

Sustainability report 2020 for Fertin Pharma A/S

Adopted by the Board of Directors on
16th March 2021



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As a specialist CDMO (Contract Development and Manufacturing Organization) with a global business structure, Fertin Pharma A/S (Fertin) strives to manage and develop its business and strategic challenges in an economically and socially responsible manner.

Fertin is a company with more than 800 employees located in Denmark, Canada and India. Fertin's primary manufacturing site is located in Vejle, Denmark and additional two manufacturing sites are located in Goa, India and Langley, Canada. Moreover, Fertin owns and operates a R&D facility in Mumbai, India.

Product development and manufacturing is based on a well-developed global network of external suppliers and sub-contractors, and products are exported globally, primarily to Europe, Asia and North America.



Primary sustainability elements of Fertin's business model

Fertin's vision is "Supporting Healthier Living"

As outlined in the Fertin Group's formal Code of Conduct. Fertin's business model consists of the general governing rules supported by the two core values, credibility and commitment. The Board of Directors reviews and approves the company's policies, sustainability targets and CoC.

Furthermore, Fertin also requires that external suppliers and sub-contractors adopt and comply with this formal set of rules, this is stated in the Supplier Code of Conduct,

which all suppliers are to sign before Fertin enter into a new business relationship.

Fertin supports the United Nation's Sustainable Development Goals (SDGs) to achieve a better and more sustainable future for all. Fertin considers SDG 3 a key goal, due to the fit with the company's vision. Furthermore, as described in Fertin's Sustainability Policy, SDG 5, 12, 13, 15 and 16, are all considered highly relevant to the Fertin's business conduct. Fertin's measures tracks and reports, annually to the Board of Directors, its adherence to the set targets and its work to improve.



SDG 3: Good health and well-being

SDG 3 is particularly relevant for Fertin as a pharmaceutical company. We ensure sustainable development – for our business and employees as well as for the consumers around the globe. Our innovative delivery systems enable people all around the world to live healthier lives. We measure this in a consumer reach index. Besides complying with the present legislation and relevant national guidelines, we strive to ensure that our working environment is safe and healthy. We make sure to preserve our employees’ freedom of expression and freedom to organize and negotiate collectively. Furthermore, we value the development and enhancement of our employees’ skills across the organization.

Consumer reach

Our Nicotine Replacement Therapy (NRT) products enable millions of people around the world to stop or reduce smoking, preventing dangerous second-hand smoke, a deterioration in quality of life and eventually premature death. Our pouch powder used in nicotine pouches also provides smokers with a less harmful alternative to smoking. In 2020, we manufactured nearly 3 billion doses of NRT, which corresponds to offering around 3.2 million smokers the opportunity to quit smoking and live a healthier life. We are proud of this and have a firm ambition of increasing our reach with +25% by 2025, reaching +4 million smokers.

SDG 3

Good health and well-being

	2018	2020	2025
NRT consumer reach	2.5 million smokers	3.2 million smokers	4 million smokers

Health and Safety

For Fertin, it is essential to comply with the present legislation and relevant national guidelines within the areas in which we operate. We strive to develop and maintain a safe and healthy working environment in which employees thrive without the risk of injury. In 2020 we have employed an additional resource for Health & Safety, which has increased the focus for Health and Safety.

Safety training has been mandatory for all employees since 2016, but in 2020 we have as other companies been affected by COVID19 and have thereby focused on Safety Training for blue color. Through our formalized procedures, we strive to anchor a culture around continuous improvement within occupational Health & Safety.

In 2020 Fertin has implemented a new chemical safety management system. The database enables us to make a more detailed inventory as well as evaluate chemical mixtures and perform updates more easily than the previous system. Workplace instructions are replaced by chemical risk assessments, which present relevant chemical safety information in a more user-friendly format.

In 2021 we will implement an easier access to our registration systems for Health & Safety Observation and initiate Safety Walk to extend the focus on conversations on safety. This is in order to create focus on our behavior and technical solutions to decrease our number of accidents with absence. Furthermore, ergonomic issues causes the main part of our accidents, why this is a focus area in 2021. Fertin will as soon as it is possible in a safe way related to COVID19 give our blue color a course on ergonomic work related to their actual work positions.

Human rights

Fertin complies with national legislation on conditions relating to employment and remuneration according to the ILO Convention¹⁾ and the ETI Base Code²⁾. This means that we have well-functioning systems in place to secure our employees' freedom of expression and freedom to organize and negotiate collectively. Furthermore, the development of our employees' skills is an integral part of our personnel policy, and a framework exists to prepare a skill matrix for all areas.

Employee relations

Our employees are our most important asset and are a prerequisite for Fertin's ability to continue its development and growth. To address potential risks related to attraction and retention of a highly qualified workforce, we continuously focus on work climate and job satisfaction, supported by a formalized dialogue-based quarterly survey. The average rating for 2020, of our work climate survey was at 4.00 (5 being the best). The equivalent rating for 2019 was 3.95.

In 2015, Fertin launched a management trainee program for employees who wish to take on personnel management and have the desire and ambition to take on a management position. Four employees are finishing their programme in January 2021, of which two already have been appointed Managers. Seven employees are still in the trainee program and seven are starting up in February 2021.

All appointed and hired managers must attend the "Fertin Way of Leadership" internal training programme, which provides them with clear guidance on what is expected of managers in Fertin as well as a uniform and relevant toolbox to support them in their daily work.

¹⁾ The ILO Conventions cover a wide area of social and labour issues including basic human rights, minimum wages, industrial relations, employment policy, social dialogue, social security and other issues

²⁾ The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice.

Development of employee skills

In 2015, Fertin implemented TWI (Training Within Industry) for employees directly involved in production throughout the value chain. The TWI concept is based on a proven training concept, aimed at securing higher quality in execution of repetitive procedures with a low tolerance for variance. TWI training involves an in-depth look at areas critical to Fertin's value chain. We implemented TWI training as a supplement to existing training as a way to:

- **Improve and develop the quality of our processes**
- **Strengthen and increase the skills of our employees**
- **Secure knowledge sharing across the organisation**

COVID-19

In 2020, there has been significant focus on reducing the impact of the COVID-19 pandemic to the Company. Fertin has strictly followed local restrictions and the national health authorities' guidelines in Denmark, India and Canada. Communication regarding precautions to prevent spread among employees, has in some periods been done on a daily basis and all White Collar employees, not related to production, has been working from home. Consequently, COVID-19 cases have been contained without any significant implications on other employees and operations.

COVID-19 has primarily had a negative impact on products sold to customer with significant brick-n-mortar sales.

SDG 5: Gender equality

We do our utmost to promote gender equality and diversity at all levels in our company. It is important for Fertin to create an environment that makes it possible for any group of employees to have a career no matter cultural, gender, organizational or geographical barriers. It is a well-known fact, that diversity at all levels in organizations is an indicator of improved performance and growth.

Diversity

Fertin strives to attract highly skilled employees to support a high-performance organization, and promote gender equality among managers and at all levels in the organization. We ensure this through both recruitment and succession planning.

In 2020, the distribution of genders was as shown below:

Employee group	Men	Women
Executive management (5 men and 1 women)	83%	17%
Management generally	58%	42%
Workers in manufacturing	58%	42%
Other staff	41%	59%
Total	49%	51%

Across all levels, Fertin continue to strive bringing the gender distribution to 60/40 in 2025. The Board of Directors consists of two women and five men; all appointed based on their specific and relevant industry knowledge. The executive team consists of five men and one woman. The aim of promoting diversity and gender equality among managers at all levels is to ensure that different groups of employees can have a career without experiencing cultural, geographical, gender-based, or organizational barriers.



SDG 12: Responsible consumption and production

To ensure a sustainable consumption and production Fertin is focusing on maximizing the amount of waste that is recycled and to reduce our mixed waste fractions.

Waste disposal

As in previous years, the waste fraction distribution remains stable. The amount of waste slightly increased in 2020 compared to 2019, due to a higher production output and no major building projects. The most notable differences are in the waste fractions: incineration, cardboard, paper & scrap metal. Fertin will continue efforts to reduce mixed waste fractions and maximize recycling wherever possible. In comparison to last 2019, Fertin has decided to redefine two of the previous reported waste categories. All types of recyclable plastic and plastic foils are reported as a total sum, as plastic foils also are recycled. Likewise, waste fractions from oil separators and sand sedimentation traps have been integrated into the two pre-existing categories “chemical waste” and “landfill” and amounts from 2019 have been updated.

The following tables depict the total waste generated from the Danish sites in 2020 and 2019.

Waste type	2020		2019	
	Metric Ton	%	Metric Ton	%
Incineration	1,135.6	84.26	1,079.0	85.29
Cardboard	61.5	4.562	77.5	6.13
Chemical & oil waste	59.9	4.443	52.4	4.14
Paper	27.6	2.047	18.7	1.48
Scrap metal	23.2	1.724	15.9	1.26
Landfill & solid oil waste	17.9	1.327	14.4	0.5
Wood	0	0	4.7	0.37
Glass	4.4	0.328	1.5	0.12
Recyclable plastics	11.8	0.873	11.9	0.12
Electronic scrap	1.8	0.136	1.3	0.1
Kitchen waste	4.1	0.306	6.2	0.49
Total	1,347.8		1,283.5	

Waste type	2020		2019	
	Metric Ton	%	Metric Ton	%
Incineration	1,195.5	88.70	1,131.4	88.14
Recycling	134.4	9.97	137.7	10.74
Landfill	17.9	1.33	14.4	1.12
Total	1,347.8		1,283.5	

In general, the amount of recyclable waste fractions have not changed significantly in comparison with the previous year. Fertin will strive in 2021 to reduce the overall amount of waste for incineration by several initiatives to reduce scrap from the production processes. Our ambitions are shown in the below table.

SDG 12

Responsive consumption and production

	2018	2020	2025
Scrap in kg per ton of finished NRT products	62 kg	32 kg	25 kg

SDG 13: Climate action and SDG 15: Life on land

Climate change is affecting all of us and at Fertin we strive to reduce our CO₂ footprint and energy loss. We do this by working on minimizing our waste and making sure that it is disposed of in an environmentally friendly way. We continue to invest in environmentally friendly technologies. Technologies that enable us to further optimize consumption of water, electricity, natural gas and reduce our CO₂ footprint.

Environment

As a company, Fertin continues to do its utmost to ensure that all business practices are performed in compliance with current environmental legislation.

We strive to minimize environmental and climate impact by:

- Screening new investments related to new machinery and buildings for environmentally friendly technologies and ensuring the implementation of these, where it is financially feasible and beneficial for Fertin
- Continuously assessing the utilization of raw materials and utilities to minimize waste and the consumption of electricity, water and natural gas
- Ensuring that waste, sewage and dangerous chemicals are disposed of in an environmentally responsible manner



The primary focus areas related to environmental and climate impact are:

Environment

- Consumption of natural resources and generation of waste fractions
- Water consumption and sewage generation in regards to process-related activities
- Air emissions (unrelated to GHGs) of fragrance compounds used in process-related activities

Climate

Emission of Green House Gasses (GHGs) from:

- Burning of fossil fuels used to generate electricity and heat
- Waste incineration

Consumption of electricity, natural gas and water

Water, electricity and natural gas consumption is monitored through the software platform Energy Key. Below tables, contain data collected in 2020 and 2019. The data refers to overall annual tonnage of finished products, Fertin has calculated the carbon dioxide equivalents (CO₂-e) using the online tool “Klimakompaset” – made available by the Danish Business Authority.

Consumption category	2020	2019
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Electricity

kWh per kg product	7.02	7.65
kWh per year	26,793,386	26,129,262

Water

m ³ per kg product	0.03	0.03
m ³ per year	103,953	103,950

Natural gas

m ³ per kg product	0.38	0.48
m ³ per year	1,465,773	1,637,455

CO ₂ emissions	2025	2020	2019
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Danish site

Ton CO ₂ e per kg product	0.0004	0.0025	0.0028
Ton CO ₂ e per year	2,641	9,484	9,649

In comparison, consumption of water remains constant and unaffected by the overall tonnage of finished products. The consumption of electricity and especially natural gas is lower than the previous year, showing an effect of the previously implemented energy saving projects.

As the effects of global climate change are becoming ever more apparent, it is important for Fertin to reduce our GHG footprint as much as possible. In order to achieve this, several projects have been evaluated in 2020 and will be initiated in 2021.

During 2019 and 2020 Fertin collaborated with Steffca A/S to install custom removable insulation padding at specific location enabling a saving of roughly 291,342 kWh in the main heating distribution at our facility at Dandyvej 19, Vejle

In Q4 of 2020 a new industrial-scale heat pump was commissioned at Fertin Utility central. The Sabroe DualPac heating pump is a two-stage ammonia-based heat pump with an integrated cooling unit. From the initial data

collected in the latter part of 2020 the unit is able to produce up to 39.7 MWh heating a day and up to 28 MWh cooling a day. Using the utility consumption in 2019 as a baseline Fertin expects a reduction in the consumption of natural gas in the order of approximately 850.000 m³ pr. year and an increase in the consumption of electricity corresponding to approximately 775,000 kWh, which in turn would result in an overall net. reduction of CO₂-e of roughly 1,877 metric ton. This corresponds to 19.5% of the overall emission of CO₂-e in 2019.

Emission mapping

During the last two years, Fertin has improved on several systems to reduce odour emissions related to the production processes. In order to assess the efficacy of these improvements a re-mapping of the odour emission contributions to the surrounding area based on the OML-Multi Model. The results are expected in Q1 2021, and are going to be followed by of an updated mapping of dust emissions during Q2–Q3 2021.



Steffca removable insulation padding mounted on pipes at CIP station

SDG 16: Peace, justice and strong institutions

At Fertin we take responsibility that both our external partners and internal organization respect and agree to our Code of Conduct and uphold human rights. We do not participate in any actions related to land grabbing. A whistleblower scheme is in place should violations of our Code of Conduct happen.

Anti-corruption, bribery and human rights

At Fertin, we participate in fighting corruption and bribery. Our assessment is that the greatest potential exposure and risk would be related to our global co-operation with external partners.

To manage the potential risks, we continually enforce Fertin's Code of Conduct to ensure that our external partners acknowledge and respect Fertin's Code of Conduct.

In 2020, no reports on breaches of our Code of Conduct were reported.

We have established an external whistleblower scheme, which can be used by anyone who experiences events that violate Fertin's Code of Conduct.

As an integrated part of the policy, both Fertin and our external global suppliers must uphold human rights.

Specifically, to mitigate the risk that our suppliers are violating human rights, including the use of child labor or not complying with local labor rights, our Quality department conducted a minor number of audits in 2020 as stated in our Code of Conduct, due to COVID19. The audits were without any major remarks.

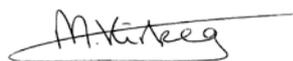
Land grabbing

It is the policy of Fertin not to participate in, be responsible for or in any way be associated with any actions which may be deemed as land grabbing.

Fertin Pharma A/S, 16th March 2021



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