— we help people
achieve healthy skin

CSR Report 2016

LEO Pharma A/S

LEO®

LEO mission

— we help people achieve healthy skin

LEO vision

— we are the preferred dermatology care partner improving people's lives around the world

Contents

Helping SARAH while running a **sustainable business**

At LEO Pharma, we are committed to improving the lives of people living with skin diseases. Our corporate strategy 'Helping SARAH – LEO towards 2020' focuses on patients and the world around them. Our overall aspiration is to help more than 100 million people in 2020.

We are determined to change the impact that skin diseases have on these people's lives. Through constant innovation and partnerships, we will provide solutions and services that improve the quality of life for people with skin diseases. In 2016, we launched new digital solutions through LEO Innovation Lab, established LEO Science & Tech Hub in Boston (US) and strengthened our pipeline through new partnerships and acquisitions.

While helping more than 73 million people in 2016, we continuously worked to minimise our negative impact on society. At the same time, we implemented initiatives to increase our positive impact. We believe this is our responsibility as a reliable pharmaceutical company and a natural part of running a sustainable business.

High business standards play a significant role in achieving goals and aspirations. Our performance is not only measured by the results we achieve. How we achieve these results is also crucial. In 2016, we updated the LEO Code of Conduct, which provides solid guidance for our behaviour as LEO people.

OUR APPROACH TO CSR

Our strategy for Corporate Social Responsibility (CSR) is business-driven and supports LEO Pharma's work in running a sustainable business. It builds on the following four strategic CSR pillars:

- Environment & Safety
- People & Health
- Compliance & Ethics
- Partnerships & Collaborations

Within each of these pillars, we have identified focus areas and goals to ensure progress. This report gives an overview of our policies, achievements and future plans within the four CSR pillars for the financial year 1 January – 31 December 2016.

Looking at 2017, we will keep developing our approach to CSR. In our efforts to take CSR at LEO Pharma to the next level, we will listen to our stakeholders' expectations and the needs of the business. We will work with the globally adopted UN Sustainable Development Goals and look at how we as a responsible global pharmaceutical company can help solve the challenges facing the world SARAH lives in.

On behalf of the Global Leadership Team,

Gitte P. Aabo
President and CEO

Our commitment

Around the world, millions of people suffer from skin diseases. At LEO Pharma, we are committed to improving the lives of people suffering from skin diseases such as psoriasis, actinic keratosis, skin infections, eczema and acne. Furthermore, we provide treatment for thrombosis and help people in other areas of care.

PSORIASIS

Psoriasis is a chronic, inflammatory disease which is frequently accompanied by multiple physical and/or psychological comorbidities such as metabolic syndrome, psoriatic arthritis, depression and anxiety. Psoriasis is estimated to affect about 2-4% of the population in western countries. 80% of patients are affected by psoriasis vulgaris – the most common clinical form of psoriasis.

ACTINIC KERATOSIS

Actinic keratosis (AK) is a common skin lesion, often red and scaly. The majority of lesions are caused by cumulative sun exposure in fair-skinned people. AK is a precursor to non-melanoma skin cancer (NMSC). The number of people with actinic keratosis is rapidly growing, especially in Europe, the US and Australia. Prevalence currently ranges from 11-25% in the northern hemisphere to 40-60% in the southern hemisphere.

SKIN INFECTIONS AND ECZEMA

Skin infections and eczema represent a significant burden for millions of people around the world. Skin infections are growing rapidly in developing countries due to poor hygiene conditions combined with warm and moist climates. The term 'eczema' is used in two different ways, often widely to describe any rash-like skin diseases. It is also, however, used specifically to refer to the most common type of these skin diseases: atopic dermatitis (AD). AD – also called atopic eczema – is a chronic condition affecting up to 20% of the childhood population in developed countries. Again, the term covers a wide range of skin problems, and it is presumed that both genetic and environmental factors may lead to AD. AD describes a type of skin irritation that has no known cause.

ACNE

Acne vulgaris, more commonly known simply as 'acne', is a widespread skin disorder estimated to affect 80% of a population at some point in their lives and accounts for more than 30% of dermatology visits. It is typically classified as 'mild', 'moderate' or 'severe', and while much has been learned in the last decade, the exact causes of its manifestation remain unknown.

THROMBOSIS

Thrombosis refers to a blood clot that forms in the artery or vein. Blood clots in the veins are also called venous thromboembolism (VTE). They can form in the deep veins of the body. This condition is called deep vein thrombosis (DVT). Parts of a DVT can sometimes break loose and travel with the blood stream to the lungs, where the parts get stuck. When this happens, it is called a pulmonary embolism (PE). Cancer patients are at significantly increased risk of developing VTE, which is the second leading cause of death after the cancer itself.

OTHER AREAS OF CARE

LEO Pharma has a range of products in the areas of cardiovascular, antibiotics, coagulation, osteoporosis and renal care.

* European Dermatology Forum, The Challenge of Skin Diseases in Europe, 4th Edition 2013, page 9.

Our business model

Our business model

LEO Pharma develops and delivers innovative medicines and integrated care solutions to healthcare providers and people suffering from psoriasis, actinic keratosis, skin infections, eczema and acne. We develop drugs, devices, delivery systems and digital health technologies. We also offer solutions for conditions that require supportive treatment, such as thrombosis, kidney disease and cancer- associated thrombosis.

Research and development

More than **700** scientists and specialists

- Open Innovation
- LEO Innovation Lab
- LEO Science & Tech Hub
- Patient insights

Product supply

6 manufacturing sites

Finished goods produced in a year:

- 500 million tablets
- 260 million capsules
- 4.8 million bottles
- 7.2 million fucidin gauze
- 0.490 million applicators
- 60 million tubes
- 63.5 million syringes
- 0.5 million vials
- 4.4 million ampoules
- 0.5 million cans
- 0.07 million jars

Sales and distribution

Own sales forces in more than **60** countries

Solutions available in more than **100** countries

- Innovative medicines, devices and delivery systems
- Patient support programmes

External stakeholders

We improve quality of life for patients and engage with:

- Regulators
- Payers
- Prescribers
- and other key stakeholders

OUR FOUNDATION OWNERSHIP

Thanks to its foundation ownership, LEO Pharma is in a unique position to help people with skin diseases. Owned 100% by a private commercial foundation, the LEO Foundation, LEO Pharma is an independent company with no external shareholders. All profits are reinvested in the LEO Group with the aim of continually providing patients with better solutions – so that LEO Pharma can go further in its mission to help people achieve healthy skin.

"We aspire to help more than 100 million people in 2020."

Our CSR approach

Our current CSR Strategy 2013-2016 was developed in 2013 with the focus on building a foundation for working more systematically with CSR at LEO Pharma. The purpose of the CSR strategy is to support our corporate strategy by ensuring that we run a sustainable business. The overall ambition is to minimise the negative impact and increase the positive impact that we have on people and the planet.

Our approach to CSR is centred around four strategic CSR pillars: Environment & Safety, People & Health, Compliance & Ethics and Partnerships & Collaborations.

To ensure progress within each of the four CSR pillars, a number of focus areas have been identified. Each focus area is supported by goals and related milestones.

CSR STRATEGY 2017

Our CSR Strategy 2013-2016 expired at the end of 2016. In close collaboration with our internal team of CSR Drivers, we have adjusted the current strategy in order to extend it for a further year. The result is our CSR Strategy 2017, which is presented on pages 45-47.

Our approach to CSR is centred around four strategic CSR pillars:

- Environment & Safety
- People & Health
- Compliance & Ethics
- Partnerships & Collaborations

ROLES AND RESPONSIBILITIES

LEO CSR Drivers

An internal team of CSR Drivers help drive progress within the focus areas, goals and milestones and ensure alignment with the business. CSR Drivers act as contact points, give input concerning trends and support CSR communication in their role as CSR ambassadors at LEO Pharma.

Corporate Responsibility

Corporate Responsibility is responsible for developing the CSR strategy and our CSR position, and drives awareness about CSR as well as CSR reporting. Corporate Responsibility is also responsible for spotting CSR trends and proactively initiating projects to respond to these trends.

CSR **Strategy** 2013-2016

ENVIRONMENT & SAFETY

- LEO Pharma aims to protect the environment, prevent pollution and promote efficient energy use.
- We aim to minimise our environmental impact through programmes focusing on continuous improvements.
- Furthermore, we aim to offer a safe working environment in accordance with international standards.

PEOPLE & HEALTH

- At LEO Pharma, the LEO people form the basis for the success of our company.
- Therefore, LEO Pharma supports the continuous development of LEO people.
- Also, LEO Pharma aims to offer a healthy working environment and supports and respects the protection of internationally adopted human rights, including the fundamental workers' rights espoused by the International Labour Organization.

COMPLIANCE & ETHICS

- LEO Pharma aims to be a responsible corporate citizen wherever the Group operates. Our reputation and the trust of our stakeholders are among our most valuable assets.
- As a pharmaceutical company with high ethical standards, we take responsibility for our actions, and we recognise that we are accountable not only for what we do, but also for how we do it.

PARTNERSHIPS & COLLABORATIONS

- LEO Pharma strives to gain better disease insight to use in the further development of medical products and solutions for the benefit of patients and society.
- We acknowledge the importance of partnerships and collaborations in our everyday operations and we expect third parties working with or on behalf of LEO Pharma to comply with our Third Party Compliance Framework as well as applicable laws and regulations, and to uphold high quality and ethical standards.

CSR **Focus areas** 2013-2016

ENVIRONMENT & SAFETY

- Obtain ISO 14001 certification for all manufacturing sites
- Reduce CO_2 emissions
- Initiate energy-saving projects

PEOPLE & HEALTH

- Continue our support and respect for human and labour rights
- Strengthen occupational health
- Develop, retain and recruit LEO people
- Obtain OHSAS 18001 certification for all manufacturing sites
- Reduce Lost Time Injury (LTI) rate

COMPLIANCE & ETHICS

- Strengthen the compliance culture
- Ensure updated LEO Code of Conduct and supporting guidelines
- Work against corruption and bribery
- Ensure the possibility to report unethical behaviour

PARTNERSHIPS & COLLABORATIONS

- Establish trusted partnerships, including partnership framework
- Improve animal welfare within Replacement, Reduction and Refinement (3Rs)
- Enhance transparency in clinical trials
- Develop Third Party Compliance Framework
- Ensure relevant community engagement

Note: The CSR focus areas are regularly reviewed and updated.

Environment & Safety

At LEO Pharma, we are committed to reducing the impact our business activities have on the environment. Protecting and preserving the environment is an integral part of our daily business. Safeguarding the health and safety of LEO people in all areas of our business is also a key priority for LEO Pharma. Details regarding safety can be found in the section 'People & Health'.

Policies

LEO CODE OF CONDUCT AND ENVIRONMENT, CLIMATE AND ENERGY POLICY

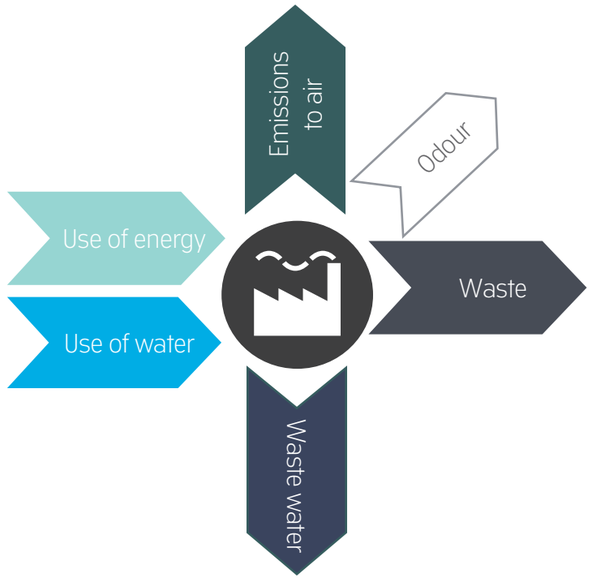
Our approach to reducing the environmental impact of our operations is governed by the LEO Code of Conduct, which includes our updated Environment, Climate and Energy Policy. This policy outlines our commitment to protecting the environment, preventing pollution and promoting efficient use of energy at LEO Pharma.

Our milestone to implement the policy was achieved when an updated version of the LEO Code of Conduct was implemented globally in 2016. The LEO Code of Conduct is mandatory for all LEO people and is a framework for how we behave. The LEO Code of Conduct is supported by internal communication material to increase awareness among LEO people. New employees undergo mandatory training in the LEO Code of Conduct shortly after their employment commences.

Focus areas and achievements

LEO Pharma impacts on the environment mainly through our production activities, which take place at six different manufacturing sites. Our main impacts on the environment are LEO Pharma's use of energy and water; generation of waste and waste water; direct and indirect emissions of greenhouse gases, odour and other emissions to air. On page 52, we describe the criteria based on which the most significant environmental impacts have been selected. How we handle these impacts is described in the following sections.

LEO Pharma's environmental and energy impact



DID YOU KNOW?

A large amount of waste from LEO Pharma's heparin production in Esbjerg (DK) is recycled as farmland fertiliser (Fertigro®), with a smaller amount used as an energy source in biogas-producing plants.

OBTAIN ISO 14001 CERTIFICATION FOR ALL MANUFACTURING SITES

In order to reduce the environmental footprint of our manufacturing sites, all six sites are now certified to the ISO 14001 standard. This certification ensures that we identify, monitor and control our environmental performance and continue our efforts to reduce our environmental impact. In 2016, our manufacturing sites in Ballerup (DK) and Esbjerg (DK) were recertified. The ISO 14001 standard was revised in 2015, and it is our goal for all manufacturing sites to be certified to the revised standard by the end of 2018.

Certifications

	ISO 14001	ISO 50001
Ballerup (DK)	2014	Expected 2018
Esbjerg (DK)	2014	Expected 2018
Vernouillet (FR)	2011	Expected 2018
Cork (IE)	2015	Expected 2018
Dublin (IE)	2012	2010
Southport (AU)	2015	No plans yet

Note: The year indicates when the certifications were obtained. Recertifications are needed every three years.

REDUCE CO_2 EMISSIONS

LEO Pharma is committed to reducing our CO_2 emissions to reduce climate change. We do this by actively monitoring and encouraging minimisation of our energy consumption and the reduction in our carbon footprint, for example through energy-saving projects, energy-efficient equipment, and by reducing business travel activities.

During 2016, a carbon footprint project team with resources from across the organisation worked to design and streamline collection of data with regard to CO_2 emissions related to business travel and transportation of core raw materials. We achieved the related milestone as the project team decided on how to collect data. Going forward, we plan to collaborate globally on collecting the identified data:

- Six manufacturing sites (energy and CO_2)
- Buildings (affiliates)
- Flight transportation (CO_2)
- Car fleets (CO_2)[1]

[1] Data is based on manufacturing sites. Going forward, the aim is to include affiliates.

INITIATE ENERGY-SAVING PROJECTS
At LEO Pharma, we aim to optimise our energy consumption across our operations. Our 2020 goal is to achieve a 10% energy reduction compared to 2013.

Use of energy
LEO Pharma's use of energy constitutes one of its main environmental impacts. We therefore monitor our use of energy in order to plan efforts and identify savings initiatives. Overall, energy monitoring will help to improve our energy performance.

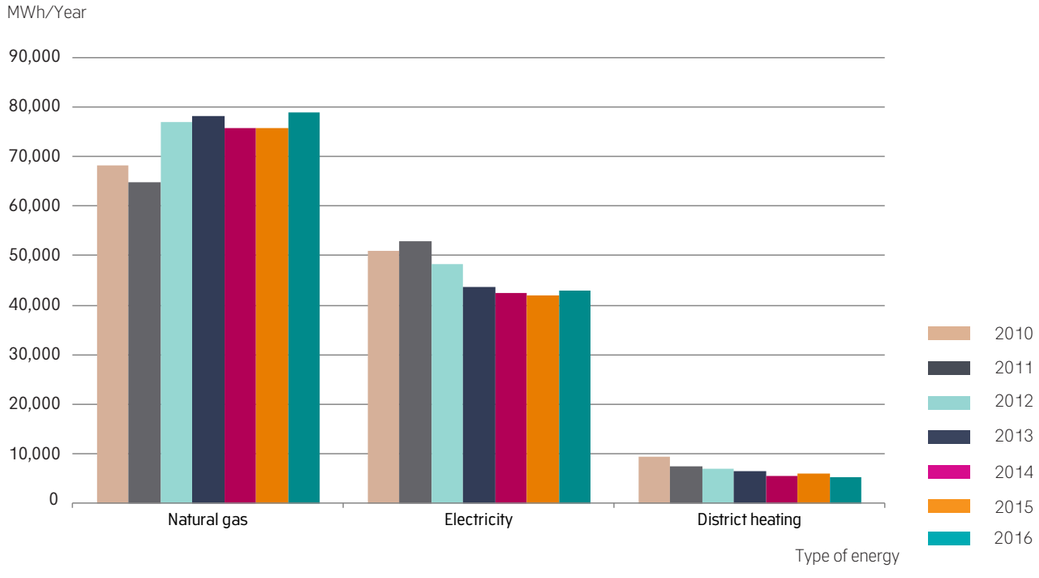
The energy monitoring system at LEO Pharma's site in Ballerup (DK) was upgraded in 2016. It allows us to differentiate between the site's different operations as well as pinpoint the large energy users within cooling, air handling units and other large energy end users. LEO Pharma's manufacturing site in Esbjerg (DK) worked to establish an energy monitoring system in 2016 using the same software platform as our French and Irish manufacturing sites. However, the system in Esbjerg (DK) was not fully implemented by the end of 2016. Energy monitoring in Cork (IE), Dublin (IE) and Vernouillet (FR) was introduced at the beginning of 2016.

An example of one of our energy-saving projects was the replacement of one of three chillers with a new and more energy-efficient one at our manufacturing site in Vernouillet (FR). The new chiller will save approximately 68,000 kWh/year.

Total consumption of energy at LEO Pharma's manufacturing sites

	2010	2011	2012	2013	2014	2015	2016
Total in MWh	128,789	125,993	133,064	128,705	124,077	123,902	127,319

Energy consumption - sources



Note: Oil (for boilers), forklift gas, and diesel and petrol for cars/trucks are not included. They usually account for less than 0.6% (2010-2015) of the total energy consumption and over the last three years have accounted for less than 0.3%.

Use of water
LEO Pharma uses water for manufacturing processes, in the composition of products and for cleaning and sanitary purposes.

In 2016, our milestone to execute and implement a minimum of two waste and/or water use reduction projects was achieved.

Our manufacturing site in Vernouillet (FR) reduced water usage in production by changing the production of water for injection (WFI) from a continuous process to a demand-based process. The water saving is 6,144 m^3/year. The water consumption of the WFI plant was reduced by 37% from 16,326 m^3/year in 2014 to 10,182 m^3/year in 2016.

Another water-saving initiative in Vernouillet (FR) was to use surplus chiller capacity to cool the waste water rather than adding softened water to the waste water to cool it. The water saving is 4,020 m^3/year and the water consumption per unit was reduced by 38% from 0.70 litres in 2014 to 0.43 litres in 2016.

Our manufacturing site in Dublin (IE) is a large consumer of water, using more than 50,000 m^3/year. The site is located in an area that has a lot of underground water and a very high water table. In the past, Dublin has experienced water shortages and, due to the decreasing excess capacity in the Dublin municipal water supply, LEO Pharma drilled a well on site in order to ensure future supply.

This has the added benefit of taking the pressure off the local municipal supply and thereby ensuring sufficient water supply in the locality when water is rationed in times of drought.

The well was commissioned in 2016, and we have started using the water from it for all of our manufacturing activities in Dublin.

Waste water
Waste water is generated by our production, cleaning and sanitation activities. The waste water is sent to municipal treatment facilities for purification before it is discharged into the sea or rivers.

Waste
Most of the waste we generate comes from our manufacturing site in Esbjerg (DK) and consists of intestinal mucosa from pigs, from which heparin is extracted. The concentration of heparin in mucosa is low, which means that an input of approximately 67,000 tonnes of mucosa results in approximately 9 tonnes of extracted crude heparin. The large amount of residual waste is primarily recycled as farmland fertiliser (Fertigro®), with a smaller amount used as an energy source in biogas-producing plants.

Our site in Esbjerg (DK) has been working on a waste upgrade initiative where the grease part of the waste product Fertigro® is separated as Fertifedt® and delivered to a local biogas plant. Today, approximately 10% of the Fertigro® secondary product is delivered as biogas fuel. The process has potential and could be optimised even further. 1,400 tonnes of Fertifedt® was delivered for biogas production in the third quarter of 2016. As a consequence of the above. the recycling percentage is high – approximately 98%.

The recycling percentage is high – approximately 98 %.

In Ballerup (DK), we continued our focus on waste reduction in the staff restaurant, where the organic waste is sent to a biogas plant instead of for incineration. As a new initiative in 2016, employees now need to separate their food leftovers from ordinary waste. The food waste is reused as biogas after being ground in our waste disposal unit.

Emissions to air
LEO Pharma's activities result in a number of solvents, acid gases and greenhouse gases being emitted into the air.

Odour
At our manufacturing site in Ballerup (DK), the sterilisation of raw materials in the Fucidin® area sometimes causes odour nuisance to neighbours and people passing by the site, which led to complaints in 2016. We are looking at different options for how to address this issue.

Future plans

REDUCE CO_2 EMISSIONS
In order to reduce our CO_2 footprint, we continue to promote energy savings and pursue energy-efficient programmes. In 2017, our goal is to implement energy efficiency projects corresponding to 5,200 MWh of energy savings. This is a part of the plans to achieve our 2020 goal of a 10% energy reduction compared to 2013. Our global energy group, which works across our manufacturing sites, will drive initiatives to achieve this goal.

INTEGRATE MANAGEMENT SYSTEMS COVERING ISO 14001, OHSAS 18001/ISO 45001 AND ISO 50001
In order to reduce internal complexity, align environment, health and safety processes and thereby increase efficiency, our goal is to merge local management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001 into one global system. As part of this process, the plan is to have a management system for ISO 50001 in place for the European manufacturing sites by the end of 2017. With the management system for ISO 50001 in place, we will be in compliance with the new EU energy efficiency directive and be prepared for ISO 50001 certification of all our European manufacturing sites in 2018. Our manufacturing site in Dublin (IE) already holds this certificate.

CARBON FOOTPRINT RELATED TO LEO PRODUCT
To be prepared for future expectations of CO_2 reporting from external stakeholders, we plan to have a carbon footprint baseline for at least one LEO product in place in 2017. Furthermore, it is our ambition to calculate the CO_2 footprint for at least five LEO products by the end of 2020.

WASTE REDUCTION AND RECYCLING
By 2020, LEO Pharma aims for no waste to landfill. To achieve this step by step, our goal is to identify and implement waste reduction projects in order to sustain more than 97% of our generated waste being recycled. In 2017, we want to implement at least one new waste reduction and/or recycling project.

WATER SAVINGS
Our 2020 goal for water savings is to reduce consumption by 5% compared to the water usage in 2013.

Focus areas, goals and milestones 2013-2016

Achieved √
Ongoing ⇨
Postponed ⧖

Focus areas	Goals	Milestones	Status 2016
Obtain ISO 14001 certification for all manufacturing sites	Reduce environmental footprint of our manufacturing sites	Prepare readiness for ISO 14001 certification system at remaining manufacturing sites	**Manufacturing sites** / **ISO 14001 certification** Vernouillet (FR) √ Dublin (IE) √ Ballerup (DK) √ Esbjerg (DK) √ Cork (IE) √ Southport (AU) √
		Obtain ISO 14001 certification for remaining manufacturing sites	
Reduce CO_2 emissions	Reduce CO_2 emissions within LEO Pharma, e.g. by reducing business travel activities	Execute global campaign with focus on how to reduce CO_2 emissions, e.g. reduce business travel activities (2015)	√
		Project team to decide future design and streamlining of collection of data for CO_2 emissions related to business travel/year and/or related to transportation of core raw materials/year	√
Initiate energy-saving projects	15% reduction in energy consumption compared to 2010	Implement energy-saving projects equal to 20,000 MWh by end of 2015	√
	Establish a common understanding within LEO Pharma of where to invest in energy-effective solutions in order to maximise return on investment	Develop plan (2015)	√
	Set direction for overall principles at LEO Pharma concerning environment, energy and climate	Updated policy on environment, energy and climate developed (2015) with final adequate implementation (2016)	√
	Continuously reuse and recycle within LEO Pharma to contribute to positive environmental impact	Minimum of two waste and/or water use reduction projects executed and implemented (2016)	√
	New environment and energy goals for 2020 defined	Define new goals (2014)	√

People & Health

LEO people form the basis for LEO Pharma's success. The skills and competences of our global workforce are some of our most important assets, and we will therefore not compromise the human and labour rights or the occupational health and safety of our employees. We continuously work to provide a safe and healthy working environment for LEO people, regardless of where they work.

Policies

LEO CODE OF CONDUCT AND POLICIES

The LEO Code of Conduct includes our Occupational Health and Safety Policy as well as our Human and Labour Rights Policy.

In 2016, our milestones to conclude effective implementation of these policies were achieved with the implementation of the updated LEO Code of Conduct. We chose to integrate our Human and Labour Rights Policy into the LEO Code of Conduct to strengthen our support and protection of internationally adopted human and labour rights.

LEO Pharma provides a safe and healthy work environment for LEO people and visitors, in accordance with applicable laws and international standards. We look for continuous improvements and challenge behaviour that threatens the health and safety of people.

The LEO Code of Conduct is mandatory for all LEO people and provides guidance for our behaviour. New employees undergo mandatory training in the LEO Code of Conduct shortly after their employment commences.

Focus areas and achievements

CONTINUE OUR SUPPORT AND RESPECT OF HUMAN AND LABOUR RIGHTS

LEO Pharma strives to continuously develop LEO people and to cultivate their skills and talent through competence development and training. We support a healthy working environment in line with our Occupational Health and Safety Policy, and we support and respect the protection of internationally adopted human and labour rights in line with our Human Rights and Labour Rights Policy. We support a non-discriminating and inclusive workplace, and we embrace diversity at all levels of the organisation.

In 2016, an external human rights expert made an assessment of the status of our work on CSR against the requirements of the globally agreed minimum standard for responsible business conduct, the UN Guiding Principles on Business and Human Rights (UNGPs). The assessment provided us with relevant insight and recommendations were also given. We will work with these recommendations throughout 2017.

In 2016, we also implemented the LEO Pharma Third Party Compliance Code. LEO Pharma expects third parties[2] working with or on behalf of LEO Pharma to comply with general requirements in relation to ethical and sustainable business conduct[3]. In the LEO Pharma Third Party Compliance Code, there is a specific section on requirements and expectations in relation to human rights, based on the UNGPs.

[2] A **third party** is any company or individual who is not a member of the LEO Group or a LEO employee, and who:

- is hired to provide products or services to LEO Pharma or to act on behalf of LEO Pharma (i.e. vendor or service provider), or

- enters into a business partnership or collaboration with LEO Pharma (i.e. business partner).

This may include contractors and suppliers, consultants, distributors, agents and other intermediaries, contract research organisations (CROs), contract manufacturing organisations (CMOs) and non-governmental organisations (NGOs).

Statutory Report on Gender Diversity, cf. section 99b of the Danish Financial Statements Act

In 2015, we achieved our goal of having at least one female board member of LEO Pharma A/S by 2017 (in addition to the employee-elected board members). Our new goal is to have at least two female board members by 2019 (at the latest) in addition to the employee-elected board members.

Both genders are equally represented (by at least 40%) at management levels below the Board of Directors of LEO Pharma A/S.

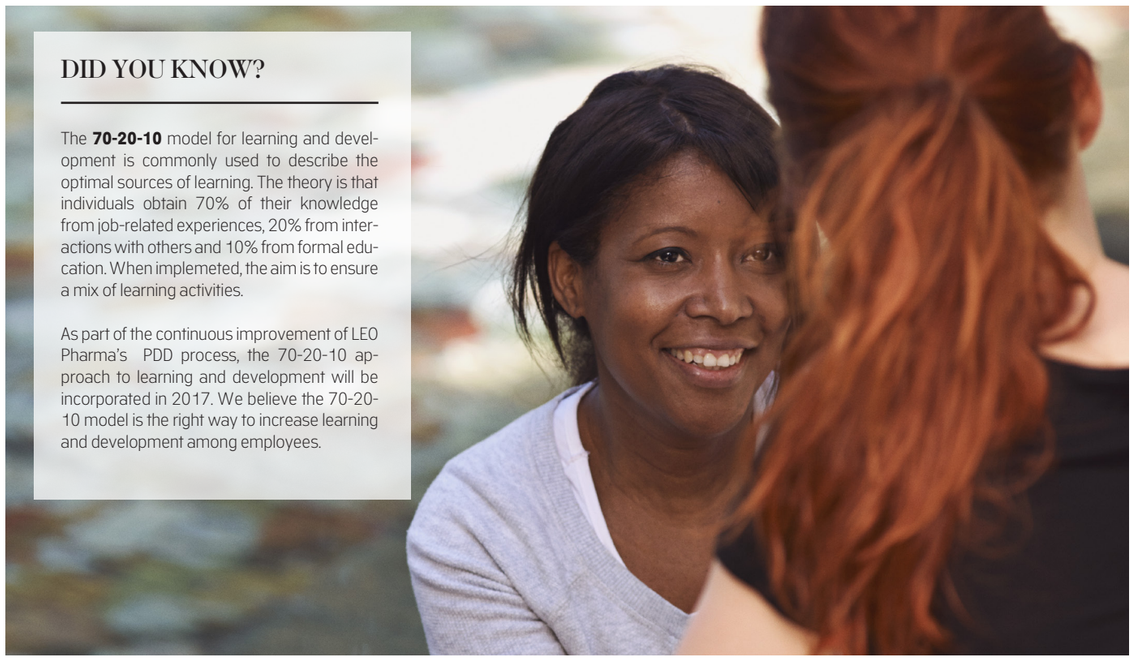
STRENGTHEN OCCUPATIONAL HEALTH

At LEO Pharma, we believe that a healthy working life contributes to healthy employees and thereby a healthy organisation. We are therefore committed to strengthening occupational health and reducing work-related stress among LEO people. In 2016, we continued our work on resilience and stress management, and achieved our milestone when an implementation package was rolled out at our headquarters in Ballerup (DK). The aim was to help raise understanding and awareness of stress prevention and management within the organisation. The initiatives covered training for managers in resilience and stress management, written materials on how to manage and prevent stress for managers and employees, tools for managers, individual employees and teams on how to reduce work-related stress as well as optional mindfulness sessions.

Our milestone to establish a project team at our headquarters to identify how to collect data on absenteeism due to factors in the psychosocial working environment has been postponed until the first quarter of 2017. A project team will meet for initial discussions on how to collect specific data and will continue to meet in 2017 in order to further investigate the options for data collection globally.

DEVELOPMENT, RETENTION AND RECRUITMENT OF LEO PEOPLE

At LEO Pharma, we listen to our employees and collaborate to find actions related to the challenges and opportunities we identify through our global engagement survey, LEO Voice. The latest global engagement survey was conducted in 2015. In the first half of 2016, implementation plans on follow-up actions were developed in collaboration between managers and employees. Throughout 2016, teams across the LEO Group worked on concrete actions related to the focus areas identified within each department.



DID YOU KNOW?

The **70-20-10** model for learning and development is commonly used to describe the optimal sources of learning. The theory is that individuals obtain 70% of their knowledge from job-related experiences, 20% from interactions with others and 10% from formal education. When implemeted, the aim is to ensure a mix of learning activities.

As part of the continuous improvement of LEO Pharma's PDD process, the 70-20-10 approach to learning and development will be incorporated in 2017. We believe the 70-20-10 model is the right way to increase learning and development among employees.

[3] The LEO Pharma Third Party Compliance Code includes requirements for third parties in relation to:

- Business ethics

- Human rights

- Labour rights

- Environment

- Subcontractors

- Management systems

People & Health

We continuously work to provide a safe and healthy working environment for LEO people, regardless of where they work.

As LEO Pharma depends on having highly skilled employees, we also focus on people development. Personal Development Dialogues (PDDs) take place twice a year. The PDD process gives managers and employees the opportunity to create individual development plans and discuss future career development. In 2016, our milestone to conclude the implementation of the LEO Competency Framework was achieved. The LEO Competency Framework builds on a global job structure at LEO Pharma. With a structure and a common terminology in place, we now have the platform to increase job transparency within LEO Pharma, which can help facilitate a clearer dialogue between employees and managers about career development across LEO Pharma.

OBTAIN OHSAS 18001 CERTIFICATION FOR ALL MANUFACTURING SITES

At LEO Pharma, we aim to offer a safe working environment in accordance with local and international standards. We therefore hold OHSAS 18001 certifications at all our manufacturing sites – a goal which was achieved in 2014. Being OHSAS 18001-certified helps us continuously improve our occupational health and safety standards and focus on the safety of our employees.

In 2016, our sites in Ballerup (DK) and Esbjerg (DK) were recertified according to the OHSAS 18001 standard.

Certifications

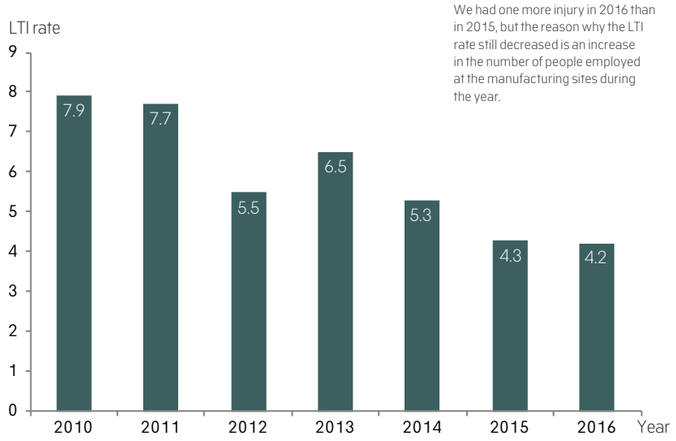
	OHSAS 18001
Ballerup (DK)	2010
Esbjerg (DK)	2010
Vernouillet (FR)	2014
Cork (IE)	2013
Dublin (IE)	2014
Southport (AU)	2014

Note: The year indicates when the certifications were obtained. Recertifications are needed every three years.

REDUCE LOST TIME INJURY (LTI) RATE

Our ambition is to provide a safe workplace without injuries, regardless of location or nature of work. We use the Lost Time Injury (LTI) rate to measure LEO Pharma's safety culture and track the progress of our efforts to provide a healthy and safe working environment. The LTI rate is only measured at manufacturing sites.

LTI rate trend at manufacturing sites



As the graph shows, our LTI rate is declining year by year. However, our goal to be on par with the best in the pharmaceutical industry by the end of 2015 and our 2014 milestone to achieve an LTI rate of ≤ 3 at all our manufacturing sites were not achieved. Consequently, it was decided to adjust the LTI rate milestone for 2016 to ≤ 4.

In 2016, our LTI rate was 4.2. Our milestone was therefore not achieved.

For some years, we have been looking at the LTI rate as an indicator of our safety performance. We are aware of the challenges related to our current LTI rate and we will continue to implement initiatives which will help us improve our safety culture.

LEO Pharma continuously works to decrease the number of injuries. Some of the initiatives to achieve this are listed below.

As an example, we calculate the number of days lost due to an injury. This number says something about the severity of the injury. In general, the injuries in 2016 were not severe, but a few resulted in an increase in the number of lost days compared to 2015.

In 2016, we increased our focus on working proactively instead of reactively by setting a goal for reporting and closing hazards. Identifying hazards and eliminating them before they lead to an injury is one way of working proactively.

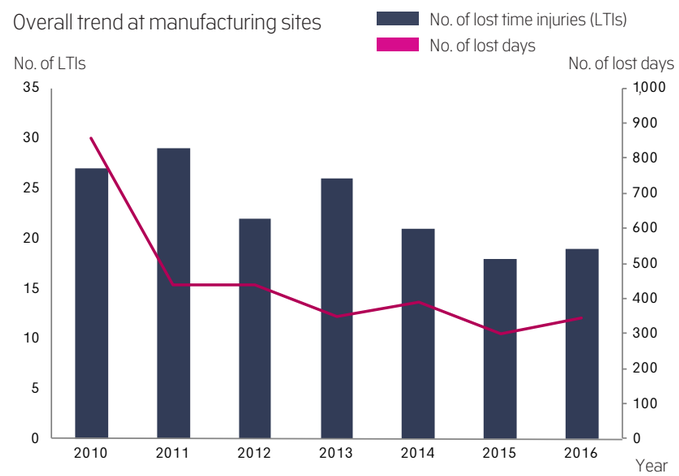
Our manufacturing site in Vernouillet (FR) accounted for most of the LTIs in 2016. Consequently, a specialist was hired to identify gaps and suggest actions to improve the safety performance and reduce the number of injuries. The findings were introduced in autumn 2016 and will be worked on in 2017. In particular, we need to look at human factors and our safety mindset.

Following the untimely death of a colleague at work in Ireland in late 2014 due to cardiac arrest, an occupational health initiative was introduced on site to provide Cardiac First Responder training for our employees. Training has taken place in 2015 and 2016, and more than 200 employees have been trained and received certification across our sites in Dublin and Cork (IE). This training has provided our employees with valuable life-saving skills which they also take with them into their local communities. This supports a general initiative in Ireland to ensure that there are adequate numbers of first responders available in rural areas and local communities to act if needed. Some of our employees have already put their training into practice outside of work by responding to emergency situations in their local communities. First aid training is offered to employees at all manufacturing sites.

We have also identified a need for manager training in environment, health and safety awareness. In autumn 2016, we initiated the roll-out of manager training sessions which include face-to-face meetings where the managers are trained in their responsibilities and given tools which they can use in their own departments. A high level of manager engagement will ensure a sustainable safety culture. This effort will continue in 2017. As a way of reaching our employees, we launched our global awareness campaign '10 GOOD ATTITUDES' in 2015 – a campaign that promotes a safe working culture at LEO Pharma. In 2016, the 10 GOOD ATTITUDES were supported by being included in the updated LEO Code of Conduct.

Safety awareness is communicated regularly through different internal channels, and in 2016 we increased the use of different media for better knowledge sharing, for example social media, our intranet and newsletters.

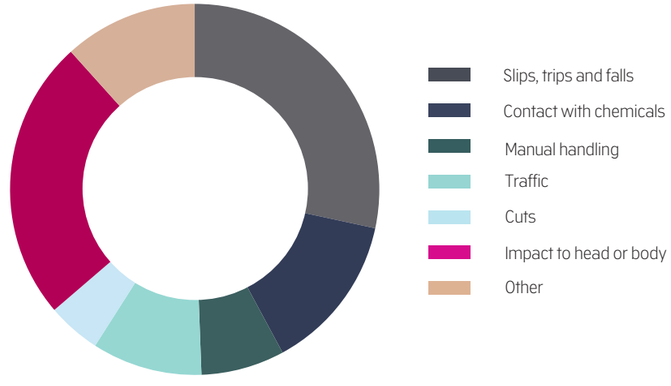
Overall trend at manufacturing sites



Lost time injuries (LTIs) 2010-2016

	2010	2011	2012	2013	2014	2015	2016
No. of LTIs	27	29	22	26	21	18	19
No. of lost days	853	437	437	348	388	298	343

Total overview of LTIs, injuries with and without absence and near misses split into categories, 2016



As mentioned under 'Environment & Safety', we are in the process of implementing a global management system covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001 across our manufacturing sites[4]. When the system is in place, it will improve data reporting, benchmarking, knowledge sharing and performance visibility. Our alignment and merging of EHS management systems cover both environment and safety and will reduce complexity, align processes and ensure a more uniform approach across sites.

In 2016, many new products and active pharmaceutical ingredients (APIs) were added to LEO Pharma's portfolio. This requires an increased effort to audit suppliers to ensure that the new portfolio is in compliance and does not constitute a risk to the environment or to the health and safety of employees and customers.

Future plans

RESPECT HUMAN AND LABOUR RIGHTS

As part of our efforts to respect human and labour rights, we plan to conduct a global human rights awareness campaign in 2017 in order to raise awareness of human rights. This will be part of our preparations to work with the UN Guiding Principles on Business and Human Rights.

STRENGTHEN OCCUPATIONAL HEALTH

We believe that the entire organisation can benefit from an increased focus on resilience and stress management. Our ambition is therefore to continue the implementation of initiatives to reduce work-related stress in all LEO Pharma's regions. Starting with the initiatives implemented at headquarters, our goal for 2017 is to adapt the materials for global use and, as a next step, start implementation of the adapted resilience and stress management initiatives globally. This way, we will enable all LEO Pharma's regions to offer information materials, guidelines and training in stress prevention and management.

ENSURE ONGOING PERSONAL DEVELOPMENT OF LEO PEOPLE

At LEO Pharma, we strive to support the continuous development of LEO people.

In 2017, we will further strengthen our approach to team and people development. The next global engagement survey, LEO Voice, is planned for September 2017 and will be followed by team discussions and activities.

We also plan to develop and run a pilot for a new performance and people development process in selected areas of the LEO Pharma organisation. The goal is to integrate people development and performance management into one process going forward. It will serve as a strong tool for connecting business priorities and values with employees' actions and drive performance towards these. It will furthermore enhance people engagement and performance by strengthening the ongoing dialogue on past achievements and future goals through continuous focus on learning and development.

As LEO Pharma's business changes and we enter new therapeutic areas, new competences are needed. We need to be able to hire the right people with the right set of skills and competences, but it is equally important that we know how to develop our existing employees. From 2017, we will work proactively to ensure that LEO Pharma has the required competences in place to implement the business strategy. We will therefore develop and test a concept for strategic competence development in selected areas. This will enable us to develop our employees and close knowledge gaps when we experience a need.

REDUCE LTI RATE

Our ambition is for no LEO people to get injured at work. As a step towards this, the goal is to have an LTI rate of ≤ 2 for the LEO Group in 2020. To achieve this goal, we work to improve our LTI rate each year.

We will still have challenges as regards reducing the LTI rate at the larger manufacturing sites[5], but we believe that by setting ambitious goals we will keep focus and work hard to achieve our goals. In 2017, our goal is to have an LTI rate at our manufacturing sites of ≤ 3.5.

To achieve our 2017 and 2020 goals, we acknowledge the importance of manager support and, as stated above, we will train managers in environment, health and safety awareness and their obligations in relation to establishing a best-in-class safety culture.

Preparing for certifications according to the new ISO 45001 health and safety management standard, which is the successor of OHSAS 18001, will also push us in the right direction. We expect to prepare for ISO 45001 throughout 2017.

[4] LEO Pharma's manufacturing site in Southport (AU) is exempt from the ISO 50001 certification.

[5] LEO Pharma's manufacturing sites in Dublin (IE), Ballerup (DK) and Vernouillet (FR).

Focus areas, goals and milestones 2013-2016

Achieved √
Ongoing ⇨
Postponed ⧖

Focus areas	Goals	Milestones	Status 2016	
Continue our support and respect for human and labour rights	Support the LEO Code of Conduct by continuing to focus on and respect human and labour rights, setting the direction for overall principles at LEO Pharma	Develop a policy on human and labour rights (2015)	√	
		Conclude effective implementation of policy on human and labour rights (2016)	√	
Strengthen occupational health	Strengthen a healthy working environment	Establish a project team to identify how to collect data on absenteeism due to factors in the psychosocial working environment (2015)	⧖	
		Initiate initiatives to reduce work-related stress	√	
		Develop an implementation package with regard to stress management, including guidelines and training (2015)	√	
		Implementation (2016)	√	
Develop, retain and recruit LEO people	Develop, retain and recruit new LEO people by improving our people engagement, create an even better working environment and increase the empowerment of LEO people	Conduct global engagement surveys (LEO Voice) every other year. Global engagement surveys (2013 and 2015)	√	
		Implementation of follow-up actions in connection with the global engagement survey within each department of the LEO Group (2014 and ongoing)	⇨	
		8 out of 10 LEO employees to recommend LEO as an employer (2015)	√	
	Ensure ongoing personal development of LEO people	Conduct individual Personal Development Dialogues (PDDs) twice a year	⇨	
	Define direction for the development of LEO people, building competences and enhancing transparency	Develop LEO Competency Framework (2014)	√	
		Conclude implementation of LEO Competency Framework (2015)	√	
Obtain OHSAS 18001 certification for all manufacturing sites	Strengthen our profile improving health and safety at LEO Pharma, by obtaining OHSAS 18001 certification for all manufacturing sites (2015)	Obtain OHSAS 18001 certification (2015)	**Manufacturing sites** Vernouillet (FR) Dublin (IE) Ballerup (DK) Esbjerg (DK) Cork (IE) Southport (AU)	**OHSAS 18001 certification** √ √ √ √ √ √
	Define direction for overall principles at LEO Pharma ensuring a healthy and safe workplace	Develop updated policy on health and safety (2015)	√	
		Conclude effective implementation of policy on health and safety (2016)	√	
Reduce Lost Time Injury (LTI) rate	Be on par with the best in the pharmaceutical industry concerning LTI rate by the end of 2015	LTI rate for manufacturing sites ≤ 3 (2014)	⧖	
		LTI rate at all manufacturing sites adjusted to ≤ 4 (2016)	⧖	
		Conclude implementation of '10 GOOD ATTITUDES' (2014 and ongoing)	⇨	
		Perform safety training at manufacturing sites	⇨	
		Implement internal audits as a routine function at all manufacturing sites	√	
		Establish LTI rate for the LEO Group (baseline 2013) established (2014)	√	
		Establish LTI rate for the LEO Group for 2020 (2015)	√	
	Strengthen our profile with regard to improving health and safety at LEO Pharma, by defining new health and safety goals for 2020	Define new goals (2014)	√	

Compliance & Ethics

As a responsible pharmaceutical company, it is important for us to uphold high ethical standards. Together with our values – Integrity, Customer focus, Innovation, Passion and Adaptability – the LEO Code of Conduct provides clear guidance for our behaviour and the way we do business.

Policies

LEO CODE OF CONDUCT AND ANTI-CORRUPTION AND ANTI-BRIBERY POLICY

The LEO Code of Conduct is mandatory for all LEO people and is a framework for how we behave. In 2016, the updated LEO Code of Conduct, which includes LEO policies, was implemented throughout the organisation. New employees undergo mandatory training in the LEO Code of Conduct shortly after their employment commences.

Corruption and bribery are illegal and contrary to our values and ethical standards. We avoid and work against corruption and bribery. This is reflected in the LEO Code of Conduct as well as our Anti-Corruption and Anti-Bribery Policy.

We focus on improving our compliance culture and ethical behaviour. The LEO Compliance Board oversees the development and implementation of important strategic compliance initiatives and sets the strategic direction for strengthening and supporting the compliance community across the organisation. In addition, we regularly assess risks including corruption and bribery in relation to our industry and the countries in which we operate.

Focus areas and achievements

STRENGTHEN THE COMPLIANCE CULTURE

LEO Pharma is committed to building a strong and transparent compliance culture. Being compliant with internal policies, guidelines and procedures as well as external laws and regulations is a fundamental part of running a responsible pharmaceutical company.

We are monitoring our work within GXP and non-GXP, and audits, inspections and recalls give us a clear indication of whether we have any minor, major or critical findings to act upon. From a quality perspective, there was one critical finding in 2016 concerning delayed submission of a safety labelling variation. For critical and major quality findings, action plans are in place and will be followed up by our Global Quality department. For non-GXP findings, action plans are followed up by our Internal Audit department.

In 2016, we initiated a project to create our future business document management IT platform. In 2017, MyDoc LEO, a state-of-the-art business document management solution, will replace our existing system, eQuality LEO. MyDoc LEO will provide various KPI reporting options that will enable managers to constantly maintain the necessary overview, be in compliance and be prepared for audits. A process indexing structure will create more transparency regarding documents and

business areas, reduce internal complexity and drive team performance.

Our milestone to ensure training and communication about the updated LEO Code of Conduct was achieved. However, we consider this an ongoing activity. In order for LEO Pharma to build and subsequently sustain a strong and transparent compliance culture, training and communication on compliance adherence and culture must remain part of our core processes.

ENSURE UPDATED LEO CODE OF CONDUCT AND SUPPORTING GUIDELINES

Together with the LEO values, the LEO Code of Conduct serves as the foundation for the behaviour of LEO people. It provides guidance on dealing with issues that may arise as part of our daily responsibilities.

In 2016, the updated LEO Code of Conduct was implemented throughout the organisation. The implementation included mandatory training of all LEO people, because we consider our employees as ambassadors of LEO Pharma and because compliance with the LEO Code of Conduct is fundamental for all employees. The LEO Code of Conduct incorporates 17 policies and guidelines, of which three are new, namely our Competition Policy, Information Security Policy and Human and Labour Rights Policy. The result is a substantial and relevant LEO Code of Conduct that reduces internal complexity and creates more efficient processes. The updated version reflects the increased and tighter requirements placed on companies within the healthcare industry.

WORK AGAINST CORRUPTION AND BRIBERY

As a responsible company with high ethical standards, LEO Pharma is committed to operating with integrity and working against all forms of corruption.

LEO Pharma interacts with a variety of external parties, such as officials of domestic, foreign and international public agencies and organisations, policymakers, healthcare professionals, healthcare organisations, patients and patient organisations, and other members of the public and private sector.

We aim to conduct our business activities in a responsible manner and in compliance with all applicable legal and regulatory requirements, including the prevention of corruption and bribery. Our global anti-corruption and

anti-bribery programme, including our policy and guidelines on anti-corruption and anti-bribery, supports this commitment.

In 2016, the updated anti-corruption and anti-bribery programme was rolled out globally as part of the implementation of the LEO Code of Conduct. The programme also includes additional mandatory training of all LEO people employed in areas and/or positions/roles with a medium or high risk of exposure to corruption and bribery. The training is based on e-learning modules and a final test.

HCP compliance
At LEO Pharma, we are committed to upholding high ethical standards and to ensuring compliance with applicable laws, ethical codes and regulations in our interactions with healthcare professionals (HCPs) and healthcare organisations (HCOs).

As part of our global HCP compliance process (see figure 1), we ensure that our interactions with HCPs and HCOs are compliant, appropriate, properly documented, transparent and do not compromise the independence of the HCPs/HCOs.

In 2016, we improved the global HCP compliance process by developing and implementing the LEO HCP/HCO transparency solution to ensure the quality of the HCP/HCO spend data to be disclosed.

ENSURE THE POSSIBILITY TO REPORT UNETHICAL BEHAVIOUR
The LEO WhistleBlower Hotline gives LEO people and others associated with LEO Pharma the possibility to report unethical behaviour in a secure and confidential way.

It is possible to report in multiple languages from anywhere in the world. LEO people have access to the LEO WhistleBlower Hotline through a communication platform that is also accessible via our corporate website. All contacts with the hotline are initially screened by an external vendor. Afterwards, they are sent to a very limited group of people from LEO Pharma to make sure that we investigate any violations, ensure anonymity for the reporter when locally legally possible and quickly respond to the report. In 2016, no reports received through the LEO WhistleBlower Hotline required immediate action. However, reports have led to investigation, and internal actions have been taken.

Measuring outcomes
In order to ensure that we comply with applicable laws, rules, regulations, the LEO Code of Conduct and related guidelines, the departments conducting internal audit continuously monitor and follow up on compliance findings across our global organisation. Internal and external audits and inspections may be performed in order to identify issues in a timely manner, take corrective and preventive actions, and ensure compliance with relevant requirements. Our Internal Audit department helps provide assurance that effective systems of control exist by carrying out regular audits and following up on the implementation of agreed actions to address identified deficiencies.

Future plans

STRENGTHEN THE COMPLIANCE CULTURE
As part of our future work to further strengthen our compliance culture, we plan to conduct a global compliance culture survey in 2017 in order to 'take the temperature' of the organisation and create a baseline for compliance understanding and initiatives across our many different compliance processes going forward. Once we have identified areas for improvement and opportunities in our compliance landscape, our goal is to follow up with a global compliance culture campaign to increase understanding and awareness of compliance across the global organisation. Subsequently, an activity to measure the output of the campaign will be considered when preparing for the future CSR strategy in 2017.

HCP COMPLIANCE
In 2017, we will make the LEO HCP/HCO transparency solution a natural part of our compliance framework, with the focus on high-quality disclosure. In addition, we will create an overview of HCP/HCO spend data in countries with disclosure requirements, which will ensure internal transparency and understanding of the types and amount of transfers of value made to HCPs and HCOs.

WORK AGAINST CORRUPTION AND BRIBERY
In 2017, we plan to conduct a global anti-corruption and anti-bribery campaign with the purpose of increasing awareness of anti-corruption and anti-bribery among LEO people. The campaign will build on a mix of written materials and articles, information meetings with tone from the top and external speakers, gamification, films and examples for further anti-corruption and anti-bribery training of employees within the scope of the programme.

Focus areas, goals and milestones 2013-2016

Achieved √
Ongoing ⇨
Postponed ⧖

Focus areas	Goals	Milestones	Status 2016
Strengthen the compliance culture	Strengthen the compliance culture and mindset, by aligning and ensuring compliance efforts throughout LEO Pharma	Establish LEO Compliance Board (2013)	√
		Continuous alignment of guidelines	⇨
		Training and communication	√
	Ensure monitoring and follow-up of any findings	No critical findings within the organisation	⇨
Ensure updated LEO Code of Conduct and supporting guidelines	Uphold being a good corporate citizen, living up to our values and high ethical standards, by defining direction for overall principles at LEO Pharma for the interpretation of LEO values, and ensure an updated LEO Code of Conduct and supporting guidelines	Update, draft and implement prioritised guidelines including Quality Manual	√
		Define scope for updated LEO Code of Conduct (2014)	√
		Update LEO Code of Conduct (2015)	√
		Implement updated LEO Code of Conduct (2016)	√
Work against corruption and bribery	Embed the work against corruption and bribery, and strengthen the LEO anti-corruption and anti-bribery culture throughout the organisation	Train new employees in anti-corruption and anti-bribery	⇨
		Retrain all employees in anti-corruption and anti-bribery (2016)	√
Ensure the possibility to report unethical behaviour	Ensure the possibility for LEO employees and others related to LEO Pharma – such as customers, suppliers, collaborators and business partners – to report unethical behaviour (violations), in order for LEO Pharma to improve in the event of any misconduct	Establish and launch the LEO WhistleBlower Hotline, including development of communication material and implementation (2014)	√

Figure 1: The global HCP compliance process

Partnerships & Collaborations

By engaging in partnerships and collaborations with relevant stakeholders, LEO Pharma and our partners are able to draw on our mutual expertise and resources to help patients.

Policies

The LEO Pharma Third Party Compliance Code defines the minimum requirements for third parties in relation to business ethics, human rights, labour rights, health and safety, environment, subcontractors and management systems in relation to these areas.

Third parties working with or on behalf of LEO Pharma are expected to comply with our Third Party Compliance Code as well as applicable laws and regulations, and to uphold high quality and ethical standards. We may require third parties to review operations and develop, document and implement plans to remedy any non-compliance.

Focus areas and achievements

ESTABLISH TRUSTED PARTNERSHIPS INCLUDING PARTNERSHIP FRAMEWORK

LEO Pharma engages in partnerships and collaborations with universities, pharmaceutical and biotech companies, research organisations and patient associations to gain insights into diseases and the people living with them in order to enhance the development of treatment solutions that will improve people's lives.

In 2016, our Strategic Alliance Management Framework for maintaining and establishing trusted partnerships within LEO Pharma was implemented for strategic alliances[6]. The framework provides a solid foundation for our strategic partnerships and is intended to make LEO Pharma attractive to potential new partners. As part of the ongoing development of the framework, the next step is to adapt the framework for strategic R&D collaborations. This work will be continued in 2017.

Our milestone to conduct a satisfaction survey with selected key partners has been assessed as not being relevant at this time due to the currently limited number of strategic alliances. We therefore decided to focus on mutual dialogue rather than the survey approach. Ongoing dialogues with our strategic alliance partners are an integrated part of our Strategic Alliance Management Framework. This way, we are able to adapt our way of collaborating, if needed.

We continuously look at opportunities for entering into new partnerships with relevant universities and institutions, and also focus on further developing our existing collaborations with universities and institutions. The latest example is our new research collaboration with Washington University School of Medicine in St. Louis, Missouri (US), with the purpose of enhancing the understanding of atopic dermatitis (AD).

We continuously enter into partnerships with patient associations in order to raise the profile of dermatology to understand patients' needs. Building relevant partnerships and collaborations is an ongoing process. In 2016, the International Federation of Psoriasis Associations (IFPA) launched a new global psoriasis coalition to continue the work related to the WHO resolution on psoriasis, which puts the disease on the global health agenda. Together with other pharmaceutical companies and scientific organisations, LEO Pharma supports IPFA's work to have psoriasis acknowledged as a non-communicable chronic disease.

[6] LEO Pharma's definition of a strategic alliance is: an agreement between two parties to pursue a set of agreed objectives for mutual benefit and aiming for synergy while remaining independent organisations.

DID YOU KNOW?

Together with Lundbeck, Novo Nordisk and the Danish Animal Welfare Society, LEO Pharma is **one** of the **four** major supporters making the existence of the Danish 3R-Center possible.

The launch of LEO Pharma's Open Innovation platform in 2015 has generated a great deal of international interest and recognition. It received the best innovation award in 2015 from international journal *The Medicine Maker*, and we presented our approach to open innovation at international conferences in 2016. As LEO Pharma has disclosed and opened up part of its R&D capabilities, a number of external partners have engaged with us in order to submit their molecules to be tested for disease-relevant activity. Since the launch, 33 partners have joined the open innovation initiative to explore new possible treatments – 10 are from university research while 23 are biotechnology companies. In 2016, we collaborated with at least six universities and 12 biotechnology companies through the platform. One of the objectives is to empower external partners to match their unique expertise with our science and with patients' needs. In 2016, this resulted in the identification of new scientific opportunities of which we were previously unaware.

Furthermore, as part of the continuous improvements and 'outside-in' thinking, we have sharpened the set-up and key criteria that actually enable true open innovation, with the ultimate vision of focusing on scientific exploration. This has resulted in a truly unique and second-to-none platform that makes no claims and allows unconditional external access to the early drug research platform which, with LEO Pharma's R&D expertise, catalyses the exploration of new treatments for patients. In 2016, we furthermore conducted a patient workshop on co-creation in early drug discovery with the purpose of involving patients in open innovation.

IMPROVE ANIMAL WELFARE WITHIN REPLACEMENT, REDUCTION AND REFINEMENT (3RS)

At LEO Pharma, we are constantly working on improving our animal welfare standards in all aspects of the 3Rs: Replacement, Reduction and Refinement. In 2016, LEO Pharma developed a new position on animal welfare that sets the standard for animal experiments performed internally or through external partners. LEO Pharma's Third Party Compliance Code includes animal welfare criteria for external partners. We audit existing and potential contract research organisations (CROs) to make sure that they meet our high animal welfare

standards and engage with them to further improve the welfare of experimental animals.

We partner with small as well as large CROs within the 3Rs. As an example, we collaborate with CROs and other pharmaceutical companies in order to fully implement the use of microsamples in all rodent studies. The microsampling method is both a refinement and a reduction initiative, where blood samples from rodents are collected under less stressful conditions as only a very small amount of blood is required for analysis. This means that more samples can be collected from the same animal, and consequently the total number of animals per experimental group can be reduced.

Internally, we have also focused on 3R initiatives. Our Animal Facility has implemented a new health monitoring system. We now take samples for microbial testing on the animals we house for experimental purposes. Previously, we had so-called sentinel animals housed only for this purpose that underwent necropsy in order for the samples to be collected. With the new health monitoring system in place, this is no longer needed. It means that we reduce the use of mice, rats and guinea pigs by 30 animals every quarter. This way, we reduced the annual use of experimental animals by 120.

In 2016, our milestone to develop supporting operative documents and training for all staff involved in animal experimental work was achieved. Processes within our Animal Facility have been documented and standardised, which makes it easier for new animal technicians to become trained.

We have taken steps to increase internal awareness about animal welfare at LEO Pharma through information meetings, articles as well as information material on our intranet, presentations and tours of our Animal Facility.

In 2013, LEO Pharma signed a letter of intent with the Danish Ministry of Food, Agriculture and Fisheries to support the Danish 3R-Center – a public-private partnership whereby both animal welfare organisations and industry partners contribute to improving animal welfare. In 2016, LEO Pharma chose to extend our support to the Danish 3R-Center for a further three years.
The plan to create transparency regarding the number of animals used in each drug development project from 2015 onwards has been delayed due to prioritisation of other focus areas. This overview of the number and species of animals used in each drug development project from the early discovery phase to clinical trials will make it possible to benchmark our projects in relation to animal welfare (reduction). This will give inspiration to new drug development projects about how to minimise the number of animals needed to develop a drug candidate.

ENHANCE TRANSPARENCY IN CLINICAL TRIALS
We give access to our clinical trial results as part of our commitment to patients. We have made clinical trial reports and report synopses dating back to 1990 available on our corporate website. Trials investigating products in approved indications are provided as extensive reports and, since 2014, we have posted all interventional clinical trials as synopses, irrespective of approval status. By the end of 2016, 177 clinical trial reports and 187 report synopses were publicly available. We find it encouraging that statistics point to an increasing number of external visitors to our websites featuring clinical trial results.

Posted report synopses and clinical trial reports per disease area

Disease	Report synopses	Clinical trial reports
Atopic dermatitis	3	2
Actinic keratosis	28	23
Hypertension and edema	7	7
Psoriasis	72	70
Secondary hyperparathyroid	2	2
Skin infection	15	15
Thrombosis	10	11
Urinary tract infection	2	2
Healthy subjects	48	45
Total	**187**	**177**

We also provide access to anonymised individual patient-level data upon request from qualified third party researchers, provided the purpose is scientific and in the best interest of the patients. Data can be granted from LEO Pharma sponsored clinical trials in approved products or abandoned projects. An external Patient and Scientific Review Board, which is independent of LEO Pharma, evaluates and makes decisions about whether data should or should not be shared. Data decision boards of this kind are not a unique feature, but LEO Pharma is the only pharmaceutical company reserving seats for patient organisation representatives alongside scientific experts. There were no requests for data in 2016.

DID YOU KNOW?

LEO Pharma was among the first pharmaceutical companies to officially announce its commitments to increased clinical trial transparency.

The overriding objectives of increased transparency are to enable patients and healthcare professionals to make informed decisions about treatment, and to contribute to advancing the scientific understanding of skin diseases.

DEVELOP THIRD PARTY COMPLIANCE FRAMEWORK
At LEO Pharma, we acknowledge the importance of collaborating with third parties in our everyday operations. On that basis, we encourage the development of effective business relationships that are built on trust, mutual respect and shared values.

We work actively to ensure third party compliance, recognising that this is important in order to maintain the trust of our stakeholders and protect LEO Pharma's reputation.

As part of the continuous improvement of our Third Party Compliance Framework, we developed and published LEO Pharma's position on third party compliance as well as the LEO Pharma Third Party Compliance Code in 2016.

In 2016, we focused on creating internal awareness about internal and external requirements in relation to third party compliance as well as the importance of supplier assessment and evaluation before we enter into collaborations. LEO Pharma's Global Procurement organisation and other key stakeholders have been trained in the Third Party Compliance Code, and the requirements laid down in the code are currently being implemented in contracts.

In March 2016, we reached an important milestone, when the Third Party Compliance Framework went live in LEO Pharma's manufacturing sites in France, Ireland and Australia. With this milestone achieved, all LEO Pharma's manufacturing sites are now part of the third

party compliance process, which means that all direct suppliers are included.

In 2016, we assessed more than 1,100 suppliers and found that the majority of third parties share our commitment to upholding high ethical standards. Nevertheless, we have found it necessary in some cases to take appropriate actions, such as engaging in dialogue with suppliers, blocking suppliers from further purchases or suggesting that alternative suppliers should be found.

Another milestone set for 2016 was the implementation of the framework in the rest of LEO Pharma's affiliates. This milestone has been delayed. This is due to the fact that implementation of the Third Party Compliance Framework follows the implementation plan for the global roll-out of LEO Pharma's SAP-based ERP system, which has been delayed. As a consequence, the implementation of the Third Party Compliance Framework in the remaining affiliates has been postponed until 2017.

ENSURE RELEVANT COMMUNITY ENGAGEMENT

At LEO Pharma, we acknowledge the need for community engagement, and throughout our global organisation we support local projects and initiatives. As of the end of 2016, all projects are selected and managed locally, enabling us to focus on local needs and conditions.

In 2016, we started developing a global framework for grants, donations and sponsorships, providing a common direction for our community engagement activities from 2017 onwards. Our milestones related to finalisation and implementation have been postponed until 2017. The overriding purpose of our community engagement activities will be to contribute to improving the lives of people around the world, especially people living with skin diseases. We will do this by providing financial and non-financial support to the communities in which we operate and by supporting initiatives and programmes of external stakeholders.

The following sections highlight examples of community engagement driven by our regions in 2016.

Region EUROPE+

Access to medicine

According to the World Health Organization, up to 2.1 billion people do not have access to essential medicines. Since 1994, LEO Pharma Canada has supported the Canadian-affiliated charity Health Partners International of Canada (HPIC), which coordinates medicinal donations from the pharmaceutical industry in Canada. Through HPIC, healthcare companies and aid agencies can support patients around the world who cannot otherwise access the medicines they need.

LEO Pharma Canada supports HPIC's humanitarian efforts through product and financial donations. For example, LEO Pharma Canada sent 900 units of Daivobet® Ointment 60 mg and 1,000 units of Fucidin® Cream 2% 5 g to Syria in October 2016 and approved HPIC's request to send 1,000 units of Fucidin® 30 mg to Haiti in November 2016 as part of the disaster response following Hurricane Matthew.

Supporting local community development

For more than 20 years, LEO Pharma's manufacturing site in Cork (IE) has been a member of a locally formed group called Little Island Industrial Development Companies (LIIDC), which provides a direct link between business and local community groups. The LIIDC group aims to provide monetary and advisory support in the areas of social, recreation and general development, which benefit the local communities of Little Island, Cork and Glounthaune.

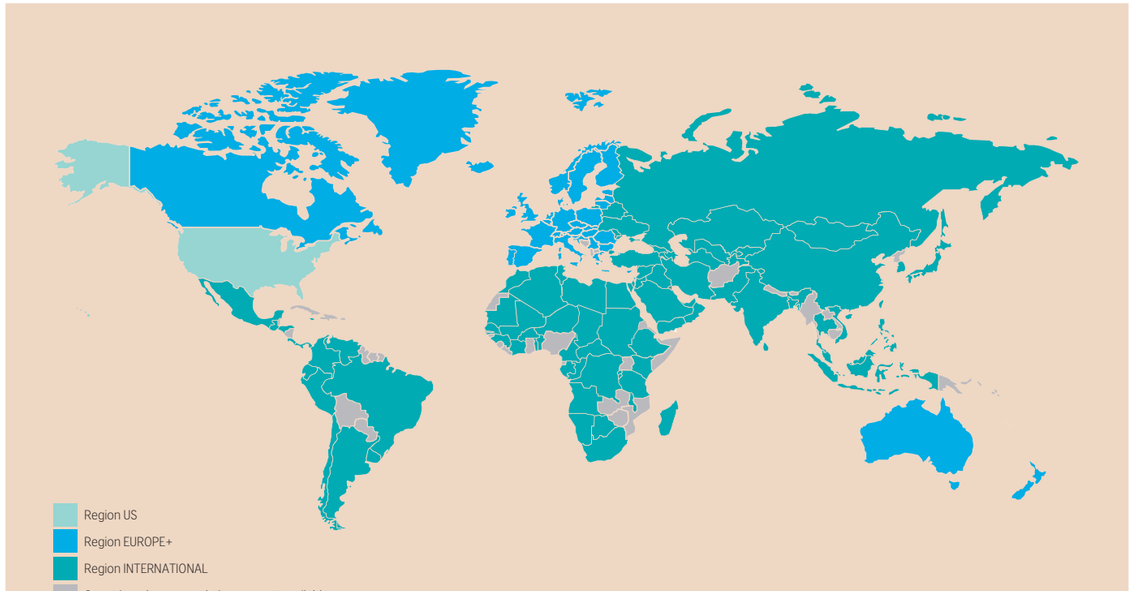
In 2016, LEO Pharma Cork provided financial support and personnel to attend meetings and support local projects including modernising school classrooms, repairing the roof of a local church, new sports facilities for local clubs and new playgrounds. We will continue to be a member and support LIIDC activities in the future.

Targeting patients

In LEO Pharma Spain, our office workers design and organise events that aim to understand and listen to people with skin diseases. One of the projects brought together psoriasis patients who were diagnosed years ago and recently diagnosed patients, and facilitated discussions about how the disease affects their quality of life.

Another project launched was The Day of the Patient. LEO Pharma Spain invited 25 patients to their offices, where they had the chance to participate in five different workshops. A nutritionist explained to them how to follow a healthy diet, a dermatologist showed them key points about psoriasis and a hairdresser taught them how to comb their hair when they have scalp psoriasis. Finally, they learned how yoga can help them to alleviate their stress related to the disease.

The LEO world



Region INTERNATIONAL

Patient schools in Russia

Disease awareness and knowledge of adherence are central elements in the treatment of psoriasis. Our Russian affiliate organises patient schools on a regular basis in order to engage patients in their treatment of psoriasis. The format of the school is an educational seminar with a local dermatologist as a lecturer. During the school, the dermatologist educates patients about such topics as disease awareness, treatment and adherence and how to live with psoriasis. In the cycle from September to December 2016, 22 schools were held in 17 different cities.

Celebrating World Psoriasis Day

29 October marked World Psoriasis Day. Across the organisation, employees participated in the global effort to raise awareness of psoriasis and break barriers for psoriasis patients. In Region INTERNATIONAL, affiliates promoted the day in various ways.

LEO Pharma Japan posted a World Psoriasis Day advertisement in one of the most popular newspapers with a daily circulation of more than 6.5 million as well as on its digital news site. They also created a special website featuring World Psoriasis Day and disease awareness, which got around 19,000 page views.

LEO Pharma China also mixed digital activities with an event bringing together psoriasis experts and key opinion leaders (KOLs). The key theme was 'breaking barriers', referring to breaking barriers such as discrimination, steroid phobia and access to professional treatment.

Sponsored by LEO Pharma China, the World Psoriasis Day kick-off event in Beijing on 29 October 2016 involved more than 80 psoriasis experts, KOLs, patients, mass media and professional media. A sand painting professional who happened to be a psoriasis patient was invited to give a touching sand painting demonstration which struck a chord with all the patients who attended. The on-site event was a great success, and 21 media covering seven major cities reported this event on TV and via the online media platform shortly afterwards, helping to raise general public awareness, understanding and care for psoriasis patients, and helping patients to break barriers and embrace a better life. After the event, eight dermatology experts from three hospitals in Beijing provided free on-site clinical consultations for patients.

Our Mexican team celebrated the day by supporting LEO Pharma Spain's World Psoriasis Day #PSOnríe* campaign – a campaign which reached 11 million people through its social media channels, campaign video and press releases. The aim was to raise awareness about psoriasis and combat false myths about the skin disease. People were encouraged to share smiles on social media and write messages such as 'psoriasis is not contagious, but smiles are', 'take control of your psoriasis, visit your doctor' and 'smiles are 100% healthy', all with the hashtag #PSOnríe. The Mexican team shared pictures and invited friends to be part of it. Employees wore psoriasis tattoos for at least one day and shared pictures on social media. Medical representatives went to their appointments and shared this initiative with HCPs, who were happy to be part of the campaign and shared pictures.

Region US

psoSTRONG – creating voices in psoriasis

In 2016, LEO Pharma US remained committed to helping the patient community. Through relationships built through the Psoriasis Frontiers Program, the US team partnered with four of the biggest patient and blogger voices in psoriasis (including former professional American football player Jonathan Scott) to build something unique for the US psoriatic community. On 21 May 2016, psoSTRONG.com was launched with the aim of doing something different by filling the void of empowerment and positivity related to coping with psoriasis. Each blogger partner is the content creator for their area of focus on psoSTRONG.com, including topics related to fitness, well-being, nutrition and fashion. With a mix of content including blogs, videos, recipes, photos and more, psoSTRONG.com has gained lots of traction within the psoriatic community and gained more than 10,000 likes on Facebook and more than 30,000 site visits by the end of 2016.

Supporting the National Psoriasis Foundation

In 2016, our US team supported the local community through involvement in the National Psoriasis Foundation (NPF) and demonstrated their willingness to improve the quality of life of people with psoriasis.

Each year, employees across the US participate in fundraising events with the NPF. By being a participant in TEAM NPF CYCLE (riding a bike on a challenging course) or TEAM NPF WALK (taking a stroll with colleagues), the US team demonstrates their support for the goal of finding a cure for psoriasis and psoriatic arthritis.

Employee volunteering

Another community engagement initiative in the US is the Altruist Program, which was created to provide all LEO Pharma US employees with a paid day off to allow them to give their time to an organisation they are passionate about and where they can make a difference. It clearly demonstrates diversity in community involvement. Employees volunteered at food pantries, presented at organisations representing US Veterans, assisted a non-profit foundation with their annual gala event, raised funds for their home state ravaged by the floods in the US and, in addition, many field sales employees spent hours together cleaning beaches at national parks.

* #PSOnríe (from the Spanish "sonríe" meaning "smile").

Future plans

CONTINUE MUTUALLY BENEFICIAL COLLABORATIONS WITH SCIENTIFIC AND PATIENT ORGANISATIONS

The complexity of psoriasis treatment means that prescribing drugs in isolation is often insufficient to control the condition. Holistic care is needed. The importance of communicating treatment expectations and benefits to a patient is often forgotten during clinical consultation.

In 2015, LEO Pharma launched the Psoriasis Academy – a global education platform with a syllabus centred around doctor-patient communication – which seeks to position people with psoriasis as partners in their own care process. The Psoriasis Academy equips healthcare professionals with skills and tools enabling them to listen, care and involve patients even more in making active decisions about the management of their disease. So far, more than 20 workshops have been delivered in 13 countries (including China, Japan, France and Germany), with many more workshops planned for 2017.

In 2016, LEO Pharma collaborated with IFPA to extend the programme to include patient representatives. In 2017, it is our goal to expand the Psoriasis Academy to include an even stronger input from patient organisations.

Another goal for 2017 is to continue our project-based collaboration with scientific and patient organisations globally.

IMPROVE ANIMAL WELFARE WITHIN THE 3RS (REPLACEMENT, REDUCTION, REFINEMENT)

In 2017, we will maintain our focus on improving animal welfare for experimental animals. One of our goals is to

refine our psoriasis transplantation model in mice by optimising anaesthesia and pain treatment after surgery in order to improve the recovery and thereby the welfare of the mice.

As research and technology advance, new options arise to replace even more advanced animal models with cell-based models and computer simulations. At EU level, we are seeing a general trend towards more cell-based models in regulatory tests. In 2017, we plan to investigate the options of replacing our skin sensitisation models with cell-based models.

Another goal for 2017 is to increase animal welfare standards at our collaboration partners' premises by making greater demands and choosing contract research organisations with high animal welfare standards. All our collaboration partners meet EU standards and some have even higher standards.

Research shows that high animal welfare results in higher scientific quality, as non-stressed animals have stronger immune responses and there is less standard variation within the experimental groups[7]. Enrichment is one way to provide the animals with a non-stressed environment with options for expressing natural behaviour. We continuously work to improve enrichment, and in 2017 we plan to implement at least three new enrichment initiatives for our experimental animals.

ENHANCE TRANSPARENCY IN CLINICAL TRIALS

We plan to submit a redacted Marketing Authorisation Application (MAA) in accordance with European Medicines Agency (EMA) Policy 0070 in 2017. Policy 0070 is a fairly new regulatory requirement from 2015, which involves disclosure of the clinical components of drug applications for marketing approvals via the centralised procedure. The policy will provide the public with detailed information about the medicines that are being evaluated by the EMA. The preparation of our redacted MAA is resource demanding and requires cross-functional involvement, including support from external companies previously involved in the scientific submission and the trials. Transparency in clinical trials is a growing area and includes disclosure of more and more documents. To reduce resources spent on redaction and review post-submission, LEO Pharma aims to develop disclosure-ready documents.

LEO Pharma published a position paper on clinical trial transparency in 2013. To align the increased regulatory requirements in the area with our current and future focus, we have identified the need to update and clarify the position paper. We aim to make LEO Pharma's updated position paper on clinical trial transparency publicly available in 2017.

Another goal for 2017 is to publicly disclose at least one summary of clinical trial results for laypersons. From October 2018 at the latest, it will be a European regulatory requirement to make lay summaries available to the general public 6-12 months after the completion of the trial. As a patient-focused company, we believe it is our responsibility to communicate about our clinical trials at a level that is understandable for this diverse target group. Therefore, LEO Pharma has chosen to take the coming regulatory requirement a step further by developing visual lay summaries[8] to increase the understanding of the general public. We will develop our first in-house infographic lay summary in 2017. We will use the style guide and lexicon already developed and take advantage of patient feedback on readability and usability received via a collaboration between Bispebjerg Hospital (DK), LEO Pharma Headquarters and LEO Innovation Lab.

THIRD PARTY COMPLIANCE FRAMEWORK

Our future plans for the Third Party Compliance Framework are to update the procedure for third party compliance in 2017 to include the principles of the globally agreed minimum standard for responsible business conduct, the UN Guiding Principles on Business and Human Rights (UNGPs).

In 2017, we will also continue the implementation of the procedure for third party compliance in affiliates. As mentioned before, the speed of the implementation is dependent on the global roll-out of our ERP system. As part of the implementation, we will continue to increase internal awareness of the Third Party Compliance Framework, including the Third Party Compliance Code, at both our headquarters and affiliates.

COMMUNITY ENGAGEMENT

Our future framework for grants, donations and sponsorships will set the direction for our global community engagement activities. Our aim is to supplement our local community engagement initiatives with global initiatives. In 2017, our goal is to enter into at least one new partnership related to community engagement.

[7] Indian J Exp Biol. 1991 Mar;29(3):233-6. Effects of stress on immune responsiveness, gastric ulcerogenesis and plasma corticosterone in rats: modulation by diazepam and naltrexone. Ray A[1], Mediratta PK, Puri S, Sen P.

Brain Behav Immun. 2016 Sep 12. pii: S0889-1591(16)30419-6. doi: 10.1016/j.bbi.2016.09.010. [Epub ahead of print]. The commensal microbiota exacerbate infectious colitis in stressor-exposed mice. Galley JD[1], Parry NM[2], Ahmer BM[3], Fox JG[2], Bailey MT[4].

[8] Traditionally, clinical trial summaries do not include visuals; they are of a more technical nature.

Focus areas, goals and milestones 2013-2016

Achieved √
Ongoing ⇨
Postponed ⧖

Focus areas	Goals	Milestones	Status 2016
Establish trusted partnerships including partnership framework	Maintain and establish trusted partnerships by developing an updated framework for trusted partnerships and ensure implementation	Part 1: Develop framework (2014)	√
		Part 2: Approve framework (2015)	√
		Part 3: Conclude implementation of framework for trusted partnerships (2016)	√*
	Maintain and improve partner satisfaction with focus on scores for engagement and partnerships	Survey of selected key partners	⧖
	Continuously enter into relevant partnerships and collaborations	Enter into partnerships with relevant universities	⇨
		Investigate opportunities for collaboration between LEO Pharma and selected scientific organisations, etc.	⇨
	Continuously enter into partnerships with patient associations and raise the profile of dermatology to understand the needs of patients	Enter into relevant partnerships	√
		Initiatives	⇨
Improve animal welfare within Replacement, Reduction and Refinement (3Rs)	Improve animal welfare within the 3Rs, defining the direction for overall principles at LEO Pharma concerning animal welfare	Update policy on animal welfare (2014)	√
		Ensure implementation of updated policy on animal welfare (2014)	√
		Develop supporting operative documents and training (2015)	√
	Enter into partnerships within Replacement, Reduction and Refinement (3Rs)	Conduct 3Rs project with larger/smaller CROs every other year	√
	Replacement: Identify new opportunities for partnerships	Investigate possibility of entering into new partnerships	√
	All 3Rs: Support the Danish 3R-Center for a period of three years	Obtain knowledge within 3Rs and access information platform	√
	Enhance our work to improve animal welfare	Ensure 100% of applications for animal testing approved without significant remarks and in 100% of the cases. No extended applications required in terms of increased severity and no significant remarks in connection with inspections by the Danish Animal Experiments Inspectorate	√
	Audit new third parties and plan for auditing of existing third parties	Conduct audits and draw up audit plans	⇨
Enhance transparency in clinical trials	Enhance transparency in clinical trials, by being transparent about the results of our clinical research to ensure keeping the scientific community informed	Establish a framework for transparency in clinical trials (2013)	√
		Establish a clinical trial board (Patient and Scientific Review Board) (2014)	√
		Reply upon receipt of application within an appropriate given time	⇨
		Ensure implementation and monitoring	⇨
Develop Third Party Compliance Framework	Protect our integrity and reputation, ensuring responsible procurement, partnerships and collaborations	Develop an updated and streamlined Third Party Compliance Framework/design, including plan for evaluation of third parties (2013)	√
		Develop policy on ensuring third party compliance (2014)	√
		Develop supporting documents for the Third Party Compliance Framework (2014)	√
		Implement evaluation of third parties at headquarters (2014)	√
		Implement at remaining production sites (2015)	√
		Implement at remaining affiliates (2016)	⧖
Ensure relevant community engagement	Continue supporting different initiatives in various forms, contributing to relevant community engagement	Develop framework for community engagement, including gifts, grants and donations (2016)	⧖
		Conclude implementation of framework for community engagement (2016)	⧖
		Community engagement throughout LEO Pharma	⇨

* Achieved for strategic alliances.

Our position on CSR

At LEO Pharma, we aim to be a responsible corporate citizen wherever the Group operates. As a pharmaceutical company with high ethical standards, we take responsibility for our actions and recognise that we are accountable not only for what we do, but also for how we do it.

Our overall ambition is to minimise the negative impact and increase the positive impact that we have on people and the planet. Based on a business-driven CSR approach, we therefore continuously work to comply with applicable laws, regulations and international requirements within human and labour rights, environment and anti-corruption – in accordance with the principles of the UN Global Compact.

Our position on CSR

ENVIRONMENT, CLIMATE AND ENERGY
LEO Pharma aims to protect the environment, prevent pollution and promote efficient energy use. We seek to minimise emissions that contribute to global warming, for example by implementing energy-efficient solutions. We aim to minimise our environmental impact through continuous improvement activities and adherence to international standards.

PEOPLE, HEALTH AND SAFETY
LEO Pharma supports and respects the protection of internationally adopted human rights, including the fundamental workers' rights espoused by the International Labour Organization.

We acknowledge that LEO people form the basis of our future success and we therefore strive to continuously develop our employees. We also aim to have a safe and healthy working environment by strengthening our safety culture and by focusing on psychosocial and physical working conditions.

PARTNERSHIPS AND COLLABORATIONS
LEO Pharma is committed to engaging in partnerships and collaborations that can potentially improve the lives of patients. We partner with universities, pharmaceutical and biotech companies, research organisations and patient associations to gain insights into diseases and the people living with them in order to enhance the development of treatment solutions that will improve people's lives.

When doing so, we are committed to operating with integrity and working against all forms of corruption.

We set high ethical standards and we expect third parties to do the same.

CSR Strategy 2017

The purpose of our CSR strategy is to support our corporate strategy by ensuring that we run a sustainable business. The overall ambition is to minimise the negative impact and increase the positive impact that we have on people and the planet.

Our approach to CSR is centred around four strategic CSR pillars*.

ENVIRONMENT, CLIMATE AND ENERGY

- LEO Pharma aims to protect the environment, prevent pollution and promote efficient energy use.
- We seek to minimise emissions that contribute to global warming, for example by implementing energy-efficient solutions.
- We aim to minimise our environmental impact through continuous improvement activities and adherence to international standards.

PEOPLE, HEALTH AND SAFETY

- LEO Pharma aims to have a safe and healthy working environment by strengthening our safety culture and by focusing on psychosocial and physical working conditions.
- We strive to support the continuous development of LEO people.
- We support and respect the protection of internationally adopted human rights, including the fundamental workers' rights espoused by the International Labour Organization.

COMPLIANCE AND ETHICS

- LEO Pharma aims to be a responsible corporate citizen wherever the Group operates.
- As a pharmaceutical company with high ethical standards, we take responsibility for our actions, and we recognise that we are accountable not only for what we do, but also for how we do it.
- We are determined to strengthen our compliance culture and behaviour by actively engaging LEO people in compliance.

PARTNERSHIPS AND COLLABORATIONS

- LEO Pharma strives to gain deeper insights into diseases and the needs of patients to enhance the development of medical products and solutions.
- We are committed to engaging in partnerships and collaborations that can potentially improve the lives of patients.
- We continue to improve our Third Party Compliance Framework in order to strengthen our collaboration with third parties and uphold high quality and ethical standards.

* As part of the CSR Strategy 2017 process, the strategic CSR pillars were updated.

CSR focus areas and goals 2017

To ensure progress within each of the four CSR pillars, a number of focus areas have been identified. Each focus area has related goals.

ENVIRONMENT, CLIMATE AND ENERGY

FOCUS AREA	GOAL FOR 2017
Reduce CO_2 emissions	– Implement energy efficiency projects corresponding to 5,200 MWh energy savings.
Integrate management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001	– Merge local management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001 into a global system.
Carbon footprint related to LEO product	– Have baseline on carbon footprint in place for at least one LEO product.
Waste reduction and recycling	– Implement at least one new waste reduction and/or recycling project.

PEOPLE, HEALTH AND SAFETY

FOCUS AREA	GOAL FOR 2017
Respect human and labour rights	– Conduct global awareness campaign about human rights.
Strengthen occupational health	– Adapt resilience and stress management initiatives implemented in Denmark in 2016 for global implementation. – Implement adapted resilience and stress management initiatives globally.
Ensure ongoing personal development of LEO people	– Develop and run pilot for new performance and people development process in selected areas. – Develop and test concept for strategic competence development in selected areas.
Reduce LTI rate	– LTI rate at manufacturing sites < 3.5.

COMPLIANCE AND ETHICS

FOCUS AREA	GOAL FOR 2017
Strengthen the compliance culture	– Conduct global compliance culture survey. – Conduct global compliance culture campaign.
HCP compliance	– Create an overview of HCP/HCO spend data in countries with disclosure requirements.
Work against corruption and bribery	– Conduct global anti-corruption and anti-bribery awareness campaign.

PARTNERSHIPS AND COLLABORATIONS

FOCUS AREA	GOAL FOR 2017
Continue mutually beneficial collaborations with scientific and patient organisations	– Expand the Psoriasis Academy to include strong input from patient organisations. – Continue project-based collaboration with scientific and patient organisations globally.
Improve animal welfare within the 3Rs (Replacement, Reduction and Refinement)	– Refine our psoriasis transplantation model. – Replace skin sensitisation models with cell-based models. – Increase the animal welfare standards of our collaboration partners. – Implement at least three new enrichment initiatives for our experimental animals.
Enhance transparency in clinical trials	– Submit a redacted Marketing Authorisation Application (MAA) in accordance with European Medicines Agency (EMA) Policy 0070. – Make LEO Pharma's updated position paper on clinical trial transparency publicly available. – Publicly disclose summary of clinical trial results for laypersons.
Third Party Compliance Framework	– Update the procedure for third party compliance. – Continue implementing the procedure for third party compliance in affiliates.[9] – Continue to increase internal awareness of Third Party Compliance Framework incl. Third Party Compliance Code at headquarters and affiliates.
Community engagement	– Enter into at least one new partnership related to community engagement.

[9] Concurrently with the roll-out of our ERP system.

Taking CSR to the next level

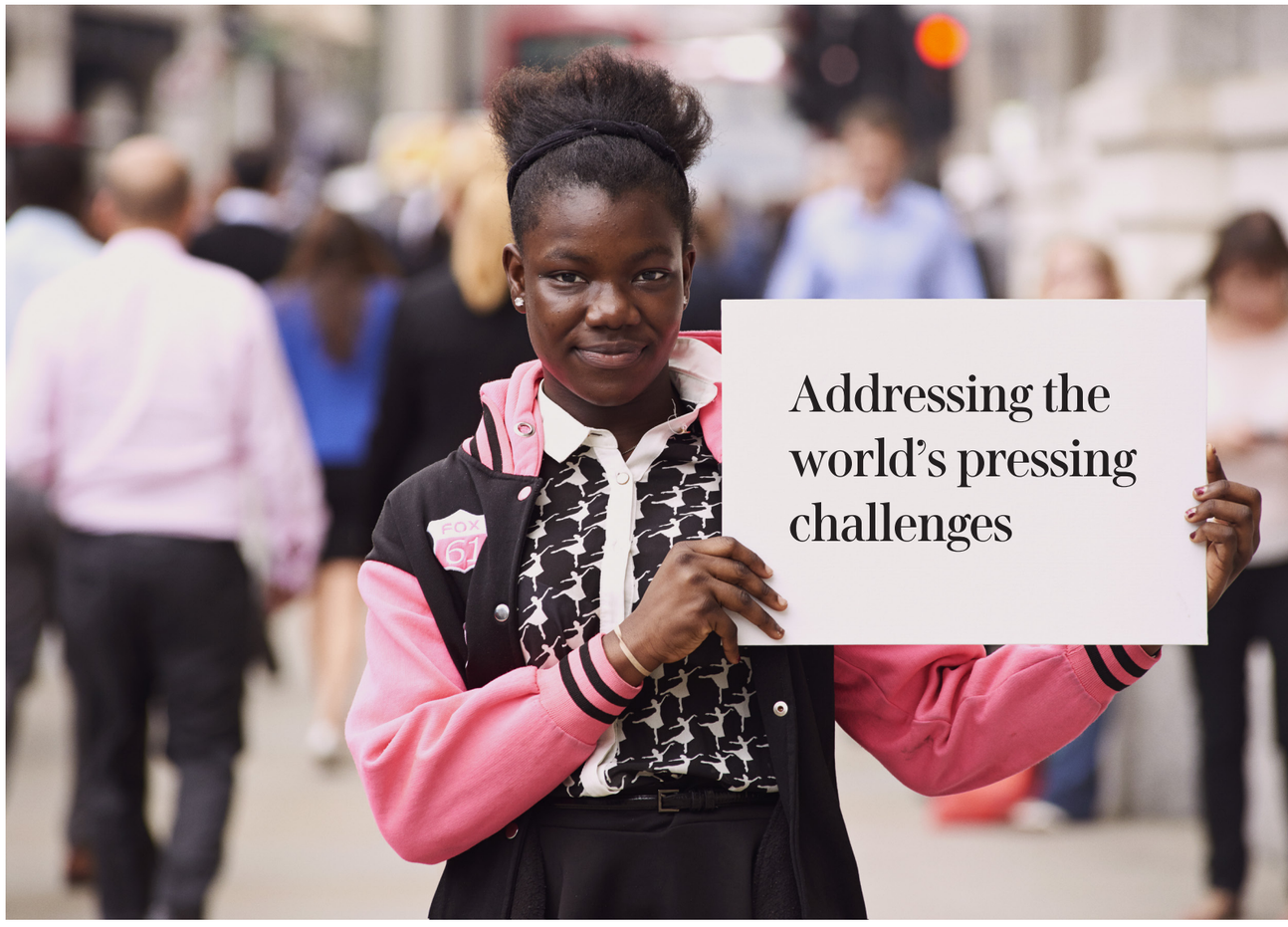
Until now, LEO Pharma's approach to CSR has mainly been focused on building the foundation for our global CSR initiatives, while ensuring that we comply with laws and regulations as well as international standards. However, we believe that we can further strengthen our approach to CSR by taking a more proactive and strategic approach.

Throughout 2017, we will work on developing our future CSR strategy in collaboration with internal as well as external stakeholders and our internal team of CSR Drivers. We believe it is important to listen to our stakeholders and their concerns, and identify what we need to do in order to be seen as a responsible global pharmaceutical company. As experts within their areas of the organisation, our team of CSR Drivers will help ensure alignment with the business.

ADDRESSING THE WORLD'S PRESSING CHALLENGES

In January 2016, the UN Sustainable Development Goals (SDGs) officially came into force as part of the 2030 Agenda for Sustainable Development. We know that business plays a central role in achieving the SDGs. As part of the strategy process, we will work to identify how we can help support the achievement of the SDGs and address some of the world's pressing challenges. How we decide to do this will be reflected in the CSR Strategy 2018-2020.

Taking CSR to the next level



Spot trends → Analyse CSR issues → Identify focus areas → Set goals → Finalise CSR strategy

Spot trends
Identify stakeholders and conduct internal and external stakeholder interviews and workshops, and trend and risk overviews.

Analyse CSR issues
Analyse and divide CSR issues into a number of themes relevant for LEO Pharma to address in order for LEO Pharma to be seen as a responsible pharmaceutical company. The themes will be presented to management.

Identify focus areas
Identify and prioritise a number of focus areas based on the materiality map.

Set goals
Set a number of goals and milestones to support the progress of the focus areas identified.

Finalise CSR strategy
Finalise the new CSR Strategy 2018-2020 to be ready for global implementation in 2018.

Glossary

3Rs
Replacement, Reduction and Refinement. The 3Rs are guiding principles for the ethical use of experimental animals.

API
Active Pharmaceutical Ingredient.

CMO
Contract Manufacturing Organisation.

CO_2 emissions
Carbon dioxide (CO_2) occurs naturally in the atmosphere and is involved in photosynthesis as well as being a product of combustion. Human activities continue to impact the world's climate through the emission of CO_2.

Community engagement
A process with the specific purpose of building ongoing, permanent relationships by working with identified individuals or groups of people, whether they are connected by geographic location, special interest or affiliation to identify and/or address issues affecting their well-being.

CRO
Contract Research Organisation.

CSR
Corporate Social Responsibility. The concept of corporate social responsibility includes the responsibility a company takes for its activities, products and services, and its environmental, social and economic impact on society and stakeholders.

FTE
Full-Time Equivalent.

GXP
GXP covers Good Clinical Practice (GCP), Good Distribution Practice (GDP), Good Laboratory Practice (GLP) and Good Manufacturing Practice (GMP).

ISO 14001
An internationally recognised set of standards for certifying a company's environmental management system. In turn, these standards create an environmental management system that can be easily integrated into existing operations.

ISO 45001
A new international standard for systems for occupational health and safety management. It exists to help organisations put in place demonstrably sound occupational health and safety performance. ISO 45001 replaces OHSAS 18001.

ISO 50001
An internationally recognised standard for certifying requirements for establishing, implementing, maintaining and improving an energy management system, the purpose of which is to enable an organisation to follow a systematic approach to achieving continuous improvement of energy performance.

KOL
Key Opinion Leader.

LTI
A Lost Time Injury is a work injury where the injured party has at least one complete day or shift off work.

Manufacturing sites
Sites where production takes place.

NGO
Non-Governmental Organisation.

OHSAS 18001
An internationally recognised standard for systems for occupational health and safety management. It exists to help organisations put in place demonstrably sound occupational health and safety performance. OHSAS 18001 will be replaced by ISO 45001.

PDD
Personal Development Dialogue.

R&D
Research and Development.

SDGs
UN Sustainable Development Goals. 17 goals adopted by countries in 2015 to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda 2030. Each goal has specific targets to be achieved before 2030 (www.un.org/sustainabledevelopment/sustainable-development-goals/).

Stakeholders
Stakeholders influence the activities of the company (its services and processes), both directly and indirectly, and comprise employees, customers, patients, suppliers, partners and others.

Strategic alliance
A strategic alliance is an agreement between two parties to pursue a set of agreed objectives for mutual benefit and aiming for synergy while remaining independent organisations.

Third party
A third party is any company or individual who is not a member of the LEO Group or a LEO employee, and who:

- is hired to provide products or services to LEO Pharma or to act on behalf of LEO Pharma (i.e. vendor or service provider), or

- enters into a business partnership or collaboration with LEO Pharma (i.e. business partner).

This may include contractors and suppliers, consultants, distributors, agents and other intermediaries, contract research organisations (CROs), contract manufacturing organisations (CMOs) and non-governmental organisations (NGOs).

UN Global Compact
The United Nations' strategic policy initiative to promote corporate social responsibility in the areas of human rights, labour, environment and anti-corruption (www.unglobalcompact.org).

UNGPs
UN Guiding Principles on Business and Human Rights. The UNGPs are the first globally agreed minimum standard for responsible business conduct and were unanimously endorsed in the UN Human Rights Council in 2011 (www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

Reporting approach

This report represents LEO Pharma's compliance with Section 99a and 99b of the Danish Financial Statements Act.

SCOPE OF THE CSR REPORT
The CSR report gives an overview of our policies, achievements and future plans within the four CSR pillars for the financial year 1 January – 31 December 2016. The report covers the significant environmental, social and ethical issues related to running a global pharmaceutical company.

Our assurance provider, PwC, has read the CSR report as part of LEO Pharma A/S' Management's Review in accordance with the Danish Financial Statements Act and has provided us with recommendations on our CSR reporting. However, PwC has not performed any procedures in addition to the audit of the Consolidated Financial Statements.

BOUNDARY SETTING
Our data related to environment, climate, energy and safety cover our manufacturing sites. The figures in the report cover all activities at the manufacturing site, whether they involve production, R&D, sales, finance, engineering or other support facilities on site.

SIGNIFICANT ENVIRONMENTAL PARAMETERS
The most significant environmental impacts have been selected based on the following criteria.

Energy and water
Energy and water are included as we are large consumers and both are scarce resources.

Waste
To avoid any unnecessary waste of resources, minimisation of the waste volume is important. In addition, it is important that as much waste as possible is recycled in order to exploit all resources of the waste. Consequently, waste is considered a significant environmental parameter.

Emissions to air
Emissions of solvents, CO_2 and NO_x to the air contributes, among other things, to photochemical ozone formation, greenhouse effect and acidification. The emission of these substances is therefore considered a significant environmental parameter.

Waste water
The waste water contains residues of pharmaceutical products, raw materials and carriers. The content of these substances may impact on the degree of purification and efficiency of the waste water treatment works and, ultimately, non-retained substances may affect the marine environment. Therefore, waste water is considered a significant environmental parameter.

SIGNIFICANT SAFETY PARAMETERS

LTI rate
We regard our LTI rate as an indicator of our safety performance.

LTI rate per million working hours calculated as:

$$\frac{\text{(Number of injuries with more than one day absent from work x 1,000,000 working hours)}}{\text{Total number of working hours*}}$$

* Total working hours are based on local standard working hours.

Local standard working hours in 2016

	No. of employees (FTEs)	No. of working hours/ employee/year
Ballerup (DK)	1,798.6	1,665
Esbjerg (DK)	12	1,665
Vernouillet (FR)	381.9	1,645
Cork (IE)	47.6	1,755
Dublin (IE)	394.7	1,755
Southport (AU)	31.2	1,824
Total	**2,666**	

About LEO Pharma

LEO Pharma helps people achieve healthy skin. By offering care solutions to patients in more than 100 countries globally, LEO Pharma supports people in managing their skin conditions.

Founded in 1908 and owned by the LEO Foundation, the healthcare company has devoted decades of research and development to delivering products and solutions to people with skin conditions.

LEO Pharma is headquartered in Denmark and employs around 5,000 people worldwide.

For more information, visit www.leo-pharma.com
Subscribe to our YouTube channel: www.youtube.com/leopharmaglobal
Follow us on Twitter: www.twitter.com/leohealthyskin
Visit us at LinkedIn: www.linkedin.com/company/leo-pharma

This report represents LEO Pharma's compliance with Section 99a and 99b of the Danish Financial Statements Act

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