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Lundbeck Foundation - CSR report 2018

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LUNDBECKFONDEN (LUNDBECK FOUNDATION)

The Lundbeck Foundation’s statutory statement on corporate social responsibility (CSR) in accordance with section 99a of the Danish Financial Statements Act.

This report represents the statutory consolidated statement of the Lundbeck Foundation on CSR in accordance with section 99a of the Danish Financial Statements Act. It represents policies, activities and results achieved in 2018 for the largest entities owned and controlled by the Lundbeck Foundation.

OUR BUSINESS MODEL

THE COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY
The Lundbeck Foundation is one of the largest, industrial foundations in Denmark with a market value of more than DKK 60bn. In addition to the three strategic subsidiaries, Lundbeck, ALK and Falck, the Foundation owns an investment portfolio of approx. DKK 14bn. A portfolio of 19 life science investments in Europe and the US is managed through Lundbeckfonden Ventures. Six life science investments in Denmark are managed through Lundbeckfonden Emerge, the Foundation’s early-stage investment unit.
Dividends from the strategic subsidiaries as well as returns on the Foundation’s other investments ensure annual donations of more than DKK 500m in support of a broad spectrum of projects relating to independent, biomedical research of the highest, international quality and to science communication and education. The brain is the centrepiece of the Foundation’s grant strategy and the amount awarded for neuroscience is approximately three quarters of the total grant budget. Recipients cover biomedical researchers and scientists at all career levels. Some of the grants also go towards establishing large research centres or teams.

Industrial foundations play an important role in the Danish society. With substantial contributions to Danish research (and other areas) and ownership of some of the largest Danish corporations, industrial foundations have considerable influence on the social and economic development in Denmark. In our view, such influence comes with a high level of responsibility to conduct our business with integrity and to ensure transparent operations.

The Lundbeck Foundation is the first and only private foundation in Denmark to have signed up to the UN Global Compact Act, whose 10 principles set out the general framework for the Foundation’s approach to CSR. These principles guide the policies, corporate strategies and guidelines for:

- Corporate governance
- Grant-making activities
- Ownership of Lundbeck, ALK and Falck
- Portfolio investments and other investments

**CSR-related risks**
CSR risks to the Lundbeck Foundation may be viewed as risks related to the grants of the Foundation and risks related to the activities of the three strategic subsidiaries of the Foundation, Lundbeck, ALK, Falck and the portfolio investment activities.

Risks related to grants are handled through very thorough and detailed application processes including risk assessment and mitigation regarding risks of misuse of donated grants and scientific misconduct. More general risks regarding climate change, environment, employee conditions, human rights and corruption are considered insignificant with respect to grants.

The consolidated risks with respect to the subsidiaries owned by the Lundbeck Foundation include risks related to environment, climate change, human rights, social and employee conditions and corruption. Not all risks may be relevant to all of the subsidiaries, but at consolidated level, the Lundbeck Foundation experiences risks related to all areas, and encourages its subsidiaries to assess, evaluate and define risks individually and report on relevant risks in their annual reports respectively their sustainability reporting. For elaborations on risks within Lundbeck (page 7-12), ALK (page 6-20) and Falck (page 7-18), please refer to the relevant pages in the respective sustainability reports.

The Lundbeck Foundation performs active ownership when participating in board meetings, and this includes addressing CSR-related risks and topics.

**CSR Policies of the Lundbeck Foundation**
The Lundbeck Foundation is opposed to any form of corruption, including extortion and bribery. Furthermore, the UN Global Compact guidelines laid down for labour and human rights, environmental principles (including climate change) and sustainable development are followed.

Through active ownership, it is the ambition of the Lundbeck Foundation:

- to contribute to the health and well-being of our employees and aim to protect human rights and to ensure that the Lundbeck Foundation or its subsidiaries avoid being complicit in human rights abuses;
- to have a zero tolerance towards any form of corruption including fraud and bribery.

The specific CSR policies and codes of conduct for the subsidiaries are laid down by their respective Boards of Directors, in which the Foundation is represented.

In this report, the CSR reports of Lundbeck, ALK and Falck – each outlining company specific policies, activities and results for 2018 – have been combined.

For the investment portfolio, the Foundation will not make investments in enterprises presumed to act unethically. The Foundation only invests in companies acting in accordance with the 10 principles set out in the UN Global Compact. The investment portfolio is reviewed twice a year to make sure that all investments comply with the policy.

The Foundation has a formal collaboration with a leading ESG consultancy to monitor the investment portfolio for issues related to environmental, social and governance criteria.

**Three Key Goals**
In 2018, the Foundation updated and filed its Communication on Engagement (CoE) as part of its commitment to the UN Global Compact Act for the period 2018-2020.

For the previous period, the Foundation had outlined three key goals:

- Work to ensure that the remaining two subsidiaries (ALK and Falck) would sign up the UN Global Compact.
• Introduce ESG screening of the Foundation’s investments supported by a third party, and
• Make initiatives to turn the headquarter in Copenhagen into a low-emission building.

The progress of the three goals are described in the latest CoE which can be read in its entirety on the UNGC website. In headlines, Falck has signed up to the UN Global Compact in 2019 whereas ALK remains committed to complying with the principles but has yet to formally sign up.

The Lundbeck Foundation has engaged the services of a leading ESG consultancy and introduced a formal process with regard to screening of current and potential investments.

Finally, the Foundation's head office building has undergone several energy-saving changes and two charging stations for electric vehicles have been installed in the parking lot.

For the coming CoE period, the Foundation will continue working on the three goals.

Moreover, we will implement the diversity and inclusiveness policy which is in the making and take relevant initiatives to actively strengthen gender balance in everything we do.

**THE UN SUSTAINABLE DEVELOPMENT GOALS**
The 17 Sustainable Development Goals (SDGs) for peace and prosperity for people and planet set the world on a course for a more sustainable future by 2030. The Lundbeck Foundation wants to do its part and over the coming years, it will seek to address the SDGs in its activities.
MASASHI FUJISAWA

Masashi is 39 and resides in Tokyo, Japan. Here he lives with his parents and two siblings.

Masashi works full time in an organization that helps people with physical and mental disabilities finding work.

He is diagnosed with general anxiety disorder and sees his psychiatrist once a month. Masashi has not experienced heart palpitations or sweats in many years.
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REPORT SCOPE AND METHODOLOGY

Lundbeck’s values and the UN Global Compact principles set out the framework for our business conduct and our sustainability efforts. We have assessed that these efforts directly support six of the UN Sustainable Development Goals and several of the underlying targets. This report represents Lundbeck’s tenth annual Communication on Progress to the UN Global Compact and our non-financial report on sustainability according to the Danish Financial Statements Act.

The report describes Lundbeck’s global activities and progress in 2018 (1 January to 31 December), and contains descriptions of planned activities and targets for 2019. The report has been developed without direct engagement of external stakeholders.

The scope of the report comprises our corporate headquarters in Denmark and global affiliates. The health, safety and environmental (HSE) data only covers our headquarters and larger1 affiliates with research, development and manufacturing activities. A detailed HSE reporting practice is available at https://lundbeck.com/global/sustainability/environment/reporting.

The key performance indicators for 2018 presented on page 13 and the proportion of the underrepresented gender at the other managerial levels presented on page 9 have been assessed by Deloitte in accordance with the ISAE 3000 standard to obtain limited assurance. The assurance statement is found on page 14.

1 Lundbeck affiliates with more than 50 employees.
EXECUTIVE STATEMENT

Lundbeck has been supporting the UN Global Compact since 2009 and we continue to promote initiatives that demonstrate our commitment to these principles.

‘We continuously evaluate our performance to ensure our strategic actions support a sustainable development’

I am pleased to express our continued support to the UN Global Compact that Lundbeck became a signatory to in September 2009. We recognise our corporate responsibility to respect human and labour rights, to commit to environmental protection and to work against corrupt behaviour.

The report provides an overview of the progress we have made during 2018 where we fulfilled seven of our nine sustainability targets. It shows how we are contributing to the six Sustainable Development Goals that are most relevant to our company.

Many of the reported activities reflect years of dedicated work, learning and a continuous evaluation to define further actions. We know how challenging it is to successfully promote a sustainable development. We will maintain our explorative approach and appreciate any input from stakeholders that can help us to define better ways to achieve our objectives.

I hope you will enjoy reading the report.

Deborah Dunsire
President and CEO of Lundbeck
OUR BUSINESS MODEL AND SUSTAINABILITY FRAMEWORK

Lundbeck is dedicated to restoring brain health so every person can be their best. In this section, we outline our business model along with our strategic framework, achievements and targets on compliance and sustainability.

Lundbeck is a global pharmaceutical company engaged in research & development (R&D), production, marketing and sale of innovative pharmaceuticals. We build on our strong scientific understanding of brain diseases to develop transformative medicines and on our global presence to bring innovative therapies to people living with psychiatric and neurological diseases.

According to the World Health Organization, WHO, more than 700 million people live with psychiatric and neurological disorders globally. These are serious and life-threatening diseases that affect the quality of life of the patients as well as of their relatives. As these diseases also involve major socio-economic costs, it is imperative for the general society that new and innovative pharmaceuticals are developed. Over the past 70 years, new pharmaceuticals have revolutionised the treatment options, but there remains a large unmet need for new and innovative therapeutics.

Despite the challenges of brain science, Lundbeck remains committed to deliver the innovation that patients need. We work tirelessly to advance neuroscience, develop new and innovative treatments and support patient communities. Everything we do serve our overall purpose of restoring brain health and transforming the lives of the millions of people living with brain diseases.

Focus on R&D is the most important pillar in Lundbeck’s ambition to improve treatment for people living with psychiatric and neurological disorders. We are specialists in our area and have approx. 900 employees working within R&D. We cooperate closely with strategic partners all over the world, ensuring the best possible foundation for innovation and the development of new treatment solutions.

Lundbeck markets several different pharmaceuticals for the treatment of psychiatric and neurological disorders. You can read more about our business activities in Lundbeck’s Annual Report 2018 and on www.lundbeck.com. Our sustainability framework aims to ensure that our business activities are conducted in a way that mitigates the related significant risks and supports the UN Global Compact Principles and the relevant UN Sustainable Development Goals (SDG).

<table>
<thead>
<tr>
<th>LUNDBECK’S SUSTAINABILITY FRAMEWORK</th>
<th>UN GLOBAL COMPACT PRINCIPLES</th>
<th>UN SUSTAINABILITY DEVELOPMENT GOALS (SDG)</th>
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<tr>
<td>Ethics: Ethical considerations we make while delivering safe and efficacious medicine to patients</td>
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<td>Society: Our contribution to local economies and actions to prevent corruption and bribery in any form</td>
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Risks within the four focus areas Ethics, Society, Employees and Environment are continuously assessed and managed as part of the planning and execution of our business activities. As a research and development based global pharmaceutical company many of these risks are governed by detailed legal requirements or industry self-regulation. Consequently, we have established a Compliance Structure (illustration) to ensure that relevant requirements and controls are clearly described (documents), are properly understood (training) and are being followed, and that areas of improvement are identified (monitoring).

Collectively the management of our significant risks aims to assure safe use of our medicine, avoid unethical conduct by our employees and business partners, provide decent, safe and healthy working conditions, optimise our use of resources and minimise adverse impacts on the environment. Based on this we annually evaluate our sustainability performance and establish targets for the coming year to enhance our risk mitigation, business processes and performance. The result of the evaluation and the new targets are shown below.

<table>
<thead>
<tr>
<th>TARGET 2018</th>
<th>STATUS</th>
<th>TARGET 2019</th>
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<tr>
<td>Update Code of Conduct and provide training for all Lundbeck employees globally</td>
<td>Achieved (page 7)</td>
<td>Implement the updated Code of Conduct and provide training for all employees globally</td>
</tr>
<tr>
<td>Promote responsible and transparent interactions with Healthcare Professionals</td>
<td>Achieved (page 7)</td>
<td>Update global procedures for responsible and transparent interactions with Healthcare Professionals and patients</td>
</tr>
<tr>
<td>Support mental health and well-being by analysing our role and defining further actions within suicide prevention</td>
<td>Achieved (page 7)</td>
<td>Conduct actions to support the SDG 3 and engage our global affiliates in suicide prevention at the World Mental Health Day</td>
</tr>
<tr>
<td>Enhance the global process for evaluation, due diligence and monitoring of suppliers</td>
<td>Achieved (page 8)</td>
<td>Implement the updated global due diligence and monitoring process for suppliers and third parties in scope</td>
</tr>
<tr>
<td>Lost time accident frequency ≤ 5</td>
<td>Not achieved (page 9)</td>
<td>Lost time accident frequency ≤ 5</td>
</tr>
<tr>
<td>Work related diseases ≤ 2</td>
<td>Achieved (page 10)</td>
<td>Occupational diseases ≤ 2</td>
</tr>
<tr>
<td>Reduce CO₂ emissions by 3% in 2018 compared to 2017</td>
<td>Achieved (page 11)</td>
<td>Reduce CO₂ emission by 3% in 2019 compared to 2018</td>
</tr>
<tr>
<td>Recycling of 50% of selected solvents</td>
<td>Achieved (page 12)</td>
<td>Recycling of 75% of the 10 most used solvents.</td>
</tr>
<tr>
<td>Zero environmental incidents with an impact on the environment</td>
<td>Not achieved (page 12)</td>
<td>Zero environmental incidents with an impact on the environment</td>
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An overview of selected key indicators for Lundbeck’s sustainability performance is provided on page 13.
ETHICS

Lundbeck acts as warranted to provide safe and efficacious medicine and we recognise our broader responsibility to support patient’s needs. We apply high ethical standards to safeguard the integrity of the stakeholders we interact with.

Lundbeck is dedicated to restoring brain health. We pursue this purpose in accordance with regulatory requirements defined by authorities and the ethical principles we have articulated in our Code of Conduct. Our actions are governed by these commitments and our dedication to the patients who need our medicine.

We want to give our employees the best possible conditions to act responsibly. Every year all employees are asked to complete ethical training that places our Code of Conduct and relevant procedures in a business context. During 2018, we updated our Code of Conduct and the revised edition will enter into force March 2019. The update reflects changes to internal and external requirements, for instance the International Federation of Pharmaceutical Manufactures and Associations (IFPMA) Code of Practice that have enhanced its controls for pharmaceutical companies’ interactions with Healthcare Professionals. Other updates of the Code of Conduct aim to provide additional clarity for instance regarding the use of Social Media.

The global implementation of the updated Code of Conduct that will take place in 2019, includes online eLearning and facilitated face-to-face meetings to engage all our employees and ensure the requirements are understood throughout Lundbeck.

This is an example of Lundbeck’s continuous efforts to keep our ethical initiatives appropriate and support the organisation in making the right decisions. The work is driven via two committees with Executive Management members and a mandate to evaluate the company’s ethical performance and initiate preventive actions. Decisions are based on extensive information, including findings from Lundbeck’s internal monitoring, new regulations from industry associations, monitoring of media, proposed legislation and initiatives related to the Sustainable Development Goals (SDG).

UN Global Compact principles well-integrated in our business

In recent years, our sustainability team has experienced an increasing interest from our business leaders who want to contribute to Lundbeck’s UN Global Compact commitment. Some of these initiatives are included in this report, while other initiatives individually are too small to be included. The internal trend coincides with initiatives to promote transparency taken by the regional and global industry associations we have joined. As a result, anyone can access information about Lundbeck’s interactions with healthcare professionals and patients, including exchanges of scientific information, support to patient advocacy groups, educational and promotional activities on www.lundbeck.com/global/sustainability/ethics. We believe that increased transparency will help promote the acceptance of these professional relationships and their value to the enhance patient care. In 2019, we will maintain these efforts and conduct training of key people to ensure a successful implementation of our global procedure for interactions with Healthcare Professionals and patients, which has been enhanced.

Promoting mental health in support of the SDG 3

One of the United Nation’s 17 SDGs is particularly relevant to Lundbeck due to our commitment to improve the quality of life of people living with brain diseases: SDG 3 and target 3.4, which states “By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being”. One of the indicators for SDG 3 monitors suicide mortality rates. We share society’s concern that suicide is the second leading cause of death among young adults between the ages of 15 and 29, and that mental illness too often lead to suicide.

During 2018, we continued our work to promote mental health in addition to developing, producing and marketing medical treatment. In 39 countries, Lundbeck’s affiliates where engaged in the annual World Mental Health Day 10 October and helped raising awareness about mental health within adolescents and young adults. Our corporate working group on suicide prevention met with leading experts and gained valuable insights about protective factors and possible preventive actions that Lundbeck could take to support SDG 3. We will consolidate our knowledge and initiate a set of actions leading up to World Mental Health Day, which focuses specifically on suicide prevention in 2019.
Lundbeck’s ambition is to contribute to society by improving the quality of life of people living with brain diseases. We recognise our impact on other societal aspects and act to prevent corruption in any form.

Lundbeck’s most significant contribution to society is developing and delivering innovative treatments of brain diseases. We are fully aware of other societal impacts that our business has at global and national levels. We would like to maintain a business model that gives patients access to efficacious medicine and allows reinvestments in innovation to meet unmet medical needs. We recognise that healthcare systems are facing affordability challenges of innovative medicine. We address some of the complex issues related to pricing in our global pricing position that is available on www.lundbeck.com/global/sustainability/society.

Extending known principles more effectively in our collaborations
Globally, we engage a wide range of stakeholders such as healthcare professionals, patients, public officials, suppliers and partners. These collaborations serve specific purposes e.g. developing new knowledge about a disease; obtaining a required approval; or entering an agreement to supply or purchase products. Collaborations like these generally add value to the local economies. However, we are conscious that these collaborations potentially may also adversely impact society. Our actions to prevent such adverse impacts take different forms operationally, but the essential principles are derived from our Code of Conduct and our commitment to the UN Global Compact.

As an example, we ask our suppliers to prevent corruption, provide safe and healthy working conditions, minimise their impact on the environment and respect human & labour rights in the mutually binding agreements we enter. Our evaluation approach has gradually evolved since it was established 2005 for suppliers to manufacturing. In 2018, we gathered the vast experience we have gained over the years, carefully assessed what works and identified areas of improvement. Based on the outcome, we have simplified the global due diligence and monitoring procedure to make it more focused and dialogue-based. The updated procedure will be implemented during 2019 in our global affiliates and headquarters.

Monitoring to control and establish the right understanding
Lundbeck’s comprehensive monitoring programme is built on systematic collection of information and communication with our global business units, focused discussions, audits and investigation of reported concerns in our Compliance Hotline.

Skilled auditors from our assurance functions conducted 226 internal audits that covered research, development, manufacturing, health, safety and environment, marketing, sales, IT and finance in 2018. They also conducted 157 audits at suppliers and partners. Audits are conducted with Lundbeck’s procedures and appropriate actions are taken.

The Compliance Hotline is available for reporting legal or other serious concerns, which cannot otherwise be properly addressed. Reports are handled strictly in accordance with our global investigation procedures, including relevant data protection requirements and Lundbeck’s non-retaliation policy, which does not accept any retaliation or discrimination against anyone who communicates a concern in good faith. This reporting option is well-established across our global organisation. We received 15 reports in the Compliance Hotline and completed 11 of the initiated investigations in 2018. Six of these investigations (55%) were substantiated and appropriate corrective and preventive actions were initiated. Four reports were made late in 2018 and these investigations will be concluded in 2019.

In addition to controlling adherence to the Code of Conduct, laws and regulations, we aim to establish awareness of relevant risks and an understanding of how the global procedures best mitigate these risks. This was done successfully in 2018 by involving management from Lundbeck affiliates in Asia, Middle East, South Africa and Latin America in workshops facilitated by our global compliance experts. The workshop concept we have developed, will be applied more widely in the coming years.
EMPLOYEES

Lundbeck acts to provide a safe and healthy work environment for our employees and to promote diversity and development opportunities for our employees.

Lundbeck wants to offer our approx. 5,000 employees globally employment conditions that respect the individual’s fundamental labour rights, offer relevant developing opportunities and a working environment that safeguards their health and safety. Our due diligence procedures and audits aim to ensure the same rights and principles are upheld by our suppliers.

The internationally recognised labour standards as set forward by the International Labour Organisation (ILO) and national requirements form the basis for our corporate policies for recruitment and diversity. We want to support a culture of mutual respect and believe that diversity among our employees contributes to enrichment of ideas that drive innovation and progress.

Workplace assessments direct our efforts to provide a safe and healthy workplace. We offer regular training to our managers and employees to minimise the number of work-related accidents and to increase awareness of mental health at work.

We have integrated our policy and procedures within Health, Safety and Environment (HSE) because we believe this approach holds mutual benefits and supports a culture based on continuous improvement, cooperation and business efficiency.

Diversity in management maintained

According to our target regarding diversity at Board of Directors level, at least one of the members elected by the shareholders should be of the underrepresented gender. In 2018, we had one female board member out of six members elected by the shareholders and one female board member out of three members elected by Lundbeck’s employees.

At the other managerial levels, we aim to ensure that the proportion of the underrepresented gender is at least 40% globally. The measurement includes all managers globally who have people management responsibilities. The proportion of female managers was 44% in 2018. Our actions to meet the target are unchanged. We will continuously offer equal opportunities for men and women across organization in accordance with our employee policies and guidelines.

Commitment to prevent work-related accidents and diseases

Lundbeck strives to minimise the number of work-related accidents and occupational diseases. We systematically register and analyse the root causes to identify preventive actions for these incidents at our sites with research, development and manufacturing. We regularly train managers and employees in work-related risks and safety culture.

To promote the safety culture, we have implemented visual mapping boards showing the severity and location of the incidents. This overview has increased the local awareness and enhanced our possibility to respond faster with more focused preventive actions.

Despite our efforts to reduce the number of work-related accidents, we experienced an increase of accidents per 1,000,000 working hours from 5.9 in 2017 to 7.5 in 2018.

A careful analysis performed in 2018 showed that tripping, slipping and falling is the most common reason behind the accidents.
We systematically conduct risk assessments when establishing new facilities, developing new products and making changes to processes or organisation. Consequently, we have experience very few work-related diseases in the recent years. In 2018, one work-related disease was recorded.

We are determined to avoid occupational diseases and to reduce the number of accidents. During 2019, we will be working on behaviour-based prevention. This aims to strengthen managers’ attention to health and safety and encourage individual employees to act in a healthy and safe way. We would like everyone to be aware of the local risks and take care of their colleagues as well as themselves. Hereby, we believe we can strengthen our HSE culture and increase the awareness on accident prevention.

Development of health strategy initiated
Lundbeck is committed to improving the quality of life for people living with brain diseases. This dedication plays a key role in the ongoing update of our HSE strategy. We have decided to establish a health strategy with an equal focus on body and mind. In 2018, a cross-organisational project team established a common understanding of the current health challenges. During 2019, they will evaluate the effect of ongoing health initiatives and assess the need for further action. The gained knowledge will be used to define the overall desired outcome and action plan of the future health strategy.

Completion of REACH registrations and process optimizations
The EU regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) reached an important milestone in June 2018. Substances manufactured in or imported to the EU in quantities between 1 and 100 tonnes per year had to be registered. For Lundbeck this amounted to the registration of 25 substances.

Since 2014, we have been modifying work processes at our chemical production sites in Denmark and Italy to meet the requirements for Strictly Controlled Conditions (SCC) with closed or contained work processes. The improved conditions provide our employees with an even higher health and safety standard and protects the surrounding environment. The SCC-status provides many advantages, including greater flexibility due safe handling of more potent substances, faster registration process and higher predictability of substance supply.

We have finalised Lundbeck’s REACH implementation project and moved into the operational state. We are aware that maintaining compliance with the established requirements and internal procedures will continue to require a significant effort.

HSE DATA ON DEVELOPMENT CANDIDATES
After the approval of a Lundbeck Development Candidate, numerous employees may potentially handle the substance for many years. As a standard preventive measure, we carry out risk assessments of relevant processes to ensure safe work conditions where we handle the new substance. Detailed HSE knowledge about the new substance is required. This includes performing computerized toxicity predictions based on the molecular structure (QSAR), testing various properties of the new substance and calculating the Occupational Exposure Limit.

In 2018, we evaluated and improved the existing procedure on HSE data compilation to allow an earlier compilation and communication of the findings.
ENVIRONMENT

Lundbeck promotes environmental responsibility by optimising manufacturing processes, recycling solvents, controlling pharmaceuticals in the environment and minimising our emissions to the air of CO2 and other pollutants.

Lundbeck’s research, development and manufacturing activities are mainly based on chemical synthesis. Consequently, we use considerable amounts of organic solvents, energy and generate waste and emissions to the air. We are managing these environmental impacts effectively through our integrated approach to Health, Safety and Environment (HSE).

Our environmental responsibility is cascaded from the HSE Policy and put into action via our HSE strategy. This ensures that our actions are prioritised and coordinated to minimise our environmental footprint in the best possible way. We have achieved many results over the years. For instance, we have by the end of 2018 reduced our CO₂ emission by 66% compared to 2006.

Record certification leading into HSE strategy launch
For more than a decade, the certification of our HSE system to the international standards ISO 14001 and OHSAS 18001 has proven that we have a strong grasp on compliance. Lundbeck’s headquarters and all sites with research, development and manufacturing are covered by the system. The system drives our continuous improvements in accordance with the HSE strategy, ensures we achieve the defined targets and enables managers and employees to think and act healthy, safe and green. This way we proactively manage our HSE risks and exploit opportunities across the value chain. In 2018, the system was certified to the updated ISO 14001 standard with a very satisfying result. The external auditors made the lowest number of observations in this type of audit in our history.

We are finalising the improvement of our HSE strategy that will be launched in 2019. The new strategy aims to strengthen our cross-organisational HSE culture and extend our historical HSE performance in the coming years by means of communication, knowledge sharing and collaboration.

Reduced CO₂ emission despite a slight increase in energy consumption
Over the years 2006 to 2017, Lundbeck has reduced its energy consumption by 35%. Expansions of our manufacturing and laboratory facilities combined with new quality requirements makes it difficult to maintain this development. In 2018, we have implemented several energy conserving initiatives. For instance, we optimised a cooling plant and achieved an annual saving on 400 MWh, which is equivalent to the annual energy consumption of approx. 16 households. Despite this and other initiatives, our energy consumption increased with 1% in 2018 compared to 2017.

We remain determined to reduce our overall CO₂ emission and have decided to request certificates of origin for renewable energy when purchasing electricity. With this initiative, we reduced the CO₂ emission in 2018 by 7.4% compared to 2017 and achieved the defined target.
New long-term climate target defined for 2026
Lundbeck has defined a new long-term reduction target that now includes our entire greenhouse gas emission inventory. This is made up of direct emissions e.g. from own combustion of fuels (Scope 1), indirect emissions e.g. from purchased energy (Scope 2) and lastly other indirect emissions e.g. from purchased services or materials (Scope 3). The 2026 target includes a 30% reduction of Scope 1 and 2 emissions compared to 2016.

For the first time, we have included Scope 3 emission in the reduction target. We aim to achieve this via the recovery of solvents, internal process optimisations and by influencing our most CO$_2$ emitting suppliers. Our long-term climate target is aligned with the principles in the Paris Agreement, UN Climate Change Conference of the Parties (COP-21). The target’s level of reduction (Scope 1 and 2) corresponds to the reduction that is required by all nations to keep the global warming below two degrees in 2100.

Climate effort acknowledged
Lundbeck has made it a priority to track and disclose our CO$_2$ emissions. This effort was acknowledged by the Carbon Disclosure Project (CDP), which is a leading global environmental benchmark. The CDP rates the companies’ ability to disclose and manage their greenhouse gas emissions. For the third consecutive year, we were included in the Leadership band in 2018 with the scoring A-, which is the second highest ranking. The demands to achieve the ranking are continuously increasing. We will strive to maintain this leadership ranking in the coming years.

Increased use of circular economy supports Sustainable Development Goal 12
Lundbeck has for several years been optimising processes and recycling waste, which has benefited the environment and reduced costs. In chemical production, we have applied the principles of Green Chemistry to increase the process yield, use less hazardous substances, reduce the overall consumption of solvents and generation of waste.

Solvents are recovered and reused several times. In 2018, we managed to recover 76% of the most used solvents. This eliminated the need to purchase approx. 5,600 tons of solvents and consequently saved additional resources for external production, transportation and waste management. It should be noted that we during 2018 changed the calculation of the recovery percentage to reflect the total recovery of the 10 most used solvents. The target and result is therefore not directly comparable. It is not possible to recycle all chemicals at our factories. We continuously look for other ways to make this happen and our chemical production site in Italy managed to recycle 36% of their chemical waste externally.

In 2018, the Danish Environmental Protection Agency initiated a project to identify barriers and solutions to increase external reuse of waste. Lundbeck participated in this project and described waste streams that potentially could be reused by other companies. The preliminary results are promising and we expect external reuse of solvents to supplement our internal recovery in the future.

Circular economy has also been on the agenda in our pharmaceutical production in 2018. Our two sites in Denmark and France recycled respectively 43% and 79% of their non-chemical waste. By analysing waste streams and training employees in waste separation, we continuously identify new possibilities for increased recycling. We have reduced the need for packaging materials and increase recycling of packaging waste in the finished goods production. Our canteen has identified ways to ensure food waste can be used for producing biogas.

First material environmental incident since 2005
Lundbeck began registering environmental incidents in 2005. Unfortunately, we experienced the first environmental incident with impact on the environment in 2018. A leak from a gasket in our pharmaceutical production in Denmark resulted in the release of 40 litres 2%-solution of an antidepressant (oral drops), which is not readily biodegradable. Immediately after the incident, a thorough root cause analysis and risk assessment was performed to prevent similar incidents. Improved handling procedures and spillage kits were implemented to prevent future release of liquids with adverse impact on wastewater treatment and the external environment. The risk assessment and preventive measures were approved by the authorities.
KEY PERFORMANCE INDICATORS

We consider the data presented here key indicators for Lundbeck’s sustainability performance in 2016–2018. Please visit [www.lundbeck.com/global/sustainability](http://www.lundbeck.com/global/sustainability) to obtain more detailed information and data from the current and previous years.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods production</td>
<td>Pieces, 2,229,221,757</td>
<td>2,354,627,717</td>
<td>2,258,194,100</td>
</tr>
<tr>
<td>Chemical production</td>
<td>Tonne, 403</td>
<td>494</td>
<td>339</td>
</tr>
<tr>
<td>Raw materials, organic solvents</td>
<td>Tonne, 3,392</td>
<td>3,808</td>
<td>3,758</td>
</tr>
<tr>
<td>Water consumption</td>
<td>m³, 320,990</td>
<td>349,943</td>
<td>374,406</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>MWh, 98,226</td>
<td>93,413</td>
<td>94,312</td>
</tr>
<tr>
<td>CO₂ emission</td>
<td>Tonne, 19,943</td>
<td>17,244</td>
<td>15,969</td>
</tr>
<tr>
<td>Waste</td>
<td>Tonne, 11,906</td>
<td>13,364</td>
<td>12,525</td>
</tr>
<tr>
<td>Waste water</td>
<td>m³, 296,799</td>
<td>320,183</td>
<td>344,731</td>
</tr>
<tr>
<td>Incidents with an impact on the environment</td>
<td>Number, 0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Work-related accidents with absence</td>
<td>Number, 25</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Frequency of lost time accidents</td>
<td>Frequency, 7.3</td>
<td>5.9</td>
<td>7.5</td>
</tr>
<tr>
<td>Work-related diseases</td>
<td>Number, 1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Internal audits conducted¹</td>
<td>Number, 156</td>
<td>216</td>
<td>226</td>
</tr>
<tr>
<td>External audits conducted²</td>
<td>Number, 167</td>
<td>171</td>
<td>157</td>
</tr>
<tr>
<td>Compliance Hotline reports³</td>
<td>Number, 13</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Employees globally (yearly average)⁴</td>
<td>Number, 5,120</td>
<td>4,980</td>
<td>5,060</td>
</tr>
</tbody>
</table>

¹ Sum of conducted and reported audits performed at Lundbeck headquarters functions and global affiliates (see page 8). Calculation method was changed in 2018, which led to inclusion of an additional 6, 20 and 19 internal audits in 2016, 2017 and 2018.
² Sum of conducted and reported audits performed at Lundbeck's suppliers and partners (see page 8).
⁴ Included in the review of the Annual Report.
Independent Auditor’s Assurance Report

To the Management and stakeholders of H. Lundbeck A/S

We have assessed H. Lundbeck’s UN Global Compact 2018 Communication on Progress Report (“the COP-report”) and the Health, Safety and Environment Data Overview – H. Lundbeck A/S – 2018 (“the HS&E-report”) to provide limited assurance on selected data. Our assessment was performed in order to assess whether:

- the sustainability key performance indicators on page 13 in the COP-report,
- the proportion of the underrepresented gender at other managerial levels on page 9 in the COP-report and
- the data presented in the HS&E-report,

have been stated in accordance with the criteria defined by the reporting principles.

The above-mentioned reports cover Lundbeck’s international activities from 1 January to 31 December 2018.

We express a conclusion providing limited assurance.

Management’s responsibility

The Management of Lundbeck is responsible for collecting, analysing, aggregating and presenting the information in the COP-report and the HS&E-report, ensuring that data is free from material misstatement, whether due to fraud or error. Lundbeck’s reporting practice contains Management’s defined reporting scope for each data type. Several reporting principles are described in the COP-Report, while others are described on https://lundbeck.com/global/sustainability/environment/reporting.

Auditor’s responsibility

Our responsibility is to express a limited assurance conclusion on the sustainability key performance indicators on page 13 in the COP-report, the proportion of the underrepresented gender at the other managerial levels on page 9 in the COP-report and the data presented in the HS&E-report. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about whether the selected data is free from material misstatement.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR – Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal controls, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion. We performed our on-site reviews at Lundbeck’s Head Office in Valby, Denmark, in January 2019. Our work has included interviews with key
functions at Lundbeck, inquiries regarding procedures and methods to ensure that selected data and information have been presented in accordance with the stated reporting practice. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating the data in scope at Group level, performed analytical review procedures, and tested the data prepared at Group level for consistency with underlying documentation.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

**Conclusion**

Based on our work, nothing has come to our attention that causes us to believe that

- the sustainability key performance indicators on page 13 in the COP-report,
- the proportion of the underrepresented gender at other managerial levels on page 9 in the COP-report and
- the data presented in the HS&E-report,

have not been prepared in accordance with the reporting practice described.

Copenhagen, 31 January 2019

**Deloitte**

Statssætteret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne27762

Helena Barton
Lead Reviewer
New strategy, new framework and new focus

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

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

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

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

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

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

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

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

Carsten Hellmann
President & CEO

Allergy at a glance

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

Insufficient sleep
Allergies can impact the amount of sleep we get:

26% of people with uncontrolled allergic rhinitis (AR) lack a good night’s sleep

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

131m Allergies and hay fever
57m Hypertension
49m Migraine
25m Asthma
18m Diabetes

Net work days lost in the USA to chronic conditions
Our business model

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

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

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

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

Key figures

- Established in 1923
- Employees 2,379
- Markets 38
- Patients in treatment with ALK products* ~1.7m
- 2018 revenue of DKK 2.9bn
- 2018 EBITDA of DKK 136m

* covering AIT and anaphylaxis
ALK Sustainability Framework

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

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

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

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

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

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

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

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

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

**Peace, justice and strong institutions**
We work to reduce corruption and bribery in all its forms.
Environment and climate

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

**Responsible consumption and production**

We strive for sustainable resource consumption through our production.

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

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

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

- Involve and commit our employees to participate in the daily environmental work
- Educate our employees and implement preventive actions to ensure that factors, which represent environmental risks are monitored and constantly reduced
- Ensure that environmental issues are proactively integrated in planning and design
- Measure the results of our efforts and set new goals for continual improvements, particularly within the areas of energy consumption, CO₂ emissions and water usage

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

All production sites adhere to the Global EHS policy and the integrated Global EHS Management System.

Action

To reach the long-term global EHS goals set in 2015, we took several measures to reduce water and energy consumption and decrease CO₂ emissions.

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

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

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

Risks

As part of the EHS Management System, ongoing assessments for environmental and climate risks are conducted for routine and non-routine activities. No new risks were identified, and we continue to focus on the main risk factors: energy consumption, CO₂ emissions and water usage.

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

Targets and results

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

Target: We seek to reduce energy consumption, CO₂ emission and water usage.

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

Result: The total energy consumption at production sites has increased by 3% (1,312 MWh) in the period 2014-2018. The result is not satisfactory but within the period, both activity and headcount have increased significantly. The 2014 base year has been adjusted for activities regarding new products and acquisitions, but not the increased activity regarding existing products (see table on page 7).

Goal: By the end of 2018, the CO₂ emissions must be lowered by 5% compared to 2014.

Result: The CO₂ emissions have decreased by 13% in the period 2014-2018. This is mainly due to the purchase of electricity from windmills in Denmark, together with the development in electricity production, which are becoming more and more environmentally sustainable (see table on page 7).

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

Result: The total water usage at production sites has decreased by 6% (5,525 m³) in the period 2014-2018. 10 major water-saving initiatives have generated the positive result (see table on page 7).

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

---

1 Hørsholm, Madrid, Vandeuil, Varennes, Port Washington, Post Falls and Oklahoma
### Environment and climate

<table>
<thead>
<tr>
<th></th>
<th>Unit 2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy - in real terms</td>
<td>MWh</td>
<td>40,960</td>
<td>41,926</td>
<td>40,230</td>
<td>47,021</td>
</tr>
<tr>
<td>Energy - adjusted¹</td>
<td>MWh</td>
<td>45,364</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Energy - index</td>
<td>Index</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CO₂ emission - in real terms²</td>
<td>Ton</td>
<td>7,409</td>
<td>7,830</td>
<td>6,282</td>
<td>9,658</td>
</tr>
<tr>
<td>CO₂ emission - adjusted¹</td>
<td>Ton</td>
<td>10,266</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CO₂ emission - index</td>
<td>Index</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CO₂ emission - from lost refrigerants</td>
<td>Ton</td>
<td>-</td>
<td>267</td>
<td>174</td>
<td>265</td>
</tr>
</tbody>
</table>

**Renewable energy**

<table>
<thead>
<tr>
<th></th>
<th>% of total energy consumption in real terms</th>
<th>%</th>
<th>10%</th>
<th>8%</th>
<th>15%</th>
<th>13%</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water - total, in real terms</td>
<td>m³</td>
<td>111,010</td>
<td>112,275</td>
<td>102,418</td>
<td>120,960</td>
<td>117,252</td>
<td></td>
</tr>
<tr>
<td>Water - production, in real terms</td>
<td>m³</td>
<td>79,629</td>
<td>80,016</td>
<td>81,130</td>
<td>90,061</td>
<td>88,564</td>
<td></td>
</tr>
<tr>
<td>Water - production, adjusted¹</td>
<td>m³</td>
<td>94,089</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>88,564</td>
<td></td>
</tr>
<tr>
<td>Water - production, index</td>
<td>Index</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Waste water - in real terms</td>
<td>m³</td>
<td>75,578</td>
<td>75,692</td>
<td>78,969</td>
<td>89,518</td>
<td>89,243</td>
<td></td>
</tr>
<tr>
<td>Waste - in real terms</td>
<td>Ton</td>
<td>555</td>
<td>555</td>
<td>608</td>
<td>555</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Waste for reuse/recycling</td>
<td>%</td>
<td>36</td>
<td>35</td>
<td>37</td>
<td>34</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>

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

² The CO₂ emissions include Scope 1+2

### Planned activities for 2019-20 and expected results

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

- By 2020, energy and water efficiency considerations are an integrated part of facility upgrading plans
- By 2020, we want at least 30% of all consumed energy to come from renewable energy sources
- By 2020, we want to reduce CO₂ emissions by 25% compared to a 2017-baseline
- By 2020, we want at least 45% of the waste to be reused/recycled

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

Saving water and energy will continue to be a major focus area for us. In the new Sustainability Framework renewable energy and reduction of CO₂ emissions play an even bigger role. Therefore, we launched a project in collaboration with the Procurement department that will investigate opportunities to purchase more renewable energy in a way that will be responsible towards the company and the environment.

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

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

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

That amount of biogas equals:
- Enough fertiliser to fertilise 87 tonnes of carrots
- Enough to stop 40 tonnes of CO₂ from entering the atmosphere
- More than 1,800 days’ worth of heating in an average household

New water-efficient tanks halve water usage in Port Washington

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

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

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

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

Peace, justice and strong institutions
We promote peaceful and inclusive societies for sustainable development.
We are committed to working against corruption and bribery in all its forms.
Policy

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

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

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

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

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

Action

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

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

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

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

Risks

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

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

Mechanisms for mitigating and preventing corruption and bribery include:

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

Targets and results

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

KPI: Amount contributed to political parties.

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

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

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

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

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

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

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

Result: 87% have passed the test.
Planned activities for 2019-20 and expected results

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

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

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

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

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

Leading the way against corruption

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

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

Søren Jelert
CFO
Human Rights

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

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

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

As part of several of our policies we:

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

Action

Good health and well-being

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

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

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

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

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

We are determined to continue working towards raising awareness about allergies and related diseases. This year, we have launched a new patient engagement strategy, aimed at those who remain undiagnosed and often self-manage their condition with over-the-counter products and medicines. The goal is to connect and engage with them much earlier in their disease journey, using digital tools and e-commerce offerings that offer support, guidance and relief during moments of crisis.

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

Privacy and data protection

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

Quality and patient safety

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

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

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

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

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

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

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

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

Targets and results

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

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

KPI: Absenteeism.

Absenteeism due to sickness

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1.27%</td>
<td>3.36%</td>
<td>4.95%</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td>1.36%</td>
</tr>
<tr>
<td>China</td>
<td>0.26%</td>
<td>0.52%</td>
<td>0.21%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.40%</td>
<td>0.13%</td>
<td>1.34%</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.69%</td>
<td>2.49%</td>
<td>2.35%</td>
</tr>
<tr>
<td>France</td>
<td>3.69%</td>
<td>3.57%</td>
<td>3.02%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.73%</td>
<td>4.39%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Italy</td>
<td>0.37%</td>
<td>0.50%</td>
<td>0.67%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.34%</td>
<td>3.28%</td>
<td>4.59%</td>
</tr>
<tr>
<td>Nordic</td>
<td>0.52%</td>
<td>1.00%</td>
<td>1.54%</td>
</tr>
<tr>
<td>Poland</td>
<td>5.70%</td>
<td>3.20%</td>
<td>4.60%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.00%</td>
<td>1.25%</td>
<td>1.10%</td>
</tr>
<tr>
<td>Spain</td>
<td>1.73%</td>
<td>3.23%</td>
<td>3.71%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.20%</td>
<td>1.10%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.00%</td>
<td>0.74%</td>
<td>0.23%</td>
</tr>
<tr>
<td>UK</td>
<td>1.14%</td>
<td>1.86%</td>
<td>0.60%</td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>1.04%</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

Planned activities for 2019-20 and expected results

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

Ongoing improvement of ergonomic conditions will continue where relevant.

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

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

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

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

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

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

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

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

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

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

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

Decent work and economic growth
We work to be an attractive workplace for all by focusing on improving the working environment in all parts of our organisation and ensuring safety at work.
Our Global HR policy seeks to create a working environment, which appeals to all employees at ALK, so we can attract, develop and retain well-qualified and engaged employees.

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

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

We continue to:

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

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

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

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

**Safety**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Turnover**

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

**Compensation**

**Pay ratio - of women to men**

<table>
<thead>
<tr>
<th>Country</th>
<th>Level</th>
<th>Base Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>Support</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>97</td>
</tr>
<tr>
<td>France</td>
<td>Support</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>83</td>
</tr>
<tr>
<td>Spain</td>
<td>Support</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>98</td>
</tr>
<tr>
<td>USA</td>
<td>Support</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>98</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>Men</th>
<th>Women</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>741</td>
<td>1,193</td>
<td>831</td>
<td>1,310</td>
<td>867</td>
<td>1,374</td>
</tr>
<tr>
<td>2017</td>
<td>64</td>
<td>170</td>
<td>34</td>
<td>110</td>
<td>40</td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td>805</td>
<td>1,363</td>
<td>865</td>
<td>1,420</td>
<td>907</td>
<td>1,463</td>
</tr>
<tr>
<td>Total both genders</td>
<td>2,168</td>
<td>2,285</td>
<td></td>
<td></td>
<td>2,370</td>
<td></td>
</tr>
</tbody>
</table>
Planned activities for 2019-20 and expected results

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

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

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

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

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

Spirit Days and Lighthouse Leadership Training

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lindsey Barber,
Development Scientist

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

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

Jennifer Perry,
Quality Assurance Associate
## Turnover by type and age group

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

## Turnover by type and region

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average* Voluntary Involuntary Retirement</td>
<td>Average* Voluntary Involuntary Retirement</td>
<td>Average* Voluntary Involuntary Retirement</td>
</tr>
<tr>
<td></td>
<td>Turn- Count over % Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>697 77 11% 20 3% 5 1%</td>
<td>718 68 9% 35 5% 6 1%</td>
<td>770 63 8% 42 5% 2 0%</td>
</tr>
<tr>
<td>North America$^1$</td>
<td>516 30 9% 22 7% 0 0%</td>
<td>379 37 10% 37 10% 2 1%</td>
<td>455 38 8% 19 4% 4 1%</td>
</tr>
<tr>
<td>Western Europe$^2$</td>
<td>760 27 4% 22 3% 6 1%</td>
<td>835 33 4% 14 2% 6 1%</td>
<td>870 33 4% 33 4% 4 0%</td>
</tr>
<tr>
<td>Eastern Europe &amp; Int'l. Markets$^3$</td>
<td>79 10 13% 3 4% 0 0%</td>
<td>100 12 12% 3 3% 0 0%</td>
<td>108 15 14% 6 6% 0 0%</td>
</tr>
<tr>
<td>Total Turnover$^4$</td>
<td>1,910 144 8% 67 4% 11 1%</td>
<td>2,070 150 7% 89 4% 14 1%</td>
<td>2,209 149 7% 100 5% 10 0%</td>
</tr>
</tbody>
</table>

$^1$ The United States of America and Canada
$^2$ France, Spain, Germany, Finland, Sweden, Norway, Italy, Austria, Switzerland, United Kingdom, Belgium, Netherlands
$^3$ Czech Republic, Slovakia, Poland, Jordan, Turkey, China, Hong Kong
$^4$ The average numbers are calculated in each region separately, the total turnover reflects the average headcount of the entire ALK, and not the sum of averages across the different regions

## Turnover by type and gender

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Voluntary Involuntary Retirement</td>
<td>Average Voluntary Involuntary Retirement</td>
<td>Average Voluntary Involuntary Retirement</td>
</tr>
<tr>
<td></td>
<td>Turn- Count over % Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over % Count Turn-over %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>1,163 91 8% 37 3% 7 1%</td>
<td>1,261 85 7% 43 3% 10 1%</td>
<td>1,359 85 6% 52 4% 7 1%</td>
</tr>
<tr>
<td>Male</td>
<td>690 53 8% 30 4% 4 1%</td>
<td>773 65 8% 46 6% 4 1%</td>
<td>845 64 8% 48 6% 3 0%</td>
</tr>
</tbody>
</table>
Our business in brief

Falck is a market leader in emergency response and healthcare services. Strongholds are in the Nordics, the US and Colombia. Globally, Falck operates across 31 countries and employs more than 32,000 people working by the promise to be there when you need us.

At a glance

**Ambulance**
Falck is a leading international provider of ambulance and patient transport services. Major operations are in Denmark, Colombia, California, Florida and cities like Barcelona, Hamburg, London and Stockholm.

**Healthcare**
Falck leads the market for employee healthcare programmes in Scandinavia. Major operations are in Sweden and Denmark.

**Fire Services**
Falck is a leader in industrial fire and rescue services at high-risk facilities and critical infrastructure. Major operations are in Spain, the UK, the Netherlands and Germany. In Denmark, Falck provides municipality fire and rescue services as well.

**Assistance**
Falck is the market leader in roadside assistance in the Nordics. Major operations are in Denmark followed by Norway and Sweden. Falck is a partner of the European roadside assistance alliance ERA.

**Global Assistance**
Falck holds a significant position in the Nordics within medical and security assistance to travellers. Major operations are in Denmark and Sweden followed by Norway.
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<th>Section</th>
<th>Page</th>
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<tbody>
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<td>4</td>
</tr>
<tr>
<td>A word from the CEO</td>
<td>4</td>
</tr>
<tr>
<td>2.0 Our approach to sustainability</td>
<td>5</td>
</tr>
<tr>
<td>Our commitment</td>
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1.0 Intro

We see the UN Global Compact as an important framework for our sustainability efforts. By committing to the 10 principles of the UN Global Compact, we pledge to align our strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and to take actions that advance societal goals. That is not new to us, but with the UN Global Compact, we have formalised our commitment.

Health stands at the core of our business. Every day Falck employees across business units and countries work to save and improve people’s lives and be there when we are needed. Dedicated employees take initiatives to proactively improve the way we operate and provide more help to the communities we work in. That is why Falck is a people business.

In the course of 2018, we have implemented several improvements to our own people processes, including a new HR system, a global engagement survey and an updated global Diversity and Inclusion Policy.

Regarding trust and compliance, we made important progress in 2018 by implementing a new Code of Conduct defining how we expect ourselves and our business partners to act in order to earn the trust of each other and of our stakeholders.

2018 was in many ways a turnaround year for Falck. We are radically changing our business by implementing global operating models and an ambitious efficiency programme, thereby strengthening our business and improving our profitability. We are also changing our mindset towards transparency, compliance and reporting.

Each of these steps are reflected in this sustainability report which is intended to explain our policies, our priorities and our actions based on the principles of the UN Global Compact. We recognise that we are still in the humble beginnings of our sustainability efforts, and once our business platform has become further stabilised and strengthened, it is our clear ambition to take further initiatives to advance societal goals.

Jakob Riis
President and CEO
Falck

A word from the CEO

Signing the UN Global Compact is a milestone on our sustainability journey

Global companies have global responsibilities, and Falck is no exception to that rule. That is the reason why we decided to sign and join the UN Global Compact in January 2019.
2.0 Our approach to sustainability

Our commitment

Committing to the UN Global Compact

Falck is committed to act responsibly as a company and to contribute to a socially, environmentally and economically sustainable development.

Social and ethical considerations are basic components of our day-to-day operations and of how we cooperate, both internally among Falck employees and externally with our clients and business partners. We are a global company, with a presence in 31 countries around the world, and the impact we may have on society and environment is also global.

It is our intention with this report to take a step towards increased transparency in our sustainability efforts. We still have a way to go, and we may change some of our reporting priorities going forward, depending on the quality of our data and the outcome of future risk and impact assessments. We aim to become more transparent and more resilient, thereby increasing our ability to mitigate adverse impacts and contribute to sustainable development.

Signing the UN Global Compact

In order to ensure that we have a proper framework for our sustainability efforts, we will follow the international guidelines for corporate sustainability as defined by the UN Global Compact, and for that reason, we became a signatory to the UN Global Compact in January 2019.

We commit to the UN Global Compact and its 10 principles on human rights, labour, environment and anti-corruption. We thereby also commit to the principles agreed upon internationally for sustainable development referenced in the UN Global Compact, i.e. the principles mentioned in The International Bill of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and Development, and the UN Convention against Corruption.

Making our commitment operational

A first step towards integrating our overall policy commitment into our governance system was the development of our new Falck Code of Conduct in 2018, supplemented by updated and new underlying policies. In addition, in 2018 we conducted a compliance risk self-assessment and a human rights impact assessment which will provide input to our ongoing implementation efforts. Finally, we have defined a number of non-financial KPIs in order to measure our outcome and progress.

The UN Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges and at Falck, we have assessed and identified three UN Sustainable Development Goals (SDGs) where we can contribute to achieving the global ambitions for each of these SDGs in practice: SDG 3 (Good health and well-being), 8 (Decent work and economic growth) and 16 (Peace, justice, and strong institutions).

This leads to the three main themes of this report: Health, People and Trust.
In order to measure our outcome and progress, we have defined a number of KPIs, which we will start reporting on in our future annual Communication of Progress in terms of the UN Global Compact, using 2018 as a baseline.

Our sustainability dashboard defines a number of KPIs related to key areas where we have a social and ethical impact. Falck is undergoing a company-wide transformation and the KPIs are carefully defined within our most mature areas. We have not yet defined any environment and climate KPIs as we are currently evaluating our governance setup within this area (see page 19).

Improving data quality
As part of our transformation, we are reviewing our ability to define targets and measure non-financial outcome related to people and organisation. Historically, the KPI structure and reporting processes at Falck have been decentralised, and our current focus is to align definitions, methods and reporting practices, and thereby create a global approach.

The data collection previously used operated from a functional ownership of data, split between Global Finance, Global HR and local business units. In 2018, Global HR started the process of defining a new data model, ensuring aligned and transparent HR data. This will allow for more frequent and standardised reporting on employee turnover, sickness absence, lost time injuries (LTI), etc.

By the end of 2018, our new people system, Cornerstone, had been rolled out in Denmark, Spain, the UK and Germany. With the roll-out of Cornerstone to more countries during 2019, data validity will improve significantly and reporting on a global scale be enabled. From 2019, Cornerstone will be our HR data repository and reporting source.

Reporting of fatalities
From 2019, we will also standardise the process for reporting fatalities. Many Falck employees work on the roads every day and drive at high speed to get to the scene of an accident as fast as possible, and this puts them at risk. Regrettably, two people lost their lives while working for Falck in 2018, one in Colombia and one in Denmark.

Target setting
Due to the inadequate data quality, we have chosen not to set quantitative targets for 2019. We expect to do so in the future.

<table>
<thead>
<tr>
<th>KPI</th>
<th>2018</th>
<th>2017</th>
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<tr>
<td>Lost time injuries (LTI)</td>
<td>11.9</td>
<td>15.6</td>
<td>16.2</td>
</tr>
<tr>
<td>Turnover</td>
<td>30.2</td>
<td>27.1</td>
<td>23.7</td>
</tr>
<tr>
<td>Sickness absence</td>
<td>3.4</td>
<td>3.0</td>
<td>3.3</td>
</tr>
</tbody>
</table>

1 Number of work-related employee accidents (incl. fatalities) resulting in one or more days of work lost due to the incident. Both permanent and on-call employees are included. The LTI frequency rate is calculated as number of LTIs per one million hours worked.
2 Number of permanent employees resigned or terminated (due to reasons other than major contract loss or restructuring initiatives) as a percentage of the average number of employees in the year.
3 Total number of working hours lost due to sickness (hours paid for plus hours not paid for) as a percentage of total number of paid-for working hours.
Mapping key risks and negative impact

We assess our compliance risk profile and human rights impact through self-assessments, which provide input for priorities and mitigating actions.

In order to assess the compliance risk profile in our global business and to identify the areas where we have the highest risk of having a negative impact, we performed a compliance risk self-assessment in September 2018. This year, it also included our first human rights impact assessment.

We have analysed the two assessments and identified the highest risks, for which we have subsequently defined actions for 2019.

**Compliance risk assessment**

In 2018, we introduced the annual compliance risk self-assessment, replacing the previous business ethics risk assessment. The compliance risk self-assessment introduces a new and simplified form that follows the structure of our new Code of Conduct and breaks down the compliance areas into single practical questions with pre-defined answer options.

The self-assessment evaluates the overall compliance risk profile for Falck per business area and per country, which provides an overall compliance risk score per country. Globally, all Falck entities have completed the compliance risk self-assessment form. The compliance risk score is used to determine the focus areas per country and business area and overall for the Falck Group and serves as input to the 2019 compliance work plan.

The results show that the top three global compliance risks to focus on in 2019 are Bribery & corruption, Competition compliance and Whistleblower (Falck Alert). The exercise also introduced three additional focus areas, namely Conflict of interest, Gifts & hospitality and Fraud. Several actions have been taken in 2018 related to these risks, including a new Gifts & Hospitality Policy introducing global thresholds and a new Conflict of Interest Policy requiring disclosure of any potential or existing conflict of interest.

Plans for 2019 include further integrating the compliance risk self-assessment into an online form as an easy access for all entities,
as well as communication around accountability when reporting on compliance risks. The online form is expected to provide better data analytics, which can be used to further improve the Falck compliance programme.

**Human rights impact assessment**

In 2018, we conducted our first human rights impact assessment, covering the areas within human rights where Falck as a global company has the most impact. All Falck entities were asked to answer nine questions related to relevant laws and regulations protecting and promoting human rights globally and at work, such as labour conditions and discrimination. The assessment was conducted simultaneously with the compliance risk self-assessment.

The consolidated human rights impact assessment shows low to moderate risk impact and risk likelihood in all areas, with a number of differences from country to country. However, favouritism and discrimination based on political opinions, expressions, race, gender, sexual orientation or religion were generally assessed to be the most likely negative human rights impacts. At Falck, we strongly believe that a workforce with diverse backgrounds, thinking and personalities combined with the right capabilities is a key enabler for performance and success, and we are therefore committed to taking action in order to mitigate the identified risk.

At the end of 2018, we published a new global Diversity and Inclusion Policy for the purpose of promoting a diverse workforce with diverse backgrounds. All Falck employees are required to comply with this policy and we expect it to be the foundation of local initiatives to ensure that favouritism and discrimination do not take place.

The impact assessment showed a tendency for the Nordic and EU countries to assess a greater risk impact on human rights than seen in the US and Latin America assessments. On the other hand, the US generally assessed a greater risk probability than e.g. the Nordic countries did. The Industrial Fire Services and Ambulance business units assessed the risk likelihood to be greater than e.g. the Healthcare and Assistance units did.

Another tendency was for some countries and local entities not to have the right procedures in place for understanding and reporting the number of lost time injuries (LTI) correctly. From a global perspective, we commit to help increase the understanding and correct reporting of key HR metrics. Global definitions and standardised reporting processes will be communicated in 2019 and must be implemented locally.
Three SDGs in focus

Just as the United Nation’s Sustainable Development Goals serve as a blueprint for creating a better society, we use them as a blueprint for becoming a more sustainable company.

Over the past few years, we have been working towards seven of the goals. This year, however, in order to focus our efforts, we have decided to reduce our focus to the three SDGs that are closest to Falck’s business model and where we can have the most significant positive impact. We have identified goals number 3 (Good health and well-being), 8 (Decent work and economic growth) and 16 (Peace, justice and strong institutions).

These three SDGs interlink with the three main chapters of this report: Health, People and Trust, and the relevant SDG and related targets are commented on at the beginning of each chapter.
As a provider of emergency response and healthcare services, promoting healthy lives and well-being lies at the heart of our business. This is clearly reflected in our business model.

Ensure healthy lives and promote well-being for all at all ages
SDG targets: 3.4, 3.8, 3.c

Why this is important to society
Sufficient and high-quality health and emergency care is vital for societies not only to preserve and promote the population’s health and quality of life, but also to ensure optimal use of healthcare resources.

Why this is important to Falck
Our core business is helping people in need. Our clear purpose is to be there in times of distress and promote a proactive approach to health.

Our targets
To provide accessible health and emergency care solutions of a high quality in the communities we work in.

Our risks
Inability to attract an adequate number of skilled employees. Unsatisfactory quality of services.

Our actions
Strict quality management procedures. Continuous training of employees.

Through our Ambulance business, we play an important part in national and regional healthcare systems and value chains. We are there when we are needed, and our highly skilled ambulance staff saves lives and cares for patients every single day. Similarly, in our Healthcare business unit, we provide psychological and physiological treatments that improve the lives of employees, enabling them to return to work sooner and continue a healthy worklife. Falck Global Assistance transports people home safely when needed, and our dedicated staff in Assistance and Industrial Fire Services prevent accidents every day.

In other words, Health is our business and part of our DNA, and our employees are proud to provide prevention, protection and emergency response to their local communities. In our first global engagement survey from September 2018, the global score to the question about “purpose” was 83 out of 100. That is six points higher than our external benchmark and shows an exceptional sense of pride in the work we do.

Globally, Falck employees perform voluntary first aid training, support the work of local communities in terms of bystander resuscitation (CPR), carry out accident prevention training, and much more.

As a global provider of ambulance services, Falck wishes to contribute to the development of prehospital care through close partnerships with public healthcare players, local communities, patients and their relatives as well as technology providers. We engage in projects that explore new ways of providing prehospital care and exploit new technologies in a scalable way in order to enable more healthcare for less.
Our business model

Key resources
- **People**
  - We rely on our more than 32,000 highly skilled and trained employees

- **Equipment**
  - We use high quality equipment enabling effective diagnostics and resolution

- **Partnerships**
  - We partner with local communities to customise our global services to local needs

- **Innovative culture**
  - We utilise new technology and explore new ways of working

- **Brand & reputation**
  - We benefit from a strong brand and a solid reputation for being effective, reliable and caring in everything we do

Activities

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Management systems &amp; trained employees</th>
<th>Services delivered</th>
</tr>
</thead>
</table>
| **Ambulance** | • Ambulance and patient transport services on fixed-price or pay-on-use contracts with local and regional authorities, hospitals and insurance companies  
  • In Latin America, doctors-on-call as private subscriptions | • Dispatch, fleet management and planning processes  
  • Quality management  
  • 23,000 employees trained to meet customer requirements | • 1,800,000 emergency services  
  • 4,000,000 patient transport services  
  • 1,400,000 doctors’ home visits |
| **Assistance** | • Roadside assistance on pay-on-use contracts with insurance and private companies  
  • Roadside assistance and family healthcare as private subscriptions | • Dispatch, fleet management and planning processes  
  • Digital assistance centres and customer relationship management  
  • Quality management  
  • 5,000 employees trained to meet customer requirements | • 800,000 roadside assistances  
  • 275,000 private patient transports |
| **Healthcare** | • Employee healthcare programmes on pay-on-use and fixed price basis with insurance and private companies  
  • Prevention, examination, treatment and rehabilitation | • Resource planning and case management  
  • Quality management  
  • 2,000 trained employees and a large network of associated professionals | • 1,500,000 physiological treatments  
  • 230,000 psychological treatments  
  • 850,000 hours of occupational health services |

Value created

- **Safe and caring services**
  - We save lives, treat and transport patients, support healthy workplaces and assist on the roads

- **Efficient operations**
  - We deliver efficient operations and adapt our global models to meet local customer needs

- **A great place to work**
  - We offer challenging and purposeful work with opportunities for personal and professional development

- **Societal impact**
  - We perform life-saving and life-improving care to people around the globe

- **Shareholder value**
  - Falck’s business model and strategy are designed with the ultimate objective of creating shareholder value
People

Our most important asset is our workforce, and we aspire to provide an inspiring and performance-oriented work environment in which our people have equal opportunities and thrive both personally and professionally.

In 2018, Falck established a global function to drive the global alignment of data related to people and organisation, in order to better understand how employees are paid, who is leaving and what drives engagement. We are in the process of defining a new data model, which will ensure aligned and transparent data, and in the second half of 2019, we will introduce a global data platform, allowing for more comprehensive, frequent and standardised global reporting on e.g. employee turnover and sickness absence.

Increased knowledge about key HR drivers

In 2018, Falck established a global function to drive the global alignment of data related to people and organisation, in order to better understand how employees are paid, who is leaving and what drives engagement. We are in the process of defining a new data model, which will ensure aligned and transparent data, and in the second half of 2019, we will introduce a global data platform, allowing for more comprehensive, frequent and standardised global reporting on e.g. employee turnover and sickness absence.

The controlling of non-financial KPIs will have a clear anchor in Global HR, and the processes will be supported by Finance and local HR departments. We aim to introduce a new data validation process and align definitions on main KPIs. As a result of the new governance and processes, we expect a significant increase in data quality.

Employee turnover and sickness absence

Based on the numbers currently available, we observe that turnover has increased during the last three years (from 23.7% in 2016 to 30.2% in 2018). Considering the business transformation which Falck is going through, this development is not unexpected. Going forward, we will work on stabilising turnover levels, especially voluntary turnover (resignations) for critical positions.

During the last three years, sickness absence has remained stable at a relatively low level (3.4%). We do not observe a trend in an upwards or downwards direction and will focus on keeping sickness absence at this low level.

By the end of 2019, we expect to gain a higher degree of transparency around KPIs and better knowledge about the drivers behind, enabling us to make better-informed business decisions and to better assess our standing on factors such as equal and fair treatment throughout the organisation. To underpin our efforts to support decent work and economic growth, we are creating a new global rewards framework and policy linked to our efforts to promote equal pay.
Global engagement survey

At Falck we believe that an engaged workforce delivers better results. Conducting our first ever global engagement survey in 2018, we took an important step on our journey to become a unified global company.

In close collaboration with external partners, we have created a global engagement programme that enables our people to speak up and share positive and negative feedback. This creates a global baseline which allows us to celebrate where we excel as a company and challenges us to re-think how we conduct business to ensure that we always make the best decisions for our employees, our customers and our business.

The simple 23-question online survey – with the option to give qualitative comments on each question – was delivered in local languages to more than 24,000 employees worldwide. In total, more than 14,000 employees took the survey (a response rate of 61%), and we received more than 19,000 comments, which have been analysed and categorised using a sentiment analysis tool and pattern-recognition artificial intelligence. The survey established an overall global engagement score of 69 for Falck, close to our external benchmark of 72. Given our turnaround situation, we believe that this is a satisfactory score.

The results from the engagement survey show that our people find a strong sense of purpose in Falck, taking pride in helping others when lives and health are at stake. This, however, translates into a concern across the organisation that decisions are not always made with people in mind, referring both to our own employees and to the people we serve. The survey also shows a demand for more and better communication on direction and key decisions.

We have lined up initiatives which we believe will address some of the identified areas for improvement. Among others, we have built a new global intranet, which will give us the infrastructure to share information across our organisation; we are working on revitalising our global brand; and we will continue to listen to our employees – using the engagement survey as one of the tools.

We also believe in strong leadership as a prerequisite for a successful organisation where people thrive. Managers on various levels at Falck are pivotal to attracting and retaining a strong and dedicated employee base, and in 2019, we will therefore continue to develop the training and support we provide for our managers.

This year’s results established a global baseline for 2019 and upcoming years. We plan to conduct the engagement survey on an annual basis, as we continue the development of our global engagement programme and deepen our understanding of how to engage our workforce, how to mitigate any negative impact we may have as a company, and how to continuously improve working conditions and working environment.

More than 14,000 employees took the opportunity to provide us with feedback, a response rate of 61%.
A proactive approach to health & safety

Falck is in the business of saving and improving lives, and consequently, it is extremely important to us that we do not have a negative impact on the health and safety of our own employees.

In 2018, we updated our Occupational Health and Safety Policy, which is an integrated part of our Code of Conduct.

We are currently in the process of mapping our global health and safety processes, aligning definitions and validating available data, as there is significant variation across business entities and countries. This is essential in order to ensure alignment and sharing of best practices across the organisation. We have started the process within one of our core business units, Ambulance, as the first step towards establishing a global Health & Safety network at Falck.

Understanding root causes of accidents

We are also taking steps to understand the root causes of accidents in order to move from a reactive to a proactive approach. We are developing new training programmes for our employees, focusing on reducing the injuries that are most likely to occur or where it is easiest to change the behaviour that causes the injuries. In our line of business, we cannot eliminate risk entirely, but this proactive approach to health and safety will allow us to minimise injuries and promote employee safety.

The frequency rate of lost time injuries (LTI) decreased from 16.2 in 2016 to 11.9 in 2018, and we aim to continue this positive development through our proactive approach.

Promoting employee well-being

We also wish to promote the mental and physical well-being of our own employees, recognising that this has significant impact on their ability to perform, their likelihood of being injured and their overall quality of life.

We are currently exploring how we can best support our employees to improve their fitness level. We are looking at pilot studies in Denmark, and best practices globally. In the US, Falck has already implemented the Fit Responder training programme that teaches proper lifting techniques for moving patients as part of the onboarding process. In the UK, we are performing individual risk assessments to help and support colleagues with existing health problems and prevent future injuries for others.

In the future, Falck aims to create a comprehensive global programme to launch across the organisation.
Towards a balanced gender composition

A workforce with diverse backgrounds, thinking and personalities combined with the right capabilities enables better performance on a company level and ensures that we deliver excellent service to our customers.

Falck considers it essential to attract a diverse group of talents possessing the right competencies and attitude and the commitment to contribute to Falck’s strategy.

To set the tone about diversity at Falck and promote an inclusive workforce with different backgrounds, we introduced an updated global Diversity and Inclusion Policy in 2018. We have reinforced communication around the policy, ensuring that all entities are aligned and that the global HR community act as gatekeepers and enforce diversity standards together with country management.

Gender composition
Falck is committed to working actively towards a balanced gender composition across the organisation and to increase the share of the underrepresented gender, specifically at management level. According to the Diversity and Inclusion Policy, candidate pools for managerial positions must always include at least one candidate from the underrepresented gender.

In 2018, the percentage of female managers was 37%, equalling the ratio of women in Falck overall, and a marked increase compared to 2017 (30%). We are satisfied with the substantial increase in the proportion of female managers across Falck, which, however, is mainly a consequence of structural changes at management levels in our business units. As an example, the percentage of female managers in Sweden has increased by more than 50%, resulting in a ratio of more than 60% female managers.

Going forward, we will cascade the current policy throughout the organisation and include frontline workers through pilot projects in 2019. We aim to ensure that Falck continues to support gender equality and that this composition is maintained regardless of personnel changes.

The Falck Graduate Programme is a two-year programme, during which the graduates work in different entities in the organisation, including a post outside of Denmark. We see our graduates as important ambassadors of cross-organisational cooperation, cultural understanding and diversity. In 2018, five graduates were recruited, representing several nationalities and both genders.

Gender diversity is only the first step towards an inclusive workforce in Falck. In the future, we also wish to focus on other areas such as nationality composition, age or seniority.
Trust

Trust is vital to our license to operate, and it is essential that we always conduct our business in a way that we never fail the trust of our partners, our customers or the communities in which we operate.

Linked to the overall Falck transformation, the Global Compliance function was established in November 2017 and charged with setting the direction and structure of the Falck Compliance Programme for the purpose of developing a culture of integrity and highest ethical standards. The Global Compliance function reports directly to the President & CEO of Falck.

The global compliance strategy “Leading Global Compliance 2020” was approved in April 2018. It supports Falck’s global presence, aids the increasing pace of regulatory changes and introduces an innovative and data driven approach to compliance, which will contribute to making Falck a trusted business partner.

The 2018 work plan included several building blocks to the foundation of the new Falck Compliance Programme. A new Code of Conduct, new risk self-assessment and new whistleblower system were all introduced in 2018, including training and awareness.

With the foundation in place, in 2019, we will focus on strengthening our ethical standards, our culture of integrity and the trust in our whistleblower system. Therefore, we have decided to move the planned implementation of business partner due diligence from the end of 2018 to our 2019 workplan, which will also include other activities such as a whistleblower newsletter.

The compliance strategy transforms the approach to compliance and is integral to the commercial model. It focuses on the use of technology to provide easy-to-use compliance tools, instant access to information and simplified training programmes that limit manual processes.

Being a trusted business partner

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SDG targets: 16.5, 16.6

Why this is important to society
Corruption harms society and results in increasing costs, disregard of laws, unfair competition and erosion of trust in government.

Why this is important to Falck
Each day we make decisions when assisting people in need, and the communities we operate in rely on us to be a trusted business partner. Therefore Falck takes a zero-tolerance approach against corruption.

Our targets
We are committed to maintaining this trust throughout all our operations, conducting business with integrity and high ethical standards with respect for applicable laws, regulations and internal policies.

Our risks
Breach of Code of Conduct.
Mistrust in whistleblower system and culture.

Our actions
Further implementation of Code of Conduct.
Implementation of new whistleblower system and focus on creating a trusting environment.
Follow-up on global compliance risk assessment.
Falck’s new Code of Conduct marks how we conduct business at Falck, working smarter with compliance by setting best practice standards.

From 2018, Falck’s updated Code of Conduct stands as the single document applicable globally to all employees of the Falck Group as well as our business partners (defined as any party with whom Falck has any form of allegiance through an agreement). It aligns our activities, promotes uniform procedures and policies and enables us to live up to our promise of being a trusted business partner. The Code instructs employees on their rights and responsibilities and on how to make the best decisions.

The new Code of Conduct covers 13 areas, including anti-bribery, competition compliance and a number of areas new to Falck such as facilitation payments, gifts & hospitality and conflict of interest.

In connection with the review of the Code of Conduct, Falck updated and clarified its underlying policies. These now include thresholds for gifts and hospitality, required declaration of conflict of interest, a new Fraud Policy as well as a new Human Rights Policy with new requirements regarding discrimination, harassment, forced labour, child labour, fair wages, etc. With the revised policies in place, the Business Ethics Policy became void as its content was converted into stand-alone policies.

Communicating the Code of Conduct
In line with the compliance strategy’s focus on easy-to-use compliance tools, the Code of Conduct is available in an app solution, providing easy access for all employees and with quizzes testing compliance knowledge. The new Code of Conduct was sent out digitally to more than 25,000 employees in eight languages and supplemented by campaign material and global communication. The Code of Conduct app provides basic data analytics on what areas are read and by whom, giving valuable insight into how the Code is applied across our global organisation and enabling Global Compliance to target entities and countries if use decreases.

The Code of Conduct has become part of all new employment contracts in Falck and all policies and codes previously applicable have been revised or removed. In addition, specific classroom trainings have been conducted of key global functions such as Procurement, Legal, HR, Bid & Tendering and Finance, so that these employees can serve as ambassadors of the new Code of Conduct.

With this Code of Conduct, we are setting a best practice standard. We intend to develop it further in 2019, introducing intelligent data analytics in order to assess which areas are read and not read, pushing messaging to employees, introducing function-specific compliance quizzes and providing online training.

Prior to the Code of Conduct and policy review, Falck conducted a business ethics e-learning programme with approximately 3,500 employees, which saw a 90% completion rate after four weeks.

Modern Slavery Act Transparency Statement
Following up on the business ethics e-learning in Q1 2018, Falck released its annual Modern Slavery Act Transparency Statement in which we highlighted our review of existing policies as well as our expectations for the new Code of Conduct to better assess our human rights impact.

Global Anti-Corruption Statement
The nature of Falck’s activities means that we play an important role in the communities we operate in. These communities rely on us to be a trusted business partner and therefore Falck takes a zero-tolerance approach towards any form of direct or indirect, passive or active bribery. Falck therefore released its first global Anti-Corruption Statement on 9 December 2018 on the UN International Anti-Corruption Day, giving our commitment to the fight against corruption.
Creating a trusted whistleblower system

We are committed to building a culture across our global company that encourages speaking up, asking questions and raising concerns whenever needed and without being uncomfortable doing so.

In 2018, Falck increased focus on the development of our whistleblower system, Falck Alert, and applicable laws within this area, working towards a completely aligned approach.

Falck Alert was relaunched in 2017 through a global awareness campaign, resulting in a slight increase in incident reports. The intake method of a report has changed drastically in the past two years as only 9% of all reports in 2018 were made via the hotline whereas online reporting rose to 91%. An assessment was therefore carried out to compare the current setup with Falck’s future needs.

Based on that, we decided to change the current Falck Alert system to a more user-friendly solution, and in December 2018, we introduced a new Falck Alert solution that employees, business partners and third parties can use to raise their concerns about irregularities or improper actions that fail to comply with applicable laws and regulations, the Falck Code of Conduct or internal policies. Reports can be made through a webpage or an app, where a reporter is able to easily, securely and anonymously report an incident, add pictures, videos or make voice recordings.

Falck encourages employees to raise their concerns about irregularities or improper actions and will continue communicating this globally to create a culture of full transparency so that we can keep our promise of being a trusted business partner.

In 2018, 76% of all reports in Falck Alert were made anonymously compared to best practice benchmark of 56%. With the new Falck Alert solution, future speak-up activities and the Code of Conduct becoming more and more integrated in the business, we aim at reducing the number of anonymous reports.

We wish to build a culture of trust in the Falck organisation in which people can speak up without fear of reprisals and with enough trust in the Falck Alert platform to report their concerns. Reporting a concern or even concrete unethical behavior can be difficult for anyone regardless of cultural background or position in the organisation, and it is our overall responsibility to make sure that these difficulties are overcome.

We will not add a target for the number of reports, as our focus for the coming period is to create a trusting environment across our global organisation. However, such a target might be considered in the future.

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We acknowledge our environmental impact

As a global emergency response and healthcare services company, we wish to mitigate any negative environmental impact our business activities may cause.

As a people business we believe that the best way to reduce our environmental footprint is through the behaviours of our employees.

As stated in our new Code of Conduct, all employees are expected to consider the environmental impact of their actions and the actions of our business partners. We expect our employees and business partners to support a precautionary approach to the environment and take steps to work in a sustainable manner. We encourage our employees to use resources sustainably and create a climate-conscious working environment.

We are currently evaluating our governance setup regarding environment and climate. We wish to embrace existing initiatives, develop new policies and means of measurement and define new actions, in accordance with the Sustainable Development Goal #7 (Affordable and clean energy). Since we are in the process of evaluating and adjusting our efforts in this field, we are not able to report specific results from 2018.

ISO certifications
In addition to the Code of Conduct, Falck holds a number of ISO certifications related to environmental sustainability. These certifications apply to the Ambulance and Industrial Fire Services businesses.

Falck’s ISO landscape is complex and varies from country to country and from business unit to business unit. In order to streamline the certification process and create a better overview of global processes, we have introduced the Global Certification Programme and the ownership of certifications is being transferred to Business Quality Management. Relevant head office employees are certified and country organisations and business units are certified as units of the global programme. Where relevant, ISO 14001 (Environmental Management) forms part of this process. Over the next two years, we plan to develop a comprehensive overview of all ongoing local projects with a view to elevating the more effective ones into global policies.

Falck is developing an electric emergency vehicle with a separate power system for medical equipment and sirenes.