

# Sustainability Overview

## Sustainability

Working together to deliver sustainable business growth.

### Our approach

During 2021, we refined and formalised our approach to sustainability, under the direction of the newly established ESG Committee, creating our sustainability framework, developing actionable plans for each material area, and increasing our focus on environmental considerations, including climate change, metrics, and reporting.

### Our sustainability framework

Our sustainability framework identifies the eight areas material to our business that we need to concentrate our efforts on to assure the long-term future of the business and to deliver on our Purpose – to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products. We refer to these as our ‘Areas of Focus’.



### Our contribution to the United Nations Sustainable Development Goals (UNSDGs)

The UNSDGs to which our business activities contribute are set out below. We believe we can contribute most value to Sustainable Development Goal 3 (Good Health & Wellbeing: Ensure healthy lives and promote well-being for all at all ages), as this aligns directly with our Purpose – to improve the lives of consumers and patients through making available a range of clinically valuable healthcare products.



Further detail around how Alliance contributes to the UNSDGs can be found on our website [alliancepharmaceuticals.com](https://alliancepharmaceuticals.com)

## Sustainability Overview continued



We recognise that single use plastics and packaging recyclability are an increasing concern for consumers. In 2022 we will be undertaking an extensive review of all our packaging componentry, across our portfolio and supply chain, to inform the development and focus of our sustainable packaging strategy with a view to establishing and communicating clear targets in this area.

Unlike some consumer goods categories, where packaging changes can be implemented relatively quickly with limited hurdles, in the healthcare market, particularly with regards pharmaceutical products, any change in packaging materials cannot be made without a variation to the product license, which in the case of changes to primary packaging, requires the generation, submission and approval of supporting stability data.

With this in mind, in 2021, we created a Sustainable Packaging programme team, to work towards the reduction of single-use plastics and increasing the use of Post-Consumer Recycled (PCR) materials across our portfolio. Going forwards, all new product developments will require full consideration and review of packaging components to ensure the final presentation is aligned with the sustainability targets we set.

**Sustainable packaging**

Awareness of environmental issues is becoming more widespread, with consumers and retailers increasingly choosing products that support a lower carbon footprint.

**Overview of progress in 2021:**

Over the course of the year, we have:

- › Formalised our approach to sustainability and strengthened our governance processes through the creation of a Board-level ESG Committee in February 2021. The committee works with the Senior Leadership Team (SLT) and the corporate sustainability lead in the development and implementation of our sustainability strategy
- › Developed our sustainability framework; identifying then reporting against the key metrics underpinning this. We also mapped our sustainability disclosures and accounting metrics to the relevant elements of the Sustainability Accounting Standards Board (SASB) standards for the first time, and will look to publish the results on our website in 2022
- › Published our Business Principles, together with our Anti-Bribery and Corruption Policy, Whistleblowing Policy, Anti-Modern Slavery Policy and Diversity, Equality, and Inclusion Policy
- › Concluded the implementation of our Know Your Supplier ('KYS') programme, with the improvements in supplier management now embedded as part of our business-as-usual processes
- › Engaged with our institutional investors, to better understand their requirements as regards ESG factors and sustainability, and the metrics and disclosures in which they are most interested to help shape our sustainability framework and strategy development
- › Worked with external consultants to quantify our Scope 1, 2 & 3 carbon emissions, as a precursor to the development of our carbon action plan and the setting of targets for carbon emissions reduction for both our direct (Scope 1 & 2) and indirect (Scope 3) emissions
- › Kicked off a sustainable packaging programme in Q4 2021 to develop and implement a 'fit for purpose' strategy for packaging lifecycle management across our portfolio
- › Established a Sustainability Forum in Q4 2021, comprising a group of employees who will work with the corporate sustainability lead to identify and deliver small-scale sustainable change initiatives across the business. This has initially been focused on our UK operations, with wider regional participation planned for 2022
- › Evolved our corporate website to include a dedicated section on sustainability ('Acting Responsibly'), to act as a repository for our sustainability content going forwards

**Our priorities for 2022:**

We have made good progress with our sustainability initiatives in 2021, however we recognise that this is a journey and there is still much to do – particularly as the reporting and assurance requirements around ESG, and related sustainability considerations, continue to evolve.

## Sustainability Overview continued

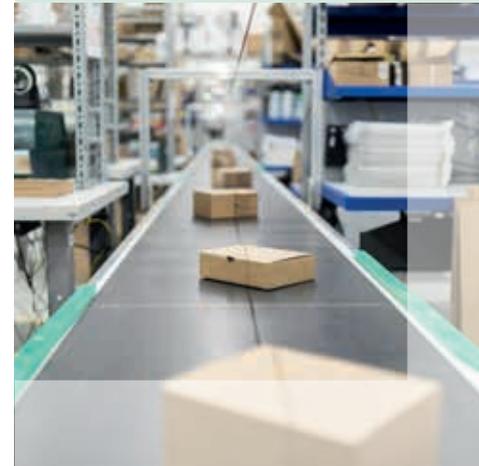
In 2022, our focus will be on:

- › Continuing to develop our environmental strategy and our response to climate change. We have committed to achieve carbon neutrality for our 2021 Scope 1 & 2 emissions in the UK in 2022 through the use of sequestration schemes. We will also be increasing our levels of engagement with our CMOs and logistics partners to better understand their carbon footprints and emissions reduction strategies and the implications these have on our end-to-end carbon footprint; actively looking for opportunities to reduce the Scope 3 carbon emissions in our supply chain as part of our overall carbon reduction plan
- › Developing and implementing a sustainable packaging strategy, together with appropriate targets and delivery plan
- › Continuing to evolve our data collation and reporting capabilities – particularly around the composition of our product packaging and to support the quantification of our Scope 3 emissions
- › Developing suitable performance metrics and targets for those areas of our Framework where none exist currently, which we can use as a basis for measuring our progress in future years. This will include carbon reductions targets (aligned with the Science Based Targets Initiative ('SBTi')) and targets around the sustainability of our product packaging.

We intend to publish emissions reductions targets in late 2022 for Scopes 1 & 2 and are aiming to set Scope 3 targets in 2023

- › Progressing towards full disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for 2022
- › Continuing to improve the assurance framework around our ethical business practices, to ensure that both our suppliers and distributors continue to operate their businesses ethically and in line with all relevant regulatory requirements
- › Continuing to develop the sustainable business content held on our website, the transparency of our disclosures around how we operate as a business, and where we're focusing our efforts to ensure we remain sustainable over the longer term
- › Progressing ideas generated through the Sustainability Forum and other small-scale initiatives, both in the UK and across our regional offices

Our approach to each of the Areas of Focus identified in our Sustainability Framework, together with key metrics, our progress and achievements in 2021, and our priorities and focus for the coming year, are set out on pages 25 to 26.



### Environmental considerations

Working together with our suppliers, logistics partners, distributors and other stakeholders will be key to the delivery of our environmental strategy, as we all seek to address common challenges around climate change.



What has become increasingly evident to us, particularly in the context of our response to wider societal challenges such as climate change, is the importance of working collaboratively – both within our own business and with our suppliers, logistics partners, distributors, and other stakeholders, if we are to make meaningful progress. This is particularly true for carbon emissions, given that a significant majority of our Scope 3 emissions originate within our supply chain and logistics activities, where our ability to directly control emissions is limited.

More information can be found on our website <https://www.alliancepharmaceuticals.com/acting-responsibly/environment>

# Sustainability Performance



## Product quality & safety

**What it covers** Ensuring we have robust quality assurance systems in place to ensure the quality and safety of our products and to mitigate the supply of counterfeit product

**Why it's important** Maintaining consumers' and patients' trust in the quality and safety of our products is essential to the maintenance of our corporate reputation and our ability to successfully market our products

### 2021 Overview

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#### Supplier audits carried out

(2020: 5)

Representing 67% coverage of our supplier base on a rolling 3-year average basis<sup>1</sup>

Number of external regulatory inspections Alliance operating companies have been subject to: 7 (2020: 5)

No enforcement actions were taken by Competent Authorities in response to non-compliance with appropriate manufacturing and regulated standards in 2021 (2020: 0)

### Focus for 2022

Continuing to assure the quality and safety of our products through our rolling, risk-based programme of supplier quality audits



## Ethical sales practices

Ensuring the claims made by our products can be properly substantiated and that we maintain ethical business practices in the marketing, advertising, and selling of our products

Ensuring the accuracy and appropriateness of promotional materials and the claims made by our products is key to maintaining consumers' and patients' trust in our brands

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#### Routine internal audit assessments carried out

(2020: 40)

Internal audit assessments are carried out on a periodic basis to ensure the robustness of our promotional review procedures. Coverage is targeted at a constant 10% of total promotional pieces approved per annum. Actual coverage in 2021 was 4.5%, down from 9.4% in 2020

No upheld complaints were made to the ABPI, PAGB, FTC, NAD, or other Codes of Practice bodies regarding promotion of Alliance products, where Alliance is directly responsible for promotion in 2021 (2020: 0)

Continuing to ensure that the systems and processes we have in place to ensure the accuracy and appropriateness of promotional materials remain fit for purpose and that our internal control systems continue to operate effectively in order to minimise the risk of non-compliance



## Business ethics

Modern slavery, bribery and corruption, ethical considerations around our interactions with healthcare professionals and the pursuance of other ethical business practices

We are committed to operating our business in an ethical and responsible way, ensuring that we have appropriate policies in place, that employees are properly trained on them and that appropriate escalation routes exist for non-compliance

# 1,407

#### Online<sup>2</sup> course completions

(2020: 1,359)

We now have approved escalation procedures in place to work with any supplier who does not meet our ethical standards, with defined timelines for remediation and provision for eventual termination of the relationship, where issues are not satisfactorily resolved

In 2021, the total amount of monetary losses we incurred as a result of legal proceedings associated with bribery, corruption and other unethical business practices was £Nil (2020: £Nil)

Obtaining written confirmations from our contract manufacturers and suppliers that they comply with our ethical standards (phased approach – target completion end 2023)

<sup>1</sup> Calculated as the total number of suppliers audited over the 3 years from 2019 – 2021, divided by the number of active suppliers as at 31 December 2021.

<sup>2</sup> Vinciworx is a suite of online training modules covering anti-bribery, anti-money laundering, competition law, GDPR, market abuse, Modern Slavery Act, sanctions and the prevention of tax evasion.

## Sustainability Performance continued



### Product environmental H&S

**What it covers** Ensuring our products are made with environmentally friendly ingredients; identifying and eliminating REACH<sup>1</sup> substances of very high concern (SVHC) from our products – and ensuring we have a robust process in place to identify and manage emerging materials and chemicals of concern

**Why it's important** We are committed to operating our business in a way which minimises the impact on the natural environment – this means ensuring that our products are made with environmentally friendly ingredients and do not contain materials and chemicals of concern

**2021 Overview** We have established environmental scanning processes to identify and manage emerging materials and chemicals of concern as soon as we become aware of these – reformulating products where necessary, in order to ensure that we are able to stay compliant with new regulations as they emerge

**Focus for 2022** Continuing to ensure that our processes for identifying and managing emerging materials of concern remain fit for purpose and that any REACH<sup>1</sup> SVHC's are eliminated from our products on a timely basis



### Packaging lifecycle management

Reducing the environmental impact of our product packaging, through reducing packaging volume/weight, increasing the use of recycled materials, and ensuring that as much of our packaging as possible is made from materials that can be recycled, reused and/or composted

We are committed to operating our business in a way which minimises the impact on the natural environment – reducing the environmental impacts of our product packaging is one way of achieving this. Reducing packaging volume/weight will also reduce the environmental impact of transporting products to consumers

In Q4 2021, we set up our Sustainable Packaging programme, to develop and implement a 'fit for purpose' strategy for packaging lifecycle management. This will enable us to address usage and waste across our packaging estate at a holistic level, reducing or removing unnecessary elements of our packaging, changing its composition, replacing less sustainable materials, e.g., single-use plastics, with more sustainable alternatives, increasing the use of recycled content and/or making packaging easier to recycle, or biodegradable

Progress the creation and implementation of a sustainable packaging strategy; including the creation of a roadmap for the associated workstreams which feed into this and the setting of targets/defining our level of ambition

Packaging sustainability will now be factored into all Innovation & Development projects at the design stage, and we will be looking to embed this thinking into brand strategies more widely going forwards

<sup>1</sup> REACH – Registration, Evaluation, Authorisation and Restriction of Chemicals

## Sustainability Performance continued



### People and human capital management

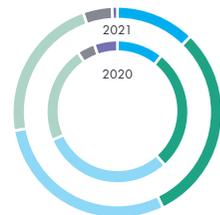
**What it covers** This covers a wide range of social factors, including diversity and inclusion, culture and employee engagement, working conditions, reward structures, training and development, and opportunities for progression

**Why it's important** Investing in People is one of the core elements of Alliance's strategy – as such, the recruitment and retention of high-quality and highly motivated employees is what lies at the heart of our business success



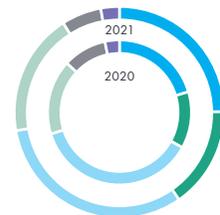
#### 2021 Overview

Age profile of employees



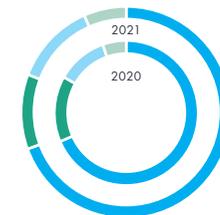
● Under 29	● 40-49	● 60+
2021 30	2021 72	2021 11
2020 26	2020 74	2020 10
● 30-39	● 50-59	● Not known
2021 75	2021 55	2021 2
2020 68	2020 54	2020 13

Length of service of employees



● Under a year	● 2-5 years	● 10-15 years
2021 61	2021 78	2021 15
2020 50	2020 91	2020 24
● 1-2 years	● 5-10 years	● 15+ years
2021 38	2021 46	2021 7
2020 31	2020 41	2020 8

Employees by location



● UK & ROI	● APAC
2021 170	2021 28
2020 168	2020 31
● Central Europe	● US
2021 28	2021 16
2020 36	2020 13

Employee turnover rate<sup>1</sup>:

**Voluntary** 20.6%  
(2020: 9.6%)

**Involuntary** 8.6%  
(2020: 0.4%)

Additional information on how we invest in our people is provided on page 22 and on our website

**Focus for 2022** Analysing and actioning key findings from the Great Place To Work® (GPTW) survey, with focus groups planned for H1 2022

Continuing to invest in our capability development and the recruitment and onboarding processes which support this, including the roll-out of a new graduate training scheme

Continuing to refine our ways of working to ensure our new hybrid model is working effectively across all areas of our business

<sup>1</sup> Voluntary turnover is defined as those leaving the business by virtue of resignation, or retirement, or the expiry of fixed term contracts; involuntary turnover is defined as those leaving the business by virtue of dismissal or redundancy.

## Sustainability Performance continued



## Supply chain management

**What it covers** Ensuring that we have good visibility of our supply chain so that we can ensure that our suppliers adhere to the same ethical standards as we do, and that they are committed to sustainable manufacturing practices, which aim to safeguard people and planet

**Why it's important** Our commitment to operating our business in a sustainable way goes beyond the activities we carry out ourselves. Our contract manufacturers are an integral part of our business activities – and as such we expect them to adhere to the same ethical standards which we have set ourselves, and to support our commitment to operate our business in a sustainable way

**2021 Overview** Know Your Supplier (KYS) programme implemented, providing increased visibility of potential 'red flags' in our supply chain. Associated compliance and escalation processes strengthened to facilitate timely resolution of issues

53 finished goods supply partners are now being monitored by this programme, representing 90% of our total finished goods suppliers

No significant issues were detected in 2021

**Focus for 2022** Review findings from initial test phase of supplier self-assessment around modern slavery, labour practices and health & safety practices, to determine whether there is value in extending this more widely

Carry out assessment of strategic suppliers' sustainable sourcing ratings, and whether these could be usefully employed as part of a more holistic approach to supplier management

We will also be looking to increase our focus on Modern Slavery audits (which may also include physical inspections, depending on the evidential value of the same), with a view to having a formal structure and system in place by the end of 2023, whereby 10% of our contract manufacturers are audited annually on a rolling basis, whether this is based on an external recognised standard or one developed internally



## Environmental impacts – supply chain &amp; logistics

Greenhouse gas (GHG) emissions and other environmental impacts associated with our supply chain and logistics (warehousing and distribution) activities, including transportation of products by our distributors

As a responsible business, we have a duty to do what we can to reduce the environmental impacts of our business activities

The quantification of our Scope 3 carbon emissions in 2021 revealed that more than 80% of our GHG emissions originate in our supply chain and logistics activities – including onward transportation of products by our distribution partners, so focusing on this area will be key to reducing our overall Scope 3 emissions

We have already taken a number of actions to reduce carbon emissions in our supply chain, including:

- › Truncating the supply chains for our lead brands (Kelo-cote, Amberen, Nizoral) to produce closer to market, reducing transportation emissions
- › Improving the efficiency of our logistics operations, through increased order sizes/reduced frequencies and the use of sea rather than air freight

More detail around the development of our environmental sustainability strategy can be found on page 33

In 2022, we plan to reach out to our larger CMOs and LSPs (covering two thirds of our 2021 spend) to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations

We will use the findings from this work to help us determine realistic Scope 3 emissions reductions targets and our overall path to net zero

An additional head is being recruited to support this area, and also our sustainable packaging programme

## Sustainability Performance continued

In addition to the eight Areas of Focus which make up our Sustainability Framework, there are two other areas which, whilst not material to the long-term sustainability of our business, are nonetheless important to us from a broader societal perspective. These are the environmental impacts of our own operations, which are discussed further on page 83, in the context of our overall environmental sustainability strategy development and our social impact activities.



### Social impact

**What it covers** Social impact activities undertaken to benefit local communities around the world, including those involved in conflict and/or in the developing world

**Why it's important** Alliance has always had a strong 'social conscience' and commitment to work with its employees to support those in need, through donations (of cash, time, products) and fundraising activities

**2021 Overview** In 2021, our social impact activities within our local communities were limited by the ongoing impacts of the pandemic, with many of our offices being subject to local work from home guidance for a significant part of the year

However, this didn't stop us from continuing our efforts further afield. Through our continued support of International Health Partners (IHP), we enabled 31,979 treatments to be sent to 13 countries in 2021, helping to provide around 10,600 people with the medicine they need. This included responding to an urgent call from their NGO partner in Venezuela, for antimalarial medicine, in response to which we supplied 498 treatments to help meet the need

**Focus for 2022** In 2022, in addition to continuing our support for IHP, we plan to resume our social impact activities within our local communities



## Developing our environmental sustainability strategy

We are currently in the early stages of developing our broader environmental strategy including our response to climate change.

Given the nature of our business, and our use of third-party distributors, contract manufacturers (CMOs) and logistics service providers (LSPs), the majority of our greenhouse gas emissions are classified as Scope 3. In 2021, we quantified our Scope 3 greenhouse gas emissions for the first time (based on data for 2020). We are using the results of this exercise, together with equivalent calculations to be undertaken for 2021, to help inform the development of our carbon action plan, with a view to setting carbon reduction targets for Scopes 1, 2 & 3 and our path to net zero in the near future.

In addition to revealing the significance of the emissions linked to our supply chain and logistics activities, which now forms one of the eight Areas of Focus within our Sustainability Framework, this exercise also revealed where opportunities may exist to try and improve the basis of measurement, particularly for Scope 3 emissions. In 2022, we plan to reach out to our larger CMOs and LSPs to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations.

Whilst the environmental impact of our own operations (Scope 1 & 2) is relatively low, and so not material to the longer-term sustainability of our business, reducing them is nonetheless important to us from a broader societal perspective.

The investments we've made in our UK headquarters building in recent years have significantly improved its energy efficiency, with additional upgrading and refurbishment work having been undertaken in 2021, further improving the building's environmental credentials. We continue to actively look for ways to reduce our Scope 1 & 2 emissions, which amounted to 90tCO<sub>2</sub>e for our UK operations in 2021, and will achieve carbon neutrality for these retrospectively in 2022, through the use of sequestration schemes.

Outside the UK, our office premises tend to be held on all-inclusive operating leases, giving us a more limited ability to control their environmental footprint. We will however be looking to increase our understanding of the situation on an office-by-office basis, to see what can be done, as we progress through 2022. We are also looking at ways we can reduce emissions attributable to some of the smaller categories in Scope 3, such as non-stock purchases, business travel, and employee commuting.

This year, for the first time, we have recognised climate change as an emerging risk within our Principal Risks and Uncertainties and are continuing to work with external consultants to progress towards full disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for 2022. For 2021, we have made partial TCFD disclosures, which can be found on pages 78 and 79.

**Over 80% of our GHG emissions originate in our supply chain and logistics activities.**

