CHEPLAPHARM

ESG REPORT
2023

Achieve more

Content

Dear Readers,

At CHEPLAPHARM, we look back on an extremely successful financial year 2023 - and not just in economic terms. We have continued our dynamic growth track and driven forward our transformation into an international group of companies, as well as making significant progress in the areas of **Environmental, Social and Governance**, which I would like to briefly summarize below:

CHEPLAPHARM's direct ecological impact is low: production and distribution processes are outsourced as part of our **asset-light business model**. In addition, last year we successfully implemented effective measures to protect the environment and improve our transparency. We have switched our entire electricity consumption at our German sites to renewable energy sources, which has led to a **significant reduction of 92 %** in our CO_2 emissions from purchased energy (**so-called Scope 2 emissions**). Our newest office building in Greifswald, which **meets the latest EG40EE energy standard** and covers more than 55 % of its own energy requirements by using environmental heat and self-generated electricity from its own photovoltaic system, is closely linked to this. We have also made further progress regarding our data availability: For the first time, this report also contains information on direct emissions from our own business activities (**so-called Scope 1 emissions**), which we will also communicate transparently from now on.

We have outsourced the manufacture of our products to a broadly diversified network of more than 125 contractual partners and place a particular focus on compliance with social and environmental standards along our supply chain. A key control element here is our **Supplier Code of Conduct**, in which we define clear guidelines. In 2023, we further optimized the Code and added guidelines for our sales partners that are closely aligned with the established criteria of the **World Health Organization (WHO)**. We have also significantly strengthened the definition and monitoring of minimum standards in our supply chain by introducing a **Risk Management Software**. Among other things, this now enables us to assess the ESG risks of our suppliers even more comprehensively.

Social aspects also play a central role for CHEPLAPHARM outside our supply chain. Our patients from around 145 countries trust us to ensure that they have access to important medicines – and that we pay attention to the highest product quality and safety, which we describe in detail in this report. At the same time, we want to become **even more attractive** as an **employer** and have implemented various measures as part of our **"CP 2025" transformation program** to be in the best possible position in the competition for the most talented employees in the future as well. Based on a survey of our employees, we significantly enhanced our **internal communication** once again last year. Examples include the **town hall meetings** held several times a year, which facilitate open communication between the Management Board and employees, as well as the **introduction of a Group-wide intranet**. Another result of the survey, which we will repeat regularly in future: The current implementation of a comprehensive **salary project** that addresses the issues of remuneration transparency and fairness and thus strengthens identification with our company.

Key cornerstones of sustainable **Corporate Governance** are anchored in our constantly evolving **Compliance Management System**. The main elements of the system are a binding, company-wide **Code of Conduct**, several internal and external **compliance guidelines**, mandatory **compliance training for all employees**, our multilingual, electronically protected **whistleblower system** and, last but not least, numerous **measures to prevent corruption and bribery**. To further increase our transparency in this regard, in 2023 we separately prepared and summarized the existing **anti-corruption and bribery guidelines** at CHEPLAPHARM and made them available for download on our website.

Last year, we also received external recognition for the sustainability milestones we have achieved to date: For example, we were able to **improve** in several **ESG ratings** that put us in comparison with other companies from the pharmaceutical industry in the area of sustainability – for example with the globally renowned rating agency Sustainalytics, which now ranks us among the extended top field in the industry. And we want to improve even further. Having implemented key ESG content as part of the company-wide "CP 2025" program in 2023, we are now focusing on the future regulatory sustainability requirements that we will have to meet from the financial year 2025. In particular, we will prepare for the requirements of the **EU Taxonomy** and the **EU's Corporate Sustainability Directive (CSRD)** and, as a first step this year, update our 2022 materiality analysis in accordance with the new legal requirements. The results of this analysis will form both the future reporting framework and the basis for the targeted further development of our ESG strategy and data collection in 2024.

As you can see, we are continuing to move forward with determination. We invite all stakeholders to continue to actively accompany us on this journey – and would like to thank all stakeholders who actively support us in our sustainability endeavours. This applies in particular to our employees and suppliers, who are committed to greater sustainability at our company and in our supply chain every day.

Edeltraud Lafer
CEO

About this ESG Report

As an international company, we are aware of the impact that our business activities have on the environment and society. It is therefore our aim to act in the most socially and ecologically sustainable way possible - and to report regularly on both environmental and social issues.

This report is based on **established ESG standards and frameworks**: As in previous years, we are guided by the ESG criteria of the **Global Reporting Initiative (GRI)** and show the results transparently in a GRI index in the appendix to the report. From the 2024 financial year, the **CSRD reporting obligation** will apply throughout the EU, which will gradually oblige companies to publish sustainability information in accordance with precisely defined criteria. CHEPLAPHARM will be subject to this reporting obligation from the 2025 financial year, as we will meet the relevant size criteria for this year.[1] In preparation for the future requirements, we are already reporting on **selected ESRS indicators** for the past year 2023 (see ESRS index in the appendix to the report). We also take into account the cross-industry core metrics of the **World Economic Forum (WEF)** from the WEF white paper **"Measuring Stakeholder Capitalism"**, the industry-specific indicators of the **Sustainable Accounting Standards Board (SASB)** and the UN's **Sustainable Development Goals (SDGs)**, for which an SDG index can be found in the appendix to this report.

In our ESG strategy, we set out the fundamental cornerstones for the areas E (=Environmental), S (=Social) and G (=Governance). The basis for this is our materiality analysis 2021/2022, which results in six central areas of activity for which we have defined targets and focus topics.

There is a particular focus on the **supply chain**: due to our asset-light business model, we rely on cooperation with numerous partner companies and ensure that they comply with social and environmental standards. As in previous years, we have collected informative data for 2023 as part of a survey of our suppliers and show what influence the companies have on various sustainability issues.

In addition, we provide in-depth insights into our ESG work and report on relevant key figures, highlight stories and the progress we have made compared to the previous year. The section **"Environment and climate protection"** contains CHEPLAPHARM's key environmental indicators and their development. Under **"Product, society and social topics"**, we show how we ensure the highest quality standards for our products and their manufacture, how we are committed to patients and our employees and how we implement data security. Finally, in the **"Compliance and corporate governance"** section, we describe our systems and targeted measures to ensure the principles of our ethical corporate governance and refer to further guidelines on the subject.

As in the previous year, a glossary with explanations of key terms and abbreviations used in this report can also be found in the appendix.

1 From 2025, all companies that meet two of the following three criteria will be required to report under CSRD: at least 250 employees on an annual average, at least € 25 million in total assets and at least € 50 million in net sales.

About CHEPLAPHARM

CHEPLAPHARM is a global leader in acquiring well-established branded medicines from big pharmaceutical companies and employing life cycle management on these. We have a broadly diversified and very attractive portfolio of around 150 different pharmaceuticals. As a result, we are often the only provider of essential medicines and make a significant contribution to the **security of supply** and thus to the **health and quality of life** of our patients.

CHEPLAPHARM has a highly scalable platform and operates an **asset-light business model**, combining internal expertise in critical functions with a global network of external partners. We are a non-research company and have outsourced the manufacturing of our products to more than **125 CMOs** (Contract Manufacturing Organizations) and **API suppliers** (Active Pharmaceutical Ingredients), most of which are based in Europe.

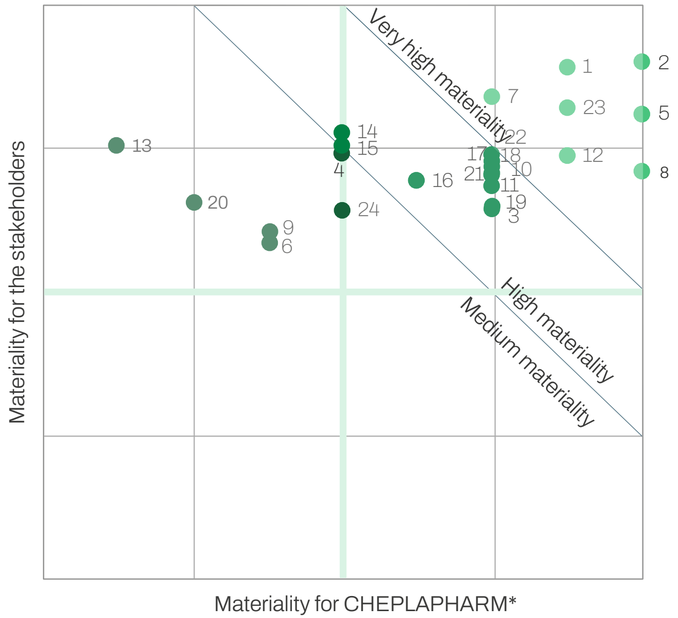
Most of our products are distributed through an extensive global network of more than **100 distribution partners** in around **145 countries**, with whom we have been working together in a spirit of trust for many years. While we only have a small direct ecological footprint, high environmental, social and governance standards are very important to us throughout our entire value chain.

Our ESG Strategy

Our core **corporate values of reliability, responsibility, integrity, and transparency** form the foundation of our ESG strategy. We put these into practice by focusing on strong and resilient partnerships and a close exchange with our stakeholders. Accordingly, a detailed quantitative and qualitative survey of our stakeholders was the important first step in the development of our ESG strategy as part of the 2021/2022 materiality analysis.

Materiality analysis

In 2021 and 2022, CHEPLAPHARM carried out a multi-stage **materiality analysis** to determine the most important ESG topics from the perspectives of the company and our stakeholders. Through this materiality analysis, we have fulfilled the current requirements of the recommendations of internationally accepted **frameworks such as GRI** and the German **CSR Directive Implementation Act (CSR-RUG)**, even though we are not legally subject to its application.[2]



1 High product quality
2 Product / drug safety
3 Patient-centredness
4 Customer satisfaction
5 Securing the ability to deliver
6 Sustainable procurement
7 Avoidance of child & forced labour
8 Equal opportunities (age, gender, nationality)
9 Co-determination
10 Occupational safety & health protection
11 Further & continuing education
12 Recruitment and retention of talent
13 Fair payment
14 Work-life balance, family-friendly employer
15 Transparent communication
16 Integrity
17 Compliance
18 Fighting corruption
19 Data protection
20 Digitisation
21 Compliance with environmental standards in the supply chain
22 Compliance with social standards in the supply chain
23 Human rights
24 Sustainable investments

* Management

We presented the process of this materiality analysis in the ESG Report 2021. Its results continued to apply for the 2023 reporting year (see figure Materiality matrix). With the introduction of the EU-wide **CSRD**, the requirements for a materiality analysis are changing. As CHEPLAPHARM, with over 250 employees and net sales of over € 50 million, will fall under the CSRD requirements from 2025, a new edition of the materiality analysis is planned for 2024. In this context, we are also planning to update our **ESG strategy** described below on selected material ESG topics at CHEPLAPHARM.

2 Since the 2017 financial year, the CSR-RUG has applied to companies based in the EU that have an annual average of more than 500 employees and are "capital market-oriented" within the meaning of § 264d. The latter criterion does not apply to CHEPLAPHARM to date.

Current strategy definition and outlook

Specific ESG measures for the coming years were defined in 2022 as part of strategy workshops with the Executive Board and various specialist departments. These ESG measures should primarily reflect the interests of patients, employees and the capital market, but also take into account the anticipated increase in regulatory requirements.

The following *ESG focus topics* are currently anchored in the company-wide **transformation program "CP 2025"** in order to continue to prepare CHEPLAPHARM for the challenges of the future in a targeted manner:

1. Focus on patients

Our activities focus on the WHO's globally recognized criteria for the ethical marketing of medicinal products (the **Ethical criteria for medicinal drug promotion**). Having already rolled out a code of conduct for our suppliers in 2022, we thoroughly reviewed it again in 2023 and specifically added key WHO criteria for our distribution partners to the guidelines defined therein.

2. Attractive employer

In our **"CP 2025" transformation program**, we have implemented various measures to ensure that we are in the best possible position in the competition for the most talented employees in the future as well. In doing so, we are addressing the key issues of **"recruiting and retaining talent"**, **"work-life balance"** and **"co-determination"**. Based on an initial **satisfaction survey** among our employees in 2022, we **significantly improved** our **internal communication once again in 2023** and are currently implementing an extensive salary project. More detailed information on our internal communication, the salary project and our flexible and individually tailored working models (e.g. remote working or part-time options) can be found on pages 20–23 of this report.

3. Product quality and safety

Our products have always been subject to strict quality and safety criteria, which are monitored in numerous internal and external procedures. The aim here is therefore to further increase the transparency of the specifications, measures and statistics already in place at CHEPLAPHARM - including in this report (see section on product quality and safety, pages 17–18) and on the website.

4. Social and ecological supply chain

For the 2023 financial year, we again conducted a **survey of our suppliers** in order to better understand the impact of our supply chain on environmental and social issues - more information on this can be found on pages 10–11. In 2023, we also introduced a **Risk Management Software** to further strengthen standards in our supply chain. This makes it possible to assess ESG risks along the supply chain even more comprehensively than before. In the current financial year, we will review our existing training and audits for suppliers and expand them to include selected ESG criteria in order to keep an even better eye on sustainability aspects in our supply chain.

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.

Our Key Values

RELIABILITY AND INTEGRITY

RESPONSIBILITY

TRANSPARENCY

Focus on our supply chain

The manufacture of our products is outsourced to a broad network of **more than 125 CMOs and API suppliers**. Our supply chain includes companies that supply us with precursors - e.g. for active pharmaceutical ingredients, other medicine components or packaging - as well as the contract and toll manufacturers of our medicines.

The size of the companies in our supply chain varies from small, local contract service providers to large, internationally active pharmaceutical groups. A **diversified, flexible and resilient supply chain** is essential to ensure security of supply for our patients. We currently source most of our supplied goods and services from companies based in Europe. These companies are subject to **high and strict requirements regarding the quality and sustainability** of pharmaceutical products, and we also pay close attention to this with companies from other jurisdictions. At the time of preparing this report, as in the previous year, we are not aware of any environmental or social violations of applicable regulations.

The regular review of our supply chain not only gives us an overview of sustainability in this very important area for us, but also gives us additional leverage to ensure the highest quality and safety of our products.

In this context, we are particularly proud of our **Supplier Code of Conduct**, which we rolled out in 2022 and in which we define clear guidelines for our suppliers, which they are obliged to recognize and comply with. In 2023, we further optimized the Code and, for example, added criteria for ethical medicine promotion and marketing for our sales partners. A particular focus of the Code is on our overarching "License to Operate", which emphasizes the particularly high relevance of product safety and medicine availability.

We see the review of our entire supply chain as a continuous process that we initiate and drive forward with determination. Our overarching strategy is therefore based on several pillars and milestones.

We have initiated a first, central part of this process by establishing a **regular and complete analysis of our supply chain in 2023**. To classify and monitor the risk potential of our supply chain, we once again surveyed **our most important Tier 1 partner companies** this year on the basis of standardized questionnaires on environmental and social issues. In addition to general data on the size, field of activity and structure of our suppliers, information on compliance with relevant sustainability standards and current sustainability measures and targets was also collected. As part of the latest survey of our suppliers, we contacted more than 150 companies from our supply chain, which accounted for **94.1% of our total purchasing volume for directly used materials** in 2023. With 79% of our purchasing volume for directly used material, we were able to record a very good response rate, which allows us to make fairly reliable statements about our business partners' environmental and social performance indicators.

As part of this year's survey, we recorded the data using an online tool for the first time and were therefore able to record a higher number of responses compared to the previous year. In many cases, the newly recorded suppliers were small or medium-sized companies whose ESG activities are still being established. As a result, some ratios - such as the proportion of companies with a certified energy management system - have deteriorated slightly compared to the previous year.

In order to make all data from the companies in our supply chain as comparable as possible, we have measured the absolute figures against the turnover of the companies themselves and the purchasing volume that CHEPLAPHARM spends on the respective companies. As in the previous year, we proceeded as follows: For the individual companies that provided us with data on their consumption, we **calculated intensities, e.g. 1 t CO_2 emissions per € 1 million turnover**. In order to obtain the average consumption intensities for the various factors such as CO_2, waste, etc., the intensities of all companies were added together and divided by the total number of companies that provided us with feedback. However, as CHEPLAPHARM does not purchase the same quantities from every supplier, but expenditure naturally varies, the individual intensities were **weighted in** each case when calculating the average, **depending on our purchasing volume for the respective company**. This calculation method was used for all intensities mentioned in the following chapters in relation to our supply chain.

In 2023, we also introduced new **software to monitor risks** along the supply chain. The software evaluates available data on various risk factors such as location, political situation or business segment and delivers this to CHEPLAPHARM in a processed form. This gives us real-time control of the risks in our supply chain and enables us to react promptly to changes.

However, the risk software is not only used for the existing supply chain, but also serves to check potential new suppliers. Potential partners are subjected to a comprehensive environmental and social assessment before the start of a new business relationship. For example, reduction targets for energy consumption or emissions have a positive effect on a company's rating. In addition, depending on the location and portfolio of the respective company, environmental impact assessments are carried out as required.

91.4 %

of our suppliers were asked (measured by purchasing volume)

79 %

coverage of our supply chain (measured by purchasing volume)

Environmental and climate protection

Combating man-made climate change and its negative consequences is one of the greatest social challenges of our time. Even though CHEPLAPHARM itself only has a small ecological footprint due to its asset-light business model with outsourced production and distribution processes, the issue of **environmental protection** is very important to us. We not only want to continuously reduce our own emissions and waste, but also encourage our suppliers to do the same. We are also committed to using natural resources and energy as efficiently and sustainably as possible.

Our central **energy management system in accordance with ISO standard 50001** provides a helpful basis for this. This enables us to regularly evaluate our energy-related performance and initiate systematic steps for improvement. In addition to CHEPLAPHARM, one fifth of the companies included in our supply chain have implemented an energy management system that is certified in accordance with ISO 50001 or a comparable standard.

As a company, we want to continue to grow dynamically and profitably while using energy as efficiently as possible. This is also reflected in our latest office building at our headquarters in Greifswald, which provides space for over 300 additional workstations. As a so-called **"ultra-low-energy building"**, the new building meets the latest German energy standard EG40EE, in that the building consumes less than 40 % of the legally permissible maximum primary energy requirement. In addition, the new office building covers **more than 55 % of its own energy requirements** by using environmental heat and generating electricity using its own photovoltaic system. The in-house solar panels already installed also supply the charging points for electric cars at the site.

In 2023, we also replaced old air conditioning systems at some locations with new, more efficient units that also use a refrigerant that is less harmful to the ozone layer. We also optimized the automatic switch-on times of our lighting and the switching times of our heating systems. We have also replaced all existing incandescent and energy-saving light bulbs with LED technology.

Energy consumption and efficiency

Energy consumption at CHEPLAPHARM itself is made up of the use of electricity for general purposes and the consumption of gas for thermal purposes. As in the previous year, we report the figures for our German sites, which represented just over 90 % of our employees in 2023.

Electricity consumption increased by 17.2 % year-on-year to 714 MWh in 2023 (2022: 609 MWh). As in the previous financial year, the intensity of electricity consumption is **0.47 MWh per mEUR of sales** and thus remains at a low level thanks to our asset-light business model. It is particularly noteworthy that we succeeded in **switching our own electricity consumption entirely to renewable energies** in 2023 (previous year: 65 %). For comparison: the electricity consumption intensity for the companies included in our **supply chain is 94.7 MWh per mEUR** of our purchasing volume.

Our gas consumption (incl. district heating) totaled 371 MWh in 2023 (excl. district heating: 317 MWh) and was therefore below the previous year's figure (2022: 426 MWh incl. district heating, 372 MWh excl.). On this basis, the heat intensity per mEUR of sales fell to **0.25 MWh** (2022: 0.34 MWh).[3] In contrast, the intensity of thermal energy in our supply chain is **35.05 MWh per mEUR of our purchasing volume** – a figure that is significantly higher than at CHEPLAPHARM. On a positive note, more than half of the companies surveyed in our supply chain have set specific targets for reducing their electricity and (heat) energy consumption.

Table 1: Energy consumption at CHEPLAPHARM

	Unit	2022	2023	Change in %
Energy consumption	MWh	1.034	**1.094**	+5.8%
Darunter: Thermal energy consumption (incl. district heating)	MWh	426	**371**	–12.9%
Darunter: Heating oil consumption	MWh	-	**9**	
Darunter: Electricity energy consumption	MWh	609	**714**	+17.2%
Share of renewable energies in electricity consumption	%	65	**100**	+35%p.
Share of renewable energies in total energy consumption	%	38	**65**	+27%p.
Energy consumption intensity	MWh per mEUR sales	0.81	**0.73**	–9.9%

3 The data given in this report for electricity and gas consumption as well as wastewater and waste for 2023 are in some cases provisional values that may change slightly when the full accounts are submitted in the course of 2024.

CO_2 and climate protection

In the 2023 financial year, we were able to further improve our data availability and determine CO_2 emissions[4] for Scope 1 (directly controlled emission sources) for all of our German locations for the first time and report on our Scope 2 emissions (from purchased energy) as in the previous year.

Table 2: Emission sources Scope 1+2

	Unit	2022	2023
Scope 1 Total	**t CO_2**	-	**130.9**
Natural gas	t CO_2	111	**95**
Fuels for company vehicles[5]	t CO_2	-	**33.6**
Heating oil	t CO_2	-	**2.3**
Scope 2 Total	**t CO_2**	**198**	**16**
District heating	t CO_2	16	**16**
Electricity (market-based)	t CO_2	182	**0**
Intensity from Scope 1+2	t CO_2 per mEUR turnover	0.15	**0.10**

Our Scope 1 emissions are made up of 95t CO_2 for natural gas for heating purposes, emissions from company vehicles (33.6t CO_2) and 2.3t CO_2 from heating oil for grid replacement systems. Overall, we arrived at a value of around 130.9t CO_2 in Scope 1 for 2023.

At 16t CO_2 in 2023, our Scope 2 emissions were **around 92% lower than in the previous year** (2022: 198t CO_2)[6]. The main reason for the significant reduction was the switch to 100% renewable energy sources (market-based). Overall, we therefore achieved a very low CO_2 intensity from our own business activities of **0.10t CO_2 per mEUR of sales** (2022: 0.15t CO_2 per mEUR of sales[7]). Because what we already know today: While our own CO_2 footprint is comparatively small, it is significantly higher for the companies in our supply chain: the CO_2 intensity of the companies included in our supply chain (Scope 1+2) is **22.5t CO_2 per mEUR of our purchasing volume**. However, we are positive about this: Around two thirds of the companies surveyed have set themselves specific targets for CO_2 reduction and around half have a certified environmental management system in accordance with ISO 14001 or a comparable standard.

4 To simplify readability, all CO_2 emission values stated are CO_2 equivalents, which may also include the warming potentials of other greenhouse gases converted into CO equivalents.
5 Approximate values based on partially extrapolated mileages and WLTP manufacturer specifications.
6 The Scope 2 emission value for 2022 has changed compared to the ESG Report 2022 due to methodological adjustments to the allocation of consumption in the company.
7 Value for 2022 excluding emissions from fuels and heating oil not yet recorded this year.

Waste volumes and water consumption

The volume of waste collected remained at a low level in relative terms in 2023, at **0.05 tons per mEUR of sales** (2022: 0.03tons per mEUR of sales). The total amount of waste (excluding residual waste[8]) rose to 76t after 32.5t in the previous year, of which 14t was recycled. The increase was primarily due to a one-off increase in the volume of the waste type "overstocked pharmaceuticals".

We are taking various measures to further reduce the amount of waste. For example, our employees are made aware of the issue at regular town hall meetings.

The intensity of waste generated by the suppliers surveyed is **24.2tons per mEUR of our purchasing volume**. Around half of the companies surveyed have set themselves specific targets for reducing waste and just under half have already implemented specific waste reduction strategies.

One issue of relevance in the pharmaceutical industry is the appropriate management of potentially hazardous toxic pharmaceutical residues in wastewater that arise during production. As CHEPLAPHARM has outsourced production processes, we do not produce any toxic emissions ourselves. However, around 15 % of our suppliers have already set themselves specific targets for reducing toxic emissions, while just under half have formulated targets for general waste reduction. Around half of the companies included in the survey follow strict guidelines, e.g. in accordance with **HAZWOPER standards**, or have taken appropriate measures as part of their own environmental management systems in accordance with ISO 14001. Around two thirds of the companies surveyed in our supply chain have also already implemented systems to prevent **pharmaceutical residues in wastewater**.

Table 3: Waste generation at CHEPLAPHARM

	Unit	2022	2023	Change in %
Total amount of waste	t	32.5	**76.2**	+134%
Superimposed medicines	t	17.0	**59.0**	+247%
Cardboard and paper	t	12.6	**14.0**	+11.4%
Files and data carriers	t	2.9	**2.7**	–5.3%
Waste intensity	t per mEUR turnover	0.03	**0.05**	+78.6%

8 The amount of residual waste is not currently recorded separately at CHEPLAPHARM, as it is not possible to determine this figure precisely due to a flat-rate waste garbage can calculation; it is estimated that the weight is in the low to mid double-digit ton range.

As CHEPLAPHARM does not have its own production facilities, our wastewater volume corresponds to the volume of fresh water purchased: we therefore only withdraw water, but do not consume any. In 2023, our water withdrawal increased by 15.4% year-on-year to 1,851m³ (2022: 1,604m³); measured in terms of turnover, however, the water intensity per mEUR remained almost unchanged at a low level and amounted to **1.24m³** (2022: 1.25m³ per mEUR turnover).

Table 4: Water consumption at CHEPLAPHARM

	Unit	2022	2023	Change in %
Water consumption	m³	1,604	**1.851**	+15.4%
Water consumption intensity	m³ per mEUR of revenue	1.25	**1.24**	–0.8%

2022 1.25 m³
Water consumption intensity
(per mEUR of revenue)

2023 1.24 m³
Water consumption intensity
(per mEUR of revenue)

Product, society and social issues

CHEPLAPHARM has a broadly diversified and attractive portfolio of around **150 different established branded medicines**. We guarantee the security of supply of many vital medicines - which is why millions of patients place their trust in us.

To justify this trust, we carry out **regular and in-depth quality checks on our products**. We train new employees on our company's processes as part of the onboarding process. In addition, the entire workforce receives annual training on the procedural instructions of a pharmaceutical company in accordance with legal requirements. Examples include the topics of **pharmacovigilance and export control** in general and the reporting of side effects in particular. Any additional training required by employees is determined by their respective fields of activity. The relevant training documents are stored in our internal document management system and can be accessed at any time. We also give employees the opportunity to complete individual training courses with external providers. CHEPLAPHARM also carries out regular **safety audits for pharmaceutical products**. These are carried out either through our own inspections or as part of GMP inspections (including inspections on environmental, health and safety issues). We also pay attention to product safety in the supply chain: our API suppliers and CMOs are obliged to prepare annual quality reports on a product basis and make these available to CHEPLAPHARM.

The transportation and safe storage of pharmaceutical products are also of great importance. CHEPLAPHARM has committed itself to the **Good Distribution Practices (GDP)** for the pharmaceutical industry. These guidelines for the good distribution practice of medicinal products for human use define minimum standards for the quality and integrity of medicinal products throughout the supply chain. In this context, CHEPLAPHARM has also adopted so-called **Standard Operating Procedures (SOP)**, in which the standardized procedure for the distribution of our medicinal products is explicitly described.

To ensure that CHEPLAPHARM's extensive global network of distribution partners also meets the high requirements for transport and storage security, we obtain assurances to comply with **GDP guidelines** and other recognized quality standards. The history of each of our shipments can be traced using documents, protocols (e.g. batch records) and corresponding computer systems, thus allowing suspected counterfeit medicines to be identified and withdrawn from circulation at an early stage.

Before our products are dispatched to our patients, they are **professionally prepared for transportation**. The medicines are packaged by employees at the respective production or distribution centers in accordance with clearly defined specifications so that they are protected from external influences or fraudulent activities. Temperature-sensitive medicines are also subjected to additional special checks.

In addition, CHEPLAPHARM uses risk assessments to define **methods for appropriate handling** before the products are shipped in order to ensure appropriate conditions throughout the distribution process. Examples include the definition of temperature-controlled transportation conditions or the selection of suitable packaging methods (e.g. use of temperature-insulated boxes and/or equipment with temperature data loggers). The above-mentioned temperature data loggers enable the temperature profiles of the products to be checked after transportation, whereby continuous compliance with the relevant specifications can be guaranteed.

CHEPLAPHARM attaches great importance to ensuring that all persons involved in the distribution of temperature-sensitive products are trained in the appropriate handling. We define the exact responsibilities in written procedures and corresponding customer contracts.

To monitor and control outsourced activities, CHEPLAPHARM also relies on an established **quality management system** that is anchored in the quality assurance agreements of the contracts with partner companies. For 2023, suppliers, who account for around three quarters of the purchasing volume recorded, stated that they have a certified quality management system in accordance with ISO 9001 or a comparable standard. In 2023, 0.02 % of deviations were identified in our defined quality processes in relation to the number of batches released (0.02 % deviations in 2022).

1
Recall in 2023 (0.0001 %)

Our measures to ensure product quality also include auditing the processes at our contractual production manufacturers and partners every three years or more frequently if there is a suspicion of non-compliance. These audits are carried out either by our trained specialist staff or by external state-certified auditors. In addition, internal, qualified persons check each individual delivery. As a result, there was **one recall in the 2023 financial year**, meaning that the **recall rate was 0.0001 %** (2022: 0.0 %). The number of complaints in relation to the total quantity of released batches was 10.7 % in 2023 (2022: 7.6 %) and has therefore increased slightly.

Access to medicine

As a global company, we have an international presence and sell our products in around 145 countries around the world. As often the only supplier of medicines, some of which are essential, we make a significant contribution to the security of supply and therefore to the health and quality of life of our patients. Around a third of our medicines are currently on the WHO's **Model List of Essential Medicines**. They are therefore among the medicines that meet the most urgent needs of global healthcare.

We are often the only company that ensures the **availability of vital pharmaceutical products**. We therefore guarantee the security of supply for relatively small patient groups. With our niche products in particular, we sometimes address very rare diseases for which 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** - a disease with an incidence of just 1 in 1,000,000 in the EU.

Another example is **Konakion® (phytomenadione)**, which is **used particularly in newborns for the prophylaxis and treatment of life-threatening vitamin K deficiency bleeding**. Konakion® is one of the few vitamin K medicines available that can also be administered intravenously or intramuscularly, thus avoiding the complications of oral administration.

We work together with **non-governmental organizations (NGOs)** to ensure that patients in developing countries also have access to medicines. If a country does not have permission to market a medicine, CHEPLAPHARM also cooperates with local authorities to obtain special permits. This enables us to cover the often vital medical needs of patients who would otherwise not be able to receive care. In particularly serious crises, we also repeatedly support the affected countries with donations of medicines. For example, we supported patients in Ukraine with a donation of over **10,000 packs of the medicine EXACYL** via our Polish distribution partner.

Ensuring IT security

The ever-increasing number of cyber-attacks on IT infrastructures and systems worldwide also poses considerable risks for companies. CHEPLAPHARM avoids business interruptions and ensures data security for stakeholders by consistently **monitoring systems** and implementing a large number of **guidelines and training courses on IT, information and data security** for all employees. The handling of IT systems and access management to systems and buildings are also part of our precautionary measures. All employees are required to read the guidelines and measures and the corresponding training certificates are stored in our central document management system. The focus is particularly on IT awareness training, which is carried out annually by external service providers and is mandatory for all employees.

In addition, CHEPLAPHARM has implemented various **emergency plans and procedures for responding to IT and data security incidents**. Of particular note in this context are a comprehensive business continuity plan and a policy for dealing with information security incidents. The emergency mechanisms are tested regularly: In addition to an annual recovery test, corresponding back-ups and network emergency equipment (NEA) are even tested on a monthly basis.

Furthermore, service providers at CHEPLAPHARM undergo a qualification process in the form of self-disclosure and consent to background checks based on sanctions lists. To ensure security in the handling of purchased software, there are already extensive requirements in the procurement process that are checked by our experts. In addition to restrictive password guidelines, our IT specialists closely monitor the use of digital identities and the handling of authorization concepts and user roles. We also follow the current recommendations of the German Federal Office for Security and Information Technology (BSI) with regard to password guidelines.

CHEPLAPHARM also attaches great importance to the **protection of personal data** of all stakeholders and complies with the legal requirements of the European General Data Protection Regulation (GDPR). In order to obtain consent to the processing, disclosure and storage of confidential information, we use cookie banners on our corporate website, for example, or ask for consent in a direct (telephone) conversation and note it accordingly. If personal data has been collected in paper form and it is necessary to destroy this data, it is destroyed in accordance with data protection regulations in specially designed paper garbage cans.

Last but not least, CHEPLAPHARM regularly carries out internal **risk assessments on information security and 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 officer. A detailed information security audit in accordance with ISO standard 27001 was also carried out in 2022. In addition, so-called "red teaming exercises" (= commissioned attempt at a simulated hacking attack) and phishing tests are commissioned annually by external service providers in order to maintain a high level of awareness of IT security and standards in the handling of data.

The internal data protection department and an externally appointed data protection officer monitor data protection breaches and ensure that any incidents are reported in a timely manner. Thanks to the extensive measures to protect our IT infrastructure and systems, CHEPLAPHARM again had **no information security incidents in the** 2023 financial year.

Workforce and corporate culture

In 2023, we not only continued our dynamic growth trajectory, but also pressed ahead with our transformation into an international group of companies. Last year, for example, we opened additional offices in Japan and Switzerland and further expanded our existing locations. At the end of the 2023 financial year, **666 employees worked for the CHEPLAPHARM Group**. Of these, 611 were employed in Germany, 16 in France, 5 in Russia, 23 in Japan and 11 in Switzerland. Compared to the previous year, the headcount **increased significantly** by around 24% (2022: 535 employees).

In terms of the age structure of our workforce in Germany, the 31 to 50 age group accounts for by far the largest share (around 72% of all employees). Furthermore, just over a fifth of the workforce is 30 years old or younger, while just under 6% of employees are older than 50. The average age of our employees in 2023 was 37. Around one percent of our workforce reported a disability in 2023.

Table 4: Age structure of employees (German locations)

Age	Up to 30	31–50	Over 50
Employees absolute	136	437	34
In % of the total workforce	22.4%	72.0%	5.6%

The fluctuation rate (calculated using the BDA formula) at our German locations fell to **5.2%** in 2023 compared to the previous year (2022: 13.0%) thanks to various measures implemented as part of our "CP 2025" transformation program to strengthen our attractiveness as an employer. Examples include the **town hall meetings** held several times a year, **regular surveys of our employees** and the **introduction of a Group-wide intranet** (see below for further details).

Table 5: Fluctuation rate according to BDA formula (German locations)

	2022	2023
Average headcount	493	582
Total voluntary retirements	64	30
Fluctuation rate for the period under review	12.3%[9]	5.2%

9 The fluctuation rate for 2022 has changed in comparison to the ESG Report 2022 due to methodological adjustments to the parameters considered in the company.

As a medium-sized company with flat hierarchies, we at CHEPLAPHARM live a culture based on a **strong team spirit** in combination with extensive specialist knowledge, a professional methodology and a pragmatic way of thinking. We treat our employees as well as our patients, partners and all other stakeholders with **responsibility, integrity and reliability**. Good cooperation and a motivating, healthy working environment are particularly important to us. We offer our employees modern offices at all our locations as well as the opportunity to work flexibly and optimally equipped on the move. At our site in Greifswald, all employees also have the opportunity to charge their electric vehicles using the electronic charging stations provided.

In the 2022 financial year, CHEPLAPHARM conducted a **satisfaction survey** among the workforce for the first time. A total of 450 employees took part, **corresponding to a participation rate of almost 90 %. Overall, a Sustainable Engagement Rate of 70 out of a possible 100 points** was achieved. This is made up of various question items for which employees were asked to rate, among other things, how much they support CHEPLAPHARM's goals, how cohesive the team is and how proud they are to work for the company. By conducting regular surveys, we want to gain an even better understanding of the mood of our workforce and their needs and derive specific measures to further increase employee satisfaction. In the first quarter of the current financial year, CHEPLAPHARM once again conducted a satisfaction survey, which enables us to review the success of the measures taken to date and identify any further potential for improvement.

Irrespective of individual performance, we want all employees to share in the company's success. For this reason, we once again made a one-off bonus payment to the entire workforce last year.

90 %
Participant Quota Satisfaction Survey

Career and further training

CHEPLAPHARM offers its own employees interesting and varied career opportunities. Our aim is to continuously promote and train our employees and, in particular, to retain them in our company in the long term. We support our employees in optimally developing their individual potential and achieving their personal career goals. In 2023, for example, we recorded average training costs of around € 1,000 per employee.

We offer our employees the opportunity for professional and personal development as part of **qualification agreements**. In order to promote employees in a targeted manner and retain them in the long term, CHEPLAPHARM generally offers the opportunity to pursue **specialist or management careers**. We also link our employees' variable salary components to defined company and departmental targets. We also have a digital and analogue training program for our managers, offer additional training to employees in new roles and enable our female employees to participate in a **mentoring program for women in business in the state of Mecklenburg-Vorpommern**.

We try to avoid employment contracts with short or fixed-term terms wherever possible. As a result, only **0.34 % of employees at CHEPLAPHARM had fixed-term contracts** in the 2023 financial year. We also only rely on irregular employment relationships such as temporary work or contracts for work and services in exceptional cases (2023: 3.21 %).

In addition, CHEPLAPHARM cooperates with the renowned **universities in Greifswald and Rostock** in order to attract talented employees in the future. Among other things, we are involved in promoting the Deutschlandstipendium scholarship at the University of Rostock and offer students internships for various phases of their academic education. As a result, we took on three trainees and apprentices as part of corresponding programs in the 2023 financial year in order to provide them with the best possible support in their professional and personal development and, ideally, to retain them at the company in the long term. We also present ourselves as an attractive employer for the talents of tomorrow by offering positions for working students, supervising final theses and holding various events for students.

CHEPLAPHARM pays attention to **equal opportunities** in the recruitment, training and development and long-term retention of talent, for example by promoting a family-friendly working environment. Part-time models (**part-time ratio 2023: 11.26 %**) and flexible working hours are a matter of course in order to enable a good **work-life balance**. We also completely avoid shift work and do not expect our employees to be on call. Every employee is entitled to at least 3 days of mobile working per week. After individual agreement with the direct manager, mobile working can also extend beyond this. In addition, our employees have the opportunity to work from other European countries for up to 60 days per year.

We also want to support our employees beyond the legal requirements and therefore offer **30 vacation days per year**. For the birth of a child, a wedding and for employees who have been with the company for several years, we provide additional benefits such as vacation days or financial benefits.
Our employees also have the opportunity to take additional vacation days for family reasons. Around 5 % of female employees and around 2 % of male employees took advantage of this in 2023. In 2023, we also reached an agreement with our works council on recording working hours and dealing with overtime and weekend work. In order to enable parents to achieve a good work-life balance, CHEPLAPHARM supports them in their search for a childcare place if they wish.
In addition, we organize an annual summer or winter party to thank our employees for their work, motivation and commitment and at the same time create space for an exchange outside the working environment.

In addition, as part of our **"CP 2025" transformation program**, we have implemented various measures to further strengthen our **attractiveness as an employer**. The basis for this was the **satisfaction survey** among our employees (see above for details). With regard to **internal communication**, for example,

town hall meetings were implemented several times a year to enable open, bidirectional communication between the Management Board and employees. In this way, we ensure that our employees are always informed about the latest operational and strategic developments at the company and can also communicate their own concerns openly. Furthermore, our employees are regularly informed about important company and personnel decisions via **Management Board mailings**. To further improve the exchange and flow of information within the company, we also rolled out a **Group-wide intranet** in the first quarter of 2024. In addition, a comprehensive **salary project** was launched in the 2023 financial year. The project is also based on the results of the survey of our employees. It addresses the issues of remuneration transparency and fairness and thus strengthens identification with our company.

Regular communication between the Management Board and employees is also ensured by our **Works Council**. Since its foundation in 2022, the Works Council has already been able to implement numerous agreements for the benefit of employees in close and trusting cooperation with management. In 2023, 96 % of our global workforce was represented by our Works Council.

We are convinced that an open and goal-oriented dialog can only take place at eye level. This is why we hold **feedback meetings** with our employees both at the end of the probationary period and again at the end of the year, based on a four-level competency model that reflects the fulfillment of expectations. This feedback culture offers both sides the opportunity for further development in the following year.

As one of the largest employers in Greifswald, we also want to make a contribution to the local community beyond our own workforce. With this in mind, we not only train many young people from the region, but also offer a large number of interns, working students and other interested parties an insight into the various areas of the company. **CHEPLAPHARM has been sponsoring the Deutschlandstipendium scholarship at the University of Rostock since 2020**, providing targeted support for students from the region. We also supervise final theses and regularly offer events for students. And in order to donate part of our business proceeds to the community in addition to our tax contributions, we also regularly donate to local projects or support them as a sponsor.

Our benefits

min. 3 days
remote work per week possible

up to 60 days
possibility to work from foreign EU countries

30
vacation days

Health and safety

Occupational health and safety are of great importance at CHEPLAPHARM. We not only address the prevention of accidents at work and direct protection against hazards. Rather, we also focus on supporting a healthy lifestyle in the workplace, for example through ergonomically designed workstations. In order to offer our employees t**he best possible working environment**, designated officers in each department are tasked with finding solutions and are supported by external experts in an advisory capacity. We also carry out regular workplace risk assessments - these are carried out both by independent external representatives and by our internally trained specialist staff from the HSE and Facility Management departments.

Our overarching occupational health and safety management is closely aligned with the guidelines of the Joint German Occupational Health and Safety Strategy (GDA), an alliance of the federal and state governments and accident insurance institutions in Germany. We define specific safety targets, about which we inform and instruct our employees accordingly. In addition, **all employees receive detailed training on occupational health and safety once a year**.

If violations of occupational health and safety regulations do occur, we consistently pursue and sanction them. To prevent this from happening in the first place, we expect our employees to familiarize themselves with the applicable internal regulations and guidelines and to comply with them. This is based on our **Code of Conduct** and various standard operating procedures, which must be observed by all employees in equal measure. The Code of Conduct and its values are part of mandatory compliance training for all employees.

The figures confirm our efforts: in 2023, the **absenteeism rate** among our employees in Germany fell to **7.9 %** (2022: 8.3 %). A total of 3.5 % were due to illness, while 2.6 % were on parental leave. The remaining absences were due to maternity leave, a ban on employment or caring for sick children. With regard to sickness-related absences, for which there are reliable figures, we remained well below the average sickness rate of 6.8 % for people with statutory health insurance in Germany in 2023 (2022: 5.6 %).[10]

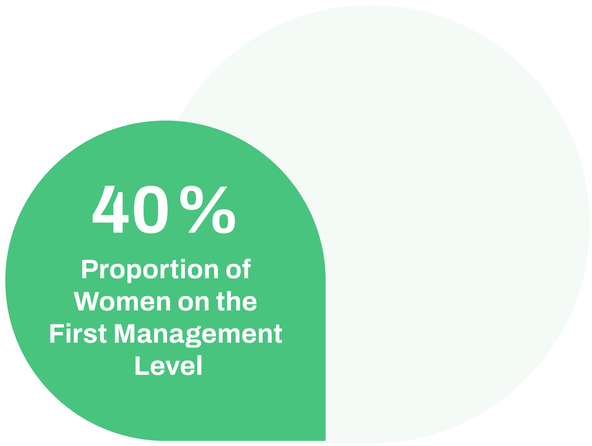
10 Source: Statista. Annual sickness rate in statutory health insurance (SHI) until 2023: https://de.statista.com/statistik/daten/studie/5520/umfrage/durchschnittlicher-krankenstand-in-der-gkv-seit-1991/, accessed 06.03.2024

Diversity and variety

We live a corporate culture in which all **employees should have the same opportunities** - regardless of ethnic origin, gender, sexual identity, or other characteristics. Diversity enables us as a team to better overcome many challenges and is therefore one of the main drivers of our success - which is why responsibility for promoting diversity is also anchored at the highest level in the person of CEO Edeltraud Lafer.

At the end of 2023, CHEPLAPHARM **employed people from 39 different countries** (2022: 33). The diversity of our workforce is also reflected in the gender distribution. As in the previous year, **the majority of our employees** at our German sites were **female at just under 56 %**. At our other locations, the proportion of female employees was both higher (France: 87 %, Russia: 79 %) and lower (Switzerland: 45 %, Japan: 38 %). The proportion of women at the first two management levels was 32.5 % and **40 % at the first management level**, which remains well above average compared to the proportion of women on the management boards of the 100 largest German companies in terms of value added (2022: 15.6 %)[11]The proportion of women was also high in central parts of the company: in the Sales division, the proportion of women in management positions in 2023 was 50 % and the proportion of women with management responsibility in the STEM division was just under 60 %.

Some work remains in terms of equal pay: the unadjusted gender pay gap at CHEPLAPHARM was 7 % in 2023. This was significantly lower than the unadjusted gender pay gap in Germany as a whole (2023: 18 %)[12], but we want to reduce the gap further. To this end, we have clear remuneration structures that are adhered to in the salary setting process - with fixed salary ranges.



Social standards in the supply chain

We work with a large number of international companies, which means that **full respect for universal human rights** along our entire value chain is highly relevant to us. We condemn all forms of exploitation, especially forced and child labor, and are committed to humane working conditions and fair pay. We demand the same from our suppliers. All of CHEPLAPHARM's suppliers are audited annually for compliance with social standards, which include topics such as occupational safety, diversity, remuneration and many others. Suppliers that have proven to be particularly stable and sustainable are given preference in subsequent projects. When making initial contact with potential new suppliers, we also ensure that they comply with the social standards we require. In addition, location and development-related risks are evaluated and form part of the assessment of our supply chain, which is carried out by our specially sensitized colleagues. If there are deficits in terms of social standards within the existing supply chain, CHEPLAPHARM initially strives to improve the situation by working together. If suppliers are not interested in an improvement plan or do not implement it, CHEPLAPHARM reserves the right to reassess the suppliers - up to and including the possible termination of the contract.

11 Source: Statista. Proportion of women on the management boards of the 100 and 200 largest German companies from 2006 to 2022: https://de.statista.com/statistik/daten/studie/180102/umfrage/frauenanteil-in-den-vorstaenden-der-200-groessten-deutschen-unternehmen/, accessed 27.03.2024

12 Source: Federal Statistical Office. Gender Pay Gap 2023, women earned 18 % less per hour than men: https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/01/PD24_027_621.html, accessed 15.03.2024.

Compliance with local laws on employee rights at our suppliers is a matter of course for us. We attach great importance to the implementation of further-reaching employee rights, such as those defined by the general standards of the **International Labor Organization (ILO)**. These standards attach particular importance to the safety of products and employees in the manufacture of pharmaceutical products. We also expect our suppliers to fully respect these standards.

Last but not least, we would like to take this opportunity to refer once again to our central codes of conduct: Our **Code of Conduct** and our **Supplier Code of Conduct** summarize the core values of CHEPLAPHARM and define conduct that complies with the law and guidelines - both documents are publicly available on our website for our employees, suppliers and distribution partners as well as all other stakeholders and are mandatory to comply with. CHEPLAPHARM reserves the right to audit suppliers every three years and - if there is sufficient evidence - to commission an external audit.

Compliance and corporate governance

To ensure good and sustainable corporate governance, we at CHEPLAPHARM rely on **adequate supervisory structures** and a comprehensive and effective **compliance management system**. We are convinced that we can only be successful in the long term with the trust of our external and internal stakeholders. We therefore work continuously 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 **two-tier system consisting of a Management Board and a Supervisory Board** at the SE level. This two-tier system enables a separation between the management and control of the company. The Supervisory Board thus assumes the role of the controlling body and reviews the work of the Management Board in general and the proper accounting and annual financial statements in particular. This ensures that the Management Board's decisions are always made in the interests of the company and its shareholders. CHEPLAPHARM's Supervisory Board consisted of four members in the financial year 2023, with a **female quota of 50 %**. At the beginning of the financial year 2024, CHEPLAPHARM strengthened the supervisory body once again. With effect from January 1, 2024, the previous CEO, Sebastian Braun, moved to the Supervisory Board, meaning that the Board now consists of five members. Our Supervisory Board members have extensive expertise in the areas of healthcare, M&A, finance and accounting and also contribute experience from various other Supervisory Board mandates.

At CHEPLAPHARM, compliance with all internal and external rules and regulations is a central task of the **compliance management system**. This protects our company and our employees from penalties and reputational damage and ensures good and sustainable corporate governance and the trust of our stakeholders. The system is primarily aimed at preventing compliance violations. Should violations occur despite the various measures implemented, the aim is to identify them as early as possible and respond to them consistently and efficiently (prevent-detect-respond model).

In principle, compliance risks should be identified at an early stage and a consistent response ensured. The compliance management system at CHEPLAPHARM focuses on the **following key risk areas**:

- Money laundering
- Corruption and bribery
- Fraud and infidelity
- Foreign trade law and customs and export control
- Data protection law
- IT security
- Compliance culture

As CHEPLAPHARM has outsourced many processes in the value chain, **corruption and bribery** in particular pose potentially significant risks for us. **Responsibility** for **preventing corruption and bribery lies at Management Board** level. We have also implemented several **measures to prevent corruption and bribery**:

- Sensitization training for our employees
- Due diligence audits by third parties
- Assessments of corruption risks in the form of risk analyses
- Audits of control procedures (e.g. accounting, purchasing)
- Four-eyes principle for contract conclusions

Violations of the law, corruption, bribery (including facilitation payments) or fraud are unacceptable to us. In addition to the measures mentioned above, this is also reflected in numerous internal and external compliance guidelines and standards designed to prevent unlawful behavior. The compliance guidelines apply throughout the Group and are binding for both our employees and - where relevant - all business partners and are actively practiced. **The most important guidelines include the following**:

- Anti-Money Laundering and Terrorist Financing Directive
- Anti-corruption policy
- Code of Conduct
- Supplier Code of Conduct
- Anti-bribery directive
- Privacy policy

All of the mentioned guidelines are subject to an annual review, adapted to changing circumstances if necessary and then approved by the Management Board.

In the financial year 2023, there were no confirmed cases of corruption at CHEPLAPHARM, nor were there any charges and/or fines for violations of anti-corruption and anti-bribery laws.

The compliance management system sets the framework for compliant behavior for all CHEPLAPHARM employees. A key component of this is **comprehensive training on compliance, which is mandatory for all employees**. The Management Board and the Finance, IT, Legal and General Service departments are also trained in dawn raids (searches by antitrust authorities). As the Sales and Supply departments are at a higher risk of being confronted with corruption, employees from these departments receive additional training on this topic. In addition, employees have access to the relevant compliance guidelines at all times (see above). In addition to this, we regularly implement various awareness-raising and communication measures, including on the topic of harassment in the workplace.

Another key element of our compliance management system is our **Code of Conduct**, which applies throughout the Group. Our Code of Conduct protects our integrity as a company by defining and summarizing the core values of CHEPLAPHARM as well as conduct that complies with the law and guidelines. We expect our employees and business partners to act in accordance with these values. Our primary goal is to avoid potential harm to CHEPLAPHARM and its own employees, but also to our patients, business partners, investors and third parties. Examples include the protection of intellectual property rights and the prevention of insider trading and corruption. Our Code of Conduct is also the subject of the mandatory compliance training mentioned above, meaning that **all employees also receive training on the content of the Code**. Compliance with the relevant laws and guidelines is monitored by our **Compliance Officer Anna Rautenberg** in close dialog with designated compliance officers in the respective departments. With the preparation of a half-yearly compliance report by our Compliance Officer, we ensure that the Management Board and Supervisory Board can regularly obtain a comprehensive picture of the current situation at CHEPLAPHARM. Our Code of Conduct is available in German and English on our corporate website: https://www.cheplapharm.com/en/investor-relations/esg-information/downloads/.

Compliance with laws and regulations and ensuring conduct with integrity are essential for CHEPLAPHARM. To ensure this, all stakeholders must be alert and willing to report suspected breaches of regulations. With this in mind, we rely on a **multilingual, electronically protected whistleblower system**. The system is available in all languages of the countries in which CHEPLAPHARM operates one or more sites. This enables our employees, but also third parties who are active in our value chain, to report suspected cases of misconduct anonymously or by providing their contact details. Access to our fully digital whistleblower system is via our corporate website and is possible at any time via all end devices. 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, a report can also be made directly to our Compliance Officer (see above) in German and English - here too, a report of a suspected breach of rules can be made anonymously at the request of the reporting party. Our whistleblower system is also the subject of the compliance training mentioned above, which is mandatory for all employees. Our employees are also taught how to use the system correctly in specially designed training sessions. Last but not least, we provide both our employees and all other stakeholders with extensive information on the topic of compliance in general and our whistleblower system in particular on our corporate website in German and English. Further information can be found at https://www.cheplapharm.com/en/about-cheplapharm/unsere-verantwortung/.

In the 2023 financial year, **a total of six suspected cases** were reported via the whistleblower system. After extensive investigation, three of these six suspected cases proved to be justified and were systematically pursued and successfully resolved. In addition, appropriate measures were subsequently implemented to prevent recurrence as far as possible.

Furthermore, no cases of confirmed discrimination were recorded at CHEPLAPHARM in the 2023 financial year, nor were any complaints submitted to the Organization for Economic Cooperation and Development (OECD) contact point for multinational companies. In principle, any cases of discrimination or harassment at CHEPLAPHARM are investigated and dealt with in a structured manner in accordance with a clearly defined investigation process. The responsible employees use various investigation methods. In this context, strict confidentiality and clear communication channels are established principles that CHEPLAPHARM follows on the basis of legal requirements and specially imposed guidelines. In one of the final steps, the process also includes determining appropriate sanctions and taking follow-up measures (e.g. process changes or training requirements). In the event of confirmed discrimination, CHEPLAPHARM has the option of resorting to various

Our Whistle-blower system

- 24/7 Availability
- Access for Employees and Third Parties
- Full Anonymity
- Usable in all company langagues

remedial measures such as compensation payments, paid leave of absence or transfers.

Transparency and honesty are also of the utmost importance to us with regard to the proper payment of taxes. CHEPLAPHARM does not engage in tax avoidance or other activities that could be considered "profit shifting". **We do not make any political donations or engage in lobbying activities**. Furthermore, CHEPLAPHARM did not receive any direct government support (e.g. in the form of subsidies) during the reporting period.

In addition, we want to ensure sustainable action at management level, which is why the variable remuneration of the two CEOs in the 2023 financial year was linked to various financial performance criteria of CHEPLAPHARM and thus to the economic success of the company, among other things. The ratio of the average CEO salary including variable remuneration components to the average salary of all CHEPLAPHARM employees (excluding CEO salaries) was 7.9 in the 2023 financial year.

CHEPLAPHARM

Annex

Glossary

API
An Active Pharmaceutical Ingredient (API) is the active pharmaceutical ingredient of a medicine. It produces the biological effect and can occur in one or more parts of a medicine. The quality and safety of a medicinal product depend on the quality of the API.

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

CMO
Contract Manufacturing Organizations (CMOs) are contract manufacturing companies in the pharmaceutical industry that produce various intermediate products or the final product.

CO_2
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 behaviors that apply to a company's 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 with regulations within an organization.

Corporate Sustainability Reporting Directive
The CSRD was developed on the basis of the ESRS (European Sustainability Reporting Standards) and represents reporting requirements for European companies, which for the first companies in replacement of the CSR-RUG will apply for the first time from 2024 - and for CHEPLAPHARM from the 2025 financial year.

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

ESG
The abbreviation "ESG" stands for environmental, social and governance. ESG refers to non-financial factors that are primarily used by investors to assess potential investments. They also refer to the sustainability impacts and contributions of a particular company and the associated risks and opportunities for the company. Companies are increasingly expected to report on these ESG factors.

Global Reporting Initiative (GRI)
GRI is an international standardization organization for sustainability reports. It is internationally accepted and represents the de facto standard for sustainability reports worldwide.

Good Distribution Practices (GDP)

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

Good Manufacturing Practices (GMP)

The World Health Organization's Good Manufacturing Practices are intended to ensure that products are manufactured and controlled uniformly according to quality standards. The aim is to minimize risks in the manufacture of medicinal products that would not be detected during testing of the end product.

HAZWOPER-Standards

HAZWOPER stands for "Hazardous Waste Operations and Emergency Response" - these are guidelines for handling hazardous waste and instructions for dealing with emergencies. The guidelines were developed by the US Occupational Safety and Health Administration (OSHA) and also include regulations on training, equipment and procedures relating to the handling of hazardous substances. The objectives of the HAZWOPER standards include minimizing risks to the health and safety of workers and preventing environmental pollution, particularly in emergency scenarios.

International Labour Organization (ILO)

The International Labour Organization is the oldest specialized agency of the United Nations. It is the only organization of the United Nations that is not exclusively made up of states. In addition to the governments of the member states, it also includes employee and employer organizations.

List of essential medicines

The World Health Organization (WHO) list of essential medicines includes medicines that are considered essential for healthcare in countries with limited resources. The list currently includes over 600 medicines for adults and children. Only medicines with proven benefits that are available, safe and considered cost-effective are included. The selection of medicines is based on ethical principles and takes into account the underlying diseases and health needs of the population. The list also serves as a guide for governments, healthcare organizations and healthcare providers to improve healthcare worldwide.

Materiality analysis

A materiality analysis is a process for identifying the most important (material) economic, environmental and social issues and challenges facing a company. In principle, a materiality analysis has several functions. It helps to identify the relevant stakeholders and therefore the addressees of sustainability reporting. In addition, a materiality analysis makes it possible to prioritize areas of responsibility and fields of action, thereby reducing complexity. It also helps with the selection of suitable strategic goals, policies, certifications, key figures or rating priorities. In the best-case scenario, the process also provides input for operational optimization, organizational restructuring or systemic changes with the aim of increasing sales, reducing costs, increasing brand value or optimizing risk management.

Scope 1, 2 and 3 emissions

Scopes 1, 2 and 3 describe the different categorizations of a company's CO_2 emissions.

Scope 1 includes emissions from sources for which the company in question is directly responsible or controlled. This includes emissions from energy sources at the company location such as natural gas and fuels, coolants and emissions from the operation of boilers and ovens. Scope 1 also includes emissions from the company's own vehicle fleet (e.g. cars, delivery vans, trucks or helicopters for hospitals, for example).

Scope 2 emissions are indirect CO_2 emissions from purchased energy, such as electricity, steam, district heating or cooling, which are generated outside the company but consumed within the company.

Scope 3 includes all emissions generated along a company's value chain. A distinction is made between upstream emissions and downstream emissions. Upstream emissions are indirect

CO_2 emissions associated with purchased goods and services. Downstream emissions are indirect CO_2 emissions that are associated with goods and services sold and only arise after the sale.

SDGs

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 global goals that are intended to be "a blueprint to achieve a better and more sustainable future for all by 2030". They were published under the title "Transforming our world: The 2030 Agenda for Sustainable Development" (Agenda 2030 for short). The call for companies to get involved comes primarily from the international community, in Europe primarily 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 investor groups, and is reflected in legal requirements and corresponding standards.

Stakeholder

Stakeholders are generally all parties (groups or individuals) who are involved in or affected by the company's activities, have an interest in them or may be able to influence them. The term "stakeholders" or "interest groups" is also frequently used.

Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board is a non-profit organization that has developed industry-specific ESG indicators. The organization is part of the IFRS Sustainability Disclosure Standards and provides standards for almost 80 different industries.

Whistleblower system

A whistleblower system helps employees and others associated with the company to report misconduct and unethical or illegal behavior in the workplace.

World Health Organization (WHO)

The World Health Organization is a specialized agency under the umbrella of the United Nations and focuses on global public health issues.

World Economic Forum (WEF)

The World Economic Forum is an international organization for public-private cooperation. The Forum brings together leaders from politics, business, culture and other sectors of society to shape global, regional and industry agendas on ESG.

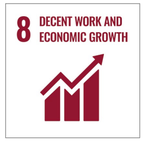
SDG Index

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	Indicator	Source
GRI 2: General Disclosures 2021		
2-1	Organisational details	p. 42
2-2	Entities included in the organisation’s sustainability reporting	whole CHEPLAPHARM Group
2-3	Reporting period, frequency and contact point	p.42
2-4	Restatements of information	n/a
2-5	External assurance	n/a
2-6	Activities, value chain and other business relationships	p. 6, 10-11
2-7	Employees	p. 20-24
2-8	Workers who are not employees	n/a
2-9	Governance structure and composition	p. 27
2-10	Nomination and selection of the highest governance body	n/a
2-11	Chair of the highest governance body	n/a
2-12	Role of the highest supervisory body in overseeing the management of impacts	p. 27
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	p. 29
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	p. 3-4

GRI Standard	Indicator	Source
2-23	Policy commitments	p. 27-30
2-24	Embedding policy commitments	n/a
2-25	Processes to remediate negative impacts	p. 29-30
2-26	Mechanisms for seeking advice and raising concerns	p. 29-30
2-27	Compliance with laws and regulations	p. 26-30
2-28	Membership associations	n/a
2-29	Approach to stakeholder engagement	p. 6-7, 20-24
2-30	Collective bargaining agreements	n/a
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	p. 7-8
3-2	List of material topics	p. 7
3-3	Management of material topics	n/a

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

GRI Standard	Indicator	Source
GRI 306: Waste 2020		
306-3	Waste generated	p. 15
GRI 308: Supplier environmental assessment 2016		
308-1	New suppliers that were screened using environmental criteria	p. 10
308-2	Negative environmental impacts in the supply chain and actions taken	p. 10-11
GRI 401: Employment 2016		
401-1	New hires and employee turnover	p. 20
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 22-24
401-3	Parental leave	p. 22-23

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

GRI Standard	Indicator	Source
GRI 404: Education and training 2016		
404-2	Programs to improve employee skills and transition assistance	p. 22
GRI 405: Diversity and equal opportunity 2016		
405-1 D	Diversity in supervisory bodies and among employees	p. 25
GRI 408: Child labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	p. 26
GRI 409: Forced or compulsory labour 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	p. 26
GRI 413: Local communities 2016		
413-1	Operations with local community engagement, impact assessments and development programmes	p. 18-19

GRI Standard	Indicator	Source
GRI 414: Supplier social assessment 2016		
414-1	New suppliers that were screened using social criteria	p. 10, 26
GRI 415: Public policy 20166		
415-1	Political contributions	p. 30
GRI 416: Customer health and safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	p. 17-18
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 18
GRI 417: Marketing and labelling 2016		
417-1	Requirements for product and service information and labelling	p. 17-18
GRI 418: Customer privacy 20166		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	ESG-Report 2023, p. 20

ESRS Index

ESRS Standard	Indicator	Source
Social		
S1-50 & S1-AR59	Total number of employees	p. 20
S1-50 & S1-AR59	Average number of employees	p. 20
S1-52	Detailed breakdown by gender and by region [Table]	p. 25
S1-97	Ratio of total annual remuneration	p. 30
S1-97 & S1-AR99	Gender pay gap	p. 25
S1-66	Number of employees under the age of 30	p. 20
S1-66	Percentage of employees under 30 years of age	p. 20
S1-66	Number of employees aged between 30 and 50	p. 20
S1-66	Percentage of employees aged between 30 and 50	p. 20
S1-66	Number of employees over the age of 50	p. 20
S1-66	Percentage of employees over 50 years of age	p. 20
S1-93	Percentage of employees entitled to leave for family reasons	p. 22

ESRS Standard	Indicator	Source
Social		
S1-103 & S1-AR103-106	Total number of reported cases of discrimination, including harassment	p. 29 (excluding harassment)
S1-103 & S1-AR103-106	Number of complaints submitted through channels used by people within the company's own workforce. Company can express concerns	p. 29
S1-103 & S1-AR103-106	Number of complaints with the national contact points for multinational enterprises of the OECD	p. 29

ESRS Standard	Indicator	Source
Environment		
E1-AR34	Total energy consumption (MWh)	p. 13
E1-5-37c, E1-AR35	Total energy consumption from renewable sources, share of renewable sources in total energy consumption (in %)	p. 13

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