

Sustainability Report 2018

# Report on Corporate Social Responsibility

cf. sections 99a and 99b of the Danish Financial Statements Act



# New strategy, new framework and new focus

At ALK, we are committed to helping people with allergy and allergic asthma overcome the burdens of their disease. People with allergy are at the core of our strategy, and our commitment to them is also at the core of our CSR focus.

From our beginning in 1923, we have developed major advances for the treatment of allergy and through our products and solutions, we have changed lives. Throughout the years, we have constantly pushed and challenged the boundaries of allergy treatment for the benefit of people with allergy all over the world.

Respiratory allergies make up one of the world's biggest chronic diseases, which is estimated to affect more than half a billion people worldwide. Our responsibility towards them remains as strong as ever.

This year, we have taken another leap forward and expanded our focus from allergy immunotherapy to broader-based allergy management, because we have an obligation to do everything we can to be there for the hundreds of millions of people whose quality of life is severely impacted by their disease.

## Our promise for a sustainable world

Similarly, in our work with CSR, we have also expanded our focus. In 2019, we will launch a new framework with a bigger ambition for our CSR activities. Our new framework is developed to match our strategic focus and to integrate our CSR activities with our business activities. The philosophy behind it is: People + Planet = Prosperity. We are convinced that by making a difference for people with allergy, our own people and the planet, we will create prosperity for the world and value for our company.

Our key focus areas are inspired by the Ten Principles of the UN Global Compact and support the UN Sustainable Development Goals: 3 – good health and well-being, 8 – decent work and economic growth, 12 – responsible consumption and production and 16 – peace, justice and strong institutions.

With our new CSR strategy, I am confident that we will contribute to the global sustainability agenda, engage in partnerships to speed up the development and deliver on our promise.

Change of this scale will not come short term which is why we have decided to outline the long-term ambition for our sustainability work with promises and biannual milestones towards 2030, so we can do our part to ensure a better world tomorrow.

**Carsten Hellmann**  
President & CEO

## Allergy at a glance

Allergies occur when the body's immune system overreacts to substances that are usually considered harmless such as various types of pollen, house dust mites, moulds and animal fur.

## Insufficient sleep

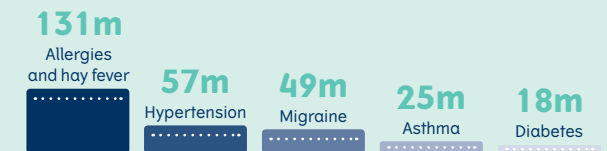
Allergies can impact the amount of sleep we get:



of people with uncontrolled allergic rhinitis (AR) lack a good night's sleep

## Lost work days

Allergy is also a leading cause of lost work days, surpassing that of other conditions in its cost to businesses:



Net work days lost in the USA to chronic conditions

# Our business model

We are a global pharmaceutical company committed to improving the quality of life of people living with allergy and asthma. For this purpose, we are engaged in the research & development (R&D), production, marketing and sale of pharmaceuticals across 38 markets around the globe, either directly or through partnerships, with distributors in additional markets.

Our business model is based on an unrivalled understanding of allergens and how they affect the human body, as well as in-depth knowledge about the link between allergy and other respiratory diseases, such as asthma. With nearly 100 years of experience, nobody knows allergy like us, and we continuously apply our scientific knowledge and expertise to help people take control of their allergy and their life. By collecting information and the latest and most trusted solutions in one place, we make allergy surprisingly simple to prevent, diagnose and treat.

We develop and produce our biological medicines using complex manufacturing processes that are subject to comprehensive analyses and quality control at all stages. Our products and development projects are primarily targeted severe allergies, although with the new strategy ALK is looking to become relevant for people with allergy at earlier stages of their disease. The knowledge about biological manufacturing and sourcing processes is key to protecting our market position against new competitors.

Headquartered in Hørsholm, Denmark, we employ around 2,400 people worldwide, and we use this global presence to make a difference and contribute to the realisation of the UN Sustainable Development Goals pertaining to our material areas: environment and climate, human rights and labour rights, and anti-corruption.

## Key figures



Established in

1923



Employees

2,379



Markets

38



Patients in treatment  
with ALK products\*

~1.7m



2018 revenue of

DKK 2.9bn



2018 EBITDA of

DKK 136m

\* covering AIT and anaphylaxis

# ALK Sustainability Framework

The purpose of our new Sustainability Framework is to ensure a stronger link between our CSR activities and our business, and a more focused approach to our sustainability ambition.



## PEOPLE

We promise to build upon our heritage as a pioneer in allergy immunotherapy and bring allergy products and solutions to as many people with allergy as possible around the world.

We promise to be a workplace characterised by a caring and creative nature where development, diversity, safety and work-life balance are seen as valuable assets. We call it The Human Organisation.



## PLANET

We promise to take care of the planet by taking actions that benefit the environment and the climate. We want to set ambitious goals that bring positive changes to the planet.



## PROSPERITY

We promise to continue to drive and grow an ethical business. We want to be the world leader in allergy by continuing to be proactive promoters of a high business integrity with the aim of helping as many people with allergy as possible to a better health and life.

The framework incorporates key elements from the Triple Bottom Line framework, the Ten Principles of the UN Global Compact and the UN Sustainable Development Goals.

This guides the overall strategy for our CSR work by acknowledging that being a sustainable company requires a company in balance. The framework is a visualisation of the role we play in bringing prosperity to our company, our people, people with allergy and consequently society as a whole.

Following an internal assessment conducted in 2016, and a follow-up in 2018, we have the most positive impact on these four SDGs:



### Good health and well-being

We contribute to healthy lives and promote well-being for patients and our employees at all ages.



### Decent work and economic growth

We work systematically to improve the working environment in all parts of our organisation and to promote safety at work.



### Responsible consumption and production

We support a precautionary approach to environmental challenges and continuously seek to use natural resources efficiently.



### Peace, justice and strong institutions

We work to reduce corruption and bribery in all its forms.

# Environment and climate

As part of our continued effort to support the UN Sustainable Development Goals, we strive to reduce our impact on the environment and climate through responsible consumption and production. We aim for environmental sustainability by contributing to the UN Sustainable Development Goal 12.



## Responsible consumption and production

We strive for sustainable resource consumption through our production.

We continue to take measures to reduce the climate impact of our production processes.





## Policy

Climate change is one of the biggest problems facing the world today. Our products are produced using natural materials such as pollen and house dust mites, so protecting the environment is a major concern for us. In the future, some studies suggest that climate change might affect plant and pollen cycles, which could also increase the number of people with allergy.

ALK's Global EHS (Environment, Health and Safety) policy concerns environmental protection in our daily work and strives to:

- Involve and commit our employees to participate in the daily environmental work
- Educate our employees and implement preventive actions to ensure that factors, which represent environmental risks are monitored and constantly reduced
- Ensure that environmental issues are proactively integrated in planning and design
- Measure the results of our efforts and set new goals for continual improvements, particularly within the areas of energy consumption, CO<sub>2</sub> emissions and water usage

Guided by principle 7, 8 and 9 of the UN Global Compact, we take a precautionary approach to environmental and climate challenges.

All production sites<sup>1</sup> adhere to the Global EHS policy and the integrated Global EHS Management System.



## Action

To reach the long-term global EHS goals set in 2015, we took several measures to reduce water and energy consumption and decrease CO<sub>2</sub> emissions.

Since 2014, more than 40 energy and water-saving initiatives have been implemented successfully.

In 2018, we bought 6,000 MWh of electricity from windmills in Denmark, which accounts for all electricity used in ALK Denmark.

As part of our work developing the new Sustainability Framework and increased focus on sustainability, we have determined waste as an area of interest and we will initiate actions to explore ways of reducing, reusing and recycling. The first assessments have been conducted for some sites, and the work will continue in 2019.



## Risks

As part of the EHS Management System, ongoing assessments for environmental and climate risks are conducted for routine and non-routine activities. No new risks were identified, and we continue to focus on the main risk factors: energy consumption, CO<sub>2</sub> emissions and water usage.

Handling of chemicals poses a risk of spills, which is closely monitored. In 2018, no significant spills and releases have occurred.



## Targets and results

**Target:** We implement preventive actions, monitor and constantly reduce risks, measure the results of our effort and set new goals for continuous improvements.

**Target:** We seek to reduce energy consumption, CO<sub>2</sub> emission and water usage.

**Goal:** By the end of 2018, the energy consumption must not exceed the consumption in 2014.

**Result:** The total energy consumption at production sites has increased by 3% (1,312 MWh) in the period 2014-2018. The result is not satisfactory but within the period, both activity and headcount have increased significantly. The 2014 base year

has been adjusted for activities regarding new products and acquisitions, but not the increased activity regarding existing products (see table on page 7).

**Goal:** By the end of 2018, the CO<sub>2</sub> emissions must be lowered by 5% compared to 2014.

**Result:** The CO<sub>2</sub> emissions have decreased by 13% in the period 2014-2018. This is mainly due to the purchase of electricity from windmills in Denmark, together with the development in electricity production, which are becoming more and more environmentally sustainable (see table on page 7).

**Goal:** By the end of 2018, the water usage must not exceed the usage in 2014.

**Result:** The total water usage at production sites has decreased by 6% (5,525 m<sup>3</sup>) in the period 2014-2018. 10 major water-saving initiatives have generated the positive result (see table on page 7).

Two out of three environmental goals set in 2015 have been reached.

## Environment and climate

	Unit	2014	2015	2016	2017	2018
Energy - in real terms	MWh	40,960	41,926	40,230	47,021	46,676
Energy - adjusted <sup>1</sup>	MWh	45,364	-	-	-	46,676
Energy - index	Index	100	-	-	-	103
CO <sub>2</sub> emission - in real terms <sup>2</sup>	Ton	7,409	7,830	6,282	9,658	9,228
CO <sub>2</sub> emission - adjusted <sup>1</sup>	Ton	10,266	-	-	-	9,228
CO <sub>2</sub> emission - index	Index	100	-	-	-	87
CO <sub>2</sub> emission - from lost refrigerants	Ton	-	267	174	265	351
Renewable energy - % of total energy consumption in real terms	%	10%	8%	15%	13%	13%
Water - total, in real terms	m <sup>3</sup>	111,010	112,275	102,418	120,960	117,252
Water - production, in real terms	m <sup>3</sup>	79,629	80,016	81,130	90,061	88,564
Water - production, adjusted <sup>1</sup>	m <sup>3</sup>	94,089	-	-	-	88,564
Water - production, index	Index	100	-	-	-	94
Waste water - in real terms	m <sup>3</sup>	75,578	75,692	78,969	89,518	89,243
Waste - in real terms	Ton	555	555	608	555	600
Waste for reuse/recycling	%	36	35	37	34	34

<sup>1</sup> To make figures comparable, base year 2014 has been adjusted in terms of building/re-building for new products, closing/selling production sites and acquisitions (ALK strives to follow the methodologies in the Green House Gas Protocol)

<sup>2</sup> The CO<sub>2</sub> emissions include Scope 1+2



## Planned activities for 2019-20 and expected results

As part of our new Sustainability Framework, milestones have been set for 2020:

- By 2020, energy and water efficiency considerations are an integrated part of facility upgrading plans
- By 2020, we want at least 30% of all consumed energy to come from renewable energy sources
- By 2020, we want to reduce CO<sub>2</sub> emissions by 25% compared to a 2017-baseline
- By 2020, we want at least 45% of the waste to be reused/recycled

In 2019-2020, we will take the necessary actions to achieve the environmental 2020 milestones mentioned above, e.g. purchase more renewable energy.

Saving water and energy will continue to be a major focus area for us. In the new Sustainability Framework renewable energy and reduction of CO<sub>2</sub> emissions play an even bigger role. Therefore, we launched a project in collaboration with the Procurement department that will investigate opportunities to purchase more renewable energy in a way that will be responsible towards the company and the environment.

Additionally, we will investigate our waste streams to seek opportunities that will allow us to reuse/recycle more waste.

We plan to engage more employees in our environmental work, to help us uncover new opportunities to pursue sustainable consumption.



## One year with the biogrinder

The kitchen staff in Denmark has been separating food waste since the biogrinder was installed at the end of 2017. Throughout 2018, more than 50 tonnes of food waste have been turned into biogas, with an estimated 85% coming from food preparation, such as stems and peels, and only 15% from edible food waste.

That amount of biogas equals:

- Enough fertiliser to fertilise 87 tonnes of carrots
- Enough to stop 40 tonnes of CO<sub>2</sub> from entering the atmosphere
- More than 1,800 days' worth of heating in an average household

## New water-efficient tanks halve water usage in Port Washington

Water used for pharmaceutical injections has to live up to very strict requirements for purity. At our site in Port Washington, tanks are filled with tap water which is filtered through a series of sieves until it is clean enough for production.

Tanks from one supplier regularly could not filter water to our standards. Unfortunately, this meant that water often had to be discharged, which prompted one of our colleagues to look for a new supplier.

The new supplier provides tanks that are more durable and much less water needs to be discharged. The tanks also allow for better monitoring and better filtering which has reduced cost, and more importantly, saved 48% of water compared to the base year 2014, despite an increase in output.





# Anti-corruption

ALK works against corruption and bribery in all its forms and contributes to peaceful and inclusive societies around the globe.



## **Peace, justice and strong institutions**

We promote peaceful and inclusive societies for sustainable development.

We are committed to working against corruption and bribery in all its forms.



## Policy

We are committed to working against corruption in all its forms, by always acting professionally, fairly and with integrity.

We take a zero-tolerance approach to corruption, including fraud and bribery. No ALK employees are allowed to accept gifts of significant value.

Anti-corruption considerations are an integrated part of our business partner-handling process, and we continue to safeguard that our partners acknowledge and respect their responsibility when doing business with us.

Legal entities within the ALK group are allowed to adopt local policies and procedures that are more stringent than what is set out in the ALK policy.

Our commitment is expressed in ALK's Code of Conduct and ALK's Anti-corruption policy and pursues the goals laid down in the UN Global Compact Principle 10.



## Action

In 2018, we repeated the anti-corruption awareness training and tested all employees who were not on leave or on short-term contracts. The training and test were conducted in Air, our internal communication platform, where employees were presented with different everyday dilemmas. Overall, more than 2,000 employees participated in the training.

All employees are aware of and have access to our whistle-blower hotline, the ALK Alertline, which provides our employees with an opportunity to report illegal or other serious concerns with respect to ethical behaviour in a secure and confidential manner. Our Alertline is administered by an independent organisation, but processed internally, with oversight by the chairman of the Audit Committee. To ensure continued awareness, a campaign will be launched in 2019.

The ALK Code of Conduct is integrated in our HR system, prompting all employees globally to read and sign off once a year. Minor amendments to the Code of Conduct have been made.

In addition, anti-corruption clauses are integrated in large supplier agreements, which generally also contain audit rights, allowing us to access documentation to verify the supplier's compliance.



## Risks

The main risks related to our activities include employees' and business partners' violation of our anti-corruption commitment and potential legal and financial consequences thereof.

More than 99% of our suppliers are located in Europe and North America, regions generally perceived as being low-risk with regards to anti-corruption. This year, the risk of corruption in connection with our business has increased due to entry into new markets. However, the overall risk for ALK continues to be rated low, as we have established multiple measures to ensure that anti-corruption is an integrated part of our business, such as vetting of all 650 GxP suppliers, and ad hoc evaluations depending on general risk assessment.

Mechanisms for mitigating and preventing corruption and bribery include:

- An annual assessment of the risks in relation to our industry and the countries in which we operate through the ALK Risk Committee
- Relevant external commercial partners are vetted concerning corruption
- Ad hoc screenings and assessments are documented and if needed, mitigation plans are developed
- Ad hoc third-party due diligence of partners and suppliers where relevant



## Targets and results

**Target:** We do not contribute to political parties or candidates of any kind.

**KPI:** Amount contributed to political parties.

**Result:** No political contributions have been made on behalf of ALK.

**Target:** We work to eliminate corruption and bribery in the entire value chain.

**KPI:** Number of reports regarding political contributions and corruption and bribery received through our whistle-blower hotline, the ALK Alertline.

**Result:** No incidents of corruption and bribery or direct political contributions have been reported via the ALK Alertline in 2018.

**KPI:** Percentage of employees with seniority >three months who have read the ALK Code of Conduct.

**Result:** 97% of employees throughout the organisation have read the ALK Code of Conduct.

**KPI:** Percentage of employees who have passed the ALK Anti-corruption training and test.

**Result:** 87% have passed the test.



## Planned activities for 2019-20 and expected results

We want to increase our activities with regards to fighting corruption and supporting Sustainable Development Goal 16. In the beginning of next year, we will evaluate whether a new Code of Conduct and targeted training is needed.

A campaign will be launched in 2019 to raise awareness about the whistle-blower hotline, ALK Alertline.

We will continue to train employees on a yearly basis in anti-corruption and business ethics.

As part of our new Sustainability Framework, a milestone has been set for 2020:

- By 2020, we want to test all employees on a yearly basis about their knowledge of business ethics compliance



## Leading the way against corruption

It is important to understand that corruption can negatively impact value and pose financial, operational and reputational risks for our company. It also fosters unfair competition and undermines global, sustainable economic development.

This is why our approach to creating continued awareness of what constitutes corruption in the context of ALK, is a very important action to lead the way against corruption.

**Søren Jelert**  
CFO

# Human Rights

At ALK, we respect human rights. We promote good health and well-being through our products and our efforts to have a positive impact on the right to good health of people with allergy and our employees.

3 GOOD HEALTH AND WELL-BEING



## Good health and well-being

We contribute to healthy lives, and promote well-being for people with allergy and employees at all ages.



## Policy

ALK contributes to the good health and well-being of our employees and people with allergy all over the world. All activities in connection with our business aim to protect human rights and to ensure that ALK avoids being complicit in human rights abuses, as described in the UN Global Compact principles 1 and 2.

As part of several of our policies we:

- Educate our employees and implement preventive actions to ensure that health and safety risks are constantly reduced
- Ensure that occupational health and safety are proactively integrated in the planning and design of all projects
- Ensure a high standard of data protection and that the rights of the data subjects are duly preserved and enforced in all areas of our business
- Do not accept offensive behaviour in any form. At ALK, everyone has the right to be treated with respect and interact in a dignified way
- Ensure public health via patient care and safe use of our products



## Action

### Good health and well-being

All employees are covered by a health programme, either made available through or paid for by ALK. All employees have freedom of association, either formally in unions or internally in workers' councils.

Together with HR, the EHS organisation works to ensure that a healthy working culture exists at ALK, both in terms of the psychological environment and a healthy work-life balance.

In 2018, more than 100 employees have benefitted from significantly improved ergonomics.

One report regarding an issue with health, safety and environment was received through the ALK Alertline. The report was assessed by the Audit Committee.

The majority of relevant employees have access to and have been trained in the newly implemented global Chemical Management System.

We are determined to continue working towards raising awareness about allergies and related diseases. This year, we have launched a new patient engagement strategy, aimed at those who remain undiagnosed and often self-manage their condition with over-the-counter products and medicines. The goal is to connect and

engage with them much earlier in their disease journey, using digital tools and e-commerce offerings that offer support, guidance and relief during moments of crisis.

With our legacy products, we are always looking for new opportunities to partner with companies or NGOs to provide access to our medicines.

### Privacy and data protection

In 2018, we have established a formal framework for the continued protection of data subjects' rights, internally supported by our appointment of an external Data Protection Officer (DPO). A large-scale awareness campaign directed towards all employees was launched in the beginning of the year. In addition, internal processes and procedures have been updated to ensure better protection of data. Finally, one of several planned training sessions with the DPO has been conducted for a number of relevant employees.

### Quality and patient safety

Quality is a strategic priority for us as it concerns both patient safety and public health. It is a mindset that we all apply as an integrated part of our daily work, and we continue to develop the methods we use to train our employees in order to ensure standardisation and consistency and thereby, the safety and well-being of people who use our products.

In 2018, we updated our Quality Mindset booklet with an ALK Quality Statement, reflecting the importance of living up to our quality standards. Six external inspections have been successfully completed this year.

ALK Pharmacovigilance closely monitors all information about adverse events and adverse drug reactions, which are openly available or reported directly to us. All ALK employees are required to report side effects within 24 hours of awareness.

In 2018, we intensified our focus on the importance of reporting side effects and tested our employees' knowledge about this particular obligation in order to raise awareness.



## Risks

Workplace risks at ALK include the potential risk of exposure to allergens, as allergens, extracted from natural resources, are our main raw material. Working with chemicals also represents a potential health risk.

Activities in health-risk reduction are closely monitored. Allergy testing for employees is provided where possible. Locally adapted information campaigns and training programmes on risk issues are made available to all employees.

The main risks in connection with our products come from lack of reporting of side effects. We have updated our reporting system to a unified database to ensure higher compliance, quality and efficiency in reporting for the benefit of patients all over the world.

In all areas of operation, we comply with national and international legislation.



## Targets and results

**Target:** We help create access to safe, effective, quality and affordable medicines and vaccines for people with severe allergy.

**Target:** We ensure good occupational health conditions and access to occupational healthcare services for all employees.

**KPI:** Absenteeism.

### Absenteeism due to sickness

	2016	2017	2018
Austria	1.27%	3.36%	4.95%
Canada			1.36%
China	0.26%	0.52%	0.21%
Czech Republic	0.40%	0.13%	1.34%
Denmark	2.69%	2.49%	2.35%
France	3.49%	3.57%	3.02%
Germany	3.73%	4.39%	3.84%
Italy	0.37%	0.50%	0.67%
Netherlands	8.34%	3.28%	4.59%
Nordic	0.52%	1.00%	1.54%
Poland	5.70%	3.20%	4.60%
Slovakia	4.00%	1.25%	1.10%
Spain	1.73%	3.23%	3.71%
Switzerland	4.20%	1.10%	0.90%
Turkey	0.00%	0.74%	0.23%
UK	1.14%	1.86%	0.60%
USA			1.04%

**Result:** All absenteeism rates are within normal limits. None of them are cause for concern, however we followed up with countries with increased rates and no further actions were required.

**KPI:** Percentage of workers, by gender, who have access to services for work-related accidents or diseases made available or paid for by ALK.

**Result:** At ALK, 100% of women and men have access to healthcare services for work-related accidents or diseases.

**Target:** We protect and enforce the rights of data subjects.

**KPI:** Number of incidents or complaints submitted to the national Data Protection Agency concerning breaches of data protection.

**Result:** No breach of data protection was submitted to the national Data Protection Agencies anywhere in the world.



## Planned activities for 2019-20 and expected results

The remaining sites will implement the Chemical Management System in 2019 and ensure that training of the relevant employees is fully completed.

Ongoing improvement of ergonomic conditions will continue where relevant.

In 2019, additional training sessions with our DPO will take place to ensure that employees, especially those who handle large amounts of personal data, are sufficiently trained in the handling and protection of data.

As part of our new Sustainability Framework, milestones have been set for 2020:

- By 2020, we aspire to treat 2 million people with allergy with our allergy immunotherapy products, diagnostics and adrenaline auto-injectors
- By 2020, we want to engage with 20 million people through our consumer initiatives
- By 2020, we want to raise the Quality Mindset Maturity Index by 10% compared to baseline

The Quality Maturity Mindset Index is calculated by rating each site or area on how well they apply the Quality Mindset. Having a strong Quality Mindset is striving to meet or exceed the needs and expectations of our colleagues and customers and to continuously improve the quality of our work. The index measures the overall quality compliance maturity of a site or area.



## A new sister brand: klarify.me

Allergy is one of the most common chronic diseases. Yet, most allergy patients lack proper treatment and tools to manage their condition optimally.

Our new brand and webshop, klarify.me, wants to make living with allergy as simple as possible.

“For almost 100 years we have been at the forefront of allergy, and we want to make our knowledge and solutions available to as many people as possible. Through klarify.me, we offer some of the world’s best allergy-relief products, and services to help people manage allergy in a practical and positive way,” says Mads Lacoppidan, Head of Consumer Division.

## Klara: Seemingly small solutions can make a dramatic difference in people’s lives

A new app launched this year in the UK and Germany, Klara, acts as an allergy companion by combining pollen, weather, and air quality data so people with allergy can plan ahead during the pollen season.

“We created this app together with allergy patients in the UK and Germany and by using the extensive clinical research that we have accumulated over the years to offer people an option for managing their allergy through avoidance of pollen. More than 20,000 people have downloaded the app and so far, we have great reviews,” says Louise Kristine Hjernø, Consumer Division.



# Labour Rights

We support Sustainable Development Goal 8 and promote decent work and economic growth in all areas of operation. We commit to ensuring safe working conditions, fair employment and access to training and education for all employees.

8 DECENT WORK AND  
ECONOMIC GROWTH



## Decent work and economic growth

We work to be an attractive workplace for all by focusing on improving the working environment in all parts of our organisation and ensuring safety at work.





## Policy

Our Global HR policy seeks to create a working environment, which appeals to all employees at ALK, so we can attract, develop and retain well-qualified and engaged employees.

We foster an open and honest relationship with employees. We respect their right to be informed, heard and to voice their concerns in an open and transparent manner.

To ensure that employees can continue to develop their skills, we offer internal and external training opportunities for all employees.

We continue to:

- Provide equal opportunities for all regardless of age, gender, race, ethnicity, religion, sexual orientation and ability
- Provide fair wages by aligning our compensation with that of other pharmaceutical companies in the geographical areas of our operations
- Ensure the well-being of employees and their families by being involved in local initiatives, practices and procedures with respect for local traditions, conditions and needs

- Develop the competencies of employees at all levels
- Be proactive in the integration of safety aspects in planning and design of projects and work processes

We act in compliance with national legislation in the countries in which we operate, and we follow the UN Global Compact Principles 3-6.



## Action

### Engagement

In Spring 2018, a new and simpler engagement survey was introduced. All teams were encouraged to conduct a team development follow-up session, using the results from the survey. Units with a low engagement score were requested to create action plans and a follow-up engagement survey for these teams was conducted at the end of 2018.

### Diversity

A diversity policy has been developed that outlines our aim to ensure equal opportunities for all. In addition, we have created internal guidelines to ensure an environment free of harassment.

A project has been initiated at the end of 2018 to explore new ways of creating diverse teams and increasing the number of women in senior management positions.

New targets have been set for women in management positions (see page 20).

### Safety

In 2018, additional resources have been allocated to EHS in Madrid. Now, all production sites have a dedicated full-time EHS employee.

The majority of employees at production sites who handle chemicals have been trained in the Chemical Management System, which was implemented throughout 2018. The remaining employees will undergo training in 2019.

We continued to monitor safety at all ALK affiliates. Safety training is adapted to local needs and allows ALK affiliates flexibility in safety training in line with local laws and traditions. For instance, in Port Washington and Oklahoma, a new online EHS training programme was launched in 2018. So far, more than 800 training sessions have been conducted within various EHS issues.

### Child labour

In 2018, we maintained the focus on high-risk countries and are working to increase awareness about child labour, both internally and externally.

In order to reduce the risk of child labour in connection with our suppliers' suppliers, we now use a generic questionnaire that is mandatory for all ALK sites as part of our Supplier Management System. We also continue to add child labour clauses in all new, large supplier contracts.



## Risks

Although ALK is not a high-risk company regarding safety, we do not accept accidents as part of our operations and seek to prevent them from happening.

As we rely heavily on skilled labour, the risk of labour violations in our operations is low.

The vast majority of our main suppliers are located in countries with a low risk of child labour and safety and labour violations, so our main risks stem from their suppliers. Nevertheless, we acknowledge the risk and take mitigating actions when needed.



## Targets and results

**Target:** We promote safe and secure working environments for all employees.

**Goal:** By the end of 2018, the number of accidents with absence per million working hours must not exceed 3.0 on a three-year average.

**Result:** In 2018, the number of work-related accidents with absence was 16, resulting in a three-year average LTI frequency of 3.8, above the target of 3.0. The result is not satisfactory and we must strengthen the effort to prevent injuries.

**KPI:** Percentage of total workforce represented in formal joint management-worker health and safety committees.

**Result:** All employees at production sites are represented in joint management-worker health and safety committees. The committee consists of 80 employees from different functional areas (4.6% of total FTEs).

**Target:** ALK takes immediate and effective measures to eradicate child labour and forced labour in all its forms by 2025.

**KPI:** Percentage of operations and suppliers identified as having significant risk of incidents of child labour.

**Result:** An evaluation has been conducted to determine how many suppliers are located in high-risk areas for child labour.

- Total number of suppliers: 6,000
- Number of suppliers in risk areas: 18
- Total spend in risk areas: 0.24%
- Percentage of suppliers in risk areas: 0.30%

**Target:** We promote equal opportunity for all.

**KPI:** Anti-discrimination – number of incidents, including reports to the ALK Alertline.

**Result:** In 2018, there has been no incidents of equal opportunity discrimination reported through ALK Alertline. However, there were a few cases reported through local HR. These incidents have been investigated and mitigating actions were taken.

**Goal:** Increase the proportion of women among shareholder-elected board members to one or two by 2018.

**Result:** The number of shareholder-elected women is 1.

**Goal:** Increase the number of women in management positions with 5 percentage points compared to 2014.

**Result:** The number of women in management positions has only increased by 4 percentage points compared to 2014 (see page 19).

## Accidents and training

	Unit	2014	2015	2016	2017	2018
Injuries with absence <sup>1</sup>	Number	8	10	16	12	16
Lost Time Injury Frequency (LTIF) <sup>2</sup>	LTIF	3.2	3.9	4.4	3.0	3.8
Total EHS training annually <sup>3</sup>	Hours	-	-	-	2,978	3,018
Employees trained <sup>3</sup>	%	-	-	-	32	39

<sup>1</sup> From 2016 data includes all ALK affiliates. Before 2016 only production locations

<sup>2</sup> Number of work-related injuries with absence per mio. work hours. Note: The 2018 number is a three-year average

<sup>3</sup> Calculated for the first time in 2017, ALK employees from production sites

## Number of new hires by gender and region

	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Denmark	72	104	55	98	61	75
North America <sup>1</sup>	33	45	91	86	54	57
Western Europe <sup>2</sup>	76	169	39	89	49	88
Eastern Europe & International Markets <sup>3</sup>	31	25	16	19	14	20
Total	212	343	201	292	178	240

<sup>1</sup> The United States of America and Canada

<sup>2</sup> France, Spain, Germany, Finland, Sweden, Norway, Italy, Austria, Switzerland, United Kingdom, Belgium, Netherlands

<sup>3</sup> Czech Republic, Slovakia, Poland, Jordan, Turkey, China, Hong Kong

## Number of new hires by contract type and gender

	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Permanent Full Time	132	150	179	188	144	155
Temporary Full Time	69	160	20	87	23	59
Permanent Part Time	2	14	1	8	1	9
Temporary Part Time	9	19	1	9	10	17
Total	212	343	201	292	178	240

**KPI:** Local residents are employed including in management positions.

**Result:** 95% of our employees are on permanent contracts, and locals are recruited at all levels. All ALK employees are encouraged to develop their skills in order to ensure their continued employability (see page 19).

**KPI:** Total number and rates of new employee hires and employee turnover by age group, gender, and region.

**Result:** ALK continues to show a healthy trend in the gender distribution of new hires. Furthermore, the number of employees hired on temporary contracts is steadily declining (see tables on page 18).

#### Turnover

Overall, the turnover figures are healthy. The only two regions that are showing slightly skewed figures are Eastern Europe & International Markets and Western Europe. In Western Europe, the overall turnover rate is low (8%) which is slightly below what a healthy turnover rate should be. In Eastern Europe & International Markets the overall rate is high (19%), which is mostly due to voluntary turnover in our Global Business Services centre in Krakow. There are no significant differences between the turnover rates based on gender, where men have a combined turnover rate of 14% and women of 11%. Between the different age groups, the highest turnover rate is in the group of employees who are 29 and younger, many of whom (13%) leave voluntarily. For more details see the appendix on page 22.

#### Compensation

Pay ratio - of women to men	
<b>Denmark</b>	
Level	Base Pay
Support	102
Professional	101
Management	97
<b>France</b>	
Level	Base Pay
Support	100
Professional	82
Management	83
<b>Spain</b>	
Level	Base Pay
Support	93
Professional	95
Management	98
<b>USA</b>	
Level	Base Pay
Support	91
Professional	83
Management	98

**KPI:** Ratio of basic salary of women to men by employee category, by significant locations of operations

**Result:** Generally, the pay ratio shows positive trends. The ratio has been calculated by taking the average base pay of women and men at three professional levels. Denmark does not show significant differences on any levels, however the pay ratio in the USA and France particularly on some levels shows room for improvement.

#### Number of women in management

	2014	2015	2016	2017	2018
<b>Board of Directors (shareholder-elected only)</b>					
Women	17% (1)	17% (1)	17% (1)	17% (1)	20% (1)
Men	83% (5)	83% (5)	83% (5)	83% (5)	80% (4)
<b>Board of Directors</b>					
Women	33% (3)	22% (2)	22% (2)	22% (2)	25% (2)
Men	67% (6)	78% (7)	78% (7)	78% (7)	75% (6)
<b>Board of Management</b>					
Women	20% (1)	20% (1)	20% (1)	0% (0)	0% (0)
Men	80% (4)	80% (4)	80% (4)	100% (4)	100% (4)
<b>Functional managers</b>					
Women	14% (3)	22% (5)	22% (5)	19% (4)	20% (4)
Men	86% (19)	78% (18)	78% (18)	81% (17)	80% (16)
<b>Mid-level managers</b>					
Women	30% (24)	35% (28)	38% (36)	35% (37)	34% (41)
Men	70% (56)	65% (52)	62% (60)	65% (68)	66% (78)
<b>First-line managers</b>					
Women	50% (110)	54% (113)	53% (124)	55% (141)	54% (139)
Men	50% (110)	46% (96)	47% (111)	45% (116)	46% (119)
<b>Total at all management levels</b>					
Women	42% (142)	46% (149)	46% (166)	47% (182)	46% (184)
Men	58% (199)	54% (178)	54% (178)	53% (205)	54% (217)

#### Number of employees by contract type and gender

	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Permanent	741	1,193	831	1,310	867	1,374
Temporary	64	170	34	110	40	89
Total	805	1,363	865	1,420	907	1,463
Total both genders	2,168		2,285		2,370	



## Planned activities for 2019-20 and expected results

In 2019, we will continue our work to uncover the barriers for women in senior management. With this project, we aim to develop initiatives that will increase the number of women in line with our new milestone goals mentioned below.

Additionally, we will continue to train management to promote diversity.

As part of our new Sustainability Framework, milestones have been set for 2020 and 2022:

- By 2022, we want women to make up 30% of the shareholder-elected members of the Board of Directors
- By 2020, we want women to make up 30% of next liners to Board of Management, and 40% of mid-level managers
- By 2020, the individual development score is greater than 78
- By 2020, the engagement score is equal to or greater than 80
- By 2020, the Lost Time Injury (LTI) frequency is <3.0

There has been an increase in work-related accidents in 2018. We will continue a strong focus and effort to eliminate (or reduce) the number of work-related accidents. Safety at work will continue to be an area of focus in the new Sustainability Framework.



Vandeuil, France



Spain



Denmark



Post Falls, USA



Round Rock, USA

## Spirit Days and Lighthouse Leadership Training

Following the launch of our new strategy in December 2017, we launched a new concept called Spirit Days shortly thereafter. The concept is based around employee meetings, which were held in 14 different locations around the world. The focus was to come up with solutions to how ALK can make a difference for the millions of people with allergy who need our help. The Spirit Days were also a chance for employees to spend an afternoon meeting colleagues from different departments and taking a break from daily business to reflect on the new direction that ALK is embarking on.

But a new strategy requires more than employee meetings to become embedded. It requires a new mindset and new behaviour. That is why we launched three new Cultural Beliefs: Do the right thing, Pursue growth, and Build bridges. New leadership skills were also necessary to support ALK on this new journey. All our leaders have been trained to better support and drive the cultural transformation in pursuit of fulfilling our ambitious growth strategy.

# Working with CSR

At ALK, the Board of Management and the Board of Directors decide on the overall Sustainability Framework, including setting strategic goals. The two entities work independently of each other. For everyday management, prioritisation and actions, a cross-functional working group has been established.

The identification and planning of ALK's CSR activities are based on the UN Global Compact scheme.

## Due diligence and risk assessment

The ALK Risk Committee assists the Board of Management with the overall responsibility of risk management. The ALK Risk Committee normally meets two times a year or more if required. The committee assesses risks relating to the entire ALK Group, including risks that could prevent us from reaching strategic and financial goals, risks that could entail the termination or limitation of our licence to operate and risks that could damage our reputation. The committee is also responsible for mitigation of these risks.

The CSR risk assessments are integrated in the overall due diligence processes and procedures. We have established specific procedures to process reports of illegal and unethical behaviour through a whistle-blower scheme.

ALK takes additional responsibility by vetting relevant external partners through the Procurement Department to reduce the risk of child labour and corruption. ALK encourages suppliers and business partners to adhere to our standards in the areas of human rights and labour rights, the environment and anti-corruption.

## Transparency

ALK is committed to providing open and honest information about our CSR efforts, results and related policies, both internally and externally in relation to our stakeholders.

As an ethical company, ALK is committed to respecting the legal requirements of each individual market in which we operate.

Our work with CSR centres around an ambition to contribute to the 2030 Agenda for Sustainable Development, and is monitored on the basis of relevant indicators developed by GRI, and other relevant standards. Our CSR commitments, efforts and goals are disclosed in our annual report and on our website.

## Stakeholder engagement

We continue to foster an open dialogue with all our stakeholders, including healthcare professionals, investors and academia, in order to hear their opinion regarding what we are doing well and what we need to do better.

This year, we have also introduced a consumer board for our sister brand klarify.me. The aim of the board is to ensure that we better understand the needs of consumers in order to provide them with the best possible solutions to manage their allergy.

Once again, our employees in the USA have participated in the annual Community Day, where all employees are allowed a day off to participate in an event of their choosing.

In Denmark, we continue to support students with educational visits both at our headquarters and as a potential employer at university fairs.

Doctors from nine different countries have visited ALK Denmark in 2018.

I volunteered for Science Outreach at West Ridge Elementary School. In Idaho, students get very little exposure to the sciences in their elementary years. I think it's really important to introduce them to science early on and help foster their innate love for the subject.

Lindsey Barber,  
Development Scientist

I volunteered to be a judge at the North Idaho STEM Charter Academy for their Future Lego League "Into Orbit" competitions this year. I am passionate about the STEM (Science, Technology, Engineering, & Mathematics) subjects and their importance for our younger generations. As a result of these learning experiences, these generations can bring success for companies such as ALK when they start entering the workforce.

Having the opportunity to provide support to the school to ensure this event could be made possible for these children was definitely fulfilling, and I look forward to interacting with these kids again in the future!

Jennifer Perry,  
Quality Assurance Associate

# Appendix

## Turnover by type and age group

	2016							2017							2018						
	Average	Voluntary		Involuntary		Retirement		Average	Voluntary		Involuntary		Retirement		Average	Voluntary		Involuntary		Retirement	
	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	
29 and younger	101	28	28%	4	4%	0	0%	168	26	15%	6	4%	0	0%	229	30	13%	10	4%	0	0%
30-39	498	35	7%	22	4%	0	0%	571	53	9%	23	4%	0	0%	627	56	9%	17	3%	0	0%
40-49	611	54	9%	19	3%	0	0%	664	51	8%	22	3%	0	0%	706	45	6%	34	5%	0	0%
50-59	484	24	5%	19	4%	2	0%	488	18	4%	30	6%	0	0%	510	16	3%	28	5%	0	0%
60 and older	158	3	2%	3	2%	9	6%	141	2	1%	8	6%	14	10%	132	2	2%	11	8%	10	8%

## Turnover by type and region

	2016							2017							2018						
	Average*	Voluntary		Involuntary		Retirement		Average*	Voluntary		Involuntary		Retirement		Average*	Voluntary		Involuntary		Retirement	
	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	
Denmark	697	77	11%	20	3%	5	1%	718	68	9%	35	5%	6	1%	770	63	8%	42	5%	2	0%
North America <sup>1</sup>	316	30	9%	22	7%	0	0%	379	37	10%	37	10%	2	1%	455	38	8%	19	4%	4	1%
Western Europe <sup>2</sup>	760	27	4%	22	3%	6	1%	835	33	4%	14	2%	6	1%	870	33	4%	33	4%	4	0%
Easterne Europe																					
S Intl. Markets <sup>3</sup>	79	10	13%	3	4%	0	0%	100	12	12%	3	3%	0	0%	108	15	14%	6	6%	0	0%
Total Turnover*	1,910	144	8%	67	4%	11	1%	2,070	150	7%	89	4%	14	1%	2,209	149	7%	100	5%	10	0%

<sup>1</sup> The United States of America and Canada <sup>2</sup> France, Spain, Germany, Finland, Sweden, Norway, Italy, Austria, Switzerland, United Kingdom, Belgium, Netherlands <sup>3</sup> Czech Republic, Slovakia, Poland, Jordan, Turkey, China, Hong Kong

\* The average numbers are calculated in each region separately, the total turnover reflects the average headcount of the entire ALK, and not the sum of averages across the different regions

## Turnover by type and gender

	2016							2017							2018						
	Average	Voluntary		Involuntary		Retirement		Average	Voluntary		Involuntary		Retirement		Average	Voluntary		Involuntary		Retirement	
	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	Count	Turn-over %	
Female	1,163	91	8%	37	3%	7	1%	1,261	85	7%	43	3%	10	1%	1,359	85	6%	52	4%	7	1%
Male	690	53	8%	30	4%	4	1%	773	65	8%	46	6%	4	1%	845	64	8%	48	6%	3	0%