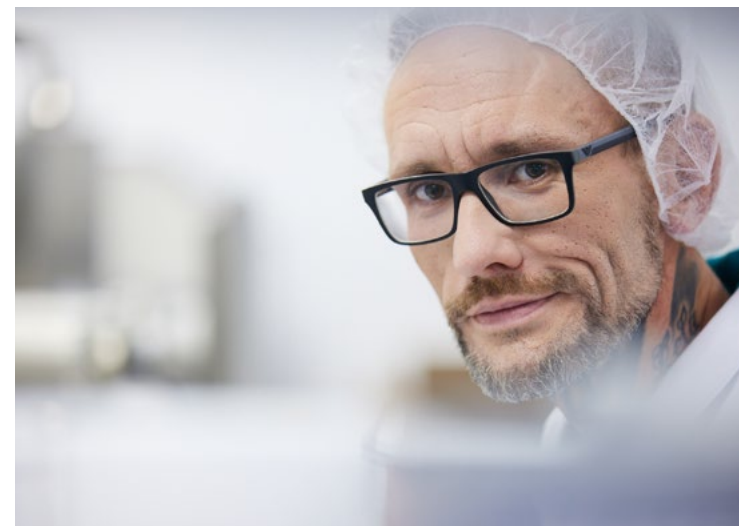


# ESG REPORT 2022







**Achieve  
more!**

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## Dear Readers,

CHEPLAPHARM looks back on a successful financial year 2022. This is true not only for our operative and strategic developments, as reflected among other things by the further growth in our most important key financial figures, but especially for the progress we have made in the areas **Environmental, Social and Governance** (ESG).

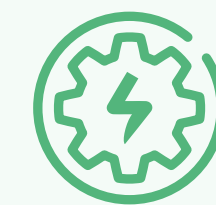
Although our direct ecological footprint is small thanks to our asset-light business model with outsourced production and sales processes, we also want to do our part when it comes to **protecting the environment**. In this context we reached a major milestone in 2022 by introducing a **centralised energy management system**. The new energy management system was certified to ISO 50001 and enables us both to regularly assess as well as continuously improve our energy-related performance and to state precise CO<sub>2</sub> data for **Scope 2 emissions** for the first time. Our new construction project currently under way at our headquarters in Greifswald also underscores our commitment to mitigating climate change. Here, a new **ultra-low-energy building** meeting the highest energy standard EG40EE is being built that will cover more than 55 % of our own energy requirements from self-generated energy.

**Social aspects** also play a major role at CHEPLAPHARM and are anchored in our business model. As a leading global pharma platform for established branded and niche products, we offer a broadly

diversified and attractive portfolio of 150 different medicines marketed globally in about 145 countries. As we are often the only provider of vital pharmaceutical products, we make an important contribution to the **security of supply** and thus the **health and quality of life of our patients**. We also help in times of crisis: right after the war in Ukraine started we donated **over 10,000 packages of the medicine EXACYL to people in Ukraine**. As part of our “CP 2025” Transformation Programme, we moreover launched numerous projects to further enhance our **attractiveness as an employer** with a view to recruitment of new talents and long-term retention of existing talents. Last year, for example, we conducted a **satisfaction survey** among our employees for the first time. Thanks to the active participation of our workforce as seen in a response rate of nearly 90 %, we were able to gain important insights on the basis of which concrete measures are now being implemented. Last year we initiated our “CP 2025” Transformation Programme to specifically align CHEPLAPHARM towards the challenges of the future.

We also made progress in the area of good **corporate governance** in 2022. As a matter of principle, we rely on **adequate supervisory structures** and have implemented a dualistic system consisting of a Management Board and a Supervisory Board at the level of the AG, whereby management and control of the latter are clearly separated. In addition to that, we have established an effective **compliance**

## OUR ESG HIGHLIGHTS 2022



### IMPLEMENTATION OF ENERGY MANAGEMENT SYSTEM



### FIRST SATISFACTION SURVEY



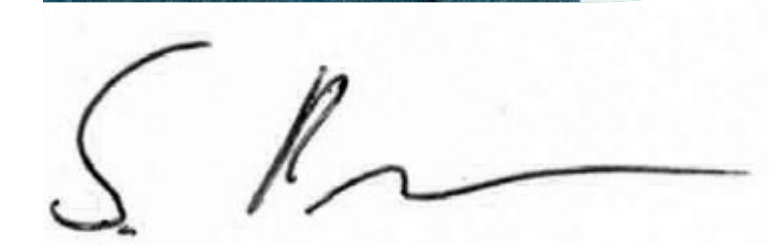
### INTRODUCTION OF WHISTLEBLOWER SYSTEM



**management system** which we continuously improve to prevent misconduct, safeguard our reputation and strengthen our stakeholders' trust in us. During the past year we further strengthened our compliance management function significantly by implementing a multilingual, electronically secure **whistleblower system**. This system gives our employees, but also all other stakeholders, the possibility of reporting misconduct anonymously. Moreover, we achieved a further milestone in 2022 by introducing a **Supplier Code of Conduct** in which we define clear requirements and guidelines by which we can already proactively initiate sustainable developments in our value chain.

In addition, we also further developed and selectively sharpened our **ESG strategy** in 2022. Our strategy is based on a comprehensive materiality analysis in which we defined the main topics from a company and stakeholder perspective. Over the past year we then performed strategy workshops with the Management Board members and specialist departments in which further specific ESG measures were defined that we firmly enshrined in our **"CP 2025" Transformation Programme**. For example, we want to record our own resource consumption even more precisely and reduce it in the long term, and further increase our transparency in the area of compliance.

Last but not least, I would like to take this opportunity to thank all stakeholders for the valuable input they have provided by discussing the subject of ESG with us, and of course our employees for the contributions they have directly and indirectly made to our ESG Report and thus also to a sustainable future.



Sebastian Braun  
CEO and Founder



## About this ESG Report

As a globally operating company, we are aware of the effects our business has on the environment and society. It is therefore our goal to act in the most socially and ecologically sustainable way possible.

The present Report is based on established ESG standards and frameworks: as in the past year, we take our bearings from the ESG criteria of the Global Reporting Initiative (GRI) and disclose the results transparently in a GRI index in the Annex to the Report. In addition, we orient ourselves on the industry-wide core metrics of the World Economic Forum (WEF) from the WEF White Paper “Measuring Stakeholder Capitalism”, the industry-wide indicators of the Sustainable Accounting Standards Board (SASB), and the UN’s Sustainable Development Goals (SDGs) for which an SDG Index is provided in the Annex to the Report.

In the following chapter “Our ESG strategy”, we present the most important aspects of our current strategy for the E, S and G areas. The basis for this is provided by our materiality analysis divided into six key activity areas for which we have defined objectives and specific focus issues. In a focus issue we then describe the impact of the various ESG topics along our value chain: with the help of a supplier survey, we have

collected comprehensive data and show how companies from our supply chain perform in the E, S and G areas.

In the following chapters we take an in-depth look at our ESG work and report on relevant key indicators, on highlight stories and on progress achieved compared with the previous year. The chapter “Environment and climate change mitigation” provides information on key environmental indicators of CHEPLAPHARM and their trend. Under “Product, society and social issues” we show how we ensure that the highest quality standards are met for our products and their manufacture, how we are committed to patients and our employees, and how we implement measures to safeguard data security. In the chapter “Compliance and corporate governance” we then describe our approach to safeguarding the principles of our ethical corporate governance.

Like last year, we also include a Glossary at the end of the Report explaining its key terms.



## Our ESG Strategy

CHEPLAPHARM is a globally leading pharma platform for established branded and niche products. We have a broadly diversified and attractive portfolio of 150 different medicines. CHEPLAPHARM invests in well positioned and established pharmaceutical brands and distributes them worldwide. As we are often the only provider of vital medicines, we make an important contribution to the security of supply and thus the health and quality of life of our patients.

CHEPLAPHARM has a highly scalable, **asset-light business model**. We are not engaged in research and development and have outsourced the manufacturing of our products to a diversified network of **more than 125 CMOs and suppliers**, most of which are based in Europe. Moreover, the majority of our products are distributed<sup>1</sup> through an extensive global network of distribution partners in around 145 countries, with whom we have enjoyed a trusting working relationship for many years. So while our direct ecological footprint is small, we attach particular importance to upholding high environmental, social and corporate governance standards over our entire value chain.

Our ESG strategy is based on our core corporate values of **reliability, responsibility, integrity and transparency**. We embrace these values through our reliance on strong, resilient partnerships and our commitment to a close dialogue with our stakeholders. In this process we particularly seek to engage with groups that are affected by or significantly influence our business operations. Accordingly, a detailed quantitative and qualitative survey of our stakeholders as part of our 2021/2022 materiality analysis was an important first step in the development of our ESG strategy.

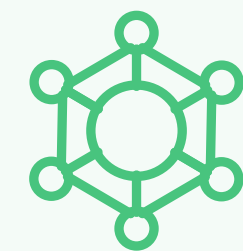
### Materiality analysis

In the years 2021 and 2022, CHEPLAPHARM defined the most important ESG topics from a company and stakeholder perspective in a **comprehensive, multi-stage materiality analysis**. With this materiality analysis we met the currently applicable requirements from the recommendations of internationally accepted frameworks such as the **Global Reporting Initiative (GRI)** as well as the **German CSR Guidelines Implementation Act (CSR-RUG)** which, as a company, we are not yet required by law to adopt.

## Our Key Values



**RELIABILITY AND INTEGRITY**



**RESPONSIBILITY**

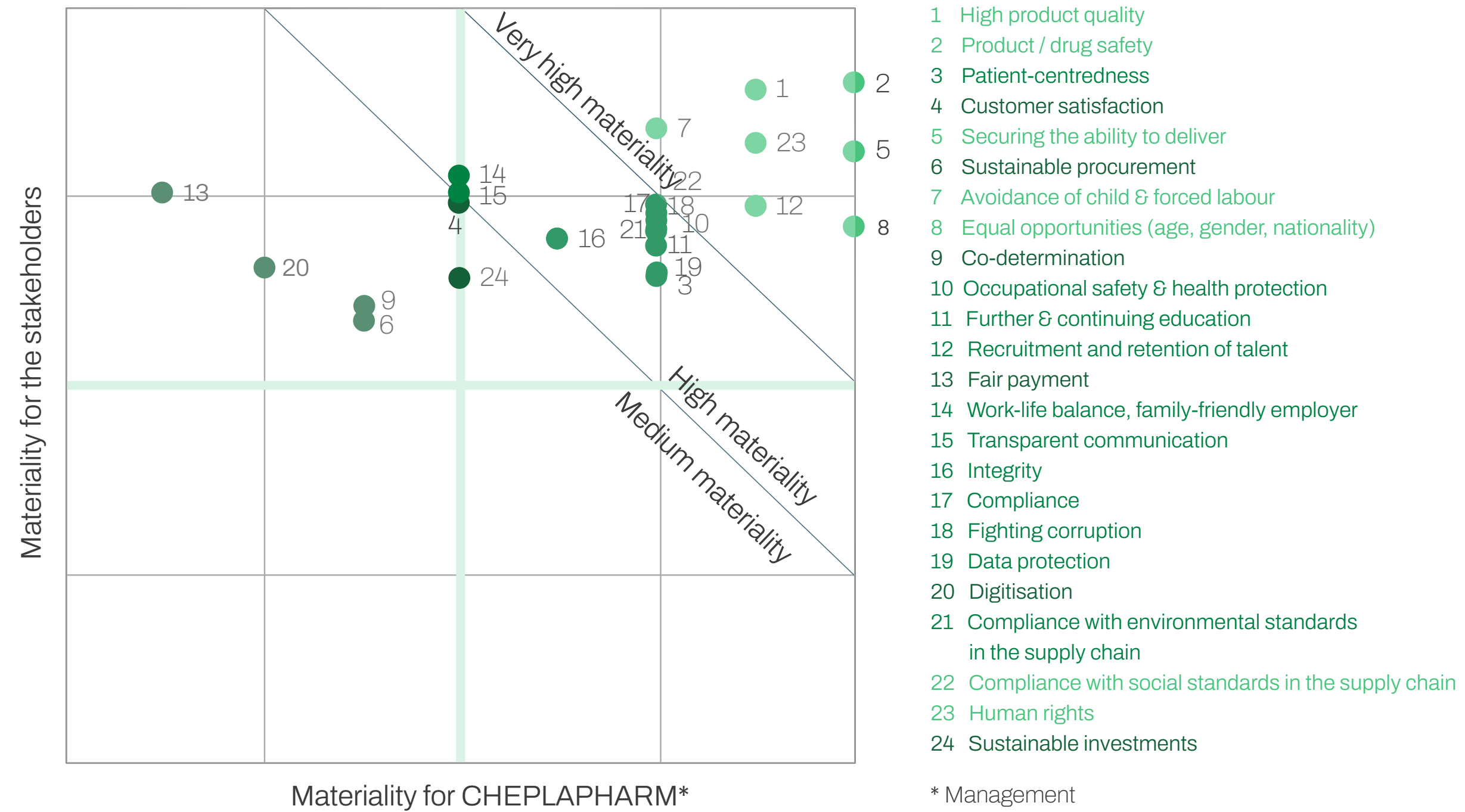


**TRANSPARENCY**

<sup>1</sup> Only in Germany and France CHEPLAPHARM distributes its products itself.



We provided a detailed description of the procedure for and results of this materiality analysis in the ESG Report 2021. For the 2022 reporting year as well as the current year, the results of this materiality analysis applied or continue to apply (cf. Materiality Matrix chart). With the introduction of the **Corporate Sustainability Reporting Directive** (CSRD) valid throughout the EU, the requirements for materiality analyses will undergo further changes in the coming years. We plan to bring our process for identifying material ESG topics up to date as soon as CHEPLAPHARM is subject to the provisions of the CSRD. Based on currently available knowledge, that will take place as of the 2024 reporting year provided that by then we will have employed an average of more than 500 persons per year for two consecutive years as a capital market-oriented company.



### Strategy as defined for 2022 and 2023

In the financial year 2022 the results of the materiality analysis provided the basis for developing our company’s further ESG strategy. In this context we worked together with the Management Board and various specialist departments in strategy workshops to define specific ESG **measures for 2022 and 2023**. Apart from basic feasibility aspects, the already

initiated ESG improvement projects as well as relevant stakeholder groups were already considered in this regard internally. The specific ESG measures are primarily to reflect the interests of patients, employees and the capital market as well as regulatory requirements.

The ESG subject areas identified from this analysis for the years 2022 and 2023 are described below and are also firmly enshrined in the company-wide **“CP 2025” Transformation Programme** initiated last year to prepare CHEPLAPHARM for the specific challenges of the future:

## Product quality and safety

In this area we primarily address the ESG topics “**high product quality**” and “**product and drug safety**” defined as particularly relevant in the materiality analysis. From the very beginning, our products have been subject to stringent quality and safety criteria which are monitored in numerous internal and external inspections and for which a great number of detailed provisions are already established in internal documents. The main objective here, then, is to enhance transparency of the requirements, measures and statistics already existing at CHEPLAPHARM. The information in this regard is found in the product quality and safety section added to this Report on p. 17-18.

## Attractiveness as employer

The shortage of (highly) qualified staff is the buzzword on everyone’s lips and is presenting companies with tremendous challenges. In order to further develop our existing employees and retain them in the long term, but also to recruit additional talented employees in the future, we have launched various projects as part of our “CP 2025” Transformation Programme. Overall, we want to further strengthen our attractiveness as an employer and address the topics “**recruiting and retaining talents in the long term**”, “**work-life balance**” and “**codetermination**”. That is why in 2022 for the first time we carried out a satisfaction survey among our employees (results on p. 20) on the basis of which specific improvement measures will be initiated in 2023. Moreover, this year for the first time will see a detailed assessment of training hours and expenditures to manage the continuing professional development and higher-qualification training of our workforce even better, as well as efforts to further identify and define flexible working models (e.g. remote working or part-time work schemes) (more on this on p. 23).

## Focus on patients

Our main activities in this area relate to the established **Ethical criteria for medicinal drug promotion** of the World Health Organization (WHO). After rolling out a Supplier Code of Conduct already in 2022, we recently subjected it to another thorough review and will extend its requirements and guidelines for our distribution partners to include specific WHO criteria. We will inform our distribution partners on the changes arising from this in a separate communication.





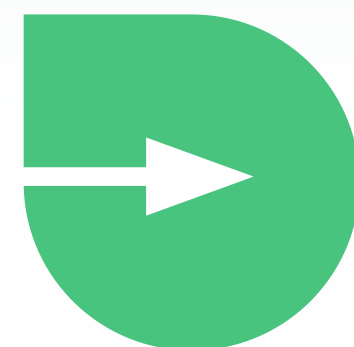
## Social and environmental supply chain

For the financial year 2022, we **once again broadened the survey of our suppliers** and made a more detailed assessment of the results compared with the previous years to gain an even more accurate picture of the effects of our suppliers on the environment and social matters (you will find more information on this on p. 10-11). Moreover, to strengthen the standards in our supply chain we will introduce a **risk-management software** in 2023 that will also assess our suppliers' ESG risks. We also want to review existing supplier training programmes and audits and participate in an industry-wide supply chain initiative.



## Own resource consumption

Even though our direct influence on the environment is small thanks to our **asset-light business model with outsourced production and sales processes**, we also want to do our part when it comes to climate change mitigation and protecting the environment. We reached a key milestone in this connection with the introduction of a centralised energy management system at the end of 2022, enabling us to regularly assess and continuously improve our energy-related performance. The energy management system was certified to ISO 50001 and allows us not only to gather more precise consumption data but also to state the much sought-after information on Scope 2 CO<sub>2</sub> emissions for the first time (cf. p. 14). Moreover, the improved data quality for the first time provides the basis needed to define quantitative reduction targets in the environmental area.



**In future the ESG measures mentioned will undergo an annual review, be adapted in further strategy meetings at the Management Board level as required, and measured against the expectations of our stakeholders to be continuously expanded by further activities.**

## Ethical corporate governance

With our measures in this area, we focus on the ESG topics **“integrity”, “compliance” and “anti-corruption”**, which were defined as material. As in the product quality area (see above), it is also true with regard to ethical corporate governance that CHEPLAPHARM already has numerous internal policies and practices which we now want to report on more transparently. That relates both to our requirements and policies aimed at preventing corruption and bribery (p. 26) and to more precise disclosures on the remuneration of our Management Board (p. 27). Moreover, in 2023 we will review whether to further expand the already existing internal training programme on compliance issues so as to ensure in future also that all our employees act in accordance with the highest ethical standards.



## Focus on our value chain

As a company with a highly scalable asset-light business model, we have outsourced the manufacturing of our products to a diversified network of **more than 125 CMOs and suppliers**. Our supply chain includes not only direct suppliers of intermediate products and machines as well as our distribution partners, but also the contract manufacturers of our medicines.

Here, the size of the companies in our supply chain varies from small, local contract service providers and mechanical engineering companies to large pharmaceutical companies operating internationally. To ensure the supply security for our patients, having a **diversified, flexible and resilient supply chain** is vital. We currently procure most of our goods and services supplied to us from companies based in Europe. These companies are subject to **high and stringent requirements for the quality and sustainability** of pharmaceutical products which we diligently observe, also for companies of other jurisdictions. On the date of this Report being prepared, we are not aware of any ecological or social violations of provisions in force.

By regularly reviewing the conditions along our supply chain we are not only given an overview of the sustainability in this important area for us but also gain additional leverage enabling us to ensure the highest quality and safety of our products.

In this connection we are particularly proud of our **Supplier Code of Conduct** which we rolled out in 2022 and in which we defined clear requirements and guidelines for our suppliers. A particular focus of the Code is on our overarching “licence to operate” which underscores the particularly high relevance of the issues of product safety and drug availability. Of particular importance for us in this context are reasonable social and environmental standards along the value chain.

We see the review of our entire supply chain as an ongoing process initiated and steadfastly pursued by us. For that reason our overarching strategy is underpinned by several key areas and milestones.

We launched the first, central part of this process by establishing a **regular analysis of our supply chain designed to be as exhaustive as possible**. This year also, we conducted a survey among our most important Tier 1 suppliers on the basis of

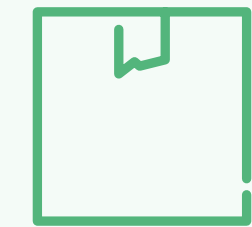
standardised questionnaires on environmental and social issues to enable us to classify and monitor the risk potential of our supply chain. Besides general data on the size, sphere of activity and structure of our suppliers, details of the fulfilment of relevant sustainability standards as well as current sustainability measures and goals were also identified. Here, the focus was on CHEPLAPHARM’s suppliers with the largest purchasing volumes so as to obtain the most representative picture of our supply chain’s environmental and social performance. In our most recent supplier survey, we thus surveyed 48 companies in our supply chain which accounted for **85 % of our total purchasing volume in 2022**. We reported a very good response allowing us to make reliable statements on environmental and social indicators for a total of 75 % of the aggregate purchasing volume for direct material (all deliveries of goods), which we regard as representative of our entire supply chain.



In order to make all the data from the companies in the supply chain as comparable as possible, we have measured the absolute figures in each case against the revenues of the companies themselves and the purchasing volume that CHEPLAPHARM spends on the corresponding companies. To do this, we proceeded as follows: for the individual companies that sent us data on their consumptions, we calculated **intensities, e.g. 1 t CO<sub>2</sub> emissions per € 1 million of revenue**. To obtain the average consumption intensities for the various factors such as CO<sub>2</sub>, waste, etc., the intensities of all companies were aggregated and divided by the total number of respondent companies. However, since CHEPLAPHARM

does not purchase the same volumes from each supplier but the expenditures of course vary, the individual intensities were weighted in each case **as a function of our purchasing volume for the company in question** when calculating the average. This calculation method was used for all intensities specified in the following chapters with reference to our supply chain.

Moreover, we have once again broadened the data collected compared with the last analysis to gain greater insights into the way our suppliers work. Detailed information on the results of the survey is provided in the following chapters.



**75%**

**share of purchasing volume  
for which we received  
ESG answers**



## Environmental and climate change mitigation

Mitigating climate change is one of the greatest societal challenges of our time. Even though we have a small direct ecological footprint thanks to our asset-light business model with outsourced production and sales processes, the issue of environmental protection is very important to us.

In this context we achieved another milestone last year by introducing a company-wide **centralised energy management system certified to ISO standard 50001**.

Thanks to the new energy management system, we can regularly assess our energy-related performance and take systematic steps to continually improve it. In addition to CHEPLAPHARM, nearly 40% of the companies included in our supply chain had an energy management system certified to ISO 50001 or a similar standard.

We want to continue to grow dynamically as a company, but always keep energy-related issues in mind. That is also reflected in our current new construction project at our Greifswald headquarters. Here we are building a new office building which, when completed at the end of 2023, will provide enough space for over 300 additional jobs. The **“ultra-low energy building”** will consume less than 40% of the maximum

primary energy requirement permitted by law, thus meeting the highest energy standard EG40EE. Moreover, the new office building will cover **more than 55% of its own energy requirements self-sufficiently** by using environmental heat and generating electricity through its own photovoltaic system. In addition, our already installed in-house solar systems supply the new charging stations for electric vehicles (EVs) at the site. As an incentive for our employees to switch to emission-neutral e-mobility, they can use all **EV charging stations free of charge already from the spring of 2022**.





## Energy consumption and efficiency

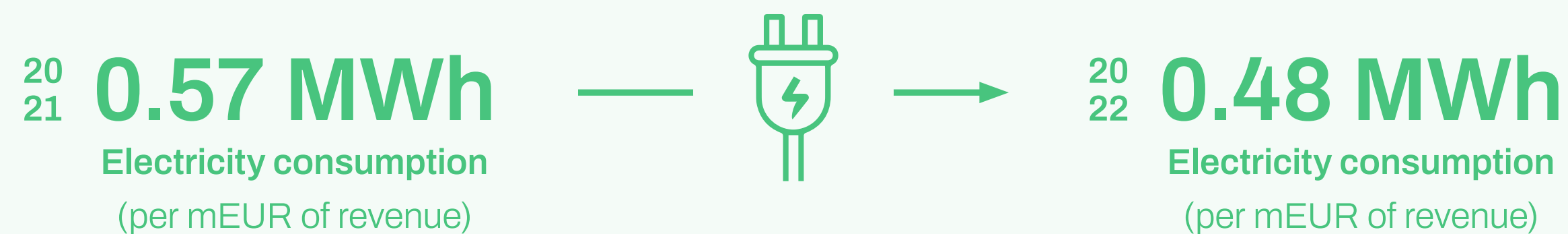
Energy consumption at CHEPLAPHARM itself is broken down into electricity for general use as well as consumption of gas for thermal purposes.

In 2022 electricity consumption declined slightly by 1% compared with the previous year to 609 MWh (2021: 614 MWh). At the same time, intensity of electricity consumption improved to **0.48 MWh per mEUR of revenue** (2021: 0.57 MWh per mEUR of revenue), thus remaining at a low level thanks to our asset-light business model. As a comparison: the intensity of electricity consumption for the companies in our **supply chain stood at 120.4 MWh per mEUR** of our purchasing volume. As in the previous year, the share of renewable energies in our electricity consumption was roughly 65% (market-based) but is slated to increase in 2023 to **over 90%** as a result of a change in provider.

**Table 1: Energy consumption at CHEPLAPHARM and in the supply chain**

	Unit	2021	2022	Change (%)
Energy consumption	MWh	1,081	<b>1,034</b>	-4%
of which: heat energy consumption	MWh	467	<b>425</b>	-10%
of which: electricity consumption	MWh	614	<b>609</b>	-1%
Share of renewable energies in electricity consumption	%	65	<b>65</b>	n/a
Energy intensity	MWh per mEUR of revenue	1.00	<b>0.81</b>	-19%
Intensity of energy consumption, supply chain	MWh per mEUR of CHEPLAPHARM purchasing volume	n/a	<b>140.6</b>	n/a

**> 90%**  
Renewable Energy  
Target for 2023



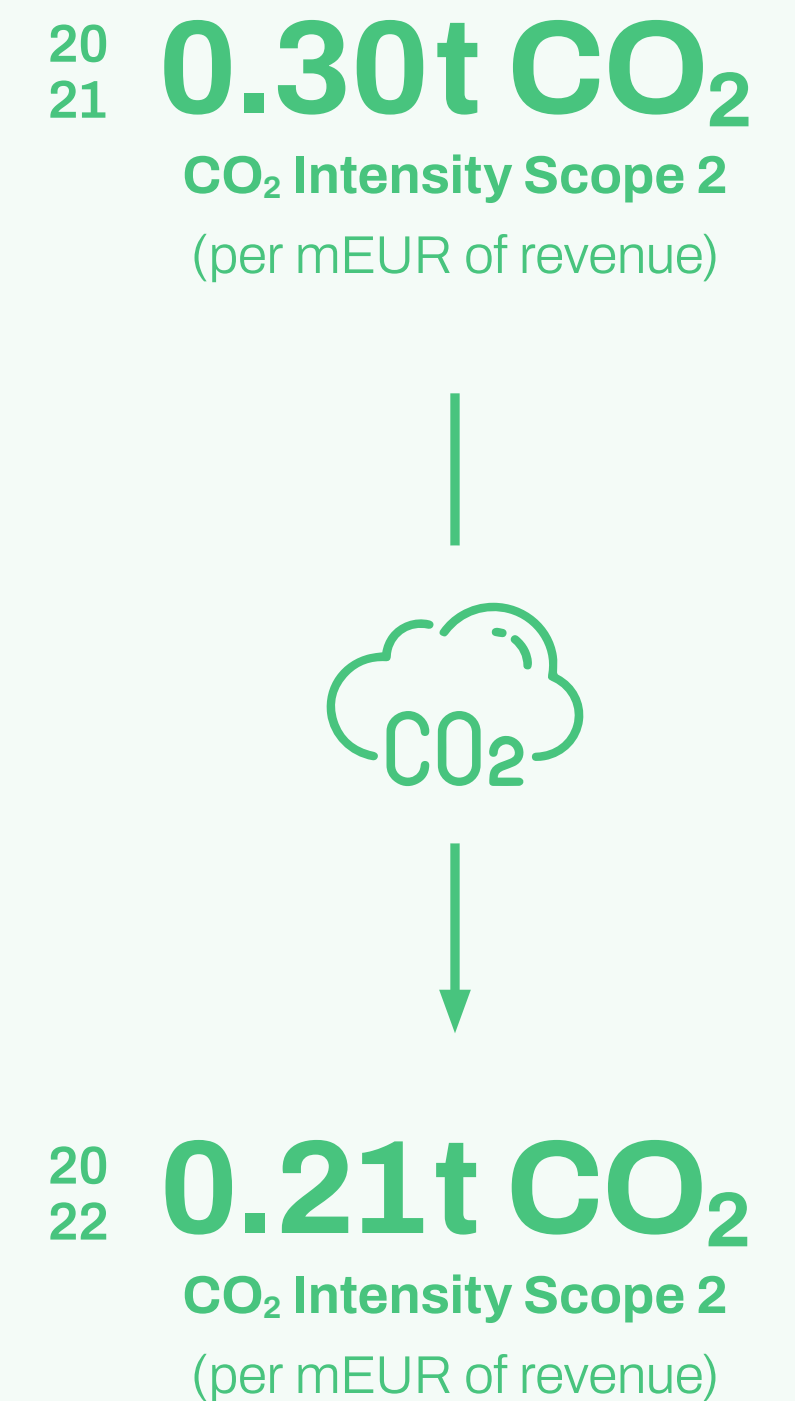


Our total gas consumption in 2022 stood at 425 MWh, well below the level of the previous year (2021: 467 MWh). On this basis, heat intensity per mEUR of revenue declined to **0.34 MWh** (2021: 0.43 MWh).<sup>2</sup> By contrast, the intensity of heat energy of our supply chain during the past year was **20.2 MWh per mEUR of CHEPLAPHARM purchasing volume**. More than two thirds of the companies included in our supply chain have defined specific targets for reducing their electricity consumption, whereas roughly one third have set targets for reducing thermal energy.

### CO<sub>2</sub> and climate change mitigation

The introduction of our central energy management system enabled us to calculate our CO<sub>2</sub> emissions from purchased energy (Scope 2 emissions) for the first time. In 2022 they totalled 267 t CO<sub>2</sub>, **nearly 17% below the previous year's level** (2021: 323 t CO<sub>2</sub>). On this basis, we succeeded in further reducing our CO<sub>2</sub> intensity from purchased energy to **0.21 t CO<sub>2</sub> per mEUR of revenue** compared with the previous year (2021: 0.30 t CO<sub>2</sub> per mEUR of revenue).

The CO<sub>2</sub> intensity of the companies included in our supply chain was **44.8 t CO<sub>2</sub> per mEUR of CHEPLAPHARM purchasing volume**. Two thirds of the companies included have already set specific CO<sub>2</sub> reduction targets and roughly half of the companies included have an environmental management system certified to ISO 14001 or a similar standard.



<sup>2</sup> The data given in this Report for electricity and gas consumption as well as for effluents and waste for 2022 is preliminary and thus still subject to change pending submission of the complete invoices in the course of 2023.



## Waste volume and water consumption

Since 2022, CHEPLAPHARM has increased the detail of its waste volume measurement compared with previous periods, enabling it to report separate waste types for the first time. In 2022 the total volume of waste excluding residual waste stood at 35.3 t after 23.2 t in the previous year. The volume of residual waste is not yet separately measured at CHEPLAPHARM since it is not possible to calculate this figure due to the standard waste bin calculation, but the tonnage weight is estimated in the low-to-medium double-digit range. With a waste intensity excluding residual waste of merely **0.028 t per mEUR of revenue** (2021: 0.021 t per mEUR of revenue), our waste volume is still at a very low level.

By contrast, the intensity of waste volume for the included suppliers stood at **30.6 t pro mEUR of CHEPLAPHARM purchasing volume**. About half of the companies included adopted specific waste reduction targets and nearly 30% have already implemented waste reduction strategies.

One subject of particular relevance in the pharmaceutical industry is the proper management of potentially hazardous, toxic pharmaceutical residues occurring in effluents as a result of the production process. Since CHEPLAPHARM has outsourced its production processes, we do not produce any toxic emissions at all ourselves. In the case of the companies included in our supply chain, the intensity of toxic emissions and/or waste in 2022 was roughly **1.4 t per mEUR of CHEPLAPHARM purchasing volume**. To further reduce this figure, roughly one third of our suppliers have already adopted specific targets for reducing toxic emissions. About half of the companies covered by the survey are committed to observing strict policies, e.g. based on **HAZWOPER standards**, or have taken suitable measures with their own environmental management systems certified to ISO 14001. In addition, a little more than half of the companies included in our supply chain have already implemented systems to **prevent pharmaceutical residues in effluents**.



**Table 2: Waste volume at CHEPLAPHARM**

	Unit	2021	2022	Change (%)
Total waste volume	t	23.2	35.3	+68%
Superimposed medicines	t	12.1	17.0	n/a
Cardboard and paper	t	8.4	12.6	n/a
Files and data carriers	t	1.4	2.9	n/a
Waste intensity	t per mEUR of revenue	0.021	0.028	+31%
Waste intensity in the supply chain	t per mEUR of purchasing volume		30.9	n/a
Intensity of toxic emissions in the supply chain	t per mEUR of purchasing volume		1.5	n/a

**Table 3: Water consumption at CHEPLAPHARM**

	Unit	2021	2022	Change (%)
Water consumption	m <sup>3</sup>	1.501	1.604	+7%
Water consumption intensity	m <sup>3</sup> per mEUR of revenue	1.39	1.25	-10%

Since CHEPLAPHARM does not have its own production, our volume of effluents is basically equal to the amount of fresh water purchased. In 2022, our water consumption rose slightly to 1,604m<sup>3</sup> (2021: 1,503m<sup>3</sup>) compared with the previous year;

as measured by revenue, however, the intensity of water consumption per mEUR fell by nearly 10% and at 1.25m<sup>3</sup> (2021: 1.39m<sup>3</sup> per mEUR of revenue) continued to be at a relatively low level.

20  
21 **1.39 m<sup>3</sup>**  
Water consumption intensity  
(per mEUR of revenue)



20  
22 **1.25 m<sup>3</sup>**  
Water consumption intensity  
(per mEUR of revenue)



## Product, society and social issues

CHEPLAPHARM has a broadly diversified and attractive portfolio of **150 different established pharmaceutical branded and niche products**. We ensure security of supply with many vital medicines – which is why our patients place such tremendous trust in us.

To justify this trust, **regular and in-depth quality control** of our products is essential. In the onboarding process we train our new employees in our company’s most commonly used applications. Moreover, the entire workforce is given annual training on the procedural instructions of pharmaceutical companies in accordance with legal requirements.

**Pharmacovigilance and export control** in general as well as reporting side effects in particular are just some examples to be mentioned here. Beyond that, any additional training needs of our employees depend on their areas of activity. The relevant training documentation for this is filed in our document management system where it can be accessed at any time. We also give employees the opportunity to attend individual ongoing training courses with external providers. Last but not least, regular **safety audits for pharmaceutical products** are also performed on CHEPLAPHARM’s premises. These take

place as our own inspections or as part of GMP inspections (incl. inspections on environmental, health and safety issues).

Transport and storage safety are also of vital importance for pharmaceutical products. CHEPLAPHARM subscribes to the **Good Distribution Practices (GDP)** for the pharmaceutical industry. These GDP guidelines relating to medicinal products for human use define minimum standards for the quality and integrity of medicines along the entire supply chain. In this area, CHEPLAPHARM has adopted **Standard Operating Procedures (SOP)** which explicitly describe the standardised procedure for distributing our medicines.

With a view to meeting the high requirements for transport and storage safety also for our comprehensive global network of distribution partners, we obtain assurances that the **GDP guidelines** as well as other recognised quality standards are complied with. As a general rule, the history of each of our shipments can be tracked on the basis of documents, records (e.g. batch protocols) and corresponding computer systems, allowing us to identify any medicines suspected of being counterfeit and to remove them from the market at an early stage.

Before our products are shipped to our customers, they are **properly prepared for transportation**. This means that the medicines are professionally packed for shipment by employees of the relevant production or distribution centres in accordance with clearly defined specifications so that they are suitably protected from external effects such as weather or fraudulent activity. Temperature-sensitive medicines are moreover subject once again to particularly stringent controls.

To ensure the right conditions over the entire distribution process, **methods of proper product handling** are defined on the basis of a risk assessment for the product, e.g. by specifying temperature-controlled transport conditions or selecting suitable packaging methods (use of thermal insulation boxes, temperature data loggers, etc.). In this regard, the temperature data loggers make it possible to check the temperature profiles of the products after transport, thus ensuring continuous adherence to the relevant specifications. For CHEPLAPHARM it is crucial to make sure all persons involved in the distribution of temperature-sensitive products receive the required training in the relevant handling procedures. Moreover, CHEPLAPHARM defines



responsibilities in written procedures and the related customer contracts.

To monitor and manage outsourced activities, CHEPLAPHARM also relies on an established **quality management system** which is defined in the quality assurance agreements in the contracts with our partners. Moreover, suppliers accounting for 40% of the reported purchasing volume have a quality management system certified to ISO 9001 or a similar standard.

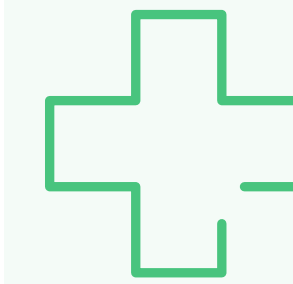
Our measures to ensure product quality also comprise the regular auditing of the processes at our contract manufacturers and partners, including checking each and every delivery. As a result **we did not have a single recall in the financial year 2022** and the recall rate was 0.00% (2021: 0.03%).

### Access to medicine

As a globally operating company, we have an international presence and distribute our products in about 145 countries across the globe. As we are often the only provider of in some cases essential medicines, we make an important contribution to the security of supply and thus the health and quality of life of our patients. For example, about one third of our medicines are included in the WHO's **Model List of Essential Medicines**.

That makes them globally essential drugs since they meet the most urgent needs of healthcare provision. At the same time, this list is a recommendation from the WHO for governments to align the standards of their healthcare provision with the availability of these medicines.

We are frequently the only supplier ensuring the **availability of vital pharmaceutical products**. We thus also safeguard the security of supply to relatively small groups of patients. Particularly with our niche products, we sometimes target very rare diseases. Here, our patients are absolutely dependent on us. One example of this is **Vesanoid® (tretinoin), which is used to treat acute and potentially life-threatening promyelocytic leukemia**. This disease has an estimated incidence of only 1/1,000,000 in the EU and is therefore extremely rare.



In particularly serious crises, we moreover repeatedly support the countries affected through medicine donations. Most recently, in 2022, we donated a total of **10,240 packages of the medicine EXACYL** to patients in Ukraine through our Polish distribution partner.

We work with **non-governmental organisations (NGOs)** to ensure access to our medicines also for patients in developing countries. If a country does not have a marketing authorisation for a drug, CHEPLAPHARM also cooperates with local authorities to obtain the necessary special approvals. This enables us to provide often vital medical care to patients which they would otherwise not receive.



As one of the largest employers in Greifswald, we naturally also want to make a contribution to the local community. With this in mind, we not only educate many young people from the region but also give many interns, working students and other interested parties an insight into the different areas of our company. CHEPLAPHARM has sponsored the Deutschlandstipendium scholarship at the University of Rostock since 2020, thus providing specific support to students from the region. Moreover, we also support students with their final thesis projects and regularly organise student events. Above and beyond our tax obligations, we regularly donate to local projects and thus give back a portion of our business proceeds to the community.

### Ensuring IT security

The steadily rising number of cyber attacks on IT infrastructure and systems seen globally also presents companies with considerable risks. CHEPLAPHARM prevents business interruptions through rigorous **monitoring of our systems as well as numerous implemented policies and training courses on the topic of IT and data security** for all employees. The policies are mandatory reading for all new employees and the related training certificates are stored in our central document management system.

Moreover, CHEPLAPHARM has implemented various **contingency plans and procedures for responding to IT and data security incidents**. Particularly worth mentioning in this regard is our comprehensive Business Continuity Plan as well as a policy for managing information security incidents. Here, the contingency mechanisms are regularly tested: in addition to an annual restoration test, appropriate back-ups and emergency power systems (EPS) are even tested once a month.

CHEPLAPHARM also attaches great importance to **protecting the personal data** of all stakeholders and complies with the legal requirements of the EU General Data Protection Regulation (GDPR). For example, to obtain consent to process, disclose and store confidential information, we use

cookie banners on our corporate website or request permission directly by phone or in person which we then record as appropriate.

Finally, CHEPLAPHARM regularly performs internal **information security risk assessments** as well as audits of its control procedures to prevent information security breaches. For example, when processing personal data a data protection impact assessment is carried out together with our external data protection officers. Also in 2022, a thorough information security audit according to ISO standard 27001 was carried out.

Thanks to the aforementioned extensive measures taken to safeguard our IT infrastructure and systems, **no information security incident** occurred at CHEPLAPHARM in the financial year 2022





## Workforce and corporate culture

At the end of the financial year 2022, **CHEPLAPHARM employed a total of 516 people**. The headcount thus **increased by roughly 10%** compared with the previous year (2021: 467 employees), reflecting the company’s dynamic growth path.

In terms of the age structure of our workforce, the 31-50 age group by far accounts for the largest share (roughly 71% of all employees). More than a fifth of the workforce is still 30 years old or younger, and around 6% of employees are older than 50.

**Table 4: Employee age structure**

Age	up to 30	31-50	over 50
Employees absolute	112	374	25
% of total workforce	21.7%	70.5%	4.8%

In 2022, the staff turnover rate (calculated according to the formula of the Confederation of German Employers’ Associations (BDA)) **declined slightly to 13.0% (2021: 13.7%)** despite the company’s continued dynamic growth.

**Table 5: Staff turnover rate according to the BDA formula**

	2021	2022
Average number of employees	437	493
Total voluntary departures	60	64
Staff turnover rate for period under review	13.7%	13.0%

As a medium-sized company with flat hierarchies, CHEPLAPHARM has a culture based on a **strong team spirit** coupled with extensive expertise, professional methodology and a pragmatic way of thinking. We treat our employees as well as our patients, partners and all other stakeholders **responsibly and with a high standard of integrity and reliability**. Good cooperation and a motivating and healthy working environment are particularly important to us. With our modern offices in Greifswald and Berlin and our mobile working setup, we offer our employees a flexible and well-equipped working environment. At our Greifswald office, we also have charging stations for employees to charge their EVs while they work.

In addition, we have already given our employees the opportunity to participate in the sustainable design of our company in a quantitative survey with associated intensive interviews as part of our materiality analysis in 2021 and 2022 as a first step.

In 2022, we took this to another level in order to understand even better the needs of our employees and how they feel about working at CHEPLAPHARM and conducted our first comprehensive **satisfaction survey among all our employees**. This survey was completed by 450 employees in total, corresponding to a **participation rate of almost 90%**. **The total rate of sustainable engagement we achieved was 70%**. This rate was calculated on the basis of various questions asking employees, for example, to what extent they support the goals of CHEPLAPHARM, how they rate the team spirit within the company or how proud they are of working at CHEPLAPHARM.





## Careers and further training

CHEPLAPHARM offers its employees interesting and varied career opportunities. Our goal is to continuously promote the further development and training of our employees and, in particular, to retain them in the long-term. We support our people in reaching their full potential and in their personal career aspirations.

Through **qualification agreements**, we provide our employees with opportunities for professional and personal development. In order to offer employees tailored personalised support and tailored development opportunities and retain them in the company, CHEPLAPHARM in principle offers opportunities for building a **specialist or management career**. Moreover, we link certain variable salary components to appropriate target agreements. In addition, we have an online and in-person training programme for our executives, offer additional training to employees taking on a new role and enable female employees to participate in a **women in business mentoring programme of the Government of Mecklenburg-Western Pomerania**.

To put an even stronger focus on the important topics of employee recruitment and development, CHEPLAPHARM has launched a number of projects as part of its **“CP 2025” Transformation Programme**. Furthermore, a separate department specialising in human resources and organisational development was created in early 2023.

We generally seek to avoid employing people under short or fixed-term contracts, if possible. As a consequence, only **around 6% of all CHEPLAPHARM employees** were employed on fixed-term contracts in the financial year 2022. We also employ very few people (2022: 2 of 516 employees) under non-standard employment arrangements (e.g. temporary employment or independent contractor work).

In order to continue to attract talents in the future, CHEPLAPHARM cooperates with **the renowned universities of Greifswald and Rostock**. For example, we are involved in sponsoring the Deutschlandstipendium scholarship of the German Federal Ministry of Education and Research (BMBF) at the University of Rostock, and we offer students internships for various phases of their academic training. As a result, we enrolled three trainees and apprentices in appropriate programs in the financial year 2022 in order to provide them with the best possible support for their professional and personal development and, ideally, to retain them in the company in the long term. Other ways of showcasing ourselves

to rising talents as an attractive employer include offering positions for working students, final thesis supervision and various events for students.

In recruiting, training and retaining talents for the long term, we promote **equal opportunities**, for example by offering family-friendly working practices. Going hand-in-hand with this are part-time working models (**part-time employment rate in 2022: almost 9%**) and flexible working hours with a view to helping our employees **balance their career and family life**. Apart from that, we do not operate shift work and do not expect our employees to be available on call for work. Each employee has a right to at least **3 days of mobile working per week**. Subject to individual agreements with their direct superior, employees' mobile working arrangement may also be extended beyond that. In addition, our employees are free to work up to 60 days per year from other countries in Europe.



We want to support our employees beyond what we are legally required to do and therefore offer them **30 days of holiday leave per year**. Additional benefits we provide include extra days of leave or additional allowances on the birth of a child, when an employee gets married or for years of service. To help parents to balance work and family, CHEPLAPHARM assists them in finding suitable childcare provision if they so wish. We also hold an annual summer or winter party for our employees to thank them for their work, commitment and dedication while at the same time providing a space for exchange outside the daily working environment.

CHEPLAPHARM also attaches great importance to providing suitable workplace equipment. Irrespective of their job and location, all employees are provided with all necessary hardware and software. Last but not least, we ensure through regular **town hall meetings** that our employees are up to date about recent developments and strategic decisions at all times and that they feel understood, seen and at ease to communicate their needs.

We are convinced that open and constructive dialogue is only possible in a spirit of partnership and equality. For this reason we hold **feedback meetings** with our employees both at the end of their probation period and regularly at the end of each year to allow both parties to grow and thrive. These meetings are held on the basis of standardised questionnaires filled out by both employees and managers to provide a systematic structure for the discussions and document them.

## Our benefits



**min. 3 days**  
weekly remote work

**up to 60 days**  
possibility to work from  
foreign EU countries

**30**  
vacation  
days



## Health and safety

**Occupational health and safety** are a top priority at CHEPLAPHARM. We have therefore defined this topic more broadly, addressing not only the prevention of occupational accidents and immediate protection against hazards. Rather, we also focus on providing a healthy working environment, e.g. by providing ergonomically sound workplaces. In order to offer our employees the **best possible working environment**, designated officers in each department are entrusted with these matters who in turn receive advisory support from third-party experts. In addition, we conduct regular workplace risk assessments – both through independent third-party agents and through our trained facility managers.

At CHEPLAPHARM, we provide a safe and healthy environment for all our employees and visitors based on applicable legislation and international standards. We do this by defining specific safety targets, which we communicate to our workforce with appropriate instructions. In addition, **all employees are thoroughly trained in health and safety at work once a year**. Our employees in turn do their part by strictly adhering to occupational health and safety regulations.

Should violations of occupational health and safety regulations nevertheless occur, we will always investigate such incidents thoroughly and impose appropriate penalties. However, to prevent this from happening in the first place, we expect our employees to familiarise themselves with and abide by all applicable internal procedures, policies and guidelines. The basis for this is our **code of conduct** and various standard operating procedures, all of which must be observed by all employees.

In 2022, the absenteeism rate among our employees increased slightly to **8.3%** (2021: 7.6%), which was mainly due to a slight increase in sickness absence (incl. increase in sickness leave to take care of sick children to **4.3%** compared with 3.4% in 2021). This still puts us well below the average sickness rate among those covered under statutory health insurance, which is 5.6% (2021: 4.3%) in Germany.<sup>3</sup>

<sup>3</sup> Source: Statista. Annual sickness absence rate among members of statutory health insurance funds (GKV) until 2023: <https://de.statista.com/statistik/daten/studie/5520/umfrage/durchschnittlicher-krankenstand-in-der-gkv-seit-1991/>, retrieved on 29 March 2023





## Diversity and equality

Our company has a corporate culture where all **employees enjoy equal opportunities** – regardless of ethnic origin, gender, sexual identity or other factors. For us, long-term planning also means taking an active role in shaping the future of our employees. Diversity enables us as a team to better manage many challenges.

The diversity we strive for is also reflected in gender distribution at CHEPLAPHARM. As in the previous year, with **almost 55% the majority of the workforce was female**. On the first two management levels, the proportion of women was 30%, and on the **first management level alone it was 40%**, which is far above the average compared with the proportion of women on the Management Boards of Germany’s 100 largest companies by value added (15.6%)<sup>4</sup>. Furthermore, CHEPLAPHARM employed **people from 33 different countries** as of the end of 2022.



## Social standards in the supply chain

As we work with numerous international companies, **unlimited respect for universal human rights** along our entire value chain is particularly important to us. We condemn any form of exploitation, particularly forced labour and child labour, and fight for decent working conditions and fair pay. We expect the same from our suppliers. Data from the most recent surveys among our suppliers in preparation for this Report indicate that suppliers accounting for approximately two thirds of our purchasing volume have detailed policies on child labour and forced labour in place across their supply chain.

Suppliers’ compliance with local laws on workers’ rights is an absolute must for us. In addition, we attach great importance to implementing more extensive workers’ rights as defined, for example, in the general standards of the **International Labour Organization** (ILO). These standards place great emphasis on product and employee safety in the manufacturing of pharmaceutical products. A large majority (78%) of the supply chain members covered by our survey provide **regular training on product safety and occupational safety**.

Last but not least, reference should be made here to our principal codes of conduct: our **CHEPLAPHARM Code of Conduct** and our **Supplier Code of Conduct** summarise our core values and define compliant conduct. Both documents are publicly available to our employees, suppliers and distributors and to all other stakeholders on our website.

<sup>4</sup> Source: Statista. Proportion of women on the Management Boards in Germany’s 100 and 200 largest companies<sup>2</sup>, respectively, from 2006 to 2022: <https://de.statista.com/statistik/daten/studie/180102/umfrage/frauenanteil-in-den-vorstaenden-der-200-groessten-deutschen-unternehmen/>, retrieved on 29. March 2023



## Compliance and corporate governance

In order to ensure good and sustainable governance, we at CHEPLAPHARM rely on **adequate supervisory structures** and a comprehensive and extensive **compliance management system**. We are convinced that we can only be sustainably successful with the trust of our ex- and internal stakeholders. We are therefore continuously working to further improve our supervisory and compliance structures in order to strengthen and secure the trust of our stakeholders in our company in the long term.

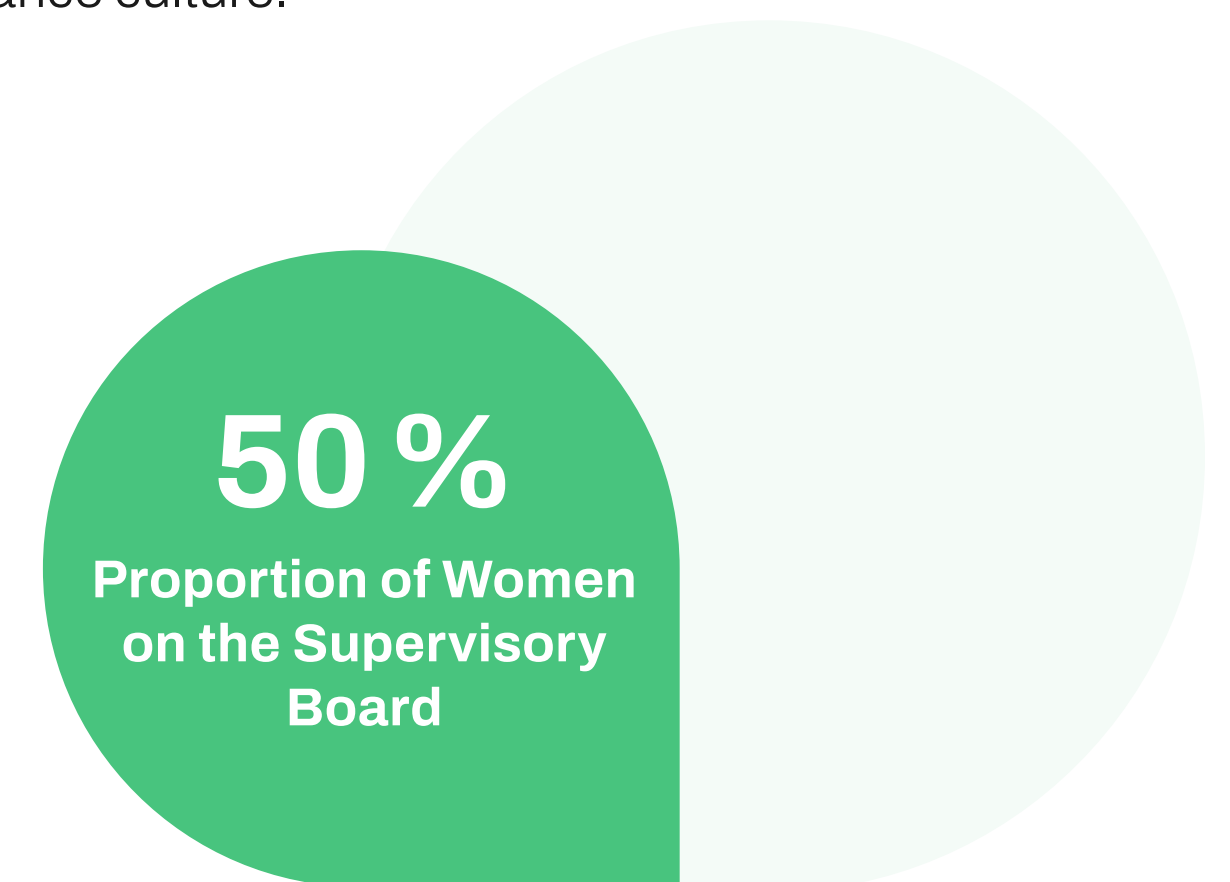
To ensure an adequate supervisory structure, CHEPLAPHARM has implemented a **dualistic system comprising a Management Board and a Supervisory Board** at the level of the AG. This so-called two-tier system makes it possible to separate the management and control of the business and the company. The Supervisory Board thus assumes the role of the controlling body, as it monitors and reviews the work of the Executive Board in general and the proper accounting and financial statements in particular. This ensures that the Executive Board's decisions are always taken in the best interests of the company and its shareholders. CHEPLAPHARM's Supervisory Board has four members with a **proportion of women of 50%**. The members of the

Supervisory Board have extensive expertise in healthcare, M&A, finance and accounting and moreover can draw on experience from various other Supervisory Board positions.

Ensuring compliance with all internal and external rules and regulations is the principal purpose of CHEPLAPHARM's **compliance management system**. By doing this, it protects the company and its employees against penalties and reputational damage and ensures good and sustainable corporate governance and the trust of our stakeholders. The aim of our compliance management system is to prevent compliance violations. If such violations should occur despite the various precautions taken, the aim is to identify them at an early stage and to respond consistently and efficiently to them (the "prevent, detect, respond model").

As a matter of principle, compliance risks are to be identified at an early stage and consistency of response is to be ensured. In doing this, CHEPLAPHARM's compliance management system focuses on the following **core risk areas**:

- Money laundering,
- Corruption and bribery,
- Fraud and breach of trust,
- International trade law and customs/export control,
- Data security and privacy law,
- IT security, and
- Compliance culture.



As CHEPLAPHARM has outsourced many processes in its value chain, **corruption** and **bribery** represent potentially significant risks for us. Breaches of the law, corruption, bribery and fraud are unacceptable to us. We have therefore implemented numerous external and internal compliance policies and standards intended to prevent illegal conduct and in particular corruption. Compliance policies apply throughout the entire CHEPLAPHARM Group. They are binding both on our employees and, if applicable, on all our business partners and are principles we live by.

**Our most important company policies include, but are not limited to, the following:**

- Prevention of money laundering and terrorist financing,
- Anti-bribery policy,
- Anti-corruption policy, and
- Data protection policy.

The compliance management system defines the framework of compliant conduct for all CHEPLAPHARM employees. **All our employees receive regular training on relevant compliance issues**, including separate training sessions dedicated to our Code of Conduct. The Management and the Finance, IT, Legal and General Service departments undergo additional training on dawn raids. Given that the Sales and Supply departments are at a greater risk of being confronted with corrupt practices, employees of these departments receive additional training on

this topic. Moreover, all employees have access to the applicable compliance policies (see above) at any time. In support of this, we regularly offer various awareness and communication activities. Ongoing communication applying the “tone at the top” principle is a central element of our compliance management system.

In addition, we have developed a **code of conduct** already in 2020 and rolled it out across the entire CHEPLAPHARM Group. Our Code of Conduct protects our integrity as a company by defining and summarising CHEPLAPHARM’s core values as well as compliant behaviour. We expect our employees and business partners to act in line with these values. Our utmost aim is to prevent potential damage to CHEPLAPHARM and its employees but also to our patients, business partners, investors and any third parties. Protecting intellectual property rights or preventing insider trading and corruption may be mentioned as examples in this context. Compliance with the relevant laws and directives is monitored by our **Compliance Officer Anna Rautenberg** in close collaboration with the designated compliance executives in each department. With the preparation of a half-year compliance report by our Compliance Officer, we ensure that the Management Board and Supervisory Board receive a comprehensive picture of the current situation at CHEPLAPHARM on a regular basis.



Our Code of Conduct can be found in German and English on our [Corporate Website](#).



Compliance with laws and regulations as well as ensuring integrity of our actions are indispensable for us. To ensure this, we need the attention and willingness of all stakeholders to point out potential compliance breaches. On that basis, we implemented a multi-lingual, electronically secure whistleblower system, thereby strengthening our compliance management system even further. This system gives our employees but also third parties working in our value chain the possibility to report suspected cases of misconduct either anonymously or with their contact details. Access to our fully digital **whistleblower system** is through our corporate website and is possible via all end devices at any time. Regardless of whether a report is made anonymously or by name, it is always treated confidentially and the protection of whistleblowers and those affected is guaranteed at all times. In addition, reports can be submitted (in German and English) directly to our Compliance team; in this case, reports of potential breaches can also be submitted anonymously at the request of the

party making the report. In the financial year 2022, **a total of five cases of suspected misconduct** were reported. All of them were justified, followed up on and brought to a successful conclusion. Moreover, appropriate action was taken in response to them to prevent a repetition of such events.

Our employees are reminded of our whistleblowing system multiple times during the course of a year, for example during our regular **compliance training sessions**.

Transparency and integrity are of the highest importance to us, including the proper payment of taxes. CHEPLAPHARM engages neither in tax avoidance nor in other activities which might be regarded as profit shifting. **For example, we neither donate to political entities nor do we engage in lobbying activities**. In addition, CHEPLAPHARM did not claim any government support (e.g. subsidies or short-time working

allowance) in the reporting period, although the COVID-19 pandemic still continued in 2022.

In addition, we want to ensure sustainable action at the management level, which is why for the **financial year 2022 a total of 9% of the short-term incentive (STI) components** of the Management Board remuneration were contractually linked to specific **sustainability targets**. Furthermore, the variable compensation of the two CEOs depends, among other things, on various financial performance criteria of CHEPLAPHARM and thus on the economic success of the company. The ratio of the average CEO salary incl. variable compensation components to the median salary of all employees (excl. CEO salaries) of CHEPLAPHARM was 12.1 in the financial year 2022.



## Our Whistleblower system

- 24/7 Availability
- Access for Employees and Third Parties
- Full Anonymity
- Whistleblowing in German and English possible



Annex





# Glossary

## BDA Formula

The BDA formula of the German employers association “Bundesvereinigung der Deutschen Arbeitgeberverbände” offers a way of calculating the turnover rate within a company. The calculation formula is as follows:  
Turnover rate (in %) = voluntary departures / average headcount for the period x 100

## CMOs

Contract Manufacturing Organisations (CMOs) are contract manufacturers in the pharmaceutical industry that produce various intermediates or the final product.

## CO<sub>2</sub>

Carbon dioxide is the main greenhouse gas. Its sources include the combustion of fossil fuels such as coal and natural gas. Greenhouse gases are measured in a global and standardised framework, the Greenhouse Gas Protocol.

## Code of Conduct

A code of conduct is a collection of rules of behaviour applying to company employees. A code of conduct contains guidelines on how employees should behave in a socially, ethically and legally correct manner.

## Compliance-Officer

A compliance officer oversees and manages compliance within an organisation.

## Corporate Sustainability Reporting Directive

The CSRD was developed on the basis of the ESRS (European Sustainability Reporting Standards) and constitutes reporting requirements for European companies that will replace the → German CSR Guidelines Implementation Act (CSR-RUG) for some companies for the first time from 2024 and is expected to become applicable to CHEPLAPHARM from 2024 onwards.

## CSR-RUG

The CSR Directive Implementation Act requires the disclosure of information on non-financial aspects (at least in relation to environmental, employee and social issues), respect for human rights, and the fight against corruption and bribery.

## ESG

E = Environment, S = Social, G = Governance. ESG refers to non-financial factors that mainly investors apply in order to screen potential investments. They also refer to a particular company’s sustainability impacts and contributions as well as associated risks and opportunities for the company. Companies are increasingly expected to report on such ESG factors.

## Global Reporting Initiative (GRI)

The GRI is an international organisation setting the standards for sustainability reports. It is recognised on an international level and represents the de facto global standard for sustainability reports.

## Good Distribution Practices (GDP)

The Good Distribution Practices of the European Commission provide guidelines on good distribution practice of medicinal products for human use and define minimum standards for the quality and integrity of medicinal products along the entire supply chain.

### Good Manufacturing Practices (GMP)

The purpose of the Good Manufacturing Practices of the World Health Organization is to ensure that products are manufactured and controlled in accordance with certain uniform quality standards. The risks involved in manufacturing medicinal products that would not be noticed in tests are to be reduced during this process.

### HAZWOPER standards

HAZWOPER stands for “Hazardous Waste Operations and Emergency Response” and is a set of guidelines for handling hazardous waste and responding to emergencies. The guidelines were developed by the U.S. Occupational Safety and Health Administration (OSHA) and include regulations on training, equipment and procedures for handling hazardous substances. The goals of the HAZWOPER standards include minimizing risks to worker health and safety as well as pollution prevention – especially in emergency scenarios.

### International Labour Organization (ILO)

The International Labour Organization is the oldest specialist organisation within the UN. It is the only UN organisation that consists not only of states. Alongside the governments of its member states, its members also include employee and employer organisations.

### Model List of Essential Medicines

The World Health Organization (WHO) Model List of Essential Medicines is comprised of medicines that are considered essential for health care in resource-limited countries. The list currently includes over 600 medicines for adults and children. Only medicines that can demonstrate proven benefit, are available and safe, and are considered cost-effective are included. Medicines are selected ethically, taking into account the underlying diseases and health needs of the population. Furthermore, the list is considered to be a guide for governments, healthcare organizations and healthcare providers to improve healthcare worldwide.

### Scope 1, 2, 3

Scopes 1, 2 and 3 describe the various classifications of a company’s CO<sub>2</sub>-emissions. Scope 1 comprises the emissions from sources for which the relevant company is responsible or which such company controls. These include emissions from energy sources at the company site such as natural gas and fuels, coolants as well as emissions from operation of heating boilers and stoves. Scope 1 also includes emissions from one’s own vehicle fleet (e.g. cars, delivery vehicles, heavy goods vehicles, helicopters for hospitals). Scope 2 emissions are indirect emissions of CO<sub>2</sub> from purchased energy such as electricity, water vapour, district heating or cooling that are generated outside the company but consumed within the company. All emissions caused along the supply chain of a

company fall within Scope 3. In this context, a distinction is made between upstream and downstream emissions. Upstream emissions are indirect emissions of CO<sub>2</sub> that are associated with purchased goods and services. The term “downstream emissions” refers to indirect emissions of CO<sub>2</sub> that are associated with goods and services sold and are generated only after their sale.

### Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board is a public benefit organisation that developed the industry-specific ESG indicators. The organisation is part of the IFRS Sustainability Disclosure Standards and offers standards for almost 80 different industry sectors.

### Stakeholder

The term “stakeholder” is generally used to describe all parties (groups of persons or individuals) that are involved in, affected by or interested in the activities of a company and might exert an influence on them. Another term that is often used in this context is “interest groups”.

### SDGs

The United Nations Sustainable Development Goals (SDGs) are a set of 17 goals and a “blueprint to achieve a better and more sustainable future for all by 2030”. They were published under the title “Transforming our world: the 2020 Agenda for



Sustainable Development” (or short “Agenda 2030”). The call to action for companies comes mainly from the international community, or in Europe mainly from the EU Member States and the EU Commission, from individual initiatives such as the UN Global Compact, the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD), but also from groups of investors and is reflected in statutory requirements and appropriate standards.

### Materiality analysis

A materiality analysis is a process to determine the main (material) economic, ecological and social topics and challenges of a company. A materiality analysis in principle has multiple purposes. It helps identify the relevant stakeholders and thus the recipients of the sustainability reports. Moreover, a materiality analysis allows to prioritise areas of responsibility and fields for action and thus reduces complexity. It also helps select appropriate strategic targets, policies, certifications, indicators or rating points. In a best-case scenario, this process also provides input for operative improvements, organisational transformation or systemic change with a view to increasing revenues, reducing costs, enhancing market value or improving the risk management system.

### Whistleblower system

A whistleblower system helps employees and other persons affiliated with the company report misconduct and unethical or unlawful behaviour at the workplace.

### World Health Organization (WHO)

The World Health Organization is a body under the United Nations and focuses on matters relating to the global public health system.

### World Economic Forum (WEF)

The World Economic Forum is an international organisation for public-private partnership. It brings together leading figures from politics, business, culture and other fields of society to define global, regional and industry agendas in the field of ESG.

## SDG Index

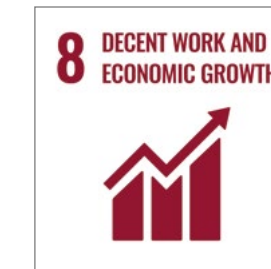
The **17 UN Sustainable Development Goals (SDGs)** were adopted in 2015 by all UN member states as part of the “2030 Agenda for Sustainable Development”. The goals cover matters such as environmental protection, health, education, fair work and global improvement of business perspectives for government and private investors.

CHEPLAPHARM also makes a positive contribution to achieving these goals, in particular the four SDGs explained herebelow:



### SDG 3: Good health and well-being

SDG 3 addresses people’s good health and well-being and thus constitutes a material goal for any pharmaceutical company. CHEPLAPHARM makes a significant contribution to people’s health and well-being. Supply security is a particularly important issue in this context. CHEPLAPHARM goes far beyond its actual obligations in this regard. To give just one example here, we may refer to the broad diversification of the over 125 CMOs and suppliers we use, the establishment of second sources and elaborate storage processes that allow us to make available a sufficient quantity of medicinal products in many countries worldwide at any time. Moreover, CHEPLAPHARM’s products meet high regulatory safety and quality requirements. When a new product is included in our portfolio, we ensure that we are able to provide patients with the product they are used to in at least equivalent quality or make it even better (e.g. in terms of product handling). Our comprehensive processes are complemented by an effective complaints management system.



### SDG 8: Decent work and economic growth

As one of the biggest employers in the Greifswald region, we are aware of our particular responsibility for the region and its people. That is why it is particularly important to us to promote the continued development and training of our employees and, in particular, to retain them in the long-term. We also cooperate with the renowned universities of Greifswald and Rostock, we are involved in sponsoring the Deutschlandstipendium scholarship of the German Federal Ministry of Education and Research (BMBF) at the University of Rostock, and we offer students internships for various phases of their academic training. Last but not least, we make regular donations to local projects or support them as sponsor and thus give back part of our profit to the community.





### SDG 12: Sustainable consumption and production

If the world's population were to reach the estimated 9.6 billion by 2050, humanity would need resources equivalent to about three times of what is available on the planet if current consumption continues. It is therefore also a key task of companies to initiate and implement transformation processes to make business ecologically more sustainable. Thanks to its asset-light business model with outsourced production and distribution processes, CHEPLAPHARM in principle only has a small direct ecological footprint. Nevertheless, we can make the outsourced processes along our value chain more energy and resource efficient by setting targets and defining requirements for CMOs and suppliers, and reduce the amount of hazardous substances released into the environment and the amount of hazardous waste produced in our manufacturing processes. In this context, we conduct regular surveys among our main suppliers about their sustainability efforts and thereby exert at least an indirect influence. In future, this process will be expanded to include all suppliers in the future to cooperate with them in making more sustainable use of resources. Another milestone in this regard was the introduction of a Supplier Code of Conduct in 2022 in which we defined clear requirements and guidelines to be followed by our suppliers.



### SDG 13: Action to protect the climate

Climate protection requires a consistent and long-term approach. CHEPLAPHARM can make a significant contribution in this regard through its supply chain by taking climate change mitigation into account in all processes, and requiring suppliers to meet certain minimum requirements in terms of climate change mitigation. More details about this can be found under "Supply chain".

We also review the processes we have in place at our Greifswald headquarters on a regular basis and initiate improvements. For example, our new ISO 50001 certified energy management system allows us to evaluate our energy performance regularly and to work continually to improve it. Our sustainability strategy is also reflected in our new building project in Greifswald. This project adds a new office building to our campus that will provide space for over 300 additional workplaces by the end of 2023. As a "nearly zero-energy building", it meets the latest energy standard EG40EE, according to which it has less than 40% of the maximum legally permissible primary energy requirement. The new office building covers more than 55% of its own energy requirements self-sufficiently by using environmental heat and generating electricity through its own photovoltaic system. The electricity generated by the building's own solar system also supplies the EV charging stations employees can use free of charge.

# GRI Index

The GRI Index below meets the requirements of the “Core” option in parts and is based on the current standards of the 2021 Global Reporting Initiative.

GRI Standard	Indikator	Source
<b>GRI 2: General Disclosures 2021</b>		
2-1	Organisational details	ESG Report 2022, p. 38
2-2	Entities included in the organisation’s sustainability reporting	entire CHEPLAPHARM Group
2-3	Reporting period, frequency and contact point	ESG Report 2022, p. 38
2-4	Restatements of information	n/a
2-5	External assurance	ESG Report 2022, p. 15, 17-19, 23
2-6	Activities, value chain and other business relationships	ESG Report 2022, p. 6, 10-11
2-7	Employees	ESG Report 2022, p. 20-22
2-8	Workers who are not employees	n/a
2-9	Governance structure and composition	ESG Report 2022, p. 27
2-10	Nomination and selection of the highest governance body	n/a

GRI Standard	Indikator	Source
2-11	Chair of the highest governance body	n/a
2-12	Role of the highest governance body in overseeing the w management of impacts	ESG Report 2022, p. 25
2-13	Delegation of responsibility for managing impacts	n/a
2-14	Role of the highest governance body in sustainability reporting	n/a
2-15	Conflicts of interest	n/a
2-16	Communication of critical concerns	ESG Report 2022, p. 27
2-17	Collective knowledge of the highest governance body	n/a
2-18	Evaluation of performance of the highest governance body	n/a
2-19	Remuneration policies	n/a
2-20	Process to determine remuneration	n/a
2-21	Annual total compensation ratio	n/a
2-22	Statement on sustainable development strategy	ESG Report 2022, p. 3-4



GRI Standard	Indicator	Source
2-23	Policy commitments	ESG Report 2022, p. 25-27
2-24	Embedding policy commitments	n/a
2-25	Processes to remediate negative impacts	ESG Report 2022, p. 27
2-26	Mechanisms for seeking advice and raising concerns	ESG Report 2022, p. 27
2-27	Compliance with laws and regulations	ESG Report 2022, p. 24-27
2-28	Membership associations	n/a
2-29	Approach to stakeholder engagement	ESG Report 2022, p. 6-7, 20-21
2-30	Collective bargaining agreements	n/a
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	ESG Report 2022, p. 6-7
3-2	List of material topics	ESG Report 2022, p. 7
3-3	Management of material topics	n/a

GRI Standard	Indicator	Source
<b>GRI 302: Energy 2016</b>		
302-1	Energy consumption within the organisation	ESG Report 2022, p. 13
302-2	Energy consumption outside of the organisation	ESG Report 2022, p. 13
302-3	Energy intensity	ESG Report 2022, p. 13
302-4	Reduction of energy consumption	ESG Report 2022, p. 13
<b>GRI 303: Water and effluents 2018</b>		
303-1	Interactions with water as a shared resource	ESG Report 2022, p. 16
303-3	Water withdrawal	ESG Report 2022, p. 16
303-5	Water consumption	ESG Report 2022, p. 16
<b>GRI 305: Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	ESG Report 2022, p. 14
305-2	Indirect (Scope 2) GHG emissions	ESG Report 2022, p. 14
305-4	GHG emissions intensity	ESG Report 2022, p. 14
305-5	Reduction of GHG emissions	ESG Report 2022, p. 14

GRI Standard	Indicator	Source
<b>GRI 306: Waste 2020</b>		
306-3	Waste generated	ESG Report 2022, p. 16
<b>GRI 308: Supplier environmental assessment 2016</b>		
308-1	New suppliers that were screened using environmental criteria	ESG Report 2022, p. 10
308-2	Negative environmental impacts in the supply chain and actions taken	ESG Report 2022, p. 10-11
<b>GRI 401: Employment 2016</b>		
401-1	New hires and employee turnover	ESG Report 2022, p. 20
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	ESG Report 2022, p. 21-22
401-3	Parental leave	ESG Report 2022, p. 22

GRI Standard	Indicator	Source
<b>GRI 403: Occupational health and safety 2018</b>		
403-2	Risk identification, risk assessment and incident investigation	ESG Report 2022, p. 23
403-3	Occupational health services	ESG Report 2022, p. 23
403-4	Worker participation, consultation and communication on occupational health and safety	ESG Report 2022, p. 23
403-5	Worker training on occupational health and safety	ESG Report 2022, p. 23
403-6	Promotion of worker health	ESG Report 2022, p. 23
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	ESG Report 2022, p. 23
403-9	Work-related injuries	ESG Report 2022, p. 23
403-10	Work-related ill health	ESG Report 2022, p. 23



GRI Standard	Indicator	Source
<b>GRI 404: Training and education 2016</b>		
404-2	Programmes for upgrading employee skills and transition assistance programmes	ESG Report 2022, p. 20
<b>GRI 405: Diversity and equal opportunity 2016</b>		
405-1 D	Diversity of governance bodies and employees	ESG Report 2022, p. 24
<b>GRI 408: Child labour 2016</b>		
408-1	Operations and suppliers at significant risk for incidents of child labour	ESG Report 2022, p. 24
<b>GRI 409: Forced or compulsory labour 2016</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	ESG Report 2022, p. 24
<b>GRI 413: Local communities 2016</b>		
413-1	Operations with local community engagement, impact assessments and development programmes	ESG Report 2022, p. 18-19

GRI Standard	Indicator	Source
<b>GRI 414: Supplier social assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	ESG Report 2022, p. 10, 24
<b>GRI 415: Public policy 2016</b>		
415-1	Political contributions	ESG Report 2022, p. 27
<b>GRI 416: Customer health and safety 2016</b>		
416-1	Assessment of the health and safety impacts of product and service categories	ESG Report 2022, p. 17-18
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	ESG Report 2022, p. 18
<b>GRI 417: Marketing and labelling 2016</b>		
417-1	Requirements for product and service information and labelling	ESG Report 2022, p. 17-18
<b>GRI 418: Customer privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	ESG Report 2022, p. 19

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