

# **Orifarm Group A/S**

## **COMMUNICATION ON PROGRESS 2019**



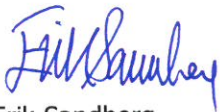
## **CEO introduction**

In Orifarm Group we continue our work for sustainable development whilst developing our business. Orifarm Group is a member of the UN Global Compact and continues its commitment to the principles of responsible business conduct promoted by the UN Global Compact in the areas of human rights, labour rights, environment, and anti-corruption.

For the areas in which we have the possibility of positively impacting a sustainable development for our company, we continue to work on how to improve. Equivalently, in areas where we are at risk of impacting human rights, labour rights, the environment in a negative way, or being complicit to corruption and bribery, our focus is to mitigate risks. Our key activities in 2019 have been to create insights into our climate footprint, advance our work for increased diversity, and further our work on responsible supply chains.

2019 also was the year that Orifarm Group confirmed its sustainability commitment with the establishment of a CSR department to secure that CSR initiatives are and will be included into our business strategy, culture and operations. Our sustainability pursuits have formally been included in our yearly strategy process and activities with the aim of bringing our vision and strategy into action.

Whilst our sustainability ambition is a part of our future business strategy, we have set our targets in a five year horizon with 2018 as our base year to track progress. Throughout our Communication on Progress (COP) reporting, the reader will find references on our progress and targets towards 2023.



Erik Sandberg

CEO, Orifarm Group A/S

## **About the report**

This COP report explains Orifarm Group's commitment to the 10 principles of the UN Global compact. Our work with sustainability is organized under the three headlines that focus on Patients, People, and the Environment. Orifarm Group's business ethics underline all activities.

**Patients:** Patient safety and creating more healthcare for patients

**People:** Well-being and satisfaction of our employees

**Environment:** Minimize impact from operations and supply

The 10 principles of the UN Global compact are:

### Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

### Labor rights

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

### Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

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

The report covers the operations of Orifarm Group A/S. The reporting period covers 1 January 2019 to 31<sup>st</sup> December 2019. In August 2019 Orifarm Group acquired Pilatus Pharma Ltd. and Pilatus Clinical Services Ltd. Data from these acquisitions have not been included in the 2019 reporting, but will be included in future reporting. This report also serves to comply with the Danish Financial Statements Act §99b.

## **Orifarm Group and the Sustainable Development Goals**

Whilst our COP reporting focuses on the commitment to the 10 principles for the UN Global compact, Orifarm Group, as an international organization, understands its responsibility in forming a sustainable future. We therefore support the 17 UN Sustainable Development Goals (SDGs) and its underlying 169 targets. The SDGs represent the most pressing global challenges of today and act as a framework towards sustainable development and long term value creation.

To guide Orifarm Group's future commitment in context of our business model and core activities, we have chosen to prioritize 4 SDGs in our pursuit of minimizing our negative impact of our business operations and increase our positive contribution from our value creation and our products. The SDGs are;

3. Good health and well-being
8. Decent work and economic growth
12. Responsible consumption and production
13. Climate action

## **Summary of Orifarm Group's CSR commitment and policy**

Orifarm Group's CSR policy applies to all Orifarm Group A/S 100% owned affiliates.

Our policies towards human rights, labor rights, responsible business behavior in relation to the environment and anti-corruption are stated in our corporate social responsibility policy. Our supplier code of conduct forms the basis for dialogue on respecting our policies and principles in our value chain.

### **Human rights**

It is essential for Orifarm Group to comply with international human rights and labor standards and to work against discrimination.

#### ***Human rights policy***

*In all Orifarm Group operations and activities, we respect human rights and avoid infringing the human rights of involved individuals.*

*We believe that through our product we may contribute in a positive manner to the human rights to health and well-being by paving the way for accessibility to affordable and high-quality medicine for all.*

*To reduce the risk of setting aside relevant human rights for our business, we ensure compliance with human rights related legislation, and identify actual and potential risks from activities in our business units and facilities. Identified risks that are directly linked to our operations and to the services of our business partners are mitigated and prevented.*

*In Europe we thus have a focus on privacy and protection of personal data throughout the Orifarm Group, covering both the data of consumers, employees and business partners.*

### **Labor rights**

Orifarm Group complies with laws and implemented agreements and acknowledges the importance of being able to attract and retain a diverse and qualified workforce to continue being competitive.

#### ***Labor rights policy***

*It is important to us that sustainable management is visible in all parts of our organization. To achieve this, we have a strong and continuous focus on taking good care of our employees and to create a motivating environment, where our employees thrive and develop.*

*We value being a social and friendly organization that accommodates diversity. Diversity in Orifarm Group is about recognizing employees because of, not despite of, the fact that they are different. We see the potential of each employee and create opportunities for everyone to develop at work, irrespective of their gender, ethnicity, disability, or other personal characteristics. Diversity thus provide us with an opportunity to share experiences and gather learnings across different cultures and to transform this knowledge into a competitive advantage.*

*The well-being and motivation of our employees is dependent on a healthy and safe workplace. To ensure this we comply with legislation and collective agreements on fair wages, rest and leisure, equal remuneration for men and women, anti-discrimination, and equal opportunities in access to employment and career.*

*In our supply chain and with other business partners we are committed to identify and mitigate or eliminate any risk for infringing the right to freedom of association and to collective bargaining. We are also committed to eliminate all forms of forced and compulsory labor and to effectively abolish child labor.*

## Environment

As a manufacturer and distributor of pharmaceuticals, we recognize the risks associated with our business model. Our environmental policy outlines our precautionary approach to environmental challenges and our approach to minimize our collective environmental footprint from our production and transportation.

### **Climate & Environment policy**

*It is our aim to contribute to a better environment by ensuring that environmental concerns form a natural part of all our activities. This includes a precautionary approach to environmental challenges and promotion of environmentally friendly technologies internally in the Group and among business partners.*

*Orifarm Group operations affect the environment primarily through consumption of energy and resources in our buildings, for transportation, and via our production. We therefore constantly work to reduce our energy consumption and emissions, and improve waste management. We apply a systematic approach to environmental management and comply with all legislative requirements.*

*To minimize environmental impact, we have incorporated an environmental policy throughout the whole organization that guides us on how to take care of the environment in daily life.*

## Anti-corruption and business ethics

In Orifarm Group it is important for us all to conduct our business with integrity, responsibility, and honesty. Orifarm Group respects and behaves accordingly to all antitrust principles in all markets that we do business in. We offer full transparency and are compliant with anti-corruption laws and principles.

### **Anti-corruption policy**

*Orifarm Group places great emphasis on being a good and competent partner for our stakeholders. Part of this involves working against corruption and to promote good business ethics.*

*Our anti-corruption effort includes prevention of extortion and bribery and is carried out in compliance with international standards. In our Supplier Code of Conduct our suppliers and business partners are requested to support and respect anti-corruption principles. At the same time we conduct risk assessment and mitigation plans as an integrated part of our business planning and operations.*

## Due diligence

We conduct assessment on risk and impact related to human rights, labour rights, as well as the environmental impact of Orifarm Group's operations and in our supply chain. In our supply chain, we communicate our expectations towards our suppliers on responsible business behavior via our Supplier Code of conduct.

## Orifarm Group business model & values

Orifarm Group is an ambitious operator in the European market for pharmaceuticals. Our ambition is to supply high quality pharmaceuticals at a low cost. In other words: We offer consumers and societies more healthcare for their money.

Orifarm Group consists of two operating areas: Orifarm Parallel Import (PI) and Orifarm Generics (GE).

Common for both operating divisions is a healthcare business model innovation. This is expressed in Orifarm Group's mission statement which is "*Challenging the pharmaceutical market*".

Orifarm Group's vision "*We want to be number 1 in making healthcare a better deal*" expresses the general objective. "A better deal" does not only refer to savings, but also to how Orifarm Group delivers solutions that meet its stakeholders' needs. Orifarm Group's operating activities are guided by our values which are flexibility, ambition, responsibility, and customer centricity.

### Orifarm Parallel Import (PI)

Orifarm Parallel Import was established in response to significant price differentials for identical pharmaceuticals across EU Member States. Pharmaceuticals are imported from EU/EEA Member States where original pharmaceutical producers sell their preparations at prices, that are lower than what they demand for the identical products in e.g. the Nordic countries or Germany. This has led to lower prices of medicine and thus savings, benefitting both patients and society at large in the markets, in which Orifarm Group operates.

In Orifarm PI, we transport the imported pharmaceutical products to our repacking facilities in Czech or Denmark. After repacking the products, they are distributed to customers in 9 EU markets. Orifarm Group's own operations include production of boxes, printing leaflets, and repacking the pharmaceuticals. For the rest of the value chain, Orifarm Group relies on external partners, suppliers, and customers.



### Orifarm Generics (GE)

Generic pharmaceuticals can be produced and marketed once the original manufacturer's patent expires and thereby its exclusive rights lapse. Generic competition normally lowers prices on medicine significantly which benefits patients and society at large.

Orifarm Group's own operations includes development and manufacturing of generic medicine for 10% of our product portfolio via our production facility Viminco. For the rest of our portfolio and for the rest of the value chain, Orifarm Group relies on external partners, suppliers, and customers.



## **PATIENTS**



Our business is to create access to affordable medicine and thereby the opportunity to offer patients, consumers, and societies more healthcare for their money. Our efforts on PATIENTS center on SDG 3 "Good health and well-being" and specifically address target 3.8 about creating access to quality essential health-care services and access to safe, effective, quality, and affordable essential medicines and vaccines for all.

Our focus on creating value for patients centers around the following pillars;

- Exploring and developing our current business areas within PI and GE and thereby creating more access to affordable medicine
- New innovation and new business creation with the purpose of making healthcare a better deal and thereby creating additional healthcare value for patients

Patient value and patient safety are primary drivers in all our business activities.

### Patient safety

We have identified patient safety as being the most significant risk regarding our PATIENTS' commitment.

The core business of Orifarm Group is development of and trading with pharmaceuticals and we must be in compliance with international and national law and regulations to be allowed to do so. Breaching can have a significant impact on patients' health and safety and pose both reputational and financial risks to Orifarm Group.

Orifarm Group has pharmacovigilance procedures for correct handling, storage, and transporting the goods, and they are continually reviewed for improvement. Important is also our procedures for receiving potential complaints via "info@orifarm.com" or via our customer service channels. Control, safety, and documentation are keywords in those processes.

Orifarm Group performs quality audits with all 1st tier suppliers to secure that Good Manufacturing Practice and Good Distribution Practice (GMP/GDP) requirements are met. Potential non-compliance incidents are handled via Orifarm Group's quality procedures.

### Donations in 2019

Instead of destroying usable medicine with an expiry date too short for commercial use, we have donated medicine worth more than EUR 1m this year in corporation with Global Medical Aid. At our German market we continued our campaign "Aktion Teilkraft" in 2019.

### PEOPLE: Orifarm Group and the Sustainable Development Goals

#### **SDG 3: Orifarm Group contributes with:**



High quality pharmaceuticals at a low cost -> more healthcare for the money for societies and consumers  
Access to affordable and quality healthcare in developing countries.

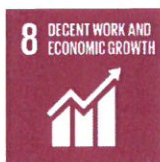
## **PEOPLE**

At Orifarm Group, we want to foster an organization where people thrive and employees are driven by a strong purpose and living our values. People has always been the cornerstone of our success and employee engagement is deeply rooted in our culture. Motivated and engaged employees are key to reaching our ambition.

Every year we carry out an Employee Satisfaction Survey addressing employees engagement, motivation, and well-being. In our 2019 survey, we reached a record high result on our employees engagement and above comparative Danish benchmark\*<sup>1</sup>. Other key results showered, that our employees have a strong understanding and commitment to Orifarm Group's values and that we have a caring culture characterized by openness, engagement, cross-functional support, and strong leadership.

We are very proud of our employees engagement, motivation and loyalty. We do not take this for granted and we continue to develop our people and our working environment. In the light of our commitment, we will in 2020 work strategically with these people initiatives;

- Enhance management focus on employee empowerment via leadership (training) as a key enabler
- Emphasize a purpose driven culture via closer alignment of CSR initiatives with Orifarm Group values and vision
- Strengthen our inclusive and diversified culture via dialogue, increased insights, establishment of diversity KPIs and training



Our focus on PEOPLE primarily addresses SDG 8 "Decent work and economic growth" and SDG 3 "Good Health and well-being".

We have identified the following areas as having the most significant impact on our PEOPLE commitment;

- Non-discrimination, diversity, and equal opportunity
- Labor/Management relations
- Onboarding, training and education
- Health & Safety
- Risks of Human rights and labor rights violations in our supply chain



### Non-discrimination, diversity and equal opportunity

It is imperative for Orifarm Group to comply with international human rights and labor standards and to work against discrimination. Orifarm Group is against any form of discrimination and strives to treat all staff and potential applicants the same, regardless of sex, age, sexuality, ethnicity, disability, or life situation, attitudes, religion, interests, ambitions, life philosophy and other personal interests. In 2019 there has been no incidents of discrimination in Orifarm Group.

At Orifarm Group, we believe in an engaged and competent workforce, recognizing the benefits of diversity in respect of gender, culture, age, education and experience.

Orifarm Group supports an incorporating labor market and offers opportunities for people with varied capabilities including staff with physical or mental disabilities or people who has been outside the labor market for a significant time period. Our workforce today spans more than 20 nationalities and ranges from student workers to employees +65 years of age. In addition, we have strong representation of women at

<sup>1</sup> Analyzers årlige måling af det Danske Arbejdsmarked



Team Manager and Department Manager level. Our focus in the coming years is to strive for a more diverse gender representation at all management levels.

The Supervisory Board of Orifarm Group currently consists of 5 general elected members and 3 staff-elected members. Changes in the composition of the Orifarm Group Board during 2<sup>nd</sup> half of 2019 has left the Board with no female general elected member presently. The ambition continues to have 2 female Board members in 2023 concurrently with natural replacement, which continues to be contingent with our ability to identify the best candidate. At this point in time, the 3 staff-elected members are female and in addition the Orifarm Group Board has a female observer.

Our ambition is to have at least 40% of both genders represented at all Orifarm Group's management levels by 2023. Our diversity strategy is reflected against our current competence pool and needs of the business. Our policy is to recruit the best candidate for a given position. If more candidates are assessed equal on competencies, the underrepresented gender will be chosen for the position. This effort will be attempted in consideration of always selecting the best candidate for the task. Orifarm Group will strive for ensuring that the successor planning includes considerations for meeting our diversity ambition.

In 2019 we advanced our work for increased diversity with the launch of our 2023 diversity agenda and ambition to have more women in the Senior Management as a part of our yearly strategy process which is communicated to all employees. In 2020 our overall diversity ambition will be rolled out at all management level with training on diversity as a key driver. Diversity considerations will also become a formal part of our people review process moving forward.

Orifarm Group recognizes the value of being an inclusive workforce and continues its focus on attraction of students throughout all areas of our business. In 2019 a student network was established, which offers both social and professional events as well as the opportunity to knowledge share and give a helping hand within different departments in the organization.

With the our participation in local networks *Odense Charter for Mangfoldighed* and *Beskæftigelsesalliancen* Orifarm Group activates its social responsibility and works proactively in lowering the unemployment rates in Odense and uplands.

#### Labor / Management relations

Focus on employee satisfaction and motivation supports the well-being and performance of our employees and helps minimize negative impacts on the business. At our Danish and German operations, workers' councils are established. At all sites regular and formalized meetings are held. At our Odense HQ Executive Management participates in the meetings and all minutes from the workers' councils' meetings are published on the Orifarm Group intranet.

Moreover, Orifarm Group has three staff elected representatives in the Orifarm Group Board of Directors.

**Employee turnover**  
**2019**  
**13%**

In 2019 Orifarm Group's employee turnover fell significantly. This is considered an outcome of a focused strategy and effort for improving the well-being and motivation of our employee across our business sites. We had a specific focus on our Czech operations, where we had an ongoing focus on training and on-boarding initiatives, as well as we adjusted of the compensation and benefit offering. While we are highly satisfied with our 2019 results, we are aware that it is extraordinarily low and a realistic target is 17% for our business.

#### Training and education

It is important for us to ensure development opportunities for all our employees. In accordance with the value “ambitions” and “responsibility” Orifarm Group has developed a performance culture, that both secures focus on the individual, the team, and on the strategy of Orifarm Group.

Performance management happens through targeted onboarding programs, management feedback from educated and trained managers, yearly appraisals sessions and follow up meetings, people review sessions, talent management training and our employee satisfaction surveys. All employees including temporary workers and students in Orifarm Group are offered annual appraisal interviews.

Employee development, training, and education are high on the agenda in Orifarm Group. We believe that it is essential for strong employee satisfaction and motivation. Orifarm Group offers a wide variety of internal training and education programs including:

- Leadership development
- Upgrading specialist skills
- Increasing industry knowledge
- Professional focus i.e. education in regulatory requirements

In addition, Orifarm Group works with a range of external educational institutions and course providers. In 2020, we will continue to review and improve our leadership and talent programs. The focus will be to explore new ways of training and expanding, formalizing and digitalizing our training needs.

#### Health and Safety

Focus on employee satisfaction, health and safety is essential for the well-being and the performance of Orifarm Group's employees. We want our employees to be able to thrive at work. Also, this helps to minimize illnesses and lost working days, and thereby reduce risks to the business.

Orifarm Group has health and safety organizations for the German and Danish organizations. Health and safety policies and procedures are incorporated and followed throughout the organization. At our Danish sites, our Health and Safety organization meets quarterly with a formal procedure and fixed agenda, where important topics related to both physical and psychological working environment are monitored and addressed. Orifarm Group is fully compliant with work environmental legislation. Our sick-leave is at a satisfactory level and has improved from 5,9 sick days per employee in 2018 to 5,3 day in 2019.

To reduce noise pollution at our Odense site we have in 2019 installed noise reducing plasterboards in the canteen and introduced noise reducing portable walls at work stations. In Germany, a new air condition system was installed in 2019 to improve the work environment. Orifarm Group growth journey puts pressure on our work space and internal meeting facilities and we will continue initiatives towards improving work environment, work stations, and facilities in the coming year

Also, Orifarm Group encourage employees to a healthy lifestyle via support for physical and social activities like the “DHL Relay Race”, “Biking to work”, and “Count your steps” initiatives. Also, we ensure that our canteens at the sites in Denmark, Germany and Czech offer varied and healthy food.

#### Risks of human rights and labor rights violations in our supply chain

Further elaboration on risks, results achieved and future plans for our work on responsible sourcing can be found in the section about responsible sourcing on page 15.

PEOPLE: Orifarm Group and the Sustainable Development Goals

**SDG 3: Orifarm Group contributes with:**



Promoting healthy lifestyle to our employees via activities and healthy canteen offerings

**SDG 8: Orifarm Group contributes with:**



Employee satisfaction, motivation and well-being  
Equality principles in recruitment, training, remuneration, promotion and developing  
Regular performance and career development reviews to all employees  
Responsible supplier management to minimize risks of human rights and labor violations in our supply chain

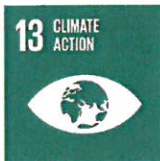
## **ENVIRONMENT**

As a manufacturer and distributor of pharmaceuticals, we recognize the risks and impact on the environment associated with our business model. It is important for Orifarm Group to work actively to reduce our impact on the environment.



Our PLANET attention predominantly addresses SDG 12 "Responsible consumption and production" and SDG 13 "Climate action". Assessing our operations and our value chain, we have identified the following areas as having the most significant environmental impact:

- Energy and water consumption
- Waste management
- Emissions in connection with transportation of products



It is important for Orifarm to anchor our sustainability mindset for all our operational activities. For this purpose, an environmental committee with key members of our operational and facility leadership has been established. They meet at a minimum 4 times a year to align on sustainability initiatives for energy and waste management.

### Energy

To understand our collective environmental footprint of our operations we have calculated our direct and indirect emissions from our own controlled operations in Denmark, Czech and Germany in 2019. Our focus on minimizing our impact on the environment is aligned with our business strategy. With an established CO<sub>2</sub> emissions baseline calculated, we will develop our future carbon emission ambition in 2020.

As an employee intensive organization our electricity and water consumption follows the number of people employed, while our gas and heating consumption depends on the amount of m<sup>2</sup> we have to heat or cool.

All Orifarm Group sites work with energy optimization including shift from traditional lights to LED lighting as well as securing shift to energy efficient equipment and machinery when buying new or replacing old. At our Odense site we have replaced our cooling system in 2019 and changed energy source from freon to propane gas. Also, an initiative to blind roof windows during 2019 at the production in Odense has created a more stable temperature that not only reduces energy consumption, but also creates a better working environment for our employees.

Whilst Orifarm Group continues to work on reducing its energy consumption within our operations, increase in activity and introduction of new functions at our Czech site as well as planned building projects in Denmark and Germany, will challenge our collected energy consumption in 2020.

Three out of our four main sites are now powered with renewable energy. Our fourth site in Skælskør is expected to shift to renewable energy during 2020.

### Water

Water usage in our production is primarily used for cleaning purposes and at our office sites. Water consumption follows the number of people employed. In 2020, we will take steps to further investigate our consumption sources at our Czech site to identify ways for greater water efficiency.

### Waste

A core business operation for Orifarm Group is the unpacking and repacking activities in relation to our PI business. Also, Orifarm Group is aware of its responsibility in relation to its environmental risks of production

and disposal of medicine on the environment both in relation to our own production as well the medicine we trade for PI. Therefore waste management is placed highly on our corporate list of responsibilities.

### **REDUCE, REUSE, RECYCLE**

- Removal of organic waste baskets at all desks in Odense with organic waste bins in our tea kitchens saves approximately 35,000 plastic bags a year
- Sorting cardboard in German outbound increases paper recycling with 47% in Germany

Being a labor intensive organization, Orifarm Group naturally creates mixed waste. In 2019, Orifarm Group further intensified waste sorting and reduced the amount of non-recyclable mixed waste created. The paper and plastic waste that is sorted from all Orifarm Group's operations and locations is recycled.

A key challenge for Orifarm Group is the use of plastic cups for employees in our production in Denmark and in CZ. In 2019 we explored various alternatives for more environmentally friendly ways for employees in our operations to be hydrated by. In DK operations all plastic cups are changed with sustainable reusable steel bottles and thereby reducing our plastic waste. This is not an option for our CZ location, where we will find a sustainable solution during 2020.

We have changed our business processes to replace box labeling into box replacement for much of our PI business. At the same time we have in-sourced almost all of our box production which has created additional paper waste at our Czech site. On the other hand, this change in process has reduced our plastic waste, as we do significantly less labelling. We are working on exploring greater reuse and recycling options for both our clean paper waste and our treated paper waste.

A key activity for 2020 is to explore sustainable packaging solutions on our direct to pharmacy orders.

Orifarm Group creates chemical waste due to the nature of our business. All disposal within Orifarm Group's operations is handled within all legislative guidelines. It is a key concern for Orifarm Group to limit its chemical waste, and we are continuously looking for ways to optimize our planning and corporation with our suppliers in reducing chemical waste.

### Transportation

As a parallel trader, transporting products to and from import and export markets, is a prerequisite of our business. Transportation creates CO<sup>2</sup> emissions and we continue to strive for ways to limit our most CO<sup>2</sup> emission intensive transportation.

Orifarm Group does not have its own trucks and relies on transportation suppliers. We continuously work with our transport partners on getting further insights into our CO<sup>2</sup> emissions footprint to establish solid insights into our baseline. Simultaneously, we forward requirements to our transportation partners to identify ways of reducing CO<sup>2</sup> emissions i.e. we require that our partners only uses drivers, that are trained to drive environmentally correct. All of Orifarm Group's transport partners meet the EU standard for equipment efficiency.

**94% of all Orifarm logistic goods transportation happens via road transport.**

PLANET: Orifarm Group and the Sustainable Development Goals

**SDG 12: Orifarm Group contributes with:**



Increasing sorting of waste for more recycling  
Paper reuse (clean and treated)  
Safe handling of chemical waste  
Continue to look for ways to optimize planning for reduction of chemical waste

**SDG 13: Orifarm Group contributes with:**



Energy optimization at all Orifarm sites  
Shift to renewable energy sources

### **Anti-corruption and business ethics**

Orifarm Group is working in an international environment and has a varied landscape of business relations across Europe and the world. This leaves Orifarm Group exposed for corruptive behavior in dealings with such a diverse range of business relations.

We are guided by national law and international frameworks for responsible business practices. To support all employees in making ethical decisions in their daily work, we have a set of guidelines designed to promote the principles and our business ethics of Orifarm Group. This ethical code of conduct sets directions and promotes our standards of conduct for all employees in entities of the Orifarm Group. This is part of our Danish employee handbook, which is available for our employees at Orifarm's intranet. In 2019 there has been no breaches concerning corruption in Orifarm Group.

In 2019, the PI purchasing organization received training in competition law and compliance. This training will be extended to the whole commercial organization in 2020.

### **Privacy and GDPR**

We have focus on privacy and protection of personal data throughout the Orifarm Group, covering both the data of consumers, employees and business partners. Orifarm Group has taken solid measures to protect personal data and is in full compliance with the General Data Protection Regulation (GDPR). All of our white collar employees have been educated in the GDPR.

## **Responsible sourcing**

Orifarm Group recognizes that it is not only its own operations that impact societies, but also the companies we engage with.

It is through responsible supply chain management processes that we work towards minimizing adverse impacts from suppliers of goods and services in relation to labor and human rights, environment, and anti-corruption. We have complex and continuously changing supply chains which challenges our transparency of the risks associated. We continuously work on strengthening our responsible supplier management processes.

### Supplier management processes

Our Supplier Code of Conduct sets out our expectations to our suppliers on responsible business conduct and forms the basis for our dialogue with strategic external stakeholders on meeting our expectations. All current and new suppliers are introduced to and asked to commit to our expectations in relation to labor and human rights, environment, and anti-corruption.

In 2019, we initiated our supplier assessment program and performed a risk screening of our supplier landscape for our Generic business area based on dependency, spend and known risk factors. Suppliers in high-risk categories will be further investigated through self-assessments and follow-up dialogues in 2020.

### Main risks in supply chain:

We conduct assessment for risks and impacts related to human rights, labour rights in and the impact on environment in our value chain. We have identified following main risks:

- Environmental impact of API and medicine production
- CO2 emissions from production and transportation
- Human rights breaches
- Worker's rights breaches

We want to advance our supplier management processes and increase our knowledge of our suppliers CSR performance. In 2020 we plan the following:

- Build awareness of CSR risks in the supply chain with employees and train them in CSR due diligence
- Risks screening across various supplier categories
- Build CSR review in our due diligence of product supplier selection



### **Concluding comments**

Orifarm Group continues its work for sustainable development whilst developing our business. In 2019, we have gained good insights into our impact for Patients, People and the Environment which are being turned into strategies and action. Our journey continues and in 2020 we will work to further understand our climate impact and formulate our climate ambition, strengthen our diversity agenda, and further develop our responsible supply program.

### **Orifarm Group policies**

Orifarm Group's corporate social responsibility policy can be found here: [CSR Policy](#)

Orifarm Group's Supplier code of conduct can be found here: [Supplier code of conduct](#)

### **Orifarm Group CSR grievance mechanisms**

Orifarm Group provides internal and external stakeholders with the option of reporting illegal or unethical behavior, including behavior and practices that do not comply with the social responsibility of Orifarm Group to respect human rights and labor rights, protect the environment, and work against corruption. This can be done at [CSR@orifarm.com](mailto:CSR@orifarm.com)

<b>Social</b>	<b>Unit</b>	<b>Target 2023</b>	<b>2019</b>	<b>2018</b>
Non-compliance of H&S impacts of products	Number	0	0	0
Incidents of discrimination	Number	0	0	0
Employee turnover	%	17%	13%	24%
Sick leave	Days/FTE	5,5	5,3	5,9
GDPR breaches	Number	0	0	0

Sick leave data covers following sites; Danish HQ, Viminco, and Czech operations

### **Women in management**

Executive Management	%	Maintain ratio	40%	40%
Senior Management (SVP, VP)	%	40%	27%	24%
Management	%	Maintain ratio	44%	46%

<b>Governance</b>		<b>Target 2023</b>	<b>2019</b>	<b>2018</b>
Women in management; Orifarm Group Board	Number	2	0	1

<b>Environment</b>	<b>Unit</b>	<b>Target 2023</b>	<b>2019</b>	<b>2018</b>
CO2 Scope1	Ton		644	732
CO2 Scope2	Ton		401	575
Renewable	%	100%	77%	29%
Water consumption	m3/FTE	Maintain intensity	11.5	9.3

### **Waste**

Mixed (kg)	Kg/FTE	10% intensity reduction	145	178
Chemical (kg)	g/box	10% intensity reduction	2.9	3.0
Plastic (kg)	g/box	Maintain intensity	0.4	0.5
Paper (kg)	g/box	Maintain intensity	23.3	16.1
Organic waste (kg)	Kg/FTE	Include CZ and DE site	7.6	3.6

Environmental data covers Orifarm's four main sites; Danish HQ, Orifarm GmbH, Viminco, and Czech operations

### **Transport**

Road	% share of total transportation	95%	94%	93%
Courier		<2%	3%	4%
Sea		3%	2%	2%
Air		<0.5%	1%	1%

### **Baseline year 2018**