



# Environmental Social Governance

2021

# Environmental Social Governance

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## Statement from the CEO



The continuous improvement of our management systems governing environment, health and safety as well as corporate governance and social behaviour helps to improve the quality of life for all of us.

As a company, producing high-quality drugs benefitting the health of everyone, we commit to protecting the environment and the health and safety of our staff, customers and communities. As an employer, we do this through implementation of operating standards with respect to labour, health and safety, environment and business ethics.

*Peter Burema, Chief Executive Officer, NextPharma*

# UN Sustainable Development Goals

In 2015, the United Nations (UN) adopted the „Agenda 2030“ comprising a total of 17 Sustainable Development Goals (SDGs).

These apply to all countries and organisations in the world and should encourage solutions to global challenges such as, among many others, poverty, hunger, health care, gender equality, climate change.

We are aware that, as a globally active CDMO, we are also obliged to support the implementation of the Global Sustainability Development Goals.

Next Pharma is very much aware that our activities as a global CDMO in the health sector have a bearing on a number of the UN SDGs and hence has proactively identified 6 key initiatives of the UN 2030 Sustainable Development Goals it shall commit to:

- SDG 3 Good Health and Well-Being
- SDG 5 Gender Equality
- SDG 7 Affordable and Clean Energy
- SDG 9 Industry, Innovation and Infrastructure
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action









To ensure that all employees within the NextPharma organisation fully understand the issues at stake, we provide background information on each selected SDG supplemented by examples of NextPharma initiatives:

SDG (Sustainable Development Goal)	Meaning	NextPharma Initiatives
<b>SDG 3:</b> Good health and well-being	Ensure a healthy life for all people of all ages and promote their well being	Research and development of paediatric medicines, antibiotics, anti-parasitic drugs and hormone medicines as well as others
<b>SDG 5:</b> Gender equality	Achieving gender equality and self-determination for all women	NextPharma is an equal opportunity employer and takes care to avoid any form of discrimination on any ground
<b>SDG 7:</b> Affordable and clean energy	Ensure access to affordable, reliable, sustainable and clean energy for all	<ul style="list-style-type: none"> <li>➤ Investment in renewable energy</li> <li>➤ Grants for our employees for climate friendly measures</li> </ul>
<b>SDG 9:</b> Industry, Innovation and Infrastructure	Build a resilient infrastructure, promote inclusive and sustainable industrialization and support innovation	Investment in renewable energy, energy efficient facilities, equipment and utilities
<b>SDG 12:</b> Responsible consumption and production	Sustainable production and consumption patterns and the avoidance of waste	Reduction of environmental impact of processes and services (reduction of emission, waste water and waste in general)
<b>SDG 13:</b> Climate action	Take immediate action to combat climate change and its impact	Sustained and continued consumption reduction: Declining emissions despite growths with the goal of CO2 neutrality within the NextPharma group by the end of 2024

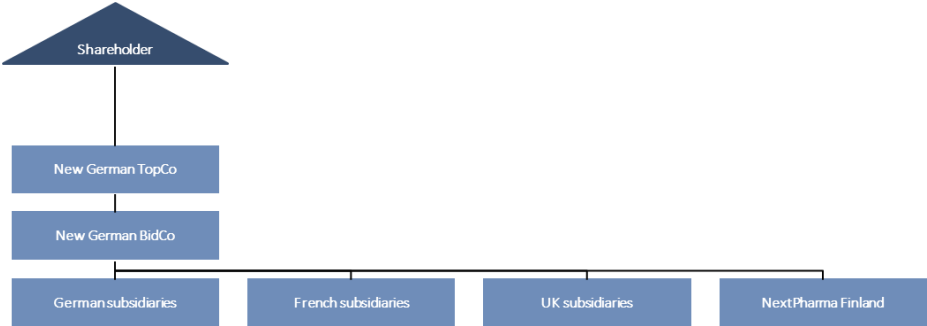
# Company Profile

Our vision is to be the leading and most trusted, reliable and innovative Europe-based CDMO through our commitment to the highest industry standards and exceeding customer expectations while driving strong, sustainable growth for the company.

## • Our experienced management team

<p><b>Peter Burema</b> <i>CEO</i></p>  <ul style="list-style-type: none"> <li>Joined in Jun 2014</li> <li>More than 40 years' industry experience, including CEO of Acino, Global President at Ranbaxy and various management roles at Bayer</li> <li>Graduated from St Olof Business School in the Netherlands</li> </ul>	<p><b>Frank Posnanski</b> <i>CFO</i></p>  <ul style="list-style-type: none"> <li>Joined in Jan 2019</li> <li>Previously held CFO positions for 10 years</li> <li>From 2011-2018, was CFO of TeleColumbus through restructuring, IPO and as public co.</li> </ul>	<p><b>Alan Dodsworth</b> <i>Chief M&amp;A Officer</i></p>  <ul style="list-style-type: none"> <li>Joined in 2004</li> <li>Formerly EVP Corporate Development, then CFO NextPharma</li> <li>Former Assistant Director in EY's Transaction Services team</li> <li>Chartered accountant</li> </ul>
<p><b>Eric Schmidhäuser</b> <i>COO</i></p>  <ul style="list-style-type: none"> <li>Joined in Jul 2016</li> <li>Over 25 years of industry experience, including MD at Corden and Catalent, and EU Director of Operations at Gerresheimer</li> <li>Graduate in mech. engineering from Baden-Wurttemberg Cooperative State University</li> </ul>	<p><b>Pierre Delavaud</b> <i>CCO</i></p>  <ul style="list-style-type: none"> <li>Joined in Sep 2012</li> <li>Over 20 years of industry experience, including senior sales and business development experience at Catalent and SkyePharma</li> <li>PhD in Pharmacy</li> </ul>	<p><b>Kathrin Bartscher</b> <i>Chief Scientific Officer</i></p>  <ul style="list-style-type: none"> <li>Joined in 2006</li> <li>Took over responsibility for global NextPharma development activities in 2016</li> <li>Started career as product manager in formulation development</li> <li>Holds a PhD in Pharmaceutical Tech</li> </ul>

## • NextPharma structure, simplified



- **Manufacturing network**

Our focus on promising technology niches and a strong production platform, underpinned by best-in-class quality, have earned us highest appreciation from our customer base.

- Nine state-of-the-art centres of excellence
- Capable to produce 8 billion tablets per annum
- ~25% of employees work in quality control and assurance
- 100 customer and authority audits p.a.
- >10,000 batch releases
- Clinical trial services (Göttingen)
- Analytical services (Bielefeld)
- Strong development capabilities

### Centres of excellence

	Berlin	Bielefeld	Waltrop	Göttingen	Göttingen	Limay	Tampere
Key Competencies	Penicillins	Pellets	Hormones	Cephalosporins	Oral solids	Oral liquids Suppositories	Ophthalmic products
							
Size	1,300m <sup>2</sup>	3,400m <sup>2</sup>	4,300m <sup>2</sup>	900m <sup>2</sup>	5,600m <sup>2</sup>	3,600m <sup>2</sup>	4,000m <sup>2</sup>

In March 2021, we took over another two production sites in Europe. The integration of the new Lipid Based Technologies plants in Edinburgh (UK) and Ploermel (F) has been successfully completed. The addition of soft gel capsules and liquid-filled hard capsules to NextPharma's set of competencies will strengthen our position in the international CDMO market.



Edinburgh, UK



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### **Core competencies**

- ◆ Lipid-based Formulations
- ◆ Liquid-filled Hard Capsules

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### **Specialities**

- ◆ High Containment / HPAPI
- ◆ Controlled Substances
- ◆ Colonic delivery
- ◆ Capsule-in-capsule technology
- ◆ Abuse deterrent formulations

Ploermel, FR



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### **Core competencies**

- ◆ Lipid-based Formulations
- ◆ Liquid-filled Hard Capsules
- ◆ Soft gel capsules
- ◆ API-in-Capsule Studies / Micro dosing

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### **Specialities**

- ◆ High Containment / HPAPI
- ◆ Hormones
- ◆ Micro dosing for FIH study






- **Health care Logistics Services**

Our health care services offer state-of-the-art pre-wholesaling logistics services to the pharmaceutical industry:

- Goods-in and dispatch (pick and pack)
- Warehousing (ambient to -80°C)
- Delivery to wholesalers, pharmacies, hospitals
- Controlled substance storage
- Repacking and relabelling in accordance with GMP
- Storage and dispatch
- Distribution for clinical trials
- Customer service-desk handling

At the end of 2021, we inaugurated our new warehouse in Dortmund (Germany). The new distribution centre has a capacity of 13,000 pallet spaces.

### Warehouse overview

	Werne	Munich	Vienna	Schaffhausen	Dortmund
<b>Storage Capacity</b>	24,200 pallet spaces	4,000 pallets spaces	14,100 pallet spaces	9,000 pallet spaces	13,000 pallet spaces
					
<b>Ownership</b>	Leased until Dec-25	Leased until Nov-26	Leased until Aug-29	Leased until Aug-35	Leased until Dec-36

# Environment

## Climate Change Strategy

Climate change is one of the most pressing challenges of the 21<sup>st</sup> century. Climate protection has been a priority at NextPharma for many years. NextPharma's air emissions are mainly caused by the generation and consumption of electricity, steam and auxiliary energy in the manufacture of pharmaceutical products. Several projects aimed at reducing greenhouse gas and VOC emissions have been successfully completed and contribute to a significant reduction in consumption. Further projects have already been launched and are in the planning stage.

## Structuring our climate impact mitigation efforts

ESG responsibility is embedded in the C-suite organisation within the roles of the COO, CFO and Global Head of HR (member of our extended EXEC). At our individual sites, Site Management is primarily in charge of implementing the measures specified and of pro-actively improving our environmental footprint.

- **Carbon dioxide neutrality**

NextPharma's board decided in July 2021 to launch the strategic initiative 'Path to CO<sub>2</sub> neutrality in the NextPharma Group' planned to be completed by late 2024. Key steps, team organisation and budget have been agreed. The next decision point will be the 'go' for execution of the action plans in all sites in December 2022 at the latest.

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To achieve the target of CO<sub>2</sub> neutrality in the NextPharma Group from materials entry to shipment (scope 1 and scope 2), NextPharma phases its measures in three steps: 1) the provision of transparency, 2) a focus on optimisation and CO<sub>2</sub> reduction in the implementation of its actions, followed by CO<sub>2</sub> substitution and, in a final step, compensation, and 3) continuous improvement bound to minimise emissions so that compensation is no longer required. Our roadmap comprises three stages: preparation, implementation and improvement:

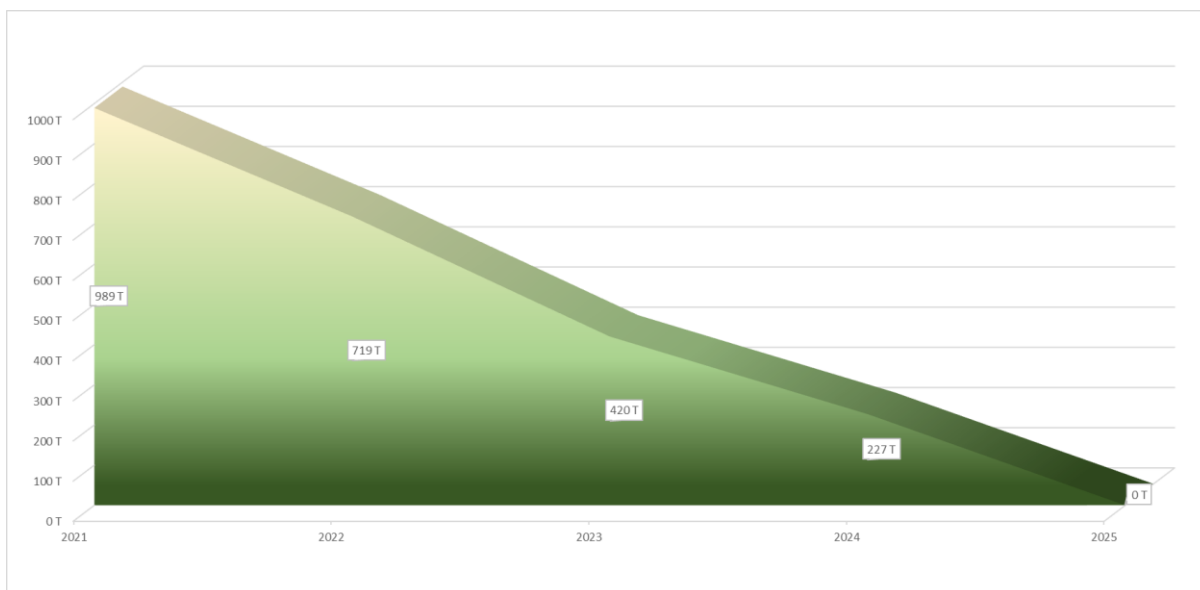
# Path to CO<sub>2</sub> neutrality Roadmap



In order to use the organisation’s best possible leverage to ensure the flawless execution of this strategic initiative, we engage all levels of the organisation in relevant functions:

- Steering Committee: Executive Board
- Sponsor: Global Engineering Director
- Project Manager: Site Managers
- Team: Heads of Engineering, Heads of Production, Controlling, Procurement and Quality (optional)

Limay is the pilot site and has shared its roadmap and details with the site’s key customer. Targets and improvement steps have been defined:



This is supported by specific activities, timelines, and impact based on cost-effectiveness analysis:

Action	Short description	CO <sub>2</sub>	Current 2021	Forecast			
				2022	2023	2024	2025
Green Electricity	Progressive switch to 100% Green electricity over 3 years 2021-2023	208 T		-50 T	-150 T	-150 T	-150 T
Green Gas	Progressive switch to 100% Bio-Gas over 4 years 2022-2025	856 T		-204 T	-408 T	-612 T	-816 T
Office T° decrease	Manage Office T° to reduce by 1° C	6 T		0 T	0 T	0 T	0 T
Warehouse T° Optimization	Manage Warehouse T° to reduce by 1° C	15 T		-5 T	0 T	0 T	0 T
Switch Led	Progressive switch to led light over 3 years 2021-2023	14 T		-5 T	-5 T		-10 T
Insulation of main building	Insulate building to reduce Gas & Electricity consumption	12 T		-6 T	-6 T		-12 T
Tree Planting	Support Tree planting over the planet						-1 T
Reduction of Losses Energies	Recover lost energy during process to consume less	TBD		TBD	TBD	TBD	TBD
CO <sub>2</sub> emissions			989 T	719 T	420 T	227 T	0 T
Reduction cumulative vs. Current 2021				-27%	-58%	-77%	-100%

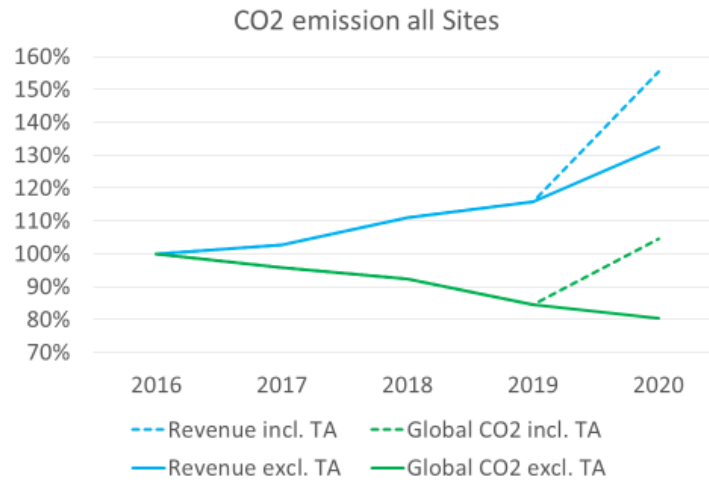
Further improvements have been evaluated and will be implemented with a view to our continuous improvement shifting from compensation to substitution, optimisation and reduction.

Examples of related topics such as photovoltaics, heat-recovery systems, high-efficiency equipment, facility insulation, LED lighting and others which are expected to support this strategic initiative, are referred to in the following chapters.

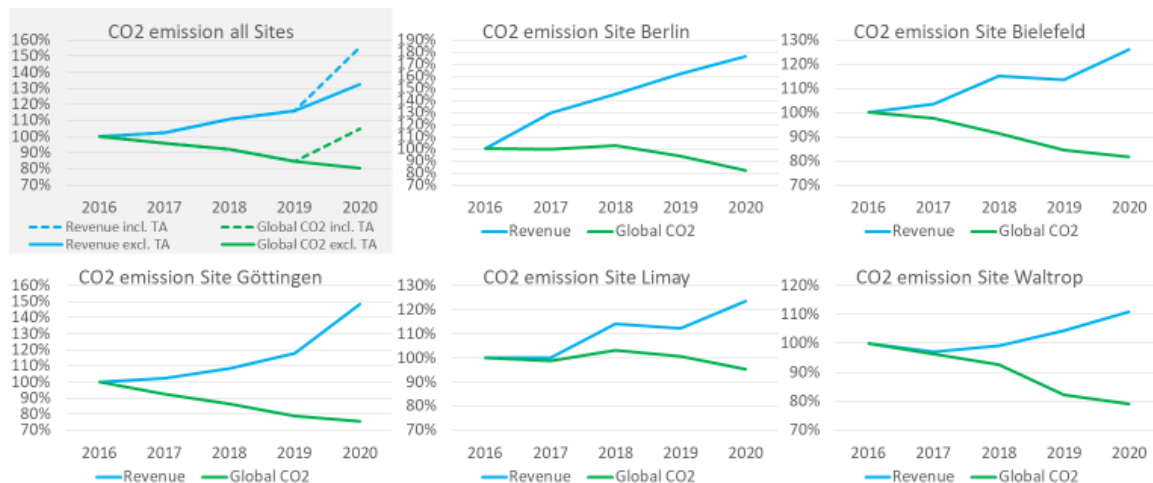
- **Emissions lowered yet growth maintained**

While our operating business has grown, we have still managed to reduce our greenhouse gas emissions by 12% compared to the 2016 baseline. In 2016, we emitted 14,951 metric tons of CO<sub>2</sub> equivalents, and only 13,097 metric tons in 2020.

From 2016 to 2020, we increased our turnover by more than 50%, which means that our emissions show a significant reduction in relation to turnover.



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- **Carbon dioxide intensity**

NextPharma reports carbon dioxide intensity as the ratio of kg carbon dioxide emission to 1k€ external sales.

kg Carbon dioxide/ 1k€ external sales	2019	2020
Carbon dioxide intensity	82.4	61.7

Compared with 2019, our carbon intensity in relation to turnover has improved.

- **Energy efficiency**

NextPharma reports energy efficiency, i.e. the ratio of energy used to external sales. We used 51.30 gigawatt hours of energy in 2019, versus 50.75 gigawatt hours in 2020.

<u>kWh/ 1k€ external sales</u>	<u>2019</u>	<u>2020</u>
Energy efficiency	324	239

Energy efficiency improved compared with 2019.

- **Modern energy and cooling systems**

In 2021, we invested approximately € 325k in a state-of-the-art cooling system for our site in Berlin, Germany. The system went live in autumn 2021. These efforts are expected to cut energy use by roughly 162,000 kWh per year and lower our site emissions by approximately 120 metric tons of carbon dioxide per year.

In Waltrop, North Rhine-Westphalia (Germany), we have been able to reduce our carbon dioxide emissions by 38 metric tons by optimising our compressed air system.

An investment in modern LED technology at our site in Tampere (Finland) resulted in a reduction of emissions by 35 metric tons of CO<sub>2</sub>. Our German sites in Bielefeld and Waltrop are already 100% equipped with LED lighting, with Göttingen following suit in the second half of 2021.

At our site in Ploermel, France, we have invested some € 1.4 million in a state-of-the-art heat-recovery system in 2021. This installation is expected to cut our site emissions by roughly 250 metric tons of carbon dioxide per year. Similar technologies are under evaluation for our German sites in Berlin and Bielefeld.

In 2021, we decided to switch to green electricity. 25% of the electricity used at our Limay site are already supplied by sustainable sources. For 2022, we want this figure to increase to at least 50%. Our site at Tampere (Finland) will switch to 100% green electricity as of January 2022.

- **Investment in building modernisation**

In 2021, we invested more than € 400k in the insulation of our central warehouse at the Waltrop site. We expect a sustainable reduction of carbon dioxide emissions by 150 tons per year.

Further projects at other locations are currently in a preliminary planning stage and will be implemented in the years ahead.

- **Investing in renewable energies**

Half of our HLS warehouses have already been equipped with photovoltaic panels. Further projects have been launched for both our warehouses and our production sites. A pilot project in Waltrop (Germany) is well under way and is expected to be completed in the second half of 2022. The electricity yield is estimated at 400,000 kWh per year, and is accompanied by a reduction in site emissions by about 140 metric tons per year. Initial figures will be available by the end of 2022. Comparable projects are currently under evaluation for our sites in Bielefeld, Göttingen, and Limay.

- **Initiatives**

- **E-Mobility**

Switch of the entire company fleet to electric or hybrid cars within the next four years, to be completed by 2025.

- **Electric charging stations for cars**

Installation of charging stations for electric and hybrid cars at all NextPharma sites, starting with installations to cover all company cars, followed by a gradual extension to our employees' and visitors' vehicles.

- **Company bicycles**

Our company's e-bike initiative is welcomed by our employees and already under way wherever feasible. It offers our staff an opportunity to use modern e-bikes in everyday life and to support our efforts in reducing greenhouse gas emissions.

- **Eco-efficiency**

This aspect is covered by the above-mentioned issues contributing to our strategic CO<sub>2</sub> neutrality initiative.

- **Energy Management**

This aspect is covered by the above-mentioned issues contributing to our strategic CO<sub>2</sub> neutrality initiative.



# Social

- **Diversity and equal opportunities**

We are a global contract development and manufacturing organisation. Our employees represent a vast variety of nationalities, cultures, religions, and age groups, as well as a diverse range of gender identities, sexual orientation as well as a wide spectrum of professional backgrounds. We are convinced that a diverse workforce, within the context of a respectful corporate culture, enhances our ability to innovate and accounts for a significant share of our business success. For this reason, we strive for a corporate culture of diversity and inclusion.

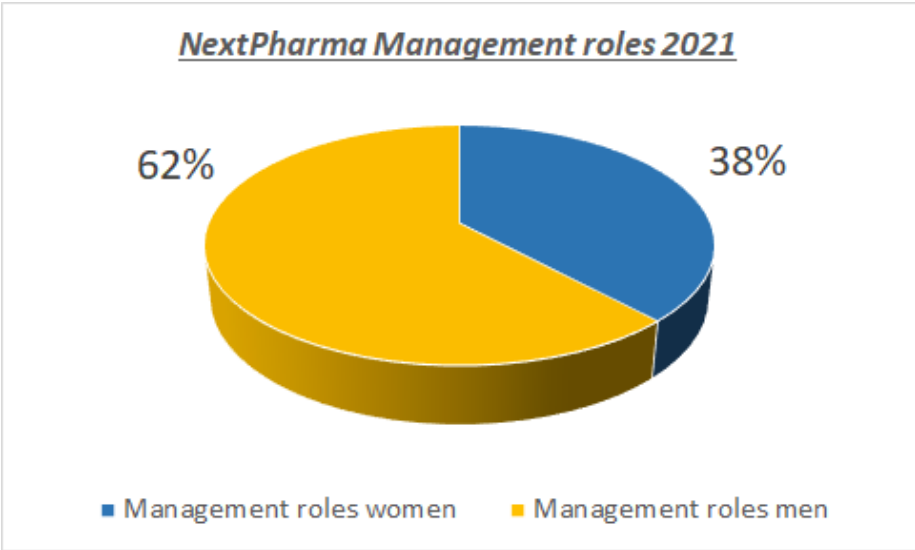
- **Our approach to diversity and equal opportunity**

Our goal is to promote diversity throughout our workforce and provide equal development opportunities for each of our employees. We particularly endeavour to create better opportunities for our female staff, maintain an international working environment and build teams with a balanced age structure.

- **Women in leadership roles: Requirements and targets**

In 2013, we launched cross-site leadership training for women only. Ever since, we have been able to place more and more women in leadership positions at all our sites. Our target for 2025 is to maintain a 50% quota of women in management roles. We are working to further increase the proportion of women in leadership positions where they are still underrepresented. To this end, we have set up a special team to develop targets and measures that will help us promote female candidates into key positions.

In 2021, 51 women occupied 38% of 134 leadership positions across our Group.



- **Making diversity a main pillar of the company**

Our Group Head of HR bears responsibility for our Group's diversity strategy and is a member of our Executive Team. His/her key tasks are:

- Taking responsibility for the implementation of our strategy for enhanced diversity
- Evaluation and advancement of proposals fostering more diversity submitted by our business sectors and functions
- Ensuring implementation of our diversity strategy and monitoring progress of the initiatives.

In addition, Group Human Resources (HR) have implemented a variety of programmes and processes in order to further enhance diversity within the company.

- **Taking action against discrimination**

True to our Code of Conduct, we do not condone discrimination in any guise within our organisation. Employees who feel they have been subject to discrimination can report the matter through a number of channels, starting in the first place with their line manager or, if they prefer, Human Resources, the Legal or Compliance Department. All confirmed cases of discrimination are followed up with appropriate disciplinary action.

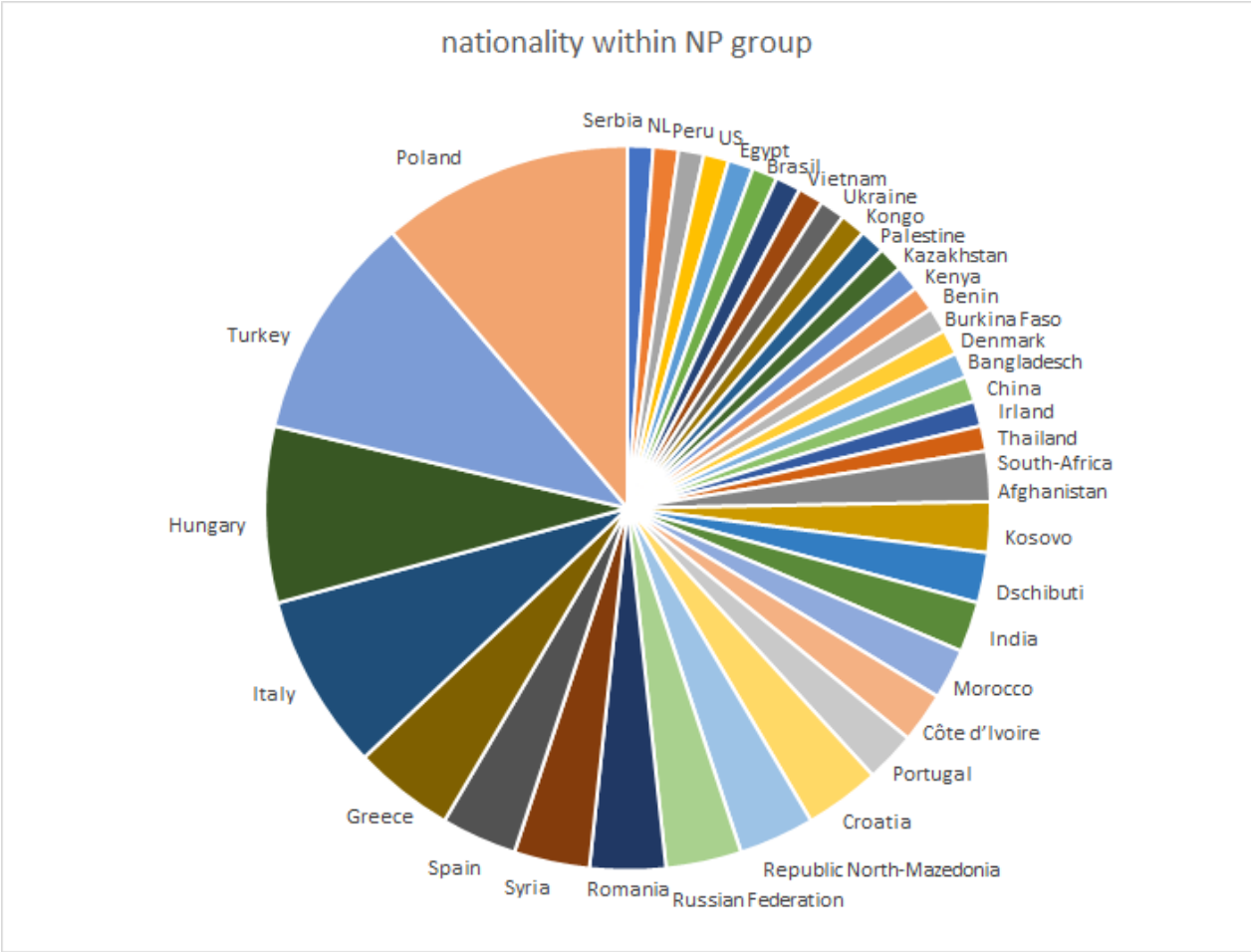
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While no suspected discrimination was reported in 2020, one incident was brought to the company's attention in 2021. Once the facts were confirmed, the perpetrator was asked to leave the company with immediate effect.

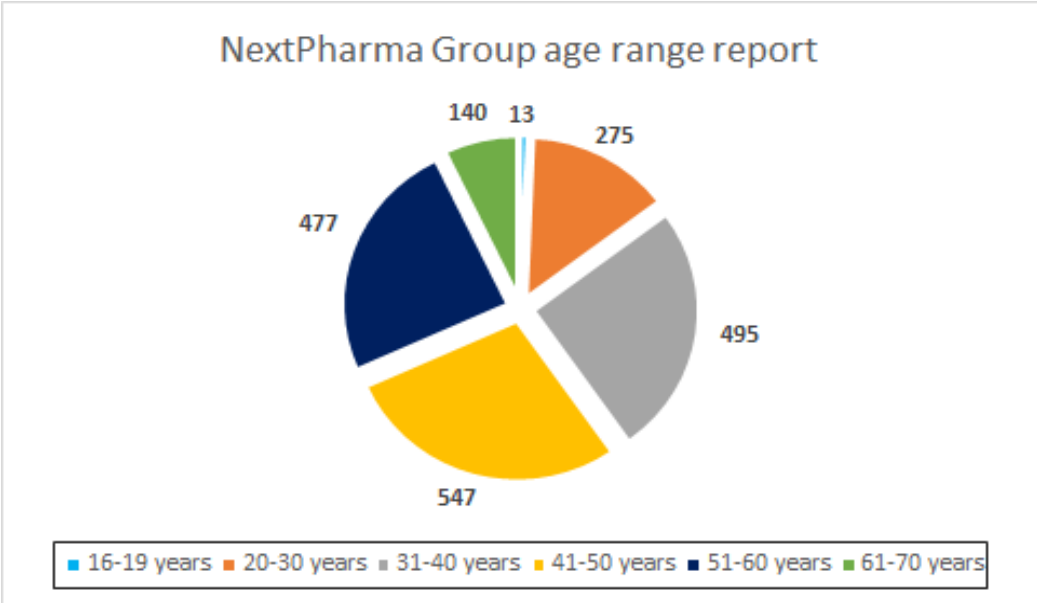
- **Successfully integrating international employees**

Our company is active within an increasingly multinational field. As our sites are located in Germany, France, UK and Finland, it goes without saying that the majority of the staff have these nationalities. We are delighted, though, that over and above French, German, British and Finnish employees, our workforce currently comprises nationals from 38 countries.



- **Addressing demographic change**

Demographic change is also a matter close to our hearts. We expect the average age of our workforce to rise continuously in the near future. We counter this trend with various initiatives, including our corporate health management programme.



- **Freedom of Association**

Freedom of association is a fundamental human right. Our company is firmly dedicated to appropriate labour and social standards and is doing its best to uphold them.

Our Code of Conduct comprises a non-negotiable set of rules for the entire workforce of our company. It includes human rights principles such as the freedom of association and assembly, collective bargaining, protection against forced labour, child labour, discrimination, and the right to equal opportunities, equal pay and equal working hours, health and safety at work, and the prevention of abuse and harassment.

These general principles mirror our commitment to upholding core labour standards. Their review is an integral part of our internal and external audits to verify compliance at our sites.

- **Health and Safety**

NextPharma is committed to protecting the environment, preserving the health and safety of its employees, contractors, visitors, and other stakeholders, and to ensuring appropriate security within all its facilities.

- **Environment, Health and Safety Key Objectives**

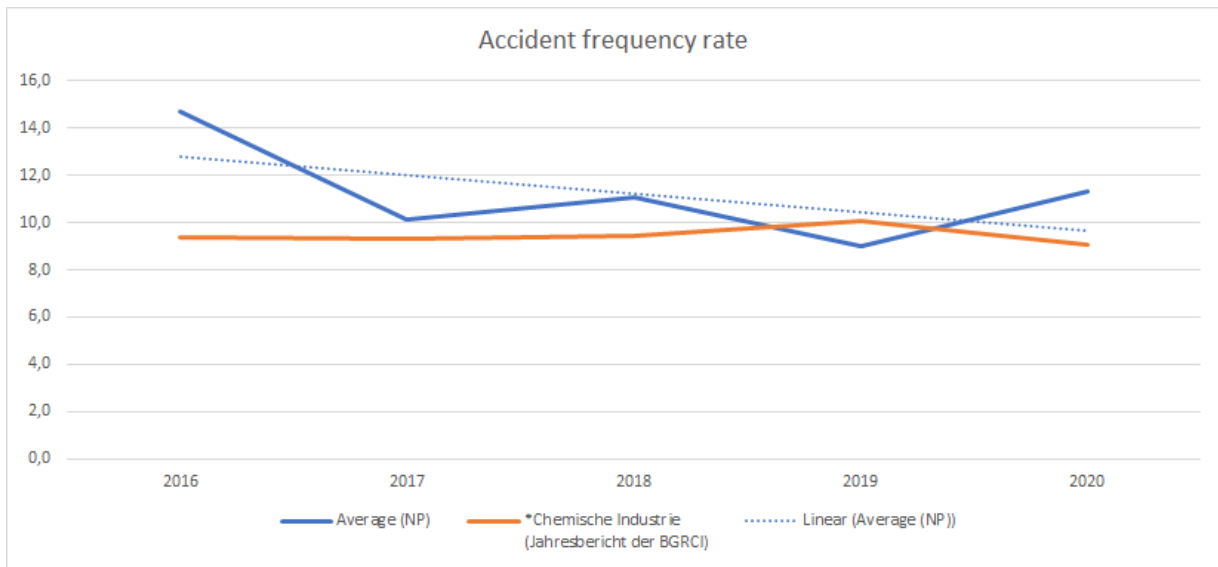
Our key objectives for Environment, Health, Safety, and Security are:

- Fostering an EHS culture
- Providing EHS training to NextPharma employees
- Establishing a consistent EHS organisation and documentation system
- Assessing EHS hazards associated with activities, products, processes, and services
- Complying with national regulations
- Implementing controls
- Focussing on risk reduction or elimination
- Testing and monitoring system effectiveness
- Sharing, reporting, evaluating and reviewing information and experiences

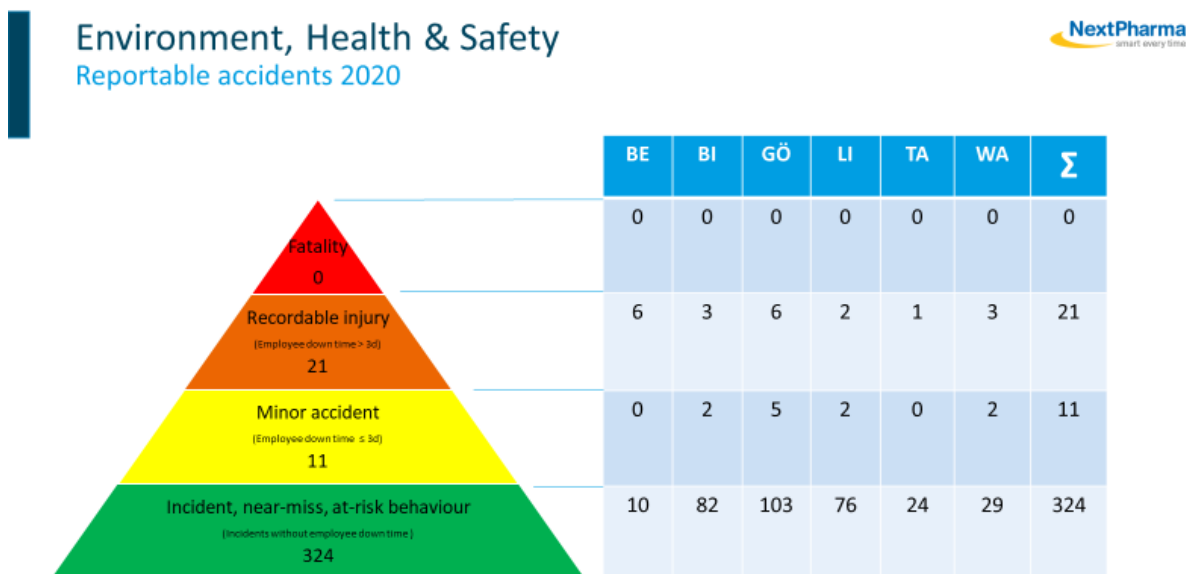
- **Our approach to preventing accidents and promoting health**

We strive to enhance our employees' good health and maintain their performance in the long term. This starts with a safe workplace. One of our group-wide goals is to intensify our safety culture. In 2020, our target was a Lost Time Injury Rate (LTIR) of <15 (BG RCI 2021 reference report). In addition, we want to integrate occupational health management more strongly into our corporate culture and management.

In 2020, no fatal accidents occurred.



Frequency rate = (number of occupational accidents x 1.000.000) / Number of hours worked



- **Managing occupational health and safety**

Our Environment, Health, Safety, Security Group function is responsible for our Environment, Health and Safety (EHS) management system. Reporting to Executive Board member Eric Schmidhäuser, this unit sets targets, monitors global initiatives and conducts internal audits. Local EHS managers ensure that each individual site complies with occupational safety laws and regulations. We collect data on workplace accidents from our sites on a monthly basis. Every facility is required to report relevant accidents immediately to the CEO, COO and Group EHS function, where the cases are investigated and assessed. If necessary, we implement additional safety measures at our sites.

- **Our commitment: Policies and bylaws**

Our Corporate Environment, Health and Safety Policy defines our approach to health and safety at the workplace. The Policy sets out how we ensure occupational safety for our staff while also fostering their health and well-being. This document details our group-wide approach to safety and health management as well as our expansive behaviour change programme bound to prevent occupational accidents and diseases.

The responsibility for conducting local workplace risk assessments and hazard analyses lies with our individual sites where we draw up occupational health and safety bylaws together with employee representatives.

Our cross-site occupational Integration Management helps to maintain our employees' jobs and to prevent adverse health effects after returning to work.

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- **Testing and supporting our employees**

Our health maintenance procedure ensures that all employees meet the health requirements for their tasks. This test helps us to implement targeted interventions as necessary. Our company medical service ensures that all occupational health check-ups required for each function are carried out within the legal deadlines.

In addition, we offer preventive medical check-ups on a voluntary basis, e.g., seasonal influenza vaccination, endocrinological tests (hormone status). As part of our cross-site fitness programme, we offer classes such as yoga, meditation and cross-over. These training units become more and more popular.

- **Environmental Incidents**

We have issued guidelines and established processes ensuring that materials are handled, transported and stored in compliance with the relevant regulations and their respective hazard potential, and safeguarding that appropriate logistics and warehouse suppliers are commissioned.

No environmentally relevant incidents occurred in the last 5 years.

- **Plant Safety**

Our processes and production facilities are designed and managed so that they do not pose avoidable risks to our staff, the environment, or neighbouring communities.

We continuously to improve our safety culture, the expertise of our employees and the company's global process and plant safety guidelines which, among other aspects, cover issues such as machine and laboratory safety, and provide harmonised processes and standards for assessing risks and determine appropriate safety measures.

In order to ensure that our plants benefit from a high safety level, responsibilities are clearly defined throughout our company. The safe operation of production plants falls within the plant management's responsibilities. Together with the plant operators, the experts of the Engineering & Technology enabling function are accountable for conducting risk analyses and establishing safety concepts.

Plant safety is an integral part of the planning stages of capital expenditure projects. Our capital expenditure budgets include both specific projects and general budget items to provide plant managements with more flexibility to enable positive momentum, promote continuous improvement initiatives and also to address potential issues that may arise in periods between budgeting processes.

- **COVID-19**

Our business was severely impacted by the COVID-19 pandemic in 2020/2021. As always, the health and safety of our employees and the supply of our products to customers were our top priorities. The protective measures taken worldwide and the uncertainties associated with the pandemic affected our business activities in various ways. Due to the virus, most of our conferences, workshops, training courses, audits and meetings in 2020/2021 were held in a virtual format.

As the health and safety of our employees is our top priority, the Group Crisis Management Team, led by our CFO, COO, and Group HR manager, implemented the existing pandemic plans early on and was able to minimise the risks for employees associated with COVID-19 at the workplace.

By the end of 2021, we only recorded a low rate of infection. The protection schemes and measures implemented worldwide take into account the different occupational roles at each site. We were able to uphold or quickly resume production at our sites, ensuring the continued supply of products to our customers.

In doing so, the following measures played a significant role:

- Working from home/remote work, wherever possible
- "STOP entry": no access for employees showing symptoms of illness, safeguarded by a self-check of body temperature at the site gates and entrances

- 1.5-metre/ 2-metre distancing rule; in areas where this distance cannot be kept, plastic dividers were installed, complemented by the mandatory wearing of face masks
- Hygiene rules for hand washing and disinfection as well as the wearing of face masks at all times; we provided our employees with cloth masks at an early stage in those countries where these were admitted by national law

All rules, instructions, FAQs, and further information for employees have been updated on a continual basis. Our employees are kept up to date about the local measures applicable at any given time.

- **NextPharma Fitness Training Online/Stream**

During the Covid 19 pandemic, we launched a special fitness training programme for our staff. We offered different types of training to ensure that everyone would find their favourite activity. Sessions are being conducted by specially trained coaches and offered online. Our staff could either join the sessions directly or complete their workout at a self-selected later time via the streaming function. Realising that our employees appreciated this offer, we plan to relaunch this type of training in the coming autumn/winter period.

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- **Human Rights**

All nations should, first and foremost, draw up a legal framework to protect human rights. International companies in particular should make sure that such a framework is implemented in all countries, to provide equal opportunities to compete. At the same time, we as a company have a duty to uphold human rights and to take appropriate measures to ensure that these are not prejudiced by our business activities. We constantly strive to incorporate human rights due diligence into our processes in order to minimise the danger of human rights violations and to protect those rights within our sphere of influence.

- **Promoting respect for human rights**

Our Executive Board has the ultimate responsibility for human rights compliance within our organisation. The coordination of activities and processes related to human rights due diligence is the responsibility of our Group Human Resources function. Progress and measures are regularly discussed at board meetings, while subject matter experts in our group functions are in charge of implementing the measures.



- **Keeping employees informed**

We educate our employees on human rights through a variety of channels including town-halls, intranet, training software and team meetings.

- **Good Leadership**

We believe that our leaders should progress and grow to meet the individual needs of their team members. Our teams collaborate with other company locations and across international borders. Their members have a variety of skills, strengths, and experiences that our leaders can draw on. For our part, we support our staff in fulfilling their tasks. As global collaboration becomes an increasingly prominent asset for training our next generation of leaders, our management processes are fundamentally committed to an international approach.

- **Our approach to good leadership**

Our core competencies and key values are speed, service and passion - values which make our working environment a very special one because we live and breathe them.

### **SPEED**

Speed is our strength, because passion deserves to be given free rein. That is why our working environment sports a healthy pragmatism and flat hierarchies, so that we can react quickly and flexibly at all times. We always anticipate the next step ahead because we think this is the most important thing. This attitude drives us, makes our working environment come alive and spurs our growth. For an excellent track record, we bank on timely and cost-effective implementation – what we at NextPharma call precision pragmatism.

### **PASSION**

Whether it is penicillins, cephalosporins, or hormones, in solid, semi-solid, or liquid form, passion is always our formula to success. In terms of quality, responsibility, excellence, and continuous improvement, we pursue an uncompromising zero-tolerance approach. Our international and interdisciplinary collaboration knows no limits or borders. We embrace open communication at all levels because an agreeable working ambience is the be-all and end-all for all of us. None of this would be possible without trust – in ourselves, in our abilities and in our technologies. Or without the pride that comes from growing together day by day. Because we know that passion is the best medicine when it comes to excellent service around the world.

### **SERVICE**

Customer service is what we live and breathe for. We know that service relies on people, embodied by our global NextPharma team. This is why we are also committed to in-house service. Starting with a dedicated focus on our people and additional benefits, we strive to create an ambience that encourages people to come and stay with us.

Our strategic competency model determines a set of core competencies to underpin the behaviour of our employees at all levels.

In our day-to-day work, these competencies are a key factor in our success. The model lays the foundations for all development activities within our HR activities, for our employees, but especially for our leaders who serve as role models and are therefore crucial in ensuring that our employees are committed to the competency model. Furthermore, the model defines the leadership culture with which we want to grow our business.

- **Our core values and management style**

We constantly challenge the way we do things, continuously striving for excellence and efficiency.

We are open and transparent in our communication with our colleagues; we trust and respect them.

We expect our colleagues to treat us with the same openness and transparency in their communication, and to trust and respect us.

We support each other.

We respect and nurture the company organisation.

Our managers are leaders, they do not issue orders, but provide inspiration.

Our organisations are lean and mean, our people are empowered. We avoid unnecessary layers.

Power, as we understand it, means competence and performance.

We align our objectives in order to prevent waste of energy and misunderstandings.

Information is free and does not belong to anybody except the company.

Our management skills are based on human sensitivity.

We recognise and reward high performance; we address and work on poor performance.

- **Developing our people to deliver on our promises**

Our teams are made up of very talented people who bring together their skills and expertise either through long-term development at NextPharma or through recruitment for the company. To continue to deliver the best service, it is vital to attract, develop and retain outstanding people.

We are constantly working to make our teams the most skilled, efficient, and motivated by training them, involving them in projects and helping them understand the company's strategy and objectives. The tireless commitment of our staff is key to our success and to that of our clients and partners.

In recent years, we have launched programmes to improve the skills of our HR managers. The Leadership Box Programme teaches the basics of leadership, such as communication techniques, leadership styles, conflict management, project management, motivation, and emotional intelligence.

The advanced leadership programme covers topics such as change management, self-reflection, and resilience. It also teaches coaching methods to help leaders transition from their first leadership role to positions leading cross-functional and international teams.

In 2021, we established the NextPharma Academy where we offer various technical and soft skills training courses for all our employees. Whenever there is a need for training, we organise the respective courses with internal or external tutors. Participants from all our sites take part in these trainings to build and expand their internal networks within our Group over and above the technical or personnel training they receive.

- **Retirement provision, accident insurance and special payments**

To cover our employees' needs, we offer a pension scheme, accident insurance, liability insurance, private medical insurance and supplementary health insurance, life insurance, long-term care insurance and an employee assistance programme (offer varying by country).

On top of their fixed salary package, our employees receive a bonus component, holiday payment, job tickets, maternity and paternity pay. And during the Covid-19 pandemic, we paid an extra bonus to thank our employees for their support during those difficult times.

- **Salary level**

Paying our employees in accordance with the law and the market situation is a given for us. Of course, we comply with the legal requirements and pay more than the legally prescribed minimum wage. Every year our remuneration committee reviews our internal salaries and the country-specific salary developments. In all countries, we are in close contact with the unions and cooperate with them to discuss general increases.

- **Employee events and anniversaries**

It is a company tradition to celebrate staff jubilees and anniversaries. Employees receive a voucher, flowers, and a gift box. Christmas parties, summer barbecues, soccer tournaments, open door family days and team building workshops are important for us to strengthen cooperation.

- **Awards and honours**

In 2020, our location in Göttingen, Germany was acknowledged as a "Top Employer". The local HR team passed an official audit by the Chamber of Commerce and Industry after participating in various HR workshops over several months.

- **Supply Chain Management**

Policies are in place to ensure the application of our ESG approach throughout our supply chain, from suppliers to delivery. In 2021 we revised our Supplier Code of Conduct. The requirements of the National Supply Chain Sourcing Act were fully taken into account. The revised Supplier Code of Conduct has been communicated to all suppliers and its implementation and compliance are ensured through regular audits.

A structured and thorough S&OP process ensures delivery reliability. This is supported by processes and reviews such as: Daily production meeting, daily cross-functional production planning meetings, weekly schedule and demand meetings, weekly and monthly strategic sourcing meetings (also covering Covid-19 supply risks) etc.

Sustainability is an integral part of our global sourcing activities. We strive to continuously reduce our carbon dioxide emissions resulting from global transport activities. Through framework agreements with European active ingredient manufacturers, we were able to cover around 70% of our demand for amoxicillin from European production.

- **Taxes**

We are committed to ensuring that NextPharma's tax affairs are managed responsibly, and we are recognised by all our stakeholders as a responsible and reliable taxpayer.

For NextPharma, it is a matter of principle to settle the tax amount due by law in any country and/or territory and as per the rules set by the governments in charge. Proper tax payment is a key element of our corporate social responsibility. We observe all applicable tax regulations and all obligations as to archiving, documentation, disclosures and approvals in all countries/territories in which we operate.

- **Foundation and Charity Activities**

When funding projects, we place particular emphasis on intense cooperation with universities in science and education where some of our senior managers regularly give lectures. In addition, we invite interested students to our sites to show them how the pharmaceutical industry works.

Especially when the big wave of refugees arrived in Europe, we collaborated with a local network of companies to help refugees in many ways, for instance collecting clothes and toys, organising a dedicated Christmas market, assisting with job applications and fostering integration.

In addition, in 2020, the fight against the COVID-19 pandemic became the focus of our promotional activities. Our production sites in Limay (France) and Waltrup (Germany) produced hand disinfectants at cost and distributed them to the local fire brigade and public institutions.

Under the conditions of the pandemic, the procurement and provision of protective clothing was a major challenge for all economic operators. Our site in Limay supported the local fire brigade and hospital with free protective suits and headgear.

In 2021, our sites provided local sports clubs and local initiatives with 17,000 Covid-19 test kits.

## Governance

- **Business Ethics**

We are committed to conducting our business fairly, impartially, ethically, accurately and in full compliance with all applicable laws and regulations. In all our business activities, integrity must guide any company functions including our dealings with customers, suppliers, communities, and employees. We engage our staff to adhere to the highest possible level of ethical business conduct in the performance of their duties in and for the company. Employees are not permitted any action that might lend itself to marring our organisation's honesty or good name or otherwise embarrass the company.

In 2021, we revised our Supplier Code of Conduct. The SCoC forms the basis for our economical and socio-political activities and is consistently implemented in all sites.

- **Compliance**

Responsible entrepreneurship means in the first place acting in line with legal requirements, which is also referred to as compliance. All our business activities must comply with the laws and regulations in each country, because not only may breaches of compliance can not only be prosecuted, but they could also seriously jeopardise our reputation as an employer and business partner.

Compliance is one of our foremost concerns worldwide. Especially as a multinational company, we are subject to exceptionally high requirements for effective compliance management. However, compliance means more to us than simply adhering to regulations. We aspire to act at all times in accordance with the principles defined in our core values and are convinced that profitability should always be coupled with the highest ethical standards.

- **Guidelines and standards**

Our compliance programme is based on our values and incorporates them into our compliance framework. The guidelines for corporate conduct set up in it are binding for all our employees.

NextPharma is committed to being a leader in corporate responsibility. This commitment is embedded in our internal standards and policies such as our Code of Conduct, anti-slavery and human trafficking, anti-bribery and anti-corruption, anti-harassment, holiday and equal opportunity Policies.

Our whistle-blower policy provides an anonymised platform where employees, investors, contractors, vendors, and other stakeholders can raise concerns with regard to any offences committed by the company.

Protection of personal data is of great importance to NextPharma. Tasks and responsibilities deriving from the European Data Protection Directive are part of NextPharma's Data Protection Policy.

The overall responsibility for data protection within the NextPharma Group lies with Peter Burema in his function as Chief Executive Officer. Our Site Managers ensure that the legal requirements for data protection are implemented and complied with.

To achieve our data protection goals, we have appointed internal data protection coordinators at each NextPharma site who support the local organisations and the data protection officer in implementing data protection.

- **Compliance audits**

As part of operational audits, our internal auditing team regularly checks which compliance policies, processes and structures are in place at our sites and evaluates their effectiveness. Internal Auditing also investigates violations of our Code of Conduct and Anti-Corruption Policy and reviews the workplace requirements defined in our Human Rights Charter.

- **Compliance training**

At regular intervals, we provide compliance training in the form of face-to-face and online sessions covering our Code of Conduct, anti-corruption and antitrust awareness as well as compliance with data protection standards. These courses are frequented by employees at all levels.

In addition, we offer regular data protection training which is compulsory for new employees. These courses focus in particular on data protection legislation and the current European General Data Protection Regulation. Regular refresher sessions keep our employees up to date at all times.

In 2021, we published our data protection manual. It details the legal data protection principles and their implementation within our company. The manual is made available to all employees via the intranet.

In autumn 2021, we started our global e-learning initiative to increase the cyber security awareness of all e-mail users at NextPharma.

- **ESG audits, benchmarks and evaluations**

As a globally active CDMO, we are subject to a variety of national and international auditing and certification processes. In recent years, we have been audited by the following companies:

- Sedex** ➤ Bielefeld site  
Three successful audits in 2017, 2018, and 2020
- PSCI** ➤ Berlin site  
Successful audit in 2019
- Ecovadis** ➤ Site Limay  
Successful assessment in 2021 with rating silver

- **Stakeholder dialogue**

Our business activities affect the interests of many people. That is why the exchange with our stakeholders is of particular importance to us. Our goal is to reconcile divergent interests wherever possible and to build maintain trust. This dialogue enables us to communicate our decisions and actions in full transparency ensure social capacity to act.

Our major stakeholders include our employees, clients, business partners and suppliers. We are in constant contact with them via a number of different channels, such as stakeholder surveys, dialogue on specific issues, roundtable discussions and information platforms. In addition, we engage our stakeholders through our lobbying and coalitions within the industry.

- **Regular stakeholder surveys**

At regular intervals, we approach our employees, customers and business partners with surveys inquiring which issues they consider important with respect to our company now and in the future and asking them to rate the performance we achieved in addressing each issue. We also want to know what expectations they have of us as a responsible company.

- **Advocacy groups and industry coalitions**

We actively engage in the political process and champion our views by entering into direct dialogue with policy makers and cooperating with industry coalitions. Following are some examples of key national and international industry associations of which we are members and hold positions:

- Federal Association of German Pharmaceutical Manufacturers
- International Association for Pharmaceutical Technology
- National Employers' Organisation
- Technology Network East Westphalia-Lippe
- Society of Finnish Chemists
- Chartered Institute of Personnel and Development (Scotland)
- Royal Society of Chemistry
- Royal Pharmaceutical Society
- Institute of Chartered Accountants (Scotland)
- ANDRH France
- Pharmaceutical Learning Centre Finland
- Conseil national de l'Ordre des Pharmaciens
- Polepharma France

- **Political donations**

As a matter of principle, we do not make donations in the form of financial contributions or services to political parties or related organisations.

- **Remuneration**

As a global company, NextPharma relies on consistent standards to ensure that employees across the Group receive fair pay. To maintain a competitive compensation scheme, we periodically review our remuneration policy on the basis of data analyses and benchmarks. Based on continuous benchmarking, we adjust our remuneration at regular intervals to make it internationally competitive.

NextPharma's remuneration structures are gender-neutral and rely on detailed criteria such as job specifications and performance. Our Group level analyses evidence the absence of any significant gender-specific compensation inequities.





NextPharma

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