SUSTAINABILITY REPORT 2020

Recipharm

Recipharm is a leading global pharmaceutical Contract Development and Manufacturing Organisation (CDMO).

We provide pharmaceutical companies around the world with tailor-made development and manufacturing services, including a wide variety of drug dosage forms, and inhalation products and devices.

Our comprehensive services cover the entire life cycle of a pharmaceutical product – from drug substance through to commercial manufacturing – to get products to market in a time and cost-efficient way.

A TOP FIVE CDMO ON THE GLOBAL ARENA

11,069
Net sales SEK million 2020

30+
Global presence: 30+ facilities in 10 countries

2,019
EBITDA SEK million 2020

100+
Supplying more than 100 markets

8,666
Number of employees 2020

4.5%
Reduced greenhouse gas emissions per employee 2020

OUR FOUR BUSINESS SEGMENTS

New segment structure from January 1, 2020.

ADVANCED DELIVERY SYSTEMS

Develops and manufactures inhalation products and devices including integrated drug solutions, medical check valves and injection devices.

MANUFACTURING: STERILES

Manufactures sterile products, including the use of lyophilisation and blow-fill-seal (BFS) technologies.

MANUFACTURING: SOLIDS & OTHERS

Manufactures non-sterile products, including tablets, capsules, semi-solids, liquids and powders but excluding inhalation products.

DEVELOPMENT & LICENSING

Provides pharmaceutical development services, and manages Recipharm's patents, technologies, and drug product rights, as well as the development and manufacturing of drug substance (Active Pharmaceutical Ingredient, API).

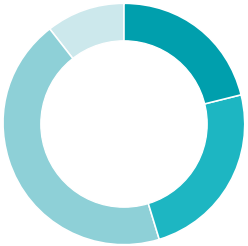
DELIVERING ON OUR STRATEGIES IN 2020

2020 was a year of significant progress against all of our strategies. In particular, our transformational acquisition of Consort Medical further consolidated the CDMO industry but also enabled us to significantly enhance the share of our customers value chain.

Key figures	2020	2019	2018
Net sales	11,069	7,457	6,374
EBITDA	2,019	1,294	987
Operating profit, adjusted	928	546	425
Net profit	338.7	343.0	159.9
Sales growth	48%	17%	20%
EBITDA margin	18.2%	17.3%	15.5%
Operating margin,adjusted	8.4%	7.3%	6.7%
Dividend per share	0	0	1.25
Net debt to equity	1.2	0.7	0.7
Earnings per share,adjusted	3.97	5.78	2.73
Employees (FTE)	7,857	5,316	4,822
Total greenhouse gas emissions, tonnes	76,506	63,563[1]	70,766
Reduced greenhouse gas emissions per employee and year	4.5%	11.0%[1]	14.3%

[1] Data for 2019 have been corrected.

SALES SPLIT PER SEGMENT 2020



Advanced Delivery Systems	21.3%
Steriles	24.2%
Solids & Others	44.2%
Development & Licensing	10.3%

EBITA PER SEGMENT 2020

Advanced Delivery Systems	31.5%
Steriles	20.3%
Solids & Others	37.6%
Development & Licensing	10.6%

Agreement to manufacture Moderna's COVID-19 vaccine candidate

The project involves formulating, filling and finishing the mRNA-1273, COVID-19 vaccine candidate for the US-based biotech company Moderna. The work will be performed at Recipharm's drug product manufacturing facility in Monts, France. Recipharm has reserved capacity to support the anticipated demand for the vaccine and is in the process of recruiting additional staff and making certain investments to enable the technology transfer and scale-up.

Manufacturing agreement for Arcturus Therapeutics' COVID-19 vaccine candidate

Through the agreement, US-based Arcturus Therapeutics secured manufacturing slots with Recipharm to manufacture LUNAR®-COV19 (ART-021). The companies are working together to secure commercial manufacturing production for 2021 and beyond. The cooperation has the potential to play a significant role in the global immunization against COVID-19.

Ensuring business continuity and capturing opportunities during COVID-19

Recipharm quickly implemented a comprehensive business continuity plan to protect the wellbeing of employees and ensure it was able to continue to support customers. This resulted in Recipharm being able to maintain a reliable supply of therapeutics, as well as provide inhalation products, antibiotics and other treatments for the patients hit hardest by COVID-19. Recipharm also signed COVID-19 vaccine candidate manufacturing agreements with multiple companies, which are vital projects to support the fight against COVID-19.

Joint venture with Medspray to exploit novel softmist technology

The joint venture known as Resyca BV will develop and draw on Medspray's softmist spray nozzle technology that has the potential to eliminate the need for propellants by delivering therapies deep into the lungs more effectively with lower doses. Recipharm invested EUR 15 million in return for 51 per cent of the shares of Resyca, which now includes Medspray's softmist intellectual property.

The acquisition of Consort Medical into the Recipharm Group

The GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February 2020 made Recipharm into one of the largest CDMOs in the world. The acquisition also strengthened its development and manufacturing capabilities and created an entirely new offering in device design, development and manufacture.

Consort Medical included Aesica, a CDMO of drug substances and drug products, and Bespak, a drug delivery devices company. Aesica has been integrated into Recipharm's CDMO business, which will enhance its development and manufacturing capabilities for both drug substances and drug products. Bespak constitutes a key building block for Recipharm's new inhalation platform.

YEAR OF PROGRESS AND OPPORTUNITY DESPITE GLOBAL CHALLENGES

The COVID-19 pandemic challenged but also created opportunities for Recipharm in 2020, while our acquisition and integration of Consort Medical brought new capabilities and made us a top five global CDMO.

> By developing opportunities with the Bespak division of Consort in the device business we have become a global leader in inhalation.

The integration of Consort Medical

Following the GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February, we worked to integrate the business into our operations. Just a few weeks after the acquisition was made, we were affected by challenges related to lockdowns. However, the disruption due to the pandemic was not as great as we originally feared, and the integration process got back on track during the year.

When we first made the acquisition, we set a target to realise cost synergy savings of SEK 125 million per year. With most of these successfully implemented by the end of 2020, we raised this target to SEK 140 million.

The Aesica division of the Consort business is similar to Recipharm's existing activities but is underperforming compared with our other operations. We are in the process of sharing best practice and reviewing customer services, to improve these parts of our business, with benefits being realised during Q4 and in 2021.

Leadership in inhalation

By developing opportunities with the Bespak division of Consort in the device business we have become a global leader in inhalation. This has involved conducting several promising activities that will have long-term benefits, particularly by combining device expertise and inhalation manufacturing in our project management organisation. Besides strengthening existing activities, we also invested in additional capabilities to our new Advanced Delivery Systems segment. One example is a joint venture with Medspray involving novel softmist technology, which offers an excellent alternative to metered dose inhalers.

Higher profit margin and reduced leverage

We achieved good organic growth during the year of 4 per cent and our revenue increased to SEK 11.1 billion, which is extremely pleasing. It is fantastic to have been able to expand our profit margins despite the operational challenges we faced during the pandemic in 2020. The fact that profit margin increased at a higher pace than sales shows that we are moving in the right direction.

We announced new financial targets for 2020 and we are on track with our growth target, EBITDA margin and return on capital target, so we are well positioned.

We had a large component of debt financing tied to the acquisition of Consort, but according to plan, we have issued equity. Following the acquisition, we have also worked to reduce the leverage through various activities as high leverage will limit our ability to explore other high capex opportunities.

Minimising COVID-19 disruption

We launched business continuity plans at the start of the pandemic running to ensure we could continue to meet customer needs. Our four facilities near Milan found themselves in the epicentre of the first wave of COVID-19 in Europe, but we succeeded in keeping all our operations open throughout 2020 and our employees deserve a lot of credit for this.

We had – and continue to have – issues related to the pandemic, including periods of high absenteeism and restrictions on the movement of people, but we have continued to supply customers and received very positive customer feedback during the year. I believe that this is all testament to our decentralised governance model and its ability to quickly adapt to local conditions, which worked extremely well throughout the year.

Our positive role during the pandemic

I am proud of our positive contribution in the fight against the COVID-19 pandemic. Our inhalation products and therapeutics have played a key role in treating COVID-19 patients on ventilators. This increased demand for such products more than compensated for the reduced demand for other prescription drugs during the pandemic as people avoided visiting their doctor.

As the pandemic progressed, we realised we could play an important role in manufacturing COVID-19 vaccines. During the year, we signed COVID-19 vaccine candidate manufacturing agreements with Moderna and Arcturus Therapeutics. Although we did not deliver any commercial vaccine supplies during the year, vaccine manufacturing preparations generated significant revenue in Q4 through technology transfer and scale up. There

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remains uncertainty regarding vaccine volumes going forward, but we will be flexible to meet customer and societal demands.

Our ability to manufacture COVID-19 vaccines is not only important in terms of our societal contribution and manufacturing some of the most important pharmaceuticals in the world right now – it also demonstrates that we can manage complicated products under very tight timelines. Additionally, I believe it is of huge strategic importance that goes beyond the current COVID-19 vaccines to potentially create an entirely new business segment with significant opportunities for Recipharm that simply didn't exist a year ago.

Development services

Our new development services organisation, which has improved how our development facilities in Europe, the US, India and Israel collaborate, made good progress during the year and is increasingly providing a pipeline of new business for our manufacturing units. One key development that I believe will be significant in 2021 is the expansion of our drug substance capabilities in Israel.

An incident, which occurred in Consort's operations in Cramlington during 2019 before Recipharm's acquisition, continues to impact operations as remediation has taken longer than expected. But we implemented further activities in Q4 and will see improvements in 2021.

Sustainability leadership

Sustainability is very much integrated into our day-to-day activities as we make gradual improvements throughout our business. We are seeing increased interest in sustainability from investors and certain customers, such as larger pharmaceutical companies. I still believe we are ahead of the curve in terms of how far we have come with sustainability compared to many of our competitors in the CDMO industry, so we are well positioned to meet rising stakeholder expectations. The principles of the UN Global Compact, of which we have been a signatory of for many years, continue to form the basis for our global sustainability work.

Opportunities in 2021

The ongoing growth in the CDMO market creates opportunities for us, and we believe that the greater customer interest in Recipharm we have experienced since becoming a top five global CDMO will continue in 2021. Sterile manufacturing in particular is expected to remain in high demand, driven by pharmaceutical companies around the world seeking to secure additional capacity for injectable products through CDMOs.

We have many opportunities to draw on, including multiple synergies from the Consort acquisition that will continue to drive profitability. The supply of COVID-19 vaccines will also be significant in 2021.

Following global supply chain disruption in 2020, there is greater interest in localising pharmaceutical manufacturing capacity. We are well positioned to benefit from this trend, particularly in Europe. We also see more potential to offer our own IP in customer projects to provide unique opportunities for customers.

Finally, I would like to give a special thank you to Recipharm employees all around the world during what has been a challenging year for many. You have embodied our values of tenacity and reliability during the year as we continued our essential operations when many other societal functions shut down. As always, you are fundamental to our ability to continue to serve our customers and ensure the continued availability of essential pharmaceuticals for society.

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Since we started the company in 1995, we have been through some important transformational events. Back in 2007 we started to expand outside Sweden and decided to focus on becoming a leading international CDMO. Seven years later in 2014, we made an IPO and Recipharm became a listed public company. This provided us with the opportunity to further accelerate our international expansion and become one of the five largest CDMOs in the world. In 2021, another seven years later, we are again at a transformational moment as we begin a new chapter in the Recipharm story with a new owner and as an unlisted company once again. There will certainly be changes to the business, but there are fantastic opportunities ahead as we consolidate our position as a leading global CDMO.

Thomas Eldered, CEO

PROACTIVE SUSTAINABILITY WORK

At Recipharm, sustainability is an integral part of our daily business and we work proactively to mitigate our negative impacts and maximise our positive contribution.

As pharmaceutical products aim to improve human health and quality of life, the industry as a whole contributes positively to society. At Recipharm, we take a responsible approach to all aspects of our operations and we believe that high ethical standards, accountability and good stakeholder relations create long-term benefits. This approach is a guiding principle for all our decisions, policies and activities.

Our business responsibility

Recipharm's operations must not only be state of the art in terms of technology, but also for environmental responsibility, ethics and a holistic approach to responsibility for all aspects of our business. Sustainability is embedded into all our business processes and ensures we operate responsibly.

At Recipharm, we have always had high sustainability ambitions, which we believe is an advantage that differentiates us from our competitors. As a leading CDMO, our stakeholders expect that sustainability topics are managed in a structured and comprehensive manner. Customers seek partnerships with long-term partners and employees want to work for companies that contribute towards sustainable development. Recipharm provides formal reporting and transparency regarding sustainability. We also engage with relevant associations and networks, which helps to communicate our position as a CDMO with a strong sustainability profile.

Enabling sustainability research and development

Recipharm enables research and development by supporting our customers with pharmaceutical development services – including method and process development services as well as manufacturing materials for clinical studies. Within both preclinical development and clinical studies, many of the issues that arise are related to ethics. As our clients are responsible for these issues, such as animal testing and ensuring good clinical practice, it is essential we have close collaboration and dialogue with our customers to ensure that we can positively influence them by offering solutions that are both efficient and ethical.

In manufacturing, sustainability issues typically concern environmental impact, supplier management, labour conditions, and social responsibility. In sales and marketing, we encounter queries on ethical conduct in customer activities and sales activities. Our sustainability work is what guides us and ensures that these issues are always actively and responsibly addressed.

> We have high sustainability ambitions, which differentiates us from our competitors.

Our sustainability framework

Our sustainability work helps us achieve our overall objectives and is guided by our sustainability framework. The framework ensures that we make continuous improvements through clear objectives and are transparent on sustainability topics. It also helps to mitigate risk, including reputational risks, that may impact our company negatively.

Our sustainability framework rests on Recipharm's core values and the UN Global Compact's ten principles for human rights, labour, the environment and anti-corruption. Building on these, our internal policies and Code of Conduct covers sustainability issues as well as aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders.

Based on our materiality analysis, we have identified three focus areas: reduced greenhouse gas emissions, supplier assessment and monitoring, and develop internal governance. Each focus area has one or more relevant associated objectives. Read more about the outcomes of our objectives on page 11 and the rationale behind our priorities on page 23.

Recipharm is a signatory of the UN Global Compact and reports its greenhouse gas (GHG) emissions to the Carbon Disclosure Project (CDP). All our operating companies are requested to have an ISO 14001 Environmental Management certification and an ISO 45001 Occupational Health and Safety certification (or equivalent). Ethical standards are clearly defined in our Code of Conduct and suppliers are managed through our Supplier Code of Conduct.

Recipharm's long-term sustainability objectives

- Reduce greenhouse gas emissions by targeting energy consumption and transportation
- To establish a clear overview of all our suppliers' operations in relation to our Supplier Code of Conduct
- Deliver value for our stakeholders and develop clear internal processes to ensure alignment with the UN Global Compact

Recipharm's focus areas

- Reduced greenhouse gas emissions
- Supplier assessment and monitoring
- Develop internal governance

Recipharm's policies and Code of Conduct

- Internal policies such as Global Policy and Code of Conduct
- Global Compact's ten principles for human rights, labour, the environment and anti-corruption

CORE VALUES

Reliability | Professionalism | Entrepreneurship | Tenacity

Sustainability targets

To develop and follow up progress of our sustainability work, there are clear targets linked to every focus area. The targets are monitored regularly, and Recipharm's operating companies are responsible for their implementation and management.

Reduced greenhouse gas emissions

We work to reduce greenhouse gas emissions by targeting energy consumption and transportation. The overall targets are to reduce the amount of greenhouse gas emissions per employee by at least 3% per year and to maintain ISO 14001 certification in all Recipharm's manufacturing operations. The reduction of greenhouse gas emissions per employee in 2020 was 4.5%. ISO 14001 certifications were achieved in Paderno Dugnano, Masate and Bengaluru.

Supplier assessment and monitoring

Our long-term goal for managing supplier sustainability performance is to establish a clear overview of all their operations in relation to our Supplier Code of Conduct. The target for 2020 was to have conducted 40 additional on-site reviews at suppliers in accordance with our Supplier Code of Conduct. In 2020, 24 reviews were conducted. Due to COVID-19 it was not possible to conduct site visits as planned.

Develop internal governance

Our aim is to deliver value for our stakeholders and develop clear internal processes to ensure alignment with our policies and Code of Conduct. For 2020, the target was to further develop guidelines around our processes for review, communication and training to prevent corruption. This has primarily been done through a developed approach to internal control procedures.

Our objectives for 2021

Environment:

Reduction of greenhouse gas emissions per employee by 3%. Complete the overview of Recipharm's manufacturing of antibiotics as part of the commitment to antimicrobial resistance (AMR).

Sustainable supply chain:

Re-establish audits post COVID-19 and complete a minimum of 20 new supplier assessments in 2021.

Governance:

Complete ISO 14001 certification and ensure relevant planning for ISO 45001 certification across the Group.

Target	2020	2019
Reduction of greenhouse gas emissions per employee by 3%	4.5	11.0[1]
Increase share of ISO 14001 certified manufacturing operations	88% certified	85% certified
40 additional on-site reviews at suppliers in accordance with our Supplier Code of Conduct, number	24[2]	93
To further develop guidelines around our processes for review, communication and training to prevent corruption	Establishing organisation and processes for internal control	A cross-functional risk assessment of corruption risks has been conducted during the year, as well as establishing a mitigation plan. Actions in this plan will be implemented in 2020.

[1] Data for 2019 have been corrected.

[2] The number of supplier on-site reviews were fewer than planned in 2020 due to COVID-19 travel restrictions.

FOCUSED EFFORTS LEAD TO LOWER CARBON FOOTPRINT

Mitigating our environmental impacts from energy consumption, emissions and waste at our manufacturing and laboratory facilities involves some of our most important sustainability work.

Our proactive environmental work has always differentiated Recipharm from competitors and helps us to be the customer's first choice. By continuously improving our environmental work, we also reduce the environmental impact of our operations. This ultimately reduces the environmental footprint of the products and services we deliver to customers. It also helps us to reduce costs through more efficient operations.

The importance of our environmental work

In order to succeed in the long-term, Recipharm needs to use natural resources in a sustainable manner and to continuously find ways of minimising our environmental impact. As a world-leading provider of CDMO services, it is therefore essential that we reduce greenhouse gas emissions from our production and transport in the face of climate change and the potential future impacts on our business and society. Operating in accordance with legislation and relevant permits and licenses also involves mitigating the risk of discharges and effluents, and properly taking care of them if they occur. This is particularly important in antibiotics production.

Environmental management systems

Recipharm's facilities all have the relevant environmental permits required by law in each country. All facilities are actively monitored. However, in 2020 one incident occurred, in the facility in Monts, France. An anaesthetic product was accidentally released into the facility's water treatment system and into a nearby river. Recipharm took immediate actions to investigate what happened and to mitigate the impacts and ensure processes to prevent such incidents from happening again.

We are committed to ensuring that all our operating companies are certified to the ISO 14001 environmental management system. The goal is that newly acquired facilities are certified within two years of them being incorporated into the Group. At the end of the year, 22 (22) out of 25 manufacturing operations, representing 88 (85) per cent of Recipharm, have an ISO 14001 certificate. Certification ensures a robust process is in place with the aim to constantly improve. It also shows customers and other stakeholders a clear commitment to environmental management with a global standard. In 2020, certification was achieved for Masate and Paderno Dugnano (Italy) and Bengaluru (India).

Acquisitions

Environmental due diligence is one of the most important activities when Recipharm is considering potential acquisitions. Due diligence reviews are primarily conducted through reviews of material provided by the seller, but more information is collected through on-site investigations when required such as the sampling of soil and water. Recipharm uses external expertise for these investigations.

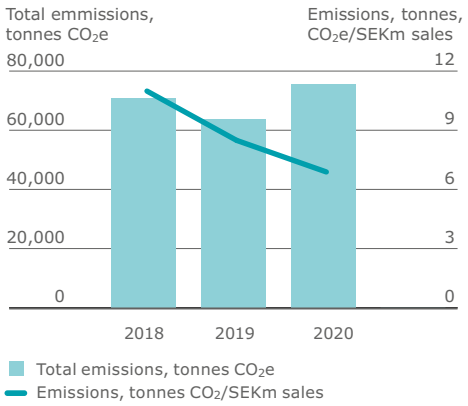
Energy and greenhouse gas emissions

Reducing energy consumption and greenhouse gas (GHG) emissions are Recipharm's most important environmental objectives. In 2020, Recipharm's direct and indirect carbon emissions amounted to 76,506 (63,563) tonnes. This is equivalent to 8.8 (9.3) tonnes per employee, or an increase of 20 per cent compared with the previous year. This corresponds to 6.9 (8.5) tonnes CO_2 per SEKm sales. Direct emissions are primarily a result of heating our facilities, generating manufacturing process media and from company-owned vehicles. Our indirect emissions are a result of electricity use in our manufacturing and development facilities. Indirect GHG emissions also include transport emissions related to our suppliers and inter-company transportation.

GREENHOUSE GAS EMISSIONS 2018–2020

Greenhouse gas emissions	2020	2019	2018
Scope 1 (use of natural gas and oil in premises, and fuel in company vehicles), tonnes	32,243	22,293	20,914
Scope 2 (electricity, district heating, cooling and steam), tonnes	43,958	40,052	49,209
Scope 3 (business travel by train and airplane), tonnes	305	1,218	643
Total	**76,506**	**63,563**	**70,766**

The table shows the total direct and indirect greenhouse gas emissions from reported sources. 2019 data for scope 2 have been corrected.



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

Reduced greenhouse gas emissions

The total GHG emissions in 2020 increased, due to the addition of new operations following the Consort acquisition. The relative reduction of GHG emissions was primarily a result of more efficient energy use in manufacturing plants, as well as switching to low-carbon energy sources. The work to promote energy efficiency is managed locally at facility level and follows normal business practices for capital investments. Our experience has demonstrated that energy efficiency measures are sound investments that save more money over time than the cost of the original investment. One key initiative has been the use of solar panels for electricity generation at our manufacturing plant in Bengaluru, India. Projects to reduce energy use have also been introduced in several of our operating companies.

We report our GHG emissions and how we manage our climate impact in the annual CDP Climate Change questionnaire. Responding to CDP promotes further improvements in our environmental and climate work and provides us with feedback on our climate reporting and actions. Recipharm's CDP reporting in 2020 was graded at level B-, the same rating as in 2019. Our CDP data for 2020 will be submitted in July 2021.

Antimicrobial resistance (AMR)

AMR is currently one of the most serious threats to public health worldwide. As Recipharm manufactures antibiotics in several locations, it is important that we are involved in developing solutions to combat AMR. We are a member of the AMR Industry Alliance, which helps us improve our work on AMR and allows us to engage with other stakeholders. In 2020, we started a pilot project with the aim to review our manufacturing processes in accordance with AMR Industry Alliance's framework for managing antibiotic discharge. Due to COVID-19, progress has been slower than expected and the work will continue in 2021. The ambition is to ensure compliance with the AMR Industry Alliance Guidelines for all manufacturing of antibiotics within Recipharm.

Recipharm is also involved in a number of other initiatives focused on AMR. For example, the multisector collaboration platform, PLATINEA, led by Uppsala University, designed to find ways to preserve and enhance the value of existing antibiotics.

Water and waste

A major problem with AMR is that residues from the pharmaceutical industry can end up in the environment and, for example, pollute watercourses with antibiotics. We do our utmost to prevent this and to prevent pollution to air or water caused by any other harmful substances from our operations.

We compile water and waste data for all our manufacturing and development facilities. Our process wastewater is predominantly produced from the cleaning of equipment. The quantity of drug residues in our wastewater is small and all Recipharm facilities are authorised to release wastewater into normal sewage systems for processing in treatment plants. The exception is in India, where we operate our own local water treatment plants and recirculate purified wastewater by using it for irrigation.

The availability of fresh water is generally good in the locations where Recipharm operates. The exception again is India, where the availability of fresh water varies from year to year. In India, Recipharm uses groundwater that is pre-treated at ou facilities before it is used in manufacturing to minimise the burden on municipal fresh water supplies.

Where organic solvents are used, emissions undergo pre-treatment to minimise quantities of organic solvents. All our units comply with their respective environmental permits by a wide margin. Solvent emissions to air in 2020 amounted to 51,966 (145,311) tonnes, with Bespak and plants in Holmes Chapel and Uppsala accounting for the majority of our emissions.

WATER AND WASTE 2018–2020

	2020	2019	2018
Water, m^3	2,342,961	1,972,639	1,751,790
Of which own sources, m^3	1,372,683	1,347,375	1,142,648

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

	2020	2019	2018
Waste, tonnes	20,344	9,852	10,293
Of which hazardous waste, tonnes	11,081	5,539	5,463

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

Case: The Recipharm International Environmental Award

The Recipharm 2020 International Environmental Award winner

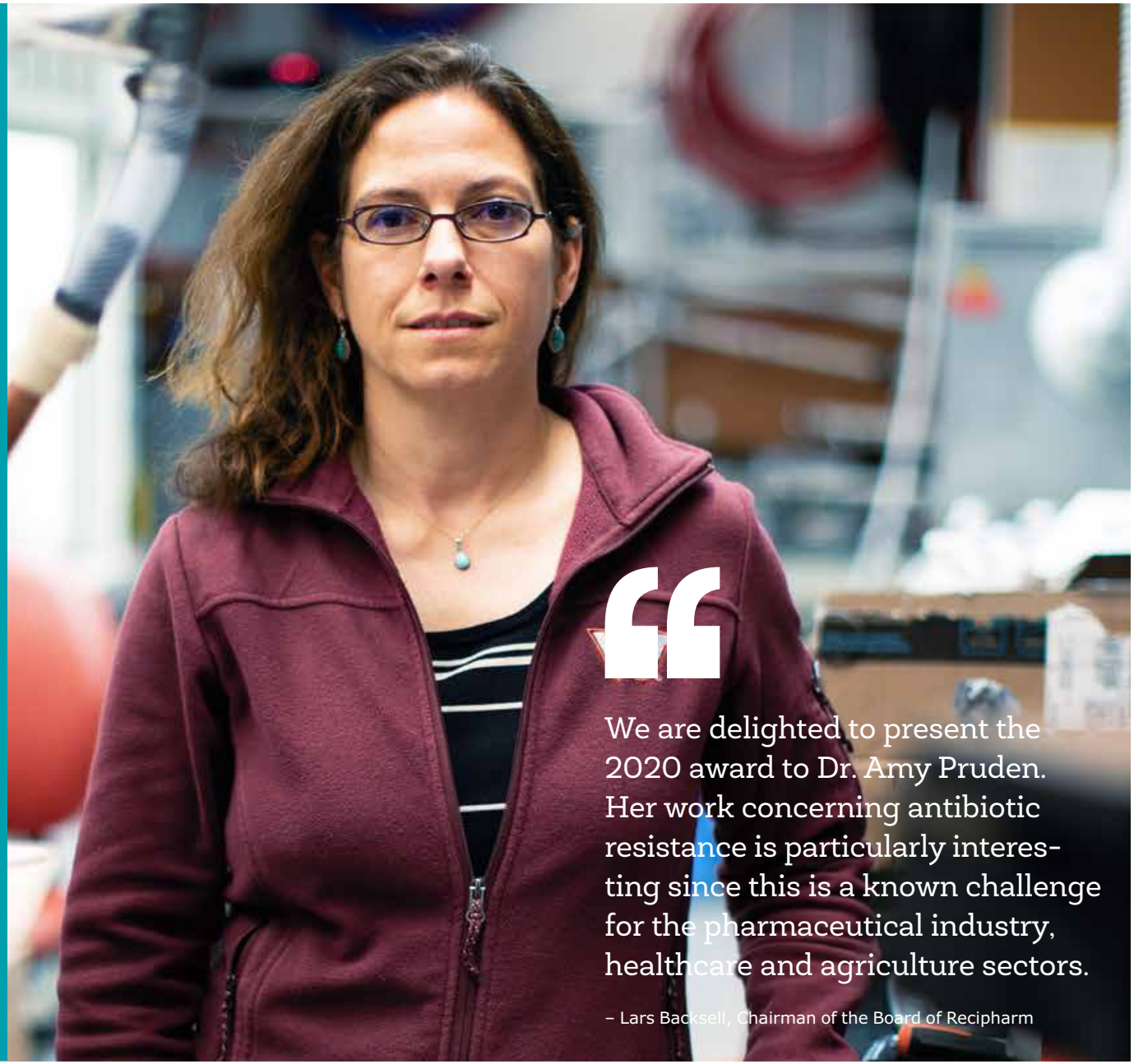
The Recipharm 2020 International Environmental Award was presented to Dr. Amy Pruden, Professor of Civil and Environmental Engineering at Virginia Tech in Blacksburg, Virginia, USA.

Dr. Pruden is widely recognised for her work documenting antibiotic resistance genes as environmental contaminant. Her most recent research focuses on advancing practical means of antibiotic resistance monitoring, mitigation and risk assessment in wastewater, recycled water and other water systems.

Dr. Pruden also serves as an Associate Editor for the Journal of Environmental Science & Technology and has published more than 175 peer-reviewed manuscripts and book chapters on bioremediation, pathogens and antibiotic resistance. She is also well known for her work in advancing the study of environmental microbiomes and desiging water systems to prevent the colonization of pathogens, such as Legionella.

About Recipharm's International Environmental Award

Since Recipharm was founded in 1995, our environmental agenda has been a central part of the way we do business. It is our belief that transparency, cooperation and encouragement are necessary if we are to achieve sustainable development. In order to promote this belief, we introduced the International Environmental Award in 2008 to showcase the best environmental practice or innovation within the pharmacy and health care industries or academia.



PROCESSES ENSURE RESPONSIBLE PRODUCTION

As Recipharm's operations can affect people's lives and health, we must not only comply with laws and regulations, but also ensure responsible and ethical behaviour throughout our value chain.

As a global company, Recipharm needs to take responsibility both locally and globally. Recipharm has been a signatory of the United Nations Global Compact (UNGC) since 2016. This means that Recipharm is committed to abiding by the UNGC's ten principles on human rights, labour, environment and anti-corruption. Read more on page 10.

Recipharm's Supplier Code of Conduct

Our Supplier Code of Conduct covers business ethics, labour practices, anti-corruption, human rights and environmental management. We strive to ensure that suppliers actively endorse the requirements of the Supplier Code of Conduct, and we communicate and follow-up the Code.

Supplier requirements

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

For direct materials, Recipharm has more than 750 different suppliers. Most of these suppliers are located in Europe, but our supplier base is global. Suppliers to the pharmaceutical industry work under well-defined quality criteria and many are covered by the pharmaceutical industry's quality system, Good Manufacturing Practice (GMP). Our operations are normally automated with low labour intensity. During 2020, there has been no significant change in our supply chain except for an increase of the number of suppliers following the acquisition of Consort Medical.

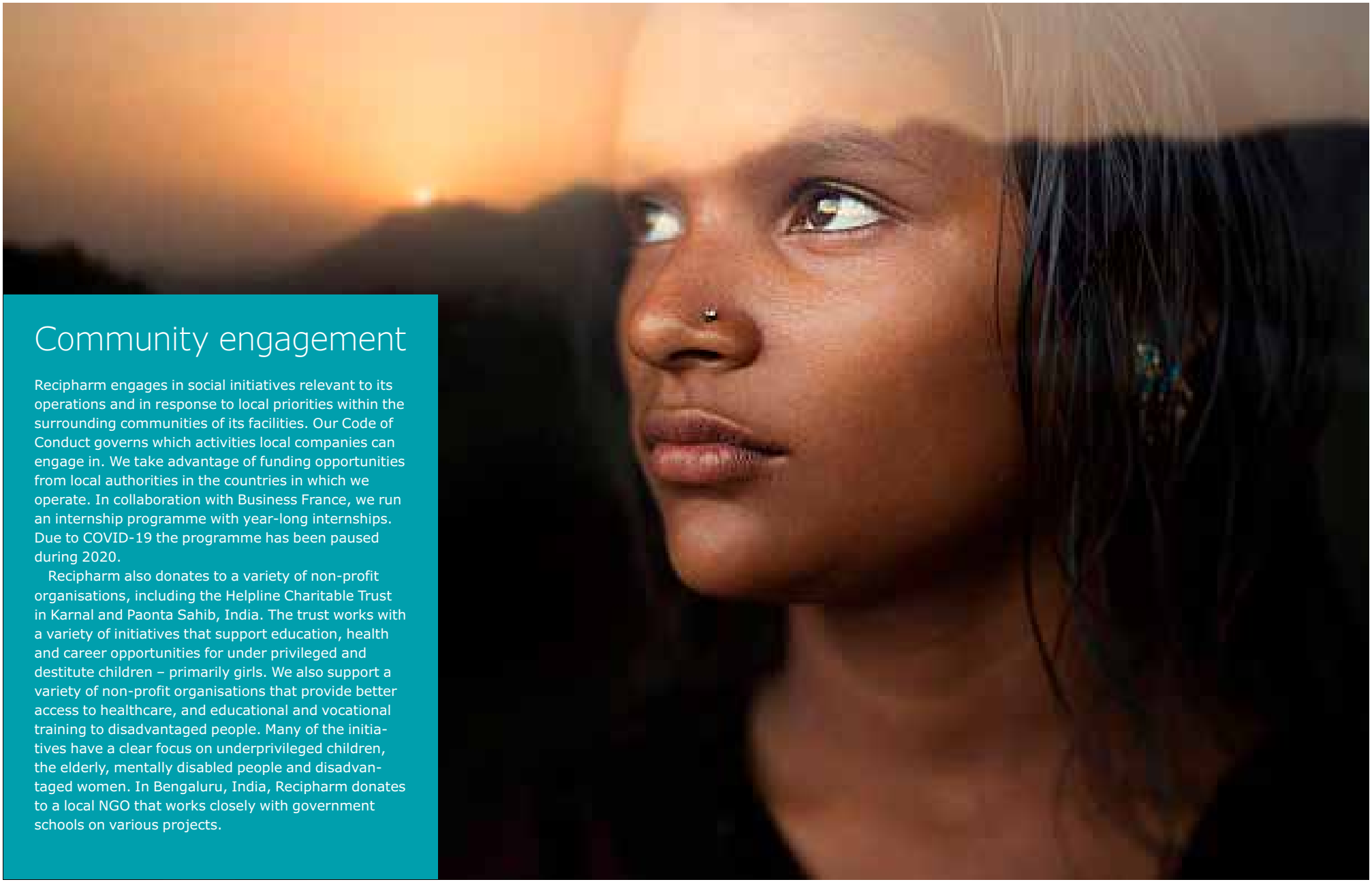
There are legal requirements for us to make regular quality audits of our suppliers to verify their compliance with cGMP requirements. In connection with these audits, the compliance with our Supplier Code of Conduct is reviewed. If necessary, specific audits focusing on sustainability matters will be conducted. The Code has been communicated to 2,917 (1,876) suppliers, and 1,807 (1,413) of these suppliers have accepted the Code, which corresponds to 25 per cent of our supplier base. There have not been any specific sustainability audits in 2020, but 24 (93) of our suppliers were reviewed in connection to quality audits.

Through our Supplier Code of Conduct, Recipharm requires that suppliers provide a safe working environment, including any company-provided living quarters, and protect employees from overexposure to chemical, biological and physical hazards. The Code of Conduct also requires suppliers to have programmes in place to prevent or mitigate excessive releases of chemicals and other identified major risks. Recipharm requires that suppliers identify and assess emergency situations and minimise their impacts by implementing emergency plans and response procedures. Safety information regarding hazardous materials should be available to educate, train and protect workers from hazards. During 2021, we will focus on taking further steps towards ensuring fair and reliable supplier assessments.

Supplier assessment

During 2020, 24 (93) suppliers were assessed for environmental and social impacts. The number is significantly lower than previous years due to the COVID-19 pandemic making on-site visits principally impossible. On-site visits have partly been replaced by virtual audits, but the work has not been possible to carry out as planned. No suppliers with potential negative environmental and/or social impact were identified in 2020.

Case: Community engagement



Community engagement

Recipharm engages in social initiatives relevant to its operations and in response to local priorities within the surrounding communities of its facilities. Our Code of Conduct governs which activities local companies can engage in. We take advantage of funding opportunities from local authorities in the countries in which we operate. In collaboration with Business France, we run an internship programme with year-long internships. Due to COVID-19 the programme has been paused during 2020.

Recipharm also donates to a variety of non-profit organisations, including the Helpline Charitable Trust in Karnal and Paonta Sahib, India. The trust works with a variety of initiatives that support education, health and career opportunities for under privileged and destitute children – primarily girls. We also support a variety of non-profit organisations that provide better access to healthcare, and educational and vocational training to disadvantaged people. Many of the initiatives have a clear focus on underprivileged children, the elderly, mentally disabled people and disadvantaged women. In Bengaluru, India, Recipharm donates to a local NGO that works closely with government schools on various projects.

EMPLOYING EXCELLENT PEOPLE

As a decentralised company with relatively small Group level functions, Recipharm's ambition is to promote an entrepreneurial spirit, local accountability and a common management model.

Recipharm has developed a number of internal governance documents, such as its policies, Code of Conduct and Internal Control Standards. Read more on page 23.

The company's targets are monitored regularly, and Recipharm's operating companies are responsible for their implementation and management. Overall control is carried out at Group level with direct feedback to the CEO and the Board.

Management model

Our Global Policy sets out a clear management model and guidelines for operating companies, whilst appreciating that one size does not fit all. This allows our operating companies to work in the way that best suits their needs and market conditions. The Global Policy includes Recipharm's vision, mission and long-term objectives, as well as the governing principles for operating companies, including the delegation of responsibility. Read more on page 23.

Recipharm's Code of Conduct

Our business ethics are managed by our ethical guidelines – the Recipharm Code of Conduct. The guidelines cover all aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders. Our Code of Conduct explicitly prohibits any interference that aims to create undue advantage for Recipharm, or for individual employees.

During 2020, we continued to develop our model for monitoring the Code of Conduct. Methodology for the implementation, monitoring and employee training of the Code of Conduct is based on a previous risk analysis. We also follow ongoing developments concerning anti-corruption legislation and will continue to strengthen the organisation and our competence to ensure the necessary adaptation. During the year, organisation and processes for internal control have been put in place. In 2020, there were no reported deviations from our Code of Conduct.

We have a process and model for whistleblowing in place where both internal and external parties can anonymously report grievances. During 2020, three cases were reported through the system, of which one led to additional investigation. However, no misconduct was identified.

Guidelines covering anti-competitive behaviour

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

Our employees

The importance of our company culture

Operating in a competitive environment and supplying highly demanding customers requires talented people. It is vital that we attract, develop and retain excellent individuals. Our company culture ensures Recipharm has a strong employer value proposition that extends through the employee life cycle – Attract, Recruit, Develop and Retain. Our culture is therefore essential to secure two of our strategic pathways – employing excellent people and supplying innovative expertise.

Recipharm has always worked to develop, promote and retain talent, creating a win-win situation for Recipharm and its employees. We have also established collaborations to recruit young talent interested in an international career.

Recipharm can offer its employees a broad long-term incentive programme. This acts as both a cost-efficient benefit that attracts potential candidates, increases employee interest in Recipharm's success and serves as a financial incentive for employees to stay with the company long term.

Strengthening our culture through synergies

We are increasingly drawing on synergies between our growing number of operating companies around the world. This helps us to implement common ways of working that add value throughout the company and contribute towards a shared company culture.

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

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

Acquisitions – transferring our culture

Newly acquired companies are quickly integrated into our business by working on three key areas – reporting, policy and management. In addition, helping new employees to understand and embrace the Recipharm culture is a natural part of integrating new companies. Another way of integrating new companies in the culture is by immediately inviting and engaging representatives from the newly acquired companies in Recipharm's internal network groups – such as for sustainability, quality management, lean and procurement.

Maintaining our culture

As we grow and become increasingly global, maintaining our culture of entrepreneurship, local accountability and our decentralised management model continues to be an ongoing key challenge. In a competitive industry, increasingly focused on cost, our culture is what differentiates us, helps us to attract and retain employees, and ultimately promotes the success of our local operating companies and the Group as a whole.

> It's vital that we attract, develop and retain excellent individuals.

Our core values

Reliability

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

Professionalism

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

Entrepreneurship

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

Tenacity

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

Employee health and safety

Recipharm aims to provide safe and engaging workplaces. All our companies have detailed employee health and safety manuals to ensure compliance with all relevant requirements. These are locally adapted to ensure they meet the relevant local legislation. Health and safety initiatives are part of the daily continuous improvement work throughout our operating companies. In parallel, certain upgrades and organisational developments can lead to gradual changes in the approach. The majority of operating companies provide access to occupational healthcare. Recipharm also provides additional health initiatives, such as wellness grants for physical exercise.

Around 60 (50) per cent of the total workforce is represented by worker health and safety committees that help monitor and advise on occupational health and safety. These committees are chaired by senior managers of the respective operating companies, with regular meetings.

When introducing new equipment, manufacturing processes and new chemical compounds, a risk assessment is mandatory. Based on this assessment, relevant procedures, training, instructions and protective measures are put in place. All operating companies have reporting systems for employees to actively monitor work-related incidents and accidents and take corrective actions in the event of incidents or accidents. This is communicated to all employees concerned. Recipharm's management approach to health and safety also applies to workers that are not employees but whose work or workplace is managed by the organisation, such as contractors, self-employed personnel and agency workers.

At year end, 12 (16) manufacturing operations out of 25 (26), representing 48 (61.5) per cent of Recipharm have an ISO 45001 health and safety system in place. Occupational health and safety systems include procedures for risk management, the reporting of hazards, incidents and accidents, and the management of health and safety matters.

During the year, a total of 235 (169) work-related accidents were reported. Most involved minor injuries among manufacturing facility employees. The accident rate (number of accidents per number of scheduled working hours per 500 employees) in 2020 was 1.92 (1.65), which is relatively low in our industry.

All employees have the right to join trade unions, and we work actively with unions on health and safety issues where they are active. Around 52 (57) per cent of Recipharm's employees are covered by collective bargaining agreements.

Equality and diversity

To treat all employees, job applicants, customers and others equally is a prerequisite for our business behaviour. Recipharm's Code of Conduct states that discrimination based on gender, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation, or age must not occur. In recruitment and succession planning, we look for a mixture of the best qualifications, experience and perspective.

At the same time, we also consider diversity to ensure a good mix of backgrounds.

Of Recipharm's 8,666 (6,873) employees, 39 (41) per cent are women and 61 (59) per cent men.

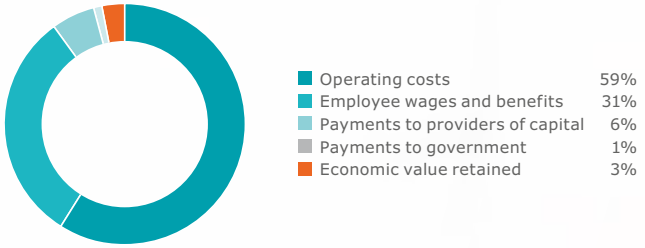
WORK-RELATED INJURIES 2018–2020

	2020	2019	2018
Recordable work-related injuries	235	169	150
Rate of recordable work-related injuries	17.34	15.50	15.20
High-consequence work-related injuries	26	18	10
Rate of high-consequence work-related injuries	1.92	1.65	1.01
Fatalities as a result of work-related injury	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0

The table shows the rate of recordable work-related injuries, and high-consequence work related injuries for our own employees. High-consequence work-related injuries are defined according to local legislation. There were no work-related fatalities in the reporting period. Information is not available on independent contractors. The rate has been calculated based on 1,000,000 hours worked. Total working hours for Recipharm were 13,550,791.

Develop internal governance

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED



Net sales in 2020 totalled SEK 11,069 million (7,457). The diagram shows how much was reinvested and distributed to Recipharm's stakeholders.

NUMBER OF EMPLOYEES 2018–2020

	2020	Share of women	2019	Share of women	2018	Share of women
Total number of employees	8,666	39%	6,873	41%	6,806	42%
FTE equivalents	7,857	43%	n.d	n.d	n.d	n.d
Leading position	37	24%	28	25%	n.d	n.d
Permanent contract	6,984	39%	5,221	40%	5,633	49%
Full time	6,519	36%	4,940	38%	4,813	46%
Part time	465	79%	281	88%	820	91%
Temporary contract	1,682	41%	1,652	44%	1,173	52%

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

“

Recipharm operates in a competitive environment, and we need talented people. Diversity and equality are essential to our long-term business success.

8,666
Total number of employees
2019: 6,873

39%
Women
2019: 41%

61%
Men
2019: 59%

Risks

MARKET-RELATED RISKS

COMPETITION

The growing CDMO market is attracting strong suppliers, and the competition may have a negative impact on profit margins. Through continuous improvement of business processes and customer relationships, Recipharm creates value for customers, thereby improving its competitive edge.

CUSTOMER DEPENDENCE

A significant portion of Recipharm's business comes from a limited number of customers. The large customers have several contracts, as each site has its contract with the customer. Contracts are sometimes terminated, by the customer or by Recipharm, for the renegotiation of terms. Through a strong emphasis on increasing the number of customer relationships, Recipharm is decreasing its dependence on a small number of customers. During 2013 the three largest customers stod for 61% of the Groups sales. During 2020, it is reduced to under 19 per cent, partly due to the acquisitions in recent years.

CUSTOMER COST PRESSURE

Many countries are implementing different activities to increase competition and decrease the cost of pharmaceuticals. Recipharm normally uses price adjustment formulas in the contracts, in relation to changes in the manufacturing costs. In the past, prices have normally fluctuated between zero and inflation.

DEPENDENCE ON CONTINOUS SUPPLY

The procurement of packaging and raw materials are significant parts of Recipharm's total costs. Recipharm is dependent on the suppliers' ability to meet high-quality and delivery requirements. A stoppage or disruption in the supply chain can have a negative effect on Recipharm's ability to supply and consequently impact reputation. Recipharm therefore strives for long-term relationships with its suppliers. The Covid-19 pandemic has shown a good ability to adjust supply chains, but also showing the potential impact from external events. This can present significant effects on the supply chain.

RISKS RELATED TO INTERNAL PROCESSES

BUILDING AND MAINTAINING EXPERTISE

In an increasingly competitive market, it is becoming more difficult to attract and retain key competencies. Recipharm has a strong emphasis on leadership training, career planning and creating attractive workplace. In general, Recipharm has low employee turnover, especially for key persons.

PRODUCT DEFECTS

Any significant product defect caused by Recipharm would damage the Company image and customer confidence. All subsidiaries operate in accordance with current good manufacturing practice and with Recipharm's own high-quality standards. Every Recipharm facility is inspected periodically by regulatory authorities as well as by Recipharm's own team of regulatory experts.

CUSTOMER COST PRESSURE

Acquisitions expose the Company to different types of risk: financial, commercial and operational. Before the Board decides to make an acquisition, due diligence in line with the risk entailed by each acquisition, as well as a management team assessment, are always performed. To ensure successful integration of newly acquired businesses, Recipharm follows well-established internal procedures.

DEPENDECE ON KEY PERSONNEL

Key personnel usually has extensive experience and expertise within fields that are important for Recipharm. It is important to ensure and develop expertise so that Recipharm continues to have the right expertise. Recipharm works with succession planning programmes for leading positions to ensure continued access to such expertise.

Risks

SUSTAINABILITY RISKS

ENVIRONMENTAL AND SAFETY RISKS

Manufacturing and development operations are associated with environmental impact and risks associated with accidents. Recipharm's management of environmental risk is continuously developed in accordance with new regulations on sustainability reporting. Risks related to the environment and work safety are addressed within the ISO 14001 and ISO 45001 systems.

BUSINESS ETHICS

Risks associated with business ethics are identified in the risk analysis. Additionally, suppliers present risks, both in terms of supply reliability and business ethics. Management of human rights and anti-corruption risks are continuously developed in accordance with new regulations on sustainability reporting. Risks regarding business ethics are addressed through adequate routines for communication, follow-up and control to ensure the correct implementation of, and compliance with, the company's Code of Conduct and Supplier Code of Conduct.

SUPPLY CHAIN AND REPUTATIONAL RISK

Most risks are believed to be in the manufacture and supply of products, where manufacturing interruptions may impact delivery performance and supply reliability. Recipharm continuously evaluates supply interruption risks in its operating companies. In several cases, mitigation plans are also requested by and presented to customers. Suppliers are managed within the framework of the Supplier Code of Conduct and quality audits. The scope of these reviews is continuously developed.

REGULATORY RISK

Recipharm's operations are subject to regulatory approvals in several areas. According to legislation, all factories must have a manufacturing license to produce pharmaceuticals and the corresponding conditions are required for development laboratories depending on the extent of the development work being carried out. The operations also require local environmental permits – the extent of these varies depending on the business and legislation in each country.

QUALITY-CONTROL RISK

All products require the necessary regulatory approvals in the countries in which they are to be sold. The Market Authorisation Holder (MAH), our customer, is primarily responsible for this but Recipharm must comply with the terms of the registrations. Recipharm actively works with quality systems within the framework of GMP and maintains environmental management systems at its facilities.

FINANCIAL RISKS *(see also Note 35, Sensitivity analysis)*

CURRENCY RISK

The currency transaction exposure risk arises from cash flows in other currencies than the presentation currency of Recipharm which is SEK. Recipharm's inflow and outflow in different currencies is relatively well-balanced in our operational activities, where the residual between the two determines the transaction exposure. In the case where transaction exposures occur and deemed significant the Group hedges those using financial derivatives including forwards. The currency translation exposures occur from the translation of assets and liabilities of the foreign subsidiaries into SEK. Recipharm aims to reduce the translation exposure by matching the currency composition of debt with the composition of assets.

CREDIT RISK

Recipharm only accepts creditworthy counterparts in financial transactions. Long-term contracts and customers' dependence on their CDMO suppliers are important factors that reduce credit risk. Recipharm has many financially solid customers and few credit losses. Recipharm has also many customers being financially strong and small bad debt losses.

INTEREST RATE RISK

Operations are partly financed through borrowing. Changes in interest rates will impact Recipharm's net financial results. Recipharm aims to maintain a balanced loan portfolio of short and long-term borrowing with interest rates linked to official interbank rates. The interest rate risk is not hedged.

LIQUIDITY AND REFINANCING RISK

Liquidity risk is the risk that Recipharm is unable to meet financial obligations in time. In order to meet volatility in cash requirement Recipharm has committed credit facilities. The funding risk is the risk Recipharm does not have access to adequate financing on acceptable terms at any given point. To the limit the risk of funding Recipharm aims to have diversified maturity profile of its debt. For a detailed description of the financing see Note 29 and 35.

ABOUT THE SUSTAINABILITY REPORT

Recipharm's 2020 Sustainability Report has been prepared in accordance with the Swedish legal requirements, including the Annual Accounts Act. Recipharm's Sustainability Report has been prepared in accordance with the GRI Standards: Core option. Additionally, this report serves as Recipharm's Communication on Progress Report to the UN Global Compact.

Our Sustainability Report is presented yearly as part of our Annual Report. The Sustainability Report follows Recipharm's financial year, and as such covers the period 1 January 2020 to 31 December 2020. The previous report was published in April 2020. No third party has audited the Sustainability Report and we will evaluate the need for external review.

Contact
With queries regarding our Sustainability Report, please contact Erik Haeffler, Head of Sustainability, erik.haeffler@recipharm.com.

Governance
Recipharm has developed a number of governing documents, such as its Code of Conduct and Internal Control Standards. Auditing and monitoring are achieved with the help of external resources and through self-evaluation. Self-evaluation includes the monitoring of local companies' compliance with Recipharm's Code of Conduct, Internal Control Standards and other rules and guidelines through a Letter of Assurance process.

Targets are monitored regularly and Recipharm's Operating Companies are responsible for their implementation and management. Overall control is carried out at Group level with direct feedback to the CEO and the Board. Sustainability issues are regularly included in the agenda of the Board of Director's meetings and once a year in the Nomination Committee.

Recipharm's CEO has ultimate responsibility for sustainability topics within the company. However, the management of the day-to-day sustainability work has been delegated to the Head of Sustainability. To support this work, during 2020, a company-wide Sustainability network was set up with the aim of sharing knowledge and best practice and to promote cooperation throughout the Group. There are already established networks in areas such as procure-ment and lean manufacturing.

Internal and external rules and guidelines
Our Global Policy sets out a clear management model and guidelines for Operating Companies. The Global Policy includes Recipharm's vision, mission and long-term objectives, as well as the governing principles for Operating Companies, including the delegation of responsibility and authority. It also comprises a framework for other Group policies, such as financial reporting, financial audits, purchasing and our Code of Conduct. This allows General Managers within our Operating Companies to work with a high degree of managerial freedom within a clearly defined framework. Internal compliance to the Global Policy and the Code of Conduct is reviewed on an annual basis.

Recipharm has been a signatory of the United Nations Global Compact (UNGC) since 2016. We take responsibility for the UNGC's ten principles on human rights, labour, environment and anti-corruption. Our commitment also includes support for all internationally recognised principles on human rights, the ILO core conventions, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Based on these international guidelines, our Code of Conduct regulates our approach to business ethics and applies to all employees. The Code of Conduct covers all aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders. Our Supplier Code of Conduct covers the expectations we have on our suppliers.

Recipharm applies an ISO 14001 certified environmental management system and a management system for health and safety, certified according to ISO 45001 or equivalent, across the majority of its Operating Companies. Our Global Policy internal governance document was introduced in 2005, which was complemented in 2008 with our Code of Conduct. Recipharm is taking the precautionary approach into account in the company's risk management processes. Work methods and processes are constantly adapted to external expectations, requirements and legislation relevant to Recipharm. Recipharm is a member of the Swedish Life Science Industry Organization, SwedenBIO.

Recipharm is also a member of the AMR (antimicrobial resistance) Industry Alliance in order to improve its work on AMR and enable engagement with other stakeholders. AMR is currently one of the most serious health concerns worldwide. As Recipharm manufactures antibiotics in several locations, it is important that we are involved in developing solutions to combat AMR.

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

Recipharm's key stakeholders	Forum for dialogue	Key topics and Recipharm's response
Owners, investors and analysts	• Regular meetings • Ongoing contact • Capital market day • Annual general meeting • Annual Report	• Scope and objectives • Prioritised areas • Current performance • Planned activities
Employees	• Regular dialogue • Performance reviews • Conferences • Wider input survey open for all employees	• Performance reviews • Personal and team contribution to sustainability
Customers	• Ongoing contact • Responding to several customers' sustainability surveys	• Customer meetings addressing sustainability • Customers' sustainability requirements • Recipharm's performance regarding sustainability
Suppliers	• Procurement requirements • Ongoing contact • Supplier audits	• Start of implementation of Recipharm's Supplier Code of Conduct • Sustainability assessments included in supplier quality audits
Government agencies	• Ongoing contact	• No specific topics raised in 2019

The table shows Recipharm's key stakeholders, the forum for dialogue and their key topics and Recipharm's response. Recipharm also responds to the key topics and concerns in the Annual Report and this GRI Appendix.

Material aspects

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

Material GRI Standard aspects
Economic performance
Emissions
Supplier social assessment
Occupational health and safety

The table shows Recipharm's material sustainability aspects.

Recipharm's Sustainability Report focuses on Recipharm's most material topics but also addresses other aspects of sustainability when relevant. Recipharm will develop its sustainability work gradually and have active dialogue with stakeholders for input on its priorities and potential improvements.

Boundaries

Recipharm's Sustainability Report covers the entire Group, unless otherwise stated. The material sustainability aspects have impacts on our own business and our employees. Some of the aspects have impacts beyond Recipharm's organisational boundaries, such as the assessment and monitoring of suppliers. In the Sustainability Report, we continuously describe the impact of each sustainability aspect, both within and outside the company.

Data for communicating the Code of Conduct to suppliers is cumulative.

Background data for GHG calculations

All calculations are made according to the Greenhouse Gas (GHG) Protocol. Direct GHG emissions in Scope 1 include the combustion of natural gas and oil for our factories and premises and fuel for company vehicles. Indirect GHG emissions in Scope 2 include the consumption of electricity, district heating, cooling and steam. Emissions of other indirect GHGs in Scope 3 include business travel by rail and air.

Scope 2 data for 2019 have been corrected in 2020. 2019 data used for units Research Triangle Park and Ness Ziona since data was missing for 2020. 20 per cent of 2019 data used for unit Ashton since it was closed during 2020. 2020 business travel data is excluding Bespak since data was missing.

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

GRI INDEX

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

GENERAL DISCLOSURES

GRI 102: 2016	Description	Page
102-1	Name of the organisation	-
102-2	Activities, brands, products, and services	1, 3
102-3	Location of headquarters	-
102-4	Location of operations	-
102-5	Ownership and legal form	-
102-6	Markets served	2
102-7	Scale of the organisation	4
102-8	Information on employees and other workers	20
102-9	Supply chain	15
102-10	Significant changes to the organisation and its supply chain	5
102-11	Precautionary Principle or approach	23
102-12	External initiatives	10
102-13	Membership of associations	23
102-14	Statement from senior decision-maker	8
102-16	Values, principles, standards, and norms of behaviour	9–11, 15, 17-20
102-18	Governance structure	-
102-40	List of stakeholder groups	23
102-41	Collective bargaining agreements	19
102-42	Identifying and selecting stakeholders	23
102-43	Approach to stakeholder engagement	23
102-44	Key topics and concerns raised	23
102-45	Entities included in the consolidated financial statements	-
102-46	Defining report content and topic Boundaries	24
102-47	List of material topics	24
102-48	Restatements of information	24
102-49	Changes in reporting	24
102-50	Reporting period	23
102-51	Date of most recent report	23
102-52	Reporting cycle	23
102-53	Contact point for questions regarding the report	23
102-54	Claims of reporting in accordance with the GRI Standards	23
102-55	GRI content index	25
102-56	External assurance	23

GRI 201: 2016	Economic Performance	Page
103-1, 103-2, 103-3	Management approach	-
201-1	Direct economic value generated and distributed	20

GRI 305: 2016	Emissions	Page
103-1, 103-2, 103-3	Management approach	9–13, 23-24
305-1	Direct GHG emissions (Scope 1)	12
305-2	Energy indirect GHG emissions (Scope 2)	12

GRI 308: 2016	Supplier Environmental Assessment	Page
103-1, 103-2, 103-3	Management approach	9–11, 15, 23–24
308-2	Negative environmental impacts in the supply chain and actions taken	15

GRI 403: 2018	Occupational Health and Safety	Page
103-1, 103-2, 103-3	Management approach	9–11, 23–24
403-1 – 403-7	Occupational health and safety	17–20
403-9	Work-related injuries	19

GRI 414: 2016	Supplier Social Assessment	Page
103-1, 103-2, 103-3	Management approach	9–11, 15, 23–24
414-2	Negative social impacts in the supply chain and actions taken	15

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

To the general meeting of the shareholders of Recipharm AB, corporate identity number 556498-8425

Engagement and responsibility
It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 on pages 9–20 and 23–25 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A statutory sustainability statement has been prepared.

Stockholm 9 March 2021
Ernst & Young AB

Jennifer Rock Baley
Authorized Public Accountant

Recipharm