

# CORPORATE SOCIAL RESPONSIBILITY REPORT

Polpharma Group 2017-2018





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# Introductory Letter



Dear All,

We are happy to present to you the latest edition of the Corporate Social Responsibility Report of the Polpharma Group in Poland. In addition to an overview of the Group's indicators and achievements in 2017-2018, this Report also provides a summary of our first CSR strategy for 2015-2018. It is founded on three pillars: serving patients and our communities, ethical business conduct, and innovation and advancement of knowledge. It was designed to support us in the achievement of 6 global Sustainable Development Goals.

Our CSR strategy is crucial to the development of our business. The implementation of advanced programmes, such as the Ethics Programme or Sustainable Supply Chain, raising CSR awareness among our employees and suppliers, and strengthening a culture of quality and stakeholder dialogue are just some of the processes and initiatives that have redefined the Polpharma Group. This allowed Polpharma to achieve a historic success by becoming

the first domestically-owned company to win the 2018 Responsible Business Ranking in Poland. It is our great pride and it drives us in our continued efforts.

In an employee survey conducted for the Polpharma Group in October 2018, an overwhelming 90% of the respondents stated that it was important for them to work for a company that continues developing its CSR practices. I am particularly pleased with our employees' involvement in CSR projects, including initiatives dedicated to building our corporate culture and innovation, among other causes. Together with our team, we developed a new annual assessment system based on our values and behaviours which will be implemented in 2019. Also, we engaged our employees in a discussion on digital transformation which is one of the most important trends that is changing the entire healthcare system. Thanks to the Polpharma Digital Community, we have devised about 200 ideas leveraging advanced technology to improve our business performance and create innovative solutions for patients. We wish to evolve from a traditional drug manufacturer into a busi-

ness providing end-to-end prevention and health care support for patients. We also want to participate in the shift towards a patient-centric health care system.

Environmental issues and the fight against climate change are a major global problem today. One of the important processes implemented in 2018 was an analysis of the opportunities for wider adoption of circular economy solutions within the Polpharma Group. As a result, a list of recommended actions was developed which we are going to implement in the coming years. We also intend to work even more closely with our suppliers to jointly minimise the environmental impact of the goods and services sourced by the Polpharma Group. At the same time, we will continue to promote the Ten Principles of the UN Global Compact, which we are part of, and to implement the UN Sustainable Development Goals.

Some of the challenges faced in the period covered by this report affected the entire pharmaceutical industry, especially with regard to the quality standards and safety of medicinal products. In 2018, we faced a global recall of medicines containing valsartan as the active substance. The recall spanned a broad range of products from many manufacturers, including one of our drugs. The recall was due to the detection of N-nitrosodimethylamine (NDMA) in the products. This chemical compound is commonly present in our daily lives, for instance in foods. Per the WHO International Agency for Research on Cancer (IARC) classification, NDMA has been classified as category 2A – “probably carcinogenic in humans”. However, this effect has not been confirmed in humans; the only available data comes from animal testing.

The presence of NDMA in drugs has not been subject to any additional evaluations or analyses in the past, and there have been no requirements in Europe to identify NDMA. The detection of NDMA in valsartan brought new knowledge to the global pharmaceutical industry and helped improve drug-testing standards. This improved the detection of NDMA, previously absent in any product specifications, contributing to enhanced patient safety.

Polpharma took the NDMA issue very seriously. We have established a special team within the company and imple-

mented the necessary analytical methods, and we work closely with the European Medicines Agency in assessing the risk of NDMA presence in medicinal products.

Some of the developments in our business environment in recent years have encouraged us to take steps towards a long-term transformation of our Group. We are facing a slowdown of the pharmaceutical market and a significant increase in the costs of raw materials, utilities, and other resources. It is increasingly difficult to resist the growing competition or respond to new patient expectations while continuing to invest in development. Our existing way of working may just not be enough in the long term. Therefore, to succeed in the future, we devised our transformation concept in 2018, which will be implemented in the next three years or more. We want to become the best performing and most effective business in the healthcare sector while being an innovative and continuously learning organisation. To do that, we need to be faster, more agile and effective. We need to improve cooperation among the teams and build a culture based on mutual respect, openness, and creativity. In many areas, the transformation will call for a fresh perspective on our processes, requiring us to give up old habits and develop innovative solutions. We need to focus on simplifying our processes and procedures, making smarter use of the resources, and increasing productivity through automation, digitisation, and standardisation.

We want to be an even better employer and an even better partner for patients, customers, and other stakeholders. We believe that by working together, we will prepare Polpharma for the challenges of the future.

Kind regards,

**Markus Sieger**

President of the Management Board of Polpharma S.A.  
CEO of the Polpharma Group



Our motto is

# People Helping People

## Polpharma in a nutshell

### We are the largest

manufacturer of medicines and active pharmaceutical ingredients in Poland and one of the largest pharmaceutical groups in Central and Eastern Europe

### We are one

of Poland's economic champions and the leader of the Polish pharmaceutical market in terms of sales

## Polpharma Group in Poland



● **STAROGARD GDAŃSKI**

headquarters, laboratory, manufacturing site

● **NOWA DĘBA**

manufacturing site

● **DUCHNICE**

manufacturing site

● **WARSAW**

commercial office, laboratory, manufacturing site

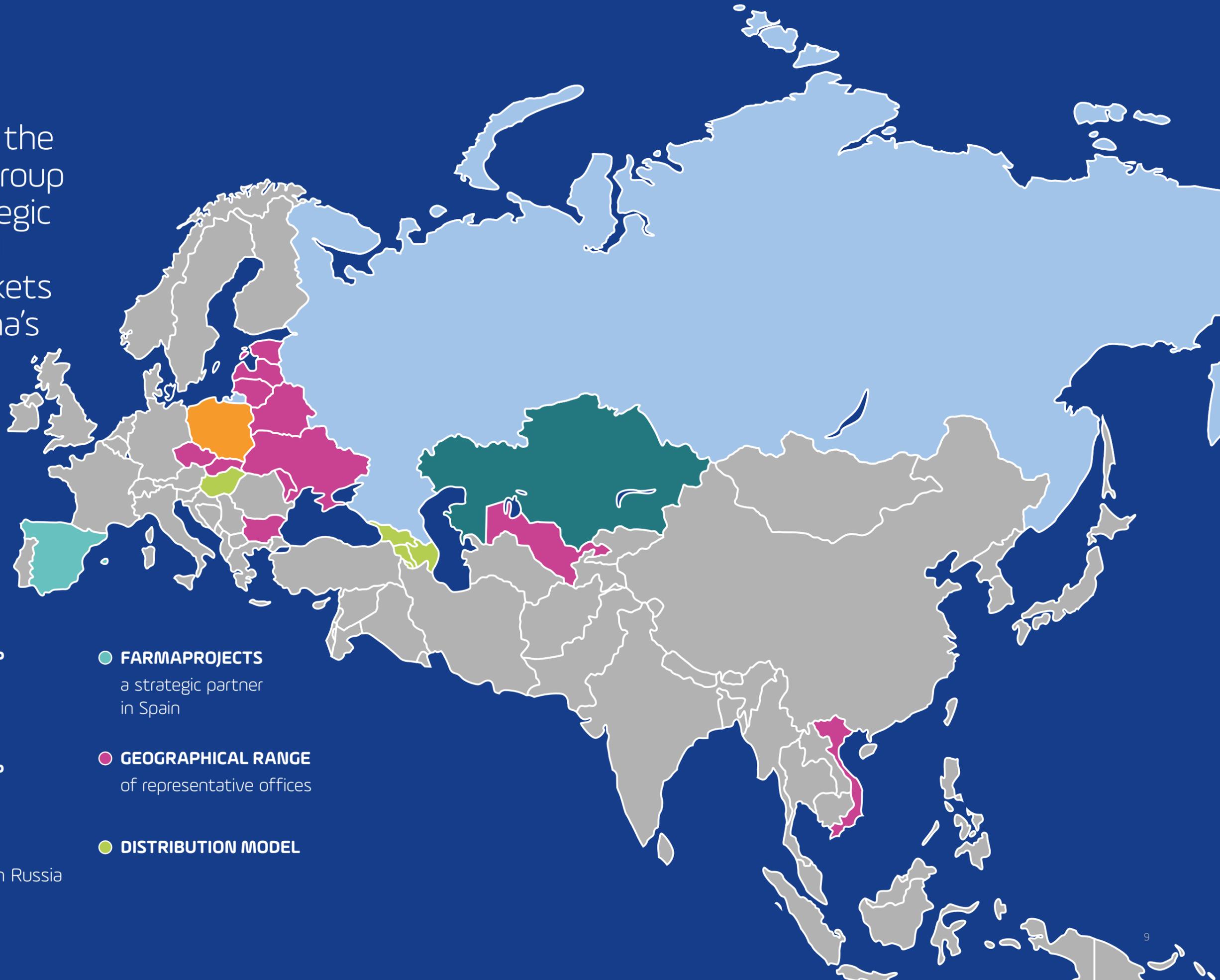
● **SIERADZ**

laboratory, manufacturing site

● **GDANSK (until 31 Dec 2018)**

laboratory, manufacturing site

Locations of the Polpharma Group and its strategic partners and the key markets for Polpharma's medicines



 **POLPHARMA GROUP**  
in Poland

 **FARMAPROJECTS**  
a strategic partner  
in Spain

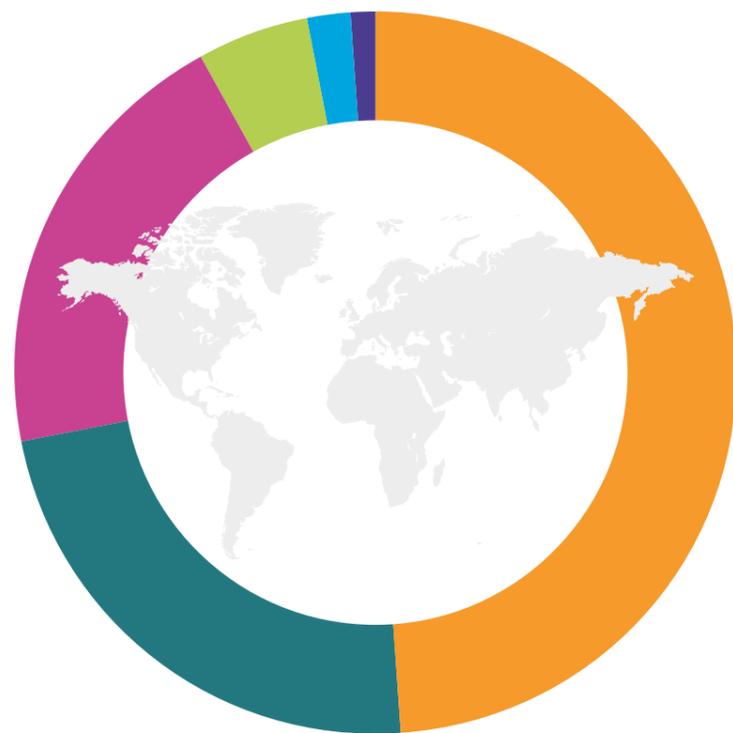
 **SANTO MEMBER OF  
POLPHARMA GROUP**  
in Kazakhstan

 **GEOGRAPHICAL RANGE**  
of representative offices

 **AKRIKHIN**  
a strategic partner in Russia

 **DISTRIBUTION MODEL**

## Sales of active pharmaceutical ingredients by regions



49% Europe

23% North America

20% Asia

5% Middle East & North Africa

2% Latin America

1% Rest of the World

## Management of Polpharma Group companies

(as at 31 December 2018)

### Composition of the Management Board of Zakłady Farmaceutyczne Polpharma SA

|  |  |   |  |
|--|--|---|--|
| <b>Markus Sieger</b><br>President of the Management Board            | <b>Bożenna Kozakiewicz</b><br>Vice-President of the Management Board | <b>Ireneusz Martyniuk</b><br>Vice-President of the Management Board | <b>Tomasz Moys</b><br>Vice-President of the Management Board |
| <b>Gertjan Noordermeer</b><br>Vice-President of the Management Board | <b>Sebastian Szymanek</b><br>Vice-President of the Management Board  | <b>Andrzej Dziuban</b><br>Member of the Management Board            |  |

### Composition of the Management Board of Polpharma Biuro Handlowe Sp. z o.o.

|  |   |   |   |
|--|---|---|---|
| <b>Sebastian Szymanek</b><br>President of the Management Board | <b>Marcin Bruchmann</b><br>Member of the Management Board | <b>Mateusz Lesiński</b><br>Member of the Management Board | <b>Agata Łapińska-Kołodzińska</b><br>Member of the Management Board |
| <b>Artur Makarewicz</b><br>Member of the Management Board      | <b>Marcin Smoliński</b><br>Member of the Management Board |   |   |

### Composition of the Management Board of Medana Pharma S.A.

|   |   |   |
|---|---|---|
| <b>Anna Durdyn</b><br>President of the Management Board | <b>Sławomir Adamiak</b><br>Vice-President of the Management Board | <b>Elżbieta Man</b><br>Vice-President of the Management Board |
|---|---|---|

### Composition of the Management Board of Polfa Warszawa S.A.

|   |  |  |
|---|--|--|
| <b>Tomasz Moys</b><br>President of the Management Board | <b>Krzysztof Raczyński</b><br>Member of the Management Board | <b>Małgorzata Cegielska-Matysiak</b><br>Member of the Management Board |
|---|--|--|

1 in 8

medicine packages in Polish pharmacies and 1 in 3 in Polish hospitals come from the Polpharma Group

8,089

suppliers working with the Group's Polish companies in 2018

78%

of our suppliers come from Poland (data for 2018)

pln 2,910 m

revenue generated by Polpharma Group's Polish companies in 2018\*

5,094

Polpharma Group's employees in Poland (as at the end of 2018)

pln 2,739 m

revenue generated by Polpharma Group's Polish companies in 2017\*

\*Revenue information based on Polpharma Group's consolidated financial statements for 2017 and 2018. The revenue from the Group's operations in Poland is exclusive of the revenues generated by Ipochem which is not in scope for reporting and by companies operating outside Poland. The revenue is inclusive of the revenue from the sales of phytopharmaceuticals manufactured by Herbapol-Lublin, to which Polpharma Biuro Handlowe Sp. z o.o. provides sales and marketing services.

## Core products and services



**Prescription drugs**



**OTC products**



**Medical devices**



**Cosmetics**



**Food supplements**



**Active pharmaceutical ingredients**



**Dietary foods**  
for special medical purposes

Products available in the Group's portfolio\* in different forms, dosages, and package sizes:

**816**

products (SKUs) on the Polish market

**1,131**

products (SKUs) on export markets\*\*

\* Our portfolio consists of products for which the marketing authorisation holders are Zakłady Farmaceutyczne Polpharma S.A., Medana Pharma S.A., and Polfa Warszawa S.A., as well as products manufactured by Herbapol-Lublin to which Polpharma Biuro Handlowe Sp. z o.o. provides sales and marketing services.  
\*\*A product with the same active ingredient content, dosage form, and route of administration sold on several markets is counted as a separate product on each market as it requires a separate marketing authorisation and has a different packaging, patient information leaflet and/or name in each country.



## B2B market



**Sales**  
of active pharmaceutical ingredients



**Out-licensing**  
of Polpharma Group products



**Contract development**  
and manufacturing services



Our customers include patients and consumers using our products, drug distributors and other pharmaceutical companies (B2B market).

# Economic impact – the contribution of the Polpharma Group to the growth of Poland’s economy

Through its investments, spending on goods and services, and the creation of many new jobs, the Polpharma Group contributes to the growth of the Polish pharmaceutical industry as well as the entire Polish economy.

“ **pln 1,228.6 m** is the total value of materials and services purchased from Polish suppliers by the Polpharma Group in 2018.

**pln 292.9 m** total amount of taxes paid to the state and local governments by Polpharma Group in 2018, of which:



## Three levels of Polpharma Group’s impact on the domestic economy:

- » Direct impact resulting from the company’s core business operations
- » Indirect impact generated through engagement of suppliers and companies from related industries
- » Induced impact generated through the spending made by the company’s employees and the employees of the Group’s affiliates

## Three areas of impact:

**1** Added value measures the company’s contribution to Poland’s gross domestic product. It is the increase in the value of goods resulting from a specific production process or the creation of a service.

**pln 2.068 bn** added value generated in 2018 from business operations of the Polpharma Group in Poland, of which:



Each zloty of added value generated by the Polpharma Group in Poland helps bring a total of PLN 5.2 into the domestic economy.

**2** As at the end of 2018, the number of direct employees of the Polpharma Group in Poland was 5,094 people.

**15 860 jobs** were created and maintained in 2018 thanks to the Polpharma Group in Poland, of which:



Each job maintained by the Polpharma Group contributes to maintaining a total of 3.11 jobs in Poland.

**3** The condition of the labour market largely determines the economic situation of households. Increased employment and wages have an impact on the quality of life of employees and their families.

**pln 718.09 m** total amount of remuneration generated by Polpharma Group in Poland in 2018, of which:



Each zloty of remuneration (net) paid by the Polpharma Group in Poland helps generate a total of PLN 2.1 of income for other households.

## Awards and distinctions



### Most Attractive Employer

based on the Universum Student Survey  
Polpharma was recognised as the Perfect Employer in the Science category (2017) and in the category of Science, Health and Medicine (2018)

Polityka magazine's  
**Golden Leaf**  
CSR Award  
2016 and 2017

#### Wprost magazine's Eagle Award

Pomeranian Region's Innovation Leader (2017)

#### Brown Hoopoe Award

in the Ekoaktywni programme (2017)

#### Polish Economy Promoter

title awarded by the Polish Promotional Emblem Foundation "Teraz Polska" (2017)

#### Giant of Pharmacy honorary title

awarded by Gazeta Farmaceutyczna magazine (2017)

#### Diamond to the Polish Business Leader Statuette

awarded in a Business Centre Club competition (2017)

#### EB Creator Award

for running Poland's first internship programme for students and graduates in biotechnology and related sciences (2017)

#### Winner

of the Fair Play Enterprise Certificate (2017)

#### "Company with a Good Image"

title awarded in a Business Centre Club competition (2017)

#### Winner of the 22nd edition of the IT Leader competition

organised by the editorial team of the Computerworld magazine (2018) „Computerworld” (2018)

#### Winner

of the Fair Play Enterprise Certificate (2018)

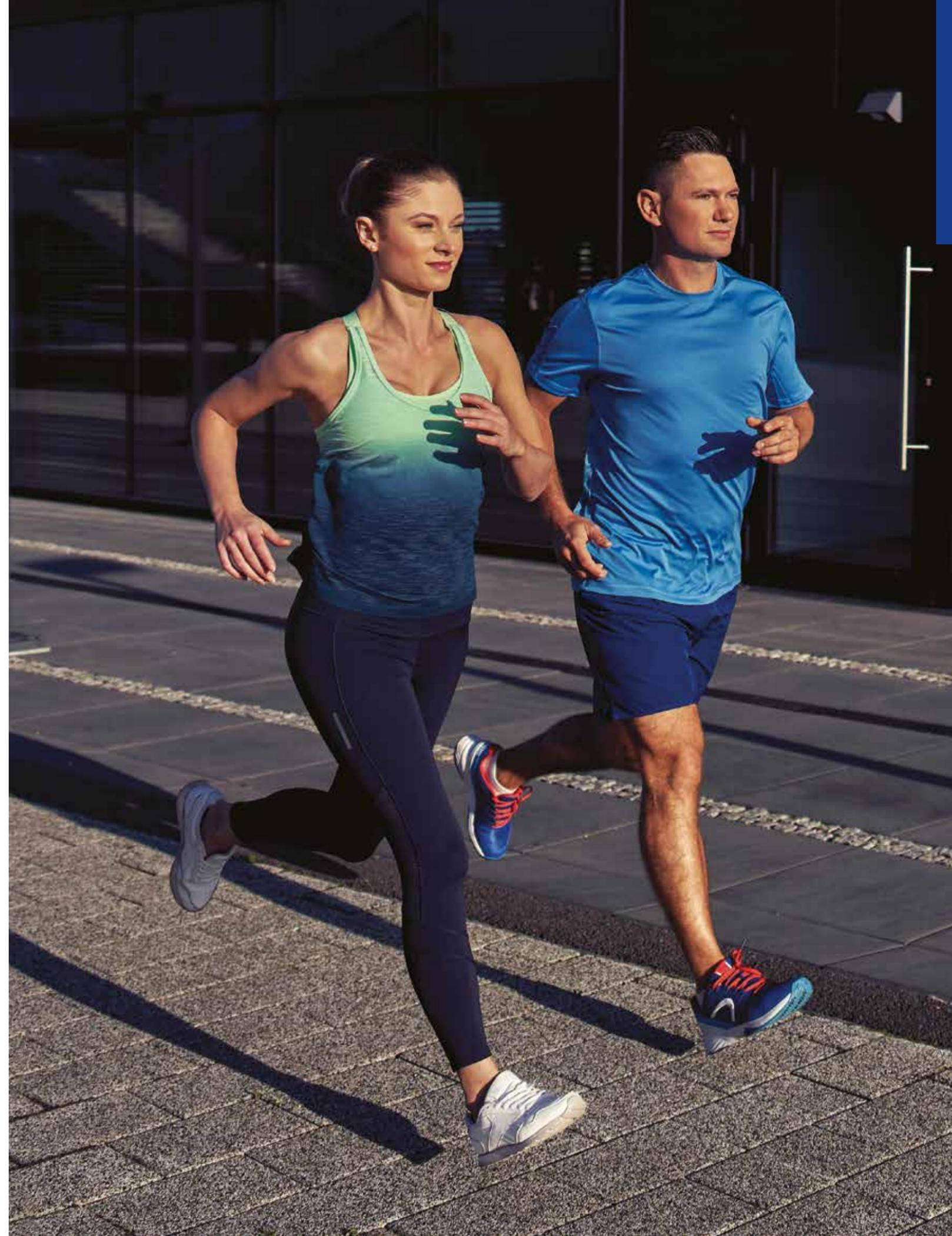
#### "Advocate for the Standard of the Ethics Program"

title awarded by the United Nations Global Compact Poland (2018)

#### "Investor Without Borders" honorary title

awarded by the editorial team of the WNP.PL economic portal and the organiser of the European Economic Congress (2018)

Also, Polpharma was awarded **6th place in the National Champions ranking** compiled by the Polityka Insight analytical centre. The following criteria were taken into account: the company's importance for Polish economy, position in the industry, international presence, and innovation. The company received its highest score for innovation, ranking 3rd among all champions in this category.



## Management principles

Polpharma Group's CSR efforts are coordinated by the Head of Corporate Communications and CSR reporting to the President of the Management Board of Polpharma SA. Management representatives are regularly updated on the progress in the implementation of specific programmes and initiatives as part of the CSR strategy. The Company has also set up the Compliance Committee and the Sustainable Supply Chain Team. The first one is composed of representatives of the Management Board and top managers, and the second one – of managers of various functions, including Procurement, Quality, OHS, Environmental Protection, and Compliance.

Our CSR priorities and the resulting specific commitments have been defined in Polpharma Group's Social Responsibility Strategy. This has allowed us to better respond to the needs of those around us while developing the business based on our system of values. In 2015-2018, the Group's CSR efforts focused on patient and community service, ethical business conduct, and innovation and the advancement of knowledge. Within these focus areas, we have pursued 14 specific commitments. In 2019, we updated our Social Responsibility Strategy until 2021.

## How did we implement our 2015-2018 CSR strategy?




## Serving patients and our communities

### WE ENSURE PHARMACEUTICAL SECURITY IN POLAND

- » We provide Polish patients with access to cutting-edge therapies at affordable prices
- » In 2015-2018, we invested over PLN 2 bn into fixed assets and Research & Development, of which over PLN 1.1 bn in 2017-2018
- » In Poland, we are the only manufacturer of 42 essential products, including life-saving medicines

### WE SUPPORT THE DEVELOPMENT OF LOCAL COMMUNITIES

- » We engage in a regular dialogue with local communities
- » In 2015-2018, our volunteers worked 9,683 hours to benefit local communities, of which 4,862 hours in 2017-2018

### WE SUPPORT PATIENT COMPLIANCE

- » We distributed 8,000 copies of the handbook "Therapeutic Non-Compliance: From Causes to Practical Solutions" issued by the Polpharma Scientific Foundation to libraries at medical universities and science institutes, as well as to students and doctors

### WE PROMOTE DISEASE PREVENTION AMONG PATIENTS AND EMPLOYEES

- » We provide extended health care and we run health promotion initiatives for our employees
- » Our health educational and preventive initiatives reached many more people than the million we initially defined in our strategy. Some people saw, heard or read our health campaign communications more than once

## Ethical business conduct



### WE STRENGTHEN THE COMPANY'S ETHICS CULTURE

- » We have developed a new employee assessment system which includes ethical conduct in line with Polpharma Group's values as one of the assessment criteria
- » Every employee receives ethics training at least once every two years

### WE ENSURE AND PROMOTE ENHANCED OHS STANDARDS

- » During the implementation of the strategy, no severe workplace accident occurred at any of our plants
- » With the Stop Accidents programme in 2015-2018, we eliminated 4,316 near misses, including 2,383 events in 2017-2018

### WE BUILD A CULTURE OF DIVERSITY

- » We continued our participation in the Diversity Charter project
- » We implemented a number of intergenerational management solutions
- » We obtained the "Building without barriers" certificate for our Warsaw office.

### WE BUILD A RESPONSIBLE SUPPLY CHAIN

- » 100% of our suppliers received the Polpharma Group Code of Conduct for Suppliers
- » We performed screening of 3,919 suppliers
- » 64% of our key suppliers meet the Code requirements
- » We have started preparations to implement the ISO 20400 Sustainable Procurement – Guidance

### WE ENSURE HIGH QUALITY OF OUR PRODUCTS AND SAFE PHARMACOTHERAPY

- » We have implemented the Quality Plus programme to increase our employees' commitment to the continual improvement of the quality of our products and services
- » In 2017-2018, we reviewed 1,927 adverse event reports

### WE NURTURE EMPLOYEE GROWTH AND COMMITMENT

- » We have implemented a new competency model and extensive development programmes for managers within the Polpharma Group
- » We have introduced teleworking and home office solutions

### WE CARE ABOUT THE ENVIRONMENT

- » 67.8% of our waste is sent for recovery or recycling
- » 27.8% of all materials used by Polpharma come from recycling
- » We have been granted the Green Office Certificate for our Warsaw office
- » In 2015-2018, we spent nearly PLN 27 million on environmental protection investments, of which approx. PLN 16.6 million in 2017-2018



## Innovation and advancing knowledge

### WE IMPLEMENT INNOVATIVE SOLUTIONS

- » In 2018, we invested more than 9% of our revenues (PLN 271 M) in R & D
- » In 2018, we submitted the largest number of European patent applications among Polish companies

### WE EDUCATE THE MEDICAL AND PHARMACEUTICAL COMMUNITIES

- » Since 2012, more than 9,500 physicians have attended the central conferences under Polpharma's European Educational Programme

### WE BRIDGE SCIENCE AND BUSINESS

- » We have changed the rules of competitions run by the Polpharma Scientific Foundation by dedicating our support to young researchers (aged up to 35 years)
- » We participate in the Implementation Doctorates Programme, which enrolled 11 Ph.D. students to work at Polpharma in 2018.
- » In collaboration with the Medical University of Gdańsk, we have created a new M.Sc. programme called the Pharmaceutical and Cosmetic Industry.
- » We have developed a partnership with the Technical Secondary School No. 1 in Starogard Gdański (2 class profiles: analytical lab technicians and automation technicians).

69%

of our employees recognise the impact of our CSR strategy on the company's operations

66%

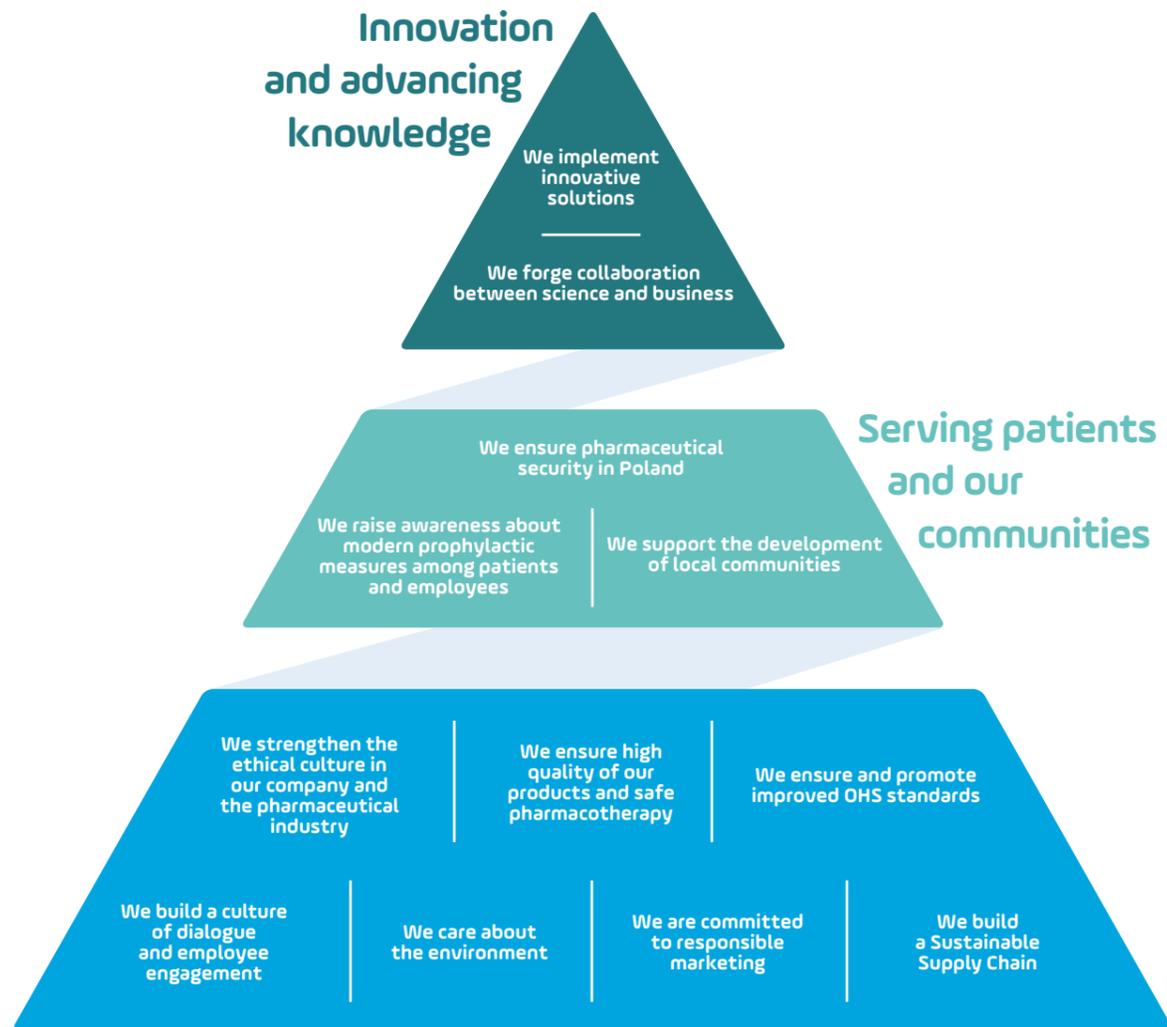
of our employees recognise its impact on their daily work

for  
90%

of our employees consider it important to work in a company that develops CSR practices\*

\* Results of the Polpharma Group employee survey conducted in October 2018

# Polpharma Group's Social Responsibility Strategy for 2019-2021



## Ethical business conduct

In 2019, we updated our Corporate Social Responsibility Strategy. The document was created with the involvement of key external and internal stakeholders. The focus of our CSR efforts in the next 3 years remained on ethical business conduct, serving patients and the community,

innovation and advancing knowledge. Within these three areas, we have defined 12 commitments that will be pursued until 2021.

## The activities undertaken as part of our CSR Strategy for 2015-2018 contributed to the implementation of 6 out of the 17 UN Sustainable Development Goals:



## Implementation of 10 Global Compact Principles

### Human rights

- Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2.** Businesses should make sure that they are not complicit in human rights abuses.

### Labour standards

- Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4.** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5.** Businesses should uphold the effective abolition of child labour.
- Principle 6.** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7.** Businesses should support a precautionary approach to environmental challenges.
- Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies.

### Combating corruption

- Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.

Ethics programme and values – pp. 28-31  
 Requirements for suppliers – pp. 52-55  
 Health education and prevention – pp. 59-61

Diversity management – p. 45  
 Collective bargaining agreements – p. 39  
 Requirements for suppliers – pp. 52-55

Environmental Impact Management System – p. 46  
 Our environmental goals – p. 47  
 Initiatives to reduce environmental impacts – pp. 48-51

Code of Ethics – p. 28  
 Anti-Corruption Code, Conflicts of Interests Management Procedure, Transparency Report – p. 29

## External cooperation

### Memberships in organisations

We seek to actively participate in the work of various organisations and associations to share our knowledge and experience, and to maximise the impact of our activities through joint initiatives. We are a member of the following organisations:

- » Medicines for Europe
- » Polish Association of Pharmaceutical Industry Employers (PZPPF)
- » Polish Association of Self Medication Industry (PASMI)
- » Business Centre Club
- » Lewiatan Confederation (through membership in PZPPF)
- » Ethics Officers Coalition
- » Responsible Business Forum
- » Digital Poland Foundation
- » Coalition for Polish Innovations (KPI)
- » Council of the Agreements for the Pomorskie Smart Specialisation
- » Consumer and Innovation Working Groups for Sustainable Development and CSR at the Sustainable Development and Corporate Social Responsibility Task Force at the Ministry of Investment and Economic Development

Additionally, Jerzy Starak, President of the Supervisory Board of Polpharma SA, is a member of the Polish Business Roundtable (PRB), while Markus Sieger, President of the Management Board, is a member of the Global Compact Network Poland Programme Board.

### External initiatives and declarations

- » United Nations Global Compact
- » Diversity Charter
- » Partnership for Sustainable Development Goals (SDGs)
- » Partnership for common implementation of environment-related SDGs „Together for the Environment“

### Stakeholders

We ensure that the needs and expectations of both internal and external stakeholders are reflected in our business. We engage in a long-term dialogue with them through:

- » face-to-face conversations and regular meetings with employees
- » internal discussion fora
- » employee and customer satisfaction surveys
- » surveys for conference and event participants
- » focus groups
- » surveys of the expectations of our local communities
- » qualitative surveys conducted among pharmacists
- » public discussions
- » consumer surveys
- » industry trade fairs

The key stakeholders, or the groups and people that influence or are influenced by our activities, include:

- » our employees
- » patients and consumers of our products
- » doctors
- » pharmacists
- » customers (medicinal product distributors)
- » customers (other pharmaceutical companies)
- » suppliers
- » regulators and public administration representatives
- » healthcare payer (National Health Fund)
- » researchers and opinion leaders
- » NGOs/civil society organisations
- » business and industry organisations





# Ethical business conduct

# Ethics

We believe that pharmaceutical companies have particular responsibility for upholding the fundamental value of patient well-being. Therefore, ethics should be at the core of every pharmaceutical company's operations.

To build the company's ethical culture and promote it among our employees, we guide ourselves on our Ethics Programme. It has been designed based on the **Polpharma Group Code of Ethics**, which highlights the values that matter the most to us, shows us what we should do, and what we can expect from others.

The **remaining components of the Ethics Programme** include institutional solutions (including a whistleblowing system), internal and external communications, and ethical education. All employee groups, including the Management Board, are required to participate in these educational activities. Training is regularly provided in the form of e-learning, with a knowledge test at the end. For employees without computer access, on-site training is provided.

Suppliers can use a separate e-learning course on ethical cooperation.

Line manager is the employee's first point of contact for ethical issues. If it is difficult or impossible for an employee

to contact his/her line manager or if the problem involves the line manager, the employee may contact the Compliance Officer. Polpharma Group employees and external stakeholders may report behaviours that potentially violate the law, the Code of Ethics or other internal procedures through the whistleblowing system. It protects whistleblowers against possible retaliation.

Number of grievances about labour practices, mobbing, and discrimination filed through the formal grievance mechanisms:

**2017:** 20 reports submitted to the Compliance Officer (of which all were reviewed), 5 court proceedings

**2018:** 12 reports submitted to the Compliance Officer (of which all were reviewed), 5 court proceedings



In 2018, we adopted the **Anti-Corruption Code**, a basic document aimed at mitigating the risk of corruption at the Polpharma Group. It lays down the rules of cooperation between the Polpharma Group and healthcare professionals, business partners, and government officials. The Code complies with the Medicines for Europe Code of Conduct and is inspired by the best market practices. To effectively inform employees about the document, several appealing supporting materials were prepared, including animation, a comic story, and a series of articles shared in the company's internal media. All employees are required to read and acknowledge understanding of the Code. We also provide regular refresher training to make sure our employees are aware of the binding rules (e.g. as part of classroom training).

In 2017, we implemented a **Conflict of Interests Management Procedure** to prevent non-compliances that may arise from conflicts of interest and to protect the Polpharma Group from their consequences. The procedure describes the situations where a conflict of interest may occur. It also explains what to do if a conflict arises and what measures the employer may take.

We also use our best efforts to ensure that our partnership with the medical and the patient communities

is transparent to the public. As a signatory to the Medicines for Europe Code, since 2018, Polpharma Group has published its annual **Transparency Report** available on our website. It provides information on the cooperation between Polpharma Group companies and healthcare professionals (including remuneration and support for participation in educational events), as well as monetary compensation and support (e.g. in the form of medicine, in-kind or cash donations) provided to healthcare and patient organisations.



No cases of corruption were registered in 2017-2018.



# Values

Seeking to ensure that we are guided by Polpharma Group's values in our daily work, we have developed a **new Performance Management system**, where employees are evaluated not only on their performance but also on compliance with these values.

The first stage was completed in 2018 and involved the creation of a list of specific behaviors based on our values. We made sure that they were comprehensible to all our employees, regardless of their seniority level, age, or role in the company, by conducting extensive consultations at all levels of the organisation, from manufacturing staff to the Management Board. As a result, we created a set of behaviours for each value, serving as the standard of showing respect, quality teamwork, and efforts for the common good.

○ Respect



○ Honesty



○ Responsibility



○ Cooperation



○ Solidarity



We appreciate, recognise, and reward employees whose attitude makes them a role model for others. This is the intention behind the most important distinction awarded to Polpharma Group employees, the **Amber Galen Award**. It is given to both individuals and teams. Candidates for the Award are nominated by the employees. The Jury then selects the Nominees and finally the Winners. The Jury evaluates the extent to which each candidate demonstrates Polpharma Group's values, as well as their skills, such as communication, knowledge sharing, creativity and innovation, and teamwork and cooperation within the organisation. Since its first edition in 2002, 239 employees have been awarded the Amber Galen Award.



239

employees have been awarded the Amber Galen Award

## Product quality and safety

The quality, efficacy, and safety of our products is a top priority for the Polpharma Group. We ensure the quality of our products at every stage of product development, manufacturing, testing, warehousing, distribution and sale, always keeping the patients' well-being in mind. Compliance with the requirements of Good Manufacturing Practice and other laws and regulations is of utmost importance for us. We continuously improve our quality assurance processes and reinforce our culture of quality. We also promote a sense of responsibility for quality among all our suppliers.

We attach great importance to the appropriate **training of our employees**, as provided for in the regulation on Good Manufacturing Practice requirements. To ensure more comprehensive and effective control, we have implemented electronic systems to manage quality assurance training. We analyse any events resulting from mistakes made by the staff on an ongoing basis and monitor the effectiveness of corrective actions.

We conduct regular **internal audits** to ensure that the manufacturing conditions comply with the requirements of Good Manufacturing Practice. These inspections are conducted both by manufacturing supervisors and quality assurance personnel. Our auditors undergo a certification process where their skills are assessed and recognised.

Our suppliers of packaging materials, excipients, and active ingredients, as well as laboratories, contract manufacturers, and other vendors also undergo regular quality audits.

We support our employees' proactive efforts to prevent quality incidents. This helps us build an increased commitment and awareness of Good Manufacturing Practice. In 2018, we launched the **Quality Plus** pilot programme in our Nowa Dęba plant. As part of this programme, employees submit ideas that may improve the quality of our products, services, and internal processes. All submissions are evaluated by a dedicated team, and the most valid ideas are rewarded.

We manage quality-related processes by defining and monitoring key indicators. With online reporting, we are able to monitor the parameters that affect quality on an ongoing basis to continuously improve our processes. Results, such as the number of complaints, are reported to the Management Board.



**405** submissions received in the Quality Plus pilot programme between March and the end of December 2018

## Pharmacovigilance

Another important responsibility of any pharmaceutical company is to supervise the safety of its products. Pharmacovigilance refers to activities undertaken by healthcare and pharmaceutical professionals to ensure that a product is as safe as possible for patients. One of the key elements of the pharmacovigilance system is to monitor adverse events and document the pharmacovigilance process, e.g. through structured reports. All our employees are required to report signals of adverse reactions to Polpharma Group's products. Mandatory training is provided to ensure that all staff can do this properly. We also provide patients and healthcare professionals with reliable and accurate information on Polpharma Group's products reflecting current scientific knowledge, thereby contributing to increased awareness and safe pharmacotherapy.

### Pharmacovigilance activities in 2017–2018:

- » **1927** adverse event reports\*
- » **3527** patient interviews, the overwhelming majority of which concerned medical issues and/or side effects observed\*
- » Direct Healthcare Professional Communication (DHPC) was used to warn HCPs of the risks associated with the use of certain products
- » **Approx. 3000** employees completed e-learning training on adverse event reporting
- » **More than 1,100** employees attended face-to-face training
- » Analysis of out-of-specification results (evaluation of the impact of deviations in the manufacturing process on patient safety)

## Complaint procedure

All product complaints are recorded in accordance with the applicable regulations and the company's internal procedures. Every complaint is treated separately, and an investigation is launched to determine the causes of the defect and plan the necessary measures to minimise its impact. Patient/consumer safety is a top priority for us, and therefore we assess all complaints to determine if the product reported as defective is safe to use.

If a quality defect of one of our products is suspected, we request market withdrawal of the affected product by the Chief Pharmaceutical Inspector. In 2017-2018, withdrawal was requested for affected batches of 19 products. In addition to being an important preventive measure, market withdrawal is proof of the company's responsibility towards patients and reflects conscious quality management.

## Customer data security

We assure customer data security by complying with the data protection regulations. We have adapted data processing and protection to the requirements set by the General Data Protection Regulation (GDPR). We have appointed a Data Protection Officer who oversees the organisation's activities in the area of customer data security together with the team. We provide data protection and information security training and constantly raise employee awareness of this issue.

\* Our pharmacovigilance activities are conducted in respect of products for which the marketing authorisation holders are Zakłady Farmaceutyczne Polpharma S.A., Medana Pharma S.A., and Polfa Warszawa S.A., as well as products manufactured by Herbapol-Lublin offered in our portfolio.

# Change of prescription drug packaging

The commitment to the safe use of our products includes appropriate packaging. In 2017, we launched a process to improve the functionality and safety of the packaging of all our prescription drugs, and to reduce the risk of dispensing errors by pharmacists and errors in the administration of our products by patients.

The existing packaging of our medicines was designed in 2005. We were approached by pharmacists who told us that the packages of our products and the different

doses are too similar to each other, which could lead to medication errors. In response to this feedback, a project was launched to completely change the packaging of medicines manufactured by our four companies: Polpharma, Medana, Polfa Warszawa, and Santo in Kazakhstan. As part of this initiative, we conducted extensive dialogue with our stakeholders.

The project started with market research based on interviews with individual pharmacists and patients. The aim was to identify the weaknesses of the existing system and to design the perfect packaging.

- » 7 creative agencies were invited to participate
- » 11 graphic designs were selected from over 50 submissions
- » several hundred pharmacists and Polpharma Group employees evaluated the designs via an online survey
- » 5 best designs were tested in ethnographic market research in the Point of Sale
- » 12 pharmacies evaluated the package mock-ups after hours for legibility, functionality, ease-of-use in different lighting conditions, positioning in the drawers, etc.

## Once finalised, the selected design was launched in mid-2018.

- » 24 months were spent on the new packaging design and architecture
- » Approx. 700 drugs sold in Poland were aligned to the new packaging design
- » More than ten teams were involved in the project

Our new prescription drug packaging system received positive feedback from the Supreme Pharmaceutical Chamber and was a finalist in the 2019 Good Design competition, the oldest and most credible Polish design contest.

## The new packaging system offers:

- » a different colour for each dosage form which minimises the risk of dispensing errors and makes the product easier to use by the elderly, visually impaired, or patients with mild cognitive impairment
- » legible information architecture which makes it easier to find the product at the pharmacy
- » product information provided on at least 3 sides of the packaging which makes it easier to store the product at the pharmacy in any type of drawer or shelf
- » a table with instructions for use ("communication window") which supports patient compliance by allowing the patient or pharmacist to note down the dosage times on the package
- » therapeutic group indication (e.g. cardiology, neurology) which makes cataloguing easier at the pharmacy



# Occupational safety standards

Our comprehensive approach to employee health and safety is ensured by a certified Integrated Environmental and OHS Management System. As part of this system, we have implemented the Occupational Health and Safety Policy. We continuously make every effort to make working at Polpharma even safer and more comfortable. Mandatory OHS training is provided not only to employees working in the Group companies but also to third-party employees working on our premises.

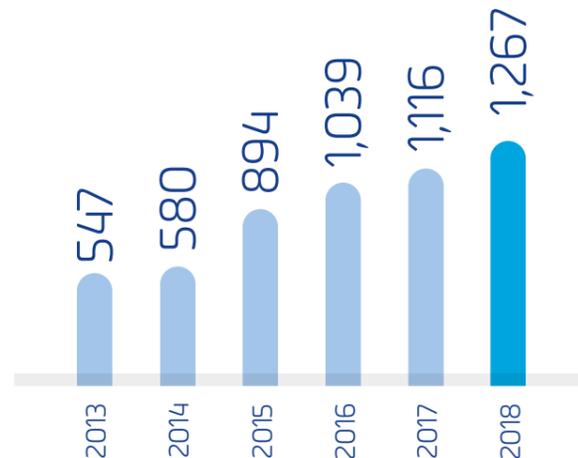


In place since 2012, the **Stop Accidents Programme** is a system for reporting and responding to potentially hazardous situations. Programme performance is assessed based on the number of accidents in each location. The more accidents a location has, the greater the expectations we place on the managers and employees in terms of occupational safety.



In 2017-2018, no fatal work injuries were reported.  
In 2018, 1 case of an occupational disease was identified.

Number of near misses eliminated:



Each year, we organise the **Workplace Health & Safety Week**. During this Week, educational activities are conducted at all Polpharma Group locations, including preventive health screening, fire-fighting training, first aid courses, as well as workshops and conferences with external partners to raise safety awareness. In 2017, we hosted a workshop called "Safely from the start", highlighting the key role of training for inexperienced employees. In 2018, a conference took place entitled "Hazardous Substances Under Control", which was the finale of a week-long event dedicated to precautions to be taken when handling or being in contact with substances that can be life-threatening or harmful to human health or the environment.

Over many years, we have implemented a **culture of safety** by continuously raising employee awareness. As part of our efforts, we publish articles encouraging safe behaviours in our company journals and the intranet, host internal competitions, and promote those organised by our partners. In 2018, we sponsored a special award in the photography competition OI2NAKI PRACY organised by the Central Institute for Labour Protection.

The measures to improve workplace safety are also addressed to our **subcontractors' employees** whose safety matters just as much to us as the safety of our own staff. Our work safety requirements are included in the contracts we enter with our subcontractors who are made aware of the rules of conduct and potential hazards. Before starting work, all subcontractors' employees must undergo special training based on the type of work to be performed. We have also created a website to collect information on what is required from our subcontractors. Each employee's work is monitored, and any undesired or dangerous behaviours are recorded.

We also engage in the activities of the Safe Workplace Leaders Forum at the Central Institute for Labour Protection. It brings together companies that contribute to the conti-

nuous improvement of working conditions and helps build and maintain a culture of workplace safety. Being one of the leaders in this field is an honour for us and shows recognition of the high level of work safety at Polpharma Group. It is also a form of appreciation for our employees' commitment to creating a friendly and comfortable workplace. The Forum gives us an opportunity to exchange experiences and best practices with other companies and ensure continuous improvement of our solutions.





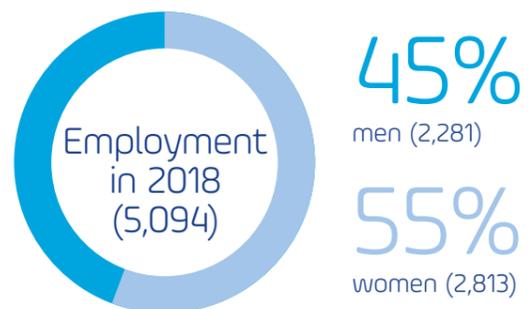
## Employee development and satisfaction

We support our employees in reaching their full potential. We give them access to a vast training programme tailored to their skill level, performance, and needs based on their career pathway. We co-finance our employees' training, postgraduate courses, and foreign language classes (English and Russian).

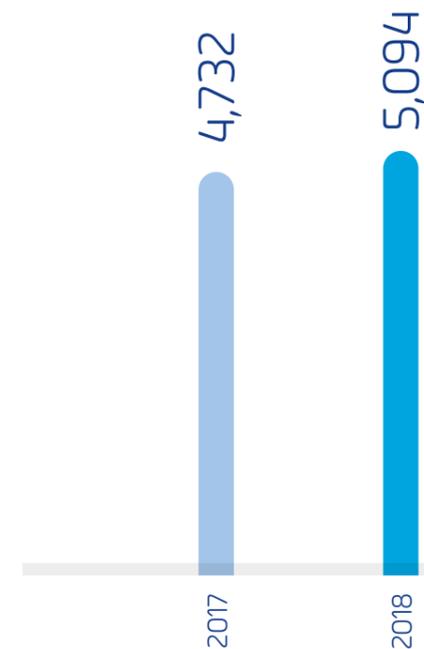
### For our employees, we offer:

- » a competitive remuneration and a comprehensive benefits package (medical and life insurance, Multi-Sport card, holiday allowance)
- » extensive career development opportunities
- » equal treatment in every respect
- » a transparent HR policy, including clear rules for periodic employee reviews
- » responsiveness to any issues raised
- » friendly atmosphere

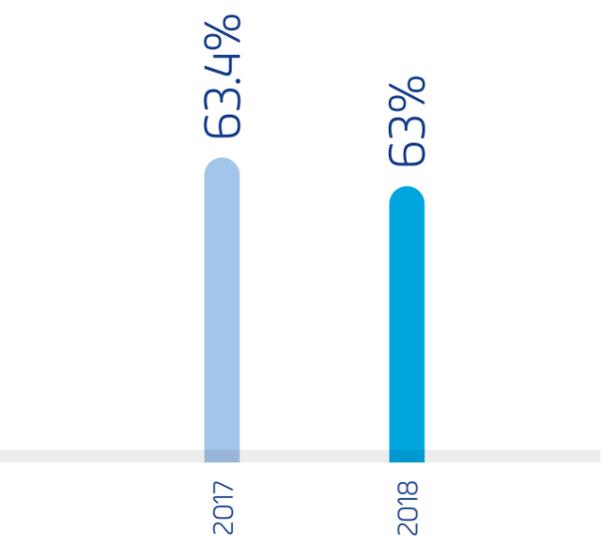
All staff members hired under an employment contract, including both full-time and part-time employees, have the same access to fringe benefits and other benefits to which they may be entitled under the regulations of the relevant company. Employees hired under an advisory agreement have access only to medical and life insurance and a MultiSport card.



Employment year-by-year



Employees covered by collective bargaining agreements



Recognised as one of the strategic sectors of the Polish economy and one of the world's fastest-growing industries, Biotechnology has been included in the Strategy for Responsible Development. In 2015, we started building a new factory to provide contract manufacturing services to biotech companies from all over the world. However, the challenge we faced was the shortage of qualified employees with experience in this new field in Poland.

To address it, we have launched the BIO Academy, the largest practical training programme in Poland in the area of biotechnology. It is a one-of-a-kind opportunity for Polfa Warszawa employees who will be moving to the newly opened plant in Duchnice once the Polfa plant at ul.

Karolkowa has been closed. The **BIO Academy** enables them to gain highly specialised skills and work in a state-of-the-art biotechnology contract manufacturing plant.

During the 15-week course, the participants gain the necessary knowledge and skills from experienced biotechnology experts. Since the beginning of 2019, they can also enhance their skills in a newly-opened training and research laboratory. Scheduled to be launched in 2020, the Duchnice plant will employ approximately 450 people.

**7** graduates of the 1st edition of the BIO Academy (2018)

Since 2012, Polpharma has been running its Award and Recognition Programme based on the **MyBenefit cafeteria system**. It is a tool used by managers to reward the desired behaviours and attitudes on a day-to-day basis. The points earned by employees in the programme can be exchanged for products and services, selected by the employees from many available options. Since July 2018, MyBenefit cafeteria is not only used as an Award and Recognition Programme but also serves as an employee benefits management system. Each employee's account has been extended to include an Extra Points Bank to which 100 points are credited on a quarterly basis.

As a way to attract and retain competent and committed employees, we offer a variety of solutions that help our staff members maintain a work-life balance. We also want to offer employment support for people with disabilities and parents of children with disabilities.

**Home office** is a solution offered to employees whose primary place of work is the office where they are allowed to spend 2 days per month working from home. In the long run, we plan to increase the number of home office days.

# 400

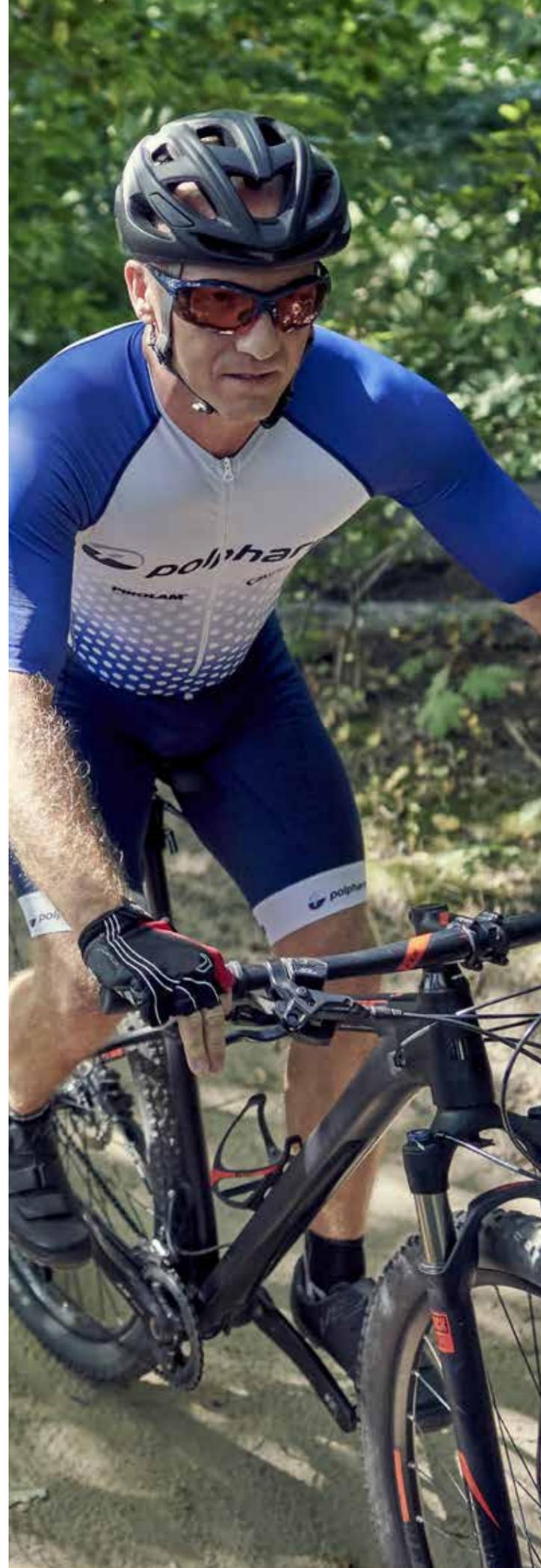
jobs qualified for home office

# 800

employees entitled to work from home office

**Teleworking or telecommuting**, on the other hand, means that work is regularly performed outside the company premises using electronic communications, on the basis of an agreement between the employee and the employer.

- » 7 employees telecommuting for health reasons (fixed-term employment)
- » 3 employees with disabilities
- » 4 employees providing care to people with disabilities



The improvement of managerial skills through coherent development programmes and regular activities is an important driver behind the change of Polpharma's corporate culture to a more open and inclusive one. The **Leadership Go! programme** helps managers practice and use various leadership styles to manage the staff and build employee commitment.

# approx. 90

programme participants in Poland (Polpharma Group managers)

# over 240

240 feedback sessions

# approx. 300

tutoring and coaching sessions

# nearly 500

hours of teamwork improving workshops

We continue running the Leader Programme for newly hired and newly appointed managers, which gives them the opportunity to develop the skills they need to motivate, recognise, and nurture the development of their employees.

In 2017, we also launched the Informed Leader development project for our Production Plant in Nowa Dęba, followed by the Production Plant in Duchnice and Sieradz-based Medana in 2018. Their aim was to improve managerial skills

at all management levels from Leader to Production Manager, as well as to improve communication and cooperation.

In 2017 and 2018, we performed a 360-degree assessment of the Leaders and Coordinators at various departments, with feedback provided by production employees. The process was fully digital and led to the development of individual production managers' development plans and dedicated development activities (workshops, coaching).



On 8 May 2018, Polpharma's top management had the chance to appreciate the work of our operational departments and to better understand the responsibility that is involved in manufacturing products that help patients. On that day, Jerzy Starak, Chairman of the Supervisory Board of Polpharma, was hired as a production operator, underwent the necessary GMP and OHS training, and joined the packing team in the Solid Dosage Forms

Production Department in Starogard Gdański. Elżbieta Dzikowska, Secretary of the Supervisory Board of Polpharma, President Markus Sieger, members of the Management Board, and other top management representatives of the Polpharma Group, also swapped their jobs for a day, joining the production department, quality control laboratory, and high-stacking warehouse.

Cultural, entertainment, and educational events addressed to both our employees and local communities where Polpharma Group's plants are located are an important part of the company's social commitment efforts.

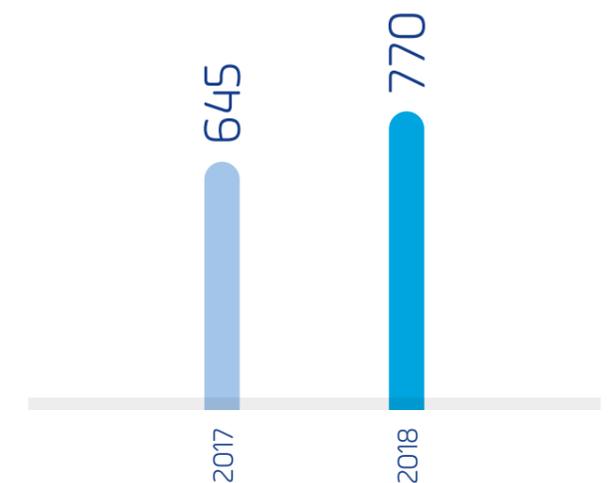
- » The **Polpharma Day** is an event that has been hosted in Starogard Gdański for several decades to mark the Chemist's Day. Everyone is invited to join us on this special day, including our employees and their families and friends, as well as inhabitants of Starogard Gdański and the entire Kociewie region. Each year, Polpharma Day celebrations are attended by some 5,000 people.
- » The **Open Day** event has been organised since 2008 to show our facilities to the public. Each year during the event, around 2,000 people have the opportunity to see how medicines are manufactured and what a pharmaceutical laboratory and warehouse look like. In 2018, the Open Day event was held at Medana in Sieradz for the first time.
- » The **Christmas concert** in Pelplin is a meeting organised for employees from all Polpharma Group locations, as well as members of the scientific and medical communities, local authorities, and business partners. This is a unique event for us as it brings all of our employees together.



As part of our efforts to promote a healthy lifestyle among our employees, we created a special Inpulse sports platform in 2016. Each employee can create an account to keep a record of his/her sports activities. Those with the most regularly updated activity record are rewarded with sports gifts. Other initiatives to motivate our employees to be physically active include charitable challenges where participants can support orphanages, foundations or animal shelters by practicing sports.

As part of a healthy lifestyle promotion, we also encourage our employees to **cycle to work** on a regular basis. To support our cyclists, we have built bicycle parking racks next to the workstations, provide an abbreviated road code to every employee, arrange for free bicycle check-ups, and provide training for our employees in cooperation with the local police.

### Employees commuting to work by bicycle



**Seniority anniversaries** are always celebrated as a special milestone in our company. To mark 25 years of service, we host a special gala with gifts and wishes from the management.

# 688

employees completed 25 years of seniority at Polpharma Group in January 2018

We are proud to be the employer of choice for the children and grandchildren of our employees. We want to keep in touch and maintain loyalty not only to the existing but also retired employees. For this reason, **Polpharma offers various types of support to approx. 1,400 of its retirees and disability pensioners.** We pay for their extended medical package and the use of MultiSport cards. We organise regular meetings where we communicate the company's news. We invite retirees to take part in trips, cultural events, and intergenerational meetings at their former workplace. We run a Facebook fan page for our retirees which has enabled many seniors to learn how to use a computer and social media. We encourage retirees to actively participate in the community's life by supporting local charity and volunteering initiatives. We also support vulnerable seniors by offering monetary allowances and medical equipment.



## Diversity

We recognise the differences between our employees and see them as a value, as emphasised in our Code of Ethics (this is also mentioned in the Diversity Charter signed by us). We continually develop policies and programs that enable us to consciously manage diversity. We do not tolerate discrimination, isolation, harassment or bullying on any grounds, including gender, age, origin, nationality, religion, sexual orientation, physical appearance, health status, and physical capacity. A separate Procedure on Prevention of Workplace Mobbing and Discrimination is in place at the Polpharma Group.

Intergenerational management is a key aspect of diversity management in our company. As part of our efforts in this area, we conducted the "Polpharma brings generations together" survey to identify key business risks and opportunities related to generational diversity.

We held meetings with managers to summarise the survey results and to make them aware of the benefits of working in an intergenerational team. In 2017-2018, about 100 employees from various departments and locations participated in training sessions on intergenerational management and collaboration delivered by external experts. In October 2017, we invited interested managers and coordinators to participate in a moderated meeting to create ideas for specific activities in the field of multi-generation management. The result of this meeting is a list of initiatives and projects that we regularly review and implement.

For several years now, we have been working with the Integracja Foundation to make our offices fully accessible to people with various disabilities. In February 2017, our office in Warsaw was awarded the "Building Without Barriers" certificate as proof of compliance with the accessibility requirements.

# 0

 confirmed cases of discrimination

(In 2017-2018, 7 reports of suspected discrimination were submitted, all of which were reviewed)



## Care for the environment

We are a manufacturing company, and all manufacturing processes have an impact on the environment, especially those using chemical substances. In an effort to minimise this impact, we:

- » continuously improve process efficiency
- » reasonably manage our energy and water consumption and pollutant emissions
- » make sure that the chemicals we use are safe
- » explore the possibilities to minimise our environmental footprint at the technology and product development stage
- » monitor changes in the environment and respond accordingly
- » continuously improve our management systems

Environmental management is based on the Integrated Environmental and OSH Management System. The following policies are implemented as part of this System: Environmental Sustainability Policy, Occupational Health and Safety Policy, and Laboratory Management Policy.

Polpharma Group's Integrated Environmental and OSH Management System complies with the following international standards:

- » ISO 14001 (Environmental Management)
- » OHSAS 18001 and PN-N-18001 (OHS Management)
- » PN-EN ISO/IEC 17025 (Quality Management in the Environmental Monitoring Laboratory)

## Our key environmental objectives:



**reduce electricity and heat consumption**



**reduce water withdrawal**



**increase the use of recycled packaging materials**



**maximise the recovery and re-use of solvents**



**reduce the amount of waste generated and increase waste recycling and recovery**

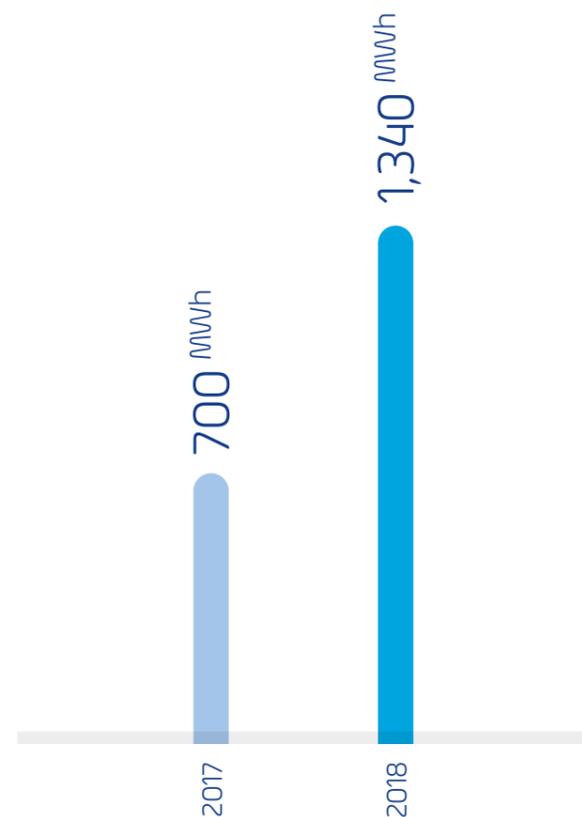


**reduce CO<sub>2</sub> emissions in passenger transport**

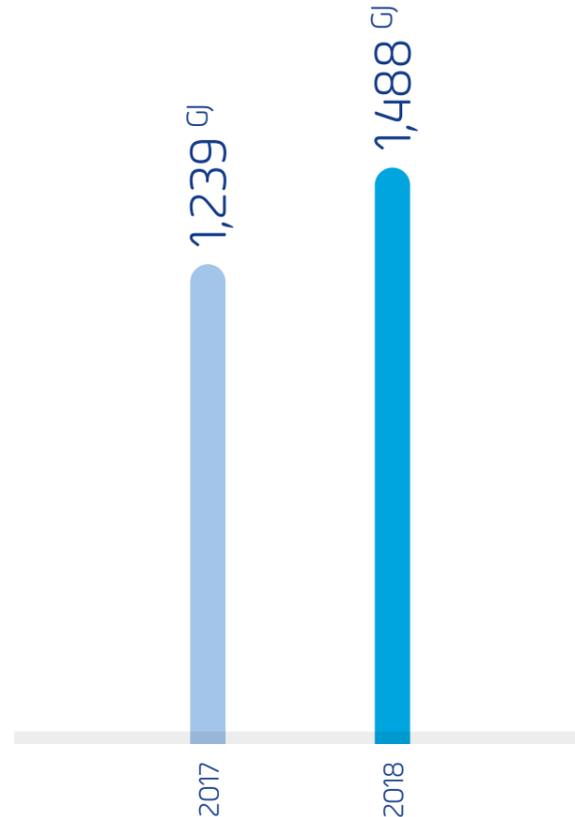
We are aware of the impact of active pharmaceutical ingredients (APIs) on water ecosystems. We have partnered with the Gdańsk University of Technology to **reduce the amount of APIs released in wastewater** discharged from the on-site treatment plant to the Wierzyca River. We have determined the level of wastewater treatment and its impact on the effectiveness of the treatment process. We tested the API content, identified its impact on the aquatic environment, and identified the most burdensome substances. Next, we determined the efficiency of purification processes with respect to API content reduction. This helps us develop more effective methods of API deactivation or elimination from the waste liquors and wastewater. These tests and solutions have prepared us for the implementation of the planned changes in environmental law with regard to API content in treated wastewater.

The **Energy Saving Programme** is a set of technical and organisational measures in the Group to reduce the consumption of heat and electricity. Key activities carried out in 2017 and 2018 included: modernisation and optimisation of technological systems (e.g. central dust extraction, compressed air, chilled water, heat distribution centres), conversion from the existing internal lighting technology to LED in production and warehouse buildings, use of heat recovery systems, and improvement of thermal insulation in heating systems. Thanks to these initiatives, we saved 700 MWh of electricity and 1239 GJ of heat in 2017, and 1340 MWh of electricity and 1488 GJ of heat in 2018, respectively.

Electricity savings



Heat savings



The **Green Process Award** was created to reward employees' efforts that contribute to reducing the company's negative environmental impact (energy and water consumption, waste and wastewater production, air emissions of gases and dust). The programme also provides an opportunity to recognise the employees' competencies, such as creativity, problem solving skills, application of theoretical knowledge in practice, and teamwork. The initiatives are evaluated based on four criteria: environmental benefits, financial benefits, knowledge transfer, and scientific value. The authors of the three best initiatives are rewarded with a financial bonus and points in the MyBenefit cafeteria system, as well as statuettes created by those supported by the SYNAPSIS Foundation.



In 2018, we celebrated the 10th anniversary of the Green Process Award.

129

initiatives submitted in 2009-2018

approx. pln 18

million benefits from submissions to date

In 2017-2018, our employees submitted 31 initiatives.

In 2018, after fulfilling numerous criteria set out by the Foundation for Ecological Education, the Trade Office in Warsaw received the **Green Office certificate**. The Group's other locations also meet these environmental criteria. We organise events to promote environmental protection. Since 2014, we have shared our knowledge and best practices with other companies from Poland during a series

of meetings called **"Let's talk about the environment"**. During the **Green Week**, Polpharma employees get practical tips on how to prevent food waste, travel in an eco-friendly way, mitigate the problem of smog and low-stack emissions, properly segregate household waste, and save energy and water at home.



We take steps to minimise our **carbon footprint**, reduce energy consumption, improve transport efficiency (including passenger transport), monitor our suppliers for compliance with the Sustainable Supply Chain Policy, and use proper waste management practices.

107,034.32 t CO<sub>2</sub>

Polpharma Group's carbon footprint in 2017

112,349.15 t CO<sub>2</sub>

Polpharma Group's carbon footprint in 2018

In 2018, we looked into the possibility of a broader use of solutions that are in tune with the concept of **circular economy** and the BS 8001 standard. We analysed our waste, packaging, water, energy, and supplier policies to see how they could be aligned. The result of this review is a list of recommended measures to be taken in the coming years.

These include:

- » inclusion of environmental criteria in the supplier selection process
- » efforts to achieve the "zero waste to landfill" goal, i.e. not to generate any waste that is disposed to a landfill
- » reducing the use of disposable packaging (procurement, canteens, events)
- » educating employees on sustainable consumption

We also carried out a diagnosis of Polpharma Group's maturity to meet the circular economy targets and it was classified as level 2. This means that we have defined and started implementing measures to meet the key circular economy principles. These include waste recovery and recycling, solvent recovery, use of unit packages made from waste paper, and implementation of the Energy Saving Programme.

## Level of the organisation's maturity based on BS 8001

4

OPTIMISING  
NEW BUSINESS MODELS

3

ENGAGED  
PRODUCT AND PROCESS INNOVATIONS

Implementation of innovative solutions in business processes directly related to the product or service supplied

2

↑ **IMPROVED  
PROCESS IMPROVEMENT**

The organisation has defined and started implementing measures for all key principles

1

BASIC

The organisation has taken the first steps by identifying key areas of influence and is implementing the first strategic projects

0

UNFORMED

The measures taken by the organisation are relatively limited, typically to waste-related activities arising from legal obligations

## Sustainable supply chain

In 2017-2018, we continued to implement the **Sustainable Supply Chain Strategy** announced in 2015.

It is based on the Polpharma Group Code of Conduct for Suppliers which reflects our values and standards recognised by the international community. The suppliers' willingness to run their business in accordance with the Code's requirements is one of the prerequisites for becoming a Polpharma supplier.

The Code also describes our expectations towards suppliers in the following areas:

- » Employment conditions and employee rights
- » Occupational health and safety
- » Product safety and quality
- » Environmental impact
- » Management and ethics
- » Human and animal studies

In 2017, we developed a tool for supplier verification and risk assessment in the supply chain. Suppliers were divided into five groups, based on their importance for maintaining business continuity at Polpharma Group. The review is performed periodically and is based on three basic criteria:

- » level of compliance with Polpharma Group's Code of Conduct for Suppliers, including evaluation of the risks of non-compliance
- » the supplier's country of origin
- » annual sales with the supplier

Since 2018, we have conducted an additional regular review of our key suppliers using a self-evaluation questionnaire. In the first year, 64% of our key suppliers scored positively on these items. Based on the information collected, only one key supplier did not meet the Code requirements.

In 2017-2018, we started preparing for the implementation of the ISO 20400 – Sustainable Procurement Guidance.

As part of our preparations we:

- » adopted the Sustainable Supply Chain Policy, which prevails over the purchasing procedures
- » updated the Company's documents to ensure they are consistent with the Policy
- » drew up the Supplier Code of Conduct
- » developed a deviation procedure for suppliers who have not signed a declaration of commitment to comply with the Code
- » initiated a periodical review process for all suppliers to classify them into the appropriate risk group
- » incorporated the sustainable supply chain criteria in the bid analysis in all purchasing areas
- » developed tools to support the development of suppliers in the areas regulated by the Polpharma Group Code of Conduct for Suppliers
- » incorporated the sustainable supply chain criteria in the annual review of all Procurement Department employees

Our Sustainable Supply Chain measures also include regular educational workshops for our suppliers. In 2017, we held a conference in Warsaw to educate and share our experiences, as well as to provide practical support to suppliers adjusting to the Code's requirements. In 2018, we invited our suppliers to attend a workshop on the importance of business values, held in Warsaw and Gdańsk.

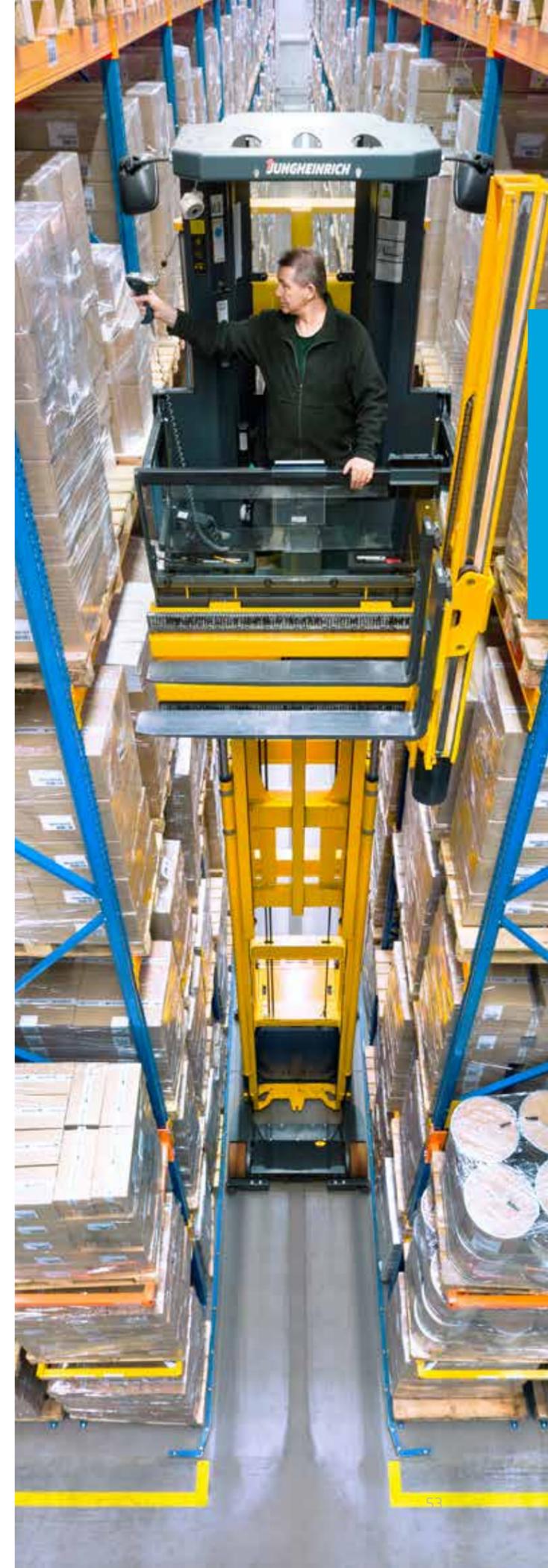
# 120

suppliers took part in the knowledge exchange forum in 2017.

# 110

suppliers attended our meetings in 2018.

We have also launched an online platform for our suppliers ([www.dostawca.polpharma.pl](http://www.dostawca.polpharma.pl)). It provides key information on supply chain sustainability and an e-Learning training module. The module contains a detailed description of our requirements in each area of the Code and how to implement them, as well as useful tools. The e-learning module is available in Polish, English, and Russian.



## Sustainable supply chain in numbers:



8,089

suppliers working with the Group's Polish companies in 2018



3,919

suppliers underwent a review and risk assessment in 2017



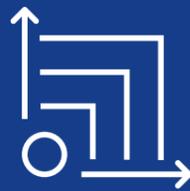
78%

of our suppliers come from Poland (data for 2018)



100%

of our suppliers received the Code of Conduct for Suppliers



230

suppliers participated in our workshops in 2017-2018



Our suppliers include:

- » manufacturers of machinery, equipment, input materials and packaging
- » transport companies
- » logistics centres
- » non-manufacturing, marketing, and engineering service providers
- » waste treatment companies

The vast majority of our suppliers are from Poland. The other countries where more than 100 of our suppliers are based include Germany, Bulgaria, the UK, and Lithuania.

The success of the supply chain sustainability project has been possible thanks to the commitment of our employees. We have appointed a team of coordinators in each Procurement Department and experts on quality, OHS, the environment, and ethics to implement the necessary measures. These employees attend educational meetings, are involved in the creation of tools and solutions and in building relations with our suppliers. The project group submits an annual report on its activities to the Sustainable Supply Chain Steering Committee.



**Serving patients  
and our  
communities**



## Pharmaceutical security in Poland

As the largest Polish pharmaceutical company, Polpharma plays a key role in ensuring Poland's pharmaceutical security. This means that we ensure a continuous supply of products in key therapeutic groups, and provide Polish patients with access to modern therapies at affordable prices. We are Poland's only large-scale manufacturer of both active pharmaceutical ingredients and finished dosage forms. This allows us to be less dependent on the raw materials offered by third-party suppliers and mitigate the associated risks.

- » We supply the domestic market with 266 products (brands)\* used in the treatment of the most common health problems. Including all dosage forms and package sizes, our Polish portfolio features a total of 816 SKUs\*\*.
- » We have a 13% share in the reimbursable drug market in volume terms, and only a 6% share in value terms (2018 data).
- » 1 in 8 medicine packages sold in Polish pharmacies and 1 in 3 packages used in Polish hospitals come from the Polpharma Group.
- » We maintain the production of 42 medicinal products, including life-saving ones, for which there are no substitutes on the Polish market.
- » We are Poland's only large-scale manufacturer of 42 active pharmaceutical ingredients used as raw materials in the production of finished dosage forms.
- » We participate in the supply of medications for strategic military reserves.

\* A brand is a product category that does not differentiate between the pharmaceutical form, dosage, or package size.

\*\* SKU is a product category which differentiates between the pharmaceutical form, dosage and package size; the numbers quoted above refer to products for which the marketing authorisation holders are Zakłady Farmaceutyczne Polpharma S.A., Medana Pharma S.A., Polfa Warszawa S.A., as well as products of Herbapol-Lublin, to which Polpharma Biuro Handlowe Sp. z o.o. provides sales and marketing services.

## Health Education and Preventive Care

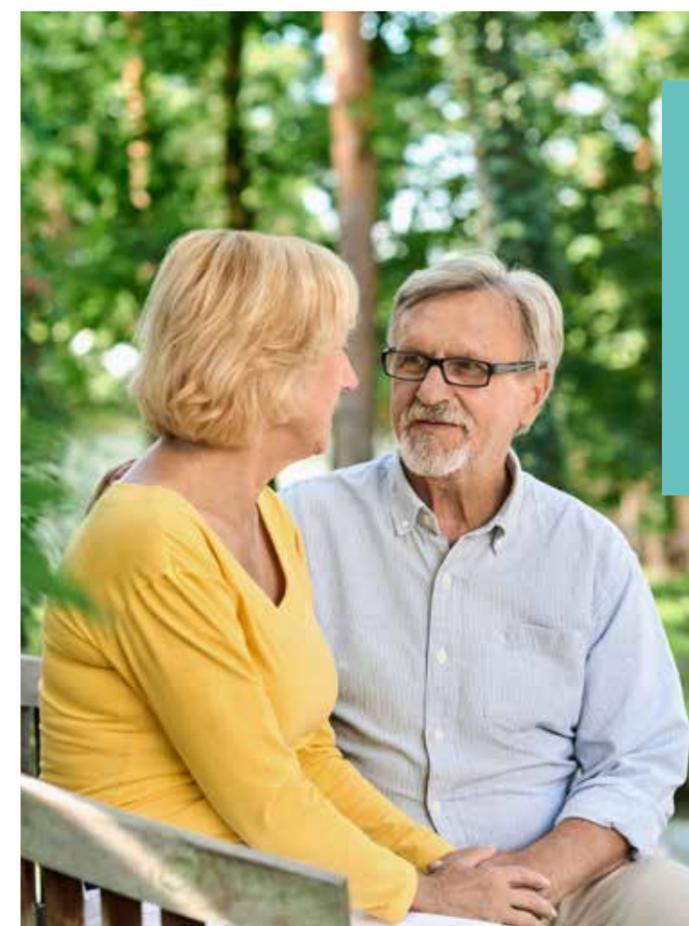
With the aging population and the growing pace of life, health prevention and early disease detection are becoming increasingly important. To meet the emerging needs in this field, we run preventive care programmes and develop websites for the general public offering education and advice.



In 2018, we implemented the National Programme for the Detection of COPD. It involves screening tests conducted throughout Poland to improve the efficacy of diagnosing chronic obstructive pulmonary disease. Screening is accompanied by educational campaigns to raise awareness of this condition.

Public awareness of COPD is still very low. What makes it difficult to diagnose is the fact that it may not present any specific symptoms at first and can be easily mistaken for another disorder. Spirometry is required to confirm the diagnosis of COPD. Although it is a simple procedure, it is performed too rarely. The number of spirometry examinations must be increased. To facilitate patient access to this test, we have established a partnership under the National Programme for the Detection of COPD with a Polish startup company called HealthUp, the creator of the comprehensive spirometry system AioCare.

We have provided primary care physicians with AioCare spirometry devices and access to a smart mobile app. The AioCare System allows doctors to easily and quickly perform the examination, whether at the office or during a home visit. In 2018, we carried out a joint pilot project at 20 primary care physicians' offices. The results of the



exam performed in 260 patients were alarming: as many as 38% of previously undiagnosed patients had a bronchial obstruction, which is a common sign of COPD. Following the successful pilot, more mobile AioCare devices have been distributed throughout the country since November 2018 (400 pieces in total).



**CIŚNIENIE  
NA ŻYCIU**

Pressure For Life is the largest national educational campaign on hypertension in Poland. The 2017/2018 edition of the programme focused on first aid in myocardial infarction. Education was provided not only through the media but also in practical workshops where patients, pharmacists, doctors, and journalists were taught how to react and use every minute if a heart attack is suspected.

Campaign outcomes from December 2012 until the end of 2018:

- » **250** locations visited across the country
- » **More than 380,000** people had their blood pressure measured
- » **850,000** copies of educational materials distributed



**STREFA  
NA ZDROWIE  
POLPHARMY**

Since 2012, we have been running the Health Zone Programme offering easier access to medical examinations and specialist consultations to patients over 40 years of age living in small towns and villages. This is probably the largest initiative offering free medical check-ups and consultations to patients in Poland.

2017:

- » **12** towns and cities
- » **More than 2,000** patients
- » **Over 3,300** examinations

2018:

- » **8** cities
- » **Approx. 4,000** patients
- » **Nearly 4,500** examinations and consultations

We run educational and product-related websites, as well as themed social media channels/profiles. The content published on these websites is practical, credible, exhaustive, and up-to-date.

- » 52 websites
- » Nearly 8,000,000 unique visitors in 2017-2018

#### Most popular websites:

- » [www.biotebal.pl](http://www.biotebal.pl)
- » [www.odetchnijspokojnie.pl](http://www.odetchnijspokojnie.pl)
- » [www.abcmigrena.pl](http://www.abcmigrena.pl)
- » [www.ibufen.pl](http://www.ibufen.pl)
- » [www.mojeoczy.pl](http://www.mojeoczy.pl)



YouTube channels (with a total of more than **8,500** subscriptions)



Facebook pages (with a total of more than **1,000,000** followers)



Instagram profiles (with a total of more than **11,000** followers)

## Local community development

We want to participate in the life of the communities where we operate. It's an important part of our CSR Strategy reflected by our motto: "People helping people". To Polpharma Group, community engagement means efforts and activities in the field of education, disease prevention, and promotion of a healthy lifestyle.

The **Employee Volunteering Programme** has been developed at Polpharma Group since 2013. Each year, we finance 20 most interesting projects submitted by our employees in the following categories:

- » health and preventive care
- » quality of life improvement
- » education and equal opportunities
- » humanitarian aid
- » local development and ecology
- » animal support (since 2018)

Our employees can also participate in the "Letters to Santa" campaign. Each year, some 300 staff members get involved and prepare Christmas presents for children living in child-care homes and orphanages in response to their "letters to Santa".

In 2018, a meeting was held for our volunteers, providing them with an opportunity to meet their colleagues from other parts of the country to exchange experiences and share their inspiration. We also invited volunteering specialists to share their knowledge. The workshop involved group work and encouraged the participants to come up with new ideas on how employee volunteering could be developed. The meeting was hosted in cooperation with the Ashoka Polska Foundation.



Volunteering  
in numbers  
(2017-2018)

From the beginning of  
the competition in 2013  
until the end of 2018



315

volunteers

815

volunteers



4,862

hours worked

15,484

hours worked



2,841

beneficiaries

18,401

beneficiaries

The **Calm Parent Island** is a programme which we run together with the Dajemy Dzieciom Się Foundation at the Children's Memorial Health Institute in Warsaw and the University Clinical Centre in Gdańsk. It is addressed to children requiring prolonged hospitalisation and their parents. The participants receive support from psychologists and volunteers who help them with everyday needs and organise meetings, events as well as support groups. Interactive information points have been launched in the hospital to give parents access to the materials they need. Together with psychologists, we have created the "Calm Parent Guide".

Programme outcomes (2017-2018):

- » **700** children received assistance from volunteers
- » **560** hours of volunteer on-call time at hospitals
- » **325** parents received support
- » **928** hours of psychologist on-call time



## Development Initiation Fund and the Development Initiation Forum

The **Development Initiation Fund** is an intersectoral partnership co-founded by Polpharma Group to support local communities in the Pomorskie region. It brings together representatives of the business, local governments, and non-governmental organisations. The purpose of the Fund is to provide funding and expertise to support initiatives contributing to the social and economic development of the Pomorskie region.

Thanks to the support received in the 4th edition of the initiative announced in 2018:

- » The Kobiety Wędrownie Foundation addressed the challenges of the social integration of immigrants by implementing a project entitled "Together in the Labour Market"
- » The Miszewo School Friends' Association staged the first performance by the Children's Theatre Jantark
- » The reach of the Sensitive Festival organised by the Zostaw Swój Ślad Foundation was further extended
- » The first Pomeranian social economy brand Zeroban was created, combining ecology and re-employment through the creation of recycled products
- » Landscaping elements were added to the playground in the village of Tuchom

Each year, we provide financial and substantive support to the Development Initiation Forum, which is the largest conference in the Pomorskie region dedicated to building intersectoral partnerships to promote corporate social responsibility and sustainable development.



**Innovation  
and advancing  
knowledge**

# Digital transformation

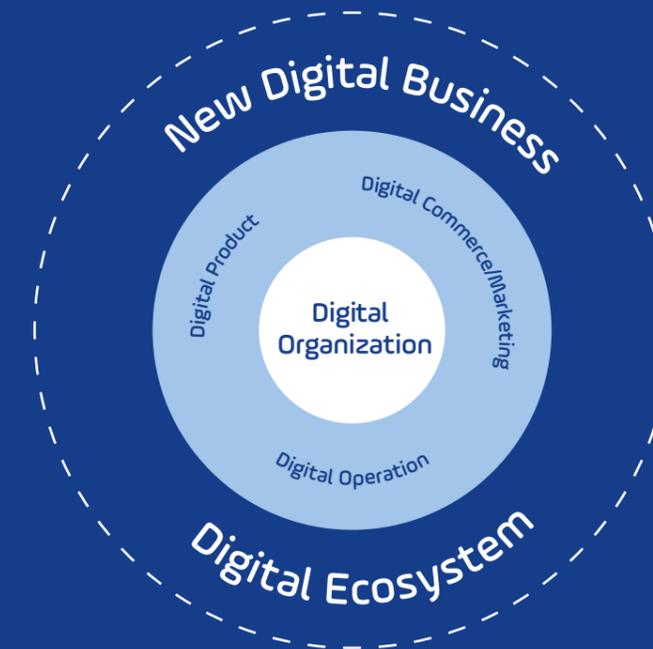
Digital transformation is an important trend in the global healthcare industry. The role of the pharmaceutical industry is changing – it is no longer merely to supply drugs but to support patients in their efforts to prevent diseases and keep in good health.

This is also the direction Polpharma has chosen to follow. We believe that digitisation can help us implement innovative solutions for patients and new models of cooperation with our partners within the health care system. It can also significantly streamline our business processes, enhance performance, and improve communication and teamwork. As the market leader, we are keen to engage in initiatives, such as the Digital Poland Foundation, which aims to promote the digital transformation of Poland and create an innovation-friendly ecosystem.

For transformation purposes, we created Polpharma's digitisation model to help us change our corporate philosophy. We want to make the best use of technologies in the company's everyday business, use new methods of communication, and work as part of interdisciplinary teams. Being digital also allows for continuous learning and quick testing of new ideas. It will help us think out-of-the-box and develop new decision-making processes to adapt to the rapidly changing environment.



# Polpharma's digitisation model:



**Digital Organisation** is the foundation of the transformation process because it encompasses people and their culture, cooperation, communication, support processes provided by HR, IT, Administration or Finance, as well as a modern ways of working.

**Digital Commerce/Marketing** is about our digital presence, image in the market, ways of communicating and building relationships with our stakeholders (e.g. patients, pharmacists, healthcare professionals). It's about finding out how we can work together to better meet the patient's needs.

**Digital Product** refers to digital solutions for our products which add value for patients and healthcare professionals, such as easier drug administration, convenience, or additional support to improve treatment efficacy and patient compliance.

**Digital Operation** refers to the digitalisation of manufacturing and quality management activities, including digital innovations that have an impact on how we carry out key operational processes (manufacturing, supply chain, engineering). It focuses on ensuring availability and high quality of products that are essential for patient health and safety.

**Digital Ecosystem** refers to how we work with the organisations around us (government, business, or scientific) to maximise the added value for our customers and growth opportunities for our company.

**New Digital Business** refers to the search for new business opportunities created by digital healthcare revolution that will help us provide health solutions in a more complementary and integrated way, with a strong focus on preventive care and healthier lives.

Our digital revolution will not become real unless all of our employees are committed to making it happen. Digital transformation is characterised by complexity and rapid change. The key success factor is the proactive role of our staff and the promotion of changes across all of our organisation's locations simultaneously. Therefore, we have invited our employees to work together as part of an informal interdisciplinary digital transformation team. The **Polpharma Digital Community** (PDC) connects people from different departments and different levels of the organisation, breaking down the silos in the company. It is a platform for

discussion and exchange of ideas on the digitisation of our company and the healthcare system. PDC leverages staff potential to create innovation and facilitate information flow. The Community uses MS Teams as its digital cooperation platform. The tool makes online dialogue easy which is crucial considering that members of the Community work in different locations in Poland. In addition, meetings and workshops are held (e.g. Digital Exploitation). The Polpharma Digital Community has become the driver behind the company's digital transformation and generated many initiatives that will be gradually implemented.

## Innovation

For us, innovation is at the core of development. For us, innovation means not only investment in state-of-the-art laboratories or the development of new medicines, but also the everyday improvement of therapies provided to our patients. We develop technological, marketing, and organisational innovations. This helps us improve the form of our products to better meet patient needs, as well as increase operational efficiency, hone our production processes and substance synthesis methods, reduce our environmental impact, and communicate with patients and doctors more effectively. We are continuously developing our R&D facilities and implement innovative technology and scientific solutions. Our strategy is to reinvest profits from the sale of medicines in the development of products that patients need.

approx. 100

members of Polpharma Digital Community representing 40 departments and organisational units from 4 locations

8

themed groups and channels

200

initiatives and ideas supporting the company's digital transformation generated by the Community in 2018 alone



94

R&D projects

92

drug licensing projects being implemented as at the end of December 2018

**Key innovations in our development projects:**



In 2017-2018, we developed an innovative package of ophthalmology medicines. Keeping the patient's best interest in mind, we didn't use preservatives in the product formulation as they may affect the conjunctiva when used long-term. Polpharma Group is the first company in Poland and one of the first ones in Europe to have launched preservative-free multi-dose eye drops. Sterility is maintained thanks to a specially designed air-filter closure and silver ions in the dropper.



We are working on innovative technologies to provide patients with access to modern products in the inhaled medications and the central nervous system categories. Medicines manufactured as a result of this project will be cheaper than those currently available on the market by at least 25-30% depending on the target market. This is particularly important for elderly people who have the highest incidence rate for Chronic Obstructive Pulmonary Disease (COPD), and at the same time, they often struggle financially. For this group of patients, the development of a cheaper drug in optimal pharmaceutical form is a great treatment opportunity.



Following the current guidelines in cardiology, we are working on innovative combinations of two or more molecules in one drug (combo products).

Polpharma Group's investment in Research and Development in Poland:

11%

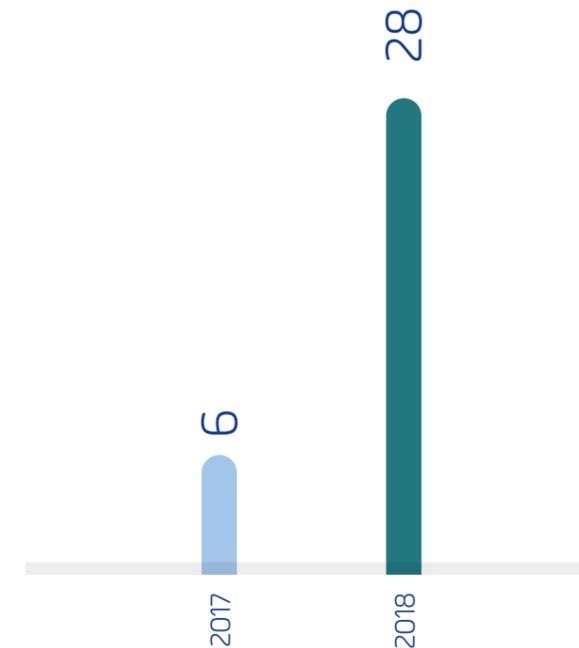
of its revenues in 2017

We also actively sought financing from the European Union to implement our innovative projects. In 2015-2018, we received a total of PLN 120 million of support for 7 projects.

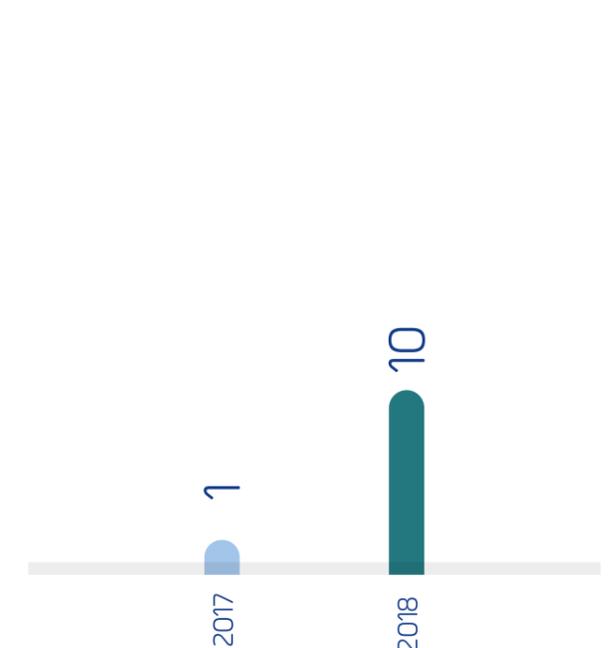
more than 9%

of its revenues in 2018

Number of patent applications:



Patents granted:



As stated by the report of the European Patent Office, we ranked first among Polish companies in 2018 in terms of the number of European patent applications.

**In 2018, we employed 494 people in Research and Development in Poland.**

Mobile apps have great potential to improve healthcare. We want to develop this area within our organisation, while contributing to the implementation of new projects in the Polish medical industry. In 2018, the Polpharma Scientific Foundation ran a new competition in the field of e-health entitled **"Use of mobile technologies in the prevention, diagnosis and treatment of lifestyle diseases"**. We received 45 applications from mobile app developers, from which three winning submissions were selected.

The first place and a cash prize of PLN 100,000 was awarded to Norbert Żotek for an application monitoring the

development of neurological disorders (Parkinson's disease, Alzheimer's disease) using a simple PC and smartphone game.

The second place and a cash prize of PLN 80,000 was awarded to two participants: Łukasz Koltowski for AioCare, a mobile telemedicine system for diagnosing, monitoring, and treatment of patients with lung diseases, and Izabela Rozmiłowska for a mobile application supporting stroke prevention.

## Science-Business Cooperation

The development of a pharmaceutical company relies on constant improvement of technologies, implementation of modern dosage forms, and continuous improvement of knowledge and skills. Cooperation with scientific centres and educational institutions is crucial in this process.

The **Implementation Doctorate Programme** launched by the Ministry of Science and Higher Education, is an opportunity to enhance this cooperation and bring benefits to the company, the researcher, and the university. Addressed to students undertaking their Ph.D. studies, the Programme aims to provide educational opportunities in close cooperation with their employer other businesses, by using company equipment and resources. The main objective of the programme is to ensure that Ph.D. dissertations contribute to improving company operations. The task of the Ph.D. student working under two supervisors, scientific and an industrial, is to solve a technological challenge faced by the company. The student receives a salary from the company and a scholarship from the Ministry of Science and Higher Education.

In 2018, 11 Ph.D. students were enrolled in the programme to work at Polpharma. The doctoral programme is conducted in cooperation with the Medical University of Gdańsk and the University of Warsaw.

In an effort to develop our cooperation with the academic community, together with the Medical University of Gdańsk we have created a **new M.Sc. programme** in Pharmaceutical and Cosmetic Industry. This has allowed us to fill a gap as no university courses had existed in Poland that prepared students for work in the pharmaceutical industry. Traditional pharmaceutical studies focus on educating future pharmacy employees. Our project is a unique initiative in Poland combining theoretical education with industrial practice.

The aim of the new course is to produce graduates who will be well-prepared to work for companies manufacturing medicinal products or cosmetics, including Polpharma. Lectures are held at the Faculty of Pharmacy of the Medical University of Gdańsk. The practical subjects are taught by 24 experts from our company who have also contributed to the curriculum. Also, every student undergoes a 9-week internship at Polpharma's production plants and laboratories. The first class enrolled 33 students who started classes on 1 October 2017, followed by 21 students in the following academic year.

# 54

students enrolled in the Pharmaceutical and Cosmetic Industry course



Together with the Technical Secondary School No. 1 of the Starogard Gdański Economic School Complex, we launched an "laboratory technician" training curriculum in 2016. The learning process relies on a **dual system**, combining theoretical education at school with practical vocational training at the employer. Students have the opportunity to learn in specially adapted laboratories on the company premises. Polpharma's experts have been included in the development of this curriculum and serve as lecturers, sharing their knowledge and practical experience. The 4-year learning

cycle covers at least 750 hours of practical vocational training and 240 hours of apprenticeship. In the school year of 2016/2017, 16 students started first grade (almost three candidates applied for one spot). To meet the emerging needs and adapt to the changes in the labour market, we co-developed the "automation technician" curriculum in 2018. At the beginning of the school year of 2018/2019, 32 students started first grade in both specialties.

Another important aspect of our company's operations is **cooperation with the student community**. It aims to support young people in gaining knowledge, nurturing their interests, and broadening their horizons. It also enables them to get to know with Polpharma and our manufacturing standards, and gain a better understanding of the pharmaceutical industry.

### Support offered as part of this collaboration:

- » Financial and substantive support for conferences and meetings organised by student associations from Poland. In 2017-2018, we supported 24 events.
- » The Knowledge Pharm – a series of scientific and training conferences held since 2007 and addressed to Medicine and Pharmacy students. Each conference consists of a practical part (workshop) and lectures. A tour of the production department is an integral part of each of these events.
- » 336 participants of the Knowledge Pharm programme in 2017- 2018 (217 Pharmacy students, 119 Medicine students).
- » 2,576 participants from the launch of the programme until the end of 2018 (1,653 Pharmacy students, 923 Medicine students).
- » International Conference of Students' Science Clubs of the Medical University of Warsaw – a conference held since 2002 by medical students from Warsaw. It is preceded by a three-week science camp where students complete an internship at outpatient clinics and hospital wards in Starogard Gdański. We have hosted this event since 2003.
- » Visits to Polpharma – each year, we host several groups of university students, students of professional pharmaceutical and medical colleges, as well as secondary school students at our company. We give them an extensive tour of the company, including manufacturing departments, laboratories, and warehouses.
- » The E(x)plory Science Contest – we are a strategic partner of the largest project in Poland which enables young scientists aged 13-20 to create and develop innovative ideas, broaden their knowledge, and exchange experiences with other science enthusiasts.

The Polpharma Scientific Foundation is engaged in the provision of long-term support for Polish science. It offers financial support to Polish scientists to pursue our mission reflected by the motto: "We support people of science". The Foundation's flagship programme is its annual grant competition. Since the Foundation's establishment in 2001, 72 research grants have been awarded, with a total value of PLN 21,269,422.

2017 r.

2 grants totalling

pln 1,065,800

2018 r.

2 grants totalling PLN 1,148,840)

pln 1,148,840

Additionally, the Foundation grants scientific scholarships to Ph.D. students of medical universities and the Postgraduate Medical Education Centre (a grant recommended for young scientists and members of the Medical Science Society), and supports the National M.Sc. Thesis Competition for Pharmacy Students.

## Educational initiatives for physicians and pharmacists

We support continuing education of doctors and pharmacists, e.g. by organising and supporting conferences, workshops, and debates.

The **European Educational Programme (EEP)** is Polpharma's original programme launched in 2002 which aims to provide physicians and pharmacists with information on the latest advancements in science. The EEP offers workshops in many fields of medicine, as well as central

conferences, including for primary care physicians (since 2012) and for ophthalmologists, dermatologists, gynaecologists and pulmonologists (since 2013). Every year, each of our central conferences is attended by 400 to 800 physicians.

more than **9,500** **4.45**

physicians participated in central EEP conferences Between 2012 and 2018

(on a scale from 1 to 5) is the average score of the lecture content



### Physician conferences

Internal conferences

2017 r.

31 conferences

5,940 participants

2018 r.

49 conferences

6,548 participants

External conferences

2017 r.

102 conferences

2,242 participants

2018 r.

142 conferences

5,116 participants

Since 2005, we have also organised EPE conferences for pharmacists.



### Conferences for Pharmacists

2017 r.

18 conferences

2,376

pharmacists and  
pharmacy managers

2018 r.

16 conferences

2,142

pharmacists and  
pharmacy managers



We also educate doctors using state-of-the-art technologies. Polpharma.tv was launched in late 2016 as a VOD platform for physicians and pharmacists, and patients. In 2018, it was transformed into a platform dedicated to doctors and pharmacists only.

As at the end of 2017: As at the end of 2018:

40

lectures available online

60

lectures available on the platform

approx. 3,000

registered users

over 5,400

registered users

17,000

views

39,000

total content views

In 2015, as part of its targeted efforts to promote patient compliance, the Polpharma Scientific Foundation published a **textbook for medical students and physicians in specialty training** entitled "Nieprzestrzeganie zaleceń terapeutycznych. Od przyczyn do praktycznych rozwiązań" (Patient Non-Compliance. From Root Causes to Practical Solutions).

A total of 8,000 copies of the textbook were published and distributed to libraries at medical universities, science institutes, scientific associations, and directly to students and doctors. The publication is also available on the Foundation's website [www.polpharma.pl/fundacja](http://www.polpharma.pl/fundacja).



## About the report

Polpharma Group's Corporate Social Responsibility Report for 2017-2018 has been drawn up in accordance with GRI Standards: Core Option and submitted for an independent external assurance. It covers the results from 1 January 2017 to 31 December 2018 for the following Polpharma Group companies and divisions in Poland: Zakłady Farmaceutyczne Polpharma SA with the Manufacturing Plant in Nowa Dęba, Manufacturing Plant in Duchnice, Biotechnology Division in Gdańsk; Medana Pharma S.A.; Polfa Warszawa S.A. with Research and Development Department; Polpharma Biuro Handlowe Sp. z o.o., as well as Centrum Usług Nowoczesnych Sp. z o.o. and ZFP Inwestycje Sp. z o.o. This report does not include data on Ipochem.

The organisation reporting on behalf of these companies is Zakłady Farmaceutyczne Polpharma SA. The names "Polpharma Group" and "Polpharma" are used in the report interchangeably and refer to the companies listed above.

This is Polpharma's fourth CSR report. The previous CSR report covered 2015-2016 and was published in December 2017. The Group's reports are prepared once every two years. The Report's contents were defined by the company's representatives and external stakeholders. The report was prepared on the basis of the updated CSR strategy. The materiality of each of the topics covered for the company was determined during a meeting of the management, which took place in May 2019, and on the basis of the results of the employee survey the company's CSR strategy taken by 725 participants. The materiality of the topics for external stakeholders was defined at the Foresight CSR meeting held on 11 June 2019 in Warsaw. During the meeting, representatives of 11 stakeholder groups defined the roles, responsibilities, and tasks to be adopted by Polpharma Group as Poland's pharmaceutical industry leader.

To define the report contents, the authors also referred to internal policies and strategies, previous company reports, CSR reports of other pharmaceutical companies, and key issues for the sector.

### Key aspects for external stakeholders:\*

- » financial performance
- » indirect economic impacts
- » anti-corruption
- » prevention of anti-competitive behaviours
- » transparency of the company's operations
- » use of materials and raw materials
- » energy consumption
- » water consumption
- » waste and wastewater management
- » compliance with environmental regulations
- » employment
- » Occupational Health and Safety
- » employee training and education
- » diversity and equal opportunity
- » respect for human rights
- » customer health and safety
- » marketing and labelling
- » customer privacy
- » medical education for physicians
- » the company development in the evolving pharmaceutical industry
- » robotic automation of manufacturing processes

### Key aspects for internal stakeholders:\*\*

- » financial performance
- » indirect economic impacts
- » ethics programme
- » anti-corruption
- » prevention of anti-competitive behaviours
- » use of materials and raw materials
- » energy consumption
- » water consumption
- » waste and wastewater management
- » compliance with environmental regulations
- » employment
- » Occupational Health and Safety
- » employee training and education
- » diversity and equal opportunity
- » respect for human rights
- » customer health and safety
- » marketing and labelling
- » customer privacy
- » employee volunteering
- » culture of quality
- » community engagement
- » health education and preventive care
- » dual education and collaboration with the scientific community

\* These aspects are important for all stakeholders outside the organisation.  
 \*\* These aspects are important within the organisation.

## Tables with GRI numeric indicators

### Raw materials/materials used\*

|                               | 2017   | 2018   |
|-------------------------------|--------|--------|
| Raw materials used [Mg]       | 7,027  | 6,922  |
| Packaging materials used [Mg] | 7,054  | 8,054  |
| Solvents used [Mg]            | 1,802  | 2,040  |
| Total [Mg]                    | 15,883 | 17,016 |

### Percentage of recycled input materials\*

|  | 2017   | 2018   |
|--|--------|--------|
| Materials and raw materials used [Mg]                  | 15,883 | 17,016 |
| Recycled materials used in the production process [Mg] | 4,473  | 4,726  |
| Percentage of recycled input materials                 | 28.2%  | 27.8%  |

### Direct energy consumption within the organisation\*

#### Energy consumption from non-renewable sources by fuel type [GJ]

| Fuel type                         | 2017       | 2018       |
|-----------------------------------|------------|------------|
| Natural and coke oven gas         | 61,917     | 61,777     |
| Diesel fuel                       | 96,163     | 96,723     |
| Coal                              | 0.0        | 0.0        |
| Purified natural gas and gasoline | 0.26       | 0.31       |
| Total                             | 158,080.26 | 158,500.31 |

#### Energy consumption by type of energy [GJ]

| Type of energy | 2017    | 2018    |
|----------------|---------|---------|
| Cooling energy | -       | -       |
| Heat energy    | 367,442 | 362,408 |
| Electricity    | 242,363 | 262,580 |
| Steam          | -       | -       |
| Total          | 609,805 | 624,988 |

#### Energy sales by type of energy [GJ]

| Type of energy | 2017  | 2018  |
|----------------|-------|-------|
| Heat energy    | 2,134 | 2,252 |

\* Data exclusive of Centrum Usług Nowoczesnych Sp. z o.o. and ZFP Inwestycje Sp. z o.o.

## Reduction of energy consumption\*

### Reduction of energy consumption [GJ]

| 2017  | 2018  |
|-------|-------|
| 3,773 | 6,319 |

### Reduction of energy consumption by type of energy [GJ]

| Type of energy | 2017  | 2018  |
|----------------|-------|-------|
| Heat energy    | 1,239 | 1,488 |
| Electricity    | 2,534 | 4,831 |
| Total          | 3,773 | 6,319 |

All calculations are based on direct measurements monitored under the Energy-Saving Programme.

## Total water withdrawal\*

### Water withdrawal by source [m<sup>3</sup>]

| Water source    | 2017      | 2018      |
|-----------------|-----------|-----------|
| Groundwater     | 484,197   | 498,119   |
| Surface water   | 2,887,689 | 3,114,217 |
| Water companies | 276,592   | 259,677   |
| Total           | 3,648,478 | 3,872,013 |

## Total wastewater discharge\*

### Wastewater by discharge site [m<sup>3</sup>]

| Wastewater discharge site          | 2017      | 2018      |
|------------------------------------|-----------|-----------|
| Municipal water and sewage company | 264,087   | 255,734   |
| Rivers                             | 3,196,288 | 2,331,782 |
| Total                              | 3,460,375 | 2,587,516 |

## Total weight of waste\*

### Waste by type and disposal method [Mg]

| Disposal method | 2017  |           |       | 2018  |           |       |
|-----------------|-------|-----------|-------|-------|-----------|-------|
|                 | Safe  | Hazardous | Total | Safe  | Hazardous | Total |
| Recovery        | 1,135 | 295       | 1,430 | 858   | 440       | 1,298 |
| Recycling       | 1,222 | 0         | 1,222 | 1,245 | 0         | 1,245 |
| Landfill        | 180   | 18        | 198   | 267   | 19        | 286   |
| Incineration    | 72    | 431       | 503   | 236   | 332       | 568   |
| Other           | 24    | 304       | 328   | 67    | 286       | 353   |
| Total           | 2,633 | 1,048     | 3,681 | 2,673 | 1,077     | 3,750 |

Waste in the "Other" category (safe and hazardous) is disposed of by third parties.

## Fines and non-financial sanctions for non-compliance with environmental laws and regulations\*

### Amount of fines for non-compliance with the law and/or environmental regulations [PLN]

| 2017   | 2018 |
|--------|------|
| 2099** | 0    |

\*\* The permissible level of impurities in treated effluents discharged to Wierzyca River in 2017 was exceeded.

## Employment

### Employment by gender and type of contract [number of individuals]

| Type of contract    | 2017  |       |       | 2018  |       |       |
|---------------------|-------|-------|-------|-------|-------|-------|
|                     | Men   | Women | Total | Men   | Women | Total |
| Open-ended contract | 1,829 | 2,237 | 4,066 | 1,913 | 2,384 | 4,297 |
| Fixed-term contract | 273   | 393   | 666   | 368   | 429   | 797   |
| Total               | 2,102 | 2,630 | 4,732 | 2,281 | 2,813 | 5,094 |

### Employment by gender and basis of employment [number of individuals]

| Basis of employment | 2017  |       |       | 2018  |       |       |
|---------------------|-------|-------|-------|-------|-------|-------|
|                     | Men   | Women | Total | Men   | Women | Total |
| Part-time           | 24    | 17    | 41    | 23    | 25    | 48    |
| Full-time           | 2,078 | 2,613 | 4,691 | 2,258 | 2,788 | 5,046 |
| Total               | 2,102 | 2,630 | 4,732 | 2,281 | 2,813 | 5,094 |

Less than 1% of all employees are employed outside the organisation.

## Employment of new staff members

### Employment of new employees by gender and age [number of individuals]

| Age   | 2017 |       |       | 2018 |       |       |
|-------|------|-------|-------|------|-------|-------|
|       | Men  | Women | Total | Men  | Women | Total |
| < 30  | 124  | 185   | 309   | 164  | 196   | 360   |
| 30-50 | 160  | 171   | 331   | 201  | 185   | 386   |
| 50+   | 11   | 9     | 20    | 12   | 7     | 19    |
| Total | 295  | 365   | 660   | 377  | 388   | 765   |

\* Data exclusive of Centrum Usług Nowoczesnych Sp. z o.o. and ZFP Inwestycje Sp. z o.o.

#### Percentage of newly hired employees (by gender and age)

| Age   | 2017 |       |       | 2018 |       |       |
|-------|------|-------|-------|------|-------|-------|
|       | Men  | Women | Total | Men  | Women | Total |
| < 30  | 0.46 | 0.49  | 0.48  | 0.51 | 0.44  | 0.47  |
| 30-50 | 0.12 | 0.1   | 0.11  | 0.14 | 0.1   | 0.12  |
| 50+   | 0.02 | 0.02  | 0.02  | 0.02 | 0.01  | 0.02  |
| Total | 0.14 | 0.14  | 0.14  | 0.16 | 0.14  | 0.15  |

#### Employees whose employment has been terminated, by gender and age [number of individuals]

| Age   | 2017 |       |       | 2018 |       |       |
|-------|------|-------|-------|------|-------|-------|
|       | Men  | Women | Total | Men  | Women | Total |
| < 30  | 41   | 39    | 80    | 45   | 43    | 88    |
| 30-50 | 104  | 89    | 193   | 115  | 116   | 231   |
| 50+   | 20   | 33    | 53    | 42   | 37    | 79    |
| Total | 165  | 161   | 326   | 202  | 196   | 398   |

#### Employee turnover ratio (by gender and age)

| Age   | 2017 |       |       | 2018 |       |       |
|-------|------|-------|-------|------|-------|-------|
|       | Men  | Women | Total | Men  | Women | Total |
| < 30  | 0.15 | 0.1   | 0.12  | 0.14 | 0.1   | 0.11  |
| 30-50 | 0.08 | 0.05  | 0.06  | 0.08 | 0.06  | 0.07  |
| 50+   | 0.04 | 0.06  | 0.05  | 0.09 | 0.07  | 0.08  |
| Total | 0.08 | 0.06  | 0.07  | 0.09 | 0.07  | 0.08  |

### Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of fatal work accidents\*

#### Lost working days by gender

| Gender | 2017 | 2018 |
|--------|------|------|
| Women  | 463  | 247  |
| Men    | 220  | 253  |
| Total  | 683  | 500  |

#### Occupational diseases rate (by gender)

| Gender | 2017 | 2018  | Total |
|--------|------|-------|-------|
| Women  | 0.0  | 0.0** | 0.0   |
| Men    | 0.0  | 0.0   | 0.0   |
| Total  | 0.0  | 0.0   |       |

\* Data exclusive of Centrum Usług Nowoczesnych Sp. z o.o. and ZFP Inwestycje Sp. z o.o.  
 \*\*In 2018, 1 case of occupational disease was identified.

#### Lost working days ratio (by gender)

| Gender | 2017   | 2018   |
|--------|--------|--------|
| Women  | 0.0001 | 0.0    |
| Men    | 0.0001 | 0.0001 |
| Total  | 0.0001 | 0.0001 |

#### Absence rate (by gender) [%]

| Gender | 2017  | 2018 |
|--------|-------|------|
| Women  | 0.07  | 0.04 |
| Men    | 0.04  | 0.04 |
| Mean   | 0.055 | 0.04 |

In 2017, 24 employee accidents were recorded (minor incidents only, including torsion, injury, cut wounds, or fractures) and 1 accident of a non-employee (cut finger injury).

In 2018, 16 employee accidents were recorded (minor incidents only, including torsion, injury, cut wounds, fractures, or neck distortion) and 1 accident of a non-employee (sprained ankle).

### Average hours of training per employee

#### Average hours of training per employee (by gender) [h]

| Gender | 2017 | 2018 |
|--------|------|------|
| Women  | 13.5 | 20.2 |
| Men    | 14.1 | 18   |
| Total  | 13.8 | 19.2 |

#### Average hours of training per employee (by employee category) [h]

| Employee categories     | 2017 | 2018 |
|-------------------------|------|------|
| Managers and executives | 63.6 | 68.5 |
| Individual contributors | 8.9  | 14.2 |
| Total                   | 13.8 | 19.2 |

### Percentage of employees receiving regular performance and career development reviews

#### Percentage of employees receiving regular performance and career development reviews (by gender and employee category) [%]

| Employee categories     | 2017 |       | 2018 |       |
|-------------------------|------|-------|------|-------|
|                         | Men  | Women | Men  | Women |
| Managers and executives | 100  | 100   | 100  | 100   |
| Individual contributors | 99.8 | 100   | 99.9 | 100   |

## Composition of governing bodies and staff by gender and age

### Percentage of supervisory body members (by gender) [%]

| Gender | 2017 | 2017 |
|--------|------|------|
| Women  | 18.5 | 18.5 |
| Men    | 81.5 | 81.5 |
| Total  | 100  | 100  |

### Percentage of supervisory body members (by age) [%]

| Age   | 2017 | 2017 |
|-------|------|------|
| < 30  | 0    | 0    |
| 30-50 | 59.3 | 55.6 |
| 50+   | 40.7 | 44.4 |
| Total | 100  | 100  |

### Percentage of employees (by gender and category) [%]

| Employee categories     | 2017 |       |       | 2018 |       |       |
|-------------------------|------|-------|-------|------|-------|-------|
|                         | Men  | Women | Total | Men  | Women | Total |
| Managers and executives | 5    | 3.9   | 8.9   | 5.1  | 4     | 9.1   |
| Individual contributors | 39.4 | 51.7  | 91.1  | 39.6 | 51.2  | 90.8  |
| Total                   | 44.4 | 55.6  | 100   | 44.8 | 55.2  | 100   |

### Percentage of employees (by age and category) [%]

| Employee categories     | 2017 |       |      |       | 2018 |       |      |       |
|-------------------------|------|-------|------|-------|------|-------|------|-------|
|                         | < 30 | 30-50 | 50+  | Total | < 30 | 30-50 | 50+  | Total |
| Managers and executives | 0    | 7.1   | 1.8  | 8.9   | 0.02 | 7.2   | 1.9  | 9.1   |
| Individual contributors | 13.5 | 58.6  | 18.9 | 91.1  | 15   | 57.4  | 18.4 | 90.8  |
| Total                   | 13.5 | 65.7  | 20.7 | 100   | 15   | 64.7  | 20.3 | 100   |

## GRI content index

| Indicator No.                 | Indicator name   | Reporting status | Comment/ description/ page No. | External review |
|-------------------------------|--|------------------|--------------------------------|-----------------|
| <b>Profile indicators</b>     |  |                  |                                |                 |
| <b>Organisation profile</b>   |  |                  |                                |                 |
| GRI 102-1                     | Name of the organisation                                     | Complete         | 11                             | Yes             |
| GRI 102-2                     | Activities, brands, products, and services                   | Complete         | 12-13                          | Yes             |
| GRI 102-3                     | Location of headquarters                                     | Complete         | 7                              | Yes             |
| GRI 102-4                     | Location of operations                                       | Complete         | 8                              | Yes             |
| GRI 102-5                     | Ownership and legal form                                     | Complete         | 11                             | Yes             |
| GRI 102-6                     | Markets served   | Complete         | 8                              | Yes             |
| GRI 102-7                     | Scale of the organisation                                    | Partial          | 10-11                          | Yes             |
| GRI 102-8                     | Information on employees and other workers                   | Complete         | 85                             | Yes             |
| GRI 102-9                     | Supply chain   | Complete         | 55                             | Yes             |
| GRI 102-10                    | Significant changes to the organisation and its supply chain | Complete         | 52, 82                         | Yes             |
| GRI 102-11                    | Precautionary Principle or approach                          | Complete         | 5, 46                          | Yes             |
| GRI 102-12                    | External initiatives   | Complete         | 24                             | Yes             |
| GRI 102-13                    | Memberships of associations                                  | Complete         | 24                             | Yes             |
| <b>Strategy</b>               |  |                  |                                |                 |
| GRI 102-14                    | Statement from senior decision-maker                         | Complete         | 4                              | Yes             |
| <b>Ethics</b>                 |  |                  |                                |                 |
| GRI 102-16                    | Values, principles, standards, and norms of behaviour        | Complete         | 30                             | Yes             |
| <b>Governance</b>             |  |                  |                                |                 |
| GRI 102-18                    | Governance structure   | Complete         | 11, 18                         | Yes             |
| <b>Stakeholder engagement</b> |  |                  |                                |                 |
| GRI 102-40                    | List of stakeholder groups                                   | Complete         | 25                             | Yes             |
| GRI 102-41                    | Collective bargaining agreements                             | Complete         | 39                             | Yes             |
| GRI 102-42                    | Identifying and selecting stakeholders                       | Complete         | 24                             | Yes             |
| GRI 102-43                    | Approach to stakeholder engagement                           | Complete         | 24, 82                         | Yes             |
| GRI 102-44                    | Key topics and concerns raised                               | Complete         | 82                             | Yes             |
| <b>Reporting practice</b>     |  |                  |                                |                 |
| GRI 102-45                    | Entities included in the consolidated financial statements   | Complete         | 82                             | Yes             |
| GRI 102-46                    | Defining report content and topic boundaries                 | Complete         | 82                             | Yes             |
| GRI 102-47                    | List of material topics                                      | Complete         | 82                             | Yes             |
| GRI 102-48                    | Restatements of information                                  | Complete         | No corrections                 | Yes             |
| GRI 102-49                    | Changes in reporting   | Complete         | No significant changes         | Yes             |
| GRI 102-50                    | Reporting period   | Complete         | 82                             | Yes             |

| Indicator No.                     | Indicator name  | Reporting status | Comment/ description/ page No.  | External review |
|-----------------------------------|---|------------------|---|-----------------|
| GRI 102-51                        | Date of most recent report  | Complete         | 82  | Yes             |
| GRI 102-52                        | Reporting cycle   | Complete         | 82  | Yes             |
| GRI 102-53                        | Contact point for questions regarding the report                                | Complete         | Magdalena Rzeszotalska, Corporate Communications and CSR Director, magdalena.rzeszotalska@polpharma.com | Yes             |
| GRI 102-54                        | Claims of reporting in accordance with the GRI standards                        | Complete         | 82  | Yes             |
| GRI 102-55                        | GRI content index   | Complete         | 89  | Yes             |
| GRI 102-56                        | External assurance  | Complete         | 82  | Yes             |
| <b>Specific indicators</b>        |   |                  |   |                 |
| <b>Economic topics</b>            |   |                  |   |                 |
| <b>Economic Performance</b>       |   |                  |   |                 |
| GRI 103-1                         | Explanation of the material topic and its Boundary                              | Partial          | 6   | Yes             |
| GRI 103-2                         | The management approach and its components                                      | Partial          | 6   | Yes             |
| GRI 103-3                         | Evaluation of the management approach   | Partial          | 6   | Yes             |
| GRI 201-1                         | Direct economic value generated and distributed                                 | Partial          | 11  | Yes             |
| <b>Indirect Economic Impacts</b>  |   |                  |   |                 |
| GRI 103-1                         | Explanation of the material topic and its Boundary                              | Complete         | 14  | Yes             |
| GRI 103-2                         | The management approach and its components                                      | Complete         | 14  | Yes             |
| GRI 103-3                         | Evaluation of the management approach   | Complete         | 14  | Yes             |
| GRI 203-1                         | Infrastructure investments and services supported                               | Complete         | 14  | Yes             |
| <b>Anti-corruption</b>            |   |                  |   |                 |
| GRI 103-1                         | Explanation of the material topic and its Boundary                              | Complete         | 29  | Yes             |
| GRI 103-2                         | The management approach and its components                                      | Complete         | 29  | Yes             |
| GRI 103-3                         | Evaluation of the management approach   | Complete         | 29  | Yes             |
| GRI 205-3                         | Confirmed incidents of corruption and actions taken                             | Complete         | 28  | Yes             |
| <b>Anti-competitive Behaviour</b> |   |                  |   |                 |
| GRI 103-1                         | Explanation of the material topic and its Boundary                              | Complete         | 28  | Yes             |
| GRI 103-2                         | The management approach and its components                                      | Complete         | 28  | Yes             |
| GRI 103-3                         | Evaluation of the management approach   | Complete         | 28  | Yes             |
| GRI 206-1                         | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | Complete         | In 2017-2018, no violation of free competition or monopoly practices was identified                     | Yes             |
| <b>Environmental disclosures</b>  |   |                  |   |                 |
| <b>Materials</b>                  |   |                  |   |                 |
| GRI 103-1                         | Explanation of the material topic and its Boundary                              | Complete         | 46  | Yes             |
| GRI 103-2                         | The management approach and its components                                      | Complete         | 40  | Yes             |
| GRI 103-3                         | Evaluation of the management approach   | Complete         | 46  | Yes             |
| GRI 301-1                         | Materials used by weight or volume  | Complete         | 83  | Yes             |
| GRI 301-2                         | Recycled input materials used   | Complete         | 83  | Yes             |

| Indicator No.                         | Indicator name  | Reporting status | Comment/ description/ page No. | External review |
|---------------------------------------|---|------------------|--------------------------------|-----------------|
| <b>Energy</b>                         |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 46                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 46                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 46                             | Yes             |
| GRI 302-1                             | Energy consumption within the organisation  | Complete         | 83                             | Yes             |
| GRI 302-4                             | Reduction of energy consumption   | Complete         | 84                             | Yes             |
| <b>Water</b>                          |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 46                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 46                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 46                             | Yes             |
| GRI 303-1                             | Water withdrawal  | Complete         | 84                             | Yes             |
| <b>Effluents and Waste</b>            |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 46                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 46                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 46                             | Yes             |
| GRI 306-1                             | Water discharge by quality and destination  | Complete         | 84                             | Yes             |
| GRI 306-2                             | Waste by type and disposal method   | Complete         | 84                             | Yes             |
| <b>Environmental Compliance</b>       |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 46                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 46                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 46                             | Yes             |
| GRI 307-1                             | Non-compliance with environmental laws and regulations  | Complete         | 85                             | Yes             |
| <b>Social disclosures</b>             |   |                  |                                |                 |
| <b>Employment</b>                     |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 38                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 38                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 38                             | Yes             |
| GRI 401-1                             | New employee hires and employee turnover  | Complete         | 85-86                          | Yes             |
| GRI 401-2                             | Benefits provided to full-time employees that are not provided to temporary or part-time employees                            | Complete         | 38                             | Yes             |
| <b>Occupational Health and Safety</b> |   |                  |                                |                 |
| GRI 103-1                             | Explanation of the material topic and its Boundary  | Complete         | 36                             | Yes             |
| GRI 103-2                             | The management approach and its components  | Complete         | 36                             | Yes             |
| GRI 103-3                             | Evaluation of the management approach   | Complete         | 36                             | Yes             |
| GRI 403-2                             | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Complete         | 36, 86                         | Yes             |

| Indicator No.                          | Indicator name  | Reporting status | Comment/ description/ page No.   | External review |
|--|---|------------------|--|-----------------|
| <b>Training and Education</b>          |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 38   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 38   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 38   | Yes             |
| GRI 404-1                              | Average hours of training per year per employee   | Complete         | 87   | Yes             |
| GRI 404-2                              | Programs for upgrading employee skills and transition assistance programs                     | Complete         | 39   | Yes             |
| GRI 404-3                              | Percentage of employees receiving regular performance and career development reviews          | Complete         | 87   | Yes             |
| <b>Diversity and Equal Opportunity</b> |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 45   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 45   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 45   | Yes             |
| GRI 405-1                              | Diversity of governance bodies and employees  | Complete         | 88   | Yes             |
| <b>Non-discrimination</b>              |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 45   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 45   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 45   | Yes             |
| GRI 406-1                              | Incidents of discrimination and corrective actions taken                                      | Complete         | 45   | Yes             |
| <b>Customer Health and Safety</b>      |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 32   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 32   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 32   | Yes             |
| GRI 416-1                              | Assessment of the health and safety impacts of product and service categories                 | Complete         | 33   | Yes             |
| GRI 416-2                              | Incidents of non-compliance concerning the health and safety impacts of products and services | Complete         | 33   | Yes             |
| <b>Marketing and Labelling</b>         |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 30   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 34   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 34   | Yes             |
| GRI 417-1                              | Requirements for product and service information and labelling                                | Complete         | 34   | Yes             |
| GRI 417-3                              | Incidents of non-compliance concerning marketing communications                               | Complete         | In 2017, we received one decision of the administrative authority, the Chief Pharmaceutical Inspectorate (GIF), and one decision of the self-regulation body PASMI to stop the advertising questioned. | Yes             |
| <b>Customer Privacy</b>                |   |                  |  |                 |
| GRI 103-1                              | Explanation of the material topic and its Boundary  | Complete         | 33   | Yes             |
| GRI 103-2                              | The management approach and its components  | Complete         | 33   | Yes             |
| GRI 103-3                              | Evaluation of the management approach   | Complete         | 33   | Yes             |

| Indicator No.                   | Indicator name   | Reporting status | Comment/ description/ page No.   | External review |
|---------------------------------|--|------------------|--|-----------------|
| GRI 418-1                       | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Complete         | In 2017-2018, no justified grievances about violations of customer privacy or leak, theft or loss of customer data were recorded.  | Yes             |
| <b>Socioeconomic Compliance</b> |  |                  |  |                 |
| GRI 103-1                       | Explanation of the material topic and its Boundary   | Complete         | 29, 33   | Yes             |
| GRI 103-2                       | The management approach and its components   | Complete         | 29, 33   | Yes             |
| GRI 103-3                       | Evaluation of the management approach  | Complete         | 29, 33   | Yes             |
| GRI 419-1                       | Non-compliance with laws and regulations in the social and economic area                     | Complete         | In 2017, no fines or non-monetary sanctions for non-compliance with the law and/or social and economic regulations were recorded. In 2018, a fine was imposed on Polpharma by the National Sanitary Inspectorate for non-compliance with the labelling requirements of the food supplement "Scorbolamid Kids Hot" 8 sachets. | Yes             |



**INDEPENDENT LIMITED ASSURANCE STATEMENT**

To: The Stakeholders of POLPHARMA GROUP

**Introduction and objectives of work**

BUREAU VERITAS Polska Sp. z o.o. (Bureau Veritas) has been engaged by Zakłady Farmaceutyczne Polpharma SA (Polpharma) to provide limited assurance of its GRI Standards Disclosures, core option, included in its Polpharma Group Social Responsibility Report 2017 - 2018. This Assurance Statement applies to the related information included within the scope of work described below.

**Selected information**

The scope of our work was limited to assurance over GRI Standards general Disclosures and Topic-specific Standards, core option, included in the Polpharma Group Social Responsibility Report 2017 - 2018 (The Report) for the period 1.01.2017 – 31.12.2018.

**Reporting Criteria**

The Selected Information needs to be read and understood together with the sustainability reporting GRI Standards as set out at <https://www.globalreporting.org>.

**Limitations and Exclusions**

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by Polpharma and statements of future commitment).

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

**Responsibilities**

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Polpharma.

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:

- Obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- Form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- Report our conclusions to the Directors of Polpharma.

**Assessment Standard**

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

**Summary of work performed**

As part of our independent verification, our work included:

1. Assessing the appropriateness of the Reporting Criteria for the Selected Information;
2. Conducting interviews with relevant personnel of Polpharma;



3. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
4. Reviewing documentary evidence provided by Polpharma;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing Polpharma systems for quantitative data aggregation and analysis;
7. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.

**Conclusion**

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

**Statement of Independence, Integrity and Competence**

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified<sup>1</sup> Quality Management System which complies with the requirements of ISO 9001:2008, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspection Agencies (IFIA)<sup>2</sup>, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

**Evaluation against sustainability reporting GRI Standards**

Bureau Veritas Polska Sp. z o.o. undertook an evaluation of Polpharma Report against sustainability reporting GRI Standards. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI Standards application option.

Based on our work, it is our opinion that:

- Polpharma Group Social Responsibility Report 2017 - 2018 has been prepared in accordance with the sustainability reporting GRI Standards including appropriate consideration of the Reporting Principles and necessary indicators to meet GRI Standards Core Option.

BUREAU VERITAS Polska Sp. z o.o.

Warsaw, December 2018

Witold Dżugan  
  
 Board Member

<sup>1</sup> Certificate of Registration No. 44 100128145 issued by TÜV NORD CERT GmbH

<sup>2</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition