



Dermatology  
beyond the skin

## LEO Pharma's UK Modern Slavery Act statement 2019

LEO Pharma publishes this statement in accordance with the UK Modern Slavery Act 2015.

The statement covers both LEO Pharma A/S and LEO Laboratories Limited and refers to the financial year January 1 – December 31, 2019. It describes the steps LEO Pharma has taken throughout the year to prevent modern slavery and human trafficking<sup>1</sup> from occurring in our own operations and in our supply chains.

### OUR BUSINESS AND SUPPLY CHAINS

LEO Pharma is a global healthcare company committed to medical dermatology. Our purpose is to make a difference in the lives of people living with skin diseases. We develop and deliver medical treatments to address the unmet medical needs of people living with skin diseases such as psoriasis, eczema, acne and skin infections, and we help treat people suffering from thrombosis.

LEO Pharma is headquartered in Denmark with a global team of 6,000 people. Our research and development facilities are located in the US, Denmark, China and Japan, while all our manufacturing sites are located within Europe: Denmark (Ballerup and Esbjerg), France (Vernouillet), Ireland (Dublin and Cork), and Italy (Segrate). We acquired our manufacturing site in Italy in July 2019. We also produce through contract manufacturing organizations (CMOs), which we consider as strategic suppliers. LEO Pharma is working with 11 finished goods manufacturers, located in Algeria, Canada, China, the EU, Japan, Mexico, Singapore, and Switzerland.

Each year, we source goods and services from suppliers globally in order to develop, manufacture and distribute our medicines to patients. In 2019, we worked with 6616 active vendors, of which 91% are operating in OECD countries and 9% in non-OECD countries. Suppliers operating in non-OECD countries covered 6% of our total spend of EUR 940.1 million.

In 2019, LEO Pharma helped 92 million patients in more than 130 countries globally and generated a revenue of EUR 1,447 million. Further information about LEO Pharma's business can be found in our [Annual Report](#).

### POLICIES AND GOVERNANCE

#### In our own operations

##### ***Our Code of Conduct and supporting policies***

LEO Pharma is committed to business practices that respect internationally recognized human rights. As a member of the UN Global Compact, we support and respect the protection of all human rights as described in the Universal Declaration of Human Rights, the International Bill of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work.

Across our global operations, we work to strengthen labor rights through safe and fair working conditions, and promote respect for labor and human rights in our supply chains, as guided by the UN Guiding Principles on Business and Human Rights (UNGPs).

Our commitment to human and labor rights is expressed in the [LEO Pharma Code of Conduct](#) and in our [Human Rights Policy](#).

Training on our Code of Conduct is mandatory for all LEO Pharma's employees, and we also require all our employees to comply with applicable laws, regulations and industry codes, international requirements as well as our supporting internal guidelines. Our Code of Conduct is based on our values and approved by our Global Leadership Team. The Code of Conduct is available in 20 languages.

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<sup>1</sup> When using the term 'modern slavery and human trafficking' we refer to all forms of slavery, servitude and forced and compulsory labor, and human trafficking. Source: <http://www.legislation.gov.uk/ukpga/2015/30/section/1/enacted>



To increase our emphasis on human rights in 2019, we developed a Human Rights Policy in order to further embed the responsibility to respect human rights throughout all business functions. Our commitment to respecting and protecting human rights applies to all LEO Pharma's locations and business operations worldwide.

In 2019, our work to respect human rights, including prevention of modern slavery is governed by LEO Pharma's Sustainability Board.

#### **In our supply chain**

##### **LEO Pharma Third Party Compliance Code**

The LEO Pharma Third Party Compliance Code from 2016 continues to be our core document that clarifies our requirements and minimum expectations to our suppliers in relation to: *business ethics, human rights, labor rights, health and safety, environment, subcontractors and management systems*. Contract with new suppliers include reference to the code.

The LEO Pharma Third Party Compliance Code is based on the [Principles from the Pharmaceutical Supply Chain Initiative \(PSCI\)](#) and guides our due diligence and approach to responsible management of our supply chains. Responsible supply chain management is implemented in procurement practices through our global procurement procedures, which were updated in 2019. These now include our global position on responsible supply chain management, which highlights the importance to work actively with our suppliers, to know the social and environmental impact in our supply chain and to continuously improve practices.

In case of non-compliance in relation to LEO Pharma Third Party Compliance Code, our Sustainable Procurement team confers with LEO Pharma's Risk & Compliance Board to determine appropriate remedies. LEO Pharma believes in cooperating rather than terminating the business relationship, in alignment with the UNGPs.

## **DUE DILIGENCE**

#### **In our own operations**

As part of our commitment to implementing the UNGPs, we assess our human rights risks at a corporate level periodically (last conducted in 2018). Through this process, we evaluate our internal processes, training, and monitoring systems to ensure that we adequately manage any potential risks. For this process, we consider external risk profile data on country of operation as well as the type of work being carried out, and the type of labor being used to determine risk levels. Our next assessment is scheduled for 2020.

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

#### **In our supply chain**

Through our responsible supply chain program, we work to identify human rights risks in our supply chains to prevent and mitigate any potential adverse human rights impacts.

In 2019, we updated our due diligence process for all our suppliers by implementing a new screening platform that includes monitoring of adverse media. This gives us a better overview of the risks of modern slavery that our suppliers may pose or/and be disposed to. If we identify actual or potential adverse impacts and questions persist after initial desktop assessment, we engage with our suppliers through a self-assessment questionnaire, through which we ask our suppliers to provide evidence around their policies and processes. In 2019, a total of 178 self-assessment questionnaires were sent to our suppliers as part of our systematic screening of new suppliers, based on frequency of purchase, dependency on the supplier and the estimated spend. This includes suppliers related to LEO Pharma's acquisition of our manufacturing site in Segrade, Italy, that have undergone a due diligence screening including an analysis on human rights. Based on the answers to the self-assessment questionnaire, we determine appropriate mitigation plans.



## RISK ASSESSMENT AND MANAGEMENT

### In our own operations

Based on our 2018 human rights risk assessment, we believe that the risk of modern slavery in our own operations is low. This is due to both the robust labor laws in countries of our operations as well as to the highly regulated nature of our industry, our employees being largely educated or skilled and undertaking work in highly controlled environments. We believe that our established policies and processes are adequate for mitigating our determined level of risk.

### In our supply chain

In line with the UNGPs, LEO Pharma works to prevent contributing to any human rights violations in our supply chains. To identify human rights and modern slavery risks in our supply chain, we have used our country risk mapping, which is based on the Global Slavery Index (2018). We identified nine key locations where our suppliers from 2019 are vulnerable to modern slavery and on which we focus our risk mitigation efforts: China, India, and Russia are among these countries.

Additionally, in 2019, we have deepened our understanding of the risks that exist in our supply chain by making a human rights impact assessment on our supplier categories for the second time. We included indicators on likelihood and remediability. This risk assessment has led us to identify 'Logistics & Distribution – Road & Sea' and 'Raw materials' to be some of the supplier categories that are most exposed to risks of modern slavery.

To address these potential and existing risks, we have developed a toolbox for a structured approach to implementing improvement plans for our high risk suppliers. In addition to the improvement plans, we established a social audit program as a mitigation, which follows the PSCI audit framework. We use our risk assessment tools to identify where a social audit is needed. In 2019, one social audit was conducted for an API supplier operating in India. The audit did not identify any incidents of modern slavery.

## TRAINING AND CAPACITY BUILDING

### In our own operations

All new and current LEO Pharma employees are required to read and understand, complete e-Learning on our Code of Conduct that covers human rights topics.

For preventing, identifying and remedying human rights and slavery risks within our supply chain, it is crucial to raise awareness in our own operations and among our suppliers. Each year we engage and train our Global Procurement department to strengthen their ability to handle potential risks of non-compliance to the LEO Pharma Third Party Compliance Code. This year the training was specifically focused on potential modern slavery issues in our supply chains.

### In our supply chain

To strengthen our mutual understanding with our suppliers on how to respect human rights, we recommend our suppliers take the PSCI Principles e-learning when they respond to our self-assessment questionnaire.

In 2019, we participated in the PSCI's human and labor rights working group. The working group developed a webinar training that outlines the risks of modern slavery in the pharmaceutical supply chain and provides recommendations on mitigation actions for pharmaceutical companies. The webinar was promoted via the PSCI and live-streamed to 52 people (including suppliers and PSCI member companies) and is now available on the PSCI website.

## GLOBAL GRIEVANCE MECHANISM

### In our own operations

LEO Pharma's WhistleBlower Hotline gives our employees and others associated with LEO Pharma the ability to report unethical behavior and concerns in a secure and confidential way – in multiple languages, 24 hours a day, 365 days a year. The WhistleBlower Hotline can be accessed by web or telephone from anywhere in the world.

LEO Pharma employees have access to the WhistleBlower Hotline through their desktop, on LEO Pharma's intranet and leo-pharma.com. All concerns communicated through the hotline are initially reviewed by an external vendor.

In 2019, no reports received through the WhistleBlower Hotline were related to modern slavery or human trafficking. More information on LEO Pharma's WhistleBlower Hotline can be found on our [website](#).

#### **In our supply chain**

In 2019, we did not find any incidents in relation to modern slavery in our supply chains.

A handwritten signature in black ink, appearing to read 'C. Mazzacco', written over a horizontal line.

Catherine Mazzacco  
President and CEO