

A photograph of a man and a young child sleeping together on a couch. The man is wearing a grey hoodie and has his arm around the child. The child is wearing a blue long-sleeved shirt. They are both resting their heads on a patterned cushion. The background is a textured grey fabric.

SUSTAINABILITY REPORT 2016

Statutory Report on Corporate Social Responsibility

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



Improving quality of life for a sustainable world

ALK is a global pharmaceutical company with a mission to improve quality of life for people with severe respiratory allergies. With a near-century long heritage of pioneer research and product innovation in the treatment of allergic disease, today ALK's business is focused on the prevention, diagnosis and treatment of the respiratory diseases allergic rhinitis and allergic asthma. ALK is a world leader in allergy immunotherapy (AIT), a unique, disease-modifying treatment that addresses the underlying cause of allergy. The treatment induces a protective immune response that provides sustained symptom relief and potentially reduces patients' risk of developing other allergies as well as asthma.

ALK's business model is based on an unrivalled understanding of allergens and how they affect the human body, as well as the link between allergy and respiratory diseases such as asthma. This understanding enables ALK to develop and produce its biological medicines using complex manufacturing processes that are subject to comprehensive analyses and quality control at all stages. This knowledge is key to protecting ALK's market position against new competitors.

The business model relies on innovation. ALK works continuously to increase the quality, safety and efficacy of its products and to introduce new, more convenient treatments that can improve access to treatment and facilitate market expansion. During the past 15 years, more than 17,000 patients have participated in clinical trials for a portfolio of new products that targets the most common global respiratory allergies.

The company has its own commercial infrastructure in 20 countries and distributors in a large number of other markets.

In addition, ALK partners with other companies to launch its latest products beyond Europe and North America. In cooperation with ALK, these partners handle clinical development and registration for their markets, as well as marketing and sales. Meanwhile, ALK handles product supply, ensuring compliance with the relevant quality and manufacturing regulations. Depending on the terms of the partnership, ALK then receives a share of the income from product sales.

ALK employs approximately 2,300 people in R&D, Product Supply, Commercial Operations and Administration, primarily in Europe and North America.

As a pharmaceutical company and an international player, it is our obligation and intention to continue improving quality of life for people with allergy.

The planning and execution of our CSR efforts is based on the UN Global Compact scheme. With the UN Sustainable Development Goals, we have gained a unique opportunity to actively contribute to the development of inclusive and sustainable societies. With our presence in countries across the world we are in a good position to help realising the goals through our products and services, our willingness to continuously looking for cleaner and more efficient production processes, but also by opening our doors to a healthy and safe workplace with diversity and equal opportunities for all.

Carsten Hellmann
President and CEO

Highlights 2016



CO₂ reduction



Energy reduction



Water reduction



Safety

Environment and climate

As part of our effort to contribute to the 2030 UN Agenda for a sustainable development, ALK has adopted new goals and targets to provide a thematic framework for our work in relation to environment and climate.

The Sustainable Development Goals 12 and 13 form the basis for our commitment to contribute to environmental sustainability through our product development and production



Responsible consumption and production

ALK supports a precautionary approach to environmental challenges.



Climate action

ALK contributes to environmental quality by cleaner and more efficient processes in our production sites.





Policy

The Global EHS (Environment, Health and Safety) Policy ensures that the focus on environmental protection is incorporated into our daily activities.

We strive 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 present environmental risks, are monitored and constantly reduced
- Ensure that environmental issues are proactively integrated into planning and design
- Measure the results of our efforts and set new goals for continuous improvements, particularly within the areas of energy consumption, CO₂ emission and water usage

We act in compliance with legal and other requirements and where relevant, we are involved in changes of these.

Our efforts in this area are guided by principles 7, 8 and 9 of the Global Compact which help us to support a precautionary

approach to environmental and climate challenges, undertake initiatives to promote greater responsibility and encourage the development and diffusion of environmental and climate friendly technologies.

We provide open and honest information on our policy, efforts and results.

The Global EHS policy is part of a Global EHS Management System and all production sites¹ adhere to the system.



Action

ALK has continued the systematic approach to reduce environmental and climate impact supported by the local EHS organisations at all production sites.

In 2016 we strengthened our focus on energy savings. We thus:

- Identified energy saving projects in Madrid and Hørsholm through energy audits
- Implemented energy saving projects, including the replacement of 2,600 bulbs by LED lightning in Post Falls
- Supported renewable energy production by buying electricity from windmills at Sprøge, Denmark



Risks

As part of the EHS Management System, initial screenings for environmental and climatic risks were carried out in 2005. Back then, we identified significant risk factors that still remain risk factors today; energy consumption, CO₂ emissions and water usage.

The handling of chemicals involves a potential risk of spills to the ground or waste water systems.

All activities are closely monitored and have led to no unintended releases or spills in 2016.



Target

- We implement preventive actions, monitor and constantly reduce risks, measure the results of our effort and set new goals for continuous improvements
- We seek to reduce energy consumption, CO₂ emission and water usage
- By 2030, ALK substantially reduces waste generation through prevention, reduction, recycling and reuse



Planned activities in 2017 and expected results

In 2017 we will initiate a mapping of our packaging materials in order to identify new ways of reducing and/or use recycled materials.

We will implement energy saving initiatives and screen for water saving initiatives to be implemented.

¹ Hørsholm, Madrid, Vandeuil, Varennes, Port Washington, Post Falls and Spring Mills

Results

All production sites report data quarterly which is evaluated and reported by the Global EHS Manager.

Consumption is measured on the basis of three KPIs forming part of the long-term EHS goals 2015-2018, and approved by Board of Management in 2015:

Energy: By the end of 2018, the energy consumption must not exceed the consumption in 2014

The energy consumption has decreased by 1% comparing 2016 with baseline year 2014. The good result is considered fragile and we must keep focusing on saving initiatives.

CO₂: By the end of 2018, the CO₂ emission must be 5% less compared to the emission in 2014

In the same period, the CO₂-emission has decreased by 13%. The result reflects the decreased energy consumption and supporting renewable energy production (wind turbines in Denmark).

Since 2015, we report the CO₂ emission from lost refrigerants.

Water: By the end of 2018, the water usage must not exceed the usage in 2014

The water usage has increased by 3% again comparing 2016 with baseline. Mainly due to increased activities in France and Post Falls. Water saving initiatives will be a focus area in the coming years.

Indicators 2016

- Total weight of waste by type and disposal method
- Direct greenhouse gas (GHG) emissions
- Reduction of greenhouse gas (GHG)

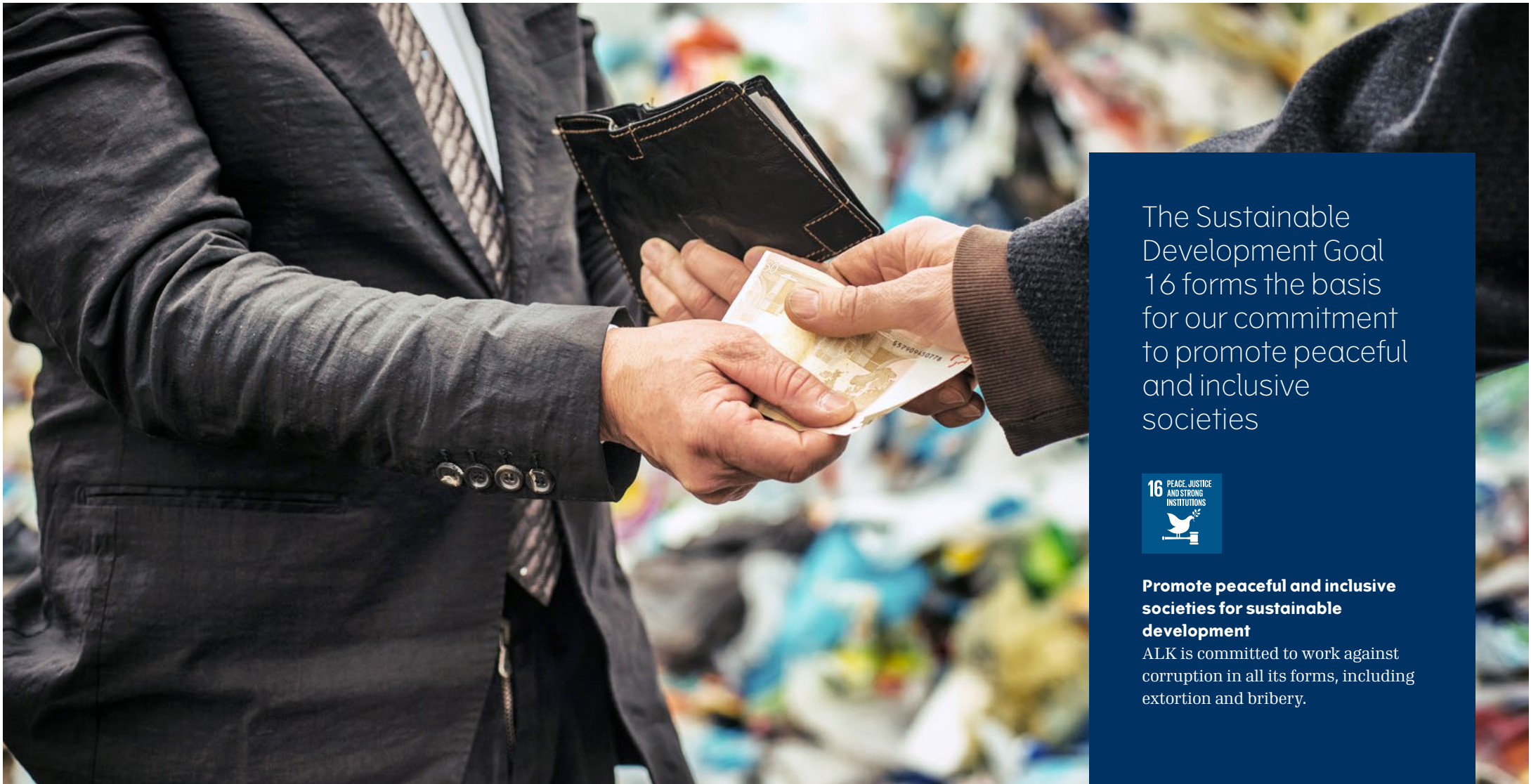
Non-financial key figures, environment and climate

	Unit	2014	2015	2016
Energy - in real terms	MWh	40,960	41,926	40,230
Energy - adjusted ²	MWh	40,630	-	40,230
Energy - index	Index	100	-	99
CO ₂ emission - in real terms	Ton	8,495	8,864	7,459
CO ₂ emission - adjusted ²	Ton	8,550	-	7,459
CO ₂ emission - index	Index	100	-	87
CO ₂ emission - from lost refrigerants	Ton	-	425	398
Water - total, in real terms	m ³	111,010	112,275	102,418
Water - from production, in real terms	m ³	79,629	80,016	81,130
Water production - adjusted ²	m ³	79,071	-	81,130
Water - index	Index	100	-	103
Waste water - in real terms	m ³	75,578	75,692	79,915
Waste - in real terms	Ton	555	555	608
Waste for reuse/recycling	%	36	35	37

² To make figures comparable, base year 2014 has been adjusted in terms of building/re-building facilities for new products, closing/selling production sites and acquisitions (ALK strives to follow the methodologies in the Green House Gas Protocol)

Anti-corruption

ALK is committed to work actively against corruption and bribery in all its forms. Hereby, we contribute to peaceful and inclusive societies.



The Sustainable Development Goal 16 forms the basis for our commitment to promote peaceful and inclusive societies



Promote peaceful and inclusive societies for sustainable development

ALK is committed to work against corruption in all its forms, including extortion and bribery.



Policy

We work against corruption in all its forms, including extortion and bribery. Thus, we do not accept bribery in connection with our business activities, regardless of these activities being carried out by our employees or through a third party.

Support of the anti-corruption commitment is an integrated part of our business partner handling process and we continue our focus on safeguarding that our business partners acknowledge and respect their responsibility when doing business with ALK.

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



Action

In 2016, our commitment to anti-corruption is manifested further by corporate procedures for our interactions with healthcare professionals together with our procedures for authorisation and signing of contracts and purchases. We enter into agreements and make purchases in a transparent and responsible manner.

Our whistleblower hotline, the ALK Alertline, provides our employees with an opportunity to report illegal or other serious concerns with respect to ethical behavior in a secure and confidential manner.

The ALK Code of Conduct was integrated in our HR-system Workday, prompting all employees globally to read and sign off the Code of Conduct once a year.



Results

Our results in 2016 are measured on the basis of two KPIs.

- Number of reports received through our whistleblower hotline, the ALK Alertline

No incidents of corruption and bribery or direct political contributions have been reported via the ALK Alertline in 2016.

- Percentage of employees with seniority > 3 months who have read the ALK Code of Conduct

98% of employees throughout the organisation have reported reading the ALK Code of Conduct.



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.

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 via the ALK Risk Committee
- Implementation of corporate procedures for our interactions with healthcare professionals together with our procedures for authorisation and signing of contracts and purchases
- Relevant external commercial partners are vetted concerning corruption

Ad hoc screenings and assessments in relation to anti-corruption are documented and if needed, ad hoc mitigation plans are developed.



Target

- ALK eliminates corruption and bribery in all their forms throughout our value chain
- We do not contribute directly to political contributions of any kind



Planned activities in 2017 and expected results

With the purpose of promoting anti-corruption practices in ALK, we will provide our employees with supplementary information on anti-corruption and test it. In 2017 all employees with more than 3 months seniority in ALK must pass an anti-corruption test.

A procurement initiative with the purpose of promoting anti-corruption in our supply chain will introduce specific clauses on anti-corruption in supplier agreements going forward.

Human Rights

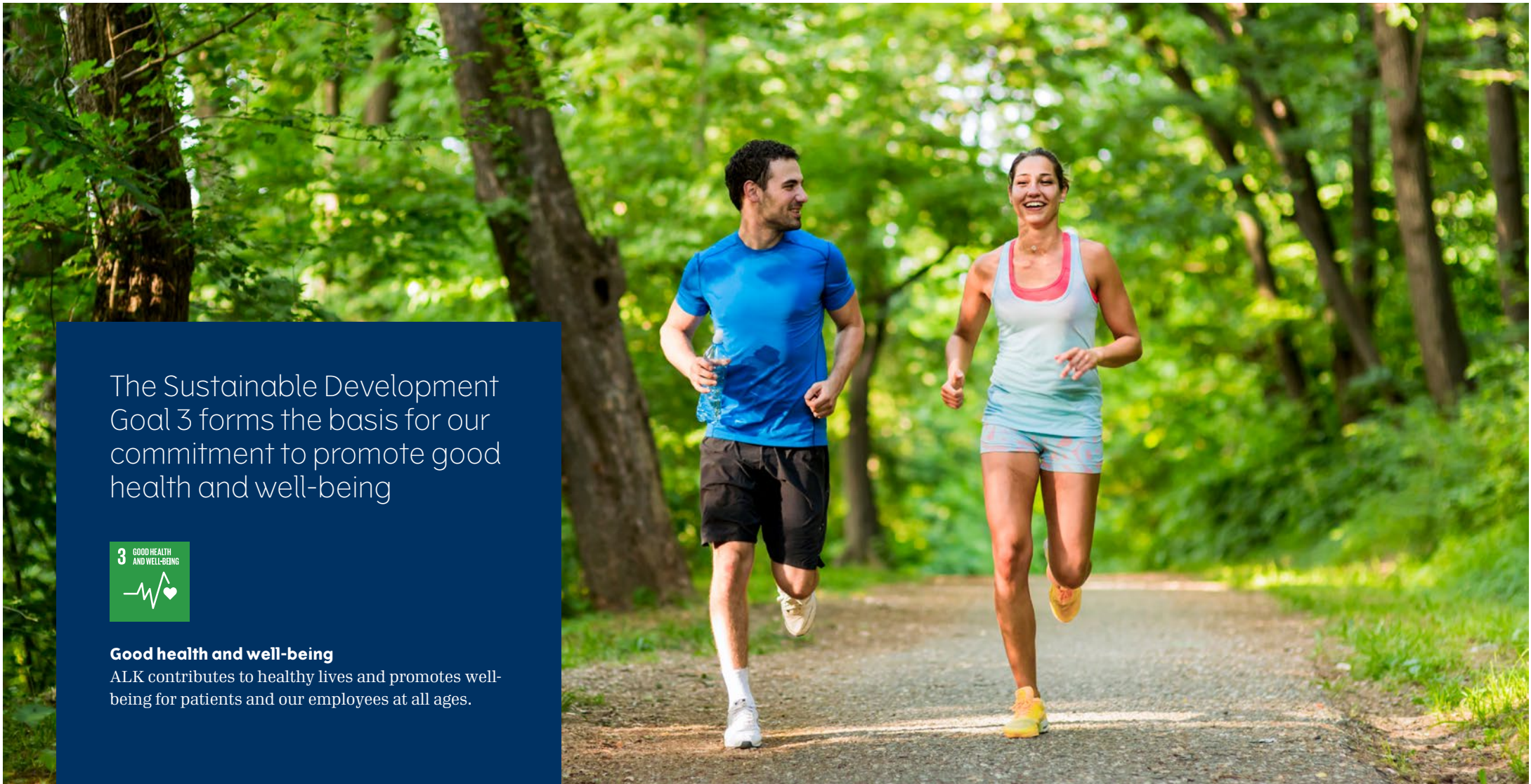
ALK's social responsibility embraces a commitment to respect human rights. We are especially dedicated to promoting the Sustainable Development Goal to good health and well-being, and believe our products and effort to ensure occupational health have a positive impact on the right to health of patients and our employees.

The Sustainable Development Goal 3 forms the basis for our commitment to promote good health and well-being



Good health and well-being

ALK contributes to healthy lives and promotes well-being for patients and our employees at all ages.





Policy

ALK is committed to contribute to healthy lives and well-being through prevention, diagnosis and treatment of the respiratory diseases allergic rhinitis and allergic asthma.

Together with a strong focus on occupational health and well-being in our work place, this helps us contribute to the human right to enjoyment of the highest attainable health.

Our Global EHS (Environment, Health and Safety) Policy ensures that the focus on occupational health is incorporated into our daily activities.

As part of the EHS Policy we:

- Educate our employees and implement preventive actions to ensure that factors, which present health risks, are monitored and constantly reduced

- Ensure that occupational health issues are proactively integrated in planning and design
- Measure the results of our efforts and set new goals for continuous improvements

In a digital age, the protection of personal data of our employees, patients and customers contributes to the feeling of well-being. Our contribution to the right to privacy and data protection lies in the integration of effective data protection measures in ALK procedures and daily practices.

All activities to promote health and well-being are carried out in compliance with legislation and our efforts in this area pursue the overall goals in UN Global Compact Principles 1 and 2 on supporting and protecting human rights and avoiding being complicit in human rights abuses.



Action

Good health and well-being

Good ergonomics have been a focus area at all production sites and actions have been taken to improve the daily life. In Post Falls, Varennes and Hørsholm ergonomic experts have been hired to help.

In order to promote good health and well-being, ALK in Denmark has implemented an Alcohol and Drugs Policy. The policy describes how ALK strives to actively support and help employees who are alcohol or drug dependent to seek guidance and treatment with a view to retaining the employee in the job.

In Hørsholm, a health program is available for all employees (Sundhedsordning).

About 40 members of the local EHS organisation in Hørsholm have joined a two-day seminar focusing on how to maintain a good psychological working environment and learn more about stress. Members of the EHS organisation are key players in preserving a good behavior culture.

Privacy and Data protection

In order to prepare for the implementation of the EU General Data Protection Regulation in 2018, to inform and advice Board of Management on data protection measures, and to initiate training and awareness raising, a position as Data Protection Manager was established in 2016.



Risks

Workplace related health risks in ALK include the potential risk of exposure to concentrated allergens for employees handling allergens (raw material). Exposure may result in an acute allergic reaction or development of allergy. Similarly, working with chemicals represent a potential health risk.

Activities in health risk areas are closely monitored and we run allergy testing where it's possible, training programs and information campaigns on risk issues for all employees.

In all countries, where we operate, we comply with national legislation.



Target

- ALK helps creating access to safe, effective, quality and affordable essential medicines and vaccines for all patients with respiratory allergies
- ALK ensures occupational health and access to health care services in the work place for all employees



Planned activities in 2017 and expected results

As part of the EHS program, we will continue to improve the ergonomic working conditions for employees in all positions and develop EHS training.

A data protection review will be carried out and steps taken to ensure adequate organisational, technical and security measures to meet the requirement for effective data protection. This will also include general awareness raising.



Results

Health and well-being in ALK is measured according to international standards and cover:

- Percentage of workers, by gender, who have access to health care services for work-related accidents or diseases made available or paid for by ALK
- Absenteeism
- Number of incidents or complaints submitted to the national Data Protection Agency in breach of data protection

100% of females and 100% of men have access to health care services for work-related accidents or diseases made available or paid by ALK.

Absence due to sickness ALK 2016 (%)

Austria	1.27
Canada*	
China	0.26
Czech Republic	0.40
Denmark	2.69
France	3.49
Germany	3.73
Italy	0.37
Netherlands	8.34
Nordic	0.52
Poland	5.7
Slovakia	4
Spain	1.73
Switzerland	4.2
Turkey	0
UK	1.14
USA*	

* USA and Canada do not register absence due to sickness

No breach of data protection was submitted to the national Data Protection Agency.

Labour Rights

ALK supports the Sustainable Development Goal to promote decent work and economic growth. As part of this effort we are committed to ensure safe working conditions, fair employment and access to training and education for all employees.

The Sustainable Development Goal 8 forms the basis for our commitment to promote safe working conditions, fair employment and development of our employees



Decent work and economic growth

ALK works systematically to improve the working environment in all parts of our organisation and promote safety at work. We want to be an attractive work place for all.





Policy

The purpose of ALK's HR Policy is to support short and long term goals and to create a working environment which appeals to all employees at ALK, so that we can attract, develop and retain well-qualified and engaged employees.

As part of this effort, we will continue our efforts and commitment towards equal opportunities for women and men at all management levels.

Our commitment to a safe and attractive workplace is reflected in the following focus areas:

- Fair wages by means of compensation policy and alignment with the level at local pharmaceutical companies
- The well-being of employees and their families by means of local initiatives, practices and procedures in keeping with local traditions, conditions and needs
- Proactive integration of safety aspects in planning and design

We act in compliance with national legislation in the countries in which we operate and along the lines of UN Global Compact Principle 3-6.



Action

Engagement

Following the Engagement Survey 2015, ALK introduced a follow-up survey opportunity and action plans for all teams. For teams with low engagement scores, it was mandatory to create and complete action plans. For the rest of the teams, it was optional. A total of 25% of all teams, covering more than 33% of the organisation, engaged by option in the follow-up survey in the spring of 2016.

Women in management

When conducting the yearly Organisational Review, ALK had an increased focus on monitoring the share of women at all management levels.

ALK aims to maintain levels of remuneration that are competitive in terms of market levels for comparable jobs, especially in the bio-pharmaceutical industry. In 2016, we have implemented a global compensation strategy which entails evaluation of all positions at ALK cross-country and cross-functionally, establishing salary bands based on local benchmarks, and thereby initiating fair and transparent compensation for everyone across ALK.

Safety

The Board of Management reviewed the long-term EHS goals and decided to strengthen the safety target (number of accidents with absence per million working hours) from 4.0 to 3.0, and at the same time include all ALK locations. Previously, only

work-related accidents from production sites were monitored.

Child labour

ALK has taken steps in 2016 to strengthen our contribution to the effective abolition of child labour. Our effort is concentrated on suppliers in countries where child labour constitutes a high risk.



Risks

ALK has identified specific countries and employee groups which are below salary benchmark. ALK has looked further into this and has allocated extra resources to raise the salaries.

Regarding safety, ALK is in general not a high-risk company. However, we will enhance the general safety awareness in all parts of the organisation.

Most suppliers are located in Western countries, Japan and Australia and are as such not presenting a high risk within safety, education and child labour. General labour rights, including fair wages, decent and safe working conditions, and child labour do, however, represent a risk area of particular attention in interaction with suppliers and their sub-suppliers in non-western countries.



Target

- ALK promotes safe and secure working environments for all employees

- We have a strong focus on the well-being and engagement of all ALK employees

- ALK takes immediate and effective measures to eradicate child labour and forced labour by 2025 end child labour in all forms



Results

Two EHS KPIs on well-being and safety are part of the long-term EHS goals 2014-2018, approved by the Board of Management primo 2015 and reviewed ultimo 2016. They are supplemented with indicators on labour rights.

Well-being at work

- Obtain the score ≥ 75 on the action area "Daily Work" in the Engagement Survey 2019
- Anti-Discrimination – number of incidents, including reports from the ALK Alertline

Women in management

In 2013, the Board of Directors defined a target to increase the proportion of women among shareholder-elected board members to one or two by 2018. The number of female shareholder-elected members in the Board of Directors is one, corresponding to 17%, in accordance with the overall target of one or two members by 2018. Included employee-elected members, female members constitute 22% of the Board of Directors.

In 2016 no full Engagement Survey has been performed and therefore no result is available. The next Engagement Survey will be carried out in 2017.

No incidents of discrimination has been reported to the ALK Alertline.

Safety

- By the end of 2018 the number of accidents with absence per million working hours must not exceed 3.0 at a 3-year average
- Number of work-related accidents with absence
- Percentage of total workforce represented in formal joint management-worker health and safety committees

In 2016 the number of injuries with absence per million working hours was 4.4 including all ALK locations. Altogether 16 accidents occurred. The results is not satisfactory and a strong focus and effort will be put into preventive actions.

4.4 % of the total workforce at production sites are represented in joint management-worker health and safety committees.

Child labour

- Percentage of operations and suppliers identified as having significant risk for incidents of child labour

No incidents of child labour has been reported.



Planned activities in 2017 and expected results

Activities to promote labour rights and the working environment in ALK in 2017 will encompass the following initiatives which will be measured according to international indicators:

- Total number and rates of new employee hires and employee turnover by age group, gender, and region
- Local residents are employed, including for management positions. Training and career opportunities are offered to local residents
- Increase of the number of women in management positions with 5% points compared to 2014
- Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations
- Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
- Inclusion of non-child labour clauses in largest supplier contracts (volume and value) going forward

Non-financial key figures – Employer conditions and social responsibility

	Unit	2014	2015	2016
Accidents with absence	Number	8	10	16 ³
Accidents with absence per million work hours (three year average)	ppm	4.3	4.0	4.4 ⁴
“Daily work” score in Engagement Survey	Score	-	73	-
Board of Directors (shareholder-elected only)				
Women	% (numbers)	17% (1)	17% (1)	17% (1)
Men	% (numbers)	83% (5)	83% (5)	83% (5)
Board of Directors				
Women	% (numbers)	22% (3)	32% (2)	22% (2)
Men	% (numbers)	67% (6)	78% (7)	78% (7)
Board of Management				
Women	% (numbers)	20% (1)	20% (1)	20% (1)
Men	% (numbers)	80% (4)	80% (4)	80% (4)
Functional managers				
Women	% (numbers)	14% (3)	22% (5)	22% (5)
Men	% (numbers)	86% (19)	78% (18)	78% (18)
Mid-level managers				
Women	% (numbers)	30% (24)	35% (28)	38% (36)
Men	% (numbers)	70% (56)	65% (52)	62% (60)
First-line managers				
Women	% (numbers)	50% (110)	54% (113)	53% (124)
Men	% (numbers)	50% (109)	46% (96)	47% (111)
Total at management level				
Women	% (numbers)	42% (142)	46% (149)	46% (166)
Men	% (numbers)	58% (199)	54% (178)	54% (193)

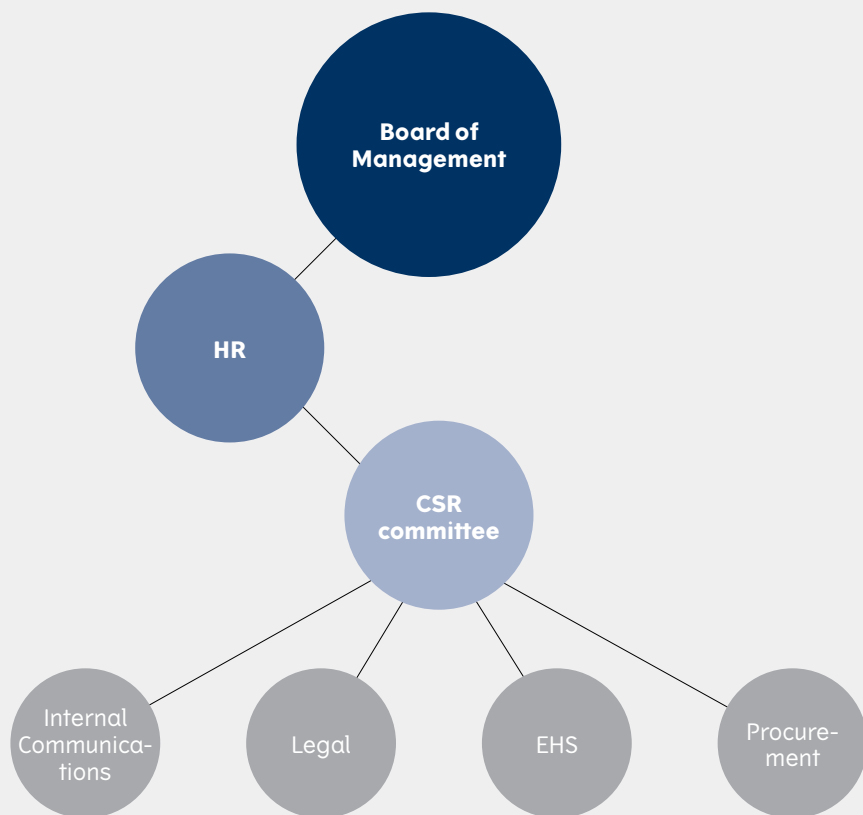
³ 2016 includes data from all ALK locations. Previously only data from production sites.

⁴ The actual ppm for 2016. A three year average not possible due to note 3.

CSR organisation

The ALK Executive Management decides on the overall CSR framework and sets the strategic CSR goals. Planning and coordination is anchored in Global HR whereas the realisation of CSR goals is achieved as an integrated part of processes and daily routines throughout the organisation. To support the decisions on prioritisation and plans of action, a working group has been established with representation of HR, Internal Communications, Legal, EHS and Procurement.

CSR Group structure



Due diligence and risk assessment

The carrying out of CSR risk assessments is integrated in due diligence processes and procedures established to identify, monitor and respond to business risks.

The ALK Risk Committee serves as a global forum and is placed with the task to collect and evaluate reported risks and events from the entire ALK group in a formalised and systematic manner.

Upon collection and evaluation of reported risks and events, the ALK Risk Committee reports its findings along with a description of identified high level risks and associated mitigation plans to the Audit Committee, a subcommittee of the Board of Directors.

Specific procedures have been adopted to process reports of illegal or other serious concerns with respect to ethical behavior through the ALK Alertline whistleblower scheme.

Also, external commercial partners are vetted concerning corruption by the ALK Procurement Department.

Disclosure

ALK provides open and honest information about our CSR related policies, our efforts and results, internally as well as in relation to our business partners and other external stakeholders.

All CSR activities are carried out in compliance with legislation and where relevant we are involved in changes to legal and other requirements. Our CSR work pursues international goals and principles and is monitored on the basis of relevant indicators developed by the Global Reporting Initiative, GRI (GRI Standards 2016) and other relevant standards.

Our CSR commitment, efforts and goals are disclosed in our annual report and on our website.

Stakeholder engagement

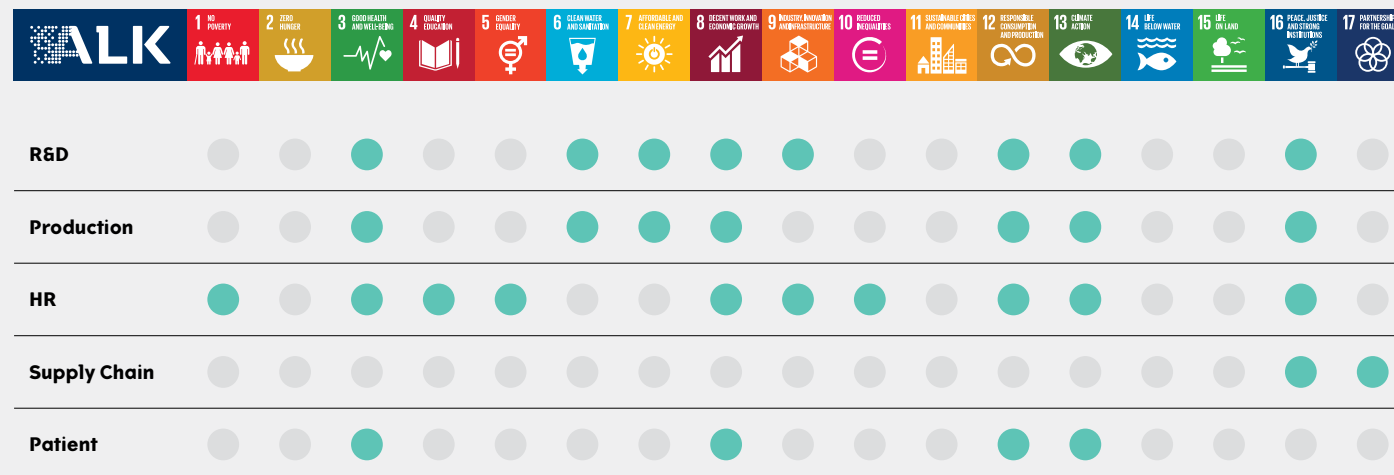
ALK encourages and engages in good relations with the local community in which we are based, by means of active participation in social and business-related activities.

During 2016, we cooperated with local communities on educational visits by local high school children. In Denmark, we strengthened our relationship with Copenhagen University by means of participation in the annual Company Day for pharmacy students and sponsored the Olympic Games for School Children in Copenhagen, linking an active lifestyle to improved health and well-being.

At our headquarters in Hørsholm we welcomed a new employee with refugee background from Syria in an internship to help him integrate into the Danish society.

Overview of positive impact on the UN Sustainable Development Goals

Sustainable Development Goals in ALK



Focus

- Employees in ALK
- Internal consumption
- Supply Chain
- Patients

● Positive impact on realisation of the SDGs

ALK at a glance

