CHEPLAPHARM

ESG REPORT
2021

Achieve more!

Content

Dear Readers,

More than two decades ago, the story of CHEPLAPHARM began. My vision was to create a sustainable platform for established and trusted pharmaceutical brands. Today, as an important partner of the research-based pharmaceutical industry, we ensure the worldwide availability of branded products that have been positioned for many years. This benefits both, our partners and millions of patients around the world, because they have long-term access to their familiar medication. CHEPLAPHARM has developed into a leading specialty pharma platform for established pharmaceutical brands worldwide[1] – and I am proud of that.

In terms of numbers, our success story over the last few years reads as follows:

- We have grown from 2 employees in the beginning to 460 employees today.

- We now have a diversified drug portfolio with more than 2,500 registrations worldwide and over 125 branded products marketed globally in a wide range of therapeutic areas.

These figures show our impressive growth, which we intend to continue. But growth always means change, and we have never lost sight of the vision of our birth.

We achieve more – in many ways:
For example, by expanding our product portfolio with each acquisition and in such manner contributing to the security of care and thus to the health and quality of life of patients all over the world. Or by supplying even the smallest patient groups with niche products. In addition, we continue to develop the acquired medicines carefully and with a great deal of experience, and we continue to test the safety of our medicines in clinical trials decades after they have been launched on the market.

Our recipe for success and also our entire sustainability strategy are therefore based on 3 pillars:

- Security of supply
- Focus on the interests of patients
- Sustainable growth

Our success as a globally successful company is based on strong regional roots: as a mid tier company from Greifswald, we feel very connected to our region and the people who make our success possible, as well as to our stakeholders worldwide. This report is dedicated to them, giving a living form to our values of responsibility, partnership and integrity.

Sebastian Braun
Co-CEO and Founder

1 Based on the total number of publicly reported off-patent originator drug transactions divested by the top 30 bio-pharma companies (from January 1, 2014 to May 14, 2021).

About this ESG Report

At CHEPLAPHARM, we are aware of our responsibility for the far-reaching effects of our business on the environment and society. It is therefore our clear objective to design our entrepreneurial endeavours along sustainable lines.

Our **sustainability strategy** is built on an externally commissioned **materiality analysis**. This analysis also takes into consideration what issues are particularly relevant in the view of our stakeholders (including interest groups), and what expectations are placed in us. For the 2021 financial year, we are now publishing a sustainability report for the first time. With this report, we would like to provide our stakeholders with transparent information on how we are working on your concerns and issues and the goals to be met in the process.

Strategy

GRI: 103

CHEPLAPHARM is growing steadily and sustainably. The most important values driving our economic activity are **reliability**, **responsibility**, **partnership**, **integrity** and **transparency**.

Our aspiration in the process is to contribute to the **security of supply** and thus to the **health and quality of life** of patients by obtaining long established branded and niche products. We see this as part of our aspiration to **focus on patients**.

To meet this aspiration, we rely on **strong**, **resilient partnerships** and nurture dialogue with our stakeholders. In the process, we pay particular attention to groups affected by our business operations or which affect us in some way or other.

Our sustainability strategy is closely linked to our business model and is based on our vision of making a positive contribution. It comprises three areas of priority: focus on patients' needs, security of supply and sustainable growth. Our strategic activities are based on our corporate values, the main demands of our stakeholders and the **Sustainable Development Goals** contained in the United Nations' Agenda 2030.

Company portrait

GRI: 102

We are convinced that the pharmaceutical industry – like all of society – must align itself with a sustainable paradigm that focuses on the entire value cycle and the needs of all participants. Our overarching corporate strategy is built on this conviction.

As a company operating in the Specialty Pharma segment with an **innovative**, **rapidly growing platform approach**, we invest in well positioned and established pharmaceutical brands and distribute them worldwide. Thanks to our focus on managing the life cycle of drugs, we guarantee the receipt and secure supply of life-preserving, branded pharmaceutical products. In doing so, we bear a particular responsibility towards our patients. We acknowledge this responsibility by the particularly high quality demands that we place on our products, employees and business partners.

The focus here at all times is on patient welfare. For example, we improve the level of comfort in the way in which the drugs are delivered or adjust the packaging size to the needs of patients.

CHEPLAPHARM does not operate any production facilities of its own and only distributes products to a limited extent.[2] Rather we use a comprehensive, stable network of reliable manufacturers and local

2 In Germany and France, CHEPLAPHARM distributes its products itself.

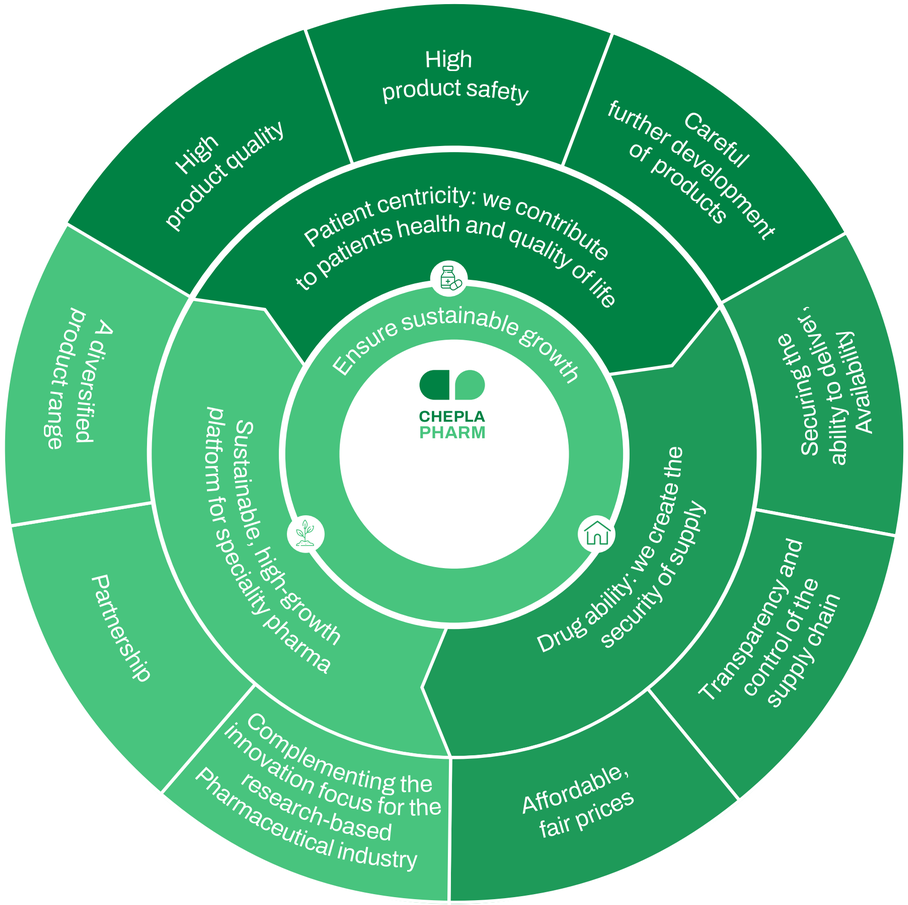
Core targets 2021–2022

Our sustainability strategy is closely linked to our business model

ENHANCE EMPLOYER ATTRACTIVENESS

EXPANSION OF ESG DATA COLLECTION

ESTABLISHING ESG REPORTING



Corporate values:
Integrity, reliability, responsibility, partnership, sustainable growth, transparency

Major topics:
High product quality, product / drug safety, patient centricity, ensuring supply capability, avoiding child & forced labor, equal opportunities (age, gender, nationality), occupational health & safety, training & development, recruiting & retaining talent, work-life balance, family-friendly employer, transparent communication, compliance, anti-corruption, data protection, compliance with environmental & social standards in supply chain, human rights

Key Sustainable Development Goals:

Key stakeholder groups:
Employees, CMOs, APIs, management, banks and investors

distribution partners with whom we have had a working relationship based on trust for many years. In doing so, we are aware of our special responsibility to ensure high environmental standards in our supply chain. Against this background, we began in 2021 to collect comprehensive environmental and social data from the companies in our supply chain.

We regard our social responsibility as part of our sustainable corporate governance in accordance with our **"Licence to Operate"**, particularly in our special role often as the sole supplier of both niche and branded products[3]. It is precisely with our niche products that we ensure the supply of important medicines for patients around the world, because pharmaceutical companies regularly try to remove these products from their product portfolios in order to reduce the complexity of their product portfolios to make room for investments in new research and development projects.

We see it as our duty to ensure that our own suppliers align themselves with internationally recognised standards of workers' rights, product safety and quality management. In addition, we are currently working on expanding our supplier base on behalf of our patients and investors in order in future to be even more resilient in the face of any supply bottlenecks by establishing numerous alternative suppliers.

Although CHEPLAPHARM outsources many processes in the value chain, the **headcount of qualified employees** is steadily growing. We are proud of the high proportion of women among our roughly 460 employees by comparison with the industry standard; they also come from 29 different countries. When recruiting, training and retaining talented individuals, we pay particular attention to equal opportunities and fairness.

As a family-owned, medium-sized company, **responsibility**, **integrity and reliability** are the values of special importance to us. Our investors and employees are not the only ones to profit from our business model which focuses on sustainable growth: our home region is also a beneficiary.

We feel a close association with the town of Greifswald which we wish to underline once more very clearly with the planned expansion of our facility at our headquarters. For example, we will the expand the campus in Greifswald to include a new office building meeting the latest energy standards, thus creating over 300 additional jobs by the end of 2023 and also supporting the prestigious universities in Greifswald and Rostock, for example through supplementary support programs (see also below in the section on careers and further training).

Stakeholder commitment process

GRI: 102–43

Background

Dialogue with our stakeholders is the central basis for our company's sustainability activities. In 2021/2022, CHEPLAPHARM therefore identified the issues relevant to the subject of sustainability for our stakeholders and us as a company in a **comprehensive**, **multi-stage materiality analysis**. With this materiality analysis, we are meeting the demands contained in the current recommendations of internationally accepted frameworks as well as the German CSR Guidelines Implementation Act.

In conducting this analysis, we took our bearings from the G4 Guidelines of the **Global Reporting Initiative** (GRI), the specifications of the **German Sustainability Code** (DNK) and the Standard AA1000SES of **AccountAbility**. All of them require the main issues to be identified and prioritised from the perspective of the company and its stakeholders. The participatory inclusion of stakeholders is an elemental component of this process. The primary question was to identify what areas of responsibility and spheres of action are particularly relevant in the view of our stakeholders, and what principal levers can be derived from them to ensure that CHEPLAPHARM enjoys sustainable growth in the coming years. In the process, we view the main issues both from the **outside-in perspective** (the

3 „Niche products" means products whose combination of active pharmaceutical ingredient and dosage form is in competition with other products only to a limited extent or not at all. „Branded products" are characterized by a larger addressable market and generally benefit from an already established brand, which strengthens customer loyalty.

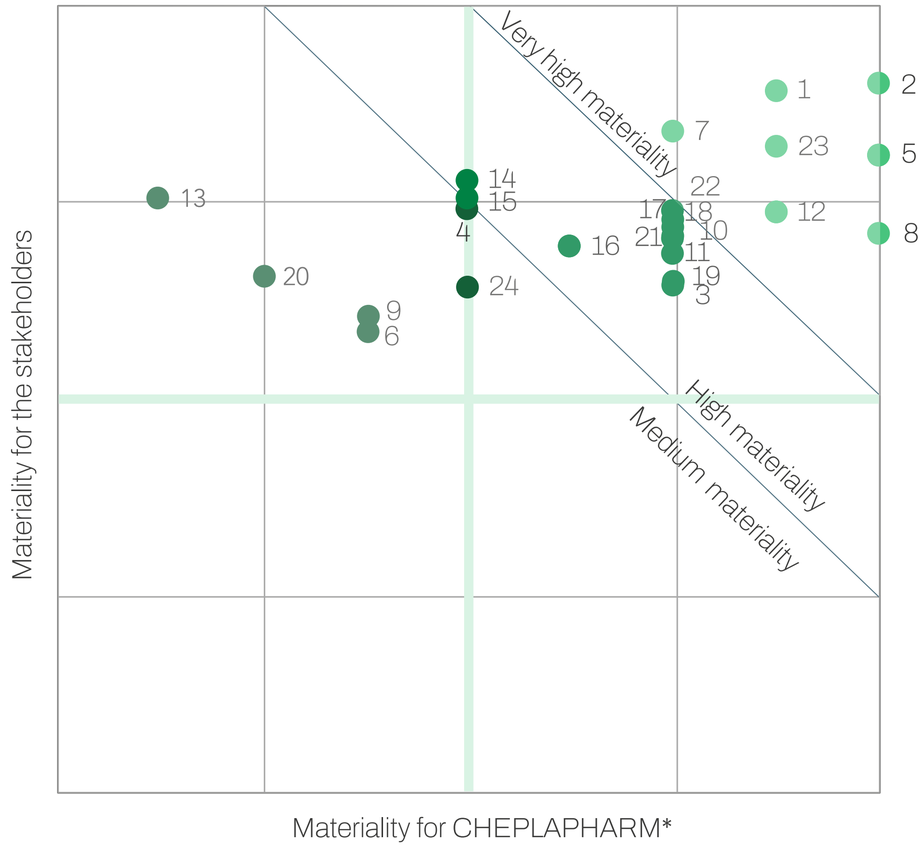
Global presence and strong, regional roots

effect of CHEPLAPHAM's business operations on the economy, the environment and society), and the **inside-out perspective** (the effect of sustainability issues on CHEPLAPHARM's business operations).

Execution

First we identified and prioritised our relevant stakeholder groups as part of a stakeholder analysis. The selection was governed by the following classifications: **dependence**, **responsibility**, **tension**, **influence and different perspectives**. The following stakeholder groups proved to be particularly relevant: employees, investors, banks, suppliers, e. g. contract manufacturing organisations (CMOs) or for the supply of Active Pharmaceutical Ingredients (API suppliers).

Documents were analysed to examine external influences from existing standards, regulations or the capital markets, and an ESG rating impact analysis was carried out. As a result of this documentary analysis, 48 potential spheres of action were pre-selected and assigned to the four areas of responsibility, **product and production responsibility**, **responsibility for the supply chain/ as a business partner**, **responsibility as an employer and ethical/ social responsibility**.



1 High product quality
2 Product / drug safety
3 Patient-centredness
4 Customer satisfaction
5 Securing the ability to deliver
6 Sustainable procurement
7 Avoidance of child & forced labour
8 Equal opportunities (age, gender, nationality)
9 Co-determination
10 Occupational safety & health protection
11 Further & continuing education
12 Recruitment and retention of talent
13 Fair payment
14 Work-life balance, family-friendly employer
15 Transparent communication
16 Integrity
17 Compliance
18 Fighting corruption
19 Data protection
20 Digitisation
21 Compliance with environmental standards in the supply chain
22 Compliance with social standards in the supply chain
23 Human rights
24 Sustainable investments

* Management

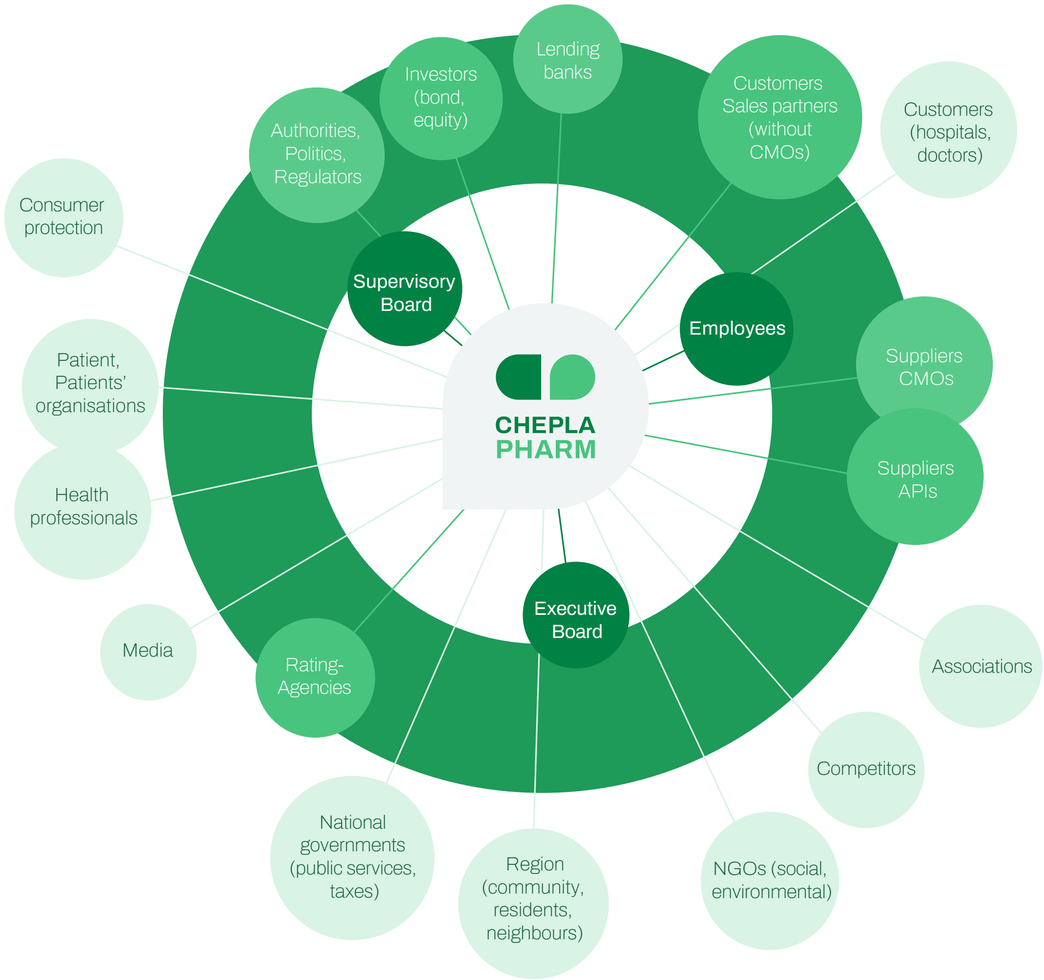
The stakeholder commitment process consisted of two phases. In an online survey, responsible points of contact in the stakeholder groups were asked to rate the relevance of the 48 issues selected on a scale of 1 – 5. A total of 237 persons accepted this invitation in November 2021, enabling 24 areas of priority to be identified. In January 2022, a total of 27 interviews were conducted with selected representatives of these stakeholder groups in order to obtain in-depth, qualitative data on these classifications.

Results

The results of both survey stages were merged on the basis of the GRI standards in a materiality matrix in which the assessments of management were compared with the demands of stakeholders.

Seven issues of very high materiality and eleven issues of high materiality emerged. These are described in detail in the following chapters of the report.

CHEPLAPHARM's stakeholders



ESG Spotlights

ENVIRONMENT
Supplier survey 2021:

83 %
measure their
electricity consumption.

67 %
have an **environment management system**
(ISO 14001 or equivalent)

50 %
measure their **emissions of pollutants**
and **drug residues.**

72 %
measure their **carbon emissions.**

SOCIAL
Employee statistics:

Staff turnover 2021:
13.7 %

Proportion of women 2021:
55.3 %

Women in managerial positions 2021:
58 %

Fixed-term contracts 2021:
3 %

CORPORATE GOVERNANCE
Structure and expansion:

Expansion of the Management Board:
Two new members joined the Management Board in 2021
to diversify the skills of the board.

New monitoring body:
Supervisory Board
to monitor the activities of the management in an advisory capacity.

Comprehensive whistleblower system:
24/7 hotline and email contact
Anonymous reports are available for internal and external employees.

Our contribution to the SDGs (Sustainable Development Goals) of the United Nations (Agenda 2030)

Our sustainability strategy is based on the global Sustainable Development Goals (SDGs) defined by the United Nations as part of its Agenda 2030. The 17 SDGs comprise the social, economic and ecological spheres.

As part of a materiality analysis, we asked our stakeholders to rate the **relevance of the individual SDGs for our business**. A series of goals were identified as being important.

Relevance of SDG's from the perspective of stakeholders

Four goals to the achievement of which we can make a particular contribution were assigned high priority:

SDG 3: Good health and well-being

SDG 3 is the core goal for every pharmaceutical company. CHEPLAPHARM makes a significant contribution to people's health and well-being. **Security of supply** is of elemental importance here. CHEPLAPHARM goes above and beyond its obligations: with a significant diversification of manufacturers, the establishment of second sources and ingenious storage processes to enable it to provide sufficient drugs at all times. CHEPLAPHARM's products meet the high regulatory safety and quality requirements. When a new product is included in our portfolio, we ensure that we are able to provide patients with the usual product in at least the equivalent quality or even improve upon it (e. g. for product handling). Our comprehensive processes are rounded off by a complaints management system.

SDG 8: Decent work and economic growth

As a large employer in the Greifswald region, we are aware of our particular responsibility for the economically underdeveloped region. The **active, targeted further education** of our employees is a subject dear to our hearts. Joint activities reinforce cohesion in the team, boosting motivation and commitment.

Stakeholders recognise a "sustainable core":

1.

CHEPLAPHARM improves the **quality of life** of many patients by **maintaining longstanding brand products and security of supply.**

2.

In the middle field **climate protection.**

3.

The third field comprises **education, equality, economy** and **consumption**, and **life on land.**

SDG 12: Sustainable consumption and production

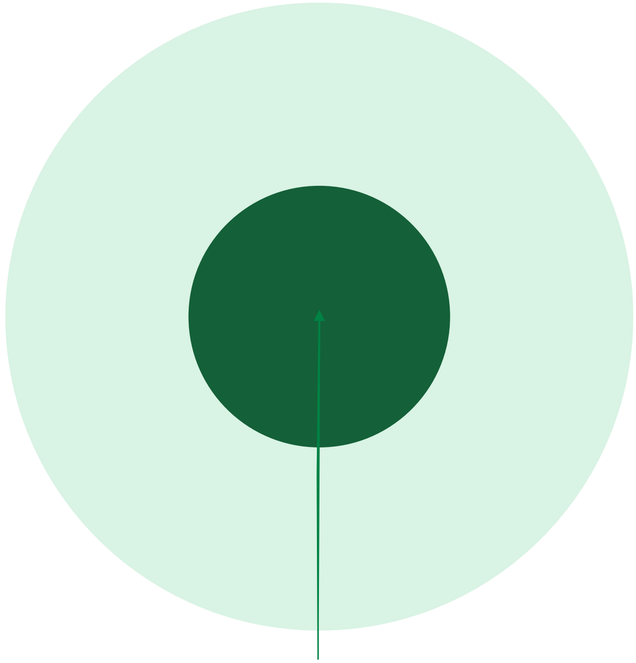
If the global population reaches the estimated figure of 9.6 billion in 2050, human beings would need around three times the volume of resources available on the planet if current consumer behaviour continues. It is up to companies to trigger **transformation processes** to facilitate and constantly promote ecologically more sustainable production. CHEPLAPHARM's greatest potential lies in designing processes along its value chain to be more energy and resource efficient as well as to reduce its emissions of pollutants and waste in production. Our impact targets our supply chain, in particular. We are already surveying our most important suppliers to find out about their efforts in the sustainability sphere. In future, this process will be extended to all suppliers in order to work with them on a more sustainable use of resources.

SDG 13: Action to protect the climate

Climate protection requires a continuous, long-term approach. We can make a particularly large **contribution towards climate protection** through our supply chain by taking climate protection into consideration in all our processes and obliging our suppliers to observe minimum requirements of relevance to climate protection. More details can be found in the supply chain section.

The processes and conditions at our main facility in Greifswald are also regularly inspected and improved. In addition, the new building fits in with the company's sustainability strategy. As a nearly zero-energy building, it meets the latest energy standard EG40EE and thus has less than 40 % of the maximum primary energy requirement permitted in law. The new office building covers more than 55 % of its own energy requirements on its own by using environmental heat and generating electricity through its own photovoltaic system. The electricity generated by the building's own solar system also covers the charging stations that employees can use free of charge.

Stakeholders recognise a "sustainable core":



CHEPLAPHARM improves the **quality of life** of many patients by **maintaining longstanding brand products and security of supply**.

Governance & Ethics

Corporate Governance

GRI: 205, 419

CHEPLAPHARM's sustainable corporate governance focuses on **compliance systems**, **adequate supervisory structures** as well as the **prevention of corruption**. Against this background, we work continuously on expanding our supervisory and reporting structures in order to preserve and further reinforce the trust of the public in our company. To reflect the continuously growing requirements placed on our company going forward, we expanded the number of four managing directors in the operating unit of our company to a total of five in 2021. We also set up an Supervisory Board to monitor the activities of the Management Board in an advisory capacity.

In addition, we want to ensure sustainable conduct in the management tier, and for that reason 9 % of the short-term remuneration components (short-term incentives – STI) of our Management Board were for the first time contractually linked to specific sustainability goals for the 2021 financial year.

As CHEPLAPHARM has outsourced many processes in its value chain, corruption and bribery represent essential risks for us. Breaches of the law, corruption, bribery and fraud are unacceptable for us. We have therefore implemented numerous external and internal guidelines and standards intended to prevent illegal conduct and in particular corruption.

We developed a Code of Conduct as early as 2020 and rolled it out across the company. This code is aimed explicitly at our employees and companies affiliated with CHEPLAPHARM. Our Code of Conduct protects our integrity as a company by defining the most important values as well as conduct compliant with the law and directives. Protecting intellectual property rights or preventing insider trading and corruption may be mentioned as examples in this context. Observance of the relevant laws and directives is monitored by our Compliance Officer Anna Rautenberg who liaises closely with the designated compliance executives in each department. With the preparation of a half-year compliance report by our Compliance Officer, we ensure that the Management Board and Supervisory Board receive a comprehensive picture of the current situation at CHEPLAPHARM on a regular basis.

The standards set out in the Code of Conduct are complemented by a basic training and a whistleblower system. This system gives our employees but also third parties working in our value chain the chance to report misconduct anonymously. Reports can be made in German or English via a 24/7 hotline as well as by email. In the reporting period, the Compliance unit processed a total of 13 cases. These were exclusively cases of a non-material nature.

- A total of 10 requests for advice were received. These related mainly to questions on internal requirements (Code of Conduct, SOPs) and questions on detecting and combating corruption.

- A total of 3 tips on possible violations and abuses were submitted by exclusively internal whistleblowers via the input channels of the whistleblowing system of CHEPLAPHARM relevant incidents. The tips included a violation of the mask requirement, an allegation of bullying against a manager, and a potentially falsified vaccination card submitted as part of the company's duty to monitor.

Of the tips and reports received from 2021, all cases were closed. Appropriate consequences were drawn, or corrective measures were taken (such as disciplinary measures, tightening of control processes, sensitization of internal and external process participants).

Overall, consulting and exchanging information with employees on inquiries makes a decisive contribution to prevention and strengthening value orientation by limiting possible misconduct and violations from the outset and strengthening understanding of the corporate principles.

Transparency and integrity are of the highest importance to us, including the proper payment of taxes. CHEPLAPHARM does

not indulge either in tax avoidance or other activities which might be regarded as profit shifting. We do not make political donations, and we are not active as lobbyists. In addition, CHEPLAPHARM did not claim any state support (e. g. short-time working allowances) in 2021, even against the background of the COVID-19 pandemic.

Human rights

GRI: 408, 409, 412, 414

As we work with numerous international companies, **unlimited respect for universal human rights** along our entire value chain is particularly important to us. In this regard, we again refer you explicitly to our Code of Conduct which is publicly accessible on our website for all employees and stakeholders. We condemn any form of exploitation, particularly forced labour and child labour, and fight for dignified working conditions as well as fair payment. We require the same from our suppliers. According to the results of our supplier survey from last year, we are already enjoying major success in this regard. For example, 86 % of our suppliers have detailed guidelines prohibiting child labour and forced labour in their supply chain.

Research and development

GRI: 416

At CHEPLAPHARM, we have developed an innovative business model that stands out clearly from the rest of the industry, combining niche as well as legacy offerings.

As a specialty pharmaceutical company, we guarantee security of supply, even to small groups of patients. One example of this is the drug Vesanoid (tretinoin) which is used to treat acute and potentially life-threatening promyelocytic leukemia. This disease has an estimated incidence of only 1/1,000,000 in the EU and is therefore extremely rare.

In the important category of antibiotics, we offer a broad selection for a whole range of different indications. Our range includes the drugs Streptosil (neomycin/sulfathiazole), Pimafucin (natamycin) and Zineryt (erythromycin) which are used to treat Candida albicans. According to the Anatomical Therapeutic Chemical classification system (ATC), they also serve as antimycotics for topical application and antibiotics as intestinal antiinfectives. We will also include further antibiotics in our portfolio in the near future in the shape of Flemoxin (amoxicillin), Orbenin (cloxacillin), Sofradex (framycetin/gramicidin/dexamethasone), Soframycin (framycetin), Suprax (cefixime) and Unidox Solutab (doxycycline).

We are not a traditional[4] pharmaceutical company that conducts research (R&D). Our further developments are limited to so-called incremental innovations. Here we carefully develop new dosages and forms of delivery for existing drugs and test these medicines for additional indications. This enables us to offer patients solutions tailored precisely to their situation.

Our top priority is always the safety of our products. To enable us to back the safety of our products without reservation, we regularly take part in long-term clinical trials in order to identify any potential, long-term side-effects.

Supply chain

GRI: 102, 205, 302, 303, 305, 306, 307, 308, 403, 408, 409, 410, 412, 414, 416, 419

Our products are manufactured and distributed externally. Our supply chain includes not only suppliers of intermediate products and machines as well as our distribution partners but also, in particular, the contract manufacturers and toll

4 Classical at this point means that, given our business model and the off-patent status of our products, we do not develop any new products and thus do not have our own research and development activities in the traditional sense. Thus, we are also not exposed to the significant risks and upfront investments associated with the development of new pharmaceutical products.

An innovative business model combined with incremental innovations.

manufacturers of our drugs. Our aspiration here is to take responsibility for the quality of our products, even with respect to outsourced production. Our stakeholders expressed the relevance of this issue very clearly as part of our materiality analysis. The establishment of regular reporting formats such as the present sustainability report, for example, documents the progress we are making towards sustainability in our supply chain.

Most of our partners are based in Germany and other European countries and are thus mostly subject to European law which makes particularly stringent demands on the quality and sustainability of pharmaceutical products. At the present time, we are not aware of any ecological or social problems in our supply chain.

We see the review of our entire supply chain as an ongoing process.

We launched the first, central part of this process by establishing a regular analysis of our supply chain designed to be as exhaustive as possible. To enable us to classify and monitor the risk potential of our supply chain, we survey our most import Tier 1 suppliers at regular intervals. In these surveys, we collect details of their fulfilment of relevant sustainability standards as well as current sustainability measures and goals besides general data on their size, sphere of activity and structure. In our current supplier survey in 2022, we surveyed 48 companies in our supply chain which accounted for 95 % of our purchasing volume in 2021. As of the editorial deadline for this report, we had received replies from more than two thirds of the companies. In the future, we will aim for an even higher response in order to obtain an even more complete picture of the sustainability record of our supply chain. To do so, we will further consolidate communication with the companies in our supply chain as our partners.

Further steps are already in the implementation phase. For example, we are planning to extend the existing criteria for selecting companies in our supply chain on the basis of the data collected and to draw up minimum ESG requirements together with our partners. In the process, we will have to pay attention to various aspects due to our overarching “Licence to Operate” which prioritises product safety and drug availability. Our aim is to develop the best possible system which guarantees the crisis-proof availability of vital drugs for patients, fair price management and important sustainability considerations.

Details of the supply chain

GRI: 308

The companies in our supply chain are mainly manufacturers of pharmaceutical products, contract service providers in drug manufacture as well as producers of pharmaceutical production systems and laboratory equipment.

We currently procure by far the largest part of all goods and services supplied to us (more than 83 %) from companies based mainly in Europe. The size of companies in our supply chain ranges from small local contract service providers and mechanical engineering companies to large international pharmaceutical concerns. CHEPLAPHARM’s business model is based on the acquisition and subsequent distribution of drugs. Supplying patients reliably with urgently needed drugs is thus the fundamental tenet of our “Licence to Operate”. A diversified, flexible, resilient supply chain is therefore a key component of our production strategy.

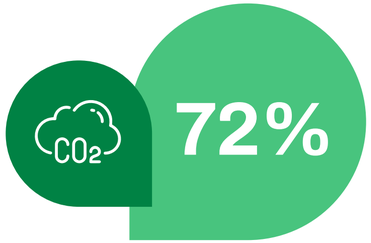
Environmental footprint of the supply chain

GRI: 302,303,304, 305,306,307, 308

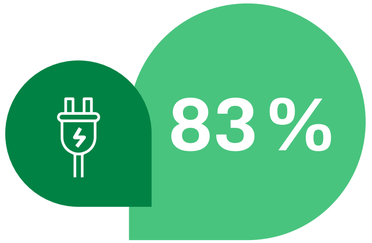
Our surveys have revealed that the environmental footprints of companies in our supply chain sometimes vary greatly which is primarily due to the large spread in their sales volumes. For example, some companies are already operating on a carbon neutral basis, have converted their energy supplies completely to renewables and considerably reduced their emissions of pollutants. Overall, we were able to establish that in 2021 more than two thirds of the companies in our supply chain which replied to our questions procured at least 20 % of their electricity from renewable sources. One third of all companies in our

supply chain achieved the same mark for their consumption of heating energy. More than 40 % of the companies surveyed have also defined specific goals for reducing their electricity consumption, while more than one fifth of the companies are also pursuing similar targets for their consumption of heating energy. The specific measures taken by 40 % of all the companies in our supply chain are already underpinned by the implementation of ISO 50001 certified energy management systems, for example. Actions taken to save energy range from converting to LED lights to extensive secondary use arrangements to cover the energy consumed. One company, for example, generates almost all its heating energy from the waste heat created in production.

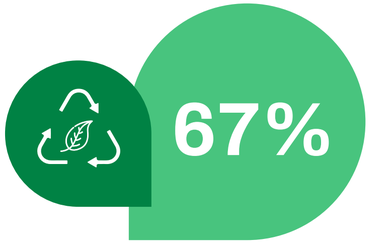
The professional management of waste is highly relevant in pharmaceutical production. With regard to our sustainability footprint, we have identified the generation of toxic emissions and pharmaceutical waste, in particular. We are looking at especially dangerous components that have dissolved in the waste water and production waste that has to be separately disposed of. Our surveys revealed that more than 60 % of our suppliers have currently implemented a waste management system or are planning to do so. Based on the feedback received from our partners, the volume of waste in the supply chain in 2020 totalled 619,331 tonnes[5]. We do not have any hard and fast details on the equivalent figure for 2021 at the present time. Furthermore, two thirds of the suppliers who responded, stated that they were using a system for the disposal of toxic waste certified to **ISO 14001** for example, in order to professionally dispose of and avoid predominantly toxic waste. Overall, we aim to establish continuous, end-to-end certification of our entire supply chain.



of all suppliers measure their CO_2-EMISSIONS



of all suppliers measure their ELECTRICITY CONSUMPTION



of all suppliers had an ENVIROMENTAL MANAGEMENT SYSTEM ISO 14001 or equivalent

Workers' rights in the supply chain

GRI: 402,403,404,405,407,408,409,412

Besides the observance of local laws which forms the basis for any collaboration, we attach great importance to our suppliers' respect for more extensive workers' rights. These rights are defined, for example, in the general standards of the **International Labour Organization** (ILO). Product and employee safety in the manufacture of pharmaceutical products is accorded particular importance here. More than 83 % of the companies covered in our supply chain already conduct regular training on product safety and occupational safety. At least 88 % of companies in the supply chain stated that they had implemented standards and systems to prevent child labour. The average accident rate at the facilities of companies in our supply chain was below 3 %.

Good governance in the supply chain

GRI: 401,402,403,404, 405,406,408,409,414

CHEPLAPHARM also regularly surveys companies in the supply chain with respect to their adherence to local laws in terms of good governance. One particular focus is on the implementation of general standards (see Chapter "Governance and Ethics", p. 13), but also specific measures to prevent and uncover

5 Basis: Data from 18 companies in our supply chain concerning waste volumes in 2020.

corruption. Besides the observance of relevant, local laws by all companies in our supply chain, more than 80 % of them stated that they were using a dedicated whistleblower system inside and outside the company – e. g. by providing opportunities to report anonymously as part of whistleblower systems. At least 88 % of the companies covered in our supply chain also stated that they relied on rules and systems to prevent corruption in their business operations.

Products

Product safety and quality

GRI: 416

Our materiality analysis reveals that both for our stakeholders and for us as a company, the **safety and quality of our products** are paramount. We offer over 125 products in more than ten areas of application. As the focus of our diversified product portfolio is on brand and niche products long since established, we depend on the continuing trust of our customers.

Extensive quality control is required for our products in order to live up to this trust. For example, we train our employees in the company's usual applications as soon as they join the company. In addition, all employees receive annual training on the procedural instructions of a pharmaceutical company in accordance with legal requirements (e. g. reporting of side-effects, pharmacovigilance or export controls). Any further need for training for our employees results from their spheres of activity with the relevant training documentation filed in our document management system. In addition, every employee has the opportunity to attend individual training (two seminars per year) with external providers. Regular safety audits for pharmaceutical products are also conducted on CHEPLAPHARM's premises. These take the form of self-inspection, GMP inspections incl. inspections on environmental, health and safety issues as well as GDP inspections.

In order to monitor and manage outsourced activities, we rely on an established **quality management system** which is defined in the quality assurance agreements in the contracts with our partners. 14 out of 18 Tier 1 suppliers stated that they had their own quality management systems. Five of them base their system on GMP and two on the ISO 9001 standard. Our measures to ensure product quality also comprise the regular review (auditing) of the processes at our contract manufacturers and partners. We also check every delivery. The outcome was that our recall rate in the 2021 financial year was only 0.03 %, equating to two out of 5,936 batches.

Global presence

GRI: 416

Our products are **distributed in 145 countries around the world**. Thanks to our geographical diversification, we not only reduce our dependence on individual markets and thus our sales risks, but also facilitate access to in some cases indispensable drugs for people in many regions. Around one third of our medicines feature on the World Health Organisation's (WHO) "Model List of Essential Medicines" and are thus among the drugs that meet the most urgent needs of health provision and are indispensable around the world. At the same time, this list represents a recommendation from the WHO for governments to align the standards of their healthcare provision with the availability of these drugs.

Transport and warehouse security

GRI: 413

CHEPLAPHARM subscribes to the **Good Distribution Practices** (GDP) for the pharmaceutical industry. These practices describe minimum standards to ensure that the quality and integrity of medicines are guaranteed throughout the supply chain. For this, CHEPLAPHARM has adopted **Standard Operating Procedures** (SOP) which describe the standardised procedure for distributing medicines. Before taking up their work, each one of our distribution partners is qualified and certified by CHEPLAPHARM. As part of this qualification process, our partners commit among other things to observing GDP guidelines as well as other quality standards. We ensure the integrity of our supply chain by means of measures which only allow certified medicines to be sent or delivered to registered pharmacies, authorised wholesalers or authorisation holders by certified

distribution partners. The history of every shipment can be tracked on the basis of documents, records (e. g. batch protocols) and corresponding computer systems in order to identify any medicines suspected of being counterfeit.

Before our products embark on their journey to our customers, the medicines are professionally packed for shipment by employees of the relevant production or distribution centre in accordance with defined specifications with the result that they are suitably protected from external effects such as weather or fraudulent activity. Temperature-sensitive medicines are subject to additional, more stringent controls. In order to guarantee suitable conditions during the entire distribution process, methods are defined for suitable product handling before despatch on the basis of a risk assessment, e. g. by specifying temperature-controlled transport conditions and the choice of a suitable packaging method (e. g. use of thermal insulation boxes and/or the inclusion of a temperature data logger). The shipment can be retrospectively checked by reviewing the temperature profiles of the temperature data logger. All persons involved in the distribution of temperature-sensitive products are trained in their handling and the responsibilities defined in written procedures and corresponding customer contracts. Before every shipment, the temperature data loggers are calibrated to ensure that they offer the relevant accuracy and precision. Shipments can then only be locally approved if evaluation of the temperature profiles demonstrates that the conditions defined were met. Calibration of the temperature data loggers and the review and evaluation of the temperature profiles are carried out by CHEPLAPHARM's Quality Assurance staff or delegated to the partner by mutual agreement.

Digitalisation

GRI: 416, 418

The steadily rising number of cyber attacks on infrastructure represents a risk for any company. By rigorously monitoring our systems, enhanced password guidelines and training employees on the subject of cyber security, we avoid downtime, thus ensuring that patients are supplied with their drugs. In the process, we adhere to the statutory requirements for handling personal data which we have also enshrined in our internal **Data Protection Directive** as well as in our **Code of Conduct**.

Workforce and corporate culture

GRI: 401

CHEPLAPHARM employed a total of 467 people as of the end of the 2021 financial year. In terms of the age structure of our workforce, the age group between 31 and 40 years accounts for the largest share (53 % of all employees). Just under a quarter of the workforce is 30 years old or younger, and around 6 % of employees are older than 50.

Table 1: Employee age structure

Age	Below 21	21–30	31–40	41–50	51–60	Above 60
Employees (N = absolute)	1	111	249	78	23	5
N = %	0.21%	23.77%	53.32%	16.70%	4.93%	1.07%

In 2021, the staff turnover rate (calculated according to the formula of the Confederation of German Employers' Associations [BDA]) increased to 13.73 % due to significant levels of hiring and associated changes.

Table 2: Staff turnover rate according to the BDA formula and only including employee departures.

	2020	2021
Average number of employees (N = absolute)	363	437
Total voluntary departures (N = absolute)	26	60
Staff turnover rate for the period under review (N = %)	7.16%	13.73%

As a medium-sized company with flat hierarchies, CHEPLAPHARM has a culture based on strong team spirit coupled with outstanding expertise. We treat our employees as well as our patients, partners and CMOs on the basis of responsibility, integrity and reliability. As a fast-growing company, good cooperation and a motivating and healthy working environment are particularly important to us. With our modern offices, we offer our employees an optimally equipped working environment. In addition, as a first step in our 2021/2022 materiality analysis, we gave our employees the opportunity – in a quantitative survey with associated intensive interviews – to participate in our company's sustainable structure and design.

Career and further training at CHEPLAPHARM

GRI: 402, 404, 405

CHEPLAPHARM offers its employees interesting and varied career opportunities. As a matter of principle, our goal is to continuously foster and train our employees and, in particular, to retain them long-term. We support our employees in optimally developing their individual potentials and in achieving their personal career objectives.

We offer opportunities for professional and personal development within the framework of qualification agreements. In order to be able to develop our employees in a targeted manner, we supplement individual qualification agreements with a company-wide talent management scheme. The aim of this scheme is to retain talented employees long-term by offering them opportunities for qualification and promotion, as well as variable salary components linked to agreed targets. We prepare our employees specifically for management positions with special training schemes, enable our female employees to participate in a mentoring scheme for women in business in the regional state of Mecklenburg-Vorpommern, and give our managers the opportunity to participate in our ongoing training program.

As we strive for the highest possible level of continuity with regard to our workforce, we endeavour as far as possible to avoid short-term employment contracts. As a consequence, only around 3 % of our employees were employed on fixed-term contracts in the 2021 financial year.

In order to continue to attract talented staff in the future, CHEPLAPHARM cooperates with **Greifswald and Rostock universities**. For example, we are involved in sponsoring the Deutschlandstipendium scholarship of the German Federal Ministry of Education and Research (BMBF), and we offer students internships for various phases of their academic training. As a consequence, we have enrolled trainees and apprentices in appropriate programs in the 2021 financial year in order to provide them with the best possible support for their professional and personal development and to retain them long-term at the company. We also present ourselves as an attractive employer for young people by offering positions for working students, final thesis supervision, as well as various student events.

Fairness and dialogue

GRI: 402

As part of recruiting, training and retaining talent, we pay attention to equal opportunities, such as through promoting a family-friendly working environment. As a matter of course, we offer part-time models and flexible working hours in order to make it possible to combine career and family. Furthermore, we enable our employees to work on a mobile basis and grant special leave for occasions such as weddings, deaths and births.

We are convinced that open and goal-oriented dialogue can only take place on the basis of partnership on equal terms. For this reason, we hold regular feedback discussions with our employees, with the aim of enabling the further development of both parties to such talks. Questionnaires filled out by both

employees and managers serve as the basis for these discussions and ensure that they are systematised and documented.

Health and safety

GRI: 403

Occupational health and safety are accorded the highest priority at CHEPLAPHARM. This includes the prevention of occupational accidents and immediate protection against hazards, as well as supporting a healthy lifestyle at the workplace, including through ergonomically designed workplaces. In order to offer our employees the **best possible working environment**, designated officers in each department are entrusted with these tasks, who in turn receive advisory support from external experts. In addition, a regular risk assessment of the workplaces is carried out by an independent external representative as well as by our trained facility managers.

We provide a safe and healthy environment for all our employees and guests, in accordance with applicable legislation and international standards. To this end, we set ourselves specific safety targets, which we communicate to our workforce. We also conduct annual occupational health and safety training for all our employees. In turn, our employees do their part by strictly adhering to occupational health and safety regulations.

Should violations of occupational health and safety regulations nevertheless occur, we consistently follow up on such incidents and impose corresponding penalties. However, to prevent this from happening in the first place, we expect our employees to familiarise themselves with the applicable internal regulations and guidelines, and to abide by them. The basis for this is our code of conduct and various standard operating procedures, all of which must be observed by all employees.

The overall absenteeism rate of all CHEPLAPHARM employees decreased to 7.59 % in the 2021 financial year (2020: 8.22 %). The total absenteeism rate also includes employees on parental leave (2021: 2.78 %, 2020: 3.10 %), maternity leave (2021: 0.94 %, 2020: 1.45 %) and with prohibition of employment (2021: 0.44 %, 2020: 0.32 %). The absenteeism rate due to illness in 2021 was 2.90 %, slightly lower than the previous year's level (3.08 %), while the absenteeism rate due to child sick leave recorded a slight increase to 0.53 % (2020: 0.27 %). Overall, we attach great importance to the protection of (expectant) mothers and the compatibility of family and career.

Diversity

GRI: 405

The company has a corporate culture where all **people** enjoy **equal opportunities** – regardless of ethnic origin, gender, sexual identity, religion or ideology. For us, long-term planning also means taking an active role in shaping the future of our employees. Diversity enables us as a team to better manage many challenges.

The diversity we strive for is also reflected in gender distribution at CHEPLAPHARM. For example, as of 31 December 2021, approximately 55 % and consequently the majority of the workforce was female. On the same reporting date, 40 % of positions at the first management level and around 18 % at the second management level were held by women. Furthermore, CHEPLAPHARM employed people from 29 different countries as of the end of 2021, which also clearly highlights the diversity concept in relation to ethnic and cultural origin.

Table 3: Gender distribution in total workforce and by management level

	Total workforce	2nd management level	1st management level
Women	258 (55.24 %)	2 (18.18 %)	2 (40 %)
Men	209 (44.75 %)	9 (81.82 %)	3 (60 %)

Society

A focus on patients

GRI: 403

Our aspiration in the process is to contribute to the **security of supply** and thus to the **health and quality of life** of patients by obtaining long established brand products. We see this as part of our aspiration to **focus on patients**. Often we are the only

provider of corresponding vital medicines. CHEPLAPHARM has a special portfolio of drugs for the treatment of rare diseases, and can ensure supply on this basis at a reasonable price. One example of this is the drug Vesanoid (tretinoin) which is used to treat acute and potentially life-threatening promyelocytic leukemia. This disease has an estimated incidence of only 1/1,000,000 in the EU and is therefore extremely rare.

Access to medicine

GRI: 416

CHEPLAPHARM works with non-governmental organisations (NGOs) in order to ensure access to our medicines in developing countries. In the event that a country does not have a marketing authorisation for a drug, CHEPLAPHARM cooperates with local authorities to obtain appropriate special permits. This enables CHEPLAPHARM to meet the often vital medical needs of patients who could not be cared for otherwise.

Local engagement

GRI: 413

We are a major employer in the Greifswald region, where we have long-standing roots. For this reason, we naturally also wish to make a contribution to the local community. With this in mind, we not only train many young people from the region, but also offer a large number of interns, working students and other interested parties an insight into the different areas of the company. CHEPLAPHARM has supported the Deutschland-stipendium scholarship at the University of Rostock since 2020, providing targeted support for academics from the region. In addition, we regularly donate to local projects in order to contribute a portion of our business proceeds to the community above and beyond our tax payments.

Environment

GRI: 301,302,306,308

Mitigating climate change represents one of the greatest challenges of our time. Even though we are only at the beginning of systematically recording our ecological footprint, we aim to integrate sustainability-relevant considerations to a much greater extent into our corporate activities in the future. For example, we are currently establishing an **environmental and energy management system** that is to be certified according to ISO 14001 in 2023. This serves to identify and control our environmental impact and enables us to measure improvements in our environmental performance.

Climate protection

GRI: 301,302,303,304,305,306,307

As we do not operate our own manufacturing facilities, our direct environmental footprint is significantly smaller than other companies in the pharmaceutical industry. At our company headquarters in Greifswald, we consume energy in the form of electricity and heat, as well as water. In addition, we produce waste as part of our daily operations. For precise key figures on our consumption, please refer to the sections “Energy efficiency” and “Waste management” below. We exert a much greater environmental impact along our supply chain. A dedicated description of the corresponding environmental indicators of the companies in our supply chain is presented in the section above about the supply chain. For future sustainability reports, we plan to compile as complete a database as possible, for which we will intensify communication with our supplier companies.

Energy efficiency

GRI: 408, 301, 302, 308

CHEPLAPHARM announced the sustainable expansion of its headquarters in Greifswald in spring 2022. The campus in the Ziegelhof industrial estate is to be expanded to include a new office building meeting the latest energy standards (EG40EE), thereby creating space for more than 300 additional jobs by the end of 2023. As a so-called nearly zero-energy building, the new building will have require less than 40 % of the maximum primary energy permitted by law, and will cover more than 55 % of its own energy needs self-sufficiently by utilising environmental heat and self-generated electricity via our own photovoltaic system. In addition, our already installed in-house solar systems supply the new charging stations at the site. To motivate our

employees to switch to emission-neutral e-mobility, all charging stations can be used free of charge from spring 2022.

Due to the significant increase in the space we utilise as we grow both in terms of staff numbers as well as economically, our electricity consumption initially rose from 248 MWh in 2019 to 582 MWh in 2020 before a slight decrease to 578 MWh last year. This reduction is partly due to the greater use of mobile working as part of the COVID-19 pandemic, as well as our move in 2021 to more energy-efficient buildings, which will also significantly reduce future electricity consumption. As far as consumption data are concerned, it should also be noted that individual consumption figures for 2020 and 2021 were not recorded on a periodic basis due to measurement errors on the part of the network operator.

Table 4: Electricity consumption at the company headquarters

	2019	2020	2021
Consumption	248 MWh	582 MWh	578 MWh
Share of renewable energies	70 %	61 %	65 %

Renewable energies accounted for 70 % of CHEPLAPHARM's total electricity consumption in 2019. Due to the retendering of various supply contracts, the share of renewables initially decreased to 61 % in 2020, before rising again to 65 % last year due to an improved power mix from the energy providers.

Our business model provides for close cooperation with suppliers, contract manufacturers and other contractual partners. As with our electricity consumption, our thermal energy consumption has also risen from 232 MWh in 2019 to 412 MWh in 2020 in line with the expansion of the building space we occupy. Consumption amounted to 477 MWh in 2021. The energy consumption figures above also include energy consumption for cooling and air conditioning. The main energy source for our heat supply is gas, from which we cover 90 % of our requirements.

Table 5: Thermal energy consumption at the company headquarters

Year	2019	2020	2021
Thermal energy	232 MWh	412 MWh	477 MWh

For the first quarter of 2022, we plan to implement a comprehensive energy management system, which will be certified according to ISO 50001 for the first time in the second quarter of 2022.

Waste management, waste water

GRI: 303,306

At CHEPLAPHARM, the volume of waste water is basically equal to the amount of fresh water purchased. As we expanded our building stock, our water consumption initially increased from 762 m^3 in 2019 to 1,932 m^3 in 2020, before a decrease to 1,503 m^3 last year, primarily due to the greater extent of home office working as part of the COVID-19 pandemic.

In accordance with the German Act on Closed Cycle Management and Waste (KrWG), we collect waste separately and recycle it as far as possible. Pharmaceuticals that are no longer marketable account for 30 to 60 % of our waste, followed by paper packaging and files (25 to 30 %). The scope of residual waste and other packaging is immaterial as far as our business is concerned. In line with the trend in water consumption, our waste volume also increased with the expansion of the building stock, initially from 31.3 tonnes in 2019 to 51.7 tonnes in 2020, before decreasing to 38.9 tonnes in 2021 due to a greater extent of home office working.

Table 6: Water consumption and waste volume at the company headquarters

	2019	2020	2021
Water consumption	762 m^3	1,932 m^3	1,501 m^3
Waste	31.3 t	51.7 t	38.9 t

Glossary

AccountAbility – Standard AA1000SES

AccountAbility is a global advisory and standards firm that works with companies, investors, governments and multilateral organisations on ESG issues in order to seize opportunities, advance responsible business practices and improve their long-term performance. AccountAbility's AA1000 Stakeholder Engagement Standard (SES) is a universally applicable framework for designing, assessing, implementing and communicating high-quality stakeholder engagement. The AA1000 Principles of Materiality, Inclusivity, and Responsiveness

API

Active Pharmaceutical Ingredients (API) refers to a drug substance used as a medicinally active ingredient in the manufacture of a drug product.

CMOs

Contract Manufacturing Organisations (CMOs) are contract manufacturers in the pharmaceutical industry that produce various intermediates or the final product.

CO_2

Carbon dioxide is one of the best-known greenhouse gases. Its sources include the combustion of fossil fuels such as coal and natural gas. Greenhouse gases are measured in a global and standardised framework, the Greenhouse Gas Protocol.

CO_2-neutral

The term "carbon-neutral" is used in various contexts. It states that the use of a fuel or even a human activity (such as travel) has no effect on the atmosphere's carbon dioxide concentration and is thereby not harmful to the climate.

Code of conduct

A code of conduct is a collection of rules of behaviour applying to company employees. A code of conduct contains guidelines on how employees should behave in a socially, ethically and legally correct manner.

Compliance officer

A compliance officer oversees and manages compliance within an organisation.

CSR Directive Implementation Act

The CSR Directive Implementation Act requires the disclosure of information on non-financial aspects (at least in relation to environmental, employee and social issues), respect for human rights, and the fight against corruption and bribery (Section 289c of the German Commercial Code [HGB]).

German Sustainability Code (DNK)

The German Sustainability Code (DNK) supports companies in establishing a sustainability strategy and provides an introduction to sustainability reporting. To comply with the DNK, companies prepare a statement on 20 DNK criteria and supplementary non-financial performance indicators.

Diversity

Diversity refers to the conscious handling as well as the acceptance and equality of different people in companies, regardless of ethnic origin, skin colour, age, gender, nationality, religion, ideology or sexual orientation.

EG40EE energy efficiency standard

The EG40EE energy efficiency standard specifies how high the energy requirement per square metre is for a building. "EG" represents the highest energy efficiency class, which can be achieved only by passive houses. "40" is the lowest standard.

Renewable energies

Renewable energies refer to types of energy that are considered sustainable resources as they are self-renewing and consequently cannot be depleted as a resource. Renewable energies include, for example, wind energy, solar energy and hydroelectric power. Renewable energy sources include, in particular, hydroelectric power, wind energy and solar energy. These sources are considered sustainable as they are self-renewing and consequently cannot be fully depleted.

ESG

E = Environment, S = Social, G = Governance. ESG refers to non-financial factors that investors apply in order to screen potential investments. They also refer to a particular company's sustainability impacts and contributions as well as associated risks for the company. Companies are increasingly expected to report on such ESG factors.

ESG rating impact analysis

An ESG rating impact analysis examines the extent of fulfilment as well as the influence of the rating criteria of ESG rating agencies on the overall assessment of a company's ESG performance.

DDD

Chemical mechanical planarisation is a process for smoothing and levelling surfaces through a combination of chemical and mechanical actions.

EEE

Carbon dioxide equivalents (CO_2 eq) describe the relative impact of emissions on the greenhouse effect. They indicate the extent to which a fixed mass of a greenhouse gas contributes to climate change.

FFF

The term compliance refers to adherence to laws and regulations as well as a company's internal voluntary codes. Compliance forms an integral part of proper corporate governance.

GGG

CRISPR/Cas is a molecular biological method with which an organism's DNA can be specifically cut and modified (gene editing). Experts identify great potential in CRISPR/Cas for curing diseases as well as breeding plants and animals with modified properties.

The following websites, among others, were consulted as references in order to compile this glossary: Accountability, Energie-Lexikon, Deutscher-Nachhaltigkeitskodex, Globalreporting, CSR.Bayern, SDGs, DQS, United Nations, International Labour Organization, German Environment Agency (Umweltbundesamt).

Imprint

CHEPLAPHARM AG
Ziegelhof 24
17489 Greifswald
Germany

Tel +49 3834 3914-0
E-Mail info@cheplapharm.com

cheplapharm.de

Contact
Stephanie Lemke
Investor Relations, Corporate Communications and ESG

Tel +49 3834 3914 142
E-Mail stephanie.lemke@cheplapharm.com

Realization and production
CHEPLAPHARM in collaboration with **cometis AG**

Unter den Eichen 7
65195 Wiesbaden
Germany

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