

— we help people
achieve healthy skin



CSR Report 2017

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

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“We helped
80 million people
in 2017.”

Taking CSR at LEO Pharma to the next level

At LEO Pharma, we are committed to helping people living with skin diseases. It is the focus of our mission, vision and corporate strategy ‘Helping SARAH – LEO towards 2025’.

In 2017, we helped 80 million people, and we aspire to help more than 100 million people in 2020 and more than 125 million people in 2025.

Our determination to help people is also reflected in our Corporate Social Responsibility (CSR) Commitment 2018-2020, which was launched in December 2017.

Throughout 2017, we developed our commitment in collaboration with internal as well as external stakeholders. We listened to our stakeholders’ expectations of us as a responsible global healthcare company and assessed the business impact of relevant CSR areas, before deciding on the scope of our CSR Commitment 2018-2020. The result is a strategic and coherent framework for LEO Pharma’s future CSR work that builds on our LEO values.

Going forward, our ambition is to take CSR at LEO Pharma to the next level in order to increase the positive impact, as well as minimise the adverse impact, we have on society and the environment.

New focus areas and overall CSR framework

Based on thorough analysis, we have chosen the following CSR focus areas for 2018-2020:

Right to health, Right to privacy, Mental well-being at work, Anti-corruption and Responsible supply chain management.

However, LEO Pharma’s CSR commitment encompasses much more than these five focus areas. Animal welfare, climate change, environment and energy, people safety and people development are all essential areas too. Our efforts within these areas are therefore central to upholding our high standards within CSR.

We are equally committed to respecting human rights and supporting the UN Sustainable Development Goals (SDGs), which are part of the overall framework for our CSR work and are integrated into relevant CSR areas.

This report gives an overview of our policies and CSR achievements reflected in our CSR Strategy 2017 for the financial year 1 January – 31 December 2017 as well as the future plans for our CSR Commitment 2018-2020.

On behalf of the Global Leadership Team,

Gitte P. Aabo
President and CEO

Our business model

LEO Pharma develops and delivers innovative medicines and integrated care solutions to healthcare providers and people suffering from psoriasis, eczema, skin infections and actinic keratosis. 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.

More than **700** scientists and specialists

- LEO Pharma R&D
- LEO Pharma Partnerships
- LEO Pharma Open Innovation
- LEO Innovation Lab
- LEO Science & Tech Hub

Research and development

6 manufacturing sites

Finished goods produced in a year:

- 68 million packs of aluminium tubes
- 65 million syringes
- 22.5 million packs of capsules
- 10 million packs of tablets
- 8.2 million vials
- 8 million packs of bottles
- 3.8 million Fucidin® gauze
- 0.645 million cans
- 0.375 million applicators
- 0.018 million biologics syringes

Product supply

Presence in **61** countries

- Treatments available in more than **130** countries
- Innovative medicines, devices and delivery systems
- Patient support programmes

Sales and distribution

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.

In 2017, we helped **80** million people

Patients

We improve quality of life for patients and engage with:

- Regulators
- Payers
- Prescribers
- Other key stakeholders

External stakeholders

CSR Strategy 2017

Our CSR strategy for 2017 focuses on building a foundation for working more systematically with CSR at LEO Pharma.

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

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.

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.

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.



CSR focus areas and goals 2017

To ensure progress within each of the four CSR pillars, a number of focus areas were 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. ¹ – 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.

¹ Concurrently with the roll-out of our ERP system.



Environment, Climate and Energy

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.

Policies

LEO Code of Conduct and Environment, Climate and Energy Policy

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

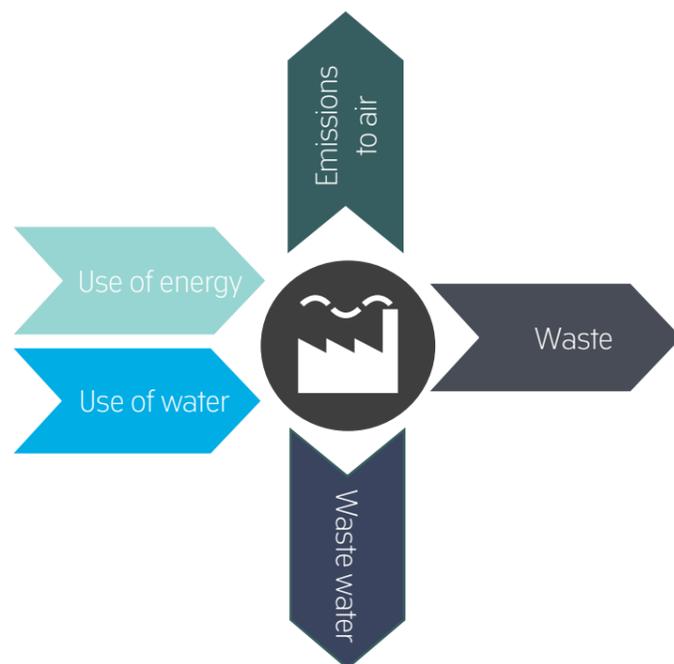
The LEO Code of Conduct is mandatory for all LEO people and is a framework for how we behave. The LEO Code of Conduct is supported by internal communication material to increase awareness among LEO people. New employees undergo mandatory training in the LEO Code of Conduct shortly after their employment commences.

Focus areas and achievements

LEO Pharma's main impacts on the environment are its use of energy and water; generation of waste and waste water; and direct and indirect emissions of greenhouse gases and other emissions to air. These impacts are mainly generated through our production activities, which take place at six manufacturing sites in Ballerup and Esbjerg in Denmark, Dublin and Cork in Ireland, Vernouillet in France and Southport in Australia. On page 58, we describe the criteria based on which the most sig-

nificant environmental impacts have been selected. We work to minimise these impacts, and how we do this is described in the following sections.

LEO Pharma's environmental and energy impact



Reduce CO₂ emissions

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

At LEO Pharma, we are committed to reducing our CO₂ emissions to reduce our impact on climate change. We therefore encourage the minimisation of energy consumption across our operations and monitor our use of energy, which helps us improve our energy performance. LEO Pharma's use of energy constitutes one of its main environmental impacts. We therefore aim to optimise our energy consumption across our operations and have a 2020 goal to achieve a 10% energy reduction compared to 2013.

In 2017, one of our goals was to implement energy efficiency projects corresponding to 5,200 MWh in energy savings, equalling approximately 273 Danish households per year. In our efforts to achieve this goal, a number of projects were implemented, including the following examples.

In Dublin (IE), a project to increase steam capacity within the current steam distribution network was implemented. This resulted in improved efficiency due to reduced energy loss from the system as the point of generation

is closer to the point of use. The energy saving achieved by this project is estimated to be 80 MWh/year.

In Ballerup (DK), a leaky steam safety valve was replaced, which resulted in energy savings of 1,400 MWh/year.

At the manufacturing sites in Dublin (IE) and Ballerup (DK), a number of lighting projects were implemented, where old fittings were replaced with LED fixtures or where the light source was simply changed to LED. The energy savings achieved by these projects were 300 MWh/year.

In Vernouillet (FR), a chiller was replaced, resulting in energy savings of 304 MWh/year.

The energy savings generated from the various energy efficiency projects implemented amounted to 3,129 MWh, and our 2017 goal was therefore not achieved.

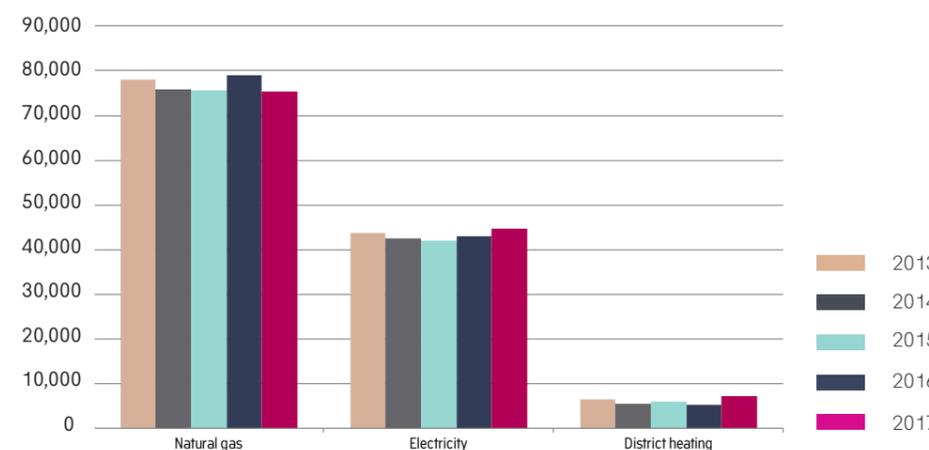
This was mainly due to the fact that a planned maintenance shutdown in Ballerup (DK), which should have taken place in 2017, was postponed to the second quarter of 2018. The maintenance shutdown was the only window of opportunity to implement some of the major energy efficiency projects. In 2018, efforts to implement the energy efficiency projects will be prioritised.

Total consumption of energy at LEO Pharma's manufacturing sites

	2013	2014	2015	2016	2017*
Total in MWh	128,705	124,077	123,902	127,319	127,385

* Note that the reporting period for energy consumption has been changed, see Reporting approach.

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 have accounted for less than 0.3% over the past four years.



Integrate management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001

Another goal for 2017 was to merge local management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001 into a global system. This goal was achieved. The integrated global environment, health and safety (EHS) management system became effective on 29 December 2017.

Certifications – manufacturing sites

	ISO 14001	ISO 50001
Ballerup (DK)	2014	Expected 2018
Esbjerg (DK)	2014	Expected 2018
Vernouillet (FR)	2011	Expected 2019
Cork (IE)	2015	Expected 2018
Dublin (IE)	2012	2010
Southport (AU)	2015	No plans

Note: The year indicates when the certifications were obtained. Recertifications are needed every three years. For example, certifications obtained in 2014 were recertified in 2017.

The benefits of having one integrated system are many. Merging separate systems into one helps us drive EHS performance and reduces internal complexity related to operating under various systems. It also minimises the general workload by reducing the number of required procedures and creates a unified approach to EHS management in line with our LEAN approach to continuous improvements.

Carbon footprint related to LEO product

Our goal to have a carbon footprint baseline in place for at least one LEO product was also achieved in 2017 with the completion of a carbon footprint baseline for one of our products for thrombosis, innohep®. Product carbon footprints give us an overview of our negative environmental impact and make it possible to prioritise our efforts to protect the climate. We expect carbon footprint documentation to be a competitive factor in the future, as the market comes to demand this kind of information.

Waste reduction and recycling

At LEO Pharma, we aim to have no waste to landfill by 2020. To achieve this goal, we plan to identify and implement waste reduction projects in order to sustain more than 97% of our generated waste being recycled.

In 2017, we implemented the following new waste reduction project. At our manufacturing site in Vernouillet (FR), syringes are received on polystyrene supports. Until 2016, this material was reused at several stages of the production process. However, the material is very fragile and only made it through 75% of the total production process. As a consequence, it had to be regularly changed and discarded. In 2017, a new type of material was introduced which is made from another kind of plastic material (APET, amorphous polyethylene terephthalate). This material is stronger and will serve the same purpose, but will cover almost two production cycles. In 2016, we produced 145 tons of waste from the previously used material. The new material was introduced in 2017 and, compared to the figure from 2016, it is expected that the waste volume for this material will be halved going forward.

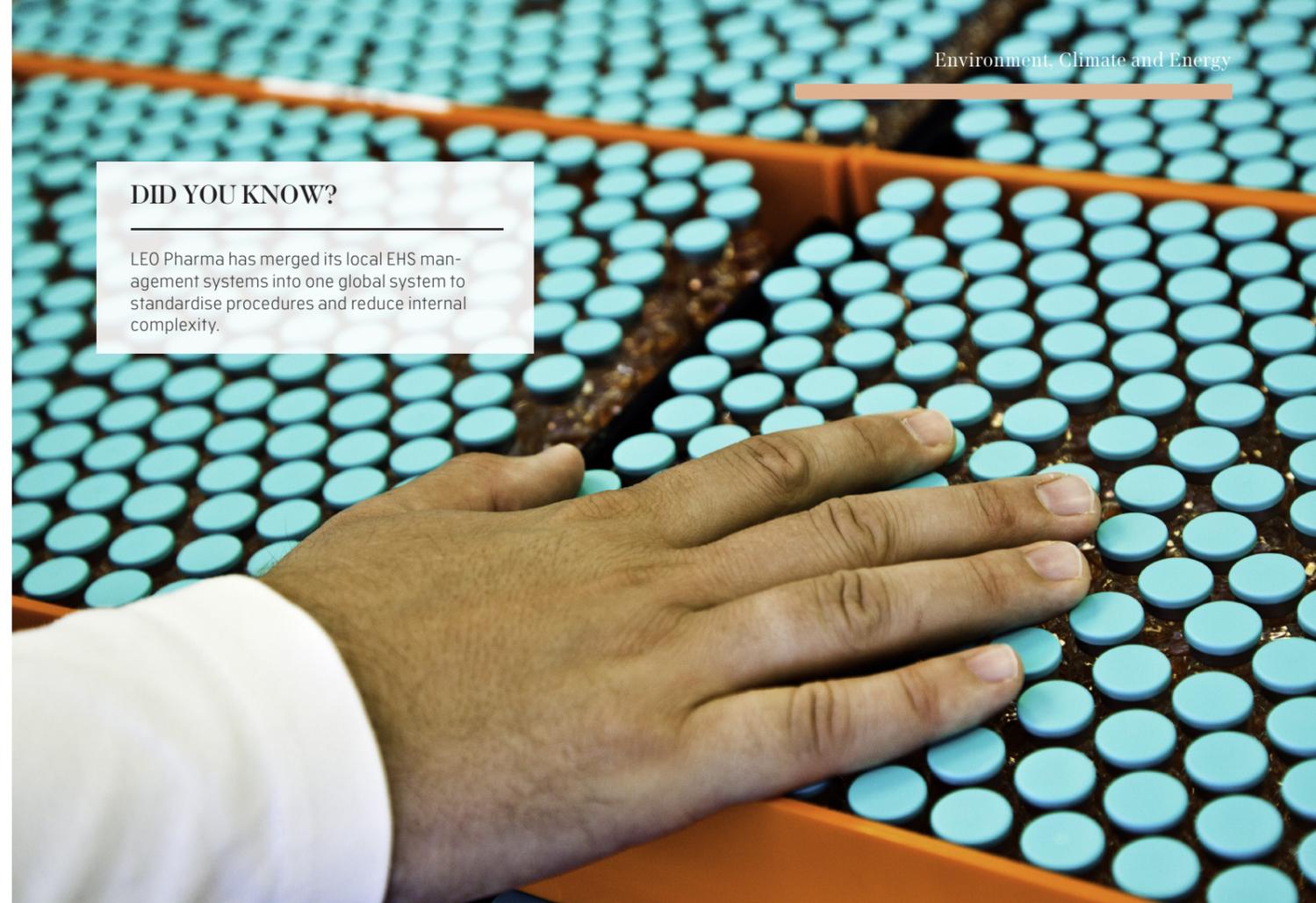
By implementing this project, we achieved our 2017 goal to implement at least one new waste reduction and/or recycling project.

Use of water

In addition to working to achieve the four goals described above, we also worked to reduce the amount of water used in our manufacturing processes, in the composition of products and for cleaning and sanitary purposes. Our 2020 goal for water savings is to reduce consumption by 5% compared to the water usage in 2013. As a step towards achieving this, we implemented the following initiative in 2017. At our manufacturing site in Cork (IE), an additional site water meter and alarms for increased usage and leak detection were installed.

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.



DID YOU KNOW?

LEO Pharma has merged its local EHS management systems into one global system to standardise procedures and reduce internal complexity.



Focus area	Goal for 2017	Status 2017
Reduce CO ₂ emissions	– Implement energy efficiency projects corresponding to 5,200 MWh energy savings.	Not achieved
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.	Achieved
Carbon footprint related to LEO product	– Have baseline on carbon footprint in place for at least one LEO product.	Achieved
Waste reduction and recycling	– Implement at least one new waste reduction and/or recycling project.	Achieved



People, Health and Safety

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.

LEO Pharma provides a safe and healthy work environment for LEO people and visitors, in accordance with applicable laws and international standards. We also support and respect the protection of internationally adopted human and labour rights, including the International Bill of Human Rights, the Universal Declaration of Human Rights and the fundamental workers' rights espoused by the International Labour Organization (ILO).

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

Respect human and labour rights

At LEO Pharma, we support and respect human and labour rights. We also support a non-discriminating and inclusive workplace, and we embrace diversity at all levels of the organisation.

To raise awareness of human rights, we set a goal for 2017 to conduct a global human rights awareness campaign as part of our preparations to work with the UN Guiding Principles on Business and Human Rights (UNGPs). As our future CSR Commitment 2018-2020 includes our commitment to respect human rights, it was decided to include the global human rights awareness campaign in the overall communication of our CSR Commitment 2018-2020, which was launched in December 2017 (read more on page 32).

In 2017, working with human rights at LEO Pharma included a pilot project for implementing the UNGPs. The pilot project was a human rights impact assessment of our Global People function at headquarters. The human rights impact assessment consisted of mapping policies and processes, analysing gaps with reference to the 48 human rights and developing action plans based on the findings. The findings were presented to the LEO Compliance Board. In 2018, LEO Pharma will work on implementing the defined actions to mitigate our identified potential and actual impacts on human rights. Starting in 2018, the next step is to expand the human rights impact assessment to the rest of headquarters.

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

In 2015, we set the goal to have at least two female board members on the Board of Directors of LEO Pharma

DID YOU KNOW?

In 2017, LEO Pharma's annual employee engagement survey, LEO Voice, achieved a sustainable engagement score of 84%.

This reflects an organisation of highly engaged employees committed to making a difference to people with skin diseases.



A/S (in addition to the employee-elected board members) by 2019. With the appointment of one additional female board member in 2017, this goal was achieved. A new goal will be set at the beginning of 2018.

At management levels (in total) below the Board of Directors of LEO Pharma A/S, each gender is equally represented by at least 40%.

Strengthen occupational health

In 2016, the aspect of occupational health encapsulating work-related stress and organisational resilience was a milestone for our CSR efforts in Denmark, covering a range of different initiatives.

In 2017, our goals were to adapt these resilience and stress management initiatives implemented in Denmark in 2016 for global implementation, and implement the adapted resilience and stress management initiatives globally. These goals were partly achieved, as resilience and stress management initiatives were initiated and carried out in various countries – both for managers and employees. Examples from Ireland and the UK include sessions on managing stress at work, mindfulness sessions and techniques, tools to help identify signs of stress and general focus on mental well-being.

In 2017, 'Mental well-being at work' was chosen as one of the five focus areas of our CSR Commitment 2018-2020. Plans for the focus area include a global focus on resilience and stress management. Read more on pages 42-43.

In 2016, we postponed until Q1 2017 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. Data on absenteeism due to factors in the psychosocial working environment were collected at headquarters. However, we are still investigating how to collect data globally.

Ensure ongoing personal development of LEO people

In 2017, our goal to develop and run a pilot for a new performance and people development process in selected areas was partly achieved. A global performance management process was developed to support ongoing and forward-looking dialogue between managers and employees regarding performance and development, linking business priorities and values with employee actions. The process will be piloted in 2018 in selected business areas within LEO Pharma.



Another goal for 2017 was to develop and test a concept for strategic competence development in selected areas. The achievement of this goal has been postponed. The development of a concept for strategic competence development has now been integrated into one of our strategic projects to support the implementation of LEO Pharma's 2025 strategy².

In 2017, we launched a new concept for working with employee engagement at LEO Pharma. LEO people form the basis for our company's success, and employee engagement is key in order to achieve LEO Pharma's goals. With the new concept, we will conduct an annual employee engagement survey, supplemented by two mini-surveys. This way, we aim to ensure that employee engagement and well-being become topics for ongoing conversations within all teams across the global organisation and that actions are taken proactively to address issues and challenges.

In 2017, LEO Pharma's top 100 leaders also completed the leadership development programme 'Leading Execution'. With the purpose of improving execution capabilities, the programme focused on building new competences and implementing new behaviours in daily routines. As a result, more than 70% of the leaders achieved a clear improvement in their ability to execute strategy. In summer 2017, Leading Execution was kicked off for an additional batch of 280 leaders globally.

Reduce LTI rate

Our ambition is for no LEO people to get injured at work. It is important for us to ensure that when people come to work, they and their families can be confident that they are going to go back home at the end of the day safe and well.

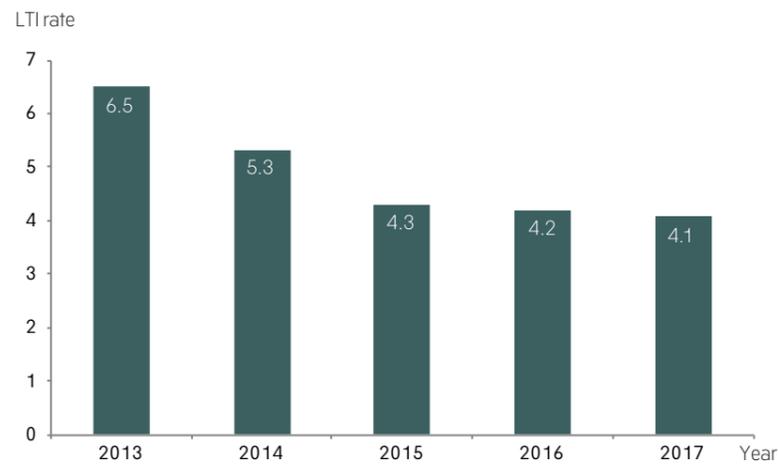
To strengthen and accelerate the LEO people safety journey, more focus has been added to the area. For example, the Global Environment, Health and Safety (EHS) function and local Danish EHS were merged in 2017 to benefit from gathering EHS competences in one place. By joining forces, we created an EHS Centre of Excellence within LEO Pharma with a stronger basis for continuous EHS improvements. This is a significant step in further demonstrating our commitment to driving necessary safety improvements.

To support our people safety ambition and journey, we set ambitious goals. Among other things, 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. Currently, the LTI rate is only measured at our manufacturing sites.

Our goal is to have an LTI rate of ≤ 2 for the LEO Group in 2020, and we therefore work to improve our LTI rate year on year.

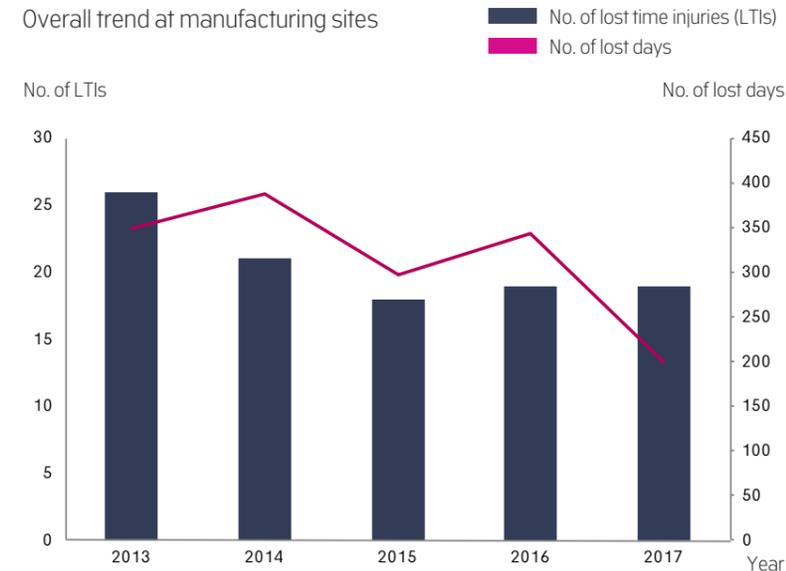
LTI rate trend at manufacturing sites



As the graph shows, our LTI rate has been declining year on year. In 2017, our goal was to have an LTI rate at our manufacturing sites of ≤ 3.5 . However, our LTI rate remained almost the same as in 2016. We did not achieve the 2017 goal since the LTI rate ended on 4.1.

² LEO Pharma's new 2025 strategy was communicated in 2017 and entails focusing on medical dermatology bringing new, innovative treatments forward and helping meet the individual needs of people living with a skin disease. Read more about our 2025 strategy in LEO Pharma's Annual Report 2017.

Overall trend at manufacturing sites



Lost time injuries (LTIs) 2013-2017

	2013	2014	2015	2016	2017
No. of LTIs	26	21	18	19	19
No. of lost days	348	388	298	343	200

We are moving in the right direction, but we still have some challenges regarding our LTI rate and the number of injuries at the larger manufacturing sites which need attention. However, we have seen a significant drop in the number of lost days due to an injury, which says something about the severity of the injuries incurred.

In 2017, we continued to identify and record hazards. The number of closed hazards was almost as high as in 2016. Furthermore, we intensified our work to proactively increase the safety awareness level through a number of initiatives.

One of the leading initiatives in 2017 was to train managers in EHS awareness and their obligations related thereto. Manager support is key to achieving our safety goals, and consequently manager safety

training workshops were held across all manufacturing sites. This type of training will continue in the coming years. As part of the training, a new training video was introduced, which supports the LEO Code of Conduct and the principle of always putting safety first. This video will be used across the organisation going forward.

In 2017, we also introduced a new global systematic approach to following up on and investigating injuries, where we apply LEAN tools during the investigation. The purpose is to dig deeper into the root cause of an injury and share the solutions in a systematic way across sites. Besides systematically investigating and analysing injuries, GEMBA on all LTIs was also introduced in 2017. The term GEMBA means to go to where the injury took place and talk to the people who were involved. The rationale is



that this increases awareness and helps provide an understanding of why it happened, hence increasing the quality of the implementation of preventive actions. One important ambition in 2017 was to have management follow up on all LTIs. We succeeded in fulfilling this ambition.

At our site in Vernouillet (FR), the EHS function was relocated to the production area in order to be close to people on the shop floor. This will create more visibility, and EHS professionals will be able to interact more closely with the people at the factory. At the same site, EHS process confirmation was introduced, focusing on behavioural observations. Managers go to the shop floor, observe and enter into a dialogue with employees by asking questions. The purpose is to understand root causes and the safety behaviour of employees and to increase safety awareness through face-to-face dialogue.

In Ballerup (DK), we are currently working on several improvement projects, for example upgrading the API facility, where safety is our first priority. This means great involvement and awareness from both the EHS function and managers. Due to this, people increasingly talk about safety across the site and proactively seek EHS advice.

In Dublin (IE), we increased our focus on reporting all injuries, no matter how minor, and simple, visual safety alerts for each of these injuries were issued to all employees to heighten general safety awareness and to prevent recurrences. To ensure that a 'safety first' philosophy is firmly embedded in every corner of the business, we also conducted safety walks and toolbox talks. Furthermore, a process for safety reviews was conducted as part of a global EHS initiative to identify areas of site operations that need further investment in safety improvements.

In general, we found that all manufacturing sites increased their focus on safety in 2017. As mentioned, the greatest challenges are for the larger sites, which is the reason why the safety work carried out at these sites is highlighted in this report. However, various efficient safety initiatives were implemented at our manufacturing sites in Esbjerg (DK), Cork (IE) and Southport (AU), such as focus on emergency response, hazard identification and awareness, better traffic flows on site and electrical safety improvements. In fact, these sites have not had any LTIs for several years.

A way of ensuring that we continuously improve our occupational health and safety standards and focus on the safety of our employees is through upholding a safety management standard. LEO Pharma holds OHSAS 18001 certifications at all its manufacturing sites – this was achieved in 2014 and is important for us to maintain.

The CSR Report 2016 stated that we expected to prepare for ISO 45001 certification throughout 2017. Preparing for the new ISO 45001 health and safety management standard also pushes us in the right direction. However, as the ISO 45001 standard will only come into force in the first quarter of 2018, our deadline was postponed too, and there will be a transition period during which the manufacturing sites will work to meet the requirements of the new standard.

Certifications – manufacturing sites

	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. For example, certifications obtained in 2014 were recertified in 2017.



Focus area	Goal for 2017	Status 2017
Respect human and labour rights	– Conduct global awareness campaign about human rights.	Included in another campaign
Strengthen occupational health	– Adapt resilience and stress management initiatives implemented in Denmark in 2016 for global implementation.	Partly achieved
	– Implement adapted resilience and stress management initiatives globally.	Partly achieved
Ensure ongoing personal development of LEO people	– Develop and run pilot for new performance and people development process in selected areas.	Partly achieved
	– Develop and test concept for strategic competence development in selected areas.	Postponed
Reduce LTI rate	– LTI rate at manufacturing sites ≤ 3.5.	Not achieved



Compliance and 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. 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 in our Anti-Corruption and Anti-Bribery Policy, in which all employees are trained.

Another important compliance area is interaction with healthcare professionals (HCPs) and healthcare organisations (HCOs). Interaction with HCPs must be conducted in a truthful manner, avoiding deceptive practices and potential conflict of interest. Guidelines on how we interact with HCPs are included in our Interaction with Healthcare Professionals in relation to Pharmaceuticals Policy as part of the LEO Code of Conduct.

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

In 2017, our goals to conduct a global compliance culture survey and conduct a global compliance culture campaign were redefined, as we decided to take a step back and look at how to design compliance at LEO Pharma before initiating specific compliance culture activities. As a consequence, the two goals were replaced by a larger global project.

Throughout the first half of 2017, we conducted a global compliance project with the scope of defining the future compliance ambition at LEO Pharma. Four key objectives were identified. Going forward, we will focus on building the future governance structure for compliance at LEO Pharma, driving the compliance culture, managing compliance risks and upgrading processes, tools and systems – thereby making compliance an integrated and strategic part of doing business. To drive this progress, the position of Chief Compliance Officer is being created.

In 2017, we also implemented our new business document management solution, MyDoc LEO, which provides various KPI reporting options that will enable managers to maintain the necessary overview, be in compliance and be prepared for audits.

HCP compliance

At LEO Pharma, we interact with HCPs in order to provide or obtain scientific or educational information and

knowledge, or to support medical research. To ensure internal transparency and understanding of the types and amount of transfers of value made to HCPs and HCOs, our goal for 2017 was to create an overview of HCP/HCO spend data in countries with disclosure requirements. This goal was achieved. An overview of HCP/HCO spend data was created based on the data uploaded to our reporting tool, STAR, and the HCP/HCO spend data overview will be shared with relevant internal stakeholders in 2018.

Work against corruption and bribery

In 2017, we also had a goal to conduct a global anti-corruption and anti-bribery awareness campaign. This goal was achieved in April, when we completed our internal awareness campaign.

The purpose of the campaign was to increase awareness of anti-corruption and anti-bribery among LEO people. The campaign built on a variety of updated communication materials, films and articles which gave external experts' views on corruption. The campaign was supported by an event with the involvement of our top management and an external speaker, and this was shared with the entire organisation by video. The aim of the event was to give employees a holistic overview of the consequences of and examples related to corruption, and how corruption impacts not only the business environment but also the lives of patients, the environment and society at large.

In 2017, anti-corruption was chosen as one of the five focus areas of our CSR Commitment 2018-2020. Read more about our future plans for this area on pages 44-45.



Focus area	Goal for 2017	Status 2017
Strengthen the compliance culture	– Conduct global compliance culture survey.	Replaced by another project
	– Conduct global compliance culture campaign.	Replaced by another project
HCP compliance	– Create an overview of HCP/HCO spend data in countries with disclosure requirements.	Achieved
Work against corruption and bribery	– Conduct global anti-corruption and anti-bribery awareness campaign.	Achieved



Partnerships and Collaborations

At LEO Pharma, we acknowledge the importance of collaborating with external partners to develop the best solutions. By engaging in partnerships and collaborations with relevant stakeholders, LEO Pharma and its partners are able to draw on their mutual expertise and resources to help people with skin diseases.

Policies

LEO Pharma Third Party Compliance Code

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 with 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

Continue mutually beneficial collaborations with scientific and patient organisations

According to the 2016 WHO Global Report on Psoriasis, low adherence is partly due to insufficient communication between doctor and patient regarding instructions on how to use the drug prescribed. Holistic care is therefore needed due to the complexity of psoriasis, for which prescribing drugs in isolation is insufficient.

LEO Pharma's Psoriasis Academy offers a global programme to improve the consultation dialogue between people living with psoriasis and their healthcare practitioners. The programme provides communication strategies that will help empower people to take control of their condition.

LEO Pharma collaborates with a multi-disciplinary global faculty led by thought leaders in the development and facilitation of this train-the-trainer programme. The expertise of the faculty includes dermatology, psychology, psychodermatology, patient communication/empowerment, dermatology nursing and, finally, patient advocacy with the involvement of patient organisations in the global faculty.

The educational programme has expanded globally, with its world summit in 2016 and regional summits in 2015 and 2017, providing a forum for dermatologists to share knowledge and experience with regional and international experts. The agenda of the summits is to understand the challenges people living with psoriasis face, review how psoriasis is being managed and how this can be enhanced, and share real-life challenges. The focus is also to take an in-depth look at improving patient outcome, with the focus on addressing the complexities of adherence and how some of the barriers could be overcome.

In 2017, our goal was to expand the Psoriasis Academy to include strong input from patient organisations. This goal was achieved. Our goal to continue project-based collaboration with scientific and patient organisations globally was also achieved by involving these in the Psoriasis Academy.

The strong partnerships with patient organisations were exemplified by having the academy presented at a breakfast symposium during the 5th World Psoriasis & Psoriatic Arthritis Conference in 2018.



The focus of the presentation will therefore be to highlight the importance of enhancing communication between doctors and people living with psoriasis. The aim for 2018 is to integrate people living with psoriasis into the programme, further develop additional tools and confirm the expected improved patient outcome.

Read more about how the Psoriasis Academy supports our CSR focus area 2018-2020 'Right to health' on pages 36-37.

Improve animal welfare within the 3Rs (Replacement, Reduction, Refinement)

At LEO Pharma, we focus on improving our animal welfare standards for experimental animals in all aspects of the 3Rs: Replacement, Reduction and Refinement.

In 2017, we achieved our goal to refine our psoriasis transplantation model in mice. This was done by optimising anaesthesia and pain treatment after surgery in order to improve the recovery and therefore the welfare of the mice. This method is now fully implemented in our research activities and has resulted in improved animal welfare.

Research methods and technology are advancing all the time. This also means that new options arise to replace even more advanced animal models with cell-based models and computer simulations, and we are seeing a general trend towards more cell-based models. In 2017, we had a goal to replace our skin sensitisation models with cell-based models. The achievement of this goal as well as the related investigation of options to replace skin sensitisation models have been put on hold. This is due to the fact that our strategy is to focus on systemic treatment of skin diseases, and skin sensitisation is only relevant for topical pharmaceuticals.

Another goal set for 2017 was to increase the animal welfare standards of our collaboration partners, which is an ongoing activity for us. When we partner with small as well as large contract research organisations (CROs), we want to make sure that they meet our high animal welfare standards. We therefore try to demand higher standards and choose CROs with high animal welfare standards when entering into a new partnership. All our collaboration partners meet EU standards, and some have even higher standards. However, we still engage with collaboration partners to further im-



prove the welfare of experimental animals. For example, we increased animal welfare standards for ferrets at our collaboration partners in the US in 2017. We did this through dialogue at physical audits and follow-up to ensure that our requirements were implemented.

At LEO Pharma, we find that high animal welfare results in higher scientific quality. Research also backs up our observations, as non-stressed animals have stronger immune responses and there is less standard variation within the experimental groups³. Enrichment is one way to provide the animals with a non-stressed environment with options for expressing natural behaviour. We therefore continuously work to improve the variety of enrichment initiatives and, in 2017, our goal was to implement at least three new enrichment initiatives for our experimental animals. We implemented more than three enrichment methods, for example LEGO® DUPLO®, table tennis balls and cardboard tubes with food enrichment, and achieved the goal set.

In addition to the goals described above, we also implemented micro blood sampling in all our rodent models, which means that blood samples are collected under less stressful conditions as only a very small amount of blood is required for analysis. So far, LEO Pharma is the only research facility in Denmark to use this method.

Enhance transparency in clinical trials

LEO Pharma was among the first companies globally to commit to increased transparency in clinical research. We register all our clinical trials and make the results of the trials, dating back to 1990, available to the public. We also share individual patient-level data upon request from qualified third-party researchers.

By the end of 2017, 203 report synopses and 180 clinical trial reports were publicly available.

The area of transparency in clinical research is rapidly changing. Today, clinical trial disclosure includes much more than registration of trials and reporting of their results on various publicly available registries, such as the US clinicaltrials.gov and the European Clinical Trials Registry. Many of the voluntary initiatives by trial sponsors have been supplemented by global regulatory requirements, with the emphasis on public disclosure of the actual trial documentation. An example is the European Medicines Agency (EMA) Policy 0070, the scope of which is public disclosure of the clinical submission

Posted report synopses and clinical trial reports per disease area

Disease	Report synopses	Clinical trial reports
Actinic keratosis	31	25
Alopecia areata	1	0
Atopic dermatitis and eczema	5	2
Hypertension and edema	7	7
Psoriasis	78	71
Secondary hyperparathyroidism	2	2
Skin infection	15	15
Thrombosis	10	11
Urinary tract infection	2	2
Healthy subjects	52	45
Total	203	180

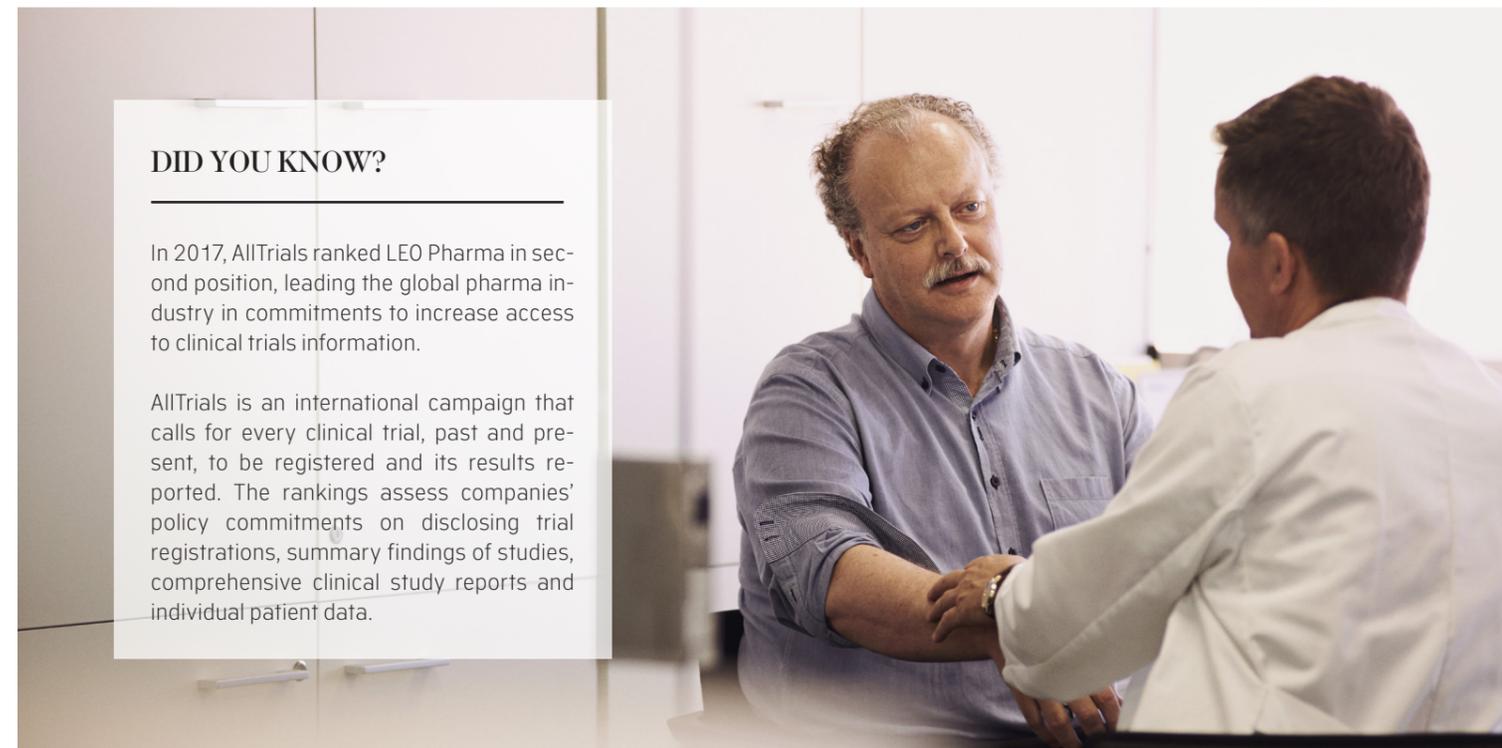
documents in marketing authorisation applications (MAA) submitted via the centralised procedure.

In 2017, one of our goals was to submit a redacted MAA in accordance with EMA Policy 0070. This goal was set under the assumption that the EMA would request the redacted file according to the procedures set out in the Policy 0070 implementation guideline. LEO Pharma has still not received the notification to submit the redacted document package, but we are prepared to react promptly upon request.

LEO Pharma was the first Danish pharmaceutical company to go public with its commitments to increased clinical trial transparency, with its first position paper published in October 2013. In 2017, another goal was to make LEO Pharma's updated position paper on clinical trial transparency publicly available. We achieved this goal in March 2017, when we released a new position paper on Public Access to Clinical Trials Information to adjust to growing requirements and to show the way forward. With patients and research in mind, LEO Pharma has committed to enhancing transparency

³ 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 A¹, 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 JD¹, Parry NM², Ahmer BM³, Fox JG², Bailey MT⁴.



DID YOU KNOW?

In 2017, AllTrials ranked LEO Pharma in second position, leading the global pharma industry in commitments to increase access to clinical trials information.

AllTrials is an international campaign that calls for every clinical trial, past and present, to be registered and its results reported. The rankings assess companies' policy commitments on disclosing trial registrations, summary findings of studies, comprehensive clinical study reports and individual patient data.

in clinical trials. Our position paper applies to LEO-sponsored interventional clinical trials from our entire clinical research and product portfolio, and covers obligations relating to public data registries, result reporting on the corporate website, publication in peer-review journals, individual patient data sharing, and disclosure of submission components.

As a patient-focused company, we are committed to communicating the results of our clinical trials at a level that is understandable for the patients participating in the trials and for the general public. In 2017, an important step in making our clinical research transparent, accessible and available to everyone was our goal to publicly disclose a summary of clinical trial results for laypersons. We achieved this goal in December 2017. In developing the summary, we used patient feedback as well as the EU Commission 2017 guideline 'Summaries of Clinical Trial Results for Laypersons'.

Third Party Compliance Framework

Collaborating with third parties is part of our everyday operations, and we encourage engagement in business relationships which are built on trust, mutual respect and shared values.

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

We continuously improve our Third Party Compliance Framework to ensure that we work systematically with third parties.

In 2017, our goal to update the procedure for third party compliance was achieved. Through close collaboration between relevant internal stakeholders, the existing procedure for third party compliance was replaced by a sustainable procurement procedure.

The update was necessary in order to reflect the changes in the procedure in recent years. Furthermore, the new procedure is simpler and higher level, which makes it relevant for more employees and, consequently, a tool for broader internal communication. Roles and responsibilities have been clarified, sections on how yearly assessments are performed have been added, and we have included a procedure for how to handle issues of non-compliance with the LEO Pharma Third Party Compliance Code.



The UNGPs have been used as inspiration for how we assess risk of suppliers, which means that our assessment criteria have been changed to spend, dependency and frequency. Furthermore, the UNGPs guide our approach to handling issues of non-compliance, as they state that we should help suppliers improve and should see termination of business relationship as a last resort.

Our goal to continue implementing the procedure for third party compliance in affiliates was also achieved.

In October 2017, the procedure for sustainable procurement was implemented in six sales affiliates as part of the roll-out of LEO Pharma's ERP system. Purchases from these affiliates are now also covered by the sustainable procurement procedure. The sales affiliates are Belgium, Finland, the Netherlands, Norway, Sweden and the UK.

With the latest roll-out, approximately 60% of LEO Pharma's global spend is now covered by the sustainable procurement procedure, which means that 60% of spend with new and existing suppliers is assessed according to a risk-based approach in relation to anti-corruption, human rights and the environment.

In 2017, we also achieved our goal to continue to increase internal awareness of the Third Party Compliance Framework, including the Third Party Compliance Code, at headquarters and affiliates.

Throughout the year, we worked on increasing internal awareness through information meetings in various departments in relation to the Third Party Compliance Code. Furthermore, we participated in various smaller meetings with internal stakeholders to create awareness about the sustainable procurement procedure and why sustainable procurement is important for LEO Pharma. As a way of reaching the global organisation, we published various globally and locally adapted articles on our intranet.

In 2017, responsible supply chain management was chosen as one of the five focus areas of our CSR Commitment 2018-2020. Read more about our future plans for this area on pages 46-47.

Community engagement

At LEO Pharma, we acknowledge the need for community engagement and, throughout our global organisation, we support local projects and initiatives.

In 2017, we made efforts to supplement our local community engagement initiatives with global initiatives, in order to achieve our goal to enter into at least one new partnership related to community engagement.

In late December 2017, our Global Leadership Team decided to enter into a partnership with the UK-based non-profit organisation International Health Partners (IHP), thereby achieving our goal. IHP is Europe's largest facilitator of product donations between healthcare companies and aid agencies operating in the Global South. A product donation agreement and a sponsorship agreement were signed on 2 February 2018. The partnership will include a financial donation, product donations and various employee engagement initiatives.

In addition, LEO Pharma wants to develop a framework for donations, grants and sponsorships to set the future direction for our global community engagement activities. In 2017, a working group was dedicated to this task and looked into different ways of providing a solution for LEO Pharma going forward. This work led to the decision to create a short document with the overall ambition of supporting this with a more detailed guideline for global implementation. The plan is to have this ready for implementation in 2018. The project has been delayed due to its complexity.



Focus area	Goal for 2017	Status 2017
Continue mutually beneficial collaborations with scientific and patient organisations	– Expand the Psoriasis Academy to include strong input from patient organisations.	Achieved
	– Continue project-based collaboration with scientific and patient organisations globally.	Achieved
Improve animal welfare within the 3Rs (Replacement, Reduction and Refinement)	– Refine our psoriasis transplantation model.	Achieved
	– Replace skin sensitisation models with cell-based models.	On hold
	– Increase the animal welfare standards of our collaboration partners.	Ongoing
	– Implement at least three new enrichment initiatives for our experimental animals.	Achieved
Enhance transparency in clinical trials	– Submit a redacted Marketing Authorisation Application (MAA) in accordance with European Medicines Agency (EMA) Policy 0070.	Awaiting EMA
	– Make LEO Pharma's updated position paper on clinical trial transparency publicly available.	Achieved
	– Publicly disclose summary of clinical trial results for laypersons.	Achieved
Third Party Compliance Framework	– Update the procedure for third party compliance.	Achieved
	– Continue implementing the procedure for third party compliance in affiliates. ⁴	Achieved
	– Continue to increase internal awareness of Third Party Compliance Framework, incl. Third Party Compliance Code, at headquarters and affiliates.	Achieved
Community engagement	– Enter into at least one new partnership related to community engagement.	Achieved

⁴ Concurrently with the roll-out of our ERP system.

Future plans



Our CSR Commitment 2018-2020

The purpose of our CSR Commitment 2018-2020 is to support LEO Pharma in achieving its mission, vision and corporate strategy 'Helping SARAHA' as well as the following two 2020 aspirations: 'Help more than 100 million people' and 'Reach 82% or more in sustainable engagement score'.

Going forward, our ambition is to take CSR at LEO Pharma to the next level in order to increase the positive impact, as well as minimise the adverse impact, we have on society and the environment.

Global Goals and human rights

Our CSR Commitment 2018-2020 provides a strategic and coherent framework for LEO Pharma's CSR work building on the LEO values.

Our commitment to respect human rights and support the UN Sustainable Development Goals (SDGs) is part of the overall framework for our CSR work and is integrated into relevant CSR areas. We have assessed our impact on all 17 SDGs and their respective targets,

and we have chosen to work with SDGs 3 'Good health and well-being', 8 'Decent work and economic growth', 12 'Responsible consumption and production' and 16 'Peace, justice and strong institutions', which relate to three of the five focus areas chosen.

With respect to human rights, we are implementing the UN Guiding Principles on Business and Human Rights (UNGPs), including conducting human rights impact assessments.

Related Sustainable Development Goals



48 Human Rights
The UN Guiding Principles

Our 5 focus areas



Right to health



Right to privacy



Mental well-being at work



Anti-corruption



Responsible supply chain management

Other essential areas of our CSR commitment



Animal welfare



Climate change, environment and energy



People safety



People development

Taking CSR to the next level

Our 5 focus areas 2018-2020

To support the ambition of taking our CSR efforts to the next level, the following five focus areas were chosen for 2018-2020: **Right to health**, **Right to privacy**, **Mental well-being at work**, **Anti-corruption** and **Responsible supply chain management**. Specific action plans have been developed to drive progress within the CSR focus areas. For the next three years, we will work actively to achieve the KPIs set within each of these areas.



Right to health



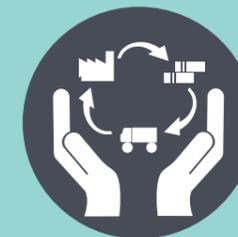
Right to privacy



*Mental well-being
at work*



Anti-corruption



*Responsible supply
chain management*

Right to health



Related Sustainable Development Goal



Right to health is one of the 48 human rights listed in the International Bill of Human Rights. According to the World Health Organization (WHO), right to health covers a wide range of factors that can help people lead a healthy life. Right to health is frequently associated with access to healthcare. The right to health encompasses entitlements including the right to a system of health protection providing equality of opportunity for everyone to enjoy the highest attainable level of health; the right to prevention, treatment and control of diseases; and access to essential medicines.

At LEO Pharma, we aim to help people with skin diseases get access to health and healthcare, empower them and train healthcare workers within dermatology.

To support our commitment to right to health, we want to deliver on the three KPIs for 2018-2020: 1) Help people with skin diseases get access to health and healthcare, 2) Empower people with skin diseases and 3) Train healthcare workers.

Helping people with skin diseases get access to health and healthcare

In order to help people with skin diseases get access to health and healthcare, LEO Pharma has decided upon a number of activities for 2018-2020. This means, for example, that we will engage in rare diseases in dermatology, which includes steps to explore the field and how LEO Pharma can establish its presence in rare diseases in dermatology and potentially enter into partnerships in order to establish a pipeline for rare diseases.

We will also support and drive the global dermatology agenda through disease awareness and advocacy, which will cover a range of disease awareness activities from LEO Innovation Lab⁵ and LEO regions through to digital solutions and campaigns. In addition, LEO Pharma will strengthen advocacy to put dermatology on the global healthcare agenda through collaboration with external stakeholders.

Furthermore, we plan to strengthen the healthcare infrastructure within dermatology.

Empowering people with skin diseases

As part of our efforts to empower people with skin diseases, we will conduct disease awareness. Examples of disease awareness activities include the development of a concept for raising disease awareness, a pilot project for a digital solution to prepare people living with a skin disease for a meeting with their doctor and a digital solution to help people with skin diseases manage and track their disease.

We also expect to develop and launch a digital solution to help diagnose one or two skin diseases globally via LEO Innovation Lab.

Another activity supporting the KPI to empower people with skin diseases is to engage in a partnership focused on creating shared value for people with skin diseases and society. Part of this work is focused on identifying relevant partners to engage with, before the actual partnership can be established.

Training healthcare workers

Training of healthcare workers is the third KPI set to achieve our commitment within this focus area. In 2018-2020, we plan to explore opportunities to build continuing medical education modules within dermatology in collaboration with international scientific organisations and/or top universities.

In China, we will also engage in partnerships with medical society, among others, in order to develop continuing medical education targeted at general practitioners (GPs).

Another way to train healthcare workers is through LEO Pharma's Psoriasis Academy, and therefore the plan is to expand the outreach of the academy and thereby increase the number of healthcare workers trained.

In addition, we aim to train healthcare workers via an expanded Psoriasis Academy platform. Part of this work is to further develop and expand the academy in order to explore the possibilities for creating a module in continuing medical education.

Supporting the SDGs

Within right to health, we have assessed that we have an impact on SDG 3 'Good health and well-being'. This focus area will support the achievement of SDG 3 via efforts related to the following SDG targets:

Target 3.4: Reduce mortality from non-communicable diseases

- By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

Target 3.8: Achieve universal health coverage

- Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Target 3.C: Increase health financing and workforce support for developing countries

- Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.

Year	KPI
2018-2020	Help people with skin diseases get access to health and healthcare
	Empower people with skin diseases
	Train healthcare workers

⁵ LEO Innovation Lab was established in 2015 as an independent digital innovation unit of LEO Pharma. LEO Innovation Lab focuses on digital health and has launched a wide range of digital solutions targeting people with skin conditions worldwide. Read about how LEO Innovation Lab enables 'Right to health' on pages 38-39.

LEO Innovation Lab – enabling right to health

Innovation will be key in order to achieve our CSR Commitment 2018-2020. Within ‘Right to health’, LEO Innovation Lab plays a central part in enabling this focus area.

The goal of LEO Innovation Lab is to address the needs of people living with skin diseases via digital solutions and technology. With a team of more than 80 people, LEO Innovation Lab aims to create visibility on the patient journey, so that we can better understand how the patient’s progression to recovery can be made more efficient. This includes developing digital solutions that help people with skin diseases be better prepared for their consultation with the HCP and ensure that they can take as much value from the limited time available with the HCP as possible.

With digital solutions, LEO Innovation Lab is also endeavouring to empower people with skin diseases by educating them about their condition, how it is affected by their environment and how it might be linked to lifestyle factors. LEO Innovation Lab also develops solutions that help people with skin diseases document their condition, creating visibility regarding how skin conditions respond to treatments or environmental factors between HCP visits. By empowering people to take control of their chronic condition, and supporting them with digital solutions, we hope to enhance the interaction between patient and doctor.

Selected work of LEO Innovation Lab

PsoHappy

Psoriasis is a chronic skin condition that has a significant impact on the lives of the people living with it. In May 2014, the WHO issued a resolution on

psoriasis, calling upon member states to improve awareness of and access to diagnosis and treatment for psoriasis. To measure the impact psoriasis has on people’s lives, LEO Innovation Lab launched PsoHappy in 2017 – an ongoing global study investigating the impact of psoriasis on happiness. Its most recent publication, the *World Psoriasis Happiness Report 2017*, summarised insights gathered from 121,800 patients from 184 countries, collected through PsoHappy’s digital platform over a period of seven months. The project is supported by several patient advocacy organisations, including 11 psoriasis patient associations from around the world. The project received positive feedback from the Executive Director of the International Federation of Psoriasis Associations (IFPA). The PsoHappy platform is currently acquiring data from its patient user base on the relationship between psoriasis, happiness and comorbidities, to investigate the association between psoriasis and other non-communicable diseases and shed further light on the impact of psoriasis on public health.

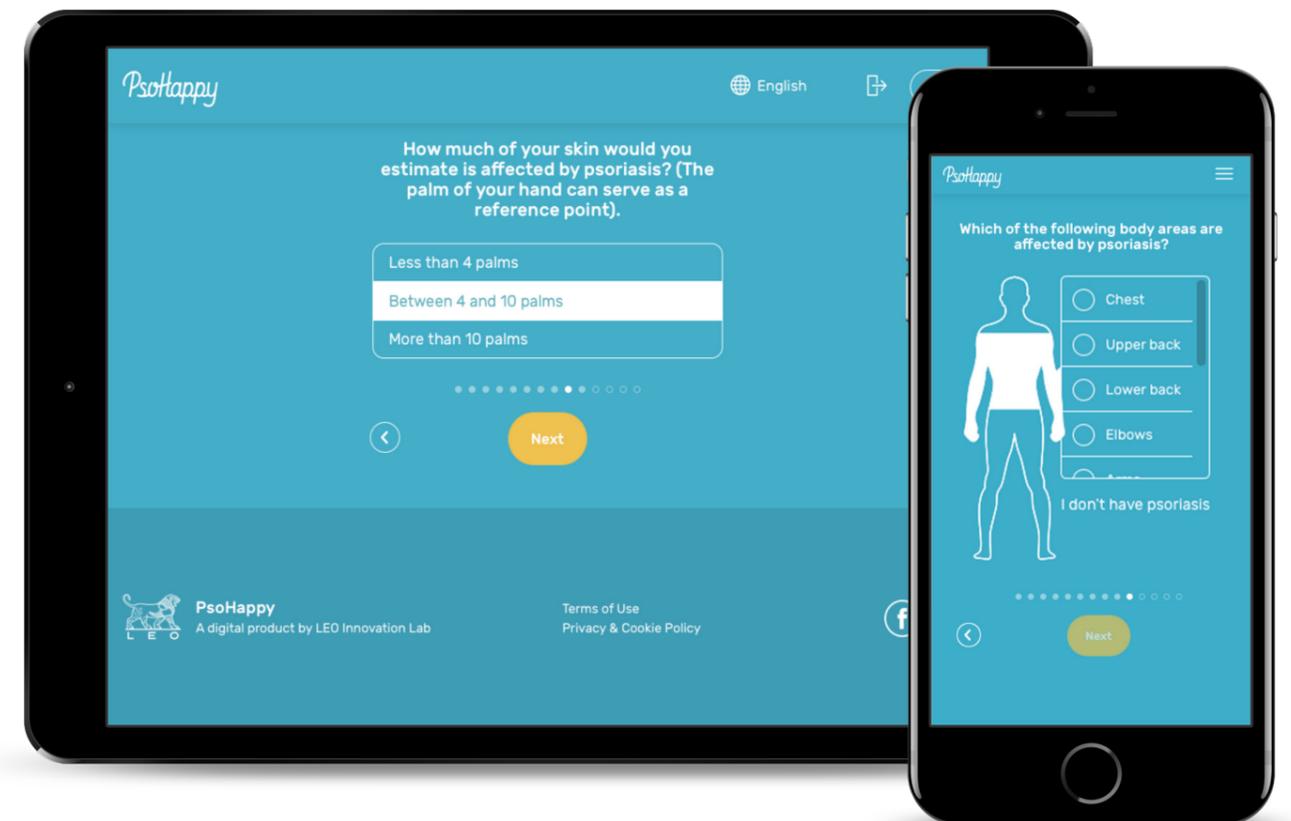
Imagine

Imagine is a mobile app that tracks and analyses psoriasis over time using advanced image analysis. LEO Innovation Lab is working to develop algorithms and gather data that could provide diagnostic assistance to dermatologists and general practitioners (GPs). Such algorithms and data also provide a technical toolbox for making telemedicine work, since LEO Innovation Lab use images gathered by ordinary people all over the world.

Recent advances within machine learning allow us to automate any task that a human can solve, in a fraction of the time. This kind of technology will enable LEO Innovation Lab’s solutions to deliver an individualised approach to people living with chronic skin conditions, even with minimal input from the HCP. In five years, we hope to have demonstrated improvements in both accuracy of HCP diagnoses and treatment recommendations, and efficiency, by reducing the time needed to deliver an accurate diagnosis. We hope to be able to deliver this for a wide range of skin conditions.

Ventures

LEO Innovation Lab is continuously engaging in partnerships around the world with innovators that share its vision. To enable this effort, LEO Innovation Lab is present in London, San Francisco, Tel Aviv and Toronto in addition to its global headquarters in Copenhagen. In order to bring to market the best solutions for people with skin diseases, LEO Ventures, a LEO Innovation Lab initiative, is investing in start-ups considered to be setting the agenda for the future of healthcare.



Right to privacy



Right to privacy is one of the 48 human rights listed in the International Bill of Human Rights. It focuses, among other things, on surveillance and monitoring of individuals and protection of personal information. Data privacy is an essential element of right to privacy. With the introduction of new regulations, including the European General Data Protection Regulation (GDPR), and new technological means of collecting and disclosing personal data, there is an increasing focus on data privacy and ensuring adequate protection of personal data.

At LEO Pharma, we aim to enhance and strengthen right to privacy by implementing cross-organisational governance, protecting the privacy of clinical trialists (patients), HCPs, our employees and other stakeholders, and improving transparency, with more focus on patient-centric information.

Developing and implementing the privacy programme

In 2018, we will start establishing a global unified privacy programme with the purpose of supporting the implementation of our data privacy commitment at LEO Pharma. Achieving this KPI entails efforts to develop the privacy programme, including scoping and defining governance structure and aligning with binding corporate rules. It also entails the implementation of the privacy programme, which includes training of LEO people and developing various privacy tools for use in daily business operations.

Increasing awareness of data privacy

Another KPI set for 2018 is to conduct awareness campaigns to increase the knowledge of data privacy internally and externally. This includes engagement with our LEO employees, as well as external stakeholders such as HCPs and our suppliers. We also plan to raise awareness among patients and patient organisations, to empower these stakeholder groups.

We want to build collaboration with external stakeholders around data privacy. In 2019, this means continuing our work entering into dialogue with stakeholders about right to privacy. Our first KPI set for 2019 is to establish a global privacy framework for stakeholder dialogue and collaboration.

We also want to strengthen the data protection culture. To achieve this KPI, we will conduct data privacy training and awareness support for LEO employees and suppliers.

Setting our new privacy strategies

For 2020, our KPI is to further strengthen stakeholder dialogue, engagement and collaboration concerning right to privacy. We therefore plan to establish a Privacy Board consisting of internal and external stakeholders, to set out privacy strategies and thereby set the direction for our work with data privacy beyond 2020. We acknowledge the great importance of stakeholder involvement in this work in order to achieve our ambitions and commitments within this area.



Year

KPI

2018

Establish a global unified privacy programme

Conduct awareness campaigns

2019

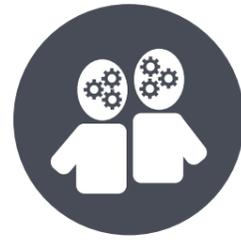
Establish a global privacy framework for stakeholder dialogue and collaboration

Strengthen the data protection culture

2020

Strengthen stakeholder dialogue, engagement and collaboration

Mental well-being at work



Increasing focus on mental well-being at work will primarily target the following two areas: the psychosocial working environment, and resilience and stress management. According to the European Agency for Safety and Health at Work, psychosocial risks and work-related stress are among the most challenging issues in occupational health and safety.

At LEO Pharma, we recognise this challenge and will therefore increase our focus on mental well-being at work.

Enhancing mental well-being at work

In 2018-2020, we will work to enhance mental well-being at work for all LEO people.

Starting in 2018, we will present a global position on mental well-being at work at LEO Pharma.

Implementing a global position

One of our KPIs for 2019 and 2020 is therefore to share best practices and roll out mental well-being supporting material for local adaptation. Our focus will be on implementing the global position, which includes rolling out and anchoring the position throughout the organisation.

As part of the preparations for implementing the global position, we will develop guidelines and share information material and best practices about stress management and organisational resilience.

Another KPI set for 2019 and 2020 is to engage managers, HR and communities to enhance mental well-being at work initiatives for LEO people. This is in order to ensure successful implementation and anchoring of the position, and will be achieved via sharing best practices within HR and EHS communities.

Assessing mental well-being at LEO Pharma

We have set a KPI to create a baseline for mental well-being issues and for current activities and initiatives within mental well-being at LEO Pharma in 2019 and 2020. To achieve this, our plans for 2019 include an assessment of mental well-being issues through data from LEO Pharma's Engagement Survey and other relevant tools to assess specific local issues. At the same time, we will assess our current mental well-being activities and tools, to identify gaps in our current set-up.

In 2020, we plan to follow up on our initial 2019 assessment of mental well-being issues and activities, which also includes an assessment of organisational knowledge about mental well-being at work and the business impact of the mental well-being issues identified.

Enhancing the mental well-being of LEO people



Year	KPI
2018	Present a global position to enhance mental well-being at work at LEO Pharma
2019-2020	Create a baseline for mental well-being issues and for current activities and initiatives
	Share best practices and roll out mental well-being supporting material
	Engage managers, HR and EHS communities to enhance mental well-being at work initiatives for LEO people
	Follow up on assessment of mental well-being issues and activities

Anti-corruption



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 is a global company located in 61 countries, more than half of which are located in high-risk countries, as illustrated by Transparency International's Corruption Perceptions Index. To fight corruption, countries are increasingly developing and enforcing anti-corruption legislation. The UK Bribery Act is one of the strictest pieces of legislation on corruption.

LEO Pharma aims to strengthen its Anti-Corruption Compliance Programme, and we will therefore further develop our Anti-Corruption Compliance Programme to ensure continuous alignment and compliance with the requirements of the UK Bribery Act. Hence the activities described in developing our programme are similar to those stated by the UK Bribery Act as being essential elements of every company's Anti-Corruption Compliance Programme.

Further developing the programme

Starting in 2018, we will work to further develop and implement our Anti-Corruption Compliance Programme. The achievement of this KPI includes efforts to define the related governance structure and decision-making processes, conduct risk assessments, update internal procedures and strengthen our due diligence process related to anti-corruption.

Training employees and partners

To ensure that the Anti-Corruption Compliance Programme is successfully embedded in the organisation, we will focus on implementing the programme in 2019. For this, we have set two KPIs related to training.

First of all, we will train all employees by the end of 2019 in the updated Anti-Corruption Compliance Programme. This work entails developing training materials which are tailored to different risk groups and communicated via various communication channels, for example face-to-face training, e-learning and the training included in our LEO Code of Conduct.

Following that, we want to make sure that we train all partners whose employees represent LEO Pharma by 2019. This training will also follow a risk-based approach and include various types of training.

Ensuring good business conduct

Our efforts to live up to our anti-corruption standards do not end with the implementation of the Anti-Corruption Compliance Programme in 2019. In 2020, our KPI is to strengthen awareness and good business conduct related to anti-corruption. We will do this to ensure that the practices implemented in 2019 are kept alive and awareness of the programme is communicated on a continuous basis. We will follow up via internal awareness campaigns and workshops as well as conduct audits and share best practices in affiliates.

Supporting the SDGs

Within anti-corruption, we have assessed that we have an impact on SDG 16 'Peace, justice and strong institutions'. This focus area will support the achievement of SDG 16 via efforts related to the following SDG target:

Target 16.5: Reduce corruption and bribery

- Substantially reduce corruption and bribery in all their forms.

Related Sustainable Development Goal

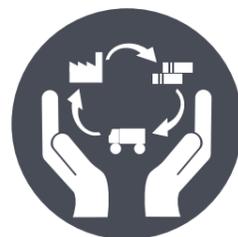


Our fight against corruption



Year	KPI
2018-2019	Develop and implement the Anti-Corruption Compliance Programme by the end of 2019
	Train all employees by the end of 2019
	Train all partners whose employees represent LEO Pharma by the end of 2019
2020	Strengthen awareness and good business conduct

Responsible supply chain management



Responsible supply chain management at LEO Pharma covers the processes and systems we have in place to manage our supply chain responsibly and minimise the adverse impact our suppliers have in relation to human rights, anti-corruption and the environment. Responsible supply chain management is important as stakeholder expectations are rising in relation to this area, with increasing requirements from both international guidelines and legislation. Furthermore, LEO Pharma needs to work actively with responsible supply chain management in order to reap the benefits that can be obtained through risk mitigation and collaborative partnerships.

We therefore aim to know the social and environmental impact that we have on and through our supply chain, and actively work with our business partners to continually improve practices.

Strengthening our procedures

In 2018, two KPIs will help drive progress to strengthen LEO Pharma's approach to responsible supply chain management.

Our first KPI set for 2018 is to reinforce focus on responsible supply chain management by strengthening procedures, which includes our work to update our human rights policy, various positions and contract clauses. We also plan to engage in relevant responsible supply chain management initiatives, such as the Pharmaceutical Supply Chain Initiative and the Danish Ethical Trading Initiative.

Due diligence procedures are also the focus of our increased efforts within responsible supply chain management. To strengthen our due diligence procedures, which is the second KPI set for 2018, we will assess and improve our current procedures. For example, we will use findings from human rights impact assessments to develop procedures and identify salient risks, including mapping of supply chain sustainability risks. We will also establish KPIs for monitoring effectiveness of procedures in order to constantly improve.

One way to ensure that effective procedures are embedded in the organisation is by increasing

awareness and training of employees. We therefore plan to increase internal capacity in Global Procurement within human rights, anti-corruption and the environment via training, tools and external inspiration.

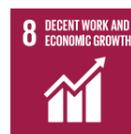
In addition, we also plan to include suppliers beyond tier 1 in our yearly assessment of our suppliers.

Another central part of responsible supply chain management is to ensure that efficient remediation procedures are in place. In 2020, we will work to strengthen our remediation procedure. This work includes updating the current procedure as well as implementing the new procedure to ensure that the people involved in this process are familiar with it.

Assessing our suppliers

As a natural continuation of the supplier assessment activities in 2018, one KPI for 2019 is to conduct five supplier site assessments based on requirements within human rights, anti-corruption and the environment. This KPI is also relevant for our efforts in 2020, where the aim is to conduct 5-10 supplier site assessments. To prepare ourselves for conducting supplier site assessments and finding effective and collaborative ways of building capacity at our suppliers' sites to ensure continuous improvements,

Related Sustainable Development Goals



we will focus on developing internal capacity for supplier site assessments, including audit training. This work also relates to the KPI set for 2019 and 2020, which is to train employees in due diligence and thereby build internal capacity. For this KPI, we will measure the number of employees participating in training.

Supporting the SDGs

Within responsible supply chain management, we have assessed that we have an impact on SDGs 8 and 12. This focus area will support the achievement of the two SDGs via efforts related to the following SDG targets:

Target 8.7: End modern slavery, trafficking and child labour

- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

Target 12.4: Responsible management of chemicals and waste

- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Target 12.5: Substantially reduce waste generation

- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Target 12.6: Encourage sustainable practices for companies

- Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Year	KPI
2018	Reinforce focus on responsible supply chain management by strengthening procedures
	Strengthen due diligence procedures
2019	Conduct five supplier site assessments based on requirements within human rights, anti-corruption and the environment
	Train employees in due diligence
2020	Strengthen remediation procedure
	Conduct 5-10 supplier site assessments based on requirements within human rights, anti-corruption and the environment
	Train employees in due diligence

Other essential areas of our CSR commitment

CSR at LEO Pharma encompasses much more than the five focus areas. **People development, People safety, Climate change, environment and energy** and **Animal welfare** are all essential areas of LEO Pharma's CSR commitment, and efforts within these areas are key to upholding LEO Pharma's high standards within CSR.

Transparency, compliance with regulations and external requirements, and international standards, disclosure, innovation and partnerships focused on creating shared value are all inherent elements when working with CSR at LEO Pharma.



People development

Year	KPI
2018-2020	Reach 82% or more in sustainable engagement score
	Create a strategy for leadership development in 2018
	Implement a global process for performance management in 2019



People safety

Year	KPI
2018	Set new KPI(s)
	Achieve an LTI rate of ≤ 3.5 for manufacturing sites
	Standardise and reduce internal complexity regarding EHS certifications
2019	KPI(s) developed in 2018
2020	KPI(s) developed in 2018
	Achieve an LTI rate of ≤ 2 for the LEO Group



Climate change, environment and energy

Year	KPI
2018	Set new climate change KPIs
	Standardise and reduce internal complexity regarding EHS certifications
	Plan climate change mitigation activities at LEO Pharma
2019	Global climate change KPI(s) developed in 2018
	Set 2025 goal(s) according to the climate change KPI
	Set new local site-wise climate change KPI(s)
2020	Global climate change KPI(s) developed in 2018
	New local site-specific climate change KPI(s) developed in 2019



Animal welfare

Year	KPI
2018-2020	Engage with approved collaboration partners with full approval for all species of laboratory animal
	Inspire other research institutions in Denmark to use capillary micro sampling as blood collection technique
	Use fewer animals in the discovery phase of drug development
	Produce an overview of experimental animals used in research, including numbers and species of animal used for drug development projects from 2018 onwards

People development



At LEO Pharma, we want to be recognised for being a highly people-oriented company that puts strong emphasis on engaging, enabling and developing our employees. Our overall KPI is to reach 82% or more in sustainable engagement score⁶. Our recent sustainable engagement score of 84% shows that we put words into action. In the future, we want to maintain a sustainable engagement score at the same level as or higher than the pharma industry. Several initiatives are planned for 2018-2020 to support the implementation of LEO Pharma's new 2025 strategy through the continuous development of LEO people.

Engaging our employees

In 2017, we launched our new concept for employee engagement to ensure that engagement becomes a topic for ongoing conversations in all teams globally. In 2018, we will support our managers and teams in their further adaptation to the new concept. We will also ensure that we capture learnings to continuously improve the concept.

We will continue to focus on leadership development in 2018-2020. From benchmarking with high-performing companies, we know that we already have very strong leadership at LEO Pharma today and a highly motivated and committed organisation as a result. To support the implementation of LEO Pharma's new 2025 strategy, we have set a KPI for 2018 to create a strategy for leadership development. We will focus on developing the leadership behaviours critical to executing our 2025 strategy. We call it the 'LEO way of leading'. One of the critical behaviours is to excel at empowering and developing our employees through purpose-driven leadership.

Enabling people to grow

For years, we have ensured that all employees are engaged in the annual Personal Development Dialogue with their manager to discuss the need for competence development in relation to short-term tasks and assignments as well as in relation to fulfilling long-term career aspiration.

Another KPI set is to implement a global process for performance management in 2019. To achieve this, we will pilot a new global process for performance management, with competence development being an integrated part of the process in 2018. We call it 'LEO GROW' and plan to launch it to the entire organisation at the beginning of January 2019. The process includes ongoing and forward-looking dialogues between manager and employee about performance and development, linking business priorities and values with employee actions.

The new process will ensure that business goals are backed up by relevant development goals, so that employees are not only supported by clear expectations about what to deliver but also about what it takes to succeed.

⁶ Sustainable engagement consists of nine questions and measures employees' engagement and enablement at work. Engagement is not enough for employees to perform optimally; they also need to be enabled by the right organisational conditions to be able to unfold their engagement.

People safety



At LEO Pharma, we believe that a safe working environment is characterised by a workplace which prevents and manages physical injuries as well as ensures that employees have the proper knowledge to perform their work in a safe manner. It is important for us to ensure that when people come to work, they and their families can be confident that they are going to go back home at the end of the day safe and well.

Reducing the number of injuries

In 2018, we will develop and set new KPIs for people safety at LEO Pharma. We want to have more proactive KPIs which will demonstrate our efforts to reduce the number of injuries. Therefore, we will introduce various proactive people safety KPIs which individual departments can choose from and implement in the different areas.

In order to be able to benchmark against other companies, we will keep the LTI rate as an indicator of overall safety performance.

The KPI set for 2018 is still to achieve an LTI rate of ≤ 3.5 at our manufacturing sites.

To achieve this KPI, we will continue our focus on behaviour and we will continue to train managers and improve our best-practice sharing and adoption.

Standardising our safety work

Another KPI for 2018 is to standardise and reduce internal complexity regarding EHS certifications.

That is why we merged our local EHS management systems in 2017, as mentioned on page 14. The new global system will be fully implemented in 2018. As a direct consequence of this, it is our ambition to achieve a level where all our manufacturing sites can be covered by one certificate, covering all three ISO standards – ISO 14001, ISO 50001 and ISO 45001. Read more about this on page 52.

Part of this work is to prepare for our ISO 45001 certification in 2018, which replaces OHSAS 18001.

In 2017, we also introduced a new EHS IT management system, Mai™, at our European manufacturing sites. This will reduce internal complexity and improve our data sharing. The IT system gives us a complete overview of reported non-conformances, near misses and injuries, and we expect the system to be fully functional in 2018.

Safety first for all

Our people safety activities for 2019 and 2020 will depend on the KPIs set in 2018 as well as the mapping of people safety issues in the affiliates. Our ambition is to increase our focus on EHS in our affiliates to provide a safe and healthy work environment across the organisation.

We plan to introduce these activities, building on an approach of sharing and anchoring best practices to inspire good behaviour. We want to ensure that the 'safety first' philosophy is embedded in the mindset of every employee.

The combination of initiatives will ensure progress and support us in achieving an LTI rate of ≤ 2 for the entire LEO Group in 2020.

Climate change, environment and energy



At LEO Pharma, our ambition is to minimise our adverse impact on the environment. This includes our work to reduce our contribution to climate change via our production and business activities across LEO Pharma. In 2018-2020, we will therefore focus on reducing our greenhouse gas emissions and on working actively with energy efficiency initiatives.

Our work against climate change

In 2015, 195 of the world's governments signed the Paris Agreement and committed to preventing climate change by limiting global warming and keeping the global temperature increase below 2°C.

As a production company, we have an adverse impact on the climate via our greenhouse gas emissions, and we will therefore continue our work to reduce this impact. We will set new global KPIs for our work against climate change for 2018-2020 and 2025. As part of this process, we will look at the approach for setting science-based targets as well as how our work aligns with the SDGs. We will also look into greenhouse gas emissions use per patient helped.

For 2018, we have also set a KPI to plan climate change mitigation activities at LEO Pharma. This will be carried out through a number of energy-saving and efficiency initiatives. In order to speed up the energy-saving projects, it has been decided to increase the number of feasibility studies required to be able to launch sufficient new projects. We still have a pipeline of more than 40 project ideas that needs to be validated before decisions on implementation can be made.

We will continue to pursue new energy efficiency projects. A maintenance shutdown of the API facility in Ballerup (DK) in 2018 will allow us to implement several larger energy efficiency projects, along with other improvement initiatives within air handling, cooling, LED lighting and several other energy projects. At the same time, we will perform a number of feasibility studies on more promising projects to maintain a continuous pipeline of energy efficiency projects in the coming years.

Based on the KPIs developed in 2018, we will implement climate change mitigation projects and activities in 2019 and 2020. We will also break down the global climate change KPIs into new local site-related climate change KPIs to ensure that all manufacturing sites are working in the same direction. We also aim to increase our focus on the environment in other business areas.

Less complexity regarding certifications

As mentioned on page 51, in 2018 we will work to achieve our KPI related to standardising and reducing internal complexity regarding EHS certifications. In order to align EHS processes and thereby increase efficiency, our local management systems covering ISO 14001, OHSAS 18001/ISO 45001 and ISO 50001 were merged into one global system by the end of 2017. Simultaneously, negotiations to obtain one certificate to cover all sites and standards took place in late 2017, and this one certificate is expected to be implemented during 2018.

As our manufacturing site in Dublin (IE) is the only LEO Pharma site which is certified according to the energy management standard (ISO 50001), it has been decided to include the energy management standard in the one certificate project. Companies that are ISO 50001 certified are exempt from the requirement of the European Energy Directive whereby companies which are not certified are required to conduct energy audits. Becoming ISO 50001 certified at all European manufacturing sites is in line with the ambition to standardise and reduce internal complexity.

Minimising our use of water

Water is a resource that we depend on in our manufacturing processes, in the composition of our products and for cleaning and sanitary purposes. We also know that, in the future, water will become a scarce resource. In 2018, we will work on enhanced water usage monitoring at all manufacturing sites in order to be able to identify more feasible water-saving projects.

Increasing waste recycling

In 2017, we began utilising the grease fraction of mucosa waste product for biogasification by a subcontractor. This fraction is expected to be doubled, thereby increasing the utilisation and greenhouse gas displacement.

Animal welfare



Animal experimentation is part of our research and drug development activities. It plays an invaluable role in assessing the potential and safety of new drug candidates. Many publications support our observation that high animal welfare results in higher scientific quality, showing that experiments performed in non-stressed animals under good housing and husbandry conditions result in higher scientific quality. We constantly work to raise the bar for animal welfare at LEO Pharma and at our collaboration partners' premises.

In 2018-2020, we will continue to improve our animal welfare standards for experimental animals in all aspects of the 3Rs: Replacement, Reduction and Refinement.

To achieve this, we have set four KPIs for the three-year period to drive our progress.

Improving standards through dialogue and awareness

As a refinement initiative, we will engage with more collaboration partners with full approval for all species of laboratory animal and thereby continue our efforts to increase animal welfare standards at our collaboration partners' premises, through dialogue, audits and follow-up communication.

Within refinement and reduction, another KPI set is to inspire other research institutions in Denmark to use the capillary micro sampling (CMS) technique, where blood samples are collected under less stressful conditions as only a very small amount of blood is required for analysis. One way to measure the achievement of this KPI is whether the authorities can document increased use of the method in ethical approvals for animal experimentation. We will therefore increase awareness of the technique for in vivo research in Denmark, for example by presenting at national seminars and inviting researchers to our animal welfare facility to demonstrate the technique.

Reducing the number of animals used in research activities

We will also make efforts to ensure that we use fewer animals in the discovery phase of drug development, by exploring the options for alternatives to animal experimental work – a reduction initiative. To get the insight needed, we will seek inspiration from the external research environment via conferences and relevant animal welfare-focused fora.

For some years, we have planned to create transparency regarding the number of animals used in each drug development project, an activity which has been delayed due to prioritisation of other initiatives.

In 2018-2020, we will develop an overview of experimental animals used in research, including numbers and species of animal used for drug development projects from 2018 onwards, from the early discovery phase to clinical trials. We will create transparency by mapping the numbers of animals per research project, including species, which can help us identify both replacement and reduction options within our drug development projects.

Our CSR governance

In order to support the CSR Commitment 2018-2020 and meet the ambition to take CSR at LEO Pharma to the next level, a new CSR governance structure will be implemented.

CSR Board

A CSR Board will be established in the first quarter of 2018. The CSR Board members will be appointed by the CEO and be responsible for setting the strategic direction for LEO Pharma's overall CSR work and for overseeing and coordinating the various high-level CSR initiatives.

CSR team

The CSR team will function as the secretariat for the CSR Board. The CSR team are subject-matter experts on CSR and are responsible for driving the overall CSR agenda at LEO Pharma. This includes responsibility for developing and implementing CSR at LEO Pharma, such as the CSR commitment and CSR reporting, and communicating about these. They collaborate actively with and train CSR Drivers and CSR Ambassadors.

CSR Drivers

The existing team of internal CSR Drivers will be expanded to reflect the new focus areas as well as the other essential areas of our CSR commitment. It is the responsibility of the CSR Drivers to provide input, feedback and relevant business insights. Furthermore, they drive and report on progress within CSR areas and KPIs, and help embed CSR at LEO Pharma.

CSR Ambassadors

CSR Ambassadors will be appointed in affiliates to support the successful embedding of CSR across the organisation. It will be the responsibility of the CSR Ambassadors to help ensure that CSR is embedded in their respective affiliate and/or business unit by communicating about and increasing awareness of CSR.

“Our ambition is to take CSR at LEO Pharma to the next level in order to **increase the positive impact, as well as minimise the adverse impact, we have on society and the environment.**”

Glossary

3Rs

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

API

Active Pharmaceutical Ingredient.

CO₂ emissions

Carbon dioxide (CO₂) 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 CO₂.

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.

EMA

European Medicines Agency.

ERP system

Enterprise Resource Planning system.

FTE

Full-Time Equivalent.

GEMBA

In this context, the term GEMBA means to go to where the injury took place and talk to the people who were involved.

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.

KPI

Key Performance Indicator.

LTI

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

MAA

Marketing Authorisation Application.

Manufacturing site

Site where production takes place.

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.

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/).

Stakeholder

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

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).

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 Sections 99a and 99b of the Danish Financial Statements Act.

Scope of the CSR Report

The CSR Report gives an overview of our policies and achievements within the four CSR pillars for the financial year 1 January – 31 December 2017, as well as the future plans for LEO Pharma's CSR work in 2018-2020. The report covers the significant environmental, social and ethical issues related to running a global pharmaceutical company.

Our auditor, Deloitte, has not performed any procedures on the CSR Report in addition to the audit of the Consolidated Financial Statements. However, Deloitte has read the CSR Report as part of LEO Pharma A/S' Management Review.

Boundary setting

Our data related to the environment, climate, energy and safety cover our manufacturing sites in Ballerup and Esbjerg in Denmark, Dublin and Cork in Ireland, Vernouillet in France and Southport in Australia. The figures in the report cover all activities at the manufacturing sites, 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.

The conversion from company energy consumption to energy consumption per average household (130 m², three people) has been made on the basis of energy data from the Danish Building Research Institute 2014*, where each household consumes 19.0 MWh per year.

Waste

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

Emissions to air

Emissions of solvents, CO₂ and NO_x to the air contribute, 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 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.

Data collection period

Data on energy and water usage for 2017 were collected from 1 October 2016 to 30 September 2017. In previous years, data were collected from 1 January to 31 December. The change in the data collection period is due to a shorter deadline for reporting data for this 2017 report.

* <http://www.sbi.dk/miljo-og-energi/gronne-regnskaber/gront-regnskab-for-boliger/energi-benchmark-fra-sbi>

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 2013-2017

	No. of employees (FTEs)					No. of working hours/employee/year
	2013	2014	2015	2016	2017	
Ballerup (DK)	1,528.4	1,517.33	1,632.26	1,798.6	1,866.2	1,665
Esbjerg (DK)	10.3	9.42	10	12	10.4	1,665
Vernouillet (FR)	345	346.54	346.54	381.9	365.7	1,645
Cork (IE)	52.5	49.6	46.3	47.6	45.8	1,755
Dublin (IE)	381.2	410	440	394.7	472.5	1,755
Southport (AU)	50.6	36	40.4	31.2	26	1,824
Total	2,367.975	2,368.89	2,515.5	2,666	2,786.5	

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

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