GALENICA

Sustainability Report

2022

GALENICA

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About this report

This Sustainability Report has been prepared in accordance with the **Global Reporting Initiatives (GRI)** Standards: Core Option (2016) and covers Galenica's operations during the 2022 calendar year. The report concerns the parent company Galenica AB (corp. ID no. 556567-7449).

This is Galenica's first sustainability report. It has been prepared with the aim of reporting on Galenica's sustainability performance as well as increasing transparency. As the report was produced on a voluntary basis, it will not be audited by a third party. The report has contributed to the identification of areas for development and the launch of new sustainability initiatives. Galenica plans to publish a sustainability report annually, in connection with its annual report.

The Stratsys sustainability reporting system was used to support the preparation of this report.

If you have any questions about this Sustainability Report and its content, please contact us at **info@galenica.se.**

A message from our CEO

At Galenica, we are proud to be an actor in the pharmaceutical industry. A strong and sustainable pharmaceutical industry improves global health, contributes to economic growth, and creates job opportunities for people around the world. Like many other industries, we see the trend moving in a more sustainable direction.

> *"At Galenica, it's imperative that the world around us trusts us and that there be no doubt as to where we stand in terms of values, professionalism, sustainability management, and ethical guidelines. In light of that, we have chosen to report on our ongoing efforts towards becoming a sustainable option in the industry."*
>
> **Ronnie Wallin**

The trends we see involve improved production processes with reduced environmental impact, increased resource efficiency, and an industry with high ethical standards that comply with laws and regulations to prevent irregularities and corruption. At the societal level, we see sustainability initiatives being welcomed by the industry in the form of support and incentives (such as the Swedish Pharmacy Association's label "Välvald"). The same can be said for the political world, where political frameworks and legislation influence towards more sustainable development and production of pharmaceuticals.

The challenge for the industry is to balance the need for producing pharmaceuticals that are safe and effective with the need to produce them in a sustainable manner. Pharmaceutical companies like us need to find new and efficient ways to produce pharmaceuticals that have less impact on the environment without compromising quality, safety, and efficacy for the patient. This requires innovation, investment in research and development, and business strategies that clearly address how sustainability aspects should be taken into consideration in development and production.

A key aspect for the industry is being transparent and forward-looking in its approach. On our journey towards a more sustainable industry, we need to welcome sustainable initiatives with enthusiasm and a can-do attitude and encourage our stakeholders to follow us all the way.

At Galenica, it's imperative that the world around us trusts us and that there be no doubt as to where we stand in terms of values, professionalism, sustainability management, and ethical guidelines. In light of that, we have chosen to report on our ongoing efforts towards becoming a sustainable option in the industry.

2022 has been an industrious year when it comes to Galenica's work with sustainability. We have developed new governing documents and policies, introduced an internal Code of Conduct, completed training in the area of health (including CPR training), and launched a major project with this first Sustainability Report. Meanwhile, we continue our clear focus on digitalisation and resource- and climate-efficient operations.

At Galenica, we care for both people and the environment. We invite you to follow our journey and be inspired, just as others have inspired us.

Ronnie Wallin
CEO and Founder
Galenica

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The year in brief

Digitalised processes

Galenica is constantly working to develop existing and new processes. Digitalising our operations is a central part in this. Over the past year, Galenica has introduced a new process and document management system as well as a CRM system. We also have created a new website that enhances our communication and enables digital ordering of materials and pharmaceutical samples.

Sustainability reporting

Galenica is not yet legally required to report on the sustainability of our operations. However, as sustainability reporting is one of the objectives in our strategy, and because we see an increased interest in sustainability issues from stakeholders, we have chosen to report on sustainability starting from 2022.

Policies and governing documents

As a result of our work on this Sustainability Report during the year, key areas have been highlighted and improved. Among other things, policies for travel, environment, sustainability, and company cars have been either revised or produced. We have also mapped our supply chain and initiated work on a Supplier Policy and a Supplier Code of Conduct. This work will be implemented during 2023.

Health investment

During the year, Galenica has invested in and completed activities in the area of health. All Galenica employees have completed CPR training. In addition, we've carried out activities linked to health and the environment in the form of ergonomics, lectures on sustainable diet, and access to the Wellr health app, all with the aim of improving the health and lifestyle of our employees.

Launch of Code of Conduct

In 2022, we launched the Galenica Code of Conduct. It outlines the rules and guidelines we adhere to when it comes to sustainable and ethical conduct. The Code is based on the 10 principles of the UN Global Compact as well as Galenica's own policies. Drawn up jointly in the company, it is strongly rooted in our core values of Team Spirit, Quality, Competence, and Action.

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Our Organisation

- **About Galenica.**

- **Our business model.**

- **Our value chain and markets.**

- **Quality management.**

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About Galenica

Galenica is a privately owned pharmaceutical company based in the Öresund Region. We develop, manufacture, and launch our own pharmaceuticals as well as provide contract development services to our customers. Galenica's journey started in 1999 by two pharmacists with a vision to be a flexible, Swedish pharmaceutical partner in pharmaceutics and formulation, focusing mainly on small and medium-sized companies. Along with developing our own pharmaceuticals, this is Galenica's business today.

Pharmaceutical development in the Öresund Region

Since its start, Galenica has been located in the Medeon Science Park in central Malmö, Sweden. Our premises consist of about 4,000 square metres, encompassing a lab, production space, and offices. The success of Galenica is due to the expertise of our people. We have about 70 employees with broad academic knowledge and industrial experience. We develop and create innovative pharmaceutical products for patient health and guide our partners in their pharmaceutical development from idea to market. This includes pharmaceutical and analytical development as well as the production of trial material. We combine state-of-the-art equipment with strong personal commitment, extensive pharmaceutical experience, and expertise in formulation development.

Our Vision

"A Swedish pharmaceutical company developing innovative products that are the preferred choice of customers, patients, and health professionals alike."

Our Business Concept

"Galenica will leverage its expertise and commitment to develop innovative pharmaceuticals for the global market that generate significant customer and patient benefits."

GALENICA

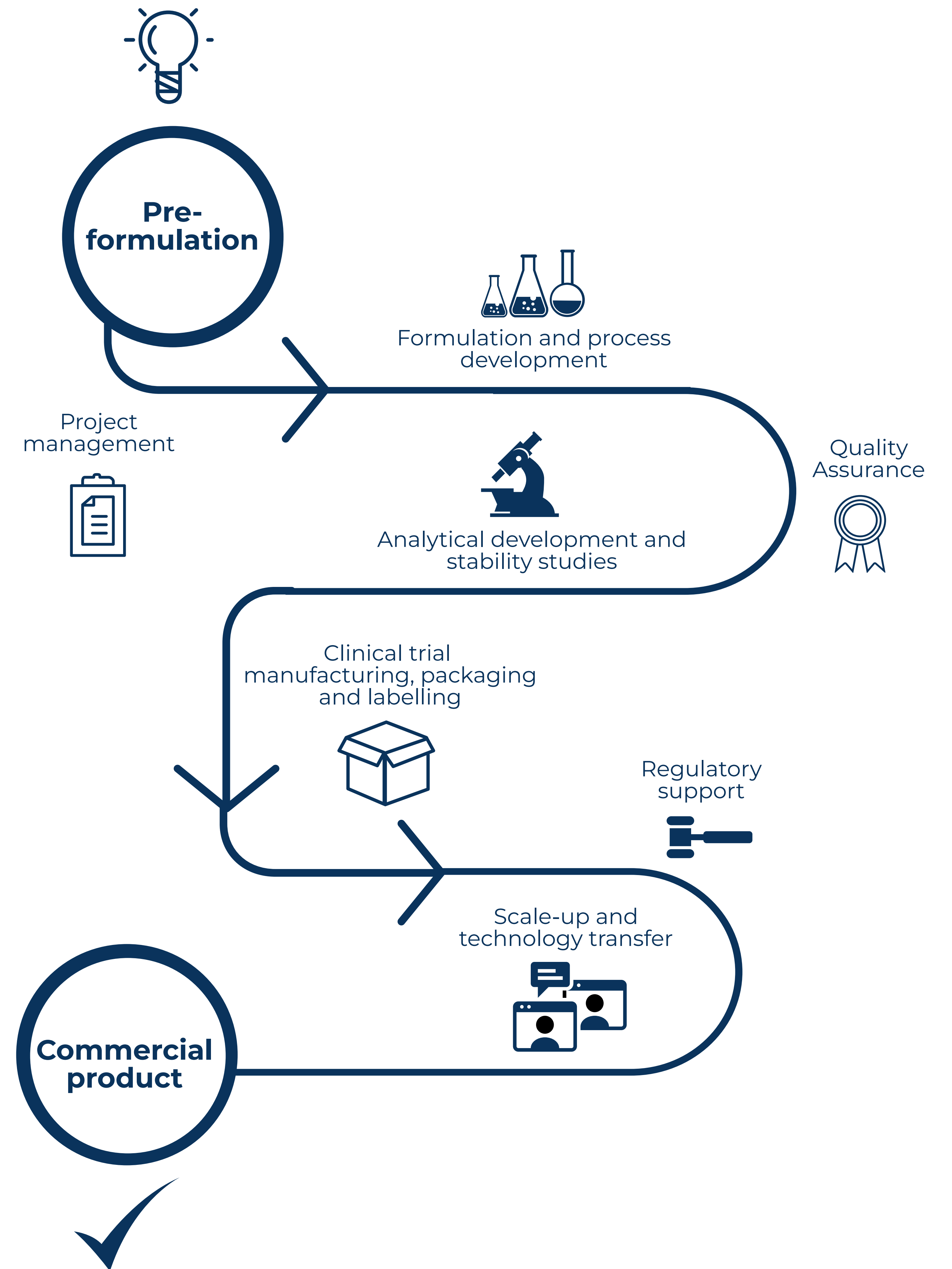| **Introduction & Organisation** | Our Values | Sustainability Strategy | Social & Ethical Work | Health & Well-Being | Climate Initiatives | Financial Reporting | GRI Index |

Our business model

Galenica's operations are divided into two business units: Contract Development & Manufacturing (CDMO) and marketing and sales of our own proprietary and in-licensed products (PHARMA).

Our CDMO unit is engaged in the development, manufacturing and quality assurance of pharmaceuticals and pharmaceutical products, primarily for Nordic pharmaceutical companies. We have vast expertise in pharmaceutical and analytical development as well as in production of Clinical Trial Material (CTM) for Phase I up to Phase III of non-sterile dosage forms. In addition, we offer CTM packaging and labelling. We have well suited and functional laboratory facilities and GMP (Good Manufacturing Practice) premises. Galenica is audited by the Swedish Medical Products Agency and is authorised to manufacture materials for clinical trials as well as for commercial purposes. Within this business unit, we are also engaged in our own development projects.

The PHARMA unit markets and launches Galenica pharmaceutical products developed by the Galenica CDMO unit as well as in-licensed products in dermatology.

Galenica has three proprietary products: Ovixan® Cream and Ovixan® Cutaneous Solution for the treatment of psoriasis and dermatitis, and Oviderm®, which is a non-prescription emollient cream. We also have an in-licensed product – Ameluz® – for the treatment of sun-induced skin damage.

Galenica has key support functions in Quality, Project Management, and Compliance. Our Quality Department continuously develops and maintains our quality management system, making sure we meet regulatory requirements. All Galenica projects are assigned a project manager who is responsible for the progress of activities and for maintaining close contact with the customer. As a pharmaceutical company, we have a Compliance Team who ensures our compliance with legal requirements and regulations.

Pre-formulation

Formulation and process development

Project management

Quality Assurance

Analytical development and stability studies

Clinical trial manufacturing, packaging and labelling

Regulatory support

Scale-up and technology transfer

Commercial product

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Strategic Objectives

Attractive workplace	Operational efficiency	Financial stability	Profitable sales

KPIs 2022

Earnings SEK **3 million**	Net sales SEK **155 million**	No. of employees **70**	Equity ratio **52 %**

Board of Directors and decision-making bodies

Composed of shareholders and elected directors, Galenica's Board of Directors is the highest decision-making body in the company. Board meetings are held eight times a year. Communication with the Board is maintained in between Board meetings as well, as the Board is represented in operational activities. The Management Team is the company's highest governing operational body.

Expected future development

The companies' business segments are expected to develop positively in the coming years. Our growth will continue through the company's strong focus on increasing sales of existing products in existing markets. The positive development of earnings and cash flow are expected to continue in 2023.

Significant events during the reporting year

This Sustainability Report relates to the parent company Galenica AB. In April 2022, Galenica resolved to close and liquidate its Finnish subsidiary, where there has been no activity in the last couple of years. During the autumn, a decision was made to start incorporating Galenica's business areas. A wholly owned subsidiary, Galenica Derma AB, was formed at the end of the year. No operations were initiated in the subsidiary during the reporting year. Operations will commence in early 2023 by transferring the Pharma business area to the new company. The transfer will take place gradually from January onwards.

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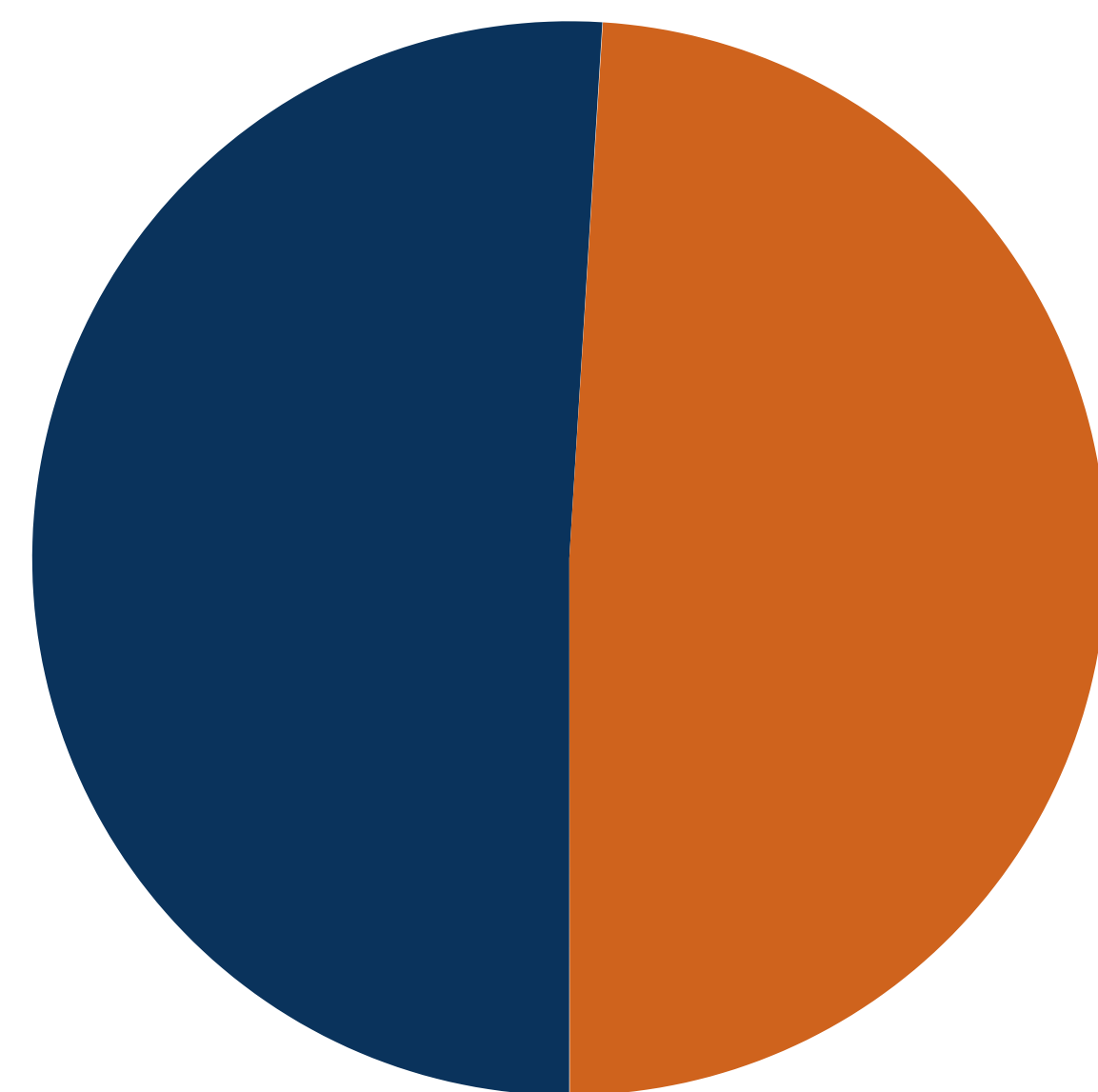| **Introduction & Organisation** | Our Values | Sustainability Strategy | Social & Ethical Work | Health & Well-Being | Climate Initiatives | Finansiell Rapport | GRI Index |

Our value chain

Galenica's goal is to create significant value for our customers and ultimately for the patients who use our pharmaceuticals.
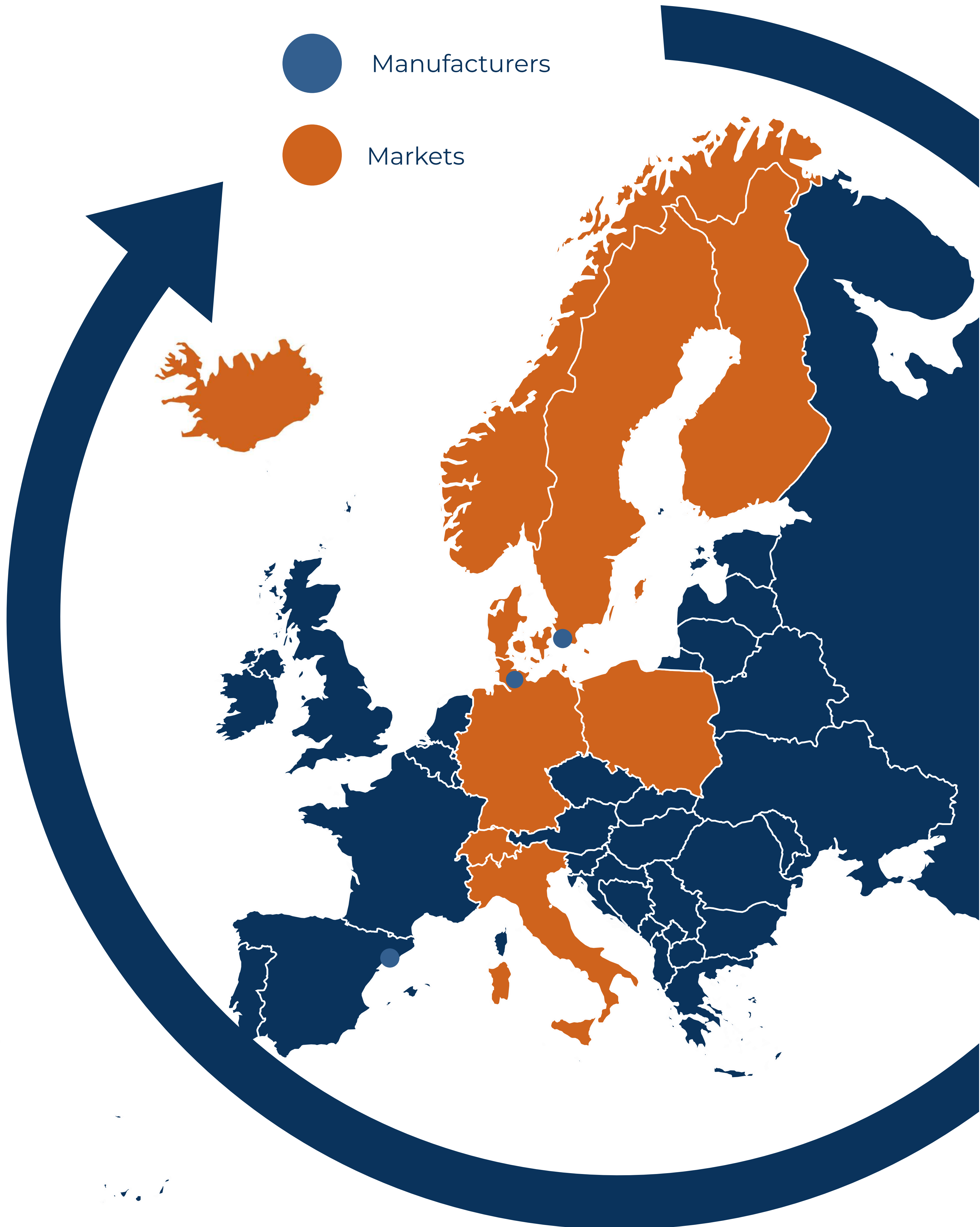
Through our CDMO, we track pharmaceuticals from idea to commercial production. We act as a contract lab, providing services such as pharmaceutical manufacturing, formulation, and analysis. While we offer our CDMO services globally, the majority of our sales come from Nordic customers. The work is carried out in Sweden, in our lab and office premises in the Medeon Science Park in Malmö.

In the PHARMA business area, we market and sell pharmaceuticals. Our Pharma business handles Galenica's proprietary products: Ovixan®, Oviderm® and the in-licensed Ameluz®. Our proprietary product Ovixan®, for the treatment of psoriasis and atopic dermatitis, is a market leader in its therapeutic field in the Nordic market. Galenica's other proprietary product, Oviderm®, is a non-prescription emollient cream. Galenica is the local representative in the Nordic countries for Ameluz®, an in-licensed product for the treatment of sun-induced skin damage.
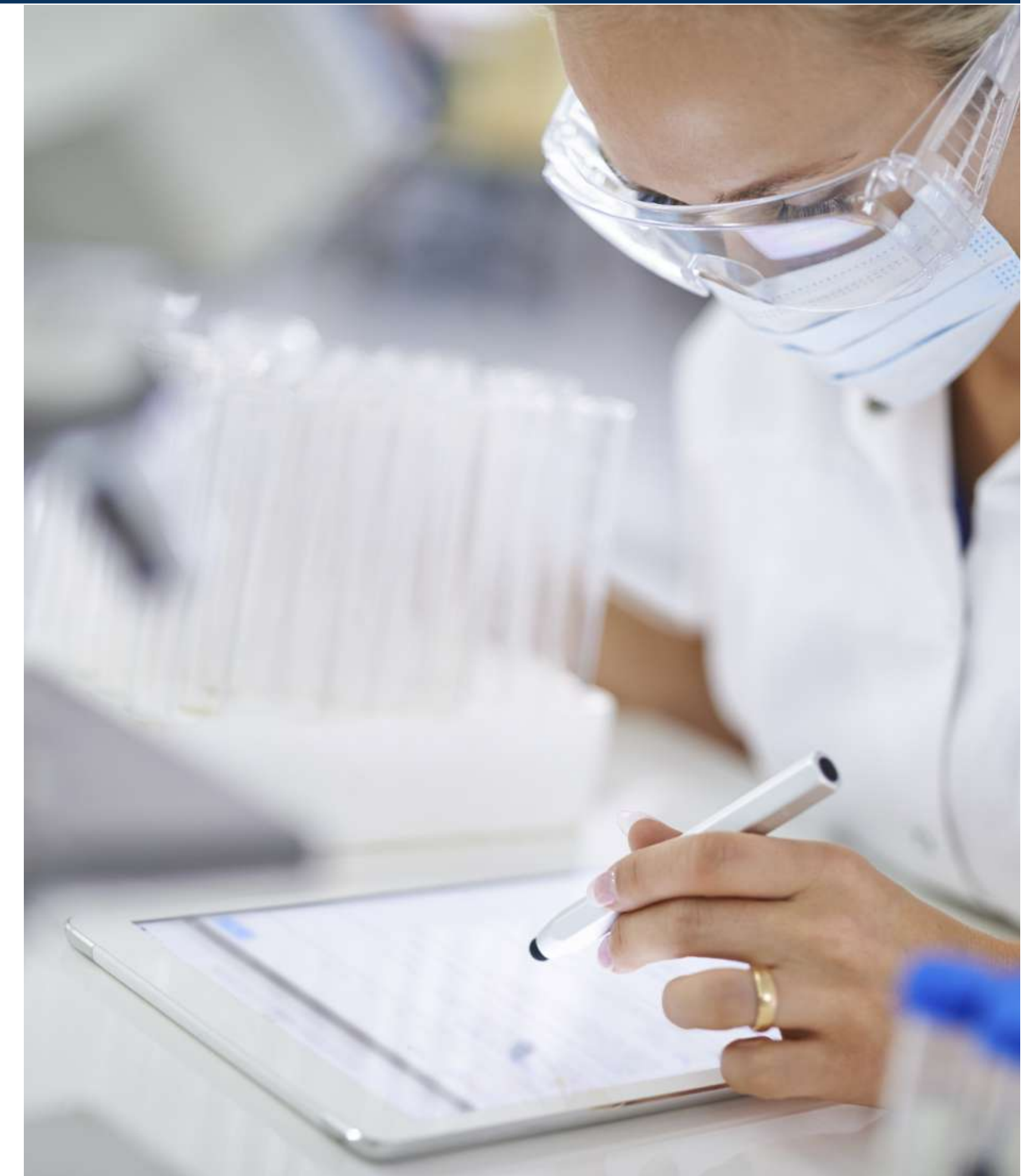
Oviderm® and Ovixan® are manufactured in Sweden, Spain, and Germany. The products are transported to warehouses in Sweden, Denmark, and Finland for further distribution to customers in Europe. Sales in Germany, Poland, Switzerland, and Italy are outsourced to partners, who are also responsible for transport.

● Manufacturers
● Markets

Revenue breakdown

■ PHARMA (51%)   ■ CDMO (49%)

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Photographer Roger Nellsjö

Our markets

Galenica sells proprietary and in-licensed pharmaceuticals in a number of European countries. The products are sold either directly by Galenica or via its licence partners. Ovixan® is sold throughout the Nordic Region, Germany, Switzerland, Italy, and Poland. In addition, Oviderm® is sold in Sweden, Norway, Finland, Iceland, and Poland. The in-licensed drug Ameluz® is sold by Galenica in all Nordic countries.

In our CDMO, the largest market is Sweden and the rest of the Nordic countries (Norway, Denmark, Finland).

Market breakdown licence sales and proprietary sales
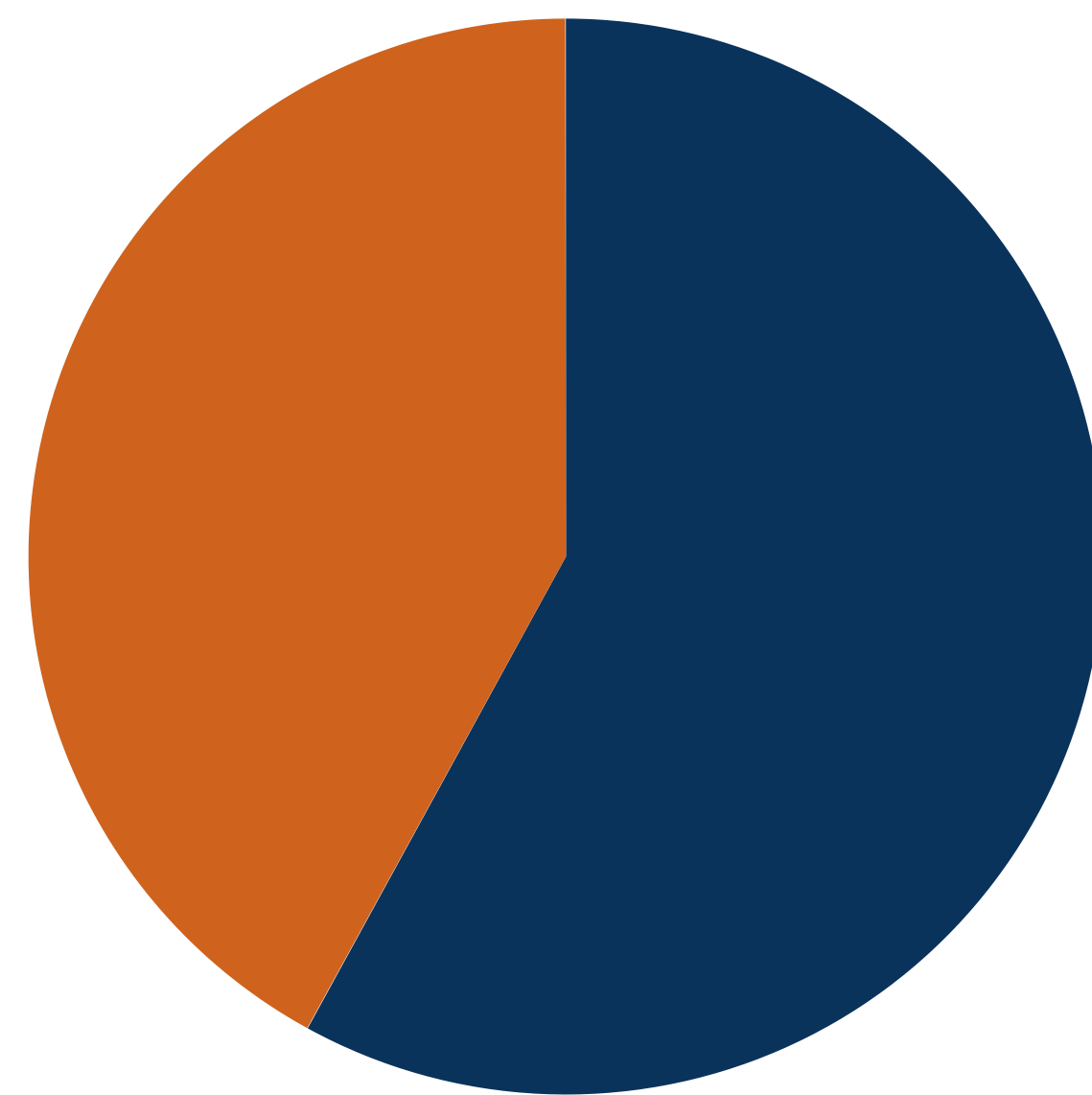
- ■ Sales in the Nordic Region (58%)
- ■ Sales outside the Nordic Region (42%)

Suppliers

In 2022, Galenica purchased services and materials from 428 suppliers. The total purchase expenditure was SEK 92.5 million. 62 suppliers account for 90% of all our purchases.

Of Galenica's purchases in 2022, 42% are product-related purchases and manufacturing. 21% are office and administrative services, such as marketing, HR, legal, or government services, training, and scientific advice. 11% are lab and office space as well as furnishing, while 6% are IT and support systems. 6% are equipment and lab services, such as external labs, analyses, calibration, and equipment maintenance. 5% are third-party storage, 4% raw materials, inputs, and lab- and office-related

consumables. 2% are company cars and 2% transport. Suppliers are located in Sweden (80%), the rest of the Nordic countries (9%), Europe (10%), North America (1%), and Asia (0.2%). If the supplier belongs to a Group, we count the local office from which the purchase was made.

Galenica evaluates its suppliers with regard to quality. Among other things, quality evaluations are done for suppliers that perform external services within the relevant regulatory framework. Critical suppliers are re-evaluated after 18 months from the initial approval. Subsequent evaluations, as well as evaluation of non-critical suppliers, are carried out every three years by Galenica's Quality Department. A supplier evaluation process with regard to sustainability will be developed and implemented in 2023.

Quality management

As a pharmaceutical manufacturer, quality assurance is a prerequisite for our ability to conduct business as well as of great importance for patient safety. For Galenica, quality is about doing the right things, being accurate in our work, and constantly improving.

The development, manufacturing, and distribution of pharmaceuticals are governed by international and national legislation, standards, and guidelines. Our quality management system ensures compliance with regulatory requirements in terms of development, contract development, manufacturing, control, release, distribution, and pharmacovigilance.

We are audited and authorised by the Swedish Medical Products Agency for GMP (Good Manufacturing Practice), GDP (Good Distribution Practice), and GVP (Good Pharmacovigilance Practice). Our quality management is also inspected by customers and partners. The basis of our quality management system is our SOPs (Standard Operating Procedures).

Galenica's SOPs are a set of comprehensive, digitalised documents relating to rules and guidelines for quality and safety. Among other things, they outline laboratory processes, material handling, pharmacovigilance, and other work steps. Our SOPs are regularly and systematically revised. Through our digital platform, our employees are trained in the relevant SOPs regularly and whenever revised.

External organisations and memberships

Galenica has a solid business network and work with actors in academia as well as with industry, patient, and network organisations. This enables us to both contribute to and benefit from valuable knowledge sharing as well as increase our receptiveness to our stakeholders. Galenica also works to support various patient organisations, such as Atopikerna.se (part of the Swedish Asthma and Allergy Association). In addition, we work closely with the industry organisation LIF (the Swedish Association of the Pharmaceutical Industry) and follow the regulatory frameworks of patient- and healthcare-related partnerships (such as LER; the Ethical rules for the pharmaceutical industry in Sweden). Galenica also collaborates with the pharmacies in Sweden and is a member of the Swedish Pharmaceutical Society, which serves as a meeting point, a source of knowledge, and a watchdog for us as a pharmaceutical supplier. Furthermore, Galenica has a collective agreement for all employees, and maintains a continuous dialogue with the employer organisation IKEM (Innovation and Chemical Industries in Sweden).

Our Values

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Our core values

Galenica is a value-driven business whose values shape not only our day-to-day work but also the company's long-term strategy. Our values are captured in our jointly developed core values of Team Spirit, Quality, Competence, and Action. By acting in alignment with our core values, we strive to be a good and sustainable workplace, partner, and societal actor.

Team Spirit

We care about each other, stand up for each other, and work together. We all feel that we belong to the same team striving for the same goal. We help each other, communicate well, and work as a united team. Team spirit is about respecting each other, respecting human rights, and applying a zero-tolerance policy against discrimination.

Quality

To achieve quality, we maintain a good, safe work environment and a transparent approach in accordance with good business practices and current regulations. Quality is also about doing the right things, being accurate in our work, and constantly improving.

Competence

Our strongest competence is our people. To perform at our best, we enjoy our work and have a good work-life balance. Competence further means that we understand the customer, we learn new things, and we deliver.

Action

Our capacity to act enables us to make decisions, take responsibility, and achieve our goals. We stay at the forefront and have clear business and sustainability goals. We take responsibility for being a sustainable employer – today and tomorrow.

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Code of Conduct

In 2022, we launched our Code of Conduct based on our values, policies, and the 10 principles of the UN Global Compact. The Code describes how we work at Galenica and covers our guidelines regarding sustainable work and ethical conduct. It also highlights several policies linked to sustainability and responsible behaviour.

Our Code of Conduct is based on our values and outlines the rules and guidelines we follow when conducting business. The starting point for the Galenica Code of Conduct is the UN Global Compact and its 10 principles. Our Code of Conduct is essential in order to meet the requirements and expectations imposed on us by the world around us. As a pharmaceutical company, it's imperative to work in a forward-looking manner and advocating transparency in the industry. Where we stand in terms of values, professionalism, integrity, and ethical guidelines must be crystal clear to our network.

The Galenica Code of Conduct has been developed jointly by all employees, which we see as a prerequisite for both commitment and effectiveness. The Code clarifies what is expected of all employees as well as our principles and guidelines for conducting sound business. It provides guidance when we make decisions and perform our tasks.

Our Sustainability Strategy

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Stakeholders in focus

We maintain a constant dialogue with our stakeholders in order to listen to and adapt to their expectations, long-term strategies, and external trends. This allows us to develop in parallel with the world around us and maximise the benefits of how we conduct our business. The stakeholder dialogue is an important part of finding partners that share our visions and values.

Our stakeholders

Our business evolves through continuous dialogue with our stakeholders. Our stakeholders include our suppliers, distributors, customers, patients, consultants, employees, owners, stakeholder and industry organisations, and government agencies. We maintain dialogue with our stakeholders through regular communication and through procurements, in-person visits, customer and employee surveys, seminars, and workplace and trade fair events. Our business is regularly evaluated based on our stakeholders' expectations.

Sustainability increasingly important

The topic of sustainability is increasingly highlighted in contact with all stakeholders. Trends in the industry include improved production processes with reduced environmental impact, increased resource efficiency, and high ethical standards. Sustainability initiatives are welcomed by the industry through both incentives and legislation. In order to respond to these trends, we have been expanding our sustainability efforts for years. We see our sustainability performance as a key competitive edge and a prerequisite for long-term profitability.

We note in employee surveys and when hiring new employees that sustainability is important for our employees, owners, and Board. It is also a priority for suppliers, customers, care providers, and stakeholder organisations.

Another priority issue raised in dialogue with distributors, customers, care providers, patients, and stakeholder organisations is the importance of transparency and responsibility for the entire value chain. In order to increase transparency, Galenica, in addition to sustainability reporting, has developed frameworks and processes for evaluating new and existing suppliers based on sustainability criteria starting in 2023.

The quality, efficacy, and ease-of-use of our products are also a priority for our stakeholders. To account for this, we meet with advisory committees comprising independent physicians and nurses, whose advice help inform our strategic decisions and provide support in ongoing projects.

Internal stakeholders

- Sustainability as a competitive edge.

- Sustainable innovation.

- Attractive employer.

External stakeholders

- Transparent value chain.

- Quality, ease-of-use, and efficacy.

- Sustainable products and innovation.

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Our material sustainability issues

Over the past decade, we have had a clear focus on sustainability in the development of our own pharmaceuticals. We make major investments in order to best integrate sustainability as a natural part of our business.

Galenica's sustainability strategy is structured around the areas where we have the most opportunity to influence and where we can actively contribute to sustainable development throughout our value chain. The strategy is linked to stakeholder expectations, Galenica's long-term strategy, our external environment, international objectives, and is based on business objectives that are achieved in stages. Our sustainability efforts are inspired by the Sustainable Development Goals of the UN 2030 Agenda and are based on materiality and relevance analyses in accordance with the SDG Compass. This way, we ensure that Galenica's sustainability work is effective and focuses on material areas where we can have an impact.

Galenica's materiality analysis was done by identifying and analysing the material areas that most affect our stakeholders and us as an organisation, so that we can focus our resources on the areas that are most material to our operations. The analysis involved stakeholder and external analyses as well as the identification of our actual and potential positive and negative impact based on the 2030 Agenda and the 17 SDGs of the UN. Strategic objectives and KPIs were created along with a plan to follow up and report based on our material areas. This includes acting to reduce negative and increase positive impact.

Through stakeholder dialogue and an internal analysis of the impact of our business on people and the environment, we have identified three sustainability areas, along with the following objectives and KPIs, as most material.

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Strategic focus	Strategic objective	KPI	GRI
Social and Ethical work	Advocate competency development.	Hours of training per employee	**404-1**
		Hours of health & safety training per employee	**403-5**
	Promote equality and diversity in the workplace.	Diversity among board directors, leadership, and workforce	**405-1**
		Number of discrimination cases and measures taken	**406-1**
	Sustainable and attractive employer for the future.	eNPS	
Health & Well-Being	Stimulating workplace with a clear health focus.	Sick leave	**403-2**
		Work-related injuries and incidents	**403-9**
	Safe and good work environment.	Employee health, stress level, well-being and satisfaction	
Climate Initiatives		Corruption incidents	**205-3**
	Resource- and climate-efficient operations.	Electricity and district heating consumption	**302-1**
		Water consumption	**303-1**
	Sustainable value chain.	Hazardous / non-hazardous waste	**306-2**
		Supplier mapping of sustainability criteria	**308-1, 414-1**
	Reduce internal climate impact.	Business travel and CO2 emissions	

Sustainability management

Galenica works actively to develop, implement, and advance our sustainability efforts in close collaboration with the organisation. Our Sustainability Policy provides the platform for our work with sustainability. It enables development and improvement, promotes stakeholder dialogue, clarifies processes and division of responsibilities, and allows us to implement a proactive sustainability strategy. Our policy includes the components that Galenica uses to conduct meaningful sustainability operations.

Sustainability reporting

Our sustainability strategy is guided by the 2030 Agenda and is linked to strategic activities carried out annually by the organisation in collaboration with senior management.

From 2022 onwards, we will report on our sustainability efforts every year. Sustainability reporting is an effective tool for evaluating and improving our sustainability performance by analysing our work, as well as for achieving our long-term objectives.

Annual action plans

Galenica's sustainability reporting is based on objectives, action plans, implementation, data collection, and evaluation. In connection with sustainability reporting, responsible managers evaluate our performance for the year and establish action plans to be implemented the following year. The action plans are closely linked to Galenica's sustainability strategy, they align with long-term sustainability goals, and they are approved by senior management. Galenica's stakeholders will be involved in the outcome of the annual action plans as well.

By systematically evaluating our performance, we can raise the bar for our sustainability approach and ensure constant progress.

In order to reinforce our sustainability operations in the organisation, we have a number of governing documents that provide guidelines for our employees with respect to environmentally, socially, and ethically sustainable conduct. Policies are a central aspect of Galenica's operations. Many of our policies are linked to various sustainability areas, and all policies are available to our employees in our employee handbook. Our policies are designed to describe our rules and values as well as clarify the rights and obligations of all our employees.

Selection of policies for sustainable conduct

- Work Environment Policy
- Occupational Rehabilitation Policy
- Alcohol and Drug Policy
- Non-Discrimination Policy
- Equal Treatment Policy
- Competency Development Policy
- Fair Business Practices Policy
- Anti-Bribery Policy
- Environmental Policy
- Travel Policy
- Sustainability Policy
- Galenica Code of Conduct

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The Management Team
- What is sustainability for us?

3 GOOD HEALTH AND WELL-BEING

"My objective as CEO and Founder is to ensure Galenica as a competitive company that keeps up with industry trends and external developments. We will be a sustainable and attractive employer – today and tomorrow – through constant development and clear ambitions. This requires a capacity to act and the alignment of our business strategies with our sustainability goals. As a pharmaceutical company, we are proud to contribute to Goal 3 of the 2030 Agenda, Health and Well-Being, and we aim to do so in the most eco-friendly way possible."

Ronnie Wallin
CEO and Founder

4 QUALITY EDUCATION

"For me, sustainability is something that now permeates all of our lives. Here at Galenica, in the strictly regulated world of pharmaceuticals, efficacy, safety, quality, and sustainability are the four pillars that define our development work. By constantly elevating our expertise and actively choosing renewable and responsibly produced raw materials, we strive to create effective and safe pharmaceuticals without depleting our planet."

Henri Hansson
CSO and Founder

3 GOOD HEALTH AND WELL-BEING

"As CFO, I want to ensure that Galenica has a sustainable business model by making sure that resources are used responsibly, that the company has strong financial procedures, and that the Management Team has a clear strategy for addressing sustainability issues. For me, the third goal of the 2030 Agenda – Health and Well-Being – is a cornerstone for us all to have the drive and commitment to work for the sustainable development of our planet."

Lena Örtenblad
CFO

8 DECENT WORK AND ECONOMIC GROWTH   **5 GENDER EQUALITY**
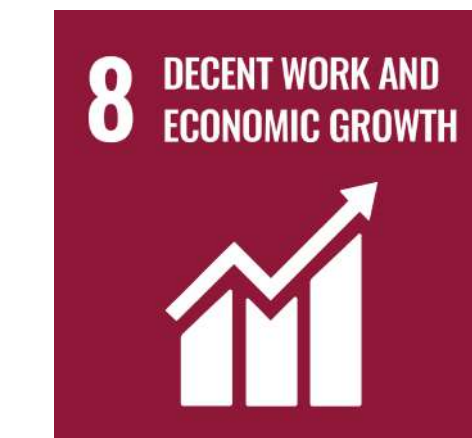
"For me, it's important that we are a sustainable employer that works to ensure a safe work environment, a workplace free of discrimination, and that we provide good working conditions. At Galenica, our employees view sustainability and social responsibility as important issues (8.1 on a 10-point scale). This enables us to place great focus on such issues and thus be an attractive employer for future generations as well."

Christofer Gillborg
Head of Human Resources

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"Galenica's business concept is the development of innovative pharmaceuticals, in which we in R&D are very much involved. Through the pharmaceutical development chain, we use, handle, and consume different types of materials and chemicals. We have established processes for ensuring the health and safety of our employees as well as for the safe handling of residuals and waste. We want to guide our customers in their choice of materials, thereby contributing to a better environment while giving our customers potential competitive advantages."

Kristina Thored
VP Research & Development

"For me, the efficient use of resources is a key aspect of supply chain operations. Manufacturing and transport are resource-intensive parts of our value chain, and we can achieve significant improvements by making conscious choices and by holding ourselves and our suppliers to high standards. Focusing on sustainability allows us to improve our climate impact and our competitiveness."

Mikael Friberg
VP Operations

"With our products, we, along with our customers and suppliers, can make a big difference. In Sweden, physicians prescribe about 1,000 tonnes of emollient cream to patients every year. The creams we develop contain degradable ingredients with less environmental impact. When we communicate this to physicians and patients, we are making a difference."

Joakim Hindemith
VP Sales & Marketing

"For me, sustainability means constantly moving towards a society in which we recognise and care about the people around us, our society, and our shared resources. In my world, it all goes hand in hand. In my role as Director of Quality Assurance, I can contribute to Galenica's move towards more sustainable use of resources through, among other things, focus on quality and ease-of-use as well as digitalisation of our processes and working methods."

Nicklas Helgesson
Director Quality Assurance

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Social and Ethical Work

Our objectives:

- **Sustainable and attractive employer for the future.**

- **Advocate competency development.**

- **Promote equality and diversity in the workplace.**

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Sustainable and attractive employer for the future

Being a sustainable and attractive employer requires conscious recruitment, workplace satisfaction, and personal development. To ensure this, we carry out regular employee surveys that provide us with valuable information.

Conscious recruitment

Through conscious recruitment, we can greatly influence the internal corporate culture and development of Galenica. It is extremely important that we recruit employees who support our core values and align with our corporate culture in order to ensure contribution and well-being in the workplace. In the long term, this provides great opportunities for innovation that benefits the industry and creates patient benefits within the framework of our values.

At Galenica, our Head of Human Resources is responsible for recruitment and employment. Guided by our policies, recruitment is handled by HR in consultation with the relevant managers. All our employees are covered by a collective agreement and Swedish labour law. In order to increase receptiveness to employee issues, our Head of Human Resources is part of Galenica's Management Team.

"It's important for Galenica to be an attractive workplace with competent employees who share our values. This enables us to offer the highest possible expertise, deliver excellent results to our customers, and create an environment in which our employees can thrive."

Christofer Gillborg
Head of Human Resources

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Employment	Women	Men	Total
Permanent employment	43	26	69
Temporary employment	0	1	1

Employment	Women	Men	Total
Full-time employment	41	25	66
Part-time employment	2	2	4

At the turn of 2022/2023, Galenica had 70 employees. All of them work and are employed in Sweden and are covered by a collective agreement through IKEM (Innovation and Chemical Industries in Sweden).
In 2022, all activities were carried out by Galenica employees. All data is obtained from our payroll system.

Employee surveys

We carry out employee surveys at Galenica twice a year. Through these surveys, we gain valuable information about our employees' views of Galenica as a workplace. Topics covered in the employee surveys are both qualitative and quantitative. They include goal fulfilment, motivation, stress management, communication, management, culture, and satisfaction. Responsibility for the employee survey lies with our Head of Human Resources, who, together with the department heads, follows up on the results and implements the necessary action plans. Action plans include activities such as setting up focus groups or carrying out workshops. We strive for an open culture that encourages dialogue in all meetings and conversations. Furthermore, we use KPIs such as employee turnover and eNPS (see p. 26) to gauge the health of the organisation and our workforce.

Employee survey 2022

Category	Score
Goals	8.5
Roles and responsibilities	8.3
Leadership	8.2
Culture and values	8.4
Motivation	8.3
Well-being and satisfaction	8.5

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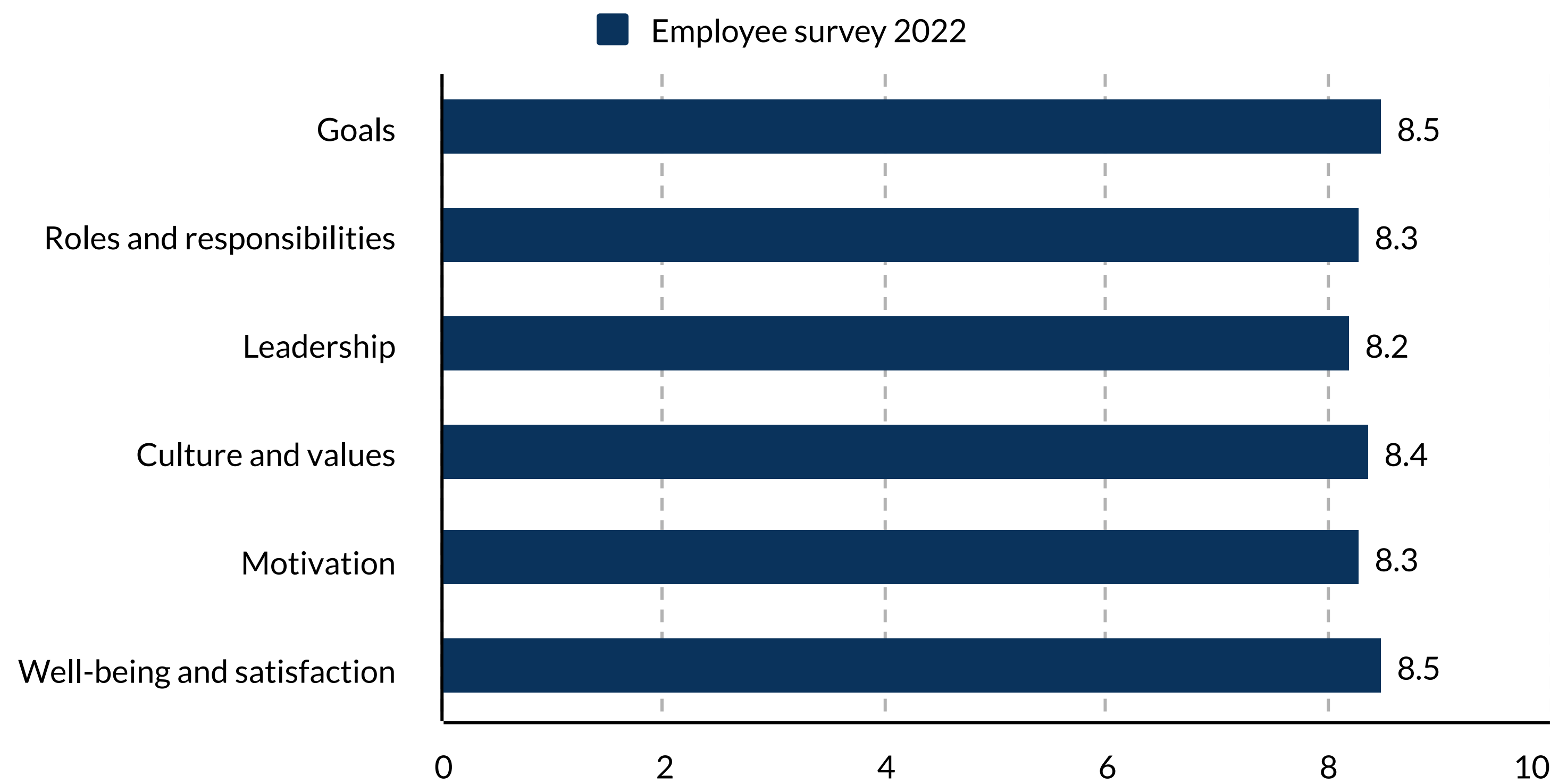
Satisfaction and personal development

One of the focus areas in our strategic agenda is to be an attractive workplace. This includes workplace satisfaction and collaboration, which, according to our biannual employee surveys, are strong attributes of Galenica. We have an informal workplace that is steeped in team spirit and commitment. To further encourage a sense of unity in the organisation, we have a Wellness Committee that organises regular social activities where our employees can get to know each other on a personal level. With team spirit, we have fun and work better together.

Another key aspect of Galenica as an employer is our focus on knowledge and competency development. With Galenica's various assignments and extensive knowledge base, we offer plenty of opportunities for employee development and training. We create a stimulating day-to-day, while offering our customers flexibility and breadth. Workplace satisfaction and personal development are cornerstones for promoting motivation and a sound corporate culture.

The Galenica Code of Conduct sets the tone for how all our employees should treat each other. It covers important topics, such as collaboration, communication, respect, and zero-tolerance against discrimination.

eNPS and our employer brand

eNPS stands for Employee Net Promoter Score. Measured since 2019, this is a metric that reflects how our employees feel about working with us. Using a 1-10 point scale, employees indicate how likely they are to recommend Galenica as an employer to others. The eNPS can range from -100 to +100.

Our eNPS provides us with a valuable indication of employee commitment and satisfaction at Galenica. We are proud to say that our scores have been high – between 27 and 33 – ever since we started measuring in 2019. We can see the score dipping in 2021 – the effects of not having been able to meet regularly for a long time due to the pandemic.

For 2022, the eNPS landed on 28.

Chart legend: ● eNPS   ● Supplier average for employee survey

X-axis: 2019, 2020, 2021, 2022
Y-axis: 0, 25
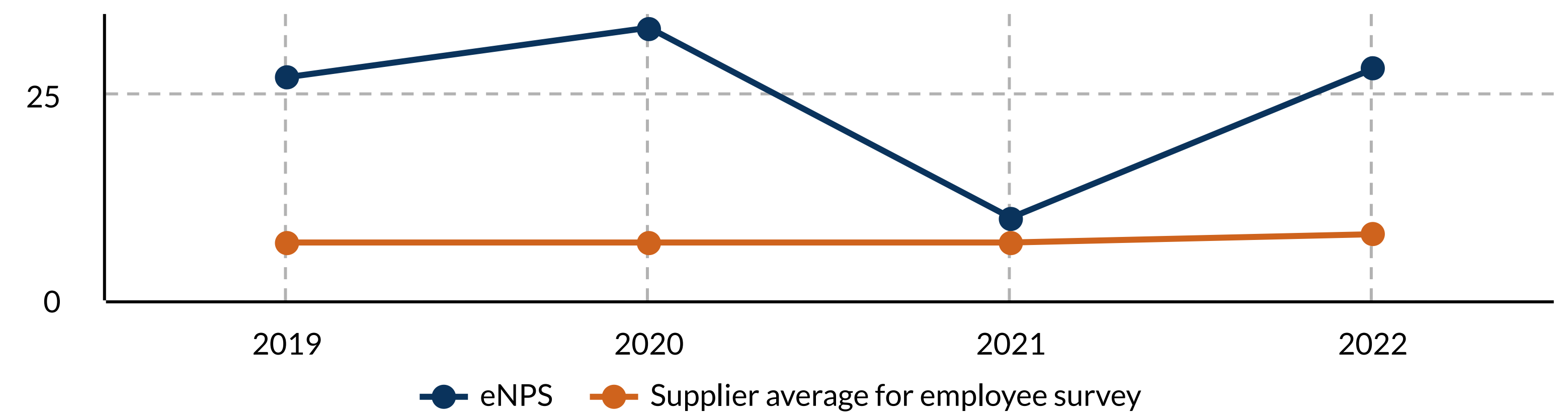
Advocate competency development

Competency development is important for the personal development of our employees and a prerequisite for achieving our common goals and vision.

Competence - Our greatest asset

At Galenica, we run a business with a high level of knowledge and innovation. The range of our assignments places great demands on competence and training. Learning thus becomes a natural part of the work as new substances, processes, and methods are regularly introduced in our projects.

Galenica's approach to training is guided by our Competency Development Policy. We work actively with both internal and external training and strive to empower learning in day-to-day activities.

For years, we have contributed to the research capacity in Sweden by collaborating with various universities. In doing so, we foster development and knowledge in areas that are strategically important to us.

"Competency development is of strategic importance for Galenica's development and competitiveness. It promotes a positive work environment, workplace satisfaction, and motivation, while also contributing to our long-term survival."

Henri Hansson
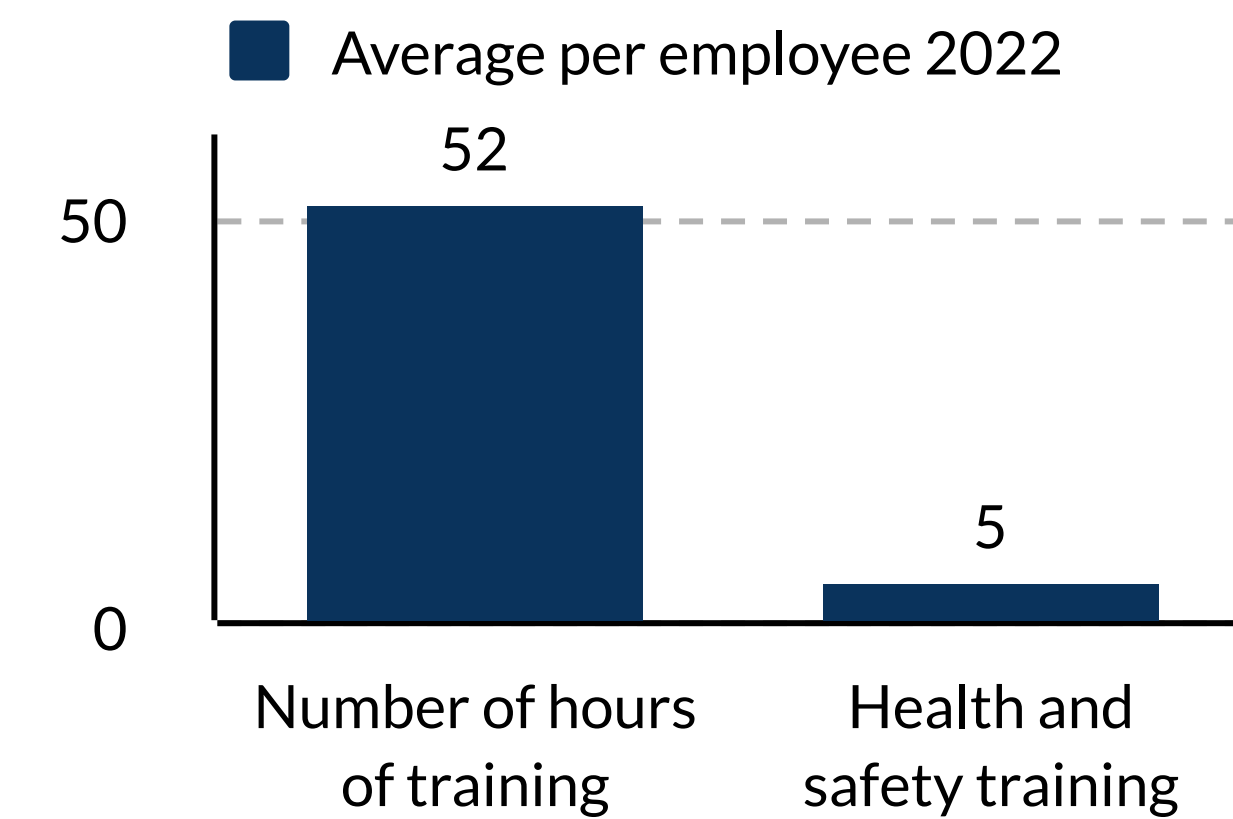**CSO** (Chief Scientific Officer)

Training for quality and safety

As a manufacturer and developer of pharmaceuticals, we strictly adhere to the legal requirements and guidelines we are subject to. We provide GMP, GVP, and GDP training to all relevant personnel in the company as well as new employees, along with supplementary safety training as needed. In 2022, we held an extra two days of training in laboratory safety. We also make sure that our employees receive a thorough introduction through our onboarding plan in connection with new employment or change of position within the company.

Performance reviews

Performance reviews are carried out with all employees in our organisation in order to plan and monitor their competency development.

During these reviews, the employee and his or her immediate superior jointly set competency development goals along with an action plan for the coming year. All competency development must be of high quality and be clearly linked to the company's objectives and strategic agenda. Through performance reviews, we obtain information on how the employees view their development and level of competence. In our employee survey, employees are asked to assess their own competence in their respective work area. In this way, we measure and evaluate the efficiency of our work. As of 2022, internal and external hours of training are followed up annually as part of our sustainability reporting, in connection with which we set goals and action plans to promote competency development.

Number of hours of training in 2022

- Number of hours of training: 3517
- Health and safety training: 360

Average per employee 2022

- Number of hours of training: 52
- Health and safety training: 5
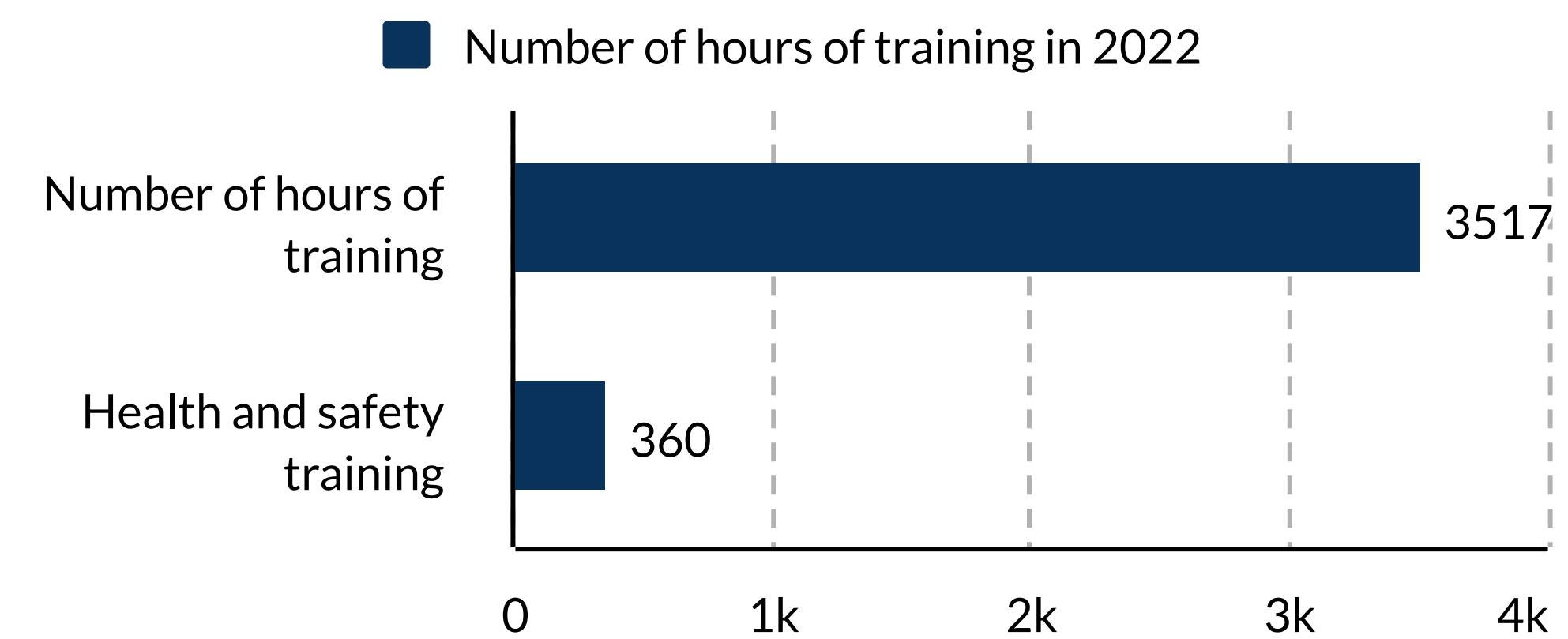
360 hours of health and safety training were completed in 2022. Each employee averaged 5 hours.

A total of 3,517 hours of training were completed in 2022. On average, each employee completed 52 hours. The average for male employees was 37 hours, while female employees averaged 63 hours. The average for an employee in R&D was 70 hours, while employees outside R&D averaged 32 hours.
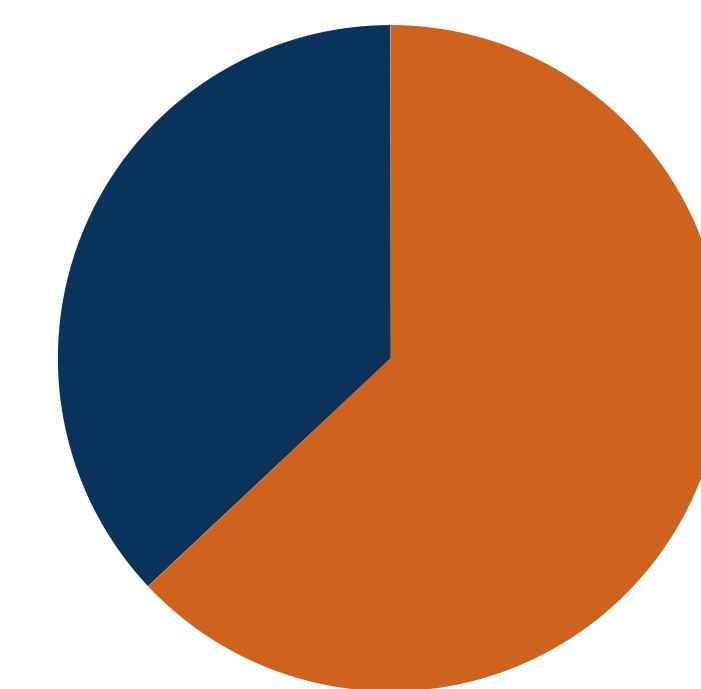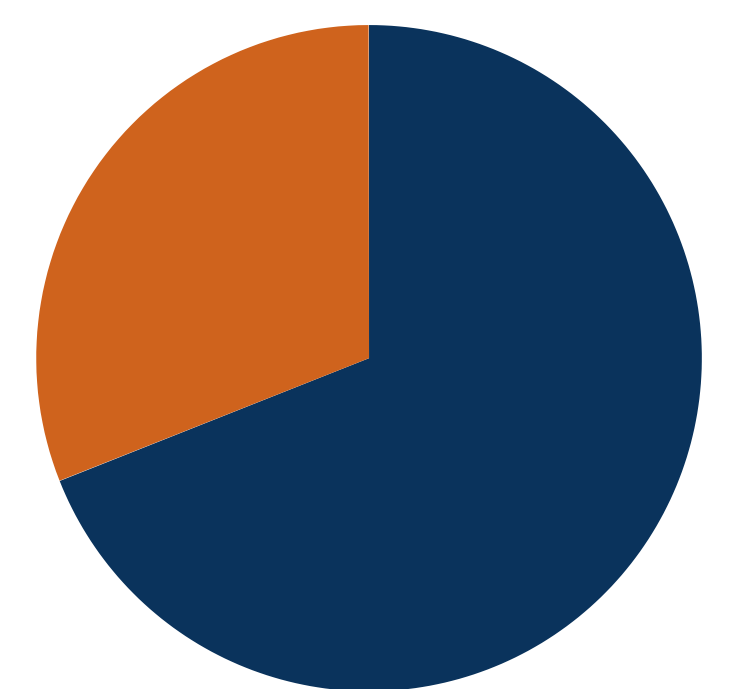
- Women (63%)
- Men (37%)
- R&D (69%)
- Outside R&D (31%)

Promote equality and diversity

At Galenica, we are convinced that diversity and equality are crucial to achieving our objectives and being a good employer – today and tomorrow. We want to empower each other and thrive together in accordance with our core values. It goes without saying that we oppose all forms of discrimination.

One of the goals of the pharmaceutical industry is to create a healthy and meaningful life for people on common, scientific grounds. This is achieved through equal treatment of both employees and external parties. We value the diversity of our employees and believe that our results improve if we have dynamic teams where we can utilise everyone's full potential, creativity, and uniqueness. Our policies for equal treatment and non-discrimination form the basis for our equality work. Mandatory for all employees, our Code of Conduct further emphasises these policies. Every one of our policies applies in the workplace, in professional and training situations outside the workplace, and in connection with applying for work or training.

Our Equal Treatment Policy covers equal treatment in terms of wages, employment terms, working conditions, recruitment, and parenthood. Furthermore, we have a Non-Discrimination Policy that specifies goals and guidelines for our conduct within Galenica and provides guidance on how our employees should act in cases of discrimination. Presently, cases of discrimination can be reported anonymously in connection with our biannual employee surveys or through direct contact with our Head of Human Resources or the relevant immediate superior.

As of 2023, a whistleblower function will be implemented for anonymous reporting of discrimination, among other things.

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Employees
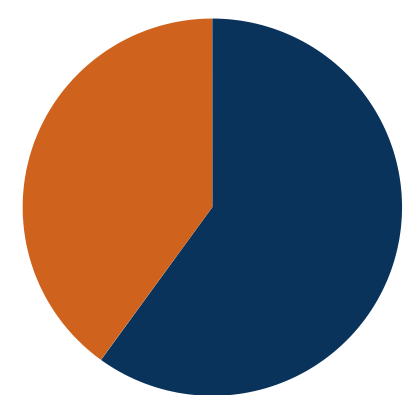
- ■ Women (60%)
- ■ Men (40%)
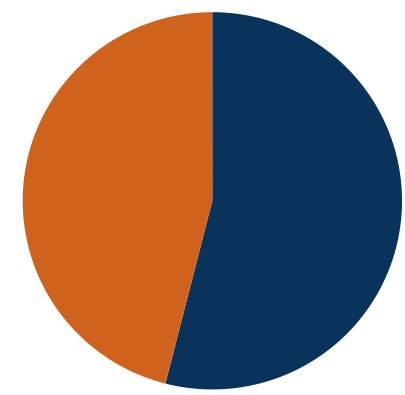
- ■ R&D (54%)
- ■ Outside R&D (46%)
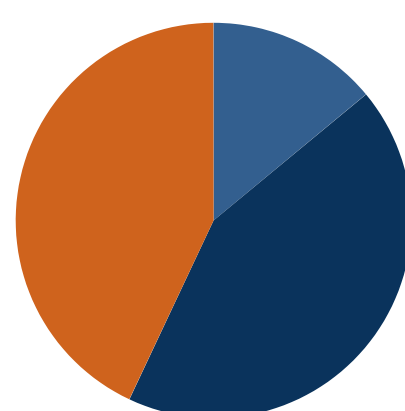
- ■ 0 - 30 years (14%)
- ■ 30 - 50 years (43%)
- ■ 50 + years (43%)

Managers
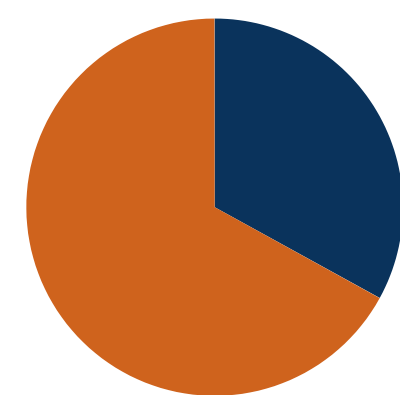
- ■ Women (33%)
- ■ Men (67%)
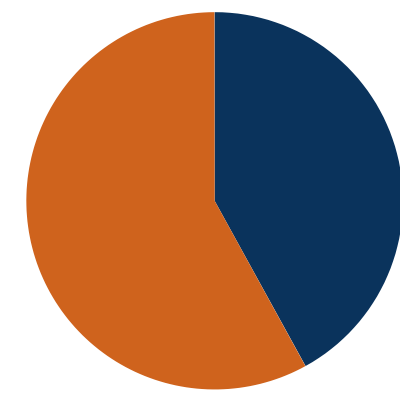
- ■ R&D (42%)
- ■ Outside R&D (58%)
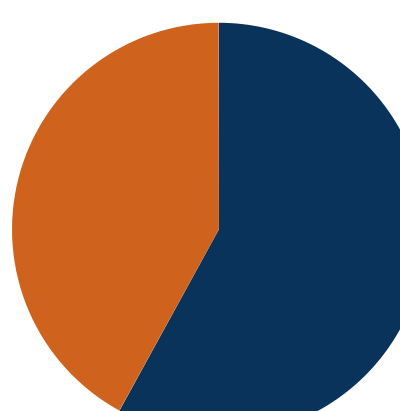
- ■ 30 - 50 years (58%)
- ■ 50 + years (42%)

Management Team
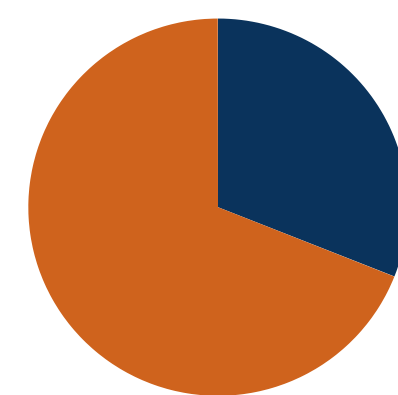
- ■ Women (31%)
- ■ Men (69%)
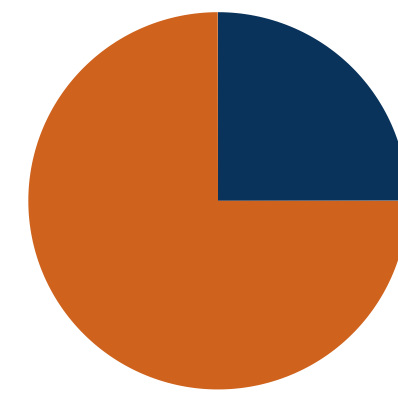
- ■ R&D (25%)
- ■ Outside R&D (75%)
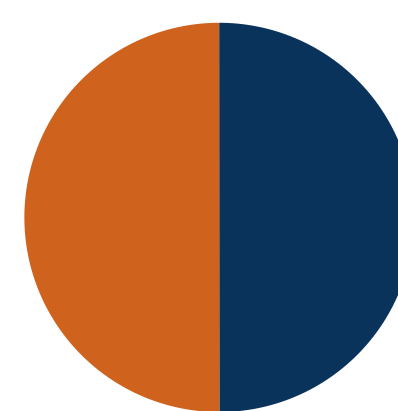
- ■ 30 - 50 years (50%)
- ■ 50 + years (50%)

Responsibility for equal treatment and non-discrimination

Galenica takes its responsibility to comply with laws and regulations and to carry out effective activities for equal rights and opportunities in the workplace very seriously. Our managers are responsible for creating well-composed and dynamic teams, and all employees must act in accordance with our policies and Code of Conduct. Our Head of Human Resources is responsible for ensuring that we achieve our equality goals.

If an issue of discrimination is raised, the employer is responsible for initiating a confidential, objective, and thorough investigation as well as ensuring that the discrimination stops. The investigation is conducted according to the procedures outlined in our Non-Discrimination Policy and is mainly handled by the relevant managers and/or HR.

In addition to following up on specific cases, follow-up is also done through our employee surveys, where employees can report cases of discrimination and HR can monitor the level of workplace satisfaction at Galenica. To monitor our equal treatment efforts, KPIs such as age span, salary levels, and gender distribution are reported monthly in a KPI report. As part of our new sustainability management system, the Head of Human Resources will actively monitor and work with KPIs and qualitative metrics on an annual basis.

■ Cases of discrimination 2022*
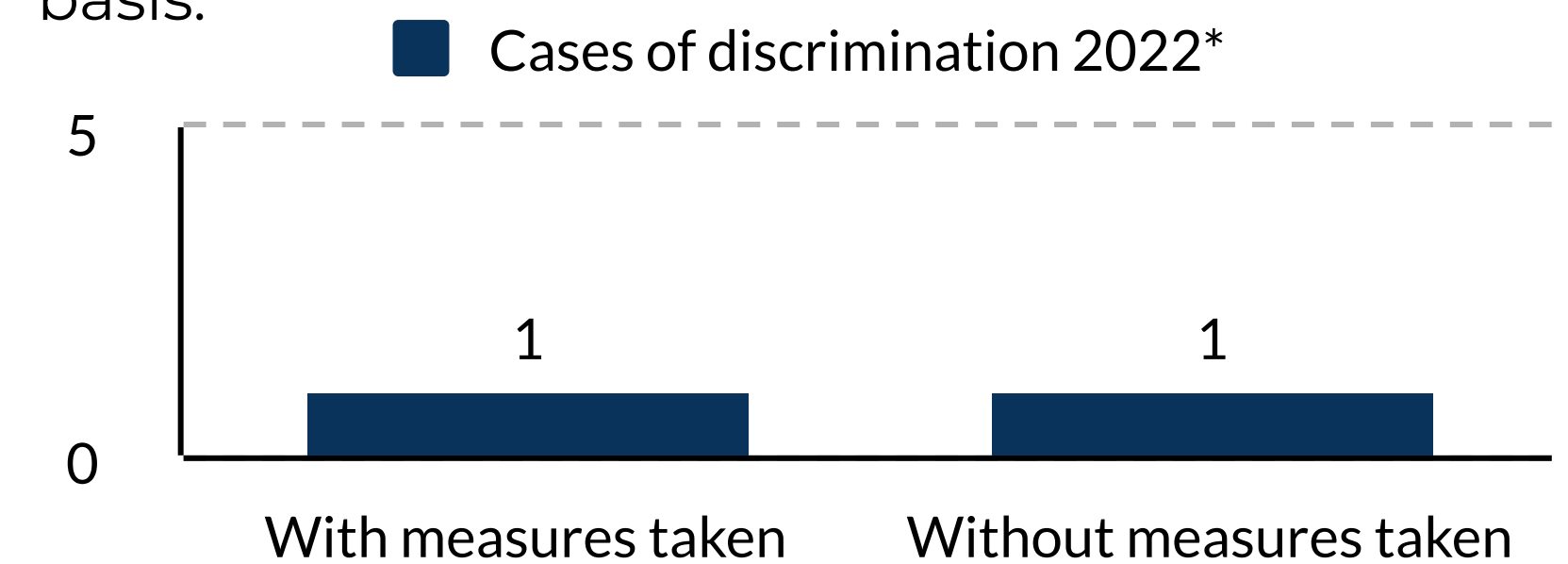
* In both cases in 2022, an employee saw another employee being discriminated against and reported this in the employee survey. One case has been communicated to HR, while the other case is still unknown due to anonymity, despite attempts to investigate it. The known case has been communicated to the employee's superior as well as said superior's manager, and a plan for greater involvement has been produced.

Health & Well-Being

Our objectives:

- **Stimulating workplace with a clear health focus.**

- **Safe and good work environment.**

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Stimulating workplace with a clear health focus

At Galenica, we want to create a physically, mentally, and socially sound workplace that is stimulating and that gives our employees job satisfaction, a sense of security, and opportunities to influence their own work. In addition, we want our workforce to have a healthy work-life balance, with plenty of energy to enjoy their personal lives once they leave the workplace.

To ensure a good work environment, we strive to promote health and social well-being. We are connected to an occupational health service that is available to all employees. Every three years, we offer an optional health check-up through this health service. In connection with their check-up, employees complete a questionnaire on their social and physical work environment, which is used by HR to evaluate our work with health and safety. In the event of physical or mental illness, our goal is for the employee to be able to return to work as soon as possible, in accordance with our Occupational Rehabilitation Policy.

Galenica's aim is to work with health-promoting activities in a preventive and systematic manner. Among other things, employees have carried out CPR training during the year.

For the past two years, in order to promote physical activity, we have offered membership in a health app that encourages activity and provides personal coaching. Our Wellness Committee organises social activities to foster a sense of community and security in our organisation.

In addition to the questionnaire from our occupational health service and our continuous dialogue with employees, follow-up takes place through our biannual employee survey. The survey lets employees assess their work environment, health, and stress level. These KPIs are also followed up annually by our Head of Human Resources in connection with sustainability reporting, in order to improve health and satisfaction in the workplace through goals and action plans.

Employee survey 2022

- Personal health: 7.7
- Stress prevention: 7.9
- Well-being and satisfaction in the workplace: 8.5
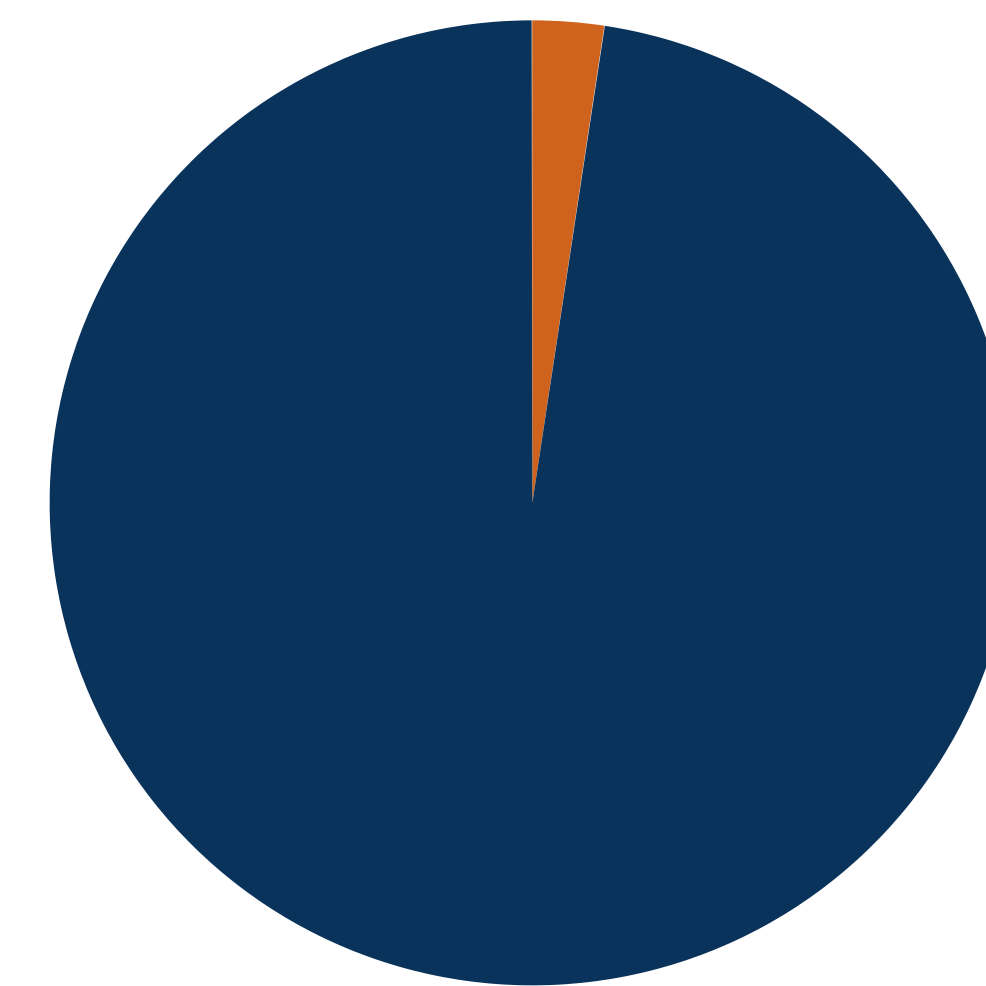
- Sick leave (2.4%)
- Attendance (97.6%)

In 2022, sick leave was 2.4%, counting 1-14 days of illness. All Galenica employees are included in the KPI.

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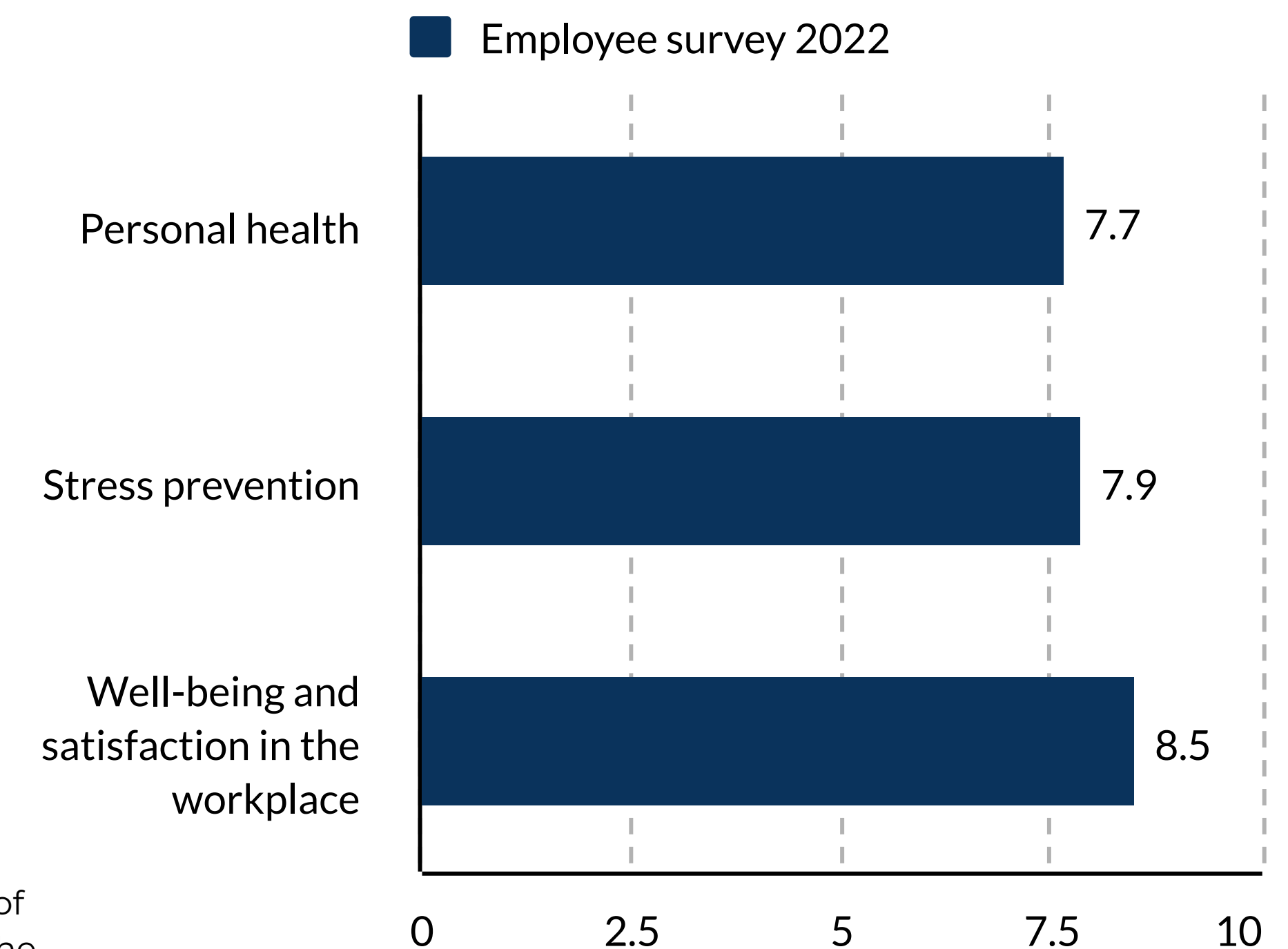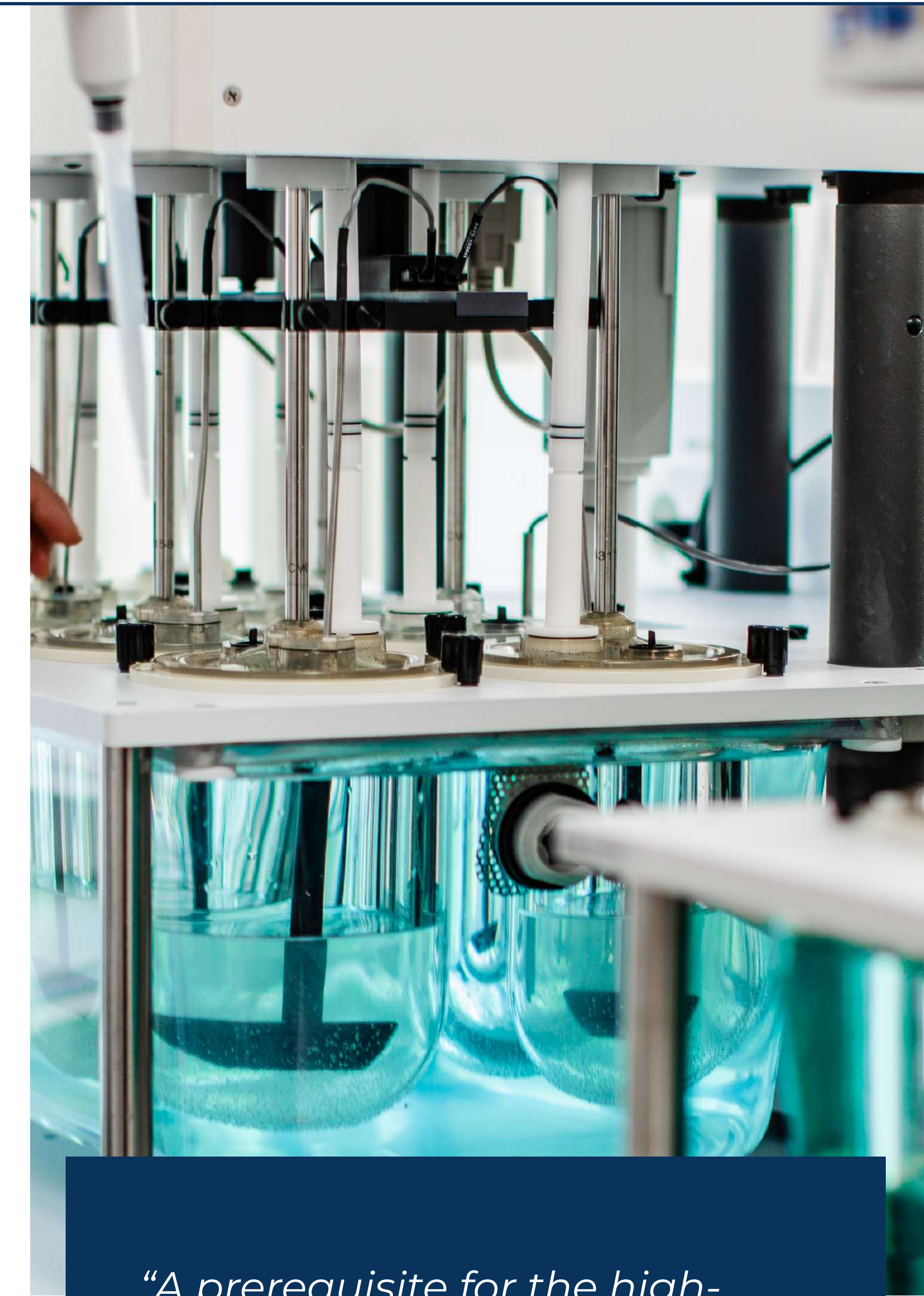
Safe and good work environment

At Galenica, we want to promote patient health without compromising the health of our employees. We must offer a safe workplace, where the risk of work-related injuries and ill health are actively prevented.

Systematic work environment management

Our internal work environment must meet the requirements of the Swedish Work Environment Act, the Swedish Work Environment Ordinance, and the regulations of the Swedish Work Environment Agency. To achieve this, we have a Work Environment Policy that guides our efforts and covers all our employees. Our systematic work environment management is a continuous process based on the four stages of investigating, risk-assessing, remedying, and inspecting.

"A prerequisite for the high-quality work that characterises Galenica is that our employees are safe in the workplace. Since many of our employees perform laboratory work involving exposure to chemicals and advanced equipment, we place major emphasis on safety procedures."

Christofer Gillborg
Head of Human Resources

Our Safety Committee

Galenica's Safety Committee, composed of our Safety Officer, managers, Head of Human Resources, and CEO, meet 4–5 times a year to discuss safety issues. The participation of our heads of department is crucial, as they have personnel responsibility in the most risk-filled areas of our operations. The Safety Committee is responsible for the annual safety inspection, where our work environment is reviewed and evaluated together with relevant managers. Employee input is encouraged, both during the safety inspection and in day-to-day activities. Furthermore, regular training is provided through our SOPs and systematic fire safety management. In 2022, additional laboratory safety training was completed by the relevant employees working in our lab.

Decisive response to incidents

In the event of an incident that caused or could have caused harm to an employee, an incident form is filled in. We then have procedures for how the manager, in consultation with the Safety Officer and HR, should handle the matter. Our goal is for incidents to lead to preventive measures whenever such measures are needed. Each employee is responsible for participating in work environment efforts and to inform his or her immediate superior about any identified risks. While our CEO is ultimately responsible for the work environment at Galenica, each manager is responsible for actively managing the work environment. In 2022, 6 incidents (could have caused harm) were reported, 0 of which resulted in serious injury. Anonymous reporting through our whistleblower function will be expanded in 2023.

Employee survey

We always strive for an open dialogue, where employees can share any feedback they have. In connection with our biannual employee survey, employees are asked to assess their work environment. This metric is used to evaluate our efforts and determine any need for further action. We monitor KPIs, such as incidents and sick leave, and take firm action whenever necessary. We work systematically with follow-up, goals, and action plans to ensure a safe and secure work environment. In the 2022 employee survey, when asked whether they work in a safe physical environment, our employees rated it 8.3 out of 10.

6

6 incidents (could have caused harm) were reported in 2022, 0 of which were serious. Our goal is <10 incidents/year, of which 0 incidents of a serious nature.

■ Employee survey 2022

Employee work environment — 8.3

| 0 | 2.5 | 5 | 7.5 | 10 |

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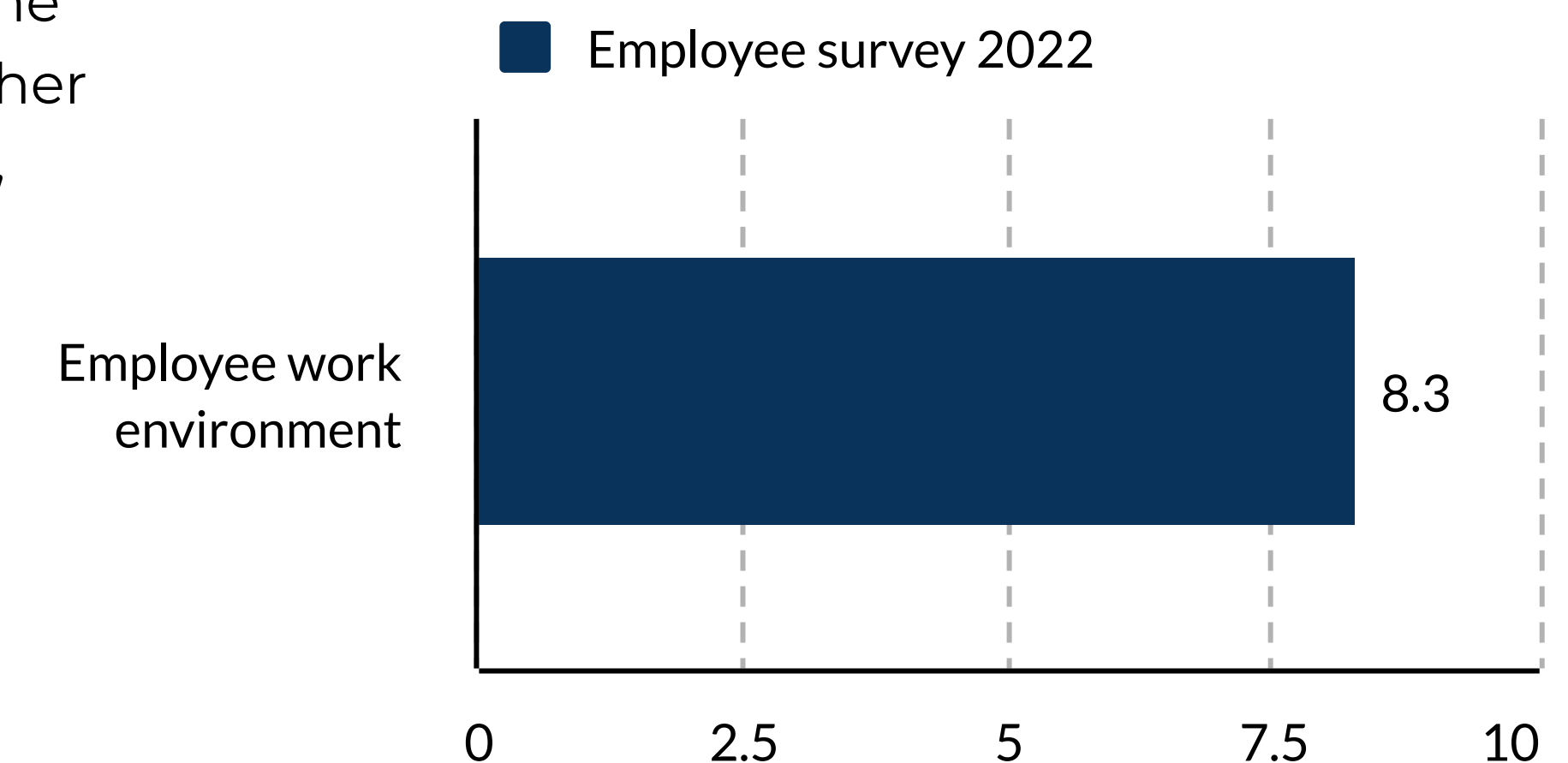
Climate Initiatives

Our objectives:

- **Resource- and climate-efficient operations.**

- **Reduce internal climate impact.**

- **Sustainable value chain.**

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Resource- and climate-efficient operations

As a manufacturing company in the pharmaceutical industry, it is important that we are aware of our environmental risks and act with care. We endeavour to use environmentally friendly resources in a careful and efficient manner. At the same time, we seek to minimise the direct environmental impact of our operations in the form of emissions into air and water. Environmental aspects are not just a matter of protecting our planet, but a basic prerequisite for Galenica to be an attractive employer and business partner in the long term.

"At Galenica, we work hard to achieve resource- and climate-efficient operations. We have purposeful governing documents in place, along with KPIs to gauge current status and progress."

Kristina Thored
VP Research & Development

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Environmental Policy

Our Environmental Policy provides the framework for our environmental work. The policy explains how our employees should act in order to conserve natural resources and minimise the negative impact of our activities. It particularly covers materials and chemicals, energy, waste, and business travel. Every employee is personally responsible for acting in accordance with our Environmental Policy. Our CEO is responsible for the policy and ensures that it is relevant and up-to-date with regard to developments in the company, the industry, and the outside world.

Materials and chemicals

The materials used in our operations have a direct impact on people and the environment. By considering the impact of the material during manufacturing, use, and disposal already at the procurement phase, we can take climate-smart action and reduce our negative environmental impact. To reduce environmental impact, we encourage the use of recycled and renewable materials. For safety and regulatory reasons, the ability to use recycled materials in our pharmaceuticals is limited. We are careful to handle chemicals with proper care in accordance with applicable SOPs, material regulations, and our quality system. We always strive for material efficiency, for example, by buying the minimum quantities possible and minimising spills.

Water consumption

As a manufacturer, as well as company with lab activities, we need to use water responsibly in order to optimise the use of nature's resources. At Galenica, we use water in both our lab and production. Established procedures in accordance with current regulations and directives ensure that our wastewater has minimal impact on our surroundings and local ecosystem. Purchases of chemicals are classified according to the CLP Directive, and a waste management strategy is always established.

Solutions with active pharmaceutical substance from production, toxic/hazardous substances, and solutions containing organic solvents are collected in containers and handed over for disposal. Diluted solutions as well as water from washing dishes go down the drain system. Where applicable, the pH of solutions is neutralised before discharge into the drain system. The quantity of active substances discharged is recorded in the company's chemicals register.

* At present, we only have standardised data on water use. The landlord has access to data for the entire Medeon premises, whereupon Galenica's share is calculated as a percentage based on the size of its space.

■ Water use in cubic meters*

Year	Water use
2022	1 874
2021	2 376

(chart axis: 0, 500, 1000, 1500, 2000, 2500, 3000)

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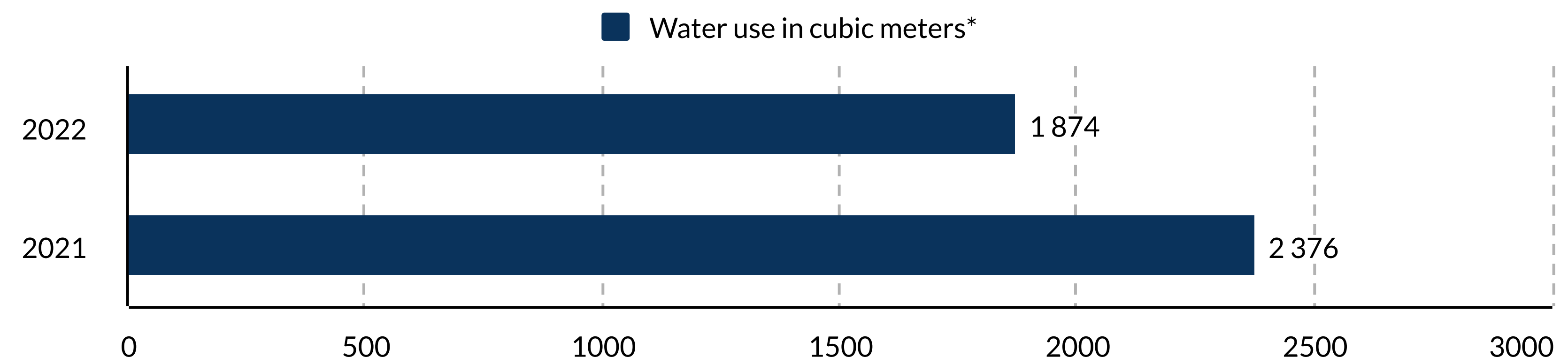
100% renewable energy

Through our commitment to using 100% renewable electricity and 100% renewable or climate-neutral heat, Galenica has laid a solid foundation for environmentally friendly energy use. At the same time, we strive to reduce our energy use by encouraging our people to, for example, turn off equipment when not in use and only using LED lights in our premises. Our energy consumption is directly affected by which projects are active, as many of our projects require energy-intensive equipment, such as dehumidifiers and ventilation units. This results in a lower limit on energy use. In recent years, we have completed several initiatives for energy efficiency.

In 2020, Galenica moved its offices to a newly built green building with Gold Certification according to the Swedish Green Building Council certification system. This means that 44% of our activities are carried out in premises with best-in-class energy performance.

Waste

We work proactively to reduce waste quantities. Any waste generated by Galenica's activities is handled with the aim of not jeopardising the environment or human health. We apply the waste hierarchy to primarily reuse and recycle our waste. Our safety SOPs carefully regulate our management of hazardous waste and spills. Hazardous waste is placed in sealed bags and hazardous waste containers and is incinerated according to safety regulations by our external supplier. This applies to special solvents, lab chemicals, lab waste, and infectious waste. The aim is to prevent hazardous waste from reaching the environment and living organisms.

*At present, we only have standardised data on conventional waste. The landlord has access to data for the entire Medeon premises, whereupon Galenica's share is calculated as a percentage based on the size of its space.

For Galenica, it is important to provide good conditions for the recycling of conventional waste, such as plastic, paper, and cardboard. Both our buildings at Medeon have clearly marked containers for waste sorting. With our sorting stations, we strive to make it just as easy to sort by source as it is to choose the container for combustible waste. Furthermore, our landlord provides good facilities for deposit of our sorted waste that include both a waste room and a waste sorting room.

■ Hazardous/Non-hazardous waste in kg 2022

Hazardous waste	3 696
Non-hazardous waste	5 411

(axis: 0, 2.5k, 5k)

■ Waste in kg 2022*

Cardboard	2 351
Waste paper	1 613
Glass	685
Plastic	623
Metal	139

(axis: 0, 2k)

■ Electricity consumption in kWh 2022

| Electricity consumption | 576 010 |
| District heating consumption | 489 623 |

(axis: 0, 250k, 500k)

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Reduce internal climate impact

Taking responsibility for the value chain also involves reducing our internal climate impact. In addition to working environmentally sustainable in our production and lab, we work actively to reduce our everyday climate impact.

We create conditions for climate-smart choices

We want to make it easier for our employees to make sustainable decisions in their day-to-day activities and ultimately reduce our internal climate impact. Therefore, we create the basic conditions for climate-smart action by having clear internal governing documents and policies. These include our Environmental Policy, Sustainability Policy, and Business Travel Policy. In addition, Galenica's environmental management is audited annually by the Environmental Administration in Malmö.

> *"In order to reduce our internal climate impact, it must be easy to make sustainable decisions in our day-to-day activities. Among other things, this requires clear environmental management and a focused framework for sustainable business travel."*

**Lena Örtenblad
CFO**

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Environmental management

Galenica's activities are reported annually to the Environmental Administration of the City of Malmö. The purpose of this is to describe the environmental footprint of our operations and production. Galenica reports on, for example, production volume, raw material quantities, operational control and maintenance, downtime and accidents, raw materials and energy consumption, chemicals, and waste. The report includes metrics and reported data from the past year.

In addition, Galenica's environmental management encompasses our Environmental Policy and actively working with its set goals as part of our sustainability efforts. The managers responsible for each environmental goal in our Environmental Policy and sustainability strategy evaluate and manage our environmental work by compiling results and setting goals and

action plans on an annual basis. These are approved by the Management Team, whereupon each responsible manager implements the action plans over the year. This allows us to improve over time, in line with our sustainability goals. The metrics monitored in sustainability management are both quantitative and qualitative.

Sustainable business travel

Our work to reduce our internal climate impact includes reducing impact from business travel. We avoid unnecessary travel and advocate public, environmental means of transport. At the same time, we prioritise providing technical solutions to enable digital, travel-free meetings of high quality. All travel is regulated by our Business Travel Policy, for which our CFO is responsible. In 2022, the policy was revised to include more stringent requirements for eco-friendly travel.

Through our Business Travel Policy, we monitor, among other things, the eco-labelling of hotels, choice of transport, kilometres travelled, and CO2 emissions. Thus we can monitor the environmental impact of our business travel and implement any necessary changes.

Starting in 2022, we keep statistics on the CO2 emissions linked to our business travel as well as the number of business trips per means of transport.
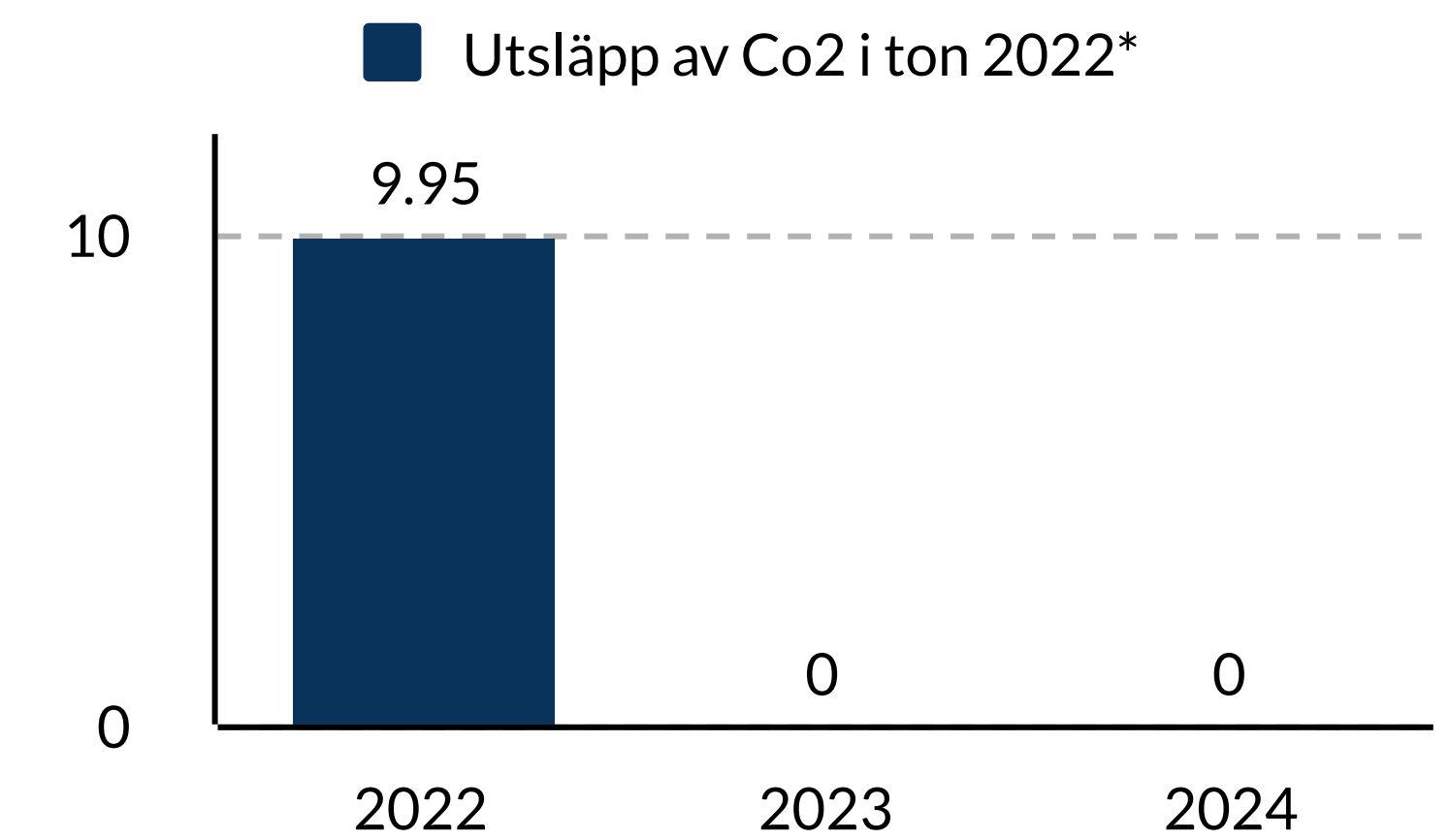
* Emissions have been calculated according to:
Train: SJ's measurement of actual traffic 2019
Flight: SAS Annual Sustainability Report – fiscal year 2019
Bus: The Greenhouse Gas Emissions from Commercial Bus Traffic Report (*Växthusgasutsläpp från kommersiell busstrafik*), data for 2019
Car: The Swedish Transport Agency, Average CO2 emissions new cars 2021
Boat/Ferry: Emissions calculation of klimatsmartsemester.se

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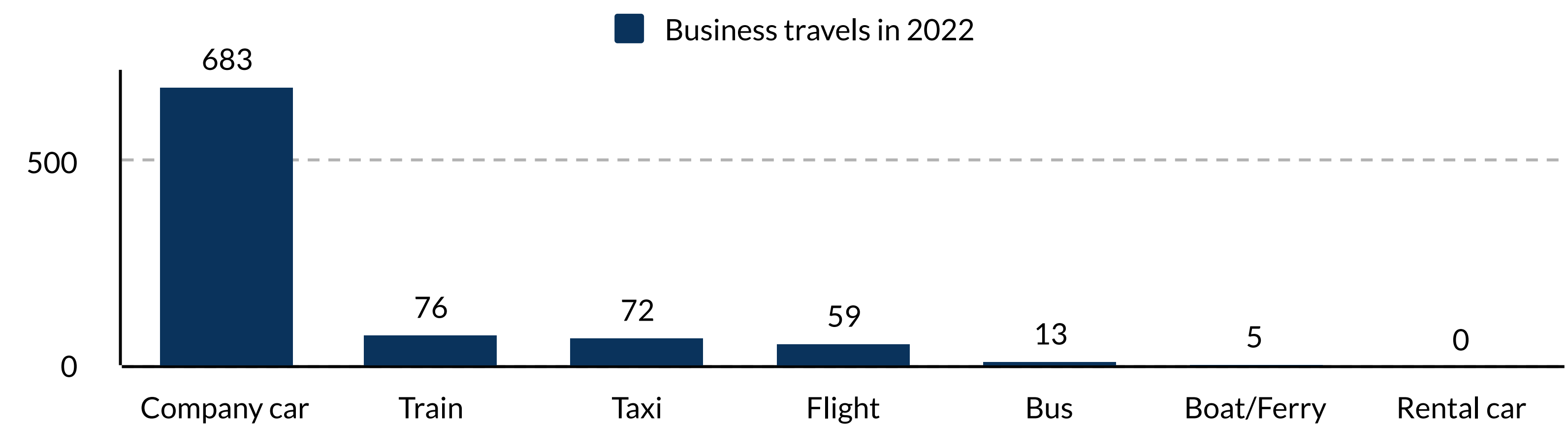
Sustainable value chain

In order to provide a sustainable offering, we need to ensure that other actors in our value chain share our approach to sustainability issues. Through Galenica's upcoming supplier evaluation based on social, ethical, and environmental principles, we can do our very best to ensure that our suppliers have a well-developed sustainability programme.

Evolve together with our stakeholders

Through our evaluation of new and existing suppliers, we will obtain information about their sustainability risks, which, eventually, also become our sustainability risks. We can demand that our suppliers address sustainability risks just like we do – through well-integrated sustainability strategies and management. The supplier evaluation enables dialogue with our stakeholders on sustainability issues, which we view as an opportunity to drive change and work together for a sustainable industry.

"We want to make sustainability a competitive edge together with our stakeholders. To reduce our total environmental impact, we want to hold our suppliers to the same standards as we hold ourselves."

**Mikael Friberg
VP Operations**

![GALENICA]

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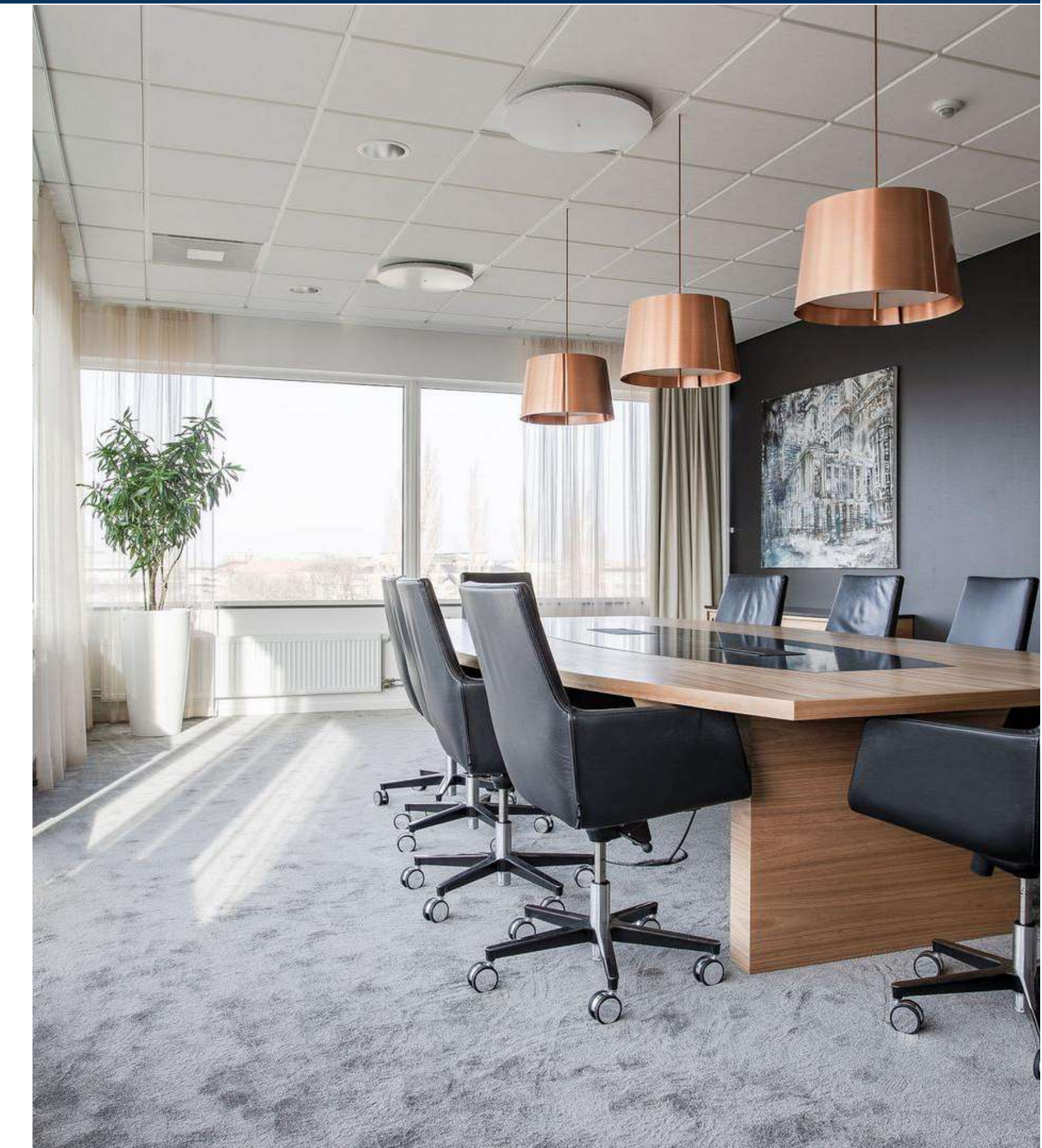
New Supplier Policy

To achieve maximum patient safety and quality, Galenica has long had extensive procedures for evaluating suppliers' quality management, both through legal requirements and through audits carried out by Galenica's Quality Department. Nevertheless, it is important that we have a strategy for evaluating suppliers based on social, ethical, and environmental aspects within the scope of our work with sustainability. In 2022, we executed important actions to develop processes for the evaluation of new and existing suppliers, which resulted in a new Supplier Policy and Supplier Code of Conduct. Our Supplier Policy applies to all Galenica's suppliers and all purchases made on behalf of Galenica. The policy, along with the systematic evaluation of suppliers, will come into force in 2023.

Supplier Code of Conduct

Our Supplier Code of Conduct will be implemented in 2023, outlining the requirements and expectations we impose on our suppliers when it comes to their sustainability approach. Galenica's Supplier Code of Conduct is based on our internal Code of Conduct, our values, policies, and the 10 principles of the UN Global Compact. Our Supplier Code of Conduct covers non-discrimination, human rights, forced and child labour, work environment, occupational rehabilitation, fair business practices, anti-corruption and bribery, wages and collective bargaining, freedom of association, and requirements for active environmental and sustainability efforts. It also clearly explains our process, framework, reporting, and monitoring.

Risks in the value chain

To focus our measures on the most critical suppliers and maximise the impact of our work, we use a framework that categorises suppliers based on the level of risk of negative environmental and human impact. The framework rates the importance of greater transparency of the supplier's work with sustainability based on the supplier's risk and materiality. If we assess that a supplier has extensive sustainability risks given its industry or geographical location, we want greater insight into how the company addresses such sustainability risks. We use Amfori BSCI's Countries' Risk Classification for geographical risk assessment. The framework is also based on materiality. We want greater insight into the activities of suppliers that are strategically important to Galenica or that we use to a large extent. The sustainability risks of these suppliers can have significant impact on us as a customer, while, at the same time, we are better placed to drive change with these suppliers.

RISK

| MEDIUM PRIORITY | HIGH PRIORITY |
| LOW PRIORITY | MEDIUM PRIORITY |

MATERIALITY

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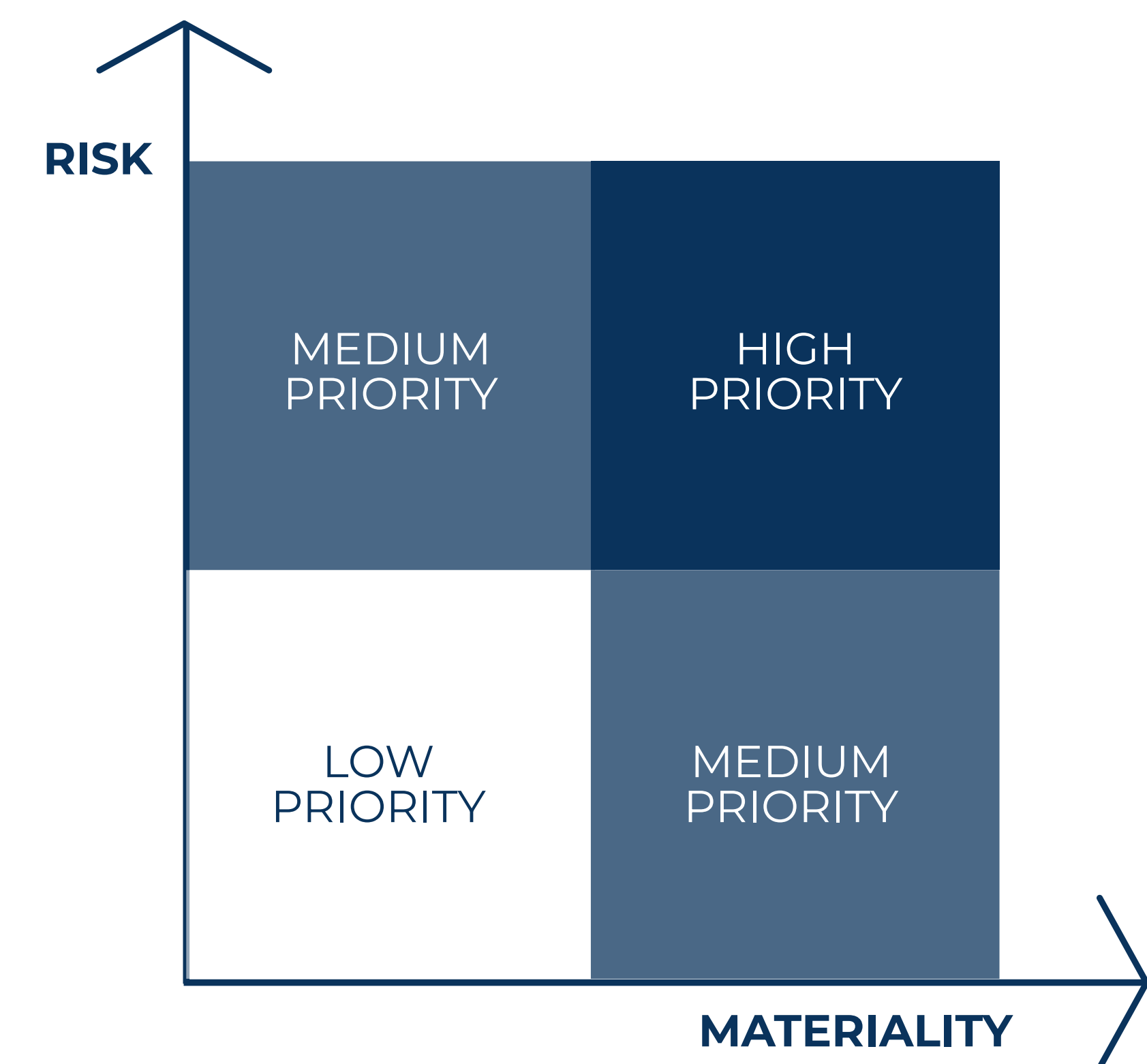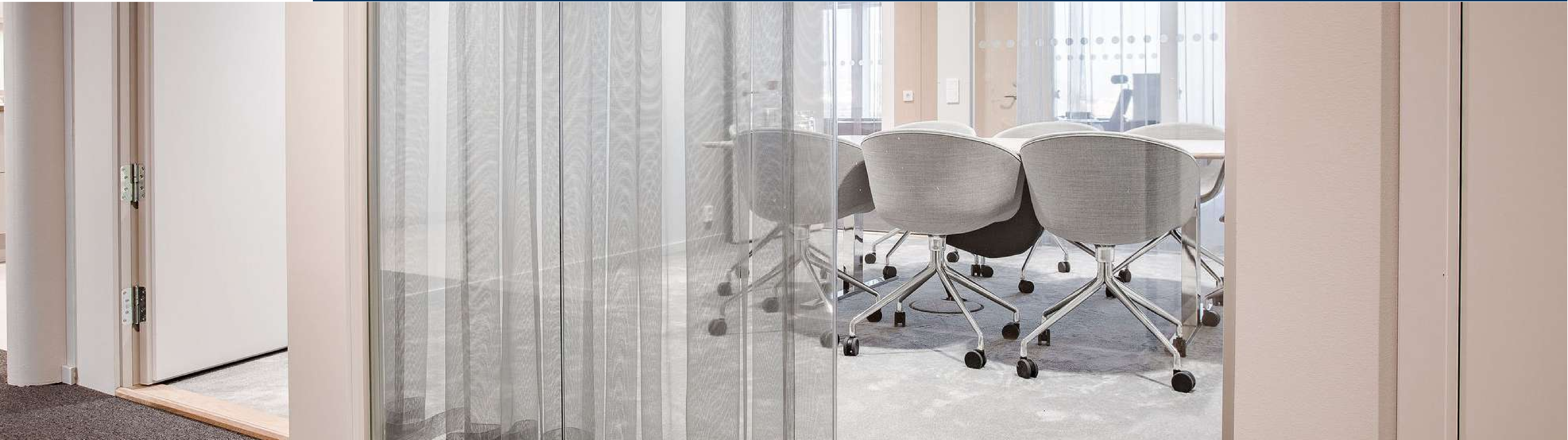
Evaluation process

As of 2023, in accordance with our Supplier Policy, we will apply our procedures to the evaluation of all new suppliers as well as all suppliers used in 2022. The evaluation is carried out according to the following process.

1. Priority assessment

The supplier's priority is assessed using our risk and materiality framework, whereupon it is assigned low, medium, or high priority. If the supplier is assigned low priority, it will be used without further action.

2. Self-assessment form

If the supplier is assigned medium or high priority, more insight into the supplier's work with sustainability risks is required. A such supplier is asked to fill in our digital self-assessment form. The form is based on our Supplier Code of Conduct and provides us with information on how the supplier addresses sustainability issues. If the supplier's answers are satisfactory, it is approved. If not, we examine whether the supplier can be replaced or establish an improvement plan together with the supplier.

3. Improvement plan

If the supplier demonstrates inadequate sustainability performance but cannot be replaced, we communicate our concerns to the supplier. We then propose an improvement plan in consultation with the supplier. The supplier can be used while the improvement plan is being implemented.

In order to identify any non-evaluated suppliers, monitor suppliers that have improvement plans, and revise initial materiality assessments, we also carry out an annual check of our suppliers. This involves reviewing all suppliers and sending self-assessment forms to those who need to provide updated information on their sustainability approach.

Starting 2022, we annually follow up the share of new suppliers evaluated based on sustainability criteria. In 2022, our suppliers were evaluated based on quality criteria and current legal requirements, but not based on sustainability criteria.

1 PRIORITY ASSESSMENT > 2 SELF-ASSESSMENT FORM > 3 IMPROVEMENT PLAN

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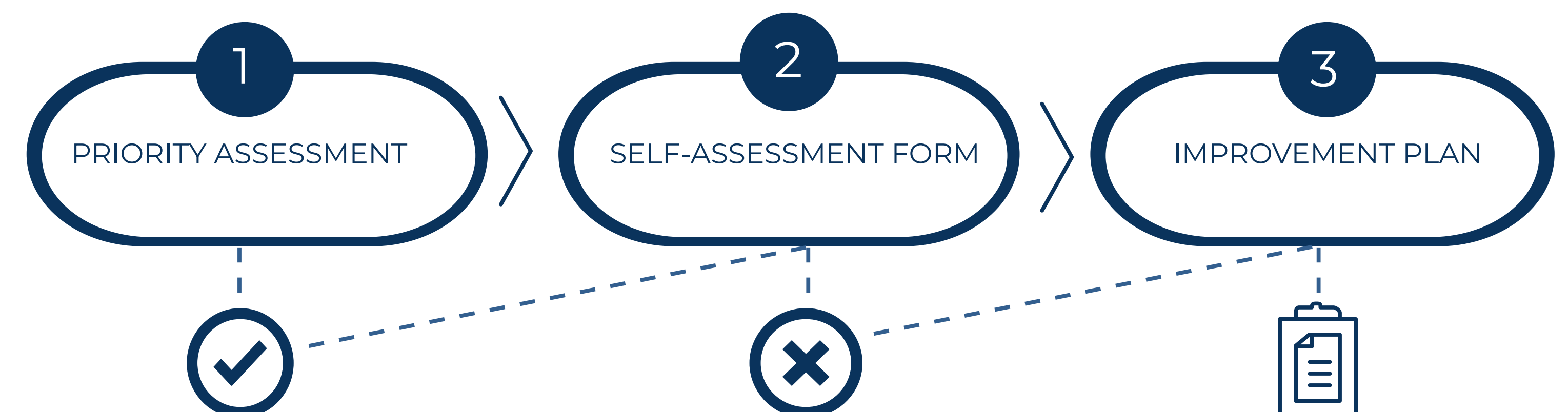
Anti-corruption

At Galenica, we take responsibility towards our industry and customers and oppose all forms of corruption. Through clear internal guidelines, we practice sound business ethics and our goal is to contribute to a healthy market free from corruption.

Galenica as an employer, as well as our employees, must always act in a commercially correct and professional manner. This is absolutely critical to both brand and trust. To contribute to a fair market with high integrity, we must have a zero-tolerance policy against corruption. This includes bribery, price-fixing, collusion, and abuse of market dominance. The basis for Galenica's anti-corruption efforts is our Anti-Bribery Policy and Fair Business Practices Policy, both of which are included in our Code

of Conduct and Sustainability Policy. Our Anti-Bribery Policy provides guidance and support to prevent the occurrence of bribery along with reporting procedures in case of suspected bribery. Managers are responsible for monitoring compliance with our policies and ensuring that all employees are aware of our guidelines. It is then the responsibility of each individual employee to follow those guidelines.

Reporting and follow-up

In 2023, we will implement a whistleblower function to facilitate anonymous reporting of suspected corruption and provide additional protection for our employees. **No cases of bribery or other corruption were reported in 2022**. As of 2023, the follow-up of reported cases of corruption will be included in our

systematic sustainability management within the framework of sustainability reporting. In connection with the implementation of our Supplier Code of Conduct and Supplier Policy, our anti-corruption efforts will be expanded to include Galenica's suppliers as well. This will allow us to further ensure that what we deliver has been produced fairly and legally throughout our value chain.

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Financial Reporting

Contents:

- **The year in review**

- **Income statement**

- **Cash flow statement**

- **Balance sheet**

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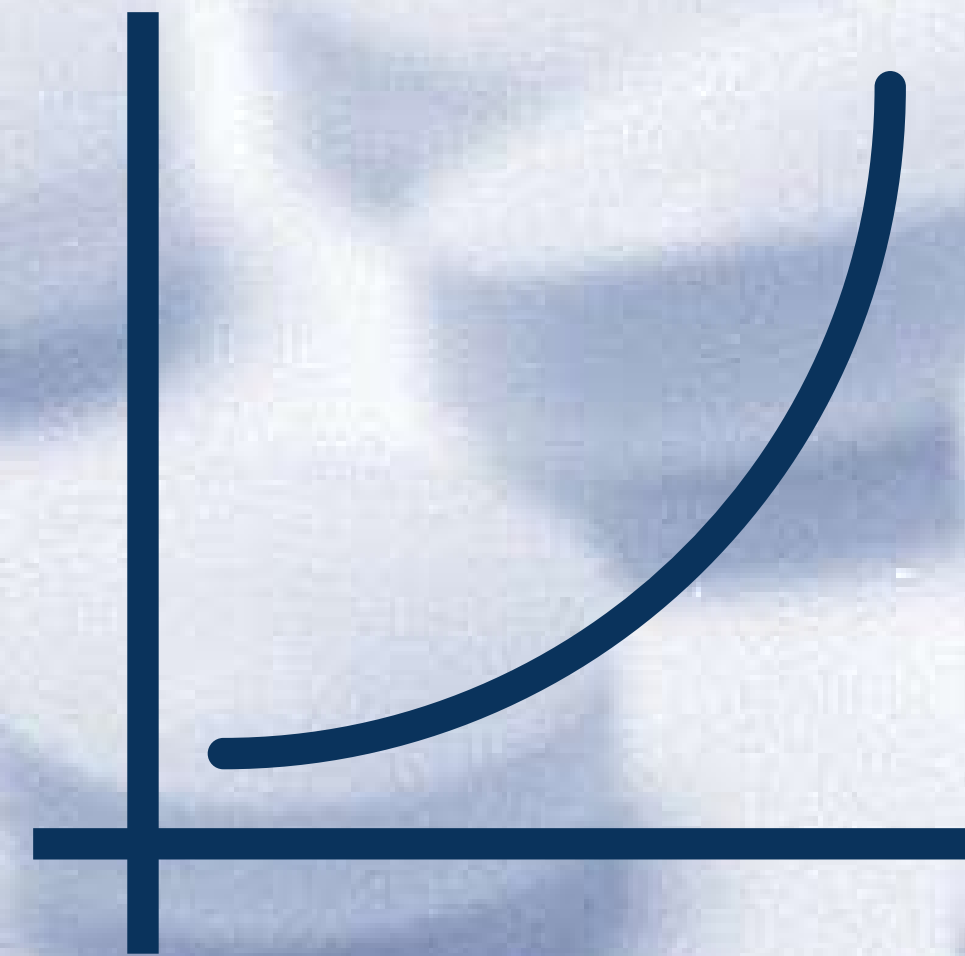
The year in review - 2022

At Galenica, we are proud of our sustainability performance and happy to present our first sustainability report!

COVID-19 has continued to shape parts of the financial year. Over the past three years, the pandemic has affected the company's business areas in various ways. Demand for our pharmaceuticals has been high during the pandemic, while, at the same time, we have been unable to carry out marketing and sales activities in the traditional sense.

In recent years, digitalisation has been high on our agenda, and as an effect of the pandemic, the pace of digitalisation has accelerated exponentially. Our working and communication methods have changed. Digital meetings, with both colleagues and customers, have evolved. Many meetings can be held digitally, we participate in digital seminars, and carry out digital training. We have the option to work from home a couple of days a week. In many ways, our digitalisation journey contributes to a more sustainable approach with positive effects for the environment.

Over the past years, our work with sustainability has really gained momentum. Together with our employees, we have established a sustainability strategy where we set goals for what we want to achieve year by year. I am thrilled that we now have prepared the company's very first sustainability report in such a transparent manner. I look forward to following our work with sustainability in the coming years and seeing what positive impact it will have on the company's financial position.

Ever since its start in 1999, Galenica has experienced strong growth with positive cash flow over time. We are pleased to see our growth continue, and our expectations for 2023 are high.

On the next page, you will find some of Galenica's financial KPIs as well as the company's outstanding growth chart.

Lena Örtenblad
CFO

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Growth chart – 10 years

Net Sales
Profit after net financial items
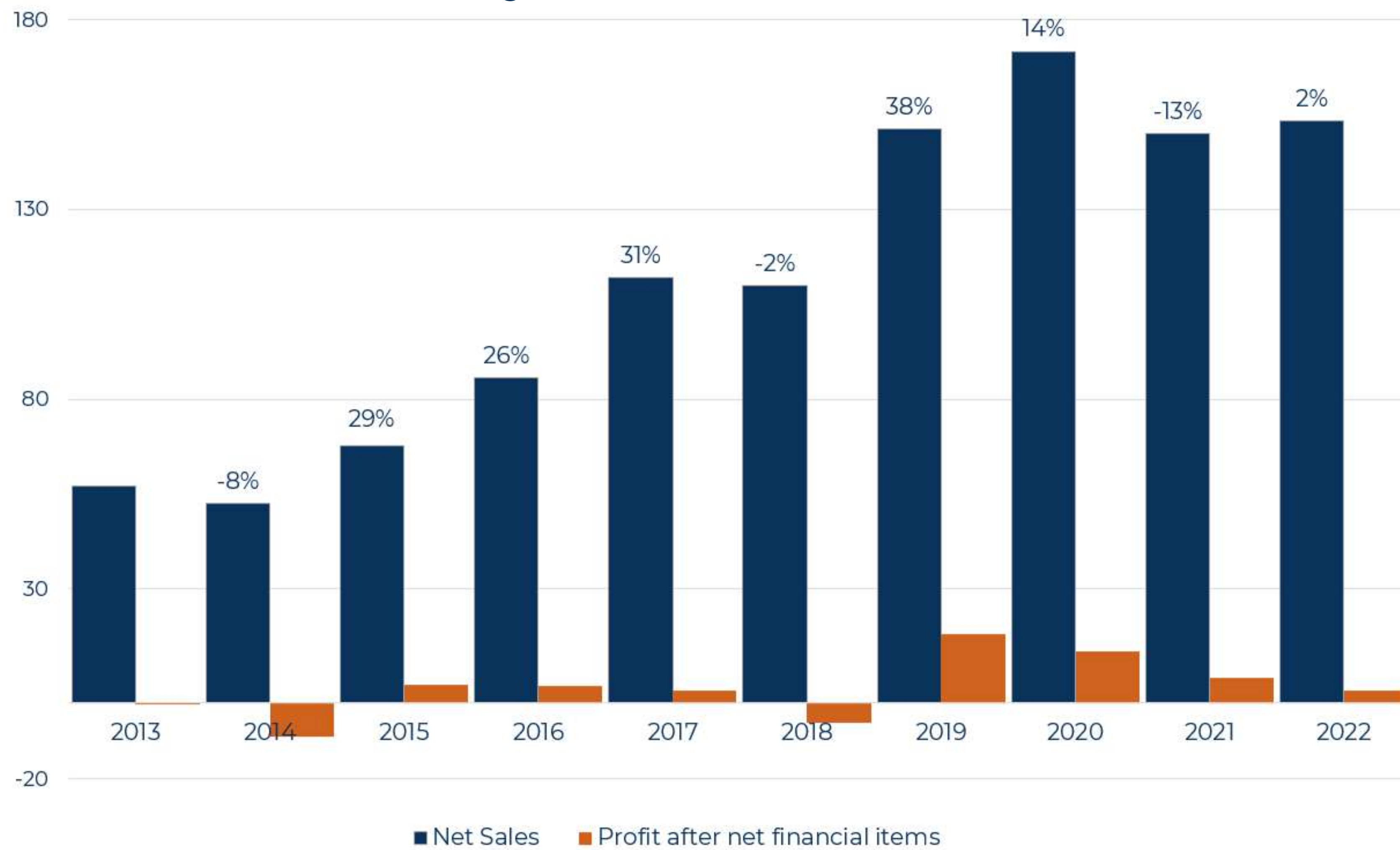
Financial KPIs – 5 years

In msek	2022	2021	2020	2019	2018
Net Sales	**153 258**	**149 989**	**171 706**	**151 235**	**109 850**
Annual growth	+2 %	-13 %	+14 %	+ 38%	-2 %
Profit a. financial items	**3 178**	**6 704**	**13 471**	**18 181**	**-5 399**
Balance sheet total	**79 731**	**83 423**	**74 116**	**79 224**	**62 248**
No. of employees	**70**	**75**	**75**	**61**	**54**
Equity ratio	**51 %**	**49 %**	**54 %**	**48 %**	**38 %**

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Income statement	2022	2021
Operating income		
Net sales	153 258	149 989
Activated work for own account	35	920
Other operating income	2 231	1 259
Total	155 524	152 168
Operating expenses		
Raw materials, consumables, and subcontractors	- 6 403	- 5 265
Merchandise	- 39 641	- 30 195
Other external expenses	- 34 248	- 36 169
Personnel expenses	- 65 457	- 66 655
Amortisation and impairment losses	- 4 761	- 4 539
Other operating expenses	- 1 259	- 2 303
Operating profit	3 755	7 042
Profit from participation in group companies	36	0
Profit from participation in associated/jointly controlled companies	0	0
Earnings from participating interest in other companies	- 104	1
Other interest income and similar income statement items	8	3
Interest costs and similar income statement items	- 517	- 342
Profit after net financial items	3 178	6 704
Closing appropriations	1 645	- 2 090
Profit before tax	4 823	4 614
Current tax	- 1 147	- 801
Profit for the year	3 676	3 813

Cash flow statement	2022	2021
Current operations		
Profit after net financial items	3 178	6 704
Adjustments for items not included in cash flow	4 829	6 182
Tax paid	- 4 146	- 3 990
Cash flow from current operations before changes in working	3 861	8 896
capital		
Cash flow from changes in working capital		
Changes in stock	3 446	- 2 764
Changes in trade debtors	- 6 768	663
Change in current receivables	- 938	272
Changes in trade creditors	3 097	- 3 882
Change in current liabilities	- 618	514
Cash flow from current operations	2 080	3 699
Investing activities		
Investments in intangible fixed assets	- 35	- 919
Investments in tangible fixed assets	- 1 357	- 5 348
Investments in financial assets	- 25	0
Sale of financial assets	62	0
Cash flow from investing activities	- 1 355	- 6 267
Financing activities		
Raised loans	0	15 000
Amortisation of loans	- 3 000	0
Dividends paid	- 2 000	- 5 250
Repaid shareholder contributions		
Cash flow from financing activities	- 5 000	9 750
Cash flow for the year	- 4 275	7 182
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	13 433	6 251
Cash and cash equivalents at end of year	9 158	13 433

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Balance sheet	2022	2021
ASSETS		
Fixed assets		
Intangible fixed assets		
Capitalised expenditure for development work	3 420	4 509
Capitalised expenditure for software	105	286
Tangible fixed assets		
Incurred costs on other's property	2 264	2 391
Equipment, tools, and installations	8 955	10 760
Construction in progress and advances relating to tangible fixed assets	0	168
Financial assets		
Participation in group companies	25	26
Participation in associated companies and jointly controlled entities	0	0
Receivables from associated companies and jointly controlled entities	0	0
Participations in other companies	146	250
Deferred tax assets	0	202
Total fixed assets	14 915	18 592
Current assets		
Stock		
Finished goods and merchandise	15 485	18 931
Current receivables		
Trade debtors	26 772	20 004
Receivables from group companies	0	0
Other receivables	2 606	1 857
Accrued income not yet invoiced	5 399	6 136
Prepaid expenses and accrued income	5 396	4 470
Cash and bank balances	9 158	13 433
Total current assets	64 816	64 831
TOTAL ASSETS	79 731	83 423

Balance sheet	2022	2021
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	5 000	5 000
Reserve fund	400	400
Fund for development expenses	1 989	2 207
Non-restricted equity		
Retained earnings	16 149	14 118
Profit for the year	3 676	3 813
Total equity	27 214	25 538
Untaxed reserves	17 375	19 031
Long-term liabilities		
Liabilities to credit institutions	9 000	12 000
Total long-term liabilities	9 000	12 000
Current liabilities		
Liabilities to credit institutions	3 000	3 000
Advances from customers	0	357
Trade creditors	8 276	5 179
Liabilities to group companies	12	1
Current income tax liability	436	3 637
Other liabilities	2 630	3 653
Invoiced income not yet accrued	224	253
Accruals and deferred income	11 564	10 774
Total current liabilities	26 142	26 854
TOTAL EQUITY AND LIABILITIES	79 731	83 423

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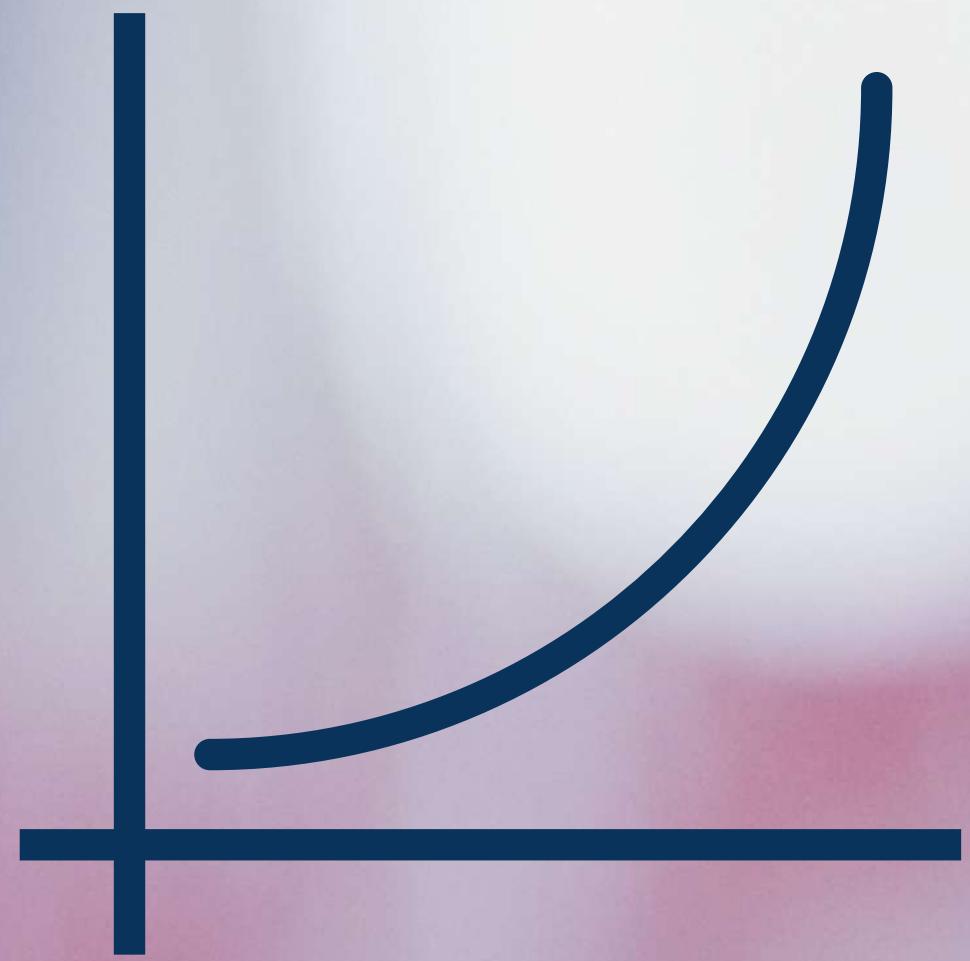
GRI	Description	Comment	Page
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102-18	Governance structure		8
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102-53	Contact point for questions regarding the report		2
102-54	Claims of reporting in accordance with the GRI Standards		2
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103-02/03	The management approach, its components, and evaluation		41-44
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302	**302 (2016) - Energy**		
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302-01	Energy consumption within the organization		38
303	**303 (2018) – Water and effluents**		
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306	**306 (2016) – Effluents and waste**		
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308	**308 (2016) – Supplier environmental assessment**		
103-01	Explanation of the material topic and its Boundary		41-44
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403	**403 (2018) – Occupational health and safety**		
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403-01	Occupational health and safety management system		32-34
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404	**404 (2016) – Training and education**		
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405	**405 (2016) – Diversity and equal opportunity**		
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405-01	Diversity of governance bodies and employees		30
406	**406 (2016) – Non-discrimination**		
103-01	Explanation of the material topic and its Boundary		29-30
103-02/03	The management approach, its components, and evaluation		29-30
406-01	Incidents of discrimination and corrective actions taken		30
414	**414 (2016) – Supplier social assessment**		
103-01	Explanation of the material topic and its Boundary		41-44
103-02/03	The management approach, its components, and evaluation		41-44
414-01	New suppliers that were screened using social criteria		42

For people and the environment

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