

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 2017. The statement includes the actions LEO Pharma has taken to prevent modern slavery and human trafficking¹ from occurring in our own operations and in our supply chain.

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

In our own operations

THE LEO CODE OF CONDUCT AND SUPPORTING POLICIES

The LEO Code of Conduct is mandatory for all LEO people and is a framework for how we behave.

LEO Pharma supports and respects the protection of internationally adopted human and labour rights, including the International Bill of Human Rights, Universal Declaration of Human Rights and fundamental workers' rights espoused by the International Labour Organization.

This commitment to human and labour rights is expressed in our Human and Labour Rights Policy, which is part of the LEO Code of Conduct. It is available in 20 languages and accessible on LEO Pharma's corporate website. 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.

DUE DILIGENCE

LEO Pharma has contracts of employment with its employees. This is an integrated part of our recruitment process.

In 2017, working with human rights at LEO Pharma also included a pilot project for implementing the UN Guiding Principles on Business and Human Rights (UNGPs). The pilot project was a human rights impact assessment of our Global People function at headquarters. The human rights impact assessment consisted of mapping policies and processes, analysing gaps with reference to the 48 human rights and developing action plans based on the findings. In 2018, LEO Pharma will work on implementing the defined actions to mitigate our identified potential and actual impacts on human rights. The next step is to expand the human rights impact assessment to the rest of headquarters in 2018.

TRAINING

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 Labour 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.

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

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

To raise awareness of human rights, we set a goal for 2017 to conduct a global human rights awareness campaign as part of our preparations to work with the UNGPs. As our Corporate Social Responsibility (CSR) Commitment 2018-2020 includes our commitment to respect human rights, it was decided to include the global human rights awareness campaign in the overall communication of our CSR Commitment 2018-2020, which was launched in December 2017. We marked Human Rights Day and the 70th anniversary of the UN Universal Declaration of Human Rights on 10 December.

MEASURING OUTCOMES

In order 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 in order 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.

In our supply chain

LEO PHARMA THIRD PARTY COMPLIANCE CODE

At LEO Pharma, we acknowledge the importance of collaborating with third parties in our everyday operations. In this regard, the LEO Pharma Third Party Compliance Code from 2016 is our main guiding document.

The LEO Pharma Third Party Compliance Code clarifies our requirements and expectations to third parties in relation to ethical and sustainable business conduct globally, within the areas of:

- business ethics
- human rights
- labour rights
- health and safety
- environment
- subcontractors
- management systems

Modern slavery is specifically referred to in the section regarding labour rights, where we focus, among other things, on freely chosen employment, child labour and young workers, non-discrimination, benefits and working hours, fair treatment, wages and freedom of association. In addition, we ask third parties to respect hu-

man rights in general as defined by the UNGPs, including that “no one shall be held in slavery or solitude”. We are aware that modern slavery is often hidden in supply chains, so we require and expect our third parties to take measures and assess the risks in their supply chains as well as to ask their suppliers to adhere to the LEO Pharma Third Party Compliance Code or their own similar expectations and requirements. Through our Third Party Compliance Code, we intend to catalyse and address ethical trade and modern slavery issues with our direct third parties and subcontractors.

DUE DILIGENCE

LEO Pharma's global procurement guidelines provide the framework for LEO Pharma's global procurement process in our pursuit of a sustainable supply chain. This process includes the sustainable procurement process, which consists of two distinct due diligence frameworks: one for new suppliers and one for our existing suppliers.

In 2017, we expanded the sustainable procurement process for supplier management to additional affiliates in Belgium, Finland, the Netherlands, Norway, Sweden and the UK. Reaching this milestone allows us to get a better insight into and overview of LEO Pharma's regional suppliers.

In January 2018, the sustainable procurement process for supplier management was also rolled out in affiliates in Austria, the Czech Republic, Germany, Poland, Romania, Slovakia and Switzerland.

The due diligence framework for new suppliers is applied to all suppliers that are a part of our new Enterprise Resource Planning (ERP) system – from low spend to high spend, regardless of industry and supplier category. Given the wide range of products we purchase, LEO Pharma has a risk-based approach and takes additional assessment steps with the suppliers identified as high-risk suppliers, which are determined according to the following criteria: spend, dependency, frequency and known risks in the supplier category. In 2017, a new and more industry-specific supplier self-assessment questionnaire was developed and will be launched at the beginning of 2018. The self-assessment questionnaire, which is sent to LEO Pharma's high-risk suppliers, helps determine to which extent LEO Pharma should take further precautionary measures to minimise, among others, the risk of modern slavery and human trafficking in our supply chain. Direct questions regarding modern slavery and suppliers' UK Modern Slavery Act statements are included. Through the self-assessment questionnaire and dialogue with our suppliers, we raise awareness about labour rights and modern slavery.

In 2017, 342 existing suppliers were assessed in relation to our Third Party Compliance Code. These suppliers represents approximately 50% of LEO Pharma's 2016 supplier spend. Of the assessed suppliers, further contact will be made with around 40 companies from four product categories in the direct procurement activities, namely primary and secondary packaging, raw materials, biologics and contract manufacturing. We expect the dialogue with our suppliers to create better cooperation.

TRAINING

We continuously provide internal training sessions in relation to the LEO Pharma Third Party Compliance Code, which includes awareness about modern slavery. In 2017, we trained relevant employees from the following departments: Global Procurement, Global Legal, Global Quality and External Manufacturing. We see internal awareness as a powerful motivation that encourages internal conversations between employees, while highlighting the importance of good labour rights standards to suppliers and stakeholders.

Global grievance mechanism

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 2017, no reports received through the LEO WhistleBlower Hotline required immediate action. However, reports led to investigation, and internal actions were taken.

Future plans

IN OUR OWN OPERATIONS

LEO Pharma's CSR Commitment 2018-2020 includes our commitment to respect human rights, and we will therefore continue our work to implement the UNGPs, including human rights impact assessments, starting with headquarters in 2018.

Responsible supply chain management has been chosen as one of our five CSR focus areas 2018-2020.

IN OUR SUPPLY CHAIN

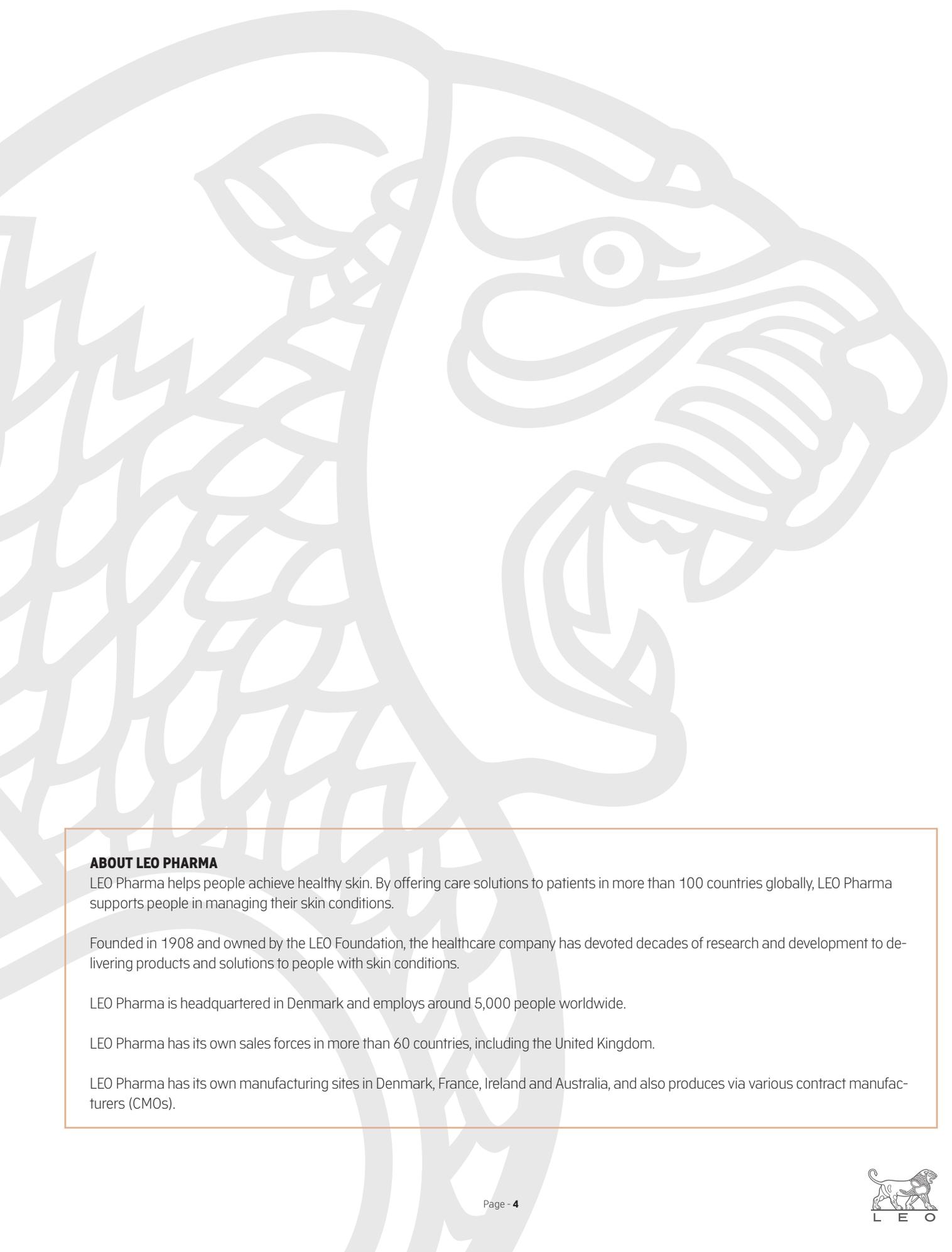
LEO Pharma did not identify any cases of modern slavery in 2017, but we acknowledge that we continuously need to strengthen our due diligence processes. We recognise the work we have to do on reviewing and addressing the risks in our supply chains, starting with choosing suitable suppliers as part of the procurement process. We will continue to influence our suppliers in maintaining high human rights and labour standards. We seek to maximise this influence through long-term, stable and mutually beneficial supplier relationships.

Through multiple networks and our membership of the multi-stakeholder initiative Danish Initiative for Ethical Trade (DIEH), which is a sister organisation of Ethical Trading Initiative (ETI) in the UK, we continuously share good practices regarding how to prevent modern slavery in our supply chains. The Sustainable Procurement department will continuously build internal capacity regarding human rights to ensure a high level of knowledge in this area.

We are in the process of carrying out a human rights impact assessment of our suppliers based on supplier categories. This will help us to identify where we can have an actual or potential adverse impact. Once we have identified the high-risk supplier categories, we will be in a position to better target our resources and prevention and mitigation efforts. This includes a remediation plan in the event of non-compliance with our Third Party Compliance Code.



Gitte P. Aabo
President and CEO



ABOUT LEO PHARMA

LEO Pharma helps people achieve healthy skin. By offering care solutions to patients in more than 100 countries globally, LEO Pharma supports people in managing their skin conditions.

Founded in 1908 and owned by the LEO Foundation, the healthcare company has devoted decades of research and development to delivering products and solutions to people with skin conditions.

LEO Pharma is headquartered in Denmark and employs around 5,000 people worldwide.

LEO Pharma has its own sales forces in more than 60 countries, including the United Kingdom.

LEO Pharma has its own manufacturing sites in Denmark, France, Ireland and Australia, and also produces via various contract manufacturers (CMOs).