

## Statutory Report on Corporate Social Responsibility for 2015

This Statutory Report on Corporate Social Responsibility (CSR), cf. sections 99a and 99b of the Danish Financial Statements Act, is part of the Management's review in the 2015 annual report and covers the financial period 1 January to 31 December 2015.

### Social responsibility

As an international pharmaceutical company, ALK has an important social responsibility. ALK strives to live up to this responsibility and be recognised by its stakeholders as a reliable and responsible company characterised by professionalism, honesty and integrity.

### Code of Conduct

As ALK is growing and becoming an increasingly global company, there is an even greater need for a common frame of reference for social responsibility and ethical behaviour.

ALK's Code of Conduct, which was developed in 2008, launched in 2009 and updated in 2013, describes the ethical requirements for all employees' behaviour in relation to customers, employees, shareholders, society, suppliers and partners. The Code of Conduct aims to support a working environment where daily business is conducted with professionalism, honesty and integrity, and in the best interests of ALK and its stakeholders.

ALK supports the UN Global Compact's 10 principles in the areas of human and labour rights, environment and anti-corruption. These principles are integrated in the Code of Conduct and have become a global frame of reference for ALK's CSR activities.

In 2014, the updated Code of Conduct was launched. All managers are responsible for ensuring that each individual employee is informed about the content of the Code of Conduct and the importance of adhering to it. The observation of the Code of Conduct rests upon all employees and all employees are encouraged to report issues, concerns and any breach of the Code of Conduct. The Code of Conduct is available <http://www.alk-abello.com/aboutalk/csr/businessethics/Pages/home.aspx>.

### CSR Policy

Based on the Code of Conduct, and anchored in ALK's core values (Progressive – Trustworthy – Focused – United), the Board of Directors has established a CSR Policy that outlines the key CSR priorities. The policy covers all parts of ALK's organisation, including affiliates, and it is implemented via various policies and procedures, including HR policies, SHE (Safety, Health & Environment) Policy and procedures, quality procedures etc. The CSR Policy is communicated internally to the employees and externally to other stakeholders.

According to the CSR Policy, ALK aims to run its business on a profitable and sustainable basis, offering products that improve patients' quality of life through prevention, diagnosis and treatment of respiratory allergic rhinitis and allergic asthma. ALK conducts its activities in a socially responsible manner while adhering to UN Global Compact's 10 principles.

The CSR Policy was originally adopted in 2011 by the Board of Directors. In 2014, the Board of Directors updated the policy, resolving that ALK focuses its efforts on three areas:

- Production/environment: ALK has set targets for the company's total energy consumption and its CO<sub>2</sub> emissions.
- Ethical conduct: In addition to the Code of Conduct, which all employees must observe, ALK has established a whistleblowing scheme to provide the opportunity for confidential reporting of serious offences.
- Employees: ALK has a long tradition of working systematically to improve the working environment and promote well-being at work. ALK has set targets for work-related absence, just as competence development of the employees is a focus area.

ALK is committed to prevent, diagnose and treat respiratory allergic rhinitis and allergic asthma – in cooperation with relevant stakeholders such as authorities, private and public institutions as well as non-governmental organisations. To this end and in line with the CSR Policy, ALK continues driving the Allergy Unlocked® initiative to ease access to evidence-based treatment for patients and increase the priority given to allergy on the healthcare agenda. Further information about Allergy Unlocked® is found on [www.allergyunlocked.com](http://www.allergyunlocked.com).

## **CSR focus areas**

### **1. Production/environment**

ALK works systematically to improve working environment and environmental conditions in every area of the company, supported by the local SHE (Safety, Health, Environment) organisations at all production sites. ALK has been environmentally certified (ISO 14001) in Denmark since 2007 and was recertified for another three years in 2013. The other production sites in Spain, France, the Netherlands, the USA and Canada adhere to the SHE standards.

In January 2015, Management adopted new global and long-term environmental goals for 2015-2018. The new targets continue to focus on energy and CO<sub>2</sub> emission but the efforts have been extended to encompass water usage. The objective is that absolute energy consumption by end-2018 must not exceed the consumption in 2014, and by end-2018, the CO<sub>2</sub> emission must be 5% less compared to the emission in 2014. Reflecting that clean water is particularly scarce in Europe, the goal is that by end-2018 the water usage in Europe must not exceed the usage in 2014.

The Global SHE Policy was at the same time adjusted to reflect the future target on water usage.

#### *Results in 2015*

The energy consumption has increased by 2% comparing 2015 with the new base year 2014. This result reflects increasing activities. At the same time the emission of CO<sub>2</sub> has increased by 2%. See the five-year trend in the table below, Non-financial key figures.

The water usage at the European production sites, Hørsholm, Madrid, Vandeuil, Varennes and Lelystad, increased by 4% due to increased activities.

In 2015, ALK received no complaints and experienced no unintended spills.

#### *Future plans*

ALK will continue to identify and implement appropriate energy and water reduction projects at existing production sites and incorporate energy/water saving technologies when building/re-building facilities. ALK will also continue to support renewable energy production.

## Non-financial key figures<sup>1</sup>

	2011	2012	2013	2014	2015
<b>Working environment</b>					
Accidents with absence (number)	8	13	13	8	10
Accidents with absence (days/full-time employees)	0.062	0.045	0.054	0.039	0.040
Accidents with absence per million work hours	3.5	4.9	4.8	3.2	3.9
Accidents with absence per million work hours (three year average)	2.3	3.4	4.4	4.3	4.0
Absence per accident (days/injury)	10.6	5.3	6.3	6.9	6.0
"Daily work" score in Engagement Survey	75	-	74	-	73
<b>Resource consumption</b>					
Energy (MWh) - in real terms	36,530	37,368	40,426	40,960	41,926
Energy (MWh) <sup>2</sup> - adjusted	-	-	-	41,195 (100%)	41,926 (102%)
Water (m <sup>3</sup> ) - all sites	97,230	99,151	111,125	111,566	112,275
Water (m <sup>3</sup> ) - European sites	57,071	53,423	53,220	53,484 (100%)	55,498 (104%)
<b>Emissions</b>					
CO <sub>2</sub> from energy consumption (tones) - in real terms	10,433	10,422	9,193	8,495	8,864
CO <sub>2</sub> (tones) from energy consumption <sup>2</sup> - adjusted	-	-	-	8,664 (100%)	8,864 (102%)
CO <sub>2</sub> (tones) from lost refrigerants	-	-	-	-	267
Wastewater (m <sup>3</sup> )	68,825	72,068	74,120	75,578	75,692
<b>Waste disposal</b>					
Waste (tones)	479	571	578	555	555
For recycling (%)	32	34	34	36	35

## 2. Ethical conduct

In 2009, ALK launched its ALK Code of Conduct in order to support professionalism, honesty and integrity throughout the company and in relation with customers, employees, shareholders, society, suppliers and partners. All employees are required to adhere to ALK's Code of Conduct, which integrates and supports the UN Global Compact's 10 principles.

ALK encourages suppliers and partners to adhere to the same standards in the areas of human and labour rights, the environment and anti-corruption.

All employees are encouraged to report issues, concerns and any breach of the Code of Conduct. For employees, who observe potentially illegal or unethical behaviour, but do not feel that they can talk to their manager or a colleague about it, ALK has launched the whistle-blower scheme 'ALK Alertline'. This scheme gives employees with knowledge of potentially destructive or illegal acts related to ALK's activities the opportunity to report their observations and have them investigated in full confidentiality. The scheme minimises the risk of illegalities and irregularities within the areas of financial crime, environmental pollution or inappropriate conduct, as well as other circumstances that may be to the detriment of ALK.

<sup>1</sup> Data from production sites in Hørsholm, Madrid, Vandeuil, Varennes, Lelystad, Port Washington, Post Falls, Spring Mills and Mississauga.

<sup>2</sup> To make figures comparable, base year (2014) has been adjusted in terms of establishment of new production sites, closure of old production sites and acquisitions.

#### *Results in 2015*

No reports have been filed through the ALK Alertline in 2015. No breaches of the Code of Conduct have otherwise been reported.

To ensure compliance, all new employees receive the Code of Conduct with their contract.

#### *Future plans*

In 2016, to ensure compliance all employees will be asked once a year to confirm that they are acquainted with the ALK Code of Conduct via a new HR-system Workday.

### **3. Employees**

ALK employs 1,898 employees in 20 countries, of whom 731 are employed in Denmark. ALK wishes to continue to be an attractive workplace that can attract and retain the competent, well-functioning and committed employees who are ALK's most important resource. To obtain this and to respect the employees' human rights, ALK works systematically to improve safety and the working environment, including the psychosocial working environment, and to develop an organisation, culture and management that encourage professional and personal development.

#### **Break-down of employees by field of work**

<b>FTEs</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Production	642	648	752	893
Research & Development	407	366	323	278
Sales, marketing and administration	806	749	759	677
<b>Total</b>	<b>1,855</b>	<b>1,763</b>	<b>1,835</b>	<b>1,848</b>

#### **Safety**

ALK has a long tradition of working systematically to improve working environment and conditions. ALK in Denmark has been health and safety certified (OHSAS 18001) since 2007 and in 2013, ALK was recertified for another three years.

In January 2015, Management adopted new global and long-term goals to insure that ALK is a safe place to work and the goal by end-2018 is that the number of injuries with absence per million working hours must not exceed 4.0 at a three-year average.

#### *Results in 2015*

In 2015, the number of injuries with absence per million working hours was 3.9 and at the three year average 4.0. The severity is measured by the absence per injury, and in 2015 that was 6.0. The five-year trend can be seen in the table above, Non-financial key figures.

#### *Future plans*

Reaching ALK's long-term goal will be based on sustained efforts by local SHE organisations and managers.

#### **Organisation, culture and management**

Over the past five years, ALK has worked to establish a performance culture. To further strengthen the ability to execute the strategy and to support a uniform performance management process, the HR-system Workday documents for all employees what they are accountable for, how they are performing and what they should develop to improve even more.

ALK has identified "Daily Work" as the Key Performance Indicator to track employee satisfaction and well-being at work. This KPI is part of Engagement Surveys, which is performed every second year.

#### *Results in 2015*

A global Engagement Survey was conducted in 2015 and the Key Performance Indicator "Daily work" obtained the score 73.

#### *Future plans*

ALK reviews the organisation on an annual basis to determine whether the structure, resources and competences are fit to reach the strategic goals.

As for well-being at work, ALK will continue to support HR activities to e.g. sustain a reasonable work-life balance and ALK will also incorporate good physical working conditions when building/re-building facilities. The target is to obtain the score  $\geq 75$  on the action area "Daily Work" in the 2019 Engagement Survey.

#### **Diversity**

ALK seeks diversity as one of the prerequisites for the company's success and this naturally includes equal opportunities for men and women to pursue a management career in ALK.

In 2013, the Board of Directors defined a target to increase the proportion of women among the shareholder-elected board members to one or two by 2018. ALK also strives to increase the proportion of the under-represented genders at other management levels.

The number of female shareholder-elected members of the Board of Directors is one, corresponding to 17%, in accordance with the overall target of one or two members by 2018. Including employee-elected members, female members constitute 22% of the Board of Directors.

The number of female members on the Board of Management is likewise one, corresponding to 20%. There are five women among the 23 functional managers. However, among first-line managers and mid-level managers the share of women is considerably higher. The share of women is 35% among mid-level managers and 54% among first-line managers. Overall, women accounts for 46% of the managers employed with ALK.

#### *Future plans*

ALK will continue its efforts and commitment towards equal opportunities for women and men at all management levels.

One way to ensure this is to consider both male and female candidates in connection with internal and external executive recruitment and that at least one candidate from the under-represented sex is on the short list when recruiting for management positions. Furthermore, it will be ensured that both women and men are part of ALK's talent pools for management positions.

ALK wishes to have more attention to women's career progression and development and will offer female managers participation in networks or mentoring schemes.

When conducting the yearly Organisational Review, ALK will have increased focus on monitoring the share of women at all management levels.

<b>Diversity at management levels per 31 December 2015</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>
<b>Board of Directors (shareholder-elected members only)</b>	6	17% (1)	83% (5)
<b>Board of Directors (all members)</b>	9	32% (2)	78% (7)
<b>Board of Management</b>	5	20% (1)	80% (4)
<b>First –line managers</b>	210	54% (113)	46% (96)
<b>Mid-level managers</b>	80	35% (28)	65% (52)
<b>Functional managers</b>	23	22% (5)	78% (18)
<b>Total</b>	327	46% (149)	54% (178)