

CSR Report 2023

Fertin Pharma A/S

Adopted by the Board of
Directors on May 27th, 2024



Our CDMO business

As a specialist CDMO (Contract Development and Manufacturing Organization) with a global business structure, Fertin Pharma A/S, incl. Claudio HoldCo and its subsidiaries (Fertin) strives to manage and develop its business and strategic challenges in an economically and socially responsible manner.

Fertin is a company with more than 1100 employees located in Denmark, Canada, and India. Fertin's primary manufacturing site is located in Vejle, Denmark and additional two manufacturing sites are located in Goa, India and Langley, Canada. Moreover, Fertin owns and operates 10 R&D facilities in Mumbai, India, as well as on-site in Langley and Vejle.

Product development and manufacturing is based on a well-developed global network of external suppliers and subcontractors, and products are exported globally, primarily to Europe, Asia, and North America.

Fertin is owned by Vectura Fertin Pharma Inc. (VFPh), a health care and wellness division under Philip Morris International Inc. (PMI).

This report constitutes our statutory reporting cf. the Danish Financial Statements Act §99a.

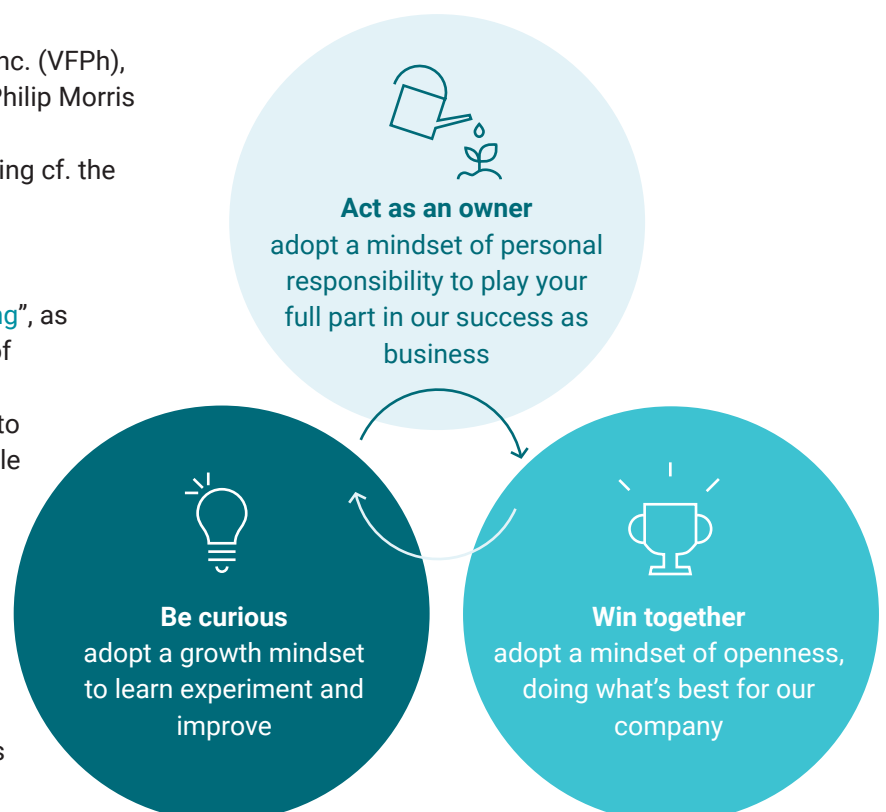
Supporting Healthier Living

Fertin's vision is "Supporting Healthier Living", as our high-quality products benefit the lives of customers and consumers. Our Nicotine Replacement Therapy products contribute to achieving a smoke-free and healthier lifestyle across the globe. Moreover, healthier living is also something all our colleagues deserve, and we bring this into everything we do internally as well. Fertin supports the United Nation's Sustainable Development Goals (SDG's) to achieve a better and more sustainable future for all. Fertin considers SDG 3 a keygoal, due to its fit with the company's vision.

The SDG's will also provide the structural framework for this report.

Corporate Culture

Organizational culture is generally understood as the sum of a company's beliefs, values, and attitudes, and how these influence the behavior of its employees. At Fertin Pharma, we are evolving our values and emphasizing the behaviors we believe are critical for us to achieve our strategic goals and grow our business, all in support of promoting healthier living.



SDG 3

Good health and well-being

SDG 3 is particularly relevant for Fertin as a pharmaceutical company. Besides complying with the present legislation and relevant national guidelines, we strive to ensure that our working environment is safe and healthy. We make sure to preserve our employees' freedom of expression and freedom to organize and negotiate collectively. Furthermore, we value the development and enhancement of our employees' skills across the organization.

Health and Safety

Every day, Fertin strives to maintain a safe and healthy working environment in which employees thrive without the risk of injury.

Safety training has been mandatory for all employees since 2016, and we engage production workers and salaried employees to take Safety Training. Through our formalized procedures, we strive to anchor a culture around continuous improvement within occupational Health & Safety.

In 2023 we initiated yearly Safety Training for all employees. Based on what we learned the former year, we optimized our training and continue to learn how best to train our staff. The training is both online on demand and part of the on-boarding process.

Human rights

To mitigate the risks that our suppliers are violating human rights, including the use of child labor or not complying with local labor rights, we require our suppliers to comply with our Supplier Code of Conduct (sCoC). This obliges our suppliers to commit to upholding human rights, including labor rights, and the UN Convention on the Rights of the Child.

To ensure compliance with our sCoC, Fertin is working on establishing an audit system to monitor and remediate any risks of human rights violations.

Though Fertin is an international company, we still comply with national legislation on conditions relating to employment and remuneration according to the ILO Convention 1) and the ETI Base Code 2). This means that we have well-functioning systems in place to secure our employees' freedom of expression and freedom to organize and negotiate collectively.

1) The ILO Conventions cover a wide area of social and labor issues including basic human rights, minimum wages, industrial relations, employment policy, social dialogue, social security, and other issues.

2) The ETI Base Code is founded on the conventions of the International Labor Organization (ILO) and is an internationally recognized code of labor practice¹.

As an integrated part of the Code of Conduct policy, both Fertin and our external global suppliers must uphold human rights.


¹ ETI Base Code | Ethical Trading Initiative (ethicaltrade.org)

Employee conditions

Our employees are our most important asset and are a prerequisite for Fertin's ability to continue its development and growth. To address potential risks related to attracting and retention of a highly qualified workforce, we continuously focus on work climate and job satisfaction, supported by a formalized dialogue-based quarterly survey. The average rating for 2023 of our work climate survey was at 4.0 (5 being the best). The equivalent rating for 2022 was 3.9.

Since 2015 Fertin has been running a management trainee program for employees who wish to take on personnel management and have the desire and ambition to take on a management position. 2 employees finished the program in January 2024. 7 employees are still in the trainee program and will attend further training in the coming years.

As per December 2022 all people managers are offered monthly training sessions on current leadership topics. This has been maintained for 2023.



	KPI	2023	2022
Employee engagement	>3.8	4.0	3.9

Development of employee skills

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

and integrated individual development objectives regarding skills and competence for maintaining strong professional capabilities.

In 2023 Fertin completed a global education program for people leaders in the updated Code of Conduct and anti-bribery. Moreover, the company has held monthly management seminars on exercising 'good leadership'

SDG 5

Gender equality

Fertin promotes gender equality and diversity at all levels in our company.

Diversity

Fertin strives to attract highly skilled employees to support a high-performance organization and promotes gender equality among managers and at all

levels in the organization. We ensure this through both recruitment and succession planning. In 2023, the distribution of genders was as shown below:

Gender distribution (Male/Female)	Aim	2023	2022
Board of Directors			
Male %	40-60	60	60
Female %	40-60	40	40
Executive Management			
Male %	40-60	67	71
Female %	40-60	33	29
People leaders			
Male %	40-60	61	61
Female %	40-60	39	39
Other staff			
Male %	40-60	44	61
Female %	40-60	56	39
Total			
	Aim	2023	2022
Male %	40-60	51	50
Female %	40-60	49	50

Across all levels, Fertin strives towards a gender distribution of 60/40 in 2026. The Board of Director consists of 2 females and 3 males. Thus, Fertin has fulfilled the goal for gender equality at the board of directors. The executive team consists of 4 men and 2 women, while an external hire has functioned as interim CFO during the year. The interim is considered out of

scope regarding the annual gender distribution.

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.

SDG 12

Responsible consumption and production

To ensure sustainable consumption and production, Fertin is focusing on maximizing the amount of waste that is recycled and to reducing our mixed waste fractions.

Waste disposal

The overall waste amount in 2023 is approximately 32% larger than in 2022. This is partly due to a quality complaint issue regarding a raw material, which had to be incinerated. The raw material was already contaminated when received, and therefore not a result

of Fertin's processes. Since this has had a significant impact on Fertin's total waste generation, both an actual and adjusted waste generation is disclosed.

The following tables² depict the total waste generated from the Danish sites in 2023 and 2022.

Waste generation	2023, actual		2023, adjusted		2022		2023, adjusted vs. 2022
	Metric Ton	%	Metric Ton	%	Metric Ton	%	%
Incineration	1,318.30	73.59	1,223.94	72.12	1,000.45	73.59	+22.3
Recycling	249.07	13.90	249.07	14.68	178.57	13.13	+39.5
Landfill	51.89	2.90	51.89	3.0	92.65	6.81	-43.9
Special treatment	172.24	9.61	172.24	10.15	87.87	6.46	+96.0
Total	1,791.50		1,697.14		1,359.54		+24.8

Waste in product output

Notable fraction developments count recyclable materials, that has increased approximately 71% in total whereas the waste fraction for special treatment has increased by roughly 84%.

In general, when contrasting the total annual output of

Fertin's production with the amount of waste generated, we can picture a ratio between profitable output and waste in kg over a year.

The table below depicts the production output in tons tonnage.

Production output	2023, actual	2023, adjusted	2022	2023, adjusted vs. 2022
Ton tonnage	4,077.4	-	3,824.5	6.6%
Kg waste/Kg output	0.44	0,42	0.36	22.2%

Fertin will continue to reduce the overall amount of waste for incineration and landfill by increasing focus on waste sorting and recycling.

² Values are based upon system data from Marius Pedersen Online service, Fortum Waste Solutions eDBS system and Daka Online system. Waste fractions from the three systems have been divided into the shown waste divisions depending on waste treatment and summed up.

SDG 13

Climate action

Climate change is affecting all of us and at Fertin we strive to reduce our CO₂ footprint and energy loss.

Environment

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

The primary focus areas related to environmental and climate impact are:

- Consumption of natural resources and generation of waste fractions.
- Water consumption and sewage generation in regard to process-related activities.
- Air emissions (unrelated to Green House Gases (GHGs)) of fragrance compounds used in process-related activities.

Climate

Fertin has undergone an alignment process of GHG-accounting with PMI and Vectura for the GHG-accounting of 2023, in collaboration with South Pole consultancy. This has resulted in some structural changes, that only make it possible for historic disclosure of GHG-emissions in total tCO₂e.

Moreover, the methodology has provided more emission sources to account, while at the other hand providing more specific and consequently lower emission factors on individual emissions.

Consumption of electricity, natural gas and water

The primary driver for Fertin's energy consumption is related to securing pharma compliant climate control in the production areas and thereby, energy consumption is highly correlated with fluctuations in temperature and humidity in the environment surrounding the production facilities and less by development in the production activity/output. In order to reduce the climate impact Fertin has installed solar cells on the roof tops of newly established office buildings.

Water, electricity, and natural gas consumption is monitored through the software platform EnergyKey.

Scope	CY 2023	CY 2022	CY 2021
Scope 1	4,742		
Scope 2 (market based)	1,879		
Scope 2 (location-based (Renewable))	4,717		
Total Scope 1+2 GHG-emissions	6,621	3,676	3,587

The total result of GHG-emissions therefore varies considerably from previous years, while the total turnover and production has not changed as significantly.

However, we are pleased with calibration on methodology, making Fertin's GHG-accounting compliant with the developing regulations and our moving ambitions.

Scope	Target	2023	2022
Kg CO _{2e} /Kg product	<2.0	1.62	0.94

Energy supply project

During 2023 Fertin initiated a mapping project on the source and consumption of energy at the site in DK. The purpose of this project has been to highlight the hotspots of energy sources and consumption and analyze the possibility of investing in different energy efficiency solutions or transition of energy sources.

The outcome was 5 different energy efficiency solutions, where scenario 4 was selected due to its flexible capabilities. Scenario 4 poses CO₂-reductions of 900 tons annually, with energy savings of 3.7 GWh.

Scenario 4 is planned to be initiated in 2024.

SDG 16

Peace, justice, and strong institutions

At Fertin we take responsibility that both our external partners and internal organization respect and agree to the supplier Code of Conduct and Global Anti-Corruption Policy.

Supplier Code of Conduct

Fertin requires that external suppliers and sub-contractors adopt and comply with the supplier Code of Conduct (sCoC), which all suppliers are to sign before Fertin enters into a new business relationship. By signing the sCoC, the supplier commits to Fertin's standards on CSR.

Anti-corruption

At Fertin, we participate in fighting corruption and bribery. Our assessment is that the greatest potential exposure and risk would be related to our global co-operation with external partners.

To manage the potential risks, we continually enforce Fertin's Code of Conduct to ensure that our external partners acknowledge and respect Fertin's Code of Conduct. In 2023, no reports on breaches of our Code of Conduct were reported.

We have established an external whistleblower scheme, which can be used by anyone who experiences events that violate Fertin's Code of Conduct. Going forward, we will continue to fight corruption and bribery and monitor reports from our established whistleblower scheme.

Fertin Pharma A/S, May 27th, 2024

Michael Thomsen,
Managing Director

Christopher Beck Lambert
Chairman