



LEO Pharma's UK Modern Slavery Act statement

In accordance with section 54 of the UK Modern Slavery Act 2015, LEO Pharma publishes its Modern Slavery Act statement, which covers the financial year 1 January – 31 December 2018. The statement sets out the steps taken by LEO Pharma A/S and LEO Laboratories Limited, both of which fall within the scope of section 54 (2) of the Modern Slavery Act 2015 and the Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015 and to prevent modern slavery and human trafficking¹ from occurring in LEO Pharma operations and in our supply chain.

At LEO Pharma, we are taking the following steps to prevent modern slavery and human trafficking from occurring:

Our business

LEO Pharma helps people achieve healthy skin. The company is a leader in medical dermatology with a robust R&D pipeline, a wide range of therapies and a pioneering spirit. Founded in 1908 and owned by the LEO Foundation, LEO Pharma has devoted decades of research and development to advance the science of dermatology, setting new standards of care for people with skin conditions. LEO Pharma is headquartered in Denmark with a global team of 5,500 people, serving 76 million patients in 130 countries. In 2018, the company generated net sales of DKK 10,410 million. All LEO Pharma manufacturing sites are within the EU. We operate in a highly regulated industry in regard to patient safety such as the development, production, marketing and distribution of medicinal products and regular surveillance of product safety.

In our own operations

THE LEO CODE OF CONDUCT AND SUPPORTING POLICIES

As a member of the UN Global Compact, LEO Pharma

supports and respects the protection of all human rights as described in the Universal Declaration of Human Rights, the International Bill of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work.

Our commitment to human and labor rights is expressed in our LEO Code of Conduct and in our Human and Labor Rights Policy, which is part of the LEO Code of Conduct. The LEO Code of Conduct is mandatory for all LEO people. In addition, we ask all LEO people to comply with applicable laws, regulations and industry codes, international requirements as well as our supporting internal guidelines. Together with our guidelines, procedures, etc. it provides guidance for our behaviour based on our LEO values: Integrity, Customer Focus, Innovation, Passion and Adaptability. The LEO Code of Conduct has been endorsed by LEO Pharma's CEO and the Global Leadership Team. It is available in 20 languages and accessible on LEO Pharma's corporate website.

LEO Pharma's Corporate Social Responsibility (CSR) Commitment 2018-2020 includes our commitment to respect and support internationally recognized human rights. As a leader in medical dermatology, we commit to ensure patient safety and safeguard the right to privacy and freedom of consent in clinical trials. Across our global operations, we work to strengthen labor rights through fair and safe working conditions and promote the respect for labor and human rights.

¹When using the term 'modern slavery and human trafficking' we refer to all forms of slavery, servitude and forced and compulsory labor, and human trafficking.

Source: <http://www.legislation.gov.uk/ukpga/2015/30/section/1/enacted>



DUE DILIGENCE

We continue our work to implement the UN Guiding Principles on Business and Human Rights (UNGPs), including assessing our principle human rights risks in relation to our operations.

In 2018, we achieved our set goal related to the implementation of the UN Guiding Principles on Business and Human Rights (UNGPs) which was to conduct human rights due diligence on LEO Pharma headquarters. Over the course of the year, the scope for this 2018 self-assessment of our impact on human rights in our business operations was expanded to include LEO Pharma Group.

We respect human rights which includes respecting 'no one shall be held in slavery or solitude'. LEO Pharma has contracts of employment with its employees. This is an integrated part of our recruitment process. Our self-assessment of our impact on human rights in our business operations provides us with an understanding of our main human rights risks and showed that we manage our most significant risks well and through different LEO Pharma policies and programs we have adequate measures in place. This self-assessment will be our roadmap for our work with human rights going forward and we will work to uphold no slavery in our operations. Please find the executive summary of the outcome of our self-assessment of our impact on human rights in our business operations in LEO Pharma's Annual Report 2018 page 59-60.

TRAINING

Training is pivotal and LEO Pharma has processes in place to ensure that employees are trained in the LEO Code of Conduct and thereby also in our Human and Labor Rights Policy. Employees are trained in the LEO Code of Conduct through a mandatory e-learning course and other supporting materials. New employees undergo mandatory training in the LEO Code of Conduct shortly after their employment commences.

MEASURING OUTCOMES

To ensure that we comply with applicable laws, rules, regulations, the LEO Code of Conduct and related guidelines, we continuously monitor and follow up on compliance findings across our global organisation. Internal and external audits and inspections may be performed to identify issues in a timely manner, take corrective and preventive actions, and ensure compliance with relevant requirements. Our Internal Audit department helps provide assurance that effective systems of control exist by carrying out regular audits and following up on the implementation of agreed actions to address identified deficiencies.

GOVERNANCE

Our commitment to human and labor rights is expressed in our LEO Code of Conduct and in our Human and Labor Rights Policy, which is part of the LEO Code of Conduct, the highest document in LEO Pharma endorsed by CEO and top management. LEO Pharma's CSR Commitment 2018-2020 includes our commitment to respect human rights, and we continue our work to implement the UN Guiding

Principles on Business and Human Rights (UNGPs). The Corporate Social Responsibility (CSR) Board oversees this work.

CAPACITY BUILDING

We actively participate in three multi-stakeholder human rights business networks to support our capacity building efforts. As part of the Human Rights Working Group of the UN Global Compact Network Denmark and the UN Guiding Principles Network of Global CSR, we engage with peers on the implementation of the UN Guiding Principles on Business and Human Rights. With the Human Rights Impact Assessment Network (HRIA) of the Danish Initiative for Ethical Trade (DIEH), we focus on best practice sharing on human rights risk assessments.

In 2018, we furthermore attended an event dedicated to UK Modern Slavery Act with UK's independent Anti-Slavery Commissioner as speaker. Representative from our CSR Department as well as our Sustainable Procurement Department were participants of this insightful event organised by The Confederation of Danish Industry (DI). LEO Pharma was also invited to share insights about our work on communication and anchoring of human rights at a UN Global Compact Network meeting in Denmark for human rights and CSR specialists.

In our supply chain

LEO PHARMA THIRD PARTY COMPLIANCE CODE

At LEO Pharma, we acknowledge the importance of collaborating with suppliers in our everyday operations.

With our responsible supply chain management processes, we aim to ensure that our direct and indirect goods and services are procured in an ethical manner. In this regard, it is paramount for LEO Pharma to manage our supply chain responsibly and work to minimize adverse impacts that our suppliers potentially have in relation to; business ethics, human rights, labor rights, health and safety, environment, subcontractors and management systems. The LEO Pharma Third Party Compliance Code from 2016 consist of these requirements and are the minimum standards for LEO Pharma's suppliers and remains our main guiding document that is based on the Principles from the Pharmaceutical Supply Chain Initiative (PSCI).

Through LEO Pharma Third Party Compliance Code we want to catalyse and address responsible business conduct to LEO Pharma's suppliers and subcontractors. Modern slavery is often hidden in supply chains; therefore, we require and expect our suppliers to take measures and assess the risks in their supply chains as well as their sub-contractors.

We ask third parties to respect human rights in general as defined by UN Guiding Principles on Business and Human Rights (UNGPs), which includes respecting 'no one shall be held in slavery or solitude'.



We also specifically refer to modern slavery in the section about labor rights, where we have specific requirements in relation to freely chosen employment, child labor and young workers, non-discrimination, benefits and working hours, fair treatment, wages and freedom of associations.

DUE DILIGENCE

Our standards for sustainable procurement and our pursuit to ensure a responsible supply chain are built into our global procedures and supported by LEO Pharma Third Party Compliance Code as well as LEO Pharma's Global Procurement procedures. We conduct due diligence for new suppliers and for our high risk existing suppliers.

We systematically screen new suppliers (both indirect and direct suppliers), based on frequency of purchase, dependency on the supplier and the estimated spend. Each supplier is assessed and evaluated on a risk-based approach starting with a desktop research against our benchmarks, which includes screening parameters with inspiration from international guidelines such as the ten principles of the UN Global Compact, that highlights the elimination of forced labor. If we identify actual or potential adverse impacts and questions persist after initial desktop assessment, we engage with our suppliers through a self-assessment questionnaire, through which we ask our suppliers to provide evidence around their policies and processes.

In 2018, we have implemented new ranking criteria in our due diligence process of our suppliers, so that we in 2019 can use this data to improve our due diligence and increase our knowledge of our suppliers.

Additionally, we updated our self-assessment questionnaire in the first quarter of 2018, to be aligned with our LEO Pharma Third Party Compliance Code, which includes questions regarding modern slavery and suppliers' UK Modern Slavery Act Transparency statement.

In 2018, we assessed 1210 new suppliers and sent a self-assessment questionnaire or additional questions to 193 suppliers, compared to 2017 where 1019 new suppliers were assessed, and 154 self-assessment questionnaire or additional questions were sent.

The increase in assessed suppliers in 2018 is in relation to the roll out of our Enterprise Resource Planning system in affiliate countries, which includes, Germany, Romania, Poland, Switzerland, Czech Republic, Austria, Slovakia, Italy, Spain, China, Japan, South-Korea, Singapore, Portugal and the Gulf Cooperation Council countries.

Each year we select high risk existing suppliers to assess by taking into account the same criteria as for our new suppliers. In 2018, we assessed 448 suppliers compared to 341 suppliers in 2017, and we have broadened the scope to also include manufacturers beyond tier 1.

As a specific project in relation to strengthening our due diligence procedures and for effectively mapping the salient risks of our suppliers, we have in collaboration with external experts carried out a human right impact assessment of our 109 supplier categories. For doing this exercise, we assessed our supplier categories and how each category could have a potential adverse impact on the 48 human rights, from the International Bill of Human Rights, which are explained in the UN Guiding Principles on Business and Human Rights (UNGPs). The assessment therefore includes an assessment of each supplier category in relation to 'Rights not to be subjected to slavery, servitude or forced labor'. We have additionally, compared the location of our high-risk suppliers with the Global Slavery Index.

We use this project to improve our processes, ensuring that our supplier assessment is based on analysis rather than assumptions and placing appropriate focus on the supplier categories with high risk of potential adverse impact on human rights and modern slavery.

TRAINING

Capacity building is continuously a focus point on our agenda. We foster accountability by training our procurement department in LEO Pharma Third Party Compliance Code. We have made a revision of the training in 2018 and retrained our procurement department to ensure the comprehension of LEO Pharma Third Party Compliance Code. We will in the future reinforce procurement employees' attention on responsible practices when visiting a supplier and commencing a supplier relationship.

Global grievance mechanism

IN OUR OWN OPERATIONS

The LEO WhistleBlower Hotline gives LEO people and others associated with LEO Pharma the ability to report unethical behaviour and serious concerns in a secure and confidential way.

It is possible to report in multiple languages, 24 hours a day, 365 days a year, from anywhere in the world. LEO people have access to the LEO WhistleBlower Hotline through a communication platform that is also accessible via our corporate website. All concerns communicated through the hotline are initially screened by an external vendor.

Afterwards, they are sent to a very limited group of people from LEO Pharma to make sure that we investigate any violations, ensure anonymity for the reporter when legally possible locally and quickly respond to the report.

In 2018, no reports received through the LEO WhistleBlower Hotline required immediate action. However, reports led to investigation, and internal actions were taken.

IN OUR SUPPLY CHAIN

In 2018, we identified through the Danish media a potential issue of non-compliance of one of our sub-contractors (Tier 2). The sub-contractor has been suspected of human trafficking & forced labor in four European countries. This has led our tier 1 supplier to terminate their business relationship with the sub-contractor. At LEO Pharma we have engaged with our tier 1 supplier to prevent future cases. Moreover, we will enhance our due diligence of this supplier category in particular for tier 2 suppliers and continue working with our multi-stakeholder environment and follow the development of the case.

Future plans

IN OUR OWN OPERATIONS

LEO Pharma's CSR Commitment 2018-2020 includes our commitment to respect human rights, and we continue our work to implement the UN Guiding Principles on Business and Human Rights (UNGPs).

In 2019, the plan is to follow up on the work identified by our 2018 human rights self-assessment for LEO Pharma Group and to conduct a human rights risk assessment in one of our affiliates. Furthermore, we will continue our participation in the different human rights network we are currently part of to engage with

Future plans (continued)

peers on the implementation of the UN Guiding Principles on Business and Human Rights (UNGPs).

IN OUR SUPPLY CHAIN

Responsible supply chain management is one of our focus areas in our CSR Commitment 2018-2020. We aim to engage our high-risk suppliers in our sustainability expectations before we engage with them commercially. In the future we will reinforce supplier engagement and make site visits including remediation plans, when deemed necessary. The site visit program will reinforce our due diligence processes and increase awareness about responsible business conduct in accordance with LEO Pharma Third Party Compliance Code. Our aim by engaging proactively with the suppliers is to emphasize collaboration and create dialogue about transparent governance frameworks and responsible business conduct. We will base the site visit program on recommendation in the OECD Guidelines for Multinational Enterprises as well as the Pharmaceutical Supply Chains Initiative audit framework.

In addition to internal collaboration, we make use of our membership of the Danish Initiative for Ethical Trade (DIEH), where we have initiated a networking group focused on pharmaceutical practices in relation to responsible business practices. In 2018, we became members of the Pharmaceutical Supply Chain Initiative (PSCI) through which we embrace industry collaboration and work towards common standards in the pharmaceutical industry. Through the audit committee group of which we are members, we work on shared tools and standards and ensure that we are up to date on due diligence procedures and move from a reactive towards a proactive approach in supplier assessment.



Gitte P. Aabo
President and CEO

