



2021

ESG Strategy



Our Commitment

Fagron creates value for its stakeholders by combining good governance, dedicated employees, and an extensive supply network. Fagron offers products to increase patient health while creating shareholder value.

As a global company with the purpose to create the future of personalizing medicine, we aim to produce all our products ethically and responsibly. We strive to protect our stakeholders by lowering our environmental impact, providing benefits to our people, taking responsibility in our supply chain, and giving back to the communities in which we operate.

Management of ESG

Annual ESG process

We see our Environmental, Social, and Governance Strategy as a living document because Fagron, our stakeholders, and the world are continuously changing. Our ESG process consists of four steps that we repeat annually.

Stakeholder analysis

We conduct (annual) surveys to understand stakeholders' demands regarding our Environmental, Social, and Governance strategy, policies, and objectives. We conduct surveys among shareholders, employees¹, and customers. We also review (upcoming) changes in regulations in the countries and regions where our facilities are situated, requirements of financiers, ESG ratings, and analysts' focus areas.

Design annual plan

We select material ESG topics based on the stakeholder analysis by combining the importance to our stakeholders with the current or potential impact on the success and continuity of our business in the following five years². We review the ambition level and KPI's and, where necessary, amend them. For new topics, we first conduct research to gain insight into the current status within Fagron.

Implementation

According to the annual ESG plan, we implement the management systems, monitoring systems, policies and take measures per ESG topic.

Review and report performance

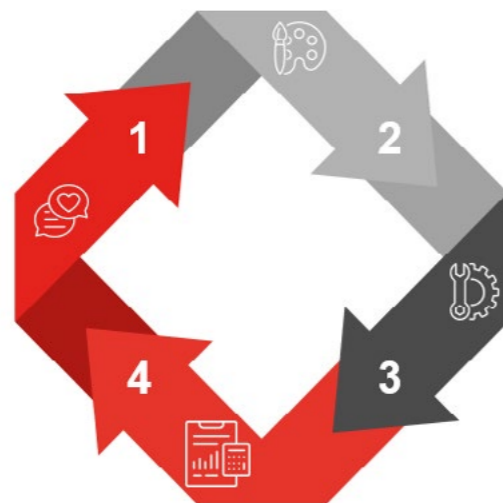
We continually review performance by using Fagron's internally developed ESG dashboard. Progress and results of the ESG strategy are reported yearly in our annual report.

Material ESG topics 2021

Fagron has conducted a materiality assessment to determine the environmental, social, and governance topics to include in our ESG strategy in 2021. We divided the ESG topics into five different categories: low impact on the environment, benefits to our people, responsibility in the supply chain, giving back, and good governance.

We consider all topics that have received a materiality score of "High" or "Medium" as material topics. We describe these topics further in this ESG strategy.

Stakeholder analysis
Shareholders, ESG ratings, analysts, employees, customers.



Design annual plan
Select ESG topics, gain insight and define ambitions and KPI's.

Implement
Implement management, monitoring systems and measures.

Review & Report Performance
Continuously review performance based on ESG dashboard and report in annual report.

Figure 1 – Materiality assessment Fagron



¹ Included in the Fagron Global Employee Survey that is conducted every two years.
² Determined by the Fagron Global Leadership Team.

Our ESG Categories



-  **Low impact on the Environment**
-  **Benefits to Our People**
-  **Responsibility in Supply Chain**
-  **Giving Back**
-  **Good Governance**



Low impact on the Environment

Low impact on the Environment

At Fagron, we continuously try to reduce the impact of our operations on the environment. We actively reduce our impact by setting ambitious targets on the environmental topics that are material for Fagron. We actively work on reducing greenhouse gas emissions and energy use, reducing emissions to air and soil, improving waste management.

Climate change (greenhouse gas emissions) and energy use

We endorse the Paris Agreement on climate change. We find it essential to set targets consistent with keeping the global temperature rise below 2 degrees Celsius in comparison to pre-industrial levels (1900). In the long term, this means reducing emissions to (close to) net zero in 2050.

Greenhouse gas emissions

Fagron has set itself the target to reduce greenhouse gas emission intensity in 2026 by 30% compared to 2019 emissions. The annual KPI is a 5% reduction in greenhouse gas emission intensity.

To meet this target, we will take the following carbon footprint initiatives in 2021:

- Solar panels: Install solar panels on at least six facilities, in addition to the two facilities that already use solar panels.
- LED lighting: Change out all non-LED lighting to LED lighting.
- Energy-efficient equipment: Upgrade equipment to energy-efficient equipment when replacing equipment.
- Electric car fleet: Replace lease cars in the EMEA region³ by fully electric vehicles or plug-in-hybrid vehicles when the lease period ends.
- Reducing business travel.
- A shift in business travel: Reduce business travel by plane in favor of business travel by car or train.

Low impact on the environment

ESG topic	Insight	Ambition	Goal/KPI
Climate change Scope 1/2	✓	Annual carbon intensity	-5%
Energy use	✓	Annual energy intensity	-3%

³ Depending on the maturity of the charging infrastructure, cars will be replaced with full electric cars, plug-in-hybrid cars or fuel efficient cars.

Energy use

Fagron has set itself the target to reduce energy intensity in 2026 by 18% compared to 2019 energy use. The annual KPI is 3% energy intensity reduction. The carbon footprint initiatives will aid in reaching this KPI.

Scope 3 emissions

Fagron does not have a complete insight into the greenhouse gas emission intensity of its upstream and downstream processes (Scope 3) at this moment. In 2021 Fagron will assess its upstream and downstream emissions and define its ambition level on Scope 3 emissions.

Emissions to air and soil

Because we generate waste and use fossil fuels to run our operations, we create air and soil emissions. Apart from greenhouse gas emissions, this includes nitrous oxides and particulate matter emissions to the air. We do not have a complete insight into the exact quantity of emissions to air and soil that we generate. In 2021 we will assess the types and amounts of air and soil emissions we generate and define our ambition level to reduce this.

Waste management and recycling

Waste is generated throughout Fagron's supply chain, be it at our suppliers, our facilities, and our customers.

We believe that we need to start by improving waste management at our facilities. We comply with all legislation concerning waste management but want to go beyond compliance. At Fagron, we feel responsible for minimizing the impact on the environment by improving the treatment of hazardous and pharmaceutical waste that we generate at our facilities.

The quantity of waste generated at our facilities is minimal compared to the packaging around our products. We package products that we deliver to clients in accordance with legislation for pharmaceutical and dermatological products, which means that high standards apply to our packaging. We believe that the amount of packaging can be reduced or shifted from fossil-based plastic to more sustainable alternatives such as biobased packaging.

Fagron does not have a complete insight into the types and quantities of waste generated at our facilities (office waste and production waste) and the quantity of packaging waste generated by our customers. In 2021 we will assess the types and quantities of waste we generate and define our ambition level.

Scope 1	Scope 2	Scope 3
Fuel use in owned/leased buildings	Heat used in owned/leased buildings	Business travel by employee-owned cars ⁶
Fuel use in owned/leased cars ⁴	Electricity use in owned/leased buildings	Business travel by plane
Fugitive emissions from refrigerants in owned/leased buildings	Electricity use in owned/leased cars ⁵	Business travel by train

⁴ Excluding short lease during business trips.

⁵ Excluding short lease during business trips.

⁶ Car use paid for by Fagron through reimbursement of fuel or reimbursement per kilometer/mile.



Benefits to Our People

Benefits to Our People

We encourage a working environment where every individual is empowered to perform at its best, and all our people can innovate and develop. We continuously build and foster a culture that enables our employees to become the best version of themselves. Promoting feedback and recognition throughout the whole organization is the key to preserving our culture.

We actively work on promoting diversity, ensuring the health & safety of our people, eliminating all human rights and labor rights infringements, providing training & education to our people, and providing career development opportunities to our people.

Sustainable engagement

We believe in the direct impact of engaged employees on the company performance. Measuring the engagement and asking our employees for open and honest feedback helps us set the right priorities, understand our employees' needs, and respond to these in turn. Since 2016, we perform a Global Employee Survey every other year. Part of this Global Employee Survey is a score on Sustainable Engagement, the intensity of employees' connection to the organization.

Fagron has set itself the following targets:

- Achieve a participation rate of at least 85% in the 2022 and 2024 Global Employee Survey.
- Maintain a Sustainable Engagement score of at least 80% in the 2022 and 2024 Global Employee Survey.

Diversity

Our people are our most important assets. We work together as one big team and value the unique contribution that every person brings to Fagron. We treat each other with respect and fairness, and we believe that we accomplish more when people from different backgrounds and with various talents come together. We treat employees without regard to personal characteristics such as age, race, color, ethnicity, nationality, religion, sexual orientation, gender identity, marital status, disability, or any other characteristics protected by applicable laws.

We strongly believe in the importance of diversity in management teams to make better business decisions. We pay specific attention to diversity in terms of gender, age, nationality, ethnicity, and employment opportunities for people with a disability.

Benefits to our people

ESG topic	Insight	Ambition	Goal/KPI
Diversity	✓	Male/Female balance employees in workforce	50/50
		Female board members in Board of Directors	at least 1/3 rd
		Number of nationalities at Global Services Center	at least 10
Sustainable engagement	✓	Participation rate Global Employee Survey 2022 and 2024	85%
	✓	Sustainable Engagement score in Global Employee Survey	80%
Training & Development	✓	Annual employee career development and performance review	80%

Diversity: Gender

We strive for gender balance at all levels of the organization. For the short term, Fagron has set itself the following targets:

- Maintain a balanced workforce in terms of gender diversity. We strive to have a 50/50 balance.
- Minimum one-third of the Board of Directors is female.

Diversity: Nationality and Ethnicity

We find it essential that the people working at the Global Service Center⁷ in Rotterdam represent the Fagron Group's diversity. Therefore, we aim to have a minimum of 10 nationalities at the Global Service Center. In 2021 we will conduct an internal analysis to develop a KPI for ethnicity to apply in all jurisdictions where Fagron operates.

Diversity: Employment opportunities for people with a disability

Fagron provides employment opportunities for people with a disability. These opportunities can be in tailored employment positions or any other employment position that fits the individual situation.

Health & safety

All employees working for Fagron should execute their job in a clean, orderly, and safe environment where they feel confident. We have a zero-tolerance policy for actions that jeopardize the health and safety of our employees and others. By proactively addressing and remediating identified risks, we strive to prevent or minimize injury and negative health effects.

At all our facilities, procedures and emergency response plans are in place to ensure our employees' health, safety and welfare. There is currently no monitoring system at Group level. In 2021 we will develop and set up monitoring system.

Through diverse initiatives, we proactively work on our people's mental and physical well-being. We work on reducing job pressure, improving health, vitality and lifestyle. We create workplaces that encourage a healthy life- and working style, for example, by offering sporting opportunities, healthy snacks (fresh fruit), and designing ergonomic offices.

Human rights and labor rights

We care deeply about our people's human rights and labor rights and strive to eliminate any human rights or labor rights infringements in our facilities.

Non-discrimination in employment

Fagron is committed to providing equal remuneration for equal work.

Harassment

Fagron is committed to providing all employees with a work environment free from violence, intimidation, harassment, or other forms of threats. We define harassment, discrimination, and abuse as behavior that is unreasonable, unwanted and offensive to the recipient and creates a hostile, humiliating or intimidating work environment for the individual. We do not tolerate any form of discrimination, harassment, abuse or any other action that can be considered intimidating, offensive or discriminatory.

Slavery and forced labor

Fagron has a Modern Slavery Statement designed to combat and prevent modern slavery and human trafficking in our company and supply chain. There is no slavery or forced labor at any of the Fagron facilities.

Child labor

We prohibit any use of child labor worldwide. Every individual working at Fagron should have reached the countries legal minimum age for employment. When the legal minimum age limit is below 18, we take special care of young workers under 18. We do not employ young workers in work that jeopardizes their mental or physical well-being, such as working overtime, exposure to chemicals, heavy machinery, and tools.

In 2020 we had one employee below 18 years old.

Freedom of association and collective bargaining

Every individual working at Fagron is free to join any non-profit organization that reflects the individual's interest.

In 2021, Fagron will assess the risk for human rights and labor rights infringements in our facilities in terms of non-discrimination in employment, harassment, and freedom of association and collective bargaining.

Training & development

We have a long tradition of an annual performance and development cycle. In 2019 we transformed the yearly cycle into a continuous feedback cycle that enables our employees and leaders to give each other feedback regularly. The regular check-ins are gathered and used for the end-of-year evaluation. This effective mechanism enhances the ownership employees have regarding their development and supports them in setting personal goals and discussing career opportunities and training possibilities.

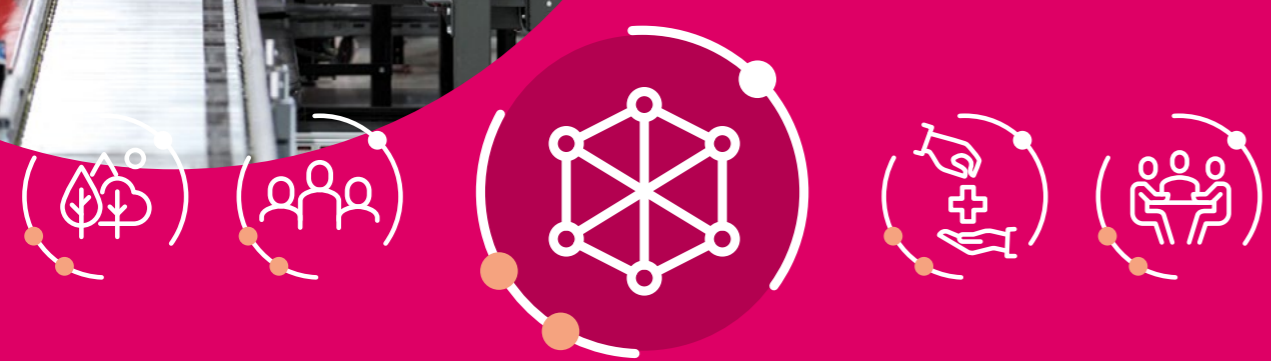
Our performance management focuses not only on past performance but also on putting our company values into practice on personal and professional growth. At the beginning of each year, the employee and his/her manager discuss personal development objectives and career ambitions. Throughout the year, through regular check-ins, the progress on these objectives is followed-up.

We want to optimize the training & development opportunities at Fagron by offering more training possibilities through classroom training, online courses and, on-the-job practical training such as peer tutoring.

Fagron has set itself the following targets:

- Increase the number of annual performance and development discussions to 80%.
- Introduce a learning management system to support the training and development process and develop a training catalog in 2021.

⁷ Fagron headquarters.



Responsibility in Supply Chain

Through our facilities and our supply chain, we have an influence on communities all over the world. Fagron strives to make a positive impact on communities. Fagron contributes by supplying products vital to the operation of healthcare systems in the markets where we operate. To protect the people working in our supply chain, we strive to eliminate human rights and labor rights infringements in our supply chain.

Human rights and labor rights in our supply chain

Via our supply chain, we have an indirect influence on the human rights of the people working for our suppliers. In line with the Universal Declaration of Human Rights, we strive to eliminate human rights infringements in our supply chain.

Fagron expects its business partners to conduct business ethically, in line with our Business Partner Code of Conduct. We published our Business Partner Code of Conduct in 2021. The code includes expectations concerning:

- Human rights and labor rights: Freely chosen employment (abolition of slavery and forced labor), abolition of child labor, prevention of discrimination, fair treatment of workers, freedom of association and collective bargaining.
- Occupational health & safety.
- Environment: Compliance with laws and regulations, waste and emissions, spills and releases, and environmental sustainability.
- Ethics: Anti-bribery and corruption, fair competition, and animal welfare.
- Management systems: Compliance with laws and regulations, risk management, documentation, supplier selection, and monitoring.

Responsibility in supply chain

ESG topic	Insight	Ambition	Goal/KPI
Human rights and labor rights	2021	Develop Business Partner Code of Conduct Integrate Business Partner Code of Conduct in new purchasing contracts	✓ 100%

Responsibility in Supply Chain

For more information, see the [Fagron Business Partner Code of Conduct](#). The Fagron Business Partner Code of Conduct is accessible via the Global Fagron website.

We will include the Business Partner Code of Conduct in all new purchasing contracts in 2021.

During our supplier audits, we have never come across any human rights infringements in our supply chain. Fagron does not, however, have a complete insight into the risk for human rights infringements in our supply chain. In 2021 we will assess the risk for human rights and labor rights violations in our supply chain.



Giving Back

Giving Back

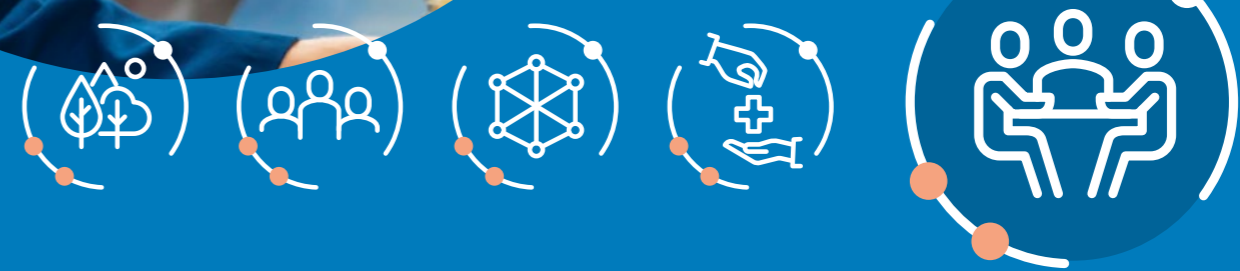
Besides improving patients' lives, Fagron gives back to the communities where we operate by providing education on personalizing medicine via Fagron Academy and by leveraging resources in the Fagron Foundation to increase healthcare access.

Fagron Academy

Fagron Academy increases and improves the compounding knowledge and skills of prescribers and pharmacists. The market recognizes Fagron as a provider of the most extensive training and educational opportunities for, among other things, compounding techniques, the use of materials, administration forms, and quality and safety procedures.

Fagron Foundation

We created Fagron Foundation in June 2012. The goal is to leverage human and financial resources to drive healthcare and community improvements and increase healthcare access. Fagron Foundation's focus is on donating healthcare products and equipment to the communities in which we operate. During 2020 most of the Fagron Foundation initiatives were related to COVID-19 and included donations of masks, hand creams, alcohol gels, and COVID-19 tests. We will continue to focus our efforts on COVID-19 in 2021.



Good Governance

Good Governance

Fagron considers good governance vital to conducting business. Material topics that are part of good governance include compliance with laws and regulations, corruption & bribery, fair tax policy, grievance mechanism, and product quality & safety.

Compliance

Fagron operates in more than 20 jurisdictions worldwide. We aim to comply with legislation in all jurisdictions where we operate. The businesses are responsible for compliance with local legislation. At the Group level, we pay specific attention to the compliance of the Group (Fagron NV) and Fagron Holding (Fagron BV) as well as compliance in terms of product quality and safety (see Product Quality and Safety).

Corruption & bribery

Corruption & bribery may lead to unfair pricing of pharmaceutical products vital to the operation of healthcare systems in the markets where we operate. Corruption & bribery can also expose Fagron to possible criminal prosecution, fines, reputational damage, and other serious consequences. As a global company with the purpose to create the future of personalizing medicine, the company's reputation is critical to Fagron's success. A bribe or any other form of corruption is never acceptable.

We have a Global Anti-Bribery & Anti-Corruption Policy that clearly describes how we expect our employees to behave when doing business. Any breach of this policy will lead to corrective actions that may include termination of employment. To ensure that all employees act following the policy, we defined the following KPI's:

- 90% of new Fagron employees receive training on our Anti-Bribery & Anti-Corruption Policy as part of the Code of Conduct Training.
- 90% of Fagron Global Leadership Team and Business Leaders receive an Anti-Bribery & Anti-Corruption training.

Fair tax policy

We recognize that our tax approach has a direct influence on the communities surrounding our operations. We use internal and external tax experts to ensure that we follow the letter and spirit of taxation law in the countries where we are active. Fagron pays taxes in the countries where we are present, and we do not use tax havens or non-cooperative jurisdictions for tax planning purposes.

Grievance mechanism

Fagron has a grievance mechanism where Fagron employees can express grievances concerning the way that Fagron conducts business on any of the topics described in Fagron's Code of Business Conduct.

At Fagron, we support an open culture where employees can openly discuss concerns and raise questions. Therefore, the first reporting channel is the manager or supervisor of the employee. Suppose the employee feels uncomfortable discussing the matter with his/her manager. In that case, the employee can always use the second reporting channel and speak to the HR responsible or a confidential counselor. We treat all concerns and reports with the highest confidentiality.

Employees can always report concerns via the third reporting channel, the Fagron Integrity Line. The Fagron Integrity Line is available 24/7 online and is operated by an external provider. Submitting a problem via the Fagron

Integrity Line is anonymous. The reports made are treated with the highest confidentiality. Fagron does not take any repercussions against anyone for raising concerns or reporting a violation or suspicion in good faith.

The Fagron Integrity Line is available in the following languages to ensure that all Fagron employees can use it: Croatian, Czech, Dutch, English, French, German, Greek, Polish, Portuguese, and Spanish. With Pharma Tamar's addition to the Group, we will add Hebrew as a language in 2021.

Fagron has set itself the following targets:

- 90% of Fagron employees learn about the grievance mechanism as part of the Code of Conduct Training.
- 100% of Fagron employees have access to a confidential counselor.

Product quality and safety

Fagron uses an extensive supplier selection procedure to ensure 100% traceability of more than 2,500 pharmaceutical raw materials. All our suppliers are ISO 9001 or GMP-certified. We audit our suppliers every three years to ensure the quality of the supplied materials. On-site audits are conducted more frequently for suppliers of products with a higher risk profile.

We have a highly experienced technical team to ensure the products received and produced have the right characteristics before releasing them to the market. The chemistry and microbiology technicians are responsible for testing materials and finished products to ensure they conform to all applicable regulations, pharmacopeial requirements, and company standards. Quality control technicians test products across the three production stages (incoming goods, in-process, and final release) to ensure we meet all quality specifications.

Good governance

ESG topic	Insight	Ambition	Goal/KPI
Corruption & Bribery	-	Corruption & Bribery Training as part of Annual Code of Conduct Training	90% employees
		Annual Corruption & Bribery Training	100% GLT and BL ⁸
Grievance mechanism	-	Grievance mechanism training as part of Annual Code of Conduct Training	90% employees
		Access to confidential counselor in own entity	100% employees

⁸ Fagron Global Leadership Team and Business Leaders.

Together
We create the future
of personalizing medicine

