



Sustainability Report

2023



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Statement from the CEO

2-22

Dear Reader,

I am excited to present our Sustainability Report 2023, which provides an overview of the environmental, social, and governance (ESG) activities of Polpharma Group in Poland.

We are releasing the eighth Polpharma report to our stakeholders without waiting for the entry into force of sustainability reporting obligations arising from EU and national regulations. Years of experience in reporting according to the Global Reporting Initiative (GRI) standard have enabled us to build valuable organisational competencies. These will be instrumental as we prepare to implement reporting under the new European ESRS standard.

In 2023, Polpharma operated in a highly challenging environment, marked by high inflation, rising energy costs, and currency volatility, all of which impacted the cost of production materials. Despite these challenges, we remained committed to our mission “We help people live healthy lives in a healthy world” and successfully executed both our 5-year business strategy and the ESG strategy developed in 2022.

As Poland’s largest pharmaceutical company, our foremost responsibility towards the society is to secure drug access for patients. After years of dealing with pandemics, the war in Ukraine, and other crises that disrupted supply chains, 2023 presented continued challenges in this area. I am proud that, thanks to the dedication of our employees, we were able to successfully address them. For instance, we ensured the

uninterrupted availability of a children's ibuprofen-based medication (despite increased demand during the flu season and a shortage of a key raw material). We also took over the production and resumed market availability of Alfadiol, a vital drug for patients, after its previous manufacturer had discontinued it.

This year was also notable for phasing out of one of our manufacturing plants owned by Polfa Warszawa. As the Wola district in Warsaw transitioned from an industrial area to a residential and business hub, further development of manufacturing operations became impractical. Therefore, we had prepared for the closure of the site over a few years, and we finally ceased operations in the first quarter of 2024. As Polfa Warszawa was a key manufacturer of hospital drugs and many life-saving products, patient safety remained our top priority throughout the manufacturing phase-out process. Most of Polfa Warszawa's product portfolio was successfully transferred to other Polpharma facilities. For those products without a suitable production site in Poland, we secured manufacturing with specialised contract manufacturers in other EU countries. Thanks to the successful execution of product transfers and extraordinary measures taken during the transition period, such as intervention imports, patients did not experience significant disruptions in access to vital products.

We also considered it very important to ensure the well-being of Polfa Warszawa's employees. A large number of those from the closed plant were employed by other group companies, while the remaining employees were provided with professional support to aid their job search, along with a severance package. The entire process was based on dialogue with employees and close cooperation with the labour unions operating within the company.

At the same time, we continued to implement Polpharma Group's business strategy, which is built on four pillars: innovation, cost leadership, commercial leadership, and an open organisational culture.

Under the first pillar, we executed 83 launches, which meant placing new products on the market or existing products on new markets. Our investment efforts to build a new R&D facility and produce Highly Potent APIs in Starogard Gdański progressed on schedule.

This forms a key part of our strategic investment in API production development in Poland, addressing the significant challenge posed by Europe's reliance on API imports from Asia.

In the area of cost excellence, we made considerable progress in thermal and electrical energy management. By implementing energy strategies for each site, we reduced energy consumption, lowered the cost of external energy purchases, and increased our own production from renewable sources, which also brought environmental benefits, such as cutting greenhouse gas emissions.

In terms of commercial excellence, we saw rapid growth across all business segments while expanding into new areas, including contract development and manufacturing (CDMO) of APIs and e-commerce.

We also continued to actively develop our organisational culture. Our focus was on talent development and enhancing managerial competencies. We promoted good habits, such as providing constructive feedback and running effective meetings. We strengthened our culture of diversity and inclusion by supporting employee networks within the company.

Our business strategy is complemented by Polpharma's Sustainable Development Strategy 2022-2025 "Healthy Life in a Healthy World", which responds to current and future regulations and to environmental, market, and societal needs. It covers 5 key areas: Access to Health, Ethical Business Processes, Environmental Impact, Responsible Employer, and Innovation in Action. When setting our strategic objectives, we also addressed the challenges expressed by the UN's global Sustainable Development Goals. Implementation of this strategy is overseen by the Sustainability Committee.

In this report, we present our objectives, performance indicators, and outcomes from another year of implementation of the strategy. We believe in the importance of taking action both within our organisation and within the value chain. As both a customer and a supplier to many entities in Poland and internationally, we are committed to being a partner in a shared sustainability journey. In the past year, we underwent an external evaluation by EcoVadis once again. Improving our score and receiving the EcoVadis Silver Medal confirms that we are progressing well on our ESG journey.

Significant changes are on the horizon for us and other EU companies in the coming years due to new ESG obligations. The upcoming EU package, including the CSRD directive and its complementary ESRS standards, as well as the CSDD directive, will present major challenges to everyone.

At Polpharma, we are already advanced in our preparations to adapt to these new responsibilities at both the company and subsidiary levels. We are educating our employees, identifying gaps, and creating action plans while implementing modern technological solutions to address stakeholder needs according to the new requirements. Simultaneously, we continue our transformation efforts, particularly in the area of energy, which is the largest contributor to our company's greenhouse gas emissions.

I am still concerned about the unstable external environment and the social and political turmoil affecting every continent. These are challenging times for businesses.

Additionally, I am worried that Poland has yet to take decisive action to improve drug safety for Polish patients. For instance, we missed an opportunity to address these issues in the National Recovery Plan (NRP). Meanwhile, our country needs a strong generic drug industry with local production of essential APIs in Poland to reduce dependency on political decisions made in Asia.

The pharmaceutical industry is actually one of the few sectors that exhibit a high degree of resilience during crises. However, we aspire to achieve more than merely weathering challenges. As a market leader and a sound employer, Polpharma aims to strengthen its position and continue growing, including through acquisitions. We have a well-thought-out business strategy and specific objectives for building a sustainable business.

While it may sound philosophical, it is crucial to reflect on fundamental questions like why our company exists. At Polpharma, this question is addressed by our mission, "We help people live healthy lives in a healthy world", which, along with our core values, guides us every day in our work.

As you explore our report, I hope you also find these simple yet profound answers for your own journey.

Yours faithfully



Sebastian Szymanek

President of the Management Board
of Zakłady Farmaceutyczne POLPHARMA S.A.

Polpharma Group in Poland in 2023

34.02%

reduction of scope 1 & 2 GHG (CO₂ equivalent)
(vs. 2021 base year)

30,616 GJ

energy saved

26%

of waste generated were recovered
or recycled

4,345

employees; **2,336**
of whom are women

63%

employee engagement rate

98%

of people working for Polpharma
trained in ethics and compliance

895

Polpharma products (SKUs)
on the Polish market

60%

of Polish drugs on the reimbursed drugs list
originate from Polpharma

38

products (SKUs) manufactured
by Polpharma have no equivalents on the
Polish market

94.53%

drug security index indicating the availability
of Polpharma products

259.4 million PLN

expenditure on research
and development

2.18 billion PLN

value of purchases from
Polish suppliers

7.5 million

users reached through our educational
websites



EcoVadis
Silver Medal



Leader in
Ethics 2023



Note
C



OUR MISSION IS:
**WE HELP PEOPLE LIVE
HEALTHY LIVES
IN A HEALTHY WORLD**



”

Chapter 1

POLPHARMA GROUP IN POLAND

Business profile

Mission and values

Financial performance and impact on the economy

Governance structure

Business model and management fundamentals

Sustainability management

Stakeholder relations

Memberships of associations and involvement in third party initiatives

Awards and recognition

Business profile

We are the largest Polish manufacturer of medicines and active pharmaceutical ingredients (APIs) in the CEE and Central Asian markets. We are part of one of the largest pharmaceutical groups in our region.

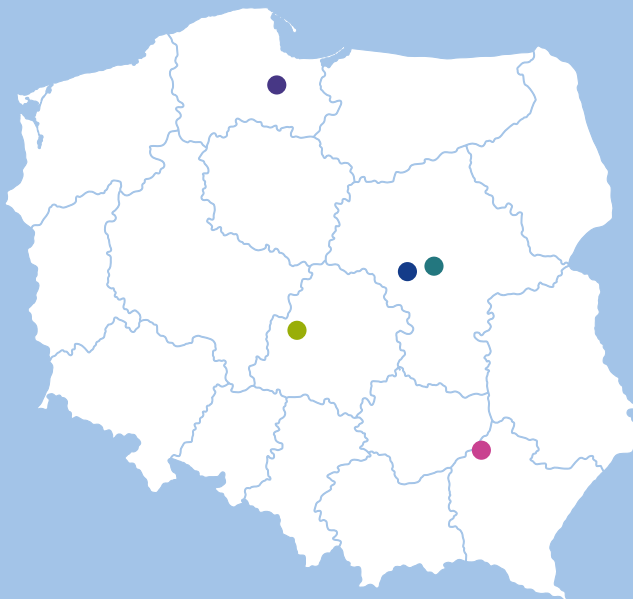
Our history dates back to 1935. We offer advanced medicines, substances, and innovative solutions for patients and business partners around the world. Our products support the treatment and health of people across more than 30 countries (mainly in Poland, Central and Eastern Europe, and Central Asia). Our APIs are supplied to over 60 countries, including the highly developed markets of the United States, Japan, and Korea.

We are the Polish national champion and sales leader in the domestic pharmaceutical market. Based on

a broad portfolio of nearly 900 products*, we are able to support patients in the therapy and prevention of the most common diseases. We specialise in cardiology, gastroenterology, neurology, ophthalmology, and gynaecology. One in eight medicine packages sold by Polish pharmacies and every third package used in Polish hospitals come from Polpharma. We collaborate with scientists and constantly invest in new products and advanced technologies to provide patients with innovative therapeutic solutions, while ensuring that our employees can access state-of-the-art knowledge and broad development prospects.

Polpharma Group in Poland

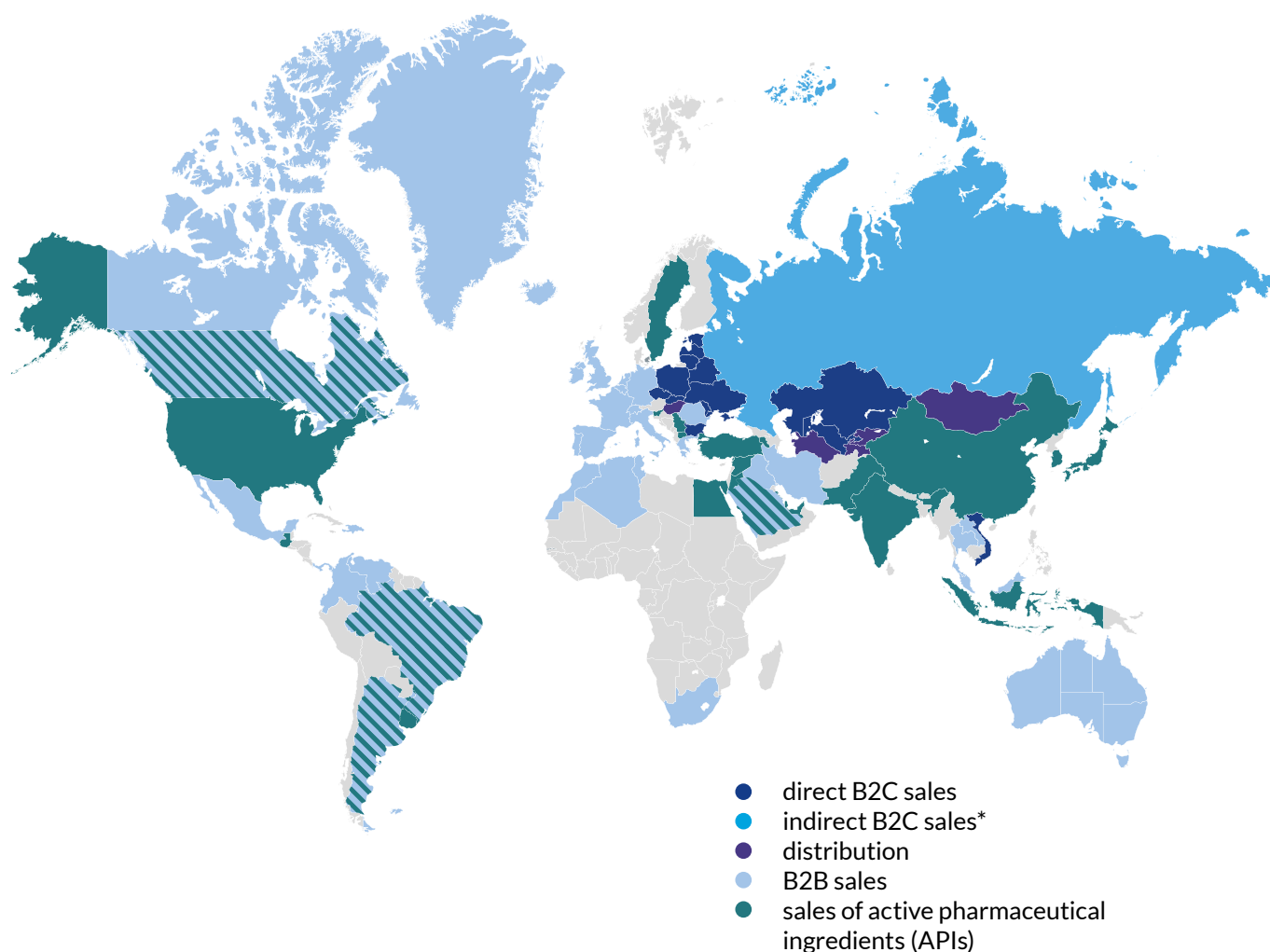
(Zakłady Farmaceutyczne POLPHARMA S.A. and Warszawskie Zakłady Farmaceutyczne Polfa S.A.)



- **Starogard Gdański**
headquarters,
laboratory,
manufacturing site
(medicines and APIs)
- **Warsaw**
office,
laboratory,
manufacturing site
(medicines and APIs)
- **Sieradz**
laboratory,
manufacturing site (medicines)
- **Duchnice**
manufacturing site (medicines)
- **Nowa Dęba**
manufacturing site (medicines)

* Number of SKUs, i.e. products in various doses, forms, and package sizes offered on the Polish pharmacy and hospital market.

Polpharma's activities in foreign markets:



* Polpharma has no direct business activities in Russia. Through a local partner, it makes available to patients in this country only medicines essential for treating chronic conditions or emergencies, as well as paediatric products.

Mission and values

Our mission statement is
“We help people live healthy lives
in a healthy world”.

OUR CORPORATE CULTURE RELIES ON THE FOLLOWING CORE VALUES:



WE ACT WITH OWNERSHIP

We are proactive and we take responsibility for our decisions and development. When promoting activities, we know that whatever we do has a real impact on patients' health, as well as on the well-being of our colleagues, clients, the environment and the entire company.

WE ACT AS ONE

We are one team, we appreciate and support one another. We are committed, we grow and celebrate together.



WE ACT WITH OPENNESS

We are open to others and to other points of view, we discuss things with honesty. We respect diversity.



Financial performance and impact on the economy

Polpharma is the leader of the Polish pharmaceutical market and has a significant impact on economic growth in Poland, notably through its tax payments, infrastructure and R&D investments, job creation, and spending on goods and services sourced from Polish suppliers.

KEY FINANCIALS

	2023 (change vs 2022)
	[PLN million]
Total revenue	4,075.9 (+2%)
Operating expenses*	—
Employee wages and benefits	861 (+17%)
Payments to providers of capital (dividend)*	—
Payments to government (taxes)	462 (+550.7%)
Community investments (donations and investments for the benefit of the community)	5 (-44.4%)

*Data not disclosed due to information policy of Polpharma Group in Poland.

In accordance with the applicable regulations, our tax strategy is published on our website at www.polpharma.pl. The strategy is updated at least once a year. The ultimate responsibility for and supervision over its implementation rest with the Management Boards of the individual Polpharma Group companies in Poland. Management Boards are also responsible for ensuring compliance with all applicable laws, regulations, procedures, and internal guidelines related to taxes. Oversight of tax matters has been delegated to the Head of Tax Department. The tax strategy is one of the considerations we factor in when making significant business and investment decisions.

In our activities, we focus on reliable reporting and compliance, which includes timely filing of all tax returns, forms, and information, document retention, and meeting tax payment deadlines. Accordingly, we make the necessary efforts to ensure that our communications on tax commitments clearly and accurately reflect the facts, are up-to-date, complete, and comprehensible.

Polpharma Group in Poland timely meets its obligation to submit tax returns and information, pays its tax liabilities on time, and enjoys tax exemptions and tax credits



4,345
employees

PLN 205.3m
capital expenditure

PLN 259.4m
R&D spending

PLN 2.18bn
value of purchases from
Polish suppliers

in accordance with the applicable regulations. In case of any doubts concerning tax regulations, we submit requests for individual rulings to competent authorities. In order to confirm the accuracy of our tax reporting, we also undergo voluntary tax audits carried out periodically by recognised advisory firms. In 2023, we did not carry out any tax settlements in tax havens.

The principles and guidance for management of tax issues are fully aligned with the business interests of Polpharma Group in Poland and are consistent with the Group's established CSR principles.

Governance structure

Zakłady Farmaceutyczne POLPHARMA S.A.

Management Board*

Sebastian Szymanek
CEO

Dorota Chęć
Member, Head of Medana Branch in Sieradz

Agnieszka Deeg-Tyburska
Member, Head of Legal and Organisational, Legal Security and Patents Department

Andrzej Dziuban
Member elected by employees, Head of Benefits Team

Philip Fritzsche
Member, Head of Procurement Department

Wojciech Rosa
Member, Head of Financial Department

Dorota Chęć and Agnieszka Deeg-Tyburska were appointed as Members of the Management Board by resolution of the Supervisory Board of 13/03/2023.

Supervisory Board

Jerzy Starak
Chairperson

Elżbieta Dzikowska
Secretary

Piotr Bukowski
Member elected by employees, HR Business Partner

Martyna Smentek
Member elected by employees, acting Head of the Allergology, Pulmonology, Paediatrics and Internal Medicine Team

Markus W. Sieger
Member, CEO of Polpharma Group

Cezary Wielesik
Member elected by employees, Head of the Production Department, API Manufacturing Plant

Gabriel Wujek
Member

Warszawskie Zakłady Farmaceutyczne Polfa S.A.

Management Board**

Krzysztof Raczyński
CEO

Małgorzata Cegielska-Matysiak
Member elected by employees, Internal Auditor

Katarzyna Pacut
Member, Head of Human Resources

Supervisory Board

Gabriel Wujek
Chairperson

Elżbieta Dzikowska
Vice-Chair

Marcin Radoski
Member elected by employees, Secretary

Paweł Gątecki
Member elected by employees

Bożenna Kozakiewicz
Member

Mirośław Miara
Member elected by employees

Mirośław Rak
Member, Head of the Internal Audit Department, Zakłady Farmaceutyczne POLPHARMA S.A.

Sebastian Szymanek
Member, CEO at Zakłady Farmaceutyczne POLPHARMA S.A.

* For bios of Management Board members of Zakłady Farmaceutyczne POLPHARMA S.A., see <https://polpharma.pl/en/o-nas/zarzadz>.

** For bios of Management Board members of Warszawskie Zakłady Farmaceutyczne Polfa S.A., see <https://www.polfawarszawa.pl/wladze-firmy>.

The CEO of Zakłady Farmaceutyczne POLPHARMA S.A. held no other positions within the company in 2023. The Management Boards of each company are responsible for conducting business and representing the companies externally, while the Supervisory Boards perform a supervisory function and set the objectives and financial framework for the Management Boards by approving annual and multiannual budgets and business plans. As the Polpharma Group has only one beneficial owner in Poland, no formal system has been established for nominating members of the Management Board and Supervisory Board, with the exception of employee representatives on both corporate bodies, who are elected by general vote. All persons in an employment relationship as at the voting day are entitled to participate in the voting. The key appointment criteria are competence and professional experience, which guarantee the presence of specialists in all key areas of the company's operations.

The joint term of office of the Management Board of Zakłady Farmaceutyczne POLPHARMA S.A. is three years. The Supervisory Board appoints and dismisses Members of the Management Board, and decides on their number and functions. If a company has more than 500 employees on average in a year, one member of the Management Board is appointed and removed by the employees.

The Supervisory Board has 5 to 15 members appointed and dismissed by the General Meeting. The joint term of office of the Supervisory Board is three years. Employees elect two members in a Supervisory Board with up to six members, three members in a Supervisory Board with seven to ten members, and four members in a Supervisory Board with 11 or more members by direct and general election in the form of secret ballot.

At the written request of at least 15% of the company's employees, a vote is held to remove an employee representative from the Management Board or Supervisory Board, respectively.

Members of the Management Board are not allowed to take up positions in any other legal entities, except for companies from the same group. There is no general rule prohibiting members of the Supervisory Board from taking positions in other entities, other than Polpharma's direct competitors.

The joint term of office of the Management Board of Warszawskie Zakłady Farmaceutyczne Polfa S.A. is four years. The company's Supervisory Board has five to ten members appointed by the General Meeting for a joint term of five years. The number of Supervisory Board members is determined by the General Meeting. The other described rules concerning the Supervisory Board and Members of the Management Board of Zakłady Farmaceutyczne POLPHARMA S.A. are the same for Warszawskie Zakłady Farmaceutyczne Polfa S.A.

Due to Polpharma's and Polfa's ownership structure, characterised by the presence of a sole beneficial owner, there is no risk of conflict of interest at the ownership level, and as a result, there are no conflicts of interest between the management and supervisory bodies, either.

With regard to the conflict of individual interests with the interests of the company, the general rules and provisions of the Code of Ethics apply.

In order to prevent conflicts of interest in accordance with the provisions of the Anti-Corruption Code, statements are collected from representatives of top management bodies. Based on these, no such conflicts have been identified. Whenever a conflict of interest arises, relevant stakeholders will be kept informed.

Information on any potential and actual negative impacts of the organisation on stakeholders is communicated on an ongoing basis either to a member of the Supervisory Board delegated to individually carry out supervisory activities in a given area, or to the Presidium of the Supervisory Board when the impact is significant. No scheme has been developed yet for delegating responsibility for managing the organisation's social and environmental impact to individual positions.

The Supervisory Board evaluates the performance of the company and individual Management Board members on an annual basis, after the end of the financial year, in connection with the company's bonus system. In addition, in accordance with applicable law, the General Meeting performs an overall performance evaluation of the representatives of top management bodies at the annual general meeting.

Business model and management fundamentals

The objective of “From Good to Great”, Polpharma Group’s global business strategy until 2025, is to enable dynamic business growth relying on four main pillars:

INNOVATION AS A PORTFOLIO DRIVER

- excellence in complex technologies
- new product launches
- strategic partnerships

COST LEADERSHIP

- lean organisation
- digitalisation and automation
- cost reduction by increasing production volume
- synergies within the group



COMMERCIAL LEADERSHIP

- use of omnichannel in key markets
- building new competence
- B2B partnerships
- e-commerce growth

CULTURE AS AN ACCELERATOR

- new growth model
- new corporate values
- highest ethical standards

KEY INITIATIVES IMPLEMENTED IN 2023 IN POLAND ACROSS THE FOUR PILLARS OF THE GROUP'S BUSINESS STRATEGY



INNOVATION AS A PORTFOLIO DRIVER

- We obtained positive bioequivalence study outcomes for 2 inhaled drugs (DPIs). This is a new high technology developed at Polpharma, aimed at expanding patient access to advanced therapies for chronic obstructive pulmonary disease.
- We were the first organisation in Poland to implement an oligonucleotide drug development project, focusing on a novel technology of RNA-based products.
- We continued our efforts to build a new R&D facility and produce Highly Potent APIs in Starogard Gdański. Investment work totalling nearly PLN 117 million progressed as planned.



COST LEADERSHIP

- Our energy strategies for each site successfully reduced electricity and gas costs while lowering our carbon footprint.
- All plants worked to increase production efficiency, resulting in improved conversion costs, or the cost of producing a drug package.
- We furthered our packaging standardisation project to reduce the use and complexity of packaging materials and to improve the efficiency of production and logistics processes.
- We implemented a modern LIMS system to streamline Quality Control efficiency. We significantly reduced the volume of paper documentation through process digitisation.



COMMERCIAL LEADERSHIP

- In 2023, we achieved 83 launches, which included new product launches and introducing existing products into new markets.
- We ensured the availability of critical medicines for patients in hospitals and pharmacies, even during the challenging process of phasing out one of our plants.
- We grew our API contract development and manufacturing business (API CDMO).
- We launched several AI initiatives as part of Komercja 4.0, receiving PLN 11.7 million in support from the National Centre for Research and Development (FENG programme). One of our goals is to improve demand forecasting for our products.



CULTURE AS AN ACCELERATOR

- We introduced new initiatives: Efficiency Rangers, Lean Champions, and Together over Coffee, while constantly expanding existing programmes, such as Leonardo. For our initiatives, see the Employees section.
- We developed the Talent Up! 2.0 programme and we initiated the Impact manager development project. Both of them are described in the Employee development and education subsection.
- We grew our culture of dialogue and feedback.
- We appointed a Board Representative for Diversity and Inclusion, and supported employee networks as part of the #RóżniRazem (#DiverseNow) initiative.

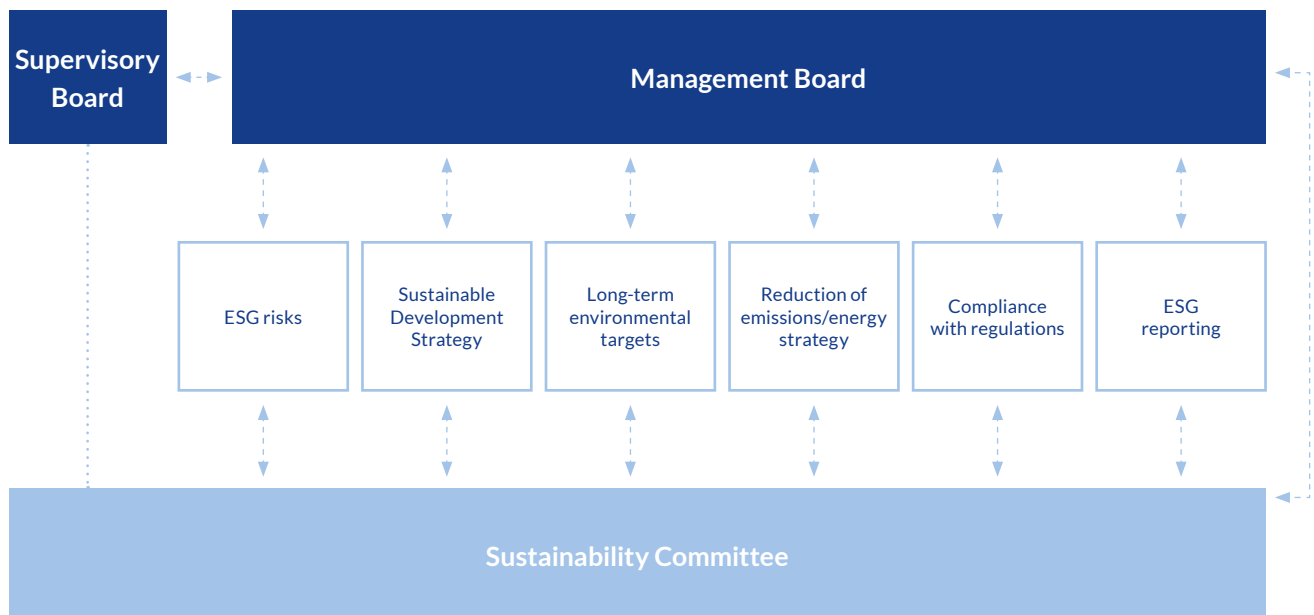
Sustainability management

Our approach to ESG management

In 2023, ESG considerations were addressed at seven Management Board meetings of Zakłady Farmaceutyczne POLPHARMA S.A. Decisions were made either at the meetings, or by circulation.

Zakłady Farmaceutyczne POLPHARMA S.A. has a Sustainability Committee in place. The purpose of this body is to provide strategic oversight, analyse ESG risks, develop recommendations and internal policies, and set and review impact goals and indicators. The Committee is made up of the heads of the company's core business areas and is led by a Management

Board member. It is also the Committee's responsibility to provide the Management Board and Supervisory Board with reliable and up-to-date information on risks and opportunities in the climate, environment, social and corporate governance areas.





Committee meetings, their frequency, and agenda are determined on the basis of the chair's assessment of needs. They are scheduled at least twice in a calendar year. Additional ad hoc meetings can be scheduled based on business demand. In 2023, two meetings were held to discuss issues such as the implementation of Polpharma's sustainable development strategy and attainment of its environmental objectives, analysis of climate risks, sustainability reporting and human rights due diligence requirements, or Polpharma's external ratings.

In 2023, Zakłady Farmaceutyczne POLPHARMA S.A. underwent a CSR performance assessment by the global rating agency EcoVadis and obtained the Silver EcoVadis Sustainability Rating. Compared to 2022, Polpharma raised its overall score by six

points to achieve a total score of 61/100, thanks to progress made in two areas: employee welfare and human rights and ethics. The company maintained its high rating of 70 points for its environmental initiatives.



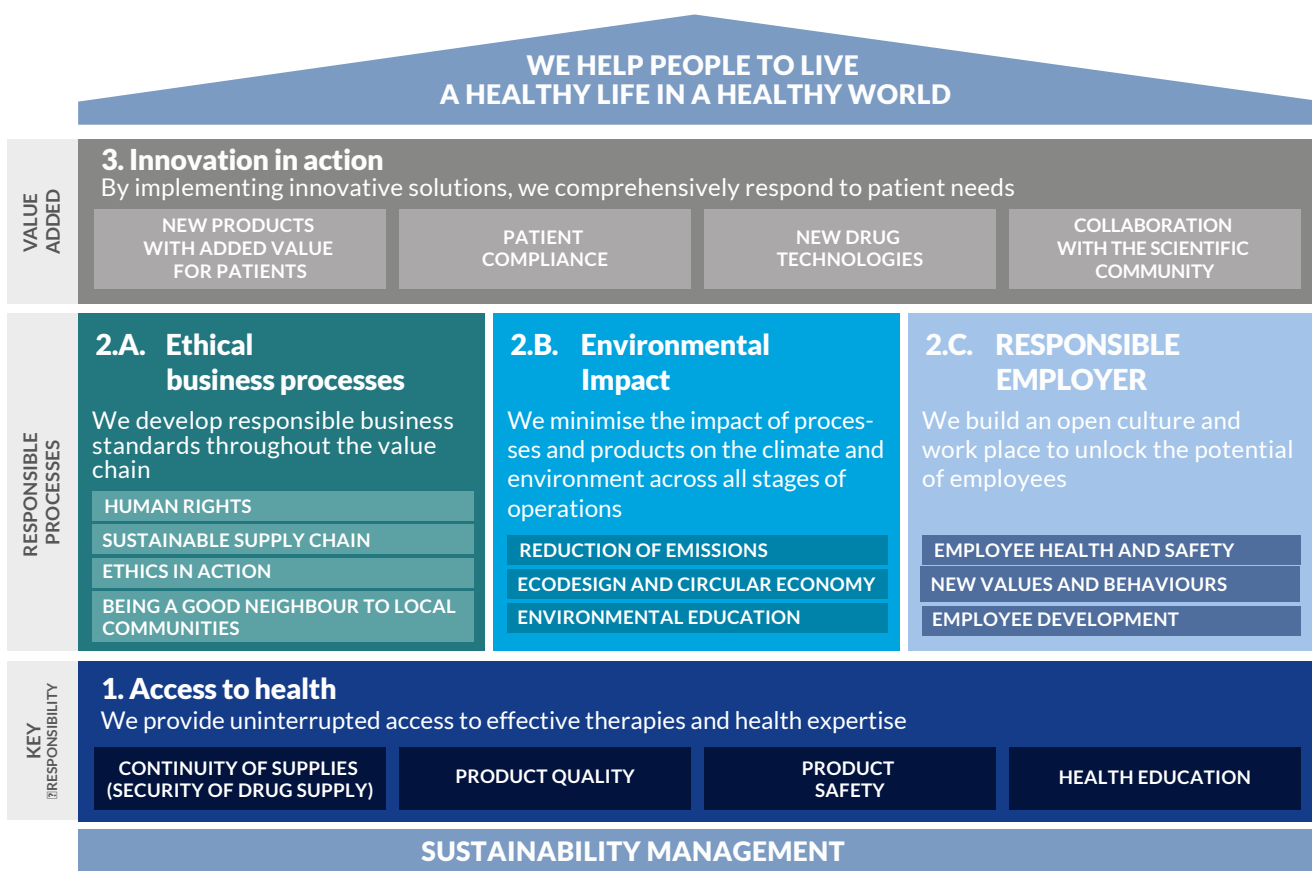
Sustainable Development Strategy 2022–2025

The business strategy of Polpharma Group in Poland is complemented by Sustainable Development Strategy 2022–2025 “Healthy Life in a Healthy World” adopted in 2022,

which introduces a multifaceted approach to conscious corporate behaviours towards the society, environment, and our key stakeholders. While continuing the

most important activities from our previous CSR strategies, it responds to current and future regulations and to environmental, market and societal needs.

MODEL OF POLPHARMA SUSTAINABLE DEVELOPMENT STRATEGY 2022-2025



OUR STRATEGY FITS WITHIN SIX SUSTAINABLE DEVELOPMENT GOALS (SDGS):



CORE FOCUS OF THE STRATEGY AND KEY PERFORMANCE INDICATORS UNTIL 2025:

ACCESS TO HEALTH	
Key performance indicators	Performance in 2023
Drug security index at 90% as a minimum	94,53%
Medical education: maintaining a high level of satisfaction of educational material users (NPS ≥50) and good reviews of our conferences (≥4.5)	NPS: 65; rating of conferences: 4.76/5
Patient and consumer education: 15 million patients and consumers reached with education or preventive care activities by 2025	7.5 million users reached through our educational websites
ETHICAL BUSINESS PROCESSES	
Key performance indicators	Performance in 2023
High EcoVadis global ESG rating for Polpharma (Bronze Medal as a minimum)	61/100 (Silver Medal)
ENVIRONMENTAL IMPACT	
Key performance indicators	Performance in 2023
Reduction of Scope 1 & 2 GHG (CO ₂ equivalent) emissions by 17% until 2025 (vs. 2021 base year)	Reduction by 34.02% (twice more than planned until 2025)
Ecodesign standards for the development of new substances and drugs developed and implemented	Ecodesign standard for new drugs - in development
5% reduction of waste from production and auxiliary processes relative to production volume (vs. 2021 base year)	2% increase*
* This result was mostly due to the specificity of our manufacturing portfolio and lower production volumes, which necessitated shorter batches and more changeovers, start-ups, and shutdowns, generating additional production waste.	
RESPONSIBLE EMPLOYER	
Key performance indicators	Performance in 2023
Employee engagement level above the market average in Poland (according to Kincentric survey)	63%, i.e. 12 percentage points above the average score in Poland in 2023 (51%)
INNOVATION IN ACTION	
Key performance indicators	Performance in 2023
At least seven R&D projects of Polpharma Group in Poland offering innovative patient value launched on the Polish market by the end of 2025	No product of this type launched in the reporting period



2-29

Stakeholder relations

In January 2023, we identified key stakeholders of Polpharma Group in Poland as part of our sustainability reporting process.

An online survey was conducted among executives. The respondents were asked to rate the influence of a given stakeholder group on the company and the interest of a given stakeholder group in the company's business

As a result of the survey, we defined a set of our most important stakeholders:

- employees;
- patients and consumers of our products;
- doctors;
- pharmacists;
- customers – medicinal product distributors;
- customers – other pharmaceutical companies;
- suppliers;
- regulators and public administration representatives;
- financial institutions;
- researchers and opinion leaders;
- social organisations;
- business and industry organisations;
- local communities.

We ensure that the needs and expectations of both internal and external stakeholders are reflected in our business. We engage in a long-term dialogue with them through:

- face-to-face conversations and regular meetings;
- internal discussion fora;
- employee and customer satisfaction surveys;
- surveys for conference and event participants;
- focus groups;
- surveys of expectations of our local communities;
- public discussions;
- consumer surveys;
- industry trade fairs;
- meetings of expert and scientific councils and advisory bodies.

Memberships of associations and involvement in third party initiatives

We seek to participate in the activities of various organisations and associations to share our knowledge and experience, and to maximise the impact of our activities through joint initiatives.

We are a member of the following organisations:

- Medicines for Europe;
- Polish Association of Pharmaceutical Industry Employers (PZPPF);
- Polish Association of Self Medication Industry (PASMI);
- Business Centre Club;
- Lewiatan Confederation (through membership in PZPPF);
- Executive Club;
- Pomeranian Employers;
- Starogard Gdański Business Club;
- IAA Poland International Advertising Association;
- Responsible Business Forum;
- Digital Poland Foundation;
- Coalition for Polish Innovations (KPI);
- Council of the Agreements for the Pomorskie Smart Specialisation.

Polpharma's representatives are also members of university boards of the Medical University of Gdańsk and Warsaw University of Technology, and of the Employers' Council of the Pharmaceutical Faculty of the Medical University of Gdańsk.

External initiatives and declarations :

- United Nations Global Compact (since 2016);
- Diversity Charter (since 2015);
- Partnership for Sustainable Development Goals in Poland (since 2017);
- Partnership for Sustainable Development Goals (SDGs) Related to the Environment (since 2016);
- Partnership for Accessibility under the Accessibility Plus Programme (since 2019);
- EIT Health – European public-private partnership for innovative medicine and healthcare (since 2020);
- Warsaw Health Innovation Hub run by the Medical Research Agency together with partners from the medical, pharmaceutical and biotechnology sectors (since 2021);
- Coalition For Friendly Recruitment (since 2021);
- Business and Human Rights by UN Global Compact Network Poland (since 2022).

Awards and recognition

CORPORATE SOCIAL RESPONSIBILITY:

- CSR Golden Leaf Award (Złoty Listek CSR) from Polityka weekly;
- honoured by UN Global Compact Network Poland in recognition of our commitment to fostering labour standards, respect of human rights, and ethical standards
- named Leader in Ethics (Lider Etyki) in a competition of the Puls Biznesu magazine

EMPLOYER:

- ranked third in the Science category of Universum Awards, where students choose the most attractive employers
- winner of the Family Friendly Company / Human Friendly Company (Firma Przyjazna Rodzinie / Firma Przyjazna Człowiekowi) competition of Instytut Humanites

ECONOMY:

- WNP Award for substantial contribution to health innovation

WE BUILD AN OPEN CULTURE
AND WORKPLACE TO UNLOCK
THE POTENTIAL
OF EMPLOYEES



”

Chapter 2

Employees

Responsible employer
Occupational health and safety
Organisational culture
Hiring
Salaries and benefits
Employee development and education
Diversity
Employees with disabilities
Employee dialogue
Outplacement at Polfa Warszawa

Responsible employer

The health and safety of our employees, as well as providing them with opportunities to grow and achieve job satisfaction, are key to us. In addition to competitive salaries, we offer additional employee benefits.

We consciously manage diversity, actively counteracting harassment at work and all forms of discrimination, and fostering a safe and friendly work environment. Polpharma's people are integral to the company's success, achievement of its ambitious goals, and ensuring patient safety.

Our strategy focuses on creating a human-centred workplace that inspires our employees to grow and promotes well-being. In our operations, we focus on reinforcing an organisational culture based on high ethical standards, teamwork, and open communication. In our daily work, we are guided by our values: **"We act with ownership", "We act as one", "We act with openness"**.

Key areas of our HR strategy:

1. Engaged employees

- regular surveys of employee engagement and the work environment;
- building a culture of dialogue and feedback;
- enhancing our development proposal through training programmes aimed at strengthening the necessary competencies for future business growth and personal development, participation in projects and Employee Resource Groups, encouraging intergenerational cooperation;
- fostering diversity and inclusion, also in cooperation with Employee Resource Groups (the #Diverse-Together initiative bringing together 4 employee groups).

2. Inspiring leadership

- further development of leadership based on mutual respect, responsibility, and empathy;
- constant competency improvement through interactive workshops promoting good leadership practices (for example, on stimulating regular mutual feedback, using employee recognition and reward tools and creating an open and friendly teamwork environment);

- identification of critical roles in the organisation and development of succession plans to ensure business continuity and help talents thrive.

3. Enhancing employee experience through an efficient and friendly workplace

- further improvements and simplifications of HR processes;
- development of digital solutions – such as including electronic employee files/documents and signatures;
- review of employee experience at moments of truth;
- supporting employee wellbeing.

4. Building a friendly climate in improving the culture of workplace safety

- continuing the development of the Safety Leaders/ Ambassadors programme, which promotes safe workplace behaviours and draws attention to unsafe behaviours in successive areas of the organisation;
- ergonomics audits in selected areas, along with the presentation of suggested solutions to improve employee health;
- employee education as part of the European Week for Safety and Health at Work, promoting the A Heart To Work (Serce do pracy) campaign;
- raising awareness of workplace hazards through safety webinars;
- building a safety culture for managers – the purpose of this activity was to highlight the key role of managers in creating a safe work environment, mental safety, the ability to model behaviours and the legal responsibility of managers. It was addressed to leaders and heads of selected areas.

In 2023, Polpharma Group in Poland had **4,345 employees** (15 more than in the previous reporting period): **2,366 women** and **2,009 men**.

Collective bargaining
agreements covered

83%
of our staff
(83% in 2022).

In addition, **178 people**, including without limitation external contractors, recruiters, trainees, and employees of temporary work agencies, worked with us under arrangements other than employment contracts – B2B and contracts of mandate (umowa zlecenie).

In 2023, there were six trade unions across the Polpharma Group companies in Poland, which were consulted on labour matters on an ongoing basis. Discussions with Employee Councils within the companies cover the status, structure, and anticipated changes in employment, activities that are aimed at maintaining the current employment level or may lead to significant changes in work organisation or employment basis, as well as the employer's business operations, economic situation, and anticipated changes in this regard.



Occupational health and safety

We at Polpharma are committed to employee health and safety. We raise occupational safety standards also across our value chain, in particular among our contractors and subcontractors who work under our direct supervision.

The commitments we make to effectively manage OHS risks and opportunities include:

- Compliance with legal and other requirements relevant for OHS and continuous enhancement of standards;
- Ensuring safe and healthy workplaces by harnessing scientific and technical advancements;
- Maintaining and improving the OHS management system to improve occupational safety outcomes;
- Analysing the company's processes on an ongoing basis to eliminate and mitigate risks in the workplace;
- Analysing business processes on a regular basis to take account of the risks and opportunities related to occupational safety and health and to the OHS management system;
- Incorporating employee safety and health in production process planning and other business activities;
- Preventing work-related injuries and health conditions;
- Applying adequate measures to mitigate risks according to their hierarchy, and in particular prioritising collective over individual safeguards;
- Broadening the knowledge and enhancing the skills of employees at all levels of the organisation and continuously reinforcing a culture of work safety, as well as promoting health prevention;
- Encouraging employees and other stakeholders to adopt a proactive approach in order to increase their involvement in the process of ensuring safety and in health prevention.

An **occupational health and safety management system** has been in place across all Polpharma Group companies in Poland since 2006. Its implementation,

based on the PN-N-18001 standard and the European OHSAS 18001 standard, was our decision, we were not obligated by the law. Since 2020, the system has been operated in conformity with ISO 45001. It covers employees and all other individuals under the supervision of our organisation in the context of experimental, chemical, and pharmaceutical production, sales of pharmaceuticals and pharmaceutical raw materials, as well as wastewater treatment.

We discuss our activities promoting the safety and health of our employees in our annual OHS status reports, successive CSR reports, and OHS management system review protocols. Furthermore, we report on our safety indicators and on the status of non-conformities identified by external (system, customer) audits and official inspections on an ongoing basis.

Since 2006, the operation of the system in the Starogard Gdański plant has been subject to external verification. In 2023, its proper functioning was confirmed by two audits, including a certification audit.

In summary, 46%* of our production (API and pharmaceuticals) is manufactured at a plant in Starogard Gdański, where a certified system conforming to ISO 14001 and ISO 45001 is in place.

The Polpharma Group Employee Occupational Safety and Health Policy is available on Polpharma's website at <https://polpharma.pl/odpowiedzialnosc-spoleczna/polityka-firmy>.

Polpharma has a full-time **Corporate OHS Service** with nine members (six in Starogard, one each in Warsaw, Sieradz, and Nowa Dęba). The Corporate OHS

* As of 31.12.2023, the manufacturing mass (API and pharmaceuticals) of all our plants in Poland was 6,639 tonnes. 3,060 tonnes were produced at the plant in Starogard Gdański.

Service operates in accordance with the Regulation of the Council of Ministers on occupational health and safety service and actively participates in the maintenance of the OHS management system. Its responsibilities arising from legal provisions and the ISO 45001 standard include consultations with employees, individuals under the supervision of the organisation, and other stakeholders.

The employees of the Corporate OHS Service continuously expand their competencies, improving in the area of new developments and industry trends.

The identification of risks is regulated by the corporate **Occupational Risk Assessment** procedure, based on the risk score method. The risk assessment team includes the head of the organisational unit (as a chair), an OHS Service employee, and a social labour inspector. The main purpose of the procedure is to introduce measures to protect the lives and health of employees and to improve working conditions, including the reduction of work-related nuisance and monotony.

Risk control measures are applied in the following order of priority:

1. eliminate the threat;
2. substitute with less hazardous processes, operations, materials, or equipment;
3. employ technical and organisational risk mitigation measures;
4. employ administrative risk mitigation measures, including training;
5. use suitable personal protective equipment.

Risk assessment process reviews enabling the continuous improvement of the system are performed, for instance, in the following situations:

- creation of new jobs;
- introduction of technical and technology changes;
- upgrading of facilities and premises;
- changes of legal and other requirements;
- accidents at work.

Safety targets are set for team managers per calendar year, and the target levels are set in proportion to the number of accidents at the site.

Information on hazards posed by individual chemical substances and mixtures is available to employees in the **Baza Kart Charakterystyk** application (a MSDS database), which is also available in a mobile version. The database additionally contains key information identifying individual substances and related hazards according to the CLP classification.

The **Stop Accidents Programme**, in operation since 2012, is a system for reporting and responding to:

- near misses (also called dormant accidents, avoided accidents, almost accidents, unsafe situations);
- unsafe conditions observed – situations likely to cause injuries in the near future;
- hazards and situations that occurred and could have resulted in injuries, but did not through a fortunate coincidence.

A total of **2,144** near misses were eliminated by 2023 owing to the programme. All Polpharma Group employees in Poland can report incidents using a special mobile application. The incidents are formally recorded and analysed in order to choose the best possible corrective measures.

We are constantly expanding our **database of toxicology reports** for the chemicals transferred to our plants, manufactured by us under contracts or licences, as well as new substances introduced to research and development or production. Based on reports purchased from specialist third parties, we determine the toxicity of individual substances to classify each of them into one of five risk categories. The information in toxicology reports additionally allows us to adjust workplaces to specific requirements and to create an appropriate production infrastructure to provide employees with safe conditions for industrial operations. The above processes are described in detail in a relevant system procedure.

In 2023, we continued ongoing investment projects: Prometeusz, Cryo and Kilolab, to introduce the highest standards for protecting employees against the adverse effects of work processes on their health. These projects are related to the development and production of highly potent APIs.

WORK-RELATED INJURIES OF EMPLOYEES OF POLPHARMA GROUP IN POLAND BY INJURY TYPE*

	2023 (change vs 2022)
Number of fatalities as a result of work-related injury	0 (0%)
Number of high-consequence work-related injuries	1 (-)
Number of all injuries	22 (+10%)

In 2023, no work-related injuries were recorded for employees of subcontractors who performed tasks on the premises of Polpharma Group companies in Poland. Activities of third party personnel performing services irregularly under civil-law contracts are excluded.

Involving our employees and their representatives in the OHS management process consists in **consultations, participation in the decision-making process, and co-responsibility for building a culture of health and safety** in the workplace.

Employee representatives are periodically consulted on:

- introduction of changes likely to affect OHS (including work organisation, workstation equipment, introduction of new technologies as well as chemical substances and preparations);
- occupational risk assessment for certain jobs and communicating such risks;
- establishment of the OHS Service and the designation of employees to provide first aid and carry out fire protection and staff evacuation activities;
- provision of employees with personal protective equipment, work clothing, and footwear;
- delivery of OHS training to employees;
- introduction of changes that may affect the safety and health of suppliers (subcontractors);
- matters related to the integrated management system.

These consultations are carried out with representatives of trade unions, social labour inspectors, and as part of the work of the OHS Committee, which is an advisory and opinion-making body established by companies with more than 250 employees and composed of employer and employee representatives in equal parts. The committee meets at least once every

quarter. Furthermore, the API Business Unit in Starogard Gdański holds quarterly management meetings with Safety Leaders to address current OHS issues.

The Safety Leaders Programme is addressed to employees of new production areas within the API Business Unit who want to rectify bad habits and inappropriate behaviours that can lead to unsafe incidents in the areas of OHS, fire protection, and environmental



* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the "Tables with GRI numeric indicators" section.

protection. It promotes safe conduct in the workplace, the use of collective and individual protective equipment, etc. Our team of Safety Leaders is composed of thirty members who remarkably adhered to OHS principles and felt the need to actively contribute to promoting safe behaviours and to report problems relating to occupational safety and environmental protection.

Monthly meetings of the **EHS Council** in the API Business Unit cover, among other things, an analysis of occupational health and environmental protection indicators and records. The Council members are top executives of the Business Unit, representatives of employees and of the Department of Environmental Protection and Occupational Safety, the onsite Fire Brigade, and Safety Leaders representing employees from chemical manufacturing, laboratory, and R&D areas.

In 2023, the **Safety Ambassadors** programme was implemented in the new production areas in Starogard Gdański (Quality Control, Supply Chain Management Department, Parenteral Form Production Department, Solid Dosage Form Production Department). A group of selected employees supports area managers in improving safety culture and inspires others, provides advice, or submits ideas for improvement of working conditions.

The rules of **OHS training** are included in the corporate procedure "Integrated Safety and Environmental Management System Training".

Core training categories are as follows:

- general induction training for new hires;
- job-specific training with a final exam;
- recurrent training for specific professional groups;
- training/instruction for subcontractors.

OHS training is provided in the form of:

- onsite training with industry experts and qualified individuals;
- online training for specific professional groups;
- alerts following accidents;
- in-house training using the MyLearning platform;
- team meetings between shifts;
- Safety Moments, which means starting meetings with priority health and safety issues;

- presentation of health and safety issues on video displays and other digital devices.

Employees can also purchase additional private medical care packages for their families. In this regard, Polpharma Group in Poland cooperates with LUX MED Group and the Medpharma healthcare facility. In 2023, women were offered free breast screening in special mobile mammography units at the Starogard, Sieradz, Nowa Dęba and Duchnice production facilities.

We provide all employees with **free private medical** care packages, which guarantee faster access to medical specialists, laboratory and diagnostic tests, rehabilitation, dental services all over Poland.

In 2023, we conducted a survey of the workplace safety climate manifested in employee behaviour and attitudes, which was answered by 979 respondents. Survey questions were divided into 8 categories: management commitment and support; risk perception and preventive measures; adequacy of and compliance with health and safety procedures; communication; time pressure; motivation, development, and awareness; accident prevention and reporting; working conditions; and health and safety measures. An average score of 3.89 on a five-point Likert scale meant that Polpharma has a culture of positive related behaviours, while some areas need improvement and enhancement initiatives, which were planned for the coming years.

Organisational culture

Since 2022, the Polpharma Group in Poland has had three values in place that were formulated through an employee dialogue process: „**Act with Ownership**”, „**Act as One**”, „**Act with Openness**”, as well as 12 supporting behaviours.

The values are meant to foster the evolution of the company's culture towards an engaging and attractive place to work, where employees own the processes, there is an atmosphere of openness and trust, and the existing conditions promote creativity and teamwork.

We are also bound by ethical values, which form the basis of our Code of Ethics. A Polpharma employee must never forget about integrity, respect, and solidarity, which are the cornerstone and moral backbone of our organisation, underlying our organisational values that support continued growth.

The Polpharma Code of Ethics can be found at <https://polpharma.pl/o-nas/etyka-i-compliance/#!kodeks-etyki>.

The **Amber Galen Award** is the most important recognition for Polpharma Group employees in Poland. It promotes living the corporate values in everyday work. The winners of the Amber Galen Award are outstanding individuals and teams, also in the eyes of their colleagues, who nominate the candidates.



Hiring

At Polpharma Group in Poland, we apply the principle of equal treatment in the recruitment process and we follow our recruitment procedure, which allows us to build diverse and competent teams.

In addition, in line with our strategy, we support employees in growing in and beyond their roles through adopting a new internal recruitment policy. For development in and beyond the role, see the employee development and education section of the report.

In 2021, we joined the **Coalition for Friendly Recruitment**. The initiative promotes good practices and sets standards in this area, bringing together more than 350 Polish employers, who:

- respect applicants, their time and commitment;
- are open to providing feedback to candidates;
- seek to implement solutions to facilitate reaching out to candidates;
- attach importance to the opinions of candidates;
- follow the principles set out in the Code of Good Recruitment Practice.

NUMBER OF NEW EMPLOYEE HIRES AT POLPHARMA GROUP IN POLAND BY GENDER AND AGE GROUP*

	2023 (change vs 2022)		
	Women	Men	Total
Under 30 years	71 (-18%)	48 (-61%)	119 (-43%)
30 to 50 years	97 (-4%)	98 (-16%)	195 (-10%)
Above 50 years	13 (+1200%)	18 (+50%)	31 (+138%)
Total	181 (-4%)	164 (-34%)	345 (-21%)
Employment rate	8% (0 p.p.)	8% (-4 p.p.)	8% (-2 p.p.)



* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the "Tables with GRI numeric indicators" section.

Salaries and benefits

At Polpharma Group in Poland, we make sure that the principles on which salaries are established are clear and based on merit.

The Remuneration and Benefits Team is responsible for the process of drafting **remuneration policies** and establishing salary levels. Their determinations are approved by the Management Board and the Supervisory Board. Changes to the remuneration policy are always consulted with and approved by trade unions.

All employees are guaranteed a living wage, which we consider to be the minimum wage. We regularly monitor changes and act in advance to ensure that no employee receives a lower rate. We analyse base salaries and, where necessary, update them in accordance with the statutory date of change of the minimum wage. Although the minimum wage in Poland is a gross monthly amount that includes the base salary as well as bonuses and allowances, for our purposes, we treat it as the minimum amount of base salary (without any additional components). Percentage of Polpharma's employees paid below minimum living wage: 0%.

All employees with employment contracts, whether on a full-time or part-time basis, enjoy the same access to **benefits** and allowances arising from generally applicable provisions of law in particular companies. Employees hired under consulting agreements have access to medical and life insurance and a MultiSport card.

The following are provided to all employees of Polpharma Group companies in Poland:

- a basic medical care package from LUX MED/ Medpharma Group;
- life insurance with PZU;
- a choice of products and services available via the MyBenefit platform (their individual accounts are credited with PLN 100 once a quarter and linked to the Rewards Scheme, in which users can receive additional points from co-workers);
- offering subsidies for holidays;
- MultiSport cards;
- an opportunity to participate in the Occupational Pension Scheme, under which the employer finances contributions to supplementary pensions for employees*;
- non-repayable assistance for employees in distress;
- prepaid cards for children on the occasion of Christmas;
- the option to take a parental leave in accordance with the Polish laws and regulations;
- commuting and remote work subsidies;
- a day off work during the Polpharma Festival on the Friday following the Corpus Christi holiday – on this occasion a picnic for employees and their families is organised in Starogard Gdański, with sports competitions, concerts, etc.

POLPHARMA S.A. Pharmaceutical Works organise winter and summer camps for school-age children and excursions for employees, subsidises meals (lunch

* Does not apply to people employed for less than three months or over 70 years of age.

vouchers) and tickets for concerts, cultural and sports events (the amount of subsidy depends on household income per person). We also offer low-interest housing loans for our employees.

To support the health of our employees, we offer a variety of **interventions and preventive measures**, such as:

- free, confidential sessions with a psychologist for employees who reported the need for emergency support;

- access to content on building mental resilience on #MojaStrefaWsparcia intranet site (including access to webinars and knowledge snapshots on managing emotions, resting, stress management);
- communicating information on free psychological support available in medical packages and a database of support providers;
- promotion of external awareness-raising events.



Employee development and education

A competent team is key to business growth. Therefore, we support our employees in their pursuit knowledge, and new skills. In doing so, we consider business needs, as well as the self-fulfilment and satisfaction of employees and managers.

Effective and responsible management of staff training and education within Polpharma Group in Poland is based on the following documents:

- the Training Procedure – an internal policy governing developmental activities;
- the Training Curriculum – a list of available in-house training courses based on employee needs surveys.

We provide employee training and education by means of:

- the MyLearning training platform;
- development programmes (which include wellbeing);
- developing specialist competencies;
- subsidies for long-term learning of the Polish and Russian languages;
- on-line platform which strengthens competence in English;
- conferences in Poland and abroad.

We offer two perspectives to our employees: development in and beyond the role. Depending on individual aspirations and career-building plans, every employee is free to decide whether to continue developing within their current area of responsibility – aiming to be promoted within their role, or aspire for a change and prove themselves in another position or area.

The process focuses on the development of employee competencies and skills, creating one's development path (in and beyond the role) based on quality development conversations, internal mobility, and expanding responsibilities. This approach supports the group's strategic direction.

Our change focus includes:

- understanding of development focused on **skills and competencies**;
- ensuring that employees **own their development**, with an important role played by development conversations and agreeing on a development plan;
- **improvement of employee skills** as a key element for promotion;
- **uniform job naming**, which shifts the focus to competencies and reduces hierarchy;
- a **flexible career model**, i.e. mobility, development beyond the role, and retraining..

99.9%

of employees of Polpharma Group in Poland were covered by periodic performance reviews in 2023*.

AVERAGE NUMBER OF TRAINING HOURS AT POLPHARMA GROUP IN POLAND BY GENDER AND STRUCTURE**

	2023 (change vs 2022)		
	Women	Men	Total
Managers and executives	53 (+77%)	47 (+81%)	50 (+79%)
Individual contributors	11 (~35%)	11 (~27%)	11 (~31%)

* The process does not include trade union chairpersons.

** Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the "Tables with GRI numeric indicators" section.

The second edition of Talent Up! (**Talent Up 2.0**) was held in September 2023, with the goal of combining individual development, organisational development, and efficiency in action. In a ten-month development process, under the guidance of training companies and selected in-house experts, the participants worked on:

- development in practice through Lean methodology workshops and running their own Lean projects in the organisation;
- learning from others through support from a mentor and a Lean Champion (a participant of the first edition of the programme) and meetings with senior management;
- individual development through workshops and other means.



28 people (14 women, 14 men) carries out 10 projects in small cross-functional groups to cut costs, improve process efficiency, or make better use of resources.

The projects are overseen by the Talent Up! Committee and 10 mentors. The participants will receive Lean Green Belt certificates. In addition to obtaining certification, participants improve their competence in communication and presentation of their achievements and pursue their own development goals, for instance through the My Way of Development (Moja Droga Rozwoju) workshop, agreeing on an Individual Development Plan with the line manager, as well as individual consultations with a coach. The second edition of Talent Up! is set to close in June 2024.

Talent Up! 2.0. in a nutshell (data for 2023):

58

applications

54

Learning Agility diagnoses

28

participants

8

Talent Up!
Committee members

10

mentors

4

providers

14

online workshops

12

hours of consultation

45

mentoring meetings

18 winners of the first edition of the programme have formed **Lean Champions**, a grassroots group responsible for cultivating a culture of continuous improvement to promote value creation in daily work. Members of the group offer advice to Talent Up 2.0. participants and support the implementation of projects proposed by top management with their expertise.

The role of the Lean Champion is to:

- support the Lean process;
- coordinate work based on the Lean methodology;
- share expertise with a project team or area.



We are working to improve our organisational culture, aiming to strengthen employee identification with the company and support business growth. Its ambassadors are managers who have enrolled in the IMPACT

development programme. Seventy-five individuals across different areas and management levels develop leadership competencies and employee commitment building skills, and support the organisation in value delivery. The participants improve through 360° feedback (assessment of leader behaviours from the perspective of the line manager, team, colleagues, and by self-assessment), identification of their talents using the Gallup methodology and new tools they explore during workshops and so-called action learning.

After the first six months of the programme::

- the engagement rate among participating managers increased (it is 10 pp higher than the average for managers and 30 pp higher than the average for general workforce);
- the engagement rate in participating teams increased (it is 10 pp higher than the company average);
- participant satisfaction reached 4.9 on a five-point scale;
- 700 people took part in the 360° feedback exercise.

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OTHER EMPLOYEE SKILLS DEVELOPMENT PROGRAMMES

Programme name	Number of participants in 2023
COMPASS (KOMPAS)	35
START Programme: The People Manager Academy (Program START: Akademia Szefa)	27
Valuable Development Conversation (Wartościowa Rozmowa Rozwojowa)	35
Gallup Survey	391
Good Move (Dobry ruch) – simple mobility exercises	44
Let's Talk About Addictions (Porozmawiajmy o uzależnieniach)	264
Early Diagnosis Saves Lives (Wczesne wykrycie to życie)	210
Thinking Differently Matters (Inne myślenie ma znaczenie)	588
Feedback	1942
Stress	223
Long-term learning subsidies	14
Learnship/Online platform	55
Youniversity	228
Eduweb	18
Excel	40
Mandatory licence training	319
Specialist training	2027
Conferences in Poland and abroad	175

Diversity

The goals of Polpharma's 2022–2025 Sustainable Development Strategy include fostering diversity and inclusion.

Systemic action taken by management combined with grassroots initiatives by company employees contribute to a greater commitment to diversity and better alignment of solutions with real needs, while ensuring the necessary strategic importance and momentum. At Polpharma, we do not tolerate any form of discrimination on any grounds, including gender, age, origin, nationality, religion, sexual orientation, physical appearance, health status, and physical capacity. We observe and audit the company's culture of inclusion to identify areas that need additional focus. We are working on inclusive language in internal and external communications, as well as across all procedures and documents. We educate team managers on various facets of inclusion, from recruitment to managing multi-generational teams.

In 2022, the Polpharma Group in Poland adopted the **Diversity Policy**, which sets out standards and expectations for those who work for the company in order

to create a friendly and open workplace where everyone has equal opportunities and feels comfortable.

The objectives of the policy are to:

- Create an organisational culture free of prejudice, stereotypes and discrimination, in which diversity and equal opportunities allow each person to be themselves and create their own paths of personal and professional success. We promote a culture of **diversity, equality and inclusion**.
- Emphasise the strategic importance of the culture of diversity, which supports our corporate values: **„Act with Ownership”, „Act as One”, „Act with Openness”** and follows from the provisions of the Polpharma Group Code of Ethics.
- Create an open, friendly, and inclusive environment – a place where every working person can develop and freely share ideas and comments, where people feel listened to and appreciated for the contribution



they make to the operation and growth of the company.

The Diversity Policy is part of a broader effort to create an open and ethical workplace. Diversity measures are also regulated by:

- the Code of Ethics;
- Polpharma Group's Values;
- the Whistleblowing Procedure;
- the Procedure on Prevention of Workplace Mobbing and Discrimination;
- the Recruitment Procedure;
- the Diversity Charter, to which Polpharma is a signatory.

A **Board Representative for Diversity and Inclusion** was appointed in 2023 to serve as a liaison between employees and managers. She oversees compliance with diversity policies and coordinates educational programmes and initiatives to support diversity and inclusion.

In 2023, we started working on our **DEI Strategy 2024–2025**. The document will focus on three key areas corresponding to the future challenges we have defined: the hidden potential of DEI, gender balance, and demographic issues.

We also periodically monitor the gender diversity of our workforce and the pay gap between men and women employed in similar positions.

PERCENTAGE OF PROMOTIONS AT POLPHARMA GROUP IN POLAND BY GENDER AND STRUCTURE

	2023 (change vs 2022)	
	Women	Men
From a lower-level position* to a mid-level position**	3.8% (+0.5 pp)	3.1% (+1.1 pp)
From a mid-level position** to a senior position	0.5% (-0.3 pp)	0.8% (-0.8 pp)

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN AT POLPHARMA GROUP IN POLAND BY STRUCTURE***

	2023 (change vs 2022)	
	Basic salary	Remuneration
Managers and executives	93% (-3 p.p.)	93% (-1% p.p.)
Individual contributors	101% (0 p.p.)	101% (0 p.p.)

*Below manager level: from the lowest positions to senior specialists and experts.

**Including junior managers.

*** Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the "Tables with GRI numeric indicators" section.

GENDER PAY GAP* AT POLPHARMA GROUP IN POLAND**

	2023 (change vs 2022)
Managers and executives	7.09 (+0.77)
Individual contributors	-0.80 (+0.21)

PERCENTAGE OF EMPLOYEES AT POLPHARMA GROUP IN POLAND ON MANAGEMENT BODIES AND IN EACH CATEGORY BY GENDER AND AGE**

	2023 (change vs 2022)				
	Women	Men	Under 30 years old	30 to 50 years old	Over 50 years old
Management Board	44% (+19 pp)	56% (-19 pp)	0% (0 pp)	33% (-5 pp)	67% (+4 pp)
Supervisory Board	27% (0 pp)	73% (0 pp)	0% (0 pp)	13% (0 pp)	87% (0 pp)
Managers and executives	48% (+1 pp)	52% (-1 pp)	0.5% (+0.2 pp)	68% (-3 pp)	31% (+2 pp)
Individual contributors	54% (0 pp)	46% (0 pp)	11% (-1 pp)	62% (-1 pp)	27% (+2 pp)

Our team is continuously involved in promoting a culture of diversity. Three Employee Resource Groups have been established as part of the grassroots initiative #DiverseTogether (**#RóżniRazem**):

- #TogetherForWomen (#RazemDlaKobiet) focuses on fostering cooperation between men and women, promotes mutual respect and equal professional development opportunities;
- #TogetherForGenerations (#RazemDlaPokoleń) focuses on raising awareness of age diversity and creating space for representatives of different generations to share their experience;
- #TogetherForParents (#RazemDlaRodziców) seeks to develop a supportive work environment for parents, considering the needs of vulnerable people such as single parents or parents of children with disabilities.

Selected activities of the ERGs in 2023 included:

- educating employees about their rights and actively promoting the use of parental leave by fathers;
- a mobile mammography unit campaign, i.e. free breast screening for our female employees at various company locations;
- an initiative to include equal treatment and diversity in managerial training;
- webinars on elderly care and public assistance in this area;
- "Introduction to Menopause Transition" webinar;
- #CyberWoman Polpharma series of meetings;
- Pink Boxes with feminine hygiene products at every location.

In the third edition of the **Diversity IN Check** survey coordinated by the Responsible Business Forum, the Polpharma Group in Poland was among 36 most advanced employers in Poland in the area of diversity and inclusion management.

* This indicator represents the difference between the average remuneration (including bonuses, awards and other benefits) of men and women, showing how much more (or less) men earn on average.

** Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the "Tables with GRI numeric indicators" section.

Employees with disabilities

We are building an environment and workplace that cater to the needs of people with disabilities. At the end of 2023, as in the previous year, they accounted for 1.5% of our workforce.

In 2019, we joined the Partnership for Accessibility under the **Accessibility Plus** Programme implemented by the Ministry for Regional Funds and Policy, in cooperation with local governments, entrepreneurs, and non-governmental organisations. The programme aims to ensure that people with special needs have unrestricted access to goods, services, as well as social and public life.

For many years, we have been supporting the **Integracja Foundation**. We are a partner of the health section of the Integracja magazine, the annual Grand

Gala of Integration (Wielka Gala Integracji) and the Man without Barriers Gala (Gala Człowiek bez Barier).

Full accessibility of Polpharma's office at ul. Bobrowiecka 6 in Warsaw for people with mobility impairments, visual impairments including blindness, and partial or full hearing loss has been confirmed by the **Barrier-Free Facility** (Obiekt bez Barier) certificate awarded by the Integracja Foundation.



Employee dialogue

Regular dialogue with employees is essential to build relationships, improve the organisation's internal processes, and enhance the quality of the workplace. Throughout the year, we address topics of diversity, workplace safety, and employee development.

Once a year, we conduct the Polpharma Pulse survey, with about 90% of our workforce consistently participating. 89% employees participated in 2023, 93% in 2022 and 89% in 2021. We can conclude that regardless of their satisfaction level, employees want to take part in the dialogue.

63%

employee engagement rate in 2023 (12 pp above the average for Poland in 2023)

In 2023, 70% of employees (up 5 pp) felt a sense of non-financial appreciation from their line manager. Satisfaction was driven by development opportunities, as stated by 61% of employees (up 4 pp), while 72% employees derived greater satisfaction from the feedback they received (up 3 pp). 53% of employees were satisfied with open and transparent communication from leaders. Learning from the survey proved to be key to improving our workplace – the results showed that members of teams where specific measures were taken appreciate their environment more than before.

ACTIONS TAKEN IN 2023 AFTER THE PREVIOUS PULSE CHECK:

PERSONAL DEVELOPMENT

Health meetings

Health promotion campaign

– mobile mammography units at company sites

Vaccinations against influenza

PROFESSIONAL DEVELOPMENT

Thinking Differently Matters
(Inne myślenie ma znaczenie)

– a training series on competencies of the future

Talent programmes

Increased investments in employee development

BENEFITS

Meal subsidies

increased by 43%

Commuting subsidies

Accumulation of unused amount on lunch card

ORGANISATIONAL CULTURE

FEEDBACK

E-learning with hands-on tips for employees and people managers

DIVERSITY

#DiverseTogether (#RóżniRazem)

Diversity Policy

EFFECTIVE MEETINGS

A refresher on principles of effective meetings

Quality of meetings is in our hands

MANAGEMENT BOARD ENGAGEMENT IN EMPLOYEE DIALOGUE

Top Team meetings with employees in the Coffee Meet-Up (Razem przy kawie) series

Regular townhall meetings – meetings of the Management Board with employees

PEOPLE MANAGER: CLOSER TO THE TEAM

Inspirational meetings for people managers

Talent programme for people managers

Outplacement at Polfa Warszawa

As we are planning to phase out manufacturing operations at the Polfa Warsaw plant, we supported the company's employees in finding new jobs. We also implemented a financial shield programme that included severance payments and retention bonuses.

Some of Polfa Warszawa's employees, especially people with unique competencies and outstanding development or leadership potential, were employed by other Polpharma sites. On the other hand, employees who completed our BIO Academy training programme were given the opportunity to pursue a career at the Polpharma Biologics plant in Duchnice. The remaining staff had the option to use a programme that will support them in looking for a new employer (provided that they sign a termination agreement).

In this programme, we:

- delivered 8 workshops for managers and 1 for trade unions on a variety of subjects, such as mechanisms affecting people's attitude when going through change, leading a team through change, the role of a people manager, and rules of communication;
- held 4 workshops on communicating difficult decisions;
- ran an in-house employment office on the premises of Polfa Warsaw and organised job fairs at which invited companies presented their current employment proposals and answered questions;
- conducted 16 career continuation and active retirement workshops;
- held 289 consultation meetings at the employment office focusing on employee preferences, needs, and future career plans prior to the launch of outplacement activities;
- provided employees with tools from a recognised outplacement company, for instance to help them reach employers and recruiters with their resumes more effectively;
- held 679 career consultations.

In addition, every employee leaving Polfa Warsaw obtained the following:

- a severance pay based on overall length of service;
- a retention bonus;
- preferential terms for LUX MED private health insurance.

Production at the Polfa Warsaw plant was stopped in December 2023, and its operations are scheduled to be fully phased out by the end of April 2024.



WE PROVIDE UNINTERRUPTED
ACCESS TO EFFECTIVE THERAPIES
AND HEALTH EXPERTISE

BY IMPLEMENTING
INNOVATIVE SOLUTIONS, WE
RESPOND TO ALL KINDS OF
PATIENT NEEDS



”

Chapter 3

PATIENTS AND CUSTOMERS

Products

Product quality and safe pharmacotherapy

Security of drug supply in Poland

Medical and pharmaceutical education

Patient health education

Innovation and new technologies

Employee innovation and idea programmes

Cybersecurity – data security and customer privacy

Polpharma's digital transformation

Products

In 2023, the following products were available in our portfolio in different forms, dosages, package sizes, and language versions:

811

products (SKUs) on the Polish market

887

products (SKUs) on export markets



Core products and services



Prescription (Rx) drugs



Over-the-counter (OTC) drugs



Foods for special medical purposes



Food supplements



Medical devices



Cosmetics



Active pharmaceutical ingredients (APIs)



B2B market



Sales of active pharmaceutical ingredients (APIs)



Out-licensing of the company's products



Contract development and manufacturing services (CDMO)

Product quality and safe pharmacotherapy

Our top priority is to provide high quality, effective, and safe products.

We remain committed to this at every stage of development, manufacturing, research, warehousing, distribution, and sales, always keeping the patient's best interests in mind. We meet the requirements of Good Manufacturing Practice and other regulations.

We have implemented and maintain a Quality System. We are constantly improving our quality processes culture, and fostering a sense of ownership among our employees and suppliers. All our products are subject to pharmacovigilance.

3-3 Customer Health and Safety

3-3 Maintaining the highest quality of manufactured products

416-1

416-2

Own disclosure 3

Product quality oversight

We attach great importance to proper training of our employees – those directly involved in product manufacturing, testing, and storage operations, as well as those engaged in support and supply chain activities. Our concern for employee awareness and ongoing development of their competence follows directly from our Quality Policy. It also represents the formal implementation of industry legal commitments described in the Regulation of the Minister of Health on the requirements of **Good Manufacturing Practice**. To ensure more comprehensive and effective control, we have electronic systems in place to manage quality assurance training. We analyse any events resulting from staff errors on an ongoing basis and track the success of corrective actions.

Quality Assurance personnel conducts regular internal audits to ensure that the manufacturing conditions comply with the requirements of Good Manufacturing Practice. Our suppliers of packaging materials, APIs, and excipients, as well as laboratories, contract manufacturers, and other vendors also undergo regular quality audits. The verification strengthens our Quality System and guarantees that each component of our products is of reproducible and adequate quality, and that subcontractor services are sound and meet pre-defined standards.

Every product batch undergoes rigorous testing before it can be sold. We record and analyse all information that may have an adverse effect on already distributed batches and on our patients and consumers. Impact risk analysis also covers information from the supply chain and secondary notifications from raw material suppliers. As a result of these measures, five batches of medicinal products were recalled from the Polish market in 2023. We did not record any incidents of non-compliance concerning the health and safety impacts of products and services that would result in a sanction or fine.

In recent years, the **presence of nitrosamines in drug products** has become an important focus of the pharmaceutical industry worldwide. Nitrosamines are chemical compounds commonly found in water and food that are harmful if ingested in excess.

Polpharma Group in Poland is obliged to:

- assess the nitrosamine content of finished products;
- investigate any potential risks;
- develop strategies to minimise or eliminate nitrosamine presence or formation.

However, constantly changing requirements of drug registration agencies and the lack of access to toxicological data for many newly discovered molecules are still a challenge for manufacturers of finished

dosage forms, APIs, and excipients. We have set up special teams to assess the risks and we have made certain investments. We have created an in-house team called NASA (NitrosAmine Scientific Analysis Team) and a new analytical laboratory to help us test our products even more thoroughly. Among other things, we have purchased four highly specialised chromatographic apparatuses to conduct very precise analytical testing (qualitative and quantitative) of our products for nitrosamine contamination.

In 2023, we took a number of initiatives to achieve the quality control goals set in our Sustainable Development Strategy:

- We implemented the core module of LIMS (Laboratory Information Management System) in quality control at our production facilities. This allowed us to minimise paper records for product batches handled

by the system. We no longer print analytical sample logs, archive records, Excel spreadsheets, laboratory logs entries, test reports, or certificates of analysis (CoA) for certified batches.

- We introduced functionalities in quality control at the Starogard Gdański site for digital management of controlled substances, management of stability testing, and generation of periodic Product Quality Review reports without the need for manual data collection.

As a result of launching these modules and functionalities in LIMS, we minimise the use of paper through digitisation and improve the efficiency of quality control data management. Data is aggregated into a single company-wide system, making it easier to manage and work with, and ensuring its consistency and integrity.

3-3 Customer Health and Safety

3-3 Measures to ensure the safety of pharmacotherapy

416-1

Own disclosure 2

Pharmacovigilance

An important legal obligation of any pharmaceutical company is to **monitor the safety of its products**. Pharmacovigilance refers to a wide range of activities undertaken by healthcare and pharmaceutical professionals to maximise product safety for patients. The pharmacovigilance system includes monitoring of adverse events and documenting the pharmacovigilance process, as well as information and education activities.

Continuing the journey towards a new organisational structure initiated in 2022, and aiming to further advance our operating and performance standards, we are improving the area of oversight covering two-way patient communication channels that include social media, product websites, and market research. As a result, we are able to collect more data and leverage the learnings to update the information in package inserts. We are updating our procedures, manuals, description of the pharmacovigilance system, and training materials that are part of the pharmacovigilance standard.

We are improving our organisation unit which handles pharmacovigilance contracts to improve the security of contract oversight and meet the demands of complex and unexplored markets.

Key business documents are drawn up by a team of highly specialised employees who prepare safety reports, risk minimisation plans, and cost-benefit analyses for all medicinal products. Owing to this approach, we have gained even more control over all aspects of product safety, with real benefits for patients.

In Poland, all employees are required to report adverse reactions to Polpharma Group products. We provide patients and healthcare professionals with reliable and accurate state-of-the-art product information, contributing to awareness-raising and safe pharmacotherapy. One of the tools we use is the website www.bezpiecznaterapiapolpharma.pl. We regularly provide mandatory training on adverse event data collection for all company employees and contractors, both in Poland and in foreign markets.

We optimise dispensing category changes from Rx (prescription drug) to OTC (over-the-counter drug). These measures allow us to accelerate patient access to therapies, while maintaining the highest standards of product safety.

We are implementing a digitalisation process in the area of pharmacovigilance and product safety. We are looking for new solutions, including process automation tools, advanced databases, electronic signature certification, and consolidation of digital assets. Since 2023, we have been using a new database for processing adverse event reports that meets the European Union's reporting criteria. We are working on implementing a new module for detecting safety signals. We also minimise email correspondence and create standards for internal communication based on digital technologies.

Our operations are audited by our business partners and competent authorities. We leverage the resulting feedback to improve our pharmacovigilance system.

We participate in national and European pharmacovigilance processes: we monitor necessary changes in product information (such as leaflets and summaries of product characteristics) to ensure that the information provided to patients and healthcare professionals aligns with the latest knowledge, and we implement these updates accordingly. We engage in the safety information reviews initiated by the European Medicines Agency for specific molecules. We adhere to the recommendations from the European Medicines Agency and other competent authorities regarding currently recommended safety measures and risk minimisation strategies for substances, all aimed at ensuring patient safety.





3-3 Marketing and Labelling

417-1

Product labelling

All package inserts and packages of our medicinal products are labelled in accordance with the law. No non-compliances in this regard were found in 2023. In addition to basic information about the medicine, such as the name, strength, ingredients, form, or storage conditions, we are required to identify the marketing authorisation holder on the packaging and the medicinal product manufacturer in the package insert. We provide information on safe use and responsible disposal.

The Polish versions of our product leaflets are accessible to visually impaired people; we have made them available via our hotline in the form of audio recordings. For products we distribute in European markets, excluding those administered by medical personnel, we include Braille information on the packaging. Although this requirement does not exist in non-EU countries, we are working to implement it in some of them, including Moldova and Ukraine.

Since 2021, in cooperation with the medical community, including anaesthesiology and intensive care opinion leaders, we have been running a **project to re-design the packagings of hospital drugs**. The goal of the project is to enhance packaging safety and reduce the risk of confusion during product administration. As a result of a dialogue with experts, we decided to rely on ISO 26825:2020 international standards in the packaging and label design process.

These standards specify such requirements as colour, size, design of packaging, and typographic features. A draft version is currently under consultation with the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products.

Responsible marketing

Our commitment to the safe use of our products is also reflected in our responsible marketing messages. Every piece of advertising is approved in accordance with the **Approval procedure of advertising and training material** for medical products, food supplements, medical devices, food for special medical purposes, cosmetics, and educational studies. The purpose is to unify, standardise and structure the approval process, with separate paths for certain types of materials. Additionally, every piece of advertising is approved by a medical advisor and a lawyer. In situations specified in the applicable procedure, advertising material is also approved by the PR Department and the Compliance Team.

In 2023, we did not identify any incidents of non-compliance with regulations and voluntary codes concerning marketing communications.

Polpharma Group in Poland has committed to adhere to the following codes:

- **Code of Good Practice in Advertising of Food Supplements** of the Polish Council for Supplements and Nutritional Foods, Polish Association of Self Medication Industry (PASMI), Polish Chamber of the Pharmaceutical Industry and Medical Devices POLFARMED and Supplements Poland Association of Producers and Distributors;
- **Medicines for Europe Code of Conduct;**
- **Code of Ethics of the Polish Association of Self Medication Industry (PASMI).**

Security of drug supply in Poland

Polpharma Group in Poland plays a key role in ensuring the security of drug supply in Poland.

This means we need to ensure a continuous supply of products in key therapeutic groups, especially life-saving medicines, and provide Polish patients with access to modern therapies at affordable prices. We are Poland's only large-scale manufacturer of both active pharmaceutical ingredients and finished dosage forms.



- **One in eight** medicine packages sold by Polish pharmacies and every third package used in Polish hospitals come from our plants.
- We have a **12.5%** share in the reimbursed drug market in terms of volume and only 6% in reimbursement payments.
- **60%** of Polish drugs on the reimbursed drugs list originate from Polpharma.
- We maintain the production of **38 medicinal products** (SKUs), including life-saving drugs, which have no substitutes on the Polish market.
- We are a key manufacturer of **parenteral antibiotics** used in perioperative prophylaxis.
- We are Poland's only large-scale manufacturer of **more than 60 active pharmaceutical ingredients** (APIs) used as raw materials in the production of drugs.
- We participate in the **supply of medications for strategic military reserves**.



Ensuring security of drug supply to Polish patients is our priority. With this in mind, we set three objectives which will largely contribute to this in our Sustainable Development Strategy 2022–2025:

- **Ensure the uninterrupted market availability of key products, including life-saving medicines and single-source generics.**
- **Reduce the impact of supply chain disruptions on production processes and product availability.**
- **Ensure the continuous functioning of manufacturing plants.**

A patient should be able to obtain a medicinal product whenever they need it. In order to measure the availability of our products on a regular basis, we have created the Patient Drug Security Index methodology together with IQVIA, a global leader in the field of pharmaceutical market data analysis. The index reflects the availability of our prescription products that have been on the market for more than 12 months. In 2023, it stood at **94.53%**, which represents a slight decline by 2.06 p.p. in relation to 2022.

Technology transfer from Polfa Warsaw

Polfa Warsaw's location in the city centre restricted its further growth, making it impossible to respond to increased demand for drugs in the future. In consequence, we decided to close the plant and relocate manufacturing operations to other Polpharma Group sites in Poland and to specialised European third parties. In 2023, the production phaseout process at Polfa Warszawa was completed. The plant manufactured sterile drugs (ampoules, vials, ampoule syringes, eye drops, implantable tablets, rectal enemas), as well as non-sterile forms (nasal drops). Many of them are life-saving medicinal products that have no registered equivalents in Poland.

At Polpharma, ensuring patient safety is our top priority. For this reason, the phaseout process at Polfa Warszawa was managed to ensure uninterrupted availability of medicinal products. We carefully built up adequate transfer stocks, despite the increased demand resulting from the war in Ukraine. We initiated production at new manufacturing sites, and deliveries from these sites to the markets we serve are proceeding smoothly.

Manufacturing of **41 products** for various markets (69 SKUs) was transferred to Starogard Gdański.



The launch of commercial production of new drugs in Starogard and the increase in volume required intensive upgrading efforts – necessary environmental testing, design work, setting up production areas, storage areas, and laboratories. We had to invest in infrastructure and machinery, and some equipment from Polfa Warsaw was removed to Starogard Gdański. A total of **19 production lines** were upgraded and **eight new machines** were purchased and put into operation. The value of the entire project exceeded **PLN 70 million**.

In addition to moving sterile drug production to Starogard Gdański, we also transferred **four products** (36 SKUs) to the Sieradz plant. The production area in Sieradz required some modernisation as well, such as purchase of new formats and instrumentation, and some equipment transfers from Polfa Warsaw. In addition, we adapted the unit to produce medicines.

At the same time, intensive efforts were continued on the side of Polfa Warsaw to ensure uninterrupted commercial production. Sufficient inventories of med-



icines had to be planned to guarantee the availability of products in all markets until the launch of full-scale production at the new manufacturing sites.

These technology transfer processes, the largest in the history of Polpharma Group in Poland, included transfers of analytical methods, preparation of validation documentation, development of cleaning methods and validation, stability studies, and a huge amount of registration documents.

With the new investments, introduction of an additional 1 ml ampoule format and automation of packaging processes, we almost **doubled the production** for the Polish market – from 45 million to 80 million ampoules per year, and our maximum production capacity increased threefold – from 50 million to 145 million ampoules. As a result, we are able to secure patient needs even in unpredictable circumstances and to flexibly scale up production when the situation so requires. This is crucial because of the profile of the

products, which are essential in almost every hospital procedure in Poland.

All organisational units in Starogard, Sieradz, and Warsaw participated in the projects, largely contributing to unwavering and uninterrupted access to medicines on the market.

Resumption of production of Alfadiol in Poland

Alfadiol (alfacalcidol) is a drug for patients suffering from calcium and phosphorus metabolism disorders caused by chronic renal failure and hypoparathyroidism. These patients were deprived of access to the product when one of Polish market players decided to stop manufacturing it. Alfacalcidol-containing equivalents were imported from abroad, but they were expensive and not all patients could afford

them. In response to a call from the Ministry of Health, Polpharma decided to resume Alfadiol production in Poland and initiated negotiations to acquire production rights from the previous manufacturer. Thanks to our company's commitment, the drug returned to pharmacies in the third quarter of 2023, in the same dosage and under its previous, well-known trade name, familiar to Polish patients.

2-29

Medical and pharmaceutical education

Medicine and pharmacology are developing rapidly. Therefore, we make sure to share the most up-to-date treatment expertise with doctors and pharmacists. Our educational programmes and events facilitate continuous learning.

During the conferences held by us under the **Expert Educational Programme** (former European Educational Programme), top experts disseminate knowledge, taking care to present the practical aspects of the discussed issues. In 2023, 23 conferences were organised for physicians in the fields of gynaecology, dermatology, cardiology, paediatrics, allergology, primary care, and family medicine.

The average rating of the events, based on surveys, was 4.77. As part of the programme, we also held the Pharmaceutical Care Congress, which was attended by nearly 500 professionals.

We held and sponsored a total of 266 scientific conferences and workshops attended by **9,788** doctors.

We also provide online education.

PolpharmaDlaCiebie.pl is a platform for primary care physicians and specialised doctors that offers practical medical insights and expert opinions. Its users can access patient educational materials, medical calculators, as well as news or the series "Law for Doctors" and "Doctors After Hours".

PolpharmaDlaCiebie.pl in 2023*

over **1,450**
articles

about **469**
video lectures

nearly **400,000**
views

more than **6** minutes
– average time on site

approx. **45,000**
logins

*Views, time on site and number of users are based on Google Analytics UA.



Farmacja Praktyczna is a magazine addressed to pharmacists. For 17 years, we have been distributing it to all 13,000 pharmacies in Poland. Every issue is printed in 13,000 copies. It is worth noting that pharmacists also like to use our educational website farmacjapraktyczna.pl, which has 31,000 unique users per month, while our Facebook fanpage has 47,700 followers.

e-EPE.pl is a platform for pharmacists that combines entertainment and lifelong learning. It offers certified training courses with credits and presents subject-matter expertise in an entertaining way. In 2023, it already had 9,245 registered users.

AppAPTEKA is an app designed for pharmacists working in pharmacies. The project was launched in June 2021. It is based on gamification, with regular challenges relating to the products of Polpharma Group in Poland and specific medical conditions. The application is successful – it is used by about 6,000 pharmacists in 2,000 pharmacies.

Patient health education

As a pharmaceutical company, we are committed to improving patient access to reliable health information. We take care to provide the most meaningful and relevant knowledge in an accessible way. Moreover, we carry out a range of campaigns and programmes to promote preventive care.

Health Zone (Strefa na Zdrowie) is a preventive healthcare programme available since 2012. Its objective is to provide patients with easier access to medical examinations that are usually difficult to access or have a long wait for an appointment.

In 2023, we provided 2,522 consultations combined with diagnostic examinations in six cities. The examinations involved:

- cardiology – testing for cholesterol (HDL and LDL) and triglyceride levels, blood pressure, glucose levels, and glycated haemoglobin;
- dermatology – dermoscopy of skin lesions;
- pulmonology (spirometry);
- ophthalmology (glaucoma screening – intraocular pressure and slit lamp exam).

In 2023, we ran **45 websites** educating patients on how to tackle various health issues. The most popular website was www.help4skin.pl, which attracted about 800,000 visitors. **All educational websites were visited by almost 7.5 million users.**

We are committed to sharing our knowledge with as many people as possible, and therefore our educational campaigns for patients are also present in social media – we operate a total of eight Facebook profiles and two Instagram profiles with educational content.



In addition to knowledge, we provide patients with ready-made tools that make it easier to live with various diseases.

In 2023, we prepared
300,000
blood pressure logs.

Innovation and new technologies

Innovation is one of the pillars of the business strategy of Polpharma Group in Poland. It offers a guarantee of improved product availability and safety, increased comfort of drug use, and improved patient compliance, and therefore more effective therapies.

Research and development at Polpharma Group in Poland in numbers

405

employees in medicinal products and APIs (of which 41 with doctoral degrees)

3

R&D centres

PLN 205.3 m

in R&D spending

109

development projects in the finished products area

8

in-house development projects in the area of APIs and 8 CDMO (contract development and manufacturing) projects for external customers

2

patent applications

14

patents granted

In the API business unit, we carved out a strategic structure focused on CDMO (contract development and manufacturing) services. This initiative involved not only recruiting top-tier talent for the R&D department but also making substantial investments in cutting-edge technology. Our commitment extends to a comprehensive transformation of working methods and processes, while ensuring that we are prepared to meet the demands of both current and potential partners. Our operations in this area stand out for their regulatory documentation, quality management, and project management excellence, supported by years of experience.

A state-of-the-art pilot production line for sterile moulds using an advanced manufacturing technology is currently being built in Starogard Gdański as part of our RNA product development efforts pursued within R&D, Pharma, and the API business unit.

By the end of 2025, Polpharma intends to launch at least seven R&D projects offering innovative patient value on the Polish market. In 2023, we did not complete any such implementations.

Thanks to greater health awareness, patients are increasingly choosing OTC (over-the-counter) drugs. The ability to treat minor ailments on their own allows

them to address troublesome symptoms without visiting a doctor. We meet this need by offering a wide range of OTC drugs and by investing in so-called switches, products whose dispensing category has been changed from prescription to over-the-counter drugs.

Advantages of switches:

- access to effective therapies;
- greater availability of medicines;
- faster response to disease symptoms;
- time savings if a medical appointment is not necessary;
- relieving the burden on the healthcare system.



The increased availability of this type of drugs entails a greater role of pharmacists in contacts with patients. Therefore, we periodically prepare information materials for pharmacists.

New drug technologies

Together with the Institute of Bioorganic Chemistry of the Polish Academy of Sciences, we are carrying out a project to implement a new approach to **the development of medicinal products in Poland based on RNA technology**, for which we have received a grant of PLN 93.8 million in a competition of the Medical Research Agency. RNA technology has a huge potential to reduce or even completely eliminate the formation of abnormal proteins which are responsible, for example, for incurable neuro-degenerative disorders.

In 2017, Polpharma Group in Poland decided to **develop advanced inhaled medicines** (including drugs used for treating COPD), which used to be obtained through licence purchases. To this end, we adapted our technological facilities and built the necessary team competence at the Sieradz plant.

Production of active pharmaceutical ingredients (APIs)

We are also developing complex API technologies. One of the elements of the API Business Unit's growth strategy is the continued offering of second-generation products. In the process of identifying substances for production, aside from their commercial value, we consider the vertical integration capability, i.e., the possibility of manufacturing the finished dosage form of the drug by Polpharma Group in Poland. In 2023, the vertical integration rate was **around 50%** in volume terms.

In 2022, we started the construction of a facility **to develop and manufacture Highly Potent APIs**, i.e., highly active and highly toxic pharmaceutical ingredients used mainly in oncology, and components for the manufacture of biologics. These substances are complex and difficult to manufacture due to technical and technological requirements, as well as the necessary safeguards. Working with an external partner from the biotechnology sector, we will also have the opportunity to participate in the development of an advanced drug for patients as a targeted therapy.

To ensure a safe workplace, the facility will isolate the manufacturing process using the isolator technology. We adhere to the highest standards to guarantee that the working environment is fully isolated from both the production facility and the substances it produces. Meanwhile, a project to build a cryogenic plant will enable the use of ultra-low temperatures in the manufacturing of APIs for the production of pharmaceuticals.

These initiatives will enhance drug security relying on API production in Europe and will shorten the supply chain.

Manufacturing residues in the facility will be fully controlled and disposed of in line with applicable standards to minimise post-production waste.

The PLN 117 m investment was on schedule in 2023, with completion expected in autumn 2024.

Since 2022, **we have been cooperating with Pikralida**, a Polish biopharmaceutical start-up working on a breakthrough therapeutic solution to protect against the development of epilepsy after brain injury or stroke. The collaboration involves manufacturing an API for a preclinical research programme and a medicinal product for a phase one clinical trial.

Since 2021, Polpharma Group in Poland has been implementing the **Artemida** programme, which aims to improve the success rate of projects implemented using our own funds and external funding. In 2023, we received a PLN 11 m grant from the National Centre for Research and Development for the project 'Development of a Tool Using Artificial Intelligence Algorithms to Forecast Sales Volumes and Plan Marketing Strategies for Pharmaceutical Products.' This marks the first project in our history involving the use of artificial intelligence.

Polpharma is also part of the **New Medical Technologies** (Nowe Technologie Medyczne) cluster, designed to support innovation in the Polish sector of medical devices and medicinal products through ongoing dialogue with industry and scientific community representatives. It will also serve as a platform for joint action and joint projects to effectively leverage the capabilities of its member companies.

Employee innovation and idea programmes

The **Leonardo Innovation Programme** allows our employees to submit their ideas via a special idea submission platform in three categories: patients and HCPs, effective organisation, and meeting climate and environmental commitments.

The potential of every submitted idea is examined by a cross-functional team of in-house experts. If an idea is promising, a champion and a business partner are assigned to accelerate transformation into a real-life solution. Until the end of 2023, our employees submitted **226** ideas in the programme, **35** of which are now in the implementation phase. 22 ideas were implemented by the end of the reporting year.

In 2023, we launched the thirteenth edition of the **Kaizen** employee suggestion programme. Since its inception, employees have submitted over 22,500 ideas, including 19,200 initiatives aimed at improving process efficiency, quality, safety, and ergonomics. In addition to non-measurable benefits, these initiatives have also delivered tangible results, currently estimated at approximately PLN 43 m. One of the ideas from the latest edition, the concept of multi-tip punches, has been implemented, significantly reducing energy consumption in the production process.



Cybersecurity – data security and customer privacy

Protecting customer privacy is one of the key aspects of our operations in Poland. We have an internal privacy management system in place, which is overseen by the Data Protection Officer and their team.

Within the framework of the system, we monitor the legal environment on an ongoing basis, make appropriate adjustments to customer privacy processes, and continually raise employee awareness. Every year, we provide training on privacy and information security principles to all employees who have access to computers (approx. 3,000 people).

Polpharma Group in Poland did not identify any legitimate privacy complaints in 2023. There were also no incidents of customer data leaks, theft, or loss.

We are aware of cybercrime risks, and therefore:

- **the IT Operational Security Team** constantly monitors threats and implements appropriate safeguards;
- **Security Department** employees are available on call 24/7 all year round at a special phone number through which any employee can report a suspected security incident;
- we use **reputable software** to:
 - classify information;
 - protect against information leaks;
 - implement security policies on mobile devices;
- we implement **software only if it complies with our internal security standards**;
- we conduct cybersecurity **training** (some of which is mandatory) and information campaigns, we publish **regular newsletters** raising employee awareness of cybersecurity;
- **we analyse events within the Polpharma network**, understood as the IT infrastructure and hardware used by employees, through a special service.

Local mechanisms ensuring business continuity of processes have been implemented at individual



Polpharma Group sites in Poland to ensure uninterrupted operation of processes and systems, including IT hardware and software, and industrial automation systems.

In 2023, we continued the process of expanding and standardising existing procedures in the areas of physical, information, IT, and automation security, as well as business continuity. This process will conclude in 2024, resulting in a structured and harmonised approach to managing these areas.

In 2023, we did not record any cybersecurity incidents involving data leaks or any massive attacks on our IT infrastructure.

Polpharma's digital transformation

We have been implementing a comprehensive digital transformation programme for our organisation for a few years. Its objectives are, on the one hand, to increase the efficiency of manufacturing processes and business operations, and on the other hand, to leverage new technologies to create additional value for patients, the healthcare system, and the environment.

Polpharma's progressive digital transformation process supports sustainability – autonomous control systems are being implemented that run processes effectively and efficiently without the involvement of operators, which results in lower energy consumption and lower carbon dioxide emissions.



With our digital initiatives and big data collection capabilities, we are able to develop our knowledge and build a documented approach to new, sustainable investment projects. Digital transformation has become an essential tool for us at Polpharma to support our programmes, including the Energy Transition Programme and the Energy Savings Programme.

In response to technology advancements, Polpharma set up a Digital Innovation Team, which includes Quality Control representatives from all Polpharma Group

locations in Poland. The team began by implementing laboratory equipment manuals in the form of QR codes, a move which eliminates the need for printed copies and supports our sustainability strategy.

In October 2023, Polpharma also launched a Digital Tribe community. The goal of this initiative is to boost employee engagement, collaboration, and innovation. It serves as a platform for sharing of knowledge, experience, and ideas related to digital transformation, and offers opportunities to participate in challenges, projects, and training.

We are implementing Data Governance at Polpharma, being aware that with the development of the digital economy, data becomes an important resource that will determine our business success. We manage data with the same level of care as we do with inventory, financial assets, or real property.

Polpharma's Data Governance implementation programme is an important step from the perspective of developing new business opportunities, increasing the efficiency of business processes, and protecting sensitive data in terms of legal compliance and business value. Business data and information management has already accelerated access to high-quality reports and analysis for our employees. It also reduces the time spent collecting and validating data sets, resulting in faster and better decision-making.

As part of our digitalisation efforts in the HR analytics area, we have developed PowerMap HR, a new digital tool. The tool makes it easier for employees to access HR data for their subordinate teams, enabling trend analysis in real time and cross-sectional data filtering.

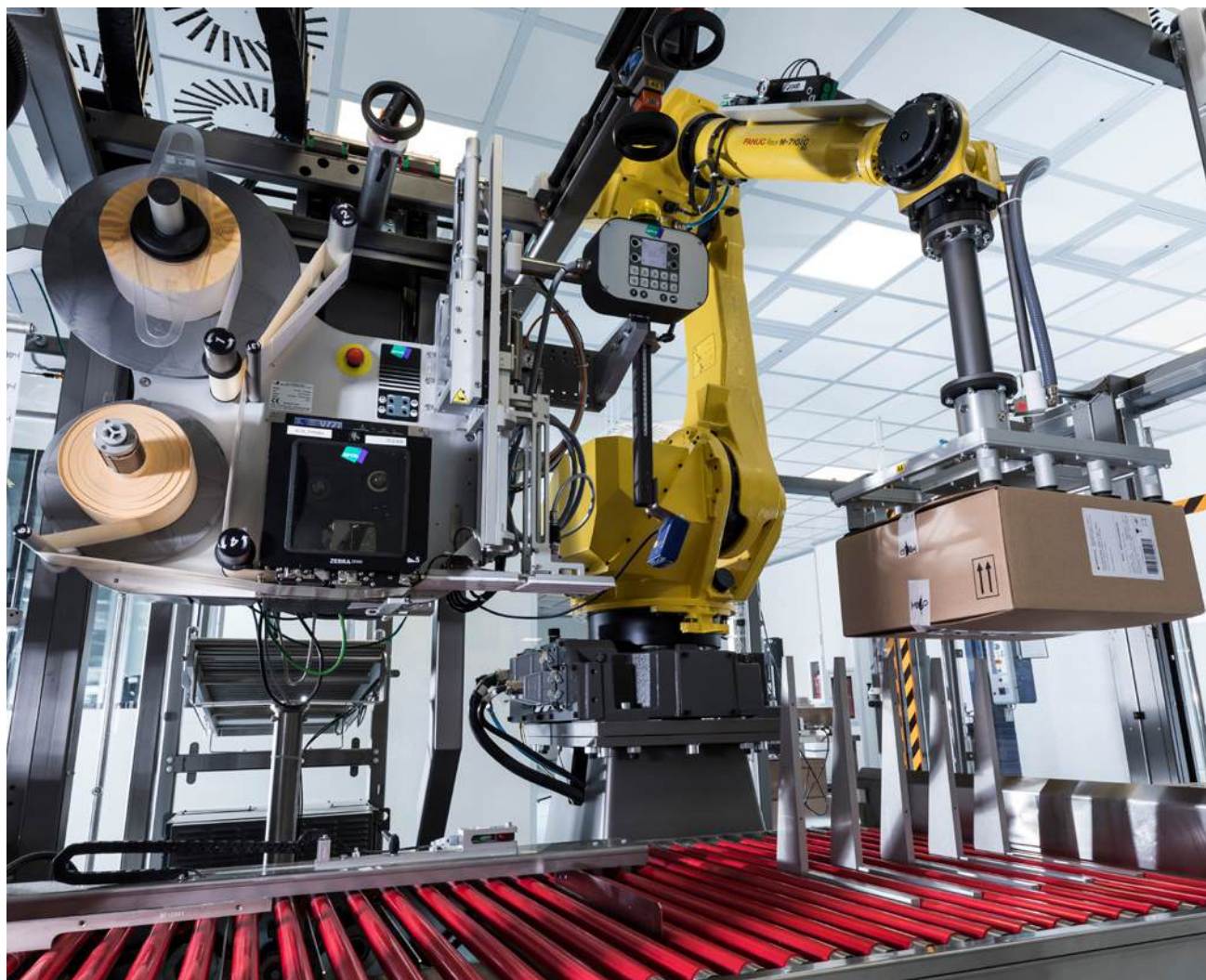
We also launched an advanced web analytics system to study user behaviours and habits on Polpharma's portals. The resulting insights will help us tailor communications to meet their needs. Given the sensitivity of the data we collect, we decided to host the tool on Polpharma's own servers, to protect ourselves as well as our customers. The platform is trusted by many reputable organisations and institutions, including the European Commission.

Other IT efforts in 2023:

- We deployed an application to streamline the expense reporting process.
- We launched the Andromeda system, which will digitise all security processes, accelerating them and enhancing process management. The first module simplifies the process of inviting and registering guests across all company sites.
- We introduced a waste management application that can be deployed in new locations while maintaining compliance.

- We began implementing a sales prediction system based on machine learning to bring down stock levels and produce the right amount of medicines.
- We introduced an electronic system for handling payroll, contract, and employee benefit requests.
- We launched a new portal to provide employees with access to up-to-date information on processes handled by various HR departments.
- We created a central dashboard to capture and manage data in alignment with the GRI reporting standard.

We intend to step up the digitisation process at Polpharma in 2024. We will implement employee e-files, eliminating paper-based HR workflows. In order to prepare for reporting in accordance with the European Sustainability Reporting Standards, we will work to implement new tools and adapt the ones we already have.



WE SUPPORT THE DEVELOPMENT
OF LOCAL COMMUNITIES,
SCIENCE, AND EDUCATION



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Chapter 4

RELATIONS WITH THE PUBLIC

Community engagement priorities
Support for local communities
Employee volunteering
Cooperation between business and science
Polpharma Scientific Foundation

Community engagement priorities

Polpharma Group in Poland engages with its communities in many ways – through charitable activities, social investments, and commercial initiatives within the communities.

We support a wide variety of projects and numerous beneficiary groups in three key areas:

- preventive care;
- education and advancement of science;
- local community development.

We attach importance to the promotion of preventive care and early disease detection. We make sure that our campaigns are comprehensible and practical. We seek to promote the growth of local communities by means of numerous social, education, health, cultural, or sports

initiatives. We develop cross-sectoral cooperation. We encourage our employees to participate in volunteering projects.

In line with our Sustainable Development Strategy 2022–2025, we have set objectives to help us monitor and respond to community needs. Therefore, we strive to maintain a regular stakeholder dialogue within the communities where we are present. We also want to intensify our cooperation with the communities on local initiatives, contributing to their development by sharing expertise and forging relationships with organisations and institutions.



Support for local communities

We perfectly understand the importance of cross-sectoral social innovation, which is why, since 2014, we have been the main partner of the **Development Initiatives Fund** (Fundusz Inicjowania Rozwoju) and the **Development Initiatives Forum** (Forum Inicjowania Rozwoju) – two unique sustainability initiatives of the Pomeranian Province carried out by the UP Foundation for Development Initiatives.

The fund provides grants for innovative cross-sectoral partnerships that respond to the challenges faced by local communities in Pomerania. The ninth edition of the competition was held in 2023, awarding up to PLN 25,000 and providing comprehensive consulting support for the following projects::

- **Creative Open Air Sustainability Technology Laboratory (Twórcze Laboratorium Technik Ekologicznych Pod Chmurką)** (leader: KIWI Creativity Initiative Multiculturalism Inclusion Foundation – Fundacja KIWI Kreatywność Inicjatywa Wielokulturowość Integracja) – setting up permanent workshop space and supplying the necessary equipment for the implementation of an original educational workshop programme for the residents of Pruszcz Gdański and the surrounding area.
- **Community Green Garden in Blunaki (Zielony Ogródek Społeczny w Blunakach)** (leader: the Vistula Development Foundation – Nadwiślańska Fundacja Rozwoju) – engaging residents of the Support Centre in an effort to create a community garden in the area, where, with the help of volunteers, they will grow and process fruit and vegetables, and supply them to other community and educational establishments.
- **The Little Prince Park (Park Małego Księcia)** (leader: the BATTERY Social Energy and Good Practice Foundation – Fundacja Energii Społecznej i Dobrych Praktyk BATERIA) – a park created in the municipality of Gardeja.
- **#WeavingCulture – driving labour market and social integration (#TkamyKulturę – aktywizując zawodowo i społecznie)** (leader: Falco Gedanense Association – Stowarzyszenie Falco Gedanense) – focused on promoting the ideals of circularity and combining them with the discovery of creative potential, e.g. through dressmaking workshops following the principles of upcycling. The project brings together NGOs, institutions, and businesses around socially relevant ideas.
- **Accessible Joseph Conrad (Joseph Conrad dostępny)** (leader: the Ergo Foundation – Fundacja Ergo) creating a board game for people with eye diseases.
- **Strong wings and sturdy roots (Dajemy mocne skrzydła i trwałe korzenie)** (leader: Brzostek Top Team Association – Stowarzyszenie Brzostek Top Team) – integrating children on the autism spectrum through boxing classes. The funds were spent on professional #ChamCamp seminars at the Brzostek Top Team Boxing Club.
- **Water Nerds from Inner Depths in Accessibility (Wodonerzy z Głębin Wnętrza w Dostępności)** (leader: Tczew Civic Initiative Movement (Ruch Inicjatyw Obywatelskich Tczewa) – building an educational path on the border between Tczew and the Dąbrówka Tczewska village.
- **“Dancing with Wolves” (Tańczące z wilkami)** campaign (leader: the Lupus Poland Foundation – Fundacja Toczeń Polska) – creating a community campaign to raise awareness among people with chronic diseases about the importance of self-care on multiple levels.

The twelfth edition of the annual Development Initiatives Forum conference took place in 2023 under the Diversity theme. **Diversity** was discussed in the context of social responsibility, current trends, and harnessing the potential of diversity to positively influence the social, economic, and cultural development of the region.

For the third time, Polpharma was the partner of the programme **Act Locally** (Działaj Lokalnie) carried out in the Starogard Gdański region by Chata Kociewia Local Action Group (Lokalna Grupa Działania Chata Kociewia). As part of the cooperation, we created a special category “Protect the environment with Polpharma” (Dbaj o środowisko z Polpharmą) to provide funding to projects disseminating knowledge about environmental protection and sustainable behaviours.

Projects funded in 2023:

- **Cleaning the air through art** (Oczyszczamy powietrze sztuką) – a project carried out by Kuluary, an informal group from Kaliska, combining artistic work with pro-environmental efforts.
- **Little ones in the world of nature** (Mały człowiek w świecie natury) – environmental education – a project by the Association of Wda River Friends – Kiełż Czarna Woda (Stowarzyszenie Przyjaciół Rzeki Wdy – Kiełż Czarna Woda), which aimed to educate the younger generation about the environment and nature conservation.
- **ECOsensitive, ECOresponsible** (EKOwrażliwi EKOodpowiedzialni) – a project of the informal group Slavdom Lovers Group (Grupa Miłośników Słowiańszczyzny), aimed at promoting biodiversity conservation and combating climate change.
- **We support biodiversity** (Wspieramy bioróżnorodność) – a project carried out by the Starogard 2030 Association (Stowarzyszenie Starogard 2030). An educational Facebook campaign on the importance and protection of biodiversity was combined with three meetings for the residents of Starogard Gdański and the surrounding area.



In 2023, we provided financial support to the Można Inaczej Association (Stowarzyszenie Można Inaczej) for the organisation of the Starogard Volunteering Gala. The Volunteer of the Year of the Starogard Gdański Municipality, the Volunteer of the Year of the Starogard Gdański District (an honour won by one of our female employees), and the Angels of Charity were selected during this grandest local volunteering event of the year.

In 2023, we partnered with the nationwide **First Responder** (Pierwszy Ratownik) programme of the Union of Voluntary Fire Brigades of the Republic of Poland. The programme aims to improve the survival rate for out-of-hospital cardiac arrest events from 5% to 40%, saving 14,000 lives a year. This will be done by building a wide network of rescuers in local communities (so-called first responders), systemic training, and ensuring the availability of advanced ICT systems. As part of the cooperation, we provided the union with the Reanimator app, which supports people giving first aid.

We also provided support to local organisations in Sieradz. Funding was allocated to:

- **Congregation of the Ursuline Sisters of the Agonising Heart of Jesus** (Zgromadzenie Sióstr Urszulanek SJK) (donation for the construction of a playground for the Świątełko Dzikuska community centre);
- **Association of Friends of the Primate Stefan Wyszyński Hospital in Sieradz** (Stowarzyszenie Przyjaciół szpitala im. Prymasa Stefana Wyszyńskiego w Sieradzu) (donation for maintenance of the hospital airfield and purchase of specialist medical equipment).

Employee volunteering

We are committed to effecting real and meaningful changes in the communities where we operate.

In our experience, it is essential to involve our employees who live in the region or locality and understand the needs of local residents, their neighbours. We are building an environment that fosters the social engagement of our employees. When they provide community service, they can rely on us for financial, organisational and expert support.

The **Employee Volunteering Programme** has been in place across all Polpharma Group sites in Poland since 2013. It takes the form of a grant competition, in which we award PLN 4,000 to twenty most interesting initiatives proposed by our employees every year. We welcome projects in the categories of health and health prevention, quality of life improvement, education and equal opportunities, humanitarian aid, local development and ecology, and aid for animals.

Our employees can also participate in other company-supported volunteering initiatives. In 2023, these included:

- Christmas present campaign addressed to 674 senior citizens and children from childcare centres;
- Christmas charity drive for the animal shelter in Starogard Gdański;
- tree planting campaign (Eco-visit).

Volunteering in 2023
in figures

270
volunteers

2073
hours of community service



Grant competitions in 2013–2023 in figures

218
completed
projects

1,603
volunteers

2,374
hours of
community
service

**over
38,500**
beneficiaries

Cooperation between business and science

Cooperation with scientific and educational institutions is an essential enabler of development for a pharmaceutical company, which relies on constant technology advancements, implementation of innovative dosage forms, and continuous improvement of knowledge and skills.

The **Implementation Doctorate Programme** launched by the Ministry of Science and Higher Education is an opportunity to enhance cooperation and bring benefits to the company, the researcher, and the university. Addressed to students undertaking their doctoral studies, the Programme aims to provide educational opportunities in close cooperation with their employers or other businesses. The main objective of the programme is to ensure that doctoral dissertations contribute to improving company operations. In 2023, one of our employees qualified for the programme, joining the twenty individuals qualified in 2018–2020. The doctoral studies are expected to take four years and are carried out in collaboration with the Medical University of Gdańsk. The next doctoral defences from previous editions will take place in 2024.

Starting from the academic year 2017/2018, in collaboration with the Medical University of Gdańsk and Oceanic, we have been offering a **second-cycle Pharmaceutical and Cosmetic Industry programme**. The objective of the programme is to prepare graduates for real-life functions in the pharmaceutical industry. The students participate in Polpharma's internships and write their master's theses under the supervision of our experts. In 2023, we had sixteen first-year students and eleven second-year students on placement. In the academic year 2022/2023, theses in the field of pharmaceutical industry were defended by nine programme graduates, while seventeen more joined the programme in autumn 2023.

Since 2016, we have been cooperating with **Technical Secondary School No. 1 of the Starogard Gdański Economic School Complex**, offering a dual-education

course which combines learning theory in school settings with apprenticeships at our company. The course is offered to analytical technician (chemical profile), automation technician and chemical technology technician students. In 2023, nearly 80 students were enrolled in the three profiles. The students take part in apprenticeships at the Pharmaceutical Manufacturing Plant in Starogard Gdański, acquiring practical skills under the supervision of our experts.

In addition, five-month scholarships of PLN 500 per month are awarded to students selected by a designated scholarship committee based on their potential and academic performance. The beneficiaries are required to take four additional hours of training at the company per month to reinforce their learning outcomes and build a relationship with the company as their potential future employer. In the school year 2023/2024, we awarded scholarships to four students.

The **#SGH for health care** think tank was launched in 2023. The innovative research and analytics centre for the health and healthcare sector was set up in a joint initiative of the Warsaw School of Economics, LUXMED Group, GE HealthCare, and Polpharma. Its core activities focus on health policy analysis, health system management, health economics, technological innovation and digital transformation in the health sector, access to healthcare, and promotion of healthy lifestyles and preventive healthcare.

The **Warsaw Health Innovation Hub** is a unique platform supporting exchange of experience, flow of ideas, and ongoing cooperation between business, scientific, and public entities from the biomedical sector



that is unparalleled in Central Europe. WHIH is a joint project of the Medical Research Agency and leading pharmaceutical, biotechnology, and ICT businesses. Polpharma was one of its founders. In 2023, our staff participated in workshops for representatives of the scientific, business, and public administration communities.

For the ninth time, we were the partner and member of competition jury in **the Eureka DGP! Discovering Polish Inventions** (Eureka! DGP – odkrywamy polskie wynalazki) project by Dziennik Gazeta Prawna magazine. In 2023, the winning invention was presented by a team of scientists from the Poznań University of Technology – a modular prosthetic hand for children

with disabilities which helps them hold bicycle or scooter handlebars. Each prosthetic component can be customised to meet the individual needs of children aged between 3 and 16 years.

Since 2016, Polpharma has been a strategic partner of **Explory**, a competition held by the Advanced Technology Foundation (Fundacja Zaawansowanych Technologii). Polpharma experts evaluate the shortlisted projects and choose the winning biomedical project. The programme brings together young scientists and scientific authorities, start-ups, and large companies. It is addressed to young people between the ages of 13 and 20.

Polpharma

Scientific Foundation

The mission of the Polpharma Scientific Foundation, established in 2001, is to support the development of pharmaceutical and medical sciences by funding scientific research.

As of 2022, the Foundation follows a new strategy, aimed at **getting closer to the patient, the scientific community, the pharmaceutical industry, and the medical journalism community**. The Foundation carries out all of its projects based on these four pillars.

As a result of recommendations developed at the First Convention of Rectors of Academic Medical Schools in 2022, the Polpharma Scientific Foundation launched a summer school aimed at fourth- and fifth-year medical students in September 2023 – **Medical School of Your Future. Invest in yourself!** The aim of the week-long programme was to prepare the participants for their jobs, but also to improve their soft skills by participating in themed workshops, lectures, and mentoring sessions with recognised science, business, and journalism figures. Thirty students participated in the first edition of the school. The Foundation plans to expand the programme in the coming years.

Key activities of the Polpharma Scientific Foundation in 2023:

- **22nd edition of the grant programme** for research projects. The theme of the competition supported by the Foundation was: “Use of databases to improve prevention, diagnosis, and therapy”. The cost of implementing the two awarded projects totalled PLN 1,852,021.
- The third edition of the **Professor Roman Kaliszan Award and Medal**, a distinction presented by the Polpharma Scientific Foundation, the Medical University of Gdańsk, and the Gdańsk Scientific Society for outstanding research achievements in biomedical or biopharmaceutical sciences. The award went to Professor Tomasz Bączek, who was recognised for his achievements in pharmaceutical and biomedical analysis.

- Becoming the patron of the **Professor Franciszek Kokot Award**, established by the Polish Society of Internal Medicine, awarded for outstanding scientific achievements in the field of internal medicine. Professor Jacek Musiał was honoured for his successful research into antiphospholipid syndrome.
- Partnering in the **Supertalents in Medicine, Gold Scalpel, Explory, and Start-Up-Med** competitions.
- Sponsoring prizes for winners of a successive edition of the **All-Poland Competition for MSc Theses from Pharmaceutical Departments** organised by the Polish Pharmaceutical Society.
- Organisation of a **series of debates** addressed to the scientific community and patients on the following topics: “Medical records – are availability and quality an issue?”, “Could modern diagnostics and therapies be improved through RWD/RWE (real world data / real world evidence)?”, “What advances did medicine see in 2023?”.



WE MINIMISE THE IMPACT
OF PROCESSES AND PRODUCTS ON
THE CLIMATE AND ENVIRONMENT

ACROSS ALL STAGES
OF OPERATIONS



”

Chapter 5

ENVIRONMENTAL RESPONSIBILITY

Governance and objectives

Climate and emissions

Energy

Water, effluents and waste

Materials and input materials

Ecodesign

Employee engagement in environmental protection

Sustainability initiatives

Partnerships for the environment and climate

Governance and objectives

We understand that a healthy world that we strive to contribute to through our mission includes a healthy environment. As a manufacturing company, we are committed to reducing our environmental impact across the different stages of development, production, distribution, and use of our products, for instance by minimising our carbon footprint, implementing industry-specific ecodesign principles, and reducing resource consumption and waste.

Environmental management at Polpharma Group in Poland is based on and compliant with ISO 14001, ISO 45001, and ISO/IEC 17025 **Integrated Environmental, Occupational Health & Safety Management System**. It has been implemented across all units, however the certification covers only the plant in Starogard Gdański. In 2023, in addition to periodic third-party reviews, 41 internal system audits took place. Manufacturing facilities located outside Starogard Gdański as well as Polfa Warszawa were also audited.

Polpharma has an **Environmental Policy** in place, which covers the following key areas:

- reducing the impact on climate change;
- water conservation;
- transition to circular economy;
- minimising impacts throughout the value chain.

To reduce our impact on the climate and the environment, we have committed to achieve the following environmental objectives:

- **reduce GHG emissions** (CO₂ equivalent) by 17% by 2025 in Scopes 1 and 2 (relative to 2021);

- develop and implement **ecodesign standards** for the development of new substances and drugs;
- **reduce waste** from production and auxiliary processes in relation to production volume by 5% until 2025 (relative to 2021).

To achieve our goals, we will also continue our environmental education programmes for our employees and other stakeholders (suppliers, pharmacists and patients).

In the reporting period, no sanctions for non-compliance with environmental laws and regulations were imposed on Polpharma Group companies in Poland.

In response to the needs of our stakeholders, we have undergone an assessment of how we manage environmental issues via the CDP rating platform. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It is recognised as one of the most reliable ranking organisations in this subject area. We received a 'C' rating according to CDP's scoring system (rating on an eight-point scale from A to D-).

Climate and emissions

We seek to achieve climate neutrality in Scopes 1 and 2 in our Polish operations. We are implementing solutions to curb greenhouse gas emissions and we are planning similar measures in cooperation with our suppliers and other value chain partners. We have identified the most important climate risks and carried out a scenario analysis process. We aim for a portion of our consumed energy to come from renewable sources. We take measures to reduce energy consumption in operations.

In 2021, we conducted a climate risk and opportunity analysis with the following objectives:

- define the possible economic, regulatory, technological and social impact factors;
- identify current risk mitigation processes;
- determine possible pre-emptive actions.

The results underpin the energy strategy of Polpharma Group in Poland, which is in preparation. The analysed scenarios assumed an increase in average global temperatures by less than 2°C and by more than 2°C compared to the pre-industrial era. They served as a basis for the determination of the potential impact of climate change on our business operations, its financial consequences, and the

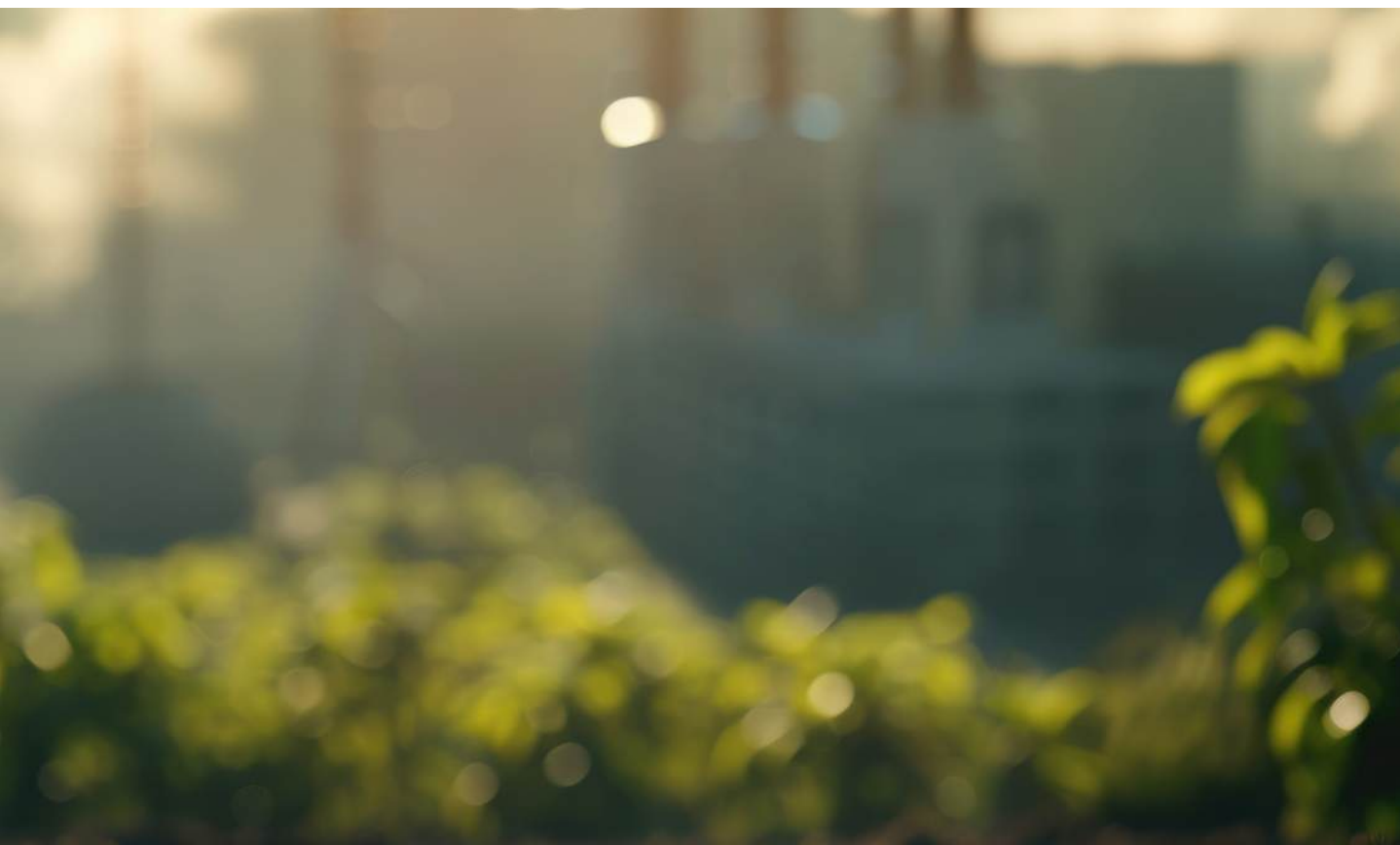


adequacy of implemented policies. A report which was particularly considered covered three groups of RCP (Representative Concentration Pathways) emission scenarios: RCP2.6, RCP4.5 and RCP8.5, assuming specific rates of further global CO₂ emis-

sion growth and the achievement of specific radiative forcing values. The study was conducted with the participation of 12 business units of Polpharma Group in Poland.

MATERIAL RISKS ASSOCIATED WITH THE IMPACT OF CLIMATE ON THE COMPANY

Risks associated with the impact of climate on the company	Risk materiality in the short, medium, and long term		
	2022-2025	2025-2030	2030-2050
Physical risks			
Severe frost, snowfall, snowstorms, blizzards	significant	significant	high
Storms, cloudbursts, local flooding; floods, flash floods, mudslides	significant	significant	high
High wind events, whirlwinds, thunderstorms, hailstorms	significant	significant	high
Chronic physical risks			
Long-term droughts, desertification, groundwater depletion, heat waves, seasonality changes	significant	moderate	low
Biodiversity loss	moderate	moderate	moderate
Epidemics and pandemics, diseases of affluence, and diseases associated with climate change	high	high	high
Impact of the company on the climate			
Scope 1 and 2 emissions and reporting	high	significant	significant
Reporting and reduction of Scope 3 emissions	high	significant	significant
Environmental risks			
Access to water, wastewater management	moderate	significant	significant
Risk of tightening regulation of waste and hazardous substances	high	high	high



MATERIAL RISKS RESULTING FROM THE SHIFT TOWARDS A LOW CARBON AND CLIMATE RESILIENT ECONOMY

Risks resulting from the shift towards a low carbon and climate resilient economy	Risk materiality in the short, medium, and long term		
	2022-2025	2025-2030	2030-2050
Business and investment model			
Risk of lack of or failure to implement a climate strategy, crisis of national climate policies, availability of recovery or development programmes, etc.	high	high	high
Risk of tightening of technical performance criteria, Taxonomy, DNSH principle, etc.	high	high	high
Opportunity to strengthen the company's reputation for countering the climate crisis	high	high	significant
Changing prices of raw materials or products	high	high	significant
Changes in raw material availability and security of supply	significant	high	significant
Physical threats to infrastructure, suppliers, distribution networks	moderate	moderate	moderate
Rising energy prices	high	high	significant
Imposition of taxes, duties or other carbon charges	high	high	significant
Introduction of public energy efficiency programmes	significant	high	moderate
Restrictions of in-house emissions	significant	significant	moderate
Abandoned assets	significant	high	high
Changes to industry standards	significant	high	significant
Credit and insurance	moderate	significant	moderate
Investment projects	significant	high	moderate
Programmes and funds to support countering the climate crisis	significant	high	moderate
Predictability and sustainability of supply	significant	high	significant
Social capital			
Affordability and availability of products and services	significant	high	significant
Sales & marketing practices, labelling information	significant	high	significant
Human capital			
Labour law practices	significant	high	high
Employee health, safety, and wellbeing	moderate	significant	high
Management and corporate governance			
Development and institutionalisation of leadership initiatives, partnerships for sustainable development, standards, certifications and ESG ratings, measures to support the competitiveness of local climate-friendly technologies	high	significant	significant
Policies to mitigate and monitor climate risks	high	high	significant
Regulatory compliance and organisational resilience to unforeseen climate or environmental risks	significant	high	moderate
Adequacy and timeliness of management policies	significant	high	moderate

We analyse the carbon footprint, i.e. greenhouse gas (GHG) emissions, across the Polish organisation in Scope 1, 2, and 3. Fuel and energy consumption is tracked in the companies' internal records. GHG emissions were calculated according to the following standards:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard REVISED EDITION, WRI, WBCSD;
- The Greenhouse Gas Protocol: Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard WRI, WBCSD;

- Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The analysis and calculations undergo an annual third-party verification.

CO₂ is included in emission disclosures for fuel, electricity, and steam. Calculations also include gases from released refrigerants. No biogenic CO₂ emissions were identified.

2021 was used as the base year for calculating the carbon footprint reduction target. The emission disclosures and calorific values used to convert the units were based on publications of the National Centre for Emissions Management and the Energy Regulatory Office, as well as the DEFRA database (UK government Department for Environment, Food & Rural Affairs). The global warming potential (GWP) for refrigerants was determined according to Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, the DEFRA database, or manufacturer's sheets if data were not available.

The calculations included the Polish operations of Zakłady Farmaceutyczne POLPHARMA S.A. and Polfa Warszawa, which are part of the Polpharma Group. Financial control results were used as a consolidation criterion for emission volumes, which means that 100% of the companies' emissions were attributed to Polpharma Group in Poland (excluding emissions associated with the Kokoszkowy site and the warehouse in Pruszcz Gdański, which were outside the organisational boundaries). Following a change in the structure of Polpharma Group in Poland, the organisational perimeter of the analysis was expanded to include Ipochem, a company incorporated into Polfa Warszawa S.A. as a branch in 2023.

The emissions associated with the generation of purchased electricity were calculated in two ways. The average emission factor for Poland was used in the location-based method, and the factor specific to Polpharma's energy supplier was applied in the market-based method. The emissions associated with the generation of purchased electricity were calculated in two ways. The average emission factor for Poland was used in the location-based method, and the factor specific to Polpharma's energy supplier was applied in the market-based method. The Polpharma Group in Poland will calculate its carbon footprint after 2025 using a residual mix emission factor that takes into account the impact of renewable energy guarantees of origin. An earlier change would make it impossible to identify the reductions achieved in relation to the goals set in the 2022-2025 Sustainable Development Strategy.

In 2023, the total market-based carbon footprint of Polpharma Group in Poland was 123,858 tonnes CO₂e (29.77% lower than in 2022 and 28.47% lower than in 2021), while the total location-based carbon footprint was 138,681 tonnes CO₂e (20.47% less than in 2022 and 18.42% less than in 2021).*

In our Sustainable Development Strategy 2022–2025, we have set ourselves the goal of reducing Scope 1 and 2 carbon footprint by 17% by 2025 (relative to 2021 as the base year). Thanks to our efforts, we not only achieved this goal but also surpassed it by a significant margin in 2023, having reduced our emissions **by 34.02%** which was double what we had aimed for.



* The change was calculated after recalculation of Scope 3 data for 2021 and 2022 and recalculation of Scope 1 propane emissions for 2022.

POLPHARMA GROUP'S MARKET-BASED GHG EMISSIONS IN POLAND*

	2023 (change vs 2022)**
	[t CO ₂ e]
Scope 1, including:	8,664 (-1.35%)
Fuels	8,084 (-6.10%)
Refrigerants	579 (+232.76%)
Scope 2, including:	51,193 (-31.82%)
Electricity	24,719 (-45.01%)
Steam	26,474 (-12.14%)
Scope 1+2	59,857 (-28.63%)
Scope 3, including:	64,001 (-30.80%)
Cat. 1. Purchased raw materials and services	28,471 (-46.32%)
Cat. 2. Capital goods***	694 (-)
Cat. 3. WTT emissions	14,499 (-5.62%)
Cat. 4. Upstream transport and distribution	3,097 (+1.28%)
Cat. 5. Waste generated in operations	407 (-4.24%)
Cat. 6. Business travel	52 (-8.77%)
Cat. 7. Employee commuting	2,441 (-9.02%)
Cat. 9. Downstream transport and distribution	220 (-47.87%)
Cat. 10. Processing of sold products	3,231 (-46.59%)
Cat. 11. Use of sold products	10,670 (-4.70%)
Cat. 12. End-of-life treatment of sold products	179 (-13.11%)
Cat. 13. Downstream leased assets	40 (+8.11%)
Total emissions****	123,858 (-29.77%)

POLPHARMA GROUP IN POLAND LOCATION-BASED GHG EMISSIONS*

	2023 (change vs 2022)**
	[t CO ₂ e]
Scope 1, including:	8,664 (-1.35%)
Fuels	8,084 (-6.10%)
Refrigerants	579 (-232.76%)
Scope 2, including:	66,015 (-9.71%)
Electricity	39,542 (-8.01%)
Steam	26,474 (-12.14%)
Scope 1+2	74,679 (-8.82%)
Scope 3	64,001 (-30.80%)
Total emissions***	138,681 (-20.47%)

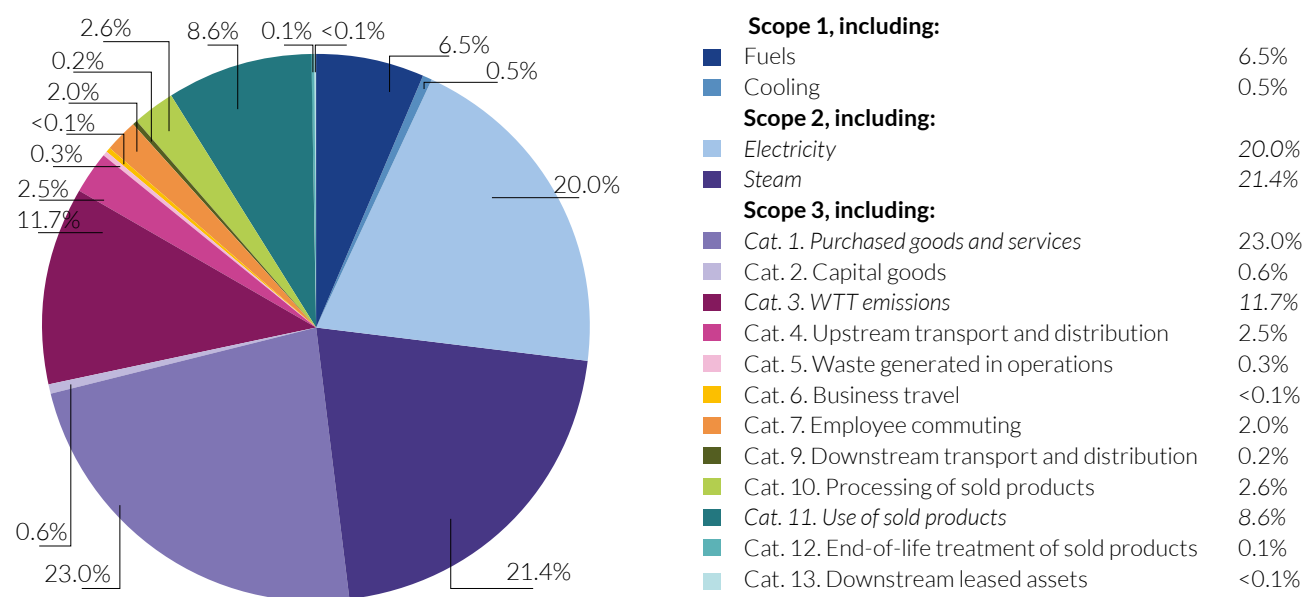
* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

** The change was calculated after recalculation of Scope 3 data for 2021 and 2022 and recalculation of Scope 1 propane emissions for 2022.

*** Included in the calculation starting from 2023.

**** Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

SOURCES OF MARKET-BASED GHG EMISSIONS IN 2023



Italic denotes top 5 sources of carbon footprint for Polpharma Group in Poland.

Scope 1*, or direct emissions from fuel combustion and released refrigerants, accounted for **7.0% of the carbon footprint**. The top contributor was fuel consumption by company cars. We have recently replaced a significant part of the fleet, shifting from diesel-powered vehicles to advanced gasoline engines or hybrid drives.

Scope 2*, which represents indirect energy emissions, accounted for **41.3% of the carbon footprint**, of which 51.7% was due to the consumption of purchased electricity. The Pharmaceutical Plant in Starogard Gdański was responsible for 68.8% of Scope 2 emissions. Scope 2 emissions decreased due to the launch of own photovoltaic installations, producing energy from renewable sources, solutions implemented

as part of the Energy-Saving Programme (ESP) and the use of sustainable biomass for the production of steam at the Starogard CHP Plant (Elektrociepłownia Starogard), which is purchased by Zakłady Farmaceutyczne POLPHARMA S.A. In addition, a significant drop in emissions was associated with switching the electricity supplier to a company with a lower emission rate per MWh of energy generated.

Scope 3*, or indirect emissions in the value chain, accounted for **51.7% of the organisation's carbon footprint**. The top contributor in Scope 3 were emissions from raw materials purchased, a category with the highest share of **all three scopes***, accounting for **23.0%* of the carbon footprint**.

* Data calculated using the market-based method.

	2023 (change vs 2022)
Total revenues [PLN million]	4,075.9 (+1.99%)
Number of employees	4,345 (+0.35%)
Scope 1+2 (location-based) [t CO ₂ e]	74,679 (-8.82%)
Scope 1+2 (market-based) [t CO ₂ e]	59,857 (-28.63%)
Emission intensity (Scope 1+2 location-based CO ₂ e emissions in tonnes / PLN 1m of revenue)	18.32 (-10.59%)
Emission intensity (Scope 1+2 market-based CO ₂ e emissions in tonnes / PLN 1m of revenue)	14.69 (-30.01%)
Emission intensity (Scope 1+2 location-based CO ₂ e emissions in tonnes / number of employees)	17.19 (-9.10%)
Emission intensity (Scope 1+2 market-based CO ₂ e emissions in tonnes / number of employees)	13.78 (-28.86%)

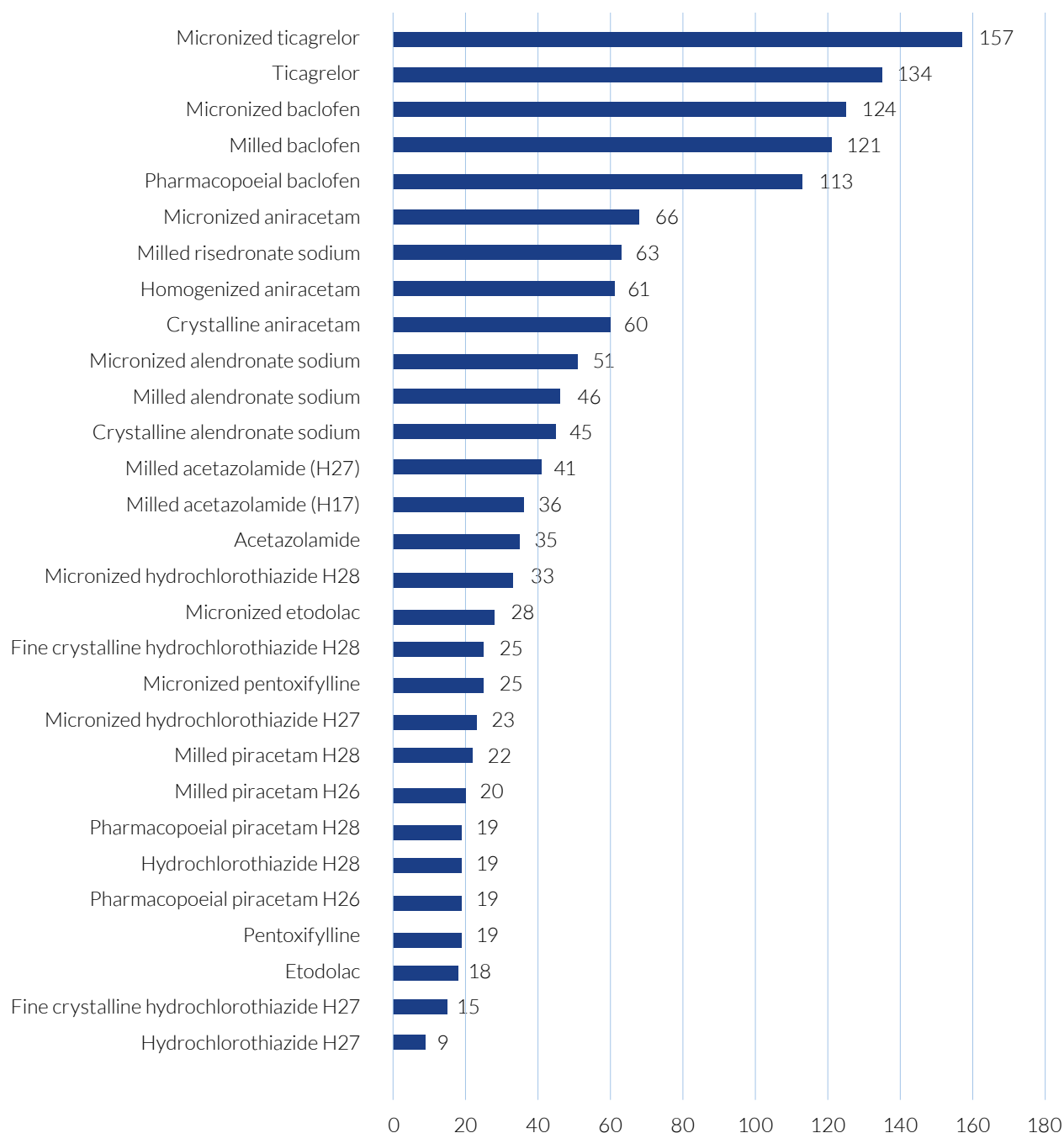
In 2023, we calculated the carbon footprint for **10 API products** manufactured by Polpharma based on the GHG Protocol Product Life Cycle Accounting and Reporting Standard. These were: acetazolamide, alendronate sodium, aniracetam, baclofen, etodolac, hydrochlorothiazide, pentoxifylline, piracetam, risedronate sodium and ticagrelor. The assessment encompassed emissions from the extraction of raw materials to the manufacturing of the finished product, with consideration given to emissions released into the environment.

The process covered **20%** of the substances manufactured by Polpharma. In 2024, we intend to calculate the carbon footprint for another 10 products and take adequate reduction measures.



* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

CARBON FOOTPRINT PER 1 KG OF API [KG CO₂E]



One of the biggest emission sources under our direct control is electricity and steam consumption. Our reduction efforts in this area in 2023 included:

- the Energy-Saving Programme;
- launching our own large photovoltaic installation in Starogard Gdański and smaller ones in Sieradz and Nowa Dęba.

As regards steam purchases, the Starogard CHP Plant (Elektrociepłownia Starogard) supplies process steam for manufacturing processes in our Starogard Gdański plant.

In the coming years, we aim to reduce GHG emissions from thermal energy production for Polpharma by a minimum of 50%. As a first step, we implemented a sustainable biomass combustion process, which replaced 18% of the coal fired by the CHP Plant in 2023. As a next step, we are contemplating abandoning coal completely and switching to gas-fired steam production. Ultimately, we are considering a transition to hydrogen-based installations.

Energy

The specific nature of the business operations of Polpharma Group in Poland necessitates consuming substantial amounts of heat and electricity in manufacturing and auxiliary processes, i.e. the processes providing the right conditions for the manufacture of medicinal products. The issue of energy and access to energy carriers is critical to ensure the continuity of the operation of the facilities, and therefore the security of drug supply to patients.

To ensure the continuous operation of our plants, we set up an **Energy Committee** with representatives from top management levels, and to appoint an **Energy Strategy Advisor**. The responsibilities of the Advisor included the preparation of an Energy Master Plan, which incorporated green energy components, and aligning the energy strategy with the company's Sustainability Strategy. As a result of the activities of these structures, the plants of Polpharma Group in Poland which were considered critical to the country were excluded from power supply restrictions imposed by electricity suppliers due to the possibility of shortages. In addition, having analysed the possible scenarios, we took measures to safeguard the company against gas or coal shortages, which presented a significant challenge in Poland following the outbreak of the war in Ukraine.

In response to the rise and volatility of energy costs, which significantly affect drug manufacturing costs and availability to patients, we took steps to make smarter energy purchases. These included:

- purchasing energy on the Polish Power Exchange (TGE) using price optimisation tactics;
- purchasing natural gas with anticipatory tactics;
- analysing the option to purchase green energy through a PPA (power purchase agreement).

We are also investing in **diversifying energy sources** to improve our energy mix. In 2023, we switched our electricity supplier to one with a lower emission rate.

A 2.4 MWp photovoltaic farm with an area of over 25 thousand m² has been in operation in Starogard Gdański since 2023, with 24 rows of structures and over 4 thousand photovoltaic panels.

It provides an 8% share of green electricity for the plant's energy demand. We have also launched 7 photovoltaic micro-installations of up to 50 kWp – 2 in Starogard, 4 in Sieradz and 1 in Nowa Dęba. The resulting zero-emission energy is used by our production plants for internal consumption, allowing us to change the daily power consumption and reduce the amount of third-party electricity.



In 2023, we produced
868 MWh
electricity from our own
renewable installations.

In 2023, we reduced our energy
consumption by
30,616 GJ
in total as a direct result of
electricity and heat conservation
and efficiency initiatives.

We continue our **Energy-Saving Programme (ESP)** across all plants.

Within the ESP, a cross-functional team of engineering specialists in Warsaw, Duchnice, Sieradz, Nowa Dęba, and Starogard Gdański looks for opportunities to improve energy efficiency during audits of equipment, processes, and work organisation. Subsequently, with the support of controlling department staff, it conducts a technical and economic analysis of the proposed improvements. The effects of implemented solutions are monitored by means of control audits and measurements from automation systems. Owing to the initiatives, we have saved about 10,000 MWh of electricity and almost 52,000 GJ of heat over the last 5 years. Our efforts will be continued in the following years.

In 2023, the programme allowed us to save **approx. 3,645 MWh** of electricity and **approx. 17,494 GJ** of heat, resulting in a lower carbon footprint and more than **PLN 7.2 million** in financial savings (including the effects of operation of photovoltaic installations).

The main drivers of these savings in 2023 were:

- construction and commissioning of renewable generation systems in every location;
- upgrades of indoor lighting systems in manufacturing, laboratory, warehouse, and office facilities;
- upgrade of the outdoor lighting system;
- optimisation of contracted power for each location;
- implementation of cost-effective operation modes for ventilation and air conditioning systems;
- optimisation of chilled water system operation;
- heat recovery from utility systems;
- thermal upgrading of production facilities;
- upgrades to heat transmission networks and boiler plants.

ENERGY CONSUMPTION BY POLPHARMA GROUP IN POLAND*

	2023 (change vs 2022)
	[GJ]
Purchased electricity	218,933 (-6%)
Purchased steam	288,352 (-4%)
Petroleum gas (propane)	0.38 (+65%)
Natural gas	52,388 (-28%)
Heating oil	7,272 (+650%)
Liquid fuels (gasoline, diesel oil)	66,333 (-6%)
Total energy consumption	633,279 (-5%)



* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

Water, effluents and waste

Reduction of water consumption, presence of active substances in wastewater, or antibiotic resistance are particularly relevant for the pharmaceutical industry; these considerations will increasingly affect the pharmaceutical business in the coming years.

Polpharma Group in Poland aims to reduce its water consumption, also by means of planned circuit-closing measures. Furthermore, it takes steps to minimise API content in wastewater.

The plant in Starogard Gdański has its own river water intake and four groundwater wells. Other plants of Polpharma Group in Poland use groundwater from public supply wells.

For many years, we have been running a campaign to raise employee awareness about reasonable water use for domestic and manufacturing purposes. Nearly all cooling systems in Starogard Gdański have been upgraded to ensure well water is only used as a back-up if the river water does not meet the necessary parameters to be used for cooling (in summer).

TOTAL WATER WITHDRAWAL*

	2023 (change vs 2022)
	[ML]
Surface water	2,609 (-8%)
Deep groundwater	504 (-6%)
Third-party water	168 (-20%)
Total water withdrawal**	3,281 (-8%)



Total volume of treated wastewater in 2023
3,146 ML

The Sieradz Division, located in an area affected by usable water shortage (water stress), discharged 43.19 ML of wastewater to the wastewater treatment plant in 2023.

In 2023, we recorded three minor incidents of exceeded limits for wastewater (mercury, AOX), which did not result in legal sanctions.

* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

** Reported sub-emissions do not always add up to the reported total due to rounding off to whole numbers.

Industrial wastewater and sewage generated by the Starogard Gdański Plant flow to an onsite treatment plant. The plant treats wastewater using mechanical, chemical, and biological methods. Wastewater generated by other production divisions is directed to municipal treatment plants.

Polpharma Group in Poland takes measures to **minimise the amount of APIs** (active pharmaceutical ingredients) discharged to the Wierzyca River with wastewater treated in the company's treatment plant in Starogard Gdański. The reduction of API content is not required by law, but contamination with these substances poses a threat to the environment and humans, may lead to antibiotic resistance and loss of biodiversity, representing one of the biggest challenges for the pharmaceutical industry. Since 2014, we have been cooperating with the Gdańsk University of Technology in this area.

Since 2022, mass balances have been analysed for a total of 15 APIs and 7 finished products. It was found that PNEC (predicted no-effect concentration) values were not exceeded in treated wastewater.

In addition to the conventional physical and chemical monitoring carried out at the wastewater treatment plant, biological evaluation of treated wastewater is conducted. Regular testing confirms that there is no acute toxicity in the wastewater discharged into the Wierzyca River, and therefore the wastewater is safe for the environment.

Polpharma Group in Poland is committed to minimising waste. We implement low-waste technologies, optimise manufacturing processes, and use top quality raw materials. We generate 40 different types of waste, including 15 hazardous types. Since 2022, a digital waste management programme has been in place in Starogard Gdański. In 2023, it was rolled out to Duchnice, Sieradz, Nowa Dęba, and the office in Warsaw. We are planning further implementations in 2024.

The objectives of our Sustainable Development Strategy commit us to a 5% reduction in waste generated in manufacturing and auxiliary processes relative to production volume until 2025 (versus the base year 2021).

Unfortunately, in 2023 the ratio increased by 2%.

This was mainly due to our production portfolio (such as more products in glass packaging) and lower production volumes. This necessitated shorter batches and more changeovers, start-ups, and shutdowns, which generated additional production waste.

We recognise **circular economy** as the economic model of the future, which responds to today's environmental and climate challenges. As a champion of change, we believe that transitioning our organisation to circular economy is essential to achieving sustainable production and operations. In 2018, we performed a circular economy maturity assessment for Polpharma based on the provisions of the BS 8001 standard, which supports a comprehensive analysis of an organisation in all aspects of its functioning. We rely on it to plan activities that specifically address ecodesign, sustainable packaging, and purchasing processes.

In 2023, **26% of our waste was recovered or recycled**. These processes are mainly used for waste solvents, composite packaging, plastic and paper waste, steel and glass. Waste unsuitable for recovery or recycling is disposed of by specialist companies in an environmentally safe manner. Production waste has not been landfilled for years. Whenever waste is moved, compliance with ADR regulations for hazardous waste transport is ensured.

Waste is collected separately at source (place of production), and is kept and stored only at designated, clearly marked, and safe places. We regularly assess the environmental impact of waste and are looking for new recycling, recovery and neutralisation opportunities, as well as safe ways of storing and moving waste.

Since 2023, paper and cardboard packaging from Starogard Gdański goes to a press machine and is

subsequently collected by a waste paper processing company, while emptied composite blisters and blister cuttings are baled in a production warehouse and handed over to a recycling organisation, which significantly reduces the need for waste transport.

Waste management is monitored in accordance with the Act on Waste and environmental permits. Waste is transferred to recipients who hold the necessary permits, taking into account the ADR regulations. Waste generated in manufacturing processes is additionally tracked within the relevant affiliates and departments based on production volume.

In 2023, we continued our cooperation with a company that recovers label backings (silicone-coated paper), which are then processed into cellulose fibre used as raw material for new backing paper.

TOTAL WEIGHT OF WASTE GENERATED*

	2023 (change vs 2022)
	[Mg]
Hazardous waste	1,288 (+43%)
Non-hazardous waste	5,006 (-7%)
Total waste**	6,293 (-0.2%)

* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

** Reported sub-emissions do not always add up to the reported total due to rounding off to whole numbers.

WASTE TRANSFERRED FOR DISPOSAL*

Waste treatment method	2023 (change vs 2022)	
	Hazardous waste [Mg]	Non-hazardous waste [Mg]
Incineration (with energy recovery)	418 (3,115%)**	301 (+84%)
Incineration (without energy recovery)	527 (-13%)	2,983 (-18%)
Landfilling	0 (-)	4 (-80%)
Alternative disposal methods	2 (0%)	299 (-)
Total weight of waste transferred for disposal	947 (+53%)	3,587 (-6%)

* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

** A significant increase is due to the incorporation of Ipochem into Polfa Warszawa as a branch.

Materials and input materials

NON-RENEWABLE MATERIALS/INPUT MATERIALS USED*

	2023 (change vs 2022)
	[Mg]
Input materials used*	99,466 (-9%)
Solvents used	2,430 (+19%)
Total	101,896 (-9%)

Substance management

Polpharma Group in Poland uses various organic and inorganic chemicals and their mixtures to synthesise active pharmaceutical ingredients (APIs) and produce finished dosage forms. They take part in chemical reactions to synthesise and purify APIs as input materials, solvents, and catalysts. APIs and excipients mixed together in the right proportions are used to prepare tablets, capsules, ampoules, and syrups for patients.

All chemical substances and mixtures must meet the highest quality standards and the legal requirements for ensuring a high level of health and environment protection and evaluation of information on the properties and hazards of chemicals (in accordance with the REACH regulation), classification, labelling, and packaging (regulated by the CLP regulation), and multimodal, road, rail, air, and sea transport (in accordance with the ADR, RID, IATA DGR, IMDG regulations). The existing management system has been designed to provide access to safety data sheets, communicate risks and mitigation measures, and ensure safe working conditions as stated in internal procedures and instructions. For substances imported from non-EU countries in quantities of more than 1 tonne per year, we perform REACH registrations. When

evaluating suppliers, we check their awareness of and compliance with legal requirements for handling of chemicals (based on REACH and CLP regulations). We improve the API categorisation system based on toxicology data to ensure safer working conditions.

Solvent management

In the manufacturing of drugs and chemicals, organic solvents are used as excipients rather than reactants. These substances affect every environmental compartment (air, water, soil). The rules for solvent management at Polpharma are as follows:

- **eliminate** chlorinated solvents and solvents with proven carcinogenic, mutagenic, and teratogenic properties;
- **reduce** solvent use;
- **maximise** solvent regeneration and recovery;
- **assess** chemicals and solvents used in processes before they are used in order to select substances with as little environmental impact as possible.

Solvents which cannot be regenerated due to quality issues are forwarded for recovery or disposal by an authorised third party. The choice of solvents is an important part of the ecodesign procedure.

* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

Packaging materials

At Polpharma Group in Poland, we use different types of packaging materials:

- paper;
- plastic, including PVC;
- glass;
- aluminium;
- composite packaging.



PACKAGING MATERIALS USED*

	2023 (change vs 2022)
	[Mg]
Packaging materials used	7,646 (-12%)



Percentage of recycled input materials in 2023 (regenerated solvents, secondary and primary recycled paperboard packaging):

3%

Ecodesign

Ecodesign goals are defined in the Sustainability Strategy of Polpharma Group in Poland – by 2025 we will have created and implemented four standards for the development of new APIs and finished dosage forms, as well as sustainable investments and packaging.

The first standard for new active pharmaceutical ingredients (APIs) was implemented in 2022. The procedure describes the processes for their development and manufacture, as well as the improvement of technology in line with eco-design principles. In 2023, we started developing a new procedure on the design of finished products. Its purpose is to define

a strategy for planning the production of new products and making improvements to existing technologies in accordance with the eco-design requirements while remaining in compliance with legal and product quality requirements. procedure will be aligned with the objectives of the European Green Deal and the concept of circular economy.

* Complete tables with data and breakdowns for each Polpharma Group company in Poland and comparisons between the reporting year and previous years can be found in the chapter "Tables with GRI numeric indicators".

Employee engagement in environmental protection

Polpharma Group in Poland has created programmes and incentives for employees to broaden their knowledge and support them in taking steps for the benefit of the environment at work and in private life.

We promote sustainable transport solutions among our employees. Since 2011, we have been supporting bike commuting in our the **Let's All Cycle** (Wszyscy na rowery) programme. Appropriate technical infrastructure is provided at each of our locations, and employees earn points in the MyBenefit cafeteria system for every bike commute. In 2023, 665 employees rode their bikes to work.

Moreover, since 2014, we have been subsidising monthly tickets in our **Green Tickets** (Zielone Bilety) programme. 247 employees took part in the programme in 2023. Since 2016, we have been promoting **business travel carpooling** – our modified electronic business travel record enables sharing a car with a person going to the same destination. 1,823 people used this opportunity in 2023, which translates into 13% of all business trips.

The **Green Process Award** encourages employees to seek innovations and sustainable solutions with a view to mitigating the adverse environmental impact of our production processes, products, and services. The best submitted and implemented initiatives are rewarded with a financial bonus and points in the cafeteria system. During the award ceremony, the winners plant their 'own' trees. In 2023, 14 initiatives competed for the Green Process Award. By way of example, the winning ideas made it possible to minimise and regenerate solvents, and to use process wastewater for sanitary purposes. We have also updated the terms and conditions of the award to align it with our environmental objectives starting from the next edition.

15 editions of the Green Process Award in numbers

196

initiatives submitted

292,900

water savings

13,300

electricity savings

15,900

heat savings

76,00

less waste generated

over 6,600

less

Cleaning in Pictures (Fotoporządk) is an initiative launched in 2016 as our contribution to the Clean Up the World campaign. Employees send photos of areas where waste has been dumped, indicating the locations, and we pass them on to relevant services. 13 sites were reported in 2023, and by working closely with the municipal police and local authorities, 54% of them were cleaned up.

During the annual **Green Week**, we provide employees with hands-on advice on sustainable behaviours. The topics covered in 2023 included biodiversity, climate neutrality, plastics (including microplastics), municipal waste segregation. Employees had the opportunity to take part in the webinar: “What nature gives us, or the importance of biodiversity” and a workshop on conscious consumer choices. We cleaned up about 400 kg of obsolete equipment in our offices. In Starogard Gdański, waste was collected from employees, including small domestic appliances, batteries, expired medicines, and plastic screwcaps brought from home. In total, we collected:

- 58 kg of expired medicines;
- 80 kg of batteries;
- 59 kg of screwcaps;
- 250 kg of electrical and electronic waste;
- 10 kg of CDs.

EcoLogic, or “Safety, Ecology, Gamification”, was an initiative carried out in 2023 in partnership with Ecologic.io, addressed to our field representatives. It has environmental concern as one of its cornerstones: by reducing fuel consumption, we minimise emissions of harmful substances into the atmosphere. Volunteers were grouped by region to compete as teams and individually for the title of the safest driver. Assessment was based on the Ecologic Index, an aggregate of driving style scores.

As part of the award, we provided support to community foundations chosen by the winning teams. 488 drivers participated in the first edition. By following safe driving principles, they saved 0.25 L of fuel per 100 km. The programme continues in 2024 as an expanded version, which is now mandatory for all field representatives.

Sustainability initiatives

In 2023, we ran another edition of Eco-visit – Let’s take care of the climate, an educational and social campaign addressed to doctors and pharmacists.

The idea behind the campaign is to educate our customers about new technologies and e-visits, as well as about protecting the climate. In this campaign, together with our partner, the Forest Forever Foundation (Fundacja Las na Zawsze), we plant 1 m² of biodiverse forest for every online meeting of a Polpharma’s medical representative with a pharmacist or doctor lasting more than five minutes. Virtual meetings help minimise carbon emissions by reducing the need for travelling to a doctor or pharmacists’ location and replacing traditional printed materials with e-resources.

Eco-visit in 2023:

- four new forests: Szamocin, Serock, Chełchy, Lubiechowa;
- approximately 4 hectares;
- about 6,400 seedlings of native tree and shrub species;
- nearly 40,000 eco-visits;
- around 400 people from inside and outside the company planting the forests.

We maintain the Eco-Academy (Eko-Akademia) section at ekowizyta.pl, which is updated on an ongoing basis and serves educational purposes. We also organised Eco-Academy Live – a scientific conference combined with forest planting.

Another initiative taken by Polpharma Group in Poland is **Lekościeżka** (Medicine Path), which drives education and action on responsible disposal of medicines. In 2023, the project hosted a webinar for the organisation’s staff: “Do you know what to do with unused medicines?”. More activities are planned for

the coming years. In addition, Polpharma engaged in public debate on this theme, sharing its knowledge and experience. We have also joined the NEUCA Group's industry education campaign on the safe disposal of unused or expired medicines, which is scheduled for autumn 2024.

Our **Car Policy** obligates us to introduce mobility solutions supporting the mitigation of environmental impacts. We are shifting from diesel engines to a new generation of turbocharged engines. As at 31 May 2024, we had a fleet of 973 cars, of which 49% (479) were hybrids.

The Office in Warsaw has a **Green Office certificate**, which confirms that the office meets specific sustainability criteria, which include technical matters, broadly defined sustainability education of employees and customers, as well as building a friendly work environment.

Partnerships for the environment and climate

Polpharma is a member of the **Partnership for Sustainable Development Goals**, a programme initiated by UNEP/GRID-Warsaw in collaboration with the United Nations Environment Programme. When joining the Partnership, we committed to:

- taking joint activities aimed at developing the Partnership initiative;
- raising awareness of sustainable development and environmental protection;
- promoting the ideals of sustainable development.



WE DEVELOP RESPONSIBLE
BUSINESS STANDARDS

THROUGHOUT
THE VALUE CHAIN



”

Chapter 6

GOVERNANCE

Corporate governance
Ethics & compliance
Human rights
Anti-corruption
Sustainable supply chain

Governance

The direction of activities of the Polpharma Group in Poland is determined by policies and declarations adopted by the Management Board, which include:

- **Quality Policy**, an expression of commitment to continuously provide quality products and services to patients as well as business customers.
- **Environmental Policy**, governing activities that affect the environment and climate to achieve neutrality both in terms of the direct influence of our production processes and of our indirect impact across the value chain.
- **Employee Occupational Safety and Health Policy**, the basis for our culture of occupational safety and raising standards for the organisation's employees and the value chain.
- **Diversity Policy**, which sets out standards and expectations for those who work for the company in order to create a friendly and open workplace where everyone has equal opportunities and feels comfortable.

The Remuneration Policy is designed by the Remuneration and Benefits Team, and then approved by the Management Board and Supervisory Board. Proposals for changes are consulted with labour unions. The rules are expected to help the company retain talent. In addition to base salary, we also offer performance-based incentive schemes and benefits.

Remuneration for members of the Management Board is determined based on their professional qualifications, scope of responsibility and accountability, and the market situation. The structure and level of total compensation are in line with market practice. To promote the long-term growth of the company and align its interests with the ambitions of Management Board members and senior executives, they are offered attractive, multi-component compensation packages that include base salary, incentive schemes based on performance of short-term and strategic objectives, and market benefits.

84%

ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)

Ethics & compliance

In 2015, we adopted the **Ethics Programme** based on our **Code of Ethics**. Since 2023, all employees and associates of Polpharma Group in Poland are subject to revised and updated provisions of the document.

The Code sets the framework and standards for our behaviours, providing the necessary support to comply with ethical standards and applicable laws. It also drives Polpharma's reputation as a socially responsible organisation that cares about the needs of its environment and meets the contemporary technological, social and environmental challenges, relying on key ethical values: respect, integrity, solidarity, responsibility, and collaboration. This offers a guarantee to our patients and business partners that we follow fair and universally accepted principles in our business.

The principles set out in the Code of Ethics are made more specific in other documents covering selected areas or issues. These are: The Anti-Corruption Code, Supplier Code of Conduct, Netiquette, and Marketing Conduct Manual.

The employees and associates of Polpharma Group in Poland undergo **annual ethics and compliance training**, which was completed by 98% of our workforce in 2023.

In order to build positive relations with external stakeholders, rules of fair competition must be complied with. This obligation is further expressed in our **Global Compliance Policy** and is included in compliance risk management. As part of this process, an analysis of the product portfolio and product market shares is conducted twice a year to identify and mitigate the risk of monopolistic practices. In 2023, no violations of free competition or monopoly practices were identified at Polpharma Group in Poland.

All documents of the Ethics Programme of Polpharma Group in Poland are available in Polish and English language versions. The Code of Ethics has been translated into eight languages and implemented by all foreign representative offices of Polpharma.

The Ethics Programme of Polpharma Group in Poland allows employees to raise concerns in line with the Whistleblower Procedure. The document conforms to the provisions of the Directive on the protection of persons who report breaches of Union law. It was prepared with internal stakeholders in mind, but it also covers external reports. Reports can be made using a form available on Polpharma's website, by phone, email, post, or directly during a meeting with the Compliance Officer. A whistleblowing application was also implemented in 2023: **SpeakUp**. The application enables submitting reports in any form, also anonymously. If the whistleblower provides their contact details, they will receive feedback. The Procedure additionally regulates internal investigations, confidentiality, protection of whistleblowers and corrective actions for confirmed violations.

The rollout of the application and update of the Whistleblower Procedure were promoted in an extensive information campaign addressed to all employees across traditional media (posters, flyers) and digital media (email, videos).

In 2023, we received eight whistleblower reports, all of which were handled according to the Procedure. We also ran a successful information campaign, which drove up the number of reports already in the first half of 2024.

The focus of our Compliance Week was on whistleblowing. Visually appealing and accessible content encouraged employees to jointly promote responsible whistleblowing.

The following regulations are currently in place at Polpharma Group in Poland:

- **Compliance System Policy**, which defines the framework for the operation of the Compliance System, the duties and powers of the Compliance

Officer, and the responsibilities of all employees with respect to compliance with the law;

- **Anti-Corruption Code**, which sets out anti-corruption principles applicable to everyone in the organisation and includes a detailed description of corruption risks and how to avoid them in relations with healthcare professionals, public officials and business partners; the document regulates the principles of hospitality, conduct of meetings, giving and accepting gifts, preventing conflicts of interest, etc;
- **Whistleblower Procedure**, which includes information on when and how to respond to violations of the law, ethics or internal procedures in our organisation; it also describes how we protect whistleblowers and how we handle their reports;
- **Netiquette**, which outlines in a simple and friendly format how to behave responsibly online, how to use social media for business purposes, and how and why we should keep our private and work life separate;

- **Company Secrecy Procedure**, which sets out rules for dealing with business correspondence and other confidential information depending on qualifying that information to a predefined confidentiality level.

Legal Design is a major compliance project that aims to simplify the language of procedures and transform selected documents into visually appealing messages (that could also be used on mobile devices) comprehensible for the majority of the public. The model ethics and anti-corruption clauses used in Polpharma's contracts have also been updated in this spirit.

WHISTLEBLOWING AT POLPHARMA

Have you witnessed a breach of the law or internal procedures?
Report it!

Use one of the available channels:

Conversation

Contact the Compliance Officer in person
or call +48 22 364 60 29

E-mail or letter

Send an e-mail to etyka@polpharma.com
Send a letter to the Compliance Officer:
ul. Bobrowiecka 6, 00-728 Warszawa

SpeakUp System

Scan the QR code (below)
or go to windstorm.speakup.report/polpharma
Organisation code: 103 844



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Human rights

The human rights policy is covered by several documents, including the **Polpharma Group Code of Ethics**, which clearly articulates the need to foster a friendly work environment by respecting the dignity of others and opposing any discrimination and harassment.

These issues are addressed during mandatory ethics and compliance training, and building a culture of respect is an important element of the corporate culture.

Steps to be taken in the case of suspected irregularities in the sphere of human rights are specified, among others, in the **Procedure for Prevention of Mobbing and Discrimination at Work**. It assumes that the organisation should always start its intervention with amicable solutions, such as mediation. In case of conflicts on a team, it enables escalation to the HR Business Partner or the Compliance Team.

In 2023, we designed our **Human Rights Protection Policy** as a tool to prevent the negative impacts our Company might exert on this dimension as part of its own business operations and throughout its value chain, as well as to mitigate any related risks.

Polpharma declares respect for all human rights, including the rights of employees, consumers, local communities, and stakeholders. The provisions apply to all our employees and associates as of 1 February 2024.

The implementation of the Policy was supervised by the Polpharma Sustainability Committee. This document is also part of a project to prepare Polpharma Group in Poland to meet the requirements of EU human rights due diligence regulations.

We take part in Global Compact Poland Foundation's Business & Human Rights programme. Polpharma's representative is a member of the Programme's Steering Committee, and two company representatives have completed UNGC's six-month "Business & human rights accelerator" training.



Anti-corruption

Operating in the healthcare market, we are particularly obligated to live to the highest ethical standards.

Relationships with the public sector are traditionally exposed to significant legal and ethical (including reputational) risks. Therefore, at Polpharma Group in Poland, strict adherence to the law is underpinned by an obligation to follow internal procedures relating to corruption risks.

The Anti-Corruption Code is the fundamental document aimed at mitigating the risk of corruption. The Code identifies areas and positions at a particular risk of corruption and regulates such areas as interactions with public officials and healthcare professionals, business interactions, hospitality rules, accepting and giving gifts, tenders, donations, conflicts of interest, etc.

Anti-corruption rules are also included in other documents.

- **The Polpharma Group Code of Ethics** outlines the anti-corruption policy and includes a declaration not to offer or accept benefits.
- **The Global Compliance Policy** provides general anti-corruption guidance and therefore serves as a point of departure for other internal procedures.
- **The Whistleblower Procedure** defines the whistleblowing channels and report handling procedure.
- **The Marketing Conduct Manual** lays down detailed guidelines for lawful marketing and advertising of the products of the Polpharma Group in Poland; in particular, it sets out standards for relationships with healthcare professionals.
- **The Supplier Code of Conduct** includes guidance and expectations addressed to the suppliers of Polpharma Group in Poland in a range of areas, including anti-corruption.
- **The Sustainable Supply Chain** in Procurement Policy introduces the obligation to use ethics and anti-corruption clauses in contracts with suppliers.

The annual anti-corruption training is mandatory for all employees and associates of the company. New hires are required to submit declarations that they have familiarised themselves with the **Anti-Corruption Code**, and selected employee groups must submit declarations of no conflict of interest.

Based on the **Compliance System Policy**, corruption risk analysis is conducted on a regular basis. The management of this risk is assisted by the Gift Register and a recurrent conflict of interest survey ending with a report.

Polpharma also complies with its obligations arising from AML/CTF laws.

No corruption incidents were found at Polpharma Group in Poland in 2023.

In order to improve the transparency of relationships with healthcare professionals, we regularly draw up a **Transparency Report** and publish it on our websites to disclose the benefits provided by Polpharma Group entities in Poland, such as:

- remuneration for selected services provided by healthcare professionals;
- supporting the participation of healthcare professionals in educational events;
- remuneration for selected services or support (such as medicine, in-kind or cash donations) provided to healthcare and patient organisations.

No discrimination incidents were recorded at Polpharma Group in Poland in 2023. Three internal mediation procedures were conducted, which resulted in an amicable resolution of conflicts. Anti-discrimination is addressed by an hourly e-learning course "Ethics and Compliance in Polpharma Group". In 2023, 98% of employees participated in the workshop.

Sustainable value chain

We are aware that in order to minimise our adverse environmental impact in a comprehensive and lasting way and to take full responsibility for our impact on the social environment, we must closely collaborate with our suppliers of goods and services.

In order to succeed in achieving the objectives of the organisation, such as maximisation of competitive advantage and value generation, we strategically manage our entire supply chain. We strive to shape its structure and plan the functions of individual links in an optimal way. We carefully select manufacturing and storage sites for our products, and we analyse various transport methods, considering the potential risks, such as market volatility.

In our Sustainable Development Strategy 2022–2025, we identified the sustainable supply chain as our priority area, with the following strategic management objectives:

- managing ESG risks in the supply chain;
- improved and more widely used supplier self-assessment tool;
- concept and pilot programme for supplier audits;
- engaging suppliers in measuring and reducing carbon footprint.

We expect our suppliers and contracting parties to operate in compliance with our Human Rights Protection Policy and **Supplier Code of Conduct**. In 2023, the Code was updated with new provisions to reflect current and expected regulatory requirements (including those under the Corporate Sustainability Due Diligence Directive, or CSDD) and market conditions. The document was adopted on 1 March 2024.

100% of our contracts and orders contain ethics and compliance provisions, called the ethics clause. With the new design of our General Terms and Conditions of Purchase, which include a reference to the Supplier Code of Conduct, we can make sure that our suppliers share our ethical values and social and environmental priorities.

Since 2020, our procurement system has been operated in conformity with **ISO 20400 sustainable procurement**, the first international standard on the subject of purchasing, whose strategic aim is to support companies in developing and implementing sustainable purchasing policies and practices.



Key initiatives as part of conscious Supply Chain Management in 2023 included:

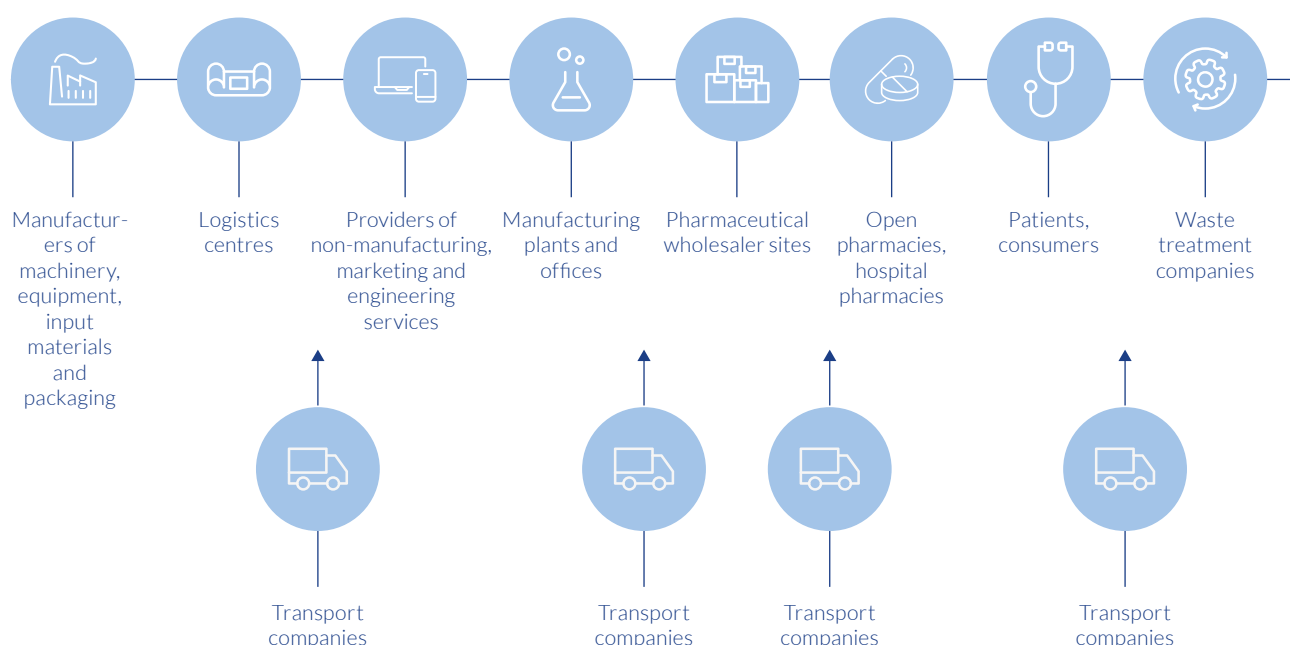
- **Implementation of further modules of SAP** – an innovative system streamlining transactions and automating purchasing processes. The system enables companies to instil sustainable practices in their supply chains. The platform provides tools and functionalities to track, manage, and report on various ESG-related aspects, and will allow the company to act faster and better manage its money, time, and functionalities.
- Launching a **vendor management system (VMS)** in SAP, which now covers our key contracting parties. The evaluation looks at the quality of cooperation, production and development capabilities of our suppliers, as well as verification that they are engaged in ESG-related activities (such as measuring their carbon footprint). The new tool allows for a more accurate selection of preferred business partners, as well as knowledge sharing on ESG practices. 405 questionnaires were completed as part of this evaluation.
- **Partnering with suppliers** – we engaged in a dialogue to carry out group and individual workshops with suppliers, which included joint exploration of innovation areas. Our common goal is to create new solutions, improve products and services, and become more competitive on the market.

These relationships drive quality improvement, efficiency, and innovation in the supply chain.

- **Workshop for Polpharma suppliers** on ESG topics, including sustainable supply chain, focusing on three themes: “Transforming the business with ESG in mind: necessity and expectations”, “What is it like to be part of a large company’s supply chain”, and “Ethics and a good place to work”. The event was facilitated by external experts and attended by 170 delegates of our suppliers.
- **Risk assessment** – we evaluated 1,598 suppliers (the remaining ones were excluded). The classification was based on indicator analysis of the countries of origin of suppliers, risk analysis of purchasing categories, and annual purchasing volumes.
- We obtained more than 630 completed **supplier self-evaluation surveys** from the non-manufacturing area, which will enable us to validate the surveys from the ESG perspective.

In 2023, Polpharma Group in Poland cooperated with **6,656** suppliers, of which 73% were based in Poland. The value of goods and services purchased from Polish suppliers totalled PLN 2.18 billion, or 62% of all purchase spending.

Value chain





Chapter 7

ABOUT THE REPORT

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About the report

The Sustainability Report for Polpharma Group in Poland 2023 has been drawn up in accordance with GRI Standards 2021. Like all of our reports to date, this report has undergone an independent external verification.

In addition, the drafting process and the content of the report are compliant with the ESG Reporting Guidelines developed by the European Bank for Reconstruction and Development and the Warsaw Stock Exchange. The report covers results for the period from 1 January to 31 December 2023 for the following Polpharma Group companies and divisions in Poland: Zakłady Farmaceutyczne POLPHARMA S.A., together with the Manufacturing Department in Nowa Dęba, the Manufacturing Department in Duchnice and the Medana Branch in Sieradz, Warszawskie Zakłady Farmaceutyczne Polfa S.A. (also referred to herein as Polfa Warszawa) with the R&D Department and the Ipochem Branch (change vs. 2022, when Ipochem Branch was a separate company).

The organisation reporting on behalf of the above companies and divisions, which in this publication are also referred jointly to as Polpharma Group in Poland, is Zakłady Farmaceutyczne POLPHARMA S.A., also referred to as ZF POLPHARMA S.A. or Polpharma.

Out of the companies covered by consolidated financial statements, the report excludes Elektrociepłownia Starogard Sp. z o.o., Lubelskie Zakłady Farmaceutyczne POLFA S.A., foreign companies and representative offices, as well as companies which had no business activity in the reporting period.

This is Polpharma's eighth sustainability report. The previous one was released in November 2023.

In 2024, the Scope 3 GHG emissions data for the base year and 2022 were recalculated. When updating the calculations, two items in Scope 3 were identified where WTT emissions were not added in previous years. In addition, WTT emissions for electricity were recalculated. During verification of the report by a third party, an incorrect unit was identified for the indicator. The

indicator was updated in accordance with the recommendations for 2021 and 2022. In addition, emissions related to waste water management were transferred from category 1 to 5 and emissions in category 5 were recalculated taking into account the breakdown of waste according to BDO (Waste Management Register) codes and the relevant management method for base and intermediate years. Flight emission reductions through the purchase of sustainable fuel were taken into account outside the ranges and therefore converted into category 6 for 2022. Category 7 calculations for base and intermediate years were updated. Following the change, emissions in Scope 3 increased by 14,11% in 2021 and by 15,95% in 2022. Scope 1 propane emissions were also recalculated due to an adjustment to the fuel's benchmark value. The results were updated for the base year and the intermediate year. Scope 1 emissions decreased by 0.184% for the base year and 0.003% for 2022.

To define the content of the report, material topics from the previous reporting period were reviewed and validated in 2023, taking into account that the process was comprehensive and complex. A survey involving several steps was conducted among company representatives and external stakeholders, considering the dual materiality perspective. First, a decision was made to identify key stakeholder groups. Then, using an online survey, a materiality study was conducted in the context of ESG reporting. Key stakeholder groups identified what they considered to be the company's material impacts on the environment in the context of sustainability considerations. At the same time, management staff of Polpharma Group in Poland were asked to assess the financial materiality, that is, to determine how the same considerations affect the company's performance and business value. The study was based on aspects identified in previous reports, issues reported by global pharmaceutical companies, and recommendations from

an independent external consulting agency. The findings were evaluated within the organisation by employees in management positions and those responsible for sustainability issues.

Following the evaluation, at the beginning of the current reporting process, management of Polpharma Group in Poland voted to re-approve selected topics. In addition, they decided to expand the scope to include emissions as a key topic in the company's strategy and for various stakeholder groups.

IN THE COURSE OF THE MATERIALITY ANALYSIS, THE FOLLOWING TOPICS WERE IDENTIFIED FOR INCLUSION IN THIS YEAR'S SUSTAINABILITY REPORT:

Topic	Aspects	Materiality
Maintaining the highest quality of manufactured products	Business	Material
Reliable and transparent customer information, ethical marketing and sales	Business	Material
Health and safety impacts of product and service categories	Social	Material
Measures to ensure the safety of pharmacotherapy	Business	Material
Ensuring security of drug supply – uninterrupted market availability of key products	Social	Material
Employee education and training, career development support	Employee-related	Material
New product solutions responding to patient and consumer needs	Business	Material
Prevention of anticompetitive and monopolistic practices	Business	Material
Energy consumption and ways to reduce it	Environmental	Material
Greenhouse gas emissions and ways to reduce them	Environmental	Material
Maintaining confidentiality in customer relations. Activities preventing data loss	Business	Material

THE FOLLOWING TOPICS ARE ALSO COVERED IN THIS REPORT:

Topic	Aspects	Materiality
Forge cooperation between science and business	Business	Moderately material
Health education for patients, consumers, doctors, and pharmacists	Social	Moderately material
Sustainable supply chain	Business	Moderately material
Employee health and safety	Employee-related	Moderately material
Employment conditions (benefits, parental leaves, employee turnover)	Employee-related	Moderately material
Minimising environmental impacts through ecodesign of products, product packaging and processes	Environmental	Moderately material
Diversity and equal opportunities in access to jobs, equal pay for men and women	Employee-related	Moderately material
Waste minimisation and recycling	Environmental	Moderately material
Resources and materials used by the company	Environmental	Moderately material
Informing and consulting employees	Employee-related	Moderately material
Environmental education of employees and other company stakeholders	Environmental	Moderately material
Limiting possible cases of discrimination	Employee-related	Moderately material
Water consumption and ways to reduce it	Environmental	Moderately material
Respect for human rights throughout the value chain	Social	Moderately material
Corporate sustainability management system	Business	Moderately material
Measures taken by the undertaking to eliminate incidents of corruption	Business	Moderately material
The company's impact on climate and measures to prevent climate change	Environmental	Hardly material

Tables with numeric indicators

EMPLOYEES

2-7

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER

Type of employment contract:	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2023			2022			Change vs 2022			2023			2023		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
definite term*	203	157	360	205	228	433	-1%	-31%	-17%	195	156	351	8	1	9
indefinite term**	2,133	1,852	3,985	2,118	1,779	3,897	+1%	+4%	+2%	1,920	1,678	3,598	213	174	387
TOTAL	2,336	2,009	4,345	2,323	2,007	4,330	+1%	0%	0%	2,215	1,834	3,949	221	175	396

* Trial period, replacement for a person on long-term leave.

** Most often an employee's decision, reduction of working time after returning from maternity leave.

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE AND AGE

Type of employment contract:	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)			Polfa Warszawa		
	2023			2022			Zmiana vs 2022			2023			2023		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
full-time	2,324	2,004	4,328	2,310	2,004	4,314	+1%	0%	0%	2,103	1,829	3,932	221	175	396
part-time	12	5	17	13	3	16	-8%	+67%	+6%	12	5	17	-	-	-
TOTAL	2,336	2,009	4,345	2,323	2,007	4,330	+1%	0%	0%	2,115	1,834	3,949	221	175	396

Polpharma Group in Poland did not have any non-guaranteed hours employees in 2023. Headcount as at 31 December 2023.

The total number of employees includes employees on long-term leaves (also maternity and parental leaves). Less than 1% of all employees are employed outside the organisation.

MATERIALS USED BY WEIGHT OR VOLUME

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Materials used [Mg]	99,466	109,357	-9%	53,079	46,387
Solvents used [Mg]	2,430	2,047	+19%	2,245	184
Packaging materials used [Mg]	7,646	8,648	-12%	6,582	1,064
Total [Mg]	109,541	120,052	-9%	61,906	47,635

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

RECYCLED INPUT MATERIALS USED

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Materials and input materials used* [Mg]	109,541	120,052	-9%	61,906	47,635
Recycled materials used in the production process [Mg]	3,071	3,972	-23%	3,055	16
Percentage of recycled input materials	2.80%	3.31%	-0.51 pp	4.93%	0%

ENERGY CONSUMPTION

302-1

TOTAL NON-RENEWABLE ENERGY CONSUMPTION

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Petroleum gas [GJ]	0.38	0.23	+65%	0.29	0.09
Natural gas [GJ]	52,388	72,814	-28%	25,411	26,977
Heating oil [GJ]	7,272	970	+650%	0	7,272
Liquid fuels (gasoline, diesel oil) [GJ]	66,333	62,854	+6%	65,891	442
Total energy consumption [GJ]	125,993	136,638	-8%	91,302	34,691

TOTAL RENEWABLE ENERGY CONSUMPTION

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Geothermal energy [GJ]	0	0	-	0	0
Wind energy [GJ]	0	0	-	0	0
Photovoltaic energy [GJ]	3,125	0	-	3,125	0
Hydro energy [GJ]	0	0	-	0	0
Biomass combustion energy [GJ]	0	0	-	0	0
Biofuels [GJ]	0	0	-	0	0
Other sources [GJ]	0	0	-	0	0
Total energy consumption [GJ]	3,125	0	-	3,125	0

The PV farm in Starogard Gdański and micro-installations in Duchnice, Medana and Nowa Dęba obtained 868 Mwh of energy in 2023.

ENERGY CONSUMPTION BY TYPE OF ENERGY

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Electricity [GJ]	218,933	232,561	-6%	191,350	27,583
Purchased steam [GJ]	288,352	300,276	-4%	277,520	10,832
Cooling [GJ]	0	0	-	0	0
Steam [GJ]	0	0	-	0	0
Total energy consumption [GJ]	507,285	532,837	-5%	468,870	38,415

ENERGY SOLD

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Electricity sold [GJ]	0	0	-	0	0
Steam sold [GJ]	3,332	4,130	-19%	3,332	0
Cooling energy sold [GJ]	0	0	-	0	0
Steam sold [GJ]	0	0	-	0	0
Total energy sold [GJ]	3,332	4,130	-19%	3,332	0

TOTAL ENERGY CONSUMPTION WITHIN THE ORGANIZATION

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Total energy consumption within the organization [GJ]	633,279	669,475	-5%	560,172	73,107
Total energy consumption within the organization [MWh]	175,911	185,965	-5%	155,603	20,307

REDUCTION OF ENERGY CONSUMPTION

302-4

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives [GJ]	30,616	23,762	-85%	30,114	502

WATER WITHDRAWAL BY SOURCE AND CATEGORY

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	All areas	All areas	All areas	All areas	From areas with water stress
	2023	2022	Change vs 2022	2023	2023
Surface water [ML]	2,609	2,824	-8%	2,609	0
Groundwater [ML]	504	537	-6%	504	0
Seawater [ML]	0	0	-	0	0
Produced water [ML]	0	0	-	0	0
Third-party water [ML]	168	208	-20%	83	84
Surface water [ML]	0	0	-	0	0
Groundwater [ML]	168	208	-20%	83	84
Seawater [ML]	0	0	-	0	0
Produced water [ML]	0	0	-	0	0
Total water withdrawal [ML]	3,281	3,569	-8%	3,197	84

WATER DISCHARGE

Destination of discharge	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Surface water [ML]	3,146	3,217	-2%	3,062	84
Groundwater [ML]	0	0	0	0	0
Seawater [ML]	0	0	0	0	0
Third-party water released for use to third parties [ML]	0	0	0	0	0
Total water discharge	3,146	3,217	-2%	3,062	84

In 2023, we recorded three minor incidents of exceeded limits for wastewater (mercury, AOX), which did not result in legal sanctions.

DIRECT AND INDIRECT ENERGY GHG EMISSIONS

305-1

305-2

POLPHARMA GROUP'S LOCATION-BASED GHG EMISSIONS IN POLAND BY SOURCE

Source of GHG emissions	2023		2022		2021		Change vs 2022	Change vs 2021
	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %		
Scope 1	8,664	11.60%	8,783	10.72%	9,022	10.30%	-1.35%	-3.97%
Fuels	8,084	10.82%	8,609	10.51%	8,777	10.02%	-6.10%	-7.90%
Diesel oil	1271	1.70%	3,231	3.95%	4,474	5.11%	-60.66%	-71.59%
Natural gas	2,840	3.80%	3,970	4.85%	4,210	4.81%	-28.46%	-32.54%
Gasoline	3,408	4.56%	1,334	1.63%	94	0.11%	+155.47%	+3,525.53%
Heating oil	565	0.76%	74	0.09%	0	0.00%	+663.51%	-
Propane	0.024	0.00%	0.015	0.00%	0.011	0.00%	+60.44%	+125.10%
Refrigerants	579	0.78%	174	0.21%	245	0.27%	+232.76%	+136.33%
R407C	29	0.04%	45	0.05%	121	0.14%	-35.56%	-76.03%
R404A	0	0.00%	64	0.08%	63	0.07%	-100.00%	-100.00%
R134A	372	0.50%	27	0.03%	47	0.05%	+1,277.78%	+691.49%
HFC-134A	84	0.11%	0	0.00%	12	0.01%	-	+600.00%
R410A	94	0.13%	38	0.05%	2	0.00%	+147.37%	+4,600.00%
R419A	0	0.00%	0	0.00%	0	0.00%	-	-
R507A	0	0.00%	0	0.00%	0	0.00%	-	-
R422D	0	0.00%	0	0.00%	0	0.00%	-	-
Scope 2	66,015	88.40%	73,117	89.28%	78,536	89.70%	-9.71%	-15.94%
Electricity	39,542	52.95%	42,984	52.48%	46,325	52.91%	-8.01%	-14.64%
Steam	26,474	35.45%	30,133	36.79%	32,210	36.79%	-12.14%	-17.81%
Scope 1+2	74,679	100.00%	81,900	100.00%	87,558	100.00%	-8.82%	-14.71%

Reported sub-emissions do not always add up to the reported total due to rounding off to whole numbers.

The change was calculated after recalculation of Scope 3 and propane Scope 1 data for 2021 and 2022.

POLPHARMA GROUP'S MARKET-BASED GHG EMISSIONS IN POLAND BY SOURCE

Source of GHG emissions	2023		2022		2021		Change vs 2022	Change vs 2021
	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %		
Scope 1	8,664	14.47%	8,783	10.47%	9,022	9.94%	-1.35%	-3.97%
Fuels	8,084	13.51%	8,609	10.26%	8,777	9.68%	-6.10%	-7.90%
Diesel oil	1271	2.12%	3,231	3.85%	4,474	4.93%	-60.66%	-71.59%
Natural gas	2,840	4.75%	3,970	4.73%	4,210	4.64%	-28.46%	-32.54%
Gasoline	3,408	5.70%	1,334	1.59%	94	0.10%	+155.47%	+3,525.53%
Heating oil	565	0.94%	74	0.09%	0	0.00%	+663.51%	-
Propane	0.024	0.00%	0.015	0.00%	0.011	0.00%	+60%	+118.18%
Refrigerants	579	0.97%	174	0.21%	245	0.27%	+232.76%	+136.33%
R407C	29	0.05%	45	0.05%	121	0.13%	-35.56%	-76.03%
R404A	0	0.00%	64	0.08%	63	0.07%	-100.00%	-100.00%
R134a	372	0.62%	27	0.03%	47	0.05%	+1,277.78%	+691.49%
HFC-134a	84	0.14%	0	0.00%	12	0.01%	-	+600.00%
R410A	94	0.16%	38	0.05%	2	0.00%	+147.37%	+4,600.00%
R419A	0	0.00%	0	0.00%	0	0.00%	-	-
R507A	0	0.00%	0	0.00%	0	0.00%	-	-
R422D	0	0.00%	0	0.00%	0	0.00%	-	-
Scope 2	51,193	85.53%	75,086	89.53%	81,697	90.06%	-31.82%	-37.34%
Electricity	24,719	41.30%	44,953	53.60%	49,486	54.55%	-45.01%	-50.05%
Steam	26,474	44.23%	30,133	35.93%	32,210	35.51%	-12.14%	-17.81%
Scope 1+2	59,857	100.00%	83,869	100.00%	90,718	100.00%	-28.63%	-34.02%

Reported sub-emissions do not always add up to the reported total due to rounding off to whole numbers.

The change was calculated after recalculation of Scope 3 and propane Scope 1 data for 2021 and 2022.

OTHER INDIRECT GHG EMISSIONS

305-3

POLPHARMA GROUP IN POLAND'S SCOPE 3 GHG EMISSIONS BY CATEGORY

Source of GHG emissions	2022		2021		2020		Change vs 2022	Change vs 2021
	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %	Tonnes CO ₂ e	Emission %		
Cat. 1. Purchased raw materials and services	28,471	23.00%	52,986	30.05%	43,150	24.92%	-46.32%	-34.02%
Cat. 2. Capital goods	694	0.56%	-	-	-	-	-	-
Cat. 3. WTT emissions	14,499	11.71%	15,363	8.71%	12,573	7.26%	-5.62%	+15.32%
Cat. 4. Upstream transport and distribution	3,097	2.50%	3,058	1.73%	4,450	2.57%	+1.28%	-30.40%
Cat. 5. Waste generated in operations	407	0.33%	425	0.24%	578	0.33%	-4.24%	-29.58%
Cat. 6. Business travel	52	0.04%	57	0.03%	74	0.04%	-8.77%	-29.73%
Cat. 7. Employee commuting	2,441	1.97%	2,683	1.52%	3,033	1.75%	-9.02%	-19.52%
Cat. 9. Downstream transport and distribution	220	0.18%	422	0.24%	615	0.36%	-47.87%	-64.23%
Cat. 10. Processing of sold products	3,231	2.61%	6,049	3.43%	6,948	4.01%	(-46.59%)	-53.50%
Cat. 11. Use of sold products	10,670	8.61%	11,196	6.35%	10,810	6.24%	-4.70%	-1.30%
Cat. 12. End-of-life treatment of sold products	179	0.14%	206	0.12%	181	0.10%	-13.11%	-1.10%
Cat. 13. Downstream leased assets	40	0.03%	37	0.02%	29	0.02%	+8.11%	+37.93%
Scope 3	64,001	100%	92,483	100%	82,440	100%	-30.80%	-22.37%

Reported sub-emissions do not always add up to the reported total emissions due to rounding off to whole numbers.

The change was calculated after recalculation of Scope 3 data for 2022 and 2021.

POLPHARMA GROUP'S GHG INTENSITY IN POLAND

305-4

	2023	2022	2021	Change 2023 vs 2022	Change 2023 vs 2021
Total revenues [PLN million]	4075.9	3996.2	3421.4	+1.99%	+19.13%
Number of employees	4,345	4,330	4,320	+0.35%	+0.58%
Scope 1+2 (location-based) [t CO ₂ e]	74,679	81,900	87,558	-8.82%	-14.71%
Scope 1+2 (market-based) [t CO ₂ e]	59,857	83,869	90,718	-28.33%	-34.02%
Emission intensity (Scope 1+2 location-based CO₂e emissions in tonnes / PLN 1m of revenue)	18.32	20.49	25.59	-10.59%	-28.41%
Emission intensity (Scope 1+2 market-based CO₂e emissions in tonnes / PLN 1m of revenue)	14.69	20.99	26.52	-30.01%	-44.61%
Emission intensity (Scope 1+2 location-based CO₂e emissions in tonnes / number of employees)	17.19	18.91	20.27	-9.10%	-15.19%
Emission intensity (Scope 1+2 market-based CO₂e emissions in tonnes / number of employees)	13.78	19.37	21.00	-28.86%	-34.38%

WASTE GENERATED

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Total weight of hazardous waste [Mg]:	1,288	899	+43%	765	523
Total weight of non-hazardous waste [Mg]:	5,006	5,407	-7%	4,769	237
Total [t]	6,294	6,306	0%	5,534	760

The weight of non-hazardous waste in 2021 and 2022 was recalculated to include sludge waste from wastewater treatment plant as fresh weight of waste. In earlier reports, the dry weight of sludge was taken into account.

WASTE TRANSFERRED FOR DISPOSAL

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Hazardous waste [Mg]	947	620	+53%	465	482
Incineration (with energy recovery) [Mg]	418	13	+3,115%	3	415
Incineration (without energy recovery) [Mg]	527	605	-13%	460	67
Storage [Mg]	0	0	-	0	0
Alternative disposal methods [Mg]	2	2	0%	2	0
Non-hazardous waste [Mg]	3,587	3,828	-6%	3,434	153
Incineration (with energy recovery) [Mg]	301	164	+84%	148	153
Incineration (without energy recovery) [Mg]	2,983	3,644	-18%	2,983	0
Storage [Mg]	4	20	-80%	4	0
Alternative disposal methods [Mg]	299	0	-	299	0
TOTAL [Mg]	4,534	4,448	-2%	3,899	635

EMPLOYMENT OF NEW EMPLOYEES AND TURNOVER

NUMBER OF NEW EMPLOYEE HIRES BY GENDER AND AGE GROUP

	Polpharma Group in Poland									ZF POLPHARMAS.A. (incl. divisions)			Polfa Warszawa		
	2023			2022			Change vs 2022			2023			2023		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	71	48	119	87	122	209	-18%	-61%	-43%	63	44	107	8	4	12
30 to 50 years	97	98	195	101	116	217	-4%	-16%	-10%	89	77	166	8	21	29
>50 yrs	13	18	31	1	12	13	+1,200%	+50%	+138%	9	5	14	4	13	17
Total	181	164	345	189	250	439	-4%	-34%	+21%	161	126	287	20	38	58
Employment rate	8%	8%	8%	8%	12%	10%	0 pp	-4 pp	-2 pp	8%	7%	7%	9%	22%	15%

New employee hires are calculated as the ratio of new hires to total workforce.

NUMBER OF EMPLOYEE TURNOVER BY GENDER AND AGE GROUP

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa				
	2023			2022			Change vs 2022			2023			2023		
	F	M	total	F	M	total	F	M	total	F	M	total	F	M	total
<30 y.o.	22	32	54	30	31	61	-27%	+3%	-11%	21	30	51	1	2	3
30 to 50 years	90	82	172	83	92	175	+8%	-11%	-2%	85	78	163	5	4	9
>50 yrs	40	29	69	50	31	81	-20%	-6%	-15%	37	28	65	3	1	4
Total	152	143	295	163	154	317	-7%	-7%	-7%	143	136	279	9	7	16
Rate of employee turnover	7%	7%	7%	7%	8%	7%	0 pp	-1 pp	0 pp	7%	7%	7%	4%	4%	4%

The table does not include restructuring-related departures (as scheduled departures). The 'other reasons' category (employee death) is included.

The turnover rate is calculated as the ratio of employees leaving employment to total workforce.

EMPLOYEE TURNOVER

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Total number of voluntary employee turnover	226	252	-10%	213	13
Voluntary employee turnover rate	5%	6%	-1 pp	5%	3%
Total number of involuntary employee turnover	320	163	+96%	75	245
Involuntary employee turnover rate	7%	4%	+3 pp	2%	62%

WORK-RELATED INJURIES

INDICATORS FOR EMPLOYEES OF THE ORGANIZATION

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Number of fatalities as a result of work-related injury	0	0	-	0	0
Number of high-consequence work-related injuries	1	0	-	0	0
Number of all injuries	22	20	+10%	21	1
All injury frequency rate	0.51	0.47	+9%	0.49	0.02

The injury frequency rate is calculated as the ratio of accidents to hours worked multiplied by 200,000 h.

Main types of injuries: dislocations, sprains, fractures, torn joints and tendons, injuries to the lower and upper extremities, ribs and skull (metatarsal, toe/finger, rib, skull bone fractures, crushing of toes/fingers), wounds, contusion, burns.

During the reporting period, no injuries at work were recorded for employees supervised by the organisation.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

404-1

Gender breakdown:	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
All employees	15	17	-12%	15	11
Women	15	18	-17%	15	12
Men	15	16	-6%	15	9

Structure breakdown:	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
Managers and executives	50	28	+79%	49	66
Individual contributors	11	16	-31%	11	8

DIVERSITY OF EMPLOYEES AND GOVERNANCE BODIES

PERCENTAGE OF INDIVIDUALS WITHIN THE ORGANIZATION'S GOVERNANCE BODIES

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa					
	2023			2022			Change vs 2022			2023			2023			
Management Board	F	M	Total	F	M	Total	F	M	Total	F	M	Total	F	M	Total	
<30 y.o.	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp	0%	0%	0%	0%	0%	0%	
30 to 50 years	11%	22%	33%	0%	38%	38%	+11 pp	-16 pp	-5 pp	17%	33%	50%	0%	0%	0%	
>50 yrs	33%	33%	67%	25%	38%	63%	+8 pp	-5 pp	+4 pp	17%	33%	50%	67%	33%	100%	
Total	44%	56%	100%	25%	75%	100%	+19 pp	-19 pp	0 pp	33%	67%	100%	67%	33%	100%	
Supervisory Board	F	M	Total	F	M	Total	F	M	Total	F	M	Total	F	M	Total	
<30 y.o.	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp	0%	0%	0%	0%	0%	0%	
30 to 50 years	7%	7%	13%	7%	7%	13%	0 pp	0 pp	0 pp	14%	14%	29%	0%	0%	0%	
>50 yrs	20%	67%	87%	20%	67%	87%	0 pp	0 pp	0 pp	14%	57%	71%	25%	75%	100%	
Total	27%	73%	100%	27%	73%	100%	0 pp	0 pp	0 pp	29%	71%	100%	25%	75%	100%	

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY

	Polpharma Group in Poland									ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa				
	2023			2022			Change vs 2022			2023			2023		
Managers and executives	F	M	Total	F	M	Total	F	M	Total	F	M	Total	F	M	Total
<30 y.o.	0.2%	0.2%	0.5%	0%	0%	0%	+0.2 pp	+0.2 pp	+0.5 pp	0.3%	0.3%	1%	0%	0%	0%
30 to 50 years	36%	33%	68%	35%	36%	71%	+1 pp	-3 pp	-3 pp	36%	31%	68%	21%	58%	79%
>50 yrs	12%	19%	31%	11%	17%	29%	+1 pp	+2 pp	+2 pp	12%	20%	32%	11%	11%	21%
Total	48%	52%	100%	47%	53%	100%	+1 pp	-1 pp	0 pp	49%	51%	100%	32%	68%	100%
individual contributors	F	M	Total	F	M	Total	F	M	Total	F	M	Total	F	M	Total
<30 y.o.	6%	6%	11%	6%	6%	12%	0 pp	0 pp	-1 pp	6%	6%	12%	2%	3%	5%
30 to 50 years	35%	28%	62%	36%	27%	63%	-1 pp	+1 pp	-1 pp	36%	29%	64%	25%	18%	43%
>50 yrs	14%	12%	27%	13%	12%	25%	+1 pp	0 pp	+2 pp	13%	11%	24%	30%	22%	52%
Total	54%	46%	100%	54%	46%	100%	0 pp	0 pp	0 pp	54%	46%	100%	57%	43%	100%

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY AND MAIN BUSINESS LOCATION

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

Polpharma Group in Poland							ZF POLPHARMA S.A. (incl. divisions)		Polfa Warszawa	
2023		2022		Change vs 2022		2023		2023		
Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration	
managers and executives	93%	93%	96%	94%	-3 pp	-1 pp	93%	93%	91%	90%
individual contributors	101%	101%	101%	101%	0 pp	0 pp	100%	100%	105%	107%

GENDER PAY GAP

	Polpharma Group in Poland			ZF POLPHARMA S.A. (incl. divisions)	Polfa Warszawa
	2023	2022	Change vs 2022	2023	2023
managers and executives	7.09	6.32	+12%	6.99	10.71
individual contributors	-0.80	-1.01	-21%	-0.39	-6.40

This indicator represents the difference between the average remuneration (including bonuses, awards and other benefits) of men and women, showing how much more (or less) than women men earn on average.

Global Compact Principles

Disclosure number	Disclosure name	Page No.
Human rights		
Principle 1	We support and respect the protection of internationally proclaimed human rights.	96, 98
Principle 2	We are not complicit in human rights abuses.	
Labour		
Principle 3	We uphold the freedom of association and the effective recognition of the right to collective bargaining.	25, 38, 41, 98
Principle 4	We support the elimination of all forms of forced and compulsory labour.	
Principle 5	We contribute to the effective abolition of child labour.	
Principle 6	We are committed to the elimination of discrimination in respect of employment and occupation.	
Environment		
Principle 7	We support a precautionary approach to environmental challenges.	73, 74, 82, 84, 87, 88, 89, 90, 91
Principle 8	We undertake initiatives to promote greater environmental responsibility.	
Principle 9	We encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption		
Principle 10	We work against corruption in all its forms, including extortion and bribery 123-124	93, 97



GRI content index

GRI standard	Discl- sure number	Disclosure name	Location	Omission		
				Requirement(s) omitted	Reason	Explanation
General disclosures						
GRI 2: General Disclosures 2021	The organization and its reporting practices					
	2-1	Organizational details	9			
	2-2	Entities included in the organization's sustainability-re- porting	101			
	2-3	Reporting period, frequency and contact point	101			
	2-4	Restatements of information	101			
	2-5	External assurance	101			
	Activities and employees					
	2-6	Activities, value chain and other business relationships	9, 45, 98			
	2-7	Employees	25, 103			
	2-8	Workers who are not employees	25			
	Governance					
	2-9	Governance structure and composition	14			
	2-10	Nomination and selection of the highest governance body	14			
	2-11	Chair of the highest governance body	14			
	2-12	Role of the highest governance body in overseeing the management of impacts	14, 18	Role of the highest govern- ance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people.	Information unavailable	
	2-13	Delegation of responsibility for managing impacts	14, 18			
	2-14	Role of the highest governance body in sustainability reporting	18, 101			
	2-15	Conflicts of interest	14			
	2-16	Communication of critical concerns	–	Disclosure omit- ted by company	Confidentiality of information	
	2-17	Collective knowledge of the highest governance body	18			
	2-18	Evaluation of the performance of the highest governance body	14			
	2-19	Remuneration policies	93	Sign-on bonuses or recruitment in- centive payments; termination payments; claw- backs; Retirement benefits	Not applicable	

GRI standard	Disclosure number	Disclosure name	Location	Omission		
				Requirement(s) omitted	Reason	Explanation
	2-20	Process to determine remuneration	33, 93	Views of stakeholders (including shareholders); involvement of consultants	Not applicable	
	2-21	Annual total compensation ratio	93	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees excluding the highest-paid individual	Confidentiality of information	
Strategy, policies and practices						
	2-22	Policy commitments	4			
	2-23	Statement on sustainable development strategy	73, 93, 94			
	2-24	Embedding policy commitments	–			
	2-25	Processes to remediate negative impacts	20			
	2-26	Mechanisms for seeking advice and raising concerns	94			
	2-27	Compliance with laws and regulations	73			
	2-28	Membership associations	23			
Stakeholder engagement						
	2-29	Approach to stakeholder engagement	22			
	2-30	Collective bargaining agreements	25			
Material topics						
Anti-competitive Behavior						
GRI 3: Material Topics 2021	3-3	Management of material topics	94			
GRI 206: Zachowania antykonkurencyjne 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	94			
Energy						
GRI 3: Material Topics 2021	3-3	Management of material topics	82			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	82, 104			
	302-4	Reduction of energy consumption	82, 106			
Emissions						
GRI 3: Material Topics 2021	3-3	Management of material topics	74			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	74, 107			
	305-2	Energy indirect (Scope 2) GHG emissions	74, 107			
	305-3	Other indirect (Scope 3) GHG emissions	74, 109			
	305-4	GHG emissions intensity	74, 110			
	305-5	Reduction of GHG emissions	74			

GRI standard	Disco- sure number	Disclosure name	Location	Omission		
				Requirement(s) omitted	Reason	Explanation
Training and education						
GRI 3: Material Topics 2021	3-3	Management of material topics	35			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	35, 113			
	404-2	Programs for upgrading employee skills and transition assistance programs	35			
	404-3	Percentage of employees receiving regular performance and career development reviews	35			
Health and safety impacts of product and service categories						
GRI 3: Material Topics 2021	3-3	Management of material topics	46, 47			
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	46, 47			
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	46			
Marketing and labeling						
GRI 3: Material Topics 2021	3-3	Management of material topics	49, 50			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	49			
	417-3	Incidents of non-compliance concerning marketing communications	50			
Customer privacy						
GRI 3: Material Topics 2021	3-3	Management of material topics	61			
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	61			
New product solutions responding to patient and consumer needs						
GRI 3: Material Topics 2021	3-3	Management of material topics	57			
	Own disclosure 1	Products launched in response to consumer needs	57			
Measures to ensure the safety of pharmacotherapy						
GRI 3: Material Topics 2021	3-3	Management of material topics	47			
	Own disclosure 2	Procedures to ensure safe use of products	47			
Maintaining the highest quality of manufactured products						
GRI 3: Material Topics 2021	3-3	Management of material topics	46			
	Own disclosure 3	Description of processes to ensure the highest quality of manufactured products	46			
Ensuring security of drug supply – uninterrupted market availability of key products						
GRI 3: Material Topics 2021	3-3	Management of material topics	50			
	Own disclosure 4	Description of measures taken to guarantee the security of drug supply	50			

INDEPENDENT LIMITED ASSURANCE STATEMENT

To: The Stakeholders of Polpharma Group Companies in Poland

Introduction and objectives of work

Bureau Veritas Polska Sp. z o.o. (Bureau Veritas) was engaged by Zakłady Farmaceutyczne POLPHARMA S.A. to carry out independent assurance on the Selected Information presented in the Polpharma Group in Poland Sustainability Report 2023 (the Report). This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over GRI Standards Disclosures (Consolidated set of GRI Sustainability Reporting Standards), Core option included in the Report for the period 1 January 2023 to 31 December 2023:

- GRI Standards 2021: 1, 2-1 do 2-15, 2-17 do 2-30, 3-1, 3-2, 3-3.
- GRI Standards 2016: 305-1 do 305-5, 206-1, 302-1, 302-4, 404-1, 404-2, 404-3, 416-1, 416-2, 417-1, 417-3, 418-1, 301-3,
- GRI Standards 2018: 303-3, 403-9
- GRI Standards 2020: 306-1, 306-3.
- Own disclosures: 1- Products introduced to the market in response to consumer needs; 2- Procedures to ensure the safe use of products; 3- Description of processes ensuring the highest quality of manufactured products, 4- Description of actions taken to ensure drug safety.

Excluded from the scope of our work is any assurance of other information included in the Report.

Reporting Criteria

The Selected Information needs to be read and understood together with the standards for sustainability reporting The GRI Standards as set out at <https://www.globalreporting.org>.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by Polpharma Group Companies in Poland, and statements of future commitment).

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Polpharma Group Companies in Poland. Bureau Veritas was not involved in the drafting of the Report or the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Management of Polpharma Group Companies in Poland.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

Summary of work performed

As part of our independent verification, our work included:

1. Assessing the appropriateness of the Reporting Criteria for the Selected Information;
2. Conducting interviews with relevant personnel of ZF Polpharma S.A.;
3. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
4. Reviewing documentary evidence provided by Polpharma Group Companies in Poland;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing Polpharma Group Companies in Poland systems for quantitative data aggregation and analysis;
7. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

Evaluation against GRI Standards

Bureau Veritas Polska Sp. z o.o. undertook an evaluation of The Report against the GRI Standards. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI application level.

Based on our work, it is our opinion that Polpharma Group in Poland Sustainability Report for 2023 has been prepared in accordance with standards for sustainability reporting The GRI Standards (2016, 2018, 2020 and 2021) Core option

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified¹ Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the TIC Council², cross the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, September 2024

Witold Dżugan

Managing Director

Michał Kłoczek

Lead Assuror

¹ Certificate of Registration No. 44100 160145 issued by TUV NORD CERT GmbH

² TIC Council Compliance Code EDITION 1 December 2018



YOUR CONTACTS FOR THIS REPORT:

Magdalena Rzeszotalska

Head of Sustainability and ESG

magdalena.rzeszotalska@polpharma.com

HEAD OFFICE:

Zakłady Farmaceutyczne POLPHARMA S.A.

ul. Pelpińska 19

83-200 Starogard Gdański

POLAND

WEBSITE URLS:

www.polpharma.pl

www.polpharma.pl/odpowiedzialnosc-spoleczna

www.linkedin.com/company/polpharma

www.instagram.com/team_polpharma



www.polpharma.pl

