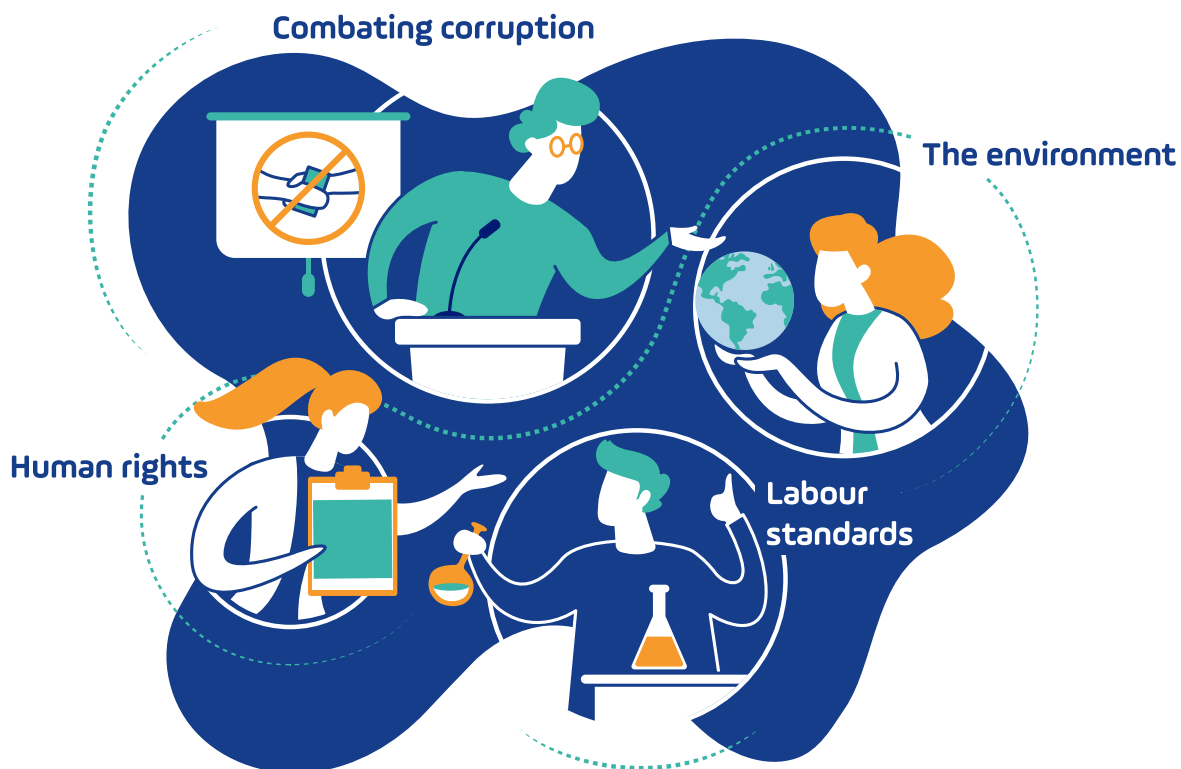


UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

POLPHARMA GROUP



DEAR COLLEAGUES, PARTNERS AND FRIENDS,



We are pleased to present you with the Communication on Progress report providing up-to-date information on the status of implementation of the Ten Principles of the United Nations Global Compact by the Polpharma Group in Poland. It includes a description of the policies and procedures we have been following in 2019, as well as the activities undertaken to implement the above-mentioned principles.

Our purpose is to inspire and help people to live a healthy life in a healthy world. We would like our business activities to be based on the sustainable development concept and to contribute to the achievement of the global Sustainable Development Goals. In our daily work, we follow the UN Global Compact Principles, as well as Polpharma Group's Code of Ethics and the Social Responsibility Strategy.

Our responsibility towards the environment we operate in is also demonstrated by how we react to emergencies. The COVID-19 pandemic is undoubtedly one of them. Guided by our values, we first focused on the safety of patients and our employees. It was and still is our priority to provide our patients with uninterrupted access to the necessary medications by mobilising our plants and maintaining full production capacity. With the safety of our employees in mind, we enabled all of our staff members whose presence is not critical for production operations, to work from home using digital tools. We have introduced additional precautions and hygienic measures and we are engaged in broad-based education efforts focusing on preventing infections.

In addition, together with Jerzy Starak, the owner of our company, we have contributed to systemic assistance for the Polish healthcare system by funding the purchase of 100 ventilators. They were made available to the Ministry of Health, which allocated them to selected hospitals. Additionally, Polpharma has purchased more than PLN 2.5 million worth of personal protective equipment (masks, visors, gloves, coats) for health care professionals.

Another example of Polpharma's commitment is the launch in the second half of 2020 of the first Polish genetic test to detect the SARS-CoV-2 virus. Its development is a model example of cooperation between a research entity, business and the government. Researchers of the Polish Academy of Sciences were the brains behind the test, while Polpharma supported the work required to transform the prototype into an optimised product with the desired properties, which could be scaled up from the laboratory to mass production.

Our activities during the pandemic combine the values of Polpharma Group, including Solidarity and Responsibility. We believe that similar values will also bring together the international community – the scientific, medical, business and administrative circles of all countries – in order to face the global challenge which is combating COVID-19.

Markus Sieger

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





Human rights

A comprehensive Ethics Programme is being implemented at Polpharma Group. It is aimed at building a strong corporate ethics culture. The cornerstone of the programme is the Code of Ethics, whose provisions are based on the ethical values shared by all employees: respect, integrity, responsibility, collaboration and solidarity. The remaining pillars of the Ethics Programme include institutional solutions (including a whistleblowing system), internal and external communications, and ethical education. All employee groups, including the Management Board, as well as our suppliers, are required to participate in these educational activities. Our commitment to building a culture of ethics and legal compliance was highlighted in the Global Compliance Policy adopted in 2020, which harmonises the company's standards applicable to its operations in international markets.

Each employee may raise their ethical concerns with their line manager. If it is difficult or impossible for an employee to contact his/her line manager or if the problem involves the line manager, the employee may contact the Compliance Officer. In addition, Polpharma Group employees and external stakeholders of the company may use the whistleblowing system. It may be used to report behaviours that potentially violate the law, the Code of Ethics or other internal procedures and it guarantees the whistleblower's protection against possible retaliation.

Principle 1.

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2.

make sure that they are not complicit in human rights abuses.



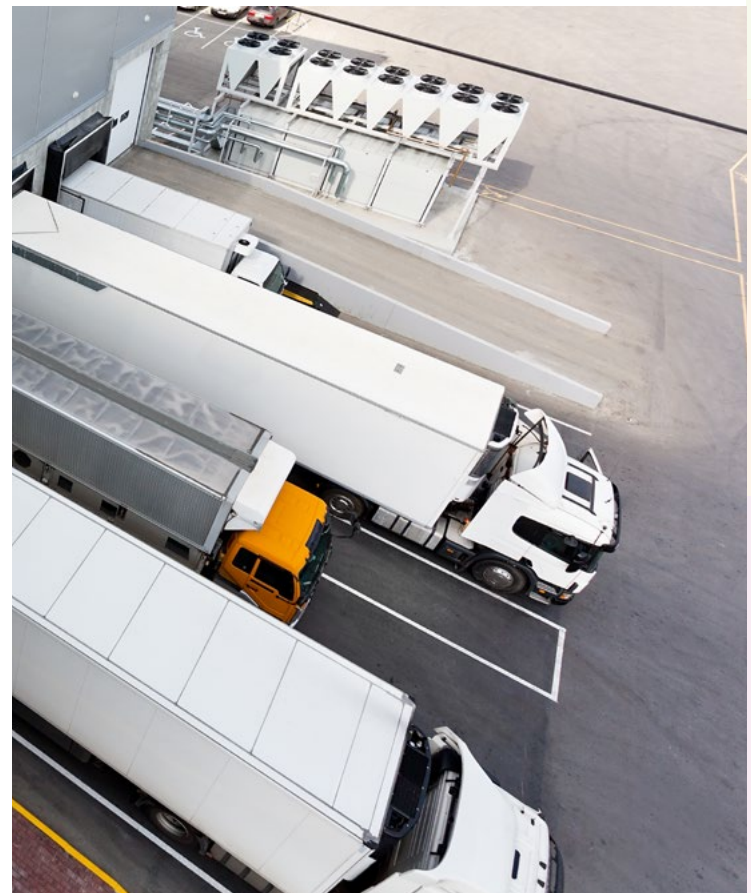
Number of grievances about labour practices, mobbing, and discrimination filed through the formal grievance mechanisms in 2019:

**4 complaints to the Compliance Officer
(all have been examined and resolved)**

Respecting the highest ethical standards is something we require not only from ourselves but also from our suppliers. Polpharma, as the first company in Poland, has received a certificate to confirm the compliance of its purchasing system with the **ISO 20400 Sustainable Procurement** standard. In 2019, we adopted our Sustainable Supply Chain Strategy in Procurement. It permanently embedded sustainable development categories (ethical, social and environmental criteria) in the procurement procedures of all Polpharma Group divisions. The document details the assumptions and guidelines for the entire procurement process: from establishing and maintaining relationships with suppliers, including their selection and assessment, to support, educational or audit operations focused on the suppliers. Polpharma Group's Supplier Code of Conduct is an important part of this process, and it defines the key requirements that our suppliers have to meet, including employment conditions and employee rights. In 2019, 100% of our suppliers received and committed to adhering to the Code of Conduct.

We also undertake educational activities aimed at suppliers. In 2019, we invited our suppliers to join us for workshops organised to educate, share experience and offer practical assistance with meeting the requirements of the Code. A total of 85 suppliers participated in two sessions. Through our online platform, we present key information about the sustainable supply chain and offer e-learning opportunities. The e-learning course contains a detailed description of our requirements in each area of the Code and how to implement them, as well as useful tools. The e-learning module is available in Polish and English.

Polpharma Group is a pharmaceutical company which understands the right to health and the importance of prophylaxis and early disease prevention in assuring it. We are aware of the emerging needs in this field, which is why we run preventive care programmes and develop websites for the general public offering education and advice. In 2019, our messages reached more than 10 million people, both directly (through screening tests and conferences) and indirectly (through the media), and our health education websites were visited by over 4.5 million unique visitors.





Our major health prevention programmes:



National COPD Detection Programme – It involves education campaigns and screening tests to improve the efficacy of diagnosing chronic obstructive pulmonary disease.



Pressure For Life (Ciśnienie na życie) is the largest national educational campaign on hypertension in Poland.



Health Zone (Strefa na Zdrowie) is a programme offering access to free medical examinations and specialist consultations to patients over 40 years of age living in small towns and villages.



Partnership

President Markus Sieger is a member of the Global Compact Network Poland Programme Board. We were also members of the Ethics Ombudsman Coalition group within the framework of the programme "Business and Human Rights. Implementation of the UN Guiding Principles on Business and Human Rights 2014-2020". The Coalition is a platform for exchanging knowledge on the best Polish and foreign business ethics management practices.



Labour standards

One of our principal commitments as regards labour standards is policy creation and educating managerial staff to build a culture of diversity. This allows us to diminish the risk of employment discrimination. We recognise the differences between our employees and see them as a value, as emphasised in our Code of Ethics and the Global Compliance Policy. We continually develop policies and programs that enable us to consciously manage diversity. We do not tolerate discrimination, isolation, harassment or bullying on any grounds, including gender, age, origin, nationality, religion, sexual orientation, physical appearance, health status, and physical capacity. A Procedure on Prevention of Workplace Mobbing and Discrimination is in place at the Polpharma Group. In 2019, we conducted relevant training in our production facilities.

In 2019, there were no cases of discrimination (2 reports of suspected discrimination were submitted, both of which were reviewed).

Intergenerational management is a key aspect of diversity management in our company. We identified key business risks and opportunities related to generational diversity. We implement training programmes on intergenerational management and cooperation.

For several years now, we have been working with the Integracja Foundation to make our offices fully accessible to people with various disabilities. Our office in Warsaw was awarded the "Building Without Barriers" certificate as proof of compliance with the accessibility requirements.

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

Principle 3.

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4.

the elimination of all forms of forced and compulsory labour;

Principle 5.

the effective abolition of child labour;

Principle 6.

the elimination of discrimination in respect of employment and occupation.

We assure our employees' right to freedom of association. We have single establishment collective agreements in place, covering almost all employees of the Pharmaceutical Works in Starogard Gdański, Polfa Warszawa, and Medana Pharma. In other Polpharma Group companies and divisions, including the Manufacturing Divisions in Duchnice and Nowa Dęba and the Trade Office in Warsaw, remuneration regulations apply.

In 2019, a total of 67% of all Polpharma Group in Poland employees were covered by collective agreements.

We are also implementing our Sustainable Supply Chain Strategy in Procurement, which enables us to ensure that relevant labour standards are also respected by our suppliers. The Polpharma Group's Supplier Code of Conduct, which is a component of this policy, defines the key requirements that our suppliers have to meet, including employment conditions and employee rights, as well as occupational health and safety.



Partnership

Since 2015 our company has been a signatory of the Diversity Charter, whose implementation in Poland is coordinated by the Responsible Business Forum.

In 2019, Polpharma joined the Partnership for Accessibility under the Accessibility Plus Programme implemented by the Ministry for Regional Funds and Policy, in cooperation with local governments, entrepreneurs and non-governmental organisations. The programme aims to ensure that people with special needs have free access to goods, services and social as well as public life.



Natural environment

Polpharma Group conducts manufacturing processes using chemicals. We seek to limit our negative environmental impact to the greatest possible degree and to that end we:



continuously improve process efficiency



reasonably manage our energy and water consumption and pollutant emissions



make sure that the chemicals we use are safe



explore the possibilities to minimise our environmental footprint at the technology and product development stage



monitor changes in the environment and respond accordingly



continuously improve our management systems

Environmental management is based on the Integrated Environmental and OSH Management System, which complies with the following international standards: ISO 14001 (Environmental Management), ISO 45001 (Occupational Health and Safety Management) and PN-EN ISO/IEC 17025 (Quality Management in the Environmental Monitoring Laboratory). The following are implemented as part of this system: Environmental Sustainability Policy, Occupational Health and Safety Policy, and Laboratory Management Policy.

Principle 7.

Businesses should support a precautionary approach to environmental challenges;

Principle 8.

undertake initiatives to promote greater environmental responsibility; and

Principle 9.

encourage the development and diffusion of environmentally friendly technologies.

Our key environmental objectives:

Increase the use of recycled packaging materials

In 2019, the amount of recycled packaging materials accounted for 12% of all packaging materials. Moreover, 100% of collective packaging is made of recycled materials. Using PE labels for manufacturing eye drops packaging is one of the ways in which we reduce the amount of packaging material purchased.

Maximise the recovery and re-use of solvents

In 2019, 61% of all solvents were recovered. The result was achieved through numerous activities and initiatives undertaken in the API Facility (production of pharmaceutical active substances), consisting in the development and rollout of new technologies, streamlining of the processes used to obtain substances with reduced use of solvents and solvent recovery (e.g. changes to the safinamide methanesulfonate technology).

Reduce the amount of waste generated and increase waste recycling and recovery

Polpharma implements low-waste technologies, optimises processes and uses top quality materials (e.g. improvement of the acetazolamide production technology). In 2019, we generated 6% less waste than in 2018, while at the same time transferring 63% of all waste for recycling and recovery.

Reduce CO₂ emissions in passenger transport

In 2019, we reduced the average fuel consumption in passenger transport across the Group by 5% as compared to 2018, e.g. by promoting business travel carpooling and the purchase of low-emission vehicles.

Reduce electricity and heat consumption

In 2019, Polpharma Group reduced its electricity consumption by 7.5% and its thermal energy consumption by 1% as compared to 2018. This results, among other things, from upgrades and optimisation work carried out in the cooling, compressed air, ventilation and lighting installations, as well as from thermal efficiency improvement work under the Energy Saving Scheme.

Reduce water withdrawal

A drop by 3% in water withdrawal was recorded in 2019 across the Group as compared to 2018. This was possible largely due to adopting measures such as a reduction of the number of process operations, changes to equipment washing methods and continuous awareness-building efforts aimed at employees.

The Trade Office in Warsaw holds the Green Office certificate issued by the Foundation for Ecological Education. It attests to the company's environmentally-friendly approach to facility management and commitment to environmental protection.

For many years now, we have awarded the Green Process Award in recognition of employees' efforts that contribute to reducing the company's negative environmental impact (energy and water consumption, waste and wastewater production, air emissions of gases and dust). As a result of the initiatives undertaken in 2019: 2450 GJ and 870 MWh of energy was saved, water consumption was reduced by 60,700 m³ and emission levels went down by 399

tons of CO₂. We organise events to promote environmental protection. Since 2014, we have shared our knowledge and best practices with other companies from Poland during a series of meetings called "Let's talk about the environment". During the Green Week, held as part of the Earth Day celebrations, Polpharma employees get practical tips e.g. on how to prevent food waste, travel in an eco-friendly way, mitigate the problem of smog and low-stack emissions, properly segregate household waste, and save energy and water at home.

We encourage our employees to carpool for business travel, use public transport and cycle to work.



We actively seek to minimise our carbon footprint:



we reduce our energy consumption



we improve transport (including passenger transport) efficiency



we monitor our suppliers for compliance with the Sustainable Supply Chain Policy



we use proper waste management practices

Polpharma Group's carbon footprint in 2019 was:

105,998.33

tons of CO₂ (down by more than 6000 t on 2018 levels)

We pursue a broader use of solutions that are in tune with the concept of the circular economy. We have analysed the level of the organisation's maturity in terms of the application of circular economy practices based on BS 8001. The result of this review was a list of recommended measures to be taken in the coming years. One of the first measured was to include additional environmental criteria in the supplier selection process.



Partnership

The Polpharma Group is a member of the Partnership Initiative for common implementation of environment-related Sustainable Development Goals initiated by the UNEP/GRID-Warsaw Centre in collaboration with the United Nations Environment Programme (UNEP).



Combating corruption

We prevent corrupt practices by strengthening the company's ethics culture. It is one of our commitments made as part of the Social Responsibility Strategy. To live up to this commitment, we actively involve our top and middle management in promoting our ethical principles within the company, and every employee is required to attend ethics training at least once every two years.

A fundamental document aimed at mitigating the risk of corruption at Polpharma Group is the Anti-Corruption Code adopted in 2018. It lays down the rules of cooperation between the Polpharma Group and healthcare professionals, business partners, and government officials. The Code complies with the Medicines for Europe (an organisation which brings together European pharmaceutical companies) Code of Conduct and is inspired by the best market practices. All employees are required to read and acknowledge understanding of the Code. We also provide regular refresher training to make sure our employees are aware of the binding rules (e.g. all employees undergo an annual training course about the relevant topics). In addition, we prepared a Marketing Activity Manual for our sales representatives in the field who deal directly with healthcare professionals.

We recorded no cases of corruption in 2019.

Principle 10.

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



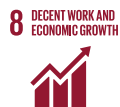


Since 2017, Polpharma Group has also had a Conflict of Interest Management Procedure in place to prevent non-compliances that may arise from conflicts of interest and to protect the Polpharma Group from their consequences. The procedure describes the situations where a conflict of interest may occur. It also explains what to do if a conflict arises and what measures the employer may take.

We also use our best efforts to ensure that our partnership with the medical and the patient communities is transparent to the public. As a signatory to the Medicines for Europe Code, since 2018, Polpharma Group has published its annual Transparency Reports available on our website. They provide information on the cooperation between Polpharma Group companies and healthcare professionals (including remuneration and support for participation in educational events), as well as on monetary compensation and support (e.g. in the form of medicine, in-kind or cash donations) provided to healthcare and patient organisations.

Polpharma's commitment to the fulfilment of particular Sustainable Development Goals

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





www.polpharma.pl