

Sustainability report 2019 for Fertin Pharma A/S

Adopted by the Board of Directors
on 8 December 2020



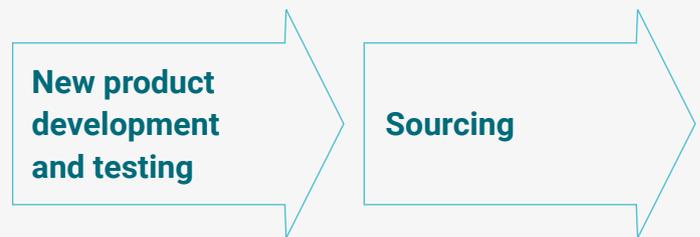
Sustainability report 2019 for Fertin Pharma A/S

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

Our manufacturing is primarily located in Denmark, supported by two manufacturing units located in Goa, India and Langley, Canada. 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 Europe, Asia, and North America.

Primary sustainability elements of Fertin's business model

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



Work environment and human rights

- Safety at work
- Processes and products
- Child labour
- Rights to union organization
- Child labour
- Rights to union organization
- Land grabbing

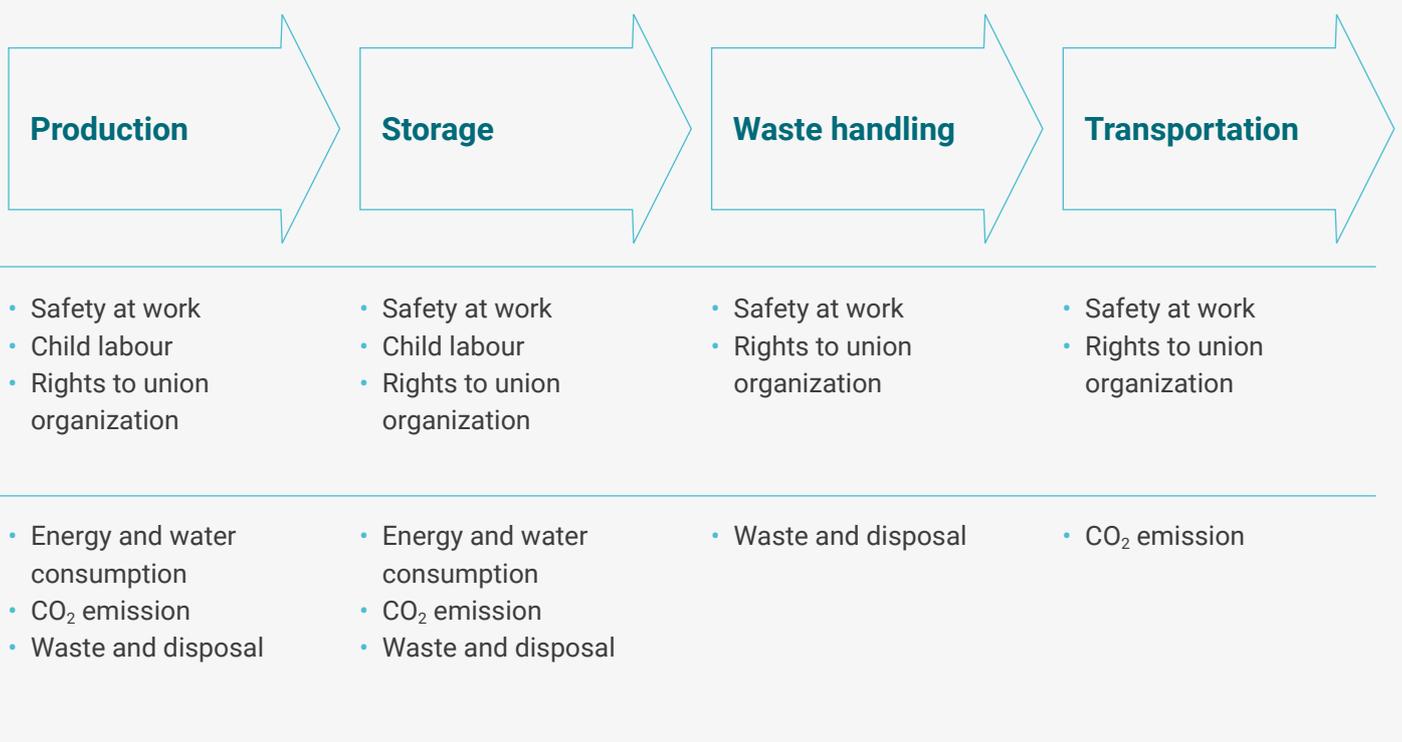
Environment

- Energy and water consumption
- CO₂ emission
- Waste and disposal
- Scarcity of natural resources
- Energy and water consumption
- CO₂ emission
- Waste and disposal

The framework for behaviour in Fertin’s business model consists of the general governing rules supported by the two core values, credibility and commitment, as outlined in the Group’s formal Code of Conduct. Furthermore, Fertin also requires that external suppliers and sub-contractors adopt and comply with this formal set of rules.

Fertin is especially focused on contributing to SDG 3 as described in our Sustainability Policy. However, SDG 5, 12, 13, 15 and 16, are also highly relevant for us and the way we do business.

Fertin supports the United Nation’s Sustainable Development Goals (SDGs) to achieve a better and more sustainable future for all. The SDGs address the global challenges the world is facing, including poverty, inequality, climate change, environmental degradation, conflict and injustice.



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 so our employees can thrive without the risk of being injured. Amongst other initiatives, we began mapping all unhealthy manual lifting in 2019. We make sure to preserve our employees' freedom of expression and freedom to organise and negotiate collectively. Furthermore, we value the improvement, development and enhancement of our employees' skills across the organisation.

Health and safety

For Fertin, it is essential to comply with the present legislation and relevant national guidelines within the areas in which we operate. We strive to develop and 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. Through our formalised procedures, we strive to anchor a culture around continuous improvement within our general work environment and safety.

We launched several new initiatives in 2019 to improve the overall health and safety strategy at Fertin. Firstly, we invested in a new chemical safety management system to generate a more detailed chemical database. The database will enable a more detailed inventory as well as the ability to evaluate chemical mixtures and perform updates more easily than the previous system. Workplace instructions will be replaced by chemical risk assessments, which present relevant chemical safety information in a more user-friendly format.

Secondly, it is essential to maintain a competent Health and Safety Organisation and to ensure that all occupational safety representatives are well trained. During December 2019, all occupational safety representatives at Fertin participated in a tailored occupational safety competency course from CRECEA A/S. The course activity was a great success and Fertin's main Health and Safety Organisation will continue to monitor the need for future specialised courses.

Thirdly, we began evaluating of all manual lifting operations around production lines in the summer of 2019. The purpose was to identify all unhealthy lifting operations and initiate action plans to reduce physical attrition and work-related injuries. So far, several areas have been identified and corresponding mitigating actions have been initiated.

Human rights

Fertin complies with national legislation on conditions relating to employment and remuneration according to the ILO Convention and the ETI Base Code. This means that we have well-functioning systems in place to secure our employees' freedom of expression and freedom to organise and negotiate collectively.

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.

Employee relations

Our employees are our most important asset and are a prerequisite for Fertin to be able to continue its development and growth. 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 formalised dialogue-based quarterly survey. At the end of 2019, the rating of our work climate survey was at 3.95 (5 being the best). The equivalent rating for 2018 was 3.90.

In 2015, Fertin launched a management trainee program for employees who wish to take on personnel management and have the desire and ambition to eventually take on a

management position. The first candidates completed the full course in December 2018 and 12 new candidates set out on a 3-year programme in 2019.

All appointed and hired managers must attend the “Fertin Way of Leadership” internal training programme, which provides them with clear guidance on what is expected of managers in Fertin as well as a uniform and relevant toolbox to support them in their daily work.

Development of employee skills

In 2015, Fertin implemented 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, aimed at securing higher quality in execution of repetitive procedures with a low tolerance for variance. TWI training involves an in-depth look at areas critical to Fertin’s value chain. We implemented TWI training as a supplement to existing training as a way to:

- **Improve and develop the quality of our processes**
- **Strengthen and increase the skills of our employees**
- **Secure knowledge sharing across the organisation**



SDG 5: Gender equality

We do our utmost to promote gender equality and diversity at all levels in our company. It is important for us to create an environment that makes it possible for all different groups of employees to have a career despite cultural, gender, organisational or geographical barriers.

Diversity

Fertin strives to attract highly skilled employees to support a high-performance organisation, and promote gender equality among managers and at all levels in the organisation. We ensure this through both recruitment and succession planning.

In 2019, the distribution of genders was as shown below:

Employee group	Men	Women
Executive management (5 men and 1 women)	83%	17%
Management generally	54%	46%
Workers in manufacturing	56%	44%
Other staff	41%	59%
Total	47%	53%

The Board of Directors consists of two women and four 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 the necessary industry knowledge to create a more even gender distribution in the Board. However, Fertin still strives to bring the gender distribution to 60/40 in 2024 in line with the distribution in the rest of the organization.

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 organisational barriers.



SDG 12: Responsible consumption and production

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

Waste disposal

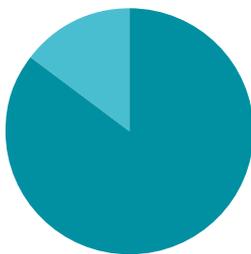
As in previous years, the waste fraction distribution remains stable. The overall waste amount is slightly less in 2019 compared to 2018, with a higher production output and no major building projects. The most notable differences are in the waste fractions: wood, metal, kitchen waste and cardboard. Fertin will continue its efforts to reduce mixed waste fractions and maximise recycling wherever possible.

The following graphs and tables depict the total waste generated from the Danish sites in 2019.

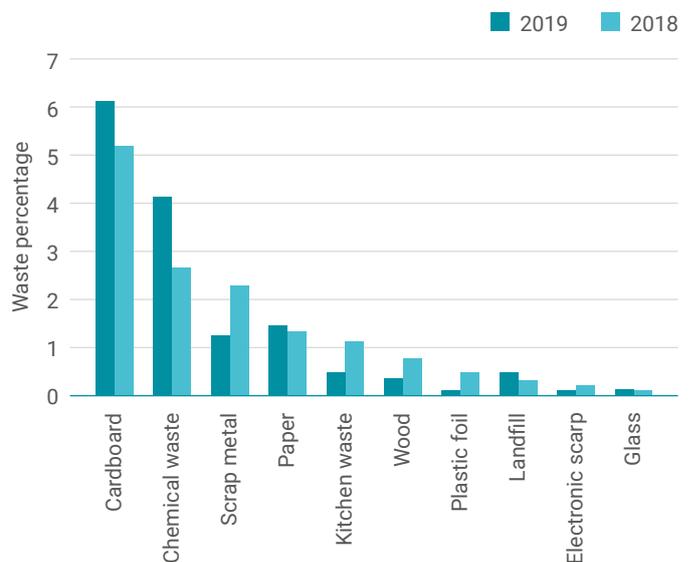
Waste type	2018		2019	
	Metric Ton	%	Metric Ton	%
Incineration	1,151.9	85,6	1,079.0	85,3
Cardboard	70.2	5,2	77.5	6,1
Chemical waste	35.7	2,7	38.6	4,1
Scrap metal	30.8	2,3	15.9	1,3
Paper	18.0	1,3	18.7	1,5
Kitchen waste	15.1	1,1	6.2	0,5
Wood	10.3	0,8	4.7	0,4
Plastic foil	6.0	0,5	1.5	0,1
Landfill	4.2	0,3	6.4	0,5
Electronic scrap	2.6	0,2	1.3	0,1
Glass	1.2	0,1	1.5	0,1
Total	1,346.5		1,265.5	

Waste fraction, total

■ Incineration 85,5% ■ Other 14,5%



Waste fraction, other



SDG 13: Climate action and SDG 15: Life on land

Climate change is affecting all of us and at Fertin we strive to reduce our CO₂ footprint. We do this by working on minimising our waste and making sure that it is disposed of in an environmentally friendly way. We are also focused on reducing our energy loss. It is important for us to invest in environmentally friendly technologies so that we can continuously optimise our consumption of water, electricity and natural gas as well as reduce our CO₂ footprint.

Environment

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

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 utilisation of raw materials and utilities to minimise 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:

Environment

- 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

Climate

Emission of Green House Gasses (GHGs) from:

- Burning of fossil fuels used to generate electricity and heat
- Waste incineration



Consumption of electricity, natural gas and water

Water, electricity and natural gas consumption have been a key focus during 2019. To further improve understanding of our consumption patterns, we upgraded the software platform (EnergyKey) used to collect and manage data from electricity, water and natural gas meters, and installed extra electricity meters at key locations to improve data collection.

Consumption category	2018	2019
Electricity		
kWh per kg product	7.91	7.65
kWh per year	25,387,367	26,129,262
Water		
m ³ per kg product	0.034	0.030
m ³ per year	108,982	103,950
Natural gas		
m ³ per kg product	0.49	0.48
m ³ per year	1,571,839	1,637,455
CO₂ emissions		
Danish site		
Ton CO ₂ e per kg product	0.0030	0.0028
Ton CO ₂ e per year	9.500	9.649

As the effects of global climate change are becoming ever more apparent, it is important for Fertin to reduce its CO₂ footprint as much as possible. In order to achieve this, several projects have been evaluated in 2019 and will be initiated in 2020.

In 2019, Fertin focused on continuing the projects identified in 2018 to reduce our impact on the environment. Our ongoing partnership with Steffca A/S has identified additional insulation projects to prevent energy loss by heat dissipation from steam pipes and CIP (cleaning in place) utilities and the main heating distribution system. Steffca's removable insulation padding has been installed at one of our cleaning in place (CIP) stations, which has yielded a total saving of 33,170 kWh per year.

The remaining uninsulated CIP installations will be evaluated in 2020. Steffca A/S has also identified a potential saving of roughly 291,342 kWh in the main heating distribution at Dandyvej 19, Vejle which is expected to be implemented in 2020.

In 2019, Fertin initiated a project to install a second industrial-scale heat pump at our Utility Central. The project is a partnership with EBAS and Johnson Controls Denmark, and will reduce our CO₂ emissions by collecting excess heat from an electric-powered cooling compression unit. The heat pump has an expected coefficient of performance (COP) value in the range of 3.73 to 3.93, a heat output capacity of up to 1.713 kW and is planned to be fully commissioned in October 2020. We expect to realise the full potential of our investment from 2021 onwards.

Reduction of emissions and odours

During 2019, Fertin installed a new carbon filter system at the production facility at Fertinvej 5, Vejle to further reduce odour emissions from our production processes. The system has proven to be very efficient, removing up to 99% retention. Annual measurements performed by Force Technology will provide data so that we can monitor the ongoing performance of the carbon filter system.



Steffca removable insulation padding mounted on pipes at CIP station

SDG 16: Peace, justice and strong institutions

At Fertin we take responsibility that both our external partners and internal organisation respect and agree to our Code of Conduct and uphold human rights. We do not participate in any actions related to land grabbing. A whistleblower scheme is in place should violations of our Code of Conduct happen.

Anti-corruption, bribery and human rights

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 ensure that our external partners acknowledge and respect Fertin's Code of Conduct.

We have established an external whistleblower scheme, which may be used by anyone who experiences events that violate Fertin's Code of Conduct.

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

Specifically, to mitigate the risk that our suppliers are violating human rights, including the use of child labour or not complying with local labour rights, our Quality department conducted a number of audits in 2019 as stated in our Code of Conduct. All audits were carried out without any major remarks.

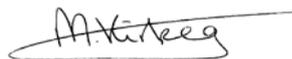
Land grabbing

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

Fertin Pharma A/S, 8th December 2020



Peter Halling,
CEO



Marianne Kirkegaard,
Chairman