



CSR 2018 REPORT

VEJLE, 2019

fertin
Pharma

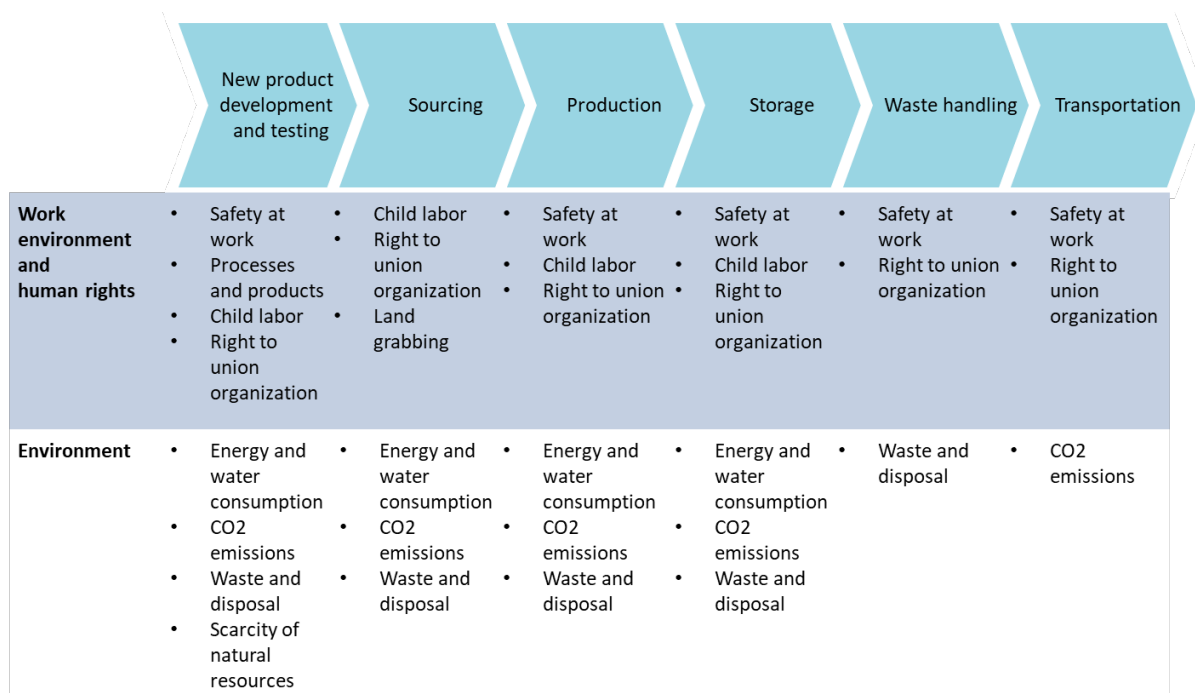


Based on its global business structure, Fertin Pharma strives to manage and develop its business and meet strategic challenges in an economically and socially responsible manner.

Manufacturing is primarily located in Denmark, supported by two smaller manufacturing units located in Goa, India and Langley, Canada, respectively. Product development and manufacturing is based on a well-developed global network of external suppliers and sub-contractors, and products are exported globally, primarily to continents such as Europe, Asia, and North America.

Primary CSR elements of the company’s business model

Whether you consider the company's flow of products through the value chain in Denmark or abroad, the flow will be as indicated below and with the same social and environmental impact:



The framework for behavior in Fertin Pharma’s business model consists of the general governing rules for conduct, supported by the two core values, **credibility** and **commitment**, as out-lined in the Group’s formal “**Code of Conduct**”. Furthermore, Fertin Pharma also requires that external supplier and sub-contractors adopts and comply this formal rule-set.

Environment

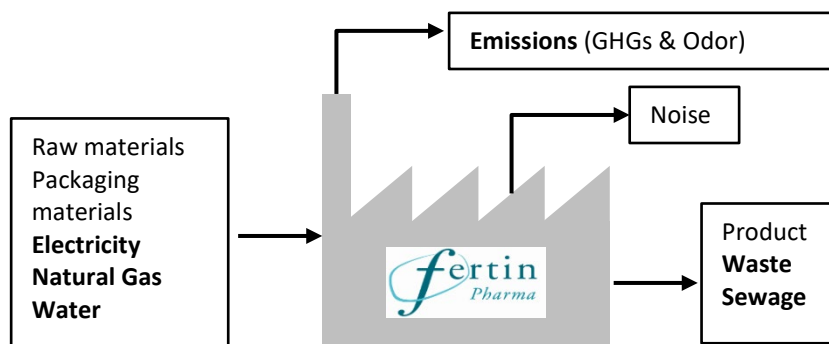
As a company, Fertin Pharma does its utmost to ensure that all business practices are performed in compliance with current environmental legislation.

Furthermore, Fertin Pharma strives to minimize environmental and climate impact by:

- Screening new investments related to new machinery and buildings for environmentally friendly technologies and ensuring the implementation of these, where it is beneficial for the company and financially feasible.

- Continuously assessing the utilization of raw materials and utilities in order to minimize waste and the consumption of electricity, water and natural gas
- Ensuring that waste, sewage and dangerous chemicals are disposed in an environmentally feasible manner.

Environmental Impact Assessment



The primary environmental and climate related risks have been screened and mapped during 2018 and are summarized below:

Environment	Climate
<ul style="list-style-type: none"> • Consumption of natural resources and generation of waste fractions • Water consumption and sewage generation in regards to process related activities. • Air emissions (unrelated to GHGs) of fragrance compounds used in process related activities. 	<p>The emission of Green House Gasses (GHGs) from:</p> <ul style="list-style-type: none"> • Burning of fossil, fuels used to generate electricity and heat. • Incineration of waste.

In order to reduce the impact on the environment and climate, Fertin Pharma has initiated the following projects and initiatives in 2018.

Consumption of electricity, natural gas and water

During 2018, Fertin Pharma A/S has expanded its range of Nutraceuticals (i.e. non-pharma) products, which has resulted in the implementation of a new production and packaging line. To accommodate the latter, a new factory building was constructed during the first three quarters of 2018. Optimization of environmental impact and energy consumption has been a key focus area throughout the design and construction phases of the project.

In the production facilities, one of the main drivers for energy consumption is the regulated requirements for cooling and indoor climate control. In 2018, the summer in Denmark was considerably warmer than previous years and as a natural consequence, energy and water consumption have also been realized at a relative higher level.

Consumption Category	Unit	2018
Electricity	kWh per kg product	7,91
Water	m ³ per kg product	0,03
Natural gas	m ³ pr. kg product	0,49

In 2018, Fertin Pharma has established a formal governance structure to evaluate the usage of electricity, water and natural gas and prioritize the implementation of projects to reduce the consumption of these utilities wherever possible and financially feasible. This in turn also contributes to Fertin Pharma's ongoing efforts to reduce the emission of Green House Gasses [GHG], which in 2018 has been estimated to be approximately 9.500 ton carbon dioxide equivalents (CO₂e) emitted from the production sites in Vejle, Denmark.

As an example, in collaboration with Steffca A/S and Kuben Management A/S Fertin Pharma A/S has evaluated several existing heating installations, steam manifolds, etc. at the production facility at Dandyvej 19, Vejle (Denmark). As a result, from the thermographic mapping, custom designed insulation padding has been mounted to reduce heat dissipation yielding a total savings of approximately 590.500 kWh, which correlates to around 57.500 m³ natural gas - a saving of 4.5% in comparison to the overall consumption of natural gas in 2017. Furthermore, the project ensures a reduction in GHG emissions by an estimated 140 ton CO₂e.

The main heat distribution pumps, before (left) and after (right) installation of insulation padding:



Several new potential projects, aimed at reducing energy and water consumption, are being identified and evaluated on a continuous basis, and Fertin Pharma will continue to screen new investments to ensure that the resulting environmental impacts are kept as low as possible.

Reduction of emissions and odors

During 2018, Fertin Pharma has initiated two separate projects further to reduce odor emissions from the exhaust system. Firstly, due to decommissioning of old process equipment, the existing carbon filter capacity at Dandyvej 19, Vejle has been redistributed to encompass the current ventilation setup. Secondly, a new carbon filter system has been designed and will be installed during spring 2019 at the production facility at Fertinvej 5, Vejle.

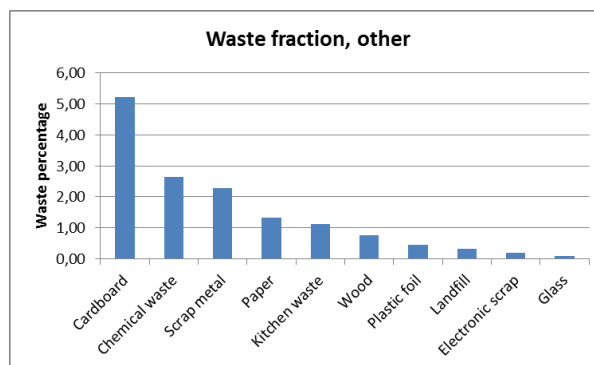
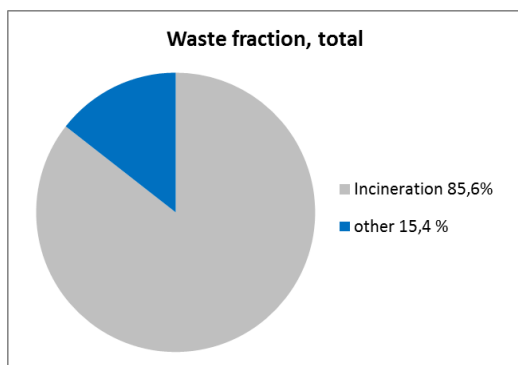
Diminishment of organic pollutants in sewage

As part of its efforts to optimize the utilization of raw materials, during 2018 Fertin Pharma has evaluated a project to reduce the discarding of pre-mixed artificial sweeteners (suspension). It is estimated that the project has the potential to ensure a spillage reduction of 75% compared to the current setup, which in turn is expected to lower the overall chemical oxygen demand (COD) of the sewage discharged from the production line. The project will be implemented during 2019, and will be evaluated via routine sewage measurements.

Waste for disposal

The following graphs and tables depict the total waste amount generated from the Danish sites in 2018.

Waste type	Metric Ton	%
Incineration	1.151.9	85,55
Cardboard	70.2	5,22
Chemical waste	35.7	2,65
Scrap metal	30.8	2,29
Paper	18.0	1,34
Kitchen waste	15.1	1,13
Wood	10.3	0,77
Plastic foil	6.0	0,45
Landfill	4.2	0,32
Electronic scrap	2.6	0,19
Glass	1.2	0,09
Total	1.346.5	100,00



In comparison to 2017, the incineration waste still accounts for the major waste fraction generated at the productions facilities in Vejle, Denmark. During 2018, Fertin Pharma has explored the possibility of alternative means of recycling in collaboration with the Danish Technological Institute (Dansk Teknologisk Institut), however due to legal and customer requirements entailing documented destruction of discarded product, no suitable recycling method has been identified at present. Nevertheless, Fertin Pharma will continue to optimize its current recycling initiatives in regards to the remaining waste fractions wherever possible.

Policy on social and employee relations, including compliance with human rights

Human rights

It is the policy of Fertin Pharma to comply with national legislation on conditions relating to employment and remuneration and to also comply with the ILO Convention as well as comply with the ETI Base Code. This means that we have good systems in place to secure our employees' freedom of expression, freedom of organization and to negotiate collectively.

The development of our employees' skills is an integral part of our personnel policy, and a framework exists for the preparation of a skill matrix for all areas.

Employee relations

Our employees are the Group's most important asset and are a prerequisite for Fertin Pharma being able to continue its development and growth. In order to address potential risks related to attraction and retention of a highly qualified workforce, we continuously focus on work climate and job satisfaction, supported by a formalized dialogue-based quarterly survey. By the end of 2018, the rating of our work climate was at 3.9 (5 being the best). The equivalent rating for 2017 was 4.2.

In 2015, we began a management trainee program for employees who wish to take on personnel management and have the desire and ambition eventually to take on a management position. The first two candidates completed the full course in December 2018. In 2017, two new groups started - 29 candidates completing a 3-year program.

All appointed and hired managers mandatorily attends the "Fertin Way of Leadership" internal training program, which provides them with clear guidance on what is expected of managers in Fertin Pharma as well as provides them with a uniform and concrete toolbox to support them in their daily work.

Development of employee skills

In 2015, Fertin Pharma initiated implementation of TWI (Training Within Industry) for employees directly involved in production throughout the value chain. The TWI concept is based on a proven training concept developed by the US Army during WW2, aiming at securing higher quality in execution of repetitive procedures with low tolerance for variance. TWI training means looking in-depth at areas, critical to the value chain of Fertin Pharma, amongst others. Hence, TWI training is implemented as a supplement to existing training, with the aim to:

- improve and develop the quality of our processes,
- strengthen and increase skills of our employees, and
- secure knowledge sharing across the organization



In 2018, 17 employees obtained a TWI Certificate and we now have 46 employees with TWI certificate. The aim is that all manufacturing units in Denmark will implement TWI in manufacturing, ensuring that processes are efficiently practiced, and the skills level is continuously increased.

Health and Safety

It is essential for Fertin Pharma to comply with the present legislation and relevant national guidelines, within the areas in which we operate.

Fertin Pharma strives to maintain and develop a safe and healthy working environment in which employees thrive without the risk of being injured. Since 2016 all employees have to undergo mandatory safety training.

Through our formalized procedures, we strive to anchor a culture around continuous improvements within general work environment and safety.

A key initiative to support this goal in 2018 has been the implementation of SafetyNet – an online platform to process registrations related to health and safety. The system is available for all employees and allows for quick and efficient registration and tracking of observations. Information entered into the system is evaluated by the safety organization via a risk-based approach, ensuring that all identified risks are being systematically analyzed, including a mandatory root cause analysis. Based on this analysis, an appropriate mitigation action is developed and implemented.

In Fertin Pharma, we strongly believe that the continuous focus and attention on health and safety is the key driver for developing a strong and true business culture, based on a safe and healthy working environment

In 2018, management within the Health and Safety area has been assigned to a full-time HSE (Health, Safety & Environment) specialist who, supported by the Health and Safety organization, will lead implementation of the continuous improvements across the organization.

Diversity

Fertin Pharma strives to attract highly skilled employees to support a high-performance organization. In addition, we seek the promotion of gender equality among managers, at all levels in the organization. We ensure this through both recruitment and succession planning.

In 2018, the distribution of genders was as shown below:

Employee group	No of men in %	No of women in %
Executive management (3 men and 1 women)	80	20
Management generally	54	46
Workers in manufacturing	52	48
Other staff	41	59
Total	47	53

The Board of Directors consists of one woman and five men; all appointed based on their specific and relevant industry knowledge. Currently, it has not been possible to attract a sufficient number of female candidates with sufficient industry knowledge to match a more evenly gender distribution in the Board. However, the company still strives to bring the gender distribution in line with the distribution on the rest of the organization of 60/40 in 2021.

The aim of promoting diversity and gender equality among managers at all levels is to ensure that different groups of employees can have a career without experiencing cultural, geographical, gender-based or organizational barriers.

Policy on anti-corruption, bribery and human rights

It is the policy of Fertin Pharma to participate in fighting corruption and bribery. Our assessment is that the highest potential exposure and risk would be related to our global corporation with external partners.

To manage the potential risks, we ensure that our external partners acknowledge and respect the Fertin Pharma's "Code of Conduct". Internally, all Fertin Pharma employees are trained and formally has agreed to adhere to this policy. The training is revisited on an annual basis. In 2018, all new employees conducted the training.

As a further effort in fighting corruption and bribery, we have established an external "whistle blower" arrangement, which may be used by anyone who experiences events that violate Fertin Pharma's "Code of Conduct".

As an integrated part of the policy, both Fertin Pharma and our external suppliers globally adhere to human rights.

Specifically, to mitigate the risk that our suppliers are violating human rights, including the use of child labor or not complying with local labor rights - as stated in our "Code of Conduct" - our Quality

department has conducted a planned number of audits during 2018. All audits were carried out without any major remarks.

Policy on land grabbing

It is the policy of Fertin Pharma not to participate in, be responsible for or in any way be associated with any actions which may be deemed as "land grabbing".