

# Sustainability report 2021 for Fertin Pharma A/S

Adopted by the Board of Directors on 27<sup>th</sup> of May 2022

As a specialist CDMO (Contract Development and Manufacturing Organization) with a global business structure, Fertin Pharma A/S, incl. Claudio BidCo A/S and HoldCo A/S (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 850 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 a R&D facility in Mumbai, India.

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.

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

## **Primary sustainability elements of Fertin's business model**

Fertin's vision is "*Supporting Healthier Living*"

As outlined in the Fertin Group's formal Code of Conduct. Fertin's business model consists of the general governing rules supported by the two core values, credibility and commitment. The Board of Directors reviews and approves the company's policies, sustainability targets and CoC.

Furthermore, Fertin also requires that external suppliers and sub-contractors adopt and comply with this formal set of rules, this is stated in the Supplier Code of Conduct, which all suppliers are to sign before Fertin enter into a new business relationship.

Fertin supports the United Nation's Sustainable Development Goals (SDGs) to achieve a better and more sustainable future for all. Fertin considers SDG 3 a key goal, due to the fit with the company's vision. Furthermore, as described in Fertin's Sustainability Policy, SDG 5, 12, 13, 15 and 16, are all considered highly relevant to the Fertin's business conduct. Fertin's measures tracks and reports, annually to the Board of Directors, its adherence to the set targets and its work to improve.

# 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

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, but in 2021 we have as other companies been affected by COVID19, but still we have focused on Safety Training for both blue and white color. Through our formalized procedures, we strive to anchor a culture around continuous improvement within occupational Health & Safety.

In 2021 we have implemented an easier access to our registration systems for Health & Safety Observation and initiated Safety Walk to extend the focus on conversations on safety. This is in order to create focus on our behavior and technical solutions to decrease our number of accidents with absence.

In 2022 focus will be on ergonomics, well-being vs, stress, communication and cultural changes, worklife balance and handling of observations regarding safety. Multiple teams are established to work with these themes.

### Human rights

Fertin complies with national legislation on conditions relating to employment and remuneration according to the ILO Convention<sup>1)</sup> and the ETI Base Code<sup>2)</sup>. This means that we have well-functioning systems in place to secure our employees' freedom of expression and freedom to organize 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.

1) The ILO Conventions cover a wide area of social and labour 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 Labour Organization (ILO) and is an internationally recognized code of labour practice.

### Employee relations

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 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. The average rating for 2021 of our work climate survey was at 4.00 (5 being the best). The equivalent rating for 2020 was 4.00.

In 2015, Fertin launched 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. One employee has finishing his programme in January 2022. Eleven employees are still in the trainee program and five are starting up in March 2022.

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.

### 3 Corporate Sustainability Policy

#### 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, 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 organization

#### COVID-19

In 2020 and 2021, there has been significant focus on reducing the impact of the COVID-19 pandemic to the Company. Fertin has strictly followed local restrictions and the national health authorities' guidelines in Denmark, India and Canada. Communication regarding precautions to prevent spread among employees, has in some periods been done on a daily basis and all White-Collar employees, not related to production, has been working from home. Consequently, COVID-19 cases have been contained without any significant implications on other employees and operations.

COVID-19 has primarily had a negative impact on products sold to customer with significant brick-n-mortar sales.

## SDG 5: Gender equality

We do our utmost to promote gender equality and diversity at all levels in our company. It is important for Fertin to create an environment that makes it possible for any group of employees to have a career no matter cultural, gender, organizational or geographical barriers. It is a well-known fact, that diversity at all levels in organizations is an indicator of improved performance and growth.

#### Diversity

Fertin strives to attract highly skilled employees to support a high-performance organization and promote gender equality among managers and at all levels in the organization. We ensure this through both recruitment and succession planning. In 2020, the distribution of genders was as shown below:

#### Employee group (Men/Women)

Employee group	2021	
	Men	Women
Executive management (5 men and 1 woman)	83 %	17 %
Management generally	64 %	36 %
Workers in manufacturing	62 %	38 %
Other staff	42 %	58 %
<b>Total</b>	<b>50 %</b>	<b>50 %</b>

Across all levels, Fertin continue to strive bringing the gender distribution to 60/40 in 2025. The Board of Directors consists of one woman and two men. The executive team consists of five men and one woman. 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 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. Fertin will continue efforts to reduce mixed waste fractions and maximize recycling wherever possible. In comparison to last 2020, Fertin has decided to add a new waste fraction "Special treatment" which is composed of distinct chemical fractions such as mercury containing light sources, oil/water fractions, which are treated specially to remove the hazardous component to minimize the overall waste fraction. Furthermore, Fertin has participated in discussions with other pharmaceutical companies to evaluate the possibility of purifying and reusing chemicals from chemical waste.

The following tables depict the total waste generated from the Danish sites in 2021 and 2020.

Waste type	2021		2020	
	Metric Ton	%	Metric Ton	%
Incineration	1.075,7	80,71	1.135,6	83,90
Cardboard	44,3	3,32	61,5	4,54
Chemical & oil waste	69,7	5,23	59,9	4,43
Paper	21,8	1,64	27,6	2,04
Scrap metal	22,2	1,66	23,2	1,72
Landfill & solid oil waste	50,0	3,75	17,9	1,32
Wood	4,0	0,30	0,0	0,00
Glass	0,0	0,00	4,4	0,33
Recyclable plastics	11,2	0,84	11,8	0,87
Sorted offsite	27,5	2,06	5,7	0,42
Electronic scrap	1,3	0,10	1,8	0,14
Batteries	0,3	0,02	0,0	0,00
Kitchen waste	5,0	0,37	4,1	0,30
Total	1.332,8		1.353,5	

	2021		2020	
	Metric Ton	%	Metric Ton	%
Incineration	1.130,6	84,83	1.194,7	88,27
Recycling	137,4	10,31	140,1	10,35
Landfill	50,0	3,75	17,9	1,32
Special treatment	14,8	1,11	0,8	0,06
Total	1.332,8		1.353,5	

Values presented in the table above 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.

## 5 Corporate Sustainability Policy

In general, the amount of recyclable waste fractions have not changed significantly in comparison with the previous year. Fertin will strive in 2021 to reduce the overall amount of waste for incineration by several initiatives to reduce scrap from the production processes.

# 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 CO<sub>2</sub> footprint and energy loss. We do this by working on minimizing our waste and making sure that it is disposed of in an environmentally friendly way. We continue to invest in environmentally friendly technologies. Technologies that enable us to further optimize consumption of water, electricity, natural gas and reduce our CO<sub>2</sub> 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 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:

### Environment

- Consumption of natural resources and generation of waste fractions
- Water consumption and sewage generation in regard 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 is monitored through the software platform EnergyKey. Below tables, contain data collected in 2021 and 2020.

The data refers to overall annual tonnage of finished products.

Fertin has calculated the carbon dioxide equivalents (CO<sub>2</sub>-e) for gas consumption using the online tool "Klimakompasset" - made available by the Danish Business Authority. Due to the fact that the report is made before the final calculations on CO<sub>2</sub>-e for gas consumption is made, the calculation is based on the emissions the year before, but the amount of gas is of course generated in the fiscal year.

For 2020 the CO<sub>2</sub>-emission from the electricity consumption was calculated using the online tool "Klimakompasset". For all our electricity consumptions we have bought certificates for water produces

## 6 Corporate Sustainability Policy

electricity throughout 2021, where the CO<sub>2</sub>-emission is remarkable lower than electricity created through incineration, only 8,59 g CO<sub>2</sub>/kWh. This is the reason for our noteworthy decrease in CO<sub>2</sub>-emission in 2021.

Consumption category	2021	2020
<b>Electricity</b>		
kWh per kg product	7,82	7,02
kWh per year	26.061.353	26.793.386
<b>Water</b>		
m <sup>3</sup> per kg product	0,03	0,03
m <sup>3</sup> per year	88.863	103.953
<b>Natural gas</b>		
m <sup>3</sup> per kg product	0,50	0,38
m <sup>3</sup> per year	1.672.989	1.465.773
<b>CO<sub>2</sub> emissions</b>		
Ton CO <sub>2</sub> -e per kg product	0,0011	0,0025
Ton CO <sub>2</sub> -e per year	3.587	9.484
<b>Production output</b>		
Ton tonnage	3.331	3.665

In comparison, consumption of water in 2021 has decreased. Since both the overall tonnage of finished products and water consumption has lowered in 2021 compared to 2020 the water consumption pr. kg products is unchanged.

The consumption of electricity is lowered in 2021, but the amount of Natural gas is increased.

As the effects of global climate change are becoming ever more apparent, it is important for Fertin to reduce our GHG footprint as much as possible. In order to achieve this, several projects will be initiated in 2022:

### **Vejle Nord Climate partnership**

Fertin is participating in the [VejleNord](#) climate partnership, which is a strategic collaboration between Vejle Municipality and the corporate/industrial sector in the Vejle Nord sector. The project is one of many to ensure Vejle Municipality's overall goal of a 70% reduction in GHG emissions in 2030 and becoming climate neutral in 2050.

Fertin, as well as other participants, will contribute data to an overall computer model that will show Vejle Nord's overall usage of energy (electricity and natural gas) and water for the whole area. The model can then be used to prioritize strategic investments in infrastructure and new technology and ensure the best utilization of resources in the area. The energy steering group at Fertin will use the knowledge gained from the model to plan investments in new technology as well as minimizing the overall environmental impact.

### **Reducing the Carbon Footprint in cooperation with our costumers**

Fertin has agreed with a key customer to extend the production line in Vejle, resulting in a new state-of-the-art full-service production line. The investment is to reduce transportation-related carbon footprint across the value chain. Today, approximately 70 fully loaded trucks with nicotine gum in bulks are transported to

## 7 Corporate Sustainability Policy

Switzerland, from where the goods continue the journey to Anthoussa in Greece, to get secondary packed. The new full-service line enables Fertin to do the secondary packaging in-house and thus eliminate the transport from Vejle to Anthoussa.

The transportation sector is one of the largest contributors to greenhouse gas emission, as vehicles during transport emit CO<sub>2</sub> and several harmful substances for our environment, i.e., NOx (Nitrogen Oxides), Hydrocarbon (HC), and Carbon Monoxide (CO). The new full-service line reduces CO<sub>2</sub> emission by approximately 216 tons per year. The project was initiated in 2021. Production on the new lines are planned to go live in 2022.

# SDG 16: Peace, justice and strong institutions

At Fertin we take responsibility that both our external partners and internal organization 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 continually enforce Fertin's Code of Conduct to ensure that our external partners acknowledge and respect Fertin's Code of Conduct.

In 2021, 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.

As an integrated part of the policy, both Fertin and our external global suppliers must uphold 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, our Quality department conducted a minor number of audits in 2021 as stated in our Code of Conduct, due to COVID19. The audits were without any major remarks. We expect to increase the number of audits in the future.

### 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, 27<sup>th</sup> May 2022*

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