



SUSTAINABILITY REPORT 2021

A responsible business enabling health



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Improving the quality of life for patients



Set the strategic direction for our Enabling Health strategy, aiming to increase the accessibility of treatment and care to improve patients' quality of life in countries where we operate.



Committing to 1.5°C



Submitted our climate targets to the Science Based Targets initiative. Our targets are set to align our entire carbon footprint with the 1.5°C pathway.

Set supplier engagement target for our value chain submission: Ensure that 75% of suppliers by emissions have set science-based targets by 2026.



Linking financing to sustainability targets



Refinanced loan facilities, linking a DKK 11.2 billion loan to our Scope 1 & 2 and 3 climate targets – and gender diversity targets for senior and middle management.



Practicing flexible working



Introduced a global flexible working policy to enable smarter work practices and support the needs of a modern company and workforce post COVID-19.





CEO LETTER

Enabling health - while growing our business responsibly

2021 MARKED the second year of the global COVID-19 pandemic. Constrained healthcare and increasing demands on services and solutions, beyond COVID-19, have accelerated the demand for sustainable healthcare systems. At the same time, the climate crisis provides us with the urgency of reducing our global carbon footprint in line with the latest climate science. Our sustainability approach is designed to respond to the societal challenges faced by our business - now and in the future.

At LEO Pharma, supporting the development of sustainable healthcare is a major driver of our competitiveness, and we are committed to taking action. Driven by the promise of leading new medicines for people with skin conditions, we advance the standard of care for the benefit of people with skin conditions, their families and society. We want to improve the quality of life of people who have poor or no treatment options.

LEO Pharma's Enabling Health strategy is responding to precisely this need by increasing the accessibility of innovative treatments and care to improve patients' quality of life in countries where we operate. Towards 2030, we will demonstrate our positive impact on society, as we aim to reduce the burden of disease in medical dermatology and show how our company benefits people living with a dermatological disease.

While we strive to achieve our 2030 aspirations, we are also committed to growing our company responsibly, as reflected in our Sustainability Policy. Future proofing our business entails mitigating climate risks related to our operations, preparing our employees for the future of work and promoting ethical business conduct through our global organization and value chain. In 2021, we submitted our climate targets to the Science Based Targets initiative. We are dedicated to doing our part in addressing the climate crisis. I am proud of our ambition to reduce our CO₂ emissions in line with the level of decarbonization required to keep global temperature increases to 1.5°C - and that we have linked the refinancing of LEO Pharma to these targets.

Being a participant to the UN Global Compact, we are committed to upholding its Ten Principles, covering the areas of human rights, labor, the environment and anti-corruption - and we support the achievement of the UN Sustainable Development Goals.



Anders Kronborg,
Acting CEO



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.
We welcome feedback on its contents.



Our direction





The resources we depend on:

- 5,804 talented and dedicated employees
- Raw materials, water, energy
- Financial capital: Reinvested revenue and funding from investors and credit facilities
- Innovation culture

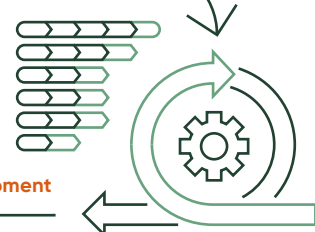


Pioneering early research

Exploring new indications, molecules and drug technology platforms aiming to provide first- and best-in-class assets - through own research and partnerships with academia and research alliances.

Acquiring external assets

Adding external assets to our pipeline portfolio through acquisitions and strategic partnerships.



Manufacturing

Executing competitive, reliable and predictable supply for our treatments.

Manufacturing at our 6 sites, 22 CMOs and 11 API manufacturers.

Fit for purpose development

Developing innovative dermatology treatments according to pipeline composition and unmet needs.

OUR BUSINESS MODEL

Growth sparked by innovation

We are advancing the standard of care for the benefit of people with skin conditions, their families and society.

IMPROVING QUALITY OF LIFE for people with skin conditions is our greatest impact on society and supports the growth of our business. Our strong focus on bringing innovative new treatment solutions to market creates hope of improved quality of life for people who in the past had little or no treatment options for their condition.

Distribution

Delivering our products via efficient supply chains.

Commercial execution

Marketing our treatments through own sales force and partners.

The value we bring to society:

- Improved quality of life for people with skin conditions
- New data on unmet needs and the burden of disease in medical dermatology
- Public/private partnerships
- Job creation
- Scientific progress



ENABLING HEALTH

Our pledge to enable health

We want to have a positive impact in health for patients and their caregivers.



Judith, UK
Living with psoriasis

Diseases that affect the skin can impact a person's ability to perform daily activities, as well as their mental and emotional health and overall well-being. The impact of skin diseases affects all regardless of age, gender, or demographics.



HEALTHCARE systems are struggling with a growing burden of chronic diseases and related comorbidities in an increasingly older population, together with a global shortfall of healthcare workers. The situation is emphasized by the continued pressure from the COVID-19 pandemic, impacting and changing dermatology patients' accessibility to treatment and care. Changing environmental and climate conditions are also bringing new health challenges, or changed patterns of diseases, putting further strain on health systems and on people's health. There is a need to support the development of sustainable health systems in a rapidly changing world and the pharmaceutical sector has a role to play in resolving this global challenge.

Enabling Health embodies our purpose as it makes us focus our efforts on improving the quality of life for patients. It empowers our 2030 Strategy and contributes to long-term value creation for patients, society and our business, including the development of effective drugs as we innovate to changing framework conditions.

Becki Morison,
Executive Vice President,
Global Therapeutic & Value Strategy

At LEO Pharma, we remain loyal to our purpose of advancing the standard of care in medical dermatology for the benefit of people with skin conditions, their families and society.

Our directions for Enabling Health

With the ambition to become a global leader in medical dermatology towards 2030, we aim to increase the accessibility of treatment and care to improve patients' quality of life in countries where we operate. We will work in three tracks, beginning small and SMART and gradually adding more and more activities to document how we deliver on this ambition.

- 1. Our societal impact:** Initiatives with an impact on reducing the burden of disease where there is a high unmet need in medical dermatology.
- 2. Our patient promise:** Initiatives involving and benefitting people living with a dermatological disease.
- 3. Our practices:** Building the external transparency and consistency of our internal practices.

We will report our impact on health measured by the change we make in the quality of life for patients where the unmet needs and the burden of skin disease are highest.





RESPONSIBLE BUSINESS

Operating responsibly

We are committed to operating with integrity and respect for our employees, the environment and our partners.



PEOPLE

Creating a safe, inclusive and diverse workplace

- Diversity & Inclusion
- Employee Health, Safety & Wellbeing

PLANET

Building climate resilience and minimizing environmental impact

- Climate Action
- Product Design, Recycling and Circular Economy
- Production Waste & Effluents
- Water Use & Scarcity

ETHICS

Operate the business with integrity and respect

- Ethical Business Conduct
- Responsible Research
- Responsible Supply Chain
- Data Privacy & Security

Being committed to operating responsibly with integrity and respect for our employees, our partners, and the world in which we operate, we find it natural to link our financing to a set of sustainability targets. Connecting our capital structure to our sustainability agenda offers very clear incentives to deliver on our targets within climate and diversity.



Anders Kronborg, Acting CEO

> Information about our climate targets on pages 9 and 15.

> Information about our diversity targets on page 18.

FIGHT FOR TALENT and against the climate crisis and corrupt business practices. The challenges facing the modern business world are many and call for the implementation of resilient programs and processes.

LEO Pharma’s commitment to Responsible Business focuses on how we operate in an ethical and responsible way – and with integrity and respect for our surroundings. We prioritize the sustainability issues that are most material to the pharmaceutical sector and our business. In 2021, we identified ten issues important to delivering on our commitment towards 2025.

We will take a phased approach to the implementation of Responsible Business issues. Based on requirements from our shareholders and financial providers, upcoming regulation, tender requirements in the EU and our materiality assessment, we will focus our efforts on the following six issues towards 2023:

Diversity & Inclusion, Employee Health, Safety & Well-being, Climate Action, Ethical Business Conduct, Responsible Supply Chain and Data Privacy & Security. We have developed action plans to ensure progress and further integration with lines of business.

For the remaining four issues, Global Sustainability will work with the lines of business to review and develop ESG metrics to close data gaps and monitor performance.

Connecting capital structure to sustainability
In November 2021, we refinanced LEO Pharma’s loan facilities. The loan aligns borrowing costs to our performance on agreed sustainability targets. In addition to traditional financial KPIs associated with the loan, we are committed to achieving our climate targets and targets for gender diversity in senior and middle management.





PEOPLE

A modern workplace

A DIVERSE AND INCLUSIVE organization fosters innovation, drives better decision making and has a positive impact on people engagement. While diversity is the mix of people and includes considerations such as age, gender, nationality, ethnicity, disability, sexual orientation and education, it is inclusion that unlocks the potential of diversity.

Our leaders are essential in fostering an inclusive culture, as they role model inclusive behavior and determine who is hired, developed and promoted. In 2021, we launched the first wave of *Lead Inclusively*, a three-step learning journey consisting of 1) essentials, 2) on-line sessions and 3) on-the-job activities to increase leaders' understanding of how to foster an inclusive culture and become more aware of their own biases. Of the leaders who participated, 98% reported the training to be relevant and that they would use what they learned. The next waves of *Lead Inclusively* will continue in 2022.

We believe that increased focus on diversity will help resolve our current gender imbalance in senior management. In 2021, the gender split in senior management was 34% women/66% men, while the gender split for all managers was 45% women/55% men. Both recruitments and promotions to senior management level contribute to the unequal split and if this trend continues, we will not meet our 40/60 split target for 2023. While the internal talent pool for senior management provides the opportunity for a 50/50 split at this level, we can see that it is more likely for a man than for a woman to get promoted.



LEO Pharma Diversity and Inclusion policy

While leaders are important to reversing this trend, our employees also play a key role in fostering the inclusive culture which we aspire to nurture. This is why we have introduced *Ignite Inclusion: Step Up and Judge Wisely* - voluntary social learning events for all employees focusing on what each of us can do to support a more inclusive culture at LEO Pharma.

92% of the employees who participated found that the session inspired them to think differently about diversity and inclusion.

Practicing flexible working

With COVID-19, working remotely and increasingly virtually has become the new normal. While we have missed face-to-face interactions with our colleagues, COVID-19 has taught us new ways of working. Employee well-being is our focus, and we want to learn from the pre- and post-COVID-19 work experiences. In 2021, we introduced our global flexible working policy. We



Our flexible working policy is in line with our overall commitment to drive agility and efficiency. This is a natural step in maintaining our company as an attractive workplace for current and future employees.

Dennis Schmidt Pedersen,
EVP Global People & Communications,
and Chair of the Sustainability Board

offer and encourage flexibility for all to ease different life phases. Based on a guiding 60/40% mix, we give employees the opportunity to combine in-office and remote working. We also promote flexible schedules and increased use of virtual teams and management. We have started introducing activity-based office design to support new ways of working and foster innovation.

Keeping our employees safe during the pandemic

With the pandemic present throughout 2021, we continued to take necessary precautions to safeguard the health of our employees and ensure a continued supply of medicine to patients without disruption. We implemented measures to ensure business continuity in both the short and long term. At our headquarters, in the first half of 2021, we offered on-site COVID-19 testing of employees, while other manufacturing sites performed temperature screening of staff before they entered the sites. We promoted working from home and supported employees financially in improving their home workspace.



Our climate targets

SCOPE 1 & 2 TARGET:
Reduce our carbon emissions by more than **50%** from 2019 to 2030

SCOPE 3 TARGET:
Ensure that **75%** of suppliers by emissions* have set science-based targets by 2026

*Covering purchased goods and services, capital goods and upstream transportation

PLANET

A year of climate action

In 2021, we reduced our total CO₂e Scope 1 and 2 emissions by 25.7% and took the bold step of submitting our climate targets to the Science Based Targets initiative.

ACCORDING to the Science Based Targets initiative, it is still possible to limit the global temperature rise to 1.5°C, but we are dangerously close to that threshold. There is an urgent call to action globally. LEO Pharma is committed to contribute.

Setting science-based targets

The latest climate science provides us with the urgency of setting and achieving ambitious targets. Our climate targets are aligned with the Paris Agreement and aim to reduce Scope 1 and 2 emissions in line with the level of decarbonization required to keep global temperature increases to 1.5°C.

In 2021, we set a Scope 3 target for 2026. We committed to the Science Based Targets initiative in November 2021. With our climate target for Scope 1 and 2 emissions, we are committed to reducing our carbon emissions by more than 50% from 2019 to 2030. For our Scope 3 emissions, our supplier engagement target is set to ensure that 75% of suppliers by emissions have set science-based targets by 2026.

Reducing CO₂ emissions

To achieve our carbon reduction targets, we need

enterprise thinking across our global organization. Our functional Climate Steering Committee consists of members from Global EHS, Global Engineering, Global Facility Management and Procurement Sustainability, Risk & Compliance and is responsible for providing a cross-functional overview of our climate action program as well as collective advice and assurance to our Global Leadership Team on progress towards achieving the targets. And our progress is already visible.



↓25.7%

reduced our total CO₂e Scope 1 and 2 emissions by 25.7% compared to 2020

COP26 in 2021 stated the importance of moving away from coal power, reducing methane emissions and accelerating the use of electric vehicles. By switching to electricity coming from 100% renewable sources, we reduced our total CO₂e Scope 1 and 2 emissions by 25.7% compared to 2020, and by 40.3% compared to our 2019 baseline.

In 2022, we will continue to implement operational improvements to reduce our carbon and other greenhouse gas emissions. We will improve our energy efficiency and enhance energy monitoring at all sites, and also continue to electrify our car fleet. We will also focus strongly on our Scope 3 commitment and related cooperation with our suppliers and business partners.



ETHICS

Building a strong culture of integrity

While we strive to achieve our purpose, it is critical for our success that we earn the trust of our stakeholders.

IN AN ERA of digital technology and regulation, companies are increasingly under pressure to protect data and ensure that it is used responsibly. Our 2021 materiality analysis confirmed that ethics and compliance, data security, innovation and digitalization are issues which are important to both our internal and external stakeholders.

- **LEO Pharma Code of Conduct**
- **LEO Pharma AI Ethical Principles**

Ethical business conduct

In 2021, we introduced a new Global Risk & Compliance strategy with the purpose of safeguarding our license to operate and supporting the business in fulfilling our corporate strategy while staying compliant and minimizing risks. The strategy is built on four elements:

- Establishing value-based policies and guidance to help drive a culture of integrity
- Embedding the policies in our global organization through training at global and local level and useful tools
- Enforcing our policies through testing and monitoring activities
- Ensuring that our third parties working on LEO Pharma's behalf follow LEO Pharma standards.

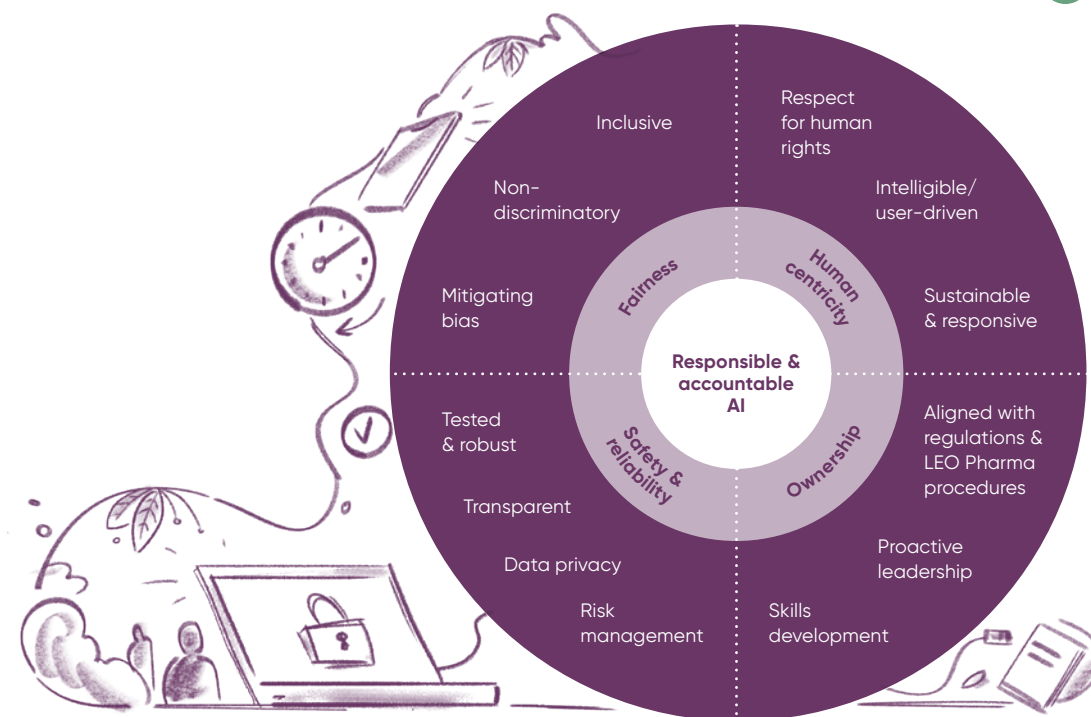
As one of the first steps, we relaunched our LEO Pharma Code of Conduct and related training for all employees globally. Our Code of Conduct guides our

actions and helps us make the right choices, as it defines values and policies and provides a common foundation for decision making. It helps us resolve ethical dilemmas and compliance issues by translating our values into consistent actions.

See page 21 for data related to training completion rates.

Using AI to support scientific advancement

An example of how we apply ethical principles to our operations concerns LEO Pharma's use of Artificial Intelligence (AI). AI has the potential to transform pharma by accelerating efficiencies. AI can accelerate drug development, optimize clinical trials and automate tasks related to risk and pharmacovigilance. This transformation requires principles to support AI adoption and innovation, while guaranteeing the safety and fundamental rights of people and businesses.



Our new LEO Pharma AI Ethical Principles reflect our values and Code of Conduct, and our objective is to deliver responsible and accountable AI. All AI systems and solutions which we develop, employ or apply within LEO Pharma are governed by the following ethical principles: 1) Human centricity; 2) Fairness; 3) Safety & reliability and 4) Ownership & accountability.

The principles complement relevant internal procedures and regulations applicable to LEO Pharma in relation to the use of data and digital systems.

We are already developing and implementing AI projects across the value chain. In January 2021, we launched Delphi, a new platform which focuses on using state-of-the-art machine learning to speed up drug discovery. It consists of a customized software application which allows our Drug Discovery team to train models to predict drug properties and features.

Similarly, iSearch is an intelligent platform supported by machine learning to help manage complex, text-heavy databases more easily and quickly. iSearch was born out of our Q&A Database, a pilot built to support the management of documents pertaining to marketing approvals. The platform can support a large number of databases simultaneously through a user-friendly, no-code interface for database administrators and users.



Our ESG performance



ESG reporting

Scope of our ESG reporting

Our ESG reporting represents LEO Pharma's compliance with Sections 99a, 99b and 99d of the Danish Financial Statements Act.

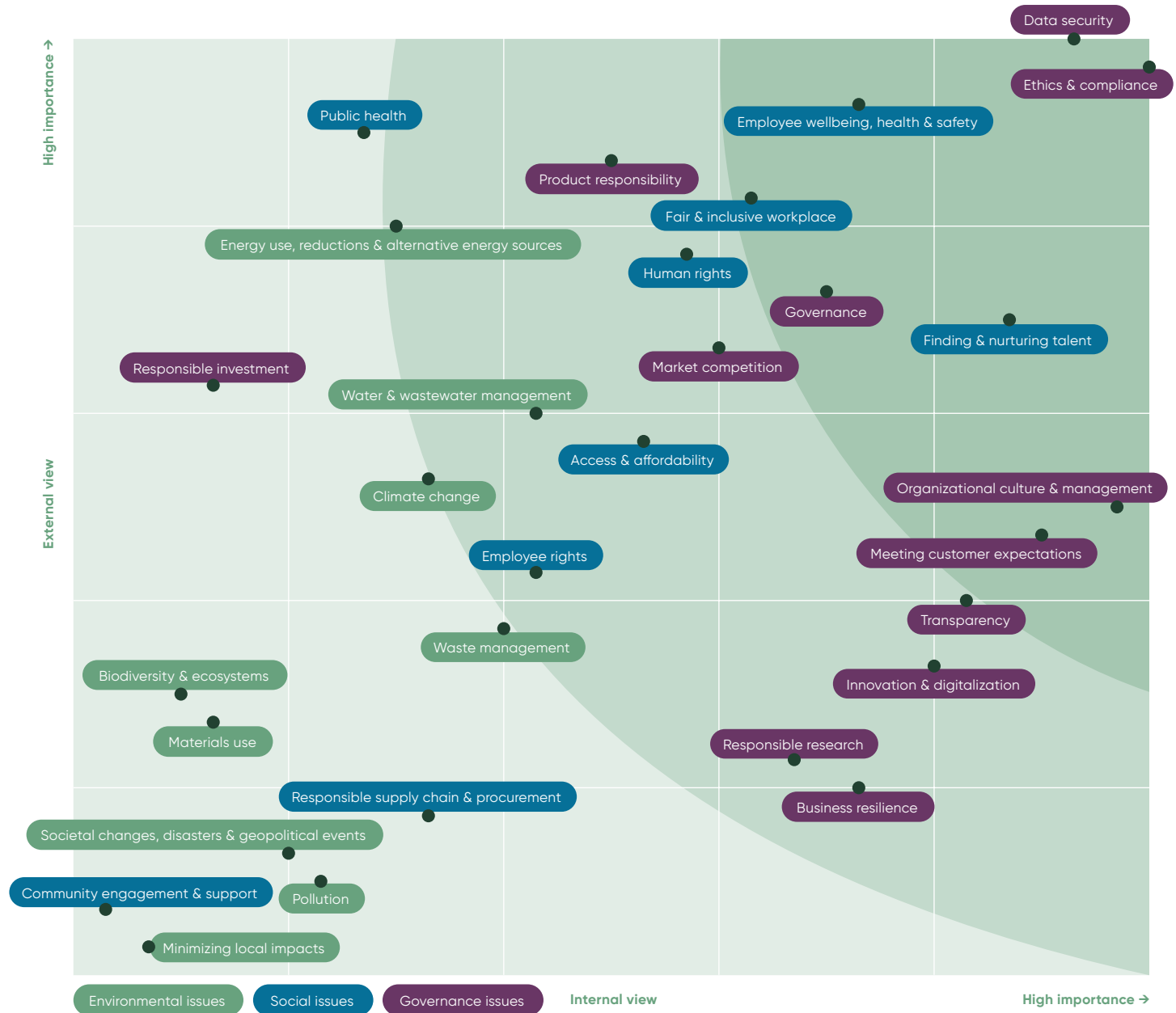
Our ESG data and progress overviews outline our approach, progress in 2021, policies and governance concerning material ESG topics for the financial year January 1 – December 31, 2021.

Identifying material issues

Once a year, we conduct a materiality assessment to understand which environmental, social and governance issues are most likely to impact the long-term success of LEO Pharma.

Since 2020, we have used a data-driven approach to prepare the materiality matrix, using the globally recognized analytics software Datamaran. By reviewing millions of data points from corporate reports, mandatory and voluntary regulations, news and social media, Datamaran's platform provides us with an overview of the issues which are important to our external stakeholders. We combine these insights with input from key external and internal stakeholders provided through surveys to complete our materiality matrix. For our internal stakeholders, we conducted workshops with senior leaders to validate survey results. Our materiality matrix and ranking of priority ESG topics are approved by LEO Pharma's Sustainability Board.

Our materiality assessment helps us define which issues it is relevant to report on, and serves as a guiding process for prioritizing our approach to managing potential ESG risks.





Defining the most material issues

ISSUE	DEFINITION
Ethics & compliance	Fair, moral and transparent business conduct, including the evaluation and mitigation of non-compliance and fraud risks.
Data security	Efforts to safeguard and protect digital information from unauthorized access, corruption or theft.
Finding and nurturing talent	Hiring, managing, developing and retaining the right people with the right skills.
Employee wellbeing, health & safety	Social, economic, psychological, health, safety and physical conditions of employees in their workplace.
Organizational culture & management	The work culture, workforce management and employee satisfaction.
Governance	A company's management structure, policies and procedures that concern topics such as decision making, supervision and board structure.
Meeting customer expectations	Ensuring that the requirements of customers are met, including expectations of corporate reputation and sustainable production.
Fair and inclusive workplace	Growing and maintaining diversity in the workforce and ensuring equal opportunities and equal-pay-for-equal-work for all employees.
Transparency	Clear and honest reporting, communication and analysis of corporate performance and management.
Innovation & digitalization	Technological development and use of new products, services and business models, and innovation as a process.
Market competition	Competition based on the factors of price, quality, service and access to markets and measures to protect IP.
Human rights	The protection of basic human needs, such as freedom from slavery, civil liberties, right to privacy and right to health.
Product responsibility	Managing the environmental, social, health and safety impacts of a product across its lifecycle, including circular economy and marketing practices.
Business resilience	Risk and financial management to ensure that the impacts of disruption on the business are minimized.
Access & affordability	Efforts to provide equal access and affordable access to comprehensive, quality and timely healthcare for all.
Responsible research	Managing ethical challenges that may arise in research, includes ethics of clinical trials and animal welfare.
Water & wastewater management	Use, management and conservation of water resources, including the impacts of water pollution.
Energy use, reductions & alternative energy sources	Monitoring & reducing energy usage and increasing the use of renewable energy.
Employee rights	Legal rights regulating employee-employer labor relations.



ESG risks

AS A BUSINESS with global operations, we are exposed to environmental, social and governance (ESG) related risks. Managing those ESG risks with the potential to impact LEO Pharma's business operations helps us mitigate business disruption and protect the value of LEO Pharma's assets.

Identifying ESG risk areas

We apply a systematic approach to assessing potential risk areas. Building on the Sustainability Accounting Standards Board's (SASB) Materiality Map for the pharmaceutical sector (likelihood) and our own materiality assessment (importance), we identify our top ESG risks related to the environment, social aspects, human rights and anti-corruption. For each of the risk areas, we assess the potential impact if the risk is not managed adequately through efficient treatment measures.

The ESG risk assessment is presented to members of the Sustainability Board. LEO Pharma's Global Sustainability team works with lines of business to implement adequate mitigating actions.



For an overview of our sustainability governance, see page 24.

KEY RISKS	ENVIRONMENT Increasing energy prices	SOCIAL Access and affordability	SOCIAL Fair and inclusive workplace	HUMAN RIGHTS Mandatory human rights due diligence	ANTI-CORRUPTION Interactions with third parties
RISK AREA	LEO Pharma depends on electricity and gas to produce treatments for patients. Throughout Europe, we are facing a significant increase in electricity and gas prices, as well as more volatile energy prices in general. All our manufacturing sites are located in Europe.	Stakeholders expect pharma companies to have initiatives to enable equal and affordable access to treatment. Many of LEO Pharma's peers have programs in place to meet these expectations.	Discrimination and harassment are global issues that represent a threat to the well-being of employees and the productivity of a workplace. LEO Pharma works systematically to prevent disruptions related to any form of discrimination at our workplaces.	Countries worldwide are increasingly implementing legislation that requires companies to undertake mandatory human rights due diligence. We face a risk of non-compliance with new legislation, if adequate processes are not resourced to conduct our due diligence.	Corruption is a complex social, political and economic phenomenon that represents a significant threat to the global healthcare ecosystem. For LEO Pharma, there is an increased risk of corruption in our interactions with third parties, including healthcare professionals.
IMPACT	Financial impact on our operating profit margin – and potential impact of business disruption in case of energy and gas shortages.	Reputational impact due to lack of transparency on access and affordability strategies and related actions.	Reputational impact and impact on ability to attract and retain employees. Financial impact of fines due to breach of anti-discrimination laws.	Reputational impact and possibility of fines or sanctions of breach for not fulfilling due diligence requirements.	Reputational impact. Violations of Anti-Corruption laws and regulations may not only result in major fines, but could also impact LEO Pharma's reputation.
MITIGATING ACTIONS	Continuous improvements and implementation of energy efficiency projects at manufacturing sites to reduce usage of electricity and gas. We perform energy hedging to protect against unexpected price increases.	With the purpose to improve patients' quality of life, our new Enabling Health strategy aims to increase the accessibility of treatment and care in countries where we operate.	Our Diversity and Inclusion strategy has a dual focus on inclusion: culture and structures. We review all key people processes to ensure they are inclusive in design, and bias blockers are incorporated when relevant to make it easy to be inclusive as the norm.	We have established a Human Rights Working Group to support the development of a consistent Human Rights Due Diligence process, and we conduct human rights impact assessments to identify actual and potential adverse impacts on human rights from our activities.	Our global Anti-Corruption efforts aim to ensure that all LEO Pharma employees have the knowledge to prevent and detect corruption, uphold high business standards and promote good business conduct when interacting with third parties.

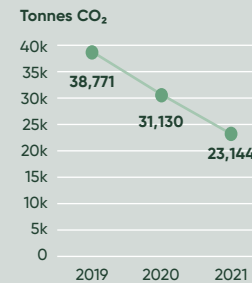
ESG data and progress overview

ENVIRONMENT | SOCIAL | GOVERNANCE

Climate

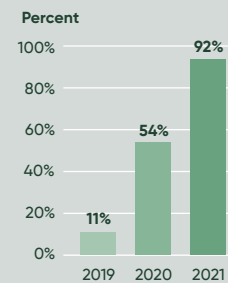
Why is this important?	Climate change is a global issue that requires rapid emission cuts to mitigate impacts. If we fail to reduce the CO ₂ emissions from our operations there is a high risk of business and supply chain disruption.
Our approach	<p>We reduce our carbon emissions in line with the reductions required to keep global temperature increases to 1.5°C above pre-industrial levels.</p> <p>Targets:</p> <ul style="list-style-type: none"> • Scope 1 and 2 target: To reduce our Scope 1 and 2 CO₂ emissions by more than 50% by 2030 compared to 2019 levels • Scope 3 target: Ensure that 75% of suppliers by emissions* have set science-based targets by 2026
Our progress in 2021	<ul style="list-style-type: none"> • Submitted climate targets to the Science Based Targets initiative. • Set supplier engagement target for Scope 3. • Our manufacturing site in Segrate moved to 100% renewable electricity contracts, bringing five out of six manufacturing sites up to this standard. • Our manufacturing sites passed annual audits under ISO 50001 and ISO14001. One major nonconformity during the energy audit of the Dublin site (IE) due to lack of efficient control during the audit as a consequence of changes in the organization. All manufacturing sites, except Vernouillet (FR), hold ISO 50001. All manufacturing sites hold ISO 14001 certification.
Policies	<ul style="list-style-type: none"> • LEO Pharma Sustainability Policy • LEO Pharma Environment, Climate and Energy Policy, part of the LEO Pharma Code of Conduct
Governance	<ul style="list-style-type: none"> • LEO Pharma Sustainability Board • LEO Pharma Climate SteerCo
Metric	<ul style="list-style-type: none"> • Total CO₂e Scope 1 and 2 – market based (tonnes) • CO₂e Scope 1 (tonnes) • CO₂e Scope 2 – market and location based (tonnes) • CO₂e Scope 3 – total and by category (tonnes) • Greenhouse gas emissions intensity (tonnes/revenue) • Energy consumption (GWh) • Energy intensity (GWh per DKK million) • Share of renewable electricity (%)
SDG contribution	  <ul style="list-style-type: none"> • 7 – Affordable and Clean Energy • 13 – Climate Action

Total Scope 1 and 2 CO₂e emissions



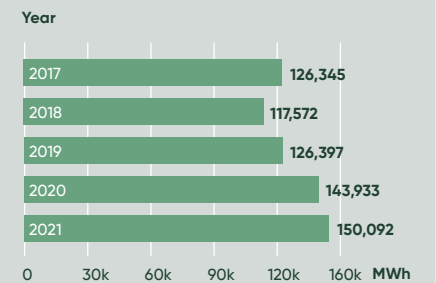
Reduced total CO₂e Scope 1 and 2 by 25.7% compared to 2020, and by 40.3% compared to 2019.

Renewable share of electricity consumption

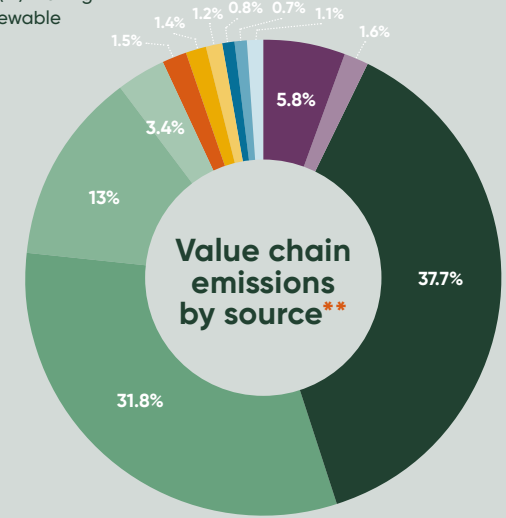


Increased share of renewable electricity to 92%, mainly driven by Segrate (IT) moving to 100% renewable electricity.

Total energy consumption at our manufacturing sites



Increased energy consumption due to increased production and a colder winter.




**Our value chain emissions in % based on 2020 numbers, due to our Scope 3 emissions data is one year delayed.

*covering purchased goods and services, capital goods and upstream transportation

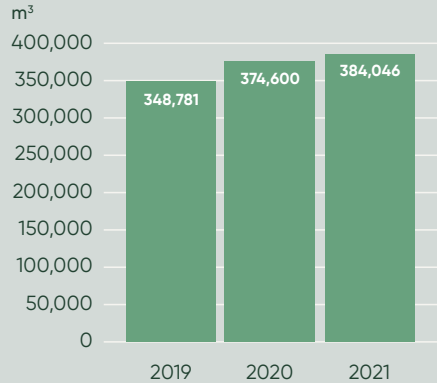
ESG data and progress overview

ENVIRONMENT | SOCIAL | GOVERNANCE

Waste and water

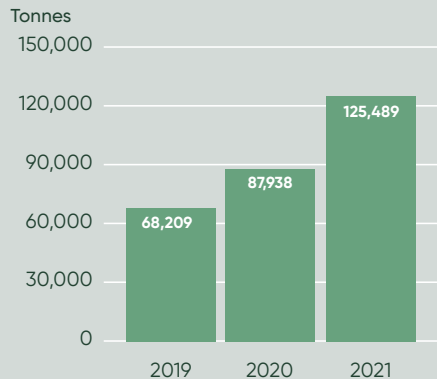
Why is this important?	Managing our water use and the waste created by our manufacturing processes is critical to reducing our environmental impact and protecting natural resources.
Our approach	We assess our water usage and waste risks due to increased production. We seek to manage the adverse impacts of our operations on water and employ robust waste management processes.
Our progress in 2021	<ul style="list-style-type: none"> Investigated circular economy alternatives for treating waste solvents at the Ballerup (DK) site. We delivered samples of solvents for the testing of suitability for reuse. Results expected in early 2022. Implemented waste sorting in offices from residual waste into bio, plastic and paper at Ballerup site.
Policies	<ul style="list-style-type: none"> LEO Pharma Sustainability Policy LEO Pharma Environment, Climate and Energy Policy, part of the LEO Pharma Code of Conduct
Governance	Governed by selected members of LEO Pharma's Global Leadership Team as part of the EHS Management Review.
Metric	<ul style="list-style-type: none"> Water usage (m³) Waste (total) (tonnes) and by category (%)
SDG contribution	 <ul style="list-style-type: none"> 12 – Responsible Consumption and Production

Water usage

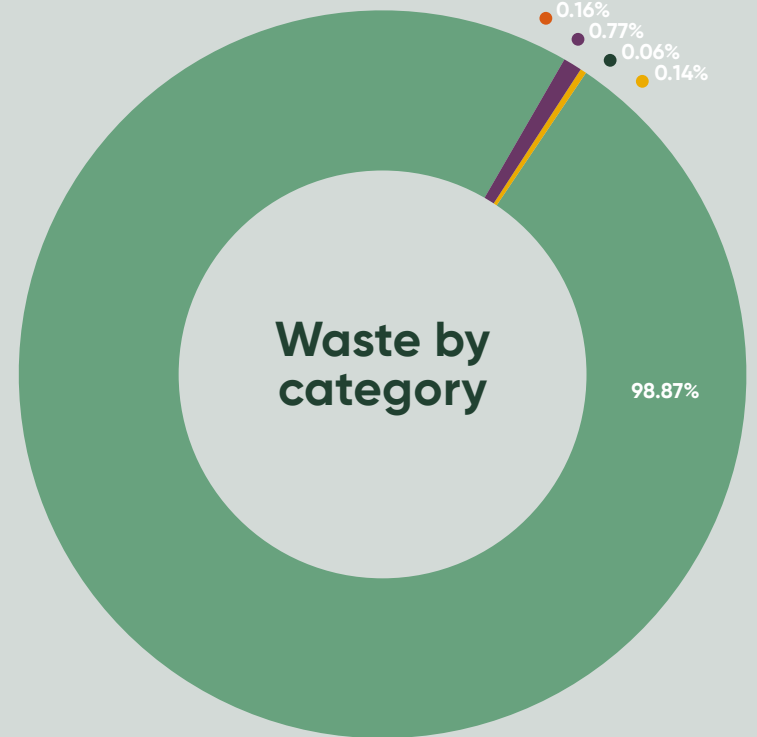


Water usage increased by 2.5% from 2020 to 2021.

Waste



Waste increased by 42.7% from 2020 to 2021 due to increased production in Esbjerg (DK).




High recycling rate driven by progress at our manufacturing site in Esbjerg (DK), where residual waste is processed and used as fertilizer.

- Recycling
- Special treatment (incl. chemical waste and biological waste)
- Incineration with energy recovery
- Incineration without energy recovery
- Landfill

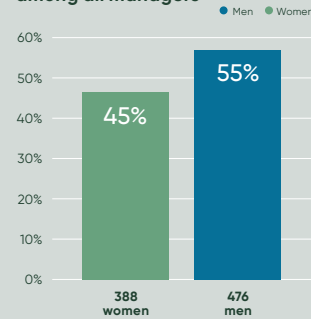
ESG data and progress overview

ENVIRONMENT | SOCIAL | GOVERNANCE

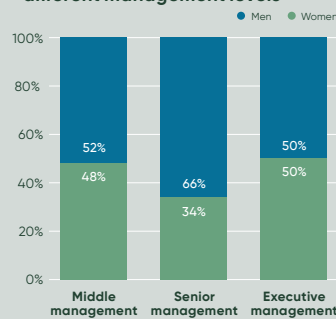
Diversity and inclusion

Why is this important?	A diverse and inclusive culture is an enabler of our 2030 Strategy as it fosters innovation, drives better decision-making and grows engagement across our organization.
Our approach	<p>We promote a workplace where we treat employees with fairness, dignity and respect, regardless of gender, race, nationality, age, education, sexual orientation and other forms of diversity. To strengthen the gender diversity balance across all management levels, we have set targets for middle, senior and executive management levels.</p> <p>2023 targets*:</p> <ul style="list-style-type: none"> • 50/50 gender distribution in executive management • 40/60 gender distribution in senior management • 50/50 gender distribution in middle management <p>*Our representation targets focus on the binary gender dimension that we can legally track: Women and men. However, we recognize that gender identity goes beyond the binary genders of women and men.</p>
Our progress in 2021	<ul style="list-style-type: none"> • Launched our Diversity and Inclusion manifesto 'Curiosity beyond'. • Introduced the Lead Inclusively leadership learning journey. • Launched first wave of Ignite Inclusion social learning events for employees.
Policies	<ul style="list-style-type: none"> • LEO Pharma Sustainability Policy • LEO Pharma Diversity & Inclusion Policy
Governance	<ul style="list-style-type: none"> • LEO Pharma Sustainability Board
Metrics	<ul style="list-style-type: none"> • Gender diversity in mgt (all, middle, senior, executive mgt) (%) • Employees by gender (%) • Joiners by gender (%) • Internal promotion rate by gender (%) • Employee turnover rate by gender (%) • Workforce by age (%) • Workforce by tenure (%)
SDG contribution	 <ul style="list-style-type: none"> • 5 – Gender Equality

Gender distribution among all managers

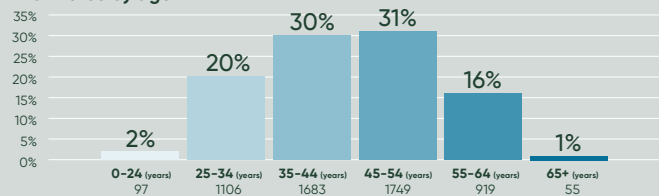


Gender distribution at different management levels



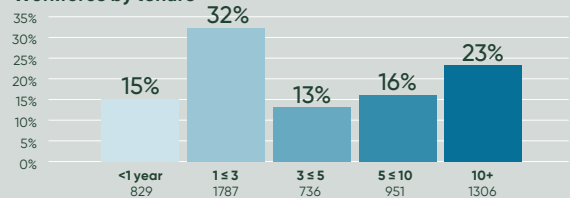
Our management population consists of 10 executive managers, 203 senior managers and 651 middle managers.

Workforce by age

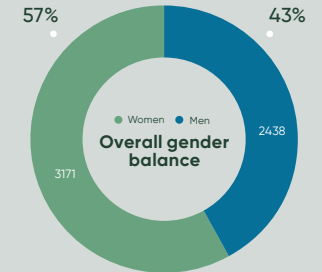


The age distribution of our workforce remained stable compared to 2020.

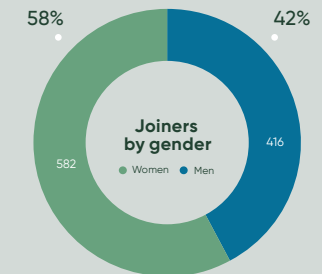
Workforce by tenure



The tenure distribution of our workforce remained stable compared to 2020. 1 ≤ 3 years of tenure is the most significant category.

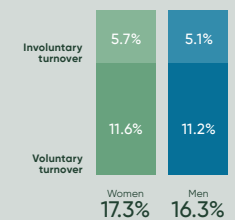


The overall gender balance remained stable compared to 2020.



The high percentage of women joining LEO Pharma influences our overall gender distribution.

Turnover by gender



Numbers of leavers (voluntary and involuntary) are 516 women and 376 men.

Promotion by gender



Close to even promotion rate between women and men.

ESG data and progress overview

Employee safety

Why is this important?	Enabling a safe working environment prevents and manages the risk of physical injuries. A strong safety culture also prevents disruptions to our operations caused by workplace accidents.
Our approach	We want to provide a safe and healthy working environment for employees, business partners and guests. We have an Occupational Health and Safety Management System in place and focus on continuously improving our health and safety performance.
Our progress in 2021	<ul style="list-style-type: none"> All our manufacturing sites hold ISO 45001 certification. All sites passed the annual EHS audit under ISO 45001 (Health & Safety) without any major non-conformances. Safety awareness continued through toolbox talks, safety walks, and systematic problem solving in case of injuries, to improve safety performance. High focus on safety in large construction projects.
Policies	<ul style="list-style-type: none"> LEO Pharma Sustainability Policy LEO Pharma Occupational Health and Safety Policy, part of the LEO Pharma Code of Conduct
Governance	Governed by selected members of LEO Pharma's Global Leadership Team as part of the EHS Management Review.
Metrics	<ul style="list-style-type: none"> Lost Time Injury (LTI) rate Number of lost days (No.)
SDG contribution	 <ul style="list-style-type: none"> 8 – Decent Work and Economic Growth

Safety performance at LEO Pharma manufacturing sites

Lost Time Injury (LTI) rate at manufacturing sites



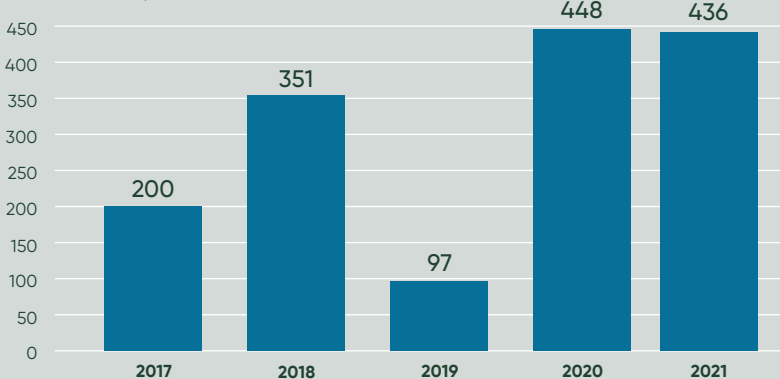
The LTI rate remained stable below 2. For the third year in a row, we achieved our global LTI rate goal of < 2.0 at manufacturing sites incl. support functions.

No. of global LTIs



The number of global LTIs decreased to nine in 2021 from 11 in 2020.

No. of lost days



Global LTIs accounted for 436 lost days, mainly driven by two injuries.



ESG data summary

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Metric	Unit	2021	2020	2019	
Gender diversity in management	Executive management	Women %	50	50	75
		Men %	50	50	25
	Senior management	Women %	34	33	31
		Men %	66	67	69
	Middle management	Women %	48	47	50
		Men %	52	53	50
All managers	Women %	45	44	45	
	Men %	55	56	55	
Employees by gender	Women %	57	56	No data	
	Men %	43	44		
Joiners by gender	Women %	58	No data	No data	
	Men %	42			
Internal promotion by gender	Women %	7.2	No data	No data	
	Men %	7.1			
Workforce by age	0 – 24 years	%	2	2	No data
	25 – 34 years	%	20	21	No data
	35 – 44 years	%	30	29	No data
	45 – 54 years	%	31	32	No data
	55 – 64 years	%	16	15	No data
	65+	%	1	1	No data
Workforce by tenure	<1 year	%	15	13	No data
	1 ≤ 3 years	%	32	35	No data
	3 ≤ 5 years	%	13	13	No data
	5 ≤ 10 years	%	16	17	No data
	10+ years	%	23	22	No data

Metric	Unit	2021	2020	2019
Employee turnover rate	%	16.9	13.7	16.5
Employee turnover rate by gender	Women %	17.3	No data	No data
	Men %	16.3		
Sustainable engagement score	%	No data*	78	78
Lost Time Injury (LTI) rate	LTI rate	1.7	1.9	1.3
Number of lost days	No.	436	448	97

* No sustainable engagement score data available in 2021 due to postponement of global engagement survey, LEO Voice, from Q4, 2021 to the first half of 2022.



ESG data summary

ENVIRONMENT | SOCIAL | GOVERNANCE

Metric	Unit	2021	2020	2019
Gender diversity at board level	Women %	12.5	29	25
	Men %	87.5	71	75
Employees completing global annual Code of Conduct training	%	96	No data	No data
New employees completing Code of Conduct e-Learning campaign	%	66	76.2	No data
New employees completing anti-corruption e-Learning campaign	%	74.7	61.4	No data
Number of social and/or EHS supplier audits performed	No.	5*	0	3

* EHS desktop audits of CMOs/API suppliers.

Gender diversity at board level

Statutory report on gender diversity, pursuant to Section 99b of the Danish Financial Statements Act.

Our current goal is to have at least three female members of the Board of Directors of LEO Pharma A/S elected by the Annual General Meeting in 2021. This is in addition to the employee-elected board members. This goal was not achieved.

At the end of 2021, the total number of board members was eight. Only one of these was female as the other female board member did not stand for re-election during the year.

In 2021, following the change in ownership structure in Q3 2021, the board invited one new shareholder-appointed representative to be member, which in practice has not increased gender diversity.

At the Annual General Meeting in 2022, LEO Pharma will propose a new goal for gender diversity at board level. By the Annual General Meeting in 2024, at least three of the board members elected should be of the underrepresented gender (currently women). All candidate searches will involve shortlisting of female candidates.

Women in total represent 45% of management positions at levels below the Board of Directors of LEO Pharma A/S**.

**See pages 18 and 20 for an overview of gender representation at executive, senior and middle management level.





Human rights

We recognize our corporate responsibility to respect human rights.



We are committed to identifying and addressing any adverse human rights impacts resulting from our own operations or business relationships. We follow the guidance on human rights as defined by the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. As a participant of the UN Global Compact, we adhere to its Ten Principles, including principles 1 and 2 on human rights.

An integrating approach

In 2021, we established a cross-functional working group with representation from Global Public Affairs, Clinical Process Management, Global Risk & Compliance, Global EHS, Procurement Sustainability, Risk & Compliance, Agile Working and Global Diversity & Inclusion and Global Sustainability.

The purpose of the group is to strengthen our approach to human rights and support the embedding of a consistent human rights due diligence practice across LEO Pharma. To define a cohesive approach to a corporate human rights risk assessment, expanding on the high-level gap assessment conducted in 2020, the working group reviewed current approaches to risk assessment within the organization and defined the requirements to ensure alignment with the UN Guiding Principles.

The corporate human rights risk assessment was conducted as a self-assessment across six impact areas: 1) Research and development, 2) Procurement, 3) Health and safety, 4) Products, sales and

marketing, 5) Community impact, and 6) Employment practices. The data was collected at the end of 2021 and the analysis was completed in early 2022. The purpose of the analysis is to identify and address current or potential adverse impacts from our operations or business relationships. Due diligence is a dynamic process and maturity increases over time. We acknowledge that new, complex issues relating to human rights arise, with a commitment to review our salient issues regularly and identify appropriate actions.

Due diligence and human rights policies

We recognize the importance of continuously monitoring our potential human rights impacts through our due diligence process, including LEO Pharma's Speak Up Hotline. Our human rights due diligence approach and responsibility are integrated into relevant function level processes, to make sure we identify risks and manage these close to the business. The Speak Up Hotline, coupled with additional grievance reporting directed at line managers, gives employees and others associated with LEO Pharma the opportunity to report unethical behavior and serious concerns on a confidential basis.

Policies and governance

Several policies and statements relate to how we work with human rights. These include (but are not limited to):

- [LEO Pharma Human Rights Policy](#)
- [LEO Pharma Code of Conduct](#)
- LEO Pharma Protection of Personal Data Policy
- LEO Pharma Occupational Health and Safety Policy
- [LEO Pharma UK Modern Slavery Act statement](#)
- [Sustainability Standards for LEO Pharma Business Partners](#)
- Patient Safety (GXP Policy)
- Helsinki Declaration

Impact area*	Human rights risk area	Rights holders
Research and development	<ul style="list-style-type: none"> • Clinical trial impacts, e.g. on vulnerable trial participants, (lack of) access to clinical trials • Intellectual property 	<ul style="list-style-type: none"> • Patients • Business partners
Procurement	<ul style="list-style-type: none"> • Working conditions and community impacts/supplier engagement • Impacts of purchasing decisions and practices 	<ul style="list-style-type: none"> • Employees • Business partners
Health and safety	<ul style="list-style-type: none"> • Workplace health and safety • Environmental impact 	<ul style="list-style-type: none"> • Employees • Business partners
Products, sales and marketing	<ul style="list-style-type: none"> • Responsible marketing/sales approach • Privacy impacts of new digital tools; protection of personal data • Product labelling/use instructions and related impact on vulnerable product users 	<ul style="list-style-type: none"> • Employees • Business partners • Customers • Patients
Community impact	<ul style="list-style-type: none"> • Corruption and bribery • Due diligence in high-risk human rights environments 	<ul style="list-style-type: none"> • Employees • Business partners • Local communities
Employment practices	<ul style="list-style-type: none"> • Workplace monitoring and employee data • Discrimination, forced labor and young workers • Wages, relocation and benefit schemes 	<ul style="list-style-type: none"> • Employees • Business partners • Local communities

* Defined by the Danish Institute for Human Rights, 2013



Sustainability governance

Our sustainability governance model ensures clear accountability and anchoring of our 2030 sustainability strategy and targets.



THE BOARD OF DIRECTORS has authorized LEO Pharma's Global Leadership Team (GLT) to be accountable for sustainability performance. The GLT has appointed the LEO Pharma Sustainability Board, comprised of five GLT members and the Chief of Staff, to oversee the development and integration of LEO Pharma's sustainability strategy, including monitoring of the progress of sustainability performance and ESG targets.

The Board of Directors has authorized LEO Pharma's Global Sustainability Team to be responsible for developing the sustainability strategy and to support its implementation. Global Sustainability drives ESG management and reporting and serves as the secretariat for the Sustainability Board and Steering Committees and as advisors to issue owners and lines of business on the execution of sustainability.





ESG accounting principles

Boundary setting

Data related to employee safety, energy, waste and water covers the LEO Pharma manufacturing sites in Ballerup and Esbjerg in Denmark, Dublin and Cork in Ireland, Segrate in Italy and Vernouillet in France.

LEO Pharma headquarters are located at the manufacturing site in Ballerup.

Data collection period

Data was collected from January 1 – December 31, 2021.

ENVIRONMENT | SOCIAL | GOVERNANCE

Metric	Unit	Accounting principle
Total CO₂e Scope 1 and 2	Tonnes	Sum of our CO ₂ e Scope 1 and 2 emissions. See accounting principles for CO ₂ e Scope 1 and 2.
CO₂e Scope 1	Tonnes	We follow the Greenhouse Gas (GHG) protocol corporate standard for calculating our CO ₂ e emissions and cover all direct emissions of greenhouse gases from LEO Pharma's operations.
CO₂e Scope 2	Tonnes	We follow the Greenhouse Gas (GHG) protocol for calculating our CO ₂ e emissions and for our Scope 2 report on both our market- and location-based emissions in line with GHG Protocol Scope 2 guidance. We have concluded that the majority of our leased offices fall outside our operational control, and are therefore not included within Scope 2 calculations for 2019-2021. We will perform a full assessment of operational control over all leased offices in 2022, and expect there will be a recalibration of Scope 2 and Scope 3 emissions from leased offices.
CO₂e Scope 3 CO₂e Scope 3 by category	Tonnes	We follow the Greenhouse Gas (GHG) protocol for calculating our Scope 3 CO ₂ e emissions. This approach divides Scope 3 emissions into 15 sub-categories, an inventory approach that is used for all sub-categories. The sub-categories 11, 11a and 13 are not relevant for LEO Pharma and we do not have any greenhouse gases within these categories. Our Scope 3 emissions data is one year delayed.
Greenhouse gas emissions intensity	Tonnes per DKK million	Greenhouse gas emissions intensity is calculated using the total Scope 1 & 2 (market based) emissions in tonnes divided by total revenue in DKK million.
Energy consumption	GWh	Energy consumption is measured as the consumption of electricity, natural gas, heat, steam and fuels used at our six manufacturing sites. Data is based on meter readings and invoices.
Energy intensity	GWh per DKK million	Energy intensity is calculated using the total energy consumption in GWh divided by total revenue in DKK million.
Share of renewable electricity	%	Share of renewable electricity consumption is calculated according to the Greenhouse Gas (GHG) Protocol Scope 2 Guidelines.
Water usage	m ³	Water usage is measured as the sum of water used at our manufacturing sites, based on meter readings.
Waste (total) Waste by category	Tonnes	Waste is measured on the basis of the sum of waste disposal at our manufacturing sites and is based on data provided by waste management contractors. Waste by category covers: 1) Recycling, 2) Special treatment (incl. chemical waste and biological waste), 3) Incineration with/without energy recovery and 4) Landfill.



ESG accounting principles

ENVIRONMENT | **SOCIAL** | GOVERNANCE

Metric	Unit	Accounting principle
Gender diversity in management	%	Gender diversity is calculated using global employee data. Executive management is defined as all employees (people managers) in bands A and B. Senior management is defined as all employees (people managers) in bands C and D. Middle management is defined as employees (people managers) in band E and below. We define managers as those with minimum one internal direct report and on a management job path.
Employees by gender	%	<p>% of women in LEO Pharma calculated as:</p> $\frac{\text{Number of women}}{\text{The total number of employees}}$ <p>% of men in LEO Pharma calculated as:</p> $\frac{\text{Number of men}}{\text{The total number of employees}}$ <p>Only internal employees are included. Calculated based on December 31, 2021 numbers.</p>
Joiners by gender	%	<p>% of joiners, women calculated as:</p> $\frac{\text{Number of joiners, women}}{\text{Total number of joiners}}$ <p>% of joiners, men calculated as:</p> $\frac{\text{Number of joiners, men}}{\text{Total number of joiners}}$ <p>Only internal employees are included. Joiners are defined as all employees hired from January 1 - December 31, 2021.</p>
Employee turnover rate	%	<p>The employee turnover rates include both voluntary and involuntary turnover.</p> <p>Annual turnover rate calculated as:</p> $\frac{\text{Number of employees leaving in a year}}{\text{Average headcount through a year}}$ <p>Only internal employees with a permanent contract are included.</p>

Metric	Unit	Accounting principle
Employee turnover rate by gender	%	<p>The employee turnover rates by gender include both voluntary and involuntary turnover.</p> <p>Annual turnover rate calculated as:</p> $\frac{\text{Number of women leaving in a year}}{\text{Average headcount (women) through a year}}$ <p>Annual turnover rate calculated as:</p> $\frac{\text{Number of men leaving in a year}}{\text{Average headcount (men) through a year}}$ <p>Only internal employees with a permanent contract are included.</p>
Internal promotion rate by gender	%	<p>Annual promotion rate for women calculated as:</p> $\frac{\text{Number of women promoted in a year}}{\text{Average headcount (women) through a year}}$ <p>Annual promotion rate for men calculated as:</p> $\frac{\text{Number of men promoted in a year}}{\text{Average headcount (men) through a year}}$ <p>Promotions are defined as moving to a higher job level. Only internal employees are included.</p>
Workforce by age	%	Age distribution of workforce calculated in % for six age categories: 0-24, 25-34, 35-44, 45-54, 55-64, 65+. Age is calculated as full years. Calculated based on December 31, 2021 numbers.
Workforce by tenure	%	<p>Workforce distribution calculated in % for five tenure categories: <1 year, 1 ≤ 3, 3 ≤ 5, 5 ≤ 10, 10+.</p> <p>Only internal employees are included. Tenure is calculated as full years. Calculated based on December 31, 2021 numbers.</p>
Sustainable engagement score	%	Our sustainable engagement score is measured through our global LEO Voice Survey.
Lost Time Injury (LTI) rate	LTI rate	<p>Global LTI rate per million working hours calculated as:</p> $\frac{(\text{Number of global injuries with more than one day's absence from work} \times 1,000,000 \text{ working hours})}{\text{Total number of working hours based on local standard working hours}}$
Number of lost days	No.	Lost days due to global injuries are tracked by each of our sites.



ESG accounting principles

ENVIRONMENT | SOCIAL | **GOVERNANCE**

Metric	Unit	Accounting principle
Gender diversity at board level	%	Measured by reviewing the gender representation of LEO Pharma's Board of Directors.
Employees completing global annual Code of Conduct training	%	Measured by the number of employees completing Code of Conduct e-Learning and test in due time.
New employees completing Code of Conduct e-Learning campaign	%	Measured by the number of new employees completing Code of Conduct e-Learning and test in due time and is an annual overview.
New employees completing anti-corruption e-Learning campaign	%	Measured by the number of new employees completing anti-corruption e-Learning and test in due time and is an annual overview.
Number of social and/or EHS supplier audits performed	No.	Annual sum of social and EHS supplier audits performed by LEO Pharma or a contracted auditor.

Reporting on the Ten Principles

How we work with the principles

Area	Ten Principles of the UN Global Compact	
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	See page 14 and 23
	Principle 2: make sure that they are not complicit in human rights abuses.	
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	See pages 7, 8, 14 and 18-20
	Principle 4: the elimination of all forms of forced and compulsory labour;	
	Principle 5: the effective abolition of child labour; and	
	Principle 6: the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	See pages 7, 9 and 14-17
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	See pages 7, 10, 14 and 21-22



Download our other reports

↓ [Annual Financial Report 2021](#)

↓ [Annual ESG Data Summary 2021](#)

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