

Statutory Report on Corporate Social Responsibility for 2014

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 2014 Annual Report and covers the financial period 1 January - 31 December 2014.

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) action plans and organisations, 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 CO₂ 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. ALK cooperates with relevant stakeholders, e.g. authorities, private and public institutions and non-governmental organisations to promote the prevention, diagnosis and treatment of respiratory allergic rhinitis and allergic asthma. In 2014 ALK introduced Allergy Unlocked™ - a series of initiatives aiming at easing access to treatment for patients and raising allergy up the healthcare agenda. As part of the 2014 update of the CSR policy ALK's activities to fight allergy will in future be part of ALK's Allergy Unlocked™ agenda to ensure synergy between activities.

Please refer to the Allergy Unlocked™ web site at 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 2009, the Management adopted global long-term goals for the SHE-related activities focusing on the reduction of energy consumption, including CO₂ emissions. The objective is that absolute energy consumption in 2014 will not have increased compared to the consumption in 2008¹ while CO₂ emissions will have decreased by at least 15%. New targets have been set for 2015-2018 and the overall efforts have been extended to encompass water usage.

Results in 2014

Despite implementation of energy projects, including improvements of ventilation and cooling systems as well as roof coating lowering building temperatures, the energy consumption in real terms has increased by 3% over baseline (2008) due to the expansion of the supply chain network. Hence, the original target is not met.

By 2014, ALK has reduced the CO₂ emission with more than 3300 tonnes compared to 2008. This equals a 28% reduction of CO₂ emission from the base year 2008 vs. the original target of 15%.

In 2014, ALK received no complaints and experienced no unintended spills.

Future plans

ALK has set new targets for 2015-2018. ALK will continue to identify and implement appropriate energy reduction projects at existing production sites and incorporate energy saving technologies on new sites. The target is that energy consumption by-end 2018 must not exceed the consumption in 2014.

As a result of the above-mentioned efforts as well as continued support of renewable energy production (e. g. wind power), the new target for CO₂ emission is that CO₂ emission by end-2018, must be 5% less compared to the 2014-level.

¹ Consumption and emissions in 2008 will be adjusted in terms of establishment of new production sites, closure of old production sites, acquisitions, etc.

Furthermore, ALK has decided to take a more systematic approach to water usage, reflecting that clean water is scarce particularly in Europe. Consequently, ALK will identify and implement reduction projects at existing production sites in Europe and incorporate water saving technologies when building/re-building facilities. The target is that water usage at the European sites by end-2018, must not exceed the usage in 2014 despite increased activities. ALK will report the total usage at all sites but the goal will only apply for the European sites.

Non-financial key figures²							
	2008	2009	2010	2011	2012	2013	2014
Working environment							
Accidents with absence (number)	10	3	4	8	13	11	8
Accidents with absence (days/full-time employees)	0,157	0,074	0,094	0,062	0,045	0,053	0,039
Resource consumption							
Energy (MWh) - in real terms	25.603	30.272	34.986	36.530	37.368	40.390	40.958
Energy (MWh)³ - adjusted	39.859						40.958
	100%						103%
Water (m3)	62.320	90.369	102.048	97.230	99.151	111.125	106.959
Emissions							
CO2 (tonnes) - in real terms	7.606	8.829	9.945	10.409	10.396	9.172	8.486
CO2 (tonnes)³ - adjusted	11.797					-	8.486
	100%					-	72%
Wastewater (m3)	53.737	56.956	65.535	68.825	72.068	74.120	75.578
Waste disposal							
Waste (tonnes)	342	324	467	479	571	578	555
For recycling (%)	38	34	34	32	34	34	38
Production sites	46.060	46.060	56.443	58.457	58.525	61.587	68.424
Area (m2)		46.060	56.443	58.457	58.525	61.587	68.424

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.

All employees are required to adhere to ALK's Code of Conduct.

ALK's commitment to managing human rights in our business is contained in the ALK Code of Conduct. In the Code of Conduct we describe the requirements we have established for our actions and behaviours. We support the UN Global Compact's 10 principles, not least in the areas of human and labour rights, the environment and anti-corruption and we have integrated these principles in the ALK Code of Conduct. To see ALK's Code of Conduct please visit <http://www.alk-abello.com/aboutalk/csr/businessethics/Pages/home.aspx>.

ALK encourages suppliers and partners to adhere to the same standards in the areas of human and

² Data from production sites in Hørsholm, Madrid, Vandeuil, Varennes, Lelystad, Port Washington, Post Falls, Spring Mills and Mississauga.

³ To make figures comparable, base year (2008) has been adjusted in terms of establishment of new production sites, closure of old production sites and acquisitions.

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 at 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.

Results in 2014

In 2014, the revised Code of Conduct was launched. To ensure compliance, all 55 members of ALKs international management forum confirmed that they had communicated the Code of Conduct in their organisation.

No reports have been filed through the ALK Alertline in 2014. No breeches of the Code of Conduct have otherwise been reported.

Future plans

In 2015, to ensure compliance all employees will be asked to confirm that they are acquainted with the ALK Code of Conduct.

3. Employees

ALK employs 1910 employees in 18 countries, of whom 704 are employed in Denmark. ALK wishes to continue to be an attractive workplace that can attract and retain competent and engaged employees. 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 style that encourage professional and personal development. In this way we also ensure that the human rights of our employees are respected.

Break-down of FTEs by field of work

FTEs	2012	2013	2014
Production	642	648	752
Research & Development	407	366	323
Sales, marketing and administration	806	749	759
Total	1.855	1.763	1835

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 2009, Management adopted global and long-term goals for the improvement of safety and well-being at work. The goal is to reduce the number of absence days per employee due to incidents at work on a continuous basis.

Results in 2014

In 2014, the number of days of absence due to work-related injuries decreased to 0,039 days per employee, which is a reduction of 15% compared to the average in the preceding three years. Compared to base year 2008, the number of absence due to work-related injuries decreased by 75%.

Hence, the target has been met.

Future plans

ALK has set new targets for 2015-2018 to ensure safe and good working conditions. ALK's goal is that the number of accidents with absence per 1 million work hours by end-2018 must be not exceed 4.0 at a 3-year average based on sustained efforts by local SHE organisations and managers.

Organisation, culture and management

Over the past 5 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, every manager and employee agree expectations to goals and behaviour.

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 2014

No Engagement Survey was conducted in 2014. The next Engagement Survey is scheduled for 2015.

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 ≥ 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.

Results in 2014

In 2014, the number of female shareholder-elected members of the Board of Directors grew from none to one, corresponding to 17%, in accordance with the overall target of one or two members by 2018. Including employee-elected members, female members constitute 33% of the Board of Directors.

The number of female members on the Board of Management likewise grew from none to one, corresponding to 20%. There are <three> women among the <22> functional managers. However, among first-line managers and mid-level managers the share of women is considerably higher. The share of women is <30%> among mid-level managers and <50%> among first-line managers, including e.g. R&D team leaders. Overall, women account for <42%> of all managers in 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.

Diversity at management levels per 31 December 2014	Total	Women	Men
Board of Directors (shareholder-elected members only)	6	17% (1)	83% (5)
Board of Directors (all members)	9	33% (3)	67% (6)
Board of Management	5	20% (1)	80% (4)
First-line managers	219	50% (110)	50% (109)
Mid-level managers	80	30% (24)	70% (56)
Functional managers	22	14% (3)	86% (19)
Total	341	42% (142)	58% (199)