



# POLICY STATEMENT ON HUMAN RIGHTS AND ENVIRONMENTAL STRATEGY

APRIL 2024

## 1. SCOPE OF APPLICATION

"NextPharma is one of the world's leading providers of contract manufacturing, product development, clinical trial and logistics services to the pharmaceutical and biotechnology industries."

As an internationally operating company, we are aware of our responsibility to respect human rights and protect the environment and work continuously to fulfil this responsibility in the best possible way. This policy statement describes the key steps and measures that we take in the course of our business activities in order to identify and avoid potential human rights and environmental risks in the area of our business activities. It thus implements the requirements of the German Act on Supply Chain (hereinafter "LkSG"). We are committed to the international principles regarding the protection of human rights and the environment, which are reflected in Section 2 (2) and (3) of the LkSG.

Our globally applicable Human Rights Policy and Anti-Discrimination Statement illustrate how important the topic of corporate due diligence is to us. With this policy statement, we are supplementing the NextPharma Group's Human Rights Policy with the specific requirements resulting from the Act on Supply Chain, which came into force on 1 January 2023. It applies to all NextPharma Group companies within its scope of application. We have also implemented guidelines that integrate this commitment into our daily activities, such as our internal NextPharma Code of Conduct and our NextPharma Code of Conduct for Suppliers.

Respect for human rights and the enforcement of environmental standards is an ongoing process. We continuously review our processes and measures, especially in light of new findings or changing conditions. In the following, we describe our approach to implementing human rights and environmental due diligence obligations:

- Risk management (Section 4 (1) LkSG) for compliance with due diligence obligations;
- Risk analyses (Section 5 (1) LkSG) to identify our human rights and environmental risks in our own business area and at our direct and indirect suppliers;
- Preventive measures (Section 6 (3-5) LkSG) to prevent the violation of human rights and to protect the environment;
- Remedial measures (§ 7 LkSG) to prevent or minimise the extent of the violation;
- Complaints procedure (§ 8 LkSG) to enable employees and all potentially affected parties to inform us of human rights and environmental risks and violations of human rights or environmental obligations;
- Procedure towards indirect suppliers (§ 9 LkSG) and
- Compliance with our documentation and reporting obligations (Section 10 LkSG) to create transparency about our approach and activities.

## 2. RISK MANAGEMENT

We have established a risk management system to ensure compliance with our human rights and environmental due diligence obligations. We have appointed a Human Rights Officer at NextPharma who monitors risk management and the operational implementation of the LkSG and reports directly to the company management. The Human Rights Officer is provided with all the necessary resources to effectively fulfill this monitoring task.

The operational implementation of the due diligence processes is ensured by the Human Rights team. To this end, the Human Rights team works closely with a network of colleagues from various functions and business areas.

Representatives of the respective business units in the area of application and the responsible specialist departments (central functions) are involved in the implementation of the due diligence obligations in their own business area: HR department, legal department, occupational safety and the purchasing department. We have also appointed an LkSG Officer, who is responsible for managing the tasks relating to the LkSG, in particular personnel and organisational responsibility.

They are also responsible for the structural and procedural organisation of the LkSG area of responsibility, and the involvement of external consultants as required. This task also includes the fulfilment of the due diligence obligations arising from the LkSG, in particular the establishment, implementation and maintenance of appropriate and effective risk management to ensure compliance with the due diligence obligations.

Purchasing is involved in the implementation of the due diligence obligations in the supply chain, trains the prioritised direct suppliers and monitors the supply chain.

Our complaints management is monitored and coordinated by the Senior Complaint Coordinator and Complaint Coordinator.

## 3. RISK ANALYSIS

To identify and verify our human rights and environmental risks, we carry out risk analyses once a year and on an ad hoc basis in our own business area and at our direct suppliers. In the event of substantiated knowledge, we also initiate ad hoc risk analyses at our indirect suppliers.

The risk analysis methods are adapted to the different stages of the supply chain. Firstly, we carry out an abstract analysis of the risks, considering various indicators (including country-specific environmental and human rights indices from an external service provider). Industry and sector risks are also taken into account. We validate the results using a specific risk analysis, for which we initially use other internally available information.

We use a risk rating system for this purpose. This risk rating system is based on the requirements of the LKSG. Suppliers are listed according to the countries of their production sites and clustered according to the risk from 1 = low to 6 = high risk. Based on the End of Childhood Index rating and an industry risk, a categorisation into risk classes was also carried out. As the impact on Nextpharma's business operations can be categorised differently due to the different proportion of our purchasing volume, we also categorised this according to turnover (low turnover = 1, turnover over €1 million = 6). Risks are awarded points from 1-6 on the basis of various parameters such as the Ecovadis certificate. If a company is assigned 18 or more points, it counts as a risk supplier.

## a. Own Business Division

The annual and event-driven specific risk analysis in our own business area is primarily based on:

- Audit reports
- Assessments by representatives of the specialist departments and central functions
- Complaints and information from our complaints system or other channels

## b. Direct and Indirect Suppliers

NextPharma's annual and ad hoc risk analysis reveals the extent of human rights and environmental risks in the countries in which we operate directly or indirectly. It is based on publicly available information, including from the United Nations Children's Fund (UNICEF), the World Bank, the International Labour Organization (ILO), the United Nations Development Programme (UNDP) and the Ministry of Labour. Risk indicators from an external service provider are also used. We also use information available within the company to analyse specific risks:

- Results from audit reports
- EcoVadis certificates
- Code of Conduct of the suppliers
- Questionnaires for our suppliers to answer
- Inviting prioritised suppliers to a supplier meeting
- Messages via social media
- Complaints and tips, in particular via the complaints system

## 4. OUR HUMAN RIGHTS AND ENVIRONMENTAL RISKS

Our own business division with the production and development of medicines is located not only in Germany, but also in France, Finland, Norway and the UK. NextPharma Logistics has its business division in Germany, Austria and Switzerland.

In our risk analysis for our business division, we were able to identify a specific human rights risk for our own business division in the form of disregard for occupational health and safety and work-related health hazards, but we assume a very low risk due to the measures we have already implemented, such as training, the involvement of experts and ongoing internal compliance reviews, and due to the legislation in Germany, meaning that no further measures had to be taken.

## 5. HUMAN RIGHTS AND ENVIRONMENTAL RISKS OF OUR DIRECT SUPPLIERS

Nevertheless, there are countries, sectors and categories where human rights and environmental risks are increasing. This is also confirmed by the risk analysis we carried out. Our risk rating has shown that only 6 direct suppliers out of over 3,000 suppliers are at risk under the LkSG, which can be categorised as very low. Our direct suppliers are suppliers from China, India and the United Kingdom. For these, a risk was identified and prioritised with regard to Section 2 (2) No. 5 and No. 8 LkSG:

- Living income and living wages,
- Occupational safety and health in the workplace,
- Freedom of association and collective bargaining

To minimise these low risks, NextPharma has implemented measures such as the development and implementation of suitable procurement strategies and purchasing practices, the integration of expectations into supplier selection, obtaining contractual assurances for compliance with and implementation of expectations along the supply chain, training and further education to enforce contractual assurances, and the agreement and implementation of risk-based control measures at these prioritised suppliers.

## 6. PREVENTIVE MEASURES IN OUR OWN BUSINESS AREA

People and respect for human rights are at the centre of our corporate culture and are one of our most important corporate principles. Specifically, we use our [Human Rights Policy](#) and [Anti-Discrimination Statement](#) to formulate our expectations of our employees. We also communicate our expectations via the [NextPharma Code of Conduct](#), which includes human rights and environmental issues. By regularly training our employees, we also ensure that the human rights strategy is put into practice. The mandatory training courses for our employees include, for example:

- Human rights in accordance with our [Human Rights Policy](#)
- Data protection in accordance with the GDPR
- Anti-discrimination in accordance with Art. 12 AGG and our [Anti-Discrimination Statement](#)
- Occupational safety in accordance with the Occupational Health and Safety Act
- [NextPharma Code of Conduct](#)

We use our risk analysis to check compliance with our requirements in our own business area. All sites worldwide are regularly audited by independent external auditors from our service provider Qualifyze. The individual sites also have a GMP quality certificate from the relevant trade supervisory authority. The Limay site also has EcoVadis certification, and the remaining companies are aiming for such certification by 2025.

A review of compliance with human rights, labour and employment conditions, occupational health and safety, the environment, corporate integrity and commitment to local communities is underway and will be followed up in further internal audits in the future.

All employees and external parties potentially affected have the opportunity to use our complaints system at any time to report violations and submit complaints in anonymised form. This communication channel is operated by an independent third party in order to guarantee the anonymity of the whistleblower if desired. We investigate all concerns raised and prohibit retaliation for reports made in good faith.

Based on our environmental strategy, we launched our own decarbonisation programme, "Path to CO2 neutrality", in mid-2021. The aim is to reduce the company's direct and indirect CO2 emissions to 0 tonnes by the end of 2024. Based on the Greenhouse Gas definitions (GHG Scope 1+2) of the Paris Climate Agreement 2015, NextPharma records all emission sources, determines measures for avoidance, reduction through process optimisation and compensation. The project includes emissions avoidance through sustainable energy sources (-45%), optimisation (-35%) and involvement in sustainability projects (-20%). The emissions balances are checked by CDP (Carbon Disclosure Project) accredited consultants and reported accordingly.

## 7. PREVENTIVE MEASURES IN THE SUPPLY CHAIN

We use the NextPharma Code of Conduct for Suppliers to communicate our human rights and environmental requirements and expectations to our suppliers. We refer to the NextPharma Code of Conduct for Suppliers in our purchasing conditions and contracts and expect our suppliers to comply with it. As we see this as a joint endeavour with our direct and indirect suppliers, we are dependent on the cooperation of our suppliers.

Compliance with the NextPharma Code of Conduct for Suppliers is contractually assured by our suppliers and continuously monitored by random audits of our direct suppliers. These external audits by our service provider Qualifize are therefore an integral part of our purchasing practice. Any deviations from our values and guidelines must be rectified within a specified period of time. A corrective action plan must be drawn up after a supplier meeting. NextPharma managers and the purchasing management must be involved in this process. The aim is to find joint solutions and remedy the situation.

When selecting new suppliers, even more attention will be paid in future to ensuring that human rights and environmental due diligence obligations are integrated into the suppliers' processes. At the same time, suppliers with a well-developed system for complying with and implementing human rights and environmental due diligence will be integrated into the implementation of our action plans at and with our indirect suppliers. We also pay attention to whether our suppliers are already certified by recognised institutions. For this reason, questionnaires have already been sent to all of our A-suppliers (the 40 raw material suppliers with the highest turnover and the 32 largest packaging material suppliers) to enquire whether they are certified for the following points:

- SBTI Science Based Target Initiative
- ISO 14001 (Environmental Management)
- ISO 45001 (Health & Safety at Work)
- ISO 26000 (Social Responsibility)
- SA 8000 (Workers Safety and Wellbeing)
- ISO 50001 (Energy Management)
- FSC (Forest Stewardship Council)
- EcoVadis certification
- SBTI
- Supplier Code of Conduct
- Sustainability

Regarding our indirect suppliers, we check compliance with the [NextPharma Code of Conduct for Suppliers](#) and require our direct suppliers to ask their suppliers to comply with the legal provisions relating to the LkSG and to implement these obligations.

We are also committed to general overarching actions that put our human rights strategy and environmental strategy into practice,

- that we work together with our prioritised suppliers to develop processes and measures to address risks, impacts and complaints
- that we contribute to the improvement of certification systems by seeking certification from recognised institutions
- that we encourage our direct suppliers to set up grievance systems and management systems for human rights due diligence.
- in addition to the preventative measures described above, we are taking a climate-centred approach by committing to being carbon neutral by 2025.
- that we offer external training for our direct, prioritised suppliers
- that we have established general terms and conditions clauses to contractually stipulate compliance with human rights and environmental standards
- that we have contractually obligated our contractual partners to comply with the standards of the LkSG and to review their business area annually for human rights and environmental risks

## 8. EFFECTIVENESS ASSESSMENT

We plan to review the effectiveness of our preventive and remedial measures and the complaints procedure in our own business area and in the supply chain once a year and on an ad hoc basis. Based on the results of the effectiveness analysis and in dialogue with the individual departments, we will continuously revise and improve our due diligence processes.

## 9. COMPLAINTS SYSTEM

An appropriate and effective grievance management system is an integral part of our human rights strategy in order to obtain information about human rights and environmental risks and to be able to take remedial action. We take violations of human and environmental rights seriously and our grievance system provides publicly accessible and confidential complaint channels through which anyone can report violations at any time.

Our reporting channels are open to any person, regardless of the existence or nature of the contractual or business relationship. Employees of NextPharma or our suppliers, as well as other potentially affected parties, can submit all types of information and complaints via the complaints system, either by name or anonymously. The reporting persons can decide whether they want to submit their complaint using a form via the complaints system or whether they also want to submit a report via the hotline.

This communication channel is operated by the Senior Complaints Coordinator and Complaints Coordinator to ensure impartiality, independence, confidentiality and, if requested, the anonymity of the whistleblower. We investigate all concerns raised and prohibit retaliation for reports made in good faith. The Senior Complaints Coordinator monitors and coordinates the complaint handling process and the implementation of response measures.

The Report Response Team is put together on an ad hoc basis for each case by members from different levels of the organisation to ensure independence, expertise and sufficient authority to take effective action. In accordance with the legal requirements of the LkSG, rules of procedure have been published for the existing complaints procedure. The rules of procedure can be found on our website.

## 10. PREVENTIVE MEASURES

The prevention of human rights and environmental violations is our top priority. However, if, despite all precautions, we have contributed to a violation of human rights, we will immediately initiate the remedial measures appropriate in the individual case to end the violation or reduce its extent.

In the event of a human rights or environmental breach of our duty in our own business area, we act immediately and take immediate remedial action to prevent, end or minimise the extent of the breach.

In our supply chains, we define a concrete action plan together with the suppliers in order to improve the situation as quickly as possible. The cooperation of the supplier is an important prerequisite for further business collaboration. The implementation of the action plan is regularly reviewed. Failure to effectively manage identified risks or close identified gaps may result in us suspending or terminating our business relationship with suppliers.

## 11. DOCUMENTATION AND REPORTING

The improvement of the global human rights situation and the implementation of human rights and environmental due diligence obligations is a continuous process. We prepare an annual report on the fulfilment of our due diligence obligations in the previous financial year.

The Complaints Coordinator submits an annual summary of the cases processed in the previous financial year to the Senior Complaints Coordinator. This includes a list of currently pending complaints and their status, a list of complaints received during the year, a list of cases investigated during the year, a list of cases per category (type of risk/violation) and source of risk, and a list of cases in which response measures were taken.

The Senior Complaints Coordinator provides the Human Rights Officer with an annual report containing the number of complaints currently pending and their status, the number of complaints received during the year, the number of cases investigated during the year, the number of cases per category and source of problem and the number of cases in which response measures were taken, as well as the type of measures taken and/or changes introduced in the processes.

The appointed Human Rights Officer submits an annual report to the Board of Directors on the measures taken to fulfil the obligations arising from the law on due diligence in the supply chain. This report contains the risk management measures taken in the last financial year, the measures for risk identification and risk assessment, the risk analyses carried out and the measures implemented to minimise and prevent risks. The report also contains information on complaint management for the past financial year.

We make this report available on our website for at least seven years. We will publish the first LkSG report on time in 2024.





## 12. CLOSING REMARKS

We are committed to the continuous development of our human rights and environmental due diligence processes. To this end, we will review and optimise the implementation of these principles as part of our activities on a regular and ad hoc basis.

The Management Board of NextPharma is explicitly responsible for the implementation of this declaration of principles within the company of NextPharma Germany BidCo GmbH as the parent company together with its subsidiaries. This ensures that each company is aware of its own responsibility with regard to its human rights and environmental obligations.

Peter Burema  
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