO Pharma's Dublin site celebrated a year with only two incidents of lost time due to injury, down from seven incidents in 2017. Stephen Rush, Senior Director in Finished Goods Manufacturing, Dublin, is proud of this achievement: "We are creating a stronger culture of safety by making small things important. We try to talk about safety every day and we communicate minor incidents and near-miss events to get even better. We strive for an injury-free workplace. That is our ultimate goal.

Data protection across the globe

In a rapidly evolving digital world, the responsible handling of personal data is ever more important and complex.

As a global pharmaceutical company, LEO Pharma processes large amounts of data. Much of this data contains personal information.

Our employees, patients, customers, and business partners have the right to expect that we safeguard their personal data and handle it with respect and integrity. The EU General Data Protection Regulation (GDPR) that came into force on May 25, 2018 clarifies what companies must do to observe this right.

Our "Binding Corporate Rules" on data protection set the highest possible privacy protection standard across all countries where we operate, including those with more lenient data privacy legislation. This means that our employees, patients, customers and business partners – regardless of location – have their right to data privacy protected in accordance with the highest standards, as set out by the GDPR.

Embedding a privacy culture

Safeguarding privacy requires company-wide awareness of the importance of accountable and ethical handling of personal data. In 2018, we launched an extensive training program for LEO Pharma employees who handle personal data. These trainings introduced the legal requirements of the GDPR, the ethical importance of privacy protection, and the new LEO Pharma systems and procedures we are implementing to handle data responsibly and with integrity. In 2019, we will complement these trainings with an awareness campaign to further anchor privacy in the hearts and minds of all LEO Pharma people.

Building strong data privacy performance

In 2018, there were zero significant data breaches reported within our operations. A significant data breach is a personal data breach that is likely to result in a risk to the rights and freedoms of individuals and requires reporting to the Danish Data Protection Agency. Nevertheless, we did encounter 13 minor data breach incidents. Minor data breaches are those registered through our information security platform that do not require reporting to the authorities. In these cases, we work to remedy, investigate the rootcause, and implement mitigative actions.

Going forward, we want to maintain our proud record of no significant data breaches, while striving to further decrease minor data breaches. We will incorporate learning from these minor incidents into our training and awareness-raising programs to further strengthen a culture of rigor in the handling of personal data.

Binding Corporate Rules

Binding Corporate Rules (BCR) is a European authority approved mechanism for data transfers within LEO Pharma. By applying GDPR principles globally, EU data protection authorities allow – upon approval – for the free transfer of personal data out of the European Economic Union, thereby permitting the use of global functions and IT systems.

Working responsibly with suppliers

LEO Pharma wants to create better supply chains in the pharmaceutical and healthcare industry. Through our responsible supply chain management processes, we work to minimize adverse impacts from suppliers of goods and services in relation to labor and human rights, environment, and anti-corruption.

We believe we can be more effective by joining forces with other companies in our industry than by acting alone. Therefore, in 2018, we engaged with two collaborative platforms focusing on improving the social, environmental, and ethical performance of supply chains in the pharmaceutical and healthcare industry.

First, we initiated a networking group through the Danish Initiative for Ethical Trade (DIEH) for best practice sharing and peer learning on implementing responsible business practices in pharmaceutical supply chains.

Second, we joined the Pharmaceutical Supply Chain Initiative (PSCI), a collaborative initiative that aims to establish and promote a set of common standards for the continuous improvement of social, health, safety, and environmental performance in supply chains. Through our work with the audit committee group, we collaborate in the development of shared tools and standards in the pharmaceutical industry and engage in a proactive approach to supplier assessment. Next year, we will also participate in PSCI's Human and Labour rights working group. This will enable us to work with our peers on understanding and addressing key human rights risks in pharmaceutical and healthcare industry supply chains.

Stronger assessment of suppliers

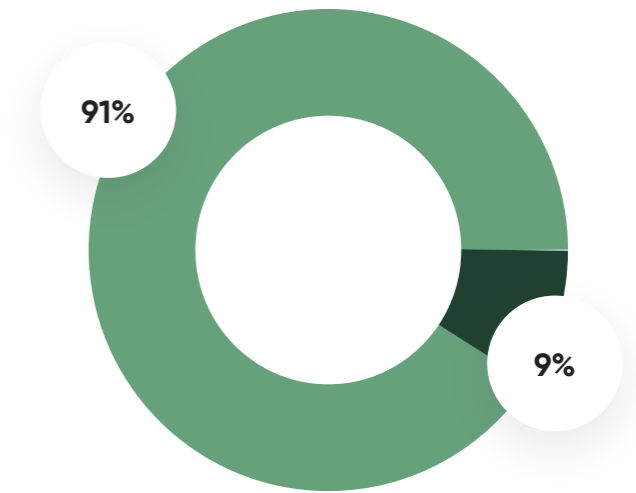
As our supply chains are complex and ever-changing, we must continue to improve our respon-

sible supply chain management program along the way. Since 2014, we have progressively integrated our due diligence process into the procurement processes of key affiliates. Today, more than 80% of our spend is covered by our responsible supply chain management processes.

Roll-out of Responsible Supply Chain Management Program across affiliates

2014	DK
2016	FR, IE, AU
2017	North Europe: UK, BE, NL, FI, NO, SE
2018	Central Europe: CH, DE, CZ, RO, PL, AT, SK South Europe: ES, IT Rest of the world: CH, JP, SG, SKR, PT, GCC

In 2019, we will reinforce supplier engagement and develop a site visit program to increase awareness about responsible business practices among our priority suppliers. Our aim in engaging proactively with the suppliers is to emphasize collaboration and foster dialogue about transparent governance frameworks and responsible business practices. We



Location of Tier 1 suppliers in our Responsible Supply Chain Management Program

■ OECD countries ■ Non-OECD countries

will base the site visit program on recommendations in the OECD Guidelines for Multinational Enterprises as well as the Pharmaceutical Supply Chains Initiative audit framework.

In 2018, we complemented our established supplier assessment program by incorporating an assessment of human rights impacts in our supply chains. The outcomes of this process allow us to improve our supplier selection and assessment processes by identifying potential human rights issues early and accurately through a process of analysis.

In 2019, we will conduct site visits of key suppliers using recommendations from the OECD guidelines and PSCI audit framework and upload one site assessment to PSCI platform. In 2020, we will perform five site visits.

Choosing more sustainable options at LEO Pharma

Sometimes small changes can create a ripple effect through the years. As part of our 'What We Buy' project, we have taken our first steps in the journey of choosing the more sustainable option at LEO Pharma.

We have looked at changing our indirect products to more sustainable solutions in internal collaboration with the procurement team. We have decided to work with the products and services with a green impact that is visible to employees. This project will continue in 2019.

LEO Pharma due diligence process

LEO Pharma systematically screens all new suppliers based on parameters aligned with the Ten Principles of the UN Global Compact and the LEO Pharma Third Party Compliance Code. Through a risk-based approach, we prioritize suppliers for further assessment. In 2018, we implemented new ranking criteria that will strengthen our due diligence by increasing our knowledge of suppliers' CSR performance in 2019.



Our Governance

03.



“ No one understands how much I am affected by my psoriasis. In my own mind, I think it’s comparable to leprosy in the Middle Ages”

*Jakob, 65
Denmark*

Special business and financial risks

In implementing our 2025 Strategy, it is crucial that LEO Pharma continues to diligently manage the risks inherent in our business activities and reduce the potential negative impact of these risks to an acceptable level.

Throughout 2018, a number of initiatives to improve enterprise risk management were enacted, including the establishment of a Global Risk & Compliance Officer role reporting to the Audit Committee. The Global Risk & Compliance Officer oversees risk management at enterprise level.

The following section outlines the major negative enterprise risks, all with extensive and continuously evolving prevention and mitigation plans in place:

Strategic risks

Pipeline attrition is an inherent risk in pharmaceutical research and development. This includes potential development failure of one or more of our key pipeline assets.

Market access restrictions and pricing pressure is a trend that is expected to continue for the industry as a whole and potentially at a higher rate than expected. The main factor driving this trend is that private and government payers are demanding increasingly higher discounts and rebates, while restricting reimbursement and access to new and established products (both topicals and systemics). This poses a significant risk for LEO Pharma across most geographies, but is most pronounced in the US market.

The competition dynamics of the prescription dermatology market are rapidly changing, with new players steadily emerging. This can potentially impact our ability to maintain market shares of established products, sustain product launch trajectory of recently launched products, and

successfully commercialize our development pipeline assets, while also affecting our ability to partner with the right investigators and study sites for our clinical trials.

Operating risks

Supply disruptions due to delays or failures throughout our global supply chain is a significant risk. These disruptions may result from breakdowns in our internal supply processes or those of external partners, causing product shortages for patients and caregivers and negatively impacting LEO Pharma's finances and reputation.

Information security breaches, including malware attacks and data breaches, form a significant risk. The potential risk impact has increased throughout 2018, due in part to the wide-ranging legislative requirements coming into effect, including the EU General Data Protection Regulation, and due to the extensive malware attacks that have significantly impacted other medium and large size corporations recently.

Compliance risks

Violations of external legislation, regulations, industry codes and internal standards is a potential risk for a company like LEO Pharma, which operates on a global scale in a strictly and increasingly regulated industry. These risks may materialize in our internal operations or in external dealings with business partners, healthcare providers, etc. Such violations could lead to investigations by external authorities and lawsuits filed against LEO Pharma, causing financial and reputational damage to

LEO Pharma, while also negatively impacting the individuals involved.

Financial risks

Transfer pricing disputes with tax authorities and currency impact due to exchange rate fluctuations are external risks that could affect LEO Pharma at any time. LEO Pharma's foreign exchange risk is most significant in USD, GBP and CAD, as the foreign exchange risk arising from EUR sales is regarded as low due to Denmark's fixed-rate policy towards EUR.

CSR risks

LEO Pharma is committed to addressing CSR risks linked to our products and our business operations. This includes addressing the risks of our business on society, the environment, and on climate change, and the risks CSR issues pose to our long-term business objectives.

On pages 41-44 you can find an overview of our CSR risks assessment process, material CSR issues and the LEO Pharma programs we implement to address them.

“ As a foundation-owned company, we have the independence and obligation to put patients first.

Company information

A proactive and transparent corporate governance structure promotes sustainable business behavior and long-term value creation.

Ownership structure

LEO Pharma A/S

LEO Pharma A/S is a fully owned subsidiary of:

LEO Foundation
Lautrupsgade 7, 5th floor
2100 Copenhagen Ø, Denmark.

LEO Group legal structure



*Group comprises LEO Pharma A/S and its Danish and international subsidiaries.

Board of Directors

LEO Pharma A/S

Jukka Pekka Pertola

Chairman, Board member since 2011

Olivier Bohuon

Vice Chairman, Board Member since 2018

Patrik Oluf Dahlén

Board member since 2016

Jesper Høiland

Board Member since 2016

Cristina Patricia Lage

Board Member since 2017

Jan van de Winkel

Board member since 2017

Anders Ekblom

Board member since 2018

John Robert Weeks

Board Member since 2014

Jesper Mailind

Board Member since 2018

Signe Maria Christensen

Employee-elected Board Member since 2018

Franck Maréno

Employee-elected Board Member since 2018

Jannie Kogsbøll

Employee-elected Board Member since 1998

Karin Attermann

Employee elected Board Member since 2008

Remuneration and Nomination Committee

The Board of Directors has established a Remuneration and Nomination Committee to assist the Board of Directors in aspects related to remuneration, assessment and nomination. The Remuneration and Nomination Committee meets when required but at least twice a year. The Remuneration and Nomination Committee is comprised of four members, three of whom are members of the Board of Directors and one of whom is appointed by the LEO Foundation.

The Board of Directors has elected the following board members to the Remuneration Nomination Committee: Jukka Pekka Pertola (Chairman), Olivier Bohuon, John Robert Weeks & Jesper Mailind (The LEO Foundation)

Audit Committee

The Board of Directors has established an Audit Committee to assist the Board of Directors in overseeing aspects related to financial reporting, auditing, risk management, currency and investment policies and compliance. The Audit Committee meets when required but at least four times a year. The Audit Committee comprises three members, all of whom are members of the Board of Directors. The members possess the relevant qualifications as specified in the Rules of Procedure for the Audit Committee.

The Board of Directors has elected the following board members to the Audit Committee: Patrik Olof Dahlén (Chairman), Cristina Patricia Lage & Karin Attermann

Scientific Committee

The Board of Directors has established a Scientific Committee to assist the Board of Directors in overseeing the Research and Development Strategy and the R&D pipeline. The Scientific Committee meets when required but at least four times a year. The Scientific Committee is comprised of three members, all of whom are members of the Board of Directors.

The Board of Directors has elected the following board members to the Scientific Committee: Jan van de Winkel (Chairman), Jesper Høiland & Anders Ekblom

Research Project Board

LEO Pharma's Global Leadership Team has established the Research Project Board to ensure alignment on managing the research projects, from initiation until decision to start clinical testing.

The Research Project Board is a cross-functional board with members from the wider areas of R&D, including Research, Medical Science and Pharmaceutical Design & Development.

Chairman: Thorsten Thormann, Vice President, Research.

Corporate Social Responsibility Board

The Corporate Social Responsibility (CSR) Board is an initiative of LEO Pharma's Global Leadership Team. The LEO Pharma CSR Board sets the strategic direction for CSR at LEO Pharma and supports implementation. The board discusses and approves high-level CSR initiatives, approves annual CSR reporting and acts as CSR spokespersons, supporting internal and external CSR communication. The board also formally appoints CSR Drivers based on recommendations from the CSR team. The President and CEO of LEO Pharma appoints the members of the CSR Board.

The CSR Board is a cross-functional board with members from the following functions: Global Procurement, Global Communications and Public Affairs, Research, Dermatology Value Stream and Cluster Europe (North), Australia & New Zealand.

Chairman: Mette Vestergaard, Executive Vice President, Global People & Business Transformation.

Development Board

LEO Pharma's Global Leadership Team has established the Development Board to ensure strategic alignment and to maximize the value of the portfolio of projects in development, from first clinical studies until launch.

The Development Board is a cross-functional board with members from Global Research & Development, Global Product Supply, Marketing, Region US, Finance, and the CEO.

Chairman: Kim Kjøller, Executive Vice President, Global Research & Development.

Life Cycle Management Board

LEO Pharma's Global Leadership Team has established the Life Cycle Management Board to ensure strategic alignment, to maximize the value and to ensure compliance for LEO Pharma's marketed solutions.

The Life Cycle Management Board is a cross-functional board with members from Research & Development, Global Product Supply, Marketing & Sales Regions, and Finance.

Chairman: Jørgen Damsbo Andersen, Executive Vice President, Region International.

Compliance Board

The Compliance Board is an initiative of LEO Pharma's Global Leadership Team. The role of the compliance board is to strengthen the overall compliance community and to strengthen the compliance mindset throughout the organization. The compliance board has oversight responsibility with respect to overall compliance programs and procedures, and monitors the implementation of compliance programs, procedures and guidelines. The compliance board also oversees the investigation of potential compliance violations.

The Compliance Board is a cross-functional board with members from Global Compliance & Risk, Business Ethics, Global Quality and Global Legal.

Chairman: Mette Vestergaard, Executive Vice President, Global People & Business Transformation.

LEO Innovation Lab Board

Established by LEO Pharma's Global Leadership Team. Advisory board to LEO Innovation Lab in setting the strategic direction.

The LEO Innovation Lab Board consists of the Head of LEO Innovation Lab, the President and CEO of LEO Pharma, the Executive Vice President Global People & Business Transformation, as well as Jacob Jønck, entrepreneur, and Tommy Ahlers, entrepreneur (stepped down from the board on May 3, 2018).

Chairman: Kim Kjøller, Executive Vice President, Global Research & Development.

LEO Pharma A/S

Global Leadership Team



From left: Anders Kronborg, Kim Kjøller, Mette Vestergaard, Jørgen Damsbo Andersen, Gitte P. Aabo, Patrice Baudry, Guillaume Clément, Rhonda Duffy & Chris Posner.

Gitte Aabo: President & CEO

Anders Kronborg: Executive Vice President, Global Finance & Business Services

Chris Posner: Executive Vice President, US and President & CEO of LEO Pharma, Inc.

Guillaume Clément: Executive Vice President, Region Europe+

Jørgen Damsbo Andersen: Executive Vice President, Region International

Kim Kjøller: Executive Vice President, Global Research & Development

Mette Vestergaard: Executive Vice President, Global People & Business Transformation

Patrice Baudry: Executive Vice President, G3M – Global Marketing, Market Access & Medical Affairs

Rhonda Duffy: Executive Vice President, Global Product Supply

Defining our CSR issues

In our CSR Commitment 2018–2020, we commit to focus on addressing issues where our impact on society and our business is the most significant.

As a global pharmaceutical company that innovates, researches, produces, and distributes medicines to our patients, our business performs many functions that impact on society.

Most importantly, we address unmet medical needs and support our patients by helping to remove barriers to healthcare and promote patients' voice in healthcare decisions. We also employ a diverse workforce of blue and white collar employees, and maintain relationships with a broad range of business partners throughout our global value chain.

Our CSR focus areas




Our CSR Commitment 2018–2020 sets the framework for working on the CSR issues which are most important to our business. Through continuous dialogue with internal and external stakeholders, we work to understand the impact of our business on society.

We included in our assessment views from patient organizations, regulators, policy makers, civil society, business partners and employees. We have prioritized 11 issues that are considered to be most important to our stakeholders and to LEO Pharma. These key issues are addressed through our portfolio of 11 programs supporting the CSR Commitment.





Empowering patients

Issue	Issue description	Program	UN Sustainable Development goal
Unmet medical needs	Address unmet medical needs of people with skin disease through continued development of medicines and minimize risk to patients' safety through robust clinical trials and data transparency.	Expanding dermatological solutions	 Target 3.4  Target 17.17
Barriers to healthcare	Improve accessibility, quality, and affordability of health services available to dermatology patients.	Removing barriers to healthcare	 Target 3.8  Target 17.17
Patient voice in healthcare policies and decisions	Increase patients' influence on policies, guidelines, and disease management.	Strengthening patient voice	 Target 3.8  Target 17.17

Sustainable operations

Issue	Issue description	Program	UN Sustainable Development goal
Resource use and climate change	Manage impact of our operations on climate change and the environment by reducing energy consumption and CO ₂ emissions throughout our value chain.	Climate change, environment and energy	 Target 7.3  Target 13.1
Sustainable worklife	Foster a positive working environment and enhance mental well-being at work.	Mental well-being at work	 Target 8.8
A capable and motivated workforce	Ensure that we are able to attract, develop and retain the people with the right competences.	People development	

Business integrity

Issue	Issue description	Program	UN Sustainable Development goal
Workplace safety	Protecting the health and safety of our employees.	Employee safety	 Target 8.8
Corruption and unethical business practices	Work against corruption and bribery in all its forms, with attention to high risk countries, relevant internal functions such as sales and marketing, procurement, legal, finance and audit, and interaction with public officials, healthcare professionals (HCPs) and business partners.	Anti-corruption	 Target 16.5
Responsible conduct of suppliers	Conduct CSR due diligence and promote responsible business conduct of suppliers.	Responsible supply chain management	 Target 8.7  Target 12.4 Target 12.5 Target 12.6
Privacy protection	Protect the privacy of clinical trialists (patients), healthcare professionals (HCPs), our employees and other stakeholders in our global operations.	Personal data protection	
Animal welfare in research	Reduce number of animals in experiments and refine the use of animals.	Animal welfare	

Human Rights at LEO Pharma

As a member of the UN Global Compact, LEO Pharma is committed to respecting all human rights as described in the Universal Declaration of Human Rights, the International Bill of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work.

LEO Pharma is committed to business practices that respect internationally recognized human rights. As a leader in medical dermatology, we commit to ensure patient safety and safeguard the right to privacy and freedom of consent in reference to clinical trials. Across our global operations, we work to strengthen labor rights through fair and safe working conditions, and promote the respect for labor and human rights in our supply chains. As a member of the UN Global Compact, LEO Pharma is committed to respecting all human rights as described in the Universal Declaration of Human Rights, the International Bill of Human Rights, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

LEO Pharma Code of Conduct and Human Rights Policy

We want to ensure that our employees respect human rights and integrate human and labor rights considerations into their daily work.

Our LEO Pharma Code of Conduct, our Human and Labor Rights Policy, and Third-Party Compliance Code set the framework for our commitment to safeguard and respect human rights across our global operations and supply chains. This framework has been endorsed by LEO Pharma's CEO and the Global Leadership Team. Training on our Code of Conduct is mandatory for all employees and is available in available in 20 languages.

We implement the UN Guiding Principles on Business and Human Rights (UNGPs), including assessing our principle human rights risks in relation to our operations.

We participate in three multi-stakeholder human rights business networks to support our capacity

building efforts: The Human Rights Working Group of the UN Global Compact Network Denmark, and the UN Guiding Principles Network of Global CSR, and the Human Rights Impact Assessment Network (HRIA) of the Danish Initiative for Ethical Trade (DIEH).

Strengthening our due diligence

In 2018, we achieved our goal relating to implementation of the UN Guiding Principles by conducting human rights due diligence on LEO Pharma headquarters. Over the course of the year, the scope was expanded to include LEO Pharma Group. Self-assessment provide us with an understanding of how our business activities could potentially have impacts on rights holders. The self-assessment also provided an overview of the measures we implement to prevent these impacts.

All LEO Pharma manufacturing sites are located within the EU. We operate in a highly-regulated industry in relation to the development, production, marketing, and distribution of our products, and the monitoring of product safety. These industry regulations inform our LEO Pharma policies, which helps us mitigate our human rights risks. The self-assessment showed that we manage our most significant human rights risks well, and that our LEO Pharma policies and programs constitute an adequate framework of preventative measures. These policies and preventative measures are listed on p. 60.

In 2019, we will build upon this work and focus on supporting areas of the business that are key for our human rights performance. We will also initiate an assessment in one of our key affiliates.

Rights holder	Our people	Our patients	Our business partners
Business activity	Our business operations	<ul style="list-style-type: none"> • Research & Development • Clinical trials • Digital solutions • Distribution of medicines 	Sourcing of materials
Human rights focus area	Working conditions	<ul style="list-style-type: none"> • Right to health • Right to privacy 	<ul style="list-style-type: none"> • Working conditions • Intellectual property rights
Key issues	<ul style="list-style-type: none"> • Working hours • Remuneration and pay • Leave and vacation • Health and safety • Non-discrimination • Freedom from harassment • Freedom of association • Privacy of personal data 	<ul style="list-style-type: none"> • Patient safety • Freedom of consent in clinical trials • Privacy of personal data • Responsible lobbying, sales and distribution of medicines 	<ul style="list-style-type: none"> • Working hours • Remuneration and pay • Leave and vacation • Health and safety • Non-discrimination • Freedom from harassment • Freedom of association • Privacy of personal data • Fair and equitable sharing of benefits from use of genetic resources, including traditional knowledge
Policies and documents to manage our Human rights issues	<ul style="list-style-type: none"> • LEO Pharma Code of Conduct • Human and Labor Rights Policy • Protection of Personal Data Policy • Position on Mental Well-being at Work • Occupational Health and Safety Policy • Bullying and Harassment Policy • SOP for Job Descriptions • Global Redundancy Policy • Employee contracts 	<ul style="list-style-type: none"> • LEO Pharma Code of Conduct • Human and Labor Rights Policy • Helsinki Declaration • Patient safety (GXP Quality Policy) • Protection of Personal Data Policy 	<ul style="list-style-type: none"> • Third Party Compliance Code • Position on Responsible Procurement • Nagoya Protocol
Program	<ul style="list-style-type: none"> Employee safety Mental well-being at work Personal data protection 	<ul style="list-style-type: none"> Expanding dermatological solutions Personal data protection 	<ul style="list-style-type: none"> Responsible supply chain management Personal data protection

Access to remedy

We recognize the importance of continuously monitoring our potential human rights risks through our due diligence process and whistleblower hotline. This remediation channel gives LEO Pharma people and others associated with LEO Pharma the ability to report unethical behavior and serious concerns in a secure and confidential way.

In 2018, no reports regarding serious impact on human rights were received through the LEO Pharma Whistleblower Hotline.

Empowering patients

Goal 2020	Status
Help people with skin diseases get access to health and healthcare	In progress
Empower people with skin diseases	In progress
Train healthcare workers	In progress



SDG 3 – Target 3.4
SDG 17 – Target 17.17

Expanding dermatological treatments

Issue: Unmet medical needs

We provide value to our patients and society by developing medicines to improve outcomes of existing treatments and conditions for which no other treatment exists. Our commitment to focus on rare dermatology diseases is unique.

With the aim to treat more patients, in 2018 we have:

- Expanded our clinical pipeline.
- Refocused new projects in Research to be First in Class.
- Built a special unit for rare dermatology diseases, establishing a workstream for preparing new projects in rare dermatological diseases.
- Expanded our offering globally. Approvals of established products in new global markets.

With the ambition to have world class science in our dermatology research and development programs, we work in partnerships with academia and other pharma companies to expand our innovative technologies.

Furthermore, we have an Open Innovation Platform for exploring opportunities for drug discovery with external partners. The Open Innovation Platform provides the opportunity to test, free of charge and in full confidentiality, whether a compound has the potential to treat dermatology diseases.

Our position on Public Access to Clinical Trials Information applies to all Clinical Trials sponsored by LEO Pharma, thereby ensuring that these trials meet and in some cases exceed regulatory requirements.

In 2019, we will:

- Continue to develop our projects in our pipeline, and expand our dermatological treatments by both developing internal projects and looking for external opportunities including academic collaborations.
- Invest in research and development globally, to ensure world class science within dermatology.

Read more about LEO Pharma's position on Public Access to Clinical Trials Information.

Link: leo-pharma.com/clinicaltrialstransparency



SDG 3 – Target 3.8
SDG 17 – Target 17.17

Removing barriers to healthcare

Issue: Barriers to healthcare

We seek to understand the barriers to healthcare that people with skin diseases face. We aim to remove the social, cultural, financial and other barriers to enable dermatological patients to live full, happy and healthy lives and access the best care and treatment for their condition.

We strive to develop patient-focused training programs, as well as digital solutions and artificial intelligence (AI) technology, to support Healthcare Professionals (HCPs) and patients in skin condition prediction, diagnosis, and progression monitoring.

In 2018, we increased the integration of HCPs and patients in our Psoriasis Academy. We trained HCPs in two different regions, reaching an estimated total of 15,000 patients. We also launched clinical consultation templates for use by patients and physicians alike to optimize the dermatology consultations, and developed a new content module on suicidal ideation in psoriasis patients.

We also launched the "Imagine" tracking tool and started development of the "Better Visit" chatbot. Designed to promote more widespread use of the patient template, the chatbot enables patients to use their smartphone to prepare for a dermatology consultation while in the waiting room.

In 2019, we will:

- Extend the outreach of the Academy to include dermatology nursing staff in our sessions, as well as consolidate our patient outreach by increasing ease and accessibility of the Academy webpage, and optimizing HCP/patient interaction with the prospective introduction of our chatbot.
- Launch a Policy Commitment outlining our position on access to health and well-being for dermatological patients.
- Explore the possibility to expand our program to a new disease area and work with our partners to develop an "Eczema Academy", which will support disease awareness. We will also expand our patient understanding by initiating a validation study in order to measure patient impact of participating in our program.



SDG 3 – Target 3.8
SDG 17 – Target 17.17

Strengthening patient voice

Issue: Patient voice in healthcare policies and decisions

We advocate for the increased inclusion of the patient voice, as we believe this is pivotal to improving the health and well-being of people living with skin diseases. We work in close partnership with patient advocacy groups, supporting their work as advocates for our patients. We commit to partnerships and follow the guidance of the LEO Code of Conduct and comply with applicable laws, legislation and industry codes on relationships between the pharmaceutical industry and patient organisations.

In 2018, we worked towards this goal by organizing a seminar with patients, payers, policymakers, legislators from the FDA, EMA and OECD among others to discuss incorporating the patient perspective at all stages of drug development and patient access decisions. While patients are represented with a seat on many committees, further progress needs to be made in truly incorporating their views on drug access issues. LEO Pharma will continue to work with patients on this important topic.

In 2019, we will:

- Continue partnering with patients and policymakers to further strengthen the patient voice and further develop our close partnerships with patient advocacy groups.
- Continue our pursuit to roll out the WHO resolution on psoriasis at the national level.

Sustainable operations

Climate change, environment and energy

Goal 2018	Status
Set new climate change KPIs	In progress
Plan climate change mitigation activities at LEO Pharma	In progress
Standardize and reduce internal complexity regarding EHS certifications	Partly achieved

Goal 2020	Status
Define climate change KPIs	In progress

Mental well-being at work

Goal 2018	Status
Present a global position to enhance mental well-being at work at LEO Pharma	Achieved

Goal 2020	Status
Create a baseline for mental well-being issues and for current activities and initiatives	In progress
Share best practices and roll out mental well-being supporting material	In progress
Engage managers, HR, and EHS communicates to enhance mental well-being at work initiatives for LEO people	In progress
Follow up on assessment of mental well-being issues and activities	In progress

People development

Goal 2018	Status
Reach 82% or more in sustainable engagement score	Achieved
Create a strategy for leadership development	Achieved

Goal 2020	Status
Implement a global process for performance management	In progress



Climate change, environment and energy

Issue: Resource use and climate change

We want to be more efficient in how we power and heat our manufacturing sites and offices.

Our policy on Environment, Climate and Energy is part of our Code of Conduct, which acknowledges our adherence to international conventions and applicable laws and regulations. Furthermore, it describes the responsibility of LEO Pharma people to consider environmental and energy performance in new projects and their daily work.

Our five manufacturing sites are ISO 14001 certified. We follow the 'Plan – Do – Check – Act' due diligence model on which this ISO standard is based.

On energy efficiency, we have set a goal to save an amount of energy corresponding to 10% of our energy consumption in 2013 via energy savings. This is equal to reducing our energy consumption by 12,900 MWh.

In 2018, we made progress towards this goal by replacing ventilation and installing LED lighting, which led to a total reduction of 1,600 MWh. This year, we also decided on the implementation of heat pumps in our new Ballerup factory. Once the new factory is in operation, we will be delivering our excess heat to the municipal grid in Ballerup 1,650 households in Ballerup are expected to be warmed with our excess heat, which would result in an expected saving of 126 tons of CO₂ annually.

In 2018, we engaged with an external partner and completed a company-wide carbon footprint analysis.

In 2019, we will:

- Use data from the carbon footprint analysis to increase our understanding of our major climate change contributors and develop a plan for working with climate change mitigation and resilience.
- Set 2025 goals according to climate change KPI and define local, site-specific climate change KPIs.
- Aim to reduce 6,000 MWh by saving energy in ventilation, pumps, heating, lighting and compressed air, and by installing solar panels.

Read more about LEO Pharma's Environment, Climate and Energy policy part of our LEO Code of Conduct.

Link: leo-pharma.com/codeofconduct



Mental well-being at work

Issue: Sustainable workforce

Having motivated and healthy employees is the foundation for LEO Pharma to reach our corporate strategy 2025. Working conditions represent a salient influence on our employees' mental well-being.

Our LEO Pharma Code of Conduct includes our Occupational Health and Safety Policy, which acknowledges our responsibility to ensure a safe and healthy working environment that complies with applicable laws, regulations and industry codes.

We assess the psycho-social working environment and risks through assessments such as our global engagement survey (LEO Voice), and mitigate any gaps in reference to the mental well-being of our employees at work. We acknowledge the occupational risk of work-related stress, which we take measures to mitigate and prevent.

In 2018, we took the preventive measures of continuing the training of managers in Headquarters in organisational stress prevention.

In 2018, a key deliverable was to develop a LEO Pharma Position on Mental Well-being at Work, which going forward, will serve as our global framework for LEO Pharma employees.

In 2019, we will:

- Roll out the LEO Pharma position on mental well-being at work throughout the organization.
- Collect data on mental well-being issues to create a baseline
- Continue to conduct employee engagement surveys throughout the year to monitor the current status.

Read more about LEO Pharma's Position on Mental Well-being at Work.

*Link: leo-pharma.com/mentalwell-beingatworkposition
leo-pharma.com/codeofconduct*



People development

Issue: A capable and motivated workforce

The success of LEO Pharma lies in our people; a competent and highly engaged workforce is a prerequisite for executing our LEO Pharma 2025 strategy. In 2017, we launched a new strategy requiring that we are able to build and develop strategic competences that are new to the company.

As a consequence, a number of strategic initiatives were initiated in 2018. We reached the KPIs that we had defined for the year.

- We reached a sustainable engagement score of 83%, which confirms that our people are highly motivated and committed.
- We developed a leadership development strategy covering all leaders that focuses on developing the leadership behaviors critical for executing our LEO Pharma 2025 strategy.
- In December we launched LEO GROW – LEO Pharma's new process to ensure clear individual goals and focused development through on-going conversations between manager and employee.

In 2019, we will:

- Follow the continued implementation of LEO GROW closely.
- Implement the leadership development strategy, starting with new leaders and senior leaders.
- Build on the Employer Value Proposition that we developed in 2018 and start to move from reactive recruiting to proactive sourcing by creating increased awareness about LEO Pharma as an employer and building relationships with prospective future employees.
- Implement the talent development framework that we created in 2018, which focuses on how we accelerate the development of talents for key leadership positions.

We will continue to closely follow the engagement of our people through 3 surveys per year.

Business integrity

Employee safety

Goal 2018	Status
Set new KPIs	In progress
Achieve LTI rate ≤3.5 for manufacturing sites	Not achieved
Standardize and reduce internal complexity regarding EHS certifications	Partly achieved
Goal 2020	
Define new KPIs	In progress

Anti-Corruption

Goal 2018	Status
Develop strengthened Anti-Corruption Program ready for implementation	Achieved
Goal 2020	
Develop and implement the Anti-Corruption program	In progress
Train all employees	In progress
Train all partners whose employees represent LEO Pharma	In progress
Strengthen awareness of good business conduct	In progress



Employee safety

Issue: Workplace safety

Keeping our employees safe is of great importance in everything we do. We want to protect the health and safety of our colleagues and avoid disruptions to our operations caused by workplace accidents. We face some challenges relating to ergonomics and manual handling, which will be one of our focus areas in 2019.

Our Occupational Health and Safety Policy is set out in our LEO Pharma Code of Conduct and reflected in internal procedures. In terms of safety due diligence, we consistently assess our systems and processes on safety, while employee and builder safety is also a key priority in the design and building phase of new buildings at our sites.

Our five manufacturing sites have OHSAS 18001 certifications and we follow the 'Plan – Do – Check – Act' due diligence model on which this standard is based.

In 2018, we continued our simplification and standardization journey relating to EHS certifications. Our global EHS management system was implemented in 2018. The sites in Ballerup, Esbjerg and Cork were audited against this global system and now share the same OHSAS 18001 and ISO 14001 certifications. The remaining manufacturing sites are expected to join no later than 2020.

Furthermore, we strengthened our focus on improving a culture of safety among employees through our ongoing "Best in Safety" project at our manufacturing sites. This year we have intensified our focus on direct engagement, shop floor dialogues and individual training.

Our lost time injury (LTI) rate at manufacturing sites fell for the fifth year in a row. We came close to the set 2018 KPI of < 3.5 with an LTI rate of 3.7. To maintain this trend and continuously improve our safety performance, we started the process of developing additional KPIs to better monitor the causes and severity of incidents that could result in LTIs.

In 2019, we will:

- Assess the maturity and quality of our data collection system to ensure that we have the data needed to produce an accurate picture of our safety performance.

Read more about LEO Pharma's Occupational Health and Safety Policy in the LEO Pharma Code of Conduct.

Link: www.leo-pharma.com/codeofconduct



Anti-corruption

Issue: Corruption and unethical business practices

Integrity is one of LEO Pharma's core values. At LEO Pharma, we are committed to upholding high business standards and promoting good business conduct globally in our interactions with customers, healthcare professionals, public officials and other business partners.

Our commitment to work against corruption is set out in our Anti-Corruption and -Bribery Policy, which is part of the LEO Pharma Code of Conduct. The areas identified as most critical to our global operations from an anti-corruption perspectives are where LEO Pharma people interact with healthcare professionals, healthcare organizations and public officials.

All LEO Pharma people receive training in the Anti-Corruption and -Bribery Policy. LEO Pharma people working in areas identified as medium or high risk of exposure to corruption, including the above mentioned high risk areas, receive additional training. New employees undergo mandatory training in anti-corruption shortly after their employment.

The Anti-Corruption Program is supported by the LEO Pharma Whistleblower Hotline, where employees and external stakeholders can report serious concerns in a secure and confidential way.

In 2018, we have been focusing on strengthening our Anti-Corruption Program to improve the prevention and early detection of corruption.

In 2019, we will:

- Implement the new Anti-Corruption program across the business and train all employees. The program will strengthen processes of key areas such as risk assessment, training, due diligence, and monitoring and ensuring continuous alignment with global standards and best practices of fighting corruption.
- Train partners whose employees represent LEO Pharma by the end of 2019.

Read more about LEO Pharma's Anti-Corruption and -Bribery Policy as part of the LEO Pharma Code of Conduct.

Link: www.leo-pharma.com/codeofconduct

Business integrity

Responsible supply chain management

Goal 2018 Status

Strengthen due diligence procedures Achieved

Reinforce focus on supply chain management by strengthening procedures Achieved

Goal 2020

Conduct five supplier site visits In progress

Personal data protection

Goal 2018 Status

Establish global unified programme and conduct awareness campaigns Achieved

Goal 2020

Establish a global privacy framework for stakeholder dialogue and collaboration In progress

Strengthen data protection culture In progress

Strengthen stakeholder dialogue, engagement and collaboration In progress

Animal welfare

Goal 2020

Engage with approved collaboration partners with full approval for all species of laboratory animals. In progress

Use fewer animals in the discovery phase of drug development. In progress

Inspire other research institutions in Denmark to use capillary micro sampling as blood collection technique. In progress

Produce an overview of experimental animals used in research, including numbers and species used for drug development projects from 2018 onwards In progress



SDG 8 – Target 8.7
SDG 12 – Target 12.4; 12.5; 12.6

Responsible supply chain management

Issue: Responsible conduct of suppliers

We work with around 5,300 active global suppliers. Our LEO Pharma Position on Responsible Supply Chain Management (updated in 2018) and LEO Pharma Third-Party Compliance Code outline our expectations of our suppliers to operate in compliance with applicable laws, rules and regulations, and to work with high quality and ethical standards.

Based on the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and LEO Pharma Third Party Compliance Code, we conduct assessments and evaluations through a risk-based approach based on frequency of purchase, dependency, spend, and known risks. We focus on areas where adverse impact in our supply chain is most likely to occur or where the consequences are most severe.

In 2018, we assessed 1,657 suppliers across all supplier categories. In high risk cases, we engaged directly with suppliers through self-assessment questionnaires or follow-up questions.

In 2018, we identified our salient human rights in our supply chain to be: Right to life, Right to health, and Right to adequate standard of living. We use this outcome to improve processes, so we place appropriate focus on the categories with high risk of potential adverse impact on human rights, and take preventative measures to address this risk.

In 2019, we will:

- Plan to conduct site visits of key suppliers, using recommendations from the OECD guidelines and PSCI audit framework.
- Perform one site visit and upload one site assessment to the Pharmaceutical Supply Chain Initiative (PSCI) Platform.
- Train employees in due diligence.

Read more about LEO Pharma Third-Party Compliance Code and Position on Responsible Supply Chain Management under the Responsible Supply Chain Management section of our website.

Link: www.leo-pharma.com/thirdparty



Personal data protection

Issue: Privacy protection

We must safeguard the privacy of the LEO Pharma people, patients, doctors and medical staff with whom we engage, and we must protect personal data.

Our policy on Protection of Personal Data is part of our LEO Pharma Code of Conduct. Through our commitment to Binding Corporate Rules, we do not distinguish between regions in our approach to safeguarding individual rights and freedoms, even though some regions have stricter data protection legislation than others. We set the highest bar everywhere.

In 2018, we strengthened our global privacy program to be fully aligned with the EU's General Data Protection Regulation (GDPR). The program mapped the impact of GDPR on business lines and developed governance and training programs to be structurally compliant with GDPR.

As part of these efforts, in 2018 we trained more than 2,500 LEO Pharma people who handle personal data, both online and in face-to-face settings. This has been supported by an internal campaign to raise awareness of personal data protection requirements.

In 2019, we will:

- Keep strengthening the data protection culture internally through ongoing training of the remaining LEO Pharma people and awareness-raising activities.
- Build collaboration with external stakeholders regarding data privacy and establish a global privacy framework for stakeholder dialogue and collaboration.

Read more about LEO Pharma's policy on Protection of Personal Data and Human and Labor rights policy in the LEO Pharma Code of Conduct.

Link: www.leo-pharma.com/codeofconduct



Animal welfare

Issue: Responsible research

Animal experimentation is a prerequisite for drug development. As stated in our LEO Pharma Position on Animal Welfare, we want to adhere to the highest standards in animal research, based on the 3Rs and the EU Directive on the protection of animals used for scientific purposes. The 3Rs ensure replacement, reduction and refinement in the work with research animals. In practice, this means we only use animals if there are no alternatives, and in these cases we use as few animals as possible and minimize the negative impact on each animal.

In 2018, we commenced animal registration to monitor the number of animals used in each research project, with the aim of reducing this use moving towards 2025.

Around 70% of our animal research is performed externally and we have an ongoing focus on improving animal welfare at our partners' facilities through audits and dialogue. In 2018, we audited sites in China and the United States, and approved specific research activities where the animal welfare standards comply with our internal standards.

At our animal facility in Ballerup, Denmark, we developed and implemented cages for rats that are significantly larger and contain more enrichment than required. This work was rewarded with the Animal Welfare Prize 2018 from the Danish 3R Center.

In 2019, we will:

- Continue to focus on capacity building among our partners to increase their general animal welfare standards.

Read more about LEO Pharma's Position on Animal Welfare.

Link: leo-pharma.com/animalwelfareposition

LEO Pharma in the world



Treatments available in more than

130

countries

Founded in

1908

and headquartered in Denmark

Present in

61

countries



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