Sustainability Report

2021

polpharma

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Chapter 1

POLPHARMA GROUP IN POLAND

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Statement from the CEO

LADIES AND GENTLEMEN,

I am happy to present to you the Sustainability Report of Polpharma Group in Poland, which offers an overview of our sustainability achievements in 2021. After many years of reporting in a two-year cycle, we have decided that starting this year we will publish our results on an annual basis, which will allow us to better respond to stakeholder expectations and adapt more quickly to the evolving ESG reporting requirements.

The Report also provides a summary of our CSR Strategy 2019–2021, which was founded on three pillars: serving patients and the general public, ethical business conduct, as well as innovation and advancing knowledge. By implementing this strategy, we have contributed to the achievement of six of the seventeen global UN Sustainable Development Goals and alignment with the ten principles of the United Nations Global Compact, of which we are a member.

2021 marked the second year of the COVID-19 pandemic, which presented our company with new challenges. The successive waves of the disease and a surge in drug demand, as well as disrupted supply chains, required us to take unorthodox measures focused on the security of drug supplies to patients. One in eight medicine packages sold by Polish pharmacies and every third package used in Polish hospitals come from Polpharma's plants. Therefore, ensuring uninterrupted access to essential medicines, especially life-saving hospital products, is a vital part of our responsibility. Owing to effective crisis management, the safety measures put in place and the solidarity and commitment of our team, we were able to maintain the business continuity of our manufacturing plants, respond flexibly to growing demands and deliver medicines to the market without disruption.

I would like to express my utmost gratitude to our employees – those who worked at full capacity in our plants as well as all those who performed their assignments remotely – because we managed to ensure that Polish patients did not run out of the medicines they needed. Thank you for your responsible attitude, demonstrated by your adherence to safety rules, regular antigen testing and participation in the COVID-19 vaccination campaign.

The year 2021 also marked the first year of implementation of Polpharma Group's new 5-year business strategy. Its core elements include launching advanced products adding value for patients while ensuring cost efficiencies and using top-of-class commercial solutions, as well as building a culture of collaboration, openness and responsibility as the driving force of our organisation. I am positive that the implementation of this strategy will support our fast growth, providing more patients with access to modern therapies at affordable prices, and creating new opportunities for our employees to develop in a friendly, inspiring and ambitious company.

So, what new challenges lie ahead of us? The geopolitical situation and macroeconomic environment will certainly have a significant impact on all business branches. Difficulties in accessing energy commodities, inflation, dramatically increasing costs, and more and more apparent effects of climate change are the key issues that we will have to face as a company and as a society. We need to accelerate the energy transition of the Polish economy, invest in renewable sources and look for new ways to improve efficiency. At Polpharma, we also want to follow this path. We are working on a long-term energy strategy that will aim at providing stable, sustainable and cost-effective sources of energy needed to run manufacturing processes, including an increased use of renewable energy, energy efficiency improvements and significantly reduced GHG emissions. I hope to present you with the details of our concept and our first accomplishments in this area in the next report.

In the meantime, I strongly encourage you to read the summary of Polpharma's activities in 2021 and I invite you to join our sustainability dialogue.

KIND REGARDS,

Sebastian Szymanek

CEO

ZAKŁADY FARMACEUTYCZNE POLPHARMA S.A.

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Polpharma in a nutshell

Polpharma is the largest manufacturer of medicines and active pharmaceutical ingredients (APIs) in Poland and a member of one of the largest pharmaceutical groups in Central and Eastern Europe.

We are the Polish national champion and sales leader in the domestic pharmaceutical market.

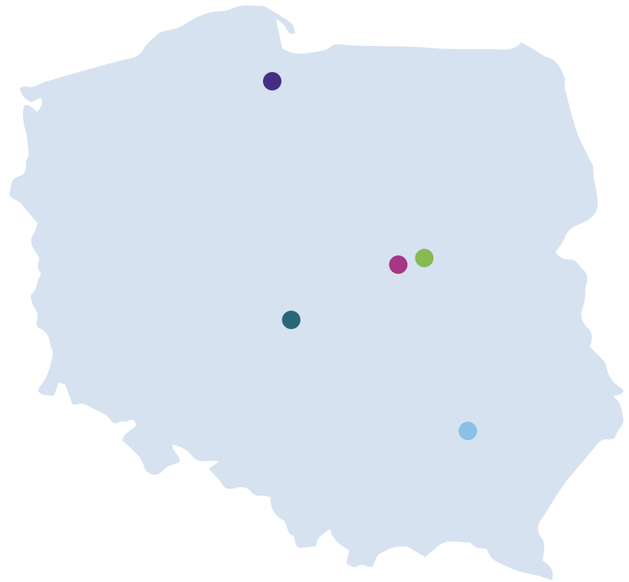
Our history dates back to 1935. Today, we are part of a strong, international pharmaceutical group that offers advanced medicines, substances, and innovative solutions for patients and business partners around the world. Polpharma's medicines help people in more than 30 countries, mainly in Poland, Central and Eastern Europe and Central Asia.

Our APIs, in turn, are exported to over 60 countries, including the highly developed markets of the United States, Japan and Korea.

Based on a broad portfolio of approx. 800 products[1], we are able to support patients in the therapy and prevention of the most common diseases. Our fields of expertise include cardiology, neurology, ophthalmology, pulmonology, and gastroenterology. We collaborate with scientists and constantly invest in new products and advanced technologies to provide patients with innovative therapeutic solutions, as well as give our employees access to state-of-the-art knowledge and broad development prospects.

Polpharma Group in Poland:

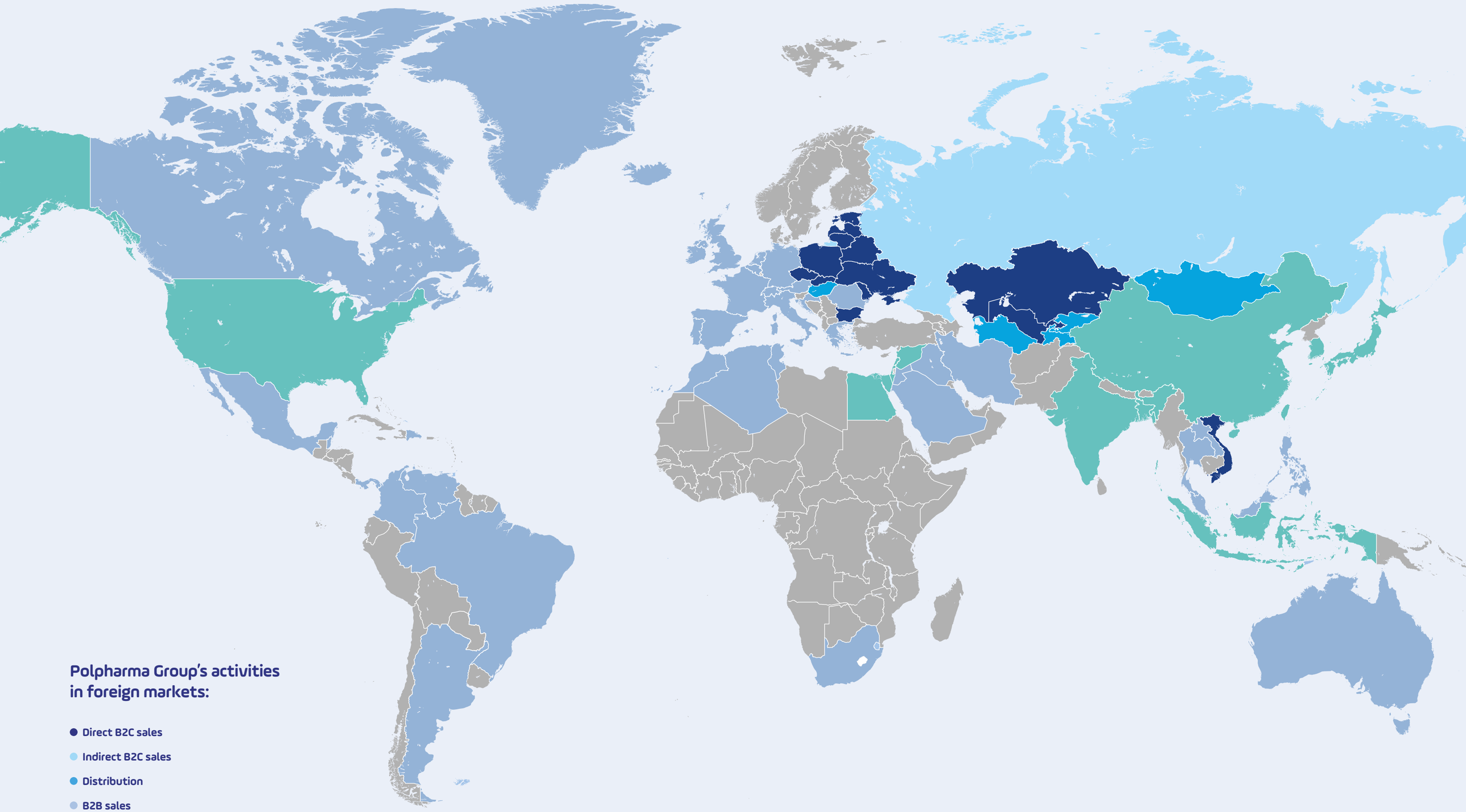
- **STAROGARD GDAŃSKI** head office, laboratory, manufacturing site
- **WARSZAWA** office, laboratory, manufacturing site
- **SIERADZ** laboratory, manufacturing site
- **DUCHNICE** manufacturing site
- **NOWA DĘBA** manufacturing site



Our purpose is:

Helping people to live a healthy life in a healthy world

1 Number of SKUs, i.e. products in various doses, forms and package sizes offered on the Polish market.



Polpharma Group's activities in foreign markets:

- Direct B2C sales
- Indirect B2C sales
- Distribution
- B2B sales
- Sales of active pharmaceutical ingredients (APIs)

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Governance of Polpharma Group companies in Poland as at 31 December 2021

ZAKŁADY FARMACEUTYCZNE POLPHARMA S.A.

Management Board*

Sebastian Szymanek – CEO
Andrzej Dziuban – Member
Philip Fritzsche – Member
Wojciech Rosa – Member

Supervisory Board

Jerzy Starak – Chair
Elżbieta Dzikowska – Secretary
Piotr Bukowski – Member
Georg Nederegger – Member
Markus W. Sieger – Member
Martyna Smentek – Member
Cezary Wielesik – Member
Gabriel Wujek – Member

WARSZAWSKIE ZAKŁADY FARMACEUTYCZNE POLFA S.A.

Management Board**

Krzysztof Raczyński – CEO
Marcin Brodowski – Member
Małgorzata Cegielska-Matysiak – Member
Katarzyna Pacut – Member

Supervisory Board

Gabriel Wujek – Chair
Elżbieta Dzikowska – Vice Chair
Marcin Radoski – Secretary
Paweł Gałecki – Member
Bożenna Kozakiewicz – Member
Mirosław Miara – Member
Mirosław Rak – Member
Sebastian Szymanek – Member

* For bios of Management Board members, see https://polpharma.pl/o-nas/zarzad/.
** For bios of Management Board members of Warszawskie Zakłady Farmaceutyczne Polfa S.A., see https://www.polfawarszawa.pl/wladze-firmy

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Key financials

	2021	2020	Change 2021 vs 2020
Total revenues [million PLN]	3,421.4	3,096.4	+10%
Operating expenses*	-	-	-
Employee wages and benefits [million PLN]	691.7	701.2	-1%
Payments to providers of capital (dividend)*	-	-	-
Payments to government (taxes) [million PLN]	96.0	151.4	-37%
Donations and investments for the benefit of the community [million PLN]	3.7	11.5	-68%

* Data not disclosed due to Polpharma's information policy.

Our impact on the economy

Polpharma is the leader of the Polish pharmaceutical market and has a significant impact on the development of the Polish economy, notably through the taxes paid, its investments in infrastructure and R&D, job creation and spending on goods and services sourced from Polish suppliers.

In 2021, we once again positioned ourselves as national champions – companies that make a particular contribution to the development of the Polish economy. A ranking by the Polityka Insight think tank considers a company's business scale along with its efficiency, role in the industry, international presence, as well as investments in development and innovation. Polpharma ranked fifth overall and first in innovation.

PLN 87.6 million

capital expenditure in 2021

PLN 224 million

R&D spending in Poland in 2021

Tax strategy

The Polpharma Group's tax strategy in Poland, in accordance with applicable regulations, is published on our website at polpharma.pl. The strategy is updated at least once a year. The ultimate responsibility for and supervision over its implementation rest with the management boards of the individual Polpharma Group companies in Poland. Management boards are also responsible for ensuring compliance with all applicable laws, regulations, procedures, and internal guidelines related to taxes. Oversight of tax matters has been delegated to the Head of Tax Department. The tax strategy is one of the considerations we factor in when making significant business and investment decisions.

The Polpharma Group companies in Poland timely meet their obligations to submit tax returns and information, pay their tax liabilities on time, and enjoy tax exemptions and tax credits in accordance with the applicable regulations. In case of any doubts concerning tax regulations, Polpharma Group companies in Poland submit requests for individual rulings to tax authorities. In order to confirm the accuracy of our tax reporting, we also undergo voluntary tax audits carried out periodically by recognised tax advisory firms.

The principles and guidance for management of tax issues are fully aligned with the business interests of Polpharma Group in Poland and are consistent with the Group's established CSR principles.

Awards and recognition

Corporate social responsibility:

- ranked 1st in the Pharmacy and Medicine category and 7th in the general classification of the Responsible Business Ranking 2021 (Ranking Odpowiedzialnych Firm)
- CSR Golden Leaf Award (Złoty Listek CSR) and an additional special distinction – CSR Diamond Leaf (Diamentowy Listek CSR) – from Polityka weekly
- named a Social Responsibility Leader in the Sustainable Economy Diamonds (Diamenty Sustainable Economy) competition
- award in the Ethical Company (Etyczna Firma) competition of Puls Biznesu magazine

Employer:

- ranked first in the Pharmaceuticals and Biotechnology category of Forbes Poland's Best Employers 2021
- ranked third in the Science category of Universum Awards, where students choose the most attractive employers
- distinction in the Large Company category of the Family Friendly Company/Human Friendly Company (Firma Przyjazna Rodzinie/Firma Przyjazna Człowiekowi) competition

Social campaigns:

- three Gold Stevie® Awards in the International Business Awards® competition, and a bronze statuette in the Issue management and crisis communication category of the Gold Paperclips (Złote Spinacze) competition for the Eco-visit – Let's take care of the climate campaign

Economy, innovation:

- fifth in the overall ranking and first in the Innovation category on the list of national champions prepared by Polityka Insight
- Top Industry Diamond (Diament Top Industry) award in the Industrial Production Leader category at the Top Industry Summit
- award for the Polpharma Digital Community in the Digital Capabilities category of Digital Excellence Awards
- Polish Industry Innovation Leader 2021 award (Lider Innowacji w Polskim Przemyśle) at ITM Industry Europe 2021
- award in the DX Trailblazer category of Transformational Leadership Awards 2021

Governance principles

The business strategy of Polpharma Group for 2021–2025 is called From Good to Great. Its objective is to drive a strong growth relying on four key pillars. These are: Innovation as portfolio driver, Cost leadership, Commercialization leadership and Culture as accelerator. Our activities are aligned around a common Purpoes: "We help people to live a healthy life in a healthy world".

Four strategic pillars

Innovation as portfolio driver

- Excellence in complex technologies
- 200 new product launches
- Strategic partnerships

Cost leadership

- Lean organisation
- Digitalisation and automation
- Cost reduction by increasing production volume
- Synergies within the group

Commercialization leadership

- Use of omnichannel in key markets
- Building new competence
- B2B partnerships
- E-commerce growth

Culture as accelerator

- New employee development model
- New corporate values
- Highest ethical standards

Summary of the implementation of the CSR Strategy 2019–2021

2021 was the final year of our CSR Strategy, which was created in 2019 around three pillars: ethical business conduct, serving patients and the general public, and innovation and advancing knowledge. Within these three areas, we made 12 commitments and completed a number of activities. In 2022, we will announce Polpharma's Sustainability Strategy, which will be in effect until 2025.

The activities undertaken as part of our CSR Strategy contributed to six out of the 17 UN Sustainable Development Goals:

1 Ethical business conduct

1.WE REINFORCE CORPORATE ETHICS IN OUR COMPANY AND THE PHARMACEUTICAL INDUSTRY

- We integrated value-based behavioural assessment into everyone's mandatory annual performance review
- We increased the frequency of compulsory ethics training for all employees (once a year)
- We implemented the Global Compliance Policy, the Netiquette in a clear and understandable form (Legal Design) as well as digital ethics and compliance solutions

2. WE ENSURE HIGH PRODUCT QUALITY AND SAFE PHARMACOTHERAPY

- We implemented a serialisation process to protect our products against counterfeiting
- We developed and implemented a process to assess and control the risk of nitrosamine impurities (i.e., potentially carcinogenic contaminants) for all products
- We transformed pharmacovigilance in line with best practice

3. WE ENSURE AND PROMOTE IMPROVED OHS STANDARDS

- We adopted the new Polpharma Group Employee Occupational Safety and Health Policy
- We took numerous preventive measures to protect employees against the SARS-CoV-2 coronavirus infection
- We improved safety standards in production areas due to risk level increase (OEB) for certain substances

4. WE BUILD A CULTURE OF DIALOGUE AND EMPLOYEE ENGAGEMENT

- We implemented annual employee engagement surveys (Pulse Check)
- We made hybrid working model permanent
- We launched development programmes for managers of various levels

5. WE CARE ABOUT THE ENVIRONMENT

- We adopted our new Environmental Protection Policy
- We measured our organisation's carbon footprint in all three scopes
- We conducted climate risk analysis and scenario analysis in accordance with TCFD recommendations

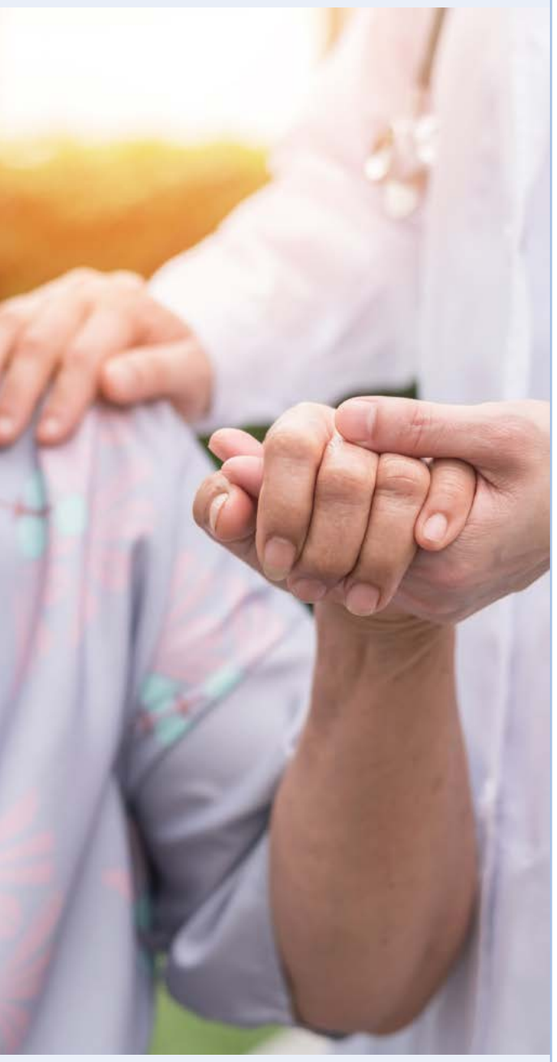
6. WE ARE COMMITTED TO RESPONSIBLE MARKETING

- Together with doctors and pharmacists, we planted 6 biodiverse forests as part of the Eco-visit campaign
- We created the PolpharmaDlaCiebie.pl portal, a comprehensive knowledge base for doctors
- More than 27,000 doctors participated in our workshops and conferences

7. WE BUILD A SUSTAINABLE SUPPLY CHAIN

- We adopted our Sustainable Supply Chain (SSC) Policy in Procurement
- Our purchasing system was verified for conformity to the ISO 20400 Sustainable Procurement standard
- We introduced a new supplier SSC self-assessment survey and published an environmental best practice guide together with it

2 Serving patients and the general public



1. WE ENSURE PHARMACEUTICAL SECURITY IN POLAND

- We ensured uninterrupted access to essential medicines, including hospital and life-saving drugs, during the COVID-19 pandemic
- We implemented solutions to support supply chain management amidst a global crisis
- We provided essential products for the National Vaccination Campaign (sodium chloride for vaccine dilution, anaphylaxis drugs)

2. WE RAISE AWARENESS ABOUT MODERN PROPHYLACTIC MEASURES AMONG PATIENTS AND EMPLOYEES

- We implemented psychological support and health education programmes for employees (Life After Covid / Życie po covidzie, Let's Talk About Health / Porozmawiajmy o zdrowiu)
- Our educational websites and health-related websites for patients were visited by more than 25 million users
- We ran health checks on 5,700 people in our Health Zone campaign

3. WE SUPPORT THE DEVELOPMENT OF LOCAL COMMUNITIES

- We purchased 100 ventilators as pandemic relief for 63 hospitals across Poland
- We were involved in the Act Locally (Działaj Lokalnie) programme in the Starogard Gdański district, creating a dedicated environmental trail
- Our employees worked more than 10,000 hours for various employee volunteering initiatives

3 Innovation and advancing knowledge

1. WE IMPLEMENT INNOVATIVE SOLUTIONS

- We worked on innovative product solutions creating value for patients (preservative-free eye medicines, combination cardiovascular drugs)
- We established the Polpharma Digital Community and implemented a number of digital solutions to improve process efficiencies
- We implemented our new Leonardo employee innovation programme

2. WE FORGE COLLABORATION BETWEEN SCIENCE AND BUSINESS

- Together with scientists from the Institute of Bioorganic Chemistry of the Polish Academy of Sciences, we launched the first Polish test differentiating COVID-19 from influenza and started working towards a breakthrough RNA technology
- We engaged in initiatives to support innovation in the pharmaceutical industry (EIT Health, WHIH)
- We streamlined the entry submission and evaluation process for Polpharma Science Foundation competitions

SUSTAINABILITY MANAGEMENT

In 2021, we set up the Polpharma Sustainability Committee, chaired by a member of the Management Board.

The committee is made up of heads of the company's core business areas. The purpose of this body is to provide strategic oversight, analyse ESG risks, develop recommendations and internal policies, set and review impact goals and indicators. It is also the Committee's responsibility to provide the Management Board and Supervisory Board of Polpharma with reliable and up-to-date information on risks and opportunities in the climate, environment, social and corporate governance areas.

Implementation of 10 Global Compact Principles

HUMAN RIGHTS

Principle 1.
We support and respect the protection of internationally proclaimed human rights.

Principle 2.
We are not complicit in human rights abuses.

Human rights – p. 63 Ethics Programme and values – pp. 80-81 Requirements for suppliers – pp. 82–83

LABOUR

Principle 3.
We uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4.
We support the elimination of all forms of forced and compulsory labour.

Principle 5.
We contribute to the effective abolition of child labour.

Principle 6.
We are committed to the elimination of discrimination in respect of employment and occupation.

Collective bargaining agreements – p. 51 Diversity management – pp. 60–61 Employees with disabilities – p. 62 Requirements for suppliers – pp. 82–83

ENVIRONMENT

Principle 7.
We support a precautionary approach to environmental challenges.

Principle 8.
We undertake initiatives to promote greater environmental responsibility.

Principle 9.
We encourage the development and diffusion of environmentally friendly technologies.

Management system and initiatives to reduce environmental impacts – pp. 32-47

ANTI-CORRUPTION

Principle 10.
We work against corruption in all its forms, including extortion and bribery.

Anti-corruption – p. 79 Ethics Programme – pp. 80–81 Whistleblowing system – p. 80

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Product quality and safety of therapy

The quality, efficacy, and safety of our products are top priorities for Polpharma Group. We are committed to product quality 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 our employees and suppliers.

We execute our manufacturing processes taking care to guarantee the high quality expected of our medicines, food supplements and medical devices. All production processes are subject to continuous quality assessment. We also constantly monitor the quality of all raw materials and finished products. All our products are subject to pharmacovigilance.

We attach great importance to the appropriate training of our employees, in line with the regulation on Good Manufacturing Practice requirements. To ensure more comprehensive and effective control, we have electronic systems in place to manage quality assurance training. We analyse any events resulting from staff errors 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 to formally confirm their skills. Our suppliers of packaging materials, excipients, and active ingredients, as well as laboratories, contract manufacturers, and other vendors also undergo regular quality audits.

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

Core products and services

- Prescription drugs
- OTC drugs
- Food for special medical purposes
- Food supplements
- Medical devices
- Cosmetics
- Active pharmaceutical ingredients (API)

417-1

B2B market

- Sales of active pharmaceutical ingredients (API)
- Out-licensing of the company's products
- Contract development and manufacturing services

In 2021, the following products were available in the Group's portfolio in different forms, dosages, package sizes, and language versions:

814
products ('SKUs') on the Polish market

1,169
products ('SKUs') on export markets

All leaflets and packages of our medicinal products are labelled in accordance with the regulations, and no non-compliances in this regard were found in 2021. In addition to basic information about the medicine, such as the name, strength, form or storage conditions, we are required to identify the marketing authorisation holder and, in the leaflet, also the manufacturer of the medicinal product.

In 2021, due to the merger of Medana Pharma S.A. and Zakłady Farmaceutyczne POLPHARMA S.A., we had to update all documents of the former, including product leaflets and packages, adding the particulars of the new marketing authorisation holder and manufacturer. This meant we had to change packages and leaflets for almost 470 products across more than 20 countries. This was certainly a huge challenge for the regulators function as well as the other Polpharma functions involved. The most important thing was to carry out the process without jeopardising patient security. We built up sufficient product inventory in advance to make sure that the necessary documentation changes would not disrupt patient access to treatment.

As Poland's largest pharmaceutical company, Polpharma plays a key role in ensuring the **security of drug supply in Poland**. 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 reduces our dependence on externally sourced raw materials and minimises the associated risks.

- We have a 12.4% share in the reimbursement drug market and only 5.9% in reimbursement payments.
- 1 in 8 medicine packages sold in Polish pharmacies and 1 in 3 packages used in Polish hospitals come from Polpharma Group.
- We maintain the production of 43 medicinal products (SKUs), including life-saving drugs, which have no substitutes on the Polish market.
- We are a key manufacturer of parenteral antibiotics used in perioperative prophylaxis.
- We are Poland's only large-scale manufacturer of about 50 active pharmaceutical ingredients (APIs) used as raw materials in the production of drugs.
- We participate in the supply of medications for strategic military reserves.

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The COVID-19 pandemic and the surge in demand for drugs, especially hospital drugs used in artificial ventilation, highlighted our vital role in ensuring secure drug supplies to patients in a particular way. Polpharma's priority was to provide patients with uninterrupted access to the necessary products by mobilising its plants and maintaining full production capacity.

We had to face numerous challenges, such as disrupted supply chains and shortages of APIs, raw materials and transport services. Our employees went to great lengths to procure raw materials, overcoming many administrative barriers in each country.

In consequence, the production and delivery of drugs to pharmacies and hospitals were not interrupted. We were also instrumental in the implementation of the National Vaccination Programme. Thanks to our adrenaline, which is always included in anaphylaxis kits, thousands of vaccination centres could be supplied. We were also a key supplier of saline, which is used to prepare COVID-19 vaccines for administration.

The safety of our employees mattered as much to us as patient safety. We modified the working arrangements in our plants and offices, provided the essential hygiene and disinfection products, and delivered thorough education on the prevention of infections. We made sure that all employees could be regularly tested and get vaccinated against COVID-19 on company premises.

An important responsibility of any pharmaceutical company is to **monitor the safety of all its products**. Pharmacovigilance refers to activities undertaken by healthcare and pharmaceutical professionals to maximise product safety for patients. The elements of this system include monitoring of adverse events and documenting the pharmacovigilance process, as well as educational activities.

All employees are required to report adverse reactions to Polpharma Group's products in Poland, and mandatory e-learning is provided to this end. We provide patients and healthcare professionals with reliable, accurate state-of-the-art product information, contributing to awareness-raising and safe pharmacotherapy. One of our tools is the website bezpiecznaterapiapolpharma.pl dedicated to the safe use of drugs offered by Polpharma Group companies in Poland.

Our commitment to the safe use of our products is also reflected in our responsible marketing messages. Every piece of advertising is approved in accordance with the Approval procedure of advertising and training material for medical products, food supplements, medical devices, food for special medical purposes, cosmetics and educational studies. The purpose of the procedure is to unify, standardise and structure the approval process, with separate paths for certain types of materials. The required course of action is expected to ensure that all materials are reliable, fair and compliant with the law and Polpharma's codes of ethics, and that they reflect the state of the art in science.

No incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications were observed in the reporting period.

Polpharma has committed to adhere to the following codes:

- Code of Good Practice in Advertising of Food Supplements of the Polish Council for Supplements and Nutritional Foods, Polish Association of Self Medication Industry (PASMI), Polish Chamber of the Pharmaceutical Industry and Medical Devices POLFARMED and Supplements Poland Association of Producers and Distributors,
- Medicines for Europe Code of Conduct,
- Code of Ethics of the Polish Association of Self Medication Industry (PASMI).

In addition, Polpharma has independently prepared and put in place a procedure within the organisation for the approval of advertising material, which includes having each piece reviewed by a medical consultant and a lawyer. In situations specified in the procedure, advertising material is also approved by the PR Department and the Compliance Team.

2,924

consultations offered to patients on the use of Polpharma Group's drugs in Poland and safety issues

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Challenges involving product safety

In 2018, Polpharma introduced a new graphic design for prescription drug packagings. The new system was approved by the Polish Pharmaceutical Chamber, was positively received by pharmacists, and earned a number of awards. However, after we introduced new packagings for hospital products, we received reports from doctors, confirmed by the Patient Ombudsman, of problems with distinguishing between the packages and ampoules of injectable drugs, which could lead to dangerous confusion. Hence, the problem had to be examined and we needed to develop **guidance on new graphics design** for hospital drugs to eliminate the aforementioned risks.

We conducted an extensive consultation to discuss how the graphic design of labels and cardboard boxes for hospital drugs should change. The project was carried out in cooperation with the Polish Society of Anaesthesiology and Intensive Therapy and in dialogue with doctors and nurses from Polish hospitals, including the Central Clinical Hospital of the University Clinical Centre of the Medical University of Warsaw, the Central Clinical Hospital of the Ministry of Interior and Administration in Warsaw and the Infant Jesus Clinical Hospital. A key decision was to use ISO 26825, the international standard that gives requirements for colour labelling of drugs used in intensive care. In accordance with the standard, the new packaging and labelling of our hospital products will include: colour coding according to medicine class, clearly distinguishable chemical and trade names, clear dosage information, and additional distinctions for medicines with special properties.

The new design of Polpharma's hospital drugs emerged after months of consultation and detailed analyses. The changes we have prepared will take effect in 2022 and are aimed at making it as easy as possible for doctors and nurses to work with our injectable drugs and at ensuring their safe administration to patients.

We intend to deliver a huge information campaign in 2022 targeting healthcare professionals to raise awareness of the ISO 26825 standard, its principles and benefits. We hope that the other players from the Polish market will follow suit.

In 2021, we did not record any incidents of non-compliance concerning the health and safety impacts of products and services that would result in a sanction or fine.

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 addition to being an important preventive measure, market withdrawal is proof of the company's responsibility towards patients and reflects conscious quality management.

In 2021, based on our stability studies, we decided to withdraw three products from the Polish market and one product from the export market.

Batch withdrawals – 5

Digital transformation

Digital transformation is a trend that disrupts the healthcare system, putting the patient at its heart. The role of the pharmaceutical industry is also changing – it is no longer merely to supply drugs but to support patients in their efforts to prevent diseases and stay in good health.

We have been implementing a comprehensive digital transformation programme for our organisation for a few years. Its objectives are, on the one hand, to increase the efficiency of our manufacturing processes and business operations, and on the other hand, to leverage new technologies to create additional value for patients, the healthcare system and the environment.

Polpharma's digital transformation in 2021:

- we migrated key and critical systems to Oracle cloud;
- we developed Polpharma for You, a digital portal for doctors and patients;
- we resumed our AR-powered eye health education for pharmacists;
- we continued a project involving the use of artificial intelligence for waste management at our facility in Starogard Gdański;
- we designed our first BIM investment project, fully integrating project metadata and laying the foundation for a change in the Group's approach to investment processes;
- we implemented our first predictive system for maintenance of critical machinery and equipment which made it possible to detect and avoid numerous micro-outages and a few critical events;
- we implemented a pilot platform integrating geospatial data and documentation ('digital twin') with online data tracked directly on machinery and installations, thus creating an AR platform to support employees and revisit our approach to working with large information volumes;
- we tested the Computer Vision technology, implementing a project to use CCTV for work clothing and personal protective equipment (PPE) detection;
- we piloted a paperless project at our plant in Nowa Dęba, which involved moving from a paper-based process to digital workflows for documentation relating to machinery, equipment and production premises; 160 types of documents (manuals) were digitised and are now processed and updated digitally;
- we introduced a solution to streamline free space management in the company's car park at the Warsaw office;
- we held webinars for employees, including a webinar on the digitisation of healthcare systems and the use of artificial intelligence in patient care.

Polpharma was one of the 15 winners of the second edition of Smart Industry's Transformational Leadership Awards, an international competition which recognises individuals and companies for particularly successful digital transformation projects. We were one of three winners in the DX Trailblazer category. The jury was impressed by the digital transformation of numerous elements of our technical infrastructure management system.

We also won the Polish Industry Innovation Leader 2021 award (Lider Innowacji w Polskim Przemyśle), and the Head of the Pharmaceutical Manufacturing Plant in Starogard Gdański was individually honoured for the innovative use of augmented reality in manufacturing. Polpharma's contribution to the development of the industry and its innovation adoption rate and quality were recognised at ITM Industry Europe 2021.

Polpharma's progressive digital transformation process supports sustainability – autonomous control systems are being implemented that run processes effectively and efficiently without the involvement of operators, which results in lower energy consumption and lower carbon emissions. The pilot projects launched in Starogard Gdański include the installation of heat recovery from auxiliary processes at the Pharmaceutical Manufacturing Plant, which will reduce annual air emissions of carbon dioxide by 450 tonnes. The high efficiency of the system and online performance monitoring warranted a decision to expand this technology – work is underway to implement an identical installation for the API Plant.

With our digital initiatives and big data collection capabilities, we are able to develop our knowledge and build a documented approach to new, sustainable investment projects. Digital transformation has become an essential tool for us at Polpharma to support our programmes, including the Energy Transition Programme and the Energy Savings Programme.

POLPHARMA DIGITAL COMMUNITY

Employee engagement is vital to the success of the 'digital revolution', which is why we have established and are developing the **Polpharma Digital Community (PDC)**. This informal, cross-functional community of people from different company departments and locations offers a platform for discussing digitalisation and creating innovative solutions for patients and partners in the healthcare system. The PDC initiates innovative projects and takes part in their implementation, builds employee awareness of the potential of digital technologies in various areas of work and life, and supports employees in the development of digital competence, engaging them in the ongoing transformation.

In 2021, the number of employees involved in the activities of the PDC increased by 420% over the previous year. The community's efforts have been noticed and recognised externally: in 2021 it was honoured with the main prize in CIONET's Digital Excellence Awards in the Digital Capabilities category.

We are committed to the development of digital competence of our employees. In 2021, we implemented the **Digital Employee Development** project – a training series with the objective to equalise the digital expertise and skills of our staff. The project involved seven short weekly webinars on effective communication and working with the cloud-based version of Microsoft Office (Office 365). The series was a grassroots initiative taken by PDC members in response to actual needs identified by means of a survey addressed to all company employees. All lectures and supporting materials are available on our internal training platform, so that our employees can access them at any time. More than 1,300 unique users (30% of Polpharma's workforce in Poland) took part in training sessions conducted by PDC members. Moreover, our training course for managers on the management of digital and hybrid team activities had 250 participants.

During the pandemic period, many vendors stepped up their efforts in remote VR and AR support. Today, more and more consideration is being given to the idea of digitising employee knowledge and experience into predictive models. Polpharma is also looking for growth opportunities here.

In 2021, we implemented a pilot plant to monitor rotating machine health based on predictive models and vibration diagnostics, temperature measurement and magnetic field measurement apparatus. On this basis, we identified a total of about 150 potential failures during the test period, which would consequently lead to significant production losses. In parallel, we worked on AR/VR-powered employee support in new implementations as well as the maintenance of facilities and machinery.

In this way, we are expanding our capability in the area of BIM systems which integrate geospatial metadata with technical documentation and inputs from manufacturing. Our new highly potent API R&D and production building will be our first facility designed and built using this technology. Relying on this approach, we are testing and developing 3D design, modelling and scanning technology to collect geospatial data for the creation of 'digital twins'. In 2021, one of our pilot implementations in this area was an enhanced platform aggregating a 3D-scanned area with the technical documentation of the installations operating within that area, online parameters, online information and a decision support system – a predictive mathematical model.

Delivery of information that is intuitive to users, directly to mobile devices, including wearables, is a revolutionary solution in this area. In this way, we seek to improve employee performance, departing from the conventional model of working at a computer workstation with database systems, tables and archive folders.

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Stakeholder engagement

Stakeholders

The key stakeholders, or the groups and people that influence and/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
- financial institutions
- researchers and opinion leaders
- NGOs/civil society organisations
- business and industry organisations
- local communities

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
- internal discussion fora
- employee and customer satisfaction surveys
- surveys for conference and event participants
- focus groups
- surveys of the expectations of our local communities
- public discussions
- consumer surveys
- industry trade fairs
- meetings of expert and scientific councils and advisory bodies

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Memberships of associations

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)
- Executive Club
- Pomeranian Employers
- Starogard Gdański Business Club
- IAA Poland International Advertising Association
- Responsible Business Forum
- Digital Poland Foundation
- Coalition for Polish Innovations (KPI)
- Council of the Agreements for the Pomorskie Smart Specialisation
- Innovation Working Group for Sustainable Development and CSR at the Sustainable Development and Corporate Social Responsibility Task Force at the Ministry of Development Funds and Regional Policy

Additionally, Jerzy Starak, Chairman of the Supervisory Board of Polpharma S.A., is a member of the Polish Business Round-table (PRB), while Markus Sieger, President of the Management Board, was a member of the Global Compact Network Poland Programme Board in 2021. Polpharma's representatives are also members of university boards of the Medical University of Gdańsk and Warsaw University of Technology, and of the Employers' Council of the Pharmaceutical Faculty of the Medical University of Gdańsk.

External initiatives and declarations

- United Nations Global Compact (since 2016)
- Diversity Charter (since 2015)
- Partnership for Sustainable Development Goals in Poland (since 2017)
- Partnership for Sustainable Development Goals (SDGs) Related to the Environment (since 2016)
- Partnership for Accessibility under the Accessibility Plus Programme (since 2019)
- EIT Health – European public-private partnership for innovative medicine and healthcare (since 2020)
- Climate Leadership powered by UN Environment (since 2020)
- Warsaw Health Innovation Hub run by the Medical Research Agency together with partners from the medical, pharmaceutical and biotechnology sectors (since 2021)
- Coalition For Friendly Recruitment (since 2021)
- Target Gender Equality – a UN Global Compact Network Poland programme (since 2021)

Chapter 2

ENVIRONMENT

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Governance and objectives

Our **Occupational Health, Safety & Environmental Management System** conforms to ISO 14001, ISO 45001 and ISO/IEC 17025 standards. It has been implemented across all Polpharma Group establishments in Poland, however the certification covers only the plant in Starogard Gdański. Our approach to environmental protection is aligned with the precautionary principle of the Rio Declaration on Environment and Development.

In 2021, we published our reviewed Environmental Policy in response to the fast-evolving requirements of the European Union in terms of taking action for the climate and circular economy, such as the European Green Deal.

The four core areas of Polpharma's new **Environmental Policy** are the minimisation of impact on climate change, water protection, transition to circular economy, and minimisation of impacts along the entire value chain.

Main objectives of the Environmental Policy:

- Energy efficiency measures, use of clean and renewable energy sources, efforts to reduce greenhouse gas emissions, and taking offsetting measures to ensure the transition to climate neutrality.
- Designing products and processes to reduce their impact on the environment and biodiversity throughout the value chain; developing, improving and implementing innovative green technologies and processes; and applying green chemistry principles.
- Minimising pollutant emissions to air, soil and water, including emissions of active substances from production and auxiliary processes.
- Rational and efficient use of natural resources by following the principles of circular economy.
- Minimising adverse environmental impacts by making rational transport vehicle choices with a minimum carbon footprint and optimising logistic processes.
- Creating a green workplace, which includes following the green office principles, holding green events, promoting green commuting and business travel, or enhancing process digitisation.
- Building a sustainable supply chain by requiring suppliers to comply with certain environmental standards and supporting them in reducing their environmental and climate impacts.
- Making informed buying decisions based on environmental criteria.
- Engaging in responsible marketing activities and educating stakeholders to ensure the appropriate use of products and their proper disposal.
- Encouraging stakeholders to take environmental action and supporting them in action.

Environmental goals and Polpharma Group's action plan for Poland until 2030 are under development.

The main focus of the planned activities is on:

- achieving climate neutrality,
- designing products and processes with a view to minimising their impact on the environment and biodiversity by following the principles of green chemistry and circular economy,
- environmental education.

In 2021, two fines totalling PLN 17,200 were imposed on Zakłady Farmaceutyczne POLPHARMA S.A. for non-compliance with environmental laws and regulations. These were an increased fee for wastewater and a fine for failing to register in the Central Register of Operators database by the deadline. In the reporting period, no sanctions for non-compliance with laws and regulations were imposed on Polpharma Group in Poland.

Polpharma is a member of the **Partnership for Sustainable Development Goals**, a programme initiated by UNEP/GRID--Warsaw in collaboration with the United Nations Environment Programme. When joining the Partnership, we committed to:

- take joint activities aimed at developing the Partnership initiative,
- raise awareness of sustainable development and environmental protection,
- promote the ideals of sustainable development.

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Climate and emissions

We are working towards an energy strategy that will identify a path to achieving Scope 1 and Scope 2 climate neutrality by 2050. We are implementing solutions to curb our greenhouse gas emissions and we are planning similar measures in cooperation with our suppliers and other value chain partners. We have identified the main climate risks and carried out a scenario analysis process. We aim to use a significant proportion of renewable energy. One of the ways to reduce emissions is also Polpharma's transition to circular economy, e.g. through the gradual implementation of ecodesign principles.

Climate risks and scenario analysis

Polpharma Group responds to challenges such as decarbonisation and adaptation to climate change in many ways. In 2021, we conducted an advanced analysis of climate risks and opportunities as well as a climate-related scenario analysis. The analysed scenarios, assuming an increase in average global temperatures by less than 2°C and by more than 2°C compared to the pre-industrial period, were designed to determine the potential impact of climate change on business operations and their possible financial consequences, as well as to assess the adequacy of implemented policies. Specifically, a report was selected for the analysis of possible climate change which considered three groups of RCP (Representative Concentration Pathways) emission scenarios: RCP2.6, RCP4.5 and RCP8.5, assuming specific rates of further global CO_2 emission growth and the achievement of specific radiative forcing values. Risk and scenarios were studied with the participation of 12 Polpharma organisations, including but not limited to the infrastructure, finance, legal, EHS, sales & marketing, supply chain management & purchasing, strategic projects and R&D, corporate communications and CSR/ESG teams.

The goal of the process was to identify possible economic, regulatory, technological and social impact factors, identify current risk mitigation processes, and determine possible pre-emptive actions for the company. The analysis was also the starting point for the Polpharma's decarbonisation policy.

Significant climate risks to Polpharma Group in Poland

Risks associated with the impact of climate on the company	Risk materiality in the short, medium and long term		
Physical risks	**2022–2025**	**2025–2030**	**2030–2050**
Severe frost, snowfall, snowstorms, blizzards	significant	significant	high
Storms, cloudbursts, local flooding; floods, flash floods, mudslides	significant	significant	high
High wind events, whirlwinds, thunderstorms, hailstorms	significant	significant	high
Chronic physical risks			
Long-term droughts, desertification, groundwater depletion, heat waves, seasonality changes	significant	moderate	low
Biodiversity loss	moderate	moderate	moderate
Epidemics and pandemics, diseases of affluence and diseases associated with climate change	high	high	high
Impact of the company on the climate			
Reduction and reporting of Scope 1 and 2 emissions	high	significant	significant
Reduction and reporting of Scope 3 emissions	high	significant	significant
Environmental risks			
Access to water, wastewater management	moderate	significant	significant
Tightening regulation of waste and hazardous substances	high	high	high

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Risks and opportunities resulting from the shift towards a low carbon and climate resilient economy	Materiality of the risk/opportunity in the short, medium and long term		
Business and investment model	**2022–2025**	**2025–2030**	**2030–2050**
Lack of or failure to implement a climate strategy, crisis of national climate policies, limited availability of recovery or development programmes, etc.	high	high	high
Tightening of technical performance criteria, such as those arising from the Taxonomy	high	high	high
Opportunity to strengthen the company's reputation for countering the climate crisis	strong	strong	significant
Changing prices of raw materials or products	high	high	significant
Changes in raw material availability and risks to security of supply	significant	high	significant
Physical threats to infrastructure, suppliers, distribution networks	moderate	moderate	moderate
Rising energy prices	high	high	significant
Introduction of taxes, duties or other carbon charges	high	high	significant
Introduction of public energy efficiency programmes	significant	high	moderate
Restrictions of in-house emissions	significant	significant	moderate
Abandonment of assets	significant	high	high
Changes to industry standards	significant	high	significant
Credit and insurance risks and opportunities	moderate	significant	moderate
Restricted access to capital	significant	high	moderate
Development of programmes and funds to support countering the climate crisis	significant	high	moderate
Lower predictability and stability of supplies	significant	high	significant
Social capital			
Reduced affordability and availability of products and services	significant	high	significant
Need to adjust selling and marketing practices and labelling information	significant	high	significant
Human capital			
Need to adjust labour practices	significant	high	high
Improvement of employee health, safety and well-being	moderate	significant	high
Management and corporate governance			
Development and institutionalisation of leadership initiatives, partnerships for sustainable development, standards, certifications and ESG ratings, measures to support the competitiveness of local climate-friendly technologies	high	significant	significant
Risks associated with internal climate risk assessment and monitoring policies	high	high	significant
Regulatory compliance and organisational resilience to unforeseen climate or environmental risks	significant	high	moderate
Adequacy and timeliness of management policies	significant	high	moderate

Emissions

Greenhouse gas emissions, also known as the carbon footprint, represent the total greenhouse gas emissions caused directly or indirectly by an organisation. We analyse carbon footprint across the Polish organisation in Scope 1, 2 and 3. Owing to that, we are able to monitor, analyse, and most importantly, reduce our GHG emissions.

In 2021, we updated the methodology for calculating the carbon footprint. One of the new elements is the calculation of Scope 3 emissions.

In 2021, Polpharma Group's (market-based) carbon footprint in Poland totalled **165,695** t CO_2e.

Polpharma Group in Poland location-based GHG emissions

Source of GHG emissions	Tonnes CO_2e 2021	Tonnes CO_2e 2020	Tonnes CO_2e 2019	Change 2021 vs 2020	Change 2021 vs 2019
Scope 1, including:	**9,022**	**8,870**	**11,619**	**+1.71%**	**-22.36%**
Fuels	8,777	8,324	10,037	+5.44%	-12.55%
Refrigerants	245	546	1,582	-55.16%	-84.53%
Scope 2, including:	**78,536**	**75,753**	**80,000**	**+3.67%**	**-1.83%**
Electricity	46,325	46,120	48,789	+0.44%	-5.05%
Steam	32,210	29,633	31,210	+8.70%	+3.20%
Scope 1+2	**87,558**	**84,624**	**91,619**	**+3.47%**	**-4.43%**
Scope 3	**74,977**	**75,592**	**69,906**	**-0.81%**	**+7.25%**
Total emissions	**162,535**	**160,216**	**161,525**	**+1.45%**	**+0.63%**

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

Polpharma Group in Poland market-based GHG emissions

Source of GHG emissions	Tonnes CO_2e 2021	Tonnes CO_2e 2020	Tonnes CO_2e 2019	Change 2021 vs 2020	Change 2021 vs 2019
2021 vs 2020	**Change**	**8 870**	**11 619**	**+1,71%**	**-22,36%**
2021 vs 2019	8 777	8 324	10 037	+5,44%	-12,55%
Scope 1, including:	**9,022**	**8,870**	**11,619**	**+1.71%**	**-22.36%**
Fuels	8,777	8,324	10,037	+5.44%	-12.55%
Refrigerants	245	546	1,582	-55.16%	-84.53%
Scope 2, including:	**81,697**	**80,577**	**81,662**	**+1.39%**	**+0.04%**
Electricity	49,486	50,944	50,452	-2.86%	-1.91%
Steam	32,210	29,633	31,210	+8.70%	+3.20%
Scope 1+2	**90,719**	**89,447**	**93,281**	**+1.42%**	**-2.75%**
Scope 3, including:	**74,977**	**75,592**	**69,906**	**-0.80%**	**+7.27%**
Category 1. Purchased goods and services	45,535	46,519	38,552	-2.66%	+17.46%
Category 11. Use of sold products	10,810	10,023	10,503	+7.85%	+2.92%
Category 10. Processing of sold products	6,948	8,138	8,138	-14.62%	-14.62%
Category 4. Upstream transportation and distribution	4,450	3,651	4,622	+21.88%	-3.72%
Category 3. WTT emissions	4,176	3,774	4,391	+10.97%	-4.62%
Category 9. Downstream transportation and distribution	1,377	1,654	1,596	-16.75%	-13.72%
Category 7. Employee commuting	1,529	1,452	1,500	+5.30%	+1.93%
Category 6. Business travel	74	51	260	+45.10%	-71.54%
Category 12. End-of-life treatment of sold products	181	151	181	+19.87%	0.00%
Category 5. Waste generated in operations	122	155	131	-21.29%	-6.87%
Category 13. Downstream leased assets	29	25	31	+16.00%	-6.45%
Total emissions	**165,695**	**165,039**	**163,187**	**+0.40%**	**+1.54%**

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

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5%
Scope 1, including:

Fuels **5.3%**
Cooling **0.1%**

49%
Scope 2, including:

Electricity **29.9%**
Steam **19.4%**

45%
Scope 3, including:

Category 1: Purchased goods and services **27.5%**
Category 11: Use of sold products **6.5%**
Category 10: Processing of sold products **4.2%**
Category 4: Upstream transportation and distribution **2.7%**
Category 3: WTT emissions **2.5%**
Category 7: Employee commuting **0.9%**
Category 9: Downstream transportation and distribution **0.8%**
Category 12: End-of-life treatment of sold products **0.1%**
Category 5: Waste generated in operations **0.1%**
Category 6: Business travel **0.0%**
Category 13: Downstream leased assets **0.0%**

Scope 1, or direct emissions from fuel combustion and released refrigerants, accounted for 5.4% of Polpharma Group's carbon footprint in Poland in 2021. The top contributor was the consumption of diesel fuel resulting from the activities of Trade Office staff.

Scope 2, which includes indirect energy emissions, accounted for 49.3% of the carbon footprint, of which 61% was due to the consumption of purchased electricity. The Pharmaceutical Plant in Starogard Gdański was responsible for 67% of Scope 2 emissions.

Scope 3, or indirect emissions in the value chain, accounted for 45.2% of the organisation's carbon footprint. The top contributor in Scope 3 were emissions from raw materials purchased and from the use of inhaler products sold.

Polpharma Group's top 5 sources of carbon footprint in Poland – share in all 3 scopes:

» purchased electricity (Scope 2) – 30%

» purchased raw materials and services (Scope 3) – 27%

» purchased steam (Scope 2) – 19%

» use of sold products (Scope 3) – 7%

» fuels (Scope 1) – 5%

Polpharma Group's GHG intensity in Poland	2021	2020	Change 2021 vs 2020
Total revenues [million PLN]	3,421.4	3,096.4	+10%
Number of employees	4,320	4,673	-7.55%
Scope 1+2 (location-based) [tonnes CO_2e]	87,558	84,624	+3.47%
Scope 1+2 (market-based) [tonnes CO_2e]	90,719	89,447	+1.42%
Emission intensity (Scope 1+2 location-based emissions in tonnes CO_2e / PLN 1m of revenue)	**25.59**	**27.33**	**-6%**
Emission intensity (Scope 1+2 market-based emissions in tonnes CO_2e / PLN 1m of revenue)	**26.52**	**28.89**	**-8%**
Emission intensity (Scope 1+2 market-based emissions in tonnes CO_2e / number of employees)	**20.27**	**18.11**	**+11.92%**
Emission intensity (Scope 1+2 market-based emissions in tonnes CO_2e / number of employees)	**21.00**	**19.14**	**+9.71%**

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Fuel and energy consumption is tracked in the companies' internal records. GHG emissions were calculated according to the following standards:

» The GHG Protocol Corporate Accounting and Reporting

» Standard (Revised Edition),

» GHG Protocol Scope 2 Guidance,

» Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

CO_2 is included in emission disclosures for fuel, electricity, and steam. Calculations also include gases from released refrigerants. No biogenic CO_2 emissions were identified.

The base year is 2019, as it was the first period for which the new approach to calculating GHG emissions was used. The emission disclosures and calorific values used were based on publications of the National Centre for Emissions Management and the Energy Regulatory Office, as well as the DEFRA database (UK government Department for Environment, Food & Rural Affairs). The global warming potential (GWP) for refrigerants was determined according to Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, the DEFRA database, or manufacturer's sheets if data were not available.

Calculations were performed for the Polpharma Group companies in Poland. Financial control was used as a consolidation criterion for emission volumes, which means that 100% of the companies' emissions were attributed to Polpharma Group in Poland (excluding emissions associated with the Kokoszkowy site and the warehouse in Pruszcz Gdański, which were outside the organisational boundaries). The emissions associated with the generation of purchased electricity were calculated in two ways. The average emission factor for Poland was used in the location-based method, and the factor specific to Polpharma's energy supplier was applied in the market-based method.

Measures to reduce GHG emissions taken by Polpharma in 2021:

» the Energy-Saving Programme

» a new car policy

» commencement of work on an energy strategy with reduction/elimination of coal consumption

CLIMATE LEADERSHIP | powered by UN ENVIRONMENT

In 2021, we took part in the second edition of **Climate Leadership powered by UN Environment**, under which we have been working towards achieving climate neutrality. The goal of the programme implemented by UNEP/GRID-Warsaw under the auspices of the United Nations Environment Programme (UNEP) is to build a community of business leaders who understand the need to change for the climate and see it as an opportunity for growth. Working with programme experts, companies develop and subsequently implement solutions to measurably reduce their adverse climate impact.

In 2021, as part of the programme, we organised an educational webinar "Climate for Change. What Companies Should Know About the Climate Crisis" for our employees, an expert workshop on Scope 3 carbon footprint, and a stakeholder panel. External meetings were devoted to working with suppliers for GHG emission savings. We presented the climate protection measures taken by Polpharma and our plans to measure and reduce the carbon footprint to our stakeholders, and we received a number of recommendations and questions. We also discussed best practices and specific ideas for building relationships with suppliers.

Polpharma's Climate Leadership commitment:

Implement regular carbon footprint measurements in Scope 3 and engage suppliers and other stakeholders in activities aimed at reducing GHG emissions in the value chain.

Zakłady Farmaceutyczne POLPHARMA S.A. owns Elektrociepłownia Starogard, a CHP plant which is the main supplier of process steam for the manufacturing processes of our plant in Starogard Gdański. The CHP plant is also an important supplier of heat for the local community and municipal infrastructure. In view of the challenges posed by climate change, the EU climate policy and the decreasing availability of energy commodities, all Polpharma Group companies in Poland have begun to work on a comprehensive energy transition strategy. The new solutions assume switching from coal to more sustainable fuels (such as testing the use of biomass to generate heat in Starogard Gdański) and increasing the share of renewable energy (also with the use of captive PV installations).

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Energy

As a pharmaceutical manufacturer, Polpharma consumes considerable amounts of electricity and heat in manufacturing and auxiliary processes, i.e. processes ensuring appropriate conditions in production areas (hygiene, microclimate, air purity). To minimise energy consumption without an adverse impact on production processes, we are implementing the **Energy-Saving Programme** (POE). Within this framework, a cross-functional team of specialists from technical (engineering, maintenance), production, logistics, and utilities departments looks for opportunities to improve energy efficiency during audits of equipment, processes, and work organisation. Subsequently, with the support of controlling department staff, it conducts a technical and economic analysis of the proposed improvements. The effects of implemented solutions are monitored by means of control audits and measurements from automation systems incorporated in the technical infrastructure of production plants.

The Energy-Saving Programme is in place at all Polpharma Group plants in Poland – a programme leader and coordinators as well as local teams have been appointed, and further technical and organisational measures are planned for the coming years.

EXAMPLES OF NEW ENERGY-SAVING SOLUTIONS IMPLEMENTED UNDER THE POE:

For electricity:

- upgrades of indoor lighting systems in manufacturing, laboratory and warehouse facilities (use of LED technology)
- upgrade of a unit producing industrial-grade nitrogen for API manufacturing (use of more efficient generators)
- upgrade of a unit producing compressed air for parenteral form manufacturing (use of energy-efficient compressors and dryers)
- upgrade of a chilled water unit (use of energy-efficient chillers)
- upgrade of electric drives (use of electric motors with high-efficiency levels)

For steam:

- transmission network upgrades
- use of thermal insulation for equipment, fittings and piping
- thermal upgrading of production buildings
- optimisation of performance of a condensate and process steam system

11,552 GJ

energy savings in 2021 achieved as a direct result of electricity and steam conservation and efficiency initiatives

Energy consumption by Polpharma Group in Poland [GJ]	2021	2020	Change 2021 vs 2020
Electricity	256,021	245,210	+4%
Purchased steam	324,147	298,250	+9%
Petroleum gas (propane)	0.17	0.39	-56%
Natural gas	77,622	77,075	+0.7%
Heating oil	0	646	-100%
Liquid fuels (gasoline, diesel oil)	61,725	55,239	+12%
Total energy consumption	**719,515**	**676,420**	**+6%**

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Water, effluents and waste

Water is essential for life and a key resource for manufacturing companies, however global access to water is increasingly limited. For the pharmaceutical industry, issues such as the presence of active substances in wastewater or antibiotic resistance are particularly relevant; these considerations will increasingly affect the pharmaceutical business in the coming years. This is why Polpharma aims to reduce its water consumption, also by means of planned circuit-closing measures, and takes steps to minimise API content in wastewater.

The plant in Starogard Gdański has its own river water intake and groundwater wells. Other plants of Polpharma Group in Poland use groundwater from public supply wells.

For many years, Polpharma has been running a campaign to raise employee awareness about reasonable water use for domestic purposes (toilets and kitchen) and in manufacturing (washing and cleaning of equipment). Nearly all cooling systems at the plant in Starogard Gdański have been upgraded to ensure well water is only used as a back-up if the river water does not meet the necessary parameters to be used for cooling (in summer).

Total water withdrawal [ML]	2021	2020	Change 2021 vs 2020
Surface water	2,696	2,640	+2%
Groundwater	505	513	-2%
Third-party water	232	259	-10%
Total water withdrawal	**3,433**	**3,412**	**+1%**

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3,011 ML

Total volume of treated wastewater in 2021

In 2021, we recorded one case of exceeded water discharge limits.

Industrial wastewater and sewage generated by the Starogard Gdański Plant flow to an onsite treatment plant. The plant treats wastewater using mechanical, chemical and biological methods. The wastewater generated by the manufacturing divisions in Duchnice, Sieradz and Nowa Dęba as well as at the Polfa Warszawa plant is discharged to municipal treatment plants.

Polpharma takes measures to **minimise the amount of APIs** (active substances from pharmaceutical production) discharged to the Wierzyca River with wastewater treated in the company's treatment plant in Starogard Gdański. The reduction of API content is not required by law, but contamination with these substances poses a threat to the environment and humans, representing one of the biggest challenges for the pharmaceutical industry.

In addition to the conventional physical and chemical monitoring carried out at the wastewater treatment plant, a biological evaluation of the treated wastewater was conducted. The conclusion was that there was not any acute toxicity in the wastewater discharged into the Wierzyca River, and therefore the wastewater was safe for the environment.

Seeking to reduce the environmental impact of active ingredients produced by the API plant in Starogard Gdański already at the design stage, we have developed a procedure that addresses planning of the development and production process for new APIs and technology improvement in accordance with the principles of ecodesign. This procedure applies to four areas:

1. Choosing process solvents

» using 'green' and easy-to-regenerate solvents

» using single solvents (solvent mixtures should be avoided)

2. Choosing process reagents

» reagents with minimal environmental impact

» substituting environmentally negative reagents with less toxic compounds

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3. Process yield

» maximising process efficiency with a view to minimising product concentration in process residues

4. Analysis of process emissions

» analysis on active ingredient presence and composition as well as minimisation of solid, liquid and gaseous emissions generated in the process

We take a number of measures to **reduce waste**. We implement low-waste technologies, optimise manufacturing processes, and use top quality raw materials. The Company generates about 50 different types of waste, including 20 hazardous types. Fluctuations in the volume of non-hazardous waste are mainly attributable to the intensity of renovation works which generate significant amounts of debris and scrap.

In 2021, 60% of waste generated by Polpharma was recovered or recycled. These processes are mainly used for waste solvents, composite and plastic packaging, paper waste, steel and glass. Waste unsuitable for recovery or recycling is disposed of by specialist companies in an environmentally safe manner. Production waste has not been landfilled for years. Whenever waste is moved, compliance with ADR regulations for hazardous waste transport is ensured. Waste is collected selectively at source, and may be kept and stored only at designated, clearly marked, and safe places. We regularly assess the environmental impact of waste and are looking for new recycling, recovery and neutralisation opportunities, as well as safe ways of storing and moving waste.

In 2021, we contracted a third party for the recovery of label backings (silicone-coated paper). The contractor developed a technology to chemically remove the silicone layer from the backing material, following which the paper backing can be converted into cellulose. Cellulose, in turn, is used to manufacture special post-consumer recycled (PCR) backing material, which closes the material flow circle. In addition, the material can be used as a newsprint.

Waste management is monitored in accordance with the Act on Waste and environmental permits. Waste is transferred to recipients who hold the necessary permits, taking into account the ADR regulations. Waste generated in manufacturing processes is additionally tracked within the relevant affiliates and departments based on production volume. In 2020, work was started to develop software for comprehensive waste management, from recording in the Polish Database on Products and Packaging and Waste Management (Baza danych o produktach i opakowaniach oraz o gospodarce odpadami), to registration of waste entered into storage, to collection by a third party company for disposal. In 2021, the first stage of waste management digitisation was implemented across all Polpharma locations in Poland. The project will be completed by the end of 2022.

Total weight of waste generated [Mg]	2021	2020	Change 2021 vs 2020
Hazardous waste	914	969	-6%
Non-hazardous waste	2,333	3,110	-25%
Total	**3,247**	**4,079**	**-20%**

Waste directed to disposal*		2021
Waste treatment method	Hazardous waste [Mg]	Non-hazardous waste [Mg]
Incineration (with energy recovery)	25	303
Incineration (without energy recovery)	588	448
Landfilling	0	62
Other disposal operations	2	186
Total weight of waste directed to disposal	**615**	**999**

* Due to a change in disclosure methodology in GRI 306 Waste, only data for 2021 is presented.

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Materials/input materials

We strive to continuously improve the material efficiency of our processes, for instance by increasing the use of regenerated solvents and reducing water consumption.

Packaging materials by type:

- paper
- plastics, including PVC
- glass
- aluminium
- composite packaging

In 2020, we continued our attempts to use recycled packaging paper. Additionally, we encourage employees to save paper by duplex printing (which is the default printer setting) and using digital data storage media.

Organic solvents are used in the manufacturing of drugs and chemical substances. The rules for solvent management are as follows:

- eliminate chlorinated solvents and solvents with proven carcinogenic, mutagenic, and teratogenic properties,
- reduce solvent use,
- maximise solvent regeneration and recovery,
- evaluate chemicals and solvents used in processes prior to use to minimise the environmental impact of the substances.

Materials and input materials used [Mg]	2021	2020	Change 2021 vs 2020
Input materials used*	145,694	8,162	-
Solvents used	1,840	2,170	-15%
Packaging materials used	7,643	8,633	-11%
Total	**155,176**	**18,967**	**-**

* For 2021, the category 'input materials used' includes water used in production (which was not included in previous reports), hence the significant year-on-year differences in the data.

Polpharma uses various organic and inorganic chemicals and their mixtures to synthesise active pharmaceutical ingredients (APIs) and produce finished dosage forms. Input materials, simple substances, solvents and catalysts take part in chemical reactions aimed at synthetising and purifying the APIs. Active ingredients and excipients mixed together in the right proportions are used to prepare tablets, capsules, ampoules, syrups and ointments for our patients. All these chemical substances and mixtures must meet the highest quality standards, and the processes are executed in a manner that is safe for humans and the environment.

2% recycled materials in 2021
(regenerated solvents, secondary and primary recycled paperboard packaging)

We continuously carry out activities aimed at saving materials in the IT area. The most important of them are:

- remarketing of used computer equipment
- using outside air cooling (free cooling) in the server room during most of the year and migrating systems to cloud servers which have a lower carbon footprint
- duplex and black and white printing as preferred settings for network printers
- use of lightweight paper (70 g/m^2)
- introduction of electronic workflows

In 2021, an initiative was implemented at the Pharmaceutical Manufacturing Plant which significantly improved the material efficiency of the medicines packaging process. We reduced the use of packaging materials (aluminium foil, PVC film and cardboard) in the manufacture of an OTC product (Heviran Comfort) by changing the number of blister packs in primary packaging from 5 blister packs with 5 tablets each to 1 blister pack with 25 tablets. The change reduced input and material consumption as well as the waste volume and CO_2 emissions.

CERTIFICATE

for

Zakłady Farmaceutyczne Polpharma S.A.
Warsaw Office
ul. Bobrowiecka 6, 00-728 Warsaw

This certificate is awarded to recognise organisations that meet the criteria of the Green Office environmental standard. Obtaining the Green Office certificate confirms the commitment of Management and Employees to environmentally friendly activities.

FDEE

No. 47/2021/GO
Valid until 18/05/2023

GREEN OFFICE
Certified Green Office

Jarosław Szczygieł

President of the Management Board
of the Foundation for Environmental Education

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Sustainability activities

EcoVisit
Let's take care of the climate

In September 2020, Polpharma launched **Eco-visit – Let's take care of the climate**, an educational and social campaign addressed to doctors and pharmacists. The idea behind the campaign is to educate our customers about new technologies and e-visits, as well as about protecting our climate. Virtual visits are a safe form of contact, especially during the pandemic, and generate lower CO_2 emissions and fewer printed materials, which are replaced by online promotional materials. An eco-visit means that we plant 1 m^2 of forest for every online meeting of a Polpharma's medical representative with a pharmacist or doctor lasting more than 5 minutes. Within the campaign, together with our partner, the Las Na Zawsze Foundation, we plant biodiverse forests that will not be cut down. These bio- and age-diverse forests are the healthiest and are much more resistant to fires, strong winds or insect gradation.

Eco-visit in 2021:

- 6 new 'forests forever' (Żelazny Most, Pieniężnica, Brzustowa, Męcikał, Dzierżawy, Boguszów Gorce),
- about 6 thousand seedlings of native tree and shrub species, including durmast oak, Norway maple, ash, hornbeam, buckthorn and common spindle,
- 39,958 eco-visits with 16,428 doctors and pharmacists and 597 Polpharma medical representatives,
- 99,895 kg less CO_2 in the air,
- about 150 people (Polpharma employees, doctors and pharmacists) engaged in forest planting.

The campaign has been recognised in Polish and international competitions. We won the bronze award in the Issue Management and Crisis Communications category of the prestigious Złoty Spinacz (Gold Paperclip) PR competition in Poland organised by the Association of Public Relations Companies. We were recognised for planting of new forests and maintaining lasting relationships between doctors and medical representatives in the difficult pandemic conditions. The initiative also won three gold statuettes in the 18th edition of the prestigious International Business Awards®. The jury appreciated the innovative character and creative spirit of the campaign, as well as the integration of business objectives, concern for the environment and human relations.

In 2021, Polpharma revised its **Car Policy**, aiming to introduce mobility solutions supporting the mitigation of environmental impacts. We are shifting from diesel engines to a new generation of turbocharged engines. By the end of November 2022, the latter will have a 28% share in our fleet. The first hybrid cars in our fleet were yet another step towards a further reduction of our carbon footprint. We will have 320 hybrid cars by the end of 2022, accounting for 36% of our total fleet.

In addition, work has been underway since 2021 on a system to support the evaluation of the driving style of our field representatives. The system will contribute to a lower fuel consumption, carbon footprint and accident rate, while improving driver safety.

GREEN OFFICE
CERTYFIKOWANE BIURO EKOLOGICZNE

Polpharma's office in Warsaw is **Green Office certified**. Re-certification in 2021 confirms that the office meets specific sustainability criteria, which include technical matters, broadly defined education of employees and customers, as well as building a friendly work environment.

Circular economy

Polpharma recognises **circular economy** as the economic model of the future, which responds to today's environmental and climate challenges. In a circular economy, resources circulate in a closed loop, so that we minimise waste while adding value. This allows for sustainable use of natural resources and GHG emission savings. We want to be a leader of change and implement a circular economy in our organisation – we will strive to align Polpharma's manufacturing activities to eco-design requirements as far as possible, and to ensure that our packagings are sustainable and waste is considerably reduced.

In 2018, we performed a circular economy maturity assessment for Polpharma. It was based on the provisions of the BS 8001 standard, which supports a comprehensive analysis of an organisation in all aspects of its functioning. In 2021, we implemented recommended circular economy measures in the areas of raw material sourcing, manufacturing, packaging, waste, energy, water, transportation and distribution, sales, management, green workplace and end-of-life disposal.

In the same year, we used software to calculate theoretical impurities in APIs, avoiding unnecessary laboratory testing at the API Plant. As a result, we eliminated significant amounts of chemical reagents, including solvents (such as acetone, methanol, heptane, acetonitrile, methylene chloride) at the level of input material and waste.

The use of an innovative cooling technology for rotating evaporators and other equipment enabled a move away from open-loop water cooling to flow to a closed-loop coolant system using a heating and cooling unit. In consequence, we cut down our gas emissions (including methylene chloride), reduced water consumption, and made it possible to recover low boiling point solvents for reuse in processing. The initiative was successfully implemented at the API Manufacturing Plant's Technology Improvement Laboratory.

Employee engagement in environmental protection

We assume that even small steps towards a healthier environment may bring huge benefits when taken on a large scale. We strive to raise the awareness of our employees and provide them with insights, as well as to identify and offer appropriate solutions. The programmes and incentives we have put in place support our employees in making positive environmental choices every day at work and beyond.

GREEN PROCESS

The **Green Process Award** was launched in 2009 to motivate, encourage, recognise and appreciate employees in their environmental initiatives. The best submitted and implemented initiatives are rewarded with a financial bonus and points in the cafeteria system. During the award ceremony, the winners plant their 'own' trees. In 2021, 12 initiatives were submitted, which not only reduced our environmental impact, but also resulted in more than 2.5 million zlotys in savings.

The rewarded initiatives are very different from one another. They allow us to eliminate the use of hazardous substances and solvents, improve energy and input material efficiency, and enhance employee and process safety.

Polpharma promotes sustainable transport solutions among its employees. This allows us to curb emissions of carbon dioxide, exhaust gas and other pollutants. Since 2011, we have been supporting bike commuting in our the **Let's All Cycle** (Wszyscy na rowery) programme. At each of our locations, appropriate technical infrastructure (bicycle parking, shelters, or canopies) is provided for employees, and they earn points in the MyBenefit cafeteria system for every bike commute. In 2021, 728 employees across all Polpharma sites rode their bikes to work. Moreover, since 2014, we have been subsidising monthly tickets in our **Green Tickets** (Zielone Bilety) programme. All employees using public transport are eligible for a subsidy in the form of points in MyBenefit system. In 2021, 267 employees took part in the programme.

Environmental education of our employees is an important part of Polpharma's activities. During the annual **Green Week** (Zielony Tydzień), they receive practical tips on how to live sustainably. In 2021, we addressed a range of topics, including waste segregation, responsible consumption, climate neutrality, sustainable home and office, everyday vegetarianism and sustainability. Employees also had the opportunity to take part in tailor-made workshops: "Sustainable at Home" (Eko-nawyki w domu) and "Use Less, Waste Less" (Mniej zużywamy, mniej marnujemy).

Cleaning in Pictures (Fotoporządki) is an initiative launched in 2016, which is our contribution to the Clean Up the World Poland campaign. Employees send photos of areas where waste has been dumped, indicating where they are located, and we pass them on to relevant services. 30 sites were reported in 2021, and by working closely with the municipal police and local authorities, we have managed to have 60% of them cleaned up.

Chapter 3

EMPLOYEES AND THE SOCIETY

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Employees of Polpharma Group in Poland

The success of any business depends on people. Owing to our staff, we are able to achieve ambitious goals and help patients. That is why we place a particular emphasis on the safety and health of our employees, on their development and job satisfaction. We consciously manage diversity, actively counteracting harassment at work and all forms of discrimination and building a friendly work environment. Our employees can expect competitive salaries and additional benefits. We also seek to improve labour standards along the value chain.

At the end of 2021, Polpharma Group had 4,320 employees in Poland: 2,356 women and 1,964 men. Less than 1% of our associates are from outside of the organisation and work for us on a self-employed basis. Collective bargaining agreements covered 85% of our staff (69% in 2020).

There are 6 trade unions across the companies of Polpharma Group in Poland. Labour issues are consulted with them on an ongoing basis.

All employees with employment contracts, whether on a full-time or part-time basis, enjoy the same **access to benefits** and allowances arising from generally applicable provisions of law in particular companies. Employees hired under consulting agreements have access to medical and life insurance and a MultiSport card.[2]

The following is provided to all employees of Polpharma Group companies in Poland:

- a basic medical care package from LUX MED/Medpharma Group,
- life insurance with PZU,
- a choice of products and services available via the MyBenefit platform (their individual accounts are credited with PLN 100 once a quarter and linked to the Rewards Scheme, in which users can receive additional points from co-workers),
- subsidies for self-organised vacation and MultiSport cards,
- an opportunity to participate in the Occupational Pension Scheme, under which the employer finances contributions to supplementary pensions for employees[2],
- non-repayable assistance for employees in distress,
- Christmas parcels for children with developmental toys, educational games, books, musical instruments, etc. (replaced with prepaid cards in 2021 because of the pandemic),
- the option to take a parental leave in accordance with the Polish laws and regulations,
- a day off work during the Polpharma Festival on the Friday following the Corpus Christi holiday – on this occasion a picnic for employees and their families is organised in Starogard Gdański, with sports competitions, concerts, etc.

Zakłady Farmaceutyczne POLPHARMA S.A. organise winter and summer camps for school-age children and excursions for employees, subsidise meals in the form of lunch vouchers as well as subsidise tickets for concerts, cultural and sports events (the amount of subsidy depends on household income per person).

In 2021, we joined the **Coalition For Friendly Recruitment**. The initiative promotes good practices and sets standards in this area. It has more than 350 members in Poland, companies which, as employers:

- respect applicants, their time and commitment,
- are open to providing feedback to candidates,
- seek to implement solutions to facilitate reaching out to candidates,
- attach importance to the opinions of candidates,
- follow the principles set out in the Code of Good Recruitment Practice.

When planning the return to our offices after the pandemic lockdowns, we took into account the company's business needs as well as the health and needs of employees, which we had surveyed them about. As a result of the analysis, we introduced a new flexible **hybrid work model** starting from 1 October 2021 (in view of the nature of their jobs, this does not apply to manufacturing and sales personnel). Based on the specific responsibilities, expectations of internal customers and needs of our teams, we divided our staff into 3 groups: office, flex and digital. People in the first group work from office due to the nature of their jobs, flex employees may work remotely for about 40% of their monthly time, while the digital group works remotely all the time. When implementing the new model, we took care to provide employees with the necessary tools and to develop the competences of managers in managing hybrid teams (webinars, workshops). By considering the preferences of our employees, we gave them a sense of security and comfort arising from the ability to adapt their working arrangements to current tasks and health and family situation.

2 Does not apply to people employed for less than 3 months or over 70 years of age

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Outplacement at Polfa Warszawa

As we are planning to phase out manufacturing operations at the Polfa Warsaw plant by the end of 2023, we are helping that company's employees find new jobs. We are also implementing a financial shield programme that includes severance payments and retention bonuses.

Some of Polfa Warszawa's staff, especially people with unique competencies and outstanding development or leadership potential, will be employed by ZF POLPHARMA S.A. On the other hand, employees who complete our BIO Academy training programme will have the opportunity to pursue a career at the Polpharma Biologics plant in Duchnice. The remaining staff have the option to use a programme that will support them in looking for a new employer (provided that they sign a termination agreement).

In this programme, we:

- provide training, including job search strategies and preparation for job interviews,
- run an in-house employment office on the premises of Polfa Warsaw and organise job fairs at which invited companies present their current employment proposals and answer questions,
- provide employees with tools from a recognised outplacement company, for instance to help them reach employers and recruiters with their resumes more effectively,
- advise on alternative career paths, such as starting one's own business.

In addition, every employee leaving Polfa Warsaw will get:

- a severance pay based on overall length of service,
- a retention bonus,
- preferential terms for LUX MED private health insurance.

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Occupational health and safety

We are committed to employee health and safety, also in remote work settings. We are building a culture of occupational safety and raising occupational safety standards across our value chain and in particular among our contractors and subcontractors who work under our direct supervision.

The commitments we make to effectively manage OHS risks and opportunities include:

- Compliance with legal and other requirements relevant for OHS and continuous enhancement of standards.
- Ensuring safe and healthy workplaces by harnessing scientific and technical advancements.
- Maintaining and improving the OHS management system to improve occupational safety.
- Analysing the company's processes on an ongoing basis to eliminate and mitigate risks in the workplace.
- Analysing business processes on a regular basis to take account of the risks and opportunities related to occupational safety and health and to the OHS management system.
- Incorporating employee safety and health in production process planning and other business activities.
- Preventing work-related injuries and health conditions.
- Applying adequate measures to mitigate risks according to their hierarchy, and in particular prioritising collective over individual safeguards.
- Broadening the knowledge and enhancing the skills of employees at all levels of the organisation and continuously reinforcing a culture of work safety, as well as promoting health prevention.
- Encouraging employees and other stakeholders to adopt a proactive approach in order to increase their involvement in the process of ensuring safety and in health prevention.

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We discuss our activities promoting the safety and health of our employees in our annual OHS status reports, successive CSR reports and OHS management system review protocols. Furthermore, we report on our safety indicators and on the status of non-conformities identified by external (system, customer) audits and official inspections on an ongoing basis.

An **occupational health and safety management system** has been in place across all Polpharma Group companies in Poland since 2006. Its implementation, based on the PN-N-18001 standard and the European OHSAS 18001 standard, was fully voluntary, which means that it was not legally required. Since 2020, the system has been operated in conformity with ISO 45001. It covers employees and all other individuals under the supervision of our organisation in the context of experimental, chemical and pharmaceutical production, sales of pharmaceuticals and pharmaceutical raw materials, as well as wastewater treatment.

Since 2006, the operation of the system in the Starogard Gdański plant has been subject to external verification. A certification audit conducted in 2021 confirmed that the system operated properly.

The Polpharma Group Employee Occupational Safety and Health Policy is available on Polpharma's website at https://polpharma.pl/odpowiedzialnosc-spoleczna/polityka-firmy/.

The identification of **OHS risks** is regulated by the corporate Occupational Risk Assessment procedure, based on the risk score method. The risk assessment team includes the head of the organisational unit (as a chairperson), an OHS Service employee, and a social labour inspector. The main purpose of the procedure is to introduce measures to protect the lives and health of employees and to improve working conditions, including the reduction of work-related nuisance and monotony.

Risk control measures are applied in the following order of priority:

1. eliminate the threat,
2. substitute with less hazardous processes, operations, materials, or equipment,
3. employ technical and organisational risk mitigation measures,
4. employ administrative risk mitigation measures, including training,
5. use suitable personal protective equipment.

Risk assessment process reviews enabling the continuous improvement of the system are performed, for instance, in the following situations:

- creation of new jobs,
- introduction of technical and technology changes,
- upgrading of facilities and premises,
- changes of legal and other requirements,
- accidents at work.

Information on hazards posed by individual chemical substances and mixtures is available to employees in the Baza Kart Charakterystyk application (a MSDS database), which is also available in a mobile version. Aside from access to safety data sheets, it also contains key information identifying individual substances and related hazards according to the CLP classification.

STOP WYPADKOM

The **Stop Accidents Programme** is a system for reporting and responding to:

- near misses (also called dormant accidents, avoided accidents, almost accidents, unsafe situations),
- unsafe conditions observed – situations likely to cause injuries in the near future,
- hazards and situations that occurred and could have resulted in injuries, but did not through a fortunate coincidence.

The system has been in place since 2012. Up to and including 2021, it made it possible to proactively identify 9,560 situations that were eliminated early enough to prevent any real risks from emerging in the work environment. Incident reporting has been made easier by a special application available to all employees of Polpharma Group in Poland. Its features include sending quick notifications from computers and mobile devices together with photo documentation, following up on measures taken and automatically notifying people involved in the process concerned.

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Safety targets are set for managers per calendar year, and the target levels are set in proportion to the number of accidents at the site.

We are constantly expanding our **database of toxicology reports for the chemicals we use**. Currently, it covers more than 250 substances transferred to our plants, manufactured by us under contracts or licences, as well as new substances introduced to research and development or production. Based on reports purchased from specialist third parties, we determine the toxicity of individual substances to classify them into one of five risk categories. The information in toxicological reports additionally allows us to adjust workplaces to specific requirements and to create an appropriate production infrastructure to provide employees with safe conditions for industrial operations. The above processes are described in detail in a relevant system procedure.

In 2021, we continued ongoing investment projects to introduce the highest standards for protecting employees against the adverse effects of work processes on their health.

Work-related injuries of employees of Polpharma Group in Poland	2021	2020	Change 2021 vs 2020
Number of fatalities as a result of work-related injury	0	0	-
Number of high-consequence work-related injuries	0	0	-
Number of all injuries	**17**	**19**	**-10.5%**

We identified a new occupational hazard and implemented measures to alleviate the impact of the pandemic on the mental well-being of employees in manufacturing and manufacturing support areas as well as those working under hybrid and home office arrangements.

In 2021, no work-related injuries were recorded for employees of subcontractors who worked on the premises of Polpharma Group companies in Poland[3].

Polpharma Group in Poland has the Accidents, occupational diseases and near misses procedure in place. The procedure specifies how to proceed in the following situations:

- when first aid must be given,
- in the case of an accident at work or an accident equivalent to an accident at work,
- when a near miss is identified,
- in the case of an accident on the way to or from work,
- in the case of an occupational disease.

Work-related incident investigations enable us to identify areas for improvement. The recommendations formulated on the basis of these investigations are described in formal accident protocols or dedicated information systems.

Polpharma Group in Poland has a full-time **Corporate OHS Service** with 9 members in total (5 in Starogard, 2 in Warsaw, 1 each in Sieradz and Nowa Dęba). The Corporate OHS Service operates in accordance with the regulation of the Council of Ministers on occupational health and safety service and actively participates in the maintenance of the OHS management system. Its responsibilities arising from legal requirements and the ISO 45001 standard include consultations with employees, individuals under the supervision of the organisation, and other stakeholders.

Involving our employees and their representatives in the OHS management process consists in consultations, participation in the decision-making process, and co-responsibility for building a culture of health and safety in the workplace.

3 Activities of third party personnel periodically performing services under civil-law contracts are excluded.

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Employee representatives are periodically consulted on:

- introduction of changes likely to affect OHS (including work organisation, workstation equipment, introduction of new technologies and chemical substances and preparations),
- occupational risk assessment for certain jobs and communicating such risks,
- establishment of the OHS Service and the designation of employees to provide first aid and carry out fire protection and staff evacuation activities,
- provision of employees with personal protective equipment, work clothing and footwear,
- provision of OHS training to employees,
- introduction of changes likely to affect the safety and health of suppliers (subcontractors),
- matters relating to the integrated management system.

These consultations are carried out with representatives of trade unions, social labour inspectors, and as part of the work of the OHS Committee, which is an advisory and opinion-making body established by companies with more 250 employees and composed of employer and employee representatives in equal parts. The committee meets at least once every quarter. Furthermore, the API Business Unit in Starogard Gdański holds quarterly management meetings with Safety Leaders to address current OHS issues.

The **Safety Leaders Programme** is addressed to the API Business Unit employees who want to eliminate bad habits and inappropriate behaviours that can lead to unsafe incidents in the areas of OHS, fire protection, and environmental protection. It promotes safe conduct in the workplace, the use of collective and individual protective equipment, etc. Our team of Safety Leaders is composed of 30 members who remarkably adhered to OHS principles and felt the need to actively participate in promoting safe behaviours and to report problems relating to occupational safety and environmental protection. In 2021, the Leaders were trained by a third party provider.

The **EHS Council** was established at the API Business Unit. Its members are top executives of the Business Unit, representatives of employees and of the Department of Environmental Protection and Occupational Safety, the onsite Fire Brigade, and Safety Leaders representing employees from chemical manufacturing, laboratory, and R&D areas. Their responsibilities at the monthly meetings include an analysis of occupational health and environmental protection indicators and records.

The rules of **OHS training** are included in the corporate procedure "Integrated Safety and Environmental Management System Training".

Core training categories are as follows:

1. general induction training for new hires,
2. job-specific training with a final exam,
3. recurrent training for specific professional groups,
4. training/instruction for subcontractors.

OHS training formats:

1. onsite training with industry experts and qualified individuals,
2. online training for specific professional groups,
3. alerts following accidents,
4. in-house training using the MyLearning platform,
5. team meetings between shifts,
6. presentation of health and safety issues on video displays and other digital devices in specific areas.

We provide **free private medical care packages** to all employees. They guarantee faster access to medical specialists, laboratory and diagnostic tests, rehabilitation, dental services, etc. Employees may also purchase additional private medical care packages for their families. In this regard, Polpharma cooperates with the LUX MED Medical Centre and the Medpharma health care facility. Employees can use the facilities of these medical centres and partner facilities throughout the country.

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Employee development and support

We regard upgrading employee competences as one of the key development drivers for our company. We support our team in acquiring knowledge and skills, considering both business needs and self-fulfillment of employees. Our managers, executives and individual contributors are trained to guarantee top quality of products and services and to stand out from the competition.

Effective and responsible management of training and staff education within Polpharma Group in Poland is based on the following documents:

- the Training procedure – an internal policy governing developmental activities,
- the Training Curriculum – a list of available in-house training courses developed based on employee needs surveys.

We provide employee training and education by means of:

- the MyLearning training platform
- development programmes (which include wellbeing)
- developing specialist competencies
- subsidies for long-term learning of the Polish and Russian languages
- the Learnship platform which strengthens competence in English
- conferences in Poland and abroad

Average hours of training per year per employee	2021 (change 2021 vs 2020)			2020		
	Total	Women	Men	Total	Women	Men
Managers and executives	33 (+32)	43 (+65%)	26 (-7%)	26	28	25
Individual contributors	6 (-54%)	6 (-57%)	6 (-54%)	13	14	13

99,9%[4] of employees undergo a periodic review covering their performance, behaviours, and career path at least once a year.

Polpharma operates an **online training platform** which provides all employees with convenient access to a constantly growing library of development materials (text, videos, e-learning courses, etc.). By the end of the 2021, we offered more than 224 courses and materials through various catalogues (company-wide, mandatory) which were used by over 3,598 people who completed 4 trainings each on average. The platform allows us to disseminate educational content to a larger group of employees, driving the development of digital competence and reducing the total cost of training. By means of evaluation surveys, the HR Department examines whether the employees are satisfied with the training materials offered to them and identifies their development needs.

We also offer programmes for employees to support them in the development of specialist competences. **DIMAQ Academy** is a training series aimed at structuring and expanding knowledge in the fields of e-marketing, building online communication strategies, web design, mobile marketing and e-commerce. We ran the second edition of the Academy in 2021, with 29 participants on a basic level and 5 participants on an

4 The goal-setting and annual performance review process does not include union leaders.

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extended level. The training is recommended by IAB Europe and prepares the participants for the DIMAQ exam which certifies e-marketing competence. The **Accounting Academy** is an interactive online training series for the employees of the Corporate Finance Department on International Financial Reporting Standards (IFRS and IAS) in the context of preparing financial statements.

In response to misinformation in the public space about the prevention and course of COVID-19, in order to support our employees in making informed health decisions, we organised a series of **meetings with medical experts** for them in 2021. The experts presented the current science on pandemic issues and answered questions which were asked directly using a chat function to address the concerns and doubts of our team. There were 12 online lectures in total:

- 9 in the Life after Covid (Życie po covidzie) series, devoted to the health consequences (including mental health) of the SARS-CoV-2 infection, as well as recovering from covid,
- 3 in the Let's Talk About Health (Porozmawiajmy o zdrowiu) series (launched in 2020) on vaccination (also against diseases other than COVID-19).

During the pandemic, our employees were exposed to many difficult experiences, such as constant fear for the health of loved ones, the need to make dramatic changes in daily habits and forced isolation. To support them, we offered a variety of **intervention and prevention activities** in 2021:

- free, confidential sessions with a psychologist,
- #MojaStrefaWsparcia – a support section on the intranet, offering insights on improving mental resilience and a database of institutions providing assistance,
- a series of expert webinars "Summer with Mindfulness" (Lato z uważnością) on a variety of topics that included managing energy levels and developing an optimistic attitude,
- the next episode of the Stress and Emotional Management Academy e-learning series kicked off in 2020,
- activities promoting recognition within the company.

The pandemic period strongly affected the needs of managers and necessitated a change in the approach to development activities for this key employee group. We made all development activities available online, regardless of the position (from production leaders to top executives). We placed strong emphasis on supporting managers in maintaining and building their own and their team members' mental resilience.

This was the goal of the Mindfulness Academy programme, which included:

- inspiring webinars for managers (each event attracted almost 400 participants),
- systemic online training materials (10 h of content on building mental resilience for yourself and your team), which were accessed by nearly 500 managers,
- Leanovatica database of development videos (the 'development Netflix').

Our second priority was to prepare managers and build their competence in managing hybrid teams. The E-Leadership programme included:

- a guide explaining the principles of hybrid work in our company, »online workshops with trainers to build competence in hybrid team management (with nearly 300 managers participating),
- 'knowledge pills' with videos and practical tips for use in daily work.

With a view to phasing out production at the Polfa Warszawa plant in 2023, we established a biotechnology competence development programme to help interested company employees with reskilling and to improve their employability in the biotechnology industry. The **BIO Academy** training courses were addressed to all employees of Polfa Warszawa who had not had any experience with biotechnological processes. The programme comprised three modules:

- theoretical sessions introducing general biotechnology issues,
- theoretical part of specialist courses in biosimilar manufacturing,
- practical part of the courses taking place in laboratories.

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More than 3 years after its launch, the BIO Academy was wound up in 2021. Throughout its duration:

326 employees took part in module I

113 people completed module II

82 people completed module III

Other employee skills development programmes:

Programme	Number of participants in 2021
Leader programme	30
Mindfulness Academy	723 (minimum one activity), 280 (entire program)
Summer with Mindfulness	931
Personal effectiveness	126
Change Management	79
Trainer's Workshop	52
Feedback	78
Long-term learning subsidies	43
Learnship	67
Training platforms: Leanovatica, eduweb, SalesOn	221
365 ideas for effective remote working	1,322
Working remotely in the new reality	48
Participation in conferences in Poland and abroad	67

The **Leader Programme** is addressed to people taking their first steps as managers at Polpharma and those who would like to add management training to their experience. The goal of the programme is to learn team management techniques, address any identified ineffective behaviours, learn how to analyse risks in daily decision-making and optimise activities. The participants receive hands-on operational guidance for use immediately after the training.

The **Change Management** training is addressed to managers, leaders and production managers. Its goal is to learn how to communicate effectively when working with a team, tackle conflicts and manage the entire change process effectively.

The **Trainer's Workshop** is a training course for employees who want to share their knowledge across the organisation by creating workshops or training courses. It shows, among other things, how to identify group needs and how to design content.

The **Personal Effectiveness** training provides practical tips for organising your work to save time and improve performance. It focuses mainly on Microsoft Outlook solutions for effective planning and priority management. It builds good working habits and helps relieve the stress and tension caused by overwhelming responsibilities.

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Diversity

We recognise the differences between our employees and see them as a value. We continually develop policies and programmes 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. We educate our staff on diversity issues such as intergenerational management. In our responsible management of diversity and equal opportunities, we rely on our corporate procedure "Anti-Harassment and Anti-Discrimination at the Workplace" and our recruitment procedure, as well as the international Diversity Charter which has been signed by our company.

We periodically monitor the gender diversity of our workforce and the pay gap between men and women employed in similar positions.

In 2021, Polpharma joined the global initiative **Target Gender Equality**, which is implemented in Poland by the Global Compact Network Poland. Its goal is to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. The first step after we joined the initiative was the use of the Gender Gap Analysis Tool to conduct a self-assessment of our approach to gender equality and to analyse the gaps and opportunities for improvement in this area.

Polpharma also took part in **EmPower Women**, a pilot programme by Microsoft aimed at including women in the IT sector at large. In 2021, five of our female employees completed training on cloud technologies, and we intend to expand this to a wider group of women at Polpharma. Another initiative for women is the series of meetings "**I have the power – I am a woman**" (Mam moc – Jestem kobietą). They offer an opportunity to talk to inspiring women. The 2021 event included a webinar with Joanna Chmura, a female trainer and psychologist who specialises in genuineness, shame and courage.

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Percentage of individuals within the organisation's governance bodies and individual categories	Women	Men	under 30 years	30 to 50 years	above 50 years
Management Board	25%	75%	0%	38%	63%
Supervisory Board	27%	73%	0%	20%	80%
Managers and executives	46%	54%	0.2%	74%	26%
Individual contributors	55%	45%	11%	64%	25%

Female-to-Male basic salary and remuneration ratio	Polpharma Group in Poland		ZF POLPHARMA S.A. (incl. divisions)		Polfa Warszawa	
	Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration
Managers and executives	89%	87%	89%	87%	85%	81%
Individual contributors	100%	100%	100%	101%	98%	99%

Gender pay gap[5]	Polpharma Group in Poland	ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
Managers and executives	14.78	14.65	22.74
Individual contributors	-0.13	-0.52	1.40

5 This indicator represents the difference between the average remuneration (including bonuses, awards and other benefits) of men and women, showing how much more (or less) men earn on average.

Employees with disabilities

We are building a disability-friendly environment and workplace. At the end of 2021, we had 66 employees with disabilities on our team (accounting for 1.5% of the total workforce).

We are consistently making efforts to improve the accessibility of our buildings or websites, but also to support the employability and activation of people with disabilities. In 2019, we joined the Partnership for Accessibility under the Accessibility Plus Programme implemented by the Ministry for Regional Funds and Policy, in cooperation with local governments, entrepreneurs and non-governmental organisations. The programme aims to ensure that people with special needs have unrestricted access to goods, services and social as well as public life.

For many years, we have been supporting the Integracja Foundation. We are a partner of the health section of the Integracja magazine, the annual Grand Gala of Integration (Wielka Gala Integracji) and the Man without Barriers Gala (Gala Człowiek bez Barier).

Polpharma's office at ul. Bobrowiecka 6 in Warsaw is accessible for people with disabilities. Its full accessibility for people with mobility impairments, visual impairments including blindness, and partial or full hearing loss is confirmed by the **Barrier-Free Facility** (Obiekt bez Barier) certificate awarded by the Integracja Foundation. In addition, the **certificate** confirms that the office is adapted to the needs of elderly persons and people with young children.

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Human rights

Workplace harassment and all forms of discrimination contradict our company values. Polpharma Group in Poland does not have a human rights policy in place as a standalone document. This area is covered by several documents, including **Polpharma Group Code of Ethics**, which clearly indicates the need to foster a friendly work environment by respecting the dignity of others and opposing any discrimination and harassment. These issues are addressed during mandatory ethics and compliance training, and building a culture of respect is an important element of the Group's corporate culture.

Steps to be taken in the case of suspected irregularities in the sphere of human rights are specified, among others, in the Procedure on Prevention of Workplace Mobbing and Discrimination. It assumes that the organisation should always start its intervention with amicable solutions, such as mediation. In case of conflicts on a team, it enables escalation to the HR Business Partner or the Compliance Team.

In 2021, we began the implementation of detailed due diligence procedures at Polpharma to ensure that human rights are respected in the supply chain. As a result, we will make appropriate changes to existing policies, procedures and processes, and implement new solutions where necessary.

No discrimination incidents were recorded at Polpharma in 2021. Three internal mediation procedures were conducted, which resulted in an amicable resolution of conflicts caused by miscommunication.

Anti-discrimination is addressed by an hourly e-learning course "Ethics and Compliance in Polpharma Group". In 2021, 94% of Polpharma employees completed the workshop (devoting 3,656 hours in total).

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Employee dialogue

To remain engaged in continuous dialogue with our team, continuously improve our organisation, and create an even better workplace, we regularly conduct employee opinion surveys. They are conducted twice a year – in December to get a thorough understanding of workforce sentiments and needs, and in the middle of the year to assess the extent to which actions taken in teams by managers are acknowledged and welcome by employees.

Regardless of the time of the survey, we manage to attract about 90% of our employees to participate (89% in December 2021). The most recent survey showed that owing to a range of measures, including those taken during the pandemic, the level of team engagement at Polpharma exceeded the market average. Employee opinions voiced in the survey confirmed that in 2021 they appreciated transparent communication and activities aimed at building mental resilience and a sense of security.

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Health education and preventive care

As a pharmaceutical company, we are committed to improving patient access to reliable health information. We take care to provide the most meaningful and relevant knowledge in an accessible way. Moreover, we carry out a range of campaigns and programmes to promote preventive care.

NARODOWY PROGRAM WYKRYWANIA POChP*

We raise patient awareness of diseases that are little known but require extensive prevention. One of them is COPD, the chronic obstructive pulmonary disease, which kills about 15,000 Poles every year.

To reduce this number, we have been implementing the **National COPD Detection Programme** since 2018 which aims to raise awareness of the chronic obstructive pulmonary disease and facilitate access to spirometry tests, which are necessary for the diagnosis. In partnership with innovators from HealthUp, we provided primary care physicians with compact and portable AioCare spirometers and access to a mobile application and a simple self-diagnostic test. These devices enable testing during home visits.

The National Programme for the Detection of COPD in 2021:

- 110 devices in operation
- 1,674 patients tested
- 228 obstructions detected

We have launched and developed 53 websites educating patients on how to address various health issues. The most popular website in 2021 was biotebal.pl, which attracted more than 600,000 visitors. All educational websites operated by Polpharma were visited by a total of more than 6.7 million users.

We are committed to sharing our knowledge with as many people as possible, and therefore our educational campaigns for patients are also present in social media – we operate a total of 8 Facebook fan pages and 2 Instagram profiles with educational content.

In addition to knowledge, we provide patients with ready-made tools that make it easier to live with various diseases.

199,600
blood pressure logs distributed in 2021

50,102
downloads of the Kardiometr app, of which 5,593 in 2021

STREFA NA ZDROWIE POLPHARMY

Health Zone is our response to the need to popularise preventive testing. Since 2012, we have been implementing a programme to facilitate access to preventive tests for people over 40. Our Health Zone 2021 visited 8 cities, offering free cardiovascular and diabetes testing.

1,200
people tested

8
cities

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Education for medical and pharmaceutical communities

We remain in touch with doctors and pharmacists, providing them with advanced state-of-the-art treatment insights. The fast development of medicine and pharmacology requires people working directly with patients to explore new solutions. Through our educational programmes, we seek to facilitate this process.

EPE Europejski Program Edukacyjny

During the conferences held by Polpharma as part of the **Expert Educational Programme** (former European Educational Programme), top experts disseminate knowledge, taking care to present the practical aspects of the discussed issues. The central programme conference had its special 10th edition in 2021. It was held as a hybrid event. More than 800 doctors met in person in small, safe groups in 8 hotels across Poland or watched an online stream. Selected lectures were later published on Polpharma.tv, an online platform with video content for doctors. Conferences for individual specialties (including paediatrics, ophthalmology and gynaecology) were held in the autumn of 2021 as on-site events, attracting about 900 attendees.

Medical education for physicians

In 2021, we held and sponsored a total of 204 scientific conferences and workshops attended by 9,060 doctors.

Polpharma dlaCiebie.pl

In May 2021, we launched an interactive platform for primary care and specialised doctors with practical medical insights and expert opinions. PolpharmaDlaCiebie.pl offers:

- more than 1,000 articles
- about 300 video lectures by Polpharma TV
- about 300 patient education materials
- useful tools such as medical calculators
- quizzes
- news
- contests

As a useful feature, the website suggests interesting content to users based on their declared interests and offers an option to create a custom library.

The figures for 2021, covering the first six months of the existence of this website, demonstrate its usefulness:

- 60,000 unique users
- 130,000 visits

Pharmacist education

Pharmacja Praktyczna is our magazine addressed to pharmacists. It is distributed to all pharmacies in Poland (13,500). Each issue is printed in 27,000 copies. It is worth noting that pharmacists also like to use our educational website farmacjapraktyczna.pl, which has 28,000 unique users per month, while our Facebook fanpage has 47,000 followers.

Community action for mental health

Support for organisations providing psychological assistance and raising awareness of mental health is an important part of our community involvement.

In 2021, our key important activities in this area included **cooperation with the Empowering Children (Dajemy Dzieciom Siłę) Foundation and sponsoring the ITAKA Foundation's Anti-Depression Helpline**. In addition, we were a partner of a special supplement to Dziennik Bałtycki daily in Starogard Gdański entitled "Open up to help" (Otwórz się na pomoc) dedicated to mental wellbeing during the pandemic and the need to attend to children's problems and symptoms of depression in seniors.

In 2021, we financed a project implemented by the Empowering Children Foundation, which included:

- counselling services for parents/guardians and children at the Child and Family Center in Warsaw and the Children's Aid Center in Gdańsk,
- psychiatric assistance for adult customers of the Child and Family Center in Warsaw,
- a webinar for parents: "I can stop – all about parent's emotions" (Potrafię się zatrzymać – wokół emocji rodzica) aimed at discussing difficult daily situations in parent-child relationships,
- a supervisory and education workshop "Child's Friend" (Przyjaciel dziecka), where volunteers accompanying children in legal and court procedures learned how to support them.

In addition, we organised "Working Out To Help" (Ćwiczymy, by pomóc), a charity challenge at Polpharma in which we undertook to support the Empowering Children Foundation in running its helpline for children and young people with an amount calculated based on the time spent by our employees working out, at a rate of PLN 1 per every 20 minutes of activity. As a result, we raised more than PLN 5,500.

In 2021, we also continued our financial support for the Anti-Depression Helpline, which had been run by the ITAKA Foundation for 20 years and offers 24/7 free psychological support, including lines for children and young people. People suffering from depression are welcome to call them regardless of age, gender, social group, wealth status or sexual orientation, and so are their families and caregivers. Support for callers is provided by psychologists, sexologists and psychiatrists. For many sufferers, this is the only way to access specialists and obtain answers to questions about pharmacotherapy and other subjects.

Support for local communities

We have been supporting local communities for many years, together with our employees. We recognise that the needs of a region or place can be best identified by people who live there. Polpharma Group employees in Poland actively seek out those in need and suggest specific solutions to improve their quality of life.

WOLONTARIAT PRACOWNICZY W POLPHARMIE

We are building an environment that fosters the social engagement of our employees. When they provide community service, they can rely on us for financial, organisational and expert support. **The Employee Volunteering Programme** has been in place across all Polpharma Group sites in Poland since 2013. It takes the form of a grant competition, in which we award PLN 3,500 to twenty most interesting initiatives proposed by our employees every year. We welcome projects in the following categories: health and health prevention, quality of life improvement, education and equal opportunities, humanitarian aid, local development and ecology, and aid for animals.

Grant competitions in 2013–2021 in figures:

- 179 projects completed
- 1,324 volunteers
- 23,594 hours of community service
- ~35,000 beneficiaries

Our employees can also participate in other volunteering initiatives supported by Polpharma. In 2021, these included:

- our annual campaign in which we prepared Christmas gifts in response to letters to Santa written by children from childcare centres across Poland (making dreams come true for 532 children and senior citizens),
- Christmas donation drive for the St. Padre Pio Hospice in Puck
- running stands at a charity picnic for the hospice in Starogard Gdański,
- Christmas charity drive for the animal shelter in Starogard Gdański,
- participation of the Polpharma team in an inclusive orienteering race in Starogard Gdański, with the goal to show that people with disabilities and without disabilities form a single community,
- a tree planting campaign,
- charitable sports challenges.

Volunteering in 2021 in figures

- 463 volunteers
- 4,133 hours of community service

We perfectly understand the importance of cross-sectoral social innovation, which is why we are the main partner of the Development Initiatives Fund (Fundusz Inicjowania Rozwoju) and the Development Initiatives Forum (Forum Inicjowania Rozwoju) – two unique sustainability initiatives of the Pomeranian Province carried out by the UP Foundation for Development Initiatives. The fund provides grants for innovative cross-sectoral partnerships that respond to the challenges faced by local communities in Pomerania. The seventh edition of the competition was held in 2021, awarding PLN 25,000 and comprehensive consulting support to the following projects:

- **City Garden in Tczew / Ogród Miejski w Tczewie** (leader: To i Co Foundation) in which a shared space was created to grow fruit and vegetables and deliver nature and environment education;
- **The Sensitive Guesthouse / Pensjonat Wrażliwy** (leader: Świat Wrażliwy Foundation) – under which a commercial facility for tourists will be created in Gdańsk that will also offer jobs, activation and a home to persons with cognitive disabilities;

- **Repairs in a facility of Piotr Augustyniak's Pępek Świata Foundation** (leader: Piotr Augustyniak's Pępek Świata Foundation) – owing to which a facility will be opened in Gdańsk that will offer ultrasound scans to women in emergency situations;
- **Planting Veggies / Siejemy Ferment** (leader: Twoja Rola Foundation) – in which people at risk of exclusion acquire new social and vocational skills while growing, processing and selling vegetables in Gdańsk**.**

The Development Initiatives Forum is an annual conference aimed at sharing knowledge and inspiration in the field of sustainable development. "Climate for a change. Planet. Partnership. Leadership" was the tenth edition of the event held in 2021, which brought the Pomeranian business community, local government and NGOs together to look for solutions to major social and environmental problems.

Another local initiative by Polpharma is the partnership in the Act Locally (Działaj Lokalnie) programme carried out in the Starogard Gdański region by the Chata Kociewia Local Action Group. As part of the cooperation, we created a special category "Protect the environment with Polpharma" (Dbaj o środowisko z Polpharmą) to provide funding to projects disseminating knowledge about the climate and environmental protection and sustainable behaviours. Participation in the programme demonstrates our commitment to local education and development of initiatives that improve the state of the environment and quality of life in the region. The following projects received funding under the aforementioned theme:

1. **Kociewie? Naturally! / Kociewie? Naturalnie!** – a project carried out by the Slavdom Lovers Group (Grupa Miłośników Słowiańszczyzny) under the auspices of the Grodzisko Owidz Community Culture and Sports Centre. Its main goal is to deliver health and environmental education. The project culminated with a world cleanup campaign in various parts of the Starogard District.
2. **Eco-Innovative School / Eko-Innowacyjna Szkoła** – a project implemented by the Clean Air Lovers Group (Grupa Miłośników Czystego Powietrza) under the auspices of the Public School Complex in Kaliska. Its goal is to raise awareness and demonstrate the human impact on the surrounding nature and air, and to mobilise the community to participate in the world cleanup initiative and to protect the natural environment.
3. In addition, Polpharma provided funding to one project outside this category: **Youth Development School / Młodzieżowa Szkoła Rozwoju** implemented by the POZYTYWNI Association. This project involves workshops for high school students providing them with comprehensive knowledge and opportunities to develop their skills across four modules: identification of competencies, career planning, approaching employers and the labour market. As a wrap-up, the participants will implement three own projects addressed to the local community.

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Socially responsible products

When designing our packagings or deciding whether to continue the production of specific drugs, we always try to examine the social needs. That is why, for instance, we introduce solutions that can make the daily lives of our patients easier. While the law requires manufacturers only to write drug names and dosages in Braille on packaging, we decided to go a step further and prepare a prototype of an innovative application with **audio medication leaflets**. This will help people take the medicine, especially those blind and visually impaired. The AI-powered application provides the basic information about the drug from the leaflet in a smart way, supporting patients in the safe use of medicines. Seeing an unmet need in this regard for the aforementioned group, we submitted our app to the Warsaw Health Innovation Hub in 2021 as a proposed solution for implementation in the healthcare system.

In collaboration with the Institute of Bioorganic Chemistry, Polish Academy of Sciences and Medicofarma, we launched the MediPAN-COVID+Flu test in early 2021, offering a simple, quick and reliable way to differentiate between SARS CoV 2 and influenza virus infections. **It was the first Polish differential genetic test available at a price similar to that of a COVID-19-only assay**. COVID-19 and the flu share many similar symptoms, but require completely different management. Since only a single sample needs to be collected, patients do not have to visit multiple testing sites. The possibility to differentiate between two viruses using a single process makes diagnosticians' work faster and streamlines the use of laboratory equipment.

Chapter 4

CORPORATE GOVERNANCE

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Innovation

Polpharma creates innovations to guarantee product availability and enhanced safety, increased comfort of drug use and improved patient compliance, and therefore more effective therapies. The patient is at the heart of everything we do at every stage of the treatment journey, from the first symptoms, to diagnosis, therapy and adjusting to life with the disease.

Our strategy is to reinvest profits from the sale of medicines in the development of innovative products that add value to patients. Our core focus is on generic drugs, which provide access to advanced therapies to a wide group of patients. We carry out in-house R&D activities and collaborate with universities and research institutes in Poland and abroad. We develop advanced products, including but not limited to novel combination cardiovascular drugs, eye medicines, orally inhaled products (asthma, COPD) and injectables (such as long-acting injectables for the treatment of schizophrenia).

Polpharma's R&D activities in figures

342
employees in the areas of drugs and pharmaceutical substances, of which 36 with doctoral degrees

3
R&D centres in Poland

PLN 224 million
R&D spending in Poland in 2021 (6.5% of revenue)

more than 110
development projects run by Polpharma Group in Poland

12
patent applications in 2021

46
patents obtained in 2021

Customer focus

Patient needs are the starting point for all new drug development activities and we monitor them on a regular basis. We are aware that a medicine will not help someone who does not take it, which is why it is so important to create patient-friendly drug formulations encouraging compliance. To do this, we rely on research to show us the most relevant factors.

An example of a drug developed to meet specific patient needs would be preservative-free eye drops. Polpharma has been working on them for a few years. To date, we have launched 11 products in this product line. Through research (including ethnographic studies of patients with glaucoma and dry eye syndrome) and analysis, we have gained a better understanding of the process, which begins when the patient receives a diagnosis. We know how the patient feels, what life with the disease looks like and what problems arise during treatment, including product functionality challenges. We have embraced the perspective of patients as well as doctors and pharmacists.

As a result, the R&D team has modified our eye products, among other things by removing the preservative agent, reformulating the product to achieve adequate physicochemical parameters, and changing the packaging system. Preclinical studies on dedicated cellular models and animals and clinical studies on patients have also been conducted. The aforementioned development work was so innovative that it warranted filing our own patent applications.

LEONARDO

The **Leonardo Innovation Programme** allows our employees to submit their ideas in three categories: patients and HCPs, effective organisation and meeting climate and environmental commitments. For this purpose, we built a special platform called Leon to collect and debate innovative ideas and to share knowledge. The potential of every submitted idea is examined by a cross-functional team of in-house experts. If an idea is promising, a champion and a business partner are assigned to it to accelerate transforming it into a real-life solution.

Until the end of 2021, our employees submitted 560 ideas in the programme, 72 of which are now in the implementation and execution phase.

In October 2021, we held the **Leonardo Hackathon**, a special creative event to which every employee was invited. The jury selected 57 people from those who had expressed their interest to receive training in project work. During the finals in Warsaw, the participants were divided into teams and worked on out-of-the-box solutions to predefined development, health and environmental challenges, and then presented them back to the Innovation Council composed of members of Polpharma's Management Board.

One of the assignments for hackaton participants was to develop an idea which would help raise awareness of the presence of medicines in the environment and proper disposal of medicines among patients and to demonstrate what Polpharma could do about it. The winning team presented a number of suggestions arranged into a programme called Lekocieżka, which envisioned a range of measures, including a series of complementary awareness campaigns and efforts to establish more locations collecting unwanted or expired medicines. The first implementation step involved an educational campaign addressed to Polpharma employees.

ARTEMIDA

Polpharma implements many innovative manufacturing and business process efficiency solutions. In order to improve the success rate of projects implemented using our own funds and external funding, we launched the **Artemida strategic programme** in 2021. A range of internal activities (workshops, educational meetings) have been carried out as part of this programme that addressed the options for supporting the development of key products for patients and the healthcare system using public funding. Artemida also involves wide-ranging external activities with the participation of multiple stakeholders (scientific community, public institutions), aimed at building an environment supporting the development of the Polish pharmaceutical sector.

In cooperation with the scientific community and with the help of external co-financing, Polpharma has been implementing new breakthrough technologies for patients. In late 2021, a consortium of Polfa Warszawa and the Institute of Bioorganic Chemistry, Polish Academy of Sciences (IBCH PAS) in Poznań secured a PLN 93.8 million grant in a competition of the Medical Research Agency for the implementation of a new **RNA-based** approach to the development of medicinal products in Poland. The technology consists in the design and synthesis of RNA molecules to achieve a strictly defined therapeutic action, i.e. active ingredients or drug carriers. Project activities will include the delivery of solutions for accelerated development of vaccines for emerging viruses and design of novel drugs. RNA technology has a huge potential to reduce or even completely eliminate the formation of abnormal proteins which are responsible, for example, for incurable neurodegenerative disorders.

IBCH PAS's long-standing expertise in interdisciplinary research of nucleic acids, coupled with Polpharma's production capabilities, will provide Polish patients with advanced and effective RNA-based therapeutic solutions designed and produced in Poland in a few years.

In the implementation of Europe 2020: A strategy for smart, sustainable and inclusive growth, Poland has identified its smart specialisations. The resulting list of areas with the greatest potential for making our economy more competitive and improving the quality of life of the Polish society provides a kind of compass for public investment in research and innovation. In 2021, the Ministry of Development and Technology expanded the scope of **National Smart Specialisation 1 – Healthy Society** to include research and development of generic and biosimilar drugs (the previous version of NSS 1 included technology innovation projects only for generic drugs). The aforementioned change means a fundamental expansion of Polpharma's ability to attract funds from operational programmes.

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Cooperation between business and science

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 doctoral studies, the Programme aims to provide educational opportunities in close cooperation with their employers or other businesses. The main objective of the programme is to ensure that doctoral dissertations contribute to improving company operations. The task of a doctoral student, who works with a scientific supervisor and an industrial supervisor, 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 2021, 1 new doctoral student employed by Polpharma qualified for the programme, joining the 19 individuals qualified in 2018–2020. The doctoral studies are expected to take four years and are carried out in collaboration with the Medical University of Gdańsk. The first doctoral defences from previous editions will take place in 2022.

Starting from the academic year 2017/2018, in collaboration with the Medical University of Gdańsk and Oceanic, we have been offering a **second-cycle programme: Pharmaceutical and Cosmetic Industry**. The objective of the new programme is to prepare graduates to perform practical functions in the pharmaceutical industry. In this way, we are bridging a gap, as conventional pharmaceutical studies are aimed at educating future pharmacy employees, and there are no programmes to prepare future employees of medicinal product or cosmetic manufacturers in Poland. Dual studies combining theory with practice support expanding and deepening of cooperation between science and business. As part of the programme, students participate in Polpharma's internships and write their master's theses under the supervision of our experts. In the academic year 2020/2021, theses in the field of pharmaceutical industry were defended by 12 programme graduates.

Polpharma is also one of the founders of the **Warsaw Health Innovation Hub**. Established in 2021, the hub offers a platform for the exchange of experience, flow of ideas and ongoing cooperation between business, scientific and public entities from the biomedical sector that is unparalleled in Central Europe. WHIH is a joint project of the Medical Research Agency and leading pharmaceutical, biotechnology and ICT businesses.

The core task of WHIH is to fund, test and implement technology, legal, organisational and process innovation supporting the development of the biomedical sector in Poland, improving the national healthcare system and strengthening its independence from foreign products and solutions. The concept of this initiative, which includes leveraging synergies between its partners, supports a rapid transformation of ideas into products, processes and services.

Since 2016, we have been cooperating with the Technical Secondary School No. 1 of the Starogard Gdański Economic School Complex, offering a **dual-education course** for analytical technicians (chemical profile). The learning process combines theoretical education at school with apprenticeships at our company. The 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. Another class of analytical technicians completed their education in 2021. Some of the graduates have been employed by Polpharma in quality control and at the school laboratory, but most of them have started university studies in the same field. Together with the Economic School Complex, we are working towards launching a new field of study, also as a dual course: chemical technology technician. We also cooperate in the education of an automation technician class. The students take part in apprenticeships at the Pharmaceutical Manufacturing Plant in Starogard Gdański, acquiring practical skills under the supervision of Polpharma's experts.

Activities of the Polpharma Scientific Foundation

POLPHARMA SCIENTIFIC FOUNDATION

The mission of the Polpharma Scientific Foundation, established in 2001, is to support the development of pharmaceutical and medical sciences by funding scientific research. The Foundation's flagship programme is its annual grant competition.

Key activities of the Foundation in 2021:

- 20th edition of a competition for the best research projects themed "Covid-19 – etiopathology, clinical management, public health". Twenty-two submissions were received, and the two winning teams received more than PLN 1.1 million.
- The first edition of the Professor Roman Kaliszan Award and Medal, a distinction presented by the Foundation, the Medical University of Gdańsk and the Gdańsk Scientific Society for outstanding research achievements in biomedical or biopharmaceutical sciences that open up new application possibilities in medicine and pharmacy. The winner was Pharmacy Professor Marcin Kołaczkowski, whose greatest achievement is the development of a new generation of CNS receptor modulators which are important in the search for new therapies for psychiatric and neurodegenerative disorders.
- Sponsoring prizes for winners of a successive edition of the All-Poland Competition for MSc Theses from Pharmaceutical Departments organised by the Polish Pharmaceutical Society.
- Publishing the eighth volume of the scientific journal "Postępy polskiej medycyny i farmacji. Zeszyty Naukowej Fundacji Polpharmy", addressing themes relating to projects implemented with the Foundation's support.

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Anti-corruption

Operating in the healthcare market, we are particularly obligated to live to the highest ethical standards. Relationships with the public sector are traditionally exposed to significant legal and ethical (including reputational) risks. Therefore, Polpharma's strict adherence to the law is underpinned by an obligation to follow internal procedures relating to corruption risks.

The Anti-Corruption Code is the fundamental document aimed at mitigating the risk of corruption at Polpharma Group in Poland. It offers detailed guidance on the rules of conduct. The Code identifies areas and positions at a particular risk of corruption and regulates such areas as interactions with public officials, healthcare professionals, business interactions, hospitality rules, accepting and giving gifts, tenders, donations, conflicts of interest, etc.

In 2021, we revised our Anti-Corruption Code and reformulated it according to the Legal Design methodology, making the messages more accessible and clear. The Code is now better aligned with the corporate structure. We have introduced versions for foreign representative offices and a version for contractors (which expands on and supplements anti-corruption clauses in contracts).

Anti-corruption rules are also included in other documents:

- The Polpharma Group Code of Ethics outlines the anti-corruption policy and includes a declaration not to offer or accept benefits.
- The Global Compliance Policy provides general anti-corruption guidance and therefore serves as a point of departure for other internal procedures.
- The Whistleblowing Policy defines the whistleblowing channels and report handling procedure.
- The Marketing Conduct Manual lays down detailed guidelines for lawful marketing and advertising of Polpharma's products; in particular, it sets out standards for relationships with healthcare professionals.
- The Supplier Code of Conduct includes guidance and expectations addressed to the suppliers of Polpharma companies in a range of areas, including anti-corruption.
- The Sustainable Supply Chain in Procurement Policy introduces the obligation to use ethics and anti-corruption clauses in contracts with suppliers.

The annual **anti-corruption training** is mandatory for all employees and associates of the company. New hires are required to submit declarations that they have familiarised themselves with the Anti-Corruption Code, and selected employee groups must submit declarations of no conflict of interest.

Based on the Compliance System Policy, **corruption risk analysis** is conducted on a regular basis. The management of this risk is assisted by the Gift Register and a recurrent conflict of interest survey.

No corruption incidents were found at Polpharma Group in Poland in 2021.

In order to improve the transparency of relationships with healthcare professionals, we regularly draw up a **Transparency Report** and publish it on our websites. to disclose the benefits provided by Polpharma Group entities in Poland, such as:

- remuneration for selected services provided by healthcare professionals,
- supporting the participation of healthcare professionals in educational events,
- remuneration for selected services or support (such as medicine, in-kind or cash donations) provided to healthcare and patient organisations.

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Ethics & compliance

For us, ethics is an integral part of doing business. In 2015, we adopted **the Ethics Programme** based on our Code of Ethics, which applies to all employees and associates of Polpharma Group in Poland. The Code incorporates and interprets all our values, as well as our standards of conduct in internal and external relations. We have included behaving in accordance with our values as a parameter in employee self-assessment and the subsequent annual performance review.

The principles set out in the Code of Ethics are made more specific in other documents covering selected areas or issues. These are: the Anti-Corruption Code, Supplier Code of Conduct, Netiquette, Marketing Conduct Manual.

Polpharma's employees and associates undergo annual **ethics and compliance training,** which was completed by 94% of our workforce in 2021. The training incorporates concern for the common good and the obligation to respond to any observed irregularities. The company has established a number of whistleblowing channels and a procedure to ensure confidentiality, anonymity and responsiveness.

In order to build positive relations with external stakeholders, rules of fair competition must be complied with. This obligation is further elaborated in the Global Compliance Policy and is included in compliance risk management. As part of this process, an analysis of the product portfolio and product market shares is conducted on a quarterly basis to identify and mitigate the risk of monopolistic practices. In 2021, no violations of free competition or monopoly practices were identified at Polpharma.

All documents of Polpharma's Ethics Programme are available in Polish and English language versions. The Code of Ethics has been translated into 8 other languages.

The ethical values of Polpharma Group:

- Respect
- Integrity
- Responsibility
- Solidarity
- Cooperation

The Ethics Programme of Polpharma Group in Poland includes whistleblowing arrangements. The relevant regulations were separated as the **Whistleblowing Procedure** in 2021. The document conforms to the provisions of the Directive on the protection of persons who report breaches of Union law. It was prepared with internal stakeholders in mind, but it also covers external reports. Whistleblowers can choose between a form available on Polpharma's website, a hotline, an email address, mail or a face-to-face meeting with a Compliance Officer designated as the person responsible for receiving and processing reports. We fulfil our obligation to provide feedback to whistleblowers (as long as they provide contact information, as anonymous reports are also allowed). The procedure additionally regulates internal investigations, confidentiality, protection of whistleblowers and corrective actions for confirmed violations.

To ensure that all our companies comply with the law and voluntary standards in all operations, we adopted **Polpharma Group Global Compliance Policy** in 2020. In 2021, we carried out a comprehensive review of all internal regulations in this area in order to align our governance with legislative changes, including the new EU Directive on the protection of persons who report breaches of Union law, and with best market practice.

The following regulations are currently in place at Polpharma Group in Poland:

- **Compliance System Policy**, which defines the framework for the operation of the Compliance System, the duties and powers of the Compliance Officer, and the responsibilities of all employees with respect to compliance with the law.
- **Anti-Corruption Code**, which sets out anti-corruption principles applicable to everyone in the organisation and includes a detailed description of corruption risks and how to avoid them in relations with healthcare professionals, public officials and business partners. The document regulates the principles of hospitality, conduct of meetings, giving and accepting gifts and preventing conflicts of interest, etc.
- **Whistleblower Procedure**, which includes information on when and how to respond to violations of the law, ethics or internal procedures in our organisation. It also describes how we protect whistleblowers and how we handle their reports.
- **Netiquette**, which outlines in a simple and friendly format how to behave responsibly online, how to use social media for business purposes, and how and why we should keep our private and work life separate.

One of the most important compliance projects in 2021 was the simplification of contract and procedure language using the Legal Design plain language template. As a result of the project, selected documents were transformed into a visually appealing message (that could also be used on mobile devices), comprehensible for the majority of the public.

BURSZTYNOWY GALEN

The **Amber Galen Award** is the most important recognition for the employees of Polpharma Group in Poland. It promotes, most of all, living the corporate values in everyday work. Members of the jury also consider how the employees communicate on a daily basis, whether they share their knowledge and experience, and if they demonstrate creativity in how they approach different issues. It is also important whether the candidates keep their commitments and how they work together as a team and across the organisation. The winners of the Amber Galen Award are outstanding individuals and teams, also in the eyes of their colleagues, who nominate the candidates.

In the 2020/2021 edition of the Amber Galen Award, there were six awards in the individual category, four team awards and one Honorary Amber Galen Award. The Amber Galen is a special honour reflecting recognition and appreciation from executives and colleagues, and also a financial reward for the winners.

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Sustainable supply chain

We are aware that in order to minimise our adverse environmental impact in a comprehensive and lasting way and to take full responsibility for our impact on the social environment, we must closely collaborate with our suppliers of goods and services. We are committed to conscious supply chain management, which is best demonstrated by the preparation and implementation of our **Sustainable Supply Chain Strategy 2019-2021.**

The strategy pillars were:

- **System Solutions** – we provide a management system and high operational standards related to the supply chain and procurement within the organisation.
- **Partnering with suppliers** – we seek to implement an ethics audit system covering our key suppliers.
- **Promoting a sustainable supply chain** – we help our suppliers exceed sustainability expectations with workshops on topical sustainability issues. We engage suppliers in joint activities.

The most important outcomes of the strategy were the establishment of internal management systems, increase of knowledge of employees and suppliers, and implementation of a supplier self-assessment survey. We continue our efforts to develop comprehensive ethical audits for our key suppliers.

Since 2019, Polpharma has had the **Sustainable Supply Chain Policy** in place. It is a key document referring to purchasing processes incorporating social and environmental criteria. In parallel, it supports the promotion of sustainability among our suppliers and contractors.

Key efforts in support of a sustainable supply chain in 2021:

1. **We held a successive edition of educational workshops for suppliers** which accompany our annual meetings. This time they focused on climate goals – how to set them and how to account for them.
2. **We implemented a supplier self-assessment survey** for an initial sustainability screening. Using this mechanism, based on Polpharma Group Supplier Code of Conduct, we can make sure that our business partners share our ethical values and social and environmental priorities. 240 suppliers completed the questionnaire in the fourth quarter of 2021, of which only one did not meet our expectations for cooperation. In line with our implementation approach, the survey was not mandatory in 2021. However, ultimately the survey results will be relevant for supplier evaluation in tendering processes.
3. **We published the Environmental Action Review**, a good practice guide, as an outcome of a competition held in 2020. The publication includes best practices reported by our suppliers, such as minimising adverse climate impacts and shifting towards a circular economy, as well as Polpharma's practices and model solutions from around the world, plus a tool to estimate a company's environmental impact and a summary of the most important assumptions of Polpharma's new Environmental Policy. The guide is available on our website for suppliers at dostawca.polpharma.pl.

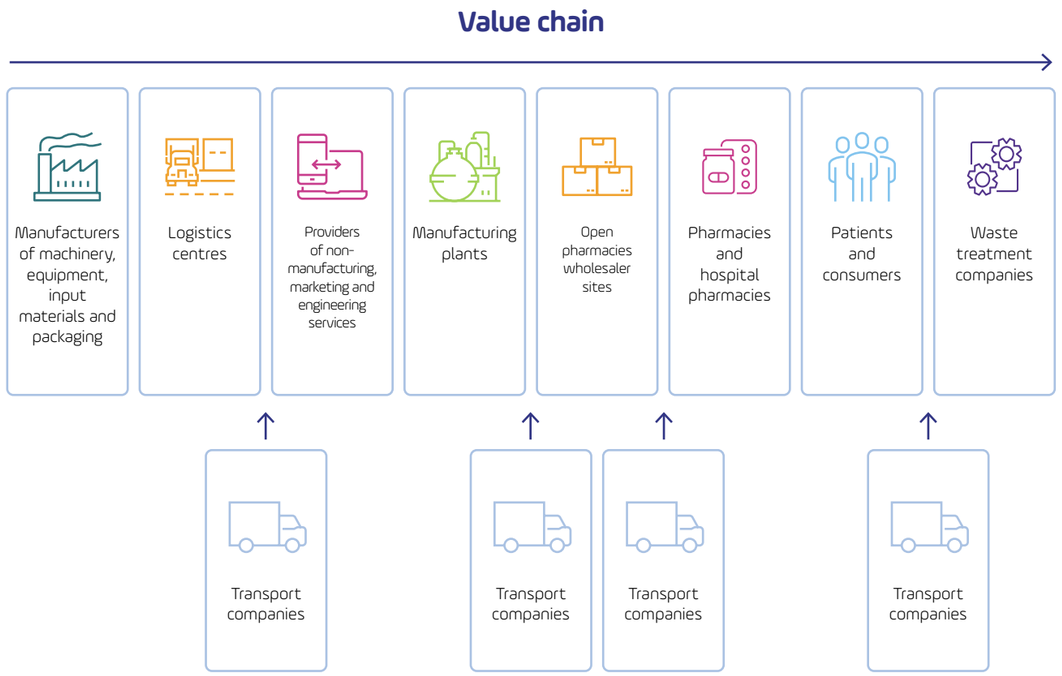
In 2021, Polpharma Group companies in Poland cooperated with 6,151 suppliers, of which 77% were based in Poland.

We manage the entire supply chain using a strategic and long-term approach to best achieve the objectives of our organisation, maximising our competitive advantage and value creation. To this end, we structure this chain in a conscious way and we plan the functions of its successive links, we choose appropriate manufacturing and storage locations for our products and transport arrangements and we analyse the potential risks (e.g. related to market uncertainties).

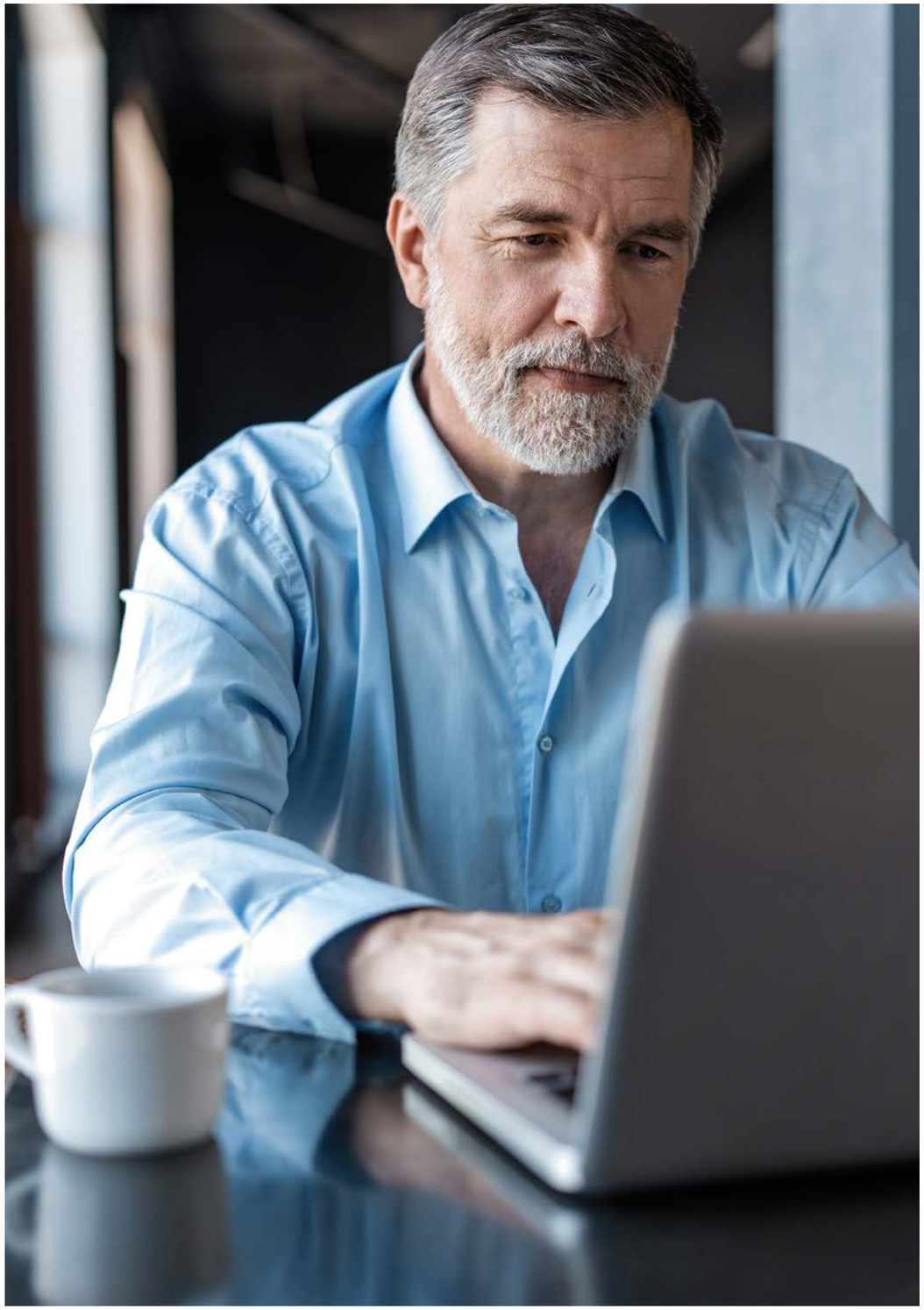
Value of goods and services purchased from Polish suppliers in 2021:

PLN 1.02 billion

or 59.7% of all purchase spending



Since 2020, our procurement system has been operated in conformity with **ISO 20400 sustainable procurement**, the first international standard on the subject of purchasing, whose strategic aim is to support companies in developing and implementing a sustainable purchasing policies and practices. The certificate of conformity corroborates the Sustainable Supply Chain Strategy, which we have been implementing for years.



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Data security and customer privacy

Protecting customer privacy is one of the key aspects of Polpharma Group's operations in Poland. We have an internal privacy management system in place, which is overseen by the Data Protection Officer and their team. Within the framework of the system, we monitor the legal environment on an ongoing basis, make appropriate adjustments to customer privacy processes, and continually raise employee awareness. Every year, we provide training on privacy and information security principles to all employees who have access to computers (approx. 3,000 people).

Polpharma Group in Poland did not identify any legitimate privacy complaints in 2021. There were also no incidents of customer data leaks, theft, or loss.

Cybersecurity

Local business continuity plans have been implemented at individual Polpharma Group sites in Poland to ensure uninterrupted operation of processes and systems, including IT hardware and software. Since the third quarter of 2021, work has been underway to develop and implement the following corporate regulations:

- Safety and security strategy,
- Safety and security policy,
- Business continuity management policy.

In 2021, we did not record any cybersecurity incidents involving data leaks or any massive attacks on our IT infrastructure.

We are aware of cybercrime risks, and therefore:

- we have set up an IT Operational Security Team to continuously monitor threats and implement appropriate safeguards in the organisation;
- Security Department employees are available on call 24/7 all year round at a dedicated phone number through which any employee can report a suspected security incident;
- we use reputable software to:
  - classify information,
  - protect against information leaks,
  - implement security policies on mobile devices;
- we implement software only if it complies with our internal security standards;
- we conduct cybersecurity training (some of which is mandatory) and awareness-raising campaigns for employees.

Chapter 5

About the report

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About the report

The Sustainability Report for Polpharma Group in Poland 2021 has been drawn up in accordance with GRI Standards: Core Option. Like all of our reports to date, this report has undergone an independent external verification. In addition, the drafting process and the content of the report are compliant with the ESG Reporting Guidelines developed by the European Bank for Reconstruction and Development and the Warsaw Stock Exchange. It covers results for the period from 1 January 2021 to 31 December 2021 for the following Polpharma Group companies and divisions in Poland: Zakłady Farmaceutyczne POLPHARMA S.A., together with the Manufacturing Division in Nowa Dęba, the Manufacturing Division in Duchnice and the Medana Division in Sieradz, Warszawskie Zakłady Farmaceutyczne Polfa S.A. (also referred to as Polfa Warszawa) with the R&D Division.

The organisation reporting on behalf of the above Companies and divisions, which in this publication are also referred jointly to as "Polpharma Group in Poland" or "Polpharma", is Zakłady Farmaceutyczne POLPHARMA S.A., also referred to as "ZF POLPHARMA S.A."

Out of the companies covered by consolidated financial statements, the report excludes Elektrociepłownia Starogard Sp. z o.o. and Przedsiębiorstwo Innowacyjno-Wdrożeniowe Ipochem Sp. z o.o., foreign companies, and companies which had no business activity in the reporting period.

This is Polpharma's sixth corporate social responsibility report. The previous one covered the years 2019 and 2020, was released in December 2021 and has not been amended. This was the last report prepared in a two-year cycle. From 2021 onwards, Polpharma Group in Poland will publish corporate social responsibility reports on an annual basis.

The Report's contents were defined by the company's representatives and key external stakeholders in a multi-stage process. As a first step, a decision has been made to include the conclusions of the materiality study conducted in mid-2021 in the preparation of this report, as it had been conducted shortly before and the Group's operations had not changed significantly since then.

In addition, in-depth interviews were conducted with male and female experts from the business sector, NGOs and local government with expertise in environmental, social, medical and scientific subjects. As a result of the materiality analysis, data on Polpharma's Scope 3 emissions and GHG intensity and information on gender pay gaps in similar positions were added to this report (in comparison to the publication for 2019-2020).

Key aspects for external stakeholders:

- implementation of innovative solutions
- indirect economic impacts
- customer privacy
- respect for human rights
- anti-corruption
- diversity and equal opportunity
- non-discrimination
- high product quality
- customer health and safety
- marketing and labelling
- prevention activities for employees and patients
- cooperation with scientific bodies
- use of materials and raw materials
- waste and wastewater management
- risks and opportunities due to climate change
- GHG emissions
- energy consumption
- water consumption
- compliance with environmental regulations

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Key aspects for internal stakeholders:

- implementation of innovative solutions
- indirect economic impacts
- respect for human rights
- management of tax matters
- anti-corruption
- prevention of anti-competitive behaviours
- employee training and education
- diversity and equal opportunity
- occupational health and safety
- non-discrimination
- high product quality
- customer health and safety
- prevention activities for employees and patients
- cooperation with scientific bodies
- community action
- education for medical and pharmaceutical communities
- use of materials and raw materials
- waste and wastewater management
- risks and opportunities due to climate change
- GHG emissions
- energy consumption
- water consumption
- sustainable supply chain

Additional aspects identified by experts during in-depth interviews:

- Transparency and openness in reporting, including disclosing 'imperfect' aspects, activities that are in progress
- Comprehensive and detailed reporting, showing the whole picture instead of slivers of reality
- Relating the company's activities to the strategy and goals, indicating how they contribute to their achievement
- Supporting the company's declarations with hard data: numbers, indicators, KPIs

Significant changes to the organization and its supply chain

On 1 April 2021 Polpharma Biuro Handlowe Sp. z. o.o. and Medana Pharma S.A. merged with Zakłady Farmaceutyczne POLPHARMA S.A., resulting in simplified management structures and processes, lower operating costs and improved operating performance of Polpharma Group in Poland.

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Tables with GRI numeric indicators

Total number of employees by employment contract and gender

Type of employment contract	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
temporary	158	108	266	239	171	410	-34%	-37%	-35%	154	107	261	4	1	5
permanent	2,198	1,856	4,054	2,312	1,951	4,263	-5%	-5%	-5%	1,897	1,659	3,556	301	197	498
Total	**2,356**	**1,964**	**4,320**	**2,551**	**2,122**	**4,673**	**-8%**	**-7%**	**-8%**	**2,051**	**1,766**	**3,817**	**305**	**198**	**503**

The significant decrease in the number of temporary employees is due, inter alia, to the reorganisation of the commercial area in 2020, which entailed collective redundancies. This process is described in Polpharma's Corporate Social Responsibility Report 2019-2020.

Total number of employees by employment type and age

Employment type:	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
full-time	2,352	1,959	4,311	2,543	2,118	4,661	-8%	-8%	-8%	2,047	1,761	3,808	305	198	503
part-time	4	5	9	8	4	12	-50%	+25%	-25%	4	5	9	0	0	0
Total	**2,356**	**1,964**	**4,320**	**2,551**	**2,122**	**4,673**	**-8%**	**-7%**	**-8%**	**2,051**	**1,766**	**3,817**	**305**	**198**	**503**

The total number of employees includes employees on long-term leaves (also maternity and parental leaves). Less than 1% of all employees are employed outside the organisation.

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Materials used by weight or volume

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Input materials used* [Mg]	145,694	8,162	+1685%	28,768	116,925
Solvents used [Mg]	1,840	2,170	-15%	1,828	12
Packaging materials used [Mg]	7,643	8,633	-11%	6,139	1,503
Total [Mg]	**155,176**	**18,965**	**+718%**	**36,735**	**118,440**

*For 2021, the category 'input materials used' includes water used in production (which was not included in previous reports), hence the significant year-on-year differences in the data.

Recycled input materials used

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Materials and input materials used* [Mg]	155,176	18,965	+718%	36,735	118,440
Recycled materials used in the production process [Mg]	3,374	3,438	-2%	3,264	110
Percentage of recycled input materials	**2%**	**18%**	**-89%**	**9%**	**0.1%**

*For 2021, the category 'input materials used' includes water used in production (which was not included in previous reports), hence the significant year-on-year differences in the data.

Total non-renewable energy consumption

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Petroleum gas [GJ]	0.17	0.39	-56%	0.17	0
Natural gas [GJ]	77,621	77,075	+1%	28,719	48,902
Heating oil [GJ]	0	646	-100%	0	0
Liquid fuels (gasoline, diesel oil) [GJ]	61,725	55,239	+12%	61,524	201
Total energy consumption [GJ]	**139,346**	**132,960**	**+5%**	**90,243**	**49,103**

Polpharma Group in Poland did not consume any renewable energy in 2021.

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Energy consumption by type of energy

	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Electricity [GJ]	256,021	245,210	+4%	215,650	40,370
Purchased steam [GJ]	324,147	298,250	+9%	314,394	9,753
Cooling [GJ]	0	0	-	0	0
Steam [GJ]	0	0	-	0	0
Total consumption [GJ]	**580,168**	**543,460**	**+7%**	**530,044**	**50,123**

Energy sold

	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Electricity sold [GJ]	0	0	-	0	0
Steam sold [GJ]	2,897	2,084	+39%	2,897	0
Cooling sold [GJ]	0	0	-	0	0
Steam sold [GJ]	0	0	-	0	0
Total energy sold [GJ]	**2,897**	**2,084**	**+39%**	**2,897**	**0**

Total energy consumption within the organization

	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Total energy consumption within the organization [GJ]	719,514	676,420	+6%	620,287	99,226
Total energy consumption within the organization [MWh]	199,865	187,894	+6%	172,302	27,563

Reduction of energy consumption

	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives [GJ]	155,176	18,965	+718%	36,735	118,440

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Water withdrawal by source and category

	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
	All areas	All areas	All areas	All areas	From areas with water stress
Surface water [ML]:	**2,696**	**2,640**	**+2%**	**2,696**	**0**
Groundwater [ML]:	**505**	**513**	**-2%**	**505**	**0**
Seawater [ML]:	**0**	**0**	**-**	**0**	**0**
Produced water [ML]:	**0**	**0**	**-**	**0**	**0**
Third-party water [ML]:	**232**	**259**	**-10%**	**85**	**147**
Surface water [ML]	0	0	-	0	0
Groundwater [ML]	232	259	-10%	85	147
Seawater [ML]	0	0	-	0	0
Produced water [ML]	0	0	-	0	0
Total water withdrawal [ML]	**3,433**	**3,412**	**+1%**	**3,286**	**147**

Polpharma Group in Poland did not draw water from areas with water stress in 2021.

Water discharge

Destination of discharge	Polpharma Group in Poland			ZF POL-PHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Surface water [ML]	3,011	3,078	-2%	2,863	147
Groundwater [ML]	0	0	-	0	0
Seawater [ML]	0	0	-	0	0
Third-party water released for use to third parties [ML]	0	0	-	0	0
Total water discharge	**3,011**	**3,078**	**-2%**	**2,863**	**147**

Polpharma Group in Poland did not release water to areas with water stress in 2021.

In 2021, there was one incident of non-compliance with discharge limits.

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Polpharma Group's location-based GHG emissions in Poland by source

	2021		2020		2019		Change 2021 vs 2020	Change 2021 vs 2019
	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %		
Scope 1	**9,022**	**10.30%**	**8,870**	**10.48%**	**11,619**	**12.68%**	**+1.71%**	**-22.36%**
Fuels	**8,777**	**10.02%**	**8,324**	**9.84%**	**10,037**	**10.96%**	**+5.44%**	**-12.55%**
Diesel oil	4,474	5.11%	3,985	4.71%	6,253	6.82%	+12.25%	-28.45%
Natural gas	4,210	4.81%	4,188	4.95%	3,264	3.56%	+0.53%	+28.98%
Heating oil	0	0.00%	50	0.06%	345	0.38%	-100.00%	-100.00%
Gasoline	94	0.11%	101	0.12%	175	0.19%	-7.02%	-46.56%
Propane	0.3	0.00%	0.6	0.00%	0.6	0.00%	-57.45%	-56.93%
Refrigerants	**245**	**0.28%**	**546**	**0.64%**	**1,582**	**1.73%**	**-55.16%**	**-84.53%**
R134A	47	0.05%	248	0.29%	645	0.70%	-81.15%	-92.74%
R507A	0	0.00%	0	0.00%	598	0.65%	-	-100.00%
R407C	121	0.14%	170	0.20%	186	0.20%	-28.75%	-34.86%
R404A	63	0.07%	33	0.04%	118	0.13%	+88.24%	-46.67%
R410A	2	0.00%	18	0.02%	19	0.02%	-88.64%	-89.13%
R422D	0	0.00%	0	0.00%	16	0.02%	-	-100.00%
HFC-134A	12	0.01%	75	0.09%	0	0.00%	-84.48%	-
Scope 2	**78,536**	**89.70%**	**75,753**	**89.52%**	**80,000**	**87.32%**	**+3.67%**	**-1.83%**
Electricity	46,325	52.91%	46,120	54.50%	48,789	53.25%	+0.44%	-5.05%
Steam	32,210	36.79%	29,633	35.02%	31,210	34.07%	+8.70%	+3.20%
Scope 1+2	**87,558**	**100.00%**	**84,624**	**100.00%**	**91,619**	**100.00%**	**+3.47%**	**-4.43%**

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

Polpharma Group's market-based GHG emissions in Poland by source

	2021		2020		2019		Change 2021 vs 2020	Change 2021 vs 2019
	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %		
Scope 1	**9,022**	**9.94%**	**8,870**	**9.92%**	**11,619**	**12.46%**	**+1.71%**	**-22.36%**
Fuels	**8,777**	**9.68%**	**8,324**	**9.31%**	**10,037**	**10.76%**	**+5.44%**	**-12.55%**
Diesel oil	4,474	4.93%	3,985	4.46%	6,253	6.70%	+12.25%	-28.45%
Natural gas	4,210	4.64%	4,188	4.68%	3,264	3.50%	+0.53%	+28.98%
Heating oil	0	0.00%	50	0.06%	345	0.37%	-100.00%	-100.00%
Gasoline	94	0.10%	101	0.11%	175	0.19%	-7.02%	-46.56%
Propane	0.3	0.00%	0.6	0.00%	0.6	0.00%	-57.45%	-56.93%
Refrigerants	**245**	**0.27%**	**546**	**0.61%**	**1,582**	**1.70%**	**-55.16%**	**-84.53%**
R134A	47	0.05%	248	0.28%	645	0.69%	-81.15%	-92.74%
R507A	0	0.00%	0	0.00%	598	0.64%	0.00%	-100.00%
R407C	121	0.13%	170	0.19%	186	0.20%	-28.75%	-34.86%
R404A	63	0.07%	33	0.04%	118	0.13%	+88.24%	-46.67%
R410A	2	0.00%	18	0.02%	19	0.02%	-88.64%	-89.13%
R422D	0	0.00%	0	0.00%	16	0.02%	0.00%	-100.00%
HFC-134A	12	0.01%	75	0.08%	0	0.00%	-84.48%	-
Scope 2	**81,697**	**90.06%**	**80,577**	**90.08%**	**81,662**	**87.54%**	**+1.39%**	**+0.04%**
Electricity	49,486	54.55%	50,944	56.95%	50,452	54.09%	-2.86%	-1.91%
Steam	32,210	35.51%	29,633	33.13%	31,210	33.46%	+8.70%	+3.20%
Scope 1+2	**90,719**	**100.00%**	**89,447**	**100.00%**	**93,281**	**100.00%**	**+1.42%**	**-2.75%**

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

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Polpharma Group in Poland's Scope 3 GHG emissions by category

	2021		2020		2019		Change 2021 vs 2020	Change 2021 vs 2019
	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %	Tonnes CO_2e	Emission %		
Category 1. Purchased goods and services	45,282	60%	46,519	62%	38,552	55%	-2.66%	+17.46%
Category 3. WTT emissions	4,176	6%	3,774	5%	4,391	6%	10.97%	-4.62%
Category 4. Upstream transportation and distribution	4,450	6%	3,651	5%	4,622	7%	21.88%	-3.72%
Category 5. Waste generated in operations	122	0%	155	0%	131	0%	45.10%	-6.87%
Category 6. Business travel	74	0%	51	0%	260	0%	5.30%	-71.54%
Category 7. Employee commuting	1,529	2%	1,452	2%	1,500	2%	-16.75%	+1.93%
Category 9. Downstream transportation and distribution	1,377	2%	1,654	2%	1,596	2%	-21.29%	-13.72%
Category 10. Processing of sold products	6,948	9%	8,138	11%	8,138	12%	-14.62%	-14.62%
Category 11. Use of sold products	10,810	14%	10,023	13%	10,503	15%	7.85%	+2.92%
Category 12. End-of-life treatment of sold products	181	0%	151	0%	181	0%	19.87%	0.00%
Category 13. Downstream leased assets	29	0%	25	0%	31	0%	16.00%	-6.45%
Scope 3	**74,977**	**100%**	**75,592**	**100%**	**69,906**	**100%**	**-0.80%**	**+1.54%**

Waste Generated

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Total weight of hazardous waste [Mg]:	914	969	-6%	850	64
Total weight of non-hazardous waste [Mg]:	2,333	3,110	-25%	2,134	199
Total [Mg]	**3,247**	**4,079**	**-20%**	**2,984**	**263**

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Waste directed to disposal

	Polpharma Group in Poland	ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2021	2021
Hazardous waste [Mg]	**615**	**551**	**64**
Incineration (with energy recovery) [Mg]	25	18	7
Incineration (without energy recovery) [Mg]	588	531	57
Landfilling [Mg]	0	0	0
Other disposal operations [Mg]	2	2	0
Non-hazardous waste [Mg]	**999**	**944**	**55**
Incineration (with energy recovery) [Mg]	303	248	55
Incineration (without energy recovery) [Mg]	448	448	0
L [Mg]	62	62	0
Other disposal operations [Mg]	186	186	0
Total [Mg]	**1,614**	**1,495**	**119**

* Due to a change in disclosure methodology in GRI 306 Waste, only data for 2021 is presented.

Number of new employee hires by gender and age group

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	42	33	75	77	49	126	-45%	-33%	-40%	42	32	74	0	1	1
30 to 50 years	60	40	100	60	62	122	0%	-35%	-18%	59	40	99	1	0	1
>50 yrs	10	11	21	3	4	7	+233%	+175%	+200%	10	11	21	0	0	0
Total	**112**	**84**	**196**	**140**	**115**	**255**	**-20%**	**-27%**	**-23 %**	**111**	**83**	**194**	**1**	**1**	**2**
Rate of new employee hires*	**5%**	**4%**	**5%**	**5%**	**5%**	**5%**	**0 pp**	**-1 pp**	**0 pp**	**5%**	**5%**	**5%**	**0%**	**1%**	**0%**

* New employee hires are calculated as the ratio of new hires to total workforce.

Number of employee turnover by gender and age group*

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	33	32	65	25	27	52	+32%	+19%	+25%	27	29	56	6	3	9
30 to 50 years	87	85	172	79	68	147	+10%	+25%	+17%	79	77	156	8	8	16
>50 yrs	55	41	96	58	37	95	-5%	+11%	+1%	31	30	61	24	11	35
Total	**175**	**158**	**333**	**162**	**132**	**294**	**+8%**	**+ 20 %**	**+13%**	**137**	**136**	**273**	**38**	**22**	**60**
Rate of employee turnover**	**7%**	**8%**	**8%**	**6%**	**6%**	**6%**	**1 pp**	**2 pp**	**2 pp**	**7%**	**8%**	**7%**	**12%**	**11%**	**12%**

*The table does not include restructuring-related departures (as scheduled departures). The 'other reasons' category (employee death) is included.

** The turnover rate is calculated as the ratio of employees leaving employment to total workforce.

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Employee Turnover

	Polpharma Group in Poland	ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2021	2021
Total number of voluntary employee turnover	261	230	31
Voluntary employee turnover rate	**6%**	**6%**	**6%**
Total number of involuntary employee turnover	84	55	29
Involuntary employee turnover rate	**2%**	**1%**	**6%**

Work-related injuries

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Number of fatalities as a result of work-related injury	0	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0
Number of all injuries	17	19	-11%	14	3
All injury frequency rate*	**0.48**	**0.51**	**-6%**	**0.44**	**0.72**

* The injury frequency rate is calculated as the ratio of accidents to hours worked multiplied by 200,000 h.

Main types of injuries: dislocations, fractures – injuries to the lower and upper extremities and spine, joint sprain, minor localised mechanical injuries, chemical burns. The table above covers full-time employees. During the reporting period, no injuries at work were recorded for employees supervised by the organisation.

Average hours of training per year per employee

Gender breakdown:	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
All employees	9	15	-40%	9	5
Women	9	15	-40%	10	6
Men	8	14	-43%	8	4

Structure breakdown:	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2021	2020	Change 2021 vs 2020	2021	2021
Managers and executives	33	26	+27%	33	55
Individual contributors	6	13	-54%	6	4

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Percentage of individuals within the organization's governance bodies

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
The Management Board	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp	0%	0%	0%	0%	0%	0%
30 to 50 years	0%	38%	38%	0%	47%	47%	0 pp	-9 pp	-9 pp	0%	50%	50%	0%	25%	25%
>50 yrs	25%	38%	63%	32%	21%	53%	-7pp	+17 pp	+10pp	0%	50%	50%	50%	25%	75%
Total	**25%**	**75%**	**100%**	**32%**	**68%**	**100%**	**-7 pp**	**+7 pp**	**0 pp**	**0%**	**100%**	**100%**	**50%**	**50%**	**100%**
Supervisory Board	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**
<30 y.o.	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp	0%	0%	0%	0%	0%	0%
30 to 50 years	7%	13%	20%	0%	18%	18%	+7 pp	-5 pp	+2 pp	13%	25%	38%	0%	0%	0%
>50 yrs	20%	60%	80%	25%	57%	82%	-5pp	+3 pp	-2pp	13%	50%	63%	29%	71%	100%
Total	**27%**	**73%**	**100%**	**25%**	**75%**	**100%**	**+2 pp**	**-2 pp**	**0 pp**	**25%**	**75%**	**100%**	**29%**	**71%**	**100%**

Percentage of employees per employee category

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
managers and executives	2021			2020			Change 2021 vs 2020			2021			2021		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	0.2%	0%	0.2%	0%	0%	0%	0 pp	0 pp	0 pp	0.2%	0%	0.2%	0%	0%	0%
30 to 50 years	36%	38%	74%	37%	39%	75%	-1 pp	-1 pp	-1 pp	36%	37%	73%	29%	53%	82%
>50 yrs	10%	16%	26%	9%	15%	24%	+1pp	+1 pp	+2pp	10%	16%	26%	6%	12%	18%
Total	**46%**	**54%**	**100%**	**47%**	**53%**	**100%**	**-1 pp**	**+1 pp**	**0 pp**	**47%**	**53%**	**100%**	**35%**	**65%**	**100%**
individual contributors	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**	**F**	**M**	**total**
<30 y.o.	6%	5%	11%	7%	6%	12%	-1 pp	-1 pp	-1 pp	6%	5%	11%	3%	3%	6%
30 to 50 years	36%	28%	64%	36%	28%	64%	0 pp	0 pp	0 pp	38%	29%	67%	27%	16%	43%
>50 yrs	14%	12%	25%	12%	11%	23%	+2pp	+1 pp	+2pp	11%	11%	22%	32%	19%	51%
Total	**55%**	**45%**	**100%**	**55%**	**45%**	**100%**	**0 pp**	**0 pp**	**0 pp**	**55%**	**45%**	**100%**	**62%**	**38%**	**100%**

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GRI content index

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	GRI 102-12	External initiatives	Full	29
	GRI 102-13	Memberships of associations	Full	29
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GRI 201. Economic performance 2016	GRI 201-1	Direct economic value generated and distributed	Partial	13
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GRI 203. Indirect economic impacts 2016	GRI 203-1	Infrastructure investments and services supported	Partial	13, 70
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GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	79
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GRI 302. Energy 2016	GRI 302-1	Evaluation of the management approach	Full	38, 91, 92
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GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	39
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GRI 303. Water and effluents 2018	GRI 303-3	Water withdrawal	Full	39, 93
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GRI 305. Emissions 2016	GRI 305-1	Direct (Scope 1) GHG emissions	Full	34, 38, 94
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GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	40
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	GRI 306-2	Management of significant waste-related impacts	Full	40
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	GRI 403-2	Hazard identification, risk assessment, and incident investigation	Full	53, 55
	GRI 403-3	Occupational health services	Full	55
	GRI 403-4	Employee participation, consultation, and communication on occupational health and safety	Full	55
	GRI 403-5	Employee training on occupational health and safety	Full	56
	GRI 403-6	Promotion of employee health	Full	56
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Full	53
	GRI 403-9	Work-related injuries	Full	54, 98
Disclosure: training and education				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	57
	GRI 103-2	The management approach and its components	Full	57
	GRI 103-3	Evaluation of the management approach	Full	57
GRI 404. Training and education 2016	GRI 404-1	Average hours of training per year per employee	Full	98
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Full	52, 58
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Full	57
Disclosure: diversity and equal opportunity				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	60
	GRI 103-2	The management approach and its components	Full	60
	GRI 103-3	Evaluation of the management approach	Full	60
GRI 405. Diversity and equal opportunity 2016	GRI 405-1	Diversity of governance bodies and employees	Full	61, 99
GRI 405. Diversity and equal opportunity 2016	GRI 405-2	Female-to-Male basic salary and remuneration ratio	Full	61

Name of GRI standard	Disclosure number	Disclosure name	Reporting status	Page No.
Disclosure: non-discrimination				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	63
	GRI 103-2	The management approach and its components	Full	63
	GRI 103-3	Evaluation of the management approach	Full	63
GRI 406. Non-discrimination 2016	GRI 406-1	Incidents of discrimination and corrective actions taken	Full	63
Disclosure: human rights assessment				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	63
	GRI 103-2	The management approach and its components	Full	63
	GRI 103-3	Evaluation of the management approach	Full	63
GRI 412. Human rights assessment 2016	GRI 412-2	Employee training on human rights policies or procedures	Partial	63
Disclosure: customer health and safety				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	65
	GRI 103-2	The management approach and its components	Full	24
	GRI 103-3	Evaluation of the management approach	Full	24
GRI 103. Management approach 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories	Full	24
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Full	25
Disclosure: raising awareness about modern prophylactic measures among patients and employees				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	24
	GRI 103-2	The management approach and its components	Full	65
	GRI 103-3	Evaluation of the management approach	Full	65
	Own disclosure 1	Number of adverse event reports	Full	65
Disclosure: product and service marketing and labelling				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	22
	GRI 103-2	The management approach and its components	Full	22
	GRI 103-3	Evaluation of the management approach	Full	22
GRI 417. Marketing and labelling 2016	GRI 417-1	Requirements for product and service information and labelling	Full	23
	GRI 417-3	Incidents of non-compliance concerning marketing communications	Full	24
Disclosure: customer privacy				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	85
	GRI 103-2	The management approach and its components	Full	85
	GRI 103-3	Evaluation of the management approach	Full	85
GRI 418. Customer privacy 2016	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Full	85

Name of GRI standard	Disclosure number	Disclosure name	Reporting status	Page No.
Disclosure: socioeconomic compliance				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	32
	GRI 103-2	The management approach and its components	Full	32
	GRI 103-3	Evaluation of the management approach	Full	32
GRI 419. Socioeconomic compliance 2016	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Full	32
Disclosure: implementation of innovative solutions				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	74
	GRI 103-2	The management approach and its components	Full	74
	GRI 103-3	Evaluation of the management approach	Full	74
	Own disclosure 2	Number of patent applications and patents	Full	74
Disclosure: cooperation with scientific institutions, R&D measures				
GRI 103. Management approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	Full	77
	GRI 103-2	The management approach and its components	Full	77
	GRI 103-3	Evaluation of the management approach	Full	77
	Own disclosure 3	Description of collaborative projects with scientific and educational institutions	Full	77

All reported GRI disclosures were subject to independent external verification.

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 Polpharma Group to provide limited assurance of Selected information included in its "Social Responsibility Report for the Polpharma Group in Poland for 2021" (the Report). 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 2016, Core option: 102-1-14, 16, 18, 40-56, 205-3, 206-1, 207-1, 301-1,2, 302-1,4, 30 305-1-5, 306-1,2,3,5, 307-1, 401-1,2, 404-1,2,3, 405-1, 406-1, 416-1,2, 417-1, 418-1, 419-1, Own index 2,3,4,

GRI Standards 2018: 303-3,4, 403-1-7,403-9,

GRI Standards 2019: 207-1 and also

GRI 103-1-3, 201-1,2, 203-1, 207-1, 305-5, 412-2 – have been partially reported.

Excluded from the scope of our work is any assurance of other information included in the Report.

Reporting Criteria

The Selected Information needs to be read and understood together with the standards for sustainability reporting The 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 Group, 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 Group.

Bureau Veritas was not involved in the drafting of the Report or 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 Group.

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 Group;
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 Group;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing Polpharma Group's 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.

Evaluation against GRI Standards

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

Based on our work, it is our opinion that report "Social Responsibility Report for the Polpharma Group in Poland for 2021" has been prepared in accordance with standards for sustainability reporting The GRI Standards, Core option.

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 190 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[1] Quality Management System which complies with the requirements of ISO 9001:2015, 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 TIC Council[2], cross 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.

BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, September 2022

Witold Dżugan — Member of the Board

Tomasz Smorgowicz — Lead Assuror

1 Certificate of Registration No. 44 100 160145 issued by TUV NORD CERT GmbH

2 TIC Council Compliance Code EDITION 1 December 2018

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